

AKSIGORTA A.Ş.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Aksigorta A.Ş.

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Aksigorta A.Ş. ("the Company") as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and "Independence Audit by-Law" published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and independent auditing requirements referred to in Article 400 of the Turkish Commercial Code ("TCC") (collectively referred to as "Turkish Local Independence Rules"). We have fulfilled our other ethical responsibilities in accordance with IESBA Code and Turkish Local Independence Rules.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and industry in which the Company operates.

Key audit matters

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



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p data-bbox="272 499 829 569"><i>Estimation of incurred but not reported claims provision</i></p> <p data-bbox="272 600 862 1031">As explained in Notes 2.16 and 17 to the accompanying financial statements, the Company has gross insurance liabilities of TL 8,721 million representing 74% of the Company’s total equity and liabilities as of 31 December 2021. Concerning the estimation of provision for incurred but not reported claims which amounted to gross TL 1,987 million as of 31 December 2021, the Company uses actuarial methods. The choice of selected methods and development factors for each accident year for each class of business depends on the best estimate of the Company.</p> <p data-bbox="272 1066 870 1262">The reason we focus on this area during our audit is the significance of the provision for incurred but not reported claims for the financial statements and the significant actuarial judgments and estimates required by the nature of such provision in the financial statements.</p>	<p data-bbox="894 600 1495 1163">We tested the design and operational effectiveness of the key controls implemented by the Company's management in relation to the ultimate claims used in the calculation of the provision for incurred but not reported claims. We performed reconciliation of the data used in the calculation of incurred but not reported claims for selected branches with the accompanying financial statements. Our actuaries have assessed the estimated loss ratios and expected damage developments trends together with the selected actuarial techniques considering past damage experiences and sector developments. In addition, for selected branches, we made an estimation of the reasonable ranges for the incurred but not reported claims provision and compared them with the Company’s records.</p> <p data-bbox="894 1199 1435 1289">We checked the adequacy and accuracy of the disclosures in the accompanying financial statements related to such provision.</p>

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs 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 financial statements.

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

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



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

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

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

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

Adnan Akan, SMMM
Partner

Istanbul, 7 February 2022

AKSIGORTA A.Ş.

**FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2021**

TABLE OF CONTENTS	PAGE
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF INCOME	2
STATEMENT OF COMPREHENSIVE INCOME.....	3
STATEMENT OF CHANGES IN EQUITY	4
STATEMENT OF CASH FLOWS.....	5
NOTES TO THE FINANCIAL STATEMENTS	6-60

AKSIGORTA A.Ş.

STATEMENT OF FINANCIAL POSITION FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2021

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

Assets	Note	Audited	Restated (Note 1.1)
		December 31, 2021	Audited December 31, 2020
Total current assets		11,534,589,610	8,795,722,627
Cash and cash equivalents	10	2,194,391,593	2,270,224,400
Financial assets			
Debt securities:			
- Available for sale at company's risk	9	1,215,216,528	1,472,808,484
- Held to maturity at company's risk	9	1,737,608,467	205,527,370
- Held for trading at company's risk	9	6,454,765	63,234,980
- Available for sale at insurees' risk	9, 30	1,874,466	1,952,843
Premium receivables	11	1,438,979,223	1,056,877,634
Due from reinsurers	11	40,204,422	28,401,167
Reinsurance share of insurance liabilities	12, 17	4,584,171,137	3,446,802,603
Deferred acquisition costs	13	206,239,673	184,523,983
Other current assets	14	109,449,336	65,369,163
Total non-current assets		176,594,398	115,685,055
Tangible assets	6	22,581,492	20,015,818
Right of use of assets	6	17,343,827	23,486,209
Intangible assets	7	112,572,496	57,223,537
Investment properties	8	-	-
Financial assets			
Equity securities:			
- Available for sale	9	875,420	722,156
Deferred income tax assets	24	23,083,158	14,175,866
Other non-current assets	14	138,005	61,469
Total assets		11,711,184,008	8,911,407,682
Liabilities	Note	Audited December 31, 2021	Restated (Note 1.1) Audited December 31, 2020
Total current liabilities		10,603,889,325	7,786,547,633
Insurance liabilities	17	8,721,256,225	6,635,229,369
Payables to reinsurers	19	1,304,099,529	811,188,810
Other financial liabilities	2.19	16,177,847	13,065,843
Obligations under repurchase agreements	2.14	101,655,748	59,562,359
Derivative financial liabilities	2.26	49,851,945	5,352,006
Provisions for other liabilities and charges	18	62,941,823	70,812,935
Trade and other payables	19	307,904,206	160,344,827
Current income tax liabilities	24	25,033,584	23,614,067
Short-term lease liabilities	21	14,968,418	7,377,417
Total non-current liabilities		26,708,222	30,609,684
Provision for retirement benefit obligation	20, 24	14,112,606	9,095,078
Long-term lease liabilities	21	12,595,616	21,514,606
Total equity		1,080,586,461	1,094,250,365
Shareholders' equity	15	306,000,000	306,000,000
Legal and other reserves	15	428,631,014	302,288,128
Actuarial loss arising from employee benefit	15	(8,518,554)	(5,451,203)
Available-for-sale investments fund	15	(30,139,525)	1,441,549
Retained earnings/accumulated deficit		384,613,526	489,971,891
Total equity and liabilities		11,711,184,008	8,911,407,682

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

AKSIGORTA A.Ş.

STATEMENT OF INCOME FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2021

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

Income Statement	Note	Audited	Restated (Note 1.1)
		December 31, 2021	Audited December 31, 2020
Insurance premium revenue	22	5,976,068,860	4,701,915,991
Insurance premium ceded to reinsurers	22	(2,697,263,245)	(2,026,507,846)
Net insurance premium revenue	22	3,278,805,615	2,675,408,145
Investment income	25	626,328,062	359,796,245
Commission income	26	336,534,276	260,600,253
Other operating income	27	35,832,752	11,147,509
Net income		4,277,500,705	3,306,952,152
Insurance claims	23	(4,757,303,495)	(2,938,165,237)
Insurance claims recovered from reinsurers	23	1,833,284,788	1,180,134,898
Net insurance claims	5, 23	(2,924,018,707)	(1,758,030,339)
Commission expense	26	(783,337,854)	(670,043,275)
Expenses for marketing and administration	28	(320,842,210)	(275,395,049)
Other operating expenses	27	(65,229,450)	(97,825,145)
Insurance claims and expenses		(4,093,428,221)	(2,801,293,808)
Results of operating activities		184,072,484	505,658,344
Foreign exchange gain / (loss), net	29	249,465,252	30,495,696
Profit before tax		433,537,736	536,154,040
Income tax expense	24	(106,553,215)	(122,686,654)
Profit for the period		326,984,521	413,467,386
Earnings per share	16	0.0107	0.0135

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

AKSIGORTA A.Ş.**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2021**

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

		Audited	Restated (Note 1.1)
Statement of comprehensive income	Note	December 31, 2021	Audited December 31, 2020
Profit for the period		326,984,521	413,467,386
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in available-for-sale financial assets fund, net off deferred tax	15	(31,581,074)	(5,147,085)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(31,581,074)	(5,147,085)
Other comprehensive income not being reclassified to profit or loss in subsequent periods:			
Actuarial loss, net of deferred tax	15	(3,067,351)	(932,990)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		(3,067,351)	(932,990)
Other comprehensive income, net of tax		(34,648,425)	(6,080,075)
Total comprehensive income for the year, net of tax		292,336,096	407,387,311

The accompanying notes form an integral part of these financial statements

AKSİGORTA A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2021

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

December 31, 2020						Restated (Note 1.1)	Audited
	Note	Share capital	Available-for-sale investment funds	Legal and other reserves	Actuarial loss arising from employee benefit	Retained earnings	Total
Balances at January 1, 2020 - as previously stated	15	306,000,000	6,588,634	137,889,692	(4,518,213)	324,251,802	770,211,915
O/S Claims Discounting Impact (*)		-	-	-	-	118,611,139	118,611,139
Balances at January 1, 2020 as restated		306,000,000	6,588,634	137,889,692	(4,518,213)	442,862,941	888,823,054
Profit for the year		-	-	-	-	413,467,386	413,467,386
Transfer		-	-	164,398,436	-	(164,398,436)	-
Other comprehensive income		-	(5,147,085)	-	(932,990)	-	(6,080,075)
Total comprehensive income	15	-	(5,147,085)	164,398,436	(932,990)	249,068,950	407,387,311
Dividend payment		-	-	-	-	(201,960,000)	(201,960,000)
December 31, 2020	15	306,000,000	1,441,549	302,288,128	(5,451,203)	489,971,891	1,094,250,365
December 31, 2021						Restated (Note 1.1)	Audited
	Note	Share capital	Available-for-sale investment funds	Legal and other reserves	Actuarial loss arising from employee benefit	Retained earnings	Total
Balances at December 31, 2020 - as previously stated	15	306,000,000	1,441,549	302,288,128	(5,451,203)	331,837,425	936,115,899
O/S Claims Discounting Impact (*)		-	-	-	-	158,134,466	158,134,466
Balances at December 31, 2020 as restated		306,000,000	1,441,549	302,288,128	(5,451,203)	489,971,891	1,094,250,365
Profit for the year		-	-	-	-	326,984,521	326,984,521
Transfer		-	-	126,342,886	-	(126,342,886)	-
Other comprehensive income		-	(31,581,074)	-	(3,067,351)	-	(34,648,425)
Total comprehensive income	15	-	(31,581,074)	126,342,886	(3,067,351)	200,641,635	292,336,096
Dividend payment		-	-	-	-	(306,000,000)	(306,000,000)
December 31, 2021	15	306,000,000	(30,139,525)	428,631,014	(8,518,554)	384,613,526	1,080,586,461

(*) Disclosed in Note 1.1.

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

AKSIGORTA A.Ş.**STATEMENT OF CASH FLOWS
FOR THE YEAR PERIOD JANUARY 1 - DECEMBER 31, 2021**

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

Cash Flow Statement	Note	Audited January 1 - December 31, 2021	Audited January 1 - December 31, 2020
Cash inflows from insurance operations		9,244,047,404	6,711,087,724
Cash outflows from insurance operations		(8,298,636,857)	(5,816,337,322)
Income tax payment		(103,911,050)	(146,848,601)
Cash inflows/(outflows)from operational expenses		(343,246,307)	(340,372,969)
Net cash flows from operating activities		498,253,190	407,528,832
Tangible and intangible asset acquisitions / disposals		(96,902,327)	(35,897,696)
Financial asset acquisitions / disposals		(1,080,552,707)	(283,351,546)
Interest received		645,860,237	332,868,763
Other cash inflows/(outflows)		131,847,322	(40,827,651)
Net cash flows from investing activities		(399,747,475)	(27,208,130)
Dividends paid		(306,000,000)	(201,960,000)
Financial lease payments		(9,841,895)	(15,518,592)
Net cash flows from financing operations		(315,841,895)	(217,478,592)
Net increase/(decrease) in cash and cash equivalents		(217,336,180)	162,842,110
Cash and cash equivalents at the beginning of the period		1,994,609,067	1,831,766,957
Cash and cash equivalents at the end of the period	2.14 and 10	1,777,272,887	1,994,609,067

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

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

1. General Information

1.1 Restatement to Prior Year Financial Statements

Aksigorta A.Ş. reviewed its accounting policy regarding outstanding claims and concluded on discounting the outstanding claim provision by restating the prior year financial statements. . Up until December 31, 2021, Aksigorta A.Ş. did not apply any discounting on its outstanding claim provisions. Starting from December 31, 2021, the company decided to discount its outstanding claims. The effect of this change was recognized retrospectively in the financial statements.

Restated balances for balance sheet and profit/loss statement are stated below:

December 31, 2019	Previously Reported	Effect of Restatement	Restated
Reinsurance share of insurance liabilities	2,831,234,908	(158,432,838)	2,672,802,070
Deferred income tax assets	57,248,860	(39,537,047)	17,711,813
Total assets	7,357,375,026	(197,969,885)	7,159,405,141
Total current liabilities	6,554,166,726	(316,581,024)	6,237,585,702
Insurance liabilities	5,605,185,858	(316,581,024)	5,288,604,834
Retained earnings/accumulated deficit	324,251,802	118,611,139	442,862,941
Total equity and liabilities	7,357,375,026	(197,969,885)	7,159,405,141

December 31, 2020	Previously Reported	Effect of Restatement	Restated
Reinsurance share of insurance liabilities	3,647,998,480	(201,195,877)	3,446,802,603
Deferred income tax assets	66,887,355	(52,711,489)	14,175,866
Total assets	9,165,315,048	(253,907,366)	8,911,407,682
Total current liabilities	8,198,589,465	(412,041,832)	7,786,547,633
Insurance liabilities	7,047,271,201	(412,041,832)	6,635,229,369
Retained earnings/accumulated deficit	331,837,425	158,134,466	489,971,891
Total equity and liabilities	9,165,315,048	(253,907,366)	8,911,407,682

January 1, December 31, 2020	Previously Reported	Effect of Restatement	Restated
Net insurance claims	(1,810,728,108)	52,697,769	(1,758,030,339)
Income tax expense	(109,512,212)	(13,174,442)	(122,686,654)
Profit before tax	483,456,271	52,697,769	536,154,040
Profit for the period	373,944,059	39,523,327	413,467,386
Earnings / (Loss) per Share	0.0122	0.0013	0.0135

1.2 Corporate Information

Aksigorta A.Ş. (the “Company”) is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of December 31, 2021. 38.02% (December 31, 2020: 38.02%) of the Company is issued in Borsa İstanbul (“BİST”).

The Company is a corporation, which was established in accordance with the requirements of Turkish Commercial Code and registered in Turkey as at April 25, 1960. The Company is located at Poligon Cad. Buyaka 2 Sitesi No:8 Kule:1 Kat:0-6 Ümraniye 34771, İstanbul.

The Company’s main operations include insurance activities based on non-life insurance branches, including motor own damage, motor third party liability, fire, marine, accident, personal accident, engineering, agriculture and health.

Average numbers of employees during the period by category are as follows:

	December 31, 2021	December 31, 2020
Top and middle management	110	144
Other personnel	562	524
Total	672	668

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

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

1. General Information (Continued)

1.2 Corporate Information (Continued)

Remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing directors amount to TL 10,934,220 in total for January 1 - December 31, 2021 (January 1 - December 31, 2020: TL 8,980,560).

Financial statements include only one company (Aksigorta A.Ş.) and the Company does not have any subsidiaries or affiliates as of December 31, 2021 (December 31, 2020: None).

The Company’s financial statements as of December 31, 2021 are approved and authorized for issuance as of February 7, 2022 by the Board of Directors.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements at December 31, 2021 have been prepared in accordance with International Financial Reporting Standard as defined by IAS 1.

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (“TL”) in accordance with the Insurance Law numbered 5684 and the regulations issued for insurance and reinsurance companies by the Ministry of Treasury and Finance which is also the functional currency of the Company. These financial statements are based on the statutory records, with adjustments and reclassifications, for the purpose of fair presentation in accordance with IFRS.

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise its judgements in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to financial statements are disclosed Note 3.

Comparative information and restatement of prior period financial statements

The Company’s statement of financial position as of December 31, 2021 is presented in comparison with its restated statement of financial position as of December 31, 2020; statement of comprehensive income, statement of changes in equity and statement of cash flows for the period between January 1 -December 31, 2021 are presented in comparison with its restated statement of comprehensive income, restated statement of changes in equity and restated statement cash flows for the period between January 1 - December 31, 2020.

2.2 Adoption of New and Revised Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the 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, 2020. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021**

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

i) Standards, amendments and interpretations applicable as at December 31, 2021:

The company has evaluated the effects of the standards and amendments mentioned below on the financial statements and has come to the opinion that the amendments do not have a significant effect on the financial statements for the accounting period of 1 January - 31 December 2021.

- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- **Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2023. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.

ii) Standards, amendments and interpretations that are issued but not effective as at December 31, 2021:

The company has evaluated the changes in the standards mentioned below that have been published but not yet effective and has started working on the TFRS 17 standard and its effects. The company management concluded that except for the TFRS 17 standard, the amendments below will not have a significant impact on the financial statements.

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after January 1, 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021**

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after January 1, 2022.

- **Amendments to IFRS 3**, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. .
- **Amendments to IAS 16**, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to IAS 37**, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

2.3 Consolidation

The Company has no subsidiaries or joint ventures within the scope of consolidation in accordance with "IFRS 10- Consolidated Financial Statements" as of December 31, 2021 (December 31, 2020: None).

2.4 Segment Reporting

Reporting segments are determined to conform to the reporting made to the Company's chief operating decision maker. The chief operating decision maker is responsible for making decisions about resources to be allocated to the segment and assess its performance. Details related to the segment reporting are disclosed in the Note 5.

2.5 Foreign currency translation

The functional currency of the Company is TL. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

2. Summary of significant accounting policies (Continued)

2.5 Foreign currency translation (Continued)

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated to Turkish Lira at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

Foreign currency assets and liabilities are converted by using period end exchange rates of Central Bank of the Republic of Turkey’s bid rates. For the conversion of liabilities the exchange rate stated at the contract is used.

The Central Bank of the Republic of Turkey exchange rates used in the conversion is as follows:

	December 31, 2021		December 31, 2020	
	USD/TL	EUR/TL	USD/TL	EUR/TL
Bid Rates	13.3290	15.0867	7.3405	9.0079
Ask Rates	13.3731	15.1365	7.3647	9.0376

2.6 Tangible Assets

All property and equipment are carried at cost less accumulated depreciation. Since lands have infinite life, they are not depreciated. Depreciation is calculated using the straight-line method over the estimated useful life of the tangible assets. For assets that are not ready for use or sale, such assets are depreciated, on the same basis used for other fixed assets, when they are ready to use.

Estimated useful life, residual value, and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. If there are indicators of impairment on tangible assets, a review is made in order to determine possible impairment and as a result of the review, if an asset’s carrying amount is greater than its estimated recoverable amount, the asset’s carrying amount is written down immediately to its recoverable amount by accounting for a provision for impairment. Gains and losses on disposals of property and equipment are included in other operational income and expenses accounts.

Assets acquired under finance lease are depreciated as the same basis as tangible assets or, where shorter, the term of the relevant lease.

Gain or loss arising on the disposal or retirement of an item of tangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized to profit or loss.

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

2. Summary of significant accounting policies (Continued)

2.6 Tangible Assets (Continued)

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

	Useful Life
Properties	50 years
Furniture and fixtures	10 years
Motor vehicles	5 years
Leasehold Improvements	5 years

Right of Use Asset

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

Lease Liability

On adaption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as “operating leases” under the principle of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of the starting date of the lease agreements. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on December 31, 2021 was 20% for local currency liabilities (December 31, 2020: 20%).

2.7 Investment properties

The buildings and lands of the Company held for the purpose of receiving rent or an increase in value or both instead of being used in the operations of the Company or being sold within the normal business course are classified as investment properties. The investment properties are carried at acquisition cost by deducting the accumulated depreciation. Investment properties are amortized by the straight-line method over their estimated useful lives. If there are indicators of impairment on investment properties, a review is made in order to determine possible impairment and as a result of this review, if the property’s carrying amount is greater than its estimated recoverable amount, the property’s carrying amount is written down immediately to its recoverable amount by accounting for an impairment provision. The recoverable amount is the higher of the future cash inflows from the existing use of the investment property and the fair value of the property after cost of sale.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal (Note 8).

2.8 Intangible assets

Intangible assets acquired

Intangible assets acquired are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

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

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets (Continued)

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred from the date of acquisition to the date to bring the specific software in use. These costs are amortized over their estimated useful lives (1 to 10 years). Costs associated with developing or maintaining computer software programs are recognized as expense as incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Company and will probably provide more economic benefits than costs in one year are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives.

Useful life:

Rights

5 years

2.9 Financial assets

The Company classifies and accounts for its financial assets as, “Available-for-sale financial assets”, “Held to maturity financial assets”, “Held for trading” and “Loans and receivables (Premium receivables)”. Premium receivables are the receivables arising from insurance agreements and they are classified as financial assets in financial statements.

Regular purchases and sales of financial assets are recognized on the “settlement date”. The classification of these financial assets depends on the purpose for which they were acquired and the Company’s management determines the classification of its financial assets at initial recognition.

Loans and receivables (Premium receivables)

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

The Company accounts for a provision for its receivables based on evaluations and estimations of the management. The mentioned provision is deducted from “Premium receivables” on the statement of financial position. The Company sets its estimations in accordance with the risk policies and the principle of prudence by considering the structure of current receivable portfolio, financial structure of policyholders and intermediaries, non-financial data and economical conditions.

Available-for-sale financial assets

Investments other than “financial assets at fair value through profit or loss”, and “loans and receivables” are described as available-for-sale financial assets.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021**

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

2. Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

Available-for-sale financial assets (Continued)

Available-for-sale financial assets are subsequently measured at fair value after their recognition. It is considered that the fair value cannot be reliably measured if the price that provides a basis for fair value is not set in active market conditions and “amortized cost value” that is calculated using the effective interest method is used as fair value. Equity securities classified as available-for-sale are carried at fair values if they have quoted market prices in active markets and/or if their fair value can be reliably measured. The equity securities that do not have a quoted market price in an active market, and if their fair value cannot be reliably measured are carried at cost less the provision for impairment.

“Unrealized gains and losses” arising from the change in the fair value of available-for-sale financial assets is accounted for under “Valuation of Financial Assets” account in the shareholders’ equity and not reflected in the income statement until the financial asset is sold, disposed or derecognized. The unrealized gains and losses arising from the change in the fair value is removed from shareholders’ equity and recognized in the income statement when the financial assets mature or are derecognized. The Company assesses at each statement of financial position date whether there is objective evidence that an available-for-sale financial asset is impaired. In the case of equity investments classified as available-for-sale financial assets, such as, a significant or prolonged decline in the fair value of the security below its cost is considered as impairment. If any objective evidence for impairment exists for available-for-sale financial assets, the difference between the acquisition cost and current fair value is deducted from shareholders’ equity and recognized in the income statement. The impairment losses on available-for-sale equity instruments previously recognized in the profit or loss cannot be reversed through profit or loss.

Held to maturity financial assets

Held-to-maturity financial assets are intended to be held until their maturities and including ability to funding, provided the circumstances to be held to maturity, with fixed or determinable payments and with fixed maturity, and apart from loans and receivables, when recognized, not recognized as financial assets at fair value through profit or loss and not available for sale financial assets. These financial assets, initially recognized at the acquisition cost and is considered fair value. The fair value of held-to-maturity financial assets is determined on transaction cost of these financial assets or market price of similar financial instruments. Held-to-maturity financial assets are carried at amortized cost. Contribution income related to held-to-maturity financial assets is reflected in the income statement.

The Company does not allocate any impairment on short-term market fluctuations, provided that there is no risk of collection of the securities representing the borrowings classified as held-to-maturity financial assets. If there is a risk of collection, the amount of the impairment is the difference between the book value of the financial asset and the value of the cash flows expected from the financial asset, if any, amortized based on the original effective rate of return.

Financial assets held for trading

Financial assets held for trading are valued at their fair values and gain/loss arising is recorded in profit or loss. Interest income earned on trading securities and the difference between their acquisition costs and fair values are recorded as interest income in the statement of income. In case of sales of such securities before their maturity, the gains/losses on such sales are recorded under trading income/losses.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021**

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

2. Summary of significant accounting policies (Continued)

2.10 Reclassification of financial assets

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

2.11 Impairment of Assets

The details about the impairment of assets are explained in the notes in which the accounting policies of the relevant assets are explained.

2.12 Related party

Parties are considered related to the Company if;

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

In the financial statements and related notes dated December 31, 2021 and 2020, the Company management, groups associated to H.Ö. Sabancı Holding and Ageas Insurance International N.V. are defined as related parties.

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

2. Summary of significant accounting policies (Continued)

2.13 Offsetting Financial Instruments

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

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments, with maturities of three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value (Note 10).

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

	December 31, 2021	December 31, 2020
Banks	1,182,736,630	1,600,368,638
Credit Card Receivables	1,011,654,963	669,855,762
Less: Interest accrual	(24,521,945)	(11,553,673)
Less: Blocked deposits	(392,596,761)	(264,061,660)
Total Cash and Cash Equivalents	1,777,272,887	1,994,609,067

As of December 31, 2021, the Company has repo transactions in the amount of TL 101,655,748 (December 31, 2020: TL 59,562,359) which is accounted in “obligations under repurchase agreements”.

2.15 Share capital

As of December 31, 2021, the Company’s nominal capital is TL 306,000,000 (December 31, 2020: TL 306,000,000). Share capital is represented by 30,600,000,000 of equity shares having a nominal amount of TL 0,01 each.

The share capital structure of the Company is as follows:

Name of shareholders	December 31, 2021		December 31, 2020	
	Share (%)	Share amount	Share (%)	Share amount
H. Ömer Sabancı Holding A.Ş.	36.00	110,160,000	36.00	110,160,000
Ageas Insurance International NV	36.00	110,160,000	36.00	110,160,000
Publicly quoted shares	28.00	85,680,000	28.00	85,680,000
Total	100.00	306,000,000	100.00	306,000,000

The Company has accepted the registered capital system set out in accordance with the provisions of Law No: 2499 and applied the system as of June 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As of December 31, 2021, the Company’s registered share capital is TL 750,000,000 (December 31, 2020: TL 500,000,000).

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021**

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

2. Summary of significant accounting policies (Continued)

2.16 Insurance and investment contracts

Insurance contracts are contracts under which, in exchange for a premium, the insurer assumes the obligation to compensate a loss caused by the materialization of the danger (risk) having the consequence of harming the interest, measurable by money, of the concerned person or make payment or to fulfill other performances linked to the lifetime of one or several persons or upon the occurrence of some events in the course of their life.

The insurer can take out reinsurance, under conditions as it thinks appropriate, in respect of the interest it had covered.

Insurance contracts are accounted when the insurance risk is transferred and classified as an insurance contract as of the maturity date and/or amortization of the all contractual rights and liabilities.

The main contracts produced by the Company are mainly in non-life branches such as motor own damage, motor third party liability, fire, marine, personal accident, engineering, health and agriculture insurance agreements.

The fire insurance agreements are classified as industrial and individual. The policyholder is insured for the physical losses and claims due to the risks such as fire, earthquake, bursting, flood. The policyholder is insured for losses caused by the complete or partial interruption of the operations as a result of an event covered by the insurance contract with loss of profit coverage. Casualty insurance contracts (Liability, Personal Accident and Motor) have two main purposes. These contracts protect the insured against the risk of damage of assets and against the risk of causing harm to third parties.

Marine insurance contracts contain insurance of transportation (vessels, or vehicles on land or air) and water vehicles (the payment for the claims occurred in sea, river and island vehicles). Engineering insurance contracts are subdivided into two groups. The contracts covering permanently installed risks for an indefinite period, and the contracts covering temporary, non-recurring risks. The first group consists of insurance protection against sudden and unforeseen damages or losses of the machines, mechanical equipment, plants and electronic equipments. The second group provides installation and construction insurance of which coverage is naturally limited with the guarantee period of installation and construction. Liability insurance contracts provide claims due to the air crafts, water crafts and land vehicles liability. Furthermore, the Company has major production of the animal life and publicly supported agriculture insurances which are included in general loss insurance contracts. Health insurance contracts are the contracts that pay benefits an insured who becomes ill or injured, provided that documentation is offered to confirm the illness or injury.

Unearned Premium Reserve

An unearned premium reserve is calculated on a daily basis for all policies in force as of the balance sheet date for unearned portions of premiums written, except for marine premiums. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12:00 noon and finish at 12:00 noon again. In accordance with the Regulation on Technical Reserves, unearned premium reserve and the reinsurers' share of the unearned premium reserve for policies issued after January 1, 2008, are calculated and accounted as the deferred portion of the accrued premiums related to the policies in force and ceded premiums to reinsurers without deducting commissions or any other deduction, on a daily and gross basis. The Company has continued to deduct the commissions from the premiums for the calculation of unearned premium reserve regarding the policies issued before January 1, 2008. For marine policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021**

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

2. Summary of significant accounting policies (Continued)

2.16 Insurance and investment contracts (Continued)

Deferred Commission Expense and Income

Unearned portion of commissions paid to agencies for the written premiums and commissions received from reinsurers for the ceded premiums are recorded as in deferred acquisition costs on the statement of financial position, and as expenses for the acquisition of insurance contracts on a net basis in the income statement.

Liability Adequacy Test

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Long-term insurance contracts with fixed terms are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities. Any DAC written off as a result of this test cannot subsequently be reinstated. At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future cash flows are used. The adequacy of the unearned premium liability is assessed by considering the portion of the estimated value of claims and expenses, likely to arise after the end of the reporting period from existing contracts, that exceeds the provision for unearned premiums after deduction of any acquisition costs. Any deficiency is immediately charged to profit or loss. The assessment, whether a deficiency exists is made at the Company level since all insurance products are regarded as being managed together and there are no constraints on the ability to use assets held in relation to each line of business to meet any of the associated liabilities. For the purpose of calculating the additional provisions, the Company takes into account the investment return expected to be earned by investments held. The Company accounts additional reserves for the branches that the combined loss ratio calculated is higher than 100%.

Outstanding claims provision

Claims are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include settlement costs and arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Company. Outstanding claims are estimated using the input of assessments for individual cases reported and statistical analyses. The expected ultimate cost of claims is also affected by external factors such as court decisions.

Claims are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021**

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

2. Summary of significant accounting policies (Continued)

2.16 Insurance and investment contracts (Continued)

Outstanding claims provision (Continued)

For the estimation of the ultimate liability arising from claims made under insurance contracts, the Company uses Bornhuetter Ferguson (“BF”), Chain-Ladder and Frequency and Severity methods. The method for MTPL is based on frequency and severity method, for the rest of the branches are selected by applying weighted average incurred ultimate results of Chain-Ladder method and incurred or average of paid and incurred ultimate results of Bornhuetter Ferguson method are used for the estimation of ultimate liabilities. It involves the analysis of historical claim development factors based on historical pattern and also loss ratio is considered in BF method.

The appropriate development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claim cost for each accident year. The choice of selected factors for each accident year of each class of business depends on the best estimate of the Company. Considering the uncertainty about the amount and timing of claims, the Company made the estimation of claims development considering starting from the year of 2003 and a tail factor is used for some branches for future developments. The Company performs the ultimate liability estimation for large claims separately which are determined as large claims by using certain statistical methods since these claims have different claim development patterns. Additionally, the ultimate liability calculations are performed on gross basis and the net amounts are determined according to historical ceding rates on each accident quarter or applicable reinsurance treaties are applied to ultimate losses for each branch. A provision is calculated and accounted for unallocated loss adjustment expenses (“ULAE”) refer to general overhead expenses associated with the claims-handling process, and particularly the costs of investigating, handling, paying, and resolving claims. The estimation for ULAE is calculated using the rate of historical expenses to total claim amounts. The methods which were selected by the Company for each branch, the results of related calculations as of December 31, 2021 and 2020, the methods to calculate net of reinsurance results and the limits which are used for the big claims eliminations are disclosed in Note 17.

As explained in footnote 1.1, the Company started to calculate reserve discounts for all branches in December 2021 and as of December 31, 2021 net TL 788,542,054 (December 31, 2020: TL 210,845,955 and December 31, 2019: TL 158,148,186) is calculated as claim reserve discount. The discount rate used in calculations as of December 31, 2021 is 14% (December 31, 2020: 5% and December 31, 2019: 5%). Reserve discount resulted in TL 577,696,099 decrease in the net outstanding claims provision in period January 1 -December 31, 2021. As of 31 December 2021, 2020 and 2019, the Company's net outstanding claims provisions on a branch basis, before and after discounting, are as stated below.

December 31, 2021	Net Outstanding Provisions		Net Outstanding Provisions After	
	Before Discounting	Discounting Amount	Discounting	
Motor Third Party Liability	2,246,648,292	606,006,920	1,640,641,371	
Motor Own Damage	242,795,571	37,911,571	204,884,000	
General Liabilities	263,648,219	125,751,204	137,897,016	
Fire	98,621,526	14,180,543	84,440,983	
General Losses	18,385,319	1,784,181	16,601,138	
Marine	18,513,940	887,706	17,626,234	
Health	7,770,978	223,139	7,547,839	
Fidelity Guarantee	3,404,996	32,760	3,372,236	
Watercraft	4,309,139	684,516	3,624,623	
Accident	3,978,233	670,968	3,307,265	
Financial Losses	3,113,519	219,270	2,894,249	
Legal Protection	741,669	187,890	553,779	
Aircraft Third Party Liability	14,105	1,290	12,816	
Credit	544	56	488	
Aircrafts	521	39	482	
	2,911,946,573	788,542,054	2,123,404,519	

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

2. Summary of significant accounting policies (Continued)

2.16 Insurance and investment contracts (Continued)

Outstanding claims provision (Continued)

December 31, 2020	Net Outstanding Provisions		Net Outstanding Provisions After Discounting
	Before Discounting	Discounting Amount	
Motor Third Party Liability	1,323,668,580	157,343,479	1,166,325,101
Motor Own Damage	183,468,574	10,499,793	172,968,782
General Liabilities	160,287,837	39,355,991	120,931,846
Fire	58,803,451	2,460,558	56,342,893
General Losses	11,350,285	217,950	11,132,335
Marine	12,926,530	103,320	12,823,210
Health	8,060,558	79,616	7,980,942
Fidelity Guarantee	3,466,742	84,584	3,382,158
Watercraft	3,048,916	169,588	2,879,328
Accident	2,518,867	244,484	2,274,383
Financial Losses	2,120,090	256,967	1,863,123
Legal Protection	373,400	28,674	344,726
Aircraft Third Party Liability	37,548	416	37,132
Credit	6,823	495	6,328
Aircrafts	808	41	767
	1,770,139,009	210,845,955	1,559,293,054

January 1, 2020	Net Outstanding Provisions		Net Outstanding Provisions After Discounting
	Before Discounting	Discounting Amount	
Motor Third Party Liability	1,027,796,576	122,494,746	905,301,829
General Liabilities	162,906,609	23,189,544	139,717,064
Motor Own Damage	102,269,912	9,470,701	92,799,212
Fire	35,636,511	1,971,247	33,665,263
General Losses	10,314,293	226,339	10,087,953
Marine	9,988,354		9,988,354
Health	5,409,633	56,038	5,353,596
Financial Losses	4,121,020	191,039	3,929,981
Fidelity Guarantee	3,062,592	220,480	2,842,112
Accident	3,007,663	216,144	2,791,519
Watercraft	2,110,385	81,417	2,028,969
Legal Protection	392,565	28,190	364,375
Credit	35,396	1,354	34,042
Aircraft Third Party Liability	13,101	946	12,155
	1,367,064,610	158,148,186	1,208,916,424

Reinsurance agreements

Reinsurance agreements are the agreements enforced by the Company and the reinsurer, in exchange for a certain compensation, to cede the premiums and losses which may occur in relation to one or more insurance policies produced by the Company. The Company has excess of loss, surplus and proportional quota-share agreements in accordance with the branches in which it operates. Within the framework of excess of loss agreements, the ceded premiums are accounted for on accrual basis over the relevant period. The revenues and liabilities due to premium and claim ceded under other annual reinsurance agreements are also accounted for on the same basis.

The Company has surplus reinsurance agreement in fire, marine, engineering and other accident branches and annual proportional quota-share reinsurance agreement for motor branches. Besides, The Company has excess of loss agreements in fire, marine and engineering branches.

Motor quota-share agreement is based on the transfer of written premiums and paid claims during the period covered by the agreement, and portfolio transfer is performed for premium and outstanding claim reserves by the end of each period. For surplus agreements, which work on a run-off basis, the liability of the reinsurers continue for the underwriting year at the policy period when the claim occurred. In addition, the Company has facultative reinsurance agreements signed separately for certain risks based on certain policies.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021**

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

2. Summary of significant accounting policies (Continued)

2.16 Insurance and investment contracts (Continued)

Premiums Transferred to Social Security Institution

The collection and settlement of expenses with respect to the medical care related services provided to the injured people due to the traffic accidents have been regulated by Article 98 of Road Traffic Act numbered 2918 altered by Article 59 of “The Law on Restructuring of Some Receivables and Changes in Social Security and General Insurance Law and Other Laws and Law Decrees” (the “Law”) numbered 6111 and dated February 25, 2011. In this context, all the traffic accident related medical care services provided by any public or private health institution will be covered by Social Security Institution (“SSI”) regardless of social security status of the injured. Besides, in accordance with the temporary Article 1 of the Law, all of the expenses with respect to the traffic accident related medical care services provided before enforcement of the Law, will also be covered by SSI. Within this framework, the Group is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued as of February 25, 2011 the notice numbered 2012/3 and the communiqué numbered 2012/6 in “Compulsory Transportation”, “Compulsory Traffic” and “Compulsory Motor Personal Accident” branches regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law.

Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in January 1 - December 31, 2021 account period as TL 184,693,219 (January 1 - December 31, 2020: TL 144,624,135) and an unearned premium reserve amounting to TL 20,755,363 as of December 31, 2021 (December 31, 2020: TL 82,349,652); classified under “Ceded Premiums”.

However, in the Board of Directors meeting of The Association of the Insurance and Reinsurance Companies of Turkey dated September 22, 2011 and numbered 18, it was decided to appeal Council of State for the “suspense of execution” and “cancellation” of the Regulation and the Communiqué numbered 2011/17; and the cancellation of related provisions of the Law as being contradictory to the Constitution. The legal procedures are in progress as of the date of the preparation of the financial statements.

2.17 Insurance contracts and investment contracts with discretionary participation feature

None (December 31, 2020: None).

2.18 Investment contracts without discretionary participation feature

None (December 31, 2020: None).

2.19 Borrowings

As of December 31, 2021, the Company has an interest free loan in the amount of TL 16,177,847. The loan has a maturity of one day and is accounted in “Other Financial Liabilities” in the financials (December 31, 2020: TL 13,065,843).

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021**

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

2. Summary of significant accounting policies (Continued)

2.20 Current and deferred income tax

The Company is subject to Turkish corporate taxes. Provision is recognized in the accompanying financial statements for the estimated charge based on the Company’s results for the years and periods. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

In accordance with the regulation numbered 7316, published in Official Gazette on April 22, 2021, “Law on the Amendment of Some Tax Acts and Some Other Laws”, corporate tax rate for the year 2021, 2022 has increased from %22 to %25 and %23 respectively, Therefore, deferred tax assets and liabilities as of December 31, 2021 are calculated with 23% tax rate for the temporary differences which will be realized in 2022, and with 20% tax for those which will be realized after 2022 and onwards (December 31, 2020: In accordance with the regulation numbered 7061, published in Official Gazette on December 5, 2017, “Law on the Amendment of Some Tax Acts and Some Other Laws”, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of December 31, 2020 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards).

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are determined using tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.21 Employee benefits

The Company accounts for its liability related to employment termination and vacation benefits according to “Turkish Accounting Standards Regarding Employee Benefits” (“IAS 19”) and classifies in statement of financial position under the account “Provision of Employment Termination Benefits”.

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

2.22 Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. If provision amount is measured by the cash flows estimated to settle the present obligation, its carrying amount will be equal to the present value of such cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021**

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

2. Summary of significant accounting policies (Continued)

2.22 Provisions (Continued)

Liabilities that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity are classified as contingent liabilities and not included in the financial statements (Note 18).

2.23 Revenue recognition

Written premium

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

Reinsurance commissions

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

Claim recovery and salvage income

The Company recognizes the subrogation and salvage receivables, as limited to the coverage amount of the debtor insurance company, provided that the claim payment has been performed, the acquittance or the statement of payment has been received from the policyholders; and related individuals or insurance companies have been notified. A provision is recorded for those receivables which are not collected from insurance companies after six months and from individuals after four months following the payment of claim.

Dividend income

Dividend income is recognized as an income in the financial statements when the right to receive payment is established.

2.24 Interest income and expense

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

2.25 Dividend distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19,1 issued by the Capital Market Board (CMB) which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

2. Summary of significant accounting policies (Continued)

2.25 Dividend distribution (Continued)

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

2.26 Derivative financial instruments

The Company uses foreign currency swap contracts. The Company uses end of period market exchange rates and interest rates to calculate market value of foreign exchange swap contracts. As of December 31, 2021, the company has a total of TL 56,191,607 derivative instrument which the cost is TL 106,043,552 (December 31, 2020: amounting TL 121,308,014, costed TL 126,660,021).

As of December 31, 2021, the Company has accrued loss of TL 49,851,945 arising from valuation of derivative financial instruments (December 31, 2020: 5,352,006 loss).

3. Critical accounting estimates and judgements

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

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

Impact of Covid - 19

The impact of Covid-19 (Coronavirus) pandemic to the Company’s operations and financial results has been monitored and actions have been immediately taken for the Company to mitigate the impacts of the pandemic. In connection with the Covid-19 pandemic and parallel to the current conditions/slowdown in the global and Turkish economy. In the meantime, the Company has taken measures for savings on operational and capital expenditures. Cash management strategies have been reviewed for a stronger liquidity position.

In preparation of the condensed interim consolidated financial statements as of December 31, 2021, the Company has assessed the possible impacts of Covid-19 pandemic on the financial statements and reviewed the critical estimates and assumptions. Within this scope, the Company has tested the financial assets, tangible and intangible assets for a possible impairment and no impairments were identified. The Company has also tested the assumptions for the measurement of insurance liabilities.

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

4. Management of insurance and financial risk

Insurance risk

Insurance risk is the probability of risk exposure that is covered under any insurance contracts and the uncertainty of the magnitude of the claims in relation to the risk exposed. Due to the nature of insurance transactions, risks are incidental and hard to anticipate. Maximum risk that the Company bears is limited to the coverage amount specified in the insurance contract.

The Company has adopted central risk assessment policy and this policy is applied in relation to the Company's specified operations and limitations. On principle, in risk assessment, potential claims are measured based on the past experience, similar risk comparisons and risks in relation to production process. Location, geographical area, field of activity and fire and theft measures are also key issues used in the assessment of the insured risk.

The Company's gross insurance guarantees given to insureds are summarized as below:

	December 31, 2021	December 31, 2020
Motor Third Party Liability	74,293,284,963,065	53,797,363,591,986
Health	4,568,128,584,484	6,679,519,586,938
Fire	1,974,950,394,555	1,284,858,156,955
General Losses	466,065,756,531	354,206,047,585
Marine	406,304,767,063	310,748,830,487
Motor Own Damage	309,484,973,812	216,041,601,896
Other	596,342,416,981	472,854,088,793
Total	82,614,561,856,491	63,115,591,904,640

(a) Market risk

i. Cash flow and market interest rate risk

The Company is required to manage its interest rate risks due to price fluctuations in its financial instruments arising from changes in interest rates. The Company's sensitivity to interest rate risk is related to the mismatch in maturities of its assets and liabilities. Interest rate risk is managed by offsetting the assets that are affected by the interest rate fluctuations against the liabilities in same nature.

	December 31, 2021	December 31, 2020
Total	Effect on profit and profit reserves	
Market interest rate increase / (decrease)		TL
+% 1	(20,883,394)	(2,093,886)
-% 1	24,600,613	2,304,606

ii. Foreign currency risk

The company is exposed to foreign currency risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities. These risks are monitored by the analysis of exchange rate position. The details of the Company's foreign currency denominated assets and liabilities as of December 31, 2021 and 2020 are disclosed below:

AKSIGORTA A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021**

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

4. Management of insurance and financial risk (Continued)

(a) Market risk (Continued)

ii. Foreign currency risk (Continued)

December 31, 2021

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	2,501,057	13.3290	33,336,589
EUR	1,159,808	15.0867	17,497,675
GBP	141,453	17.9667	2,541,444
CHF	43,737	14.5602	636,819
Total			54,012,527

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	50,384,792	13.3290	671,578,893
EUR	20,773,315	15.0867	313,400,771
Total			984,979,664

Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	75,442,134	13.3290	1,005,568,204
EUR	386,981	15.0867	5,838,266
Total			1,011,406,470

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(6,841,276)	13.3530	(91,351,558)
EUR	(968,459)	15.1139	(14,637,192)
Total			(105,988,750)

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(62,872,251)	13.3530	(839,533,168)
EUR	(11,756,518)	15.1139	(177,686,837)
Other			(2,138,051)
Total			(1,019,358,056)

Payables to suppliers	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(1,831,778)	13.3530	(24,459,732)
EUR	(73,694)	15.1139	(1,113,804)
Total			(25,573,536)

Net foreign currency position			899,478,319
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AKSIGORTA A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021**

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

4. Management of insurance and financial risk (Continued)

(a) Market risk (Continued)

ii. Foreign currency risk (Continued)

December 31, 2020

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	20,805,122	7.3405	152,719,998
EUR	1,536,160	9.0079	13,837,576
GBP	100,040	9.9438	994,778
CHF	79,066	8.2841	654,991
Total			168,207,343

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	47,616,088	7.3405	349,525,894
EUR	18,785,729	9.0079	169,219,968
GBP	98,084	9.9438	975,328
CHF	68,286	8.2841	565,688
Total			520,286,878

Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	24,956,034	7.3405	183,189,768
Total			183,189,768

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(9,473,467)	7.3405	(69,539,985)
EUR	(1,134,957)	9.0079	(10,223,579)
Total			(79,763,564)

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(60,000,422)	7.3405	(440,433,098)
EUR	(11,572,916)	9.0079	(104,247,670)
Other			(1,379,856)
Total			(546,060,624)

Payables to suppliers	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(899,254)	7.3405	(6,600,974)
EUR	(63,701)	9.0079	(573,812)
Total			(7,174,786)

Net foreign currency position			238,685,015
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AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

4. Management of insurance and financial risk (Continued)

(a) Market risk (Continued)

ii. Foreign currency risk (Continued)

Sensitivity to foreign currency risk

The Company's sensitivity to a 10% increase/decrease in USD and Euro currencies are presented below. Sensitivity analysis only includes foreign currency denominated monetary assets outstanding at the end of period and indicates the effects of 10% changes in exchange rates. Positive value indicates an increase in profit/loss and other equity items.

Total	December 31, 2021		December 31, 2020	
	USD Effect	EUR Effect	USD Effect	EUR Effect
Profit / Loss Increase	77,402,719	14,712,825	16,886,161	6,801,248
Profit / Loss (Decrease)	(77,402,719)	(14,712,825)	(16,886,161)	(6,801,248)

iii. Price risk

The Company is exposed to price risk due to its investments in fair value price of marketable securities. Securities are held for strategical purposes rather than trading purposes. These investments are not actively traded by the Company.

As of the reporting date, if data used in the valuation method is increased/decreased by 10% and all variables remain fixed, since the Company's equity investments are classified as available for sale assets and if they are not disposed of or impaired, net profit/loss would not be affected.

Total	December 31, 2021	December 31, 2020
	Effect on financial assets available for sale	
Price increase / (decrease)		
+10%	122,187,949	148,079,045
-10%	(122,187,949)	(148,079,045)

(b) Credit Risk

Credit risk is the risk that counterparties may be unable to meet the terms of their agreements. Credit risk is managed by guarantees received and procedures applied for the selection of the counterparties. Limits and guarantees are determined based on the assessment of the respective party's financial ability and trading capacity. The Company is exposed to credit risk in Turkey because it mainly performs its operations in Turkey.

As of December 31, 2021, the Company has presented its receivables from insurance operations, guarantees received for these receivables and provision for doubtful receivables in Note 11.

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

4. Management of insurance and financial risk (Continued)

(b) Credit Risk (Continued)

Main reinsurance companies worked with as of December 31, 2021 and 2020 and their latest ratings are as follows:

2021			
Reinsurance Company	Standard & Poors Rate	Reinsurance Company	Standard & Poors Rate
African Re	A-	MS Amlin AG	A
Ageas	A	Munich Re	AA-
American Agricultural	NR	New Re	AA-
Central Re	A	Odyssey Re	A-
China Property & Casualty Reinsurance (China Re P&C)	A	Partner Re	A+
Covea Cooperations	AA-	QBE	A+
Dongbu Re (DB Insurance)	A	R+V Versicherung AG (R+V Re)	A+
EMC	NR	Samsung Fire&Marine Re	AA-
Everest Re	A+	Sava Re	A
Hannover Rueck SE	AA-	Scor	AA-
HCC 4141	A+	Shelter Re	NR
Korean Re	A	Taiping Re	A
Labuan Re	NR	Toa Re	A+
Lib Synd Paris (4472)	A+	Turk Re	NR
Malaysian Re	NR	Unipol Re	NR
Mapfre Re	A+	VHV Re	NR
Milli Re	TR A+	VIG Re	A+
2020			
Reinsurance Company	Standard & Poors Rate	Reinsurance Company	Standard & Poors Rate
African Re	A-	MS Amlin AG	A
Ageas	A	Munich Re	AA-
American Agricultural	NR	New Re	AA-
Central Re	A	Odyssey Re	A-
China Property & Casualty Reinsurance (China Re P&C)	A	Partner Re	A+
Covea Cooperations	AA-	QBE	A+
Dongbu Re (DB Insurance)	A	R+V Versicherung AG (R+V Re)	AA-
EMC	NR	Samsung Fire&Marine Re	AA-
Everest Re	A+	Sava Re	A
Hannover Rueck SE	AA-	Scor Global P&C	AA-
HCC 4141	A+	Shelter Re	NR
Korean Re	A	Taiping Re	A
Labuan Re	AA-	Toa Re	A+
Lib Synd Paris	A+	Turk Re	NR
Malaysian Re	NR	Unipol Re	NR
Mapfre Re	A+	VHV Re	NR
Milli Re	TR A+	VIG Re	A+

AKSİGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

4. Management of insurance and financial risk (Continued)

(c) Liquidity risk

Liquidity risk is the possibility of non-performance of the Company’s due liabilities. Events that give rise to funding shortages, such as; market deteriorations and decrease in credit ratings, are the main reasons of liquidity risk. The Company manages its liquidity risk through having adequate cash and cash equivalents in order to fulfill its current and possible liabilities by allocating its funds.

The company implements strategies and policies to ensure that liquidity risk is managed effectively due to the Coronavirus (Covid-19) outbreak worldwide.

The maturity analysis of financial assets and liabilities as of December 31, 2021 is as follows:

December 31, 2021	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	728,194,125	1,104,163,836	300,750,758	-	-	61,282,874	2,194,391,593
Financial assets available for sale	57,733,639	23,479,492	279,487,989	644,459,750	182,519,569	27,536,089	1,215,216,528
Financial assets held for trading	-	-	-	-	-	6,454,765	6,454,765
Financial assets held to maturity	-	151,295,701	562,197,273	989,196,630	34,918,863	-	1,737,608,467
Investments on policyholders’ risk	-	-	-	1,874,466	-	-	1,874,466
Receivables from main operations	273,285,660	508,544,322	650,992,259	6,156,982	-	-	1,438,979,223
Due from reinsurance companies	-	40,204,422	-	-	-	-	40,204,422
Reinsurers’ share of insurance liabilities	1,857,134,923	1,737,900,469	687,798,051	276,887,435	24,450,259	-	4,584,171,137
Equity securities	-	-	-	-	-	875,420	875,420
Other assets	18,345,761	293,236,123	4,107,125	-	-	-	315,689,009
Total Assets	2,934,694,108	3,858,824,365	2,485,333,455	1,918,575,263	241,888,691	96,149,148	11,535,465,030
Obligations under repurchase agreements	101,655,748	-	-	-	-	-	101,655,748
Financial liabilities	-	-	37,709,905	15,802,373	-	-	53,512,278
Insurance liabilities	2,850,540,157	3,094,905,087	2,352,721,498	391,895,665	31,193,818	-	8,721,256,225
Due to reinsurers	616,161,225	521,715,574	166,222,730	-	-	-	1,304,099,529
Provisions for other liabilities and charges	-	-	58,451,890	813,092	-	3,676,841	62,941,823
Trade and other payables	-	-	382,789,735	-	-	-	382,789,735
Total liabilities	3,568,357,130	3,616,620,661	2,997,895,758	408,511,130	31,193,818	3,676,841	10,626,255,338

AKSİGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

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

4. Management of insurance and financial risk (Continued)

(c) Liquidity risk (Continued)

The maturity analysis of financial assets and liabilities as of December 31, 2020 is as follows:

December 31, 2020	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	1,221,480,537	864,266,192	105,247,617	-	-	79,230,054	2,270,224,400
Financial assets available for sale	31,037,645	112,580,873	640,723,212	466,432,369	85,564,805	136,469,580	1,472,808,484
Financial assets held for trading	56,027,437	-	-	-	-	7,207,543	63,234,980
Financial assets held to maturity	-	150,513,077	21,937,908	33,076,385	-	-	205,527,370
Investments on policyholders’ risk	-	-	-	1,952,843	-	-	1,952,843
Receivables from main operations	229,586,738	237,049,716	582,974,690	7,266,490	-	-	1,056,877,634
Due from reinsurance companies	-	28,401,167	-	-	-	-	28,401,167
Reinsurers’ share of insurance liabilities	1,437,823,300	1,073,259,628	838,811,208	90,567,387	6,341,080	-	3,446,802,603
Equity securities	-	-	-	-	-	722,156	722,156
Other assets	-	249,893,146	-	-	-	-	249,893,146
Total Assets	2,975,955,657	2,715,963,799	2,189,694,635	599,295,474	91,905,885	223,629,333	8,796,444,783
Obligations under repurchase agreements	59,562,359	-	-	-	-	-	59,562,359
Financial liabilities	1,236,701	15,517,707	9,835,523	28,360,104	-	-	54,950,035
Insurance liabilities	2,559,790,116	2,026,556,675	1,815,381,060	207,050,182	26,451,336	-	6,635,229,369
Due to reinsurers	229,913,557	58,629,635	522,645,618	-	-	-	811,188,810
Provisions for other liabilities and charges	-	-	67,020,700	1,633,654	-	2,158,581	70,812,935
Trade and other payables	-	-	189,310,900	-	-	-	189,310,900
Total liabilities	2,850,502,733	2,100,704,017	2,604,193,801	237,043,940	26,451,336	2,158,581	7,821,054,408

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

4. Management of insurance and financial risk (Continued)

(c) Liquidity risk (Continued)

Fair value of the financial assets

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

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

Fair Value Hierarchy

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1),
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2),
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	December 31, 2021	Level 1	Level2	Level 3
Available for sale at company’s risk	1,215,216,528	515,873,894	699,342,634	-
Available for sale at insurees’ risk	1,874,466	1,874,466	-	-
Held to maturity at company’s risk	1,737,608,467	1,737,608,467	-	-
Held for trading at company’s risk	6,454,765	6,454,765	-	-
Equity securities, net	875,420	-	-	875,420
Total	2,962,029,646	2,261,811,592	699,342,634	875,420
	December 31, 2020	Level 1	Level2	Level 3
Available for sale at company’s risk	1,472,808,484	1,472,808,484	-	-
Available for sale at insurees’ risk	1,952,843	1,952,843	-	-
Held to maturity at company’s risk	205,527,370	205,527,370	-	-
Held for trading at company’s risk	63,234,980	63,234,980	-	-
Equity securities, net	722,156	-	-	722,156
Total	1,744,245,833	1,743,523,677	-	722,156

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

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

4. Management of insurance and financial risk (Continued)

Capital management

The Company’s objective in capital management is to safeguard the Company’s ability to continue as a going concern so that it can continue and to protect shareholder and corporate partners’ benefits while sustaining the most effective capital structure in order to reduce capital costs.

The Company measures its capital adequacy semi-annually in accordance with the Decree “Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds” published in the Official Gazette No: 26761 on January 19, 2008. The Company management is of the opinion that capital adequacy will be lower than the necessary level. The Company will take the necessary actions as indicated for different available capital / required capital ratio intervals, in order to improve the capital adequacy ratio in accordance with the Insurance Regulation and Capital Market Regulation.

5. Segment information

Information related to the operational reporting made by the Company to the chief operating decision-maker in accordance with the “IFRS 8 - Operating Segments” is disclosed in this part.

Numerical limits in “IFRS 8 - Operating Segments” is also considered as the reporting to the chief operating decision-maker in the determination of segments and the premium production and net technical income of the segments are considered while determining a separate operating segment.

The Company has been operating in Turkey. Since the effect of the foreign operations on financial statements is extremely low, geographic segment information is not given.

AKSİGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

5. Segment information (Continued)

Segment results for period January 1 - December 31, 2021 is as follows:

January 1- December 31, 2021	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	79,299,004	38,378,212	1,220,568,605	1,480,306,915	133,942,126	110,052,334	216,258,419	-	3,278,805,615
Earned Premiums (Net of Reinsurer Share)	79,299,004	38,378,212	1,220,568,605	1,480,306,915	133,942,126	110,052,334	216,258,419	-	3,278,805,615
Premiums (Net of Reinsurer Share)	89,775,366	42,468,805	1,341,470,448	1,683,061,646	151,289,950	114,217,999	241,141,053	-	3,663,425,267
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(10,476,362)	(4,090,593)	(120,901,843)	(202,754,731)	(17,347,824)	(4,165,665)	(24,882,634)	-	(384,619,652)
TECHNICAL EXPENSES	(43,276,027)	(5,432,467)	(1,388,588,405)	(1,917,882,150)	(112,142,271)	(66,621,970)	(187,117,903)	-	(3,721,061,193)
Total Claims (Net of Reinsurer Share)	(40,828,661)	1,821,202	(1,116,140,487)	(1,668,672,178)	(46,642,317)	(1,468,991)	(52,087,275)	-	(2,924,018,707)
Claims Paid (Net of Reinsurer Share)	(12,537,177)	8,802,542	(1,047,864,968)	(1,162,575,853)	(39,252,493)	(13,558,762)	(92,993,326)	-	(2,359,980,037)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(28,291,484)	(6,981,340)	(68,275,519)	(506,096,325)	(7,389,824)	12,089,771	40,906,051	-	(564,038,670)
Commission income/(expenses) (Net)	32,708,574	(4,573,670)	(216,078,332)	(139,922,608)	(37,335,557)	(34,710,877)	(46,891,108)	-	(446,803,578)
Operating Expenses	(31,896,168)	(2,854,094)	(48,147,138)	(116,186,826)	(28,784,588)	(17,176,442)	(89,122,011)	-	(334,167,267)
Other Operating Income / Expenses	(3,259,772)	174,095	(8,222,448)	6,899,462	620,191	(13,265,660)	982,491	-	(16,071,641)
Technical Profit	36,022,977	32,945,745	(168,019,800)	(437,575,235)	21,799,855	43,430,364	29,140,516	-	(442,255,578)
Investment income	-	-	-	-	-	-	-	626,328,062	626,328,062
Foreign exchange income	-	-	-	-	-	-	-	249,465,252	249,465,252
Tax expense	-	-	-	-	-	-	-	(106,553,215)	(106,553,215)
Net Profit / (Loss)	36,022,977	32,945,745	(168,019,800)	(437,575,235)	21,799,855	43,430,364	29,140,516	769,240,099	326,984,521

AKSİGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

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

5. Segment information (Continued)

Segment results for period January 1 - December 31, 2020 is as follows:

January 1- December 31, 2020	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	62,241,780	29,572,146	968,646,186	1,212,635,942	228,433,205	104,971,877	68,907,009	-	2,675,408,145
Earned Premiums (Net of Reinsurer Share)	62,241,780	29,572,146	968,646,186	1,212,635,942	228,433,205	104,971,877	68,907,009	-	2,675,408,145
Premiums (Net of Reinsurer Share)	72,651,199	31,482,824	1,096,194,700	1,288,087,347	246,019,141	96,926,303	66,327,415	-	2,897,688,929
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(10,409,419)	(1,910,678)	(127,548,514)	(75,451,405)	(17,585,936)	8,045,574	2,579,594	-	(222,280,784)
TECHNICAL EXPENSES	(87,970,232)	(18,077,038)	(852,030,587)	(1,227,772,582)	(247,943,039)	(59,489,524)	(36,263,044)	-	(2,529,546,046)
Total Claims (Net of Reinsurer Share)	(33,198,393)	(10,074,917)	(592,259,235)	(945,045,515)	(170,526,684)	(7,107,570)	181,975	-	(1,758,030,339)
Claims Paid (Net of Reinsurer Share)	(15,948,402)	(7,470,275)	(590,114,917)	(682,375,901)	(100,907,524)	(6,076,613)	(4,793,489)	-	(1,407,687,121)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(17,249,991)	(2,604,642)	(2,144,318)	(262,669,614)	(69,619,160)	(1,030,957)	4,975,464	-	(350,343,218)
Commission income/(expenses) (Net)	(21,790,013)	(5,461,967)	(169,094,826)	(133,973,833)	(25,156,167)	(37,782,276)	(16,183,940)	-	(409,443,022)
Operating Expenses	(31,141,497)	(1,665,782)	(67,134,313)	(97,443,359)	(45,506,007)	(14,279,711)	(18,224,380)	-	(275,395,049)
Other Operating Income / Expenses	(1,840,329)	(874,372)	(23,542,213)	(51,309,875)	(6,754,181)	(319,967)	(2,036,699)	-	(86,677,636)
Technical Profit	(25,728,452)	11,495,108	116,615,599	(15,136,640)	(19,509,834)	45,482,353	32,643,965	-	145,862,099
Investment income	-	-	-	-	-	-	-	359,796,245	359,796,245
Foreign exchange income	-	-	-	-	-	-	-	30,495,696	30,495,696
Tax expense	-	-	-	-	-	-	-	(122,686,654)	(122,686,654)
Net Profit / (Loss)	(25,728,452)	11,495,108	116,615,599	(15,136,640)	(19,509,834)	45,482,353	32,643,965	267,605,287	413,467,386

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

6. Tangible assets

As of December 31, 2021, and 2020 tangible assets movement and its accumulated depreciation is as follows:

Costs:	January 1	Additions	Disposals	December 31, 2021
Property for operational use	1,598,569	-	-	1,598,569
Motor vehicles	2,720,001	2,841,664	(3,683,244)	1,878,421
Furniture and fixtures and leased tangible assets	30,431,171	3,986,020	(3,153,705)	31,263,486
Other tangible assets (including leasehold improvements)	21,682,557	6,878,434	(4,753,503)	23,807,488
Right of use of assets	41,129,271	11,565,162	(9,320,264)	43,374,169
			(20,910,716)	
Total	97,561,569	25,271,280	6	101,922,133

Accumulated depreciation: (-)

Property for operational use	(633,191)	(31,971)	-	(665,162)
Motor vehicles	(1,093,962)	(714,883)	1,804,823	(4,022)
Furniture and fixtures and leased tangible assets	(20,847,952)	(4,161,608)	2,647,470	(22,362,090)
Other tangible assets	(13,841,375)	(2,462,578)	3,368,755	(12,935,198)
Right of use of assets	(17,643,062)	(8,387,280)	-	(26,030,342)
Total	(54,059,542)	(15,758,320)	7,821,048	(61,996,814)

Net book value **43,502,027** **39,925,319**

Costs:	January 1	Additions	Disposals	December 31, 2020
Property for operational use	1,598,569	-	-	1,598,569
Motor vehicles	2,720,001	-	-	2,720,001
Furniture and fixtures and leased tangible assets	27,612,750	3,505,326	(686,905)	30,431,171
Other tangible assets (including leasehold improvements)	21,347,617	334,940	-	21,682,557
Right of use of assets	34,372,885	6,756,386	-	41,129,271
Total	87,651,822	10,596,652	(686,905)	97,561,569

Accumulated depreciation: (-)

Property for operational use	(601,945)	(31,246)	-	(633,191)
Motor vehicles	(549,962)	(544,000)	-	(1,093,962)
Furniture and fixtures and leased tangible assets	(17,306,145)	(4,195,274)	653,467	(20,847,952)
Other tangible assets	(11,657,802)	(2,183,573)	-	(13,841,375)
Right of use of assets	(8,243,981)	(9,399,081)	-	(17,643,062)
Total	(38,359,835)	(16,353,174)	653,467	(54,059,542)

Net book value **49,291,987** **43,502,027**

The Company has not accounted for any impairment provision for tangible fixed assets in the current period. Total depreciation and amortization expense is TL 43,920,449 (January 1 - December 31, 2020: TL 52,626,448).

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

7. Intangible assets

Costs:	January 1	Additions	Disposals	Transfers	December 31, 2021
Rights	161,424,844	56,714,728	-	5,648,470	223,788,042
Advances given for intangible assets	9,163,795	26,796,360	-	(5,648,470)	30,311,685
Total	170,588,639	83,511,088	-	-	254,099,727
Accumulated depreciation: (-)					
Rights	(113,365,102)	(28,162,129)	-	-	(141,527,231)
Total	(113,365,102)	(28,162,129)	-	-	(141,527,231)
Net book value	57,223,537				112,572,496
Costs:	January 1	Additions	Disposals	Transfers	December 31, 2020
Rights	134,184,258	22,996,180	(13,980)	4,258,386	161,424,844
Advances given for intangible assets	3,489,088	9,933,093	-	(4,258,386)	9,163,795
Total	137,673,346	32,929,273	(13,980)	-	170,588,639
Accumulated depreciation: (-)					
Rights	(77,104,087)	(36,261,151)	136	-	(113,365,102)
Total	(77,104,087)	(36,261,151)	136	-	(113,365,102)
Net book value	60,569,259				57,223,537

8. Investment properties

The company has no investment property as of December 31, 2021 and 2020.

Costs:	January 1	Additions	Disposals	December 31, 2020
Property for operational use	170,958	-	(170,958)	-
Total	170,958	-	(170,958)	-
Accumulated depreciation: (-)				
Property for operational use	(7,892)	(12,123)	20,015	-
Total	(7,892)	(12,123)	20,015	-
Net book value	163,066	(12,123)	(150,943)	-

AKSIGORTA A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021**

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

9. Financial assets

Available for sale marketable securities:

December 31, 2021			
	Cost Value	Fair Value	Book Value
Eurobonds	606,944,448	585,603,548	585,603,548
Private bonds	322,390,745	333,420,756	333,420,756
Government bonds	271,447,183	268,656,135	268,656,135
Equities	30,795,827	27,536,089	27,536,089
Total	1,231,578,203	1,215,216,528	1,215,216,528

December 31, 2020			
	Cost Value	Fair Value	Book Value
Eurobonds	651,580,189	658,081,546	658,081,546
Private bonds	466,632,308	476,919,365	476,919,365
Government bonds	200,278,369	201,337,991	201,337,991
Equities	126,165,411	136,469,582	136,469,582
Total	1,444,656,277	1,472,808,484	1,472,808,484

Held to maturity marketable securities

December 31, 2021			
	Cost Value	Fair Value	Book Value
Eurobond	1,050,147,372	1,009,690,467	1,085,793,822
Government bonds	406,665,409	402,301,623	419,033,562
Private bonds	224,489,527	231,924,053	232,781,083
Total	1,681,302,308	1,643,916,143	1,737,608,467

December 31, 2020			
	Cost Value	Fair Value	Book Value
Eurobond	136,087,693	139,192,396	138,255,898
Government bonds	62,670,791	68,812,567	67,271,472
Total	198,758,484	208,004,963	205,527,370

Financial assets at insurees’ risk:

December 31, 2021			
	Cost Value	Fair Value	Book Value
Government bonds	1,734,832	1,874,466	1,874,466
Total	1,734,832	1,874,466	1,874,466

December 31, 2020			
	Cost Value	Fair Value	Book Value
Government bonds	1,647,665	1,952,843	1,952,843
Total	1,647,665	1,952,843	1,952,843

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

9. Financial assets (Continued)

Held for trading marketable securities

December 31, 2021			
	Cost Value	Fair Value	Book Value
Investment Funds	7,170,100	6,454,765	6,454,765
Total	7,170,100	6,454,765	6,454,765
December 31, 2020			
	Cost Value	Fair Value	Book Value
Reverse Repo	55,999,882	56,027,437	56,027,437
Investment Funds	6,466,902	7,207,543	7,207,543
Total	62,466,784	63,234,980	63,234,980

Equity shares under available-for-sale investments:

List of the investments and fair values is as below:

December 31, 2021			
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Tarsim	875,420	-	875,420
Total	875,420	-	875,420
December 31, 2020			
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Tarsim	722,156	-	722,156
Total	722,156	-	722,156

As of December 31, 2021, the Company has Eurobonds with the carrying value of USD 75,442,134 and EUR 386,981 (Note 4, Foreign currency risk) (December 31, 2020: USD 24,406,184).

As of December 31, 2021 and 2020, the remaining contractual maturities of financial assets are as follows:

December 31, 2021

	No stated maturity	0-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Private sector bonds	57,733,639	124,881,900	731,159,365	1,110,650,538	213,173,767	2,237,599,209
Government bonds	41,924,029	28,836,669	92,044,135	522,818,525	3,940,805	689,564,163
Equity shares	27,536,089	-	-	-	875,420	28,411,509
Investment funds	6,454,765	-	-	-	-	6,454,765
Total	133,648,522	153,718,569	823,203,500	1,633,469,063	217,989,992	2,962,029,646

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

9. Financial assets (Continued)

Equity shares under available-for-sale investments (Continued):

December 31, 2020

	No stated maturity	0-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Private sector bonds	31,037,645	250,852,853	640,723,212	283,407,743	67,235,356	1,273,256,809
Investment funds	7,207,543	-	-	-	-	7,207,543
Equity shares	136,469,582	-	-	-	722,156	137,191,738
Government bonds	2,000,217	12,257,180	21,937,908	216,121,150	18,245,851	270,562,306
Reverse repo	56,027,437	-	-	-	-	56,027,437
Total	232,742,424	263,110,033	662,661,120	499,528,893	86,203,363	1,744,245,833

Movement of financial assets:

As of December 31, 2021 and 2020, the movements of financial assets are as follows:

	2021						Total
	Available for sale financial assets (*)	Equity shares (**)	Held to maturity	Investment funds	Life portfolio	Reverse repo	
Opening, January 1	1,472,808,484	722,156	205,527,370	7,207,543	1,952,843	56,027,437	1,744,245,833
Purchases (+)	1,383,314,567	153,264	1,896,597,946	629,899,964	1,734,832	-	3,911,700,573
Sales (-)	(889,135,346)	-	(430,666,940)	(674,425,745)	(2,001,650)	(58,738,824)	(2,054,968,505)
Gain / (loss)	(751,771,177)	-	66,150,091	43,773,003	188,441	2,711,387	(638,948,255)
Closing, December 31	1,215,216,528	875,420	1,737,608,467	6,454,765	1,874,466	-	2,962,029,646

(*) Available for sale financial assets include TL 27,536,089 of equity investments as of December 31, 2021 (TL 136,469,582 as of December 31, 2020).

(**) Equity shares consist of TARSIM shares of Aksigorta A.Ş.

	2020						Total
	Available for sale financial assets(*)	Equity shares (**)	Held to maturity	Investment funds	Life portfolio	Reverse repo	
Opening, January 1	702,319,600	430,032	34,881,722	142,613,229	1,806,587	448,138,097	1,330,189,267
Purchases (+)	3,077,963,054	292,124	201,281,264	228,336,789	-	(406,554,778)	3,101,318,453
Sales (-)	(2,046,611,277)	-	(50,837,777)	(321,618,708)	(203,300)	-	(2,419,271,062)
Gain / (loss)	(260,862,893)	-	20,202,161	(42,123,767)	349,556	14,444,118	(267,990,825)
Closing, December 31	1,472,808,484	722,156	205,527,370	7,207,543	1,952,843	56,027,437	1,744,245,833

10. Cash and cash equivalents

The details of cash and cash equivalents of the Company are as follows:

	December 31, 2021	December 31, 2020
Cash at banks	1,182,736,630	1,600,368,638
-time deposits	1,121,453,755	1,521,138,584
-demand deposits	61,282,875	79,230,054
Bank guaranteed credit card receivables with maturity less than 3 months	1,011,654,963	669,855,762
Total cash and cash equivalents	2,194,391,593	2,270,224,400

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

10. Cash and cash equivalents (Continued)

The maturities of the Company's time deposit as of December 31, 2021 are less than six months (December 31, 2020: Less than six months).

Cash and cash equivalents that are included in the statements of cash flows for the periods January 1 - December 31, 2021 and January 1 - December 31, 2020 are as follows:

	December 31, 2021	December 31, 2020
Total cash and cash equivalents	2,194,391,593	2,270,224,400
Interest accrual on cash at banks (-)	(24,521,945)	(11,553,673)
Blocked time deposits	(217,596,761)	(89,061,660)
Blocked credit card receivables	(175,000,000)	(175,000,000)
Cash and cash equivalents per statement of cash flow	1,777,272,887	1,994,609,067

Weighted average interest rates of time deposits:

	December 31, 2021	December 31, 2020
TL	14.65 - 2.00	13.65 - 22.25
USD	0.20 - 0.31	0.20 - 3.10
EUR	-	0.01 - 0.05

As of December 31, 2021 and 2020 detail of cash and cash equivalents per currency are as follows:

	December 31, 2021	December 31, 2020
Foreign currency denominated		
- demand deposits	26,562,030	22,868,032
- time deposits	167,947,768	145,380,002
Turkish Lira		
- demand deposits	34,720,845	56,362,022
- time deposits	953,505,987	1,375,758,582
- bank guaranteed credit card receivables with maturity less than 3 months	1,011,654,963	669,855,762
Total cash and cash equivalents	2,194,391,593	2,270,224,400

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

11. Premium receivables and due from reinsurers

As of December 31, 2021 and 2020 premium receivables and due from reinsurers are as follows:

	December 31, 2021	December 31, 2020
Receivables from intermediaries	1,433,819,050	1,050,360,922
Receivables from reinsurance companies	40,204,422	28,401,167
Due from insurance operations	1,474,023,472	1,078,762,089
Other receivables	179,228	534,116
Receivables from reinsurance and insurance companies	1,474,202,700	1,079,296,205
Doubtful receivables from main operations - gross	36,637,084	36,520,503
Receivables from main operations - gross	1,510,839,784	1,115,816,708
Provision for receivables from insurance operations	(7,385,733)	(6,055,117)
Provision for doubtful receivables from main operations	(24,270,406)	(24,482,790)
Total provision amount for doubtful receivables	(31,656,139)	(30,537,907)
Total premium receivables and due from reinsurers	1,479,183,645	1,085,278,801

The aging of premium receivables is as follows:

	December 31, 2021	December 31, 2020
Overdue	36,637,084	73,909,848
Up to 3 months	468,698,021	321,505,608
3 to 6 months	543,667,968	372,931,595
6 months to 1 year	309,984,194	212,635,113
Over 1 year	151,852,517	134,834,544
Receivables from insurance operations - gross	1,510,839,784	1,115,816,708
Provision for receivables from insurance operations (-)	(7,385,733)	(6,055,117)
Provisions for receivables from main operations (-)	(24,270,406)	(24,482,790)
Total provision amount for doubtful receivables	(31,656,139)	(30,537,907)
Total premium receivables and due from reinsurers	1,479,183,645	1,085,278,801

The movement of provision for doubtful receivables from insurance operations is as follows

	2021	2020
Opening balance - January 1	(30,537,907)	(33,926,210)
Net change for the period	(1,118,232)	3,388,303
Closing balance, December 31	(31,656,139)	(30,537,907)

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

11. Premium receivables and due from reinsurers (Continued)

The aging of the overdue but not impaired receivables from policyholders and agencies are as follows:

	December 31, 2021	December 31, 2020
Up to 3 months	33,802,786	39,706,076
Over 3 months	24,968,746	18,111,489
Total	58,771,532	57,817,565

As of December 31, 2021 and 2020, the details of guarantees and collaterals obtained are as follows:

Types of guarantee	December 31, 2021		December 31, 2020	
	Receivables	Doubtful receivables	Receivables	Doubtful receivables
Real Estate Pledges	56,352,007	531,200	57,345,412	531,200
Letters of Guarantee	103,473,143	-	91,776,888	55,000
Cash guarantee	19,120,708	-	8,186,217	-
Government Bonds and Equity Shares	185,996	7,500	1,748,553	-
Other	-	-	309,696	7,500
Total	179,131,854	538,700	159,366,766	593,700

The Company has utilisable guarantes and collaterals in the amount of TL 76,030,828 (December 31, 2020: TL 37,175,263).

12. Reinsurance share of insurance liabilities

As of December 31, 2021 and 2020 reinsurance share of insurance liabilities are as follows:

Reinsurance Share	December 31, 2021	December 31, 2020	December 31, 2019
Reinsurers' share of outstanding claims (Note 17)	2,657,416,823	2,147,296,762	1,720,801,660
Reinsurers' share of unearned premiums (Note 17)	1,925,985,907	1,299,053,674	951,108,392
Reinsurers' share of bonus and rebates provision (Note 17)	768,407	452,167	892,018
Total	4,584,171,137	3,446,802,603	2,672,802,070

13. Deferred acquisition costs

As of December 31, 2021 and 2020 movements of deferred acquisition costs are as follows:

	December 31, 2021	December 31, 2020
Deferred acquisition costs, gross January 1	184,523,983	176,322,242
Change	21,715,690	8,201,741
Deferred acquisition costs, gross December 31	206,239,673	184,523,983

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

14. Other assets

As at December 31, 2021 and 2020 short term other assets are as follows:

	December 31, 2021	December 31, 2020
Claim recovery receivables	69,104,128	34,460,637
Receivable from Agricultural Insurance Pool	14,448,552	11,988,852
Prepaid expenses/Short	7,559,696	4,973,654
Receivable from Turkish Natural Catastrophe Insurance Pool	7,365,917	6,069,346
Prepaid taxes and funds	2,968,911	2,312,182
Other	8,002,132	5,564,492
Total short term other assets	109,449,336	65,369,163

	December 31, 2021	December 31, 2020
Claim recovery receivables	81,361,121	46,265,076
Provision for claim recovery (-)	(12,256,993)	(11,804,439)
Claim recovery receivables under legal follow-up	205,201,746	142,988,823
Provision for net claim recovery receivables under legal follow-up (-)	(205,201,746)	(142,988,823)
Subrogation receivables	69,104,128	34,460,637

As of December 31, 2021 and 2020 long term other assets are as follows:

	December 31, 2021	December 31, 2020
Prepaid expenses /Long term	138,005	61,469
Total long term other assets	138,005	61,469

15. Equity

As of December 31, 2021, the Company's total amount of nominal shares is 30,600,000,000 (December 31, 2020: 30,600,000,000) which has all been paid. The face value of the Company's common stocks is TL 0,01 each and the total nominal amount is TL 306,000,000 (December 31, 2020: TL 306,000,000).

Movement of common stocks at opening balance and closing balance is as follows:

	January 1, 2021		Issued Capital		Amortised		December 31, 2021	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
Total	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
	January 1, 2020		Issued Capital		Amortised		December 31, 2020	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
Total	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

15. Equity (Continued)

Movement of legal reserves is as follows:

Legal Reserves	2021	2020
Opening balance, January 1	302,288,128	137,889,692
Addition related to profit for the period	126,342,886	164,398,436
Closing balance, December 31	428,631,014	302,288,128

Actuarial gain / (loss)

In accordance with changes regarding “IAS 19 - Employee Benefits” effective as of January 1, 2013, net-off deferred tax actuarial loss amounting to TL 10,648,193 (net of deferred tax: TL 8,518,554) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity (December 31, 2020: TL 6,814,004 (net of deferred tax: TL 5,451,203)).

Movement of actuarial loss arising from employee benefit is as follows:

Actuarial Loss	2021	2020
Opening balance, January 1	6,814,004	5,647,766
Change for the period	3,834,189	1,166,238
Closing balance, December 31	10,648,193	6,814,004

Available for sale investments fund:

The unrealized gains and losses that result from the changes in the fair values of available for sale financial assets are directly recognized in the shareholders’ equity as “Available for sale investments fund”. Movement of available for sale investments fund is below:

Available for sale investments fund	2021	2020
Opening balance, January 1	1,441,549	6,588,634
Increase/decrease in value recognized under equity	(31,581,074)	(5,147,085)
Closing balance, December 31	(30,139,525)	1,441,549

Hedge Accounting

The Company recognizes the changes in value of hedged asset by the foreign currency differences under equity. As of December 31, 2021 The Company has no hedge assets.(December 31, 2020 : None).

16. Earning Per Share

Shareholder of the company's earnings per share calculation is as follows:

	2021	2020
Profit for the year	326,984,521	413,467,386
Weighted average number of shares with nominal value of TL 0.01 nominal value per share	30,600,000,000	30,600,000,000
Earnings per share	0.0107	0.0135

As of December 31, 2021, capital of the Company consists of 30,600,000,000 shares with nominal value of TL 0.01(December 31, 2020: 30,600,000,000 shares with nominal value of TL 0.01).

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

16. Earning Per Share (Continued)

Dividend payment

At the Ordinary General Assembly Meeting held on March 16, 2021, the Company decided to distribute a gross dividend of TL 306,000,000 from the net profit of TL 432,342,886 for the period January 1 - December 31, 2020, in line with the profit distribution proposal of the Board of Directors. TL 201,960,000 of this amount was distributed in cash on March 18, 2021. The remaining TL 104,040,000 dividend was distributed in cash on September 6, 2021 (December 31, 2020: TL 201,960,000).

17. Insurance liabilities

Insurance liabilities as of December 31, 2021 and 2020 are as follows:

Gross	December 31, 2021	December 31, 2020	December 31, 2019
Outstanding claims provision	4,780,821,342	3,706,589,816	2,929,718,084
Reserve for unearned premiums	3,938,317,399	2,926,765,514	2,356,539,448
Life actuarial mathematical reserves	1,209,158	1,276,448	1,302,184
Life profit share provision	134,351	141,828	144,687
Bonus and rebates provision	773,975	455,763	900,431
Total	8,721,256,225	6,635,229,369	5,288,604,834
Reinsurance Share	December 31, 2021	December 31, 2020	December 31, 2019
Reinsurers' share of outstanding claims	2,657,416,823	2,147,296,762	1,720,801,660
Reinsurers' share of unearned premiums	1,925,985,907	1,299,053,674	951,108,392
Reinsurers' share of bonus and rebates provision	768,407	452,167	892,018
Total	4,584,171,137	3,446,802,603	2,672,802,070
	December 31, 2021	December 31, 2020	December 31, 2019
Net outstanding claims	2,123,404,519	1,559,293,054	1,208,916,424
Net unearned premiums	2,012,331,492	1,627,711,840	1,405,431,056
Life actuarial mathematical reserves	1,209,158	1,276,448	1,302,184
Life profit share provision	134,351	141,828	144,687
Bonus and rebates provision	5,568	3,596	8,413
Total	4,137,085,088	3,188,426,766	2,615,802,764

AKSIGORTA A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021**

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

17. Insurance liabilities (Continued)

Movements in insurance liabilities and reinsurance assets outstanding Claims:

	2021		
	Gross	Reinsurers' share	Net
Opening balance, January 1	3,706,589,816	(2,147,296,762)	1,559,293,054
Net change	1,074,231,526	(510,120,061)	564,111,465
Closing balance - December 31	4,780,821,342	(2,657,416,823)	2,123,404,519
	2020		
	Gross	Reinsurers' share	Net
Opening balance, January 1	2,929,718,084	(1,720,801,660)	1,208,916,424
Net change	776,871,732	(426,495,102)	350,376,630
Closing balance - December 31	3,706,589,816	(2,147,296,762)	1,559,293,054

Unearned Premium Reserve:

	2021		
	Gross	Reinsurers' share	Net
Opening balance - January 1	2,926,765,514	(1,299,053,674)	1,627,711,840
Net change	1,011,551,885	(626,932,233)	384,619,652
Closing balance - December 31	3,938,317,399	(1,925,985,907)	2,012,331,492
	2020		
	Gross	Reinsurers' share	Net
Opening balance - January 1	2,356,539,448	(951,108,392)	1,405,431,056
Net change	570,226,066	(347,945,282)	222,280,784
Closing balance - December 31	2,926,765,514	(1,299,053,674)	1,627,711,840

Life mathematical provisions:

	2021		2020	
	Number of Policies	Mathematical Reserves	Number of Policies	Mathematical Reserves
Opening balance, January 1	166	1,418,276	172	1,446,871
Addition/(leavings) in the current period	(10)	(74,767)	(6)	(28,595)
Closing balance, December 31	156	1,343,509	166	1,418,276

Mathematical reserves amounting to TL 1,343,509 (December 31, 2020: TL 1,418,276) and reserves for the policies with financial assets at insureds' risk amounting to TL 134,351 (December 31, 2020: TL 141,828) and cancelled policies together with their mathematical reserves are included in the table above.

AKSİGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

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

17. Insurance liabilities (Continued)

Subrogation income:

The amounts of the net salvage and subrogation income which are collected and the accrued income amounts from salvage and subrogation receivables with respect to the claims paid by the Company are as follow:

Claim recovery accruals	December 31, 2021			December 31, 2020		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Motor Own Damage	62,612,250	-	62,612,250	34,682,263	-	34,682,263
MTPL	12,922,064	(731,653)	12,190,411	8,693,394	(614,782)	8,078,612
Fire	9,984,753	(3,664,628)	6,320,125	4,565,328	(1,595,787)	2,969,541
Marine	542,649	(404,299)	138,350	717,994	(296,036)	421,958
General Losses	595,480	(524,812)	70,668	140,586	(78,729)	61,857
Suretyship	63,443	(43,027)	20,416	73,972	(37,244)	36,728
General Liability	28,058	(20,657)	7,401	3,143	(2,200)	943
Watercraft	2,500	(1,000)	1,500	-	-	-
Legal Expenses	-	-	-	13,174	-	13,174
Financial Losses	-	-	-	-	-	-
Total	86,751,197	(5,390,076)	81,361,121	48,889,854	(2,624,778)	46,265,076

Claim recovery collections	December 31, 2021			December 31, 2020		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Motor Own Damage	336,626,079	(1,083)	336,624,996	209,845,013	(1,908)	209,843,105
MTPL	26,440,317	(2,061,795)	24,378,522	13,394,366	(712,985)	12,681,381
Fire	8,850,693	(3,838,261)	5,012,432	7,712,930	(4,481,667)	3,231,263
Marine	5,804,992	(2,907,445)	2,897,547	1,915,055	(1,197,296)	717,759
General Losses	899,406	(794,631)	104,775	483,767	(371,211)	112,556
Watercraft	205,707	(101,764)	103,943	125,432	(8,147)	117,285
General Liability	134,564	(90,085)	44,479	24,812	(27,838)	(3,026)
Suretyship	37,374	(15,682)	21,692	6,013	(3,163)	2,850
Financial Losses	522,142	(512,298)	9,844	3,256	(1,628)	1,628
Legal Expenses	5,695	-	5,695	24,454	-	24,454
Accident	(16,028)	-	(16,028)	-	-	-
Total	379,510,941	(10,323,044)	369,187,897	233,535,098	(6,805,843)	226,729,255

AKSİGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

17. Insurance liabilities (Continued)

Claims development tables

The Company prepares the claim development table in accordance with the Regulation on Technical Reserves. As at December 31, 2021 and 2020, claim development table of the Company is as follows:

	2014 and earlier	2015	2016	2017	2018	2019	2020	2021	Total
Claims realized in the accident period	5,141,008,818	841,913,192	930,621,837	1,366,238,878	1,564,047,984	2,299,878,599	2,069,675,811	3,650,161,929	17,863,547,048
1 year later	1,260,829,956	216,699,946	420,934,178	793,577,616	606,370,322	939,075,198	1,228,917,800	-	5,466,405,016
2 years later	523,654,583	126,303,760	345,579,004	633,208,482	352,446,585	717,625,507	-	-	2,698,817,921
3 years later	399,617,180	110,917,361	344,631,786	602,343,699	671,792,643	-	-	-	2,129,302,669
4 years later	389,521,043	113,024,946	398,378,186	438,319,539	-	-	-	-	1,339,243,714
5 years later	378,090,269	120,467,564	342,136,413	-	-	-	-	-	840,694,246
6 years later	406,844,082	129,489,007	-	-	-	-	-	-	536,333,089
7 years later	477,718,918	-	-	-	-	-	-	-	477,718,918
8 years later	240,044,329	-	-	-	-	-	-	-	240,044,329
9 years later	140,663,463	-	-	-	-	-	-	-	140,663,463
10 years later	92,663,009	-	-	-	-	-	-	-	92,663,009
11 year later	60,986,257	-	-	-	-	-	-	-	60,986,257
12 year later	39,824,512	-	-	-	-	-	-	-	39,824,512
13 year later	23,145,139	-	-	-	-	-	-	-	23,145,139
14 year later	12,563,408	-	-	-	-	-	-	-	12,563,408
Total incurred gross provision for outstanding claims as at December 31, 2021	9,587,174,966	1,658,815,776	2,782,281,404	3,833,688,214	3,194,657,534	3,956,579,304	3,298,593,611	3,650,161,929	31,961,952,738

AKSİGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

17. Insurance liabilities (Continued)

	2013 and earlier	2014	2015	2016	2017	2018	2019	2020	Total
Claims realized in the accident period	4,779,251,521	838,172,102	841,913,192	930,621,837	1,366,238,878	1,564,047,984	2,299,878,599	2,069,675,810	14,689,799,923
1 year later	1,159,099,782	239,937,131	216,699,946	420,934,178	793,577,616	606,370,322	939,075,198	-	4,375,694,173
2 years later	400,912,984	144,014,862	126,303,760	345,579,004	633,208,482	352,446,584	-	-	2,002,465,676
3 years later	302,651,215	120,606,234	110,917,361	344,631,786	602,343,698	-	-	-	1,481,150,294
4 years later	281,287,386	133,086,346	113,024,946	398,378,186	-	-	-	-	925,776,864
5 years later	242,522,017	151,210,707	120,467,564	-	-	-	-	-	514,200,288
6 years later	244,332,048	174,627,627	-	-	-	-	-	-	418,959,675
7 years later	253,370,080	-	-	-	-	-	-	-	253,370,080
8 years later	168,934,219	-	-	-	-	-	-	-	168,934,219
9 years later	113,505,061	-	-	-	-	-	-	-	113,505,061
10 years later	81,299,639	-	-	-	-	-	-	-	81,299,639
11 year later	51,476,156	-	-	-	-	-	-	-	51,476,156
12 year later	34,545,785	-	-	-	-	-	-	-	34,545,785
13 year later	18,752,259	-	-	-	-	-	-	-	18,752,259
14 year later	5,273,107	-	-	-	-	-	-	-	5,273,107
Total incurred gross provision for outstanding claims as at December 31, 2020	8,137,213,259	1,801,655,009	1,529,326,769	2,440,144,991	3,395,368,674	2,522,864,890	3,238,953,797	2,069,675,810	25,135,203,199

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

17. Insurance liabilities (Continued)

Incurred but not reported reserves in accordance with ultimate liability calculations:

Line of Businesses	Applied Method	December 31, 2021		December 31, 2020	
		Gross Additional Provision	Net Additional Provision	Gross Additional Provision	Net Additional Provision
Motor Third Party Liability	FS	1,533,556,783	1,533,556,783	FS	892,470,020
	SCL/Loss				
General Liability	Ratio	511,117,327	74,896,550	SCL	323,240,038
Fire	SCL	11,791,017	1,526,309	BF	22,845,897
General Loss	SCL	3,116,580	727,068	BF	12,739,115
Health	SCL	924,840	33,604	SCL	813,472
Marine	SCL	(3,257,122)	(1,121,915)	BF	(767,587)
Motor Own Damage	SCL	(83,476,239)	(83,476,239)	SCL	(28,150,777)
Other	SCL	13,738,890	1,678,767	SCL	8,193,187
Total		1,987,512,076	1,527,820,927		1,231,383,365
					911,459,456

The Company actuary determined the threshold values regarding the peak claims considered as large claims using the plot analysis. With this method the files, which exceeds the determined limits considered as significant claims. The claim process of these files is different from other files. For these files, additional provision calculations were performed and added to the provisions. As of December 31, 2021 and 2020, large claim limits are as follows ;

Line of Businesses	2021		2020	
	Ultimate Loss	Large Claim Level	Ultimate Loss	Large Claim Level
General Liability		1,650,000		1,650,000
Employers Liability	SCL	650,000	BF	650,000
Third Liability GL	SCL	600,000	BF	600,000
Other	SCL	400,000	BF	400,000
General Losses	BF	999,999	BF	999,999
Marine	BF	999,999	BF	999,999
Fire	BF	499,999	BF	499,999
Personal Accident	BF	299,999	BF	299,999
Motor Vehicle Facultative				
Third Party Liability	FS	149,999	FS	149,999
Financial Losses	SCL	50,000	SCL	50,000

In branches where significant claim determination is performed, additional provision calculations were performed for these files added to the Outstanding Claims Provisions. Additional gross amounts, as the LoBs are as follows.

Line of Businesses	2021	
	Gross Additional Amount	Net IBNR
General Liability	76,159,337	4,150,546
Fire	9,066,777	841,588
Financial Losses	7,150,100	152,264
Facultative Public Liability	2,871,642	2,871,642
Accident	620,789	60,092

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

18. Provisions for other liabilities and charges

The details of provisions that are classified under provisions for expense accruals in statement of financial position are as follows:

	December 31, 2021	December 31, 2020
Security fund provision	25,974,332	15,455,363
Commission provision	17,805,233	35,959,660
Performance premium provision	7,958,998	10,544,208
Expense accruals	4,686,928	4,353,920
Unused vacation provision	3,690,561	2,158,581
Legal disputes provision	813,092	1,633,654
Other	2,012,679	707,549
Total	62,941,823	70,812,935

Commitments and contingent liabilities which are not recognized as liabilities are disclosed in Note 32 and 33.

The movement of the commission provisions are as follows:

	December 31, 2021	December 31, 2020
Opening balance, January 1	35,959,660	28,447,678
Change during the year, net	(18,154,427)	7,511,982
Total	17,805,233	35,959,660

The movement of the performance premium provision are as follows:

	December 31, 2021	December 31, 2020
Opening balance, January 1	10,544,208	8,433,529
Change during the year, net	(2,585,210)	2,110,679
Total	7,958,998	10,544,208

The movement of the security fund provision are as follows:

	December 31, 2021	December 31, 2020
Opening balance, January 1	15,455,363	13,656,077
Change during the year, net	10,518,969	1,799,286
Total	25,974,332	15,455,363

The movement of the unused vacation provision are as follows:

	December 31, 2021	December 31, 2020
Opening balance, January 1	2,158,581	2,051,784
Change during the year, net	1,531,980	106,797
Total	3,690,561	2,158,581

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

18. Provisions for other liabilities and charges (Continued)

The movement of the expense accruals are as follows:

	December 31, 2021	December 31, 2020
Opening balance, January 1	4,353,920	5,528,924
Change during the year, net	333,008	(1,175,004)
Total	4,686,928	4,353,920

19. Payables to reinsurers, trade and other payables

	December 31, 2021	December 31, 2020
Payables to reinsurers	1,243,900,854	765,628,607
Payables to SSI regarding medical expenses	60,198,675	45,560,203
Payables due to main operations	1,304,099,529	811,188,810
Taxes payable	99,667,249	53,532,316
Payables to contracted institutions	78,918,265	40,496,161
Payables to suppliers	72,046,778	29,576,727
Payables to Turkish Catastrophe Insurance Pool	32,695,098	26,540,034
Due to shareholder	1,143	1,143
Other	24,575,673	10,198,446
Total other short-term payables	307,904,206	160,344,827
Total financial liabilities trade and other payables, deferred income	1,612,003,735	971,533,637

Movement of SSI regarding medical expenses is as follows:

	2021	2020
Opening Balance, January 1,	45,560,203	42,392,477
Premiums Ceded to SSI	184,693,219	144,624,135
Premium payments to SSI in the current period	(170,054,747)	(141,456,409)
Closing balance, December 31	60,198,675	45,560,203

20. Provision for retirement benefit obligation

	December 31, 2021	December 31, 2020
Provision for employment termination benefits	14,112,606	9,095,078
Total	14,112,606	9,095,078

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

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

20. Provision for retirement benefit obligation (Continued)

Under the terms of Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are entitled to retirement pay provisions subsequent to the completion of their retirement period by gaining a right to receive retirement payments in accordance with the amended Article 60 of the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on March 6,1981 and August 25, 1999, respectively. Some transitional provisions related to pre-retirement service term was excluded from the law since the related law was amended as of May 23, 2002.

Employee termination benefits provisions are legally not a subject of funding. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at December 31, 2021 and December 31, 2020, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. As of December 31, 2021, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 12.10% (December 31, 2020: 15.40%) and a discount rate of 14% (December 31, 2020: 11.70%), resulting in a real interest rate of 4% (December 31, 2020: 4%). The anticipated rate of forfeitures is considered, and estimated rate of the Company’s retirement pay is also taken into account.

However, during this estimation, the employee termination benefits mentioned in subparagraph 5 of paragraph 1 of article 14 of the Labor Law numbered 1475 to be made in accordance with other conditions excluding the ages stipulated in clauses (a) and (b) of subparagraph A of paragraph one of article 60 of the Law numbered 506 or due to termination of employees on their own will after having completed the insurance period required for retirement pension (15 years) and the number of premium payment days (3600 days) have been excluded from the payments to be incurred by the Company.

As the maximum liability is updated semi-annually, the maximum amount of TL 10,597 effective from January 1, 2022 has been taken into consideration in calculation of provision from employment termination benefits (As of January 1, 2021, the ceiling on severance pay is TL 7,639 per month). Movement of employee termination benefits provisions are presented in the statement below:

	2021	2020
Opening balance, January 1	9,095,078	7,052,711
Charge for the period	1,937,344	1,663,144
Actuarial gain/loss	3,834,189	1,166,238
Retirement payments	(754,005)	(787,015)
Closing balance, December 31	14,112,606	9,095,078

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

21. Lease liabilities

As at December 31, 2021 and January 1, 2020; lease liabilities are as follows:

	December 31, 2021	December 31, 2020
Short-term lease liabilities (undiscounted)	21,532,058	13,524,088
discount amount of short-term lease liabilities (-)	(6,563,640)	(6,146,671)
Total short-term lease liabilities	14,968,418	7,377,417
Long-term lease liabilities (undiscounted)	15,802,373	28,360,104
discount amount of long-term lease liabilities (-)	(3,206,757)	(6,845,498)
Total long-term lease liabilities	12,595,616	21,514,606
Total financial liabilities trade and other payables, deferred income	27,564,034	28,892,023

Movement of lease liabilities for the period ended December 31, 2021 and 2020 are as follows:

	2021	2020
Opening balance, January 1	28,892,023	29,750,241
Additions	2,244,898	6,756,386
Lease payments	(9,841,895)	(15,518,592)
Interest payments	6,269,008	7,903,988
Closing balance, December 31	27,564,034	28,892,023

22. Net insurance premium income

The distribution of premium income is as follows:

	January 1 - December 31, 2021			January 1 - December 31, 2020		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Written premium	6,987,620,745	(3,324,195,478)	3,663,425,267	5,272,142,057	(2,374,453,128)	2,897,688,929
Change in unearned premium reserve	(1,011,551,885)	626,932,233	(384,619,652)	(570,226,066)	347,945,282	(222,280,784)
Total premium revenue	5,976,068,860	(2,697,263,245)	3,278,805,615	4,701,915,991	(2,026,507,846)	2,675,408,145
Motor third party liability	2,102,951,932	(419,890,286)	1,683,061,646	1,635,342,700	(347,255,353)	1,288,087,347
Motor own damage	1,430,755,603	(89,285,155)	1,341,470,448	1,166,113,201	(69,918,501)	1,096,194,700
General Losses	573,012,761	(421,722,811)	151,289,950	848,699,198	(602,680,057)	246,019,141
Health	531,777,331	(417,559,332)	114,217,999	471,952,589	(375,026,286)	96,926,303
Fire	1,201,242,945	(1,111,467,579)	89,775,366	785,280,268	(712,629,069)	72,651,199
Marine	188,968,816	(146,500,011)	42,468,805	116,770,024	(85,287,200)	31,482,824
Other	958,911,357	(717,770,304)	241,141,053	247,984,077	(181,656,662)	66,327,415
Total	6,987,620,745	(3,324,195,478)	3,663,425,267	5,272,142,057	(2,374,453,128)	2,897,688,929

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

23. Insurance claims and claims recovered from reinsurers

December 31, 2021	Gross	Reinsurers' Share	Net
Paid Claims	3,534,200,654	(1,174,220,617)	2,359,980,037
Change in outstanding claims	1,222,859,396	(658,747,931)	564,111,465
Change in mathematical reserves	(74,767)	-	(74,767)
Bonus and rebates provision	318,212	(316,240)	1,972
Total	4,757,303,495	(1,833,284,788)	2,924,018,707
December 31, 2020	Gross	Reinsurers' Share	Net
Paid Claims	2,161,766,768	(754,079,647)	1,407,687,121
Change in outstanding claims	776,871,732	(426,495,102)	350,376,630
Change in mathematical reserves	(28,595)	-	(28,595)
Bonus and rebates provision	(444,668)	439,851	(4,817)
Total	2,938,165,237	(1,180,134,898)	1,758,030,339

24. Taxes

As at December 31, 2021 and 2020 prepaid income taxes are netted off with the current income tax payable as stated below:

	December 31, 2021	December 31, 2020
Income taxes payable	105,330,567	117,630,688
Prepaid income taxes	(80,296,983)	(94,016,621)
Tax payable/(asset)	25,033,584	23,614,067

Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for International Accounting Standards (IAS) purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IAS.

The details of deferred tax assets and liabilities are as follows:

	Cumulative temporary differences			Deferred tax assets/ (liabilities)		
	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2021	December 31, 2020	December 31, 2019
Derivative asset valuation	49,851,945	5,352,006	30,321,955	11,465,947	1,070,401	6,670,830
General expense provision	31,155,644	22,348,560	20,409,677	7,401,195	4,469,712	4,490,129
Claim handling	28,516,850	21,629,680	19,168,182	5,703,370	4,325,936	4,217,000
Employment termination benefit	14,112,606	9,095,078	7,052,711	2,822,521	1,819,016	1,410,542
Bonus provision	7,958,998	10,544,208	8,433,529	1,989,750	2,108,842	1,855,376
Leased assets	5,910,208	5,405,814	3,621,336	1,182,042	1,081,163	796,694
Unused vacation provision	3,690,561	2,158,581	2,051,784	848,829	431,716	451,392
Other	147,069,890	139,897,629	118,953,633	19,648,547	17,437,228	21,425,353
Financial assets valuation effect accounted under equity	(1,645,442)	(5,367,432)	(9,683,015)	775,744	(1,073,487)	(1,936,603)
Useful life of tangible and intangible assets	(7,364,600)	1,421,990	(11,328,418)	(1,472,920)	284,397	(2,492,252)
Exchange rate valuation effect	(24,802,151)	-	-	(5,704,495)	-	-
Equalization reserve	(107,886,861)	(88,895,290)	(87,166,582)	(21,577,372)	(17,779,058)	(19,176,648)
Total deferred tax assets / liabilities	146,567,648	123,590,824	101,834,792	23,083,158	14,175,866	17,711,813

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

24. Taxes (Continued)

Deferred tax (Continued)

In accordance with the regulation numbered 7316, published in Official Gazette on April 22, 2021, "Law on the Amendment of Some Tax Acts and Some Other Laws", corporate tax rate for the year 2021, 2022 has increased from %22 to %25 and %23 respectively, Therefore, deferred tax assets and liabilities as of December 31, 2021 are calculated with 23% tax rate for the temporary differences which will be realized in 2022, and with 20% tax for those which will be realized after 2022 and onwards (December 31, 2020: In accordance with the regulation numbered 7061, published in Official Gazette on December 5, 2017, "Law on the Amendment of Some Tax Acts and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of December 31, 2020 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards).

Actual tax expense reconciliation is as follow:

	2021	2020
Profit before deferred tax and corporate tax	433,537,736	536,154,040
Tax Rate	25%	22%
Calculated tax expense (-)	(108,384,434)	(117,953,889)
Tax rate change effect	8,227,876	(3,721,835)
The effect of non-deductible expenses	(6,396,657)	(1,010,930)
Total tax expenses	(106,553,215)	(122,686,654)

25. Investment Income

Investment income for the year ended December 31, 2021 and 2020 are as follows:

	January 1- December 31, 2021	January 1- December 31, 2020
Cash and cash equivalents interest income	340,966,510	62,868,925
Available for sale interest income	159,359,126	219,657,294
Investment Income from derivatives	126,002,426	77,270,026
Total	626,328,062	359,796,245

26. Commission income and expenses

Commission income and expenses for the year ended December 31, 2021 and 2020 are as follows:

	January 1- December 31, 2021	January 1- December 31, 2020
Commissions Income	336,534,276	260,600,253
Commissions Expense	(783,337,854)	(670,043,275)
Total	(446,803,578)	(409,443,022)

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

27. Other operating income and expenses

Other operating income for the year ended December 31, 2021 and 2020 are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Income from assistance services	31,089,309	7,881,937
State supported agriculture insurances commissions	2,897,235	1,758,500
Other	1,846,208	1,507,072
Total	35,832,752	11,147,509

Other operating expenses for the year ended December 31, 2021 and 2020 are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Security fund provision	(25,974,332)	(15,455,363)
Donation expense	(13,325,057)	(29,800,000)
Bank expenses	(10,783,783)	(9,040,760)
Portfolio management fee	(4,108,785)	(3,409,366)
Retirement pay provisions	(1,937,344)	(1,663,144)
Disallowable expenses	(1,628,116)	(805,614)
Unused vacation provisions	(1,726,522)	(198,850)
Provision for doubtful receivables	(1,346,572)	(33,868,442)
Other	(4,398,939)	(3,583,606)
Total	(65,229,450)	(97,825,145)

28. Expenses by nature

	January 1 - December 31, 2021	January 1 - December 31, 2020
Personnel expenses*	(145,956,455)	(127,209,376)
Assistance expenses	(53,064,218)	(34,480,713)
Depreciation expenses	(43,920,449)	(52,626,448)
Information technology expenses	(30,411,677)	(23,598,190)
Advertisement expenses	(9,702,571)	(7,686,707)
Social relief expenses*	(6,264,079)	(2,235,208)
Meeting and training expenses	(6,018,425)	(4,225,508)
Transportation expenses	(1,836,119)	(1,662,758)
Other	(23,668,217)	(21,670,141)
Total	(320,842,210)	(275,395,049)

(*) Personnel expenses for the year ended December 31, 2021 and 2020 are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Salary and bonus payments	(111,752,027)	(99,779,115)
Insurance payments	(28,361,408)	(23,837,216)
Other payments	(12,107,099)	(5,828,253)
Total	(152,220,534)	(129,444,584)

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

29. Foreign exchange gain / (loss), net

Foreign exchange gain / (loss), net for the year ended December 31, 2021 and 2020 are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Foreign exchange gains (+)	871,761,286	316,242,743
Foreign exchange losses (-)	(622,296,034)	(285,747,047)
Foreign exchange gains, net	249,465,252	30,495,696

30. Blocked securities and bank deposits

Under Insurance Law, insurance companies are obliged to deposit investments within two months in a blocked account with a state bank in favor of Ministry of Treasury and Finance. Accordingly the following guarantees have been issued to the Turkish Treasury based on the financial results:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Blocked bank deposits	392,596,761	264,061,660
Blocked securities	1,874,466	1,952,843
Total	394,471,227	266,014,503

31. Related parties

The details of transactions between the Company and other related parties are disclosed below:

Due from /to related parties	December 31, 2021	December 31, 2020
Shareholder’s subsidiaries	93,927,329	91,461,912
Shareholders	(416,165)	2,254,915
Total	93,511,164	93,716,827
Banks		
	December 31, 2021	December 31, 2020
Shareholder’s subsidiaries	158,440,388	409,450,889
Total	158,440,388	409,450,889
Marketable securities		
	December 31, 2021	December 31, 2020
Shareholder’s subsidiaries	25,654,115	28,642,016
Total	25,654,115	28,642,016

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

31. Related parties (Continued)

Investment funds	December 31, 2021	December 31, 2020
Shareholder's subsidiaries	6,454,942	95,998,460
Total	6,454,942	95,998,460
Written Premium	December 31, 2021	December 31, 2020
Shareholder's subsidiaries	136,368,682	132,381,217
Shareholders	3,624,325	-
Total	139,993,007	132,381,217
Claims Paid	December 31, 2021	December 31, 2020
Shareholder's subsidiaries	21,739,287	11,411,400
Shareholders	752	1,848
Total	21,740,039	11,413,248
Investment Income	December 31, 2021	December 31, 2020
Shareholder's subsidiaries	52,833,994	48,594,991
Total	52,833,994	48,594,991
Commission expense	December 31, 2021	December 31, 2020
Shareholder's subsidiaries	130,623,709	122,037,729
Total	130,623,709	122,037,729

32. Commitments

Provision for lawsuit

Provision for lawsuit against the Company is classified under insurance liabilities and premium receivables.

As of December 31, 2021 and 2020, details of the provision for lawsuit against to the Company are as follows:

	December 31, 2021	December 31, 2020
Outstanding claims under litigation	1,296,943,994	977,496,405
Subrogation receivable litigations, gross	3,690,561	2,158,581
Trade receivable litigations and executions	813,092	1,633,654
Total	1,301,447,647	981,288,640

33. Contingencies

As of December 31, 2021 and 2020, total insurance risk accepted by the Company under normal courses of the insurance business is detailed in Note 4.

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

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

34. Subsequent events

The Company decided to increase the paid in capital by 100% from its current level of nominal TL 306,000,000 to TL 612,000,000 within the registered capital limit of TL 750,000,000 by a scrip issue using profit reserves with the Board decision dated January 26, 2022 and numbered 01.

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