

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

TÜRK P VE I SİGORTA A.Ş.

FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2021 AND
INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Türk P ve I Sigorta A.Ş (“the Company”), which comprise the statement of balance sheet as at 31 December 2021, and the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2021, and its financial performance and its cash flows for the year then ended, in accordance with the regulations on accounting and financial reporting effective as per the insurance legislation and the “Insurance Accounting and Financial Reporting Regulation” including the provisions of the Turkish Financial Reporting Standards (TFRS) for the matters not regulated by these regulations.

2) Basis for Opinion

We conducted our audit in accordance with the regulations regarding the independent audit principles effective as per the insurance legislation and the Standards on Independent Auditing (SIA) which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics for Independent Auditors* (“Code of Ethics”) published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

Key Audit Matter	How the matter was addressed in the audit
<p>As of 31 December 2021, the total amount of insurance technical provisions is TL 210,353,050.</p> <p>Insurance Companies are required to record provisions for outstanding claims reserve for the claims occurred and determined but not paid in the previous periods or current period or amounts that have not determined but estimated and incurred but not reported. The modelling of the estimation of ultimate losses is sensitive to legal, economic and various factors/uncertainties, as well as past claims experience, claim development, market conditions. As of 31 December 2021, the Company has a net provision of TL 100,928,342 for outstanding claims provision and TL 9,509,414 for incurred but not reported claims in its financial statements.</p> <p>Outstanding claims reserve, which includes incurred but not reported claims, which are included in technical provisions, has been chosen as a key audit matter due to its nature involving significant actuarial judgments and estimates.</p> <p>For details of accounting policies regarding the recognition of technical provisions and significant accounting judgments, estimates and assumptions, see Note 2.24 and Note 17.</p>	<p>In the audit of the technical provisions, the design and implementation of key controls were evaluated.</p> <p>Detailed tests and analytical tests were carried out with the sampling method. The assumptions used, assessing the consistency of valuation methods, recalculation and regulatory compliance have been evaluated and checked using actuarial techniques by certified actuaries, whom we employ as external experts, who are part of our audit team.</p> <p>In addition to these, we have evaluated the adequacy of related of disclosures technical in Note 17 and Note 2.24 in accordance with the Insurance Accounting and Financial Reporting Legislation.</p>

4) Other Matter

The financial statements of the Company for the accounting period ending on 31 December 2020 were audited by another independent auditor who expressed an unmodified opinion on the financial statements on 26 February 2021.



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

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

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

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

6) Auditor's Responsibilities for the Audit of the Financial Statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulations regarding the independent audit principles in force as per the insurance legislation and SIAs 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 the regulations regarding the independent audit principles in force as per the insurance legislation and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement 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.

6) Auditor's Responsibilities for the Audit of the Financial Statements

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January - 31 December 2021 does not comply with the TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of the TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Ferda Akkılınç Ilıca.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Ferda Akkılınç Ilıca
Partner

İstanbul, 15 February 2022

**CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON
THE FINANCIAL STATEMENTS PREPARED AS AT 31 DECEMBER 2021**

We confirm that the accompanying financial statements and notes to these financial statements as of 31 December 2021 are prepared in accordance with the accounting principles and standards as set out in the insurance legislation and in conformity with the related regulations and the Company's accounting records.

15 February 2022



R. Ufuk TEKER

**A Member of Board of
Directors and
General Manager**



Enis GÜNGÖR

**Chief Financial
Officer**



K. Ege YAVAŞ

**Financial Affairs
Manager**



A. Korhan AKÇÖL

Actuary

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TÜRK P VE İ SİGORTA A.Ş.

DETAILED BALANCE SHEETS AS OF 31 DECEMBER 2021 AND 2020

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

ASSETS	Notes	Current Period Audited 31 December 2021	Prior Period Audited 31 December 2020
I- Current Assets			
A- Cash and Cash Equivalents	14	142,959,945	77,757,752
1- Cash	2.12 and 14	44,340	16,576
2- Cheques Received	2.12 and 14	919,812	-
3- Banks	2.12 and 14	141,617,457	77,661,180
4- Cheques Given and Payment Orders (-)		-	-
5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	2.12 and 14	378,336	79,996
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments with Risks on Policyholders		30,693,953	9,588,066
1- Available for Sale Investments		-	-
2- Held to Maturity Investments	4 and 11.4	30,693,953	9,588,066
3- Financial Assets Held for Trading		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Financial Investments with Risks on Saving Life Policyholders		-	-
7- The Company’s Own Equity Shares		-	-
8- Diminution in Value of Financial Investments (-)		-	-
C- Receivables from Main Operations	12.1	150,125,366	64,808,660
1- Receivable from Insurance Operations	12.1	150,125,366	64,808,660
2- Provision for Receivables from Insurance Operations (-)		-	-
3- Receivables from Reinsurance Operation		-	-
4- Provision for Receivables from Reinsurance Operations (-)		-	-
5- Cash Deposited to Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders (-)		-	-
8- Receivables from Individual Pension Operations		-	-
9- Doubtful Receivables from Main Operations	12	-	2,762,560
10- Provision for Doubtful Receivables from Main Operations (-)	12	-	(2,762,560)
D- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
E- Other Receivables		206,704	21,306
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income (-)		-	-
3- Deposits and Guarantees Given		206,704	21,306
4- Other Miscellaneous Receivables		-	-
5- Discount on Other Miscellaneous Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals		30,499,855	12,323,980
1- Deferred Production Costs	17	28,909,394	11,995,950
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		58,193	153,663
4- Other Prepaid Expenses	47.1	1,532,268	174,367
G- Other Current Assets		22,312	1,165
1- Prepaid Office Supplies		-	-
2- Prepaid Taxes and Funds		-	-
3- Deferred Tax Assets		-	-
4- Business Advances		-	1,165
5- Advances Given to Personnel		22,312	-
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		354,508,135	164,500,929

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

TÜRK P VE I SİGORTA A.Ş.

DETAILED BALANCE SHEETS AS OF 31 DECEMBER 2021 AND 31 DECEMBER 2020

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

ASSETS	Notes	Current Period Audited 31 December 2021	Prior Period Audited 31 December 2020
II- Non-Current Assets			
A- Receivables from Main Operations		-	-
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations (-)		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders (-)		-	-
8- Receivables from Individual Pension Business		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-
B- Due from Related Parties		-	-
1- Due from Shareholder		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
C- Other Receivables		23,215	21,772
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income (-)		-	-
3- Deposits and Guarantees Given		23,215	21,772
4- Other Miscellaneous Receivables		-	-
5- Discount on Other Miscellaneous Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
D- Financial Assets		-	-
1- Investment in Equity Shares		-	-
2- Investments in Associates		-	-
3- Capital Commitments to Associates (-)		-	-
4- Investments in Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Investments in Joint-Ventures		-	-
7- Capital Commitments to Joint-Ventures (-)		-	-
8- Financial Assets and Financial Investments with Risks on Policyholders		-	-
9- Other Financial Assets		-	-
10- Impairment in Value of Financial Assets (-)		-	-
E- Tangible Assets	6	7,534,686	1,846,851
1- Investment Properties		-	-
2- Impairment for Investment Properties (-)	-	-	-
3- Property for Operational Use		-	-
4- Machinery and Equipment		-	-
5- Furniture and Fixtures	6	1,498,064	781,643
6- Motor Vehicles		-	-
7- Other Tangible Assets (including Leasehold Improvements)	6	1,790,158	677,573
8- Tangible Assets Acquired by Lease	6	5,921,614	2,234,103
9- Accumulated Depreciation (-)	6	(1,675,150)	(1,846,468)
10- Advances Given for Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets	8	906,261	3,289
1- Rights	8	101,733	8,542
2- Goodwill		-	-
3- Start-up Costs		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization (-)	8	(21,047)	(5,253)
7- Advances Given for Intangible Assets	8	825,575	-
G- Prepaid Expenses and Income Accruals		-	-
1- Deferred Production Costs		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses		-	-
H- Other Non-Current Assets	21 and 35	-	1,805,630
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Prepaid Supplies		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21 and 35	-	1,805,630
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortization on Other Non-Current Assets (-)		-	-
8- Provision for Other Non-Current Assets		-	-
II- Total Non-Current Assets		8,464,162	3,677,542
Total Assets (I+II)		362,972,297	168,178,471

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

TÜRK P VE I SİGORTA A.Ş.

DETAILED BALANCE SHEETS AS OF 31 DECEMBER 2021 AND 31 DECEMBER 2020

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

LIABILITIES	Notes	Current Period Audited 31 December 2021	Prior Period Audited 31 December 2020
III- Current Liabilities			
A- Financial Liabilities		1,205,625	458,960
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities	20	1,205,625	458,960
3- Deferred Leasing Borrowing Costs (-)		-	-
4- Principal Installments and Interests of Long-Term Loans		-	-
5- Principal Installments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued (-)		-	-
8- Other Financial Payables (Liabilities)		-	-
B- Payables from Main Operations	19	6,123,923	8,081,920
1- Payables from Insurance Operations	4 and 19	5,912,827	8,080,724
2- Payables from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables from Individual Pension Operations		-	-
5- Payables from Other Main Operations	19	211,096	1,196
6- Discount on Payables from Other Main Operations (-)		-	-
C- Due to Related Parties	19	7,382	783
1- Due to Shareholders	4, 19 and 45	7,382	370
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel	4 and 19	-	413
6- Due to Other Related Parties		-	-
D- Other Payables	4, 19 and 47.1	184,222	95,439
1- Deposits and Guarantees Received		-	-
2- Medical Treatment Payables to to SSI		-	-
3- Other Miscellaneous Payables	4, 19 and 47.1	184,222	95,439
4- Discount on Other Miscellaneous Payables (-)		-	-
E- Insurance Technical Provisions		210,353,050	105,138,742
1- Unearned Premium Reserve - Net	4 and 17	109,424,708	68,484,942
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserve - Net		-	-
4- Outstanding Claims Provision - Net	4 and 17	100,928,342	36,653,800
5- Bonus and Rebate Provision - Net		-	-
6- Other Technical Provision - Net		-	-
F- Provisions for Taxes and Other Similar Obligations		8,900,972	1,623,591
1- Taxes and Funds Payable		2,423,812	1,053,754
2- Social Security Premiums Payable		173,381	121,907
3- Overdue, Deferred or Restructured Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Liabilities		-	-
5- Provision for Period Profit Tax and Other Legal Liability	35	16,844,212	6,238,850
6- Prepaid Taxes and Other Liabilities on Current Period Income (-)	35	(10,540,433)	(5,790,920)
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions for Other Risks	23	32,637,451	9,397,282
1- Provision for Employment Termination Benefits	23	305,771	125,457
2- Provision for Pension Fund Deficits		-	-
3- Provision for Expense Accruals	23	32,331,680	9,271,825
H- Deferred Income and Expense Accruals	19	100,204	116,329
1- Deferred Commission Income	10, 17 and 19	59,276	98,296
2- Expense Accruals	19	40,928	18,033
3- Other Deferred Income		-	-
I- Other Current Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Miscellaneous Current Liabilities		-	-
III- Total Current Liabilities		259,512,829	124,913,046

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

TÜRK P VE I SİGORTA A.Ş.

DETAILED BALANCE SHEETS AS OF 31 DECEMBER 2021 AND 31 DECEMBER 2020

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

LIABILITIES

	Notes	Current Period Audited 31 December 2021	Prior Period Audited 31 December 2020
IV- Non-Current Liabilities			
A- Financial Liabilities		3,900,991	1,075,393
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities	20	3,900,991	1,075,393
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Issued Debt Securities		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued (-)		-	-
7- Other Financial Payables (Liabilities)		-	-
B- Payables from Main Operations			
1- Payables from Insurance Operations		-	-
2- Payables from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables from Individual Pension Operations		-	-
5- Payables from Other Main Operations		-	-
6- Discount on Payables from Other Main Operations (-)		-	-
C- Due to Related Parties			
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables			
1- Deposits and Guarantees Received		-	-
2- Medical Treatment Payables to to SSI		-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables		-	-
E- Insurance Technical Provisions			
1- Unearned Premium Reserve - Net		-	-
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserve - Net		-	-
4- Outstanding Claims Provision - Net		-	-
5- Bonus and Rebate Provision - Net		-	-
6- Other Technical Provision - Net		-	-
F- Other Liabilities and Related Provisions			
1- Other Liabilities		-	-
2- Overdue, Deferred or Restructured Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	22	667,111	506,234
1- Provision for Employment Termination Benefits	22	667,111	506,234
2- Provision for Pension Fund Deficits		-	-
H- Long term Deferred Income and Expense Accruals			
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Non-Current Liabilities		1,064,115	
1- Deferred Tax Liabilities	21 and 35	1,064,115	-
2- Other Non-Current Liabilities		-	-
IV- Total Non-Current Liabilities		5,632,217	1,581,627

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

TÜRK P VE I SİGORTA A.Ş.

DETAILED BALANCE SHEETS AS OF 31 DECEMBER 2021 AND 31 DECEMBER 2020

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

EQUITY

	Notes	Current Period Audited 31 December 2021	Prior Period Audited 31 December 2020
V- Equity			
A- Paid-in Capital	2.13 and 15	40,000,000	25,000,000
1- (Nominal) Capital	2.13 and 15	40,000,000	25,000,000
2- Unpaid Capital (-)		-	-
3- Adjustments to Share Capital		-	-
4- Adjustments to Share Capital (-)		-	-
5- Register in Progress		-	-
B- Capital Reserves			
1- Share Premium		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Asset Sales That Will Be Transferred to Capital		-	-
4- Foreign Currency Translation Differences		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		1,278,572	671,826
1- Legal Reserves		1,683,326	904,554
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Funds (Reserves)		-	-
5- Revaluation of Financial Assets		-	-
6- Other Profit Reserves	15	(404,754)	(232,728)
D- Retained Earnings		233,200	436,517
1- Retained Earnings		233,200	436,517
E- Accumulated Losses (-)			
1- Accumulated Losses		-	-
F- Net Profit for the Period		56,315,479	15,575,455
1- Net Profit for the Period		56,315,479	15,575,455
2- Net Loss for the Period (-)		-	-
3- Profit not subject to Distribution		-	-
V- Total Equity		97,827,251	41,683,798
Total Liabilities and Equity (III+IV+V)		362,972,297	168,178,471

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

TÜRK P VE İ SİGORTA A.Ş.

DETAILED INCOME STATEMENTS FOR THE PERIODS 1 JANUARY – 31 DECEMBER 2021 AND 2020

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

TECHNICAL PART

Notes	Current Period Audited 1 January - 31 December 2021	Prior Period Audited 1 January - 31 December 2020
A- Non-Life Technical Income	290,440,693	123,649,182
1- Earned Premiums (Net of Reinsurers' Share)	186,724,337	103,615,960
1.1- Written Premiums (Net of Reinsurers' Share)	227,664,103	134,744,548
1.1.1- Gross Written Premium (+)	285,113,309	181,831,638
1.1.2- Reinsurers' Share of Gross Written Premium (-)	(57,449,206)	(47,087,090)
1.1.3- Premiums Ceded to SSI	-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	(40,939,766)	(31,128,588)
1.2.1- Unearned Premiums Reserve (-)	(53,593,356)	(35,918,399)
1.2.2- Reinsurers' Share of Unearned Premiums Reserve (+)	12,653,590	4,789,811
1.3- Change in Unexpired Risks Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	-	-
1.3.1- Unexpired Risks Reserve (-)	-	-
1.3.2- Reinsurers' Share of Unexpired Risks Reserve (+)	-	-
2- Investment Income Transferred from Non-Technical Part	103,716,356	20,033,222
3- Other Technical Income - (Net of Reinsurers' Share)	-	-
3.1- Other Technical Income - Gross (+)	-	-
3.2- Reinsurers' Share of Other Technical Income - Gross (-)	-	-
4- Claim Recovery and Salvage Income Accruals	-	-
B- Non-Life Technical Expense (-)	(213,391,764)	(102,291,778)
1- Incurred Claims - (Net of Reinsurer's Share)	(160,100,781)	(70,022,037)
1.1- Paid Claims - (Net of Reinsurer's Share)	(95,826,239)	(39,141,724)
1.1.1- Gross Paid Claims (-)	(111,161,148)	(67,184,188)
1.1.2- Reinsurers' Share of Gross Paid Claims (+)	15,334,909	28,042,464
1.2- Change in Outstanding Claims (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	(64,274,542)	(30,880,313)
1.2.1- Outstanding Claims Provision (-)	(103,889,826)	(35,000,223)
1.2.2- Reinsurers' Share of Outstanding Claims Provision (+)	39,615,284	4,119,910
2- Change in Bonus and Rebate Provision (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	-	-
2.1- Bonus and Rebate Provision (-)	-	-
2.2- Reinsurers' Share of Bonus and Rebate Provision (+)	-	-
3- Change in Other Technical Reserves (-)	-	-
(Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	-	-
4- Operating Expenses (-)	(53,290,983)	(32,269,741)
5- Change in Mathematical Reserves (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	-	-
5.1- Mathematical Reserves (-)	-	-
5.2- Net of Reinsurer's Share and Reserves Carried Forward (+)	-	-
6- Other Technical Expenses (-)	-	-
6.1- Other Technical Expenses - Gross (-)	-	-
6.2- Reinsurers' Share of Other Technical Expenses - Gross (+)	-	-
C- Net Technical Income- Non-Life (A - B)	77,048,929	21,357,404
D- Life Technical Income	-	-
1- Earned Premiums (Net of Reinsurers' Share)	-	-
1.1- Written Premiums (Net of Reinsurers' Share)	-	-
1.1.1- Gross Written Premiums (+)	-	-
1.1.2- Reinsurers' Share of Written Premiums (-)	-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share and Returned Reserve) (+/-)	-	-
1.2.1- Unearned Premiums Reserve (-)	-	-
1.2.2- Reinsurers' Share of Unearned Premiums Reserve (+)	-	-
1.3- Change in Unexpired Risks Reserve (Net of Reinsurers' Share and Returned Reserve) (+/-)	-	-
1.3.1- Unexpired Risks Reserve (-)	-	-
1.3.2- Reinsurers' Share of Unexpired Risks Reserve (+)	-	-
2- Life Investment Income	-	-
3- Unrealized Investment Income	-	-
4- Other Technical Income - (Net of Reinsurers' Share)	-	-
E- Life Technical Expense	-	-
1- Incurred Claims - (Net of Reinsurer's Share)	-	-
1.1- Paid Claims (Net of Reinsurer's Share)	-	-
1.1.1- Gross Paid Claims (-)	-	-
1.1.2- Reinsurer's Share of Gross Paid Claims (+)	-	-
1.2- Change in Outstanding Claims (Net of Reinsurer's Share and Returned Reserve) (+/-)	-	-
1.2.1- Outstanding Claims Provision (-)	-	-
1.2.2- Reinsurer's Share of Outstanding Claim Provisions (+)	-	-
2- Change in Bonus and Rebate Provision (Net of Reinsurers' Share and Returned Reserve) (+/-)	-	-
2.1- Bonus and Rebate Provision (-)	-	-
2.2- Reinsurers' Share of Bonus and Rebate Provision (+)	-	-
3- Change in Mathematical Reserves (Net of Reinsurers' Share and Returned Reserve) (+/-)	-	-
3.1- Mathematical Reserves (-)	-	-
3.1.1- Actuarial Mathematical Reserves (+/-)	-	-
3.1.2- Profit Share Reserve (For Permanent Life Insurance Policies.)	-	-
3.2- Reinsurers' Share of Mathematical Reserves (+)	-	-
3.2.1- Reinsurer's Share of Actuarial Mathematical Reserves (+)	-	-
3.2.2- Reinsurer's Share of Profit Share Reserve (for Permanent Life Insurance Policies) (+)	-	-
4- Change in Other Technical Reserves (Net of Reinsurer's Share and Returned Reserve) (+/-)	-	-
5- Operating Expenses (-)	-	-
6- Investment Expenses (-)	-	-
7- Unrealized Investment Expense (-)	-	-
8- Investment Income Transferred to Non-Life Technical Part (-)	-	-
F- Net Technical Income - Life (D - E)	-	-
G- Private Pension Technical Income	-	-
1- Fund Management Fee	-	-
2- Management Fee	-	-
3- Entrance Fee Income	-	-
4- Management Fee in Case of Temporary Suspension	-	-
5- Income from Individual Service Charges	-	-
6- Increase in Market Value of Capital Commitment Advances	-	-
7- Other Technical Income	-	-
H- Private Pension Technical Expense	-	-
1- Fund Management Expense (-)	-	-
2- Decrease in Market Value of Capital Commitment Advances (-)	-	-
3- Operating Expenses (-)	-	-
4- Other Technical Expenses (-)	-	-
I- Net Technical Income - Private Pension (G - H)	-	-

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

TÜRK P VE I SİGORTA A.Ş.

DETAILED INCOME STATEMENTS FOR THE PERIODS 1 JANUARY – 31 DECEMBER 2021 AND 2020

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

NON-TECHNICAL PART

	Notes	Current Period Audited 1 January - 31 December 2021	Prior Period Audited 1 January - 31 December 2020
C- Net Technical Income-Non-Life (A-B)		77,048,929	21,357,404
F- Net Technical Income-Life (D-E)		-	-
I- Net Technical Income-Private Pension (G-H)		-	-
J- Total Net Technical Income (C+F+I)		77,048,929	21,357,404
K- Investment Income		104,380,626	20,033,223
1- Income from Financial Investments	26	11,786,877	1,616,147
2- Income from Sale of Financial Investments		-	-
3- Valuation of Financial Investments	26	867,163	490,900
4- Foreign Exchange Gains	36	91,726,586	17,926,176
5- Income from Associates		-	-
6- Income from Subsidiaries and Joint-Ventures		-	-
7- Income from Land and Buildings		-	-
8- Income from Derivatives		-	-
9- Other Investments		-	-
10- Investment Income Transferred from Life Technical Part		-	-
L- Investment Expense (-)		(106,459,103)	(21,018,714)
1- Investment Management Expenses - Interest Included (-)	34	(370,237)	(224,644)
2- Valuation Allowance of Investments (-)	26	(664,269)	-
3- Losses on Sale of Financial Investments (-)		-	-
4- Investment Income Transferred to Non-Life Technical Part (-)		(103,716,356)	(20,033,222)
5- Loss from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)		-	-
7- Depreciation Expenses (-)	6 and 8	(1,151,676)	(689,524)
8- Other Investment Expenses (-)		(556,565)	(71,324)
M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)		(3,187,804)	1,442,392
1- Provisions (+/-)	47.5	(126,158)	(97,199)
2- Discounts (+/-)		-	-
3- Specialty Insurance Account (+/-)		-	-
4- Inflation Adjustment (+/-)		-	-
5- Deferred Tax Assets (+/-)	21 and 35	(2,912,752)	1,562,754
6- Deferred Tax Liabilities (-)		-	-
7- Other Income and Profit		108,395	40,569
8- Other Expense and Losses (-)		(257,289)	(63,732)
9- Income from Prior Year		-	-
10- Losses from Prior Year (-)		-	-
N- Net Profit or Loss for the Period	37	56,315,479	15,575,455
1- Profit or Loss for the Period		71,782,648	21,814,305
2- Provision for Period Profit Tax and Other Legal Liability (-)	35	(15,467,169)	(6,238,850)
3- Net Profit or Loss for the Period		56,315,479	15,575,455
4- Inflation Adjustment		-	-

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

TÜRK P VE I SİGORTA A.Ş.

STATEMENTS OF CASH FLOWS

FOR THE PERIODS 1 JANUARY – 31 DECEMBER 2021 AND 2020

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

	Notes	Current Period Audited 31 December 2021	Prior Period Audited 31 December 2020
A- CASH GENERATED FROM OPERATING ACTIVITIES			
1- Cash provided from insurance operations		323,692,326	222,691,109
2- Cash provided from reinsurance operations		-	-
3- Cash provided from individual pension operations		-	-
4- Cash used in insurance operations (-)		(275,897,813)	(174,481,420)
5- Cash used in reinsurance operations (-)		-	-
6- Cash used in individual pension operations (-)		-	-
7- Cash from operating activities (A1+A2+A3-A4-A5-A6)		47,794,513	48,209,689
8- Interest paid (-)		-	-
9- Income taxes paid (-)		(9,611,320)	(7,898,257)
10- Other cash inflows		-	473,375
11- Other cash outflows (-)		(5,128,318)	(90,366)
12- Net cash from operating activities		33,054,875	40,694,441
B- CASH FLOWS FROM INVESTING ACTIVITIES			
1- Proceeds from sale of tangible assets		-	-
2- Acquisition of tangible assets (-)	6	(3,611,897)	(842,243)
3- Acquisition of financial assets (-)	11	(8,844,309)	(10,679,172)
4- Proceeds from sale of financial assets		-	-
5- Interest received	26	11,786,877	1,677,334
6- Dividends received		-	-
7- Other cash inflows		-	-
8- Other cash outflows (-)		(926,802)	(71,324)
9- Net cash from investing activities		(1,596,131)	(9,915,405)
C- CASH FLOWS FROM FINANCING ACTIVITIES			
1- Equity shares issued		-	-
2- Cash provided from loans and borrowings		-	-
3- Finance lease payments (-)	20	(872,850)	(675,290)
4- Dividends paid (-)		-	-
5- Other cash inflows		-	-
6- Other cash outflows (-)		-	-
7- Net cash from financing activities		(872,850)	(675,290)
D- EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS	36	27,807,145	9,611,526
E- Net increase in cash and cash equivalents		58,393,039	39,715,272
F- Cash and cash equivalents at the beginning of the period		71,478,193	31,762,921
G- Cash and cash equivalents at the end of the period (E+F)	2.12	129,871,232	71,478,193

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

TÜRK P VE I SİGORTA A.Ş.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS 1 JANUARY – 31 DECEMBER 2021 AND 2020**

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

Statements of Changes in Equity – Audited (*)											
	Capital	Unpaid Capital (-)	Revaluation of Financial Assets	Profit Reserves	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for Period	Prior Years’ Profit	Total
I- Balances as the previous period end (31 December 2019)	13,500,000	-	-	-	-	304,227	-	(97,600)	12,006,519	530,324	26,243,471
A- Capital Increase (A1 + A2)	11,500,000	-	-	-	-	-	-	-	-	(11,500,000)	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From internal resources (Note 2.13)	11,500,000	-	-	-	-	-	-	-	-	(11,500,000)	-
B- Treasury shares of the entity	-	-	-	-	-	-	-	-	-	-	-
C- Gains or losses not recognized in the income statement (Note 15)	-	-	-	-	-	-	-	(135,128)	-	-	(135,128)
D- Increase in the value of financial asset	-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-
F- Other income and losses	-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period (Note 37)	-	-	-	-	-	-	-	-	15,575,455	-	15,575,455
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfers	-	-	-	-	-	600,327	-	-	(12,006,519)	11,406,193	-
II- Balances at the period end (31 December 2020) (I+A+B+C+D+E+F+G+H+I+J)	25,000,000	-	-	-	-	904,554	-	(232,728)	15,575,455	436,517	41,683,798
Statements of Changes in Equity – Audited (*)											
	Capital	Unpaid Capital (-)	Revaluation of Financial Assets	Profit Reserves	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for Period	Prior Years’ Profit	Total
I- Balances as the previous period end (31 December 2020)	25,000,000	-	-	-	-	904,554	-	(232,728)	15,575,455	436,517	41,683,798
A- Capital Increase (A1 + A2)	15,000,000	-	-	-	-	-	-	-	-	(15,000,000)	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From internal resources (Note 2.13)	15,000,000	-	-	-	-	-	-	-	-	(15,000,000)	-
B- Treasury shares of the entity	-	-	-	-	-	-	-	-	-	-	-
C- Gains or losses not recognized in the income statement (Note 15)	-	-	-	-	-	-	-	(172,026)	-	-	(172,026)
D- Increase in the value of financial asset	-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-
F- Other income and losses	-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period (Note 37)	-	-	-	-	-	-	-	-	56,315,479	-	56,315,479
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfers	-	-	-	-	-	778,772	-	-	(15,575,455)	14,796,683	-
II- Balances at the period end (31 December 2021) (I+A+B+C+D+E+F+G+H+I+J)	40,000,000	-	-	-	-	1,683,326	-	(404,754)	56,315,479	233,200	97,827,251

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

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

TÜRK P VE I SİGORTA A.Ş.

STATEMENTS OF PROFIT DISTRIBUTION FOR THE PERIODS 1 JANUARY – 31 DECEMBER 2021 AND 2020

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

Notes	Current Period (*)	Prior Period (**)
I. DISTRIBUTION OF PROFIT FOR THE PERIOD		
1.1. PROFIT FOR THE PERIOD	74,695,400	20,251,551
1.2. TAX PAYABLE AND LEGAL LIABILITIES		
1.2.1. Corporate Tax (Income Tax)	(15,467,169)	(6,238,850)
1.2.2. Income Tax Deduction	-	-
1.2.3. Other Tax and Legal Liabilities	(2,912,752)	1,562,754
A NET PROFIT FOR THE PERIOD (1.1 - 1.2)	56,315,479	15,575,455
1.3. PRIOR PERIODS' LOSS (-)	-	-
1.4. FIRST LEGAL RESERVE	-	(778,772)
1.5. OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	-
B NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)]	-	14,796,683
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1. To shareholders	-	-
1.6.2. To preferred shareholders	-	-
1.6.3. To owners of participating redeemed shares	-	-
1.6.4. To owners of profit-sharing securities	-	-
1.6.5. To owners of profit and loss sharing securities	-	-
1.7. DIVIDENDS TO PERSONNEL (-)	-	-
1.8. DIVIDENDS TO FOUNDERS (-)	-	-
1.9. DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-	-
1.10. SECOND DIVIDENDS TO SHAREHOLDERS (-)	-	-
1.10.1. To shareholders	-	-
1.10.2. To preferred shareholders	-	-
1.10.3. To owners of participating redeemed shares	-	-
1.10.4. To owners of profit-sharing securities	-	-
1.10.5. To owners of profit and loss sharing securities	-	-
1.11. SECOND LEGAL RESERVE	-	-
1.12. STATUTORY RESERVES	-	-
1.13. EXTRAORDINARY RESERVES	-	-
1.14. OTHER RESERVES	-	-
1.15. SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES	-	-
2.1. DISTRIBUTED RESERVES	-	-
2.2. SECOND LEGAL RESERVE (-)	-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1. To shareholders	-	-
2.3.2. To preferred shareholders	-	-
2.3.3. To owners of participating redeemed shares	-	-
2.3.4. To owners of profit-sharing securities	-	-
2.3.5. To owners of profit and loss sharing securities	-	-
2.4. DIVIDENDS TO PERSONNEL (-)	-	-
2.5. DIVIDENDS TO THE BOARD OF DIRECTORS (-)	-	-
III PROFIT PER SHARE	-	-
3.1. TO COMMON SHAREHOLDERS	-	-
3.2. TO COMMON SHAREHOLDERS (%)	-	-
3.3. TO PREFERRED SHAREHOLDERS	-	-
3.4. TO PREFERRED SHAREHOLDERS (%)	-	-
IV. DIVIDENDS PER SHARE	-	-
4.1. TO COMMON SHAREHOLDERS	-	-
4.2. TO COMMON SHAREHOLDERS (%)	-	-
4.3. TO PREFERRED SHAREHOLDERS	-	-
4.4. TO PREFERRED SHAREHOLDERS (%)	-	-

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

(**) No profit distribution has been made for the 1 January - 31 December 2020 accounting period.

TÜRK P VE I SİGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

1. General Information

1.1 Name of the parent Company: As of 31 December 2021, Türk P & I Sigorta A.Ş. (“the Company”) is jointly controlled by Türkiye Sigorta A.Ş. which is Group A shareholder and Omur Denizcilik A.Ş., Metropole Shipping and Trade Ltd. Sti. and Vitsan Shipping Inc.’s which are Group B shareholders.

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

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

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

1.5 Average number of employees during the period by category:

	31 December 2021	31 December 2020
Senior management	2	2
Other	27	25
Total	29	27

1.6 Total salaries and benefits paid to the chairman and members of the board of directors, general manager, general coordinator, assistant general managers and other executive management during the current period: Total amount of wages and other benefits provided for the general managers and assistant general managers recognized as the key management of the Company is TL 3,937,114 (1 January - 31 December 2020: TL 2,983,506).

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

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

TÜRK P VE I SİGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

1. General Information (Continued)

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

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

1.10 Events occurred after the balance sheet date: Events after the balance sheet date are explained in Note 46.

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021**

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

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

As of 31 December 2021, the Company calculates and recognizes its insurance technical provisions in its financial statements in accordance with the “Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested” (“Regulation on Technical Reserves”), which is published in Official Gazette dated 28 July 2010 and numbered 27655 and changes on this regulation were published in Official Gazette dated 17 July 2012 and numbered 28356 and other regulations issued for insurance and reinsurance companies by the Ministry of Treasury and Finance (Note 2.24).

The financial statements were prepared in TL denomination by taking the cost principle into consideration.

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

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

Changes in Turkish Financial Reporting Standards:

Accounting policies and measurement principles that are used in the preparation of the financial statements for the interim accounting period ending on 31 December 2021 are applied in-line with the previous years’ except for TFRYK comments and new standards and amendments summarized below that are applicable as of 31 December 2021.

a) Amendments and interpretations effective as 2021

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

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity’s progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

The Company management assessed that the adoption of this amendment does not have any effect on the Company’s financial statements.

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2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

b) New and revised TFRSs in issue but not yet effective

The Company has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	<i>Insurance Contracts</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to TAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to TAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to TFRS Standards 2018 – 2020	<i>Amendments to TFRS 1, TFRS 9 and TAS 41</i>
Amendments to TFRS 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TFRS 16	<i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>
Amendments to TAS 1	<i>Disclosure of Accounting Policies</i>
Amendments to TAS 8	<i>Definition Accounting Estimates</i>
Amendments to TAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2023.

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

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendment defers the effective date by one year. Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

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2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

b) New and revised TFRSs in issue but not yet effective (Continued)

Amendments to TAS 16 Property, Plant and Equipment - Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 1 First time adoption of Turkish Financial Reporting Standards

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to TFRSs.

Amendments to TFRS 9 Financial Instruments

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

Amendments to TAS 41 Agriculture

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TFRS 4 Extension of the Temporary Exemption from Applying TFRS 9

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 Insurance Contracts from applying TFRS 9 Financial Instruments, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023.

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2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

b) New and revised TFRSs in issue but not yet effective (Continued)

Amendments to TFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021

Public Oversight Accounting and Auditing Standards Authority (“POA”) has published *COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to TFRS 16)* that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

Amendments to TAS 1 Disclosure of Accounting Policies

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 8 Definition of Accounting Estimates

With this amendment, the definition of “a change in accounting estimates” has been replaced with the definition of “an accounting estimate”, sample and explanatory paragraphs regarding estimates have been added, and the differences between application of an estimate prospectively and correction of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

b) New and revised TFRSs in issue but not yet effective (Continued)

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

The possible effect of the standarts, amendments and improvements on the financial position and performance of the Company are being evaluated.

2.2 Consolidation

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

2.3 Segment Reporting

The Company operates only in Turkey and only in non-life insurance business, treated as a single reportable segment as of 31 December 2021 and 2020. The Company does not perform segment reporting in the scope of TFRS 8 – “Segment Reporting”, since it is not a listed company.

2.4 Foreign Currency Translation

The functional currency of the Company is TL. Transactions denominated in foreign currency are translated to the functional currency at the prevailing rate at the transaction date. In accordance with the current insurance legislation and the relevant announcements of the POA, foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Changes in the fair value of monetary assets denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortized cost of the asset and other changes in the fair value of the asset. Translation differences related to changes in amortized cost are recognized in income statement, and other changes in fair value are recognized in equity.

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

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2. Summary of Significant Accounting Policies (Continued)

2.5 Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the property, plant and equipment. The depreciation periods which are based on estimated useful lives of property, plant and equipment are as follows:

Furniture and fixture	3-15 years
Leasehold improvements	5 years
Financial lease assets	1-5 years

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

Right-of-Use Assets

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 “Property, Plant and Equipment” standard while depreciating the right-of-use asset.

2.6 Investment Properties

The Company does not have any investment properties as of 31 December 2021 (31 December 2020: None).

2.7 Intangible Assets

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

2.8 Financial Assets

Investments, other than those that are classified as financial assets at fair value through profit and loss, are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Investments are recognized and derecognized on a trade date, where the purchase or sale of an investment under a contract, whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified as “Financial assets held to maturity” and “Loans and receivables”.

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

2. Summary of Significant Accounting Policies (Continued)

2.8 Financial Assets (Continued)

Effective interest method

Effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

Held-to-maturity financial assets

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

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

Loans and receivables (Receivables from main operations)

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

The Company accounts for a provision for its receivables based on evaluations and estimations of the management. The Company sets its estimations in accordance with the risk policies and the principle of prudence by considering the structure of current receivable portfolio, financial structure of policyholders and intermediaries, non-financial data and economic conditions. As of 31 December 2021, there is no provision for claim recovery receivables (31 December 2020: TL 2,762,560) (Note 12).

2.9 Impairment of Assets

Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate, that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. Summary of Significant Accounting Policies (Continued)

2.9 Impairment of Assets (Continued)

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that are impaired, are reviewed for possible reversal of the impairment at each reporting date.

Impairment of financial assets

The Company assesses its financial assets, other than those at FVTPL, at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as impaired.

An impairment loss occurs when one or more events occur after the initial recognition of the financial asset and there is an objective indication that the financial asset is impaired as a result of the adverse effect of the event on the future cash flows of the financial asset or group of assets that can be reliably estimated.

For loans and receivables, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables where the carrying amount is reduced using an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of income.

Except for AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For AFS equity securities, any increase in fair value after an impairment loss is recognized directly in equity.

The details about the impairment of assets are explained in the notes in which the accounting policies of the relevant assets are explained. Total mortgages or guarantees on assets are explained in Note 43, provisions expenses for the period are explained in Note 47.5.

2.10 Derivative Financial Instruments

None (31 December 2020: None).

2.11 Offsetting Financial Instruments

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

2. Summary of Significant Accounting Policies (Continued)

2.12 Cash and Cash Equivalents

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

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

	31 December 2021	31 December 2020
Cash	44,340	16,576
Cheques received	919,812	-
Bank deposits	141,617,457	77,661,180
Bank guaranteed credit card receivables with maturities less than three months	378,336	79,996
Total cash and cash equivalents	142,959,945	77,757,752
Less - interest accrual (-)	(797,410)	(479,559)
Less - blocked deposits (*) (Notes 17 and 43)	(12,291,303)	(5,800,000)
Total cash and cash equivalents in the statement of cash flows	129,871,232	71,478,193

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

2.13 Share Capital

As of 31 December 2021 and 2020, the distribution of the capital of the Company is as follow:

Name of Shareholders	Group (*)	31 December 2021		31 December 2020	
		Share Rate (%)	Share Amount	Share Rate (%)	Share Rate
Türkiye Sigorta A.Ş.	A	50.00	20,000,000	50.00	12,500,000
Omur Denizcilik A.Ş.	B	36.75	14,700,000	36.75	9,187,500
Metropole Denizcilik ve Ticaret Ltd. Şti.	B	7.50	3,000,000	7.50	1,875,000
Vitsan Denizcilik A.Ş.	B	5.75	2,300,000	5.75	1,437,500
Total		100.00	40,000,000	100.00	25,000,000

(*) With the amendment made in the Articles of Association at the Ordinary General Assembly meeting dated 29 March 2021, Türkiye Sigorta A.Ş., which owns the A, B and C group shares of the Company's capital, acquires the A group shares of the Company, and Omur Denizcilik A.Ş., which has D group shares of the Company capital, Metropole Denizcilik ve Ticaret Ltd. Şti. and Vitsan Denizcilik A.Ş. acquired Group B shares of the Company.

At the Ordinary General Assembly meeting dated 29 March 2021, it was decided to increase the Company's capital from the internal resources from TL 25,000,000 to TL 40,000,000. The capital increase was registered and announced in the Trade Registry Gazette dated 27 April 2021 and numbered 10317 (2020: At the Ordinary General Assembly meeting dated 22 April 2020, the Company's capital was increased from the internal resources from TL 13,500,000 to TL 25,000,000. The capital increase was registered and announced in the Trade Registry Gazette dated 27 May 2020 numbered 10084).

As of 31 December 2021, there are no privileges granted for the shares that represent the capital (31 December 2020: None). Other information about the Company's share capital is explained in Note 15.

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2. Summary of Significant Accounting Policies (Continued)

2.14 Insurance and Investment Contracts - Classification

Contracts in which the Company accepts a significant insurance risk by agreeing to indemnify the policyholder are classified as insurance contracts in the event of a predefined uncertain future event (insured event) that causes the policyholder to be adversely affected. Insurance risk does not cover risks other than financial risks. All premiums received within the scope of insurance contracts are recognized as income under the written premiums account. The main insurance contracts generated by the Company are protection and indemnity and hull and machinery policies.

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

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

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

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

Reinsurance Agreements

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

In the hull and machinery branch, there is an over-loss reinsurance agreement, which is a reinsurance type that exceeds the retention share and up to a certain amount is the responsibility of the reinsurer. The Company also has several voluntary reinsurance agreements based on insurance contracts for certain risks.

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

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2. Summary of Significant Accounting Policies (Continued)

2.15 Insurance Contracts and Investment Contracts with Discretionary Participation Features

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

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

As of the end of the reporting period, the Company does not have insurance or investment contracts that have discretionary participation feature (31 December 2020: None).

2.16 Investment Contracts without Discretionary Participation Feature

As of the end of the reporting period, the Company does not have investment contract that have discretionary participation feature (31 December 2020: None).

2.17 Borrowings

None (31 December 2020: None).

2.18 Taxes

Corporate Tax

Corporate tax as of 31 December 2021 is payable at a rate of 25% in Turkey (31 December 2020: 22%). In accordance with the law numbered 7316 published in the Official Gazette dated 22 April 2021 and numbered 31462, the corporate tax rate as of 1 January 2021 will be applied at the rate of 25% for corporate earnings for 2021 and 23% for corporate earnings for 2022. The aforementioned application will be effective as of 1 July 2021.

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

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

Corporations are required to pay advance corporation tax quarterly at the rate of 25% (2020: 22%) on their corporate income. Advance Tax is declared by 14th and is payable by the 17th of the second month following each calendar quarter end. The advance tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated over the corporate tax return to be submitted in the following year.

If any temporary tax amount remains despite the offsetting, the amount can be refunded in cash or deducted from other financial liabilities against the state.

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2. Summary of Significant Accounting Policies (Continued)

2.18 Taxes (Continued)

According to Turkish tax legislation, tax losses on the returns can be offset against period income for up to 5 years. However, tax losses cannot be offset against retained earnings. There is no such application for the reconciliation of payable taxes with the tax authority. Corporate tax returns are submitted to the related tax office by the 25th day of the 4th month following the month when the accounting period ends. In tax reviews authorized bodies can review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

Deferred Tax

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

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

In accordance with the law numbered 7316 published in the Official Gazette dated 22 April 2021 and numbered 31462, the corporate tax rate as of 1 January 2021 will be applied at the rate of 25% for corporate earnings for 2021 and 23% for corporate earnings for 2022. The aforementioned application will be effective as of 1 July 2021 (Note 21 and 35). Therefore, deferred tax assets and liabilities as of 31 December 2021 calculated with 20% and 23% tax rates for the temporary differences.

2.19 Employee Benefits

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

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

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

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2. Summary of Significant Accounting Policies (Continued)

2.20 Provisions

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

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

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

2.21 Accounting for Revenue

Written Premiums

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

Reinsurance Commissions

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

Interest Income

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

Subrogation and Salvage Income

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

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2. Summary of Significant Accounting Policies (Continued)

2.22 Leases

At the start date of the lease, the Company measures the lease liability and the related right-of-use asset at the present value of the remaining lease payments. Lease payments are discounted by using this rate if the implied interest rate in the lease can be easily determined, and by using the lessee's incremental borrowing interest rate if the implied interest rate in the lease cannot be easily determined. The weighted average lessee's incremental borrowing rate applied to the lease liabilities as of 31 December 2021 was 21% for TL liabilities (31 December 2020: 21%).

2.23 Dividend Distribution

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

2.24 Technical Provisions

Provision for Unearned Premiums

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

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

Deferred Commission Expenses and Deferred Commission Income

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

Outstanding Claims Provision

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

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2. Summary of Significant Accounting Policies (Continued)

2.24 Technical Provisions

As of 31 December 2021, for outstanding claims provision accrued and calculated; the difference between the amount determined by content and application principles, Technical Provisions Regulation and circular No. 2014/16 and dated 5 December 2014, related to “Outstanding Claims Reserve” which was went into effect on 1 January 2015 is recognized as an incurred but not reported claim amount. According to the circular No. 2014/16 and dated 5 December 2014, related to “Outstanding Claims Reserve” that went into effect on 1 January 2015, which was published by the Ministry of Treasury and Finance, the Circular on ”Actuarial Chain Ladder Method“ numbered 2010/12 and valid until 31 December 2014 is repealed with the exception of Articles 9 and 10, and since 1 January 2015 for incurred but not reported claims reserve according to the best estimates determined within the framework of the Company's actuarial opinions, the provision is calculated. According to the said circular, the selection of the data used in the calculations related to the incurred but not reported claims, the correction procedures, the selection of the most appropriate method and development factors and the intervention to the development factors are made by the Company actuary using actuarial methods. In the calculation of incurred but not reported claims, Standard Chain, Damage / Premium, Cape Cod, Frequency Intensity, Munich Chain or Bornhuetter-Ferguson actuarial chain ladder methods (“ACLM”) will be used and companies have the right to choose one of these methods for each branch.

In accordance with circular No. 2014/16 related to “Outstanding Claims Reserve” and circular No. 2015/7 related to “Amendment in Outstanding Claims Reserve” the standard chain method has been used in the calculation of the claims incurred but not reported as of 31 December 2021 in the protection and indemnity branch. According to this; as of 31 December 2021, a gross additional amount of incurred but not reported damages amount is TL 13,259,663 (31 December 2020: TL 5,501,635).

As of 31 December 2021, within the framework of the “Circular on Outstanding Claims Reserve” and 2015/7 on the Amendment of the “Circular on Outstanding Indemnity Reserves (2014/16)”, the water vehicles branch has been realized but not reported in the calculation of the Damage/Premium method is used. Accordingly, as of 31 December 2021, the gross additional incurred but not reported compensation amount is TL 17,111,887 (31 December 2020: Since there has not been enough damage data to make a healthy calculation according to the actuarial chain ladder methods specified in the “Circular on the Provision for Outstanding Claims” dated 5 December 2014 and numbered 2014/16, which came into force on 1 January 2015, in the watervehicles branch, during the calculation of incurred but not reported compensation for this branch in line with the opinions of the company actuary, the industry averages obtained as of 30 September 2020 were used. Accordingly, as of 31 December 2020, the ratio of the total realized but undeclared compensation amounts incurred for the watervehicles branch to the total outstanding claims provision is multiplied by the outstanding claims provision amount recorded in the Company's records as of 31 December 2020, and as of 31 December 2020, a gross realized but undeclared compensation amount of TL 5,011,885 has been recognized).

Within the current reinsurance contracts, the reinsurance share that was incurred but not reported was calculated as of 31 December 2021 TL 20,862,136 (31 December 2020: TL 4,841,104) (Note 17).

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2. Summary of Significant Accounting Policies (Continued)

2.24 Technical Provisions (Continued)

The "Circular on the Discounting of Net Cash Flows Arising from the Provision for Outstanding Claims" published by the Ministry of Treasury and Finance dated 10 June 2016 and numbered 2016/22 and the Ministry of Treasury and Finance dated 15 September 2017 and numbered 2017/7 "Net Cash Arising from Outstanding Claims Reserve Pursuant to the Circular Amending the Circular No. 2016/22 on the Discounting of Flows, companies have been given the opportunity to discount net cash flows to be generated by the provision for outstanding claims calculated and allocated in accordance with the insurance legislation. As of 31 December 2021, the Company calculated the discount amount for the outstanding claims reserve amounting to net TL 2,641,428 (31 December 2020: TL 431,100) for protection and indemnity branch and net TL 3,936,576 (31 December 2020: TL 1,160,323) for the hull and machinery branch deducted it from the net outstanding claims provision.

Unexpired Risk Provisiom

Within the framework of Regulation on Technical Provisions, insurance companies are required to account for an unexpired risk reserve against the probability that future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected loss ratios. Expected loss ratio is calculated by dividing the incurred losses to earned premiums in accordance with the “Regulation regarding the Changes in the Calculation of Unexpired Risk Reserve” (“Regulation no. 2012/15”) dated 13 December 2012 and numbered 2012/15 published by the Ministry of Treasury and Finance. If the loss ratio calculated for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross amount and net amount is recognized as reinsurers’ share.

As of 31 December 2021, the Company did not have a reserve for continuing risks (31 December 2020: None).

3. Critical Accounting Estimates and Judgements

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

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

Income taxes

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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4. Management of Insurance and Financial Risk

Insurance risk

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

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

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

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

	31 December 2021	31 December 2020
Protection and indemnity	5,126,448,440,730	2,828,468,368,747
Hull and machinery	107,678,134,252	60,170,119,162
Total	5,234,126,574,982	2,888,638,487,909

Sensitivity analysis

Financial risk

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

(a) Market risk

i. Cash flow and market interest rate risk

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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4. Management of Insurance and Financial Risk (Continued)

ii. Foreign currency risk

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

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

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

31 December 2021	USD	EUR	GBP	Other	Total
Assets					
Cash	946,563	-	-	-	946,563
Banks	45,073,191	2,569,509	29,848	-	47,672,548
Financial assets	30,693,953	-	-	-	30,693,953
Receivables from main operations	117,394,528	33,487,486	102,197	77,717	151,061,928
Warehouse Guarantees Given	199,935	-	-	-	199,935
Prepaid expenses	8,790,890	503,128	-	-	9,294,018
Total foreign currency assets	203,099,060	36,560,123	132,045	77,717	239,868,945
Liabilities:					
Payables from main operations	(4,736,844)	(1,195,684)	10,204	-	(5,922,324)
Provisions for outstanding claims	(75,947,705)	(24,114,653)	(274,457)	-	(100,336,815)
Provisions for expense accruals	(30,223,835)	-	-	-	(30,223,835)
Other liabilities	(33,383)	-	-	-	(33,383)
Total foreign currency liabilities	(110,941,767)	(25,310,337)	(264,253)	-	(136,516,357)
Balance sheet position	92,157,293	11,249,786	(132,208)	77,717	103,352,588
31 December 2020					
Assets:					
Cash	37	8,472	3,182	-	11,691
Banks	1,857,439	443,570	-	-	2,301,009
Financial assets	9,588,066	-	-	-	9,588,066
Receivables from main operations	49,176,640	13,674,112	73,792	-	62,924,544
Total foreign currency assets	60,622,182	14,126,154	76,974	-	74,825,310
Liabilities:					
Payables from main operations	(6,483,915)	(1,772,748)	-	-	(8,256,663)
Provisions for outstanding claims	(26,255,110)	(10,268,457)	-	-	(36,523,567)
Provisions for expense accruals	(9,271,825)	-	-	-	(9,271,825)
Total foreign currency liabilities	(42,010,850)	(12,041,205)	-	-	(54,052,055)
Balance sheet position	18,611,332	2,084,949	76,974	-	20,773,255

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

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4. Management of Insurance and Financial Risk (Continued)

ii. Foreign currency risk (Continued)

Exchange rates used in the translation of foreign currency balances as of 31 December 2021 and 31 December 2020 are as follows:

Foreign Currency Buying	USD	EUR	GBP
31 December 2021	13.3290	15.0867	17.9667
31 December 2020	7.3405	9.0079	9.9438
Foreign Currency Selling	USD	EUR	GBP
31 December 2021	13.3530	15.1139	18.0604
31 December 2020	7.3537	9.0241	9.9957

Imposed exchange risk rate

The following table summarizes the increase in equity and income statement (excluding tax effect) for the periods ended 31 December 2021 and 31 December 2020 due to the 20% gain of the TL over following currencies. This analysis assumes that all other variables remain constant.

	Profit/(Loss)		Shareholders Equity	
	Foreign Currency Appreciation	Foreign Currency Depreciation	Foreign Currency Appreciation	Foreign Currency Depreciation
31 December 2021				
USD Exchange rate changes by 20%	18,431,459	(18,431,459)	18,431,459	(18,431,459)
EUR Exchange rate changes by 20%	2,249,957	(2,249,957)	2,249,957	(2,249,957)
GBP Exchange rate changes by 20%	(26,442)	26,442	(26,442)	26,442
Other Exchange rate changes by 20%	15,543	(15,543)	15,543	(15,543)
Net effect of exchange rate change	20,670,517	(20,670,517)	20,670,517	(20,670,517)
	Profit/(Loss)		Shareholders Equity	
	Foreign Currency Appreciation	Foreign Currency Depreciation	Foreign Currency Appreciation	Foreign Currency Depreciation
31 December 2020				
USD Exchange rate changes by 20%	3,722,266	(3,722,266)	3,722,266	(3,722,266)
EUR Exchange rate changes by 20%	416,990	(416,990)	416,990	(416,990)
GBP Exchange rate changes by 20%	15,395	(15,395)	15,395	(15,395)
Net effect of exchange rate change	4,154,651	(4,154,651)	4,154,651	(4,154,651)

iii. Price risk

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

(b) Credit risk

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

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4. Management of Insurance and Financial Risk (Continued)

(b) Credit risk (Continued)

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

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

(c) Liquidity risk

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

The table below shows the distribution of the Company's financial and insurance liabilities according to the remaining terms to their contractual or expected maturities as of the balance sheet dates.

Contractual cash flows

31 December 2021	Up to 3 months	3 months - 1 year	1 year - 5 years	Over 5 years	Total
Payables to reinsurance companies	2,365,131	3,547,696	-	-	5,912,827
Payables from other main operations	211,096	-	-	-	211,096
Payables to shareholders	7,382	-	-	-	7,382
Other payables	184,222	-	-	-	184,222
Total	2,767,831	3,547,696	-	-	6,315,527

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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4. Management of Insurance and Financial Risk (Continued)

c) Liquidity risk (Continued)

Expected cash flows

31 December 2021	Up to 3 months	3 months - 1 year	1 year - 5 years	Over 5 years	Total
Unearned premium provisions - net (*)	10,014,062	87,691,057	11,719,589	-	109,424,708
Provision for outstanding claims – net	53,678,743	47,249,599	-	-	100,928,342
	63,692,805	134,940,656	11,719,589	-	210,353,050
31 December 2020	Up to 3 months	3 months - 1 year	1 year - 5 years	Over 5 years	Total
Unearned premium provisions - net (*)	6,286,664	61,290,620	907,658	-	68,484,942
Provision for outstanding claims – net	21,153,953	15,499,847	-	-	36,653,800
	27,440,617	76,790,467	907,658	-	105,138,742

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

Fair value of the financial assets

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

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

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

Financial assets

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

Categories of Financial Assets

Current Financial Assets	31 December 2021		31 December 2020	
	Book value	Fair value	Book value	Fair value
Held to maturity financial assets	30,693,953	30,346,693	9,588,066	9,311,709
Total Financial Assets	30,693,953	30,346,693	9,588,066	9,311,709

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4. Management of Insurance and Financial Risk (Continued)

Fair value of financial assets

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

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

Financial liabilities

The carrying values of payables from main operations and other monetary liabilities are estimated to approximate their fair values.

Capital management

The Company’s objectives when managing the capital are:

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

As of 31 December 2021, the Company's required equity determined in accordance with the Regulation on Measurement and Evaluation of the Capital Adequacy of Insurance and Reinsurance and Pension Companies is TL 89,839,503 (31 December 2020: TL 40,483,744). As of 31 December 2021, the equity of the Company is TL 7,987,748 higher than the required equity (31 December 2020: TL 1,200,054 higher).

5. Segment Information

Disclosed in Note 2.3.

6. Property, Plant and Equipment

Movement of property, plant and equipment:

	1 January 2021	Additions	Disposals	31 December 2021
Cost:				
Furniture and fixture	781,643	840,867	(124,446)	1,498,064
Leasehold improvements	677,573	1,852,264	(739,679)	1,790,158
Tangible assets acquired through lease	2,234,103	4,879,174	(1,191,663)	5,921,614
Total costs	3,693,319	7,572,305	(2,055,788)	9,209,836
Accumulated depreciation:				
Furniture and fixture	(465,385)	(230,497)	63,865	(632,017)
Leasehold improvements	(369,604)	(255,567)	587,920	(37,251)
Tangible assets acquired through lease	(1,011,479)	(649,818)	655,415	(1,005,882)
Total accumulated depreciation	(1,846,468)	(1,135,882)	1,307,200	(1,675,150)
Net book value	1,846,851			7,534,686

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6. Property, Plant and Equipment (Continued)

	1 January 2020	Additions	Disposals	31 December 2020
Cost:				
Furniture and fixture	649,204	132,439	-	781,643
Leasehold improvements	649,182	28,391	-	677,573
Tangible assets acquired through lease	1,554,985	679,118	-	2,234,103
Total costs	2,853,371	839,948	-	3,693,319
Accumulated depreciation:				
Furniture and fixture	(378,880)	(86,505)	-	(465,385)
Leasehold improvements	(278,167)	(91,437)	-	(369,604)
Tangible assets acquired through lease	(500,984)	(510,495)	-	(1,011,479)
Total accumulated depreciation	(1,158,031)	(688,437)	-	(1,846,468)
Net book value	1,695,340			1,846,851

There are no mortgages on the property, plant and equipment of the Company as of 31 December 2021 and 2020.

7. Investment Properties

The Company does not have any investment properties as of 31 December 2021 (31 December 2020: None).

8. Intangible Assets

	1 January 2021	Additions	Disposals	31 December 2021
Cost:				
Rights and software	8,542	93,191	-	101,733
Advances on intangible assets	-	825,575	-	825,575
Total	8,542	918,766	-	927,308
Accumulated depreciation:				
Rights and software	(5,253)	(15,794)	-	(21,047)
Total	(5,253)	(15,794)	-	(21,047)
Net book value	3,289			906,261
	1 January 2020	Additions	Disposals	31 December 2020
Cost:				
Rights and software	6,247	2,295	-	8,542
Total	6,247	2,295	-	8,542
Accumulated depreciation:				
Rights and software	(4,166)	(1,087)	-	(5,253)
Total	(4,166)	(1,087)	-	(5,253)
Net book value	2,081			3,289

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9. Investments in Associates

The Company does not have any investments in associates accounted for using the equity accounting method (31 December 2020: None).

10. Reinsurance Assets

Reinsurance Assets/(Liabilities)

	31 December 2021	31 December 2020
Reinsurers’ share of outstanding claims provision (Note 17)	61,216,317	21,601,033
Reinsurers’ share of unearned premiums reserve (Note 17)	22,892,486	10,238,896
Deferral of commission income (Note 19)	(59,276)	(98,296)
Payables to reinsurance companies, net	(5,912,827)	(8,080,724)

Reinsurance Income/(Expenses)

	1 January - 31 December 2021	1 January - 31 December 2020
Reinsurers’ share of change in unearned premiums reserve	39,615,284	4,119,910
Reinsurers’ share of paid compensation	15,334,909	28,042,464
Reinsurers’ share of change in unearned premiums reserve (Note 17)	12,653,590	4,789,811
Commissions received from reinsurers, gross	349,287	575,712
Change in deferred commissions from reinsurers	39,020	686,658
Ceded premiums to reinsurers (Note 24)	(57,449,206)	(47,087,090)

11. Financial Assets

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

	31 December 2021	31 December 2020
Loans and receivables (Note 12.1)	150,125,366	64,808,660
Held-to-maturity financial assets (Note 11.4)	30,693,953	9,588,066
Total	180,819,319	74,396,726

11.2 Marketable securities issued during the year other than share certificates: None (31 December 2020: None).

11.3 Debt securities redeemed during the year: None (31 December 2020: None).

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11. Financial Assets (Continued)

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

Held-to Maturity Financial Assets

	31 December 2021			31 December 2020		
	Cost Value	Fair Value	Book Value	Cost Value	Fair Value	Book Value
Eurobond	19,523,481	30,346,693	30,693,953	10,679,172	9,311,709	9,588,066
Total	19,523,481	30,346,693	30,693,953	10,679,172	9,311,709	9,588,066

As of 31 December 2021, the financial assets of the Company to be held to maturity with a nominal amount of USD 2,220,000 are blocked in favor of SEDDK (31 December 2020: nominal USD 1,220,000) (Notes 17 and 43).

The movement table of the Company's financial assets for the periods ending on 31 December 2021 and 2020 is as follows:

	2021	2020
1 January	9,588,066	-
Additions	8,844,309	10,679,172
Coupon interest income	(1,095,505)	-
Unrealized exchange rate differences	13,357,083	(1,091,106)
31 December	30,693,953	9,588,066

11.5 Amounts of marketable securities classified under marketable securities and investment securities accounts issued by the Company's shareholders, associates and subsidiaries and the issuers: None (31 December 2020: None).

11.6 Value increase on financial assets in the last three years: None (31 December 2020: None).

11.7 - 11.9 Other information about financial assets: None (31 December 2020: None).

12. Loans and Receivables

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

	31 December 2021	31 December 2020
Due from insurance operations	150,125,366	64,808,660
	150,125,366	64,808,660
Claim recovery receivables	-	2,762,560
Provision for claim recovery receivables (-)	-	(2,762,560)
Receivables from main operations	150,125,366	64,808,660

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12. Loans and Receivables (Continued)

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

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

12.3 Total mortgages and collaterals obtained for receivables: None (31 December 2020: None).

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

31 December 2021

Foreign Currency Type	Amount	Exchange Rate	TL Amount
USD	8,807,452	13.3290	117,394,528
EUR	2,219,669	15.0867	33,487,486
GBP	5,688	17.9667	102,197
Other			77,717
Total			151,061,928

31 December 2020

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

12.5 - 12.7 Other information about loans and receivables:

The aging of due from insurance operations is as follows:

	31 December 2021	31 December 2020
Overdue	29,751,661	13,341,612
Up to 3 months	52,523,413	24,042,132
3 - 6 months	40,680,523	17,130,511
6 months to 1 year	24,213,127	10,187,936
Over 1 year	2,956,642	106,469
Total	150,125,366	64,808,660
Claim recovery receivables	-	2,762,560
Provision for claim recovery receivables (-)	-	(2,762,560)
Total	150,125,366	64,808,660

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12. Loans and Receivables (Continued)

12.5 - 12.7 Other information about loans and receivables: (Continued)

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

	31 December 2021	31 December 2020
Up to 3 months	22,490,310	12,635,905
3 - 6 months	5,675,231	694,118
6 months to 1 year	1,586,120	11,589
Total	29,751,661	13,341,612

The Company does not have doubtful receivables from main operations as of 31 December 2021 (31 December 2020: None).

13. Derivative Financial Instruments

None (31 December 2020: None).

14. Cash and Cash Equivalents

Cash and cash equivalents that are included in the statements of cash flows as of 31 December 2021 and 31 December 2020 are shown in Note 2.12 and the details of bank deposits of the Company are as follows:

	31 December 2021	31 December 2020
Cash (Note 2.12)	44,340	16,576
Cheques received (Note 2.12)	919,812	-
Banks (Note 2.12)	141,617,457	77,661,180
Bank guaranteed credit card receivables with maturities less than three months (Note 2.12)	378,336	79,996
Total	142,959,945	77,757,752

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

	31 December 2021	31 December 2020
Deposits in TL		
- demand deposits	93,891,438	75,065,111
- time deposits	53,471	295,060
	93,944,909	75,360,171
Foreign deposits		
- time deposits	47,119,712	1,591,135
- demand deposits	552,836	709,874
	47,672,548	2,301,009
Total	141,617,457	77,661,180

As of 31 December 2021, time deposits amounting to TL 11,500,000 (31 December 2020: TL 5,800.00) are blocked in favour of SEDDK, time deposits amounting to TL 791,303 (31 December 2020: TL 143,3550) are blocked in favor of various companies regarding tenders and claims (Notes 17 and 43).

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14. Cash and Cash Equivalents (Continued)

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

	31 December 2021			
	Foreign currency		TL	
	Time	Demand	Time	Demand
USD	3,355,159	26,429	44,720,914	352,277
EUR	159,001	11,315	2,398,798	170,711
GBP	-	1,661	-	29,848
Total			47,119,712	552,836

	31 December 2020			
	Foreign currency		TL	
	Time	Demand	Time	Demand
USD	216,761	36,279	1,591,135	266,304
EUR	-	49,242	-	443,570
Total			1,591,135	709,874

15. Share Capital

The Company has 40,000,000 number of shares which are fully paid (31 December 2020: 25,000,000 number of shares). Each of the Company’s shares has a nominal value of TL 1 and the total nominal value is TL 40,000,000 (31 December 2020: TL 25,000,000).

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

	1 January 2021		Issued		Redeemed		31 December 2021	
	Number of shares	Nominal TL	Number of shares	Nominal TL	Number of shares	Nominal TL	Number of shares	Nominal TL
Paid in capital	25,000,000	25,000,000	15,000,000	15,000,000	-	-	40,000,000	40,000,000
Total	25,000,000	25,000,000	15,000,000	15,000,000	-	-	40,000,000	40,000,000
	1 January 2020		Issued		Redeemed		31 December 2020	
	Number of shares	Nominal TL	Number of shares	Nominal TL	Number of shares	Nominal TL	Number of shares	Nominal TL
Paid in capital	13,500,000	13,500,000	11,500,000	11,500,000	-	-	25,000,000	25,000,000
Total	13,500,000	13,500,000	11,500,000	11,500,000	-	-	25,000,000	25,000,000

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

Profit Reserves:

As of 31 December 2021 and 31 December 2020, the “other profit reserves” accounted in equity consists of actuarial losses.

The movement schedule for other profit reserves is as follows:

	2021	2020
Beginning of the period - 1 January	(232,728)	(97,600)
Actuarial gain, net	(172,026)	(135,128)
End of the period - 31 December	(404,754)	(232,728)

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15. Share Capital (Continued)

Legal Reserves

According to the provisions of the Turkish Commercial Code, legal reserves consist of first and second order legal reserves. The first order legal reserves are allocated at the rate of 5% of the legal period profit until they reach 20% of the historical or registered company capital. Second order legal reserves are allocated at the rate of 10% of all dividend distributions exceeding 5% of the Company's capital. According to the Turkish Commercial Code, the first and second legal reserves cannot be distributed unless they exceed 50% of the total capital, but they can be used to cover losses in case the discretionary reserves are exhausted.

The movement table for legal reserves is as follows:

	2021	2020
Beginning of the period - 1 January	904,554	304,227
Transfer from profit	778,772	600,327
End of the period - 31 December	1,683,326	904,554

16. Other Reserves and Equity Component of Discretionary Participation Feature

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

17. Insurance Liabilities and Reinsurance Assets

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

	31 December 2021	31 December 2020
Required guarantee amount to be provided for non-life branches (*)	29,946,501	13,494,581
Guarantee amount provided for non-life branches (Note 43)	42,985,256	15,388,066

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

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17. Insurance Liabilities and Reinsurance Assets (Continued)

- 17.2 Number of life policies, the number and mathematical reserve amount of the life policies that enter and exit during the year and current status: None (31 December 2020: None).
- 17.3 Insurance coverage amount on a branch basis provided for non-life branches: Disclosed in Note 4.
- 17.4 Unit prices of pension funds and savings founded by the Company: None (31 December 2020: None).
- 17.5 Units and amounts of share certificates in portfolio and in circulation: None (31 December 2020: None)
- 17.6 Numbers and portfolio amounts of the individual and group pension participants entered, left, cancelled during the period and the current participants: None (31 December 2020: None).
- 17.7 Valuation methods of profit share calculation for life insurance: None (31 December 2020: None).
- 17.8 Number of units and individual and group allocation of gross and net contribution amounts of the private pension participants entered during the period: None (31 December 2020: None).
- 17.9 Number of units and individual and group allocation of gross and net contribution amounts of the private pension participants transferred from another company during the period: None (31 December 2020: None).
- 17.10 Number of units and individual and group allocation of gross and net contribution amounts of the private pension participants transferred from the life insurance portfolio to the private pension portfolio during the period: None (31 December 2020: None).
- 17.11 Number of units and individual and group allocation of gross and net contribution amounts of the private pension participants that left the company and transferred to another company or that left the company but did not transfer to another company: None (31 December 2020: None).
- 17.12 Number of units, gross and net premiums and individual and group allocation for life policyholders that joined the portfolio during the period: None (31 December 2020: None).
- 17.13 Number of units, gross/net premiums and individual and group allocation of mathematical reserves for life policyholders that left the portfolio during the period: None (31 December 2020: None).
- 17.14 Profit share allocation rate to the life policyholders: None (31 December 2020: None).

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17. Insurance Liabilities and Reinsurance Assets (Continued)

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

Outstanding claims provision:

	2021		
	Gross	Reinsurers' Share	Net
Opening balance - 1 January	52,006,894	(19,434,087)	32,572,807
Paid claims	(111,161,148)	15,334,909	(95,826,239)
Change			
- Current period claims	104,138,169	(22,764,911)	81,373,258
- Prior year claims	101,572,563	(21,695,457)	79,877,106
End of the period - 31 December	146,556,478	(48,559,546)	97,996,932
Claims incurred but not reported	30,371,550	(20,862,136)	9,509,414
Discount adjustment for outstanding claims provisions	(14,783,369)	8,205,365	(6,578,004)
Total	162,144,659	(61,216,317)	100,928,342
	2020		
	Gross	Reinsurers' Share	Net
Opening balance - 1 January	20,904,306	(15,631,521)	5,272,785
Paid claims	(67,184,188)	28,042,464	(39,141,724)
Change			
- Current period claims	31,852,839	(3,377,174)	28,475,665
- Prior year claims	66,433,937	(28,467,856)	37,966,081
End of the period - 31 December	52,006,894	(19,434,087)	32,572,807
Claims incurred but not reported	10,513,520	(4,841,104)	5,672,416
Discount adjustment for outstanding claims provisions	(4,265,581)	2,674,158	(1,591,423)
Total	58,254,833	(21,601,033)	36,653,800

As of 31 December 2021 and 31 December 2020, the gross and net additional provision amounts to be set aside as a result of these calculations and the claims incurred but not reported method used in the branches are as follows:

Branch	Method Used	31 December 2021		31 December 2020	
		Additional Reserve Gross	Additional Reserve Net	Additional Reserve Gross	Additional Reserve Net
Protection and indemnity	Standart chain	13,259,66	34,195,210	5,501,635	770,229
Hull and machinery	Sector average	17,111,887	5,314,204	5,011,885	4,902,187
Total		30,371,550	9,509,414	10,513,520	5,672,416

As of 31 December 2021 and 31 December 2020, reinsurance share with incurred but not reported outstanding claims amount was calculated considering the outstanding and paid compensation amount transferred to the reinsurer for the protection and indemnity branch

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17. Insurance Liabilities and Reinsurance Assets (Continued)

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

31 December 2021

Foreign Currency Type	Amount	Exchange Rate	TL Amount
USD	5,841,727	13.0009	75,947,705
EUR	1,639,471	14.7088	24,114,653
GBP	15,644	17.5440	274,457
Total			100,336,815

31 December 2020

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

Unearned premium reserve:

	2021		
	Gross	Reinsurers' Share	Net
Opening balance - 1 January	78,723,838	(10,238,896)	68,484,942
Net change	53,593,356	(12,653,590)	40,939,766
Closing balance - 31 December	132,317,194	(22,892,486)	109,424,708
	2020		
	Gross	Reinsurers' Share	Net
Opening balance - 1 January	42,805,439	(5,449,085)	37,356,354
Net change	35,918,399	(4,789,811)	31,128,588
Closing balance - 31 December	78,723,838	(10,238,896)	68,484,942

As of 31 December 2021, the deferred commission expense and income are TL 19,588,949 (31 December 2020: TL 11,995,950) and TL 59,276 (31 December 2020: TL 98,296) respectively (Note 19) and placed on the balance sheet under the “Deferred Production Costs” and “Deferred Commission Income” accounts. In addition, the "Deferred Production Expenses" account item includes prepaid minimum warehouse premiums of TL 7,023,890 (31 December 2020: None) and a prepaid warehouse commission of TL 2.296,555 (31 December 2020: None).

18. Investment Contract Liabilities

None (31 December 2020: None).

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19. Trade and Other Payables, Deferred Income

	31 December 2021	31 December 2020
Payables to reinsurance companies	5,912,827	8,080,724
Payables from other main operations	211,096	1,196
Payables from main operations - short-term	6,123,923	8,081,920
Payables to suppliers and other payables	184,222	95,439
Other payables	184,222	95,439
Payables to shareholders	7,382	370
Payables to personnel	-	413
Payables to related parties - short-term	7,382	783
Deferred commission income (Note 17)	59,276	98,296
Accrued expenses	40,928	18,033
Deferred Income and expense accruals	100,204	116,329

Foreign currency denominated payables are as follows:

31 December 2021

Foreign Currency Type	Amount	Exchange Rate	TL Amount
USD	354,740	13.3530	4,736,844
EUR	79,112	15.1139	1,195,684
GBP	(565)	18.0604	(10,204)
Total			5,922,324

31 December 2020

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

20. Financial Liabilities

As of 31 December 2021 and 31 December 2020, the Company's total lease liabilities, which are recognized as part of the transition to TFRS 16 “Leases”, are as follows:

	31 December 2021	31 December 2020
Short-term lease liability	1,403,980	595,320
Long-term lease liability	6,511,894	1,297,750
Alternative borrowing rate and discount amount - Short	(198,355)	(136,360)
Alternative borrowing rate and discount amount - Long	(2,610,903)	(222,357)
Total lease liabilities	5,106,616	1,534,353

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20. Financial Liabilities (Continued)

	2021	2020
Total lease liabilities, 1 January	1,534,353	1,226,848
New contracts	4,879,174	420,452
Lease payments	(872,850)	(675,290)
Interest cost	370,237	224,644
Foreign exchange differences	(77,556)	337,699
Terminated contracts	(726,742)	-
Total lease liabilities, 31 December	5,106,616	1,534,353

21. Deferred Tax

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

The tax rate used in the calculation of deferred tax assets and liabilities is 23% over the temporary timing differences expected to reverse in 2022 (2020: 22%), and 20% over the temporary timing differences that are expected to reverse after 2022 (2020: 22%).

As of 31 December 2021 and 31 December 2020, the temporary differences giving rise to deferred tax assets and liabilities with using enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Provision for employment termination benefits (Note 22)	667,111	506,234	133,422	101,247
Provision for expense accruals	-	6,259,287	-	1,251,857
Provision for claim recovery receivables As a result of the POA announcement, different balance sheet date valuation effect according to TPL	(5,323,912)	-	(1,224,500)	-
Other, net	82,807	(9,936)	26,963	(1,987)
Net deferred tax (liabilities)/assets (Note 35)			1,805,630	(1,064,115)

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

	2021	2020
Opening balance - 1 January	1,805,630	209,094
Deferred tax income/(expenses) (Note 35)	(2,912,752)	1,562,754
Deferred tax effect recognized in equity	43,007	33,782
Closing balance - 31 December	(1,064,115)	1,805,630

Deferred 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 tax assets and liabilities are determined using tax rates and tax legislation that have been enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

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

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22. Retirement Benefit Obligations

	31 December 2021	31 December 2020
Provision for employment termination benefits	667,111	506,234
	667,111	506,234

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

The applicable ceiling amount as of 31 December 2021 is TL 8,284.51 (31 December 2020: TL 7,117.17).

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

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

	31 December 2021	31 December 2020
Annual discount rate (%)	2.78	2.78
Turnover rate to estimate the probability of retirement (%)	94	100

Fundamental assumption, for each year, determined maximum provisions should increase depending upon inflation rate. Since therefore, applied discount rate is clarified from expected inflation effects and consequently it shows real rate. Since the Company’s provision for pension payment and maximum amount for pension payment provision is calculated once every six months, as of 1 January 2022, provision for severance payment is calculated TL 10,848.59 (1 January 2021: TL 7,638.96).

Provision for employment termination benefits movement is given below:

	2021	2020
Opening balance - 1 January	506,234	365,582
Provision during the period	39,354	146,181
Claims paid	(93,510)	(174,439)
Actuarial (gain)/loss (*)	215,033	168,910
Closing balance - 31 December	667,111	506,234

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

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23. Other Liabilities and Expense Accruals:

	31 December 2021	31 December 2020
Additional premium provision allocated within the scope of excess of loss reinsurance contract	30,223,835	9,271,825
Personnel performance bonus provision	2,107,845	-
Unused vacation provision	305,771	125,457
Total	32,637,451	9,397,282

The foreign currency breakdown of the expense accruals expressed in foreign currency is as follows:

31 December 2021

Foreign Currency Type	Amount	Exchange Rate	TL Amount
USD	2,263,449	13.3530	30,223,835
Total			30,223,835

31 December 2020

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

24. Net Insurance Premium Income

	1 January - 31 December 2021		
	Gross	Reinsurers' Share	Net
Hull and machinery	207,074,419	(23,109,798)	183,964,621
Proection and indemnity	78,038,890	(34,339,408)	43,699,482
Total premium income	285,113,309	(57,449,206)	227,664,103
	1 January - 31 December 2020		
	Gross	Reinsurers' Share	Net
Hull and machinery	132,314,199	(25,726,295)	106,587,904
Proection and indemnity	49,517,439	(21,360,795)	28,156,644
Total premium income	181,831,638	(47,087,090)	134,744,548

25. Fee Income

None (31 December 2020: None).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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26. Investment Income/(Expenses)

The detail of the investment income is given below:

	1 January - 31 December 2021	1 January - 31 December 2020
Cash and cash equivalents		
- Interest income	10,691,372	1,278,409
- Income from valuation of time deposits	797,353	490,900
Financial assets held to maturity		
- Interest income	1,095,505	337,738
- Expenses from valuation of held to maturity financial assets (-)	(594,459)	-
Total	11,989,771	2,107,047

27. Net Realized Gains on Financial Assets

None (31 December 2020: None).

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

None (31 December 2020: None).

29. Insurance Benefits and Claims

Disclosed in Note 17.

30. Investment Contract Benefits

None (31 December 2020: None).

31. Other Expenses

	1 January - 31 December 2021	1 January - 31 December 2020
Operating expenses classified under technical part	53,290,983	32,269,741
Total (Note 32)	53,290,983	32,269,741

32. Expenses by Nature

	1 January - 31 December 2021	1 January - 31 December 2020
Commission expenses	34,959,021	20,734,323
Personnel expenses (Note 33)	14,491,241	9,448,327
Information technology expenses	879,237	616,215
Outsources benefits and services	560,909	564,863
Insurance expense	468,818	190,436
Advertising and promotion expenses	376,818	742,250
Other	1,943,246	1,235,697
Reinsurance commission income	(388,307)	(1,262,370)
Total (Note 31)	53,290,983	32,269,741

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33. Employee Benefit Expense

	1 January - 31 December 2021	1 January - 31 December 2020
Personnel salaries	13,084,448	8,391,601
Employer’s share of SSI Premium	1,054,631	791,688
Other	352,162	265,038
Total (Note 32)	14,491,241	9,448,327

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

34. Financial Costs

34.1 Total financial expenses for the period:

- 34.1.1 Expenses related to production cost: None (31 December 2020: None).
- 34.1.2 Expenses related to fixed assets: None (31 December 2020: None).
- 34.1.3 Direct expenses: TL 370,237 (31 December 2020: TL 224,644).

34.2 Financial expenses related to shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately): None (2020: None).

34.3 Sales to/purchases from shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately.): None (31 December 2020: None).

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

35. Income Taxes

Tax income and expenses recognized in the statements of income as of 31 December 2021 and 2020 are summarized below:

	1 January - 31 December 2021	1 January - 31 December 2020
Corporate tax expense (-)	(16,844,212)	(6,238,850)
Effect of prior year corporate tax adjustment	1,377,043	-
Deferred tax expense (Note 21)	(2,912,752)	1,562,754
Total tax expense (-)	(18,379,921)	(4,676,096)
	31 December 2021	31 December 2020
Tax provision (-)	(16,844,212)	(6,238,850)
Prepaid taxes	10,540,433	5,790,920
Net tax liability (-)	(6,303,779)	(447,930)
Deferred tax (liabilities)/assets, net (Note 21)	(1,064,115)	1,805,630

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35. Income Taxes (Continued)

The income tax reconciliation is as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Profit before tax	74,695,400	20,251,551
Tax rate	25%	22%
Calculated tax income	(18,673,850)	(4,455,341)
Effect of prior year tax adjustment	1,377,043	-
Effect of prior year deferred tax adjustment	(1,251,857)	-
Effect of tax rate change	213,173	-
Effect of non-deductible expenses and exceptions, net	(44,430)	(220,755)
Total tax expense (-)	(18,379,921)	(4,676,096)

36. Net Foreign Exchange Gains

	1 January- 31 December 2021	1 January - 31 December 2020
Technical income, net	27,807,145	9,611,526
Financial income, net	63,919,441	8,314,650
Total	91,726,586	17,926,176

37. Earnings per Share

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

	1 January - 31 December 2021	1 January - 31 December 2020
Net profit for the period	56,315,479	15,575,455
Weighted average number of shares with nominal value of TL 1 per share	40,000,000	40,000,000
Earnings per Share (TL)	1.41	0.39

38. Dividends per Share

The Company has no dividend distribution for the years 1 January – 31 December 2021 and 2020.

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

40. Convertible Bonds: None (31 December 2020: None).

41. Redeemable Preference Shares: None (31 December 2020: None).

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42. Contingencies:

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

	31 December 2021	31 December 2020
Outstanding claims cases filed against the Company, net provisions (*)	1,841,851	343,655
Total	1,841,851	343,655

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

43. Commitments

Total amount of mortgages or restrictions on assets:

	31 December 2021	31 December 2020
Bank deposits (Notes 2.12, 14 and 17)	12,291,303	5,800,000
Financial assets (Notes 11.1 and 17)	30,693,953	9,588,066
Total	42,985,256	15,388,066

As of 31 December 2021, time deposits amounting to TL 11,500,000 (31 December TL 2020: 5,800,00) and financial asset amounting to TL 30,693,953 (31 December 2020: TL 9,588,066) are blocked in favour of the SEDDK, and time deposits amounting to TL 791,303 (31 December 2020: TL 143.3550) are blocked in favor of various companies regarding tenders and claims.

44. Business Combinations

None (31 December 2020: None).

45. Transactions with Related Parties

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

a) Bank deposits

	31 December 2021	31 December 2020
Türkiye Halk Bankası A.Ş.	80,326,404	51,568,550
Türkiye Vakıflar Bankası T.A.O.	149,211	14,317,391
T.C. Ziraat Bankası A.Ş.	5,546	8,456
Total	80,481,161	65,894,397

b) Receivables from insurance operations

Türkiye Sigorta A.Ş.	3,728,930	995,738
Total	3,728,930	995,738

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45. Transactions with Related Parties (Continued)

c) Payables to shareholders

Türkiye Sigorta A.Ş.	7,382	370
Total	7,382	370

d) Payables to insurance operations

Türkiye Sigorta A.Ş.	295,172	1,134,733
Total	295,172	1,134,733

e) Written premiums

	1 January - 31 December 2021	1 January - 31 December 2020
Türkiye Sigorta A.Ş.	4,923,364	1,742,555
Total	4,923,364	1,742,555

f) Ceded premiums

Türkiye Sigorta A.Ş.	1,180,296	2,778,885
Total	1,180,296	2,778,885

g) Interest income

Türkiye Halk Bankası A.Ş.	8,128,041	1,469,617
Türkiye Vakıflar Bankası T.A.O.	743,318	74,917
T.C. Ziraat Bankası A.Ş.	4,677	60,558
Total	8,876,036	1,605,092

h) Operating expenses

Türkiye Sigorta A.Ş.	148,382	108,515
Türkiye Halk Bankası A.Ş.	85,170	70,141
Other	4,579	72,694
Total	238,131	251,350

45.1 Doubtful receivables from shareholders, associates and subsidiaries: None (31 December 2020: None).

45.2 Breakdown of associates and subsidiaries having an indirect shareholding and management relationship with the Company; names, participation rates and amounts of associates and subsidiaries; profit/loss and net profit/loss in the latest financial statements, the period of these financial statements, whether these financial statements are prepared in accordance with the accounting principles and standards as set out in the insurance legislation, whether they are independently audited and the opinion type of the independent audit report: None (31 December 2020: None).

45.3 Bonus shares obtained through internally funded capital increases of equity investments and subsidiaries: None (31 December 2020: None).

45.4 Rights on immovables and their value: None (31 December 2020: None).

45.5 Guarantees, commitments and securities given for shareholders, investments and subsidiaries: None (31 December 2020: None).

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46. Events After the Balance Sheet Date:

According to the Law No. 7352 Amending the Corporate Tax Law and the Tax Procedure Law No. 31734 published in the Official Gazette dated 29 January 2022 and numbered 31734, the application of inflation adjustment in the legal books based on the Tax Procedure Law has been postponed to 31 December 2023.

47. Other

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

a) Other liabilities

	31 December 2021	31 December 2020
Payables to suppliers	184,222	93,138
Other liabilities	-	2,301
Total	184,222	95,439

b) Other prepaid expenses

Rental expenses	812,500	-
Advertising expenses	300,900	-
Insurance expenses	179,607	84,209
Information technology expenses	73,866	24,951
Other	165,395	65,207
Total	1,532,268	174,367

47.2 Due from and due to personnel classified in "Other receivables" and "Other short-term or long-term payables" that exceed 1% of total assets: None (31 December 2020: None).

47.3 Subrogation receivables followed under off-balance sheet items: None (31 December 2020: None).

47.4 Income and expenses related to prior periods and the amounts and sources of expenses and losses: None (31 December 2020: None).

47.5 Other information required by Insurance and Private Pension Regulation and Supervision Agency to be presented

Provision (expenses)/income for the period:

	1 January - 31 December 2021	1 January - 31 December 2020
<i>Provision (expenses)/income:</i>		
Unused vacation provision	(180,314)	(125,457)
Provision for employment termination benefits	54,156	28,258
	(126,158)	(97,199)

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47. Other (Continued)

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

	31 December 2021	31 December 2020
Independent audit fee for the reporting period (*)	123,900	90,170
Total	123,900	90,170

(*) Amounts including VAT are shown.

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