

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

TÜRK P VE I SİGORTA A.Ş.

**FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2022 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 2022, 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 2022, 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 2022, the total amount of insurance technical provisions is TL 498,458,688.</p> <p>Insurance Companies are required to recognize 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 2022, the Company has a net provision of TL 221,191,068 for outstanding claims provision and TL 34,884,111 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) 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.

5) 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.

5) Responsibilities for the Audit of the Financial Statements (Cont'd)

- 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 2022 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.

Additional paragraph for convenience translation to English

In the accompanying financial statements, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Ferda Akkılınç Ilıca
Partner

İstanbul, 20 February 2023

**CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON
THE FINANCIAL STATEMENTS PREPARED AS AT 31 DECEMBER 2022**

We confirm that the accompanying financial statements and notes to these financial statements as of 31 December 2022 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.

20 February 2023

R. Ufuk TEKER

Enis GÜNGÖR

K. Ege YAVAŞ

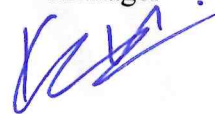
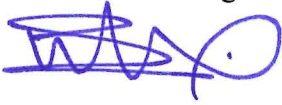
A. Korhan AKÇÖL

A Member of Board of
Directors and
General Manager

Chief Financial
Officer

Financial Affairs
Manager

Actuary



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TÜRK P VE İ SİGORTA A.Ş.

DETAILED BALANCE SHEETS AS OF 31 DECEMBER 2022 AND 2021

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

ASSETS	Notes	Current Period Audited 31 December 2022	Prior Period Audited 31 December 2021
I- Current Assets			
A- Cash and Cash Equivalents	14	74,778,433	142,959,945
1- Cash	2.12, 14	-	44,340
2- Cheques Received	2.12, 14	1,500,000	919,812
3- Banks	2.12, 14	71,779,448	141,617,457
4- Cheques Given and Payment Orders (-)		-	-
5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	2.12, 14	1,498,985	378,336
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments with Risks on Policyholders		249,744,783	30,693,953
1- Available for Sale Investments		-	-
2- Held to Maturity Investments	4, 11.4	249,744,783	30,693,953
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	318,123,872	150,125,366
1- Receivable from Insurance Operations	12.1	318,123,872	150,125,366
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		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-
D- Due from Related Parties		1,510	-
1- Due from Shareholders		1,510	-
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		294,839	206,704
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income (-)		-	-
3- Deposits and Guarantees Given		294,839	206,704
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		64,905,444	30,499,855
1- Deferred Production Costs	17	62,143,336	28,909,394
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		1,339,616	58,193
4- Other Prepaid Expenses	47.1	1,422,492	1,532,268
G- Other Current Assets		10,683	22,312
1- Prepaid Office Supplies		-	-
2- Prepaid Taxes and Funds		-	-
3- Deferred Tax Assets		-	-
4- Business Advances		507	-
5- Advances Given to Personnel		10,176	22,312
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		707,859,564	354,508,135

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 2022 AND 2021

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

ASSETS	Notes	Current Period Audited 31 December 2022	Prior Period Audited 31 December 2021
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		28,024	23,215
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income (-)		-	-
3- Deposits and Guarantees Given		28,024	23,215
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	9,891,513	7,534,686
1- Investment Properties		-	-
2- Impairment for Investment Properties (-)		-	-
3- Property for Operational Use		-	-
4- Machinery and Equipment		-	-
5- Furniture and Fixtures	6	2,151,505	1,498,064
6- Motor Vehicles		-	-
7- Other Tangible Assets (including Leasehold Improvements)	6	1,926,743	1,790,158
8- Tangible Assets Acquired by Lease	6	9,658,085	5,921,614
9- Accumulated Depreciation (-)	6	(3,844,820)	(1,675,150)
10- Advances Given for Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets	8	2,320,670	906,261
1- Rights	8	963,843	101,733
2- Goodwill		-	-
3- Start-up Costs		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization (-)	8	(188,199)	(21,047)
7- Advances Given for Intangible Assets	8	1,545,026	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, 35	668,135	-
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Prepaid Supplies		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21, 35	668,135	-
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		12,908,342	8,464,162
Total Assets (I+II)		720,767,906	362,972,297

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 2022 AND 2021

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

LIABILITIES

	Notes	Current Period Audited 31 December 2022	Prior Period Audited 31 December 2021
III- Current Liabilities			
A- Financial Liabilities			
1- Borrowings from Financial Institutions		1,975,447	1,205,625
2- Finance Lease Liabilities	20	1,955,224	1,205,625
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)		20,223	-
B- Payables from Main Operations	19	21,947,926	6,123,923
1- Payables from Insurance Operations	4, 19	21,933,926	5,912,827
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	14,000	211,096
6- Discount on Payables from Other Main Operations (-)		-	-
C- Due to Related Parties	19	-	7,382
1- Due to Shareholders	4, 19, 45	-	7,382
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel	4, 19	-	-
6- Discount on Payables from Other Main Operations		-	-
D- Other Payables	4, 19, 47.1	1,407,637	184,222
1- Deposits and Guarantees Received		1,013,680	-
2- Medical Treatment Payables to SSI		-	-
3- Other Miscellaneous Payables	4, 19, 47.1	393,957	184,222
4- Discount on Other Miscellaneous Payables (-)		-	-
E- Insurance Technical Provisions		498,458,688	210,353,050
1- Unearned Premium Reserve - Net	4, 17	277,267,620	109,424,708
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserve - Net		-	-
4- Outstanding Claims Provision - Net	4,17	221,191,068	100,928,342
5- Bonus and Rebate Provision - Net		-	-
6- Other Technical Provision - Net		-	-
F- Provisions for Taxes and Other Similar Obligations		(1,082,637)	8,900,972
1- Taxes and Funds Payable		3,617,400	2,423,812
2- Social Security Premiums Payable		383,179	173,381
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	2,596,647	16,844,212
6- Prepaid Taxes and Other Liabilities on Current Period Income (-)	35	(7,679,863)	(10,540,433)
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions for Other Risks	23	50,204,033	32,637,451
1- Provision for Employment Termination Benefits	23	944,929	305,771
2- Provision for Pension Fund Deficits		-	-
3- Provision for Expense Accruals	23	49,259,104	32,331,680
H- Deferred Income and Expense Accruals	19	641,147	100,204
1- Deferred Commission Income	10, 17, 19	491,024	59,276
2- Expense Accruals	19	150,123	40,928
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		573,552,241	259,512,829

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 2022 AND 2021

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

LIABILITIES	Notes	Current Period Audited 31 December 2022	Prior Period Audited 31 December 2021
IV- Non-Current Liabilities			
A- Financial Liabilities		6,288,508	3,900,991
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities	20	6,288,508	3,900,991
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Issued Debt Securities		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assests 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	1,105,019	667,111
1- Provision for Employment Termination Benefits	22	1,105,019	667,111
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, 35	-	1,064,115
2- Other Non-Current Liabilities		-	-
IV- Total Non-Current Liabilities		7,393,527	5,632,217

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 2022 AND 2021

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

EQUITY		Current Period Audited 31 December 2022	Prior Period Audited 31 December 2021
	Notes		
V- Equity			
A- Paid-in Capital	2.13, 15	80,000,000	40,000,000
1- (Nominal) Capital	2.13, 15	80,000,000	40,000,000
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		3,978,150	1,278,572
1- Legal Reserves		4,499,100	1,683,326
2- Statutory Reserves		-	-
3- Statutory Reserves		-	-
4- Special Funds (Reserves)		-	-
5- Revaluation of Financial Assets		-	-
6- Other Profit Reserves	15	(520,950)	(404,754)
D- Retained Earnings		13,732,905	233,200
1- Retained Earnings		13,732,905	233,200
E- Accumulated Losses (-)			
1- Accumulated Losses		-	-
F- Net Profit for the Period		42,111,083	56,315,479
1- Net Profit for the Period		42,111,083	56,315,479
2- Net Loss for the Period (-)		-	-
3- Profit not subject to Distribution		-	-
V- Total Equity		139,822,138	97,827,251
Total Liabilities and Equity (III+IV+V)		720,767,906	362,972,297

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 2022 AND 2021

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

TECHNICAL PART

	Notes	Current Period Audited 1 January - 31 December 2022	Prior Period Audited 1 January - 31 December 2021
A- Non-Life Technical Income		551,011,584	290,440,693
1- Earned Premiums (Net of Reinsurers' Share)		385,997,078	186,724,337
1.1- Written Premiums (Net of Reinsurers' Share)	24	553,839,990	227,664,103
1.1.1- Gross Written Premium (+)	24	724,557,526	285,113,309
1.1.2- Reinsurers' Share of Gross Written Premium (-)	10, 24	(170,717,536)	(57,449,206)
1.1.3- Premiums Ceded to SSI		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	17	(167,842,912)	(40,939,766)
1.2.1- Unearned Premiums Reserve (-)	17	(201,031,250)	(53,593,356)
1.2.2- Reinsurers' Share of Unearned Premiums Reserve (+)	10, 17	33,188,338	12,653,590
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		139,801,438	103,716,356
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		25,213,068	-
B- Non-Life Technical Expense (-)		(502,776,860)	(213,391,764)
1- Incurred Claims - (Net of Reinsurer's Share)		(387,743,114)	(160,100,781)
1.1- Paid Claims - (Net of Reinsurer's Share)		(267,480,388)	(95,826,239)
1.1.1- Gross Paid Claims (-)		(328,111,642)	(111,161,148)
1.1.2- Reinsurers' Share of Gross Paid Claims (+)	10	60,631,254	15,334,909
1.2- Change in Outstanding Claims (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		(120,262,726)	(64,274,542)
1.2.1- Outstanding Claims Provision (-)		(150,285,240)	(103,889,826)
1.2.2- Reinsurers' Share of Outstanding Claims Provision (+)	10	30,022,514	39,615,284
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 (-)	31, 32	(115,033,746)	(53,290,983)
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)		48,234,724	77,048,929
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 2022 AND 2021

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

NON-TECHNICAL PART

	Notes	Current Period Audited 1 January - 31 December 2022	Prior Period Audited 1 January - 31 December 2021
C- Net Technical Income-Non-Life (A-B)		48,234,724	77,048,929
F- Net Technical Income-Life (D-E)		-	-
I- Net Technical Income-Private Pension (G-H)		-	-
J- Total Net Technical Income (C+F+I)		48,234,724	77,048,929
K- Investment Income		140,484,620	104,380,626
1- Income from Financial Investments	26	37,194,886	11,786,877
2- Income from Sale of Financial Investments		-	-
3- Valuation of Financial Investments	26	11,649,117	867,163
4- Foreign Exchange Gains	36	91,640,617	91,726,586
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 (-)		(144,541,944)	(106,459,103)
1- Investment Management Expenses - Interest Included (-)	34	(1,001,808)	(370,237)
2- Valuation Allowance of Investments (-)	26	(683,181)	(664,269)
3- Losses on Sale of Financial Investments (-)		(247,788)	-
4- Investment Income Transferred to Non-Life Technical Part (-)		(139,801,437)	(103,716,356)
5- Loss from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)		-	-
7- Depreciation Expenses (-)	6, 8	(2,336,822)	(1,151,676)
8- Other Investment Expenses (-)		(470,908)	(556,565)
M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)		413,032	(3,187,804)
1- Provisions (+/-)	47.5	(931,821)	(126,158)
2- Discounts (+/-)		-	-
3- Specialty Insurance Account (+/-)		-	-
4- Inflation Adjustment (+/-)		-	-
5- Deferred Tax Assets (+/-)	21, 35	1,703,201	-
6- Deferred Tax Liabilities (-)	21, 35	-	(2,912,752)
7- Other Income and Profit		32,809	108,395
8- Other Expense and Losses (-)		(391,157)	(257,289)
9- Income from Prior Year		-	-
10- Losses from Prior Year (-)		-	-
N- Net Profit or Loss for the Period	37	42,111,083	56,315,479
1- Profit or Loss for the Period		44,590,432	71,782,648
2- Provision for Period Profit Tax and Other Legal Liability (-)	35	(2,479,349)	(15,467,169)
3- Net Profit or Loss for the Period		42,111,083	56,315,479
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 2022 AND 2021

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

	Notes	Current Period Audited 31 December 2022	Prior Period Audited 31 December 2021
A- CASH GENERATED FROM OPERATING ACTIVITIES			
1- Cash provided from insurance operations		802,058,197	323,692,326
2- Cash provided from reinsurance operations		-	-
3- Cash provided from individual pension operations		-	-
4- Cash used in insurance operations (-)		(707,176,654)	(275,897,813)
5- Cash used in reinsurance operations (-)		-	-
6- Cash used in individual pension operations (-)		-	-
7- Cash from operating activities (A1+A2+A3-A4-A5-A6)		94,881,543	47,794,513
8- Interest paid (-)		-	-
9- Income taxes paid (-)		(13,866,344)	(9,611,320)
10- Other cash inflows		14,910,617	-
11- Other cash outflows (-)		-	(5,128,318)
12- Net cash from operating activities		95,925,816	33,054,875
B- CASH FLOWS FROM INVESTING ACTIVITIES			
1- Proceeds from sale of tangible assets		-	-
2- Acquisition of tangible assets (-)	6, 8	(2,371,587)	(3,611,897)
3- Acquisition of financial assets (-)	11	(198,789,941)	(8,844,309)
4- Proceeds from sale of financial assets		-	-
5- Interest received	26	37,194,886	11,786,877
6- Dividends received		-	-
7- Other cash inflows		-	-
8- Other cash outflows (-)		(1,720,504)	(926,802)
9- Net cash from investing activities		(165,687,146)	(1,596,131)
C- CASH FLOWS FROM FINANCING ACTIVITIES			
1- Equity shares issued		-	-
2- Cash provided from loans and borrowings		-	-
3- Finance lease payments (-)	20	(1,601,162)	(872,850)
4- Dividends paid (-)		-	-
5- Other cash inflows		-	-
6- Other cash outflows (-)		-	-
7- Net cash from financing activities		(1,601,162)	(872,850)
D- EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS	36	15,595,554	27,807,145
E- Net (decrease)/increase in cash and cash equivalents		(55,766,938)	58,393,039
F- Cash and cash equivalents at the beginning of the period	2.12	129,871,232	71,478,193
G- Cash and cash equivalents at the end of the period (E+F)	2.12	74,104,294	129,871,232

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 2022 AND 2021**

(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 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)	40,000,000	-	-	-	-	1,683,326	-	(404,754)	56,315,479	233,200	97,827,251
(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
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 2021)	40,000,000	-	-	-	-	(404,754)	56,315,479	233,200	97,827,251	-	-
A- Capital Increase (A1 + A2)	40,000,000	-	-	-	-	-	-	-	-	(40,000,000)	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From internal resources (Note 2.13)	40,000,000	-	-	-	-	-	-	-	-	(40,000,000)	-
B- Treasury shares of the entity	-	-	-	-	-	-	-	-	-	-	-
C- Gains or losses not recognized in the income statement (Note 15)	-	-	-	-	-	-	-	(116,196)	-	-	(116,196)
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)	-	-	-	-	-	-	-	-	42,111,083	-	42,111,083
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfers	-	-	-	-	-	2,815,774	-	-	(56,315,479)	53,499,705	-
II- Balances at the period end (31 December 2022)	80,000,000	-	-	-	-	4,499,100	-	(520,950)	42,111,083	13,732,905	139,822,138
(I+A+B+C+D+E+F+G+H+I+J)	80,000,000	-	-	-	-	4,499,100	-	(520,950)	42,111,083	13,732,905	139,822,138

(*) 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 2022 AND 2021

(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	42,887,231	74,695,400
1.2. TAX PAYABLE AND LEGAL LIABILITIES	(776,148)	(18,379,921)
1.2.1. Corporate Tax (Income Tax)	(2,479,349)	(15,467,169)
1.2.2. Income Tax Deduction	-	-
1.2.3. Other Tax and Legal Liabilities	1,703,201	(2,912,752)
A NET PROFIT FOR THE PERIOD (1.1 - 1.2)	42,111,083	56,315,479
1.3. PRIOR PERIODS' LOSS (-)	-	-
1.4. FIRST LEGAL RESERVE	-	(2,815,774)
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)]	-	53,499,705
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 2021 accounting period.

TÜRK P VE I SİGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

1. General Information

1.1 Name of the parent Company: As of 31 December 2022, 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 Denizcilik ve Ticaret Ltd. Şti. and Vitsan Denizcilik A.Ş.’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 Mehmet Akfan Sokak No:7/9 Koşuyolu Kadıköy 34718 İstanbul/Türkiye.

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 2022	31 December 2021
Senior management	2	2
Other	35	27
Total	37	29

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 6,104,268 (1 January - 31 December 2021: TL 3,937,114).

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 2022

(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.

POA made an announcement on 20 January 2022 regarding the application of TAS 29 “Financial Reporting in Hyperinflationary Economies” (“TAS 29”) for entities adopting Turkish Financial Reporting Standards (“TFRS”) for the year ended 31 December 2021. The announcement stated that, entities that apply TFRS should not adjust their financial statements in accordance with TAS 29 for the year ended 31 December 2021. As of the date of this report, POA has not made any further announcements regarding the scope and application of TAS 29. As a result, no inflation adjustment was made to the accompanying financial statements as of 31 December 2022 in accordance with TAS 29.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD

1 JANUARY – 31 DECEMBER 2022

(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 2022, 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 2022 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 2022.

a) *Amendments and interpretations effective as 2022*

- TFRS 16 'Leases' - Amendments to extend the COVID 19 lease concessions facilitating practice (effective as of April 1, 2021), some concessions have been granted to lessees in lease payments due to the COVID-19 pandemic. In May 2020, IASB introduced an optional facilitating practice for the tenants not to evaluate the concessions granted due to COVID-19 in the lease payments, with the amendment published in the TFRS 16 Leases standard, whether there is a change in the lease. On 31 March 2021, IASB issued an additional amendment to extend the date of facilitating implementation from 30 June 2021 to 30 June 2022. Lessees may choose to account for such lease concessions in accordance with the terms that would apply in the absence of a lease modification. This ease of application often causes the lease concession to be accounted for as a variable lease payment during periods when the event or condition that triggers the reduction in lease payments occurs.
- Narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements to TFRS 1, TFRS 9, TMS 41 and TFRS 16 are valid for annual reporting periods beginning on or after 1 January 2022.
 - o Amendments to TFRS 3 'Business Combinations', this amendment updates a reference to the Financial Reporting Conceptual Framework in TFRS 3 without changing the accounting requirements for business combinations.
 - o Amendments to TAS 16 'Tangible Assets' prohibit a company from deducting revenue from the sale of manufactured products from the amount of tangible assets until the asset is ready for use. Instead, the company will recognize such sales revenues and the associated cost in profit or loss.
 - o Amendments to TAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', this amendment specifies what costs the company will include when deciding whether to incur a loss from a contract.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD

1 JANUARY – 31 DECEMBER 2022

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

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

Annual improvements make minor changes to the illustrative examples of TFRS 1 'First Application of Turkish Financial Reporting Standards', TFRS 9 'Financial Instruments', TAS 41 'Agricultural Activities' and TFRS 16.

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

The Company has evaluated the effects of the following standards and amendments on the financial statements and has come to the opinion that the amendments do not have a significant effect on the financial statements for the accounting period of 1 January - 31 December 2022, other than the effects of TFRS 17 standard. The Company has established the necessary accounting policies within the scope of TFRS 17. Analysis and evaluation of the effects of the TFRS 17 standard continue.

- TAS 1, Statement of Implementation 2 and TAS 8 narrow-scope amendments to are valid for annual reporting periods beginning on or after 1 January 2023. These changes are intended to improve accounting policy disclosures and help financial statement users distinguish between changes in accounting estimates and changes in accounting policies.
- TAS 12, Amendment to deferred tax on assets and liabilities arising from a single transaction, is valid for annual reporting periods beginning on or after 1 January 2023. These amendments require deferred tax recognition on transactions that result in equal amounts of taxable and deductible temporary differences when first recognized by companies.
- TFRS 16, Sale and leaseback transactions are valid for annual reporting periods beginning on or after 1 January 2024. These changes include the sale and leaseback requirements in IFRS 16 that describe how an entity accounts for a sale and leaseback transaction after the transaction date. Sales and leaseback transactions where some or all of the lease payments consist of variable lease payments that are not tied to an index or rate are likely to be affected.
- TAS 1, the amendment regarding the non-current liabilities, which are the terms of the contract, is valid for the annual reporting periods beginning on or after 1 January 2024. These changes clarify how conditions that an entity must comply with within twelve months of the reporting period affect the classification of a liability.
- TFRS 17, 'Insurance Contracts', as amended in December 2021, is valid for annual reporting periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently allows for a wide variety of applications. TFRS 17 will fundamentally change the accounting of all entities that issue insurance contracts and investment contracts with discretionary participation features.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD

1 JANUARY – 31 DECEMBER 2022

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

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

However, in IPRSA’s Sector Announcement No. 2022/15 dated 29 December 2022 on the Implementation of Certain Turkish Financial Reporting Standards by Companies, it was stated that significant progress has been made in the implementation of TFRSs, but considering the level of readiness of companies across the sector, companies need to improve their information system infrastructure, there may be problems in the relevant tax legislation and similar issues. Within the scope of the aforementioned announcement, in order to carry out the process more effectively for TFRS 17, TFRS 9 and TFRS 15 standard transitions, information has been given regarding the keeping of the legal book according to the current chart of accounts in the fiscal year starting on 1 January 2023.

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 2022 and 2021. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD

1 JANUARY – 31 DECEMBER 2022

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

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 2022 (31 December 2021: 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”.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD

1 JANUARY – 31 DECEMBER 2022

(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 2022, there is no provision for claim recovery receivables (31 December 2021: None) (Note 12).

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD

1 JANUARY – 31 DECEMBER 2022

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

2. Summary of Significant Accounting Policies (Continued)

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.

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 2021: 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.

TÜRK P VE I SİGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD

1 JANUARY – 31 DECEMBER 2022

(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 2022	31 December 2021
Cash	-	44,340
Cheques received	1,500,000	919,812
Bank deposits	71,779,448	141,617,457
Bank guaranteed credit card receivables with maturities less than three months	1,498,985	378,336
Total cash and cash equivalents	74,778,433	142,959,945
Less - interest accrual (-)	(134,189)	(797,410)
Less - blocked deposits (*) (Notes 17 and 43)	(539,950)	(12,291,303)
Total cash and cash equivalents in the statement of cash flows	74,104,294	129,871,232

(*) 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 2022 and 2021, the distribution of the capital of the Company is as follow:

Name of Shareholders	Group (*)	31 December 2022		31 December 2021	
		Share Rate (%)	Share Amount	Share Rate (%)	Share Rate
Türkiye Sigorta A.Ş.	A	50.00	40,000,000	50.00	20,000,000
Omur Denizcilik A.Ş.	B	36.75	29,400,000	36.75	14,700,000
Metropole Denizcilik ve Ticaret Ltd. Şti.	B	7.50	6,000,000	7.50	3,000,000
Vitsan Denizcilik A.Ş.	B	5.75	4,600,000	5.75	2,300,000
Total		100.00	80,000,000	100.00	40,000,000

(*) 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. Sti. and Vitsan Denizcilik A.Ş. acquired Group B shares of the Company.

At the Ordinary General Assembly meeting dated 26 April 2022, it was decided to increase the Company's capital from the internal resources from TL 40,000,000 to TL 80,000,000. The capital increase was registered and announced in the Trade Registry Gazette dated 17 May 2022 and numbered 10579 (2021: At the Ordinary General Assembly meeting dated 29 March 2021, the Company's capital was increased 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 numbered 10317).

As of 31 December 2022, there are no privileges granted for the shares that represent the capital (31 December 2021: None). Other information about the Company's share capital is explained in Note 15.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD

1 JANUARY – 31 DECEMBER 2022

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

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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY – 31 DECEMBER 2022**

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

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 2021: 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 2021: None).

2.17 Borrowings

None (31 December 2021: None).

2.18 Taxes

Corporate Tax

Corporate tax as of 31 December 2022 is payable at a rate of 25% for insurance and reinsurance companies and pension companies in Turkey (31 December 2021: 25%). In accordance with the law numbered 7394 published in the Official Gazette dated 15 April 2020, the corporate tax rate for insurance and reinsurance companies and pension companies has been determined as 25%, starting from the declarations that must be submitted as of 1 July 2022 and effective for the taxation period starting from 1 January 2022 (2021: 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% (2021: 25%) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD

1 JANUARY – 31 DECEMBER 2022

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

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 7394 published in the Official Gazette dated 15 April 2020, the corporate tax rate for insurance and reinsurance companies and pension companies has been determined as 25%, starting from the declarations that must be submitted as of 1 July 2022 and effective for the taxation period starting from 1 January 2022 (2021: In accordance with the law numbered 7316 published in the Official Gazette dated 22 April 2021 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). Within the scope of the aforementioned law, deferred tax assets and liabilities in the financial statements dated 31 December 2022 are calculated with the rate of 25%.

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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD

1 JANUARY – 31 DECEMBER 2022

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

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 if 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD

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

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 2022 was 21% for TL liabilities (31 December 2021: 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD

1 JANUARY – 31 DECEMBER 2022

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

2. Summary of Significant Accounting Policies (Continued)

2.24 Technical Provisions (Continued)

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.

Accordingly, as of 31 December 2022, the watercraft liability branch has been realized but the standard chain method has been used in the calculation of the unreported compensation amount. Accordingly, the gross additional incurred but not reported compensation amount allocated as of 31 December 2022 is TL 21,299,265 (31 December 2021: TL 13,259,663).

As of 31 December 2022, the water vehicles branch has been realized but the standard chain method has been used in the calculation of the unreported compensation amount. Accordingly, the gross additional incurred but not reported compensation amount allocated as of 31 December 2022 is TL 34,914,121 (31 December 2021: TL 17,111,887).

In addition, as of 31 December 2022, some files that caused deterioration in the damage development in watercraft and watercraft liability branches were manually eliminated as major damage by the company actuary, and the data set used in the compensation accounts that were realized but not reported was taken into account without these files. In addition, the Company's actuary examined the damage developments in the water vehicles liability branch and made coefficient interventions for the periods deemed necessary. It has been assumed that the damages qualified as major damage will not show any damage development, and no additional provision has been calculated for these damage files.

In accordance with the circular of the Ministry of Treasury and Finance dated 5 December 2014 and numbered 2014/16, the compensation calculations that have been realized but not reported are made on a gross basis and the net amounts after reinsurance are determined depending on the reinsurance agreements that are in effect or related to the Company. Within the framework of the reinsurance agreements in force, a total of TL 21,329,275 (31 December 2021: TL 20,862,136) has been realized as of 31 December 2022, but the undeclared compensation amount reinsurance share has been calculated (Note 17).

The method of calculating realized but undeclared compensation that the Company has chosen to use for each branch, the results of these calculations as of 31 December 2022 and 2021, and the methods for determining the net amounts after reinsurance of the gross results are explained in Note 17.

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 2022, the Company calculated the discount amount for the outstanding claims reserve amounting to net TL 9,046,694 (31 December 2021: TL 2,641,428) for protection and indemnity branch and net TL 17,346,648 (31 December 2021: TL 3,936,576) for the hull and machinery branch deducted it from the net outstanding claims provision.

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

2. Summary of Significant Accounting Policies (Continued)

2.24 Technical Provisions (Continued)

In accordance with the Circular No. 2011/23, it is possible to calculate a winning rate over the amounts of the lawsuits filed against the Company in terms of sub-branches based on the last five years' realizations, taking into account the finalization dates of the lawsuits, and to make a discount from the outstanding claims provision amounts accrued for the files in the litigation process according to the calculated winning rate. As of 31 December 2022, the Company has not applied any discounts to the claims files by using the win-loss ratio (31 December 2021: None).

Unexpired Risk Provision

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 2022, the Company did not have a reserve for continuing risks (31 December 2021: 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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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 2022	31 December 2021
Protection and indemnity	11,947,334,336,028	5,126,448,440,730
Hull and machinery	249,963,355,149	107,678,134,252
Total	12,197,297,691,177	5,234,126,574,982

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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4. Management of Insurance and Financial Risk (Continued)

Sensitivity analysis (Continued)

Financial risk (Continued)

(a) Market risk (Continued)

Classification for fair value measurement

“IFRS 7 – Financial Instruments: Disclosures” standard necessitates the demonstration of a classified data sorted according to its importance and relevancy while determining the fair value of financial instruments. This classification depends on quality of related data observability. Observable data means the usage of market data received from independent sources and non-observable data means the usage of the Company’s estimates and assumptions about the market. This distinction reveals the following classifications.

Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions;

Level 3: the fair value of the financial assets and financial liabilities are determined where there is no observable market data.

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

In this context, the fair value classification of financial assets and liabilities measured at fair value is as follows:

31 December 2022	Level 1	Level 2	Level 3	Total
<i>Held-to-maturity financial assets:</i>				
Currency protected deposit	-	211,050,993	-	-
Eurobond	-	38,693,790	-	-
Total	-	249,744,783	-	-
31 December 2021	Level 1	Level 2	Level 3	Total
<i>Held-to-maturity financial assets:</i>				
Eurobond	-	30,693,953	-	-
Total	-	30,693,953	-	-

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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 2022	USD	EUR	GBP	Other	Total
Assets:					
Banks	50,175,001	14,630,855	15,061	-	64,820,917
Financial assets	38,693,790	-	-	-	38,693,790
Receivables from main operations	261,658,729	55,608,206	193	19,642	317,286,770
Guarantees given	280,475	-	-	-	280,475
Deferred production expenses	9,359,272	-	-	-	9,359,272
Total foreign currency assets	360,167,267	70,239,061	15,254	19,642	430,441,224
Liabilities:					
Payables from main operations	(20,337,912)	(1,551,150)	2,351	-	(21,886,711)
Provisions for outstanding claims	(176,338,852)	(43,697,005)	(308,920)	-	(220,344,777)
Provisions for cost expense	(45,697,104)	-	-	-	(45,697,104)
Deposits and guarantees received	(718,921)	(294,759)	-	-	(1,013,680)
Total foreign currency liabilities	(243,092,789)	(45,542,914)	(306,569)	-	(288,942,272)
Balance sheet position	117,074,478	24,696,147	(291,315)	19,642	141,498,952
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
Guarantees given	199,935	-	-	-	199,935
Deferred production 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 cost expense	(30,223,835)	-	-	-	(30,223,835)
Other miscellaneous payables	(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

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 2022 and 2021 are as follows:

Foreign Currency Buying	USD	EUR	GBP
31 December 2022	18.6983	19.9349	22.4892
31 December 2021	13.3290	15.0867	17.9667
Foreign Currency Selling	USD	EUR	GBP
31 December 2022	18.7320	19.9708	22.6065
31 December 2021	13.3530	15.1139	18.0604

Imposed exchange risk rate

The following table summarizes the increase in equity and income statement (excluding tax effect) for the periods ended 31 December 2022 and 2021 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 2022				
USD Exchange rate changes by 20%	23,414,896	(23,414,896)	23,414,896	(23,414,896)
EUR Exchange rate changes by 20%	4,939,229	(4,939,229)	4,939,229	(4,939,229)
GBP Exchange rate changes by 20%	(58,263)	58,263	(58,263)	58,263
Other Exchange rate changes by 20%	3,928	(3,928)	3,928	(3,928)
Net effect of exchange rate change	28,299,790	(28,299,790)	28,299,790	(28,299,790)
	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)

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 2022	Up to 3 months	3 months - 1 year	1 year - 5 years	Over 5 years	Total
Payables to reinsurance companies	8,773,570	13,160,356	-	-	21,933,926
Payables from other main operations	14,000	-	-	-	14,000
Other payables	393,957	-	-	-	393,957
Total	9,181,527	13,160,356	-	-	22,341,883

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 to shareholders	7,382	-	-	-	7,382
Payables from other main operations	211,096	-	-	-	211,096
Other payables	184,222	-	-	-	184,222
Total	2,767,831	3,547,696	-	-	6,315,527

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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4. Management of Insurance and Financial Risk (Continued)

c) Liquidity risk (Continued)

Expected cash flows

31 December 2022	Up to 3 months	3 months - 1 year	1 year - 5 years	Over 5 years	Total
Unearned premium provisions - net (*)	22,579,800	243,283,504	11,404,316	-	277,267,620
Provision for outstanding claims – net	114,142,025	107,049,043	-	-	221,191,068
	136,721,825	350,332,547	11,404,316	-	498,458,688

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

(*) 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 2022		31 December 2021	
	Book value	Fair value	Book value	Fair value
Currency protected deposit	211,050,993	211,050,993	-	-
Eurobond	38,693,790	39,872,409	30,693,953	30,346,693
Total Financial Assets	249,744,783	250,923,402	30,693,953	30,346,693

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1 JANUARY – 31 DECEMBER 2022**

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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 2022, 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 156,282,617 (31 December 2021: TL 89,839,503). As of 31 December 2022, the equity of the Company is TL 16,460,479 lower than the required equity (31 December 2021: TL 7,987,748 higher). The Company will notify the legal authorities in writing that the necessary actions will be taken within the framework of full and timely compliance with the legal regulations, taking into account the notification periods in the relevant legislation.

5. Segment Information

Disclosed in Note 2.3.

6. Property, Plant and Equipment

Movement of property, plant and equipment:

	1 January 2022	Additions	Disposals	31 December 2022
Cost:				
Furniture and fixture	1,498,064	653,441	-	2,151,505
Leasehold improvements	1,790,158	136,585	-	1,926,743
Tangible assets acquired through lease	5,921,614	3,736,471	-	9,658,085
Total cost	9,209,836	4,526,497	-	13,736,333
Accumulated depreciation:				
Furniture and fixture	(632,017)	(384,504)	-	(1,016,521)
Leasehold improvements	(37,251)	(379,417)	-	(416,668)
Tangible assets acquired through lease	(1,005,882)	(1,405,749)	-	(2,411,631)
Total accumulated depreciation	(1,675,150)	(2,169,670)	-	(3,844,820)
Net book value	7,534,686			9,891,513

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6. Property, Plant and Equipment (Continued)

	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 cost	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

There are no mortgages on the property, plant and equipment of the Company as of 31 December 2022 and 2021.

7. Investment Properties

The Company does not have any investment properties as of 31 December 2022 (31 December 2021: None).

8. Intangible Assets

	1 January 2022	Additions	Disposals	31 December 2022
Cost:				
Rights and software	101,733	862,110	-	963,843
Advances on intangible assets	825,575	719,451	-	1,545,026
Total	927,308	1,581,561	-	2,508,869
Accumulated depreciation:				
Rights and software	(21,047)	(167,152)	-	(188,199)
Total	(21,047)	(167,152)	-	(188,199)
Net book value	906,261			2,320,670
	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

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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 2021: None).

10. Reinsurance Assets

Reinsurance Assets/(Liabilities)

	31 December 2022	31 December 2021
Reinsurers’ share of outstanding claims provision (Note 17)	91,238,830	61,216,317
Reinsurers’ share of unearned premiums reserve (Note 17)	56,080,824	22,892,486
Deferral of commission income (Note 19)	(491,024)	(59,276)
Payables to reinsurance companies, net	(17,040,284)	(5,912,827)

Reinsurance Income/(Expenses)

	1 January - 31 December 2022	1 January - 31 December 2021
Reinsurers’ share of paid compensation	60,631,254	15,334,909
Reinsurers’ share of change in unearned premiums reserve (Note 17)	33,188,338	12,653,590
Reinsurers’ share of change in unearned premiums reserve	30,022,514	39,615,284
Commissions received from reinsurers, gross	884,813	349,287
Change in deferred commissions from reinsurers	(431,748)	39,020
Ceded premiums to reinsurers (Note 24)	(170,717,536)	(57,449,206)

11. Financial Assets

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

	31 December 2022	31 December 2021
Loans and receivables (Note 12.1)	318,123,872	150,125,366
Held-to-maturity financial assets (Note 11.4)	249,744,783	30,693,953
Total	567,868,655	180,819,319

11.2 Marketable securities issued during the year other than share certificates: None (31 December 2021: None).

11.3 Debt securities redeemed during the year: None (31 December 2021: None).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2022

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

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 2022			31 December 2021		
	Cost Value	Fair Value	Book Value	Cost Value	Fair Value	Book Value
Currency protected deposit	198,789,941	211,050,992	211,050,992	-	-	-
Eurobond	17,707,825	39,872,409	38,693,791	19,523,481	30,346,693	30,693,953
Total	216,497,766	250,923,401	249,744,783	19,523,481	30,346,693	30,693,953

As of 31 December 2022, the Company's financial assets to be held until maturity, which are nominally USD 2,020,000 Eurobonds and TL 15,000,000 (31 December 2021: nominal 2,220,000 USD Eurobond), currency protected deposits, are blocked in favor of SEDDK. the Company's financial assets held-to-maturity, which are currency protected deposits amounting to TL 32,473,000 (31 December 2021: None), are blocked in favor of various companies and courts regarding tenders and claims (Notes 17 and 43).

The movement table of the Company's financial assets for the periods ending on 31 December 2022 and 2021 is as follows:

	2022	2021
1 January	30,693,953	9,588,066
Additions	198,789,941	8,844,309
Coupon interest income	(2,585,498)	(1,095,505)
Unrealized exchange rate differences	11,217,287	13,357,083
Valuation increase	11,629,100	-
31 December	249,744,783	30,693,953

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 2021: None).

11.6 Value increase on financial assets in the last three years: None (31 December 2021: None).

11.7 - 11.9 Other information about financial assets: None (31 December 2021: 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 2022	31 December 2021
Receivables from insurance activities	292,227,606	150,125,366
Recourse and salvage claims, net	25,896,266	-
Receivables from main operations	318,123,872	150,125,366

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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 2021: 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 2022

Foreign Currency Type	Amount	Exchange Rate	TL Amount
USD	13,993,718	18.6983	261,658,729
EUR	2,789,490	19.9349	55,608,206
GBP	9	22.4892	193
Other			19,642
Total			317,286,770

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

12.5 - 12.7 Other information about loans and receivables:

The aging of due from insurance operations is as follows:

	31 December 2022	31 December 2021
Overdue	67,547,271	29,751,661
Up to 3 months	129,963,051	52,523,413
3 - 6 months	74,613,210	40,680,523
6 months to 1 year	44,264,286	24,213,127
Over 1 year	1,736,054	2,956,642
Total	318,123,872	150,125,366

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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 2022	31 December 2021
Up to 3 months	48,132,296	22,490,310
3 - 6 months	8,084,450	5,675,231
6 months to 1 year	8,405,344	1,578,407
Over 1 year	2,925,181	7,713
Total	67,547,271	29,751,661

The Company does not have doubtful receivables from main operations as of 31 December 2022 (31 December 2021: None).

13. Derivative Financial Instruments

None (31 December 2021: None).

14. Cash and Cash Equivalents

Cash and cash equivalents that are included in the statements of cash flows as of 31 December 2022 and 31 December 2021 are shown in Note 2.12 and the details of bank deposits of the Company are as follows:

	31 December 2022	31 December 2021
Cash (Note 2.12)	-	44,340
Cheques received (Note 2.12)	1,500,000	919,812
Banks (Note 2.12)	71,779,448	141,617,457
Bank guaranteed credit card receivables with maturities less than three months (Note 2.12)	1,498,985	378,336
Total	74,778,433	142,959,945

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

	31 December 2022	31 December 2021
Deposits in TL		
- demand deposits	6,669,712	93,891,438
- time deposits	288,819	53,471
	6,958,531	93,944,909
Foreign deposits		
- demand deposits	63,302,450	47,119,712
- time deposits	1,518,467	552,836
	64,820,917	47,672,548
Total	71,779,448	141,617,457

The Company has no time deposits in favor of SEDDK as of 31 December 2022 (31 December 2021: TL 11,500,00), Time deposits amounting to TL 539,950 (31 December 2021: TL 791,303) are blocked in favor of various companies and courts 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 2022			
	Foreign currency		TL	
	Time	Demand	Time	Demand
USD	2,649,581	33,818	49,542,655	632,346
EUR	690,236	43,695	13,759,795	871,060
GBP	-	670	-	15,061
Total			63,302,450	1,518,467

	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

15. Share Capital

The Company has 80,000,000 number of shares which are fully paid (31 December 2021: 40,000,000 number of shares). Each of the Company’s shares has a nominal value of TL 1 and the total nominal value is TL 80,000,000 (31 December 2021: TL 40,000,000).

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

	1 January 2022		Issued		Redeemed		31 December 2022	
	Number of shares	Nominal TL	Number of Shares	Nominal TL	Number of Shares	Nominal TL	Number of shares	Nominal TL
Paid in capital	40,000,000	40,000,000	40,000,000	40,000,000	-	-	80,000,000	80,000,000
Total	40,000,000	40,000,000	40,000,000	40,000,000	-	-	80,000,000	80,000,000

	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

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

Profit Reserves:

As of 31 December 2022 and 2021, the “other profit reserves” accounted in equity consists of actuarial losses.

The movement schedule for other profit reserves is as follows:

	2022	2021
Beginning of the period - 1 January	(404,754)	(232,728)
Actuarial gain, net	(116,196)	(172,026)
End of the period - 31 December	(520,950)	(404,754)

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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:

	2022	2021
Beginning of the period - 1 January	1,683,326	904,554
Transfer from profit	2,815,774	778,772
End of the period - 31 December	4,499,100	1,683,326

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 2022	31 December 2021
Required guarantee amount to be provided for non-life branches (*)	52,549,874	29,946,501
Guarantee amount provided for non-life branches (Note 43)	54,233,741	42,985,256

(*) 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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1 JANUARY – 31 DECEMBER 2022

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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 2021: 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 2021: None).
- 17.5 Units and amounts of share certificates in portfolio and in circulation:** None (31 December 2021: 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 2021: None).
- 17.7 Valuation methods of profit share calculation for life insurance:** None (31 December 2021: 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 2021: 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 2021: 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 2021: 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 2021: 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 2021: 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 2021: None).
- 17.14 Profit share allocation rate to the life policyholders:** None (31 December 2021: None).

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1 JANUARY – 31 DECEMBER 2022**

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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:

	2022		
	Gross	Reinsurers' Share	Net
Opening balance - 1 January	146,556,478	(48,559,546)	97,996,932
Paid claims	(328,111,642)	60,631,254	(267,480,388)
Change			
- Current period claims	206,981,649	(39,415,061)	167,566,588
- Prior year claims	275,252,780	(60,635,613)	214,617,167
End of the period - 31 December	300,679,265	(87,978,966)	212,700,299
Claims incurred but not reported	56,213,386	(21,329,275)	34,884,111
Discount adjustment for outstanding claims provisions	(44,462,753)	18,069,411	(26,393,342)
Total	312,429,898	(91,238,830)	221,191,068
	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

As of 31 December 2022 and 31 December 2021, 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 2022		31 December 2021	
		Additional Reserve Gross	Additional Reserve Net	Additional Reserve Gross	Additional Reserve Net
Protection and indemnity	Standard chain	21,299,265	11,921,482	13,259,663	4,195,210
Hull and machinery (*)	Standard chain	34,914,121	22,962,629	17,111,887	5,314,204
Total		56,213,386	34,884,111	30,371,550	9,509,414

(*) In the hull and machinery branch, the loss/premium method was used in the calculation of the incurred but not reported compensation as of 31 December 2021.

As of 31 December 2022 and 31 December 2021, 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 2022

Foreign Currency Type	Amount	Exchange Rate	TL Amount
USD	9,413,776	18.7320	176,338,852
EUR	2,188,045	19.9708	43,697,005
GBP	13,665	22.6065	308,920
Total			220,344,777

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

Unearned premium reserve:

	2022		
	Gross	Reinsurers' Share	Net
Opening balance - 1 January	132,317,194	(22,892,486)	109,424,708
Net change	201,031,250	(33,188,338)	167,842,912
Closing balance - 31 December	333,348,444	(56,080,824)	277,267,620
	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

As of 31 December 2022, the deferred commission expense and income are TL 52,784,064 (31 December 2021: TL 19,588,949) and TL 491,024 (31 December 2021: TL 59,276) 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 9,359,272 (31 December 2021: TL 7,023,890) and a prepaid warehouse commission of TL 2,296,555.

18. Investment Contract Liabilities

None (31 December 2021: None).

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19. Trade and Other Payables, Deferred Income

	31 December 2022	31 December 2021
Payables to reinsurance companies	17,040,284	5,912,827
Payables from insurance activities	4,893,642	-
Payables from other main operations	14,000	211,096
Payables from main operations - short-term	21,947,926	6,123,923
Payables to suppliers and other payables	393,957	184,222
Other payables	393,957	184,222
Payables to shareholders	-	7,382
Payables to related parties - short-term	-	7,382
Deposits and guarantees received	1,013,680	-
Deferred commission income (Note 17)	491,024	59,276
Accrued expenses	150,123	40,928
Deferred Income and expense accruals	1,654,827	100,204

Foreign currency denominated payables are as follows:

31 December 2022

Foreign Currency Type	Amount	Exchange Rate	TL Amount
USD	1,085,731	18.7320	20,337,912
EUR	77,671	19.9708	1,551,150
GBP	(104)	22.6065	(2,351)
Total			21,886,711

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

20. Financial Liabilities

As of 31 December 2022 and 31 December 2021, the Company's total lease liabilities, which are recognized as part of the transition to TFRS 16 “Leases”, are as follows:

	31 December 2022	31 December 2021
Short-term lease liability	2,504,662	1,403,980
Long-term lease liability	9,491,133	6,511,894
Alternative borrowing rate and discount amount - Short	(549,438)	(198,355)
Alternative borrowing rate and discount amount - Long	(3,202,625)	(2,610,903)
Total lease liabilities	8,243,732	5,106,616

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20. Financial Liabilities (Continued)

	2022	2021
Total lease liabilities, 1 January	5,106,616	1,534,353
New contracts	3,736,470	4,879,174
Lease payments	(1,601,162)	(872,850)
Interest cost	1,001,808	370,237
Foreign exchange differences	-	(15,406)
Terminated contracts	-	(788,892)
Total lease liabilities, 31 December	8,243,732	5,106,616

21. Deferred Income 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 25% over the temporary timing differences expected to reverse in 2023 (2021: 23%), and 25% over the temporary timing differences that are expected to reverse after 2022 (2021: 20%).

As of 31 December 2022 and 31 December 2021, 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 2022	31 December 2021	31 December 2022	31 December 2021
Provision for employment termination Benefits (Note 22)	1,105,019	667,111	276,255	133,422
Provision for vacation	944,929	305,771	236,232	70,327
As a result of the POA announcement, different balance sheet date valuation effect according to TPL	123,400	(5,323,912)	30,850	(1,224,500)
Other, net	499,191	(222,964)	124,798	(43,364)
Net deferred tax (liabilities)/assets (Note 35)			668,135	(1,064,115)

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

	2022	2021
Opening balance - 1 January	(1,064,115)	1,805,630
Deferred tax income/(expenses) (Note 35)	1,703,201	(2,912,752)
Deferred tax effect recognized in equity	29,049	43,007
Closing balance - 31 December	668,135	(1,064,115)

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 2022	31 December 2021
Provision for employment termination benefits	1,105,019	667,111
	1,105,019	667,111

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 2022 is TL 15,371.40 (31 December 2021: TL 8,284.51).

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 2022	31 December 2021
Annual discount rate (%)	2.86	2.84
Turnover rate to estimate the probability of retirement (%)	92	94

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 2023, provision for severance payment is calculated TL 19,982.83 (1 January 2022: TL 10,848.59).

Provision for employment termination benefits movement is given below:

	2022	2021
Opening balance - 1 January	667,111	506,234
Provision during the period	292,663	39,354
Claims paid	-	(93,510)
Actuarial loss (*)	145,245	215,033
Closing balance - 31 December	1,105,019	667,111

(*) 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 2022	31 December 2021
Additional premium provision allocated within the scope of excess of loss reinsurance contract	45,697,104	30,223,835
Personnel performance bonus provision	3,562,000	2,107,845
Unused vacation provision	944,929	305,771
Total	50,204,033	32,637,451

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

31 December 2022

Foreign Currency Type	Amount	Exchange Rate	TL Amount
USD	2,439,521	18.7320	45,697,104
Total			45,697,104

31 December 2021

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

24. Net Insurance Premium Income

	1 January - 31 December 2022		
	Gross	Reinsurers' Share	Net
Hull and machinery	490,236,069	(93,123,761)	397,112,308
Protection and indemnity	234,321,457	(77,593,775)	156,727,682
Total premium income	724,557,526	(170,717,536)	553,839,990
	1 January - 31 December 2021		
	Gross	Reinsurers' Share	Net
Hull and machinery	207,074,419	(23,109,798)	183,964,621
Protection and indemnity	78,038,890	(34,339,408)	43,699,482
Total premium income	285,113,309	(57,449,206)	227,664,103

25. Fee Income

None (31 December 2021: None).

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26. Investment Income/(Expenses)

The detail of the investment income is given below:

	1 January - 31 December 2022	1 January - 31 December 2021
Cash and cash equivalents		
- Interest income	34,600,952	10,691,372
- (Expenses)/income from valuation of time deposits	(663,164)	797,353
Financial assets held to maturity		
- Interest income	2,593,934	1,095,505
- Income/(expenses) from valuation of held to maturity financial assets	11,629,100	(594,459)
Total	48,160,822	11,989,771

27. Net Accrual Income of Financial Assets

None (31 December 2021: None).

28. Assets with Fair Value Difference Reflected in the Income Statement

None (31 December 2021: None).

29. Insurance Benefits and Claims

None (31 December 2021: None).

30. Investment Contract Benefits

None (31 December 2021: None).

31. Other Expenses

	1 January - 31 December 2022	1 January - 31 December 2021
Operating expenses classified under technical part	115,033,746	53,290,983
Total (Note 32)	115,033,746	53,290,983

32. Expenses by Nature

	1 January - 31 December 2022	1 January - 31 December 2021
Production commission expenses	80,473,969	34,959,021
Personnel expenses (Note 33)	25,223,057	14,491,241
Information technology expenses	1,328,667	879,237
Advertising and promotion expenses	1,319,995	376,818
Outsources benefits and services	1,067,762	560,909
Insurance expenses	947,430	468,818
Other	5,125,931	1,943,246
Reinsurance commission income	(453,065)	(388,307)
Total (Note 31)	115,033,746	53,290,983

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33. Employee Benefit Expense

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel salaries	22,333,985	13,084,448
Employer’s share of SSI Premium	2,108,371	1,054,631
Other	780,701	352,162
Total (Note 32)	25,223,057	14,491,241

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, assistant general managers 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 2021: None).
- 34.1.2 Expenses related to fixed assets: None (31 December 2021: None).
- 34.1.3 Direct expenses: TL 1,001,808 (31 December 2021: TL 370,237).

34.2 Financial expenses related to shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately): None (2021: None).

34.3 Sales to/purchases from shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately.): None (31 December 2021: 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 2022 and 2021 are summarized below:

	1 January - 31 December 2022	1 January - 31 December 2021
Corporate tax expense (-)	(2,596,647)	(16,844,212)
Effect of prior year corporate tax adjustment	117,298	1,377,043
Deferred tax expense (Note 21)	1,703,201	(2,912,752)
Total tax expense (-)	(776,148)	(18,379,921)
	31 December 2022	31 December 2021
Tax provision (-)	(2,596,647)	(16,844,212)
Prepaid taxes	7,679,863	10,540,433
Net tax receivable/ (liability)	5,083,216	(6,303,779)
Deferred tax (liabilities)/assets, net (Note 21)	668,135	(1,064,115)

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35. Income Taxes (Continued)

The income tax reconciliation is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Profit before tax	42,887,231	74,695,400
Tax rate	%25	%25
Calculated tax	(10,721,808)	(18,673,850)
Effect of prior year tax adjustment	117,298	1,377,043
Effect of prior year deferred tax adjustment	-	(1,251,857)
Effect of tax rate change	(99,544)	213,173
Effect of non-deductible expenses and exceptions, net	9,927,906	(44,430)
Total tax expense (-)	(776,148)	(18,379,921)

36. Net Foreign Exchange Gains

	1 January - 31 December 2022	1 January - 31 December 2021
Financial income, net	15,595,554	27,807,145
Current account income, net	76,045,063	63,919,441
Total	91,640,617	91,726,586

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 2022	1 January - 31 December 2021
Net profit for the period	42,111,083	56,315,479
Weighted average number of shares with nominal value of TL 1 per share	80,000,000	80,000,000
Earnings per Share (TL)	0.53	0.70

38. Dividends per Share

The Company has no dividend distribution for the years 1 January – 31 December 2022 and 2021.

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

40. **Convertible Bonds:** None (31 December 2021: None).

41. **Redeemable Preference Shares:** None (31 December 2021: 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 2022	31 December 2021
Outstanding claims cases filed against the Company, net provisions (*)	3,988,703	1,841,851
Total	3,988,703	1,841,851

(*) 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 2022	31 December 2021
Bank deposits (Notes 2.12, 14 and 17)	539,950	12,291,303
Financial assets (Notes 11.1 and 17)	86,166,791	30,693,953
Total	86,706,741	42,985,256

As of 31 December 2022, time deposits amounting to TL 15,000,000 (31 December TL 2021: 11,500,000 time deposits) and financial asset amounting to TL 38,693,791 (31 December 2021: TL 30,693,953) are blocked in favour of the SEDDK, and time deposits amounting to TL 539,950 (31 December 2021: TL 791,303) are blocked in favor of various companies regarding tenders and claims.

44. Business Combinations

None (31 December 2021: 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.

a) Bank deposits

	31 December 2022	31 December 2021
Türkiye Halk Bankası A.Ş.	112,566,006	80,326,404
T.C. Ziraat Bankası A.Ş.	392,485	5,546
Türkiye Vakıflar Bankası T.A.O.	150,141	149,211
Total	113,108,632	80,481,161

b) Financial Assets Held to Maturity

Türkiye Halk Bankası A.Ş.	48,557,129	20,936,120
Total	48,557,129	20,936,120

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45. Transactions with Related Parties (Continued)

	31 December 2022	31 December 2021
c) Receivables from insurance operations		
Türkiye Sigorta A.Ş.	3,159,929	3,728,930
Total	3,159,929	3,728,930
d) Payables to shareholders		
Türkiye Sigorta A.Ş.	-	7,382
Total	-	7,382
e) Payables from insurance operations		
Türkiye Sigorta A.Ş.	1,606,728	295,172
Total	1,606,728	295,172
f) Written premiums		
	1 January - 31 December 2022	1 January - 31 December 2021
Türkiye Sigorta A.Ş.	5,441,679	4,923,364
BOTAŞ	4,171,144	2,245,713
Total	9,612,823	7,169,077
g) Ceded premiums		
Türkiye Sigorta A.Ş.	3,490,313	1,180,296
Total	3,490,313	1,180,296
h) Interest income		
Türkiye Halk Bankası A.Ş.	4,059,452	8,128,041
T.C. Ziraat Bankası A.Ş.	259,214	4,677
Türkiye Vakıflar Bankası T.A.O.	24,159	743,318
Total	4,342,825	8,876,036
ı) Operating expenses		
Türkiye Sigorta A.Ş.	208,012	148,382
Türkiye Halk Bankası A.Ş.	234,571	85,170
Other	10,890	4,579
Total	453,473	238,131

45.1 Doubtful receivables from shareholders, associates and subsidiaries: None (31 December 2021: 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 2021: None).

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45. Transactions with Related Parties (Continued)

45.3 Bonus shares obtained through internally funded capital increases of equity investments and subsidiaries: None (31 December 2021: None).

45.4 Rights on immovables and their value: None (31 December 2021: None).

45.5 Guarantees, commitments and securities given for shareholders, investments and subsidiaries: None (31 December 2021: None).

46. Events After the Balance Sheet Date:

On 6 February 2023, due to the negativities caused by the earthquakes centered in Kahramanmaraş province, Pazarcık and Elbistan districts, affecting many of our provinces and devastating our whole country, a state of emergency was declared including 10 provinces in the region. The developments regarding the natural disaster are being closely monitored and studies are continuing to determine the situation.

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 miscellaneous payables

	31 December 2022	31 December 2021
Payables to suppliers	393,957	184,222
Total	393,957	184,222

b) Other prepaid expenses

Rental expenses	650,000	812,500
Insurance expenses	337,754	179,607
Information technology expenses	173,343	73,866
Advertising expenses	4,680	300,900
Other	256,715	165,395
Total	1,422,492	1,532,268

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 2021: None).

47.3 Subrogation receivables followed under off-balance sheet items: None (31 December 2021: None).

47.4 Income and expenses related to prior periods and the amounts and sources of expenses and losses: None (31 December 2021: None).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD

1 JANUARY – 31 DECEMBER 2022

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47. Other (Continued)

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 2022	1 January - 31 December 2021
<i>Provision (expenses)/income:</i>		
Provision for employment termination benefits	(292,663)	54,156
Unused vacation provision	(639,158)	(180,314)
	(931,821)	(126,158)

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

	31 December 2022	31 December 2021
Independent audit fee for the reporting period (*)	186,440	123,900
Total	186,440	123,900

(*) Amounts including VAT are shown.

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