

Türk Reasürans Anonim Şirketi

Financial Statements as of December 31, 2020 together with the Independent Auditors' Report

*(Convenience Translation of Financial Statements and Related Disclosures
and Notes Originally Issued in Turkish, See Note 2.1.1)*

(Convenience translation of a report and financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Türk Reasürans Anonim Şirketi

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Türk Reasürans Anonim Şirketi (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of income, statement of changes in equity, statement of cash flows and statement of profit distribution 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 at December 31, 2020, and its financial performance, its cash flows and its profit distribution for the year then ended in accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Financial Reporting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation".

2) Basis for Opinion

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

3) Key Audit Matters

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

(Convenience translation of a report and financial statements originally issued in Turkish)

Key audit matter	How our audit addressed the key audit matter
Incurred But Not Reported Outstanding Claims Reserve	
<p>As of December 31, 2020, the Company has insurance liabilities of TL 485.958.427 representing 50% of the Company's total liabilities. The Company has reflected a net provision of TL 109.362.434 for the future outstanding claims for insurance contracts. In the calculation of Incurred But Not Reported (IBNR) claims provisions (net amount of TL 25.902.598) which is accounted under the outstanding claims reserves, the Company Management has used the actuarial assumptions and estimates detailed in note 2 and 17.</p> <p>The significance of the provision amount allocated for compensations for incurred but not reported losses within Company's financial tables and also the calculations of such provisions include significant actuarial judgements and forecast, IBNR calculations has been considered as a key audit matter.</p>	<p>We have performed the audit procedures related the actuarial assumptions which disclosed in the Note 2 and 17 together with the actuary auditor who is part of our audit team. These procedures are primarily intended to assess whether the estimates and methods that used in the calculation of the outstanding claims reserve by the Company are appropriate. In this context, we have performed the audit procedures related to the recording of the Company's incurred outstanding claims; performed the analytical review, performed detailed testing on the incurred case files which selected randomly; have performed the audit procedures related to the completeness of the data used in the calculation of insurance contract liabilities; assessed the properness of the IBNR calculation method used by the Company for each line of businesses both the relevant claim characteristics and the Company's claim history; performed the recalculation procedure on the amount of IBNR calculated by the Company; reviewed the claim analyzes made by the Company's actuary and questioned these analyzes in terms of suitability and consistency of both legislation and Company past experience; assessed whether the disclosures in the notes of the financial statements are sufficient.</p>

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Insurance Accounting and Financial Reporting Legislation and designing, implementing and maintaining internal systems relevant to the preparation and fair presentation of the 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.

(Convenience translation of a report and financial statements originally issued in Turkish)

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

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

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

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

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

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

(Convenience translation of a report and financial statements originally issued in Turkish)

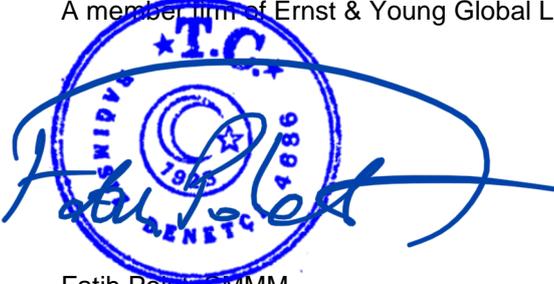
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation 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

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

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

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



Fatih Polat, SMMM
Engagement Partner

April 8, 2021
Istanbul, Turkey

TÜRK REASÜRANS ANONİM ŞİRKETİ
FINANCIAL STATEMENTS PREPARED AS OF DECEMBER 31, 2020

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

Istanbul, April 8, 2021



Selva EREN
Member of Board of Directors and
General Manager



Erdal TURGUT
Assistant General Manager



Hatice Dilek OĞUZ EKER
Financial Reporting and
Accounting Manager



Orhun Emre GELİK
Actuary

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Türk Reasürans Anonim Şirketi

Statement of Financial Position

As of December 31, 2020

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

I- Current Assets	Notes	Audited Current Period December 31, 2020	Audited Prior Period December 31, 2019
A- Cash and Cash Equivalents		399.053.530	150.508.030
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	4.2, 14	399.053.530	150.508.030
4- Cheques Given and Payment Orders		-	-
5- Bank Guaranteed Credit Card Receivables with Maturity Less Than Three Months		-	-
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments with Risks on Policyholders	4.2	45.943.846	-
1- Available-for-Sale Financial Assets	4.2, 11	45.943.846	-
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading		-	-
4- Loans and Receivables		-	-
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Saving Life Policyholders		-	-
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments		-	-
C- Receivables from Main Operations		414.115.407	-
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations	4.2, 12	414.115.407	-
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- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
E- Other Receivables		1.104.225	-
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables	4.2, 12	1.104.225	-
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
F- Prepaid Expenses and Income Accruals		95.080.923	273.242
1- Deferred Acquisition Costs	17	90.702.285	-
2- Accrued Interest and Rent Income		-	-
3- Income Accruals	4.2, 12	3.431.649	-
4- Other Prepaid Expenses	4.2, 12	946.989	273.242
G- Other Current Assets		43.781	5.246
1- Stocks to be Used in the Following Months		-	-
2- Prepaid Taxes and Funds		-	-
3- Deferred Tax Assets		-	-
4- Job Advances	4.2, 12	8.540	5.246
5- Advances Given to Personnel	4.2	35.241	-
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets		-	-
8- Provision for Other Current Assets		-	-
I- Total Current Assets		955.341.712	150.786.518

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

Türk Reasürans Anonim Şirketi

Statement of Financial Position

As of December 31, 2020

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

II- Non-Current Assets	Notes	Audited Current Period December 31, 2020	Audited Prior Period December 31, 2019
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 Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
C- Other Receivables		3.000	-
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given	4,2, 12	3.000	-
4- Other Miscellaneous Receivables		-	-
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
D- Financial Assets		4.497.493	-
1- Investments in Equity Shares	4,2, 9	4.497.493	-
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		9.829.686	4.351.672
1- Investment Property		-	-
2- Impairment on Investment Property		-	-
3- Owner Occupied Property		-	-
4- Machinery and Equipment's	6	2.440.124	323.063
5- Furniture and Fixtures	6	914.751	315.797
6- Motor Vehicles	6	-	692.946
7- Other Tangible Assets (Including Leasehold Improvements)	6	2.274.481	898.149
8- Tangible Assets Acquired Through Finance Leases	6	6.366.041	2.300.451
9- Accumulated Depreciation	6	(2.165.711)	(178.734)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets		5.579.709	1.539.733
1- Rights	8	6.641.135	986.035
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization	8	(1.061.426)	(82.488)
7- Advances Paid for Intangible Assets	8	-	636.186
G-Prepaid Expenses and Income Accruals		5.362	-
1- Deferred Acquisition Costs		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses	4,2, 12	5.362	-
H-Other Non-Current Assets		-	-
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets		-	-
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		19.915.250	5.891.405
TOTAL ASSETS		975.256.962	156.677.923

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

Türk Reasürans Anonim Şirketi

Statement of Financial Position

As of December 31, 2020

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

III- Short-Term Liabilities	Notes	Audited Current Period December 31, 2020	Audited Prior Period December 31, 2019
A- Financial Liabilities		1.416.567	373.169
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Leasing Costs		-	-
4- Current Portion of Long-Term Debts		-	-
5- Principal Instalments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities	20	1.416.567	373.169
B- Payables Arising from Main Operations		19.480.471	-
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations	4.2, 19	17.260.727	-
3- Cash Deposited by Insurance and Reinsurance Companies	4.2, 10, 19	2.219.744	-
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Main Operations		-	-
6- Discount on Payables from Other Main Operations		-	-
C-Due to Related Parties		14.490	-
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel	4.2, 19	14.490	-
6- Due to Other Related Parties		-	-
D- Other Payables	4.2, 19	1.182.426	750.091
1- Deposits and Guarantees Received	4.2, 19	250.000	-
2- Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables	4.2, 19	932.426	750.091
4- Discount on Other Miscellaneous Payables		-	-
E-Insurance Technical Provisions		476.818.358	-
1- Reserve for Unearned Premiums - Net	17	367.398.048	-
2- Reserve for Unexpired Risks- Net	17	57.876	-
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net	4.1, 17	109.362.434	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Provisions - Net		-	-
F- Provisions for Taxes and Other Similar Obligations	4.2, 19	1.021.463	469.333
1- Taxes and Funds Payable	4.2	546.399	166.246
2- Social Security Premiums Payable	4.2	417.464	118.201
3- Overdue, Deferred or By Instalment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		-	-
5- Corporate Tax Payable	4.2, 19, 35	22.850.691	783.719
6- Prepaid Taxes and Other Liabilities Regarding Current Period Profit	4.2, 19	(22.803.104)	(604.812)
7- Provisions for Other Taxes and Similar Liabilities	4.2	10.013	5.979
G- Provisions for Other Risks		694.973	-
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	694.973	-
H- Deferred Income and Expense Accruals		1.222.288	-
1- Deferred Commission Income	10, 19	1.060.181	-
2- Expense Accruals	23	162.107	-
3- Other Deferred Income		-	-
I- Other Short-Term Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short-Term Liabilities		-	-
III – Total Short-Term Liabilities		501.851.036	1.592.593

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

Türk Reasürans Anonim Şirketi

Statement of Financial Position

As of December 31, 2020

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

IV- Long-Term Liabilities	Notes	Audited Current Period December 31, 2020	Audited Prior Period December 31, 2019
A- Financial Liabilities		3.964.809	1.868.901
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Leasing Costs		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities	20	3.964.809	1.868.901
B- Payables Arising from Main Operations		-	-
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other 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- Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables		-	-
E-Insurance Technical Provisions		9.140.069	-
1- Reserve for Unearned Premiums - Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Provisions - Net	17	9.140.069	-
F-Other Liabilities and Relevant Accruals		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Instalment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks		119.007	-
1- Provisions for Employment Termination Benefits	23	119.007	-
2- Provisions for Employee Pension Funds Deficits		-	-
H-Deferred Income and Expense Accruals		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Long-Term Liabilities		349.395	88.208
1- Deferred Tax Liabilities	21	349.395	88.208
2- Other Long-Term Liabilities		-	-
IV- Total Long-Term Liabilities		13.573.280	1.957.109

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

Türk Reasürans Anonim Şirketi

Statement of Financial Position

As of December 31, 2020

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

V- Shareholders' Equity	Notes	Audited Current Period December 31, 2020	Audited Prior Period December 31, 2019
A- Paid in Capital	2.13, 15	375.000.000	150.000.000
1- (Nominal) Capital	2.13, 15, 37	600.000.000	600.000.000
2- Unpaid Capital	15	(225.000.000)	(450.000.000)
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences		-	-
5- Unregistered Capital		-	-
B- Capital Reserves		-	-
1- Share Premium		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Asset Sales That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		(348.400)	-
1- Legal Reserves	15	156.411	-
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Funds		-	-
5- Revaluation of Financial Assets	4.2, 15	(504.811)	-
6- Other Profit Reserves		-	-
D- Retained Earnings		2.971.810	-
1- Retained Earnings		2.971.810	-
E- Accumulated Losses		-	-
1- Accumulated Losses		-	-
F-Net Profit/(Loss) for the Period		82.209.236	3.128.221
1- Net Profit for the Year		82.209.236	3.128.221
2- Net Loss for the Year		-	-
3- Net Profit for the Period not Subject to Distribution		-	-
V- Total Equity		459.832.646	153.128.221
TOTAL EQUITY AND LIABILITIES		975.256.962	156.677.923

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

Türk Reasürans Anonim Şirketi

Statement of Income

For the Year Ended December 31, 2020

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

I-TECHNICAL SECTION (*)	Notes	Audited Current Period January 1 – December 31, 2020	Audited Prior Period September 6 – December 31, 2019
A- Non-Life Technical Income		650.788.446	-
1- Earned Premiums (Net of Reinsurer Share)		623.625.844	-
1.1- Written Premiums (Net of Reinsurer Share)		991.081.768	-
1.1.1- Written Premiums, gross	17, 24	1.031.906.523	-
1.1.2- Written Premiums, ceded	10, 17, 24	(40.824.755)	-
1.1.3- Premiums Transferred to Social Security Institutions		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	29	(367.398.048)	-
1.2.1- Reserve for Unearned Premiums, gross	17	(372.180.314)	-
1.2.2- Reserve for Unearned Premiums, ceded	10, 17	4.782.266	-
1.2.3 – Reserve for Unearned Premiums, Social Security Institution Share		-	-
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(57.876)	-
1.3.1- Reserve for Unexpired Risks, gross	17	(62.977)	-
1.3.2- Reserve for Unexpired Risks, ceded	10, 17	5.101	-
2- Investment Income - Transferred from Non-Technical Section		27.157.042	-
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1- Other Technical Income, gross		-	-
3.2- Other Technical Income, ceded		-	-
4- Accrued Salvage and Subrogation Income		5.560	-
B- Non-Life Technical Expense		(551.423.691)	(2.775.959)
1- Incurred Losses (Net of Reinsurer Share)		(357.271.348)	-
1.1- Claims Paid (Net of Reinsurer Share)	29	(247.908.914)	-
1.1.1- Claims Paid, gross	17	(248.100.508)	-
1.1.2- Claims Paid, ceded	17	191.594	-
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(109.362.434)	-
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(111.740.512)	-
1.2.2- Change in Provisions for Outstanding Claims, ceded	10, 17	2.378.078	-
2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	17, 29	(9.140.069)	-
4- Operating Expenses	32	(167.572.802)	(2.775.959)
5- Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
5.1- Mathematical Provisions, gross		-	-
5.2 - Mathematical Provisions, ceded		-	-
6- Other Technical Expenses (Net of Reinsurer and Less the Amounts Carried Forward)		(17.439.472)	-
6.1- Other Technical Expenses, gross	47	(17.439.472)	-
6.2- Other Technical Expenses, ceded		-	-
C- Net Technical Income-Non-Life (A – B)		99.364.755	(2.775.959)

(*) The Company was registered on September 6, 2019 and was announced by Trade Registry Gazette No. 9907 dated September 12, 2019.

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

Türk Reasürans Anonim Şirketi

Statement of Income

For the Year Ended December 31, 2020

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

I-TECHNICAL SECTION (*)	Notes	Audited Current Period January 1 – December 31, 2020	Audited Prior Period September 6 – December 31, 2019
D- Life Technical Income		-	-
1- Earned Premiums (Net of Reinsurer Share)		-	-
1.1- Written Premiums (Net of Reinsurer Share)		-	-
1.1.1- Written Premiums, gross		-	-
1.1.2- Written Premiums, ceded		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		-	-
1.2.1- Reserve for Unearned Premiums, gross		-	-
1.2.2- Reserve for Unearned Premiums, ceded		-	-
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Unexpired Risks, ceded		-	-
2- Investment Income		-	-
3- Unrealized Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		-	-
4.1- Other Technical Income, gross		-	-
4.2- Other Technical Income, ceded		-	-
5- Accrued Salvage Income		-	-
E- Life Technical Expense		-	-
1- Incurred Losses (Net of Reinsurer Share)		-	-
1.1- Claims Paid (Net of Reinsurer Share)		-	-
1.1.1- Claims Paid, gross		-	-
1.1.2- Claims Paid, ceded		-	-
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.2.1- Change in Provisions for Outstanding Claims, gross		-	-
1.2.2- Change in Provisions for Outstanding Claims, ceded		-	-
2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
3.1- Change in Life Mathematical Provisions		-	-
3.1.1- Actuarial Mathematical Provisions		-	-
3.1.2- Dividend Equivalent (Investment Risk Life Policy Holders' Response to Policies)		-	-
3.2- Reinsurance Share for Math		-	-
3.2.1- Reinsurance Share in Actuarial Mathematics Provisions		-	-
3.2.2- Dividend Equivalent (Investment Risk Provision for Policies for Life Policy Holders) (+)		-	-
4- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5- Operating Expenses (-)		-	-
6- Investment Expenses (-)		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non- Technical Part (-)		-	-
F- Net Technical Income- Life (D – E)		-	-
G- Pension Business Technical Income		-	-
1- Fund Management Income		-	-
2- Management Fee		-	-
3- Entrance Fee Income		-	-
4- Management Expense Charge in case of Suspension		-	-
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	-
7- Other Technical Expense		-	-
H- Pension Business Technical Expense		-	-
1- Fund Management Expense		-	-
2- Decrease in Value of Capital Allowances Given as Advance		-	-
3- Operating Expenses		-	-
4- Other Technical Expenses		-	-
I- Net Technical Income - Pension Business (G – H)		-	-

(*) The Company was registered on September 6, 2019 and was announced by Trade Registry Gazette No. 9907 dated September 12, 2019.

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

Türk Reasürans Anonim Şirketi

Statement of Income

For the Year Ended December 31, 2020

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

II-NON-TECHNICAL SECTION (*)	Notes	Audited Current Period January 1 – December 31, 2020	Audited Prior Period September 6 – December 31, 2019
C- Net Technical Income – Non-Life (A-B)		99.364.755	(2.775.959)
F- Net Technical Income – Life (D-E)		-	-
I - Net Technical Income – Pension Business (G-H)		-	-
J- Total Net Technical Income (C+F+I)		99.364.755	(2.775.959)
K- Investment Income	4.2	66.307.390	6.246.279
1- Income from Financial Assets	4.2	16.959.249	4.032.078
2- Income from Disposal of Financial Assets	4.2	29.989.039	-
3- Valuation of Financial Assets	4.2	3.010.825	2.212.493
4- Foreign Exchange Gains	4.2	5.786.724	1.708
5- Income from Associates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment		-	-
8- Income from Derivative Transactions	4.2	10.561.553	-
9- Other Investments		-	-
10- Income Transferred from Life Section		-	-
L- Investment Expense		(68.089.079)	(301.479)
1- Investment Management Expenses (including interest)	4.2	(451.968)	(40.257)
2- Diminution in Value of Investments		-	-
3- Loss from Disposal of Financial Assets	4.2	(21.086.781)	-
4- Investment Income Transferred to Non-Life Technical Section		(27.157.042)	-
5- Loss from Derivative Transactions	4.2	(12.276.843)	-
6- Foreign Exchange Losses	4.2	(4.013.907)	-
7- Depreciation and Amortisation Expenses	6, 8	(3.090.785)	(261.222)
8- Other Investment Expenses	4.2	(11.753)	-
M- Income and Expenses from Other and Extraordinary Operation		7.476.861	743.099
1- Provisions	47	(813.980)	-
2- Rediscounts		-	-
3- Specified Insurance Accounts		-	-
4- Inflation Adjustment Account		-	-
5- Deferred Taxation (Deferred Tax Assets)		-	-
6- Deferred Taxation (Deferred Tax Liabilities)	21, 35	(275.128)	(88.208)
7- Other Income	47	8.735.522	836.603
8- Other Expenses and Losses		(169.553)	(5.296)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
N- Net Profit for the Period		82.209.236	3.128.221
1- Profit for the Period		105.059.927	3.911.940
2- Corporate Tax Provision and Other Fiscal Liabilities	19, 35	(22.850.691)	(783.719)
3- Net Profit for the Period		82.209.236	3.128.221
4- Inflation Adjustment Account		-	-

(*) The Company was registered on September 6, 2019 and was announced by Trade Registry Gazette No. 9907 dated September 12, 2019.

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

Türk Reasürans Anonim Şirketi

Statement of Cash Flow

For the Year Ended December 31, 2020

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

CASH FLOW (*)	Notes	Audited Current Period January 1 – December 31, 2020	Audited Prior Period September 6 – December 31, 2019
A. Cash flows from main activities			
1. Cash provided from insurance activities		-	-
2. Cash provided from reinsurance activities		1.048.152.499	-
3. Cash provided from pension business		-	-
4. Cash used in insurance activities		-	-
5. Cash used in reinsurance activities		(810.122.246)	-
6. Cash used in pension business		-	-
7. Cash provided from main activities		238.030.253	-
8. Interest paid		-	-
9. Income taxes paid	19	(22.982.011)	(604.812)
10. Other cash inflows		250.000	-
11. Other cash outflows		(980.359)	-
12. Net cash provided from operating activities		214.317.883	(604.812)
B. Cash flows from investing activities			
1. Disposal of tangible assets		968.697	-
2. Acquisition of tangible assets	6, 8	(9.161.337)	(3.852.176)
3. Acquisition of financial assets	9, 11	(3.097.756.403)	-
4. Disposal of financial assets	11	3.047.847.383	-
5. Interests received		14.913.352	4.032.078
6. Dividends received		136.159	-
7. Other cash inflows		41.777.325	4.120.898
8. Other cash outflows		(189.244.819)	(5.400.451)
9. Net cash provided by investing activities		(190.519.643)	(1.099.651)
C. Cash used in financing activities			
1. Equity shares issued		-	-
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		-	-
4. Dividends paid		-	-
5. Other cash inflows		225.000.000	150.000.000
6. Other cash outflows		-	-
7. Net cash used in financing activities		225.000.000	150.000.000
D. Impact of currency differences on cash and cash equivalents		-	-
E. Net increase/(decrease) in cash and cash equivalents		248.798.240	148.295.537
F. Cash and cash equivalents at the beginning of the period	14	148.295.537	-
G. Cash and cash equivalents at the end of the period	14	397.093.777	148.295.537

(*) The Company was registered on September 6, 2019 and was announced by Trade Registry Gazette No. 9907 dated September 12, 2019.

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

Türk Reasürans Anonim Şirketi

Statement of Changes in Equity For the Year Ended December 31, 2020

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

Audited Statement of Changes in Equity – December 31, 2019												
EQUITY CHANGE (*)	Notes	Capital	The business's own stocks	Increase in assets	Equity inflation adjustment differences	Foreign currency exchange differences	Legal reserves	Status reserves	Other reserves and undistributed profits	Net period profit	Profit-losses in past years	Total
I – Balance at the end of the previous year – September 6, 2019		-	-	-	-	-	-	-	-	-	-	-
II – Change in Accounting Standards		-	-	-	-	-	-	-	-	-	-	-
III – Restated balances (I+II) – September 6, 2019		-	-	-	-	-	-	-	-	-	-	-
A – Capital increase		150.000.000	-	-	-	-	-	-	-	-	-	150.000.000
1 – In cash		150.000.000	-	-	-	-	-	-	-	-	-	150.000.000
2 – From reserves		-	-	-	-	-	-	-	-	-	-	-
B – Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C – Gains and losses that are not included in the statement of income		-	-	-	-	-	-	-	-	-	-	-
D – Change in the value of financial assets		-	-	-	-	-	-	-	-	-	-	-
E – Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F – Other gains and losses		-	-	-	-	-	-	-	-	-	-	-
G – Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H – Net profit for the year		-	-	-	-	-	-	-	-	3.128.221	-	3.128.221
I – Other reserves and transfers from retained earnings		-	-	-	-	-	-	-	-	-	-	-
J – Dividends paid		-	-	-	-	-	-	-	-	-	-	-
IV- Balance at the end of the period December 31, 2019 (III+A+B+C+D+E+F+G+H+I+J)	15	150.000.000	-	-	-	-	-	-	-	3.128.221	-	153.128.221

Audited Statement of Changes in Equity December 31, 2020												
EQUITY CHANGE (*)	Notes	Capital	The business's own stocks	Increase in assets	Equity inflation adjustment differences	Foreign currency exchange differences	Legal reserves	Status reserves	Other reserves and undistributed profits	Net period profit	Profit-losses in past years	Total
I – Balance at the end of the previous year – (December 31, 2019)	2.13, 15	150.000.000	-	-	-	-	-	-	-	3.128.221	-	153.128.221
II- Correction		-	-	-	-	-	-	-	-	-	-	-
III- Restated Balances (January 1, 2020)	2.13, 15	150.000.000	-	-	-	-	-	-	-	3.128.221	-	153.128.221
A – Capital increase		225.000.000	-	-	-	-	-	-	-	-	-	225.000.000
1 – In cash		225.000.000	-	-	-	-	-	-	-	-	-	225.000.000
2 – From reserves		-	-	-	-	-	-	-	-	-	-	-
B – Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C – Gains and losses that are not included in the statement of income		-	-	-	-	-	-	-	-	-	-	-
D – Change in the value of financial assets	4.2, 15	-	-	(504.811)	-	-	-	-	-	-	-	(504.811)
E – Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F – Other gains and losses		-	-	-	-	-	-	-	-	-	-	-
G – Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H – Net profit for the year		-	-	-	-	-	-	-	-	82.209.236	-	82.209.236
I – Other reserves and transfers from retained earnings		-	-	-	-	-	-	-	-	-	-	-
J – Dividends paid		-	-	-	-	-	156.411	-	-	(3.128.221)	2.971.810	-
IV- Balance at the end of the period December 31, 2020 (III+A+B+C+D+E+F+G+H+I+J)	15	375.000.000	-	(504.811)	-	-	156.411	-	-	82.209.236	2.971.810	459.832.646

(*) The Company was registered on September 6, 2019 and was announced by Trade Registry Gazette No. 9907 dated September 12, 2019.

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

Türk Reasürans Anonim Şirketi

Statement of Profit Distribution

For the Year Ended December 31, 2020

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

PROFIT DISTRIBUTION	Notes	Audited Current Period December 31, 2020 ^(*)	Audited Prior Period December 31, 2019
I. PROFIT DISTRIBUTION			
1.1. CURRENT YEAR PROFIT		105.059.927	3.911.940
1.2. TAX AND FUNDS PAYABLE		(22.850.691)	(783.719)
1.2.1. Corporate Income Tax (Income Tax)	35	(22.850.691)	(783.719)
1.2.2. Income Tax Deduction		-	-
1.2.3. Other Taxes and Duties		-	-
A NET PROFIT (1.1 – 1.2)		82.209.236	3.128.221
1.3. PREVIOUS PERIOD LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVE		4.110.462	156.411
1.5. STATUTORY FUND (-)		-	-
B NET PROFIT DISTRIBUTION [(A)-(1.3 + 1.4 + 1.5)]		78.098.774	2.971.810
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1. Holders of shares		-	-
1.6.2. Holders of Preferred shares		-	-
1.6.3. Holders of Redeemed shares		-	-
1.6.4. Holders of Participation Bond		-	-
1.6.5. Holders of Profit and Loss sharing certificate		-	-
1.7. DIVIDEND TO PERSONNEL (-)		-	-
1.8. DIVIDENDS TO FOUNDERS (-)		-	-
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.10.1. Holders of Shares		-	-
1.10.2. Holders of Preferred shares		-	-
1.10.3. Holders of Redeemed shares		-	-
1.10.4. Holders of Participation Bond		-	-
1.10.5. Holders of Profit and Loss sharing certificate		-	-
1.11. SECOND LEGAL RESERVE (-)		-	-
1.12. STATUTORY RESERVES (-)		-	-
1.13. EXTRAORDINARY RESERVES		-	-
1.14. OTHER RESERVES		-	2.971.810
1.15. SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES			
2.1. DISTRIBUTION OF RESERVES			
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. COMMON SHARES (-)		-	-
2.3.1. Holders of Shares		-	-
2.3.2. Holders of Preferred shares		-	-
2.3.3. Holders of Redeemed shares		-	-
2.3.4. Holders of Participation Bond		-	-
2.3.5. Holders of Profit and Loss sharing certificate		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. PROFIT PER SHARE			
3.1. HOLDERS OF SHARES ^(**)		0,2083	0,0198
3.2. HOLDERS OF SHARES (%) ^(**)		20,83	1,98
3.3. HOLDERS OF PREFERRED SHARES		-	-
3.4. HOLDERS OF PREFERRED SHARES (%)		-	-
IV. DIVIDEND PER SHARE			
4.1. HOLDERS OF SHARES		-	-
4.2. HOLDERS OF SHARES (%)		-	-
4.3. HOLDERS OF PREFERRED SHARES		-	-
4.4. HOLDERS OF PREFERRED SHARES (%)		-	-

(*) In accordance with Article 408 of the Turkish Commercial Code, the entire authority in determining profit distribution and reserve fund transfers is in the General Assembly and the profit distribution proposal for 2020 has not been filled since the Annual Ordinary General Assembly Meeting has not been held yet as of the date these financial statements were prepared.

(**) The number of shares corresponding to the paid up capital has been taken into account.

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

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

1 General Information

1.1 Name of the Company

The Company was established by the Republic of Turkey Ministry of Treasury and Finance as of January 18, 2019 under the title of “Türk Reasürans Anonim Şirketi” in accordance with Law No. 5684 and started its activities as of register date which is September 6, 2019.

As at December 31, 2020, the shareholder having direct or indirect control over the shares of Türk Reasürans Anonim Şirketi (“the Company”) is the Republic of Turkey Ministry of Treasury and Finance.

1.2 The Company’s address and legal structure and address of its registered country and registered office

The Company was registered in Turkey in September 6, 2019 and has the status of ‘Incorporated Company’. The address of the Company’s registered office is “Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi Ak Ofis No:8/1, 34768 Ümraniye, İstanbul”.

1.3 Business of the Company

The subject of the Company's actual activity is to perform all sorts and branches of insurance transactions of the insurance groups in Turkey and foreign countries, to perform proportional and/or non-proportional all kinds of reinsurance, retrocession and alternative risk transfer operations related to these insurances, and to participate in risk sharing and transfers by managing pool activities approved by the Republic of Turkey Ministry of Treasury and Finance.

1.4 Description of the main operations of the Company

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

The Company's objective and its main work issues are as follows as stated in the Company's Articles of Association:

- To take over the portfolios of other reinsurance and insurance companies and pension companies or their agencies at Turkey and abroad, in compliance with the Insurance Law and all other regulations, and transfer them including their own portfolio when necessary;
- Managing pool activities approved by the Republic of Turkey Ministry of Treasury and Finance and participating in risk sharing and transfers;
- To purchase, sale lease and lease out or to obtain through construction of all kinds of movable and immovable goods in order to conduct the operations of the Company to keep them as Company assets;
- To issue all kinds of bonds, redeemed share, profit partnership certificate and other securities in accordance with the provisions of the Turkish Commercial Code and other legislation on the subject;
- In addition to these, to perform other operations which are deemed to be useful and required for the Company and are not prohibited by the law.

1.5 The average number of the personnel during the year in consideration of their categories:

The average number of the personnel during the period in terms of categories is as follows:

	December 31, 2020	December 31, 2019
Top executive	5	4
Executive	11	6
Executive assistant	17	3
Expert / Authorized / Other employees	45	6
Total	78	19

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

1 General Information (continued)

1.6 Wages and similar benefits provided to the senior management

1.7 For the period that ended on December 31, 2020, TL 733.177 to the chairman and members of the board of directors (December 31, 2019: TL 186.720), TL 3.543.915 (December 31, 2019: TL 837.473) wages and similar benefits were provided to senior executives.

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

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

In accordance with the above mentioned communiqué, companies may transfer the operating expenses of the technical section to the insurance section through method determined by the Republic of Turkey Ministry of Treasury and Finance or by the companies’ own method which approved by Republic of Turkey Ministry of Treasury and Finance. In this framework, the Company directly allocates its costs, which are certainly documented to be made for related branches and for which there is no hesitation regarding the ownership of such costs to respective branches while it allocates its other operating expenses based on their shares within the total gross written premium during a period for each sub-branches.

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section; remaining income is transferred to the non-technical section. Income is distributed to the sub-branches in accordance with the percentage calculated by dividing “net cash flow” to the “total net cash flow”. Net cash flow is calculated by deducting net claims paid from net written premiums.

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

The accompanying financial statements comprise an individual company (Türk Reasürans Anonim Şirketi).

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

Trade name of the Company	: Türk Reasürans Anonim Şirketi
Registered address of the head office	: Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi Ak Ofis No:8/1, 34768 Ümraniye, İstanbul
The web page of the Company	: www.turkreasurans.com.tr

There has been no change in the information presented above since the previous reporting period.

1.10 Subsequent Events

The financial statements prepared as at December 31, 2020, have been approved by the Company's Board of Directors on April 8, 2021.

Explanations related to subsequent events are disclosed in Note 46 – *Subsequent events*.

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies

2.1 Basis of preparation

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

The Company prepares its financial statements in accordance with the accounting principles and standards in force as per the regulations of Insurance Law numbered 5684 published in the Official Gazette dated June 14, 2007 and numbered 26522, and other regulations, statements and guidance issued by the Insurance and Private Pension Regulation and Supervision Agency ("IPPRSA") established by the Presidential Decree dated October 18, 2019 and "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" contains terms of Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS"). The insurance legislation before the establishment of IPPRSA had been published by the Republic of Turkey Ministry of Treasury and Finance.

According to numbered 4th of related law, the procedures and principles regarding the accounting of insurance contracts, subsidiaries, jointly controlled partnerships and associates and the preparation of financial statements to be announced to the public and related disclosures and notes are determined by notices to be issued by the Republic of Turkey Ministry of Treasury and Finance.

The "Communiqué on Presentation of Financial Statements" published in the Official Gazette numbered 26851 and dated April 18, 2008 and "Communiqué on Presentation of Financial Statements with the New Accounting Codes" numbered 2012/7 and dated May 31, 2012 and published by the Republic of Turkey Ministry of Treasury and Finance determines the comparison of the financial statements with the prior periods and also other companies in terms of the format and content.

Additional paragraph for convenience translation to English

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

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

Other accounting policies

The Company record premiums, commissions and claims accruals based on the notifications sent by the insurance and reinsurance companies after the closing of their balances. Premiums, commissions and claims accruals are recorded in the accompanying financial statements with the three-month delay. Therefore, related income statement balances consist of amounts for the nine-months period ended January 1 - September 30, 2020 and accordingly related balance sheet balances as of December 31, 2020 do not reflect the actual position. According to the letter dated September 1, 2020 and numbered 97354901-040.03.E.474952 sent by IPPRSA to the Company, it is stated that account statements sent by the ceding companies are subject to possible delays and Republic of Turkey Ministry of Treasury and Finance is considered special situations of the reinsurance companies in their regulations.

Information on other accounting policies is explained above in the section 2.1.1 - *Information about the principles and special accounting policies used in the preparation of the financial statements* and each under its own heading in the following sections of this report.

2.1.3 Current and presentation currency

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

2.1.4 Rounding scale of the amounts presented in the financial statements

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

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

The accompanying financial statements are prepared on the historical cost basis except financial assets held for trading, available-for-sale financial assets, derivative financial instruments which are measured at their fair values in case of reliable measures are available.

2.1.6 Accounting policies, changes in accounting estimates and errors

If changes of accounting estimations are related to only one period, it is applied on current period which is change made. If it's related to future period, it is applied rewardingly on future period.

Significant changes in accounting policies and identified significant accounting errors are applied retrospectively and previous period of financial statements are restated. In current period, there is no changes in accounting policies and no significant accounting errors identified.

Critical accounting judgements used in applying the Company's accounting policies are explained in 3 – *Critical accounting estimates and judgments in applying accounting policies.*

2.2 Consolidation

The Company does not have any subsidiaries required to consolidate in scope of "Communiqué on Preparation of Consolidated Financial Statements of Insurance and Reinsurance Companies and Pension Companies" published in the Official Gazette December 31, 2008 dated, 27097 numbered and entered into force as of March 31, 2009.

2.3 Segment reporting

As of December 31, 2020, the Company does not prepare the segment reporting since the Company has being continuing their activities in mainly Turkey in non-life insurance branches that is recording as only one reportable segment in scope of *TFRS 8- "Activity Segments"* standard and also the Company is not publicly held.

2.4 Foreign currency transactions

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

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.5 Tangible assets

Tangible assets are shown by deducting accumulated depreciation from the acquisition cost. Depreciation is allocated based on the useful lives of tangible assets by using the straight-line method. The depreciation periods estimated based on the useful lives of tangible assets are as follows:

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Machinery and equipment	3 – 10	33,3 – 10,0
Furniture and fixtures	5 – 10	20,0 – 10,0
Motor vehicles	5	20,0
Other tangible assets (includes leasehold improvements)	5	20,0
Leased tangible assets	3 – 5	33,3 – 10,0

In case of there are indicators of impairment on tangible assets, a review is made in order to determine possible impairment and when the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the balance of impairment associates with expense accounts. As of December 31, 2020, the Company has no any impairment on tangible assets (December 31, 2019: None). Gains and losses on the disposal of tangible assets are determined in reference to their carrying amounts and are taken into account in determining operating profit and losses (Note 6).

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

Assets held for use in the construction, or for leasing, administrative or any other purposes are carried at cost, less any impairment. Legal charges are also added to costs. For assets that need substantial time to be ready for use or sale, borrowing costs are capitalized based on the Company's accounting policy.

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

There are not any pledges, mortgages and other encumbrances on tangible assets.

There are not any changes in accounting estimates that have significant effect on the current period or that are expected to have significant effect on the following periods.

2.6 Investment property

As at December 31, 2020, the Company has not any investment property (December 31, 2019: None).

2.7 Intangible assets

Intangible fixed assets include the acquired information systems, franchise rights and computer software. Intangible fixed assets are recorded at their acquisition cost in accordance with TAS 38 - Accounting Standard for Intangible Fixed Assets and are subjected to depreciation with the straight-line depreciation method over their estimated useful lives after the date of acquisition. In case of impairment, the registered value of intangible fixed assets is brought to their recoverable value. As of December 31, 2020, the Company does not have any intangible fixed assets impaired (December 31, 2019: None) (Note 8).

Expenditures that are under the control of the Company, that can be directly associated with identifiable and unique software products and that will provide economic benefits above their cost for more than one year are considered as intangible assets.

The depreciation periods of intangible fixed assets vary between 3 and 15 years.

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.8 Financial assets

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

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

Financial assets at fair value through profit or loss are presented as financial assets held for trading in the accompanying financial statements and trading securities and derivatives are included in this category. Financial assets at fair value through profit or loss measured at their fair values and gain/loss arising due to changes in the fair values of related financial assets is recorded in profit / loss. Interest income earned on trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses. Accounting policies of derivatives are detailed in note 2.10 – *Derivative financial instruments*.

Held to maturity financial assets are the financial assets with fixed maturities and fixed or pre-determined payment schedules that the Company has the intent and ability to hold until maturity, excluding loans and receivables. Subsequent to initial recognition, held to maturity financial assets and loans and receivables are measured at amortized cost using effective interest rate method less impairment losses, if any. The Company has no financial assets that are allowed to be classified as held to maturity financial assets.

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

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Unrecognized gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in “Revaluation of financial assets” under shareholders’ equity. The realized gain or losses through disposal are recognized directly in the statement of income.

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

The Company has accounted equity shares classified as available-for-sale according to quoted market prices or dealer price quotations for financial instruments traded in active markets or according to cost less impairment losses for financial instruments not traded in active markets.

Investments in equity shares are shares and partnership interests, in which the Company has a share less than 10% and which are not participating in the determination of partnership policies and management of other companies directly or indirectly and are acquired for the purpose of investment. Differences between fair value and book value of such securities are recognized under “Revaluation of financial assets” within equities items provided they can be measured reliably with their book values. Market value securities are demonstrated under assets with their market value while others are demonstrated with their net value subsequent to impairment from their book values, if available.

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

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

Securities are recognized and derecognized at the date of settlement.

A financial asset is derecognized when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realized, expired or surrendered.

2.9 Impairment on assets

Impairment on financial assets

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

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

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

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

Impairment on tangible and intangible assets

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

Provision and rediscount expenses of the period(s) are detailed in *Note 47*.

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.10 Derivative financial instruments

Derivative instruments are treated as held for trading financial assets in compliance with the standard *TAS 39 – Financial Instruments: Recognition and measurement*.

Derivative financial instruments are initially recognized at their fair value.

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

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

As of the reporting date, the Company does not have any derivative financial instruments (December 31, 2019: None).

2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

2.13 Capital

As at December 31, 2020 and December 31, 2019, the share capital and ownership structure of the Company are as follows:

Name	December 31, 2020		December 31, 2019	
	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Republic of Turkey Ministry of Treasury and Finance	600.000.000	100,00	600.000.000	100,00
Paid in capital (*)	600.000.000	100,00	600.000.000	100,00

(*) As of December 31, 2020, a share amount of TL 375.000.000 has been paid in cash (December 31, 2019: TL 150.000.000).

As of December 31, 2020, the capital of the Company is TL 600.000.000 in total which consists of 600.000.000 shares, each of them is valued as TL 1. TL 600.000.000 corresponding to 600.000.000 shares, which are valued as TL 1 each, is guaranteed in cash by Republic of Turkey Ministry of Treasury and Finance. ¼ of nominal values of shares, guaranteed in cash, has been paid before the registration of the Company and the remaining amount shall be paid within 24 months following the registration of the Company. Accordingly, with the decision of the Board of Directors dated October 19, 2020 and numbered 2020-31, TL 225.000.000, which corresponds to 50% of the unpaid capital, was paid on November 3, 2020.

As of December 31, 2020, there are not any privileges on common shares representing share capital (December 31, 2019: None).

As of December 31, 2020 and December 31, 2019, the Company is not subject to registered capital system.

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.14 Insurance and investment contracts - classification

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

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

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

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

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

As of balance sheet date, the Company does not have any insurance or investment contracts that contain a DPF (December 31, 2019: None).

2.16 Investment contracts without discretionary participation feature

As of the reporting date, the Company does not have any insurance contracts and investment contracts without discretionary participation feature (December 31, 2019: None).

2.17 Liabilities

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

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.18 Taxes

Corporate tax

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

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

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

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

Deferred tax

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

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

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

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

Transfer pricing

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

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

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.19 Employee benefits

Pension and other post-retirement obligations

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at December 31, 2020 is TL 7.117,17 (December 31, 2019: TL 6.379,86).

In accordance with TAS 19 which published by Public Oversight Accounting and Auditing Standards Authority of Turkey (POA) dated March 12, 2013 and numbered 28585 is about “Benefits Employee Accounting Standard” and defined by beginning from December 31, 2012, net defined benefit liability of the actuarial gains and losses arising on re-measurement should be recognized in other comprehensive income under shareholders' equity and this effect should be applied retrospectively. The Company started to account current actuarial gains and losses under equity (other profit reserves) due to the fact that prior period actuarial gains and losses have remained below the materiality.

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 – *Employee Benefits*.

The major actuarial assumptions used in the calculation of the total liability as of December 31, 2020 are as follows (Since there are no staff working in the Company for a year or more as of December 31, 2019, it is not reflected in the financial statements for severance pay in accordance with the Turkish Labor Code.):

	December 31, 2020
Discount rate	%2,09
Expected rate of salary/limit increase	%18,00

Other benefits

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

2.20 Provisions

A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is not any probability of cash outflow from the Company to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the financial statements.

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

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition

Written premiums

Written premiums represent premiums ceded from insurance and reinsurance companies as a reinsurance company. Premiums ceded to retrocessionaire companies are accounted as “written premiums, ceded” in the profit or loss statement. Written premiums are recorded upon the receipt of quarterly statements of accounts from cedant in treaties whereas facultative accounts are registered upon the receipt of monthly slips.

Claims paid

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

Commission income and expenses

Commissions paid to the insurance and reinsurance companies and brokers related to the taken risk of written premium as a reinsurance company and the commissions received from the reinsurance companies related to the premiums ceded are recognized over the life of the contract by deferring commission income and expenses respectively within the calculation of reserve for unearned premiums for the policies produced.

Interest income and expenses

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

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

Trading income/expense

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

Dividends

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

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.22 Leasing transactions

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

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

Right-of-use assets

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

The cost of right-of-use assets includes as following;

- (a) the initial amount of lease liabilities recognised,
- (b) lease payments made at or before the commencement date less any lease incentives received, and
- (c) all initial direct costs incurred by the Company

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.22 Leasing transactions (continued)

Lease liabilities

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

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

The right of use which is calculated on leasing agreements is accounted under “Tangible Assets” account.

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

Information on the duration of the operating leases and discount rates applied are as follows:

Assets subject to operational leasing	Contract Period (Year)	Discount Rate - TL (%)
Buildings	5 years	11,32
Vehicles	3 years	11,54

2.23 Dividend distribution

Dividend distributions are reflected in the financial statements as a liability in the period in which they are declared as a component of profit distribution.

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.24 Insurance technical provisions

Unearned premium reserve

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

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

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

In line with the Communiqué on Technical Reserves, the calculation of unearned premium reserve is performed as follows by the Company: for proportional reinsurance contracts, on the basis of 1/24 over the ceded premiums for treaty and facultative contracts, for commodity marine policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months is also provided as unearned premium reserves and for facultative and non-proportional reinsurance contracts, on the basis on day by considering beginning and ending of the contracts. The Company calculates unearned premiums reserve for ceded premium as retrocedant on the same basis.

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

Unexpired risk reserves

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

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

According to the Circular numbered 2012/15 dated December 10, 2012, reserve for unexpired risks are calculated on main branches.

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.24 Insurance technical provisions (continued)

As a result of new start of the Company according to “Regulation on the technical provisions and assets which are to be invested of Insurance and Reinsurance and Pension Companies” (“Regulation”), unexpired risk reserve is not calculated on net claim/premium ratio (outstanding claims (net) + claims paid (net) – provision for outstanding claims, net at the beginning of the period) / (written premiums (net) + reserve for unearned premiums, net at the beginning of the period – reserve for unearned premiums (net)) for one year. According to 6th subclause of 6th article of Regulation, unexpired risk reserve is calculated on net claim/premium ratio (outstanding claims (net) + claims paid (net)) / ((written premiums (net) – reserve for unearned premiums (net)) as not to take catastrophic excess of loss reinsurance premiums on a sub-branch basis. If the net claims/premiums ratio exceeds 95%, net amount of unexpired risk reserve is calculated as ratio which exceeds 95% by multiplying with net amount of unearned premiums reserve, gross unexpired risk reserve is calculated by multiplying with gross amount of unearned premiums reserve.

As a result of the calculation during the reporting period, the Company has TL 57.876 unexpired risk reserves (December 31, 2019: None.)

Outstanding claims reserve

The Companies are obliged to reserve outstanding claims provision for unearned compensation amounts that have been accrued and calculated but have not yet been paid in the previous accounting period or if this amount has not been calculated the provision should be reserved for the estimated amount that have accrued but have not been reported (“IBNR”).

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

In accordance with the Regulation, the calculation of provisions for incurred but not reported outstanding claims and outstanding claims reserve adequacy difference calculated by the Company’s actuary for the five years following the start of the activity are calculated. In addition, adequate differences will be calculated for extracted major damages that are determined by the actuary. The procedures and principles regarding the calculation of provisions for outstanding claim adequacy difference, sending these calculation table to the Republic of Turkey Ministry of Treasury and Finance and the addition of the calculated difference to provision for outstanding claims in financial statements are determined by the Republic of Turkey Ministry of Treasury and Finance.

Current or related reinsurance agreement conditions are considered in calculations of provisions for outstanding claims, ceded.

Except for the life branch, the difference between the outstanding claims reserve that has accrued and determined in amount, and the results of the actuarial chain ladder method whose content and application criteria stated by Republic of Turkey Ministry of Treasury and Finance, is called as incurred but not reported (“IBNR”) claims. Actuarial chain ladder method may be differentiated by Republic of Turkey Ministry of Treasury and Finance for reinsurance companies due to their special conditions.

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

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.24 Insurance technical provisions (continued)

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

As of December 31, 2020, gross and ceded IBNR amount based on sub-branch was calculated by deducting incurred loss as of December 31, 2020 from final loss attained through sector loss ratio based on sub-branch due to insufficient data in branches except Agricultural sub-branches in the General Losses main branch. However, the IBNR amounts reported by Tarsim (Insurance of Agriculture) as of December 31, 2020 in the Agriculture sub-branches of the General Losses main branch were included in the financial statements. In the calculation of the ceded IBNR, the retrocession / gross ratio in the earned premium on the basis of sub-branch is used.

As of December 31, 2020, the Company reflected the gross IBNR amount of TL 26.162.560 (December 31, 2019: None) and TL 25.902.598 net IBNR calculated according to the method explained above (December 31, 2019: None).

In the framework of “Circular on Discounting Net Cash Flows Arising from Outstanding Claims Reserves” dated June 10, 2016 and numbered 2016/22 published by the Republic of Ministry of Treasury and Finance and “Circular on Making Amendments on Circular Numbered 2016/22 on Discounting of Net Cash Flows arising from Outstanding Claims” dated September 15, 2017 and numbered 2017/7 of Ministry of Treasury and Finance, discounting of net cash flows arising from outstanding claims reserves calculated and allocated according to insurance legislation has become obligatory in terms of General Liability and Land Vehicles Liability branches and possible in terms of other branches. The Company calculated the discount rate by taking into account the sector cash flow rates in the Table57-AZMM file uploaded on 29/01/2021 for the discount process in all branches except for Marine and Water Vehicles.

As of December 31, 2020, the Company discounted the cash flows to be generated by the outstanding claims reserve with a net discount of TL 8.763.939.

Equalization reserve

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

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.24 Insurance technical provisions (continued)

Equalization reserve (continued)

With the Communiqué released on July 28, 2010 and numbered 27655 “Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves”, ceded premiums of earthquake and credit for non-proportional reinsurance contracts covered multiple branches should be calculated according to percentage of premiums of those branches within the total premiums unless the Company is determined any other methods. Share of earthquake and credit premium of written premiums for non-proportional reinsurance contracts is based on share of earthquake and credit premiums of proportional reinsurance contracts. After five financial years, in case that provision amount is less than previous year amount depending on written premiums, the difference is recognized in other profit reserves under equity. This amount recorded in equity can either be kept under reserves or can also be used in capital increase or paying claims.

Equalization reserves are presented under “Other technical reserves” within long term liabilities in the accompanying financial statements. As of the reporting date, the Company has recognized equalization reserves amounting to TL 9.140.069 (December 31, 2019: None.).

2.25 Related parties

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

2.26 Earning per share

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

2.27 Subsequent events

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

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.28 The new standards, amendments and interpretations

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

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

Definition of a Business (Amendments to TFRS 3)

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

The amendments:

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

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively.

The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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

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

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7.

The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.28 The new standards, amendments and interpretations (continued)

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

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

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

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

The amendments did not have a significant impact on the financial position or performance of the Company.

Amendments to TFRS 16 – Covid-19 Rent Related Concessions

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

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

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

A lessee will apply the amendment for annual reporting periods beginning on or after June 1, 2020. Early application of the amendments is permitted.

The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.28 The new standards, amendments and interpretations (continued)

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

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

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Company will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

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

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

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

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

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018).

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

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.28 The new standards, amendments and interpretations (continued)

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

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for the first time adopters.

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

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

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

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

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

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

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

2 Summary of significant accounting policies (continued)

2.28 The new standards, amendments and interpretations (continued)

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

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
-
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
-
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
-
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity’s risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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Notes to Financial Statements

As of December 31, 2020

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2 Summary of significant accounting policies (continued)

2.28 The new standards, amendments and interpretations (continued)

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

Annual Improvements – 2018–2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.
- TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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Notes to Financial Statements

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3 Critical accounting estimates and judgments in applying accounting policies

The notes given in this section are provided to addition/supplement the commentary on the management of insurance risk note 4.1 – *Management of insurance risk* and note 4.2 – *Financial risk management*.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 4.1 – *Management of insurance risk*
- Note 4.2 – *Financial risk management*
- Note 10 – *Reinsurance assets/liabilities*
- Note 11 – *Financial assets*
- Note 12 – *Loans and receivables*
- Note 17 – *Insurance liabilities and reinsurance assets*
- Note 21 – *Deferred taxes*
- Note 23 – *Other liabilities and cost provisions*
- Note 34 – *Financial Costs*

Assessing the impact of the Covid 19 virus outbreak on Company activities

The Covid-19 outbreak has severely affected all areas of life in Turkey as well as all over the world. In addition to the health threat it poses, the outbreak has caused financial fluctuations whose impact is felt on a global scale. In order to reduce the negative effects of the virus epidemic on economies, countries have repeatedly announced economic measures. In our country, many measures have been taken in social life and in the field of economy with the beginning of the virus as of March 2020. In addition to the measures that regulate social life according to the epidemic, support packages for sectors that are likely to be negatively affected by the epidemic by going to interest rate cuts in the field of economy have been explained.

As of December 31, 2020, the pandemic process does not adversely affect the financial performance of our Company for the twelve months. On the other hand, measures are taken to ensure that our personnel can work remotely in order not to disrupt our operational activities, and our practices are shaped in parallel with the developments in the epidemia process. In this process, there has been no remote operational disruption in the fields of operations and information technology.

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Notes to Financial Statements

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4 Management of insurance and financial risk

4.1 Management of insurance risk

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

Reinsurance and retrocession risk are defined as a possibility of financial loss due to inappropriate and insufficient application of reinsurance techniques in the activities of taking insurance contract responsibility partially or completely.

Potential risks that may be exposed in transactions are described, classified and managed based on the requirements set out in the Company’s “Risk Acceptance Criteria” issued by the approval of the Board of Directors.

The main objective of the “Risk Acceptance Criteria” is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Company’s asset quality and limitations allowed by the insurance standards together with the Company’s risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Reinsurance risk is measured by quantitative methods and kept under pre-specified limits based on the “Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit” updated and approved annually by the Board of Directors.

Reinsurance risk is monitored regularly according to criteria described in the “Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit” policy and results are analyzed and reported to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

Sensitivity to insurance risk

Insurance risks do not generally have significant unrecoverable losses in the course of ordinary transactions, except for risks associated with earthquake and other catastrophic risks. Therefore, there is a high sensitivity to earthquake and catastrophic risks.

The case of potential claims’ arising from earthquake and other catastrophic risks exceeding the maximum limit of the excess of loss agreements, such risks are treated as the primary insurance risks and are managed based on the precautionary principle. Maximum limit of excess of loss agreements is determined based on the worst-case scenario on the possibility of an earthquake in terms of its severity and any potential losses incurred in accordance with the generally accepted international earthquake models.

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

Insurance risk condensation

The Company's insurance risk condensation on the basis of branches is summarized in the following table as gross and net (post-reinsurance):

Total claims liability December 31, 2020	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
General Loses	61.264.762	(286.233)	60.978.529
Fire and Natural Disasters	25.812.347	(1.597.787)	24.214.560
General Liabilities	7.708.817	(277.527)	7.431.290
Marine	5.122.551	-	5.122.551
Credit	4.754.799	(43.826)	4.710.973
Water Vehicles	3.833.372	-	3.833.372
Financial Losses	2.266.060	(166.964)	2.099.096
Accident	410.757	(5.741)	405.016
Land Vehicles	318.426	-	318.426
Land Vehicles Liability	144.209	-	144.209
Air Vehicles	103.910	-	103.910
Breach of Trust	466	-	466
Legal Protection	36	-	36
Total	111.740.512	(2.378.078)	109.362.434

Given insurance collateral amounts in respect to branches

	December 31, 2020
Fire and Natural Disasters	47.632.437.119
General Losses	23.913.363.653
Financial Losses	2.602.254.868
General Liabilities	1.149.000.955
Accident	457.028.804
Land Vehicles Liability	337.876.312
Water Vehicles	250.878.302
Marine	117.962.849
Land Vehicles	48.372.271
Air Vehicles	23.576.258
Credit	25.496.470
Legal protection	12.513
Breach of Trust	-
Total(*)	76.558.260.374

(*) Net amount which deducted share of reinsurance.

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

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

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As of December 31, 2020

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

4 Management of insurance and financial risk (continued)

4.2 Management of insurance risk (continued)

Introduction and overview

This note presents information about the Company's exposure to each of the below risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors monitors the effectiveness of the risk management system through the internal audit department.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if counterparties (parties issued financial instrument, insurance companies, reinsurance companies and other debtors) having business relationship with the Company fails to meet its contractual obligations. The Company manages this credit risk by regularly assessing reliability of the counterparties. The balance sheet items that the Company is exposed to credit risk are as follows:

- Banks
- Available for sale financial assets
- Held for trading financial assets
- Premium receivables from insurance companies
- Premium receivables from brokers due to reinsurance activity
- Receivables related to commission from retrocessionaire
- Reinsurance shares of insurance liability
- Prepaid expenses
- Other receivables

Credit risk is measured by both quantitative and qualitative methods. The Company assess the financial strengths, financial positions and payment performance of companies described as third party. In addition, the Company consider to credit ratings confirmed by international credit rating agencies related to retrocessionaire.

The results evaluated by the Risk Committee and reported regularly to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

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4 Management of insurance and financial risk (continued)

4.7 Management of insurance risk (continued)

Credit risk (continued)

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

	December 31, 2020	December 31, 2019
Cash and cash equivalents (Note 14)	399.053.530	150.508.030
Financial assets (Note 11) (Note 9) (*)	38.365.339	-
Receivables from main operations (Note 12)	414.115.407	-
Other receivables (Note 12)	1.104.225	-
Income accruals (Note 12)	3.431.649	-
Reinsurer share in provision for outstanding claims (Note 10), (Note 17)	2.378.078	-
Prepaid expenses (Note 12)	946.989	273.242
Other current assets (Note 12)	43.781	5.246
Other non-current assets (Note 12)	8.362	-
Total	859.447.360	150.786.518

(*) Stocks amounting to TL 12.076.000 are not included (December 31, 2019: None).

As at December 31, 2020 and December 31, 2019, the aging of the receivables from main operations and related provisions are as follows:

	December 31, 2020		December 31, 2019	
	Gross Amount	Provision	Gross Amount	Provision
Not past due	407.855.770	-	-	-
Past due 0-30 days	1.742.989	-	-	-
Past due 31 – 60 days	1.030.157	-	-	-
Past due 61 – 90 days	1.013.028	-	-	-
Past due 90+	2.473.463	-	-	-
Total	414.115.407	-	-	-

The Company does not have any allowance for impairment losses for receivables from main operations as of December 31, 2020 (December 31, 2019: None).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset as a result of the imbalance between the Company's cash inflows and outflows in terms of maturity and volume.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities.

In respect of this risk which is measured by quantitative methods, any liquidity deficit is observed via the maturity analysis of assets and liabilities in the statement of balance sheet. Furthermore, liquidity structure of the Company is monitored by using the following basic indicators in respect of liquidity ratios.

- Liquid Assets / Total Assets
- Liquidity Ratio
- Current Ratio
- Premium and Reinsurance Receivables / Total Assets

Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

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4 Management of insurance and financial risk (continued)

4.2 Management of insurance risk (continued)

Liquidity risk (continued)

Management of the liquidity risk

The Company considers the maturity match between asset and liabilities for the purpose of avoiding liquidity risk and ensure that it will always have sufficient liquidity to meet its liabilities when due.

Maturity distribution of monetary assets and liabilities:

December 31, 2020	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 year and up	Unallocated
Cash and cash equivalents	399.053.530	244.530.129	142.174.633	4.100.479	-	-	8.248.289
Financial assets	50.441.339	1.746.314	1.684.889	1.434.567	9.320.853	19.681.223	16.573.493
Receivables from main operations	414.115.407	58.163.248	351.578.014	2.336.102	2.038.043	-	-
Other receivables and current assets	4.582.655	1.148.006	3.431.649	-	-	3.000	-
Total monetary assets	868.192.931	305.587.697	498.869.185	7.871.148	11.358.896	19.684.223	24.821.782
Other financial liabilities	5.381.376	111.417	230.461	349.581	725.108	3.964.809	-
Payables from main operations	19.480.471	2.146.592	14.436.341	677.794	2.219.744	-	-
Insurance technical reserves ^(*)	109.362.434	-	-	-	-	-	109.362.434
Provisions for taxes and other similar obligations	1.021.463	973.876	47.587	-	-	-	-
Other payables	1.196.916	946.916	250.000	-	-	-	-
Provisions for other risks and expense accruals	976.087	501.020	162.107	-	-	-	312.960
Total monetary liabilities	137.418.747	4.679.821	15.126.496	1.027.375	2.944.852	3.964.809	109.675.394

(*) Outstanding claims reserve is presented as net of reinsurance share in Insurance technical reserves.

December 31, 2019	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 year and up	Unallocated
Cash and cash equivalents	150.508.030	129.805.450	20.700.981	-	-	-	1.599
Other receivables and current assets	278.488	39.401	102.466	68.311	68.311	-	-
Total monetary assets	150.786.518	129.844.851	20.803.447	68.311	68.311	-	1.599
Other financial liabilities	2.242.070	29.257	60.613	92.305	190.994	1.868.901	-
Provisions for taxes and other similar obligations	469.333	469.333	-	-	-	-	-
Other payables	750.091	750.091	-	-	-	-	-
Total monetary liabilities	3.461.494	1.248.681	60.613	92.305	190.994	1.868.901	-

Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Türk Reasürans Anonim Şirketi

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As of December 31, 2020

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

4 Management of insurance and financial risk (continued)

4.2 Management of insurance risk (continued)

Market risk (continued)

Foreign currency risk

The Company is exposed to foreign currency risk through insurance and reinsurance transactions in foreign currencies.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the reporting periods, foreign currency assets and liabilities evaluated by the Central Bank of Republic of Turkey's spot buying rates and the differences arising from foreign currency rates are recorded as foreign exchange gain or loss in the statement of income.

The Company's exposure to foreign currency risk is as follows (December 31, 2019: None.):

December 31, 2020	US Dollar	Euro	Other currencies	Total
Receivables from main operations	11.492.017	4.091.997	3.289	15.587.303
Cash and cash equivalents	6.092.565	1.977.686	127.281	8.197.532
Total foreign currency assets	17.584.582	6.069.683	130.570	23.784.835
Payables from main operations	-	11.298.426	-	11.298.426
Insurance technical reserves (*)	-	-	-	-
Total foreign currency liabilities	-	11.298.426	-	11.298.426
Net financial position	17.584.582	(5.228.743)	130.570	12.486.409

(*) According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated July 28, 2010; foreign currency denominated claims provisions evaluated by the Central Bank of Republic of Turkey's spot selling rates. As of December 31, 2020, there is no any outstanding claims in foreign currencies.

TL equivalents of the related monetary amounts denominated in foreign currencies are presented in the above table.

Exposure to foreign currency risk

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

	End of the period		Average	
	US Dollar	Euro	US Dollar	Euro
December 31, 2020	7,3405	9,0079	7,0034	8,0140
December 31, 2019	5,9402	6,6506	5,6712	6,3481

The change in equity and the income statement (excluding tax impact) is shown in the following table during the accounting periods ended December 31, 2020 due to the 20 percent depreciation of the TL against the following currencies. This analysis was prepared on the assumption that all other variables, especially interest rates, remain constant. If TL values 20 percent against related currencies, the effect will be in the same amount but in the opposite direction.

	December 31, 2020		December 31, 2019	
	Profit or loss	Equity	Profit or loss	Equity
US Dollar	(3.516.916)	(3.516.916)	-	-
Euro	1.045.749	1.045.749	-	-
Other	(26.114)	(26.114)	-	-
Total, net	(2.497.281)	(2.497.281)	-	-

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

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

4 Management of insurance and financial risk (continued)

4.2 Management of insurance risk (continued)

Market risk (continued)

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

As at reporting date, the variable interest income and interest-bearing financial assets and liabilities are as follows:

	December 31, 2020	December 31, 2019
Financial assets / (liabilities) with fixed interest rates:		
Cash at banks (Note 14)	390.805.241	150.506.431
Available for sale financial assets – Government bonds – TL (Note 11)	7.315.760	-
Available for sale financial assets – Private sector borrowing bonds – TL (Note 11)	6.928.930	-
Available for sale financial assets – Private sector bonds – TL (Note 11)	1.909.773	-
Financial assets / (liabilities) with variable interest rate:		
Available for sale financial assets – Private sector bonds – TL (Note 11)	17.212.762	-
Available for sale financial assets – Private sector borrowing bonds – TL (Note 11)	500.621	-

Fair value information

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

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

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

Classification relevant to fair value information

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

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

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

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

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

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As of December 31, 2020

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4 Management of insurance and financial risk (continued)

4.2 Management of insurance risk (continued)

Market risk (continued)

Classification relevant to fair value information (continued)

In accordance with *TFRS 13 - Measurement of Fair Value* standard effective from January 1, 2013, all assets measured at fair value are classified and presented in an order that reflects the importance of the data used in determining their fair value.

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows. (December 31, 2019: None.):

	December 31, 2020			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Available for sale financial assets (Note 11)	45.943.846	-	-	45.943.846
Held for trading financial assets (Note 11)	-	-	-	-
Associates (Note 9)	-	4.497.493	-	4.497.493
Total	45.943.846	4.497.493	-	50.441.339

Equity share price risk

Equity share price risk is defined as the risk of decreasing the market price of equity shares as a result of a decline in index.

The effect on income as a result of 10% decrease in the fair value of equity share instruments available for sale financial assets (traded at İstanbul Stock Exchange) due to a reasonably possible change in equity share indices, with all other variables held constant, is as follows (excluding tax effect):

	December 31, 2020		December 31, 2020	
	Profit or loss	Equity	Profit or loss	Equity
Available for sale financial assets	-	(1.207.600)	-	-
Total, net	-	(1.207.600)	-	-

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4 Management of insurance and financial risk (continued)

4.3 Management of insurance risk (continued)

Gain and losses from financial assets

	January 1- December 31, 2020	September 6 – December 31, 2019
<i>Gains and losses recognized in the statement of income, net:</i>		
Interest income from bank deposits	16.873.105	6.244.571
Income from debt securities classified as available for sale financial assets	3.487.205	-
Income from equity shares classified as available for sale financial assets	29.387.963	-
Income from investment funds classified as available for sale financial assets	210.840	-
Income from derivative financial instruments	10.561.553	-
Foreign exchange gains	5.786.724	1.708
Investment income	66.307.390	6.246.279
Foreign exchange losses	(4.013.907)	-
Loss from disposal of financial assets	(21.086.781)	-
Loss from derivative financial instruments	(12.276.843)	-
Investment management expenses (including interest)	(451.968)	(40.257)
Other investment expenses	(11.753)	-
Investment expenses	(37.841.252)	(40.257)
Investment income, net	28.466.138	6.206.022

<i>Gains and losses recognized in the statement of equity, net:</i>	December 31, 2020	December 31, 2019
Fair value changes in available for sale financial assets (Note 15)	(504.811)	-
Total, net	(504.811)	-

Capital management

The Company’s capital management policies include the following:

- To comply with the insurance capital requirements required by Republic of Turkey Ministry of Treasury and Finance
- To safeguard the Company’s ability to continue as a going concern

In accordance with the “Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies” issued by Republic of Turkey Ministry of Treasury and Finance on August 23, 2015 dated and 29454 numbered; as of the reporting date, the Company measured its minimum capital requirement as TL 179.423.250 (December 31, 2019: TL 2.430.564). As of December 31, 2020, the capital amount of the Company calculated according to the communiqué is TL 289.549.465 (December 31, 2019: TL 150.697.657) more than the minimum capital requirement amounts.

5 Segment Information

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

As of December 31, 2020, the Company operates in non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

The main geographical segment the Company operates is in Turkey, so the Company does not disclose geographical segment reporting.

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

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6 Tangible assets

Movement in tangible assets in the period from January 1 to December 31, 2020 is presented below:

	January 1, 2020	Additions	Disposals	December 31, 2020
<i>Cost:</i>				
Machinery and equipment	323.063	2.167.137	(50.076)	2.440.124
Furniture and fixtures	315.797	598.954	-	914.751
Land vehicles	692.946	-	(692.946)	-
Other tangible assets (including leasehold improvements)	898.149	1.376.332	-	2.274.481
Operating leases (Buildings)	2.300.451	2.465.212	-	4.765.663
Operating leases (Vehicles)	-	1.600.378	-	1.600.378
	4.530.406	8.208.013	(743.022)	11.995.397
<i>Accumulated depreciation:</i>				
Machinery and equipment	(16.810)	(428.217)	9.379	(435.648)
Furniture and fixtures	(11.726)	(103.494)	-	(115.220)
Land vehicles	(34.647)	(80.844)	115.491	-
Other tangible assets (including leasehold improvements)	(38.869)	(366.031)	-	(404.900)
Operating leases (Buildings)	(76.682)	(846.584)	-	(923.266)
Operating leases (Vehicles)	-	(286.677)	-	(286.677)
	(178.734)	(2.111.847)	124.870	(2.165.711)
Carrying amounts	4.351.672			9.829.686

Movement in tangible assets in the period from September 6 to December 31, 2019 is presented below:

	September 6, 2019	Additions	Disposals	December 31, 2019
<i>Cost:</i>				
Machinery and equipment	-	323.063	-	323.063
Furniture and fixtures	-	315.797	-	315.797
Land vehicles	-	692.946	-	692.946
Other tangible assets (including leasehold improvements)	-	898.149	-	898.149
Operating leases (Buildings)	-	2.300.451	-	2.300.451
	-	4.530.406	-	4.530.406
<i>Accumulated depreciation:</i>				
Machinery and equipment	-	(16.810)	-	(16.810)
Furniture and fixtures	-	(11.726)	-	(11.726)
Land vehicles	-	(34.647)	-	(34.647)
Other tangible assets (including leasehold improvements)	-	(38.869)	-	(38.869)
Operating leases (Buildings)	-	(76.682)	-	(76.682)
	-	(178.734)	-	(178.734)
Carrying amounts	-			4.351.672

There is not any mortgage over tangible assets of the Company as at December 31, 2020 (December 31, 2019: None).

7 Investment properties

The Company has not any investment property as at December 31, 2020 (December 31, 2019: None).

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8 Intangible assets

Movement in intangible assets in the period from January 1 to December 31, 2020 is presented below:

	January 1, 2020	Additions	Transfers	Disposals	December 31, 2020
<i>Costs:</i>					
Rights	986.035	5.018.914	636.186	-	6.641.135
Advances on intangible fixed assets	636.186	-	(636.186)	-	-
	1.622.221	5.018.914	-	-	6.641.135
<i>Accumulated amortization:</i>					
Intangible assets	(82.488)	(978.938)	-	-	(1.061.426)
	(82.488)	(978.938)	-	-	(1.061.426)
Net book value	1.539.733				5.579.709

Movement in intangible assets in the period from September 6 to December 31, 2019 is presented below:

	September 6, 2019	Additions	Transfers	Disposals	December 31, 2019
<i>Costs:</i>					
Rights	-	986.035	-	-	986.035
Advances on intangible fixed assets	-	636.186	-	-	636.186
	-	1.622.221	-	-	1.622.221
<i>Accumulated amortization:</i>					
Intangible assets	-	(82.488)	-	-	(82.488)
	-	(82.488)	-	-	(82.488)
Net book value	-				1.539.733

9 Investments in associates

	December 31, 2020		December 31, 2019	
	Net book value - TL	Participation rate %	Net book value - TL	Participation rate %
B3i Services AG	4.497.493	0,89	-	-
Investments in equity shares (Note 4.2)	4.497.493	0,89	-	-

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Notes to Financial Statements

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10 Reinsurance asset and liabilities

As of December 31, 2020 and December 31, 2019, outstanding reinsurance assets and liabilities of the Company, as reinsurance company in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	December 31, 2020	December 31, 2019
Receivables from reinsurance companies (Note 12)	3.145.730	-
Unearned premiums reserve, ceded (Note 17)	4.782.266	-
Unexpired risk reserve, ceded (Note 17)	5.101	-
Outstanding claims reserve, ceded (Note 17)	2.378.078	-
Other technical reserves, ceded (Note 17)	2.457.310	-
Total	12.768.485	-

There are no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	December 31, 2020	December 31, 2019
Payables to reinsurance companies related to premiums written	3.660.125	-
Deferred commission income (Note 19)	1.060.181	-
Cash deposited by reinsurance companies (Note 19)	2.219.744	-
Total	6.940.050	-

The gains and losses recognized in the income statement in accordance with the retrocession contracts of the Company are shown in the following table:

	January 1 – December 31, 2020
Premiums ceded during the period (Note 17)	(40.824.755)
Unearned premiums reserve, ceded at the beginning of the period (Note 17)	-
Unearned premiums reserve, ceded at the end of the period (Note 17)	4.782.266
Premiums earned, ceded (Note 17)	(36.042.489)
Claims paid, ceded during the period (Note 17)	191.594
Outstanding claims reserve, ceded at the beginning of the period (Note 17)	-
Outstanding claims reserve, ceded at the end of the period (Note 17)	2.378.078
Claims incurred, ceded (Note 17)	2.569.672
Commission income accrued from reinsurers during the period (Note 32)	2.183.774
Deferred commission income at the beginning of the period (Note 19)	-
Deferred commission income at the end of the period (Note 19)	(1.060.181)
Commission income earned from reinsurers (Note 32)	1.123.593
Changes in unexpired risks reserve, ceded (Note 17)	5.101
Changes in equalization reserve, ceded (Note 17)	2.457.310
Total, net	(29.886.813)

During the reporting period that ended on December 31, 2019, the Company did not have any business acceptance and retrocession related to the reinsurance transactions, which constitute its main field of activity, and as of December 31, 2019, it does not have any reinsurance assets and liabilities.

Türk Reasürans Anonim Şirketi

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

11 Financial assets

As of December 31, 2020 and December 31, 2019, the Company's financial assets portfolio are detailed as follows:

	December 31, 2020	December 31, 2019
Available for sale financial assets	45.943.846	-
Total	45.943.846	-

As of December 31, 2020, the Company's available for sale financial assets are as follows (December 31, 2019: None):

	December 31, 2020			Net book value
	Nominal value	Cost	Fair value	
Debt instruments:				
Government bonds – TL	7.500.000	7.102.098	7.315.760	7.315.760
Private sector borrowing bonds – TL	18.780.000	18.627.233	19.122.535	19.122.535
Private sector bonds - TL	7.500.000	7.358.195	7.429.551	7.429.551
Total		33.087.526	33.867.846	33.867.846
Non-fixed income financial assets:				
Equity shares		12.324.000	12.076.000	12.076.000
Total		12.324.000	12.076.000	12.076.000
Total available for sale financial assets (Note 4.2)		45.411.526	45.943.846	45.943.846

All of the debt securities of the Company shown in the above tables consist of securities traded in stock exchanges.

As of December 31, 2020, the Company does not have held for trading assets (December 31, 2019: None).

As of December 31, 2020, the Company does not have any securities classified as financial assets to be held until maturity (December 31, 2019: None).

The Company does not have any financial assets issued by its affiliates.

There are no securities representing debt issued by the Company during the period or previously issued but redeemed during the period.

Among the financial asset portfolios of the Company, there is no financial asset that is overdue but not impaired yet.

Movements of financial assets during the period are as follows:

	December 31, 2020		
	Available for sale	Held for trading	Total
Balance at the beginning of the period	-	-	-
Acquisitions during the period	2.647.878.483	445.380.427	3.093.258.910
Disposals (sale and redemption)	(2.602.466.956)	(445.380.427)	(3.047.847.383)
Change in the fair value of financial assets	532.319	-	532.319
Balance at the end of the period	45.943.846	-	45.943.846

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

12 Loan and receivables

	December 31, 2020	December 31, 2019
Receivables from main operations (Note 4.2)	414.115.407	-
Other receivables (Note 4.2) (*)	1.104.225	-
Income accruals (Note 4.2) (**)	3.431.649	-
Prepaid expenses (Note 4.2) (***)	946.989	273.242
Other receivables (Note 4.2)	43.781	5.246
Other current asset (Note 4.2)	8.362	-
Total	419.650.413	278.488
Short-term receivables	419.642.051	278.488
Long-term receivables	8.362	-
Total	419.650.413	278.488

(*) It consists of receivables accrued within the scope of Technical Operations of the Turkish Natural Catastrophe Insurance Pool (Note 47).

(**) It consists of accruals with respect to charging of costs incurred regarding reporting period in scope of the Technical Operation of Extraordinary Risks Management Centre.

(***) Prepaid expenses consist of personnel health insurance and meal benefits.

As of December 31, 2020 and 2019, receivables from main operations are detailed as follows:

	December 31, 2020	December 31, 2019
Receivables from insurance companies	401.196.236	-
Receivables from brokers and intermediaries	9.773.441	-
Receivables from reinsurance companies (Note 10)	3.145.730	-
Total receivables from insurance operations, net	414.115.407	-
Cash deposited to insurance and reinsurance companies	-	-
Doubtful receivables from main operations	-	-
Provision for doubtful receivables from main operations	-	-
Receivables from main operations	414.115.407	-

As of December 31, 2020, the Company does not have any mortgages and collaterals obtained for receivables (December 31, 2019: None).

Provisions provided for doubtful receivables that are due and not due

a) *Receivables under legal or administrative follow up (due)*: There are not any legal and administrative follow-ups arising from main operations and other receivables (December 31, 2019: None).

b) *Provision for premium receivables (due)*: None (December 31, 2019: None).

The Company's receivables from and payables to shareholders, associates and subsidiaries are detailed in 45 -Related party transactions.

The details of the receivables and payables denominated in foreign currencies and foreign currency rates used for the translation are presented in Note 4.2.

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

13 Derivative financial instruments

As of December 31, 2020, the Company does not have any derivative financial instruments (December 31, 2019: None).

14 Cash and cash equivalents

As at December 31, 2020 and December 31, 2019, cash and cash equivalents are as follows:

	December 31, 2020		December 31, 2019	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Bank deposits	399.053.530	150.508.030	150.508.030	-
Cash and cash equivalents in the balance sheet	399.053.530	150.508.030	150.508.030	-
Interest accruals on bank deposits	(1.959.753)	(2.212.493)	(2.212.493)	-
Cash and cash equivalents presented in the statement of cash flows	397.093.777	148.295.537	148.295.537	-

As at December 31, 2020 and December 31, 2019, bank deposits are further analyzed as follows:

	December 31, 2020	December 31, 2019
Foreign currency denominated bank deposits		
- time deposits	-	-
- demand deposits	8.197.532	-
Bank deposits in Turkish Lira		
- time deposits	390.805.241	150.506.431
- demand deposits	50.757	1.599
Banks	399.053.530	150.508.030

Interest rates for time deposits applied are between 15,10%-19,00% (December 31, 2019: 10,25% -13,00%).

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As of December 31, 2020

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

15 Equity

Paid in capital

As of December 31, 2020 and December 31, 2019, the shareholding structure of the Company is as follows:

Name	December 31, 2020		December 31, 2019	
	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Republic of Turkey Ministry of Treasury and Finance	600.000.000	100,00	600.000.000	100,00
Paid in capital	600.000.000	100,00	600.000.000	100,00
Unpaid capital (-)	225.000.000	37,50	450.000.000	75,00
Unpaid capital (*)	375.000.000	62,50	150.000.000	25,00

(*) As of December 31, 2020, the share amounting to TL 375.000.000 has been paid in cash. (December 31, 2019: TL 150.000.000).

As of December 31, 2020, the capital of the Company is TL 600.000.000 in total which consists of 600.000.000 shares, each of them is valued as TL 1. TL 600.000.000 corresponding to 600.000.000 shares, which are valued as TL 1 each, is guaranteed in cash by Republic of Turkey Ministry of Treasury and Finance. ¼ of nominal values of shares, guaranteed in cash, has been paid before the registration of the Company and the remaining amount shall be paid within 24 months following the registration of the Company. Accordingly, with the decision of the Board of Directors dated October 19, 2020 and numbered 2020-31, TL 225.000.000, which corresponds to 50% of the unpaid capital, was paid on November 3, 2020.

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital but may be used to absorb losses in the event that the general reserve is used. As of December 31, 2020, the Company's legal reserves are TL 156.411 (as of December 31, 2019, since the Company started its activities on September 6, 2019, no reserves were booked).

Valuation of financial assets

As of December 31, 2020 and December 31, 2019, detailed change of fair value of marketable securities, debt securities classified as available for sale financial assets is as following:

	December 31, 2020		December 31, 2019	
	Available for sale financial assets	Total	Available for sale financial assets	Total
Revaluation differences at the beginning of the period	-	-	-	-
Change in the fair value during the period	(518.752)	(518.752)	-	-
Deferred tax effect	13.941	13.941	-	-
Revaluation differences at the end of the period	(504.811)	(504.811)	-	-

Türk Reasürans Anonim Şirketi

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As of December 31, 2020

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

16 Other reserves and equity component of discretionary participation

As of December 31, 2020 and December 31, 2019, other reserves are explained in detail in Note 15 – Equity above.

As of December 31, 2020 and December 31, 2019, the Company does not hold any insurance or investment contracts which contain a discretionary participation feature.

17 Insurance contract liabilities and reinsurance assets

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

As at December 31, 2020 and December 31, 2019, technical reserves of the Company are as follows:

	December 31, 2020	December 31, 2019
Unearned premiums reserve, gross	372.180.314	-
Unearned premiums reserve, ceded (Note 10)	(4.782.266)	-
Unearned premiums reserve, net	367.398.048	-
Unexpired risk reserve, gross	62.977	-
Unexpired risk reserve, ceded (Note 10)	(5.101)	-
Outstanding claims reserve, net	57.876	-
Outstanding claims reserve, gross	111.740.512	-
Outstanding claims reserve, ceded (Note 10)	(2.378.078)	-
Outstanding claims reserve, net	109.362.434	-
Equalization reserve, gross	11.597.379	-
Equalization reserve, ceded (Note 10)	(2.457.310)	-
Equalization reserve, net	9.140.069	-
Total technical provisions, net	485.958.427	-
Short-term	476.818.358	-
Medium and long-term	9.140.069	-
Total technical provisions, net	485.958.427	-

As of December 31, 2020 and December 31, 2019, movements of the insurance liabilities and related reinsurance assets are presented below:

Unearned premiums reserve	December 31, 2020		
	Gross	Ceded	Net
Unearned premiums reserve at the beginning of the period	-	-	-
Written premiums during the period	1.031.906.523	(40.824.755)	991.081.768
Earned premiums during the period	(659.726.209)	36.042.489	(623.683.720)
Unearned premiums reserve at the end of the period	372.180.314	(4.782.266)	367.398.048

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

17 Insurance contract liabilities and reinsurance assets (continued)

	December 31, 2020		
	Gross	Ceded	Net
Unexpired risk reserve			
Unexpired risk reserve at the beginning of the period	-	-	-
Change in unexpired risk reserves during the period	62.977	(5.101)	57.876
Unexpired risk reserve at the end of the period	62.977	(5.101)	57.876
	December 31, 2020		
	Gross	Ceded	Net
Outstanding claims reserve			
Outstanding claims reserve at the beginning of the period	-	-	-
Claims reported during the period and changes in the estimations of outstanding claims reserve provided at the beginning of the period	359.841.020	(2.569.672)	357.271.348
Claims paid during the period	(248.100.508)	191.594	(247.908.914)
Outstanding claims reserve at the end of the period	111.740.512	(2.378.078)	109.362.434
	December 31, 2020		
	Gross	Ceded	Net
Equalization reserve			
Equalization reserve at the beginning of the period	-	-	-
Equalization reserve during the period	11.597.379	(2.457.310)	9.140.069
Equalization reserve at the end of the period	11.597.379	(2.457.310)	9.140.069

As of December 31, 2019, the Company does not have any insurance obligations and reinsurance assets arising from the reinsurance activities, since the Company did not make any business acceptance related to the reinsurance transactions, which constitute its main field of activity, during the reporting period that ended on December 31, 2019.

Total amount of guarantee that should be placed by the Company for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets

The Company, being a reinsurance Company, has no obligation of providing guarantees.

Total amount of insurance risk on a branch basis

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

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

None.

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

None.

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

None.

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Notes to Financial Statements

As of December 31, 2020

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

17 Insurance liabilities and reinsurance assets (continued)

Pension investment funds established by the Company and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

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

None.

Valuation methods used in profit share calculation for saving life contracts with profit sharing

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups

None.

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the year

None.

Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio to private pension portfolio during the year

None.

Distribution of individual and group participants which were cancelled or transferred to other insurance companies in terms of their numbers and gross and net contributions

None.

Profit share distribution rate of life insurances

None.

Deferred commission expenses

The Company capitalizes the portion of commissions paid which is belong following periods, to the intermediaries related to premium production under "Deferred acquisition costs". As at December 31, 2020, deferred acquisition costs are amounting to TL 90.702.285 (December 31, 2019: None) that consist of short-term deferred commission expenses are amounting to TL 81.016.220 (December 31, 2019: None) and deferred other technical expenses are amounting to TL 9.686.065 (December 31, 2019: None).

For the periods ended December 31, 2020, the movement of deferred commission expenses are presented below (December 31, 2019: None):

	December 31, 2020
Deferred commission expenses at the beginning of the period	-
Commissions accrued during the period (Note 32)	226.549.553
Commissions expensed during the period (Note 32)	(145.533.333)
Deferred commission expenses at the end of the period	81.016.220

18 Investment contract liabilities

None.

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Notes to Financial Statements

As of December 31, 2020

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

19 Trade and other payables and deferred income

	December 31, 2020	December 31, 2019
Other financial liabilities (Not 20)	5.381.376	2.242.070
Payables from reinsurance operations	17.260.727	-
Cash deposited by reinsurance companies (Note 19)	2.219.744	-
Deferred commission income (Note 10)	1.060.181	-
Taxes and other liabilities and similar obligations	1.021.463	469.333
Other payables	1.196.916	750.091
Total	28.140.407	3.461.494
Short-term liabilities	24.175.598	1.592.593
Medium and long-term liabilities	3.964.809	1.868.901
Total	28.140.407	3.461.494

As of December 31, 2020, Other payables consist of payments to be made for outsourced benefits and services and guarantees received.

Corporate tax liabilities and prepaid taxes are disclosed below:

	December 31, 2020	December 31 2019
Taxes paid during the year	22.803.104	604.812
Corporate tax liabilities	(22.850.691)	(783.719)
Corporate tax asset/(liability), net	(47.587)	(178.907)

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

None.

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Notes to Financial Statements

As of December 31, 2020

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

20 Financial liabilities

	December 31, 2020	December 31, 2019
Payables from operating leases (Note 34) (*)	5.381.376	2.242.070
Short term	1.416.567	373.169
Medium and long term	3.964.809	1.868.901
Total	5.381.376	2.242.070

(*) As of December 31, 2020, the details of financial liabilities are presented in Note 34 – Financial costs.

21 Deferred tax

As at December 31, 2020 and December 31, 2019, deferred tax assets and liabilities are attributable to the following:

	December 31, 2020	December 31, 2019
	Deferred tax assets / (liabilities)	Deferred tax assets / (liabilities)
Equalization reserve	302.263	-
Expense accruals	132.625	-
Valuation differences in financial assets	49.600	-
Adjustment of IFRS 16	45.096	3.660
Provision for unused vacation	38.791	-
Provisions for employee termination benefits	23.801	-
Unexpired risk reserves	11.575	-
Time deposits	7.397	4.503
TAS adjustment differences in depreciation	(274.213)	(96.371)
Income accrual	(686.330)	-
Deferred tax liabilities, net	(349.395)	(88.208)

As at December 31, 2020, the Company has not any deductible tax losses (December 31, 2019: None).

Movement of deferred tax assets are given below:

	December 31, 2020	December 31, 2019
Opening balance at January 1	(88.208)	-
Deferred tax income/ expense (Note 35)	(275.128)	(88.208)
Deferred tax income/ expense recognized in equity (Note 15)	13.941	-
Deferred tax liabilities	(349.395)	(88.208)

22 Retirement benefit obligations

None.

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As of December 31, 2020

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

23 Other liabilities and expense accruals

As of December 31, 2020, other liabilities and expense accruals are as follows (December 31, 2019: None):

	December 31, 2020	December 31, 2019
Invoice accruals	501.020	-
Substitution outstanding reserves under excess of loss agreements	162.107	-
Provision for employee termination benefits	119.007	-
Provision for unused vacation	193.953	-
Total	976.087	-

The movement of the provision for employee termination benefits within the period is as follows:

	December 31, 2020	December 31, 2019
Provision for employee termination benefits beginning of the period	-	-
Provision made during the period (Note 47)	119.007	-
Provision for employee termination benefits end of the period	119.007	-

The movement of the provision for unused vacation within the period is as follows:

	December 31, 2020	December 31, 2019
Provision for unused vacation beginning of the period	-	-
Provision made during the period (Note 47)	193.953	-
Provision for unused vacation end of the period	193.953	-

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Notes to Financial Statements

As of December 31, 2020

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

24 Net insurance premiums

The distribution of written premiums is as follows:

	January 1 – December 31, 2020		
	Gross	Ceded	Net
General Losses	847.404.832	(9.098.542)	838.306.290
Fire and Natural Disasters	130.538.114	(22.616.558)	107.921.556
Credit	17.264.952	(5.436.609)	11.828.343
General Liabilities	13.503.480	(2.471.405)	11.032.075
Marine	8.090.501	(406.805)	7.683.696
Water Vehicles	7.901.696	(406.805)	7.494.891
Financial Losses	4.205.420	(304.181)	3.901.239
Accident	2.339.274	(23.685)	2.315.589
Land Vehicles	345.039	(60.165)	284.874
Air Vehicles	150.546	-	150.546
Land Vehicles Liability	133.549	-	133.549
Legal Protection	27.884	-	27.884
Breach of Trust	1.236	-	1.236
Total	1.031.906.523	(40.824.755)	991.081.768

During the reporting period that ended on December 31, 2019, the Company did not earn any insurance premium income, since the Company did not accept any business related to reinsurance transactions, which constitute its main field of activity.

25 Fee revenue

None

26 Investment income

Investment income is presented in Note 4.2 – *Financial risk management*.

27 Net income accrual on financial assets

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

28 Asset held at fair value through profit or loss

Presented in Note 4.2 – *Financial Risk Management*.

29 Insurance rights and claims

	January 1 – December 31, 2020	September 6- December 31, 2019
Claims paid, net off reinsurers' share	247.908.914	-
Changes in unearned premiums reserve, net off reinsurers' share	367.398.048	-
Changes in unexpired risk reserve, net off reinsurers' share	57.876	-
Change in outstanding claims reserve, net off reinsurers' share	109.362.434	-
Change in equalization reserve, net off reinsurers' share	9.140.069	-
Total	733.867.341	-

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30 Investment contract benefits

None.

31 Other expenses

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

32 Operating expenses

	January 1 – December 31, 2020	September 6, – December 31, 2019
Commission expenses (Note 17)	145.533.333	-
<i>Commissions to the intermediaries accrued during the period (Note 17)</i>	226.549.553	-
<i>Changes in deferred commission expenses (Note 17)</i>	(81.016.220)	-
Employee benefit expenses (Note 33)	15.802.273	2.224.783
Administration expenses	4.995.920	497.446
Outsourced benefits and services	2.364.869	53.729
Commission income from reinsurers (Note 10)	(1.123.593)	-
<i>Commission income from reinsurers accrued during the period</i>	(2.183.774)	-
<i>Change in deferred commission income</i>	1.060.181	-
Total	167.572.802	2.775.958

33 Employee benefit expenses

	January 1 – December 31, 2020	September 6, – December 31, 2019
Wages and salaries	13.260.231	1.977.023
Employer's share in social security premiums	1.574.849	166.407
Pension fund benefits	967.193	81.353
Total (Note 32)	15.802.273	2.224.783

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34 Financial costs

As of December 31, 2020, TL 451.968 (December 31, 2019: TL 40.257) interest expense arising from leases that the Company is subject to *IFRS 16 Leasing Transactions* standard is recognized under "Investment Management Expenses - Interest Included" account; and the depreciation expense amounting to TL 1.113.261 is recognized under the "Depreciation and Amortization Expense" accounts (December 31, 2019: TL 76.682).

As of December 31, 2020, discounted reimbursement plan for operating leases of the Company is as follows:

	December 31, 2020	December 31, 2019
	Operating Leases	Operating Leases
	Reimbursement Plan -TL	Reimbursement Plan -TL
Up to 1 year	1.416.567	373.169
1 to 2 years	1.576.235	416.112
2 to 3 years	1.406.549	463.216
3 to 4 years	982.025	515.652
4 to 5 years	-	473.921
Total (*)	5.381.376	2.242.070

(*) As of reporting date, TL 1.416.567 (December 31, 2019: TL 373.169) was short term, TL 3.964.809 (December 31, 2019: TL 1.868.901) was long term.

35 Income taxes

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

	January 1 – December 31 2020	September 6 - December 31, 2019
Corporate tax expense:		
Corporate tax provision	(22.850.691)	(783.719)
Deferred taxes:		
Origination and reversal of temporary differences	(275.128)	(88.208)
Total income tax income / (expense)	(23.125.819)	(871.927)

For the periods then ended as of December 31, 2020 and December 31, 2019, a reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate is as follows:

	December 31, 2020		December 31, 2019	
		Tax rate		Tax rate
Profit before taxes	105.335.055	(%)	4.000.148	(%)
Taxes on income per statutory tax rate	23.173.712	22,00	(880.033)	(22,00)
Tax-exempt incomes	(975.752)	(0,93)	106.008	2,65
Non-deductible expenses	950.035	0,90	(97.902)	(2,45)
Donations and charities	(22.176)	(0,02)	-	-
Total tax expense recognized in loss / (profit)	23.125.819	21,95	(871.927)	(21,80)

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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36 Net foreign exchange gains

Net foreign exchange gains are presented in Note 4.2 – *Financial Risk Management* above.

37 Earnings per share

Earnings per share are calculated by dividing net profit of the year to the weighted average number of shares.

	January 1 – December 31, 2020	September 6 – December 31, 2019
Net profit for the period	82.209.236	3.128.221
Weighted average number of shares	600.000.000	600.000.000
Earnings per share (TL)	0,137	0,005

38 Dividends per share

None.

39 Cash generated from operations

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

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Risks

None.

43 Commitments

Due to the company's activities, it provides protection to sedan companies as reinsurers in non-life insurance branches and guarantees the insurance risk through reinsurance agreements.

The details of the guarantees that are given by the Company for the operations in non-life branches are presented in *Note 17 - Insurance contract liabilities and reinsurance assets*.

44 Business combinations

None.

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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45 Related party transactions

Republic of Turkey Ministry of Treasury and Finance, which is 100% shareholder in the paid in and subscribed capital of the company, is defined as related party in terms of these financial statements.

There are no any transactions with related parties for the period ended December 31, 2020 (December 31, 2019: None).

46 Subsequent events

None.

47 Other

Items and amounts classified under the “other” account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

They are presented in the related notes above.

Payables to employees and receivables from employees presented under accounts, “other receivables” and “other short or long term payables”, and which have balance more than 1% of the total assets

None.

Subrogation recorded in “Off-Balance Sheet Accounts”

None.

Explanatory note for the amounts and nature of previous years’ income and losses

None.

Information on Other technical expenses items in income statement for the period ended December 31, 2020

Other technical expenses in the income statement amounting to TL 17.349.472 consists of technical expenses arising from reinsurance business acceptances and deferral of these expenses (December 31, 2019: None).

Türk Reasürans Anonim Şirketi

Notes to Financial Statements

As of December 31, 2020

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

47 Other (continued)

Information on Other income items in income statement for the period ended December 31, 2020

Other income and profits	January 1 – December 31, 2020
Technical operating income (*)	8.369.742
Fixed assets sales profits	350.545
Other income and profits	15.235
Other income and profits	8.735.522

(*) The Company is determined as Technical Operator of Turkish Natural Catastrophe Insurance Pool for 5 years applicable as of August 8, 2020 with the Approval, dated October 31, 2019 and numbered 454523, Office of Deputy Minister of Republic of Turkey Ministry of Treasury and Finance as it is stated in the assignment letter, dated November 4, 2019 and numbered 71065509-030.02-E.463394 and referenced as Selection of Technical Operator of Turkish Natural Catastrophe Insurance Pool and notified by General Directorate of Insurance of Republic of Turkey Ministry of Treasury and Finance.

The Company is assigned as Extraordinary Risks Management Centre for 5 years applicable as of May 23, 2020 with respect to assignment letter, dated May 23, 2020 and numbered 71065509-010.99(20) and referenced as on “State Supported Credit Insurance System” notified by General Directorate of Insurance of Republic of Turkey Ministry of Treasury and Finance.

The Company is assigned to conduct works and transactions of Extraordinary Risks Management Centre regarding Mining Workers Personal Accident Insurance and also premium and claims sharing in scope of Communiqué on Principles and Procedures Regarding Entity Contribution in terms of Compulsory Medical Malpractice numbered 2010/1 in accordance with Insurance Law numbered 5684 with respect to resolution of Insurance and Private Pension Regulation and Supervision Agency dated September 1, 2020 and numbered 18.

The details of provisions for the period ended on December 31, 2020 are as follows:

Provisions expenses	January 1 – December 31, 2020
Provision for unused vacation expense (Note 23)	193.953
Provision for employee termination benefits expense (Note 23)	119.007
Provision for invoices expense (Note 23)	501.020
Provisions	813.980