

2020 ANNUAL REPORT

CONTENTS

| | |
|---|--|
| GENERAL INFORMATION | |
| 5 | Our Mission - Our Vision |
| 6 | Corporate Profile |
| 7 | Shareholding Structure |
| 8 | Amendments to the Articles of Association |
| 10 | Message from the Chairman of the Board of Directors |
| 14 | Message from the CEO |
| 18 | Board of Directors |
| 20 | Senior Management (Executive Board) |
| 22 | Managers within the Scope of Internal Systems, Financial Affairs and Actuarial |
| 23 | Organization Chart |
| 24 | Human Resources Practices at Türk Reasürans |
| 26 | 2020 Annual Report Compliance Statement |
| 27 | Independent Auditor's Report on the Annual Report of the Board of Directors |
| 29 | Summary Report of the Board of Directors |
| 30 | Information on the Board of Directors and the Top Management |
| 31 | Agenda of the 2020 Annual General Meeting |
| 32 | Completed and Ongoing Projects |
| 33 | Information on Investments Undertaken by the Company in the Relevant Accounting Period |
| 34 | Developments in the Economic and Sectoral Environment |
| 41 | Overview of the Turkish Reinsurance Market and the Place of Türk Reasürans in the Industry |
| 42 | 2020 Realizations at Türk Reasürans |
| FINANCIAL STATUS | |
| 50 | Assessment of Financial Status, Profitability and Solvency Strength |
| 51 | Key Financial Indicators and Ratios |
| 53 | Profit Distribution Policy |
| ACTIVITIES OF THE COMPANY AND SIGNIFICANT DEVELOPMENTS | |
| 56 | Main Reinsurance Application |
| 56 | Explanations Regarding the Special Audit and Public Audit Performed during the Accounting Period |
| 57 | Blockchain Technology |
| 58 | Internal Control Activities |
| 59 | Internal Audit Activities |
| 60 | Risk Management Activities |
| 62 | Other Information |
| FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT | |
| 64 | Independent Auditor's Report |
| 70 | Financial Statements |

CORPORATE INFORMATION

| | |
|--------------------------------------|--|
| Corporate Title | Türk Reasürans Anonim Şirketi |
| Trade Registry Number | 206924-5 |
| Central Registration (MERSİS) Number | 0876118118800001 |
| Registered Address | Head Office: Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi Ak Ofis No:8/1, 34768 Ümraniye, İstanbul |
| | Office: Barbaros Mah. Mor Sümbül Sok. Varyap Meridian Business I-Blok, K: 13, D: 175 Ataşehir / İstanbul |
| Web Site | www.turkreasurans.com.tr |
| E-mail | info@turkre.com |
| Phone | +90 (216) 225 96 00 |



IN ORDER TO
INCREASE LOCAL
REINSURANCE
CAPACITY AND TO
ENSURE RESOURCE
EFFICIENCY IN THE
TURKISH INSURANCE
INDUSTRY...





WE ARE FOCUSED ON THE FUTURE...

We are working to bring the Turkish reinsurance market to a constantly developing and growing, sustainable structure.

GENERAL INFORMATION



OUR MISSION

Our mission is;

- To support the development of the Turkish insurance industry by providing further domestic reinsurance capacity.
- To contribute to the sustainable growth of Turkey's economy by keeping reinsurance premiums transferred to abroad within the confines of the domestic economy.
- To contribute the development of the Turkish insurance industry in terms of technological infrastructure, competent human resources, sustainability, governance and financial strength.

OUR VISION

Our vision is to;

- Manage our country's risks effectively as Turkey's safe and strong reinsurer as well as to be recognized as a global reinsurance brand and an "exporter of assurance".

CORPORATE PROFILE

Türk Reasürans, which started its operations in 2019, was established to increase local reinsurance capacity and ensure resource efficiency in the insurance industry.

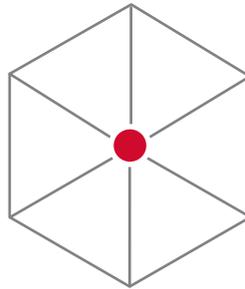
Türk Reasürans adopted the following strategic targets in order to contribute to the two main axes of the New Economy Program, which are the goals of Economic Stabilization and Healthy and Sustainable Growth.

- Increasing capacity offered to the domestic market
- Accepting risk from abroad and achieve diversification in terms of geographic area
- Strengthening equity and sustainable profitability
- Contributing to the maturity of the industry through innovation
- Contributing to the talent pool of highly competent human resources

Türk Reasürans was established by the Republic of Turkey Ministry of Treasury and Finance on 18 January 2019 with a registered capital of TL 600 million in accordance with the arrangement set out in the Insurance Law No. 5684, and Türk Reasürans was registered and started its operations on 6 September 2019. Türk Reasürans provides services with its competent team of human resources with 78 employees in Istanbul, where it is based, as of 31 December 2020.

Aiming to guide the development of our country's reinsurance market in terms of R&D and innovation, Türk Reasürans 's fields of activity includes carrying out insurance, reinsurance and participation reinsurance transactions in all segments within insurance groups in Turkey and foreign countries, the realization of all kinds of reinsurance, retrocession and alternative risk transfer transactions, which are proportional and/or non-proportional regarding these insurance products, the management of pool activities deemed appropriate by the Republic of Turkey Ministry of Treasury and Finance, and participation in risk sharing and transfers.

As of the end of 2020, which was the first year Türk Reasürans started to provide reinsurance capacity, its asset size amounted to TL 975 million with an equity size of TL 460 million. Meanwhile, a significant resource was provided to the Turkish insurance industry by means of its TL 1.03 billion of gross premium production.



**TL 1.03
BILLION OF
PREMIUM
PRODUCTION**

As of the end of 2020, Türk Reasürans's equity stood at TL 460 million, asset size stood at TL 975 million, and gross premium production stood at TL 1.03 billion.

SHAREHOLDING STRUCTURE

| Shareholder | 31 December 2020 | | 31 December 2019 | |
|--|-------------------|-----------|-------------------|-----------|
| | Share Amount (TL) | Share (%) | Share Amount (TL) | Share (%) |
| The Republic of Turkey Ministry of Treasury and Finance. | 600,000,000 | 100.00 | 600,000,000 | 100.00 |
| Paid-in capital | 375,000,000 | 62.50 | 150,000,000 | 25.00 |
| Unpaid capital (-) | 225,000,000 | 37.50 | 450,000,000 | 75.00 |

As of 31 December 2020, the main shareholder of Türk Reasürans A.Ş. was the Republic of Turkey Ministry of Treasury and Finance.

Türk Reasürans' capital stands at TL 600 million in total, which is divided into 600 million shares with a nominal value of TL 1 each. An amount of TL 600 million, corresponding to 600 million shares worth TL 1 each, has been committed in cash by the Republic of Turkey Ministry of Treasury and Finance. It is stated that one quarter of the nominal value of the shares committed in cash had been paid before the registration of the Company. The rest will be paid within twenty-four months following the registration of the Company, according to the decisions to be taken by the Board of Directors. Accordingly, with the Board of Directors decision dated 19 October 2020 and numbered 2020-31, an amount of TL 225 million, corresponding to 50% of the unpaid capital, was paid on 3 November 2020.

As of 31 December 2020, no privileges had been granted to the stocks representing the capital.

As of 31 December 2020, the Company was not subject to the registered capital system.

As of 31 December 2020, the Company had not acquired any of its own shares.

Capital Increase

Türk Reasürans did not increase its capital in 2020.

Changes Occurred in the Shareholding Structure

There was no change in the shareholding structure of the Company in 2020.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In the 2019 Annual General Meeting dated 14 August 2020, the draft amendment to the Articles of Association, which was prepared with the decision of the Board of Directors dated 7 August 2020 and numbered 2020-21, was accepted.

| PREVIOUS TEXT | REVISED TEXT |
|--|--|
| <p>ARTICLE 3 PURPOSE AND SUBJECT</p> <p>The Company was established to operate in the following purposes and subjects to the extent permitted by the insurance law and all other legislation in force or which would be in force in the future. The Company carries out the following transactions to achieve its purpose and subject, in particular carrying out insurance and takaful transactions in all kinds of branches and segments within insurance groups, in Turkey and in foreign countries, carrying out proportional and/or non-proportional financial reinsurance and all other reinsurance, retrocession and alternative risk transfer transactions related to these insurance products; re-takaful transactions related to the insurance products in all kinds of branches and segments, the management of pool activities deemed appropriate by the Republic of Turkey Ministry of Treasury and Finance and participation in risk sharing and transfers. The Company may undertake the transactions mentioned below to achieve its purpose and subject:</p> <p>a) Carrying out all kinds of legal transactions within the scope of the purpose and subject of the Company;</p> <p>b) Obtaining all kinds of movable and immovable property by other means including by purchasing, selling, renting, leasing or having it built, and keeping them as Company assets for the execution of the Company's operations and transactions;</p> <p>c) Establishing pledges on movable assets and mortgages on immovable assets within the scope of its field of activity, obtaining loans, obtaining immovable loans against guarantee or without guarantee, receiving mutual guarantees;</p> <p>d) Issuing all kinds of bonds, redeemed shares, profit sharing certificates and other securities in accordance with the provisions of the Turkish Commercial Code and other relevant legislation;</p> <p>e) Taking over the portfolios of other reinsurance and insurance companies and pension companies or their agencies in Turkey and abroad, and to transfer them, including its own portfolio, when necessary, in accordance with the Insurance Law and all other legislation;</p> <p>f) Obtaining all kinds of licenses and permits related to the subject of the Company, acquisition, transfer and renounce of trademarks, patents, licenses and concessions, know-how, pictures, models and trade names, technical assistance and intellectual rights and similar industrial property rights, and conclude a license agreement about these thereon;</p> <p>g) Performing the duties to be assigned by the Ministry of Treasury and Finance;</p> <p>h) Employing personnel, provided that it is in compliance with the legislation on insurance and other.</p> <p>Other than the transactions listed in this article, engaging in activities that are deemed useful and necessary and that are not prohibited by law.</p> | <p>ARTICLE 3 PURPOSE AND SUBJECT</p> <p>The Company was established to operate in the following purposes and subjects to the extent permitted by the insurance law and all other legislations in force or to be in force in the future. The Company carries out the following transactions to achieve its purpose and subject, in particular carrying out insurance and takaful transactions in all kinds of branches and segments within insurance groups, in Turkey and in foreign countries, carrying out proportional and/or non-proportional financial reinsurance and all other reinsurance, retrocession and alternative risk transfer transactions related to these insurance products; re-takaful transactions related to the insurances in all kinds of branches and segments, management of pool activities deemed appropriate by the Republic of Turkey Ministry of Treasury and Finance, participation in risk sharing and transfers. The Company may undertake the transactions mentioned below to achieve its purpose and subject:</p> <p>a) Carrying out all kinds of legal transactions within the scope of the purpose and subject of the Company;</p> <p>b) Obtaining all kinds of movable and immovable property by other means including by purchasing, selling, renting, leasing or having it built, and keeping them as Company assets for the execution of the Company's operations and transactions;</p> <p>c) Establishing pledges on movable assets and mortgages on immovable assets within the scope of its field of activity, obtaining loans, obtaining immovable loans against guarantee or without guarantee, receiving mutual guarantees;</p> <p>d) Issuing all kinds of bonds, redeemed shares, profit sharing certificates and other securities in accordance with the provisions of the Turkish Commercial Code and other relevant legislation;</p> <p>e) Taking over the portfolios of other reinsurance and insurance companies and pension companies or their agencies in Turkey and abroad, and to transfer them, including its own portfolio, when necessary, in accordance with the Insurance Law and all other legislation;</p> <p>f) Obtaining all kinds of licenses and permits related to the subject of the Company, acquisition, transfer and renounce of trademarks, patents, licenses and concessions, know-how, pictures, models and trade names, technical assistance and intellectual rights and similar industrial property rights, and conclude a license agreement about these thereon;</p> <p>g) Performing the duties to be assigned by the Ministry of Treasury and Finance;</p> <p>h) Employing personnel, provided that it is in compliance with the legislation on insurance and other.</p> |

-
- i) In order to ensure the effective management of the financial investment portfolio and to hedge it against financial risks, provided that the Company does not engage in brokerage activities and portfolio management service and without prejudice to the provisions of the Insurance legislation, within the framework of the procedures and principles determined by the Ministry of Treasury and Finance and the Capital Markets Board, and in line with the approval given by the Board of Directors, the Company may invest in all kinds of money market instruments, capital market instruments, derivative products and all kinds of other financial investment instruments. The Company may enter agreements with the institutions authorized by the relevant legislation for the establishment and operation of mutual funds on behalf of the Company. It may use all kinds of cash and non-cash loans as limited to its own debts and its field of activity transactions.
 - j) In order to improve the activities of the Company, to establish all kinds of permanent and temporary partnerships with other companies, which are established or to be established alone or in Turkey or in abroad, with persons and organizations, and to establish companies, to purchase these or their partnership shares, to cooperate with them, to enter into strategic partnerships, to develop products, tools, and technologies, to become a member of national and international organizations, to participate in activities realized by and among other relevant companies, persons and organizations, to exchange personnel with them, to share information with them to the extent permitted by the legislation,
 - k) In order to employ qualified personnel in the field of insurance and reinsurance within its own body and to train them, who will appeal to the industry in general, to organize educational services within its own body or by outsourcing, to carry out joint projects with educational institutions, to provide financial support to existing projects, to participate in companies established for this purpose.
 - l) Within the scope of corporate social responsibility activities, to organize all kinds of cultural and artistic activities, to sponsor, to organize exhibitions, to organize training and establish a foundation which will operate in this field or to participate in existing foundations.

Other than the transactions listed in this article, engaging in activities that are deemed useful and necessary and which are not prohibited by law.

ARTICLE 16

GENERAL MEETING

General Meetings are convened on an ordinary and extraordinary basis. The Annual General Meeting must convene within three months from the end of the Company's accounting period. Extraordinary General Meetings convene in cases as and when required by the Company's business. In general meetings, the total nominal values of the shares, for which each shareholder has the right to vote, is calculated by dividing the total of the nominal value by the total nominal value of the Company's capital. Shareholders may attend general meetings themselves or may send a representative on their behalf, whether or not they are a shareholder. During the general meetings of the Company, the issues set out in Article 409 of the Turkish Commercial Code are discussed and necessary decisions are taken. General meetings and the decision quorum at these meetings are subject to the provisions of the Turkish Commercial Code. The general meeting convenes at Head Office of the Company or at another location through a majority decision.

ARTICLE 16

GENERAL MEETING

General Meetings are convened on an ordinary and extraordinary basis. The Annual General Meeting must convene within three months from the end of the Company's accounting period. Extraordinary General Meetings convene in cases as and when required by the Company's business. In general meetings, the total nominal values of the shares, for which each shareholder has the right to vote, is calculated by dividing the total of the nominal value by the total nominal value of the Company's capital. Shareholders may attend general meetings themselves or may send a representative on their behalf, whether or not they are a shareholder. During the general meetings of the Company, the issues set out in Article 409 of the Turkish Commercial Code are discussed and necessary decisions are taken. General meetings and the decision quorum at these meetings are subject to the provisions of the Turkish Commercial Code. The general meeting convenes at Head Office of the Company or at another location through a majority decision.

Beneficiaries who have the right to attend the general meetings of the Company may also attend these meetings electronically in accordance with Article 1527 of the Turkish Commercial Code. In accordance with the provisions of the Regulation on General Meetings to be Held in Electronic Media in Joint Stock Companies, the Company may establish an electronic general meeting system which will allow beneficiaries to participate in the general meetings electronically, express their opinions, submit suggestions and vote, or the Company may purchase services from the systems created for this purpose. Pursuant to this provision of the articles of association, beneficiaries and their representatives will be permitted to exercise their rights specified in the provisions of the aforementioned Regulation through the established system during all general meetings to be held.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



While the short, medium and long-term costs of the pandemic to the global economy remain uncertain, it is estimated that the economic damage caused by the pandemic which is covered by insurance will exceed hundreds of billions of US dollars.

Dear stakeholders,

We have left behind an unprecedented year.

The Covid-19 pandemic, which started in China in January 2020 and spread from there to the whole world, has had unprecedented effects on the global economy, social life and human health.

The isolation and lockdown measures taken in the fight against the pandemic brought daily life and business life to a standstill, and have increased rates of unemployment and income inequality worldwide. According to the IMF's April 2021 Global Economic Outlook Update, the world economy contracted by 3.3% in 2020, resulting in massive economic losses. In addition, according to the data published by the World Health Organization on 18 April 2021, more than 3 million people around the world have died due to the pandemic.

In these special conditions of 2020, the governments and central banks of most countries turned to expansionary monetary policies and implemented interest rate cuts. In this context, the industries and households affected by the pandemic were supported with asset purchases, liquidity support and incentivized loan programs.

The Turkish economy has been one of the few countries in the world to have achieved positive growth.

Having achieved a growth rate of 6.4% in the last quarter of the year after a successful balancing process in 2019, the Turkish economy grew by 4.5% in the first quarter of 2020, extending its successful rebound. However, as a result of the restrictive measures taken to prevent the spread of the pandemic in the second quarter of the year, our economy contracted by 10.3%.

With the success achieved in the efforts to bring the pandemic under control and curtail the spread of the pandemic, the number of cases of the virus decreased in the summer months, allowing a relaxation of restrictive measures and a start of normalization. While the recovery trend in economic activity gained momentum, the comprehensive support extended by the government to the economy through different channels helped lead to a revival in domestic demand. In addition to

the measures, the interest rate cuts implemented by the CBRT in the July 2019-May 2020 period increased the loan volume. As a result of all these positive developments, the Turkish economy grew by 6.3% on an annual basis in the third quarter. The valuable experience gained in this process played a major role in managing the rest of the year with the right moves, and despite a rebound in the number of cases of the virus, our country grew by 5.9% in the last quarter of the year. For the 2020 full year, Turkey achieved 1.8% GDP growth, setting itself apart as one of the few countries to achieve growth under the pandemic conditions.

Ongoing vaccine and drug development studies on a global scale have allowed to look to the future with a degree of optimism. Another important development has been the decisive progress in our country's vaccination rollout. Studies on the development of a domestic vaccine are also promising with phase three, the trial phase, being reached. Against the backdrop of these achievements in the face of a global health crisis, a moderate recovery in economic activity is expected in 2021.

The global insurance and reinsurance industry experienced a stress test in 2020

The pandemic process, which has affected all aspects of life and the economic cycle, was also reflected to activities in the insurance and reinsurance markets.

While the short, medium and long-term costs of the pandemic on the global economy remain uncertain, it is estimated that the economic damage caused by the pandemic covered by insurance will exceed hundreds of billions of US dollars.

On the other hand, natural disasters, the frequency of which is increasing rapidly around the world, and the climate crisis constitute one of the most fundamental long-term risks facing our industry and which will require a collective effort to manage.

A decline has also been observed in the premium production and profitability in the global insurance and reinsurance markets. Against the economic backdrop brought about by the Covid-19 pandemic, negative real interest rates in many

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

countries around the world and a decline in investment revenues continue to put serious pressure on profitability. Despite these challenges, the contraction in premium production in the global insurance industry is estimated to have been milder than initial projections. For example, Swiss Re updated its global premium production contraction forecast from 2.8% to 1.4%.

Total premium production in the Turkish insurance industry increased by 19.3% in nominal terms during 2020 to reach TL 82.6 billion. Premium production of the non-life segments increased by 17.7%, while premium production in the life segment grew by 27%. The industry as a whole posted overall growth of 4.1% during the year, with 2.7% growth in the non-life segment and 10.9% in the life segment.

A year of achievements for Türk Reasürans in its first full year of operation

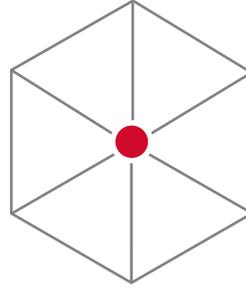
Established with the aim of contributing to the development of the insurance industry and increasing domestic reinsurance capacity and resource efficiency, Türk Reasürans rounded off a very busy year in 2020 in line with its mission of supporting the sustainable, productive and balanced growth of the Turkish economy.

In 2020, when Türk Reasürans reached significant achievements in its areas of focus with its well-defined strategy and business model, its market share in the domestic reinsurance market reached 38% with gross premium production of TL 1.03 billion, when the net premiums written by the reinsurance companies established in Turkey are taken into account.

I am delighted to note that Türk Reasürans successfully managed the extraordinary market developments which it was exposed to in 2020. It has turned the negative effects of the pandemic in the global and national economy into an opportunity with its agile strategic maneuvering competence and strong foresight.

Our Company has focused on constantly strengthening its tangible and intangible clout with the experience it has built and the corporate structure which it has developed in its short past, prioritizing effective portfolio management by focusing on technology and R&D and stands prepared for the future.

We think the advances in blockchain technology will contribute to the reduction of costs and increase in efficiency of our industry in the medium term, and we are rapidly implementing pioneering initiations in this direction.



38%

In 2020, Türk Reasürans commanded a market share of 38% in the domestic reinsurance market taking into account net premiums written by the reinsurance companies established in Turkey and its gross premium production amounted to TL 1.03 billion.

We are ready for the new normal that will be shaped by speed and digitalization.

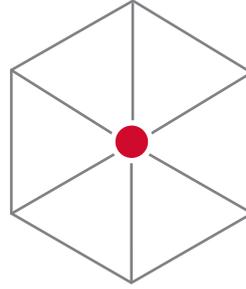
The experience of the Covid-19 pandemic has required the global business world to realize a wave of change which would normally take place over a few years, in a much shorter space of time. While speed has turned into the main focus of motivation, digitalization has taken the leading role as the main leverage of creating value, and our risk management and assessment patterns have been subjected to a revolutionary change.

Although being a state-owned reinsurance company places a great responsibility on our shoulders, we act with the understanding of a private company focused on taking part in the global competitive framework in terms of execution and performance. We are taking quick steps in our journey towards our mission. This understanding enabled us to progress rapidly in 2020 on fundamental issues such as building our experience, expertise and market presence under the guidance of our Board of Directors.

Our financial and non-financial assets, which we have blended at carefully judged ratios, will help us achieve new and rapid gains in the fundamental axes of institutionalization, growth and assertiveness in the global league in 2021 and beyond, as we did in our initial phase which we initiated rapidly.

On behalf of myself and our Board of Directors, I would like to thank all our stakeholders, who contributed to our success story in 2020, and I extend my respects to you all.

Prof. Dr. Cem Demiroğlu
The Chairman of the Board of Directors



2021

Our financial and non-financial assets, which we have brought together at the right ratios, will support us to achieve new and rapid gains in the fundamental axes of institutionalization, growth and assertiveness in the global league in 2021 and beyond.

MESSAGE FROM THE CEO



In 2020, we became the first reinsurance company from Turkey to participate in the B3i (the Blockchain Insurance Industry Initiative), which was founded as the world's leading insurance and reinsurance companies joined forces to develop distributed ledger (DLT) solutions in the insurance business.

Dear stakeholders,

We have left behind a year when the struggle against the challenges presented by the Covid-19 pandemic set the agenda in global and national economies. As a team, we are proud to have achieved a performance which is important for the future of the Turkish economy and the insurance industry confirming our mission, despite this challenging agenda, the difficult conditions experienced in every field and our position as a young company.

Türk Reasürans, which started its operations in September 2019, provided reinsurance support to specialized institutions such as TARSİM (Agricultural Insurance Pool), Eximbank, the Turkish Motor Vehicles Bureau and Türk P&I, as well as 20 insurance companies which operate in the elementary segment and realize 55% of total production in our country, as of the end of 2020. It has also undertaken many innovative projects.

In 2020, while our gross premium production stood at TL 1.03 billion, our domestic reinsurance market share stood at 38%, according to the premium production with the reinsurance share deducted. As of the end of the year, our asset size stood at TL 975 million, our equity at TL 460 million and our pre-tax profit for the period at TL 105 million. In light of these results, our Return on Equity ratio was calculated as 17.9% and our technical profitability ratio as 15.9%. We consider the results, which we have achieved on the basis of the capital entrusted to us by our shareholder, as an important mark of success in a period when it was difficult to achieve financial profitability.

From the moment we have started our activities, both increasing our asset size and keeping asset quality high have been among our unchanging priorities. As a matter of fact, when we delve into the 2020 year-end results, 46% of our assets are composed of the portfolio including deposits and financial assets, and our liquid balance sheet was carefully preserved.

As we strive to expand our activity within the scope of our reinsurance activities, which we will carry out with a determined approach in 2021, we aim to rapidly improve our profitability and asset size and to build our market presence strongly.

Working towards our main goal of being a global reinsurance company

Türk Reasürans's goal is to become a respected and leading player in the global reinsurance market. We believe we have the potential to achieve this and we build our strategies

accordingly. The year 2020 has been a period in which we took decisive steps towards this goal and achieved positive results.

In 2020, we became the first reinsurance company from Turkey to participate in the B3i (the Blockchain Insurance Industry Initiative), which was founded by the world's leading insurance and reinsurance companies, and which develops distributed ledger (DLT) solutions in the insurance business. B3i brings together the applications of third parties seeking to add value to the insurance industry and its partners on the platform it has established, and realizes the mutual harmonization of protocols. With the services it offers, the platform creates a space which helps member reinsurance companies to implement their own digital transformation strategies effectively and quickly.

In our opinion, blockchain technologies will find wide usage potential in the world insurance business in the medium and long term, and will open up valuable avenues for risk management, transparency and profitability. We aim to contribute to this initiative, which includes 21 players from five continents, with the vision of being an active global player, and we aim to create global value.

Another activity which places us in league with our global peers is the Catastrophic Earthquake Modelling Platform. With this project, whose development work will be completed by the end of 2021, we will be fully meeting the modelling needs of not only DASK (TCIP - Turkish Natural Catastrophe Insurance Pool), but also insurance companies working with us.

Another important activity we have carried out in 2020 is our support to the reinsurance structuring of TARSİM and reinsurance regulations in the international market. While replacing the risks of TARSİM with positive gains, efforts are underway to provide reinsurance support to the Agrar Insurance Fund, which was established by the Republic of Azerbaijan by taking TARSİM as an example.

Participating as a reinsurer in two of the reinsurance agreements of global insurance companies in 2020, our Company carefully considers invitations from companies with similar profiles for participation in protection programs. As a company which has just completed its first year of operation, we are proud to be in the position of exporter of assurance.

Türk Reasürans will focus on increasing its acceptance of risks from abroad and improving its business volume in the coming period.

MESSAGE FROM THE CEO

TL 6 billion worth of insurance coverage provided to SMEs by the Extraordinary Risk Management Center in 2020

Commissioned as the Extraordinary Risk Management Center, Türk Reasürans comprehensively restructured the State Supported Commercial Receivables Insurance (SSCRI) in 2020. It launched a reinsurance platform with the participation of domestic and foreign reinsurers. As a result of the platform implemented, the amount of insurance coverage provided to the market increased from TL 1.6 billion to TL 6 billion. The number of buyers, for whom insurance coverages were provided, increased from 16,000 at the end of 2019 to 45,000 in 2020.

In addition to the reinsurance support we provided in our own capacity, we created a strong reinsurance panel behind the SSCRI and rendered the state support functional.

The SMEs are at the focal point of the New Economic Package. We aim to launch our product in 2021, which will ensure SME's receivables, which are assured by the SSCRI, are accepted as a guarantee by our banks. This innovative product, work on which is in its final phase, will play an important role in increasing our support to the SME segment.

Another important goal for us is to transform the Extraordinary Risk Management Center, which we are managing, into the R&D center for our industry. In this context, we are still working on designing special products for the mining and health industries. We believe that every product we design with an innovative approach will further strengthen our contribution to the sustainable growth of the Turkish economy.

We are stronger in the face of earthquake risk

Earthquake risk is the most critical catastrophic risk for the reinsurance industry in Turkey, which is a country vulnerable to earthquakes.

Our Company took on the technical management of the TCIP in August 2020. As a result of the operations which we have carried out in the first stage, we increased the total claims payment capacity of the TCIP from TL 25 billion to TL 40 billion by the end of 2020. Another important step we took in the same context was the conversion of the TCIP's reinsurance protection capacity and cost into TL terms.

Shortly after we took over the management of the TCIP, we passed our biggest test with the Izmir earthquake. At the end of March 2021, we completed the payment of TL 315 million, the largest total claims paid in the history of the TCIP, by starting claim assessments and payments in just 48 hours after the earthquake.

Modelling of catastrophic risks constitutes one of the most basic building blocks of risk management in the industry. From this point of view, we launched the 'Catastrophic Earthquake Modelling Platform' project at the end of 2020. We attach great importance to shaping the software and hardware, on which the platform will run, in an architecture where we can integrate machine learning and deep learning competencies in the future. With this project, which we aim to complete by the end of 2021, we will be able to provide earthquake modelling services not only for the TCIP, but also for the insurance companies which we work with. On the other hand, we aim to increase the TCIP insurance penetration rate, currently 57%, to much higher levels with the work we will implement in 2021.

We are on the eve of a significant change in business methods and pricing habits

The pandemic, which affected us all in 2020, has led to a radical change in lifestyles and ways of working from what we were accustomed to. This is also true for the reinsurance industry.

One of the most important agenda items in our industry in 2021 will be damages caused by the pandemic. We will have the opportunity to diagnose and analyze the effects of the pandemic on the economy and the insurance industry much more clearly in the short and medium term.

The world's leading reinsurers declare that they are facing major damages as a result of the pandemic. The majority of these damages arise from the property, accident, liability and health segments. In order to balance their profitability in the 2021 agreements, reinsurers are implementing out price hikes especially in the non-life reinsurance area, by taking their technical profitability into account.

The new normal we face will also lead to an updating of risk definitions. Cyber risks and mega risks originating from the climate crisis will also come under the spotlight and closely concern our industry.

We are focused on the future, in line with our strategic goal

Aiming to be the first global brand born from the Istanbul International Finance Center, our Company aims to go beyond being a domestic capacity provider and become a global player competing in international reinsurance markets. In this context, we are determined to develop our "exporter of assurance reinsurer" identity rapidly and with big steps in the coming period.

While providing an increasing amount of capacity support to our insurance companies, we will strive to meet our profitability targets. We will also create more value for our stakeholders and the Turkish nation as the operator of multilateral cooperation platforms based on up-to-date information technologies.

Creating added value by using the resources of our country in the most efficient manner possible is our top priority.

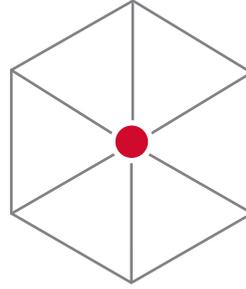
Türk Reasürans's strategic vision is to become a global reinsurance company recognized for its strength and expertise in the international reinsurance world.

Taking great steps in terms of institutionalization in a short space of time, our Company has the potential and resources to provide this with its versatility, high level of competency in adaptability.

I would like to express my gratitude to our Board of Directors for guiding us in achieving this fine performance in 2020. I would like to thank our esteemed employees, who continuously add value to the Türk Reasürans brand with their devoted and dedicated performance, for their contributions.

We wish to join our stakeholders in healthy days going forward, when we will be able share new Türk Reasürans success stories.

Selva Eren
CEO



ASSURANCE

We are determined to rapidly develop our identity as an "exporter of assurance reinsurer" by taking significant steps in the coming period.

Türk Reasürans's strategic vision is to become a global reinsurance company recognized for its strength and expertise in the international reinsurance world.

BOARD OF DIRECTORS



Prof. Dr. Cem Demiroğlu
Chairman

Cem Demiroğlu was born in Diyarbakır in 1978. After graduating from the Beşiktaş Atatürk Anatolian High School, he completed his undergraduate studies in the Department of Business Administration at Boğaziçi University between 1996 and 2000. He completed a Master's degree in the field of finance at the University of Nebraska in 2001 and a doctorate in the same field at the University of Florida in 2008.

He started his academic career as an Assistant Associate Professor in the Faculty of Economics and Administrative Sciences at Koç University in 2008, and received the title of Associate Professor in 2014 and Professor in 2018. He was a visiting lecturer at Bocconi University in 2010 and at the University of Florida between 2010 and 2011. Prof. Dr. Cem Demiroğlu, who teaches corporate finance, portfolio management, banking and venture capital at undergraduate, graduate and doctoral levels, won the Science Academy Award given to outstanding academics under the age of 40 in 2018.

Prof. Dr. Cem Demiroğlu, whose duty at the Republic of Turkey Ministry of Treasury and Finance started in 2018 and ended in November 2020, has been the Chairman of the Board of Directors of Türk Reasürans since 6 September 2019.



Ahmet Genç
Vice Chairman

Ahmet Genç was born in Ankara in 1960. He graduated from the Department of Public Administration, Faculty of Political Sciences at Ankara University in 1984. Between 1985 and 1990, he worked as an assistant specialist and specialist in the Banking Department of the General Directorate of Banking and Foreign Exchange within the Undersecretariat of the Treasury. In 1990, he received a one-year course on insurance and reinsurance in the UK. He completed a Master's degree in Economics at the Northeastern University between 1993 and 1995.

In 1997, he transferred from the Undersecretariat of Treasury, the General Directorate of Banking and Foreign Exchange to the Insurance General Directorate as a Branch Manager and became Head of the Department in 1998. He completed a doctorate in the Department of Business Administration within the Institute of Social Sciences at Ankara University in 2002. Mr. Ahmet Genç, who served as an Assistant General Manager between 2002 and 2004, as a Deputy General Manager between 2004 and 2007, and as General Manager between 2007 and 2015 at the General Directorate of Insurance was appointed as the Deputy Undersecretary of the Treasury in 2015.

Having been serving as a founding member of boards and committees or as chairman in institutions and organizations such as the Insurance Information Center, Insurance Training Center (SEGEM), Agricultural Insurance Pool (TARSİM) which were created in recent years regarding insurance, Dr. Ahmet Genç has been serving as a Board Member and the Vice Chairman of Türk Reasürans A.Ş. since 6 September 2019.



Mustafa Özder Erdik
Board Member

Prof. Dr. Mustafa Erdik (Emeritus Professor at Boğaziçi University, President of the Earthquake Foundation of Turkey, Associate Professor, at the Rose School in the IUSS at the Pavia University, Italy) graduated from the Middle East Technical University as a civil engineer, and completed his Master's and PhD studies at the Rice University in the USA.

Having served as a consultant to the United Nations organizations and many international organizations on Earthquake Engineering, Prof. Dr. Erdik is the author or co-author of 320 technical articles and six books.

The international awards he has received include the TÜBİTAK Science Encouragement Award, the NATO Summit Science Award, the United Nations - Sasakawa Disaster Prevention Award, the Bruce Bolt Medal jointly presented by the SSA-EERI-COSMOS organizations, the Nicholas Ambaraseys Award given by the EAEE and the TÜBİTAK 2018 Science Award.

Among the topics covered by Prof. Dr. Erdik's professional practices and experience are earthquake hazard and risk assessment, earthquake insurance modelling, earthquake early warning and emergency response systems, earthquake resistant design of infrastructure, earthquake protection of historical monuments and structural control systems. Prof. Dr. Mustafa Erdik has been a Member of the Board of Directors of Türk Reasürans A.Ş. since 6 September 2019.



Ahmet Karayazgan
Board Member

Ahmet Karayazgan was born in Istanbul in 1966. After completing his secondary education at the Private Moda High School, he graduated from the Faculty of Law at Istanbul University in 1987.

He started his professional career as a research assistant at the Department of Maritime Trade and Insurance Law, Faculty of Law at Istanbul University. Ahmet Karayazgan, who completed his master's degree in "Private Law" in 1992 and his Doctorate in Law in 2018, worked as a legal counsel at Mobil Oil Türk A.Ş. between 1994 and 1996. Between 1997 and 1999, he served as a Litigation Coordinator in the legal department of Esso Imperial Oil Ltd. (Toronto, Canada). Between 2001 and 2005, he served as the Chief Legal Counsel at Koç Allianz Sigorta A.Ş. For two terms between 1992 and 1994, in 2000 and 2001, and since 2006, Ahmet Karayazgan has, together with his team, continued his consultancy and advocacy activities for national and international companies.

He is a member of the Association of Insurance, Reinsurance and Pension Companies of Turkey, the Law and Legal Protection Review and Research Committee, a member of the Turkish Insurance Law Association, and an Insurance Arbitrator (passive) in the Insurance Arbitration Commission. Attorney Dr. Ahmet Karayazgan has been a Member of the Board of Directors of Türk Reasürans A.Ş. since 12 November 2019.



Selva Eren
CEO and Board Member

Ms. Selva Eren was born in 1975 in Istanbul. She graduated from the Department of Economics, Faculty of Economics at Istanbul University in 2000. She completed her Master's degree at the San Diego State University between 2001 and 2003.

She began her career in the United States and continued as an entrepreneur between 2004 and 2008.

She entered the insurance industry in 2009 and specialized in reinsurance. In line with her work, she founded Rönesans Reasürans ve Sigorta Brokerlik A.Ş. Between 2016 and 2018, she became a Board Member at the International Competition and Technology Association. In 2017, she became the founding partner of the Clean Energy Agency and served as a Member of the Board of Directors.

Ms. Selva Eren, who was appointed as the CEO of Türk Reasürans A.Ş. by the Republic of Turkey Ministry of Treasury and Finance on 6 September 2019 and still serves as a Member of the Board of Directors and the CEO at Türk Reasürans A.Ş. Ms. Selva Eren is also a Member of the Board of Directors of the Agricultural Insurances Pool.

SENIOR MANAGEMENT (EXECUTIVE BOARD)



Selva Eren
Board Member and the CEO

Ms. Selva Eren was born in 1975 in Istanbul. She graduated from the Department of Economics, Faculty of Economics at Istanbul University in 2000. She completed her Master's degree at the San Diego State University between 2001 and 2003.

She began her career in the United States and continued as an entrepreneur between 2004 and 2008.

She entered the insurance industry in 2009 and specialized in reinsurance. In line with her work, she founded Rönesans Reasürans ve Sigorta Brokerlik A.Ş. Between 2016 and 2018, she became a Board Member at the International Competition and Technology Association. In 2017, she became the founding partner of the Clean Energy Agency and served as a Member of the Board of Directors.

Ms. Selva Eren, who was appointed as the CEO of Türk Reasürans A.Ş. by the Republic of Turkey Ministry of Treasury and Finance on 6 September 2019 and still serves as a Member of the Board of Directors and the CEO at Türk Reasürans A.Ş. Ms. Selva Eren is also a Member of the Board of Directors of the Agricultural Insurances Pool.



Erdal Turgut
Deputy General Manager

Mr. Erdal Turgut was born in 1971 in Istanbul. After graduating the Department of Economics, Faculty of Economics and Administrative Sciences at Anadolu University, he started his career at Anadolu Sigorta in 1998.

After working in the Reinsurance Accounting Department, which was under the Accounting and Financial Affairs Department until 2000, he was transferred to the Reinsurance Department together with his department within the scope of the internal restructuring process. After 15 years working principally in the areas of reinsurance accounting, conclusion of reinsurance agreements, operations and domestic and international reinsurance acceptances, he was appointed as the manager of Purchasing, Support and Construction in the Real Estate Department.

Mr. Erdal Turgut managed operations such as the restructuring of the Headquarters and Regional Directorates and the centralization of purchasing processes. After 21 years of experience at Anadolu Sigorta, Erdal Turgut started working as the Deputy General Manager responsible for the Financial Reporting and Accounting, Reinsurance Accounting, Treasury and Fund Management, Retrocession departments at Türk Reasürans A.Ş. from 6 September 2019. Mr. Erdal Turgut, who is the coordinator of the Turkish Natural Catastrophe Insurance Pool, is also a Member of the Board of the TCIP.



H. Erdem Karabostan
Deputy General Manager

H. Erdem Karabostan was born in Balıkesir in 1981. He graduated from the Middle East Technical University in 2004 with a major from the Department of Political Science and Public Administration and a minor from the Department of Philosophy.

Mr. Erdem Karabostan, who started his career as an Assistant Auditor at Anadolu Sigorta in 2006, was appointed as an Auditor in 2010. In 2011, he worked as a project manager in the fields of financial reporting, accounting, risk-security-compliance and process management, and he was appointed as an assistant manager in 2014. After his managerial duties in the fields of accounting, collection and reinsurance solutions, he worked as the Project and Change Management Manager in 2018 and as the Health Claim Manager in 2019.

Since September 2019, Erdem Karabostan has been working as the Deputy General Manager in charge of Project and Technology Management, Human Resources, Data Analytics and Modelling, Risk Valuation and Claims, Corporate Architecture and Budget and Performance operations at Türk Reasürans A.Ş.



Ebru Kır
Deputy General Manager

Ms. Ebru Kır was born in 1975 in Istanbul. She graduated from the Department of Economics, Faculty of Economics at Istanbul University in 1997.

Ms. Ebru Kır started her career in the Finance Department of Yapı Kredi Sigorta A.Ş. in 1998. She worked as a specialist in the Reinsurance and Foreign Relations Department of TEB Sigorta A.Ş. (Zurich Sigorta A.Ş.) in 2002 and then in the Reinsurance and Special Risks Department of Fiba Sigorta A.Ş. (Sompo Sigorta A.Ş.) in 2006. She continued her duty as an Assistant Manager in the Reinsurance and Special Risks Department at Halk Sigorta A.Ş. between 2009 and 2013, and as the Director between 2013 and 2020. In these capacities, she carried out work in the fields of treaty reinsurance, facultative reinsurance and special risks.

Since 13 June, 2020, Ebru Kır has been serving as the Deputy General Manager responsible for Local Treaty Acceptances and Facultative Reinsurance units at Türk Reasürans A.Ş.



Çağrı Çulha
Deputy General Manager

Mr. Çağrı Çulha was born in 1981 in İzmir. He received his undergraduate degree from the Department of Business Administration, Faculty of Economics and Administrative Sciences at the Dokuz Eylül University in 2005, and a Master's degree from the Department of Maritime Businesses Management at Maritime Faculty in 2007.

Mr. Çağrı Çulha, who started his career as an executive in the AON Risk Management department in 2006, worked as a broker at HSBC Insurance Brokerage, then, at SSL Insurance Brokerage in the UK, respectively between 2009 and 2012. Çağrı Çulha, who received a diploma in insurance from the British Insurance Institute, served as an assistant manager at Willis Towers Watson Company between 2012 and 2017 and as a department manager at the BMS Group between 2017 and 2019.

As of 6 September 2019, he has been serving as a Deputy General Manager responsible for Extraordinary Risks and Business Development at Türk Reasürans A.Ş.

MANAGERS WITHIN THE SCOPE OF INTERNAL SYSTEMS, FINANCIAL AFFAIRS AND ACTUARIA

İsmail Yıldırım Internal Audit Manager

İsmail Yıldırım completed his undergraduate studies at the Departments of Business and Economics (second major) from Istanbul Bilgi University in 2007. During this time, he participated in an exchange program at the University of Bern in Switzerland. He completed his Master's degree with thesis at the Department of International Trade Management from Boğaziçi University and started his career in 2008 as an assistant auditor at the PwC independent audit company. He then went on to work for Anadolu Sigorta for a period of 10 years and in the Risk Management and Internal Control Department, the Claims Management Department and, largely, in the Inspection Board. He was promoted to the position of Unit Manager in the same company. He continued his career as the Internal Audit Manager at Euler Hermes Insurance in 2019 and holds the CICP certificate. As of August 2020, İsmail Yıldırım has been serving as the Internal Audit Manager at Türk Reasürans A.Ş. and speaks English and German.

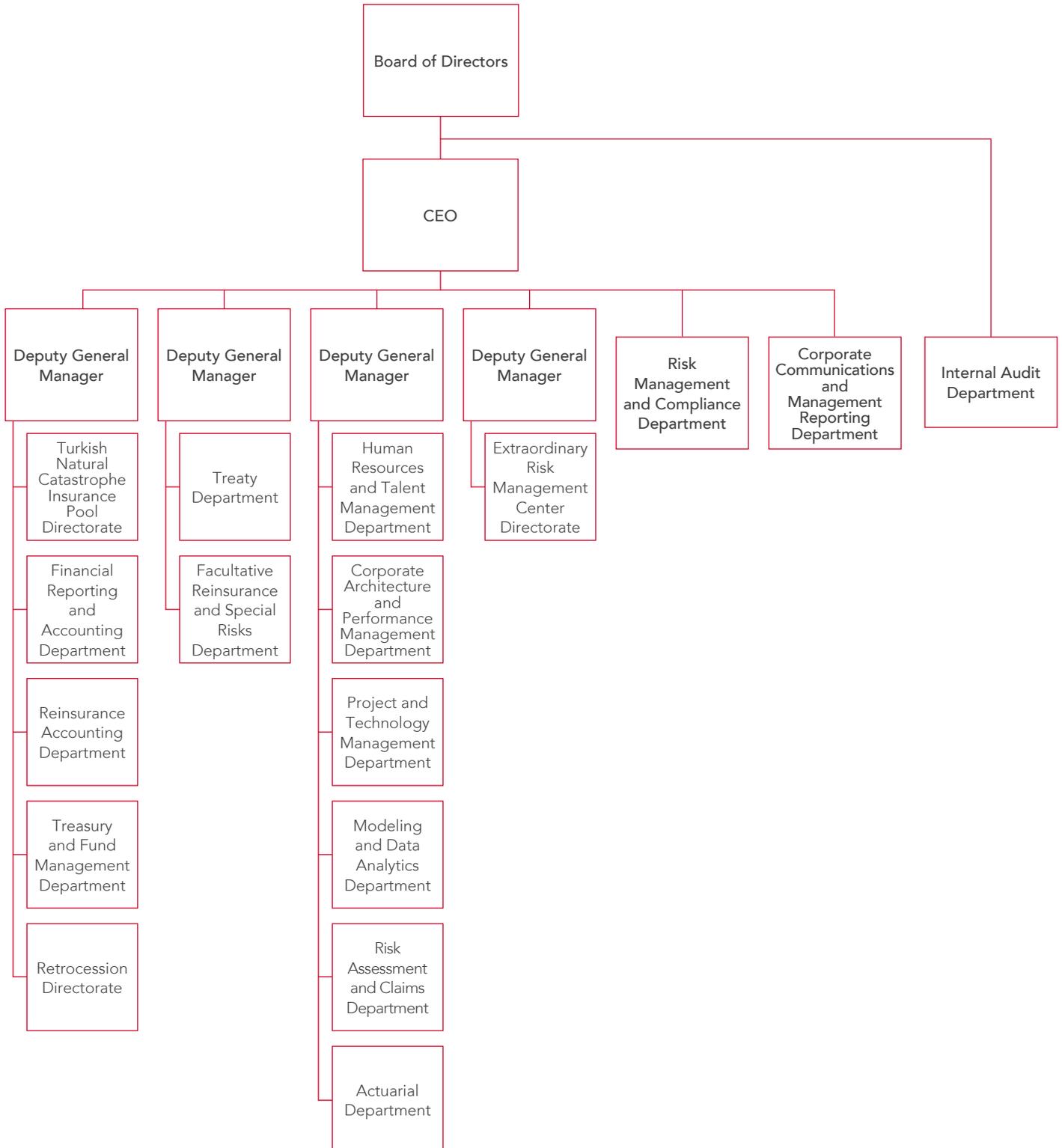
Hatice Dilek Oğuz Eker Financial Reporting and Accounting Manager

Hatice Dilek Oğuz Eker graduated from the Department of Mathematics at the Middle East Technical University in 2005 and completed a Master's degree in the Department of Financial Mathematics at the Middle East Technical University in 2008. She started her career at the National Productivity Center in 2007 and continued this duty for 11 months. She then started to work as a specialist in the reinsurance department at Anadolu Sigorta in 2008. She took on the responsibility of managing reinsurance operations and accounting at the same company until 2019, and was promoted to the position of supervisor. Hatice Dilek Oğuz Eker, who joined Türk Reasürans A.Ş. as the Manager of the Financial Reporting and Accounting and Reinsurance Accounting Departments as of September 2019 and continues to hold the same position, is fluent in English.

Orhun Emre Çelik Responsible Actuary

Mr. Orhun Emre Çelik completed his undergraduate degree from the Department of Industrial Engineering, Faculty of Business Administration at Istanbul Technical University in 1998. He started his professional career as an Assistant Actuary at the Insurance Supervisory Board in 1998 and was appointed as an Actuary in 2002. He left the Board in 2003 and started to work as the Chairman of the Inspection Board of Demir Finansal Grup Holding A.Ş. He worked as the R&D and Reinsurance Group Manager at Demir Hayat Sigorta A.Ş. between 2003 and 2004, as the Technical Group Manager at Sağlık ve Hayat Sigorta A.Ş. between 2004-2006 and as the Technical Coordinator at New Life Yaşam Sigorta A.Ş. between 2006-2009. He currently manages the consultancy company he founded in 2009. Orhun Emre Çelik has a good command of English.

ORGANIZATION CHART



HUMAN RESOURCES PRACTICES AT TÜRK REASÜRANS

Türk Reasürans aims to create high added value and provide a sustainable development area in the insurance and reinsurance industry with its competent human resources. In line with this goal, human resources practices at Türk Reasürans are based on merit-based recruitment, supporting the development areas of qualified employees with different qualifications and competencies, applying current human resources management methods to contribute to their career paths and always improving employee rights by conducting fair processes.

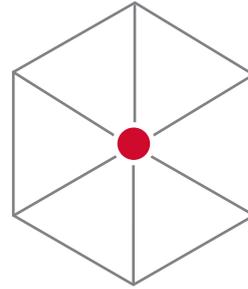
Occupational Health and Safety

The liabilities stipulated by the Occupational Health and Safety Law No. 6331 are fulfilled by the Human Resources and Talent Management Department within Türk Reasürans.

Türk Reasürans Employee Profile

The senior management team at Türk Reasürans consists of 5 people.

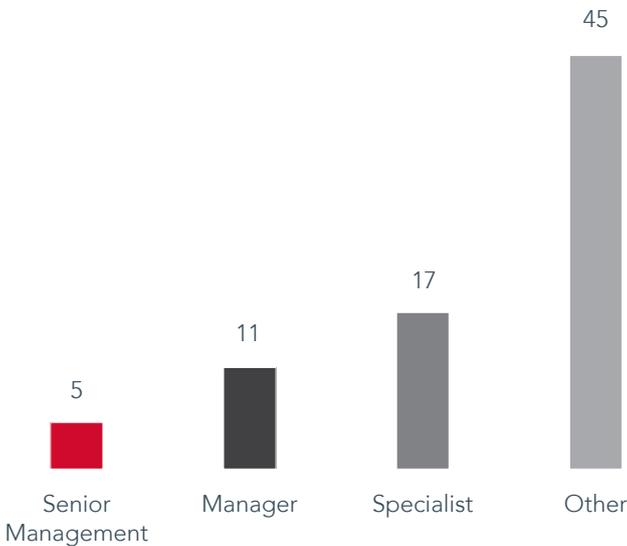
At the end of 2020, the Company had a total of 78 employees, including directors, managers, assistant managers, senior specialists, specialists, assistant specialists and support services personnel.



53%

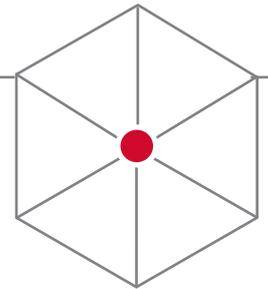
At the end of 2020, women accounted for 53% of employees at Türk Reasürans.

BREAKDOWN OF EMPLOYEES BY CATEGORY (As of 31 December 2020) (person)

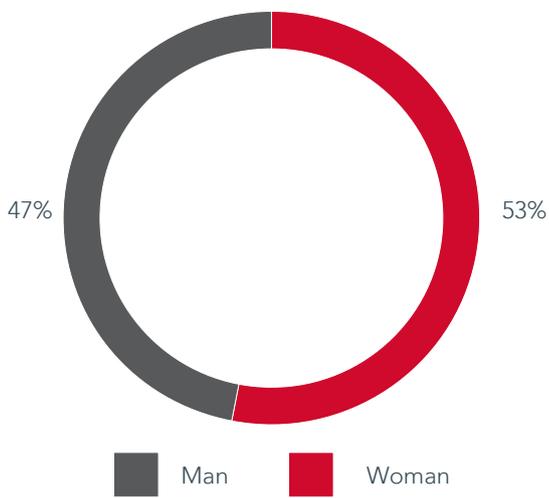


78

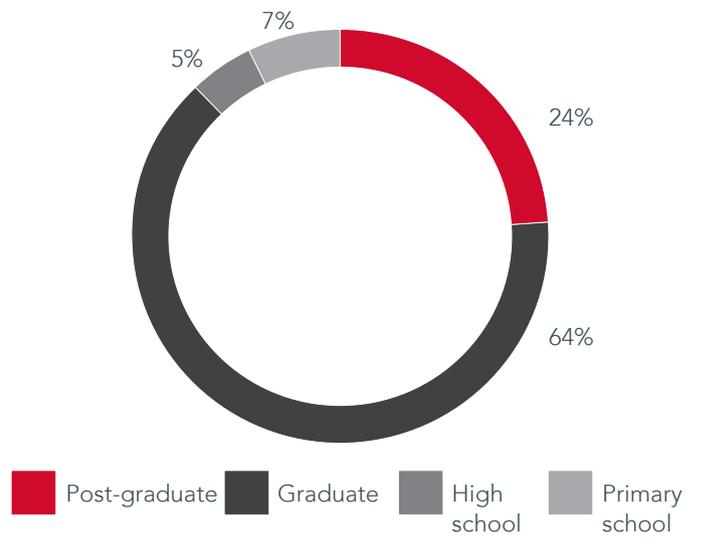
At the end of 2020, Türk Reasürans' human resources consisted of 78 people.



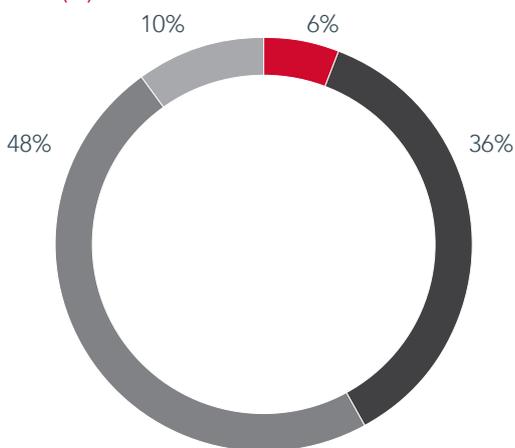
GENDER DISTRIBUTION (%)



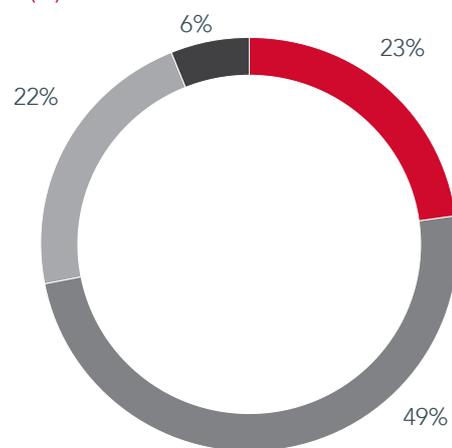
EDUCATIONAL STATUS DISTRIBUTION (%)



TITLE DISTRIBUTION (%)



AGE DISTRIBUTION (%)



■ Senior Management
 ■ Manager
 ■ Specialist
 ■ Other
 ■ 22-29
 ■ 30-39
 ■ 40-49
 ■ 50 and above

2020 ANNUAL REPORT COMPLIANCE STATEMENT

We confirm that Türk Reasürans A.Ş. 2020 Annual Report has been prepared in accordance with the principles and procedures enforced by the Regulation on the Financial Structures of Insurance, Reinsurance and Pension Companies published in Official Gazette numbered 26006 and dated August 7, 2007 and Regulation on Determining the Minimum Content of the Annual Report of the Companies published in Official Gazette numbered 28395 and dated August 28, 2012.

Istanbul, 21 April 2021



Prof. Dr. Cem Demiroğlu
Chairman of the Board of Directors



Zekiye Selva Eren
Member of Board of Directors and General Manager



Erdal Turgut
Assistant General Manager



Hatice Dilek Oğuz Eker
Financial Reporting and Accounting Manager

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of Türk Reasürans Anonim Şirketi,

1) Opinion

We have audited the annual report of Türk Reasürans Anonim Şirketi ("the Company") for the period of January 1 – December 31, 2020.

In our opinion, the financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Company are presented fairly and consistent, in all material respects, with the audited full set financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the 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 Annual Report 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) Our Auditor's Opinion on the Full Set Financial Statements

We have expressed an unqualified opinion in our auditor's report dated April 8, 2021 on the full set financial statements of the Company for the period of January 1 – December 31, 2020.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the preparation and fair presentation of these financial statements in accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Accounting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation" and designing and the "Communiqué on Individual Retirement Saving and Investment System" ("Communiqué") issued on August 7, 2007 dated and 26606 numbered, the management of the Company is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- b) Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Company,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

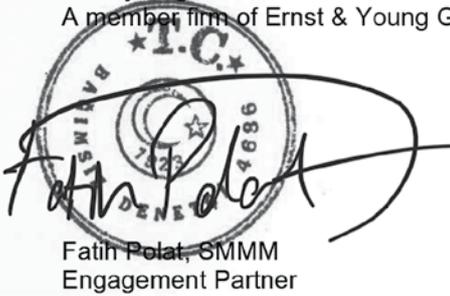
5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code, on whether the financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Company's audited financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and Insurance Accounting and Financial Reporting Legislation. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the financial statements.

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 21, 2021
Istanbul, Turkey

SUMMARY REPORT OF THE BOARD OF DIRECTORS

Dear Shareholder,

Before submitting Türk Reasürans's 2020 annual report and financial statements for your approval and comments, we would like to share some summary information concerning the developments which have occurred in the world and the Turkish economy, our industry, and our Company's activities and results during the reporting period.

The Covid-19 pandemic and the changes it has brought to in our lives left their mark on 2020.

While the global economy contracted by 3.3% according to IMF figures, production and trade on a global scale stagnated, especially in the second quarter of the year.

Thanks to growth in exports and production, Turkey's economy grew by 4.5% in the first quarter of 2020. However, as the Covid-19 pandemic started to spread in our country from March, lockdown and restrictive measures started to be imposed. After suffering a contraction in the second quarter, the Turkish economy notched up 6.7% growth in the third quarter of the year. The valuable experience gained while bringing the pandemic under control played a role in managing the rest of the year with the correctly judged actions. Our country's economy recorded 5.9% growth in the last quarter of 2020. With 1.8% GDP growth throughout the year, Turkey emerged as one of the few countries in the world to record positive growth during the pandemic.

According to data provided by the Association of Insurance, Reinsurance and Pension Companies of Turkey, the total premium production of the Turkish insurance industry amounted to TL 82.6 billion, increasing at a nominal rate of 19.3% in 2020 when compared to the total premium production in 2019. Premium production in the non-life segments increased by 17.7%, while premium production in the life segments increased by 27%. Real growth stood at 4.1% for the industry, 10.9% for the life segments, and 2.7% for the non-life segments.

In 2020, a year which passed under the shadow of the pandemic, the insurance and reinsurance industries extensively and rapidly adapted to the new normal. At the same time, the impact of global trends affecting our industry in recent years continued to be felt in the form of low profitability and a decline in investment revenues. Moreover, natural disasters caused claims, presenting additional pressure on balance sheets.

Türk Reasürans, the new participant in the reinsurance industry, confirmed its position as an assertive and highly motivated participant in the industry with its successful and rapid entry into the market under the challenging conditions of 2020.

The Company, which started facultative risk acceptances for the fire, engineering and liability branches in 2020, also provided a significant amount of capacity to the Agricultural Insurances Pool, which is one of the best examples in the world, during the year. The Company provided reinsurance support to Eximbank's loan receivables insurance regarding export loans.

In its first full year of operation, a total of TL 1.03 billion in gross premiums were written in 13 different main branches, while a claim payment of TL 248.1 million was made in the same period. With the effect of the investment income transferred from the non-technical segment, a technical profit of TL 99.4 million was recorded. At the end of the period, a net profit of TL 82.2 million was recorded with an asset size of TL 975.2 million as of the end of 2020. The year of 2020 was rounded off with a Return on Equity of 17.9% thanks to the equity size of TL 460 million.

Assigned as the Extraordinary Risks Management Center (ORYM-ERMC), Türk Reasürans also took over the Technical Operator role of TCIP from August 2020 and contributed significantly to the effective execution of pool activities in line with its founding objectives, the creation of structures that would meet the expectations of stakeholders, as well as increasing the capacity to pay claims.

B3i Services AG is the leading blockchain start-up in the insurance and reinsurance market, which aims to create corporate solutions for the insurance and reinsurance industry and to create an ecosystem which will bring the parties together with Distributed Ledger Technology. In 2020, Türk Reasürans became the first shareholder of B3i Services AG from Turkey.

Aiming to be the first global brand born from the Istanbul International Finance Center, Türk Reasürans aims to become a global player competing in international reinsurance markets. Our Company is poised to reach this goal with its healthy financial structure and competent staff.

In concluding our message, we present Türk Reasürans's 2020 annual report and financial statements for your approval and comments. We would like to thank the Management Team and all of our employees for their devoted work, contributing to our performance in 2020. On behalf of our Board of Directors, we would like to express our gratitude to you, our Shareholder, for your valuable and continuous support.

Türk Reasürans Board of Directors

INFORMATION ON THE BOARD OF DIRECTORS AND THE TOP MANAGEMENT

ABOUT THE BOARD OF DIRECTORS

The Türk Reasürans Board of Directors consists of one Chairman and four members.

Upon the call of the Chairman of the Board of Directors or the Vice Chairman of the Board of Directors to each member of the Board of Directors at least 15 days prior to the meeting date, together with the necessary and written agenda, by e-mail or registered letter with a return receipt, the Board of Directors convenes at least four times in the calendar year and whenever necessary with the majority of the total number of members.

In 2020, decisions were taken by our Board of Directors under 44 different headings. The Chairman of the Board of Directors and all members of the Board of Directors attended the meetings. The agenda of the Board of Directors Meeting is formed by the proposals submitted by the General Directorate, and matters other than the agenda are also discussed during the meeting, if deemed necessary.

ABOUT THE EXECUTIVE BOARD

The Türk Reasürans Executive Board consists of one CEO and four Deputy General Managers.

In accordance with the Board of Directors Decision dated 11 June 2020 and numbered 2020-06, the decision was taken to appoint Ms. Ebru Kır as the Deputy General Manager responsible for Local Treaty Acceptances and Facultative Reinsurance.

OTHER INFORMATION

Information on the transactions carried out by members of the management body with the company on behalf of themselves or another person within the framework of the permission given by the general assembly of the company and their activities within the scope of the prohibition of competition

During the 2019 Annual General Meeting of Türk Reasürans A.Ş. held on 14 August 2020, in accordance with Articles 395 and 396 of the Turkish Commercial Code, no decisions were taken regarding the Members of the Board of Directors to carry out work falling within the scope of the Company's area on behalf of themselves or another person, to be a partner in any companies which carry out such work, or to carry out other transactions. The members of the Board do not carry out any activities which could be considered to come within the scope of the prohibition of competition.

Financial rights provided to members of the Board and senior executives

The total amount of financial benefits such as attendance fee (per diem), remuneration, premiums, bonuses and profit share stood at TL 733,177 for the chairman and the members of the board of directors and TL 3,543,915 for the senior executives in the accounting period ending on 31 December 2020.

Information on the total amounts of allowances, travel, accommodation and representation expenses, in-kind and cash facilities, insurance and similar guarantees

In the accounting period ending on 31 December 2020, travel, accommodation, representation, in-kind and cash facilities were provided to the chairman and members of the board of directors and senior executives with a value amounting to TL 166,547.

AGENDA OF THE 2020 ANNUAL GENERAL MEETING

TÜRK REASÜRANS ANONİM ŞİRKETİ (THE COMPANY)

Agenda of the 2020 Annual General Meeting

1. Opening and creation of the meeting chairmanship
2. Reading and discussion of the annual report prepared by the Board of Directors and reading of the Independent Auditor's Report on the activities of 2020
3. Reading, discussion and approval of the year-end Balance Sheet and Income Statement for the 2020 activity and accounting period
4. Acquittal of the Members of the Board of Directors regarding their activities in 2020
5. Discussion and approval of the Profit Distribution table proposed by the Board of Directors regarding the 2020 profit
6. Granting permission to the Members of the Board of Directors in matters falling within the scope of the Articles 395 and 396 of the Turkish Commercial Code
7. Election of the Board of Directors
8. Determining the remuneration of the Members of the Board of Directors
9. Submission of the Board of Directors' Decision regarding the selection of the Independent Audit Firm to the approval of the General Assembly
10. Wishes and closing

COMPLETED AND ONGOING PROJECTS

Examples of work, which has been considered as projects since the establishment of Türk Reasürans and the commissioning of which has been completed, are given below.

- The Main Reinsurance Application (MRA) software development project
- Implementation of Enterprise Resource Planning (ERP)
- Data Center Setup
- E-Ledger implementation
- Treasury Insurance Surveillance System Web Service Integration
- Corporate Website

As of 31 December 2020, work continues on the following projects:

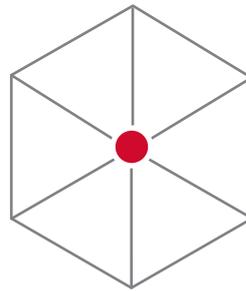
- Business Intelligence and Reporting project
- Catastrophic Modelling project

Catastrophic Modeling Project (CMP):

Türk Reasürans started work on the Catastrophic Modelling project in October 2020. Work on the software development and functional testing process continues. The project is aimed to calculate the structural and financial loss in insured risks depending on vibration-based danger arising from earthquakes. The software development and functional testing process continues in the 1st Phase Hazard module of the project, which operates in three phases.

Business Intelligence and Reporting Project:

Implementation work for the SAP BW and BO systems was initiated in October 2020. The commissioning process was completed in March 2021, and the required operational and financial reports were created by using reporting tools. The support process has continued since the project was brought into use.



MARCH 2021

The commissioning of the Business Intelligence and Reporting Project was achieved in March 2021.

INFORMATION ON INVESTMENTS UNDERTAKEN BY THE COMPANY IN THE RELEVANT ACCOUNTING PERIOD

Türk Reasürans started a project to develop a basic reinsurance information system in-house for the execution of principal reinsurance activities in 2019, when it was founded. As of April 2020, the 1st phase of the project was put into use. With the implementation of the other phases, the project was successfully concluded as of March 2021 and a software product covering end-to-end reinsurance activities was obtained, all property rights of which belong to Türk Reasürans. Improvements continue to be made on the product in line with current needs and opportunities.

In addition, the Company is developing a Catastrophic Risk Modelling Platform for modelling the earthquake, which is the biggest catastrophic risk faced by our country and our industry. It is thought that the said platform, which is planned to be put into use by the end of 2021, will make a significant contribution to the insurance activities carried out in Turkey and will increase the maturity and experience in the effective management of catastrophic risks.

DEVELOPMENTS IN THE ECONOMIC AND SECTORAL ENVIRONMENT

OUTLOOK IN THE GLOBAL ECONOMY

The Covid-19 pandemic has led to a significant worsening in the global growth outlook.

The years 2018 and 2019 witnessed changes in the basic balances of the world economy, and those years set the stage for trade wars and a slowdown in global growth, as well as a struggle to overcome the effects of these negative developments.

The world economy came to a standstill due to the measures taken to bring the Covid-19 pandemic under control in 2020. While the pandemic caused a shock both on the supply and demand sides, on a scale unprecedented for many years, the recovery in economic activity gained momentum with the normalization steps taken in the third quarter of the year.

The work on developing a vaccine was another factor which turned expectations positive. However, the number of cases, which started to rise again towards the last quarter of the year (2020), indicated that the risks to the medium-term outlook would remain high until the pandemic was fully brought under control.

The IMF updated its expectations for the world economy with its World Economic Outlook (WEO) report dated April 2021. The IMF lowered its contraction forecast for 2020, which it had previously determined as a 4.4% contraction, by 1.1 points in its October 2020 to a 3.3% contraction due to the faster than expected recovery in global economic activity seen in the second half of the year.

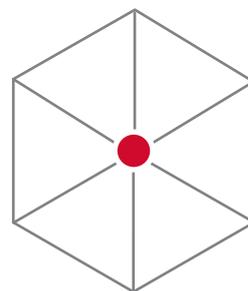
The IMF predicts that the global economy will grow by 6% in 2021 with this rate of growth easing back to 4.4% in 2022. The IMF states that the additional financial support announced in several major economies of the world and the accelerating vaccination rollout contributed to its optimistic 2021 and 2022 forecasts.

A loss of momentum in global trade volume

Before the Covid-19 pandemic struck, the main item on the agenda in global trade was the trade war between the USA and China. At the beginning of 2020, the two countries signed a First Stage Trade Agreement, and the parties postponed difficult issues such as reducing customs duties.

At the end of the year, the Brexit process in Europe was concluded with an agreement determining the legal framework of trade relations between the UK and the EU. However, economic, social and regulatory uncertainties between the UK and the EU continue, and it is thought that this situation may lead to a contraction in the economies of both the UK and the Euro Zone in the coming period.

According to the World Trade Organization (WTO) statement dated 31 March, 2021, the global goods trade volume contracted by 5.3% in 2020. The organization predicts that the global goods trade will grow by 8% in 2021 in parallel with the global economic recovery.



5.3%

Global goods trade volume contracted by 5.3% in 2020.

Inflation remained low in most developing countries throughout 2020

Inflation, which had been suppressed by weak domestic and foreign demand, remained low throughout 2020 and stayed close to its target. However, there are concerns that rising commodity prices and a potential recovery in demand could increase inflationary pressures for 2021.

Fiscal and monetary expansion in all countries within the framework of pandemic measures is another factor which may drive prices higher with the release of pent-up demand.

The currencies of many emerging countries depreciated significantly in 2020 when compared to the average of the last five years.

US Federal Reserve (Fed) ramps up its support to the economy

The US Federal Reserve (Fed) cut interest rates for the first time since 2008 without waiting for its ordinary monetary policy meeting. Announcing the unlimited purchase of bonds, the Fed also cooperated with other central banks to increase global US dollar liquidity through swap lines and repos.

The European Central Bank (ECB) did not change its monetary policy in 2020, maintaining a policy rate of 0% and a deposit rate of -0.50%.

Announcing strong monetary incentives throughout 2020, the ECB maintained its monetary support, with the release of EUR 500 billion for the Pandemic Emergency Purchasing Program (PEPP), which envisages the purchase of private sector and public sector debt instruments in the last month of the year.

About the future

A rapid recovery is expected in the global economy in 2021 from its low base in 2020, but economies are not expected to return to pre-pandemic levels until 2022. The vaccine rollout is expected to reach a sufficient level of protection worldwide with the widespread use of the vaccine and success of the vaccine rollout set to play a major part in the course of this recovery.

The policies adopted by the central banks of developed countries are expected to continue to support economic activity in 2021. It is thought that this situation will provide a positive environment in terms of financing resources for the economies of developing countries; nevertheless, country specific risks will determine the direction of capital flows.

On the other hand, current issues such as the extent to which lockdowns and the restrictions to be implemented will affect economic activity, how expansionary policies can support economic activity, and in which direction commodity prices will move will continue to be the main sources of uncertainty facing the economy in the first half of 2021.

DEVELOPMENTS IN THE ECONOMIC AND SECTORAL ENVIRONMENT

OUTLOOK FOR THE TURKISH ECONOMY

The Turkish economy has moved in line with global trends during the pandemic

Having got off to a strong start in 2020, the Turkish economy lost momentum in parallel with global trends under the impact of the pandemic, and underwent a challenging year, like the rest of the world.

The Turkish economy, which grew by 4.5% in the first quarter of the year, contracted sharply by 10.3% in the second quarter, when the effects of the pandemic were felt most profoundly. Gross Domestic Product (GDP) bounced back strongly in the third quarter when the economic and tangible measures started to bear fruit, with GDP surging by 6.3%. With the 5.9% increase in the fourth quarter of the year, annual GDP growth ended the year with 1.8% growth compared to the previous year.

A breakdown of the activities which constitute Gross Domestic Product shows that industries (other than professional, administrative and support service activities, services and the construction industry) contributed positively to the annual growth of the economy.

GDP growth demonstrated that the Turkish economy posted a stronger than expected recovery thanks to the supportive measures taken and the relaxation of lockdown restrictions in the third quarter of the year. In addition to the success achieved in vaccine development on a global scale and the speed of the vaccine rollout, the measures implemented within the scope of tackling the pandemic in the country are expected to play a determining role in the course of economic activity in the coming period.

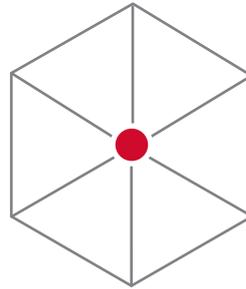
Strengthening tightening policies

Adopting a supportive monetary stance in the first half of 2020, the CBRT gradually reduced the policy rate from 12.00% at the beginning of 2020 to 8.25% in May. In the second half of the year, there was a shift in the CBRT policy, with the policy rate rising to 10.25% in September and to 15% in November. In December, the CBRT strengthened its monetary tightening in a bid to support the disinflation process with urgency and brought the policy rate to 17%. A more stable progression in exchange rates is expected to emerge in 2021 with the contribution of the CBRT's tightening monetary policy and global liquidity conditions. This situation is expected to contribute to a balancing of domestic demand by increasing the tendency towards the saving in TL in the country, which may help alleviate inflationary pressures.

The New Economic Program

In the New Economic Program for 2021-2023, which was announced in September 2020, inflation was determined as the main front. According to the primary objectives of the program, a permanent balancing in the current account will be established, with a continuation of policies which will render the country's economy more resilient against internal and external shocks and efforts to create a new financial architecture based on financial stability and security.

According to the NEP, it is estimated that the Turkish economy will grow by 5.8% in 2021 with inflation on course to decrease to 8% by the end of 2021.



5.8%

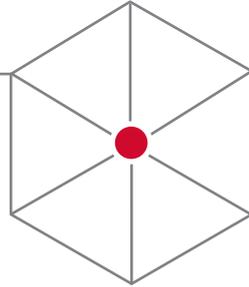
According to the NEP (New Economic Program), the Turkish economy is projected to grow by 5.8% in 2021 with inflation decreasing to 8% by the end of 2021.

THE INSURANCE AND REINSURANCE INDUSTRIES IN THE WORLD

The Covid-19 pandemic has affected the insurance and reinsurance industries from different aspects. The global insurance industry has demonstrated stronger resistance to the recession in 2020, contrary to the projections set out at the beginning of the year, and has turned the digital transformation, which gained pace due to the strict restrictions imposed due to the pandemic, into an opportunity. As a matter of fact, with the effective use of digital channels by insurance companies, growth was realized in the market for individual products in developed markets, surpassing expectations.

3.6%

In 2021-2022 period, a recovery of 3.6% is predicted in the non-life segment in the 2021-2022 period, due especially to the stronger momentum in commercial insurance.



While the pandemic put pressure on the solvency and liquidity of insurance and reinsurance companies, it led to a decrease in premium production and profitability.

Demands for compensation increased due to deaths resulting from Covid-19 in the life segment. The largest portion of non-life claims has arisen from business interruptions because of event cancellations. Business interruption has also precipitated a significant volume of damage claims in commercial loan insurance policies. In contrast, the reductions in mobility and travel restrictions under the lockdowns imposed because of the pandemic have led to a reduced frequency of claims, particularly in motor vehicle insurance policies.

After a stronger-than-anticipated first half, according to Swiss Re, which revised its growth forecasts upwards, especially in developed markets, global non-life premium growth remained positive at 1.3% in 2020, while life premium production contracted by 4.5%.

In 2021-2022 period, a recovery of 3.6% is predicted in the non-life segment as the rebound gains momentum, especially in commercial insurance products. On the other hand, the life segment is expected to attain an annual average growth of 3%.

The USA is still the world's largest insurance market. Despite this, China will continue to be the fastest growing insurance market in the world, where non-life premiums are expected to increase by an average of 10% per year in the next two years, largely thanks to its strong health insurance segment. Emerging markets are expected to chalk up an average of around 7.6% growth in non-life premium generation over the same period. Life segment premiums are expected to grow by 8.5% in China in 2021, where a strong recovery is expected. Moreover, an average of 7% growth is expected in the emerging markets in the next two years.

DEVELOPMENTS IN THE ECONOMIC AND SECTORAL ENVIRONMENT

Increased risk awareness after Covid-19 will be the main driver of the recovery in the industry. The rapid adoption of digital insurance stands out as another key factor. In particular, the increasing access to individual products such as auto and housing insurance through digital channels will have a positive impact on premium production.

In 2020, which was a very challenging year in terms of natural disasters as well as the pandemic, global financial losses arising from natural disasters amounted to USD 190 billion. Insured losses stood at USD 81 billion (2019: USD 54 billion), with an average of USD 74 billion in insured losses over the last 10 years.

As climate change and associated extreme weather events increase their importance for the insurance and reinsurance industries, one point that stands out is that all of the first 5 risks, in order of their probability of occurrence, are related to the environment and climate change according to the 2020 Global Risk Report.

In 2020, in addition to hurricanes in the USA, severe hailstorms in Australia and Canada, seasonal tropical cyclones in India and Bangladesh, unusually heavy monsoon rains with major storms affecting Asia, large scale locust swarms leading to the damage to crops and vegetation in Africa, Hurricane Ciara in Europe and material damages caused by record breaking temperatures in the Arctic Circle were the disasters that drew attention to the extent of the climate crisis.

In the coming period, the development of parametric commercial products which contain guarantees against both the risks of extreme weather events and contagious diseases will gain importance and become a growing trend.

OUTLOOK FOR THE TURKISH INSURANCE INDUSTRY

The total premium production of the Turkish insurance industry in 2020 increased by 19.3% in nominal terms compared to the total premium production in 2019 and amounted to TL 82,576 million. Premium production of the non-life segments increased by 17.7% compared to the previous year to reach TL 68,144 million, while their share in total production stood at 82.5%. Premium production in the life segment, on the other hand, increased by 27% to reach TL 14,432 million, with a 17.5% share in total production.

While the real growth for the industry in general stood at 4.1%, it stood at 10.9% in the life segment and 2.7% in the non-life segment.

The insurance industry managed the process most effectively under the extraordinary conditions caused by the Covid-19 pandemic. Thanks primarily to taking every precaution for its employees, customers and business partners, the insurance industry has ensured business continuity and adopted the remote working model by using digital opportunities as much as possible. Meanwhile, with the support of the state, the Insurance Association of Turkey and insurance companies stood by those who are insured, with quick measures such as postponing premiums in compulsory insurance, providing additional discounts and expanding coverage of guarantees. Even though it is out of coverage, the industry considered the diagnosis and treatment expenses arising from Covid-19 to be within the scope of health insurance policies.

Despite the nominal growth of 9.5% in the Land Vehicles Liability and 14.2% in Land Vehicles insurance policies, as a result of the premium production in these two areas, which are the driving force of the non-life segment, the Land Vehicles Liability segment contracted by 4.5% and the Land Vehicles contracted by 0.4% in real terms as a result of the relatively low level of vehicle sales and ongoing price ceiling. Fire and Natural Disasters insurance products, which have a significant share in premium production, recorded nominal growth of 25.3% and a real growth rate of 9.4% due to an increase in housing sales, increased awareness of earthquakes and the new earthquake tariff. In the health insurance segment, on the other hand, with the contribution of the increase in demand for Private Health and Complementary Health insurance products, nominal premiums increased by 20.8% and real premiums by 5.4%.

The effects of the pandemic on health, commercial life and digitalization are also monitored in the demand for products. In the non-life segment, interest in Private and Complementary Health Insurances is increasing on the back of the increased awareness and the industry's renewed confidence in this branch.

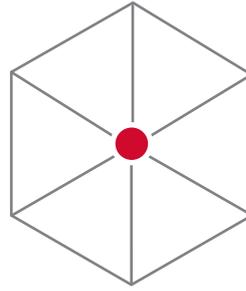
State Supported Loan Receivable Insurance products started to stand out among receivables insurance products as a result of the economic conjuncture and restructuring and functionalization of state support. Cyber risks have grown with the shift towards digital channels and the adoption of digital business models, and this area is expected to gain strong momentum for Cyber Insurance products.

The development of participation insurance in our country continued to gain momentum with the legal regulations which entered force and the support of the public, and the share of the participation insurance segment in total premium production reached 5% in 2020.

In 2020, two important steps were implemented in terms of the development of the industry. The first of these was the launch of the Insurance and Private Pension Regulation and Supervision Agency (SEDDK), which was established to carry out the duties of regulation and supervision of the insurance and private pension industries. The Agency will provide an important contribution in terms of taking faster decisions to meet the needs of the industry and more effectively and efficiently capitalizing on the potential of the industry.

Another development has been the merger of public insurance and pension companies under the umbrella of the Türkiye Sigorta and Türkiye Hayat Emeklilik companies, in an important step taken towards the growth of the non-bank financial system. This merger is expected to have a positive impact on the development of new products in different fields as well as the industry's work volume.

In the coming period, the initiatives to insure large infrastructure projects in cooperation with the public and private sectors, to increase the prevalence of the Agricultural Insurances Pool (TARSİM) and to increase the insurance rate in industrial enterprises and the SMEs will increase the share of the industry and its effectiveness in the economic cycle within the scope of the New Economic Program.



5%

The development of participation insurance in our country continued to gain momentum with the legal regulations that entered force and the support of the public sector, and the share of the participation insurance segment in total premium production amounted to 5% in 2020.

DEVELOPMENTS IN THE ECONOMIC AND SECTORAL ENVIRONMENT

| Branch Name | 2020 | | 2019 | | Change (%) | Real Change (%) |
|----------------------------|-----------------------|------------------|-----------------------|------------------|-------------|-----------------|
| | Total Production (TL) | Market share (%) | Total Production (TL) | Market share (%) | | |
| Accident | 2,237,228,258 | 3.28 | 2,372,741,294 | 4.10 | -5.71 | -17.72 |
| Illness-Health | 10,095,658,299 | 14.82 | 8,358,100,508 | 14.44 | 20.79 | 5.40 |
| Land Vehicles | 10,737,408,691 | 15.76 | 9,406,268,988 | 16.25 | 14.15 | -0.39 |
| Rail Vehicles | 15,272 | 0.00 | 13,280 | 0.00 | 15.00 | 0.35 |
| Aircraft | 369,664,551 | 0.54 | 223,854,250 | 0.39 | 65.14 | 44.10 |
| Water Vehicles | 621,688,667 | 0.91 | 413,511,536 | 0.71 | 50.34 | 31.19 |
| Marine | 1,204,301,235 | 1.77 | 950,787,872 | 1.64 | 26.66 | 10.53 |
| Fire and Natural Disasters | 10,585,802,519 | 15.53 | 8,447,104,595 | 14.59 | 25.32 | 9.35 |
| General Losses | 7,962,465,095 | 11.68 | 5,876,737,145 | 10.15 | 35.49 | 18.23 |
| Land Vehicles Liability | 20,487,192,290 | 30.06 | 18,712,174,135 | 32.33 | 9.49 | -4.46 |
| Aircraft Liability | 298,548,469 | 0.44 | 263,898,565 | 0.46 | 13.13 | -1.28 |
| Water Vehicles Liability | 57,810,503 | 0.08 | 44,655,983 | 0.08 | 29.46 | 12.96 |
| General Liability | 2,189,994,820 | 3.21 | 1,712,228,206 | 2.96 | 27.90 | 11.61 |
| Credit | 399,061,225 | 0.59 | 304,281,300 | 0.53 | 31.15 | 14.44 |
| Direct Bail | 123,951,705 | 0.18 | 92,177,756 | 0.16 | 34.47 | 17.34 |
| Financial Losses | 547,980,509 | 0.80 | 505,294,367 | 0.87 | 8.45 | -5.37 |
| Legal Protection | 224,970,145 | 0.33 | 198,465,014 | 0.34 | 13.36 | -1.09 |
| Support | 1,928 | 0.00 | 158,666 | 0.00 | -98.78 | -98.94 |
| Non-Life Total | 68,143,744,181 | 82.5 | 57,882,453,461 | 83.6 | 17.7 | 2.7 |
| Life Total | 14,431,913,855 | 17.5 | 11,359,715,131 | 16.4 | 27.0 | 10.9 |
| Grand Total | 82,575,658,036 | 100.0 | 69,242,168,593 | 100.0 | 19.3 | 4.1 |

Source: It was prepared according to the data published by the Insurance Association of Turkey on 22 February 2021.

OVERVIEW OF THE TURKISH REINSURANCE MARKET AND THE PLACE OF TÜRK REASÜRANS IN THE INDUSTRY

In 2020, which was a year marked by the pandemic, insurance and reinsurance industries were in a process of intensively adapting to the new normal. On the other hand, the reinsurance industry, which has struggled with low profitability and a decline in investment revenues in line with global trends in recent years, has felt the additional pressure on balance sheets caused by natural disasters as well as the pandemic caused damages.

As a result of this development, reinsurers sought to overcome the financial problems they had encountered in their renewals for 2021 by revising their prices upwards and by reviewing the terms of the agreement. In this context and in parallel with global practices, exemption articles on contagious disease and cyber risk have been added to reinsurance agreements in all segments.

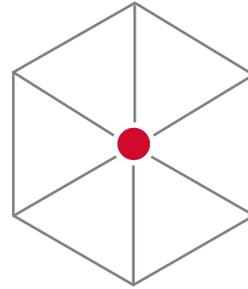
Natural disasters which occurred in 2020 also affected the sector. The first events to come to mind were the earthquake to strike Elazığ and its surroundings on 24th January, causing loss of life and property, and the floods which affected different regions of our country, especially the Black Sea region, during the summer months, and the Izmir Earthquake, which struck on 30th October.

Treaty capacities and event limits were established by considering factors such as the structure of portfolios, mega and regional trends observed in natural disasters and economic growth expectations. On the other hand, the developments experienced on a global scale led to a significant loss of risk appetite among large global reinsurers towards proportional agreements.

While there was growth in the fire segment in terms of premium distribution of proportional reinsurance agreements in 2020, more limited growth was realized in the accident segment due to the decrease in investments, the stagnation in the construction sector and the pandemic. In the non-proportional agreements segment, exchange rate movements and economic trends played a role as well as developments in the cumulative and model results of each company.

The Turkish insurance and reinsurance industries successfully managed these special conditions of 2020, which were summarized above, and the partial contraction in the economy.

The new participant in the reinsurance sector, Türk Reinsurance successfully and rapidly entered into the business line under the new normal market conditions, confirming that it is an assertive participant in the industry with its transactions in both the domestic and foreign markets.



ADAPTATION

In 2020, which was a year marked by the pandemic, the insurance and reinsurance industries rapidly adapted to the new normal.

2020 REALIZATIONS AT TÜRK REASÜRANS

Providing a positive contribution to the insurance industry

Türk Reasürans, which started its operations in 2019 with its strong capital, experienced staff and the aim of being the first global brand born from the Istanbul International Finance Centre, has a vision of becoming a global player competing in international reinsurance markets as well as providing domestic capacity.

Türk Reasürans started facultative risk acceptances for the fire, engineering and liability segments from 1 January 2020.

In 2020, the Company laid the foundations of a homogeneously distributed, balanced and profitable facultative portfolio by serving all its business partners within the framework of constructive, agile and open communication principles. With the activities carried out in line with the "You Locally Risk, We Globally Value" discourse, it also aimed to assure the operations and commercial interests of the Turkish business world abroad.

In Turkey, facultative capacity was provided to the industries that can be considered as the driving force of our economy, such as energy production, transportation, communication, tourism and finance, including the defence industry, and Türk Reasürans supported the operational continuity of these industries.

Türk Reasürans provided capacity for the Turkish interests in many countries on different continents and contributed to the objective of exporter of assurance.

Having provided a significant amount of capacity to the Agricultural Insurances Pool, which is one of the best examples in the world, Türk Reasürans also provided reinsurance support to Eximbank's loan receivables insurances for export loans.

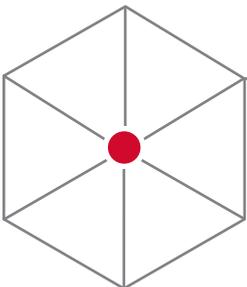
Successful work in the Treaty segment

Türk Reasürans took part in 37 different treaties for 21 customers, 18 of which were insurance companies, in 2020. Türk Reasürans supported 22 proportional and 15 excess of loss contracts of domestic companies.

On the basis of the net written premiums in the domestic reinsurance market, Türk Reasürans managed to capture a 38% share by the end of 2020. This performance achieved by the Company in its first full year of operation reflects the support it provided to the national economy by contributing to the reduction of premium transfers abroad, which causes net foreign currency outflow.

In 2020, which passed under the shadow of the Covid-19 pandemic and marked a period when working conditions and ways of doing business changed radically, Türk Reasürans realized a rapid entry into the digital world and undertook projects which reinforced its value generation. In the coming period, Türk Reasürans will focus on increasing its contribution to the Turkish economy by continuing its services in the treaty and facultative acceptance segments within the framework of the corporate culture that it has laid the foundations for.

Türk Reasürans was appointed as the Extraordinary Risks Management Centre (ERMC) in 2020 and played a key role in redesigning the State Supported Loan Receivables Insurance into an effective structure which is responsive to the market needs. In the same period, the Company was also assigned to carry out work and transactions related to premium and loss sharing within the scope of the Communiqué on the Procedures and Principles Regarding the Institution Contribution in the Problematic Financial Liability Insurance Regarding Medical Malpractice and the ERMC work and



37

In 2020, Türk Reasürans took part in 37 different treaties of 21 customers, 18 of which were insurance companies. Support was extended to 22 proportional and 15 excess of loss contracts of domestic companies.

transactions regarding the Compulsory Personal Accident Insurance for Mining Employees.

With its work implemented in 2020, Türk Reasürans contributed to insurance companies through cost management, both by improving competition and by offering alternatives.

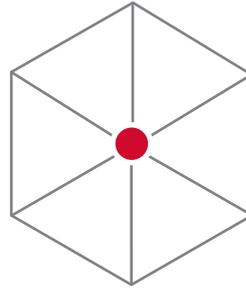
A key role in catastrophic risks - Technical Operatorship of TCIP

The biggest catastrophic risk which Turkey is exposed to is earthquake risk.

As of August 2020, Türk Reasürans, which was appointed as the Technical Operator of TCIP, started to provide all necessary support to contribute to the effective management, transfer and modelling of earthquake risk.

The role of Technical Operatorship also includes providing awareness activities on earthquake risk, implementing models by providing the necessary capacities to render the risk manageable and increasing the rate of insurance cover against earthquake risk. Within the scope of Technical Operations, Türk Reasürans provides significant support to both technical infrastructure work and the creation of competent teams, as well as meeting the needs of TCIP, and aims for sustainability of the work during its term of office.

Türk Reasürans aims to raise the bar in the service it provides having taken on the TCIP model, which is a very successful example alongside world examples. In this regard, the Company has determined the priorities of increasing the claim payment capacity of the pool and, most importantly, increasing the rate of insurance cover, currently 57%, to 100%, and ensuring no households are left uninsured.



TCIP

Türk Reasürans aims to further raise the bar in service having taken the baton in the TCIP (Turkish Natural Catastrophe Insurance Pool) model, which is a very successful example alongside other examples in the world.

2020 REALIZATIONS AT TÜRK REASÜRANS

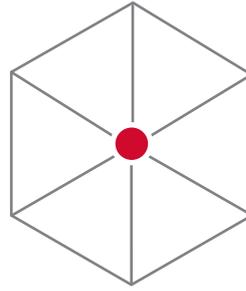
A strong contribution to the TCIP claim payment capacity

The first phase of the action plan developed by Türk Reasürans within the scope of the TCIP assignment was to increase the claim payment capacity of the pool. The factors determining the claim payment capacity of the pool are the earthquake reserves which TCIP accumulates and directs for investment, and the reinsurance protection provided by international companies.

Although a large part of our country is exposed to earthquake risk, the body of scientific research indicates that the biggest disaster which could be experienced would be a large earthquake in the Marmara region, affecting Istanbul. Türk Reasürans conducted its calculations based on an earthquake occurring in the region, in order to be prepared for the worst-case scenario. It has shaped its agreements in line with the effort to find the optimal solution with the combination of both TCIP's existing resources and the reinsurance protection to be provided.

Türk Reasürans successfully established reinsurance agreements for the 2020-2021 period by creating the reinsurance program which will provide optimum benefit to TCIP. The two most important developments achieved in the establishment of the program were the conversion of the reinsurance program to Turkish Lira and the increase in the total coverage amount. Since the insurance fees, premiums and claim payments in the policies issued by TCIP are all denominated in TL, the program was designed and implemented in TL terms for the first time since the establishment of TCIP.

As a result of the work carried out, TCIP's total solvency for claim was increased from TL 25 billion to around TL 40 billion with the excess of loss reinsurance agreement and funds, which also includes structured reinsurance solutions. In addition, the work aims to ensure readiness in advance of a possible change by regularly monitoring TCIP's liabilities arising from the policies.



TL 40
BILLION

As a result of the work carried out, TCIP's total solvency for claim was increased from TL 25 billion to around TL 40 billion with the excess of loss reinsurance agreement and funds, which also includes structured reinsurance solutions.

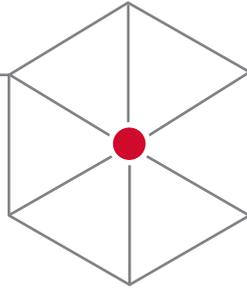
The Natural Catastrophe Insurance Pool (TCIP), which was established in 2000, is a public institution with a legal identity which is responsible for the ownership, implementation and management of Compulsory Earthquake Insurance in our country.

Since its establishment, TCIP was managed by Milli Reasürans for the first five years, and by Eureko Sigorta in the following periods, with the "Technical Operation" model. With the establishment of Türk Reasürans, the Technical Operator of the TCIP was entrusted to Türk Reasürans as of August 2020, with the aim and purpose of establishing and preserving corporate memory, creating synergy between similar pools and, most importantly, benefiting from economies of scale.

For detailed information, refer to: <https://www.dask.gov.tr/>

100%

Türk Reasürans's main goal regarding the development of TCIP is to reach 100% insurance coverage.



The importance of increasing the being TCIP insured rate

Another main objective in the development of TCIP is 100% insurance cover. Achieving this rate will be possible with the joint effort and cooperation of brokers in addition to TCIP, the Technical Operator, the regulatory authority (the SEDDK) and other insurance companies, and most importantly, by raising awareness among the general public with regard to insurance.

In this regard, the first convenience provided to the insured was not increasing the policy premiums to be implemented in 2021. In line with the favorable views of the Republic of Turkey Ministry of Treasury and Finance, Türk Reasürans kept the premiums which will be paid by the insured at the same level, even though the insurance coverage increase at a rate equal to the rate of inflation. In addition, incentive campaigns for companies and insurance brokers, which provide a large part of TCIP production, and a series of advertising and promotional activities to be carried out to raise public awareness have been planned, and will be implemented in the first half of 2021.

The Catastrophic Earthquake Modelling Platform Project

Modelling of catastrophic risks constitutes one of the most fundamental building blocks of risk management in the industry.

Türk Reasürans launched the 'Catastrophic Earthquake Modelling Platform' project at the end of 2020. The Company's goal is to be able to conduct earthquake modelling for the insurance companies it works with, as well as TCIP, by the end of 2021.

Türk Reasürans employs a team in which a majority consists of modelling experts, who carry out their project work under the technical guidance of academics experienced in earthquake modelling. The Company provides the resources needed by the team, and the development work of the software platform continues actively. Türk Reasürans shapes the software and hardware, on which the model will run, in an architecture where it can integrate machine learning and deep learning competencies.

2020 REALIZATIONS AT TÜRK REASÜRANS

Extraordinary Risks Management Centre (ERMC) and State Supported Receivables Insurance (SSRI)

Assigned as the Extraordinary Risks Management Centre (ERMC), Türk Reasürans renewed the State Supported Receivables Insurance (SSRI) structure, rendering it a product that could respond more comprehensively to market needs.

As in other OECD member countries, SMEs in Turkey constitute the majority of the total enterprises in the country. It is predicted that the trade volumes of the SMEs, which constitute 99.8% of enterprises in Turkey, will expand with the guarantees they receive thanks to this product, and thus, a great contribution can be provided to the sustainable growth of the Turkish economy.

The State Supported Receivables Insurance (SSRI) System for SMEs entered effect on 1 January 2019, providing coverage to micro and small businesses.

Türk Reasürans was appointed as the Extraordinary Risks Management Centre in order to operate the State Supported Receivables Insurance System with effect from 23 May 2020, in order to meet the demands of the market for both higher coverage limits and scope for medium-sized enterprises, and to restructure the system and establish a reinsurance structure.

For the development of the System;

- In order for all SMEs to benefit from the system, the turnover criterion was increased from TL 25 million to TL 125 million.
- Reinsurance protection was provided to the System by procuring capacity from nominal reinsurers present in local and international markets.
- The software and infrastructure requirements necessary to ensure the increasing coverage structure in parallel with the scope expansion were completed together with the Insurance Information Centre. At the same time, data

sources were diversified with measures to ensure more comprehensive data could be accessed in the creation of the coverage structure.

- In order to determine the framework of state support, coordinated work was carried out with the relevant institutions in the preparation of the Presidential Decree.
- Sales support and customer relationship management teams were formed in order to support the sales and marketing of the product.

With the completion of these developments, risk analyses were carried out for companies which SMEs currently work with and will work with during the policy period, and thus Türk Reasürans helped SMEs work with the right customers where these customers would be constantly monitored, accordingly providing a risk prevention service.

The SSRI provides collection services to SMEs which conduct forward sales within the scope of the insurance coverage limit given, but cannot collect their receivables when due, for which the SSRI covers all legal expenses. The SSRI also provides SMEs with a significant advantage in terms of strengthening their cash flow and increasing their credibility with financial institutions.

Türk Reasürans was appointed as the Extraordinary Risks Management Centre in order to operate the State Supported Receivables Insurance System with effect from 23 May 2020.

Türk Reasürans achieved significant success with the SSRI application, which it redesigned and rendered more effective in line with its capacity as the ERMC which it took on in June 2020. In this context, gross written premiums increased by 166% compared to the previous year, and approximately TL 6 billion in insurance coverage were provided to the market.

Türk Reasürans also maintains its efforts to increase the effectiveness of the Compulsory Liability Insurance Regarding Medical Malpractice and the Compulsory Personal Accident Insurance for Mining Employees, whose activities are still conducted under the umbrella of the ERMC, and to transform them into a structure which meets the expectations of policyholders.

Healthy and well-constructed retrocession agreements

The primary mission of Türk Reasürans is to increase the domestic reinsurance capacity it offers and to expand the reinsurance service to a wider base by diversifying the risks for which a coverage is provided. In this context, in addition to its strong capital structure, the Company enters into retrocession agreements in order to protect loss load, especially related to natural disaster risks.

Individual transfers abroad, especially by industry players, are gathered under a single roof within Türk Reasürans. With a wholesale approach, the costs of retrocession agreements are reduced while the capital structure is protected and strengthened by preventing possible financial fluctuations with the protection provided.

With the healthy portfolio structure which was created and is gradually growing, Türk Reasürans aims to achieve sustainable, balanced and optimal technical results. Thanks to this strategy, the coverages offered to the market increase and the ability to pay claims is strengthened in parallel with the continuously developed equity size.

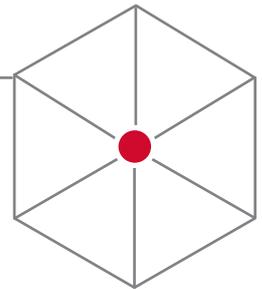
Türk Reasürans follows a conservative approach in calculating retrocession capacity. In addition to internationally accepted modelling tools, the Company supports this area with the structure and methods it has positioned within its structure. With interim analyses, it conducts work on the determination of the risk load and the actions to be taken throughout the year.

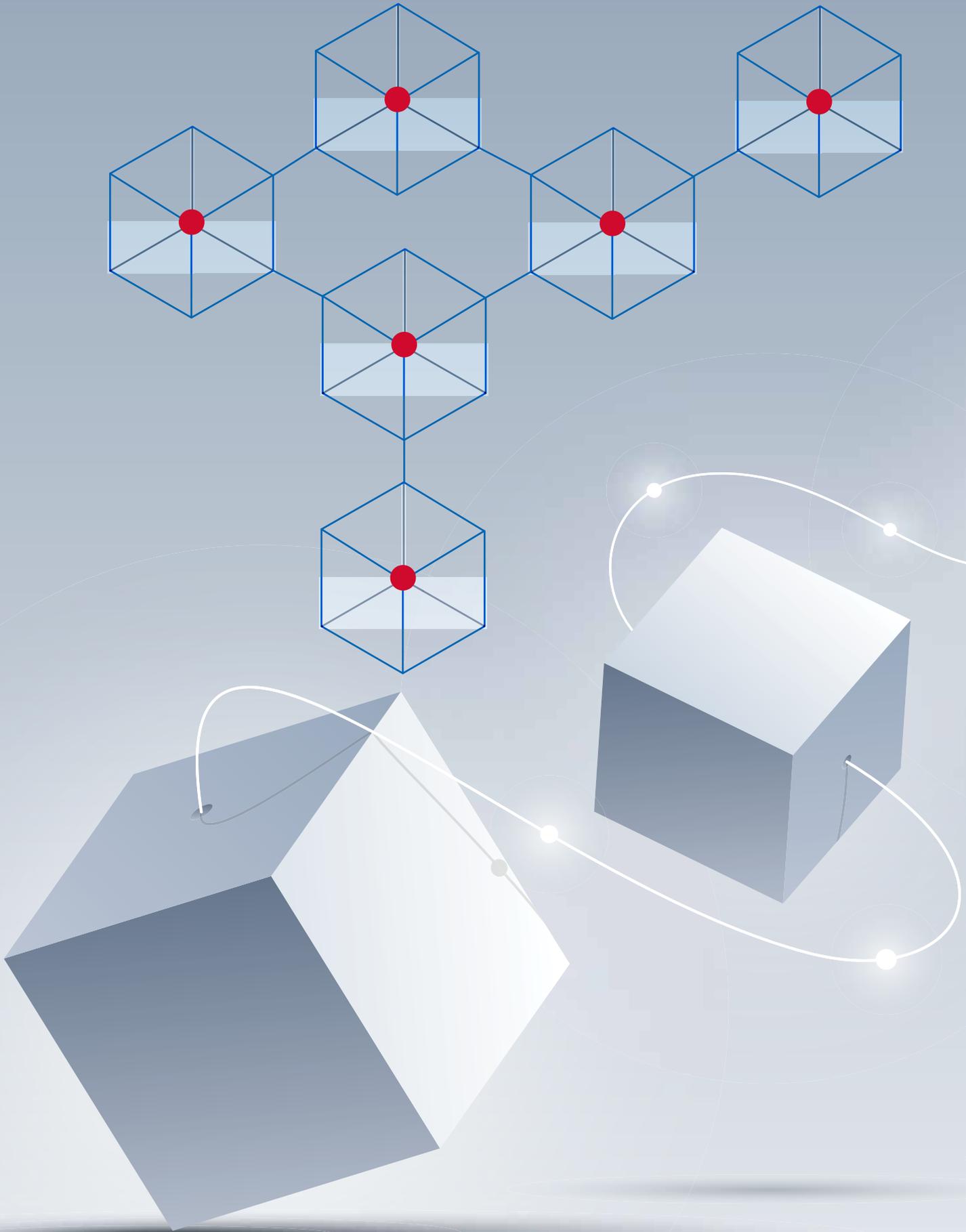
In addition to the agreements, which are extensive in scope and content, it is important that the retrocessionaries participating in the agreement consist of financially strong companies from different regions. As well as ratings from international rating institutions such as Standard & Poors and/or AM BEST's, evaluations regarding retrocessionaries' financial positions and payment performances are also conducted in the selection of retrocessions.

In addition, priority is given to retrocessionaries which fulfil their commitments correctly and on time, have good references in the industry, with whom mutual trust can be established within the framework of long-term cooperation due to the nature of reinsurance, and with whom a discourse can be established on issues such as experience and know-how.

166%

Türk Reasürans increased its gross written premium generation by 166% compared to the previous year, and provided approximately TL 6 billion in coverage to the market within the scope of the SSRI, which it redesigned and rendered more effective in line with its duty as the ERMC.







WE ARE FOCUSED ON TECHNOLOGY

We strive to provide quality services with a strong value proposition to the Turkish reinsurance market and our stakeholders.

FINANCIAL STATUS

ASSESSMENT OF FINANCIAL STATUS, PROFITABILITY AND SOLVENCY STRENGTH

Having started its operations as of 6 September 2019, Türk Reasürans began to realize reinsurance business acceptance agreements, which constitute its core business as of 1 January 2020. In its first year of operation, the Company realized a gross written premium production of TL 1.03 billion in total, including 13 main branches. Therefore, it ensured that TL 1 billion of premiums remained in the country in line with its founding objectives, and it obtained a 34.5% share in the Turkish reinsurance industry, when considering the gross written premiums in non-life segments. It also contributed significantly to the increase in the reinsurance capacity provided for non-life segments by the reinsurance companies established in Turkey.

In 2020, the claim payment of TL 248.1 million was made in return for TL 1.03 billion in premium production. With the effect of the investment revenues transferred from the non-technical segment, a technical profit of TL 99.4 million was obtained.

With the contribution of income and expenses arising from other activities which affect the technical segment balance, a net profit of TL 82.2 million was written after the payment of TL 22.8 million in tax.

Aiming to both increase its asset size and maintain a high level of asset quality since it started its operations, Türk Reasürans's total assets amounted to TL 975.2 million as of 31 December 2020. The share of liquid assets, consisting of deposits and securities, in assets stood at 45.6%.

Attaching priority to maintaining its strong capital structure and sustainable profit-oriented growth, Türk Reasürans increased its total equity to TL 460 million in the period ending 31 December 2020, marking an increase of 33.3% when compared to the previous balance sheet period, while achieving a Return on Equity of 17.9%.

Determining if Company's capital is unrequited and if it is in debt, and assessments by the Board

Türk Reasürans diligently ensures that it maintains sufficient equity to protect against any losses which may arise due to its current liabilities and potential risks. In this context, the Company performs the capital adequacy calculation in accordance with the principles of the "Regulation on the Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Pension Companies" published in the Official Gazette dated 23 August 2015 and numbered 29454. According to the result of the capital adequacy calculation conducted as of 31 December 2020, the Company has a capital surplus of TL 289,549,645.

Information and evaluations on whether the targets set in previous periods have been reached or not, whether the general assembly decisions have been fulfilled or not and Information and evaluations on the reasons for targets not being achieved or decisions not being fulfilled

All decisions taken at the 2019 Annual General Meeting held on 14 August 2020 were fulfilled and the set targets were achieved.

Türk Reasürans supports the development of the Turkish insurance industry by providing the required reinsurance coverage in line with its founding objectives, and attained its premium production target of TL 1 billion in its first year of operation.

KEY FINANCIAL INDICATORS AND RATIOS¹

| Premium Production -TL | 2020 |
|-------------------------------|----------------------|
| General Losses | 847,404,832 |
| Fire and Natural Disasters | 130,538,114 |
| Credit | 17,264,952 |
| General Liability | 13,503,480 |
| Marine | 8,090,501 |
| Water Vehicles | 7,901,696 |
| Financial Losses | 4,205,420 |
| Accident | 2,339,274 |
| Land Vehicles | 345,039 |
| Aircraft | 150,546 |
| Land Vehicles Liability | 133,549 |
| Legal Protection | 27,884 |
| Direct Bail | 1,236 |
| Total Premium Revenue | 1,031,906,523 |

| Claims Paid -TL | 2020 |
|----------------------------|--------------------|
| General Losses | 240,663,073 |
| Fire and Natural Disasters | 6,605,189 |
| Marine | 319,166 |
| Water Vehicles | 293,686 |
| General Liability | 131,333 |
| Financial Losses | 75,964 |
| Accident | 12,095 |
| Total Claims Paid | 248,100,508 |

¹Since 2020 is Türk Reasürans's first full year of operation, the tables are presented as a single period.

KEY FINANCIAL INDICATORS AND RATIOS¹

| Summary Financial Results -TL | 2020 |
|--------------------------------------|---------------|
| Cash and Cash Equivalents | 399,053,530 |
| Securities | 45,943,846 |
| Total Assets | 975,256,962 |
| Technical Provisions | 485,958,427 |
| Total Equity | 459,832,646 |
| Gross Written Premium | 1,031,906,523 |
| Technical Revenues | 650,788,446 |
| Net Technical Income | 99,364,755 |
| Investment Income | 66,307,390 |
| Investment Expenses | (68,089,079) |
| Other Income and Expenses | 7,476,861 |
| Profit for the Period | 105,059,927 |
| Tax Expense | (22,850,691) |
| Net Profit for the Period | 82,209,236 |

| Financial Analysis Ratios | % |
|----------------------------------|----------|
| Liquidity Ratio | 90.0 |
| Current Ratio | 173.9 |
| Ratio of Return on Equity | 17.9 |
| Loss Ratio, Net | 57.3 |
| Expense Ratio, Net | 29.7 |
| Combined Ratio, Net | 87.0 |
| Technical Profitability Ratio | 15.9 |
| Conservation Ratio | 96.0 |

¹Since 2020 is Türk Reasürans's first full year of operation, the tables are presented as a single period.

PROFIT DISTRIBUTION POLICY

Our Company carries out its profit distribution transactions within the framework of the provisions of the Turkish Commercial Code, Tax Laws and Insurance legislation and the relevant articles in the Company's Articles of Association.

In determining the distribution of profit, our Company aims to maintain the delicate balance between the interests of shareholders and the interests of the Company, and the adequacy of the resources which are subjected to profit distribution and which are in the legal records, profitability, cash status, capital requirement and investment and financing policies are taken into consideration.

The General Assembly is authorized to decide on the transfer of some or all of the net profit to the following year or to the reserve fund, on whether the payment of the profit is distributed in cash or added to the capital, and if distributions are carried out within the legal periods stipulated in the legislation. Based on the proposal of the Board of Directors regarding the profit distribution, the decision is taken at the discretion of the General Assembly. Before the Annual General Meeting, the Board of Directors approves the 'Profit Distribution Table' and presents its proposal for the profit distribution table to the General Assembly.

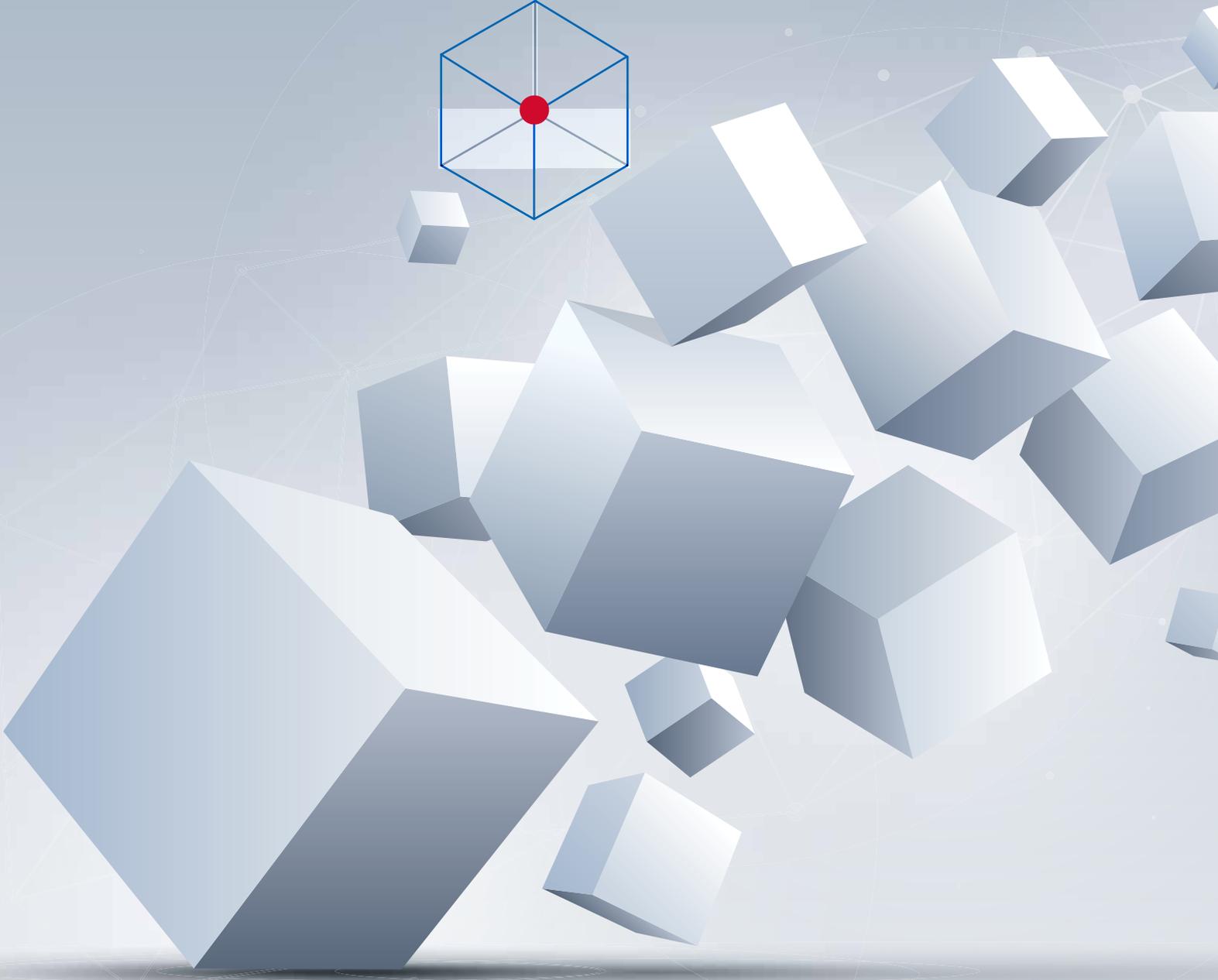
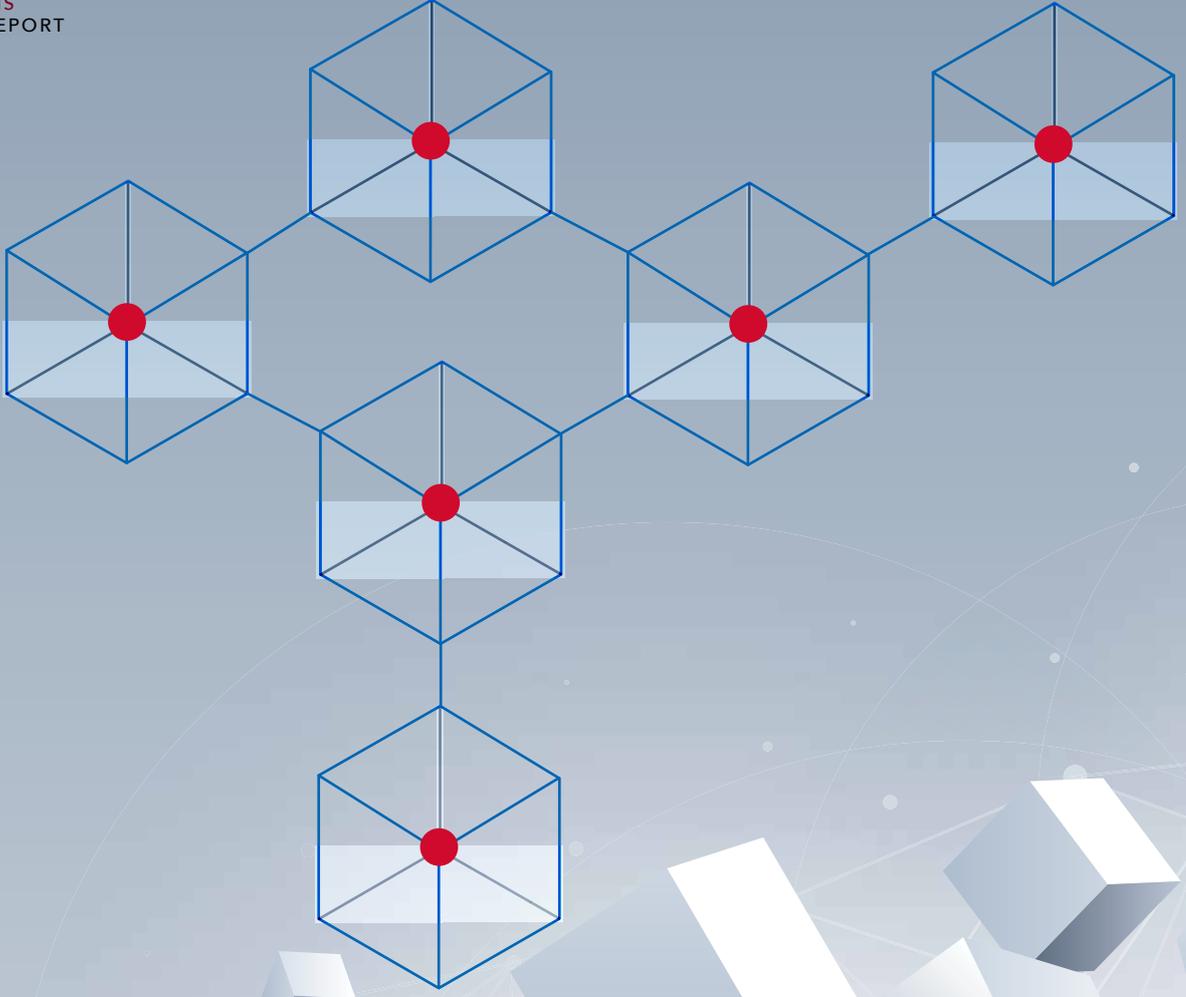
The profit distribution, which is to be determined over the net profit for the period and distributable profit stated in the independently audited financial statements which are prepared in accordance with the Insurance Law and relevant legislation, tax legislation and generally accepted accounting principles, is carried out in the following order and principles, before being subjected to distribution, after deducting the previous year's losses, if any:

- Pursuant to the first paragraph of Article 519 of the Turkish Commercial Code, 5% of the net profit for the period is set aside as general legal reserves until it reaches 20% of the paid-in capital. No decision to distribute dividends, transfer the profit to the next year or allocate optional reserves can be taken without setting aside legally compulsory reserves.
- The General Assembly may decide to set aside the remaining part of the net profit for the period as a reserve, partially or fully, or to distribute it to the shareholders. The provision of subparagraph (c) of the second paragraph of Article 519 of the Turkish Commercial Code is reserved.

The General Assembly may decide to distribute the dividend decided to be distributed on the date proposed by the Board of Directors, or it may decide to distribute it on a different date, provided that it is within the legal period.

There are no privileged shares at our Company which hold the right to receive a share of the profit.

There is no regulation in the Company's Articles of Association which stipulates the distribution of advance dividends.



GLOBAL

In addition to providing services to the Turkish reinsurance market and our stakeholders, we strive to become a global reinsurance brand and achieve the position of "exporter of assurance".

ACTIVITIES OF THE COMPANY AND SIGNIFICANT DEVELOPMENTS

MAIN REINSURANCE APPLICATION

One of Türk Reasürans' strongest assets is its technological infrastructure. In line with the target set during its establishment, the Company is focused on developing the main reinsurance application it needs within its own organization.

Türk Reasürans completed the first phase of the Main Reinsurance Application Project in April 2020 and brought it into use. With the implementation of other phases, the Project had been successfully concluded as of March 2021.

Türk Reasürans has acquired a high-performance product with the successfully completed project.

All property rights of the Main Reinsurance Application, which is a software product covering end-to-end reinsurance activities, belong to Türk Reasürans. The Company will continue to effect improvements on the product in line with the current needs and the opportunities which will emerge in new development areas.

EXPLANATIONS REGARDING THE SPECIAL AUDIT AND PUBLIC AUDIT PERFORMED DURING THE ACCOUNTING PERIOD

Türk Reasürans is subject to audits that will be performed by the Turkish Court of Accounts in accordance with the provisions of the Public Finance Management and Control Law No. 5018 and the Law on the Court of Accounts No. 6085. The Company also appointed Güney Bağımsız Denetim ve Serbest Mali Müşavirlik Anonim Şirketi (A Member Firm of Ernst & Young Global Limited) as an independent audit company to carry out full-scope independent auditing in 12-month periods and limited review activities in 6-month periods.

Türk Reasürans A.Ş. authorized Kuzey Yeminli Mali Müşavirlik ve Bağımsız Denetim Anonim Şirketi to carry out the audit and approval of the annual income and corporate tax returns and the financial statements and notifications attached to them, and other work in accordance with the Law on Certified Public Accountant and Sworn-in Certified Public Accountant No. 3568 and other relevant laws and regulations.

BLOCKCHAIN TECHNOLOGY

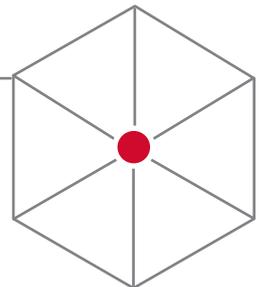
B3i is a global initiative that was established in October 2016 as a global insurance and reinsurance industry consortium and of which 21 leading insurance companies from 5 continents are shareholders. It also operates in cooperation with more than 40 related parties. As a result of the restructuring carried out in 2018, it was transformed into an independent company operating under the title of B3i Services AG.

B3i Services AG aims to increase the effectiveness in the insurance industry by performing standard, protocol and network infrastructure developments in risk transfer through the applications and platforms supported by Distributed Ledger Technology (DLT). B3i Services AG generates corporate solutions which enable the processes in the insurance and reinsurance market to be optimized and enable stakeholders in the insurance and reinsurance industry to achieve significant savings in terms of both time and cost.

In 2020, Türk Reasürans became the first shareholder from Turkey in the partnership of B3i Services AG.

Considering the wide potential of blockchain technologies for use in the global insurance industry in the future, Türk Reasürans, being focused on growth with the vision of being an active global player, aims to contribute to this process.

TECHNOLOGY WILL SHAPE THE
FUTURE OF THE INDUSTRY.



INTERNAL CONTROL ACTIVITIES

Scope and Purpose of Internal Control Activities

The first line of defence in internal control activities is "all executive units of the Company". The personnel of these executive units are responsible at the first level for maintaining the effectiveness of internal control activities in integration with their daily activities in their areas of authority and responsibility.

Internal control activities include the control, evaluation and reporting activities carried out in order to ensure the reliability, integrity and timely availability of accounting and financial reporting system, the protection of the Company assets, the effective and efficient execution of activities in accordance with the Law and other relevant legislation, internal policies and rules and insurance practices.

Internal Control Inventory and Internal Control Officers

The framework of internal control activities includes compliance and relevance controls when creating "Internal Control Inventory", controls on physical assets, review of compliance with limits, controls on the approval and authorization system, reconciliation controls, controls on information and communication systems, controls on financial reporting systems and controls on communication channels. These controls, which are expected to be carried out in operations throughout the Company, are aimed at checking the compatibility and compliance of the activities and transactions with the relevant legislation, the purposes, objectives and principles of the Company and the policies and rules, powers, application principles and instructions determined by the Company management.

Internal Control Reporting

In the last month of each year, the "Risk Management and Internal Control Activities Report" is issued and presented to the General Directorate. The report contains information and results on the risk management and internal control activities carried out during the year. If needed or requested by the management, interim reporting can be made during the period without waiting for the end of the year.

Any errors, deficiencies and negativities detected during internal control activities and conveyed in the report are immediately and meticulously evaluated by the relevant units and all necessary complementary, corrective or eliminative measures are taken as soon as possible, and results and developments are monitored by the relevant authorities.

INTERNAL AUDIT ACTIVITIES

Internal audit activities at Türk Reasürans are carried out by the Internal Audit Department in accordance with the "Regulation on Internal Systems of Insurance, Reinsurance and Pension Companies" published in the Official Gazette dated 21 June 2008 and numbered 26913, and the "Internal Audit Regulation" of our Company and within the principles set forth in these regulations.

The Internal Audit Department in the Company is organized independently from an administrative point of view.

The Internal Audit system works with the following objectives;

- To assure the Company's senior management that all the Company's business and transactions are carried out in line with applicable laws, regulations, communiqués, tariffs and instructions, general conditions and other legislation, internal legislation of the Company and internal strategies, policies, principles and objectives,
- To ensure the accuracy and reliability of the accounting records of the electronic information system and the financial reports, the accuracy, reliability and compliance with time constraints of the reports made to the Board of Directors within the framework of internal regulations and the reports made to the Republic of Turkey Ministry of Treasury and Finance,
- To provide assurance on the compliance of operational activities with the determined procedures and the functioning of the internal control application procedures related to them, the effectiveness and adequacy of the internal control and risk management systems,
- The system consists of activities to detect deficiencies, errors, incidents of fraud and irregularities and to prevent their repeat occurrence and to provide opinions and suggestions for the effective and efficient use of company resources.

The internal audit activity covers the Company's outsourced service purchases and all activities and general directorate units, including service purchases that are an extension or complementary to the main services, on a periodical and risk-based basis.

The Internal Audit Plan prepared within the scope of these general regulations and approved by the Board of Directors includes the following:

- The areas to be audited during the period by ordering in terms of importance and priority as a result of risk-based assessments,
- The purpose of the audit,
- Summary risk assessments related to each area or activity to be audited, Law and other relevant legislation,
- The time and audit period in which the planned audit work will be carried out,
- The resources required for audit activities and the possible effects of resource constraints,
- On-site examination of all assets, accounts and records, documents, personnel and all other elements which may affect the Company's security within the company,
- Control or examination based on general or specific observations and monitoring through various control documents and tools,
- Determining whether departments in the Head Office organization of the Company work in accordance with the insurance legislation, the Company objectives and policies, and the decisions taken by the Company.

Since Türk Reasürans started its operations in September 2019 and a critical project was implemented, in particular for information systems, the audit universe created specifically for 2020 was defined according to the criteria of importance and priority. In this context, five department audits were completed in 2020 within the scope of the Internal Audit Plan.

RISK MANAGEMENT ACTIVITIES

The main purpose of risk management activities is to ensure that the asset quality of the Company and the level of risk it is willing to undertake in return for a certain return are in compliance with the limits stipulated by the legislation on the insurance and reinsurance activities and the risk tolerance of the Company.

The main strategy for this purpose is to plan, execute and manage risk management activities with a risk-oriented approach and within the framework of the relevant legislation and internationally accepted principles, bases and standards in an independent, impartial, purposeful, efficient and effective manner. The use of advanced tools and methods which are feasible and appropriate is essential in this respect.

The first line of defence in risk management activities consists of "all executive units of the Company" which undertake and manage risks. The personnel of these executive units are responsible at the first level for carrying out risk monitoring and control activities in integration with their daily activities under their areas of authority and responsibility.

The general framework of risk management activities is intended to include, at the minimum, the following:

- a) Design and implementation of the risk management system.
- b) Carrying out the necessary monitoring and reporting activities for the implementation of risk management policies and implementation procedures.
- c) Ensuring that risks are understood and adequately assessed prior to entering into a transaction.
- d) Determining the limits for quantifiable risks and performing the necessary monitoring to ensure that the risks remain within the determined limits.

The classification of risks which may be encountered during the activities is defined within the scope of the Company's "Risk Catalogue". The Company Risk Catalogue is the basic document used to define and classify all risks that may be encountered.

Within the scope of the Regulation on Internal Systems of Insurance, Reinsurance and Pension Companies, published in the Official Gazette dated 21 June 2008 and numbered 26913, there are definitions and obligations regarding the risk management system which companies must establish. The Risk Catalogue prepared in this context constitutes a basic element of the risk management system at our Company, which consists of the activities such as identifying risks first and then monitoring, controlling and reporting them.

| NAME OF THE RISK | DEFINITION OF THE RISK |
|-------------------------------|--|
| INSURANCE RISK | The risk which may arise from the ineffective application of insurance and reinsurance techniques in the insurance coverage giving/transferring process. |
| MARKET (ASSET-LIABILITY) RISK | The risk of loss which may arise from the Company's assets and liabilities. |
| LOAN RISK | The possibility of inflicting losses on the Company where parties indebted to the company do not fulfil their obligations partially or completely by not complying with contract requirements. |
| OPERATIONAL RISK | The risk of loss which may arise due to inadequate or malfunctioning internal processes, people, systems or external factors. |

| | |
|------------------------|---|
| REPUTATION RISK | <p>Operational failures refer to losses which may occur as a result of failure to comply with current legislation or a loss of trust in the Company or damage to reputation as a result of various external factors. Reputational risk mostly arises as a result of realizations in other risk types.</p> <ul style="list-style-type: none">- Risks arising from customer satisfaction.- Reputational damage as a result of the issue of warnings or penalties which may arise from failure to comply with legislation.- Advertising activities carried out in various media such as social media which misrepresent the Company's image.- Risk of errors in reporting carried out to external parties, especially public authorities.- Inaccurate and outdated information in public information and services such as the website. |
|------------------------|---|

Compliance Activities

The following activities are carried out in order to ensure that the Company's activities are carried out effectively and efficiently in accordance with the Law, relevant legislation and insurance practices.

- a- Ensuring the compliance of the Company with the obligations brought about by the Law and the legislation enacted on the basis of the Law, and to follow up on the legislation,
- b- Fulfilment of measures to prevent money laundering and financing of terrorism,
- c- The Examination, follow-up and control of compliance with the legislation of the contracts concluded by the Company,
- d- Fulfilling the requirements of the letters and writs sent to the Company by the affiliated institutions and the organizations, of which the Company is a member, and judicial authorities, and the submission of a Company statement in response to these letters.

The main purpose of the compliance activities carried out is to keep the compliance process of the Company under control by managing it in a manner which is effective and fit for purpose, and to ensure that the Company's activities are carried out and managed continuously in accordance with the relevant legislation, regulations and standards in terms of structure and functioning.

Advanced tools and methods, which are feasible and appropriate, are used to design and manage the Company compliance activities independently, impartially, efficiently and effectively in a manner which is fit for purpose within the framework of relevant legislation, regulations and standards.

General Principles of Compliance Activities

Compliance activities are carried out in accordance with the Law and the legislation enacted on the basis of the Law, and the following general principles are taken into account in its execution:

- a- It is the primary duty and responsibility of the (Internal Control) Department employees to maintain Company activities in compliance with the Company's goals and policies, and legislation, regulations and standards.
- b- Compliance of the Company activities with legislation, regulations and standards is carried out by up-to-date execution and management of the Company's internal policies, procedures, regulations, rules and instructions based on the values of righteousness and honesty in line with the Company's reputation.

The Board of Directors monitors through the notifications made by the relevant department that the Company's activities comply with legislation, regulations and standards, and that the necessary measures are taken to effectively manage compliance.

OTHER INFORMATION

Information on legal action filed against the Company which may affect the financial status and activities of the Company and their possible consequences

No legal action was filed against the Company in 2020.

Explanations on the administrative or judicial sanctions imposed on the Company and the members of the management body due to the practices contrary to the provisions of the legislation

None.

Information on the transactions undertaken by the Company with the risk group it belongs to

The Republic of Turkey Ministry of Treasury and Finance, which owns 100% of the Company's capital, is defined as a related institution. There was no transaction with the related institution in the accounting period ending on 31 December 2020.

Information on the donations and aids undertaken by the Company during the year and expenditures undertaken within the framework of social responsibility projects

The Company donated TL 111,800 in 2020 in accordance with the provisions of the relevant article in the Articles of Association.

Determination and the management body (the Board) evaluations on whether or not the Company's capital is unrequited, or if the Company is in debt.

Türk Reasürans takes due care to keep sufficient equity to protect against the losses that may arise due to its current liabilities and potential risks. In this context, the Company performs the capital adequacy calculation in accordance with the principles of the "Regulation on the Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Pension Companies" published in the Official Gazette dated 23 August 2015 and numbered 29454. According to the result of the capital adequacy calculation made as of 31 December 2020, the Company has a capital surplus of TL 289,549,645.



TÜRK REASÜRANS ANONİM ŞİRKETİ

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)*

INDEPENDENT AUDITOR'S REPORT

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

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.

| <i>Key audit matter</i> | <i>How our audit addressed the key audit matter</i> |
|--|--|
| <p>Incurred But Not Reported Outstanding Claims Reserve</p> <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.</p> <p>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.</p> <p>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.

INDEPENDENT AUDITOR'S REPORT

(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.

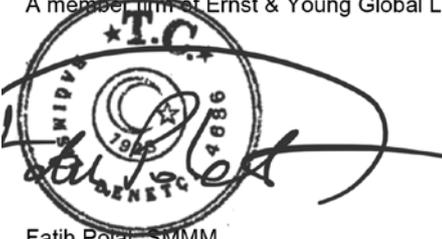
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation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

İstanbul, April 8, 2021



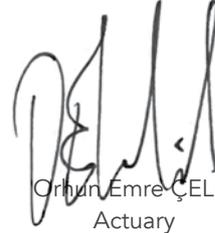
Selva EREN
Member of Board of Directors and
General Manager



Erdal TURGUT
Assistant General Manager



Hatice Dilek OĞUZ EKER
Financial Reporting and
Accounting Manager



Orhan Emre ÇELİK
Actuary

CONTENTS

| | PAGE |
|--|--------|
| STATEMENT OF FINANCIAL POSITION | 70 |
| STATEMENT OF INCOME | 75 |
| STATEMENT OF CHANGES IN EQUITY | 78 |
| STATEMENT OF CASH FLOW | 80 |
| STATEMENT OF PROFIT DISTRIBUTION | 81 |
| NOTES TO FINANCIAL STATEMENTS | 82-136 |
| NOTE 1 GENERAL INFORMATION | 82 |
| NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES | 84 |
| NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES | 105 |
| NOTE 4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK | 106 |
| NOTE 5 SEGMENT INFORMATION | 117 |
| NOTE 6 TANGIBLE ASSETS | 117 |
| NOTE 7 INVESTMENT PROPERTIES | 118 |
| NOTE 8 INTANGIBLE ASSETS | 118 |
| NOTE 9 INVESTMENTS IN ASSOCIATES | 119 |
| NOTE 10 REINSURANCE ASSET AND LIABILITIES | 119 |
| NOTE 11 FINANCIAL ASSETS | 120 |
| NOTE 12 LOAN AND RECEIVABLES | 122 |
| NOTE 13 DERIVATIVE FINANCIAL INSTRUMENTS | 123 |
| NOTE 14 CASH AND CASH EQUIVALENTS | 123 |
| NOTE 15 EQUITY | 124 |
| NOTE 16 OTHER RESERVES AND EQUITY COMPONENT OF DISCRETIONARY PARTICIPATION | 125 |
| NOTE 17 INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS | 125 |
| NOTE 18 INVESTMENT CONTRACT LIABILITIES | 128 |
| NOTE 19 TRADE AND OTHER PAYABLES AND DEFERRED INCOME | 128 |
| NOTE 20 FINANCIAL LIABILITIES | 129 |
| NOTE 21 DEFERRED TAX | 129 |
| NOTE 22 RETIREMENT BENEFIT OBLIGATIONS | 129 |
| NOTE 23 OTHER LIABILITIES AND EXPENSE ACCRUALS | 130 |
| NOTE 24 NET INSURANCE PREMIUMS | 131 |
| NOTE 25 FEE REVENUE | 131 |
| NOTE 26 INVESTMENT INCOME | 131 |
| NOTE 27 NET INCOME ACCRUAL ON FINANCIAL ASSETS | 131 |
| NOTE 28 ASSET HELD AT FAIR VALUE THROUGH PROFIT OR LOSS | 131 |
| NOTE 29 INSURANCE RIGHTS AND CLAIMS | 132 |
| NOTE 30 INVESTMENT CONTRACT BENEFITS | 132 |
| NOTE 31 OTHER EXPENSES | 132 |
| NOTE 32 OPERATING EXPENSES | 132 |
| NOTE 33 EMPLOYEE BENEFIT EXPENSES | 133 |
| NOTE 34 FINANCIAL COSTS | 133 |
| NOTE 35 INCOME TAXES | 134 |
| NOTE 36 NET FOREIGN EXCHANGE GAINS | 134 |
| NOTE 37 EARNINGS PER SHARE | 134 |
| NOTE 38 DIVIDENDS PER SHARE | 134 |
| NOTE 39 CASH GENERATED FROM OPERATIONS | 135 |
| NOTE 40 CONVERTIBLE BONDS | 135 |
| NOTE 41 REDEEMABLE PREFERENCE SHARES | 135 |
| NOTE 42 RISKS | 135 |
| NOTE 43 COMMITMENTS | 135 |
| NOTE 44 BUSINESS COMBINATIONS | 135 |
| NOTE 45 RELATED PARTY TRANSACTIONS | 135 |
| NOTE 46 SUBSEQUENT EVENTS | 135 |
| NOTE 47 OTHER | 135 |

TÜRK REASÜRANS ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

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

| | Notes | Audited Current Period December 31, 2020 | Audited Prior Period December 31, 2019 |
|--|------------|--|--|
| I- Current Assets | | | |
| 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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

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

| | Notes | Audited Current Period December 31, 2020 | Audited Prior Period December 31, 2019 |
|--|----------------|--|--|
| III- Short-Term Liabilities | | | |
| 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 ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

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

| | Notes | Audited Current Period December 31, 2020 | Audited Prior Period December 31, 2019 |
|---|-------|--|--|
| IV- Long-Term Liabilities | | | |
| 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 ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

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

| | Notes | Audited Current Period December 31, 2020 | Audited Prior Period December 31, 2019 |
|--|-----------------|--|--|
| V- Shareholders' Equity | | | |
| 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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

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

| | Notes | Audited Current Period January 1 - December 31, 2020 | Audited Prior Period September 6 - December 31, 2019 |
|---|-------|---|---|
| I- TECHNICAL SECTION ^(*) | | | |
| 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 ANONİM ŞİRKETİ
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

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

| | Notes | Audited Current Period January 1 - December 31, 2020 | Audited Prior Period September 6 - December 31, 2019 |
|--|------------|---|---|
| II- NON-TECHNICAL SECTION ^(*) | | | |
| 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 ANONİM ŞİRKETİ
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 |
|---|-------|-------------|---------------------------|--------------------|
| 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 | - | - |
| 1- In cash | | 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 | | - | - | - |
| 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 | - | - |

Audited Statement of Changes in Equity December 31, 2020

| EQUITY CHANGE (*) | Notes | Capital | The business's own stocks | Increase in assets |
|---|----------|-------------|---------------------------|--------------------|
| I- Balance at the end of the previous year - (December 31, 2019) | 2.13, 15 | 150.000.000 | - | - |
| II- Correction | | - | - | - |
| III- Restated Balances (January 1, 2020) | 2.13, 15 | 150.000.000 | - | - |
| 1- In cash | | 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) |
| E- Currency translation adjustments | | - | - | - |
| F- Other gains and losses | | - | - | - |
| G- Inflation adjustment differences | | - | - | - |
| H- Net profit for the year | | - | - | - |
| I- Other reserves and transfers from retained earnings | | - | - | - |
| J- Dividends paid | | - | - | - |
| 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) |

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

| 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 |
|--|--|----------------|--------------------|---|----------------------|--------------------------------|-------------|
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 150.000.000 |
| - | - | - | - | - | - | - | 150.000.000 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 3.128.221 | - | 3.128.221 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 3.128.221 | - | 153.128.221 |

| 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 |
|--|--|----------------|--------------------|---|----------------------|--------------------------------|-------------|
| - | - | - | - | - | 3.128.221 | - | 153.128.221 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 3.128.221 | - | 153.128.221 |
| - | - | - | - | - | - | - | 225.000.000 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | (504.811) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 82.209.236 | - | 82.209.236 |
| - | - | - | - | - | - | - | - |
| - | - | 156.411 | - | - | (3.128.221) | 2.971.810 | - |
| - | - | 156.411 | - | - | 82.209.236 | 2.971.810 | 459.832.646 |

TÜRK REASÜRANS ANONİM ŞİRKETİ
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2020

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

| | | Audited Current Period January 1 - December 31, 2020 | Audited Prior Period September 6 - December 31, 2019 |
|---|--------------|---|---|
| CASH FLOW (*) | Notes | | |
| 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.

TÜRK REASÜRANS ANONİM ŞİRKETİ
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 ⁽¹⁾ | 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 (%) | | - | - |

⁽¹⁾ 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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
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

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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
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 *IFRS 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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
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 favourable 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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
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 assessed 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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
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.

TÜRK REASÜRANS ANONİM ŞİRKETİ
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.

IFRS 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.

IFRS 17 - The new Standard for insurance contracts

The POA issued IFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 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 IFRS 3 - Reference to the Conceptual Framework

In July 2020, the POA issued amendments to IFRS 3 Business combinations. The amendments are intended to replace 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 IFRS 3. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to IFRS 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 IFRS 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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
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.

TÜRK REASÜRANS ANONİM ŞİRKETİ
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)

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.

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*

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

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

3 Critical accounting estimates and judgments in applying accounting policies *(continued)*

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.

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 analysed 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 ANONİM ŞİRKETİ
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)

4.1 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 |

TÜRK REASÜRANS ANONİM ŞİRKETİ
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)

4.1 Management of insurance risk (continued)

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.

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 analyse 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.

TÜRK REASÜRANS ANONİM ŞİRKETİ
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)

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.

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 (Not 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).

TÜRK REASÜRANS ANONİM ŞİRKETİ
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)

Credit risk (continued)

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.

TÜRK REASÜRANS ANONİM ŞİRKETİ
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)

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.

TÜRK REASÜRANS ANONİM ŞİRKETİ
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)

Liquidity risk (continued)

Management of the liquidity risk (continued)

| 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.

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.

TÜRK REASÜRANS ANONİM ŞİRKETİ
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 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.

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 | - |

TÜRK REASÜRANS ANONİM ŞİRKETİ
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)

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

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

TÜRK REASÜRANS ANONİM ŞİRKETİ
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)

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) | - | - |

TÜRK REASÜRANS ANONİM ŞİRKETİ
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)

4.3 Management of insurance risk (continued)

Gain and losses from financial assets

| | January 1- December 31, 2020 | September 6 - December 31, 2019 |
|--|---------------------------------|------------------------------------|
| Gains and losses recognized in the statement of income, net: | | |
| 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 |
| Gains and losses recognized in the statement of equity, net: | 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.

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

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

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.

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 |
|--|------------------|--------------------|------------------|--------------------|
| Cost: | | | | |
| 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 |
| Accumulated depreciation: | | | | |
| 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 |

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

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

6 Tangible assets (continued)

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 |
|--|-------------------|------------------|-----------|-------------------|
| Cost: | | | | |
| 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 |
| Accumulated depreciation: | | | | |
| 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).

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 |
|-------------------------------------|------------------|------------------|-----------|-----------|--------------------|
| Costs: | | | | | |
| 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 |
| Accumulated amortization: | | | | | |
| 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 |

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

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

8 Intangible assets (continued)

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 |
|-------------------------------------|-------------------|------------------|-----------|-----------|-------------------|
| Costs: | | | | | |
| Rights | - | 986.035 | - | - | 986.035 |
| Advances on intangible fixed assets | - | 636.186 | - | - | 636.186 |
| | - | 1.622.221 | - | - | 1.622.221 |
| Accumulated amortization: | | | | | |
| 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 | - | - |

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 (Not 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 | - |

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

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

10 Reinsurance asset and liabilities (continued)

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.

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 | - |

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

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

11 Financial assets (continued)

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 | | Total |
|---|--------------------|------------------|-------------------|
| | Available for sale | Held for trading | |
| 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 ANONİM ŞİRKETİ
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 ANONİM ŞİRKETİ
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 | - |
| <i>Cash and cash equivalents in the balance sheet</i> | 399.053.530 | 150.508.030 | 150.508.030 | - |
| Interest accruals on bank deposits | (1.959.753) | (2.212.493) | (2.212.493) | - |
| <i>Cash and cash equivalents presented in the statement of cash flows</i> | 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%).

TÜRK REASÜRANS ANONİM ŞİRKETİ
NOTES TO FINANCIAL STATEMENTS
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 ANONİM ŞİRKETİ
NOTES TO FINANCIAL STATEMENTS
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:

| | 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 ANONİM ŞİRKETİ
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.

TÜRK REASÜRANS ANONİM ŞİRKETİ
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 |

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

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

18 Investment contract liabilities

None.

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.

TÜRK REASÜRANS ANONİM ŞİRKETİ
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 recognised in equity (Note 15) | 13.941 | - |
| Deferred tax liabilities | (349.395) | (88.208) |

22 Retirement benefit obligations

None.

TÜRK REASÜRANS ANONİM ŞİRKETİ
NOTES TO FINANCIAL STATEMENTS
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 | - |

TÜRK REASÜRANS ANONİM ŞİRKETİ
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 | | Net |
|----------------------------|-------------------------------|---------------------|--------------------|
| | Gross | Ceded | |
| 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*.

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

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

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 | - |

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 |

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

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

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 |

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 *TFRS 16 Leasing Transactions* standard is recognised under "Investment Management Expenses - Interest Included" account; and the depreciation expense amounting to TL 1.113.261 is recognised 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 Operating Leases Reimbursement Plan -TL | December 31, 2019 Operating Leases 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.

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

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

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 | |
|--|-------------------|--------------|-------------------|----------------|
| | 105.335.055 | Tax rate (%) | 4.000.148 | Tax rate (%) |
| Profit before taxes | | | | |
| 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) |

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.

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

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

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.

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.

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

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

47 Other (continued)

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).

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

| | January 1 - December 31, 2020 |
|---|----------------------------------|
| Other income and profits | |
| 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:

| | January 1 - December 31, 2020 |
|---|----------------------------------|
| Provisions expenses | |
| 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 |



www.turkreasurans.com.tr