

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2022
AND INDEPENDENT AUDITOR'S REVIEW REPORT**



REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

To the General Assembly of AgeSA Hayat ve Emeklilik A.Ş.

Introduction

1. We have reviewed the accompanying consolidated balance sheet of AgeSA Hayat ve Emeklilik A.Ş. (The “Company”) and its subsidiary (“collectively referred as the “Group”) as at 31 March 2022 and the related consolidated statements of income, consolidated other comprehensive income, consolidated changes in equity and consolidated cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The management of the Group is responsible for the preparation and fair presentation of these interim consolidated financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim consolidated financial information based on our review.

Scope of review

2. We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”. A review of interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and the objective of which is to express an opinion on the consolidated financial statements. Consequently, a review on the interim consolidated financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information does not present fairly, in all material respects, the financial position of the Group as at 31 March 2022, and its financial performance and its cash flows for the three- month period then ended in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

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

Talar Gül, SMMM
Partner

Istanbul, 29 April 2022

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

**THE CONSOLIDATED FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2022**

We assure you that our consolidated financial report and the related disclosures and notes prepared in accordance are in compliance with International Financial Reporting Standards are permitted to be published.

İstanbul, 29 April 2022


M. Fırat Kuruca
Member of the Board of
Directors, General Manager


Zeliha Ersen Altınok
Assistant General Manager
Finance


Gürel Çağlar Türkmen
Group Manager
Accounting&Finance


Nevin Mermer
Actuary

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2022

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

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AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF BALANCE SHEET FOR THE PERIOD ENDED MARCH 31, 2022 AND DECEMBER 31, 2021

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

Assets	Note	March 31, 2022	December 31, 2021
Cash and cash equivalents	4,5	866,273,693	1,045,560,487
Financial assets	4,6	6,120,297,344	5,011,546,379
Premium and other insurance receivables	4,8	54,220,169	48,414,125
Reinsurance share of insurance liabilities	4,7,21	35,547,215	39,994,429
Deferred expenses	19	685,153,807	634,594,868
Other financial assets	4,13	897,700	897,700
Pension business receivables	4,9	312,816,132	221,070,704
Right of use assets	11	28,034,733	30,268,214
Property and equipment, net	11	56,334,403	49,583,177
Intangible assets, net	12	200,574,627	176,377,445
Other assets	10	53,808,441	17,374,943
Total assets		8,413,958,264	7,275,682,471
Liabilities			
Lease liabilities	4,14	32,014,029	32,893,003
Due to insurance and reinsurance companies	4,15	75,342,787	64,984,683
Pension business payables	4,9	751,664,722	616,303,974
Insurance contract liabilities	21	5,505,393,217	4,804,074,863
Provision for employment termination benefits	17,18	40,173,332	30,976,095
Deferred tax liabilities	17	85,009,407	94,268,227
Current tax liabilities	17	87,283,959	37,098,016
Other payables and liabilities	4,20	157,484,130	153,758,632
Other provisions	16	73,669,514	72,686,459
Total liabilities		6,808,035,097	5,907,043,952
Share capital	1.1,22	180,000,000	180,000,000
Items that may be reclassified to profit or loss			
Fair value reserves from available for sale assets	22	(60,761,406)	(44,638,573)
Other capital reserves	22	837,095	837,095
Profit reserves	22	773,643,585	325,319,340
Retained earnings		450,968,938	366,558,689
Profit for the period	23	261,234,955	540,561,968
Equity attributable to the owners of the Group		1,605,923,167	1,368,638,519
Total equity and liabilities		8,413,958,264	7,275,682,471

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

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED MARCH 31, 2022 AND MARCH 31, 2021

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

	Note	January 1 - March 31, 2022	January 1 - March 31, 2021
Income:			
Gross written premiums	3,21,24	675,617,128	405,777,349
Premium ceded to reinsurers	3,21,24	(15,093,854)	(5,702,816)
Premium written net of reinsurance	3,21,24	660,523,274	400,074,533
Net change in provision for unearned premiums reserves	3	(18,642,311)	(8,954,998)
Net premiums earned		641,880,963	391,119,535
Net change in mathematical reserves	3	(256,567,594)	(142,480,552)
Income generated from pension business	3,25	179,380,805	124,411,075
Investment and other income	28	212,336,153	43,934,320
Commission income	3,27	2,913,690	1,817,280
Foreign exchange gains/(losses), net	26	33,363,867	35,554,946
Other (expense)/income, net	31	-	711,243
Total income		813,307,884	455,067,847
Expenses:			
Claims paid and change in outstanding claims provisions	3,21	(84,674,408)	(41,436,505)
General and administrative expenses	30	(226,779,129)	(130,094,441)
Pension expenses including commission	3,29	(62,397,648)	(43,585,024)
Commission expense	3,27	(96,878,417)	(66,669,456)
Other (expense)/income, net	31	(2,049,862)	-
Total expenses		(472,779,464)	(281,785,426)
Profit before taxes		340,528,420	173,282,421
Income tax expense (-)	3,17	(79,293,465)	(35,476,393)
Profit for the period	3,23	261,234,955	137,806,028
Earnings per share (TL 0.01 nominal value per share)	23	0.0145	0.0077

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

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED MARCH 31, 2022 AND MARCH 31, 2021

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

	Note	January 1 - March 31, 2022	January 1 - March 31, 2021
Profit for the year	3,23	261,234,955	137,806,028
Other comprehensive income:			
Items that may be reclassified subsequently to profit or (loss):			
Net gain/(loss) on available for-sale assets	6	(20,938,744)	(65,922,863)
Deferred tax relating to components of other comprehensive income		(76,425,471)	14,503,030
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent years		(97,364,215)	(51,419,833)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/ (loss) on employee termination benefits	18	(9,784,342)	(1,371,574)
Deferred tax relating to actuarial gain/ (loss)	17	1,956,868	274,315
Net other comprehensive gain/ (loss) not being reclassified to profit or loss in subsequent years		(7,827,474)	(1,097,259)
Other comprehensive income / (loss), net of tax		(105,191,689)	(52,517,092)
Total comprehensive income, net of tax		156,043,266	85,288,936

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

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED MARCH 31, 2022 AND MARCH 31, 2021

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

	Note	Share capital	Other capital reserves	Items that may be reclassified to profit or loss/ Fair value reserves for available for - sale financial assets	Profit reserves	Retained earnings	Profit for the period	Total
Balances at December 31, 2020		180,000,000	837,095	36,602,809	190,370,612	318,459,643	349,637,973	1,075,908,132
Profit for the period		-	-	-	-	-	137,806,028	137,806,028
Other comprehensive loss	22	-	-	(51,419,833)	-	(1,097,259)	-	(52,517,092)
Total comprehensive income		-	-	(51,419,833)	-	(1,097,259)	137,806,028	85,288,936
Transfer		-	-	-	130,854,777	218,783,196	(349,637,973)	-
Dividend payment		-	-	-	-	(160,000,000)	-	(160,000,000)
Balance at March 31, 2021		180,000,000	837,095	(14,817,024)	321,225,389	376,145,580	137,806,028	1,001,197,068

	Note	Share capital	Other capital reserves	Items that may be reclassified to profit or loss/ Fair value reserves for available for - sale financial assets	Profit reserves	Retained earnings	Profit for the period	Total
Balances at December 31, 2021		180,000,000	837,095	(44,638,573)	325,319,340	366,558,689	540,561,968	1,368,638,519
Profit for the period		-	-	-	-	-	261,234,955	261,234,955
Other comprehensive income	22	-	-	(16,122,833)	-	(7,827,474)	-	(23,950,307)
Total comprehensive income		-	-	(16,122,833)	-	(7,827,474)	261,234,955	237,284,648
Transfer	22	-	-	-	448,324,245	92,237,723	(540,561,968)	-
Dividend payment		-	-	-	-	-	-	-
Balance at March 31, 2022		180,000,000	837,095	(60,761,406)	773,643,585	450,968,938	261,234,955	1,605,923,167

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

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED MARCH 31, 2022 AND MARCH 31, 2021

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

	Note	January 1 - March 31, 2022	January 1 - March 31, 2021
Cash flows from operating activities:			
Profit for the period	3,23	261,234,955	137,806,028
Income taxes	3,17	79,293,465	35,476,393
Depreciation and amortization	11,12,30	20,286,583	12,896,708
Interest income		(219,639,154)	(112,535,647)
Unrealized exchange rates (gains) / losses from cash and cash equivalents		10,691,502	27,260,936
Unrealized Exchange rates (gains) / losses from financial assets	6	(372,174,696)	(197,715,863)
Fair value changes in marketable securities	6	(107,744,897)	26,234,138
Change in claims provision	21	78,554,166	44,023,736
Change in life mathematical reserves	21	691,059,815	404,239,339
Change in provision for unearned premiums reserves	21	19,973,222	9,058,753
Change in provision for employment termination benefits	30	2,390,441	1,282,827
Intangible asset write off adjustment	12,31	1,731	-
Change in blockage	5	194,345,282	(43,180,372)
		658,272,415	344,846,976
Operating profit before changes in operating assets / liabilities			
Changes in operating assets and liabilities:			
Change in premium and other insurance receivables	7,8	(1,358,830)	(3,962,523)
Change in other assets	10	(36,433,497)	(11,761,921)
Change in deferred expenses	19	(50,558,939)	(19,431,275)
Change in pension business receivables	9	(91,745,428)	(27,837,244)
Change in pension business payables	9	135,360,748	42,031,307
Change in lease liabilities		-	9,076
Corporate taxes paid		(32,356,530)	(13,394,362)
Cash paid for claims settled during the year, net	21	(79,949,437)	(47,524,988)
Employment termination benefits paid	18	(2,977,547)	(305,225)
Change in other liabilities		15,066,655	8,457,794
		513,319,610	271,127,615
Net cash provided from / (used in) operating activities			
Cash flows from investing activities:			
Acquisition of property and equipment	11	(11,242,481)	(3,800,644)
Acquisition of intangible assets	12	(37,798,096)	(20,371,627)
Disposal of property and equipment	11	37,337	1,134
Purchases of financial assets	6	(1,248,816,197)	(736,955,382)
Proceeds from sale of financial assets	6	591,489,634	432,011,222
Interest received		226,707,707	61,500,951
		(479,622,096)	(267,614,346)
Net cash provided by investing activities			
Dividend payment	22	-	(127,390,267)
Paid rent for lease liabilities	14	(2,391,462)	(4,402,969)
		(2,391,462)	(131,793,236)
Net cash provided by/(used in) financing activities			
Effect of exchange rates on cash and cash equivalents		(10,691,502)	(27,260,936)
Net increase in cash and cash equivalents		20,614,550	(155,540,903)
Cash and cash equivalents at the beginning of the year	5	755,154,934	703,099,425
Cash and cash equivalents at the end of the period	5	775,769,484	547,558,522

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

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2022

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

1. GENERAL INFORMATION

1.1 Corporate Information

AgeSA Hayat ve Emeklilik Anonim Şirketi (“the Company”) was established on October 31, 2007 by the merger of Ak Emeklilik Anonim Şirketi (“Ak Emeklilik”) with Aviva Hayat ve Emeklilik Anonim Şirketi (Aviva Emeklilik).

Aviva Europe SE and Hacı Ömer Sabancı Holding A.Ş.; each held 49.83% of the shares before offering 19.67% of the shares of the Company to public on November 13, 2014. As a result of the initial public offering, the shares of the Company have been listed on Borsa İstanbul A.Ş. (“BIST”) as of November 13, 2014. After the price stabilization activities, the Company’s main shareholders’ share in partnership were 41.28% each and the percentage of shares which are publicly traded were 17.28%.

Hacı Ömer Sabancı Holding A.Ş. sold its shares with the nominal value of TL 458,956 in BIST on August 5, 2015 and after this disposal, its share in AgeSA Hayat ve Emeklilik Anonim Şirketi decreased to 40%.

Aviva International Holdings Ltd. sold its share with the nominal value of TL 458,956 in BIST on August 5, 2015 and after this sale its share in AgeSA Hayat ve Emeklilik Anonim Şirketi decreased to 40%.

With the Board of Directors' decision dated October 26, 2018, it has been decided to get permission from the Prime Ministry Capital Markets Board, SEDDK and Ministry of Commerce to increase the paid-in capital of the Company by 52.54% and increase from TL 118,000,000 to TL 180,000,000 and to provide the entire increase of TL 62,000,000 from Extraordinary Reserves and to give 52.54% of the shares to each share held by the shareholders. As of March 31, 2022 19.91% of the Company’s share have been listed on the Borsa İstanbul (“BIST”).

The Company is engaged in pension business and life insurance. The Company also issues insurance policy for personal accident.

The Company’s management analysed their relationship with the pension investment funds under IFRS 10, 11 and 12 and concluded that the Company has no control over the pension investment funds.

Article 2 of the Company's Articles of Association titled "Company Title" has been amended after discussion at the Extraordinary General Assembly meeting on July 1, 2021 and the new title is "Agesa Hayat ve Emeklilik A.Ş." was registered with the Trade Registry on 8 July 2021.

The Share Purchase Agreement was signed between Ageas Group and Aviva Group on 23 February 2021. Accordingly, Ageas Insurance International NV agreed to take over all of Aviva's shares with a nominal value of TL 72,000,006.72, representing 40% of the capital owned by Aviva. The closing conditions determined in the Share Purchase Agreement have been fulfilled, and all of Aviva's shares representing 40% of the Company's capital were taken over by Ageas Insurance International NV as of 5 May 2021.

The company will continue to operate as a joint venture company with a 40-40% partnership between Sabancı Holding and Ageas Insurance International NV.

The registered office of the Company is İçerenköy Mah. Umut Sok. Quick Tower Sitesi N 10-12/9 Ataşehir – İstanbul-Turkey.

Other contact information of the company is as follows:

Phone : (216) 633 33 33
Fax : (216) 634 35 69
Web : www.agesahayatemeklilik.com.tr
E-mail address : agesa@agesa.hs03.kep.tr

The consolidated financial statements of the Company as at and for the period ended March 31, 2022 comprises the Company and its subsidiary (together referred to as the “Group” and individually as “Group Entities”).

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2022

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

1. GENERAL INFORMATION (Continued)

1.1 Corporate Information (Continued)

The subsidiary; AvivaSA Sigorta Aracılığı A.Ş. has been approved in AvivaSA Emeklilik ve Hayat A.Ş. board of directors meeting dated December 13, 2018 which has officially registered on December 20, 2018 to brokerage insurance and private pension with 2,000,000 TL paid-in capital and 100% subsidiary. Article 2 of the Subsidiary Company's Articles of Association, with regards to "Company Title", was discussed and amended at the Ordinary General Assembly meeting on 24 August 2021 and the new title of "AgeSA Sigorta Aracılığı A.Ş." was registered with the Trade Registry on September 1, 2021.

The address of the registered office of the subsidiary is as follows;

İçerenköy Mah. Umut Sok. Quick Tower Sitesi N 10-12/9 Ataşehir - İstanbul.

AgeSA Sigorta Aracılığı A.Ş. acts as an agent for all types of insurance policies and pension contracts. The Company also can deal with any other type of business on behalf of and in favour of the Group by the approval of General Assembly.

The average personnel number of the Group is 1,570 employees for the period ended March 31, 2022 (1 January - December 31, 2021: 1,471).

The accompanying consolidated financial statements of the Group for the period ended March 31, 2022 were authorized for issue in accordance with a resolution of the directors on April 29, 2021.

AgeSA Hayat ve Emeklilik Anonim Şirketi carries out insurance activities in the pension business and life and personal accident branches.

Ak Emeklilik received its retirement operating license from the Ministry of Treasury and Finance on 7 July 2003 to operate in private pension business. Private pension investment funds were registered by the Sermaye Piyasası Kurulu ("SPK") on September 26, 2003, and the sale of pension products began on October 27, 2003.

Ak Emeklilik received its retirement operating license from the Ministry of Treasury and Finance on 26 August 2003 to operate in private pension business. Pension investment funds were registered by the SPK on October 27, 2003, pension plans were approved on December 12, 2003, and the sale of pension products began on December 15, 2003. Names of pension funds were changed by the permission get from SPK dated 20 November 2008 and numbered 15-1098. The changes have been implemented since 5 December 2008.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2022

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

1. GENERAL INFORMATION (Continued)

1.1 Corporate Information (Continued)

As of March 31, 2022, there are 40 pension investment funds established by the Group (December 31, 2021: 39 pension funds). The pension investment funds established by the Group are as follows:

Name of Pension Fund	Date of Establishment
Agesa Hayat ve Emeklilik A.Ş. Karma Emeklilik Yatırım Fonu	21 October 2003
Agesa Hayat ve Emeklilik A.Ş. Agresif Değişken Emeklilik Yatırım Fonu	21 October 2003
Agesa Hayat ve Emeklilik A.Ş. Dış Borçlanma Araçları Emeklilik Yatırım Fonu	21 October 2003
Agesa Hayat ve Emeklilik A.Ş. Orta Vadeli Borçlanma Araçları Emeklilik Yatırım Fonu	21 October 2003
Agesa Hayat ve Emeklilik A.Ş. İkinci Para Piyasası Emeklilik Yatırım Fonu	21 October 2003
Agesa Hayat ve Emeklilik A.Ş. İkinci Değişken Emeklilik Yatırım Fonu	21 October 2003
Agesa Hayat ve Emeklilik A.Ş. Kamu Dış Borçlanma Araçları (Abd Doları 5-15 Yıl Vadeli) Emeklilik Yatırım Fonu	8 November 2005
Agesa Hayat ve Emeklilik A.Ş. Bist Temettü 25 Endeksi Emeklilik Yatırım Fonu	28 December 2006
Agesa Hayat ve Emeklilik A.Ş. Birinci Para Piyasası Emeklilik Yatırım Fonu	20 August 2003
Agesa Hayat ve Emeklilik A.Ş. Borçlanma Araçları Emeklilik Yatırım Fonu	20 August 2003
Agesa Hayat ve Emeklilik A.Ş. Dinamik Değişken Emeklilik Yatırım Fonu	20 August 2003
Agesa Hayat ve Emeklilik A.Ş. Birinci Değişken Emeklilik Yatırım Fonu	20 August 2003
Agesa Hayat ve Emeklilik A.Ş. Hisse Senedi Emeklilik Yatırım Fonu	20 August 2003
Agesa Hayat ve Emeklilik A.Ş. Borçlanma Araçları Grup Emeklilik Yatırım Fonu	5 January 2005
Agesa Hayat ve Emeklilik A.Ş. Muhafazakar Değişken Emeklilik Yatırım Fonu	5 January 2005
Agesa Hayat ve Emeklilik A.Ş. Hisse Senedi Grup Emeklilik Yatırım Fonu	5 January 2005
Agesa Hayat ve Emeklilik A.Ş. Karma Grup Emeklilik Yatırım Fonu	17 August 2010
Agesa Hayat ve Emeklilik A.Ş. Dengeli Değişken Emeklilik Yatırım Fonu	20 December 2011
Agesa Hayat ve Emeklilik A.Ş. Katkı Emeklilik Yatırım Fonu	2 May 2013
Agesa Hayat ve Emeklilik A.Ş. Standart Emeklilik Yatırım Fonu	2 May 2013
Agesa Hayat ve Emeklilik A.Ş. Altın Emeklilik Yatırım Fonu	20 June 2013
Agesa Hayat ve Emeklilik A.Ş. Teknoloji Sektörü Yabancı Değişken Emeklilik Yatırım Fonu	10 May 2013
Agesa Hayat ve Emeklilik A.Ş. Özel Sektör Borçlanma Araçları Emeklilik Yatırım Fonu	25 October 2013
Agesa Hayat ve Emeklilik A.Ş. Başlangıç Emeklilik Yatırım Fonu	12 January 2017
Agesa Hayat ve Emeklilik A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu	12 January 2017
Agesa Hayat ve Emeklilik A.Ş. Katılım Standart Emeklilik Yatırım Fonu	26 May 2017
Agesa Hayat ve Emeklilik A.Ş. Oks Dinamik Katılım Değişken Emeklilik Yatırım Fonu	25 December 2017
Agesa Hayat ve Emeklilik A.Ş. Oks Agresif Katılım Değişken Emeklilik Yatırım Fonu	25 December 2017
Agesa Hayat ve Emeklilik A.Ş. Oks Muhafazakar Değişken Emeklilik Yatırım Fonu	25 December 2017
Agesa Hayat ve Emeklilik A.Ş. Oks Dengeli Değişken Emeklilik Yatırım Fonu	25 December 2017
Agesa Hayat ve Emeklilik A.Ş. Oks Dinamik Değişken Emeklilik Yatırım Fonu	25 December 2017
Agesa Hayat ve Emeklilik A.Ş. Oks Agresif Değişken Emeklilik Yatırım Fonu	25 December 2017
Agesa Hayat ve Emeklilik A.Ş. Katılım Katkı Emeklilik Yatırım Fonu	26 May 2017
Agesa Hayat ve Emeklilik A.Ş. Oks Standart Emeklilik Yatırım Fonu	2 January 2018
Agesa Hayat ve Emeklilik A.Ş. Oks Katılım Standart Emeklilik Yatırım Fonu	2 January 2018
Agesa Hayat ve Emeklilik A.Ş. Birinci Fon Sepeti Emeklilik Yatırım Fonu	2 February 2021
Agesa Hayat ve Emeklilik A.Ş. İkinci Fon Sepeti Emeklilik Yatırım Fonu	2 February 2021
Agesa Hayat ve Emeklilik A.Ş. Üçüncü Fon Sepeti Emeklilik Yatırım Fonu	2 February 2021
Agesa Hayat ve Emeklilik A.Ş. Sürdürülebilirlik Hisse Senedi Emeklilik Yatırım Fonu	1 March 2022
Agesa Hayat ve Emeklilik A.Ş. Altın Katılım Emeklilik Yatırım Fonu	10 September 2021

Article 2 of the Company's Articles of Association, titled "Company Title", was amended after being discussed at the Extraordinary General Assembly meeting on 1 July 2021 and the new title is "Agesa Hayat ve Emeklilik A.Ş." was registered with the Trade Registry on 8 July 2021. The pension investment funds title changes were completed as of January 3, 2022.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2022

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

1. GENERAL INFORMATION (Continued)

1.1 Corporate Information (Continued)

As at March 31, 2022 and December 31, 2021 units and amounts of share certificates in circulation are as follows:

Share certificates in circulation	March 31, 2022		December 31, 2021	
	Number of Share Certificates	Net Asset Value (TL)	Number of Share Certificates	Net Asset Value (TL)
AgeSA Hayat ve Emeklilik A.Ş. Karma Emeklilik Yatırım Fonu	713,197,549	84,919,719	700,747,657	71,679,478
AgeSA Hayat ve Emeklilik A.Ş. Agresif Değişken Emeklilik Yatırım Fonu	1,028,555,275	136,031,578	1,109,771,256	124,885,889
AgeSA Hayat ve Emeklilik A.Ş. Dış Borçlanma Araçları Emeklilik Yatırım Fonu	25,253,184,198	5,008,969,086	24,697,282,890	4,491,274,985
AgeSA Hayat ve Emeklilik A.Ş. Orta Vadeli Borçlanma Araçları Emeklilik Yatırım Fonu	1,462,358,613	127,162,318	1,561,855,533	123,244,458
AgeSA Hayat ve Emeklilik A.Ş. İkinci Para Piyasası Emeklilik Yatırım Fonu	1,182,518,230	96,971,225	1,430,312,479	113,081,935
AgeSA Hayat ve Emeklilik A.Ş. İkinci Değişken Emeklilik Yatırım Fonu	3,664,735,567	330,676,420	3,532,127,996	301,449,464
AgeSA Hayat ve Emeklilik A.Ş. Kamu Dış Borçlanma Araçları (Abd Dolan 5-15 Yıl Vadeli) Emeklilik Yatırım Fonu	25,317,378,140	4,645,941,428	24,825,979,713	4,197,874,562
AgeSA Hayat ve Emeklilik A.Ş. Bist Temettü 25 Endeksi Emeklilik Yatırım Fonu	2,154,970,171	213,439,021	2,076,792,244	168,425,774
AgeSA Hayat ve Emeklilik A.Ş. Birinci Para Piyasası Emeklilik Yatırım Fonu	34,843,910,544	3,038,284,468	37,564,665,374	3,155,319,197
AgeSA Hayat ve Emeklilik A.Ş. Borçlanma Araçları Emeklilik Yatırım Fonu	31,890,666,623	2,693,581,375	33,398,503,437	2,590,087,340
AgeSA Hayat ve Emeklilik A.Ş. Dinamik Değişken Emeklilik Yatırım Fonu	24,281,897,582	3,032,226,242	25,598,094,034	2,849,451,837
AgeSA Hayat ve Emeklilik A.Ş. Birinci Değişken Emeklilik Yatırım Fonu	19,137,288,213	2,531,097,739	19,338,053,275	2,431,450,790
AgeSA Hayat ve Emeklilik A.Ş. Hisse Senedi Emeklilik Yatırım Fonu	15,812,971,185	2,439,546,130	16,253,453,512	2,224,106,325
AgeSA Hayat ve Emeklilik A.Ş. Borçlanma Araçları Grup Emeklilik Yatırım Fonu	3,764,295,679	275,779,830	3,964,340,766	263,065,725
AgeSA Hayat ve Emeklilik A.Ş. Muhafazakar Değişken Emeklilik Yatırım Fonu	1,717,020,203	149,488,930	1,774,015,124	145,483,432
AgeSA Hayat ve Emeklilik A.Ş. Hisse Senedi Grup Emeklilik Yatırım Fonu	1,215,815,886	191,080,056	1,275,336,610	177,427,366
AgeSA Hayat ve Emeklilik A.Ş. Karma Grup Emeklilik Yatırım Fonu	1,029,952,517	47,997,847	968,962,610	38,690,677
AgeSA Hayat ve Emeklilik A.Ş. Dengeli Değişken Emeklilik Yatırım Fonu	461,552,222	16,686,497	488,324,852	15,975,548
AgeSA Hayat ve Emeklilik A.Ş. Katkı Emeklilik Yatırım Fonu	209,349,640,067	4,214,417,604	199,620,960,217	3,707,360,473
AgeSA Hayat ve Emeklilik A.Ş. Standart Emeklilik Yatırım Fonu	8,230,029,329	185,332,030	8,805,367,518	176,309,874
AgeSA Hayat ve Emeklilik A.Ş. Altın Emeklilik Yatırım Fonu	150,045,034,615	14,844,255,365	143,073,752,958	12,103,610,279
AgeSA Hayat ve Emeklilik A.Ş. Teknoloji Sektörü Yabancı Değişken Emeklilik Yatırım Fonu	16,584,666,986	1,450,975,930	16,788,025,407	1,520,827,222
AgeSA Hayat ve Emeklilik A.Ş. Özel Sektör Borçlanma Araçları Emeklilik Yatırım Fonu	5,561,274,686	167,433,297	5,482,194,621	155,809,453
AgeSA Hayat ve Emeklilik A.Ş. Başlangıç Emeklilik Yatırım Fonu	4,766,718,247	102,918,214	4,572,237,851	94,357,273
AgeSA Hayat ve Emeklilik A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu	3,570,525,913	73,663,520	3,307,614,353	65,279,077
AgeSA Hayat ve Emeklilik A.Ş. Oks Dinamik Katılım Değişken Emeklilik Yatırım Fonu	695,399,342	20,163,104	619,514,384	15,711,504
AgeSA Hayat ve Emeklilik A.Ş. Oks Agresif Katılım Değişken Emeklilik Yatırım Fonu	1,106,392,792	39,101,028	1,017,966,036	30,196,944
AgeSA Hayat ve Emeklilik A.Ş. Oks Muhafazakar Değişken Emeklilik Yatırım Fonu	519,917,419	10,111,874	543,174,773	9,962,368
AgeSA Hayat ve Emeklilik A.Ş. Oks Dengeli Değişken Emeklilik Yatırım Fonu	1,070,775,097	23,197,272	1,006,765,325	19,729,580
AgeSA Hayat ve Emeklilik A.Ş. Oks Dinamik Değişken Emeklilik Yatırım Fonu	1,758,122,857	40,837,678	1,582,902,849	32,459,006
AgeSA Hayat ve Emeklilik A.Ş. Oks Agresif Değişken Emeklilik Yatırım Fonu	2,540,906,449	61,759,272	2,259,263,519	46,624,421
AgeSA Hayat ve Emeklilik A.Ş. Oks Standart Emeklilik Yatırım Fonu	37,022,635,445	732,566,888	37,095,765,324	659,748,186
AgeSA Hayat ve Emeklilik A.Ş. Oks Katılım Standart Emeklilik Yatırım Fonu	18,558,572,487	397,042,100	18,588,628,283	360,303,382
AgeSA Hayat ve Emeklilik A.Ş. Katılım Katkı Emeklilik Yatırım Fonu	1,688,770,926	36,180,228	1,654,940,138	31,887,387
AgeSA Hayat ve Emeklilik A.Ş. Katılım Standart Emeklilik Yatırım Fonu	7,149,553	196,913	408,595	9,857
AgeSA Hayat ve Emeklilik A.Ş. Birinci Fon Sepeti Emeklilik Yatırım Fonu	34,701,689,756	455,876,098	28,710,380,880	351,989,270
AgeSA Hayat ve Emeklilik A.Ş. İkinci Fon Sepeti Emeklilik Yatırım Fonu	34,263,535,573	476,811,361	27,816,780,125	354,413,596
AgeSA Hayat ve Emeklilik A.Ş. Üçüncü Fon Sepeti Emeklilik Yatırım Fonu	22,764,751,758	341,107,040	18,634,003,951	248,372,639
AgeSA Hayat ve Emeklilik A.Ş. Sürdürülebilirlik Hisse Senedi Emeklilik Yatırım Fonu	1,266,765,371	14,181,438	-	-
Other Company Participants AgeSA Funds (*)	751,005,543,065	48,748,008,163	721,739,266,369	43,467,936,573
Other Company Funds AgeSA Participants (*)	741,634,797	(62,312,678)	313,256,907	(26,240,536)
Other Company Funds AgeSA Participants (*)	352,979,729	25,108,999	53,376,169	2,735,458
	752,100,157,591	48,710,804,484	722,105,899,445	43,444,431,495

(*) Within the scope of the Precautionary Decision No. 217 of the 2019 Presidential Annual Program published in the Official Gazette dated 27 October 2018 and numbered 30578 through the Bireysel Emeklilik Fon Alım Satım Platformu (BEFAS) operated by İstanbul Takas ve Saklama Bankası A.Ş. as of July 1, 2021, participants were allowed to trade the funds of other pension companies offered on this platform. Within the scope of the relevant application, AgeSA funds from other companies were not included in the assets, while AgeSA participants' funds of other companies were included in the assets.

Participation certificates at the Group	March 31, 2022		December 31, 2021	
	Number of Share Certificates	Net Asset Value (TL)	Number of Share Certificates	Net Asset Value (TL)
AgeSA Hayat ve Emeklilik Anonim Şirketi Katılım Standart EYF	28,442,644	783,368	38,860,825	937,479
	28,442,644	783,368	38,860,825	937,479

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2022

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

2. ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2.2 Basis of consolidation

The accompanying consolidated financial statements comprise of the consolidated financial statements of the parent company “AgeSA Hayat ve Emeklilik Anonim Şirketi” and its subsidiary (“AgeSA Sigorta Aracılığı A.Ş.”, wholly owned by the Company) prepared on the basis set out in sections below. The consolidated financial statements of the entities included in the consolidation have been prepared as at the date of these consolidated financial statements.

Subsidiary

Subsidiary is the entity controlled by the Group. The consolidated financial statements of the subsidiary is included in the consolidated financial statements from the date that control commences.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2.3 Summary of significant accounting policies

Written premiums

Written premiums represent the policies on cancellations from prior years and premiums ceded to reinsurers and after tax deduction in addition to the policies written in the current year. Annual, long term and saving policies are accounted according to the accrual basis. For unit-linked life savings policies, premiums are recognized on a collection basis.

Premiums ceded to reinsurers

Premiums ceded to reinsurers consist of the premiums that are attributable to reinsurers in accordance with the provisions of the respective reinsurance contracts.

Net change in provision for unearned premium reserves

The portion of written premiums attributable to subsequent periods (gross of commission payable to intermediaries) is deferred as a provision for unearned premiums. The change in this provision is recognized as revenue in the information of profit or loss over the period of risk.

Unit-linked life savings policies (except for a small amount of mortality deductions relating to the life savings business) and long-term life insurance policies are not subject to unearned premium reserves.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2022

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

2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Net change in mathematical reserves

Life insurance mathematical reserves are calculated according to actuarial principles on a prudent basis in order to ensure liabilities are fully met for policies longer than one year. Mathematical reserves are calculated on a prospective basis as the difference between the present value of liabilities and future premiums to be paid by the policyholders. The change in this provision is recognized as revenue in the information of profit or loss over the period of risk.

Income generated from pension business

Fees received from the pension business consist of (i) fund management fees, (ii) premium holiday charges, (iii) entry and deferred entry fees and (iv) account management fees and deferred income reserves. Revenues arising from fund management and other related services offered by the Group are recognized in the accounting period during which the service is rendered.

Fund management fees, which are calculated with reference to assets under management, are attributable to the hardware, software, personnel and accounting services provided to pension funds. Management fees are attributable to the operational costs of the services rendered to customers by the Group and can be deducted from the participants’ funds. Premium holiday charges may be received when the participant does not pay his or her regular premium within three months of being due. Entry fees are fees received from the participant when he or she first enters the pension system and from any participants who have already entered into the system but create a new account in another pension company. Deferred entry fees may be charged to the participant and recorded as income in the event that he or she exits, merges or transfers accounts within the context of conditions defined in the contract as of the effective date of contract. Account management fees and deferred account management fees, which is effective with the BES 3.0 legislation, entered into force on January 1, 2016, and the reduction from contracts established in 2016. Effective from January 1, 2018 IAS 18 revenue recognition principle was replaced by IFRS 15 Revenue from contracts and it also requires the deferral of upfront fees over the life time of contracts. Management fees starting from 2016 are capped to 5 years according to new legislation, total of management fees are subject to deferral regarding IFRS 15. Also the entry fees recognized as revenue between the years 2013-2015 are deferred under IFRS 15. The Group applied 7 years for the average duration of the portfolio in line with the 7 years DAC amortization period estimate (31 December 2021: 7 years).

Pension fees are subject to limitations and caps in the form of maximum fees collectible from pension customers set out in the local regulation on pension system.

In the payment amounts and collection process were made regulation pursuant to “Amendment Regulation of Regulation on Individual Retirement System” came into force dated January 1, 2016. Deductions were able to receive from the accumulation of the participant with this regulation during five years within the scope of limits and rules.

For agreements which came into force dated before January 1, 2016, there will be no deduction from the agreements which filled 5 years as of the effective date even defined.

For the agreements which did not fill 5 years as of the effective date, if there is deduction over the annual limit, there will be no deduction until the anniversary, if there is deduction over 5 years limit, there is not any deduction as of this date. There can be entrance fee and administrative expense deduction in the first five years, exit without mandatory reasons, in case of leaving provided that defined to the product within the limits as of the effective date of agreement.

For the agreements which came into force dated after January 1, 2016; “Deferred Entrance Fee” can be deducted from the saving of the participant in the first five years for the policies which exits without mandatory reasons provided that it is defined to the product within the limits of regulation and rules.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2022

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

2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Investment and other income (expense), net

Net investment and other income (expense) comprises interest income, net profit and loss on realization, dividend income, other income and expenses and investment management expenses.

Interest income is recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset.

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.

Interest income presented in the information of comprehensive income includes:

- interest on financial assets at amortized cost on an effective interest rate basis,
- interest on available-for-sale financial assets on an effective interest rate basis,
- interest earned till the disposal of financial assets at fair value through profit or loss.

Net profit and loss on realization includes gains and losses arising from disposals of financial assets at fair value through profit or loss and available-for-sale financial assets.

Commission income and commission expenses

The Group receives commission income from reinsurance companies in respect of the ceded premiums in its life protection, personal accident and life savings business segments. Commission income is recognized on an accrual basis.

Commission expenses include third-party commissions paid in respect of the distribution of the Group’s life protection, life savings and personal accident business products through external channels including banks, agencies and brokers, and change in deferred acquisition costs. It does not include any distribution commissions for pension products, which are recorded separately under pension expenses including commissions. Commission expenses are recognized on an accrual basis.

Claims paid and change in outstanding claims provisions

Claims are recognized in the period in which they occur, based on reported claims or on the basis of estimates when not reported. The claims provision is the total estimated ultimate cost of settling all claims arising from events, which have occurred up to the end of the accounting period. Full provision is accounted for outstanding claims, including claim settlements reported at the period-end. Incurred but not reported claims are also provided for under the provision for outstanding claims, presented in insurance contract liabilities.

Pension expenses including commission

Pension business expenses primarily consist of (i) pension business commissions paid to third parties, (ii) fund management charges paid to asset management companies, (iii) service charges of the Pension Monitoring Center (EGM), Takasbank and the custodian bank of pension funds and (iv) other pension business-related expenses.

Commissions paid to banks and agencies for distribution of the Group’s pension products are recognized (net of deferred acquisition cost) under pension expenses. As required under Turkish pension regulations, the Group’s pension funds are managed by third party asset manager(s) who receive asset management fees according to the terms specified in the agreement signed between the parties and such management fees are recorded under pension expenses.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2022

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

2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Cash and cash equivalents

In terms of presentation of cash flow information, cash and cash equivalents comprise cash at hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less, which are readily convertible to cash and are subject to an insignificant risk of changes in value.

Property and equipment

The property and equipment purchased subsequent to this date are recorded at their historical cost. Accordingly, property and equipment are carried at cost, less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Furniture and fixtures	2-15 years
Machinery and equipment	4 years
Other tangible assets	4-5 years
Motor vehicles	5 years
Leasehold improvements	5 years or term of rent contract

Where the carrying amount of an asset is greater than its estimated recoverable amount (higher of net selling price and value in use), it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Right of use assets and lease liabilities

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the lease term on a straight line basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar economic environment with similar terms and conditions. As of 31 March 2022, weighted average of the alternative borrowing rates used by the Group for Turkish Lira leases is 20.35%. As of 31 March 2022, the Group has no foreign currency lease obligations.

Intangible assets

Intangible assets mainly comprise computer software and internally generated software. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives as three to five years from the acquisition date. Where an indication of impairment exists, the carrying amount of intangible assets is assessed and written down immediately to its recoverable amount.

Construction in progress refers to the Group’s software development projects to unify the basic insurance applications used within the structure of the Group and to use such applications by integration to all the surrounding systems. Personnel expenses and cost of the outsourced services associated directly with the development of the application are capitalised as incurred.

Financial instruments

Recognition

The Group initially recognizes loans and advances on the date which they are originated. Regular way of purchase and sales of financial assets are recognized on the trade date which the Group commits to purchase or sell the asset. All other financial assets and liabilities are initially recognized on the trade date at which the Group becomes a party to contractual provisions of the instrument.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2022

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

2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Classification

The Group classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date.

Financial assets at fair value through profit or loss: Financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, or if it forms part of a portfolio of financial assets in which there is evidence of short term profit making.

Available-for-sale financial assets: Available-for-sale (“AFS”) financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale. Assets backing long term insurance contracts are classified as available-for-sale financial assets in the accompanying consolidated financial statements.

Financial investments with risks on policyholders classified as available for sale: Financial investments with risks on policyholders classified as available for sale consist of public securities, foreign currency Eurobonds and time deposits.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. They arise when the Group provides money, goods and services directly to a debtor with no intention of trading the receivable.

Financial liability: Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Measurement

A financial asset or liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Subsequent to initial recognition, financial assets at fair value through profit or loss and available-for-sale financial assets are measured at fair values, except that any equity instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost.

Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognized in the information of comprehensive income in the period in which they arise. Unrealized gains and losses arising from changes in the fair values of available-for-sale financial assets are recognized in equity as “Fair value reserves from available-for-sale financial assets”. When available-for-sale financial assets are sold or impaired, the accumulated fair value reserves under equity are transferred to the information of comprehensive income as net realized gains/losses on financial assets.

All non-trading financial liabilities, loans and receivables are measured at amortized cost less impairment losses, if any. Amortized cost is calculated on the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the financial instruments.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management’s best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2022

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

2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Derecognition

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, expire or are surrendered. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Available-for-sale financial assets and financial assets at fair value through profit or loss that are sold are derecognized and corresponding receivables from the buyer for the payment are recognized as at the date the Group commits to sell the assets. The specific identification method is used to determine the gain or loss on derecognition.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the information of financial position when there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Impairment of financial assets

Premium and other insurance receivables

In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated amounts recoverable from a portfolio of premiums, other insurance receivables and individual premiums. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- (a) significant financial difficulty of the agency or debtor;
- (b) the Group granting to the agency, for economic or legal reasons relating to the agency’s financial difficulty, a concession that the lender would not otherwise consider;
- (c) it is probable that the agency will declare bankruptcy or enter into other financial reorganization;
- (d) the disappearance of an active market for the related financial asset because of financial difficulties; or
- (e) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - (i) adverse changes in the payment status of agencies; or
 - (ii) national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that there occurs an impairment loss on receivables, the amount of the loss is measured based on the difference between the asset’s carrying amount and the estimated recoverable amount. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognized in the information of comprehensive income, to the extent that the carrying value of the asset does not exceed its cost at the reversal date.

A write off is made when all or part of a premium receivable is deemed uncollectible or in the case of debt forgiveness. Such premium receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the amount of the insurance receivable. Subsequent recoveries of amounts previously written off are included in information of profit or loss.

The methodology and assumptions used for estimating both the amount and timing of recoverable amounts are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2022

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

2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Available-for-sale financial assets

If an available-for-sale investment security is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Reinsurance assets

If the reinsurance asset is impaired, the Group reduces its carrying amount accordingly and recognizes that impairment loss in the information of profit or loss. A reinsurance asset is impaired if, and only if:

- (a) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group may not receive all amounts and
- (b) that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

An insurance contract is a contract under which the Group 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 risks except for financial risks. All premiums written within the coverage of insurance contracts are recognized as revenue under "written premiums" account.

Investment contracts are those contracts which transfer financial risk without 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.

Insurance contracts

Insurance contracts are contracts that provide protection to the insured against adverse economic consequences of an event of loss as covered under the terms and conditions stipulated in the insurance policy according to IFRS 4.

Financial Guarantee Contract is a contract which requires that the issuer make specific payments to reimburse the holder for the loss incurred by the debtor when a specific breach of its obligation to pay, in accordance with the conditions, original or amended, of a debt instrument.

According to IFRS 4, financial risk is the risk posed by a possible future change in one or more of the following variables: an interest rate specified the price of a financial instrument, the price of a commodity trading, an exchange rate, a price index or interest, a credit rating or an index or other variable. If this is a nonfinancial variable, it is necessary that the variable is not specific to one of the parties to the contract.

According to this, insurance contracts include changes in market prices, as well as insurance risk.

Some policies (Saving Life Policies) of the Group include financial return in addition to insurance risk and carry financial risk, accordingly. However these contracts are defined as insurance contracts also and accounted in this context. Because there are no contracts with a stand-alone financial risk in the Group's portfolio and contracts carry significant insurance risk, mentioned policies are within the context of insurance contracts.

All policies in the Group portfolio are treated as insurance contracts.

Liability adequacy test

At each reporting date, an assessment is made of whether the recognized long-term business provisions are adequate, using current estimates of future cash flows. A liability adequacy test is required to ensure that losses do not remain unrecognized.

- a) the test considers current estimates of all contractual cash flows, and of related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees; and
- b) if the best test shows that the liability is inadequate, the entire deficiency is recognised in profit or loss.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2022

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

2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Incremental direct costs which are essential to the contract transaction are subject to deferral. During the deferral of salaries, benefits and other costs, two criterias are evaluated and should be met; must have a direct role in acquisition activities and must be an essential activity resulting in the contract being issued. The Group management has identified that when the following criterias are met, expenses are subjected to deferral:

- Stand-alone direct sales force sales teams and sales managers’ commissions
- Bancassurance coaches’ and sales managers’ commissions
- Corporate sales teams commissions
- Third party, Akbank T.A.Ş. and agency commissions

Subsequent to initial recognition, DAC for life insurance are amortized over the expected life of the contracts as a constant percentage of expected premiums. Deferred commissions for personal accident insurance products are amortized over the period in which the related revenues are earned. The reinsurers’ share of deferred commissions is amortized in the same manner as the underlying asset amortization is recorded in profit or loss.

Deferral periods can be the average life-time of the contracts (which are longer than the lapse assumptions). The Group management has determined the life time period as seven years for pension contracts and as nine years for ROP products. The amount of DAC is subject to Liability Adequacy Test each year. The Group has applied straight line method for the amortization of DAC.

Provision for unearned premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as a provision for unearned premiums. The change in this provision is taken to profit or loss as recognition of revenue over the period of risk.

Unearned premium reserve is calculated on a daily basis for all policies in force as of information of financial position date for unearned portions of premiums written. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12:00 noon and end at 12:00 noon again. Unearned premium reserve and the reinsurers’ share of the unearned premium reserve for policies, are calculated and recorded as the deferred portion of the accrued premiums related to the policies in force and ceded premiums to reinsurers without deducting commissions or any other deduction, on a daily and gross basis.

Provision for outstanding claims/IBNR

Outstanding claims reserve represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting date as well as the corresponding handling costs. A provision for claims incurred but not reported (“IBNR”) is also established as described below.

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The primary technique adopted by management in estimating the cost of IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. In addition to that, the Group also reassesses its notified claims provision at each reporting date on each claim file basis.

According to the communiqué of the Türkiye Sigorta, Reasürans Ve Emeklilik Şirketleri Birliği on March 10, 2020 and numbered 2020/1, Sigorta Bilgi ve Gözetim Merkezi conducts inquiries over MERNİS in May and November every year. With this query, the insured persons who died during the period in which life insurance policies containing death guarantee are in effect are determined, and the insurance companies are informed about the compensation assessments of these individuals. Following the notification made pursuant to the said communiqué, in case the beneficiary or her first degree relatives return to the relevant insurance company, a provision for outstanding indemnity is set aside for the said indemnity. For the compensations that are not returned to the Group, the calculation of the incurred but not reported claims in the life branch is recalculated for the death and accidental death coverages, according to the rate of return and rejection of the compensation.

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

2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Mathematical reserves

Actuarial mathematical reserves are the difference between the premiums received for the risk undertaken by the companies and the cash values of the liabilities to the policyholders and beneficiaries. Actuarial mathematical reserves are calculated according to the formulas and principles specified in the technical principles of the tariffs for life insurance for more than one year and as of March 31, 2022, the company performs mathematical calculations based on Treasury approved tariffs. Actuarial mathematical reserves are calculated as the difference between the cash value of the insurer's future obligations and the present value of the premiums to be paid by the insurer in the future (prospective method).

Insurance companies operating in life branch allocate mathematical reserves, adequately according to actuarial principles, for long-term life policies in order to meet its obligations to beneficiaries and policyholders.

Mathematical reserves consist of actuarial mathematical reserves and profit share reserves, share of policyholders, determined from the income generated from mathematical reserves directed towards investment, that are calculated separately for each effective policy, in accordance with the technical principles in the tariffs.

Actuarial mathematical reserves are the difference between the premiums received for the risks assumed and cash value of liabilities to policyholders and beneficiaries. Actuarial mathematical reserves are provided for life insurance having more than one year of maturity, based on the formulas and elements of technical principles. Mathematical reserves are calculated on a prospective basis as the difference between the present value of liabilities and future premiums to be paid by the policyholders.

Profit share reserves consist of the income obtained from assets in relation to reserves provided for the obligations for the policyholders and beneficiaries in contracts for which the Group has committed to distribute profit shares; the guaranteed portion, not to exceed the technical interest income calculated based on the profit share distribution system prescribed in the approved technical principles of profit share and prior years' accumulated profit share reserves.

Group applies deductions in accordance with the tariff technical principles of the product for the mathematical reserves of the policies exempt from premium payment (paid-up policy) within the scope of Return of Premium product. As of March 31, 2022, Group has recorded life mathematical reserve amount of TRY 159.6 million for the policies that are in the paid-up status and have not yet matured. In the articles of the "Circular on Mathematical Provision Account" published on April 6, 2022, it is stated that "In policies that are exempt from premium payment (deduction), the amount of insurance amount to be taken as a basis for calculations is determined within the framework of the relevant legislation from the date the policy is deducted". Group has started to evaluate and work on whether the aforementioned legislative change will have an impact on the company's financials. If adjustments are made as a result of these evaluations, the Company's future profitability and capital adequacy calculations may be significantly affected.

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more life insurance contracts issued by the Group, and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Reinsurance liabilities are primarily reinsurance premiums payable to reinsurance contracts and are recognized as an expense when due.

Reinsurance cessions of the Group are made on risk premium basis with regard to death benefit and supplementary benefits. For group and individual life reinsurance surplus agreements, cessions are made to the treaty reinsurers according to shares of the surplus amounts in excess of the Group retention limits which are approved by the Turkish Treasury.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2022

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

2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Pension business

The Group provides group and individual plans to customers.

The Group offers 40 pension investment funds (2021: 39). These pension funds are in different risk profiles according to the portfolio composition of the funds. The participants choose from among different pension funds within legal limitations and determine allocation rates for contributions and additional contributions according to the contract provisions. The participants gain right for retirement provided that they remain in the pension system for at least 10 years, pay contributions for at least 10 years and attain 56 years of age.

Pension business receivables consist of ‘receivable from pension investment funds for fund management fees’, ‘entry fee receivable from participants’ and ‘receivables from clearing house on behalf of the participants’. ‘Receivable from pension investment funds for fund management fees’ are the fees charged to the pension funds against for the administration of related pension funds which consist of fees which are not collected in the same day.

Pension business payables include participants’ temporary accounts, and payables to pension agencies. Pension business payables consist of payables to intermediaries in pension business, payables to custodians and payables to the Pension Monitoring Centre. The temporary accounts of participants consist of funds of participant which are yet not directed to investments and of payables due to sale of investments net of any entry fee payables by the participants and other deductions of participants who will either leave the pension business or who will transfer their funds to another insurance company. In case where collections from participants are performed or where cash is transferred to the Group subsequent to the sale of investments of the participants, the pension business payable account is credited. When the funds of participants are directed to investments or where the participants’ funds are transferred to another insurance company the account is debited.

Employee benefits

Provision for Termination Benefit Obligations

Provision for Termination Benefit Obligations represents the present value of the estimated future probable obligation of the Group arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the consolidated financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The maximum amount of TL 10,849 effective as of March 31, 2022 (December 31, 2021: TL 8,285) has been taken into consideration during calculation of provision from employment termination benefits.

IAS 19 - *Employee benefits* requires actuarial valuation methods to be developed to estimate the Group’s obligation for termination benefits. The principal statistical assumptions used in the calculation of the total liability in the accompanying consolidated financial statements at March 31, 2022 and December 31, 2021 is as follows:

	March 31, 2022 (%)	December 31, 2021 (%)
Expected rate of salary/yearly limit increase	16.00	10.00
Yearly iscount rate	20.00	14.00

Other benefits to employees

The Group has provided for undiscounted short-term employee benefits earned during the period as per services rendered in compliance with IAS 19 in the accompanying consolidated financial statements.

Income on/Expense from Pension Operations

Details of income and expenses from pension operations are explained in detail in “e) Income generated from pension business” and “i) Pension expenses including commission above”.

Provisions

A provision is recognized when, and only when, the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2022

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

2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Taxes on income

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the information of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income information, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

Parties are considered related to the Group if;

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Related parties (Continued)

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

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

The Group management, groups associated to Sabancı Holding and Ageas are defined as related parties.

Foreign currency transactions

Transactions are recorded in TL, which represents the Group’s functional currency. Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are converted into TL at the exchange rates ruling at the reporting date with the resulting exchange differences recognized in profit or loss as foreign exchange gains or losses.

Pursuant to the announcement of the Public Oversight dated 15 March 2021, assets in foreign currency were valued at the Central Bank of the Republic of Turkey (TCMB) foreign exchange buying rate valid at the end of the reporting period, and monetary liabilities in foreign currency were valued with the effective TCMB foreign exchange selling rate as of the end of the reporting period. In the valuation of the liabilities, if a rate is determined on the contract, the exchange rate written in the contract is taken into account first. Unit-based policies are valued with the TCMB foreign exchange buying rate, while participating policies are valued with the TCMB effective selling rate.

As of the balance sheet date of March 31, 2022, foreign currency receivables and debts are valued with the TCMB foreign exchange buying rates. In the valuation of liabilities, if an exchange rate is determined on the contract, the exchange rates written in the contract are taken into account. is valued with the TCMB effective selling rate.

Foreign currency assets and liabilities are converted by using period end exchange rates of Central Bank of the Republic of Turkey’s bid rates.

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

	March 31, 2022			December 31, 2021		
	USD / TL	Euro / TL	GBP / TL	USD / TL	Euro / TL	GBP / TL
Bid Rates	14.6371	16.2855	19.1807	13.3290	15.0867	17.9667
Ask Rates	14.6855	16.3393	19.3096	13.3731	15.1365	18.0874

Segment reporting

Reporting segments are determined to conform to the reporting made to the Group’s chief operating decision maker. The chief operating decision maker is responsible for making decisions about resources to be allocated to the segment and assess its performance. Details related to the segment reporting are disclosed in the Note 3.

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2. ACCOUNTING POLICIES (Continued)

2.4 Changes in accounting policy and disclosures

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the consolidated financial statements is changed, consolidated financial statements of the prior periods are also reclassified in order to maintain consistency with the current year’s presentation in line with the related changes.

a) *Standards, amendments and interpretations applicable as at 31 March 2022:*

The group evaluated the effects of the standards and changes mentioned below on the financial statements and concluded that the changes made did not have a significant impact on the financial statements.

- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 1 January 2021);** These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.
- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2 (effective 1 January 2021);** The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- **Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

b) *Standards, amendments and interpretations that are issued but not effective as at 31 March 2022:*

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

- **IFRS 17, ‘Insurance Contracts’, as amended in December 2021;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities; effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2022

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2. ACCOUNTING POLICIES (Continued)

2.4 Changes in accounting policy and disclosures (Continued)

b) *Standards, amendments and interpretations that are issued but not effective as at 31 December 2021 (Continued):*

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3,** ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to IAS 16,** ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37,** ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

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

Application of IAS 29

Since the beginning of 2021, inflation in Turkey has increased significantly. . Qualitative indicators also support the conclusion that Turkey is expected to be a hyper-inflationary economy, for accounting purposes, for reporting periods ending on or after 30 June 2022.

IAS 29 requires financial statements of an entity whose functional currency is the currency of a hyper-inflationary country to be restated into the current purchasing power at the end of the reporting period. Therefore, transactions of the current year and non-monetary balances at the end of the period would be restated to reflect a price index that is current at the balance sheet date.

IAS 29 is not applied as at 31 March 2022 in these financial statements

2.5 Critical accounting estimates and judgments in applying accounting policies

The preparation of consolidated 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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Deferral periods can be the average life-time of the contracts (which are longer than the lapse assumptions). The Group management reviews the historical lapse development for pension and ROP contracts each period. As of March 31, 2022, the estimated life time of the pension and ROP contracts is defined as seven years and nine years respectively. The amount of DAC is subject to Liability Adequacy Test each year. The Group has applied straight line method for the amortization of DAC in the average-life time of the contacts.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

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2. ACCOUNTING POLICIES (Continued)

2.5 Critical accounting estimates and judgments in applying accounting policies (Continued)

Deferred income reserve (DIR)

IFRS 15 Revenue from Contracts with Customers requires the recognition of revenue over the life time of contracts. The Group applied seven years of amortization in line with DAC.

Ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is executed depending on different assumptions. Mortality tables (CSO 1953-58, CSO 80 (Male-Female) approved by the Turkish Treasury are used to estimate the ultimate liability arising from life insurance policies. For estimating the risk of critical illness, the Critical Illness Rating Tables which are recommended by leader treaty reinsurer are used.

Estimate of future benefit payments and premiums arising from long-term insurance contracts

For estimation of future benefit and premium payments, four parameters have significant impacts:

- i) The lapse and surrender rates: These estimated rates are derived from past experience. In its estimation, the Group also takes into consideration the economic crisis or positive economic developments that will affect the rates either in a positive or a negative way.
- ii) Number of deaths: While estimating number of deaths in a year, the historical mortality experiences are used.
- iii) Future investment income: This estimate is based on current market returns as well as expectations about future economic and financial developments.
- iv) Average premium per insured: The assumption is based on historical trends in average premium amounts per insured and economical expectations that may affect the average premium amount.

Employee termination benefits

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In calculating the related liability to be recorded in the consolidated financial statements for these termination benefits, the Group makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations which are disclosed in Note 2.3 and Note 18 are reviewed regularly.

Doubtful receivables provisions

Doubtful receivables provisions are related to the total amount of receivables assessed by the Group's management, to cover the future potential losses arising from the non-collectability of the receivables as of the balance sheet date, upon the current state of the economy. The total amount of the provision is determined according to the valuation results, performances, market credibility, collection performances following balance sheet date, and the restructuring on the receivables. The doubtful receivables provision as of the balance sheet date is disclosed in Note 8.

Provision for litigations

In determining the provision for litigations, the Management considers the probability of legal cases to be brought against the Group and in case it is brought against the Group considers its consequences based on the assessments of legal advisor. The Group management makes its best estimates using the available data provided (Note 16).

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2022

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

3. SEGMENT INFORMATION

Information related to the operational reporting made by the Group to the chief operating decision-maker in accordance with the “IFRS 8 - Operating Segments” is disclosed in this note. The Group manages its business through the following business segments:

Life Protection

The Group’s life insurance business is principally related to life protection insurance, including credit-linked life and non-credit-linked life policies, such as term life, return of premium, critical illness and unemployment.

- Credit-linked life insurance policies represent the largest group of products historically offered by the Group, both in terms of the number of valid insurance policies and by share of the gross written premiums in the total gross written premiums earned by the Group. The Group offers both long-term and short-term credit-linked life insurance. Long-term credit-linked life insurance includes insurance policies relating to mortgages or consumer loans for terms greater than one year. Short-term credit-linked life insurance includes yearly renewable insurance policies relating to consumer loans with accidental disability and optional unemployment covers check credit life and SME credit life.
- Non-credit-linked (term) life insurance policies provide life protection insurance for a certain period of time. The insurance covers the insuree’s life. In the event of death, the beneficiary receives the amount insured. Individual protection insurance may be entered into only with regular premium installments in amounts pre-determined for the entire contract period. The Group offers customizable life insurance riders including involuntary unemployment, critical illness, accidental death, and disability due to accident or sickness in its non-credit-linked product portfolio.

Life Savings

Life savings products are generally written for a contract period, during which the insured makes regular premium payments into a unit, in return for a unit-price guaranteed.

Personal Accident

Personal accident policies provide coverage against disability, death and medical expenses due to accident. The insurance covers the insuree’s life. In the event of a defined accident, the beneficiary receives the amount insured. Individual protection insurance may be entered into with a single premium or with regular premium installments in amounts pre-determined for the entire contract period.

Pension

The Group offers a number of individual and corporate pension plans within the framework of the private pension system in Turkey.

The segment information below is presented on the basis used by the chief operating decision-maker to evaluate performance. Premium production and technical profit are considered while determining operating segments. Technical profit is the profit that the Group derives from providing insurance coverage, exclusive of the income it derives from investments. The chief operating decision-maker reviews discrete financial information for each of its segments, including measures of operating results. The segments are managed primarily on the basis of their results, which are measured on a basis which is broadly consistent with the Summary of Significant Accounting Policies described in Note 2, with the exception of certain adjustments. Management considers that this information provides the most appropriate way of reviewing the performance of the business.

Since the Group operates principally in Turkey, geographic segment information is not presented.

Commission expenses: Represents commission expenses included in general and administrative expenses in the information of profit or loss under IFRS which are attributable to life protection, life savings, pension and personal accident segments.

Net change in mathematical reserves: Net change in mathematical reserves are a component of net premiums earned as per the Group’s segment reporting; whereas this is presented as part of total income after net premiums earned in the information of profit or loss under IFRS.

Other: Adjustments included in other represent individually insignificant reclassifications.

Transactions between the business segments are on normal commercial terms and conditions.

Below are the reconciliations of the information of profit or loss:

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2022

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

3. SEGMENT INFORMATION (Continued)

January 1 - March 31, 2022	Life Insurance					Reconciliation to information of profit and loss			
	Pension	Life protection	Life savings	Personal accident	Total	Commissions expenses	Other	Net change in mathematical reserves	Information of profit or loss
Gross written premiums	-	651,371,810	2,814,243	21,431,075	675,617,128	-	-	-	675,617,128
Premium ceded to reinsurers	-	(14,748,040)	(183,509)	(162,305)	(15,093,854)	-	-	-	(15,093,854)
Premium written net of reinsurance	-	636,623,770	2,630,734	21,268,770	660,523,274	-	-	-	660,523,274
Net change in mathematical reserves	-	(277,117,569)	20,549,975	-	(256,567,594)	-	-	256,567,594	-
Net change in provision for unearned premiums reserves	-	(11,113,282)	5,009	(7,534,038)	(18,642,311)	-	-	-	(18,642,311)
Net premiums earned	-	348,392,919	23,185,718	13,734,732	385,313,369	-	-	256,567,594	641,880,963
Net change in mathematical reserves	-	-	-	-	-	-	-	(256,567,594)	(256,567,594)
Claim paid and change in outstanding claims	-	(59,359,531)	(23,857,555)	(1,457,322)	(84,674,408)	-	-	-	(84,674,408)
Commission income	-	2,897,580	6,618	9,492	2,913,690	-	-	-	2,913,690
Commission expense	-	(90,902,818)	-	(7,073,528)	(97,976,346)	1,097,929	-	-	(96,878,417)
Commission expense	-	(109,883,140)	-	(7,073,528)	(116,956,668)	1,097,929	-	-	(115,858,739)
DAC	-	18,980,322	-	-	18,980,322	-	-	-	18,980,322
Other income / (expense), net	-	74,531,757	-	1,433,776	75,965,533	-	752,685	-	76,718,218
Life and personal accident technical profit	-	275,559,907	(665,219)	6,647,150	281,541,838	1,097,929	752,685	-	283,392,452
Fund management charge	145,782,391	-	-	-	145,782,391	-	-	-	145,782,391
Management fee	(7,505)	-	-	-	(7,505)	-	-	-	(7,505)
Account management fee, net of DIR	28,441,011	-	-	-	28,441,011	-	-	-	28,441,011
Account management fee	47,386,319	-	-	-	47,386,319	-	-	-	47,386,319
DIR	(18,945,308)	-	-	-	(18,945,308)	-	-	-	(18,945,308)
Premium holiday charges	529	-	-	-	529	-	-	-	529
Deferred fee	5,164,379	-	-	-	5,164,379	-	-	-	5,164,379
Pension income	179,380,805	-	-	-	179,380,805	-	-	-	179,380,805
Fund management charge	(15,902,495)	-	-	-	(15,902,495)	-	-	-	(15,902,495)
Commission expense, net of DAC	(36,141,191)	-	-	-	(36,141,191)	1,527,715	-	-	(34,613,476)
Commission expense	(50,860,257)	-	-	-	(50,860,257)	1,527,715	-	-	(49,332,542)
DAC	14,719,066	-	-	-	14,719,066	-	-	-	14,719,066
Other income / (expense), net	(11,881,677)	-	-	-	(11,881,677)	-	-	-	(11,881,677)
Pension expenses including commission	(63,925,363)	-	-	-	(63,925,363)	1,527,715	-	-	(62,397,648)
Pension technical profit	115,455,442	-	-	-	115,455,442	-	-	-	-
Total technical profit	115,455,442	275,559,907	(665,219)	6,647,150	396,997,280	-	-	-	-
General and administrative expenses	-	-	-	-	(217,991,265)	-	-	-	-
Net technical profit after overhead expenses	115,455,442	275,559,907	(665,219)	6,647,150	179,006,015	-	-	-	-
Foreign exchange gain/(loss), net	-	-	-	-	26,799,579	-	-	-	26,799,579
Investment and other income/(expense), net	-	-	-	-	134,722,826	-	-	-	134,722,826
Net financial income	-	-	-	-	161,522,405	-	-	-	161,522,405
Profit before taxes	-	-	-	-	340,528,420	-	-	-	340,528,420
Income tax expense	-	-	-	-	(79,293,465)	-	-	-	(79,293,465)
Profit for the period	-	-	-	-	261,234,955	-	-	-	261,234,955

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2022

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

3. SEGMENT INFORMATION (Continued)

January 1 - March 31, 2021	Life Insurance				Total	Reconciliation to information of profit and loss			
	Pension	Life protection	Life savings	Personal accident		Commissions expenses	Other	Net change in mathematical reserves	Information of profit or loss
Gross written premiums	-	386,579,270	2,042,952	17,155,127	405,777,349	-	-	-	405,777,349
Premium ceded to reinsurers	-	(5,476,338)	(140,412)	(86,066)	(5,702,816)	-	-	-	(5,702,816)
Premium written net of reinsurance	-	381,102,932	1,902,540	17,069,061	400,074,533	-	-	-	400,074,533
Net change in mathematical reserves	-	(156,555,019)	14,074,467	-	(142,480,552)	-	-	142,480,552	-
Net change in provision for unearned premiums reserves	-	(7,530,887)	4,235	(1,428,346)	(8,954,998)	-	-	-	(8,954,998)
Net premiums earned	-	217,017,026	15,981,242	15,640,715	248,638,983	-	-	142,480,552	391,119,535
Net change in mathematical reserves	-	-	-	-	-	-	-	(142,480,552)	(142,480,552)
Claim paid and change in outstanding claims	-	(26,039,428)	(14,816,282)	(580,795)	(41,436,505)	-	-	-	(41,436,505)
Commission income	-	1,653,183	8,244	155,853	1,817,280	-	-	-	1,817,280
Commission expense	-	(58,744,840)	-	(8,162,116)	(66,906,956)	237,500	-	-	(66,669,456)
Commission expense	-	(72,391,841)	-	(8,162,116)	(80,553,957)	237,500	-	-	(80,316,457)
DAC	-	13,647,001	-	-	13,647,001	-	-	-	13,647,001
Other income / (expense), net	-	44,277,637	-	112,066	44,389,703	-	241,863	-	44,631,566
Life and personal accident technical profit	-	178,163,578	1,173,204	7,165,723	186,502,505	237,500	241,863	-	186,981,868
Fund management charge	92,630,390	-	-	-	92,630,390	-	-	-	92,630,390
Management fee	4,116	-	-	-	4,116	-	-	-	4,116
Account management fee, net of DIR	25,703,293	-	-	-	25,703,293	-	-	-	25,703,293
Account management fee	31,473,632	-	-	-	31,473,632	-	-	-	31,473,632
DIR	(5,770,339)	-	-	-	(5,770,339)	-	-	-	(5,770,339)
Premium holiday charges	4,763	-	-	-	4,763	-	-	-	4,763
Deferred fee	6,068,513	-	-	-	6,068,513	-	-	-	6,068,513
Pension income	124,411,075	-	-	-	124,411,075	-	-	-	124,411,075
Fund management charge	(10,669,220)	-	-	-	(10,669,220)	-	-	-	(10,669,220)
Commission expense, net of DAC	(27,464,494)	-	-	-	(27,464,494)	-	20,684	-	(27,443,810)
Commission expense	(28,678,963)	-	-	-	(28,678,963)	-	20,684	-	(28,658,279)
DAC	1,214,469	-	-	-	1,214,469	-	-	-	1,214,469
Other income / (expense), net	(5,471,994)	-	-	-	(5,471,994)	-	-	-	(5,471,994)
Pension expenses including commission	(43,605,708)	-	-	-	(43,605,708)	-	20,684	-	(43,585,024)
Pension technical profit	80,805,367	-	-	-	80,805,367	-	-	-	80,805,367
Total technical profit	80,805,367	178,163,578	1,173,204	7,165,723	267,307,872	-	-	-	267,307,872
General and administrative expenses	-	-	-	-	(125,595,359)	-	-	-	(125,595,359)
Net technical profit after overhead expenses	80,805,367	178,163,578	1,173,204	7,165,723	141,712,513	-	-	-	141,712,513
Foreign exchange gain/(loss), net	-	-	-	-	10,822,663	-	-	-	10,822,663
Investment and other income/(expense), net	-	-	-	-	20,747,245	-	-	-	20,747,245
Net financial income	-	-	-	-	31,569,908	-	-	-	31,569,908
Profit before taxes	-	-	-	-	173,282,421	-	-	-	173,282,421
Income tax expense	-	-	-	-	(35,476,393)	-	-	-	(35,476,393)
Profit for the period	-	-	-	-	137,806,028	-	-	-	137,806,028

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2022

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

4. INSURANCE AND FINANCIAL RISK MANAGEMENT

The Group has developed and implemented a risk management structure to protect it against events that undermine sustainable performance, solvency or the achievement of strategic objectives. The risk management system is a fundamental part of the daily operations and ongoing performance of the Group. By identifying, analyzing, measuring, controlling, managing, reporting and mitigating risks that may arise in the course of its operations in a timely manner, the Group intends to, among other things, comply with applicable legislative and regulatory requirements, meet its obligations towards its customers and counterparties and maintain capital adequacy.

The Group’s approach to risk management is based on the following elements:

- Ensuring compliance with legal obligations and the Group’s risk management policies;
- Identifying all structural risks the Group is exposed to and defining risk acceptance criteria; and;
- Designing and applying internal control mechanisms and actions to seek to address these risks, and assuring the Board of Directors about the transparent reporting of such risks.

The Board of Directors has overall responsibility for the risk and control environment, including setting the Group’s risk appetite, risk strategy and target operating model, and risk management and internal control systems.

Early Risk Detection Committee

Pursuant to the Regulation on Internal Systems and a resolution of AgeSA’s Board of Directors dated July 15, 2011 and numbered 2011/29, AgeSA established a risk committee. Subsequently, pursuant to a resolution of AgeSA’s Board of Directors dated October 17, 2014 and numbered 2014/62, the risk committee was restructured to replace the former risk committee in compliance with the Corporate Governance Principles (the Early Risk Detection Committee). Pursuant to the Corporate Governance Communique, an early risk detection committee is to be responsible for the preliminary detection of risks that may endanger the existence, development and continuity of a public company. Such committee is also responsible for supervising the implementation of appropriate remedial measures and the performance of risk management activities, during the course of which it must monitor, at least once a year, the risk management systems of the Group.

Risk Management Framework

The Group aims to maximize Market Consistent Embedded Value (MCEV) and Shareholders’ expectations within the risk appetite framework. It is provided by consistent and strong risk management process are applied companywide.

AgeSA Hayat ve Emeklilik Anonim Şirketi’s risk management framework “(RMF)” forms an integral part of the management and Board processes and decision making framework. The key elements of our risk management framework comprise risk appetite, risk governance including risk policies and business standards, risk oversight committees and roles and responsibilities and the processes we use to identify, measure, manage, monitor and report “(IMMMR)” risks.

Roles and responsibilities for risk management are based around the “three lines of defence model” where ownership for risk is taken at all levels in the Group.

- *First line of defence (Management):* Primary responsibility for risk identification, measurement, management, monitoring and reporting lies with management. The first-line management is responsible for the implementation and practice of risk management, as well as establishing internal control systems.
- *Second line of defence (Risk and Internal Control Function):* Risk and Internal Control function is accountable for oversight and challenge of the IMMMR process and for developing the risk management framework.
- *Third line of defence (Internal audit function):* Internal Audit function provides an independent assessment of the risk framework and internal control processes.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

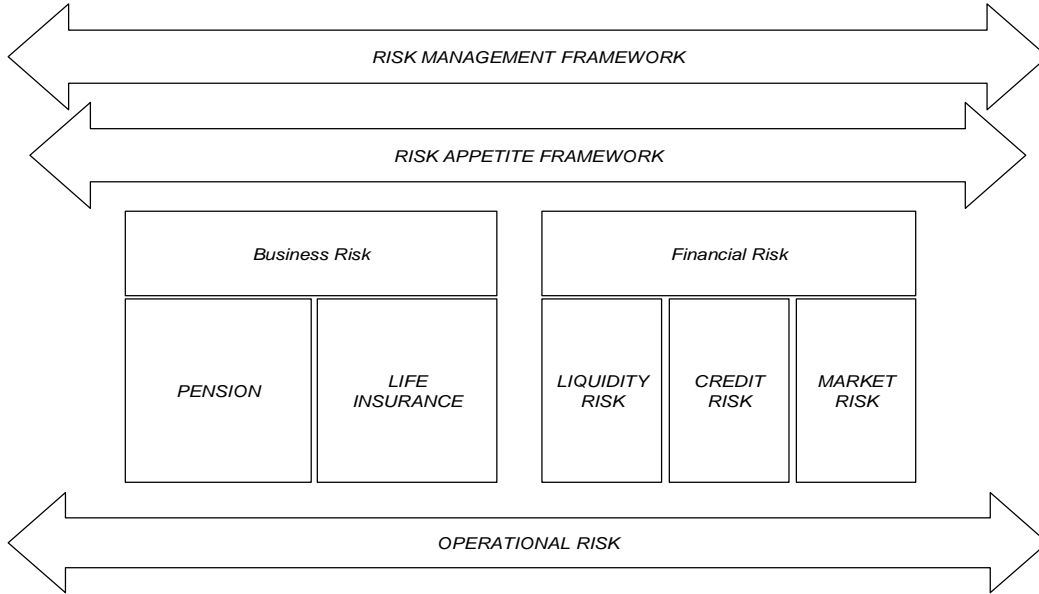
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2022

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

4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

The Group’s risk management model identifies risk classes, which are then further highlighted under risk management policies and standards. These risk management policies and standards act as practical guides explaining how the Group can manage any financial, operational and nominal losses in the most appropriate way, by identifying the risks inherent in the life insurance and private pension industry, analyzing measurable data concerning these risks and establishing limits for such risks for the Group and its management.

The following diagram sets out the Group’s risk policy framework:



The Group also adheres to the following business policies and standards as regards risk management:

Risk policies

The risk management policies set the basic principles and standards for the risk management system and processes. The policies are approved by the Board of Directors and the amendments require the Board of Directors approval. The tools required to determine, measure, manage, monitor and report the risk vary by the risk type. Therefore, the risk policy framework includes six risk policies, including the Risk Management Framework Policy, special to each risk type to which the Group is exposed: life insurance and private pension, credit, market, liquidity and operational risk.

Business standards

The Group recognizes the importance of consistent and controlled business processes as a form of risk management. Each risk policy is therefore supported by a number of associated business standards which sets out the requirements for operating consistent processes across its most important business activities.

Primary risks facing the Group are Insurance Risk and Financial Risk (comprising mainly Market Risk and Credit Risk).

Insurance Risk

This is the risk that the insurance premiums allocated by the Group may not meet the claim liabilities and profit share payments and any payment in relation to claims and damages may exceed its expectations. Life insurance risk includes, death, disability, additional collateral due to accidents and dangerous diseases etc.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED MARCH 31, 2022

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

4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

Insurance Risk (Continued)

a) Life insurance

Life insurances are offered as individual and group contracts in short and long term periods. Mortality risk (the risk that more than expected insured parties die), disability, critical illness and additional collateral play an important role in the life insurance businesses of the Group. The all risk associated with the Group's life insurance mentioned above and related rider businesses have been partly reinsured.

The life insurance businesses are also exposed to lapse risk and persistency risk. Lapse risk is the risk that policies exit prior the maturity. Persistency risk is defined as the risk of a sustained increase in lapse rates, unexpected volatility in lapse rates and mass lapses. Whether policyholders terminate or renew (explicitly or through automatic renewal) their insurance policies depends on consumer expectations and developments in the financial markets. Managing the attractiveness of life insurance products for customers and intermediaries as well as close monitoring of developments in the portfolio are key to mitigating this risk.

In case of technical interest rates remain below the guaranteed return on investment returns on life insurance will be taken of the cumulative premium investment risk is the risk of the insurance company is concerned.

b) Personal accident (Non-Life)

Personal Accident insurances are offered as individual or group contracts. Personal accident insurance contains the risk like accidental death and accidental disability. Disposals and customer retention risks are also among the risk of personal accident insurance. The personal accident insurance as well as life insurance should be given as additional collateral to guarantee unemployment insurance, reinsurance collateral is transferred to all.

c) Pensions

The pensions business is also exposed to lapse risk, which is the risk of cancelling contracts, transfers out to competitors and termination of pension policies at maturity (*i.e.*, retirement).The investment risk under pension contracts is borne by the customer. The customer evaluates its pension fund investments according to its own preferences.

Assessment and claims settlement

In order to assess insurance risk, and accordingly manage the claim and premium balance, determine liabilities accurately and ensure sufficient provisioning to meet liabilities, the Group performs the following analyses:

- experience investigations on claims;
- persistency reports on lapses and transfer outs; and
- Market-Consistent Embedded Value ("MCEV")

Claims handling is organized in a specialized department within the operations division of the Group, handling both individual and corporate policies, and the assessment and settlement of incurred claims takes place on a monthly basis.

Insurance Risk Management

The purpose in managing risks arising from insurance contracts and policies designed to reduce such risks:

The insurance risk is a risk transferred by insured to insurer, apart from financial risk. Transferred risk is about an uncertain future incident. Uncertainty arises from lack of information about whether the incident is going to happen or not or about its size or timing.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

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

4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

Insurance Risk Management (Continued)

The ratio of premiums collected by insurer to claim paid to insured denotes a Company’s capacity to meet insurance risk.

As at March 31, 2022 and December 31, 2021, Company’s claim/premium ratio related branches are given below. It is observed that premiums collected provide a capacity to meet any incurred claims:

Net claim/premium ratio	January 1 - March 31, 2022	January 1 - December 31, 2021
Life	15%	15%
Personal Accident (Casualty)	3%	4%

As at March 31, 2022 and December 31, 2021 that part of total risk which is ceded to reinsurers is given below on a risk coverage basis.

March 31, 2022

Life							
Natural death	Accidental Death	Accidental disability	Sickness disability	Critical Illness	Public Transport	Unemployment	Accidental Treatment Cost
8.44%	11.68%	4.00%	2.17%	59.11%	3.43%	100.00%	29.39%
Personal Accident		Accidental disability		Accidental treatment cost		Unemployment	
Accidental death		0.85%		0.66%		100.00%	
0.79%							

December 31, 2021

Life							
Natural death	Accidental Death	Accidental disability	Sickness disability	Critical Illness	Public Transport	Unemployment	Accidental Treatment Cost
8.39%	12.10%	3.95%	1.80%	56.88%	3.34%	100.00%	21.18%
Personal Accident		Accidental disability		Accidental treatment cost		Unemployment	
Accidental death		0.61%		0.11%		100.00%	
0.57%							

Sensitivity to Insurance Risk

The Group’s policy production strategy is based on optimal distribution of risk to reinsurance companies according to policy type, as well as to kind and size of risk taken. At March 31, 2022 and December 31, 2021 the Group has both proportional and non-proportional reinsurance treaties.

Outstanding claims are reviewed and updated periodically by claims department.

The Group executes insurance contracts in life insurance and personal accident branches. Accordingly, in such insurance contracts, insurance risk concentration according to nature of the subject-matter of insurance are summarized below in gross and net figures (net of reinsurance):

March 31, 2022	Total gross risk liability	Share of reinsurer in total risk liability	Net risk liability
Life	125,706,685,877	(10,607,319,926)	115,099,365,951
Personal Accident	26,599,259,323	(217,245,899)	26,382,013,424
Total	152,305,945,200	(10,824,565,825)	141,481,379,375
December 31, 2021	Total gross risk liability	Share of reinsurer in total risk liability	Net risk liability
Life	114,480,353,797	(9,599,224,080)	104,881,129,717
Personal Accident	25,146,543,231	(146,331,083)	25,000,212,148
Total	139,626,897,028	(9,745,555,163)	129,881,341,865

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED MARCH 31, 2022

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

4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

Sensitivity to Insurance Risk (Continued)

The Group's gross provision for outstanding claims at March 31, 2022 and December 31, 2021 are as follows:

Outstanding Claims	March 31, 2022	December 31, 2021
Life	116,166,500	117,541,336
Personal Accident	6,704,919	6,725,355
Total	122,871,419	124,266,691

Financial Risk

Financial risk arises from the financial instruments used by the Group, such as cash, time bank deposits, government bonds, treasury bills, private sector bonds and Eurobonds. The specific risks arising from such instruments and insurance contract liabilities are as follows:

a) *Market Risk*

Market risk refers to the risk of incurring financial losses as a result of fluctuations in the fair value of a financial instrument or expected future cash flows from a financial instrument and the risk that fair value of cash flows resulting from liabilities (including insurance liabilities) will change due to fluctuations in the level or the volatility of market variables. Market risk consists of equity risk, inflation risk, property risk, commodity risk and, more importantly for the Group, interest rate risk and foreign exchange risk.

i) *Foreign Currency Risk*

The Group is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated receivables and payables.

Foreign currency sensitivity analysis as of March 31, 2022 and December 31, 2021 are as follows:

At March 31, 2022, on condition that all variables remain constant, effect of a 20% appreciation/devaluation of Eurobonds against TL on owners' equity is TL 19,133,987 / (19,133,987). As at December 31, 2021, on condition that all variables remain constant, effect of a 20% appreciation/devaluation of Eurobonds against TL on owners' equity is TL 4,176,678 / (4,176,678).

March 31, 2022:

Liabilities and assets in foreign currency	Effect on income/expense		
	USD (*)	EUR (*)	GBP (*)
Exchange rate variation (*)			
20%	38,669,260	418,320	74,278
(20%)	(38,669,260)	(418,320)	(74,278)

December 31, 2021:

Liabilities and assets in foreign currency	Effect on income/expense		
	USD (*)	EUR (*)	GBP (*)
Exchange rate variation (*)			
20%	10,912,460	205,198	25,664
(20%)	(10,912,460)	(205,198)	(25,664)

(*) All amounts are presented in TL.

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

Financial Risk (Continued)

a) Market Risk (Continued)

ii) Interest Risk

The Group's sensitivity to interest rate risk is related to the change in the fair values or expected cash inflows of the financial assets due to the fluctuations in the interest rates. The Group closely monitors interest rate risk by monitoring market conditions and appropriate valuation methods.

In the following table, on condition that all other variables remain constant, it is disclosed that the effect of 100 base points and 500 base points increase / decrease in market interest rates on securities. The underlying logic used in this projection; by using of upward and downward changes in the weighted average interest rates of securities in the market, calculating how much the present value of future cash flows can be affected by amount. In the related calculation, the methods valid in the market for interest sensitivity are used.

The company implements stress tests and scenarios for interest rate risk in routine basis and creates an action plan by considering these studies while determining the distribution of strategic assets.

As at March 31, 2022 :

Total of trading and available for sale financial assets	Effect Profit and Loss		
	TL	USD (*)	EUR (*)
Market interest increase / (decrease) (**)			
5%	(61,870,639)	(40,160,524)	(421,318)
(5%)	61,870,639	40,160,524	421,318
1%	(12,374,128)	(80,321,049)	(842,635)
(1%)	12,374,128	80,321,049	842,635

(*) Amounts are presented in TL.

(**) Interest risk computed according to a 0.5% variation in interest rates for USD and EUR portfolio.

As at December 31, 2021 :

Total of trading and available for sale financial assets	Effect Profit and Loss		
	TL	USD (*)	EUR (*)
Market interest increase / (decrease) (**)			
5%	(38,034,200)	(36,303,146)	(23,991)
(5%)	38,034,200	36,303,146	23,991
1%	(7,606,840)	(72,606,291)	(47,981)
(1%)	7,606,840	72,606,291	47,981

(*) Amounts are presented in TL.

(**) Interest risk computed according to a 0.5% variation in interest rates for USD and EUR portfolio.

b) Credit Risk

Credit risk is the failure of Group to third parties not to fulfill their obligations wholly or partially, financial loss related to changes in credit spreads and credit note.

Since, financial assets of the Group mainly consist of government bonds which are not considered as a high credit risk and bank deposits in the banks resident in Turkey, credit risk is lower than other risk categories.

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

b) Credit Risk (Continued)

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the consolidated financial statements:

	March 31, 2022	December 31, 2021
Financial assets	6,120,297,344	5,011,546,379
Cash and cash equivalents	866,273,693	1,045,560,487
Pension business receivables	312,816,132	221,070,704
Premium and other insurance receivables	54,220,169	48,414,125
Reinsurance share of insurance liabilities	35,547,215	39,994,429
Other financial assets	897,700	897,700
Total	7,390,052,253	6,367,483,824

c) Liquidity Risk

The Group faces the risk that its short-term assets are insufficient to meet its short-term obligations (such as claims arising from insurance contracts) as they fall due. To mitigate this risk, it uses liquidity coverage ratio "(LCR)" to monitor its liquidity risk profile on a 12-month basis. The monthly LCR is defined as (i) the projected amount of cash available at the start of the month divided by (ii) the planned net cash outflows during the month plus an allowance for a 1 in 10 stress event.

Liquidity risk refers to the risk that the Company's short-term liabilities, such as losses arising from insurance contracts, cannot be supplied by the short-term resources it holds. The company estimates the Liquidity Coverage Ratio (LCR) to monitor the liquidity risk and execute stress tests.

As of 31 March 2022, the Company's non-discounted commercial debts and the maturities of financial debts are as follows, and there is no liquidity risk at present and for the future periods.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

c) Liquidity Risk (Continued)

As at March 31, 2022, table of liquidity risk is as follows:

The following tables detail the Group’s remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The undiscounted totals column includes the effect of the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the information of financial position.

March 31, 2022	Carrying amount	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	5 years and over	No maturity date	Undiscounted Totals
Financial assets								
Cash and cash equivalents	866,273,693	266,295,035	619,033,367	113,871,429	-	-	-	999,199,831
Financial assets	6,120,297,344	4,999,015	79,115,486	285,392,482	711,221,039	4,416,616,537	97,078,058	5,594,422,617
- Available for sale financial investments	576,364,927	4,999,015	34,259,678	104,293,421	93,166,507	206,804,055	-	443,522,676
- Financial assets to be held to maturity	20,866,932	-	-	20,866,932	-	-	-	20,866,932
- Financial assets at fair value through profit or loss	672,686,401	-	-	81,928,326	365,513,811	97,123,730	97,078,058	641,643,925
-Available for sale asset backing financial investments, Policyholders’ portfolio	4,850,379,084	-	44,855,808	78,303,803	252,540,721	4,112,688,752	-	4,488,389,084
Premium and other insurance receivables	54,220,169	-	46,874,245	7,334,035	11,889	-	-	54,220,169
Pension business receivables	312,816,132	58,115,626	15,087,346	45,141,939	165,627,171	28,844,050	-	312,816,132
Other financial assets	897,700	-	-	-	-	-	897,700	897,700
Total	7,354,505,038	329,409,676	760,110,444	451,739,885	876,860,099	4,445,460,587	97,975,758	6,961,556,449
Financial liabilities								
Lease liabilities	32,014,029	-	2,372,155	7,105,654	11,753,834	-	10,782,386	32,014,029
Due to insurance and reinsurance companies	75,342,787	-	75,342,787	-	-	-	-	75,342,787
Pension business payables	751,664,722	439,640,646	18,535,591	55,459,223	203,481,593	34,547,669	-	751,664,722
Other payables and liabilities	157,484,130	100,037,707	4,278,170	40,029,795	13,138,458	-	-	157,484,130
Total	1,016,505,668	539,678,353	100,528,703	102,594,672	228,373,885	34,547,669	10,782,386	1,016,505,668
Liquidity surplus/(deficit)	6,337,999,370	(210,268,677)	659,581,741	349,145,213	648,486,214	4,410,912,918	87,193,372	5,945,050,781

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

c) Liquidity Risk (Continued)

As at December 31, 2021, table of liquidity risk is as follows:

December 31, 2021	Carrying amount	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	5 years and over	No maturity date	Undiscounted Totals
Financial assets								
Cash and cash equivalents	1,045,560,487	243,306,001	663,560,424	113,871,429	-	-	-	1,020,737,854
Financial assets	5,011,546,379	8,790,392	161,295,935	231,778,818	686,293,037	3,689,231,211	10,537,220	4,787,926,613
- Available for sale financial investments	369,357,135	8,790,392	31,236,786	101,399,024	128,353,541	99,577,392	-	369,357,135
- Financial assets at fair value through profit or loss	383,891,491	-	7,536,415	64,135,620	288,863,769	12,818,467	10,537,220	383,891,491
- Available for sale asset backing financial investments, Policyholders' portfolio	4,258,297,753	-	122,522,734	66,244,174	269,075,727	3,576,835,352	-	4,034,677,987
Premium and other insurance receivables	48,414,125	-	39,891,159	8,295,467	227,499	-	-	48,414,125
Pension business receivables	221,070,704	43,543,207	9,085,473	27,177,216	114,711,447	26,553,361	-	221,070,704
Other financial assets	897,700	-	-	-	-	-	897,700	897,700
Total	6,327,489,395	295,639,600	873,832,991	381,122,930	801,231,983	3,715,784,572	11,434,920	6,079,046,996
Financial liabilities								
Lease liabilities	32,893,003	-	10,993,954	6,994,704	14,904,345	-	-	32,893,003
Due to insurance and reinsurance companies	64,984,683	-	64,984,683	-	-	-	-	64,984,683
Pension business payables	616,303,974	400,552,327	11,079,746	33,142,652	139,890,763	31,638,486	-	616,303,974
Other payables and liabilities	153,758,632	79,225,261	26,009,748	40,029,794	8,493,829	-	-	153,758,632
Total	867,940,292	479,777,588	113,068,131	80,167,150	163,288,937	31,638,486	-	867,940,292
Liquidity surplus/(deficit)	5,459,549,103	(184,137,988)	760,764,860	300,955,780	637,943,046	3,684,146,086	11,434,920	5,211,106,704

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

c) Liquidity Risk (Continued)

Fair value of the financial instruments

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

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

Fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

	March 31, 2022			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Available for sale financial assets (Note 6)	576,364,927	-	-	576,364,927
Financial assets held for trading (Note 6)	672,686,401	-	-	672,686,401
Financial investments with risks on company as held to maturity (Note 6)	3,892,054,539	-	-	3,892,054,539
Financial investments with risks on policyholders classified as available for sale (Note 6) (*)	976,655,098	-	-	976,655,098
Total financial assets	6,117,760,965	-	-	6,117,760,965

(*) Time deposits amounting to TL 2,536,379 are not included. Carrying values of time deposits approximate their fair values due to their short term nature.

	December 31, 2021			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Available for sale financial assets (Note 6)	369,357,135	-	-	369,357,135
Financial assets held for trading (Note 6)	383,891,491	-	-	383,891,491
Financial investments with risks on company as held to maturity (Note 6)	3,147,876,917	-	-	3,147,876,917
Financial investments with risks on policyholders classified as available for sale and held to maturity (Note 6) (*)	1,058,586,171	-	-	1,058,586,171
Total financial assets	4,959,711,714	-	-	4,959,711,714

(*) Time deposits amounting to TL 51,834,665 are not included. Carrying values of time deposits approximate their fair values due to their short term nature.

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

d) Operational Risk

Operational risks consist of all other risks that may cause financial loss or loss of reputation to the Group and may result from the potential failure of the people, processes and technology employed in taking and managing risks. Operational risks that Company faces include the following:

- Regulatory reporting defects regarding pension and life;
- Defects due to incapability of the IT infrastructure; and
- Deficiencies in internal control systems.

The Group regards tight control over its IT systems as a strategic necessity. The Group aims to strengthen its central IT organization and the strategic information management function to increase the effectiveness of the general IT controls and to reduce costs through, for example, the improvement of existing IT systems. The IT systems require many ongoing adjustments because of legislative changes and chain integration.

Operational risks are detailed in the Group’s risk tracking system, called OPERA, which is updated to reflect changes in the operating environment and its business processes.

Capital Management

In accordance with the regulations on capital requirements within the framework of the “Regulation on Measurement and Evaluation of Capital Requirements of Insurance and Reinsurance and Pension Companies” published in the Official Gazette dated 23 August 2015 no. 29454 of the SEDDK, the purpose of the Company’s capital management is to create and maintain a strong capital structure to sustain the operations of the Company and to maximize the value it provides to the Company’s partners.

As of December 31, 2021 and December 31, 2020, the Company has a sufficient amount of equity for losses which may arise from current liabilities and potential risks of the Company. As of December 31, 2021 and December 31, 2020, the required capital reserves (calculated in accordance with the above-mentioned local regulation) and current capital adequacy analysis is as follows:

	December 31, 2021	December 31, 2020
Total shareholders’ equity in the statutory financial statements (*)	932,072,537	722,469,731
Required minimum capital reserves	(641,721,283)	(369,206,991)
Capital surplus	290,351,254	353,262,740

(*) Capital adequacy amount is calculated based on the stand-alone Financial Statements results. Calculations are made only at the end of December and June and are not updated in other periods.

In accordance with the regulations on capital requirements within the framework of the “Regulation on Measurement and Evaluation of Capital Requirements of Insurance and Reinsurance and Pension Companies” published in the Official Gazette dated 23 August 2015 no. 29454 of SEDDK, the purpose of the Company’s capital management is to create and maintain a strong capital structure to sustain the operations of the Company and to maximize the value it provides to the Company’s partners.

The company has a strong capital structure with a long-term sustainable profitability target. In this period, with frequent market fluctuations, the Company’s capital adequacy ratio is also closely monitored and regularly subjected to stress tests.

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5. CASH AND CASH EQUIVALENTS

As at March 31, 2022 and December 31, 2021, cash and cash equivalents are as follows:

	March 31, 2022	December 31, 2021
Banks	359,065,700	593,618,085
Other cash and cash equivalents (**)	507,687,017	452,214,074
Cheques given and payment orders	(479,024)	(271,671)
Total cash and cash equivalents	866,273,693	1,045,560,488
Blockage amount (*)	(90,403,251)	(201,000,000)
Accrued interest	(100,958)	(5,657,021)
Time deposits more than 3 months	-	(83,748,533)
Total cash and cash equivalents per information of cash flow	775,769,484	755,154,934

(*) Note 32 presents the details about the blockage on bank accounts in favour of SEDDK.

(**) Other cash and cash equivalents consist of credit card receivables with maturities up to 41 days.

Interest rates of time deposits are stated below:

	March 31, 2022 Interest Rate (%)	December 31, 2021 Interest Rate (%)
EUR	0.30%	0.31%
USD	0.10%	0.35%
TL	14.63%	22.36%

As of March 31, 2022, TL time deposit maturity varies between April 1, 2022 and May 10, 2022, foreign currency time deposits maturity varies between April 1, 2022 and August 25, 2022.

As of March 31, 2022, TL time deposit maturity varies between January 3, 2022 and March 29, 2022, foreign currency time deposits maturity varies between January 3, 2022 and August 25, 2022.

As at March 31, 2022 and December 31, 2021; the detail of cash and cash equivalents are as follows:

	March 31, 2022	December 31, 2021
Foreign currency cash and cash equivalents	100,307,399	138,562,463
- demand deposits	2,926,623	7,568,631
- time deposits	97,369,783	130,993,832
- credit card collections	10,993	-
TL cash and cash equivalents	765,966,294	906,998,025
- demand deposits	63,850,454	36,219,413
- time deposits	194,918,840	418,836,209
- credit card receivables	507,676,024	452,214,074
- cheques given and payment orders	(479,024)	(271,672)
Total	866,273,693	1,045,560,488

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2022

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

6. FINANCIAL ASSETS

As at March 31, 2022 and December 31, 2021; the securities portfolio of the Group is as follows:

	March 31, 2022	December 31, 2021
Financial assets at fair value through profit / loss	672,686,401	383,891,491
Total available for sale financial assets and held to maturity	5,447,610,943	4,627,654,888
Available for sale financial investments	576,364,927	369,357,135
Available for sale asset backing financial investments and held to maturity policyholders' portfolio	4,850,379,084	4,258,297,753
Foreign currency linked deposit	20,866,932	-
Total securities portfolio	6,120,297,344	5,011,546,379

As at March 31, 2022 and December 31, 2021; financial assets as fair value through profit or loss are as follows:

	March 31, 2022		
	Cost	Fair value	Carrying value
Investment funds	96,119,996	97,078,059	97,078,059
Treasury bills and government bonds	278,022,774	391,025,649	391,025,649
Eurobonds-USD	109,093,228	105,988,238	105,988,238
Private sector bonds	93,941,450	97,656,581	97,656,581
Derivatives	(22,414,376)	(22,414,376)	(22,414,376)
Share certificates	3,283,500	3,352,250	3,352,250
Total financial assets at fair value through profit or loss	558,046,572	672,686,401	672,686,401

	December 31, 2021		
	Cost	Fair value	Carrying value
Investment funds	33,719,999	29,531,689	29,531,689
Treasury bills and government bonds	198,118,061	215,312,704	215,312,704
Eurobonds-USD	74,203,776	71,059,670	71,059,670
Private sector bonds	86,048,117	86,981,898	86,981,898
Derivatives	(18,994,470)	(18,994,470)	(18,994,470)
Total financial assets at fair value through profit or loss	373,095,483	383,891,491	383,891,491

As at March 31, 2022 and December 31, 2021; available for sale financial assets owned by the Group are as follows:

	March 31, 2022		
	Cost	Fair value	Carrying value
Treasury bills and government bonds - TL	132,233,212	148,323,579	148,323,579
Eurobonds-USD	124,171,633	121,668,539	121,668,539
Private Sector bonds	287,168,734	306,372,809	306,372,809
Total available for sale financial investments	543,573,579	576,364,927	576,364,927

	December 31, 2021		
	Cost	Fair value	Carrying value
Treasury bills and government bonds - TL	126,389,505	123,124,163	123,124,163
Eurobonds-USD	40,452,620	39,532,216	39,532,216
Private Sector bonds	201,016,472	206,700,756	206,700,756
Total available for sale financial investments	367,858,597	369,357,135	369,357,135

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

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6. FINANCIAL ASSETS (Continued)

As at March 31, 2022 and December 31, 2021; available for sale financial assets backing insurance contracts and held to maturity financial assets are as follows:

	March 31, 2022		
	Cost	Fair value	Carrying value
Treasury bills and government bonds-TL	36,843,396	29,865,787	29,865,787
Eurobonds - USD	1,114,151,729	945,081,784	945,081,784
Eurobonds - EUR	1,577,813	1,707,527	1,707,527
Time deposits - TL	2,500,000	2,536,379	2,536,379
Held to maturity Eurobonds- USD	3,804,193,423	3,871,187,607	3,871,187,607
Total available for sale asset backing financial investments and held to maturity policyholders' portfolio	4,959,266,361	4,850,379,084	4,850,379,084

	December 31, 2021		
	Cost	Fair value	Carrying value
Treasury bills and government bonds-TL	36,843,392	29,695,246	29,695,246
Eurobonds - USD	1,136,818,840	1,027,342,300	1,027,342,300
Eurobonds - EUR	1,461,667	1,548,625	1,548,625
Time deposits - TL	2,500,000	2,517,365	2,517,365
Time deposits - USD	49,317,300	49,317,300	49,317,300
Held to maturity Eurobonds- USD	3,086,513,756	3,147,876,917	3,147,876,917
Total available for sale asset backing financial investments and held to maturity policyholders' portfolio	4,313,454,955	4,258,297,753	4,258,297,753

As at March 31, 2022 and March 31, 2021; financial assets at fair value through profit or loss and available for sale financial assets movement table are as follows:

	2022	2021
Opening, January 1	5,011,546,379	2,229,963,493
Purchases	1,248,816,197	736,955,382
Disposals	(356,675,030)	(189,018,559)
Change in the valuation - unrealized gain and losses	107,744,897	(26,234,138)
Disposals through the redemption	(234,814,604)	(242,992,663)
Unrealized exchange rate gains/(losses)	372,174,696	197,715,863
Change in balance recognized under equity	(20,938,744)	(65,922,863)
Change in balance recognized under life mathematical reserves	(7,556,447)	(18,794,899)
Closing, March 31	6,120,297,344	2,621,671,616

The maturity analysis of financial assets is as follows:

As at March 31, 2022 and December 31, 2021; the remaining contractual maturities of financial assets are as follows:

	March 31, 2022						Total
	No stated maturity	0-3 months	3-6 months	6 months to 1 year	1-3 years	More than 3 years	
Eurobonds	-	-	-	17,294,768	41,685,807	4,589,299,301	4,648,279,876
Investment funds	97,078,058	-	-	-	-	-	97,078,058
Government bonds and treasury bills	-	-	26,440,300	26,226,906	232,219,311	284,328,497	569,215,014
Private sector bonds	-	65,131,299	82,933,360	182,191,065	58,556,752	15,216,916	404,029,392
Eurobond private sector	-	44,731,232	-	50,497,088	243,803,728	58,321,771	397,353,819
Share certificate	3,352,250	-	-	-	-	-	3,352,250
Time deposits	-	2,536,379	20,866,932	-	-	-	23,403,311
Derivative securities	(22,414,376)	-	-	-	-	-	(22,414,376)
	78,015,932	112,398,910	130,240,592	276,209,827	576,265,598	4,947,166,485	6,120,297,344

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

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6. FINANCIAL ASSETS (Continued)

	December 31, 2021						Total
	No stated maturity	0-3 months	3-6 months	6 months to 1 year	1-3 years	More than 3 years	
Eurobonds	-	-	-	-	45,934,678	3,764,172,764	3,810,107,442
Investment funds	29,531,689	-	-	-	-	-	29,531,689
Government bonds and treasury bills	-	-	4,558,400	54,734,092	188,293,096	120,546,530	368,132,118
Private sector bonds	-	47,563,593	21,033,955	111,231,569	98,582,902	15,270,634	293,682,653
Eurobond private sector	-	122,522,734	39,984,985	-	262,708,717	52,035,846	477,252,282
Time deposits	-	51,834,665	-	-	-	-	51,834,665
Derivative securities	(18,994,470)	-	-	-	-	-	(18,994,470)
	10,537,219	221,920,992	65,577,340	165,965,661	595,519,393	3,952,025,774	5,011,546,379

The currency analysis of financial assets is as follows:

	March 31, 2022			
	Currency Type	Currency Amount	Rate	Amount TL
Financial assets available-for-sale	USD TL	8,312,339	14.6371	121,668,539 454,696,388
				576,364,927
Financial assets to be held to maturity	TL	-	-	20,866,932
				20,866,932
Financial assets at fair value through profit or loss	USD TL	7,241,068	14.6371	105,988,237 566,698,164
				672,686,401
Financial investments with risks on policy holders	USD EUR TL	329,045,329 104,850	14.6371 16.2855	4,816,269,391 1,707,528 32,402,165
				4,850,379,084
Total securities portfolio				6,120,297,344

	December 31, 2021			
	Currency Type	Currency Amount	Rate	Amount TL
Financial assets available-for-sale	USD TL	2,965,880	13.3290	39,532,215 329,824,920
				369,357,135
Financial assets at fair value through profit or loss	USD TL	5,331,208	13.3290	71,059,671 312,831,820
				383,891,491
Financial investments with risks on policy holders	USD EUR TL	316,943,245 102,648	13.3290 15.0867	4,224,536,513 1,548,620 32,212,620
				4,258,297,753
Total securities portfolio				5,011,546,379

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7. REINSURANCE SHARE OF INSURANCE LIABILITIES

As at March 31, 2022 and December 31, 2021; reinsurance share of insurance liabilities are as follows:

	March 31, 2022	December 31, 2021
Reinsurers' share of outstanding claims	27,709,667	33,829,909
Reinsurers' share of unearned premiums reserve	4,420,788	3,089,875
Reinsurers' share of life mathematical reserve	3,416,760	3,074,645
	35,547,215	39,994,429

8. PREMIUM AND OTHER INSURANCE RECEIVABLES

As at March 31, 2022 and December 31, 2021; premium and other insurance receivables are as follows:

	March 31, 2022	December 31, 2021
Policyholders and reinsurance companies	54,220,169	48,414,125
Total premium and other insurance receivables	54,220,169	48,414,125

As at March 31, 2022 and December 31, 2021; maturity distribution of neither past due nor impaired insurance operations receivables is as follows:

	March 31, 2022	December 31, 2021
Receivables from policyholders and reinsurance companies		
Up to 3 months	6,444,191	6,738,771
3 to 6 months	3,611,835	3,927,314
6 to 9 months	2,081,794	2,250,892
9 to 12 months	607,207	691,305
	12,745,027	13,608,282

As at March 31, 2022 and December 31, 2021; an analysis of the aging of overdue but not impaired insurance operations receivables is as follows:

	March 31, 2022	December 31, 2021
Overdue 0-3 months	28,028,936	23,208,815
Overdue 3-6 months	434,049	699,212
Overdue 6-9 months	321,277	509,346
Overdue 9-12 months	277,873	217,398
Overdue 1 year	11,889	227,499
	29,074,024	24,862,270
Total	41,819,051	38,470,552

As of March 31, 2022, total of receivables from reinsurance companies and intermediaries are TL 12,401,118 (31 December 2021: TL 9,943,572).

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8. PREMIUM AND OTHER INSURANCE RECEIVABLES (Continued)

As at March 31, 2022 and December 31, 2021; the collateral held by the Group as security for its receivables are as follows:

	March 31, 2022			Total (TL)
	USD	EUR	TL	
Guarantees received				
Letter of guarantees	799,740	-	31,440,464	32,240,204
Mortgage deed	-	-	309,450	309,450
Other guarantees	1,925,570	41,683	92,800	2,060,053
	2,725,310	41,683	31,842,714	34,609,707

	December 31, 2021			Total (TL)
	USD	EUR	TL	
Guarantees received				
Letter of guarantees	799,740	-	31,440,464	32,240,204
Mortgage deed	-	-	309,450	309,450
Other guarantees	1,925,570	41,683	92,800	2,060,053
	2,725,310	41,683	31,842,714	34,609,707

9. PENSION BUSINESS RECEIVABLES AND PAYABLES

As at March 31, 2022 and December 31, 2021; pension business receivables are as follows:

	March 31, 2022	December 31, 2021
Pension business receivables - deferred income reserves	253,917,139	176,590,018
Receivables pension operations	58,115,626	43,543,207
Capital advance for pension funds	783,367	937,479
Total individual pension business receivables, net	312,816,132	221,070,704

As at March 31, 2022 and December 31, 2021; pension business payables are as follows:

	March 31, 2022	December 31, 2021
Temporary account of participants	439,640,646	400,552,327
Pension business payables - deferred income reserves (*)	312,024,076	215,751,647
Total pension business payables	751,664,722	616,303,974

(*) Reserve for account management fee deferred over 7 years based on the average deviation of the contract terms of pension portfolio.

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10. OTHER ASSETS

As at March 31, 2022 and December 31, 2021; other assets are as follows:

	March 31, 2022	December 31, 2021
Prepaid expenses	42,350,213	13,130,150
Other receivables from other related parties	3,579,403	49,910
Advances to personnel	2,848,403	1,473,538
Income accrual	2,496,239	-
Advances given	1,998,151	2,163,478
Deposits and guarantees given	88,191	87,192
Other receivables from third parties	25,564	1,000
Other	422,277	469,675
Total other assets	53,808,441	17,374,943

11. PROPERTY AND EQUIPMENT, NET

As of March 31, 2022 and March 31, 2021; tangible assets movement and its accumulated depreciation is as follows:

Cost	January 1, 2022	Additions	Disposals	March 31, 2022
Machinery and equipment	31,906,268	9,184,278	(21,539)	41,069,007
Furniture and fixtures	26,670,272	934,025	(51,918)	27,552,379
Other tangible assets	28,794,218	1,124,178	-	29,918,396
Motor Vehicles	6,172,480	-	-	6,172,480
Right of use assets	37,585,916	-	(241,579)	37,344,337
Total	131,129,154	11,242,481	(315,036)	142,056,599
Accumulated depreciation	January 1, 2022	Period charge	Disposals	March 31, 2022
Machinery and equipment	(14,807,716)	(2,052,543)	19,423	(16,840,836)
Furniture and fixtures	(14,483,860)	(1,263,802)	16,698	(15,730,964)
Other tangible assets	(13,506,999)	(828,950)	-	(14,335,949)
Motor Vehicles	(1,161,486)	(308,624)	-	(1,470,110)
Right of use assets	(7,317,702)	(2,233,481)	241,079	(9,309,604)
Total	(51,277,763)	(6,687,400)	277,700	(57,687,463)
Net book value	79,851,391			84,369,136
Cost	January 1, 2021	Additions	Disposals	March 31, 2021
Machinery and equipment	16,044,009	-	(36,015)	16,007,994
Furniture and fixtures	22,648,518	-	-	22,648,518
Other tangible assets	30,677,138	-	-	30,677,138
Vehicles	1,721,735	3,800,644	-	5,522,379
Right of use assets	45,617,311	20,850,168	(11,243,721)	55,223,758
	116,708,711	24,650,812	(11,279,736)	130,079,787

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11. PROPERTY AND EQUIPMENT, NET (Continued)

Accumulated depreciation	January 1, 2021	Period charge	Disposals	March 31, 2021
Machinery and equipment	(10,016,603)	(623,075)	34,881	(10,604,797)
Furniture and fixtures	(15,313,519)	(669,940)	-	(15,983,459)
Other tangible assets	(18,573,519)	(783,194)	-	(19,356,713)
Vehicles	(616,214)	(212,775)	-	(828,989)
Right of use assets	(19,423,305)	(3,188,406)	11,243,721	(11,367,990)
Total	(63,943,160)	(5,477,390)	11,278,602	(58,141,948)
Net book value	52,765,551			71,937,839

12. INTANGIBLE ASSETS, NET

As of March 31, 2022 and March 31, 2021; intangible assets movement and its accumulated amortization are as follows:

Cost	January 1, 2022	Additions	Transfer	Disposals	March 31, 2022
Software	254,426,560	16,658,598	13,470,052	-	284,555,210
Capitalized software development costs	37,160,292	21,139,498	(13,470,052)	(1,731)	44,828,007
Total	291,586,852	37,798,096	-	(1,731)	329,383,217

Accumulated amortization	January 1, 2022	Period charge	Transfer	Disposals	March 31, 2022
Software	(115,209,407)	(13,599,183)	-	-	(128,808,590)
Total	(115,209,407)	(13,599,183)	-	-	(128,808,590)
Net book value	176,377,445				200,574,627

Cost	January 1, 2021	Additions	Transfer	Disposals	March 31, 2021
Software	157,401,429	9,093,506	4,864,699	-	171,359,634
Capitalized software development costs	14,754,297	11,278,121	(4,864,699)	-	21,167,719
Total	172,155,726	20,371,627	-	-	192,527,353

Accumulated amortization	January 1, 2021	Period charge	Transfer	Disposals	March 31, 2021
Software	(78,358,177)	(7,419,318)	3,435	-	(85,774,060)
Total	(78,358,177)	(7,419,318)	3,435	-	(85,774,060)
Net book value	93,797,549				106,753,293

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13. OTHER FINANCIAL ASSETS

Other financial assets include equity participations that are classified as available for sale. As these equity participations do not have a quoted market price in an active market and other methods of reasonably estimating their values would be inappropriate and impracticable, they are stated at cost. As at March 31, 2022 and December 31, 2021; the details of other financial assets are as follows:

	March 31, 2022		December 31, 2021	
	Participation rate (%)	Amount	Participation rate (%)	Amount
Third Party				
Milli Reasürans A.Ş.	0.1494	575,082	0.1494	575,082
Emeklilik Gözetim Merkezi A.Ş.	5.5553	321,991	5.5553	321,991
Enternasyonal Turizm Yatırım A.Ş.	0.0001	2	0.0001	2
Endüstri Holding A.Ş.	0.0001	625	0.0001	625
		897,700		897,700

14. LEASE LIABILITIES

As at March 31, 2022 and December 31, 2021; lease liabilities are as follows:

	March 31, 2022	December 31, 2021
Short-term lease liabilities (undiscounted)	12,947,498	11,928,814
Long term lease liabilities (undiscounted)	43,698,677	47,108,822
Discount amount with lease's incremental borrowing rate of interest	(24,632,146)	(26,144,633)
Total	32,014,029	32,893,003

Movement of lease liabilities for the period ended March 31, 2022 and December 31, 2021 are as follows:

	March 31, 2022	December 31, 2021
Opening balance, January 1	32,893,003	30,342,375
Lease increase / decrease	-	37,182,518
Lease cancellation – payments (*)	-	(43,629,292)
Lease payments	(2,391,462)	(13,918,783)
Lease cancellation - interest (*)	-	15,926,971
Exchange rate valuation	-	9,076
Interest payments	1,512,488	6,980,138
Closing balance	32,014,029	32,893,003

(*) As of 31 December 2021, the figures represents the cancellations of the rent contracts.

15. DUE TO INSURANCE AND REINSURANCE COMPANIES

As at March 31, 2022 and December 31, 2021; due to insurance and reinsurance companies are as follows:

	March 31, 2022	December 31, 2021
Due to the intermediaries	59,112,752	51,392,727
Due to the reinsurance companies	15,689,786	13,099,012
Due to the policyholders	540,249	492,944
	75,342,787	64,984,683

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16. OTHER PROVISIONS

As at March 31, 2022 and December 31, 2021; provision for expenses and lawsuit provisions are as follows:

	March 31, 2022	December 31, 2021
Personnel bonus provision	30,245,131	39,335,686
Commission provision	18,702,328	16,350,000
Provision for lawsuit against the Group (Note 34)	14,282,161	13,129,475
Bonus provision for sales activities	10,439,894	3,871,298
	73,669,514	72,686,459

17. TAXES

Corporate taxes

Statutory income is subject to corporate tax at 23% (2021: 25%). 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. 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%. With the President's Decision No. 4936 published in the Official Gazette dated 22 December 2021 and numbered 31697, the tax deduction rate to be made in the distribution of dividends has been reduced to 10% to 15% within the scope of Article 94 of the Income Tax Law and Articles 15 and 30 of the Corporate Tax Law. 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.

In the Official Gazette dated April 22, 2021 and numbered 31462, the Law No. 7316 on the procedure for the collection of public receivables and Law Amending Certain Laws has been published and the Provisional Article 13 has been added to the Corporate Tax Law with the 11th article of the stated Law. Corporate tax rate of 20% with the added item will be applied as;

- 25% for corporate earnings for the 2021 taxation period.
- 23% for corporate earnings for the 2022 taxation period.

The respective rate increase came into effect on April 22, 2021, starting from the declarations that must be valid for the corporate earnings for the taxation period starting from January 1, 2021.

Corporate tax is declared until the evening of the twenty-fifth of the fourth month following the end of the relevant accounting period and is paid in one installment until the end of the relevant month. In accordance with the tax legislation, the temporary tax will be calculated at a rate of 23% (2021: 25%), starting from the 2nd period advance tax return for the 2021 period, over the earnings generated in quarterly periods, and the amounts paid will be deducted from the tax calculated on the annual earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous years.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of the 25th day of the fourth month 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.

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17. TAXES (Continued)

Income tax

As at March 31, 2022 and December 31, 2021; prepaid income taxes are netted off with the current income tax payable as stated below:

	March 31, 2022	December 31, 2021
Income taxes payable	88,162,276	169,773,460
Prepaid income taxes (-)	(878,317)	(132,675,444)
Current tax liabilities / (assets)	87,283,959	37,098,016

Deferred taxes

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

The details of deferred taxes are presented in the following tables.

	Cumulative temporary Differences		Deferred tax assets / (liabilities)	
	March 31, 2022	December 31, 2021	December 31, 2021	December 31, 2021
Deferred income reserves	312,024,076	215,751,647	68,484,015	49,839,338
Expense accruals	106,805,850	39,998,051	24,565,346	9,199,552
Expense accruals – bonus and commission provision	1,472,495	42,350,000	368,124	10,587,500
Provision for employee termination benefit	40,173,332	30,976,095	8,034,666	6,195,219
Derivative securities	22,414,376	18,994,470	5,155,306	4,368,728
Unused vacation provision	10,785,467	6,675,369	2,318,875	1,435,204
Claims for Insured Customer Claims	8,814,645	7,909,917	1,762,929	1,581,983
Right of use asset	3,967,144	2,612,638	793,429	522,528
Provision for lawsuits	2,837,223	2,589,265	652,561	595,531
Provisions for agency receivables	2,630,293	2,630,293	526,059	526,059
Incentive commission	432,161	384,202	99,397	88,366
Withdrawal of outstanding legal claims	8,835,872	8,049,887	2,208,968	2,012,472
Deposits internal rate of return linear interest rate difference	79,633	359,014	18,316	82,573
Total deferred tax assets	521,272,567	379,280,848	114,987,991	87,035,053
Deferred acquisition cost	(653,065,284)	(608,150,768)	(149,857,720)	(139,185,532)
Pension business receivables	(253,917,139)	(176,590,018)	(55,921,344)	(39,566,627)
Net difference between the carrying values and tax base values of tangible assets and intangible assets	(65,954,385)	(64,743,710)	(13,083,207)	(12,916,706)
Eurobond valuation difference	(1,240,688)	(1,255,597)	(285,358)	(288,787)
Valuation difference on assets and liabilities	(246,766)	(6,875,214)	(56,756)	(1,581,299)
Price difference in coupon bond held for trading	(3,901,625)	(4,048,563)	(897,374)	(931,169)
Total deferred tax liabilities	(978,325,887)	(861,663,870)	(220,101,759)	(194,470,120)
Deferred tax assets/ (liabilities) accounted for under equity over the fair value reserve for available for sale financial assets	87,213,535	56,588,730	20,059,113	13,015,408
Effect of rate change of corporation tax			45,248	151,432
Deferred tax liabilities, net	-369,839,785	(425,794,292)	(85,009,407)	(94,268,227)

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17. TAXES (Continued)

Deferred taxes (Continued)

Movement of deferred tax liabilities for the period ended March 31, 2022 and 2021 are as follows:

	2022	2021
Opening balance, January 1	(94,268,227)	(94,352,699)
Charged to profit or loss	364,430	1,520,813
Cancellation available for sale financial assets that are recognized in shareholders' equity of deferred tax assets	(13,015,408)	7,600,141
Deferred tax asset /(liability) recognized in other comprehensive income due to fair value losses on available for sale financial assets	20,059,113	4,131,090
Fair Value - IRR corporate tax rate change effect	(106,184)	
Deferred tax asset of actuarial loss on employment termination provision	1,956,868	274,315
Closing balance, March 31	(85,009,408)	(80,826,340)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax assets and liabilities are determined using tax rates and tax legislation that has been enacted at the information of financial position date and is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

There are no unrecognized deferred tax assets in the periods presented.

Income tax expenses for the period ended March 31, 2022 and March 31, 2021; are as follows:

	January 1 - March 31, 2022	January 1 - March 31, 2021
Income tax expense recognized in profit or loss:		
- Current tax charge	(89,419,056)	(42,555,099)
- Deferred tax charge	731,562	1,518,664
Adjustments recognized in the period for current tax of prior periods	9,761,161	5,560,042
Income tax expense	(79,293,465)	(35,476,393)

The total provision for taxes on income is different than the amount computed by applying the Turkish statutory tax rate of 23% (2021: 25%) to income before provision for taxes as shown in the following reconciliation:

	January 1 - March 31, 2022	January 1 - March 31, 2021
Profit before taxes	340,528,420	173,282,421
Tax rate	23%	20%
Taxes on income per statutory tax rate	(78,321,537)	(34,656,484)
Non-deductible expenses, net	(971,928)	(819,909)
Income tax expense	(79,293,465)	(35,476,393)

18. EMPLOYMENT TERMINATION BENEFITS

	March 31, 2022	December 31, 2021
Provision for employment termination benefits	40,173,332	30,976,095
Total	40,173,332	30,976,095

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18. EMPLOYMENT TERMINATION BENEFITS (Continued)

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and attains the retirement age.

The amount payable consists of one month's salary limited to a maximum of TL 10,849 (December 31, 2021: TL 8,285) for each year of service as of March 31, 2022.

IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation; the provision has been calculated by using projection method. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	March 31, 2022	December 31, 2021
Estimated yearly salary increase rate	16,00%	10,00%
Yearly discount rate	20,00%	14,00%

The movement in the provision for employment termination benefits in the current period is as follows:

	2022	2021
Opening balance, January 1	30,976,095	21,040,315
Paid during the period	(2,977,547)	(305,225)
Service cost	1,548,805	572,779
Interest cost	841,637	710,047
Actuarial loss	9,784,342	1,371,574
Closing balance, March 31	40,173,332	23,389,490

19. DEFERRED EXPENSES

As at March 31, 2022 and 2021; movements of deferred expenses are as follows:

	2022	2021
Deferred acquisition costs, gross January 1	608,107,429	501,416,003
Acquisition costs deferred during the period	80,134,992	48,558,795
Amortization	(35,177,137)	(31,201,327)
Deferred acquisition costs - March 31	653,065,284	518,773,471
Deferred commission costs, gross January 1	26,487,439	31,312,514
Commission cost deferred during the period	5,601,084	(6,129,394)
Deferred commission costs - March 31	32,088,523	25,183,120
Total deferred expenses	685,153,807	543,956,591

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20. OTHER PAYABLES AND LIABILITIES

As at March 31, 2022 and December 31, 2021; other payables and liabilities are as follows:

	March 31, 2022	December 31, 2021
Expense accruals	53,348,713	23,147,633
Taxes and funds payable	52,442,758	52,029,393
Payables to suppliers	31,958,697	42,289,755
Unused vacation provision	10,785,467	6,675,369
Payables to related parties	4,278,170	26,009,748
Deferred commission income	2,352,990	1,818,460
Payables to personnel	1,595,426	1,082,982
Payables to shareholders	710,176	694,425
Deposits and guarantees	9,678	8,812
Other deferred income	2,055	2,055
Total	157,484,130	153,758,632

21. INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities as at March 31, 2022 and December 31, 2021; are as follows:

	March 31, 2022	December 31, 2021
Gross insurance contract liabilities		
Life mathematical reserves (*)	5,287,798,720	4,605,058,317
Reserve for unearned premiums	94,723,078	74,749,855
Claims provision	122,871,419	124,266,691
	5,505,393,217	4,804,074,863
Reinsurance share of insurance contract liabilities		
Mathematical reserves, ceded (Note 7)	(3,416,760)	(3,074,645)
Reserve for unearned premiums, ceded (Note 7)	(4,420,788)	(3,089,875)
Claims provision, ceded (Note 7)	(27,709,667)	(33,829,909)
	(35,547,215)	(39,994,429)
Net insurance contract liabilities		
Life mathematical reserves	5,284,381,960	4,601,983,672
Reserve for unearned premiums	90,302,290	71,659,980
Claims provision	95,161,752	90,436,782
Net insurance liabilities	5,469,846,002	4,764,080,434

(*) As of March 31, 2022, the negative fair value difference of financial assets at insuree's risk amounting to TL 45,261,330 (December 31, 2021: negative fair value difference of financial assets at insuree's risk amounting to TL 37,837,488), deferred taxes on the fair value difference of financial assets at insuree's risk amounting to TL 762,966 (December 31, 2021: TL 132,606) have been included in the above mentioned mathematical reserve table.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

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

21. INSURANCE CONTRACT LIABILITIES (Continued)

Movements in insurance liabilities and reinsurance assets

Claims:

March 31, 2022	Gross	Ceded	Net
Total at the beginning of the year	116,216,804	(33,829,910)	82,386,894
Change during period	6,654,615	6,120,243	12,774,858
Total at the end of the period	122,871,419	(27,709,667)	95,161,752

March 31, 2022

Reported claims	87,184,645	(15,842,169)	71,342,476
Incurred but not reported	35,686,774	(11,867,498)	23,819,276
Total at the end of the period	122,871,419	(27,709,667)	95,161,752

December 31, 2021	Gross	Ceded	Net
Total at the beginning of the year	86,835,225	(6,193,687)	80,641,538
Change during period	37,431,466	(27,636,222)	9,795,244
Total at the end of the period	124,266,691	(33,829,909)	90,436,782

December 31, 2021

Reported claims	90,069,019	(21,885,193)	68,183,826
Incurred but not reported	34,197,672	(11,944,716)	22,252,956
	124,266,691	(33,829,909)	90,436,782

Claims paid and change in outstanding claims provision for the period ended March 31, 2022 and 2021 are as follows:

	January 1 - March 31, 2022	January 1 - March 31, 2021
Cash paid for claims settled during the period	79,949,437	47,524,989
- Surrender and maturity from life savings	24,194,425	13,889,188
- Death and disability claims (*)	32,091,575	22,638,012
- Surrender from life protection	23,663,437	10,997,789
Change in outstanding claims provision	4,724,971	(6,088,484)
Claims paid and change in outstanding claims provision	84,674,408	41,436,505

(*) The amounts are presented net off reinsurance.

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21. INSURANCE CONTRACT LIABILITIES (Continued)

Reserve for unearned premiums:

March 31, 2022	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the year	74,749,855	(3,089,876)	71,659,979
Premiums written during the period	675,617,128	(15,093,854)	660,523,274
Premiums earned during the period	(655,643,905)	13,762,943	(641,880,962)

Reserve for unearned premiums at the end of the period 94,723,078 (4,420,787) 90,302,291

December 31, 2021	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the year	64,925,125	(3,245,141)	61,679,984
Premiums written during the period	2,020,098,908	(34,759,141)	1,985,339,767
Premiums earned during the period	(2,010,274,178)	34,914,407	(1,975,359,771)

Reserve for unearned premiums at the end of the period 74,749,855 (3,089,875) 71,659,980

Life mathematical reserves:

	2022 Mathematical reserve TL	2021 Mathematical reserve TL
Total at the beginning of the year, January 1	4,642,763,199	2,066,132,182
Additions	742,552,946	430,364,186
Disposals	(51,493,130)	(26,124,847)
Total at the end of the period, March 31 (*)	5,333,823,015	2,470,371,521

(*) As of March 31, 2022, the negative fair value difference of financial assets at insuree's risk amounting to TL 45,261,330 (December 31, 2021: negative fair value difference of financial assets at insuree's risk amounting to TL 37,837,488), deferred taxes on the fair value difference of financial assets at insuree's risk amounting to TL 762,966 (December 31, 2021: TL 132,606) and reinsurers share of TL 3,416,760. (December 31, 2021: 3,074,645) have been excluded in the above mentioned mathematical reserve table.

Claims development tables

The claims provision is sensitive to some key assumptions. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting date.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent consolidated financial statements.

As at March 31, 2022; claim development table of the Group is as follows:

Accident year	2014 and earlier	2015	2016	2017	2018	2019	2020	2021	Total
Current estimate of claims									
Accident year	7,373,007	2,156,834	5,500,954	4,139,474	4,086,687	2,403,102	10,393,578	46,601,377	82,655,013
1 year later	665,992	111,954	782,861	1,221,714	867,600	870,918	1,071,812	-	5,592,851
2 year later	-	-	204,652	61,406	91,471	305,288	-	-	662,817
3 year later	5,279	218,951	54,797	166,297	12,500	-	-	-	457,824
4 year later	-	-	-	78,898	-	-	-	-	78,898
5 year later	590,449	-	27,567	-	-	-	-	-	618,016
6 year later	-	3,600	-	-	-	-	-	-	3,600
7 year later	-	-	-	-	-	-	-	-	-
Total	8,634,727	2,491,339	6,570,831	5,667,789	5,058,258	3,579,308	11,465,390	46,601,377	90,069,019
Incurred but not reported									26,147,785
Additional claims according to the actuarial claim development table									8,049,887
Total gross provision for outstanding claims as at March 31, 2022									124,266,691

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21. INSURANCE CONTRACT LIABILITIES (Continued)

As at December 31, 2021, claim development table of the Group is as follows:

Accident year	2013 and earlier	2014	2015	2016	2017	2018	2019	2020	Total
Current estimate of claims									
Accident year	7,373,007	2,156,834	5,500,954	4,139,474	4,086,687	2,403,102	10,393,578	46,601,377	82,655,013
1 year later	665,992	111,954	782,861	1,221,714	867,600	870,918	1,071,812	-	5,592,851
2 year later	-	-	204,652	61,406	91,471	305,288	-	-	662,817
3 year later	5,279	218,951	54,797	166,297	12,500	-	-	-	457,824
4 year later	-	-	-	78,898	-	-	-	-	78,898
5 year later	590,449	-	27,567	-	-	-	-	-	618,016
6 year later	-	3,600	-	-	-	-	-	-	3,600
7 year later	-	-	-	-	-	-	-	-	-
Total	8,634,727	2,491,339	6,570,831	5,667,789	5,058,258	3,579,308	11,465,390	46,601,377	90,069,019
Incurred but not reported									26,147,785
Additional claims according to the actuarial claim development table									8,049,887
Total gross provision for outstanding claims as at December 31, 2021									124,266,691

22. EQUITY

Share capital of the Group as at March 31, 2022 and December 31, 2021; are as follows:

	March 31, 2022		December 31, 2021	
	Shareholding %	TL	Shareholding %	TL
Hacı Ömer Sabancı Holding A.Ş.	40.00	72,000,007	40.00	72,000,007
Ageas InsuranceInternational NV	40.00	72,000,007	40.00	72,000,007
Other	0.09	163,804	0.09	166,026
Publicly Traded	19.91	35,836,182	19.91	35,833,960
Total share capital	100.00	180,000,000	100.00	180,000,000

The upper limit of registered capital of the Group is TL 500,000,000 as of March 31, 2022, and it is divided into 50,000,000,000 registered shares each with nominal value of TL 0.01. The upper limit of registered capital change, which was approved and resolved at the general assembly meeting dated March 16, 2021, was registered on March 24, 2021. (December 31, 2021: The upper limit of registered capital of the company is 500,000,000 TL and it is divided into 50,000,000,000 registered shares, each with nominal value of TL 0.01.)

At the Ordinary General Assembly Meeting held on March 29, 2022, in line with the profit distribution proposal; Within the framework of the capital market legislation, the articles of the articles of association regarding profit distribution and the Dividend Distribution Policy; In line with the company's strategy of being prudent against the uncertainties created by the current economic conjuncture and the IFRS17, which will be implemented on January 1, 2023, taking into account the company's rapid growth strategy, long-term investment and financing policy, and the long-term interests of its shareholders, 448,324,248 formed as a result of the activities of 2021 in order to strengthen its shareholders' equity. It has been decided that the remaining net distributable profit for the period, after deducting legal liabilities from the TL net period profit, will not be distributed and will be reserved as an extraordinary reserve within the Company.

Profit and other capital reserves:

Details of the profit and other capital reserves are explained below:

	March 31, 2022	December 31, 2021
Profit reserves	773,643,585	325,319,340
Other capital reserves	837,095	837,095
Total	774,480,680	326,156,435

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2022

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

22. EQUITY (Continued)

Profit and other capital reserves: (Continued)

Retained earnings as per the statutory consolidated financial statements, other than legal reserve requirements as referred below, are available for distribution. The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group’s paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the Turkish Commercial Code, the legal reserves can only be used to offset losses unless they exceed 50% of paid-in share capital and are not available for any other usage.

Profit reserves

As at March 31, 2022 and December 31, 2021; details of profit reserves is as follows:

	March 31, 2022	December 31, 2021
Extraordinary reserves	678,092,190	229,767,945
Legal reserves	95,539,901	95,539,901
Statutory reserves	11,494	11,494
Total	773,643,585	325,319,340

Movement of profit reserves is presented below:

	March 31, 2022	December 31, 2021
Opening balance, January 1	325,319,340	190,370,612
Transfers	448,324,245	134,948,728
Closing balance	773,643,585	325,319,340

Profit reserves

As of 31 March 2022, the Group’s profit reserves consists of 95,539,901 TL (31 December 2021: 95,539,901 TL) legal reserves, 11,494 TL (31 December 2021: 11,494 TL) statute reserves and 678,092,190 TL (31 December 2021: 229,767,945 TL) extraordinary reserves.

Other capital reserves

As of March 31, 2022 capital reserves of the Group amounting to TL 837,095 consist of the amount of TL 512,783 as a result of addition of TL 66,028,020 to capital, which is difference resulted between the amount of TL 82,320,000 that is pre-merger nominal paid capital of Aviva Emeklilik and TL 15,779,197 that is capital increase amount of Ak Emeklilik; participants’ capitalization issue amounting to TL 324,312.

Fair value reserves from available for sale assets

Unrealized gains and losses due to changes in the fair values available for sale financial assets net of taxes are directly recognized in the shareholders’ equity as “Fair value reserves from available for sale assets”.

Movement of the reserve is below:

	2022	2021
Opening balance, January 1	(44,638,573)	36,602,809
Unrealized gains and losses due to changes in the fair values of available for sale financial assets net of taxes	(16,122,833)	(51,419,833)
Closing balance, March 31	(60,761,406)	(14,817,024)

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

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23. EARNINGS PER SHARE

The Group's earnings per share calculation is as follows:

	January 1- March 31, 2022	January 1- December 31, 2021
Profit for the period	261,234,955	540,561,968
Weighted average number of shares with nominal value of TL 0.01 nominal value per share	18,000,000,000	18,000,000,000
Earnings per share	0.0145	0.0300

As of March 31, 2022 capital of the Group consists of 18,000,000,000 shares with nominal value of TL 0.01 (December, 2021: 18,000,000,000 shares with nominal value of TL 0.01).

24. WRITTEN PREMIUMS

The distribution of written premiums is as follows:

	January 1- March 31, 2022		
	Gross	Reinsurer share	Net
Non-life	21,431,075	(162,305)	21,268,770
Life (Life protection + savings)	654,186,053	(14,931,549)	639,254,504
Total premium income	675,617,128	(15,093,854)	660,523,274
	January 1- March 31, 2021		
	Gross	Reinsurer share	Net
Non-life	17,155,127	(86,067)	17,069,060
Life (Life protection + savings)	388,622,222	(5,616,749)	383,005,473
Total premium income	405,777,349	(5,702,816)	400,074,533

25. INCOME GENERATED FROM PENSION BUSINESS

Income generated from pension business for the periods ended March 31, 2022 and March 31, 2021; are as follows:

	January 1- March 31, 2022	January 1- March 31, 2021
Fund management income	145,782,391	92,630,390
Management fee	28,433,506	25,707,409
Deferred entry fees income	5,164,379	6,068,513
Premium holiday charges	529	4,763
Total	179,380,805	124,411,075

26. FOREIGN EXCHANGE GAINS / (LOSSES), NET

Foreign exchange gains / (losses) for the periods ended March 31, 2022 and 2021; are as follows:

	January 1- March 31,2022	January 1- March 31, 2021
Foreign exchange gains	45,031,745	44,881,217
Foreign exchange losses	(11,667,878)	(9,326,271)
Total	33,363,867	35,554,946

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2022

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27. COMMISSION INCOME AND COMMISSION EXPENSE

Commission income for the periods ended March 31, 2022 and 2021; are as follows:

	January 1- March 31, 2022	January 1- March 31, 2021
Commission income from reinsurance companies (net)	2,913,690	1,817,280
Total	2,913,690	1,817,280

Commission expense for the periods ended March 31, 2022 and 2021; are as follows:

	January 1- March 31, 2022	January 1- March 31, 2021
Commission expenses due to personal accident insurance	(7,073,528)	(8,162,116)
Commission expenses due to life insurance	(89,804,889)	(58,507,340)
-Change in commission expenses	(108,785,211)	(72,154,341)
-Change in deferred acquisition cost	18,980,322	13,647,001
Total	(96,878,417)	(66,669,456)

28. INVESTMENT AND OTHER INCOME

Investment income for the periods ended March 31, 2022 and March 31, 2021; are as follows:

	January 1- March 31, 2022	January 1- March 31, 2021
Interest income	113,884,771	65,131,919
-Income from financial assets at fair value through profit or loss	23,760,684	11,360,290
-Income from available for sale financial assets	90,124,087	53,771,629
Net income from sale of financial assets	114,297,463	(1,576,586)
-Income from financial assets at fair value through profit or loss	99,565,192	(7,492,026)
-Income from available for sale financial assets	14,732,271	5,915,440
Dividend and realization income from other financial assets	71,699	65,060
Net gains on derivatives fair value through profit or loss	(2,069,837)	(18,154,044)
Interest expense regarding lease liabilities	(1,512,487)	(2,241,925)
Investment management expenses	(1,546,226)	(404,174)
Other income, net	(10,789,230)	1,114,070
Total investment and other income/(expense), net	212,336,153	43,934,320

29. PENSION EXPENSES INCLUDING COMMISSION

Pension expenses including commission for the periods ended March 31, 2022 and March 31, 2021; are as follows:

	January 1- March 31, 2022	January 1- March 31, 2021
Fund management charge	(15,902,495)	(10,673,314)
Commission expense, net of DAC	(34,613,172)	(27,422,924)
- Commission expense	(49,332,238)	(28,637,393)
- Change in deferred acquisition cost	14,719,066	1,214,469
Takasbank commission expense	(1,884,799)	(1,542,443)
Other expense	(9,997,182)	(3,946,343)
Total pension expenses	(62,397,648)	(43,585,024)

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30. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the periods ended March 31, 2022 and March 31, 2021; are as follows:

	January 1- March 31, 2022	January 1- March 31, 2021
Personnel expenses	(142,807,031)	(78,833,700)
Outsourced expenses including IT services	(43,797,207)	(25,885,709)
Depreciation and amortization	(20,286,583)	(12,896,708)
Management expenses	(4,557,551)	(2,234,862)
Advertising and marketing expenses	(3,804,035)	(1,055,585)
Travelling and transportation expenses	(2,889,846)	(913,257)
Brokerage expenses	(2,878,129)	(304,442)
Office supplies expenses	(2,677,652)	(724,897)
Representation and hosting expenses	(2,638,321)	(1,458,195)
Communication expenses	(2,298,149)	(1,387,354)
Other marketing, sales and distribution expenses	(1,212,768)	(311,022)
Change in deferred acquisition cost	11,258,467	2,495,998
Other expenses	(8,190,324)	(6,584,708)
Total	(226,779,129)	(130,094,441)

Personnel expenses for the period ended March 31, 2022 and March 31, 2021; are as follows:

	January 1- March 31, 2022	January 1- March 31, 2021
Salaries	(75,634,345)	(44,858,972)
Commission and promotion expenses	(26,516,272)	(9,242,302)
Social security expenses	(14,760,944)	(8,782,115)
Other salary expenses	(11,255,422)	(8,691,670)
Other personnel expenses	(6,849,714)	(3,288,705)
Unused vacation expenses	(5,130,809)	(2,687,109)
Employee termination benefit expenses	(2,390,441)	(1,282,827)
Notice pay expense	(269,084)	-
Total	(142,807,031)	(78,833,700)

31. OTHER INCOME/(EXPENSE), NET

Other income and expenses for the periods ended March 31, 2022 and 2021 are as follows:

	January 1- March 31, 2022	January 1- March 31, 2021
Other income:		
Other technical income	1,811,377	646,552
Other expense:		
Other operating expense	(3,725,877)	453,432
Intangible asset write-off	(1,731)	-
Other expense	(133,631)	(388,741)
Total other income / (expense), net	(2,049,862)	711,243

32. BLOCKED SECURITIES AND BANK DEPOSITS

The amounts below are deposited in a blocked account in favour of SEDDK. Accordingly the following guarantees have been issued to the Turkish Treasury based on the financial results:

	March 31, 2022	December 31, 2021
Blocked securities	5,508,300,127	4,507,007,355
Blocked bank deposits	(90,403,251)	201,000,000
Total	5,417,896,876	4,708,007,355

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33. RELATED PARTY BALANCES AND TRANSACTIONS

Except for the related parties in the consolidated financial statements dated 31 March 2022 and 31 December 2021 and the relevant explanatory notes, companies that are related to Ageas Insurance International NV Group and Sabancı Holding as of 31 March 2022 are defined as other related parties.

As at March 31, 2022 and December 31, 2021 balances with related parties are as follows:

	March 31, 2022	December 31, 2021
Akbank T.A.Ş. - Credit card receivables	505,818,879	450,688,237
Other cash and cash equivalents	505,818,879	450,688,237
Akbank T.A.Ş.- Bank deposit	187,655,367	158,179,914
Banks	187,655,367	158,179,914

As of March 31, 2022 and December 31, 2021, The Group's portfolio of financial assets classified as held for trading and financial assets issued by related parties of the Group are as follows:

	March 31, 2022	December 31, 2021
Other receivables from related parties		
Akbank T.A.Ş.	3,497,244	9,006
Aksigorta A.Ş.	80,309	40,904
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	1,850	-
Total	3,579,403	49,910

	March 31, 2022	December 31, 2021
Receivables from main operations		
Hacı Ömer Sabancı Holding A.Ş.	798,278	(12,179)
İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş.	285,824	3,084
Ak Finansal Kiralama A.Ş.	122,859	(749)
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	117,344	1,977
Kordsa Teknik Tekstil A.Ş.	22,157	93,336
Enerjisa Enerji Üretim A.Ş.	15,589	772
Başkent Elektrik Dağıtım A.Ş.	6,039	(4,010)
Brisa Bridgestone Sabancı Lastik ve Ticaret A.Ş.	1,095	(11,990)
Sabancı Üniversitesi	(1,415)	59,565
Çimsa Çimento Sanayi ve Ticaret A.Ş.	(4,761)	159,307
Other	7,388	(31,007)
	1,370,397	258,106

	31 March 2022			
	Nominal value	Cost	Fair value	Book value
Private sector bond				
Enerjisa Elektrik Dağıtım A.Ş.	18,460,000	18,460,000	25,601,941	25,601,941
Financial assets	18,460,000	18,460,000	25,601,941	25,601,941
	31 December 2021			
	Nominal value	Cost	Fair value	Book value
Private sector bonds				
Enerjisa Elektrik Dağıtım A.Ş.	18,460,000	18,460,000	23,105,189	23,105,189
Çimsa Çimento Sanayi Ve Ticaret A.Ş.	13,500,000	13,500,000	13,565,547	13,565,547
Financial assets	31,960,000	31,960,000	36,670,736	36,670,736

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2022

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

33. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	March 31, 2022	December 31, 2021
Other payables to related parties		
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	2,932,727	22,842,969
Ak Sigorta A.Ş.	659,840	(66,464)
Vista Turizm ve Seyahat A.Ş.	337,388	59,806
TeknoSA İç ve Dış Tic. A.Ş.	162,950	227,519
Akbank T.A.Ş.	158,333	-
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	19,499	2,860,475
EnerjiSA Başkent Elektrik Perakende Satış A.Ş.	5,231	628
EnerjiSA Anadolu Yakası Elektrik Perakende Satış A.Ş.	2,202	84,815
	4,278,170	26,009,748

	March 31, 2022	December 31, 2021
Advances given		
Vista Turizm ve Seyahat A.Ş.	1,243,072	1,151,568
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	6,249	-
	1,249,321	1,151,568

	March 31, 2022	December 31, 2021
Payables from main operations		
Akbank T.A.Ş.	68,774,653	53,211,930
Ak Portföy Yönetimi A.Ş.	5,196,776	3,931,691
Emeklilik Gözetim Merkezi A.Ş.	469,350	333,903
	74,440,779	57,477,524

	March 31, 2022	December 31, 2021
Shareholders:		
Hacı Ömer Sabancı Holding	231,512	215,761
Payables to shareholders	231,512	215,761

	March 31, 2022	December 31, 2021
Income and expense accruals for the next months		
Hacı Ömer Sabancı Vakfı	13,789,309	-
Ak Portföy Yönetimi A.Ş.	3,407,635	-
	17,196,944	-

Transactions with related parties for the period ended March 31, 2022 and March 31, 2021 are as follows:

	January 1- March 31, 2022	January 1- March 31, 2021
Services Purchased		
Akbank T.A.Ş.	139,825,014	91,819,010
- Commission paid	139,280,674	91,344,010
- Paid administrative expenses	544,340	475,000
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	22,250,093	13,248,157
Ak Portföy Yönetimi A.Ş.	14,581,134	9,662,589
Emeklilik Gözetim Merkezi A.Ş.	1,819,542	1,147,277
Vista Turizm ve Seyahat A.Ş.	1,020,195	958
AkSigorta A.Ş.	711,800	470,255
Teknosa İç ve Dış Ticaret A.Ş.	221,591	138,559
Anadolu Yakası Elektrik Dağıtım A.Ş.	4,387	283,004
Other	33,232	335,241
	180,466,988	117,105,050

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2022

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

33. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	January 1- March 31, 2022	January 1- March 31, 2021
Financial income		
Akbank (interest income)	6,418,338	5,121,623
Enerjisa Enerji A.Ş.	868,232	-
Çimsa Çimento San,ve Tic, A.Ş.	261,840	172,244
	7,548,410	5,293,867

	January 1- March 31, 2022	January 1- March 31, 2021
Services Provided		
Akbank T.A.Ş	4,983,197	3,661,961
Kordsa Teknik Tekstil A.Ş.	1,367,259	1,011,620
Ak Sigorta A.Ş.	1,164,182	335,803
Brisa Bridgestone Sabancı Lastik ve Ticaret A.Ş	1,000,137	816,837
Başkent Elektrik Dağıtım A.Ş	856,371	587,785
Enerjisa Enerji Üretim A.Ş	624,579	430,414
Toroslar Elektrik Dağıtım A.Ş.	510,900	315,332
Ak Yatırım Menkul değerler A.Ş	499,739	377,557
Akçansa Çimento Sanayi ve Ticaret A.Ş.	454,242	341,765
Çimsa Çimento Sanayi ve Ticaret A.Ş.	410,288	312,383
Temsa Ulaşım Araçları Sanayi ve Ticaret A.Ş.	387,546	289,204
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	369,442	236,315
TeknoSA İç ve Dış Ticaret A.Ş.	317,534	235,134
İstanbul Anadolu yakası Elektrik Dağıtım A.Ş.	285,824	194,066
Ak Portföy Yönetimi A.Ş	241,489	184,952
CarrefourSA Carrefour Sabancı Ticaret Merkezi A.Ş.	119,362	133,124
Other	663,085	311,693
	14,255,176	9,775,945

Benefits provided to executive management

For the period ended March 31, 2022 and 2021, wages and other benefits provided to Chairman and members of the Board of Directors, general manager, general coordinator, senior managers and assistant general managers are TL 7,198,632 and TL 7,161,907 respectively.

34. CONTINGENCIES

Provision for lawsuits

Provision for lawsuits against the Group is classified under other provision and claims provision.

As at March 31, 2022 and December 31, 2021; provisions for lawsuits against the Group are as follows:

	March 31, 2022	December 31, 2021
Lawsuits provision under other provision:	14,282,161	13,129,475
Insurance lawsuits against the Group	8,814,645	7,909,917
Other lawsuits against the Group	3,011,986	2,589,265
Business lawsuits against the Group	2,455,530	2,630,293
Lawsuits provision under claims provision	38,625,463	34,637,551
Total lawsuits provision	52,907,624	47,767,026

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2022

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

35. COMMITMENTS

As at March 31, 2022 and December 31, 2021, total insurance risk accepted by the Group under normal courses of the insurance business is detailed in Note 4.

As at March 31, 2022 and December 31, 2021, letters of guarantee given to suppliers and government institutions are as follows:

	March 31, 2022	December 31, 2021
Letters of guarantee	14,462,197	15,190,552
Total	14,462,197	15,190,552

36. OTHER INFORMATION

Fees for services purchased from independent auditor/independent audit firm:

	1 January– 31 March 2022	1 January– 31 December 2021
Audit fee for the reporting period*	1,534,350	1,295,500
Other assurance services	-	96,000
Total	1,534,350	1,391,500

(*) VAT is excluded.

37. SUBSEQUENT EVENTS

The Group’s consolidated financial statements as of 31 March 2022 is approved at 29 April 2022 by the Board of Directors.

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