

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

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



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of AgeSA Hayat ve Emeklilik A.Ş.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AgeSA Hayat ve Emeklilik A.Ş. ("the Company") and its subsidiary ("collectively referred as the "Group") as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The Group's financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the consolidated notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and "Independence Audit by-Law" published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and independent auditing requirements referred to in Article 400 of the Turkish Commercial Code ("TCC") (collectively referred to as "Turkish Local Independence Rules"). We have fulfilled our other ethical responsibilities in accordance with IESBA Code and Turkish Local Independence Rules.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p data-bbox="272 520 797 632"><i>Estimations and assumptions used in calculation of mathematical reserves arising from insurance contracts</i></p> <p data-bbox="272 674 889 1052">As explained in Notes 2 and 21 to the accompanying consolidated financial statements, as of 31 December 2021, the Group's total net mathematical reserves amounted to TRY 4,601 million and this amount constitutes an important part of the total liabilities of the Group. The measurement of mathematical reserves requires significant estimates and assumptions, as it includes results for future uncertain events, including benefits guaranteed to the insured.</p> <p data-bbox="272 1094 870 1283">The mathematical reserves are considered as the subject of a key audit matter by us, due to their importance for the consolidated financial statements and the important assumptions related to their recognition.</p>	<p data-bbox="917 558 1484 894">As of 31 December 2021, we tested the design and operational effectiveness of the key controls implemented by the Group's management in relation to the calculation of mathematical reserves. The mathematical reserves were recalculated by the expert actuaries in our audit team using the sampling method under consideration of the approved tariffs and other related calculation data.</p> <p data-bbox="917 940 1490 1129">The compliance with related IFRSs of the explanatory information included in the accompanying consolidated financial statements related to these mathematical reserves has been examined.</p>

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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



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

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

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

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

Adnan Akan, SMMM
Partner

Istanbul, 8 February 2022

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

**THE CONSOLIDATED FINANCIAL REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2021**

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, 8 February 2022



M. Fırat Kurucu
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 DECEMBER 31, 2021

(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 DECEMBER 31, 2021 AND DECEMBER 31, 2020

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

Assets	Note	December 31, 2021	December 31,2020
Cash and cash equivalents	4,5	1,045,560,487	994,041,049
Financial assets	4,6	5,011,546,379	2,229,963,493
Premium and other insurance receivables	4,8	48,414,125	35,330,094
Reinsurance share of insurance liabilities	4,7,21	39,994,429	10,949,619
Deferred expenses	19	634,594,868	524,525,316
Other financial assets	4,13	897,700	868,012
Pension business receivables	4,9	221,070,704	197,580,785
Right of use assets	11	30,268,214	26,194,006
Property and equipment, net	11	49,583,177	26,571,545
Intangible assets, net	12	176,377,445	93,797,549
Other assets	10	17,374,943	40,668,444
Total assets		7,275,682,471	4,180,489,912
Liabilities			
Lease liabilities	4,14	32,893,003	30,342,375
Due to insurance and reinsurance companies	4,15	64,984,683	32,213,493
Pension business payables	4,9	616,303,974	520,044,530
Insurance contract liabilities	21	4,804,074,863	2,211,385,128
Provision for employment termination benefits	17,18	30,976,095	21,040,315
Deferred tax liabilities	17	94,268,227	94,352,699
Current tax liabilities	17	37,098,016	13,368,352
Other payables and liabilities	4,20	153,758,632	128,998,804
Other provisions	16	72,686,459	52,836,084
Total liabilities		5,907,043,952	3,104,581,780
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	(44,638,573)	36,602,809
Other capital reserves	22	837,095	837,095
Profit reserves	22	325,319,340	190,370,612
Retained earnings		366,558,689	318,459,643
Profit for the period	23	540,561,968	349,637,973
Equity attributable to the owners of the Group		1,368,638,519	1,075,908,132
Total equity and liabilities		7,275,682,471	4,180,489,912

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

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED DECEMBER 31, 2021 AND DECEMBER 31, 2020

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

	Note	January 1 - December 31, 2021	January 1 - December 31, 2020
Income:			
Gross written premiums	3,21,24	2,020,098,908	1,331,872,294
Premium ceded to reinsurers	3,21,24	(34,759,141)	(18,449,424)
Premium written net of reinsurance	3,21,24	1,985,339,767	1,313,422,870
Net change in provision for unearned premiums reserves	3	(9,979,995)	27,674,865
Net premiums earned		1,975,359,772	1,341,097,735
Net change in mathematical reserves	3	(772,649,168)	(477,941,511)
Income generated from pension business	3,25	529,736,528	453,380,575
Investment and other income	28	329,654,177	158,887,318
Commission income	3,27	9,277,134	10,878,811
Foreign exchange gains/(losses), net	26	73,403,722	1,640,503
Other (expense)/income, net	31	4,935,241	-
Total income		2,149,717,406	1,487,943,431
Expenses:			
Claims paid and change in outstanding claims provisions	3,21	(234,530,501)	(219,069,922)
General and administrative expenses	30	(634,510,205)	(436,112,418)
Pension expenses including commission	3,29	(181,193,291)	(167,059,986)
Commission expense	3,27	(370,503,624)	(208,175,917)
Other (expense)/income, net	31	-	(6,223,796)
Total expenses		(1,420,737,621)	(1,036,642,039)
Profit before taxes		728,979,785	451,301,392
Income tax expense (-)	3,17	(188,417,817)	(101,663,419)
Profit for the period	3,23	540,561,968	349,637,973
Earnings per share (TL 0.01 nominal value per share)	23	0.0300	0.0194

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

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED DECEMBER 31, 2021 AND DECEMBER 31, 2020

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

	Note	January 1 - December 31, 2021	January 1 - December 31, 2020
Profit for the year	3,23	540,561,968	349,637,973
Other comprehensive income:			
Items that may be reclassified subsequently to profit or (loss):			
Net gain/(loss) on available for-sale assets	6	(103,924,473)	46,329,345
Deferred tax relating to components of other comprehensive income		22,683,091	(9,432,443)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent years		(81,241,382)	36,896,902
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/ (loss) on employee termination benefits	18	(8,237,749)	(3,201,682)
Deferred tax relating to actuarial gain/ (loss)	17	1,647,550	640,335
Net other comprehensive gain/ (loss) not being reclassified to profit or loss in subsequent years		(6,590,199)	(2,561,347)
Other comprehensive income / (loss), net of tax		(87,831,581)	34,335,555
Total comprehensive income, net of tax		452,730,387	383,973,528

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

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2021 AND DECEMBER 31, 2020

(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 January 1, 2020- as previously stated		180,000,000	837,095	(294,093)	135,728,079	247,919,092	240,536,950	804,727,123
ROP DAC impact		-	-	-	-	30,212,482	16,994,999	47,207,481
Balances at December 31, 2019		180,000,000	837,095	(294,093)	135,728,079	278,131,574	257,531,949	851,934,604
Profit for the period		-	-	-	-	-	349,637,973	349,637,973
Other comprehensive loss	22	-	-	36,896,902	-	(2,561,347)	-	34,335,555
Total comprehensive income		-	-	36,896,902	-	(2,561,347)	349,637,973	383,973,528
Transfer		-	-	-	54,642,533	202,889,416	(257,531,949)	-
Dividend payment		-	-	-	-	(160,000,000)	-	(160,000,000)
Balance 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

	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		-	-	-	-	-	540,561,968	540,561,968
Other comprehensive income	22	-	-	(81,241,382)	-	(6,590,199)	-	(87,831,581)
Total comprehensive income		-	-	(81,241,382)	-	(6,590,199)	540,561,968	452,730,387
Transfer	22	-	-	-	134,948,728	214,689,245	(349,637,973)	-
Dividend payment		-	-	-	-	(160,000,000)	-	(160,000,000)
Balance 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

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

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED DECEMBER 31, 2021 AND 2020

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

	Note	January 1 - December 31, 2021	January 1 - December 31, 2020
Cash flows from operating activities:			
Profit for the period	3,23	540,561,968	349,637,973
Income taxes	3,17	188,417,817	101,663,419
Depreciation and amortization	11,12,30	61,378,106	39,430,982
(Gains) / losses from sale of property and equipment		-	-
Interest income		(307,340,795)	(139,638,791)
Unrealized exchange rates (gains) / losses from cash and cash equivalents		41,343,878	17,323,178
Unrealized Exchange rates (gains) / losses from financial assets	6	(1,736,177,168)	68,019,725
Fair value changes in marketable securities	6	1,815,619	(48,832,854)
Change in claims provision	21	262,166,724	217,961,966
Change in life mathematical reserves	21	2,576,631,017	772,266,590
Change in provision for unearned premiums reserves	21	9,824,731	(30,946,246)
Change in provision for employment termination benefits	18,30	5,234,628	3,891,654
Intangible asset write off adjustment	12,31	129,124	4,483,171
Rent lease cancelation	14	(27,702,321)	-
Change in blockage	5	4,535,778	(172,479,608)
Operating profit before changes in operating assets / liabilities		1,620,819,106	1,182,781,159
Changes in operating assets and liabilities:			
Change in premium and other insurance receivables	7,8	(42,128,841)	6,547,323
Change in other assets	10	23,293,500	(30,948,027)
Change in deferred expenses	19	(110,069,552)	(46,293,391)
Change in pension business receivables	9	(23,489,919)	15,395,400
Change in pension business payables	9	96,259,444	33,954,044
Change in lease liabilities		229	1,026,263
Corporate taxes paid		(140,309,378)	(84,566,972)
Cash paid for claims settled during the year, net	21	(224,735,259)	(200,748,481)
Employment termination benefits paid	18	(3,536,597)	(2,024,847)
Change in other liabilities		77,348,269	26,178,970
Net cash provided from / (used in) operating activities		1,273,451,002	901,301,441
Cash flows from investing activities:			
Acquisition of property and equipment	11	(45,700,038)	(7,550,914)
Acquisition of intangible assets	12	(119,560,250)	(60,587,480)
Disposal of property and equipment		31,282,122	76,761
Disposal of intangible assets		-	-
Purchases of financial assets	6	(2,988,806,338)	(6,063,378,645)
Proceeds from sale of financial assets	6	1,806,330,444	5,640,828,235
Interest received		310,321,225	146,319,611
Net cash provided by investing activities		(1,006,132,835)	(344,292,432)
Net cash provided by/(used in) financing activities			
Dividend payment	22	(160,000,000)	(100,000,000)
Paid rent for lease liabilities	14	(13,918,783)	(16,960,928)
Net cash provided by/(used in) financing activities		(173,918,783)	(116,960,928)
Effect of exchange rates on cash and cash equivalents		(41,343,876)	(17,323,178)
Net increase in cash and cash equivalents		52,055,508	422,724,903
Cash and cash equivalents at the beginning of the year	5	703,099,425	280,374,522
Cash and cash equivalents at the end of the period	5	755,154,933	703,099,425

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

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

(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 December 31, 2021 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 December 31, 2021 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 DECEMBER 31, 2021

(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 ve 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 1,471 employees for the period ended December 31, 2021 (1 January - December 31, 2020: 1,377).

The accompanying consolidated financial statements of the Group for the period ended December 31, 2021 were authorized for issue in accordance with a resolution of the directors on February 8, 2021.

AgeSA Hayat ve Emeklilik Anonim Şirketi carries out insurance activities in the private 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 DECEMBER 31, 2021

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

1. GENERAL INFORMATION (Continued)

1.1 Corporate Information (Continued)

As of December 31, 2021, there are 38 pension investment funds established by the Group (December 31, 2020: 35 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

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.

With the decision of the Board of Directors dated May 6, 2020, the decision to establish the AvivaSA Hayat ve Emeklilik Anonim Şirketi Birinci Fon Sepeti Emeklilik Yatırım Fonu, AvivaSA Hayat ve Emeklilik Anonim Şirketi İkinci Fon Sepeti Emeklilik Yatırım Fonu and AvivaSA Hayat ve Emeklilik Anonim Şirketi Üçüncü Fon Sepeti Emeklilik Yatırım Fonu has been taken and the establishment process has been completed and the public offering of the funds has started on February 2, 2021.

With the decision of the Board of Directors dated 27 October 2020 and with the permission decision of CMB for the AvivaSA Hayat ve Emeklilik Anonim Şirketi Uzun Vadeli Dış Borçlanma Araçları Emeklilik Yatırım Fonu dated December 7, 2020 and numbered E-122933903-325.0103-1244, the change of the title of the AvivaSA Hayat ve Emeklilik Anonim Şirketi Uzun Vadeli Dış Borçlanma Araçları Emeklilik Yatırım Fonu to AvivaSA Hayat ve Emeklilik Anonim Şirketi Orta Vadeli Dış Borçlanma Araçları Emeklilik Yatırım Fonu and the change of the fund type will enter into force as of February 5, 2021.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

1. GENERAL INFORMATION (Continued)

1.1 Corporate Information (Continued)

With the decision of the Board of Directors dated 27 October 2020 and the permission decision of CMB for the AvivaSA Hayat ve Emeklilik Anonim Şirketi B.R.I.C Ülkeleri Yabancı Değişken Emeklilik Yatırım Fonu dated December 7, 2020 and numbered E-122933903-325.0103-1244, the change of the title of the AvivaSA Hayat ve Emeklilik Anonim Şirketi B.R.I.C Ülkeleri Yabancı Değişken Emeklilik Yatırım Fonu to AvivaSA Hayat ve Emeklilik Anonim Şirketi Yeni Teknolojiler Yabancı Değişken Emeklilik Yatırım Fonu and the change of the fund type will come into force as of February 5, 2021.

With the decision of the Board of Directors dated 27 October 2020 and with the permission decision of CMB for the AvivaSA Hayat ve Emeklilik Anonim Şirketi Temettü Ödeyen Şirketler Hisse Senedi Emeklilik Yatırım Fonu dated 11 December 2020 and numbered E-122933903-325.0103-12696, the title of AvivaSA Hayat ve Emeklilik Anonim Şirketi Temettü Ödeyen Şirketler Hisse Senedi Emeklilik Yatırım Fonu to be changed to AvivaSA Hayat ve Emeklilik Anonim Şirketi BİST Temettü 25 Endeksi Emeklilik Yatırım Fonu and the change in the fund type will come into force as of 5 February 2021.

With the Board of Directors Decision dated March 16, 2021, it was decided to establish the AvivaSA Emeklilik ve Hayat Katılım Altın Emeklilik Yatırım Fonu.

With the Board of Directors Decision dated August 9, 2021, it was decided to establish the AgeSA Hayat ve Emeklilik A.Ş. Sürdürülebilirlik Hisse Senedi Emeklilik Yatırım Fonu.

With the Board of Directors Decision dated August 9, 2021, it was decided to establish the AgeSA Hayat ve Emeklilik A.Ş. Kıymetli Madenler Fon Sepeti Emeklilik Yatırım Fonu.

As at December 31, 2021 and December 31, 2020 units and amounts of share certificates in circulation are as follows:

Share certificates in circulation	December 31, 2021		December 31, 2020	
	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	700,747,657	71,679,478	735,071,945	56,227,858
AgeSA Hayat ve Emeklilik A.Ş. Agresif Değişken Emeklilik Yatırım Fonu	1,109,771,256	124,885,889	1,059,512,876	91,226,178
AgeSA Hayat ve Emeklilik A.Ş. Dış Borçlanma Araçları Emeklilik Yatırım Fonu	24,697,282,890	4,491,274,985	25,643,370,957	2,847,670,701
AgeSA Hayat ve Emeklilik A.Ş. Orta Vadeli Borçlanma Araçları Emeklilik Yatırım Fonu	1,561,855,533	123,244,458	1,933,916,637	146,552,203
AgeSA Hayat ve Emeklilik A.Ş. İkinci Para Piyasası Emeklilik Yatırım Fonu	1,430,312,479	113,081,935	1,657,064,489	111,132,687
AgeSA Hayat ve Emeklilik A.Ş. İkinci Değişken Emeklilik Yatırım Fonu	3,532,127,996	301,449,464	4,295,383,861	240,751,970
AgeSA Hayat ve Emeklilik A.Ş. Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	24,825,979,713	4,197,874,562	24,386,450,173	2,533,093,739
(Abd Dolan 5-15 Yıl Vadeli) Emeklilik Yatırım Fonu	2,076,792,244	168,425,774	1,654,135,899	91,405,896
AgeSA Hayat ve Emeklilik A.Ş. Bist Temettü 25 Endeksi Emeklilik Yatırım Fonu	37,564,665,374	3,155,319,197	39,875,098,015	2,840,941,233
AgeSA Hayat ve Emeklilik A.Ş. Birinci Para Piyasası Emeklilik Yatırım Fonu	33,398,503,437	2,590,087,340	38,755,798,162	2,873,858,701
AgeSA Hayat ve Emeklilik A.Ş. Borçlanma Araçları Emeklilik Yatırım Fonu	25,598,094,034	2,849,451,837	27,532,739,952	2,419,962,645
AgeSA Hayat ve Emeklilik A.Ş. Dinamik Değişken Emeklilik Yatırım Fonu	19,338,053,275	2,431,450,790	18,588,114,111	1,383,736,391
AgeSA Hayat ve Emeklilik A.Ş. Birinci Değişken Emeklilik Yatırım Fonu	16,253,453,512	2,224,106,325	15,115,731,517	1,571,843,192
AgeSA Hayat ve Emeklilik A.Ş. Hisse Senedi Emeklilik Yatırım Fonu	3,964,340,766	263,065,725	5,044,760,691	318,611,951
AgeSA Hayat ve Emeklilik A.Ş. Borçlanma Araçları Grup Emeklilik Yatırım Fonu	1,774,015,124	145,483,432	2,138,467,880	148,685,533
AgeSA Hayat ve Emeklilik A.Ş. Muhafazakar Değişken Emeklilik Yatırım Fonu	1,275,336,510	177,427,366	1,339,619,319	139,845,540
AgeSA Hayat ve Emeklilik A.Ş. Hisse Senedi Grup Emeklilik Yatırım Fonu	968,962,610	38,690,677	1,019,832,900	30,209,490
AgeSA Hayat ve Emeklilik A.Ş. Karma Grup Emeklilik Yatırım Fonu	488,324,852	15,975,548	327,146,863	8,726,315
AgeSA Hayat ve Emeklilik A.Ş. Dengeli Değişken Emeklilik Yatırım Fonu	199,620,960,217	3,707,360,473	185,137,728,419	3,639,252,328
AgeSA Hayat ve Emeklilik A.Ş. Katkı Emeklilik Yatırım Fonu	8,805,367,518	176,309,874	10,754,076,849	202,961,692
AgeSA Hayat ve Emeklilik A.Ş. Standart Emeklilik Yatırım Fonu	143,073,752,958	12,103,610,279	153,307,402,012	7,463,157,637
AgeSA Hayat ve Emeklilik A.Ş. Teknoloji Sektörü Yabancı Değişken Emeklilik Yatırım Fonu	16,788,025,407	1,520,827,222	4,145,922,080	183,411,447
AgeSA Hayat ve Emeklilik A.Ş. Özel Sektör Borçlanma Araçları Emeklilik Yatırım Fonu	5,482,194,621	155,809,453	3,267,547,474	78,192,411
AgeSA Hayat ve Emeklilik A.Ş. Başlangıç Emeklilik Yatırım Fonu	4,572,237,851	94,357,273	4,290,174,844	74,837,810
AgeSA Hayat ve Emeklilik A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu	3,307,614,353	65,279,077	3,019,542,473	50,145,542
AgeSA Hayat ve Emeklilik A.Ş. Oks Dinamik Katılım Değişken Emeklilik Yatırım Fonu	619,514,384	15,711,504	451,972,660	9,089,622
AgeSA Hayat ve Emeklilik A.Ş. Oks Agresif Katılım Değişken Emeklilik Yatırım Fonu	1,017,966,036	30,196,944	702,528,596	15,910,165
AgeSA Hayat ve Emeklilik A.Ş. Oks Muhafazakar Değişken Emeklilik Yatırım Fonu	543,174,773	9,962,368	599,506,315	9,260,574
AgeSA Hayat ve Emeklilik A.Ş. Oks Dengeli Değişken Emeklilik Yatırım Fonu	1,006,765,325	19,729,580	707,473,424	11,248,120
AgeSA Hayat ve Emeklilik A.Ş. Oks Dinamik Değişken Emeklilik Yatırım Fonu	1,582,902,849	32,459,006	804,388,912	12,871,027
AgeSA Hayat ve Emeklilik A.Ş. Oks Agresif Değişken Emeklilik Yatırım Fonu	2,259,263,519	46,624,421	1,040,921,238	16,315,399
AgeSA Hayat ve Emeklilik A.Ş. Oks Standart Emeklilik Yatırım Fonu	37,095,765,324	659,748,186	35,772,782,543	530,438,820
AgeSA Hayat ve Emeklilik A.Ş. Oks Katılım Standart Emeklilik Yatırım Fonu	18,588,628,283	360,303,382	18,010,785,501	289,595,420
AgeSA Hayat ve Emeklilik A.Ş. Katılım Katkı Emeklilik Yatırım Fonu	1,654,940,138	31,887,387	878,427,920	13,953,828
AgeSA Hayat ve Emeklilik A.Ş. Katılım Standart Emeklilik Yatırım Fonu	408,595	9,857	335,911	6,654
AgeSA Hayat ve Emeklilik A.Ş. Birinci Fon Sepeti Emeklilik Yatırım Fonu	28,710,380,880	351,989,270	-	-
AgeSA Hayat ve Emeklilik A.Ş. İkinci Fon Sepeti Emeklilik Yatırım Fonu	27,816,780,125	354,413,596	-	-
AgeSA Hayat ve Emeklilik A.Ş. Üçüncü Fon Sepeti Emeklilik Yatırım Fonu	18,634,003,951	248,372,639	-	-
Other Company Participants AgeSA Funds (*)	721,739,266,369	43,467,936,573	633,991,733,418	30,455,130,719
Other Company Funds AgeSA Participants (*)	313,256,907	(26,240,536)	-	-
Other Company Funds AgeSA Participants (*)	53,376,169	2,735,458	-	-
	722,105,899,445	43,444,431,495	633,991,733,418	30,455,130,719

(*) 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.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2021

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

1. GENERAL INFORMATION (Continued)

1.1 Corporate Information (Continued)

	December 31, 2021		December 31, 2020	
	Number of Share Certificates	Net Asset Value (TL)	Number of Share Certificates	Net Asset Value (TL)
Participation certificates at the Group				
AgeSA Hayat ve Emeklilik Anonim Şirketi Katılım Standart EYF	38,860,825	937,479	38,933,510	771,273
	38,860,825	937,479	38,933,510	771,273

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.

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.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

2. ACCOUNTING POLICIES (Continued)

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.

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 2020: 7 years).

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2021

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

2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Income generated from pension business (Continued)

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.

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.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

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.

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 December 2021, the alternative borrowing rates used by the Group for Turkish Lira leases are 25% annually for leases before 2021 and 18%, 22.15% and 27% for 2021 leases. As of 31 December 2021, the Group has no foreign currency lease obligations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2021

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

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.

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.

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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)

Measurement (Continued)

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.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2021

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

2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Premium and other insurance receivables (Continued)

- (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.

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.

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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)

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.

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.

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Deferred acquisition costs (DAC) (Continued)

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 MERNIS 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.

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 December 31, 2021, 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).

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Mathematical reserves (Continued)

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.

The Company 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 stated in Article 1502 of the TCC, in insurance exempt from premium payment, the insurance amount is paid according to the ratio between the premium paid and the premium payable pursuant to the contract. Due to the expected changes in the legislation, it is expected that additional liabilities will occur in mathematical reserve calculations for the policies that are in the paid-up status and have not matured yet. The company has not made any adjustments to the paid-up mathematical reserve amount of TL 127,1 million recorded as of December 31, 2021, since the legislation has not yet been published. In the event that the risks subject to the above-mentioned calculations materialize in the upcoming periods, the period profitability and capital adequacy calculations for the said periods 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.

Pension business

The Group provides group and individual plans to customers.

The Group offers 38 pension investment funds (2020: 35). 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.

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Pension business (Continued)

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 8,285 effective as of December 31, 2021 (December 31, 2020: TL 7,117) 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 December 31, 2021 and December 31, 2020 is as follows:

	December 31, 2021 (%)	December 31, 2020 (%)
Expected rate of salary/yearly limit increase	10.00	8.50
Yearly iscount rate	14.00	13.50

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 CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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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.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

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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 December 31, 2021, 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:

	December 31, 2021			December 31, 2020		
	USD / TL	Euro / TL	GBP / TL	USD / TL	Euro / TL	GBP / TL
Bid Rates	13,3290	15,0867	17,9667	7.3405	9.0079	9.9438
Ask Rates	13,3731	15,1365	18,0874	7.3647	9.0376	10.0107

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

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.

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 December 2021:*

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 from annual periods beginning on or after 1 January 2023. 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 from annual periods beginning on or after 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.

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

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';** 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 IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. 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.
- **Amendments to IAS 1, 'Presentation of financial informations' on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial informations', 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2021

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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'.

- **Narrow scope amendments to IAS 1, Practice information 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 informations to distinguish between changes in accounting estimates and changes in accounting policies.
- **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.

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 December 31, 2021, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2021

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

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 THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2021

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

2. ACCOUNTING POLICIES (Continued)

2.6 Covid-19

General Explanation;

Regarding to Coronavirus (Covid-19) pandemic, Group has taken the necessary actions for the safety of its employees, customers and the society. Group is evaluating the current news related to pandemic, and sharing all the decisions with its employees and customers as soon as possible.

As of August 1, 2021, customer visits/branch visits (for insurance managers) were carried out 5 days a week on a voluntary basis within the framework of current hygienic rules. As part of the practices for normalization, the Company's sales offices were put into use as of September 2021, together with the hygienic rules and the measures required by the Pandemic. In September, sales teams carried out their work in a way to make full-time customer visits / branch visits 5 days a week.

The Group is cautious about the return-to-office plan of the Headquarters teams and acts by taking all precautions. The company decided to pilot the hybrid working model as of October 2021 and planned that all teams come to the office within a certain plan. AgeSA will work in the hybrid working model pilot, with a minimum of 5 days a month from the office and the other days remotely. However, due to the fact that the effects of the pandemic did not decrease at the expected level; The model of working from the office for a minimum of 5 days a month has been implemented in a 50% diluted form on a team basis for the time being.

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.

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3. SEGMENT INFORMATION (Continued)

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:

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3. SEGMENT INFORMATION (Continued)

January 1 - December 31, 2021	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	-	1,956,637,681	9,128,795	54,332,432	2,020,098,908	-	-	-	2,020,098,908
Premium ceded to reinsurers	-	(33,921,969)	(581,174)	(255,998)	(34,759,141)	-	-	-	(34,759,141)
Premium written net of reinsurance	-	1,922,715,712	8,547,621	54,076,434	1,985,339,767	-	-	-	1,985,339,767
Net change in mathematical reserves	-	(844,392,661)	71,743,493	-	(772,649,168)	-	-	772,649,168	-
Net change in provision for unearned premiums reserves	-	(15,497,130)	(5,143)	5,522,278	(9,979,995)	-	-	-	(9,979,995)
Net premiums earned	-	1,062,825,921	80,285,971	59,598,712	1,202,710,604	-	-	772,649,168	1,975,359,772
Net change in mathematical reserves	-	-	-	-	-	-	-	(772,649,168)	(772,649,168)
Claim paid and change in outstanding claims	-	(156,512,239)	(75,745,381)	(2,272,881)	(234,530,501)	-	-	-	(234,530,501)
Commission income	-	8,777,930	278,882	220,322	9,277,134	-	-	-	9,277,134
Commission expense	-	(338,474,697)	-	(31,425,927)	(369,900,624)	(603,000)	-	-	(370,503,624)
Commission expense	-	(391,732,772)	-	(31,425,927)	(423,158,699)	(603,000)	-	-	(423,761,699)
DAC	-	53,258,075	-	-	53,258,075	-	-	-	53,258,075
Other income / (expense), net	-	188,851,991	-	4,387,380	193,239,371	-	1,733,877	-	194,973,248
Life and personal accident technical profit	-	765,468,906	4,819,472	30,507,606	800,795,984	-	-	-	-
Fund management charge	417,919,154	-	-	-	417,919,154	-	-	-	417,919,154
Management fee	10,782	-	-	-	10,782	-	-	-	10,782
Account management fee, net of DIR	91,165,197	-	-	-	91,165,197	-	-	-	91,165,197
Account management fee	83,626,814	-	-	-	83,626,814	-	-	-	83,626,814
DIR	7,538,383	-	-	-	7,538,383	-	-	-	7,538,383
Premium holiday charges	6,904	-	-	-	6,904	-	-	-	6,904
Deferred fee	20,634,491	-	-	-	20,634,491	-	-	-	20,634,491
Pension income	529,736,528	-	-	-	529,736,528	-	-	-	529,736,528
Fund management charge	(41,307,916)	-	-	-	(41,307,916)	-	-	-	(41,307,916)
Commission expense, net of DAC	(108,655,204)	-	-	-	(108,655,204)	(506,633)	-	-	(109,161,837)
Commission expense	(149,469,381)	-	-	-	(149,469,381)	(506,633)	-	-	(149,976,014)
DAC	40,814,177	-	-	-	40,814,177	-	-	-	40,814,177
Other income / (expense), net	(30,723,538)	-	-	-	(30,723,538)	-	-	-	(30,723,538)
Pension expenses including commission	(180,686,658)	-	-	-	(180,686,658)	(506,633)	-	-	(181,193,291)
Pension technical profit	349,049,870	-	-	-	349,049,870	-	-	-	-
Total technical profit	349,049,870	765,468,906	4,819,472	30,507,606	1,149,845,854	-	-	-	-
General and administrative expenses	-	-	-	-	(621,302,472)	-	-	-	(621,302,472)
Net technical profit after overhead expenses	349,049,870	765,468,906	4,819,472	30,507,606	528,543,382	-	-	-	-
Foreign exchange gain/(loss), net	-	-	-	-	63,181,088	-	-	-	63,181,088
Investment and other income/(expense), net	-	-	-	-	137,255,315	-	-	-	137,255,315
Net financial income	-	-	-	-	200,436,403	-	-	-	200,436,403
Profit before taxes	-	-	-	-	728,979,785	-	-	-	728,979,785
Income tax expense	-	-	-	-	(188,417,817)	-	-	-	(188,417,817)
Profit for the period	-	-	-	-	540,561,968	-	-	-	540,561,968

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2021

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3. SEGMENT INFORMATION (Continued)

January 1 - December 31, 2020	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	-	1,257,321,112	9,046,391	65,504,791	1,331,872,294	-	-	-	1,331,872,294
Premium ceded to reinsurers	-	(15,703,657)	(554,345)	(2,191,422)	(18,449,424)	-	-	-	(18,449,424)
Premium written net of reinsurance	-	1,241,617,455	8,492,046	63,313,369	1,313,422,870	-	-	-	1,313,422,870
Net change in mathematical reserves	-	(531,442,957)	53,501,446	-	(477,941,511)	-	-	477,941,511	-
Net change in provision for unearned premiums reserves	-	19,854,852	14,254	7,805,759	27,674,865	-	-	-	27,674,865
Net premiums earned	-	730,029,350	62,007,746	71,119,128	863,156,224	-	-	477,941,511	1,341,097,735
Net change in mathematical reserves	-	-	-	-	-	-	-	(477,941,511)	(477,941,511)
Claim paid and change in outstanding claims	-	(158,433,094)	(58,091,572)	(2,545,256)	(219,069,922)	-	-	-	(219,069,922)
Commission income	-	8,574,112	253,041	2,051,658	10,878,811	-	-	-	10,878,811
Commission expense	-	(171,972,327)	-	(37,073,590)	(209,045,917)	870,000	-	-	(208,175,917)
Commission expense	-	(212,433,458)	-	(37,073,590)	(249,507,048)	870,000	-	-	(248,637,048)
DAC	-	40,461,131	-	-	40,461,131	-	-	-	40,461,131
Other income / (expense), net	-	64,916,465	-	1,844,986	66,761,451	-	544,764	-	67,306,215
Life and personal accident technical profit	-	473,114,506	4,169,215	35,396,926	512,680,647	-	-	-	-
Fund management charge	339,782,295	-	-	-	339,782,295	-	-	-	339,782,295
Management fee	2,103,743	-	-	-	2,103,743	-	-	-	2,103,743
Account management fee, net of DIR	86,235,463	-	-	-	86,235,463	-	-	-	86,235,463
Account management fee	74,710,364	-	-	-	74,710,364	-	-	-	74,710,364
DIR	11,525,099	-	-	-	11,525,099	-	-	-	11,525,099
Premium holiday charges	497,876	-	-	-	497,876	-	-	-	497,876
Deferred fee	24,761,198	-	-	-	24,761,198	-	-	-	24,761,198
Pension income	453,380,575	-	-	-	453,380,575	-	-	-	453,380,575
Fund management charge	(37,215,192)	-	-	-	(37,215,192)	-	-	-	(37,215,192)
Commission expense, net of DAC	(110,986,150)	-	-	-	(110,986,150)	3,103,907	-	-	(107,882,243)
Commission expense	(121,364,008)	-	-	-	(121,364,008)	3,103,907	-	-	(118,260,101)
DAC	10,377,858	-	-	-	10,377,858	-	-	-	10,377,858
Other income / (expense), net	(21,962,551)	-	-	-	(21,962,551)	-	-	-	(21,962,551)
Pension expenses including commission	(170,163,893)	-	-	-	(170,163,893)	3,103,907	-	-	(167,059,986)
Pension technical profit	283,216,682	-	-	-	283,216,682	-	-	-	-
Total technical profit	283,216,682	473,114,506	4,169,215	35,396,926	795,897,329	-	-	-	-
General and administrative expenses	-	-	-	-	(424,332,164)	-	-	-	(424,332,164)
Net technical profit after overhead expenses	283,216,682	473,114,506	4,169,215	35,396,926	371,565,165	-	-	-	-
Foreign exchange gain/(loss), net	-	-	-	-	6,153,634	-	-	-	6,153,634
Investment and other income/(expense), net	-	-	-	-	73,582,593	-	-	-	73,582,593
Net financial income	-	-	-	-	79,736,227	-	-	-	79,736,227
Profit before taxes	-	-	-	-	451,301,392	-	-	-	451,301,392
Income tax expense	-	-	-	-	(101,663,419)	-	-	-	(101,663,419)
Profit for the period	-	-	-	-	349,637,973	-	-	-	349,637,973

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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

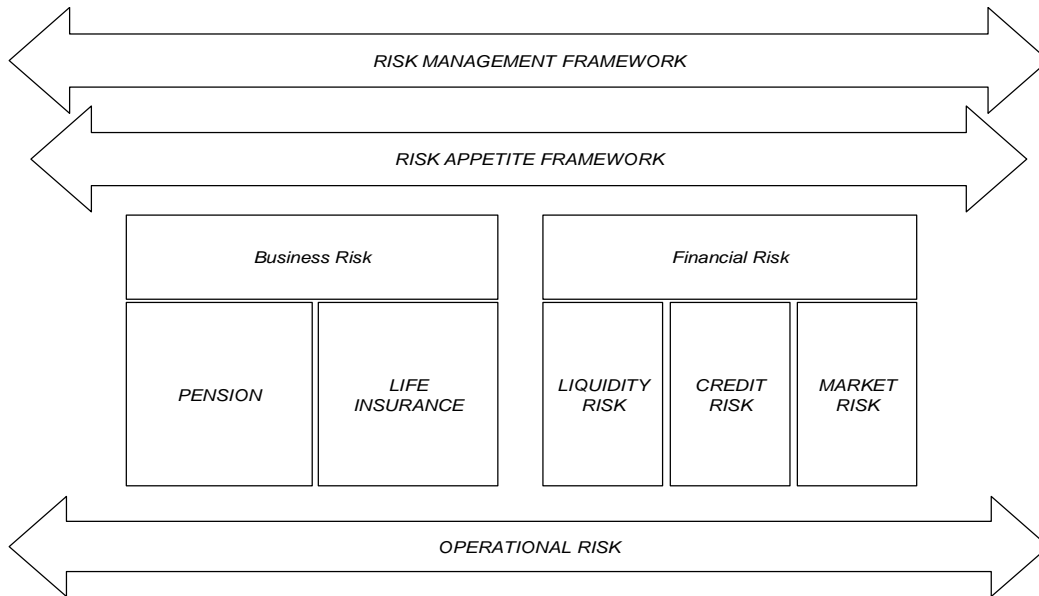
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2021

(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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT FOR THE PERIOD ENDED DECEMBER 31, 2021

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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.

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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 December 31, 2021 and December 31, 2020, 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 - December 31, 2021	January 1 - December 31, 2020
Life	15%	28%
Personal Accident (Casualty)	4%	3%

As at December 31, 2021 and December 31, 2020 that part of total risk which is ceded to reinsurers is given below on a risk coverage basis.

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	
0.57%		0.61%		0.11%		100.00%	

December 31, 2020

Life							
Natural death	Accidental Death	Accidental disability	Sickness disability	Critical Illness	Public Transport	Unemployment	Accidental Treatment Cost
7.66%	15.41%	3.18%	2.89%	54.79%	15.18%	100.00%	1.10%
Personal Accident		Accidental disability		Accidental treatment cost		Unemployment	
7.00%		11.50%		0.02%		100.00%	

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 December 31, 2021 and December 31, 2020 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):

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
December 31, 2020	Total gross risk liability	Share of reinsurer in total risk liability	Net risk liability
Life	64,035,368,614	(4,907,509,190)	59,127,859,424
Personal Accident	28,358,639,571	(2,562,790,806)	25,795,848,765
Total	92,394,008,185	(7,470,299,996)	84,923,708,189

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

Sensitivity to Insurance Risk (Continued)

The Group's gross provision for outstanding claims at December 31, 2021 and December 31, 2020 are as follows:

Outstanding Claims	December 31, 2021	December 31, 2020
Life	117,541,336	79,262,316
Personal Accident	6,725,355	7,572,909
Total	124,266,691	86,835,225

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 December 31, 2021 and December 31, 2020 are as follows:

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 10,748,056/(10,748,056). As at December 31, 2020, on condition that all variables remain constant, effect of a 20% appreciation/devaluation of Eurobonds against TL on owners' equity is TL 8,804,870/(8,804,870).

December 31, 2021:

Liabilities and assets in foreign currency	Effect on income/expense		
	USD (*)	EUR (*)	GBP (*)
Exchange rate variation (*)			
20%	30,242,514	(143,782)	28,826
(20%)	(30,242,514)	143,782	(28,826)

December 31, 2020:

Liabilities and assets in foreign currency	Effect on income/expense		
	USD (*)	EUR (*)	GBP (*)
Exchange rate variation (*)			
20%	18,583,186	(389,650)	(11,500)
(20%)	(18,583,186)	389,650	11,500

(*) All amounts are presented in TL.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2021

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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 December 31, 2021 :

Total of trading and available for sale financial assets Market interest increase / (decrease) (**)	Effect Profit and Loss		
	TL	USD (*)	EUR (*)
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.

As at December 31, 2020 :

Total of trading and available for sale financial assets Market interest increase / (decrease) (**)	Effect Profit and Loss		
	TL	USD (*)	EUR (*)
5%	(27,463,974)	(25,746,612)	(20,467)
(5%)	27,463,974	25,746,612	20,467
1%	(5,492,795)	(51,493,223)	(40,934)
(1%)	5,492,795	51,493,223	40,934

(*) 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:

	December 31, 2021	December 31, 2020
Financial assets	5,011,546,378	2,229,963,493
Cash and cash equivalents	1,045,560,487	994,041,049
Pension business receivables	221,070,704	197,580,785
Premium and other insurance receivables	48,414,125	35,330,094
Reinsurance share of insurance liabilities	39,994,429	10,949,619
Other financial assets	897,700	868,012
Total	6,367,483,823	3,468,733,052

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.

The company develops and monitors strategies, policies and procedures to ensure that liquidity risk is effectively managed in line with the liquidity risk appetite and that sufficient liquidity is maintained continuously, due to the worldwide coronavirus (COVID-19) outbreak.

As of 31 December 2021, 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.

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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:

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.

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)*

As at December 31, 2020, table of liquidity risk is as follows:

December 31, 2020	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	994,041,049	27,317,694	831,476,362	142,227,683	-	-	-	1,001,021,739
Financial assets	2,229,963,493	-	4,056,317	41,312,797	602,868,768	1,472,847,136	23,232,675	2,144,317,693
- Available for sale financial investments	112,389,182	-	4,056,317	41,312,797	17,591,609	13,340,533	-	76,301,256
- Financial assets at fair value through profit or loss	241,385,756	-	-	-	193,260,508	11,974,758	23,232,675	228,467,941
- Available for sale asset backing financial investments, Policyholders' portfolio	1,876,188,555	-	-	-	392,016,651	1,447,531,845	-	1,839,548,496
Premium and other insurance receivables	35,330,094	-	26,961,028	7,755,185	613,881	-	-	35,330,094
Pension business receivables	197,580,785	27,539,314	10,542,041	31,333,710	118,221,433	9,944,287	-	197,580,785
Other financial assets	868,012	-	-	-	-	-	868,012	868,012
Total	3,457,783,433	54,857,008	873,035,748	222,629,375	721,704,082	1,482,791,423	24,100,687	3,379,118,323
Financial liabilities								
Lease liabilities	(30,342,375)	-	(1,995,835)	(4,944,082)	(17,956,423)	(5,446,035)	-	(30,342,375)
Due to insurance and reinsurance companies	(32,213,493)	(486,380)	(31,727,113)	-	-	-	-	(32,213,493)
Pension business payables	(520,044,530)	(304,074,321)	(13,389,479)	(39,797,044)	(150,153,415)	(12,630,271)	-	(520,044,530)
Other payables and liabilities	(128,998,804)	(108,887,568)	(11,829,369)	-	(8,281,867)	-	-	(128,998,804)
Total	(711,599,202)	(413,448,269)	(58,941,796)	(44,741,126)	(176,391,705)	(18,076,306)	-	(711,599,202)
Liquidity surplus/(deficit)	2,746,184,231	(358,591,261)	814,093,952	177,888,249	545,312,377	1,464,715,117	24,100,687	2,667,519,121

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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).

	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 (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.

	December 31, 2020			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Available for sale financial assets (Note 6)	112,389,182	-	-	112,389,182
Financial assets held for trading (Note 6)	241,385,756	-	-	241,385,756
Financial investments with risks on company as held to maturity (Note 6)	1,063,932,883	-	-	1,063,932,883
Financial investments with risks on policyholders classified as available for sale and held to maturity (Note 6) (*)	809,537,852	-	-	809,537,852
Total financial assets	2,227,245,673	-	-	2,227,245,673

(*) Time deposits amounting to TL 2,717,820 are not included. Carrying values of time deposits approximate their fair values due to their short term nature.

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

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.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2021

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

5. CASH AND CASH EQUIVALENTS

As at December 31, 2021 and December 31, 2020, cash and cash equivalents are as follows:

	December 31, 2021	December 31, 2020	December 31, 2019
Banks	593,618,085	665,739,196	190,080,031
Other cash and cash equivalents (**)	452,214,074	328,470,720	208,489,233
Cheques given and payment orders	(271,672)	(168,867)	(41,388)
Total cash and cash equivalents	1,045,560,487	994,041,049	398,527,876
			(98,984,103)
Blockage amount (*)	(201,000,000)	(147,266,248)	
Accrued interest	(5,657,021)	(1,657,313)	(1,348,651)
Time deposits more than 3 months	(83,748,533)	(142,018,063)	(17,820,600)
Total cash and cash equivalents per information of cash flow	755,154,933	703,099,425	280,374,522

(*) 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:

	December 31, 2021 Interest Rate (%)	December 31, 2020 Interest Rate (%)
EUR	0.31%	2.07%
USD	0.35%	2.71%
TL	22.36%	17.82%

As of December 31, 2021, 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 of December 31, 2020, TL deposit maturity varies between January 4, 2021 and March 25, 2021, foreign currency deposits maturity varies between January 4, 2021 and December 8, 2021.

As at December 31, 2021 and December 31, 2020; the detail of cash and cash equivalents are as follows:

	December 31, 2021	December 31, 2020
Foreign currency cash and cash equivalents	138,562,463	157,834,723
- demand deposits	7,568,631	2,071,465
- time deposits	130,993,832	155,763,258
TL cash and cash equivalents	906,998,024	836,206,326
- demand deposits	36,219,413	19,422,791
- time deposits	418,836,209	488,481,682
- credit card receivables	452,214,074	328,470,720
- cheques given and payment orders	(271,672)	(168,867)
Total	1,045,560,487	994,041,049

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6. FINANCIAL ASSETS

As at December 31, 2021 and December 31, 2020; the securities portfolio of the Group is as follows:

	December 31, 2021	December 31, 2020
Financial assets at fair value through profit / loss	383,891,491	241,385,756
Total available for sale financial assets and held to maturity	4,627,654,888	1,988,577,737
Available for sale financial investments	369,357,135	112,389,182
Available for sale asset backing financial investments and held to maturity policyholders' portfolio	4,258,297,753	1,876,188,555
Total securities portfolio	5,011,546,379	2,229,963,493

As at December 31, 2021 and December 31, 2020; financial assets as fair value through profit or loss are as follows:

	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

	December 31, 2020		
	Cost	Fair value	Carrying value
Investment funds	16,969,101	23,232,675	23,232,675
Treasury bills and government bonds	162,587,639	169,041,984	169,041,985
Eurobonds-USD	36,936,845	39,401,595	39,401,595
Private sector bonds	3,800,000	3,993,010	3,993,010
Derivatives	5,716,492	5,716,492	5,716,491
Total financial assets at fair value through profit or loss	226,010,077	241,385,756	241,385,756

As at December 31, 2021 and December 31, 2020; available for sale financial assets owned by the Group are as follows:

	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

	December 31, 2020		
	Cost	Fair value	Carrying value
Treasury bills and government bonds - TL	42,585,039	44,752,220	44,752,220
Private Sector bonds	59,399,160	67,636,962	67,636,962
Total available for sale financial investments	101,984,199	112,389,182	112,389,182

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6. FINANCIAL ASSETS (Continued)

As at December 31, 2021 and December 31, 2020; available for sale financial assets backing insurance contracts and held to maturity financial assets are as follows:

	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

	December 31, 2020		
	Cost	Fair value	Carrying value
Treasury bills and government bonds-TL	42,405,896	36,255,179	36,255,179
Eurobonds - USD	739,032,143	772,301,793	772,301,794
Eurobonds - EUR	872,726	980,880	980,879
Time deposits - TL	2,500,000	2,717,820	2,717,820
Held to maturity Eurobonds- USD	1,048,614,471	1,063,932,883	1,063,932,883
Total available for sale asset backing financial investments and held to maturity policyholders' portfolio	1,833,425,236	1,876,188,555	1,876,188,555

As at December 31, 2021 and December 31, 2020; financial assets at fair value through profit or loss and available for sale financial assets movement table are as follows:

	2021	2020
Opening, January 1	2,229,963,493	1,771,746,764
Purchases	2,988,806,338	6,063,378,645
Disposals	(1,156,080,353)	(4,703,843,692)
Change in the valuation - unrealized gain and losses	(1,815,619)	48,832,854
Disposals through the redemption	(650,250,091)	(936,984,543)
Unrealized exchange rate gains/(losses)	1,736,177,168	(68,019,725)
Change in balance recognized under equity	(103,924,473)	46,329,345
Change in balance recognized under life mathematical reserves	(31,330,084)	8,523,845
Closing, December 31	5,011,546,379	2,229,963,493

The maturity analysis of financial assets is as follows:

As at December 31, 2021 and December 31, 2020; the remaining contractual maturities of financial assets are as follows:

	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

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6. FINANCIAL ASSETS (Continued)

	December 31, 2020						Total
	No stated maturity	0-3 months	3-6 months	6 months to 1 year	1-3 years	More than 3 years	
Eurobonds	-	-	-	-	15,575,411	1,444,398,905	1,459,974,316
Investment funds	23,232,675	-	-	-	-	-	23,232,675
Government bonds and treasury bills	-	-	-	-	135,724,732	114,324,652	250,049,384
Private sector bonds	-	4,056,317	11,565,136	33,300,015	7,682,174	15,026,331	71,629,973
Eurobond private sector	-	-	-	-	176,252,040	240,390,794	416,642,834
Time deposits	-	2,717,820	-	-	-	-	2,717,820
Derivative securities	5,716,491	-	-	-	-	-	5,716,491
	28,949,166	6,774,137	11,565,136	33,300,015	335,234,357	1,814,140,682	2,229,963,493

The currency analysis of financial assets is as follows:

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

	December 31, 2020			
	Currency Type	Currency Amount	Rate	Amount TL
Financial assets available-for-sale	TL			112,389,182
				112,389,182
Financial assets at fair value through profit or loss	TL			201,984,161
	USD	5,367,699	7.3405	39,401,595
				241,385,756
Financial investments with risks on policy holders	USD	250,151,172	7.3405	1,836,234,678
	EUR	108,891	9.0079	980,879
	TL			38,972,998
				1,876,188,555
Total securities portfolio				2,229,963,493

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7. REINSURANCE SHARE OF INSURANCE LIABILITIES

As at December 31, 2021 and December 31, 2020; reinsurance share of insurance liabilities are as follows:

	December 31, 2021	December 31, 2020
Reinsurers' share of outstanding claims	33,829,909	6,193,687
Reinsurers' share of unearned premiums reserve	3,089,875	3,245,141
Reinsurers' share of life mathematical reserve	3,074,645	1,510,791
	39,994,429	10,949,619

8. PREMIUM AND OTHER INSURANCE RECEIVABLES

As at December 31, 2021 and December 31, 2020; premium and other insurance receivables are as follows:

	December 31, 2021	December 31, 2020
Policyholders and reinsurance companies	48,414,125	35,330,094
Total premium and other insurance receivables	48,414,125	35,330,094

As at December 31, 2021 and December 31, 2020; maturity distribution of neither past due nor impaired insurance operations receivables is as follows:

	December 31, 2021	December 31, 2020
Receivables from policyholders and reinsurance companies		
Up to 3 months	6,738,771	6,100,353
3 to 6 months	3,927,314	4,080,780
6 to 9 months	2,250,892	2,499,183
9 to 12 months	691,305	808,809
	13,608,282	13,489,125

As at December 31, 2021 and December 31, 2020; an analysis of the aging of overdue but not impaired insurance operations receivables is as follows:

	December 31, 2021	December 31, 2020
Overdue 0-3 months	23,208,815	9,957,112
Overdue 3-6 months	699,212	183,073
Overdue 6-9 months	509,346	119,886
Overdue 9-12 months	217,398	63,454
Overdue 1 year	227,499	613,881
	24,862,270	10,937,406
Total	38,470,552	24,426,531

As of December 31, 2021, total of receivables from reinsurance companies and intermediaries are TL 9,943,572 (31 December 2020: TL 10,903,563).

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8. PREMIUM AND OTHER INSURANCE RECEIVABLES (Continued)

As at December 31, 2021 and December 31, 2020; the collateral held by the Group as security for its receivables are as follows:

	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

	December 31, 2020			Total (TL)
	USD	EUR	TL	
Guarantees received				
Letter of guarantees	440,430	-	19,863,500	20,303,930
Mortgage deed	-	-	309,700	309,700
Other guarantees	809,447	24,888	97,800	932,135
	1,249,877	24,888	20,271,000	21,545,765

9. PENSION BUSINESS RECEIVABLES AND PAYABLES

As at December 31, 2021 and December 31, 2020; pension business receivables are as follows:

	December 31, 2021	December 31, 2020
Pension business receivables - deferred income reserves	176,590,018	169,270,198
Receivables pension operations	43,543,207	27,539,314
Capital advance for pension funds	937,479	771,273
Total individual pension business receivables, net	221,070,704	197,580,785

As at December 31, 2021 and December 31, 2020; pension business payables are as follows:

	December 31, 2021	December 31, 2020
Temporary account of participants	400,552,327	304,074,321
Pension business payables - deferred income reserves (*)	215,751,647	215,970,209
Total pension business payables	616,303,974	520,044,530

(*) 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 December 31, 2021 and December 31, 2020; other assets are as follows:

	December 31, 2021	December 31, 2020
Prepaid expenses	13,130,150	35,370,184
Other receivables from other related parties	49,910	1,024,260
Advances given	2,163,478	1,306,315
Advances to personnel	1,473,538	1,881,965
Receivables from shareholders (Note 33)	-	547,351
Other receivables from third parties	1,000	186,285
Deposits and guarantees given	87,192	88,836
Other	469,675	263,248
Total other assets	17,374,943	40,668,444

11. PROPERTY AND EQUIPMENT, NET

As of December 31, 2021 and December 31, 2020; tangible assets movement and its accumulated depreciation is as follows:

Cost	January 1, 2021	Additions	Disposals	December 31, 2021
Machinery and equipment	16,044,009	16,084,306	(222,046)	31,906,269
Furniture and fixtures	22,648,518	11,381,127	(7,359,373)	26,670,272
Other tangible assets	30,677,138	12,645,860	(14,528,781)	28,794,217
Motor Vehicles	1,721,735	5,588,745	(1,138,000)	6,172,480
Right of use assets	45,617,311	37,191,365	(45,222,760)	37,585,916
Total	116,708,711	82,891,403	(68,470,960)	131,129,154

Accumulated depreciation	January 1, 2021	Period charge	Disposals	December 31, 2021
Machinery and equipment	(10,016,603)	(4,983,172)	192,059	(14,807,716)
Furniture and fixtures	(15,313,519)	(4,384,551)	5,214,210	(14,483,860)
Other tangible assets	(18,573,519)	(3,774,458)	8,840,978	(13,506,999)
Motor Vehicles	(616,214)	(1,057,372)	512,100	(1,161,486)
Right of use assets	(19,423,305)	(10,323,888)	22,429,491	(7,317,702)
Total	(63,943,160)	(24,523,441)	37,188,838	(51,277,763)

Net book value	52,765,551			79,851,391
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Cost	January 1, 2020	Additions	Disposals	December 31, 2020
Machinery and equipment	13,296,320	4,376,775	(1,629,086)	16,044,009
Furniture and fixtures	21,007,774	2,137,701	(496,957)	22,648,518
Other tangible assets	29,640,700	1,036,438	-	30,677,138
Vehicles	1,721,735	-	-	1,721,735
Right of use assets	42,063,298	3,554,013	-	45,617,311
	107,729,827	11,104,927	(2,126,043)	116,708,711

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11. PROPERTY AND EQUIPMENT, NET (Continued)

Accumulated depreciation	January 1, 2020	Period charge	Disposals	December 31, 2020
Machinery and equipment	(9,308,787)	(2,334,959)	1,627,143	(10,016,603)
Furniture and fixtures	(13,148,826)	(2,586,832)	422,139	(15,313,519)
Other tangible assets	(15,501,314)	(3,072,205)	-	(18,573,519)
Vehicles	(271,867)	(344,347)	-	(616,214)
Right of use assets	(9,172,556)	(10,250,749)	-	(19,423,305)
Total	(47,403,350)	(18,589,092)	2,049,282	(63,943,160)
Net book value	60,326,477			52,765,551

12. INTANGIBLE ASSETS, NET

As of December 31, 2021 and December 31, 2020; intangible assets movement and its accumulated amortization are as follows:

Cost	January 1, 2021	Additions	Transfer	Disposals	December 31, 2021
Software	157,401,429	31,612,659	65,412,472	-	254,426,560
Capitalized software development costs	14,754,297	87,947,591	(65,412,472)	(129,124)	37,160,292
Total	172,155,726	119,560,250	-	(129,124)	291,586,852

Accumulated amortization	January 1, 2021	Period charge	Transfer	Disposals	December 31, 2021
Software	(78,358,177)	(36,854,665)	3,435	-	(115,209,407)
Total	(78,358,177)	(36,854,665)	3,435	-	(115,209,407)
Net book value	93,797,549				176,377,445

Cost	January 1, 2020	Additions	Transfer	Disposals	December 31, 2020
Software	101,306,352	41,653,430	14,441,647	-	157,401,429
Capitalized software development costs	14,745,065	18,934,050	(14,441,647)	(4,483,171)	14,754,297
Total	116,051,417	60,587,480	-	(4,483,171)	172,155,726

Accumulated amortization	January 1, 2020	Period charge	Transfer	Disposals	December 31, 2020
Software	(57,516,287)	(20,841,890)	-	-	(78,358,177)
Total	(57,516,287)	(20,841,890)	-	-	(78,358,177)
Net book value	58,535,130				93,797,549

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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 December 31, 2021 and December 31, 2020; the details of other financial assets are as follows:

	December 31, 2021		December 31, 2020	
	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	292,303
Enternasyonal Turizm Yatırım A.Ş.	0.0001	2	0.0001	2
Endüstri Holding A.Ş.	0.0001	625	0.0001	625
		897,700		868,012

14. LEASE LIABILITIES

As at December 31, 2021 and December 31, 2020; lease liabilities are as follows:

	December 31, 2021	December 31, 2020
Short-term lease liabilities (undiscounted)	11,928,814	11,333,979
Long term lease liabilities (undiscounted)	47,108,822	38,219,902
Discount amount with lease's incremental borrowing rate of interest	(26,144,633)	(19,211,506)
Total	32,893,003	30,342,375

Movement of lease liabilities for the period ended December 31, 2021 and December 31, 2020 are as follows:

	December 31, 2021	December 31, 2020
Opening balance, January 1	30,342,375	35,733,545
Lease increase / decrease	37,182,518	3,554,013
Lease cancellation – payments (*)	(43,629,292)	-
Lease payments	(13,918,783)	(16,960,928)
Lease cancellation - interest (*)	15,926,971	-
Exchange rate valuation	9,076	1,026,263
Interest payments	6,980,138	6,989,482
Closing balance	32,893,003	30,342,375

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

15. DUE TO INSURANCE AND REINSURANCE COMPANIES

As at December 31, 2021 and December 31, 2020; due to insurance and reinsurance companies are as follows:

	December 31, 2021	December 31, 2020
Due to the intermediaries	51,392,727	29,782,098
Due to the reinsurance companies	13,099,012	1,945,015
Due to the policyholders	492,944	486,380
	64,984,683	32,213,493

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16. OTHER PROVISIONS

As at December 31, 2021 and December 31, 2020; provision for expenses and lawsuit provisions are as follows:

	December 31, 2021	December 31, 2020
Personnel bonus provision	39,335,686	27,035,574
Provision for lawsuit against the Group (Note 34)	13,129,475	11,366,186
Commission provision	16,350,000	6,967,000
Bonus provision for sales activities	3,871,298	7,467,324
	72,686,459	52,836,084

17. TAXES

Corporate taxes

Statutory income is subject to corporate tax at 25% (2020: 22%). 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 25% (2020: 22%), 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 December 31, 2021 and December 31, 2020; prepaid income taxes are netted off with the current income tax payable as stated below:

	December 31, 2021	December 31, 2020
Income taxes payable	169,773,460	90,440,439
Prepaid income taxes (-)	(132,675,444)	(77,072,087)
Current tax liabilities / (assets)	37,098,016	13,368,352

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)	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Deferred income reserves	215,751,647	215,970,209	49,839,338	45,759,575
Expense accruals	39,998,051	19,391,622	9,199,552	3,878,324
Expense accruals – bonus and commission provision	42,350,000	22,674,923	10,587,500	4,988,483
Provision for employee termination benefit	30,976,095	21,040,315	6,195,219	4,208,063
Derivative securities	18,994,470	-	4,368,728	-
Unused vacation provision	6,675,369	5,421,984	1,435,204	1,084,397
Claims for Insured Customer Claims	7,909,917	5,934,574	1,581,983	1,186,915
Right of use asset	2,612,638	4,134,800	522,528	826,960
Provision for lawsuits	2,589,265	2,740,711	595,531	548,142
Provisions for agency receivables	2,630,293	2,370,474	526,059	474,095
Incentive commission	384,202	2,011,614	88,366	402,323
Withdrawal of outstanding legal claims	8,049,887	7,977,352	2,012,472	1,595,470
Deposits internal rate of return linear interest rate difference	359,014	258,455	82,573	51,691
Total deferred tax assets	379,280,848	309,927,033	87,035,053	65,004,438
Deferred acquisition cost	(608,150,768)	(561,895,075)	(139,185,532)	(107,915,256)
Pension business receivables	(176,590,018)	(169,270,198)	(39,566,627)	(35,291,579)
Net difference between the carrying values and tax base values of tangible assets and intangible assets	(64,743,710)	(36,380,067)	(12,916,706)	(7,276,013)
Eurobond valuation difference	(1,255,597)	(2,016,089)	(288,787)	(403,218)
Derivative securities	-	(5,716,491)	-	(1,143,298)
Valuation difference on assets and liabilities	(6,875,214)	-	(1,581,299)	-
Price difference in coupon bond held for trading	(4,048,563)	56,509	(931,169)	11,302
Total deferred tax liabilities	(861,663,870)	(775,221,411)	(194,470,120)	(152,018,062)
Deferred tax assets/ (liabilities) accounted for under equity over the fair value reserve for available for sale financial assets	56,588,730	(38,000,708)	13,015,408	(7,600,142)
Effect of rate change of corporation tax	-	-	151,432	261,067
Deferred tax liabilities, net	(425,794,292)	(503,295,086)	(94,268,227)	(94,352,699)

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17. TAXES (Continued)

Deferred taxes (Continued)

Movement of deferred tax liabilities for the period ended December 31, 2021 and 2020 are as follows:

	2021	2020
Opening balance, January 1	(94,352,699)	(57,708,847)
ROP DAC impact	-	(13,314,930)
Charged to profit or loss	(22,068,993)	(15,282,191)
Cancellation available for sale financial assets that are recognized in shareholders' equity of deferred tax assets	7,600,142	(1,086,924)
Deferred tax asset/(liability) recognized in other comprehensive income due to fair value losses on available for sale financial assets	13,015,408	(7,600,142)
Fair Value - IRR corporate tax rate change effect	(109,635)	-
Deferred tax asset of actuarial loss on employment termination provision	1,647,550	640,335
Closing balance, December 31	(94,268,227)	(94,352,699)

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 December 31, 2021 and December 31, 2020; are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Income tax expense recognized in profit or loss:		
- Current tax charge	(172,039,904)	(90,205,308)
- Deferred tax charge	(22,068,993)	(15,282,191)
Adjustments recognized in the period for current tax of prior periods	5,691,080	3,824,080
Income tax expense	(188,417,817)	(101,663,419)

The total provision for taxes on income is different than the amount computed by applying the Turkish statutory tax rate of 25% (2020: 22%) to income before provision for taxes as shown in the following reconciliation:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Profit before taxes	728,979,785	451,301,392
Tax rate	25%	22%
Taxes on income per statutory tax rate	(182,244,946)	(99,286,306)
Tax rate change effect	(2,116,131)	(703,376)
Non-deductible expenses, net	(4,056,740)	(1,673,737)
Income tax expense	(188,417,817)	(101,663,419)

18. EMPLOYMENT TERMINATION BENEFITS

	December 31, 2021	December 31, 2020
Provision for employment termination benefits	30,976,095	21,040,315
Total	30,976,095	21,040,315

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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 8,285 (December 31, 2020: TL 7,117) for each year of service as of December 31, 2021.

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:

	December 31, 2021	December 31, 2020
Estimated yearly salary increase rate	10,00%	8.50%
Yearly discount rate	14,00%	13.50%

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

	2021	2020
Opening balance, January 1	21,040,315	15,971,826
Paid during the period	(3,536,597)	(2,024,847)
Service cost	2,291,118	1,735,710
Interest cost	2,943,510	2,155,944
Actuarial loss	8,237,749	3,201,682
Closing balance, December 31	30,976,095	21,040,315

19. DEFERRED EXPENSES

As at December 31, 2021 and 2020; movements of deferred expenses are as follows:

	2021	2020
Deferred acquisition costs, gross January 1	501,372,664	444,609,469
Acquisition costs deferred during the period	235,875,247	187,305,143
Amortization	(129,140,482)	(130,541,948)
Deferred acquisition costs - December 31	608,107,429	501,372,664
Deferred commission costs, gross January 1	23,152,652	33,622,456
Commission cost deferred during the period	3,334,787	(10,469,804)
Deferred commission costs - December 31	26,487,439	23,152,652
Total deferred expenses	634,594,868	524,525,316

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20. OTHER PAYABLES AND LIABILITIES

As at December 31, 2021 and December 31, 2020; other payables and liabilities are as follows:

	December 31, 2021	December 31, 2020
Expense accruals	23,147,633	909,826
Taxes and funds payable	52,029,393	25,364,003
Payables to suppliers	42,289,755	22,637,816
Unused vacation provision	6,675,369	6,467,738
Payables to related parties	26,009,748	11,047,722
Payables to shareholders	694,425	60,422,578
Payables to personnel	1,082,982	461,124
Deferred commission income	1,818,460	1,681,106
Deposits and guarantees	8,812	4,836
Other deferred income	2,055	2,055
Total	153,758,632	128,998,804

21. INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities as at December 31, 2021 and December 31, 2020; are as follows:

	December 31, 2021	December 31, 2020
Gross insurance contract liabilities		
Life mathematical reserves (*)	4,605,058,317	2,059,624,778
Reserve for unearned premiums	74,749,855	64,925,125
Claims provision	124,266,691	86,835,225
	4,804,074,863	2,211,385,128
Reinsurance share of insurance contract liabilities		
Mathematical reserves, ceded (Note 7)	3,074,645	1,510,791
Reserve for unearned premiums, ceded (Note 7)	3,089,875	3,245,141
Claims provision, ceded (Note 7)	33,829,909	6,193,687
	39,994,429	10,949,619
Net insurance contract liabilities		
Life mathematical reserves	4,601,983,672	2,058,113,987
Reserve for unearned premiums	71,659,980	61,679,984
Claims provision	90,436,782	80,641,538
Net insurance liabilities	4,764,080,434	2,200,435,509

(*) As of December 31, 2021, the negative fair value difference of financial assets at insuree's risk amounting to TL 37,837,488 (December 31, 2020: negative fair value difference of financial assets at insuree's risk amounting to TL 13,630,243), deferred taxes on the fair value difference of financial assets at insuree's risk amounting to TL 132,606 (December 31, 2020: TL 2,059,572) have been included in the above mentioned mathematical reserve table.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

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21. INSURANCE CONTRACT LIABILITIES (Continued)

Movements in insurance liabilities and reinsurance assets

Claims:

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
Total at the end of the period	124,266,691	(33,829,909)	90,436,782

December 31, 2020	Gross	Ceded	Net
Total at the beginning of the year	69,621,739	(7,301,645)	62,320,094
Change during period	17,213,486	1,107,958	18,321,444
Total at the end of the period	86,835,225	(6,193,687)	80,641,538

December 31, 2020

Reported claims	63,283,232	(4,842,273)	58,440,959
Incurred but not reported	23,551,993	(1,351,414)	22,200,579
Total at the end of the period	86,835,225	(6,193,687)	80,641,538

Claims paid and change in outstanding claims provision for the period ended December 31, 2021 and 2020 are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Cash paid for claims settled during the period	224,735,259	200,748,481
- Surrender and maturity from life savings	69,880,230	53,912,217
- Death and disability claims (*)	94,523,067	60,531,393
- Surrender from life protection	60,331,962	86,304,871
Change in outstanding claims provision	9,795,242	18,321,441
Claims paid and change in outstanding claims provision	234,530,501	219,069,922

(*) The amounts are presented net off reinsurance.

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21. INSURANCE CONTRACT LIABILITIES (Continued)

Reserve for unearned premiums:

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

December 31, 2020	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the year	95,871,371	(6,516,522)	89,354,849
Premiums written during the period	1,331,872,294	(18,449,424)	1,313,422,870
Premiums earned during the period	(1,362,818,540)	21,720,805	(1,341,097,735)

Reserve for unearned premiums at the end of the period 64,925,125 (3,245,141) 61,679,984

Life mathematical reserves:

	2021	2020
	Mathematical reserve TL	Mathematical reserve TL
Total at the beginning of the year, January 1	2,066,132,182	1,293,865,592
Additions	2,681,292,827	896,079,694
Disposals	(104,661,810)	(123,813,104)
Total at the end of the period, December 31 (*)	4,642,763,199	2,066,132,182

(*) As of December 31, 2021, the negative fair value difference of financial assets at insuree's risk amounting to TL 37,837,488 (December 31, 2020: negative fair value difference of financial assets at insuree's risk amounting to TL 13,630,243), deferred taxes on the fair value difference of financial assets at insuree's risk amounting to TL 132,606 (December 31, 2020: TL 2,059,572) and reinsurers share of TL 3,074,645. (December 31, 2020: 1,510,791) 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 December 31, 2021; 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 December 31, 2021									124,266,691

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21. INSURANCE CONTRACT LIABILITIES (Continued)

As at December 31, 2020, 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	7,463,038	2,277,564	3,682,162	5,568,507	4,513,726	5,848,200	2,485,075	24,805,391	56,643,663
1 year later	303,787	653,435	746,887	688,736	1,253,245	1,083,777	1,094,766	-	5,824,633
2 year later	13,730	-	99,636	197,714	13,001	201,276	-	-	525,357
3 year later	-	4,995	19,626	54,797	131,978	-	-	-	211,396
4 year later	-	-	41,370	-	-	-	-	-	41,370
5 year later	-	-	7,076	-	-	-	-	-	7,076
6 year later	-	-	-	-	-	-	-	-	-
7 year later	29,737	-	-	-	-	-	-	-	29,737
Total	7,810,292	2,935,994	4,596,757	6,509,754	5,911,950	7,133,253	3,579,841	24,805,391	63,283,232
Incurred but not reported									15,574,641
Additional claims according to the actuarial claim development table									7,977,352
Total gross provision for outstanding claims as at December 31, 2020									86,835,225

22. EQUITY

Share capital of the Group as at December 31, 2021 and December 31, 2020; are as follows:

	December 31, 2021		December 31, 2020	
	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 Share Purchase Agreement was signed between Ageas Group and Aviva Group on 23 February 2021. Accordingly, Ageas 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 our Company's capital were taken over by Ageas as of 5 May 2021.

The upper limit of registered capital of the Group is TL 500,000,000 as of December 31, 2021, 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, 2020: The upper limit of registered capital of the company is 300,000,000 TL and it is divided into 30,000,000,000 registered shares, each with nominal value of TL 0.01.)

At the Ordinary General Assembly Meeting held on March 16, 2021, the Group, in line with the profit distribution proposal, out of the net period profit of 290,854,780 TL after tax accrued according to the 2020 financial year balance sheet, 15,100,000 TL general legal reserves and 115,754,780 TL extraordinary reserves. After allocating the money, it has decided to distribute the total gross profit share of 160,000,000 TL and to make the payments in two installments of 80,000,000 TL on 29 March 2021 and 80,000,000,00 TL on 28 September 2021. and the first installment dividend payments were paid on 29 March and 31 March 2021, and the second installment dividends were paid on 28 September and 30 September.

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22. EQUITY (Continued)

Profit and other capital reserves:

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

	December 31, 2021	December 31, 2020
Profit reserves	325,319,340	190,370,612
Other capital reserves	837,095	837,095
Total	326,156,435	191,207,707

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 December 31, 2021 and December 31, 2020; details of profit reserves is as follows:

	December 31, 2021	December 31, 2020
Extraordinary reserves	229,767,945	110,043,953
Legal reserves	95,539,901	80,315,165
Statutory reserves	11,494	11,494
Total	325,319,340	190,370,612

Movement of profit reserves is presented below:

	December 31, 2021	December 31, 2020
Opening balance, January 1	190,370,612	135,728,079
Transfers	134,948,728	54,642,533
Closing balance	325,319,340	190,370,612

Profit reserves

As of 31 December 2021, the Group’s profit reserves consists of 95,539,901 TL (31 December 2020: 80,315,165 TL) legal reserves, 11,494 TL (31 December 2020: 11,494 TL) statute reserves and 229,767,945 TL (31 December 2020: 110,043,953 TL) extraordinary reserves.

Other capital reserves

As of December 31, 2021 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.

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22. EQUITY (Continued)

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:

	2021	2020
Opening balance, January 1	36,602,809	(294,093)
Unrealized gains and losses due to changes in the fair values of available for sale financial assets net of taxes	(81,241,382)	36,896,902
Closing balance, December 31	(44,638,573)	36,602,809

23. EARNINGS PER SHARE

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

	January 1- December 31, 2021	January 1- December 31, 2020
Profit for the period	540,561,968	349,637,973
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	0.0300	0.0194

As of December 31, 2021 capital of the Group consists of 18,000,000,000 shares with nominal value of TL 0.01 (December, 2020: 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- December 31, 2021		
	Gross	Reinsurer share	Net
Non-life	54,332,432	(255,998)	54,076,434
Life (Life protection + savings)	1,965,766,476	(34,503,143)	1,931,263,333
Total premium income	2,020,098,908	(34,759,141)	1,985,339,767
	January 1- December 31, 2020		
	Gross	Reinsurer share	Net
Non-life	65,504,791	(2,191,422)	63,313,369
Life (Life protection + savings)	1,266,367,503	(16,258,002)	1,250,109,501
Total premium income	1,331,872,294	(18,449,424)	1,313,422,870

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25. INCOME GENERATED FROM PENSION BUSINESS

Income generated from pension business for the periods ended December 31, 2021 and December 31, 2020; are as follows:

	January 1- December 31, 2021	January 1- December 31, 2020
Fund management income	417,919,154	339,782,295
Management fee	91,175,979	88,339,206
Deferred entry fees income	20,634,491	24,761,198
Premium holiday charges	6,904	497,876
Total	529,736,528	453,380,575

26. FOREIGN EXCHANGE GAINS / (LOSSES), NET

Foreign exchange gains / (losses) for the periods ended December 31, 2021 and 2020; are as follows:

	January 1- December 31, 2021	January 1- December 31, 2020
Foreign exchange gains	245,911,924	70,197,150
Foreign exchange losses	(172,508,202)	(68,556,647)
Total	73,403,722	1,640,503

27. COMMISSION INCOME AND COMMISSION EXPENSE

Commission income for the periods ended December 31, 2021 and December 31, 2020; are as follows:

	January 1- December 31, 2021	January 1- December 31, 2020
Commission income from reinsurance companies (net)	9,277,134	10,878,811
Total	9,277,134	10,878,811

Commission expense for the periods ended December 31, 2021 and December 31, 2020; are as follows:

	January 1- December 31, 2021	January 1- December 31, 2020
Commission expenses due to personal accident insurance	(31,425,927)	(37,073,590)
Commission expenses due to life insurance	(339,077,697)	(171,102,327)
-Change in commission expenses	(392,335,772)	(211,563,458)
-Change in deferred acquisition cost	53,258,075	40,461,131
Total	(370,503,624)	(208,175,917)

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2021

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

28. INVESTMENT AND OTHER INCOME

Investment income for the periods ended December 31, 2021 and December 31, 2020; are as follows:

	January 1- December 31, 2021	January 1- December 31, 2020
Interest income	282,925,003	169,082,692
-Income from financial assets at fair value through profit or loss	71,584,163	51,391,605
-Income from available for sale financial assets	211,340,840	117,691,087
Net income from sale of financial assets	41,550,718	33,147,903
-Income from financial assets at fair value through profit or loss	553,150	(38,158)
-Income from available for sale financial assets	40,997,568	33,186,061
Dividend and realization income from other financial assets	65,060	64,230
Net gains on derivatives fair value through profit or loss	38,919,054	15,120,524
Interest expense regarding lease liabilities	(6,980,138)	(6,989,482)
Investment management expenses	(14,219,555)	(55,975,214)
Other income, net	(12,605,965)	4,436,665
Total investment and other income/(expense), net	329,654,177	158,887,318

29. PENSION EXPENSES INCLUDING COMMISSION

Pension expenses including commission for the periods ended December 31, 2021 and December 31, 2020; are as follows:

	January 1- December 31, 2021	January 1- December 31, 2020
Fund management charge	(41,307,916)	(37,215,192)
Commission expense, net of DAC	(109,161,837)	(107,882,243)
- Commission expense	(149,976,014)	(118,260,101)
- Change in deferred acquisition cost	40,814,177	10,377,858
Takasbank commission expense	(6,220,139)	(5,752,049)
Other expense	(24,503,399)	(16,210,502)
Total pension expenses	(181,193,291)	(167,059,986)

30. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the periods ended December 31, 2021 and December 31, 2020; are as follows:

	January 1- December 31, 2021	January 1- December 31, 2020
Personnel expenses	(345,168,601)	(258,853,730)
Outsourced expenses including IT services	(125,595,661)	(93,516,311)
Depreciation and amortization	(61,378,106)	(39,430,982)
Advertising and marketing expenses	(36,853,590)	(5,034,379)
Representation and hosting expenses	(18,973,560)	(4,019,075)
Management expenses	(17,590,993)	(10,667,921)
Communication expenses	(6,852,399)	(5,975,710)
Other marketing, sales and distribution expenses	(5,801,204)	(1,959,296)
Travelling and transportation expenses	(5,222,393)	(4,561,491)
Office supplies expenses	(4,014,608)	(1,876,335)
Brokerage expenses	800,445	(3,026,125)
Change in deferred acquisition cost	12,662,513	5,924,206
Other expenses	(20,522,048)	(13,115,269)
Total	(634,510,205)	(436,112,418)

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30. GENERAL AND ADMINISTRATIVE EXPENSES (Continued)

Personnel expenses for the period ended December 31, 2021 and December 31, 2020; are as follows:

	January 1- December 31, 2021	January 1- December 31, 2020
Salaries	(189,030,377)	(138,599,096)
Commission and promotion expenses	(55,489,501)	(43,966,912)
Social security expenses	(35,000,037)	(26,509,805)
Other salary expenses	(41,979,932)	(33,517,114)
Other personnel expenses	(15,352,323)	(10,888,913)
Employee termination benefit expenses	(5,234,628)	(3,891,654)
Unused vacation expenses	(2,483,974)	(1,303,225)
Notice pay expense	(597,829)	(177,011)
Total	(345,168,601)	(258,853,730)

31. OTHER INCOME/(EXPENSE), NET

Other income and expenses for the periods ended December 31, 2021 and 2020 are as follows:

	January 1- December 31, 2021	January 1- December 31, 2020
Other income:		
Other technical income	5,563,623	2,317,908
Other operating income	-	-
Other expense:		
Other operating expense	382,608	(3,748,583)
Intangible asset write-off	(129,124)	(4,483,171)
Other expense	(881,866)	(309,950)
Total other income / (expense), net	4,935,241	(6,223,796)

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:

	December 31, 2021	December 31, 2020
Blocked securities	4,507,007,355	2,005,765,878
Blocked bank deposits (*)	201,000,000	149,766,248
Total	4,708,007,355	2,155,532,126

(*) In 2020, time deposits amounting to TL 2,500,000, financial assets with risks on policyholders, are not classified as cash and cash equivalents, so they do not appear as blocked deposits in the cash flow statement.

33. RELATED PARTY BALANCES AND TRANSACTIONS

Except for the related parties in the consolidated financial statements dated 31 December 2021 and 31 December 2020 and the relevant explanatory notes, companies that are related to Ageas Insurance International NV Group and Sabancı Holding as of 31 December 2021 are defined as other related parties.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

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

33. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

As at December 31, 2021 and December 31, 2020 balances with related parties are as follows:

	December 31, 2021	December 31, 2020
Akbank T.A.Ş. - Credit card receivables	450,688,237	325,956,194
Other cash and cash equivalents	450,688,237	325,956,194
Akbank T.A.Ş.- Bank deposit	158,179,914	187,233,011
Banks	158,179,914	187,233,011

As of December 31, 2021 and December 31, 2020, 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:

	December 31, 2021	December 31, 2020
Other receivables from related parties		
Akbank T.A.Ş.	9,006	-
Aksigorta A.Ş.	40,904	1,024,260
Total	49,910	1,024,260

	December 31, 2021	December 31, 2020
Receivables from main operations		
Sabancı Üniversitesi	59,565	54,097
Çimsa Çimento Sanayi ve Ticaret A.Ş.	159,307	(9,574)
Kordsa Teknik Tekstil A.Ş.	93,336	(4,990)
Enerjisa Enerji Üretim A.Ş.	772	940
Başkent Elektrik Dağıtım A.Ş.	(4,010)	(12,945)
Brisa Bridgestone Sabancı Lastik ve Ticaret A.Ş.	(11,990)	427
Other	45,724	(45,591)
	342,704	(17,636)

	31 December 2021			
	Nominal value	Cost	Fair value	Book value
Private sector bond				
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

	31 December 2020			
	Nominal value	Cost	Fair value	Book value
Private sector bonds				
Enerjisa Elektrik Dağıtım A.Ş.	12,500,000	12,500,000	19,694,782	19,694,782
Çimsa Çimento Sanayi Ve Ticaret A.Ş.	4,000,000	4,000,000	4,056,317	4,056,317
Financial assets	16,500,000	16,500,000	23,751,099	23,751,099

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33. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	December 31, 2021	December 31, 2020
Other payables to related parties		
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	22,842,969	8,691,273
TeknoSA İç ve Dış Tic. A.Ş.	227,519	126,381
EnerjiSA Anadolu Yakası Elektrik Perakende Satış A.Ş.	84,815	80,931
Vista Turizm ve Seyahat A.Ş.	59,806	(4,529)
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	2,860,475	800,254
EnerjiSA Başkent Elektrik Perakende Satış A.Ş.	628	262
Ak Portföy Yönetimi A.Ş.	-	945,100
Ak Sigorta A.Ş.	(66,464)	408,050
	26,009,748	11,047,722

	December 31, 2021	December 31, 2020
Advances given		
Vista Turizm ve Seyahat A.Ş.	1,151,568	687,573
	1,151,568	687,573

	December 31, 2021	December 31, 2020
Payables from main operations		
Akbank T.A.Ş.	53,211,930	29,117,799
Ak Portföy Yönetimi A.Ş.	3,931,691	5,686,009
Emeklilik Gözetim Merkezi A.Ş.	333,903	312,857
	57,477,524	35,116,665

	December 31, 2021	December 31, 2020
Income accruals for the month		
Akbank T.A.Ş.	-	24,088,392
	-	24,088,392

	December 31, 2021	December 31, 2020
Shareholders:		
Hacı Ömer Sabancı Holding	215,761	103,557
Payables to shareholders	215,761	103,557

Shareholders:		
Aviva International Holdings Ltd. (*)	-	547,351
Receivables from shareholders	-	547,351

(*) The Share Purchase Agreement was signed between Ageas Group and Aviva Group on 23 February 2021. Accordingly, Ageas agreed to take over all of AgeSA'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 our Company's capital were taken over by Ageas as of 5 May 2021.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2021

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33. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Transactions with related parties for the period ended December 31, 2021 and December 31, 2020 are as follows:

	January 1- December 31, 2021	January 1- December 31, 2020
Services Purchased		
Akbank T.A.Ş.	483,276,474	285,013,503
- <i>Commission paid</i>	481,363,739	283,113,503
- <i>Paid administrative expenses</i>	1,912,735	1,900,000
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	66,986,876	43,071,729
Ak Portföy Yönetimi A.Ş.	42,359,391	38,160,640
Emeklilik Gözetim Merkezi A.Ş.	4,751,665	3,780,964
AkSigorta A.Ş.	2,201,138	763,994
Anadolu Yakası Elektrik Dağıtım A.Ş.	845,151	892,308
Teknosa İç ve Dış Ticaret A.Ş.	672,599	618,576
Vista Turizm ve Seyahat A.Ş.	312,504	1,841,001
Other	4,174,133	1,609,856
	605,579,931	375,752,571
	January 1- December 31, 2021	January 1- December 31, 2020
Financial income		
Akbank (interest income)	33,516,244	40,811,921
Çimsa Çimento San,ve Tic, A.Ş.	2,210,636	336,540
Enerjisa Enerji A.Ş.	7,020,280	1,033,150
	42,747,160	42,181,611
	January 1- December 31, 2021	January 1- December 31, 2020
Services Provided		
Akbank T.A.Ş.	14,656,851	13,067,782
Kordsa Teknik Tekstil A.Ş.	1,018,483	889,296
Brisa Bridgestone Sabancı Lastik ve Ticaret A.Ş.	803,894	722,396
Başkent Elektrik Dağıtım A.Ş.	595,261	281,263
Enerjisa Enerji Üretim A.Ş.	437,478	393,242
Ak Yatırım Menkul değerler A.Ş.	375,586	304,145
Akçansa Çimento Sanayi ve Ticaret A.Ş.	337,497	280,268
Toroslar Elektrik Dağıtım A.Ş.	333,035	296,760
AkSigorta A.Ş.	332,013	286,067
Çimsa Çimento Sanayi ve Ticaret A.Ş.	317,092	358,220
Temsa Ulaşım Araçları Sanayi ve Ticaret A.Ş.	295,433	248,772
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	256,792	205,267
TeknoSA İç ve Dış Ticaret A.Ş.	239,540	210,631
İstanbul Anadolu yakası Elektrik Dağıtım A.Ş.	197,391	182,983
Ak Portföy Yönetimi A.Ş.	181,866	153,508
CarrefourSA Carrefour Sabancı Ticaret Merkezi A.Ş.	127,256	114,333
Other	936,836	908,578
	21,442,304	18,903,511

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

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33. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Benefits provided to executive management

For the period ended December 31, 2021 and 2020, 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 15,132,139 and TL 11,670,933 respectively.

34. CONTINGENCIES

Provision for lawsuits

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

As at December 31, 2021 and December 31, 2020; provisions for lawsuits against the Group are as follows:

	December 31, 2021	December 31, 2020
Lawsuits provision under other provision:	13,129,475	11,366,186
Insurance lawsuits against the Group	7,909,917	5,995,183
Other lawsuits against the Group	2,589,265	2,630,293
Business lawsuits against the Group	2,630,293	2,740,710
Lawsuits provision under claims provision	34,637,551	34,459,548
Total lawsuits provision	47,767,026	45,825,734

35. COMMITMENTS

As at December 31, 2021 and December 31, 2020, total insurance risk accepted by the Group under normal courses of the insurance business is detailed in Note 4.

As at December 31, 2021 and December 31, 2020, letters of guarantee given to suppliers and government institutions are as follows:

	December 31, 2021	December 31, 2020
Letters of guarantee	15,190,552	9,217,397
Total	15,190,552	9,217,397

36. OTHER INFORMATION

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

	1 January– 31 December 2021	1 January– 31 December 2020
Audit fee for the reporting period *	1,295,500	1,105,000
Other assurance services	96,000	80,000
Total	1,395,500	1,185,000

(*) VAT is excluded.

37. SUBSEQUENT EVENTS

The Group's consolidated financial statements as of 31 December 2021 is approved at 8 February 2022 by the Board of Directors.