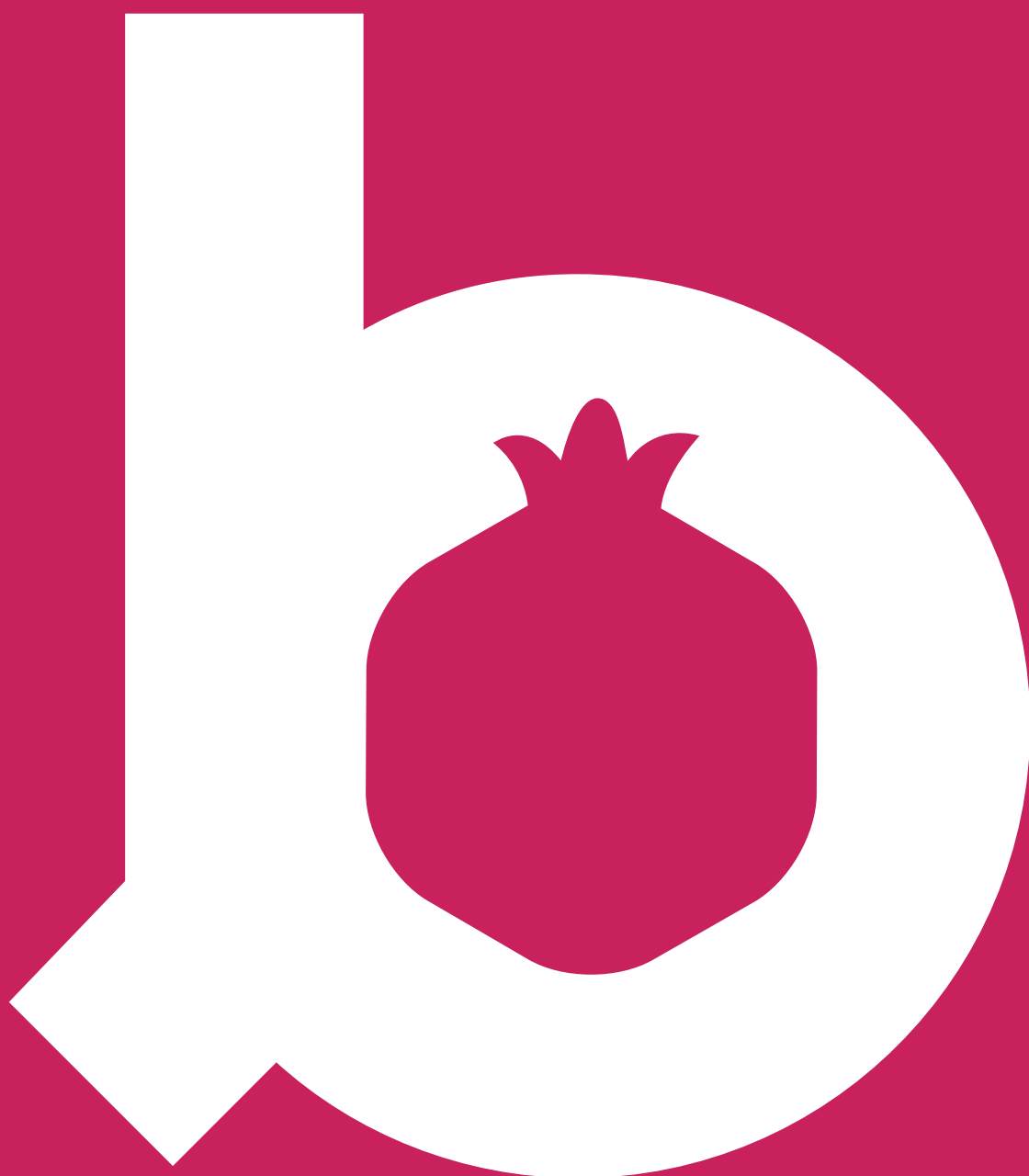


**2020**  
**ANNUAL REPORT**





# CONTENTS

## CORPORATE PROFILE

- 6 About Bereket Emeklilik ve Hayat
- 8 Mission, Vision
- 8 Ethical Principles and Code of Conduct
- 10 Our Shareholders
- 10 Capital Increases Throughout the Year
- 11 Management's Analysis
- 15 Message from the Chairman
- 17 Message from the General Manager
- 18 Financial Indicators
- 19 Bereket Pension Funds and Fund Volumes
- 19 Reinsurance Companies
- 20 Our Human Resources Practices
- 22 Our Human Resources Structure
- 23 Educational Activities
- 24 Sales Channels Structure
- 25 Completed and In Progress Projects

## CORPORATE GOVERNANCE

- 28 Members of the Board of Directors
- 30 Top Management
- 30 Qualifications of the Directors and the Auditors
- 31 Replacements of the Board of Directors
- 31 Executives in charge of the Internal Systems
- 32 Attendance of the Directors to the Meetings during the Account Period

- 33 Organization Chart
- 34 Statement of Compliance with the Corporate Governance Principles
- 35 Result of the Affiliation Report
- 36 Statement Of Compliance On The Annual Report
- 37 Opinion Of Compliance On The Annual Report
- 41 Islamic Jurisprudence Advisor's Opinion Regarding The Participation Insurance
- 42 Participation Insurance Activities And The Advisory Committee's Opinion

## FINANCIAL INFORMATION AND RISK MANAGEMENT

- 44 Risk Management Policies and Internal Control Activities
- 46 Internal Audit Activities
- 47 Legislation Amendments
- 48 Assessments for Operating Expenses
- 49 Unconsolidated Financial Statements and Independent Auditor's Report for the Period Ended on 31.12.2020
- 125 Consolidated Financial Statements and Independent Auditor's Report for the Period Ended on 31.12.2020
- 198 Contact Details

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## CORPORATE PROFILE

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About Bereket Emeklilik ve Hayat

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Mission, Vision

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Ethical Principles and Code of Conduct

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Our Shareholders

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Capital Increases Throughout the Year

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Management's Analysis

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Message from the Chairman

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Financial Indicators

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Bereket Pension Funds and Fund Volumes

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Reinsurance Companies

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Our Human Resources Practices

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Our Human Resources Structure

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Educational Activities

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Sales Channels Structure

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Completed and In Progress Projects

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## ABOUT BEREKET EMEKLİLİK VE HAYAT

Bereket Emeklilik ve Hayat A.Ş. was established on 1 July 2011. In May 2012, it started as the first interest-free pension company of Turkey in order to serve to the clients who are sensitive to interest income. It was taken transfer by Türkiye Tarım Kredi Kooperatifleri Merkez Birliği (Central Union of Agricultural Credit Cooperatives of Turkey), a cooperative founded 157 years ago, operating with 17 regional offices and 1625 cooperatives, serving to nearly 1 million member farmers, from TMSF (Saving Deposits Insurance Fund) under a share transfer agreement signed on 26 November 2016 as a result of a public tender.

Operating in the Private Pension and Life & Personal Accident lines of business, Bereket Emeklilik services to individual and corporate clients.

Being the first interest-free private pension company in the Turkish insurance industry, Bereket Emeklilik achieved an outstanding success by reaching a substantial fund volume and a great number of participation members in a very short time. With a management abiding by the fundamental ethical values and with the trust of its stakeholders, Bereket Emeklilik is moving with sure steps toward becoming the largest interest-free pension company of Turkey.

Bereket Emeklilik ve Hayat A.Ş. is established with a hundred percent national capital. With the power we derive from the Türkiye Tarım Kredi Kooperatifleri Merkez Birliği (Central Union of Agricultural Credit Cooperatives of Turkey) across the country, we are delivering our services to our customers in a fast, reliable and innovative manner in accordance with the principles of participation





insurance as well as the common values of the Anatolian people. Our company aims to attain its vision of becoming a pension company making itself present in all parts of the country based on the principle of protection of the national interests by returning what it has received from the people of this land to them.

Aiming to continue its operations with the sales network across the country through its competent human resources and state of the art technologies with the idea of client-focused service, Bereket Emeklilik ve Hayat A.Ş. has achieved a distinctive place in the industry by starting to provide the best quality service to a wider client base including the farmers who are the partners of the Türkiye Tarım Kredi Kooperatifleri Merkez Birliği (Central Union of Agricultural Credit Cooperatives of Turkey), the major shareholder of it.

To contribute to the future of Turkey, to raise the living quality of our people, and to play a role in the elevation of the awareness of the society about the saving are the fundamental goals of our company. With a well-educated and young staff, a dynamic and ever-growing organization, and a persistent focus on advanced technology, a strong team spirit and a high-degree of loyalty, Bereket Emeklilik is moving with ever-increasing effort toward its aim of becoming the leading company of the private pension and life insurance industry as a member of the broad Tarım Kredi Kooperatifleri family.

## MISSION, VISION

### Our Vision

Together with our employees and business partners, to become a lasting brand delivering a service beyond the expectations of our customers, being open to the changes brought by the age, and renewing ourselves.

### Our Mission

To become a trusted leading company of the participation insurance sector with a widespread service network giving importance to the values of the public and to the innovation.

## ETHICAL PRINCIPLES AND CODE OF CONDUCT

Bereket Emeklilik ve Hayat expects from its employees to do their job carefully and professionally in compliance with the high ethical standards and the laws.

Compliance with such ethical standards and legal rules is of prime concern for Bereket Emeklilik ve Hayat. Breaking of any of the ethical and legal rules is punishable in accordance with the disciplinary rules in place.

### Purpose

These principles set forth the occupational ethical rules that Bereket Emeklilik ve Hayat A.Ş. and their employees must comply with when doing their job in compliance with the applicable laws and regulations.

### Scope

All employees, officers and directors of the company must comply with these principles.

### General Principles

With a view to maintaining the trust and the stability in the insurance industry and preventing any transactions and practices that may cause harm to the economy of the country, all employees of the company must perform their job in compliance with the basic principles set forth below:

- Full compliance with the legal regulations governing the insurance business.
- Honesty in the relationships with our customers, agents and their employees, stockholders, group companies, and other entities and organizations.
- Giving of clear, accurate and understandable information about our services to all parties we are interacting with; giving of full and accurate information to all parties we are contracting with about their and our rights and obligations.
- Giving care to meeting the requirements of the



economic development besides making a profit for us in all our business transactions.

- Avoiding any unjust competition in pursuance of the principles of maintaining the trust in the insurance industry and protecting the common interests of the actors in the insurance industry.
- Seeking the social benefit and giving care to the protection of the environment in all our business transactions and ensuring compliance with all measures taken in this regard in full in a timely manner.
- Ensuring strict compliance with the rules and requirements of prevention of money laundering in a timely manner and cooperating with national and international authorities in this regard in accordance with the national and international laws.

## Harmony at Work

No employee shall make an express or implied statement orally or in writing by any means of communication, including social media, about any other company or its managers that may arose a negative image in the public about them. All employees shall behave in their relationships with each other and the customers in a manner that fits to the reputation of the company.

## Obligation of Confidentiality

All employees shall respect the confidentiality of the information given by the customers and kept in the records of the company and shall not use any information about the customers for the purpose of gaining an advantage for themselves.

## Forbidden Acts

All employees shall comply with the following code of conduct:

- Avoid any behavior and act which breaks the rules established by the governing bodies of the company as binding on all employees and executives.
- Refrain from giving any advantages allowed to the insurance industry in the laws to any customer in a manner to contravene the points set out in the reasons of the legal regulations applicable to the insurance, even if it is in compliance with the form of the law.
- Refrain from any act that may be against the interest and benefit of the insurance industry.
- Refrain from any act that may be considered an unjust competition in the insurance industry.

## OUR SHAREHOLDERS

For the shareholders of Bereket Emeklilik ve Hayat A.Ş., the names and surnames of, capital share rates, residence addresses, tax identification numbers and T.R. identification numbers are listed below.

### Shareholders of the Company

Row No	Name-Surname/Title	Rate of Share	Address	Turkish ID No / or Tax No
1	Türkiye Tarım Kredi Kooperatifleri Merkez Birliği (Central Union of Agricultural Credit Cooperatives of Turkey)	89,09	Yukarı Bahçelievler Mah. Wilhelm Thomsen Cad.No:7 Çankaya/Ankara	8240026723
2	Tarım Kredi Kooperatifleri ve Birlikleri Personel Sosyal Yardım Vakfı (Social Aid Foundation for the Personnel of Agricultural Loan Cooperatives and Unions)	9,90	Emek Mahallesi Kazakistan Cad. (4. Cadde) No :136-15 4. Kat Emek - Çankaya Ankara	8240026814
3	Other	1,01	-	-

## CAPITAL INCREASES THROUGHOUT THE YEAR

No capital increase was performed in 2020.

# MANAGEMENT'S ANALYSIS

## In the world

In early 2020, the FED's signal on not changing interest rates in the global markets, the low unemployment rate in the USA and the European economies that started to recover brought optimistic expectations as the year started.

As of February, the globally coming of a new type of coronavirus to the fore, which is estimated to have emerged in China at the end of 2019 and has a relatively high lethality as well as its contagiousness, has changed all pricing and expectations. After the World Health Organization declared as a pandemic only in March, it caused historical fluctuations in global asset prices due to concerns about being late in terms of measures, and caused serious damage to real economies.

After the new epidemic, called COVID-19, most countries implemented full lockdown, and the lack of clear recognition of the virus and the inadequate treatment against the virus were additional concerns. While governments announced stimulus packages (including tax reliefs, loan delays) in excess of an estimated US \$ 20 trillion, central banks implemented an ultra-loose monetary policy. The FED also signaled that interest rates will remain low until 2023, while bringing interest rates closer to zero. The balance sheet of the FED, which signed swap agreements with various countries, exceeded 7 trillion with a growth of approximately 3 trillion USD.

While bottom levels were observed in the economic indicators due to the pandemic, there was a recovery especially in the manufacturing industry with the effect of the openings in the summer months. On the other hand, employment losses in the services sector continued and the weak picture in this sector persisted throughout the year. Looking at pricing, sharp increases have been observed in the "Stay-At-Home" stocks, especially in technology. While some technology firms reached very high valuations, retail stocks came first among other sectors that are at a premium. While the sectors most adversely affected by the pandemic were transportation and tourism, traditional sectors such as banking also displayed a relatively weak image.

In 2020, MSCI Developed Markets Index increased in value of 14% and MSCI Emerging Markets Index in value of 16%. On the other hand, the loose monetary policy and incentives implemented by the FED resulted in a serious loss in value of the dollar. The dollar index (DXY) declined by 7% in 2020. In an environment of low interest and abundant liquidity, while money entered into assets such as gold and commodities besides stocks, steel gained a value of 56% and iron ore increased by 80% with the support of the relative positive course of the Chinese economy. Ounce Gold, on the other hand, is at a premium of 25%, while oil, seeing negative prices in futures, completed the year in the negative zone, even though it recovered later. In addition to these developments, double-digit increases were observed in agricultural commodities such as wheat and cotton, also due to the drought.

## MANAGEMENT'S ANALYSIS

### In Turkey

Financial and monetary supports have been announced in order to minimize the adverse economic impacts of the pandemic in our country. The government announced in March that it launched a resource set of 100 billion TL with the package called the Economic Stability Shield in order to reduce the impacts of the coronavirus epidemic. On the other hand, while the CBRT eased the liquidity conditions, it also lowered the policy rate to 8.25%. The economy was revived by reducing consumer loans to single digits annually, especially by public banks. In addition, with the active ratio announced by the BRSA and encouraging more loans, there was a serious increase in the loan volume of the banking sector.

As of June, partial lockdown due to coronavirus were replaced by gradual opening again, while exchange rates increased along with incentives, high money supply and low interest rate. Negative attitudes of credit rating agencies Fitch and Moody's have also been effective in this process. While the process was continuing, exchange rate stability was restored with the measures taken in monetary and fiscal policies.

Taking market-friendly steps together with the expectations of reforms in the economy caused positive pricing in TRY assets in the last months of the year. The BIST100 Index experienced significant increases in the last two months of the year, with the exchange rate stability and the removal of the selling pressure on bank stocks. The BIST100 Index closing the year at levels close to 1500 with the increase of 29%, while the MSCI Turkey Index in 2020 made 12% premium.

While the manufacturing side is demonstrating a relatively positive trend with low interest and incentive packages, the inflation, which is an important issue in 2020, was realized as 14.60% in consumer prices. In addition, 320 billion cubic meters of natural gas reserves explored in the Black Sea was one of the outstanding developments of 2020, while, for the Eastern Mediterranean issue on the agenda throughout the year, lack of a significant sanctions from Europe to Turkey was seen as a positive development. Another prominent development in the last months of the year was the decision of the USA to impose certain sanctions that can be considered soft and do not contain surprises due to the purchase of S-400s.

## In the Insurance Industry

The 2020 pandemic, which brought life to a halt worldwide, once again demonstrated the importance of savings in securing future living conditions.

Private Pension System (PPS) being implemented in Turkey for 17 years has been one of the most effective tools for increasing household savings. The subsidy of 25%, which has been implemented for the last 8 years, has made PPS the best investment alternative.

Based on the data of the Pension Monitoring Center as of the end of 2020, the total number of participants in the PPS and Automatic Enrollment System (AES) increased by 5% in the last year to 13.6 million. The total fund volume, including the state contribution, reached approximately TRY 170 billion. The 33% increase in the total fund volume at the end of the previous year has been the most important indicator of the increased trust in the system during the pandemic period.

The share of interest-free funds in total funds increased from 13.7% to 18.1% with an increase of more than 30%, generally in PPS, EAS and State Contribution funds.

Considering the fund returns in 2020, while an average annual return of 23.7% was achieved throughout the system according to on the PMC ALL Index, the interest-free funds exhibited a different success with an average return of 35.1%, according to the PCM Interest-Free ALL Index.

The complementary pension system (CPS), which is expected to be finalized in 2021, and the regulations on the inclusion of under 18 into the PPS will contribute significantly to the growth performance of the industry in the upcoming periods.

On the life insurances side, the weight of loan-related products continued and in line with the increasing credit volume, the sector-wide life premium written reached TRY 14.4 billion with a growth of 27% in 2020.





## MESSAGE FROM THE CHAIRMAN

Dear shareholders,

Due to the pandemic that has deeply affected the global economy, the world has had a unique economic challenge in 2020. Restrictive measures experienced around the world caused a dramatic decline in economic activity, and all central banks intervened with expansionary monetary policies. Similarly, although the economy of our country was negatively affected by the epidemic, the economy has managed to close the year with positive growth, albeit limited, by recovering with timely and appropriate measures.

Despite such challenging macroeconomic conditions, our private pension sector achieved an increase in the number of participants and fund volume, and completed such a critical year with strength and confidence by offering fund returns above inflation.

We consider that the participation-based interest-free funds segment, which includes all of our company's funds, yielded 11 points higher than other funds and increased its market share by 5 points as another positive development of 2020.

The pandemic has highlighted risk awareness and tendency to save by affecting the priorities of individuals. While the need for the assurance offered by life insurance products against uncertainties and risks has increased, private pension has become the basic financial need of households as an advantageous and reliable investment instrument in every respect.

We believe that the private pension system will gain a significant growth momentum in the upcoming period thanks to the completion of ongoing legislative arrangements such as accepting PPS

funds as loan collateral, providing partial exit from PPS funds, allowing individuals under the age of 18 to be included in PPS, establishing PPS funds in foreign currency, and the strategies to be developed under the leadership of Insurance and Private Pension Regulation and Supervision Agency (IPPRSA).

On this opportunity, I would like to express my sincere thanks to our participants and insured who trust us, to Türkiye Tarım Kredi Kooperatifleri Merkez Birliği (Central Union of Agricultural Credit Cooperatives of Turkey), our principal shareholder, for valuable support and contributions, and to our employees, agencies and all other stakeholders.

**Dr. Fahrettin POYRAZ**

Chairman of the Board of Directors





## MESSAGE FROM THE GENERAL MANAGER

Dear shareholders,

The year 2020, which passed in the shadow of the uncertainties that increased with the pandemic, has been a year in which the confidence in the Private Pension System (PPS) in Turkey has been renewed and strengthened. The increase in the number of volunteer PPS participants and the fund volume is the most important indicator of this.

While the overall PPS rate of return in 2020 realized 24%, the fact that the participation-based interest-free funds segment, including all funds of our company, gained more than 35% and that the sector share of interest-free funds increased from 13% to 18% has been a harbinger that the participation-based interest-free side of the system will gradually become widespread and deeper.

On the other hand, it is doubtless that the complementary pension system (CPS), which is expected to be finalized in 2021, and the regulations on the inclusion of under 18 into the PPS will contribute significantly to the growth performance of the industry in the upcoming periods.

Digitalization, which accelerated due to the impact of the pandemic, brought new business models together. In this context, the importance of our investments in digitalization and operational efficiency, which we started in 2018, has become more evident this year. We aim to implement new products and implementations by continuing our investments in this field with a customer-oriented approach.

As Bereket Emeklilik ve Hayat A.Ş., we will continue to provide uninterrupted, high quality and reliable services to our customers all over the country in 2021, with our participation-based interest-free pension funds, life and accident products. By saying **"A seed will give plenty"** to our stakeholders, we are moving with sure steps on this path toward our goals and targets to build a safe future and deliver peace of mind, quality and wealth to the next generations. By taking the opportunity, I would like to thank our shareholders, customers, sales network and employees for sharing our faith in tomorrow.

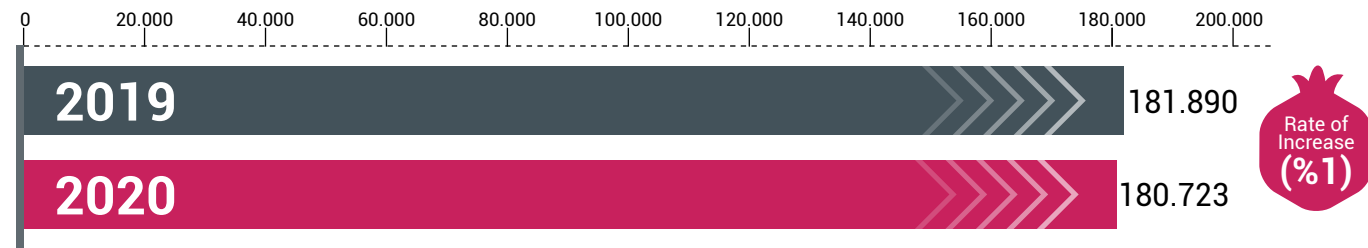
**Mahmut GÜNGÖR**  
General Manager

## FINANCIAL INDICATORS

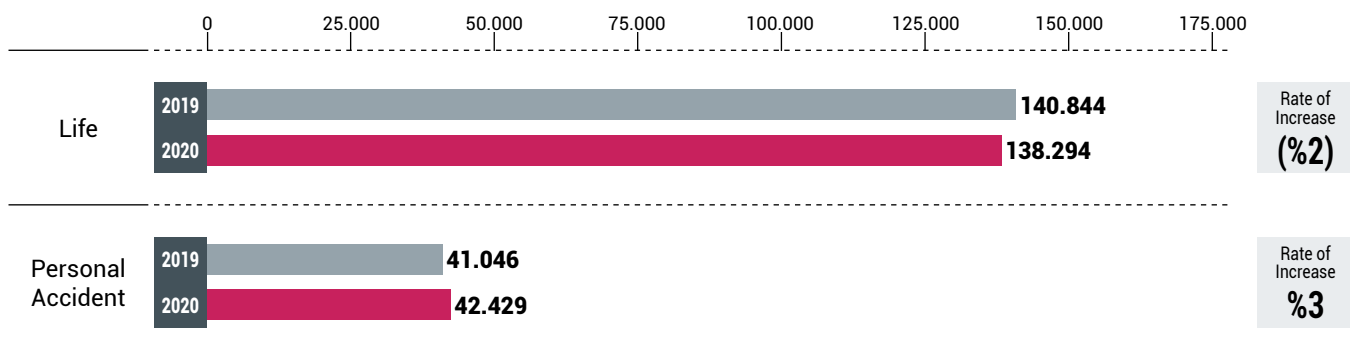
Items (TL)	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Fund Volume of Private Pension*	735.564.535	538.447.687	425.743.184	399.246.851	416.949.594
Rate of Growth of Fund Volume	%36,61	%26,47	%6,64	(%4,42)	(%58)
Life-Personal Accident Premiums Written (Net)	166.702.243	131.206.001	28.257.454	191.529	66.868
Life-Personal Accident Rate of Growth of Premiums Written	%27,05	%364,32	%14653,62	(%186,43)	(%98,27)
Paid-up Capital	30.000.000	30.000.000	30.000.000	30.000.000	30.000.000
Shareholder's Equity	67.762.579	56.300.495	30.599.426	30.230.145	33.257.867
Total Assets	938.968.308	723.917.974	499.759.738	439.988.674	459.571.650
Private Pension Technical Profit/Loss	(3.022.654)	(6.334.693)	(3.168.150)	(3.092.766)	17.159.230
Life Technical Profit / Loss	909.450	32.971.108	(730.147)	(778.396)	(90.721)
Non-Life Technical Profit / Loss	1.410.974	3.962.523	542.194	(646.684)	(150.392)
Non-Technical Income and Expense Balance	(428.128)	(4.827.835)	3.963.706	1.523.999	(1.337.570)
Net Profit/Loss	(1.130.358)	25.771.104	607.603	(2.993.847)	15.199.901

\*Figures including state contribution

### Total Premiums Written (Thousand TL)



### Distribution of premiums written by line of business (TL 1,000)





## BEREKET PENSION FUNDS AND FUND VOLUMES

All funds of the company are managed in accordance with the principles of participation finance and participation insurance. The pension funds founded by the company and their dates of foundation and volumes as of 31.12.2020 are as follows:

Bereket Emeklilik ve Hayat A.Ş. Name of Pension Fund	Date of Foundation	Fund Volume TRY	Share%
Muhafazakâr Katılım Değişken Pension Fund (Conservative, Variable)	19.03.2012	135.149.384	18,37
Altın Katılım Pension Fund (Gold)	5.04.2013	121.426.776	16,51
Katılım Hisse Senedi Pension Fund (Shares)	19.03.2012	112.652.644	15,32
Katılım Katkı Pension Fund (Contribution)	5.04.2013	103.956.442	14,13
Katılım Standart Pension Fund (Standard)	19.04.2013	85.594.070	11,64
Değişken Grup Pension Fund (Variable, Group)	19.03.2012	60.018.294	8,16
OKS Katılım Standart Pension Fund (Auto-Enrollment, Standard)	30.11.2017	56.111.767	7,63
Büyüme Katılım Değişken Pension Fund (Growth, Variable)	19.03.2012	55.229.636	7,51
Başlangıç Katılım Pension Fund (Initial)	29.12.2016	2.386.650	0,32
OKS Agresif Katılım Değişken Pension Fund (Auto-Enrollment, Aggressive)	15.06.2017	1.533.324	0,21
OKS Dinamik Katılım Değişken Pension Fund (Auto-Enrollment, Dynamic)	15.06.2017	1.505.548	0,20
<b>Total</b>		<b>735.564.535</b>	<b>100</b>

## REINSURANCE COMPANIES

Reinsurer	Ratings Given by Rating Agencies to our Reinsurers	Principal Lender	Country
General Reinsurance Company	S&P/AA+	Berkshire Hathaway Company	Germany
HCC International Ins Co Plc	S&P/A+	Tokio Marine	United Kingdom
Arch Re Accident & Health	S&P/A+	Arch Capital Group Ltd. (ACGL)	Denmark

In 2018 and 2019, in line with the decision of the Board of Directors, a protocol was signed with Howden ACP Sigorta ve Reasürans Brokerliği A.Ş. (Howden) for the settlement of the dispute with the reinsurer company and the broker regarding the reinsurer share of the claim payments for unemployment coverage provided under the Life Line of Business. Accordingly, an agreement has been concluded with the critical diseases product prepared by Howden for the Agricultural Loan portfolio to resolve the dispute in favor of Bereket Emeklilik ve Hayat A.Ş.

## OUR HUMAN RESOURCES PRACTICES

### Recruitment

The need for new employees is determined by taking into account the growth and development potential and the current conditions of the company, whether the current staff of the company will be able to meet the newly emerging needs, any changes brought by the economic and social developments to the need for technical, occupational and administrative personnel, and the vacancies to occur in the next year because of retirements, terminations and military service obligations of the existing personnel. If it is not possible to meet the need for new employees from within the company, the company receives job applications from external persons, interviews with the candidates and concludes the applications as soon as possible. After the recruitment, we conduct the other HR activities in order to ensure that our employees become more productive and work happily.

### Training

The objective of the training activities at Bereket Hayat ve Emeklilik A.Ş. is to use every training opportunity in order to enable the executives to improve their managerial and occupational knowledge and skills needed by them to perform their duties more consciously, effectively and productively so that they can do their best to contribute to the attainment of the goals and targets of the company; in order to identify those who have the talent required for the upper positions and enable them to improve their managerial and technical knowledge and skills so that they can efficiently perform their job at such positions; and in order to help our agents to be informed about the new developments in the industry and

increase their knowledge and improve their skills to use their potential in full.

### Performance

The first part of the performance assessment starts with the setting of the yearly personal performance targets for the employees together with their line managers in a manner that such personal targets support the targets of the respective department and the entire organization. Since all personal targets must be relevant with the responsibilities of the employee, the job description of the employee is the foundation of the target-setting work. Such targets are the SMART targets that contribute to both the personal performance improvement and the organization-wide performance improvement. The second part of the performance assessment relates to the assessment of the competencies. The identified competencies are the indicators of the knowledge, skills and attitude that an employee must have in order to deliver the performance expected from him or her. In order that the competencies can be perceived and evaluated more clearly, certain behavioral indicators are set for each competence.

### Career

Transfer and Rotation required by the Business The employees can be assigned to different departments and to different workplaces of the company in order to meet the employee needs of them and to enable the employees to increase their occupational knowledge and experience.

## Transfer and Rotation at the Request of the Employee

If an employee is needed for a vacant position, priority is given to the employees who are willing to be transferred to that position if they meet the qualifications required for it. Priority is given to requests for transfer to another place if it is made for reason of health concerns or school attendance of the children or unification with spouse who is living there.

## Promotion

During the promotion and appointment to a vacant position, selection is made among the existing candidates.

### It is required that

- They must be successful in their current job based on the result of the performance assessment;
- They must have the technical and basic competency required for the upper position;
- They must not have any disciplinary penalty record in their personal file;
- There must be a vacancy in the upper position or that a new upper position has been established;
- They must have completed the waiting period specified;
- If a test is required, they must have passed the test;
- They must have been approved by the Head of Department, the Human Resources Executive and the top management. tamamlanmış olması gereklidir.

## Social Rights

- Our colleagues' salaries are paid on the last working day of each month. The grading structures determined according to the current job evaluation and salary system are taken into consideration for the remuneration.
- Group Health Insurance is applied to all Bereket Emeklilik ve Hayat employees, the limits of which are renewed every year.
- In addition to Health Insurance, Annual Life Insurance, whose limits are reviewed every year, is provided.
- Each of our colleagues participates in the Private Pension with a company contribution within the scope of the company's Group Retirement Plan.
- In our Head Office building, our employees can have a pleasant time with our common kitchen areas on the floors, recreation areas for free time, our winter garden and our traditional breakfasts every Friday.

## OUR HUMAN RESOURCES STRUCTURE

We interviewed with nearly 20 candidates in 2020. The number of employees carried forward from 2019 to 2020 is 71. 8 persons were recruited and 9 employees were terminated in 2020. The number of employees carried forward from 2020 to 2021 is 65.

Detailed information about the current employees as of 31 December 2020 is given in the next table.

Distribution by Gender	Number	Rate(%)
Female	24	37
Male	41	63
<b>Total</b>	<b>65</b>	<b>100</b>

Distribution by Age	Number	Rate(%)
23-29	10	15
30-39	30	46
40-49	22	34
50-59	3	5
<b>Total</b>	<b>65</b>	<b>100</b>

Number of Employees	Number	Rate(%)
General Manager	1	2
Deputy General Manager	2	3
Manager	7	11
Supervisor	16	25
Authorized Officer	12	18
Specialist	16	25
Assistant Specialist	6	9
Service Staff	5	8
<b>Total</b>	<b>65</b>	<b>100</b>

Distribution by Education	Number	Rate(%)
Intermediate School	4	6
Undergraduate	6	9
Bachelor's Degree	47	72
Post-graduation	8	12
<b>Total</b>	<b>65</b>	<b>100</b>

Employees by Region	Number	Rate(%)
Head Office	56	86
Ankara Region	5	8
İzmir Region	1	2
Trabzon Representation	2	3
İstanbul European Side	1	2
<b>Total</b>	<b>65</b>	<b>100</b>

## EDUCATIONAL ACTIVITIES

The Human Resources and Training Department of Bereket Emeklilik ve Hayat A.Ş. conducts training programs for occupational and personal development of the employees. In the designing of the training programs, care is given to ensure that they are in line with the vision and strategy of the company and that they match the needs of the employees. Takaful insurance business, legally compulsory training courses, training on products and selling methods, preparation training for occupational certificate tests, and training courses on leadership and competency improvement are provided to the employees.

In 2020, training courses of 10 hours per employee in average were provided to the employees. E-learning technologies were used in 27% of the training courses.





## SALES CHANNELS STRUCTURE

Bereket Emeklilik ve Hayat A.Ş. serves individual and corporate customers in Private Pension, Life and Personal Accident lines of business.

Bereket Emeklilik ve Hayat A.Ş. reaches to its customers through its 114 agents and 319 branches as well as Türkiye Finans Katılım Bankası and Call Center channels.

## COMPLETED AND IN PROGRESS PROJECTS

### Integration Projects for Sales Channels

Agency portal Narline has been put into use by all our agents as a web-based application that we started to work on in 2019, serving approximately 114 agents. In addition, the Narline portal is designed to be mobile compatible and our agents can access it from anywhere.

### E-Archive Project

The E-Archive project is a project planned with the aim of identifying physically stored documents in digital environment and keeping them in digital environment and organizing the document archive of the institution. Most of the project has been completed and the process continues.

### ERP Stock and Fixture Implementation

Within the scope of the project carried out in coordination by our Business Development and Financial Affairs Units, many items have been completed and work on the ongoing items is ongoing.

### VIP Customer Tracking

The processes determined under the project have been completed and a procedure has been established for the Customer Service department.

### Kanka - Robotic Process Automation

Kanka robot work are progressing on a job-based basis, so they are evaluated in the ongoing project category. In order to increase the use of robots

and to take actions faster, it is carried out with joint working methods of internal and external resources.

### IFRS 17

IFRS - 17 Implementation Project is to ensure the compliance of insurance companies with the international accounting standard IFRS-17 and the legal transition date for the work is 01 January 2023. The project is in the beginning phase and continues.

### Agent Portal - NARLINE Phase 2

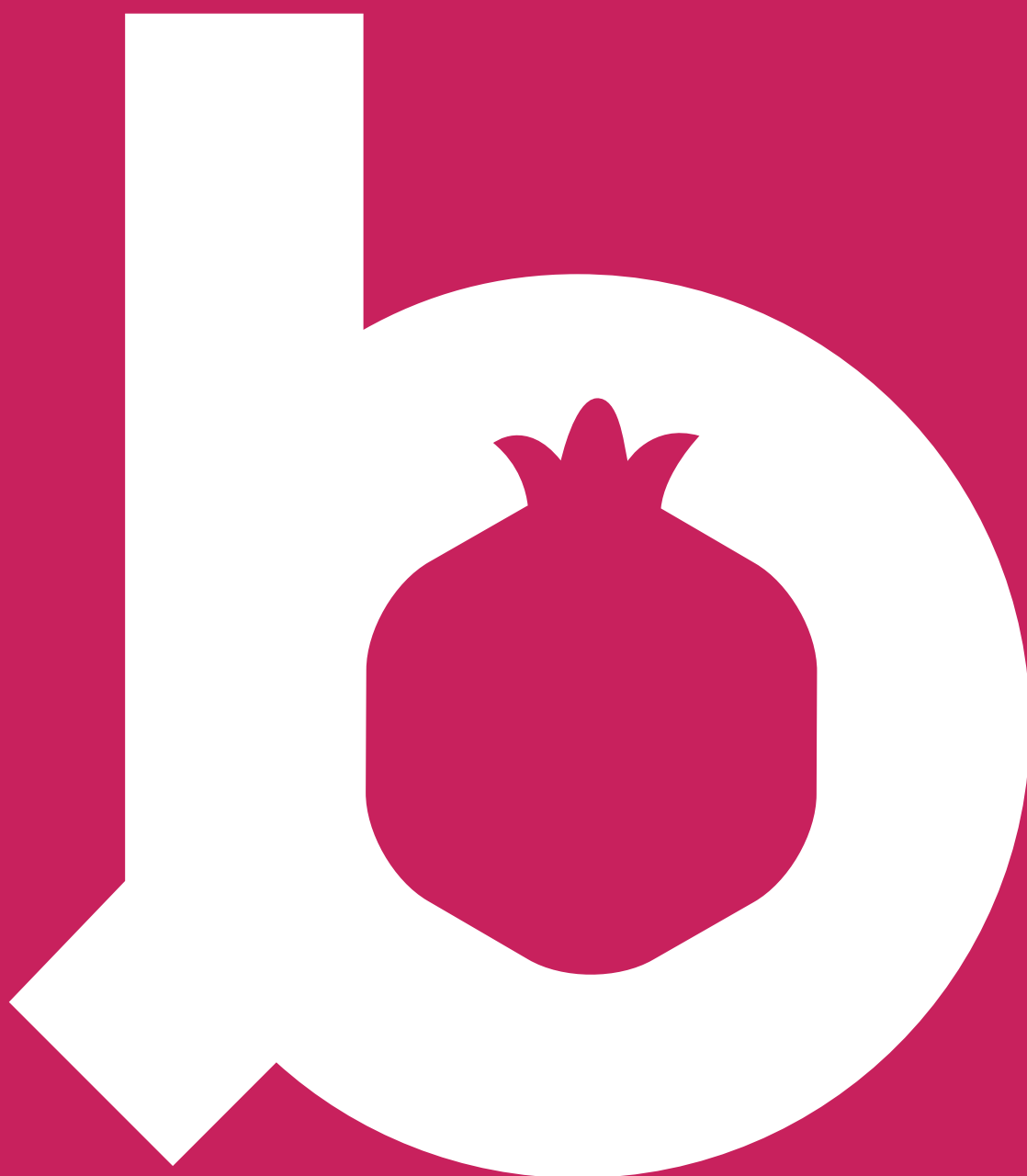
On the agent portal Narline, more interactive additional features and transactions that agents can view and manage their own transactions are evaluated, and the project process continues.

### CHATBOT

The communication project process with ChatBot continues for our individual customers and agents through our website, mobile applications and agency portal.

### ONLINE BES

Our Online Bes project website has been developed to sell Pension contracts online through Tarım Kredi and Narline. The project process continues.



## 2 CORPORATE GOVERNANCE

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Members of the Board of Directors

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Top Management

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Qualifications of the Directors and the Auditors

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Replacements of the Board of Directors

---

Executives in charge of the Internal Systems

---

Attendance of the Directors to the Meetings  
during the Account Period

---

Organization Chart

---

Statement of Compliance with the Corporate  
Governance Principles

---

Result of the Affiliation Report

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Statement Of Compliance On The Annual Report

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Opinion Of Compliance On The Annual Report

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Islamic Jurisprudence Advisor's Opinion  
Regarding The Participation Insurance

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Participation Insurance Activities And The  
Advisory Committee's Opinion

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## MEMBERS OF THE BOARD OF DIRECTORS



**Dr. Fahrettin Poyraz**  
Chairman of the Board of Directors

Fahrettin Poyraz was born in Domaniç town of the province of Kütahya in 1968. He graduated from the Political Sciences Faculty of Ankara University. He completed his post-graduation study in the Public Administration Department of the Social Sciences Faculty of Kırıkkale University and in the Public Administration Institute for Turkey and the Middle East. He completed his doctorate study in the field of political science at the Public Administration Department of the Social Sciences Institute of Hacettepe University. He worked as accounting auditor at the Finance Ministry and as chief auditor at the Supreme Court of Public Accounts. He is a chartered public accountant and has international independent auditor certificate. He also served as a member of the board of directors of the Social Aid and Solidarity Foundation for the Graduates of Political Sciences Faculty and as the member of the Board of Editors for Mali Hukuk Dergisi (a fiscal legal periodical). He is currently serving as the Vice President of the Sports Club for the Parliamentarians. He is also an upper classification representative of the Turkish Football Federation. He acted the as the deputy of the province of Bilecik at the Grand National Assembly during 22nd, 23rd and 24th periods. During his 24th period, he also served as the Chairman of the Commission for Public Economic Enterprises. As of 05.12.2017, Mr. Poyraz is acting as the General Manager of the Türkiye Tarım Kredi Kooperatifleri Merkez Birliği (Central Union of Agricultural Credit Cooperatives of Turkey).

**Ahmet BAĞCI**

Vice Chairman

Ahmet BAĞCI was born in Afyon in 1981. He graduated from the Economics Department of the Economics and Administrative Sciences Faculty of Gazi University in 2004 and completed his post-graduation study in the Social Sciences Faculty of Gazi University in 2011. He obtained his doctorate degree with the thesis of "Saving, Financial Development and Growth Relationship: On the Example of Turkish Economy" in 2017. He worked as assistant specialist in the Ministry of Culture and Tourism during 2004-2007, as assistant specialist on investigation of fiscal crimes in the Ministry of Finance during 2007-2008, and as member of profession in the Supreme Court of State Accounts in 2008. He completed his Basic and Specialty Training on European Union in the Research and Application Centre for European Communities of Ankara University. He worked as advisor in the Ministry of Youth and Sports during 2013-2014. He served in various positions in the Office of Secretary-General of the President of Republic during 2014-2017. He was appointed as the Assistant General Manager of the Central Union of the Türkiye Tarım Kredi Kooperatifleri Merkez Birliği (Central Union of Agricultural Credit Cooperatives of Turkey) on 3 January 2018. He is still serving in this position.

**Bilal UÇAR**

Member of the Board of Directors

Bilal UÇAR was born in Denizli in 1969. He is a graduate of the Law Faculty of İstanbul University. He worked as a freelance lawyer in Denizli. He was among the founders of the Justice and Development Party (JDP) in Denizli. He served as the provincial head of the JDP during 2007-2011. He was elected as the deputy of the province of Denizli to the parliament from the candidate list of the JDP for the 24th and 25th terms of the Grand National Assembly. Afterward, he served as the assistant to the justice minister. He is currently serving as the assistant head of the local administrations department of the head office of the JDP.

**Ali Rıza AKPINAR**

Member of the Board of Directors

Ali Rıza AKPINAR was born in İzmir in 1984. He graduated from the Department of Finance of Faculty of Political Sciences of Ankara University in 2006 and Faculty of Law in 2017. He completed his MSc of Banking and Finance from the University of London in 2018. He started to work as a Bank Examiner at the Banking Regulation and Supervision Agency in 2006. In addition to the audits of many banks, he also audited factoring, leasing and consumer financing companies. Taking part in the establishment of the Financial Consumer Relations Department, he played an active role in legislation arrangements and served as head of a delegation in the Arbitration Committee for Private Customer, established under the Banks Association of Turkey. He was appointed as the Head of Loans and Financing Department upon the Decision dated 21 May 2019 of the Board of Directors of Kredi Kooperatifleri Merkez Birliği.

**Mahmut GÜNGÖR**

Member of the Board of Directors and General Manager

Mahmut GÜNGÖR was born in Ankara in 1972. He graduated from the Labor Economy and Industrial Relations Department of the Faculty of Political Sciences of Ankara University in 1995. He completed his post-graduation study in the Banking and Insurance Institute of Marmara University in 2006. He worked as specialist, assistant manager and assistant general manager in Ziraat Finansal Kiralama A.Ş. during 1996-2011 and as assistant general manager in Vakıf Finansal Kiralama A.Ş. during 2011-2015. On 4.1.2018, he was appointed as general manager of Bereket Emeklilik and Bereket Sigorta, which are group companies of the Türkiye Tarım Kredi Kooperatifleri Merkez Birliği (Central Union of Agricultural Credit Cooperatives of Turkey) where he has been serving as assistant general manager since October 2015. As of 05.08.2019, he has been appointed as the General Manager of Bereket Katılım Hayat of Bereket Katılım Sigorta.

## TOP MANAGEMENT

Name and Surname	Title	Education	Date of Appointment	Year of	
				Experience	Professional Experience
Mahmut Güngör	General Manager	Post-graduation	04.01.2018	3	24
Abdullah Adıyaman	Deputy General Manager-Claims and Recovery	Post-graduation	01.06.2018	2,5	18
Cenk Özçelik	Deputy General Manager-Internal Control and Risk Management	Bachelor's Degree	09.12.2020	0,3	27
Davut Menteş	Deputy General Manager-Financial Affairs and IT	Bachelor's Degree	16.01.2018	3	25
Faruk Gökçen	Deputy General Manager-Sales and Marketing	Bachelor's Degree	16.12.2020	0,3	17
Ozan Şahin	Deputy General Manager-Technical and Actuary	Post-graduation	04.02.2019	2	15
Uğur Yıldız	Legal Advisor	Bachelor's Degree	16.01.2018	3	24

## QUALIFICATIONS OF THE DIRECTORS AND THE AUDITORS

Qualifications of the executives of the Company are given in the following table as of 31 December 2020, which was prepared pursuant to article 8 of the "Regulation on the Incorporation and Working Principles of Insurance and Reinsurance Companies", which was published in the Official Gazette no. 26623 of 24 August 2007 and came into effect at that date:

Name and Surname	Position	Education	Date of Appointment	Experience		Field
				Duration (Year)	Field	
Fahrettin Poyraz	Chairman of the Board of Directors	Doctorate	07.12.2017	27	Other	1. General Manager of Tarım Kredi Kooperatifleri Merkez Birliği 2. Chairman of the Board of Directors of Tarım Kredi Holding A.Ş. 3. Gübre Fabrikaları T.A.Ş. Chairman of the Board of Directors
Ahmet Bağcı*	Vice Chairman	Doctorate	05.01.2018	16	Other	1. Deputy General Manager of Tarım Kredi Kooperatifleri Merkez Birliği 2. Chairman of the Board of Directors of Tarnet İletişim 3. Chairman of the Board of Directors of Tarnet Tarım 4. Gübre Fabrikaları T.A.Ş. Vice Chairman 5. Member of the Board of Directors of UBK Petrokimya
Bilal Uçar	Member of the Board of Directors	Bachelor's Degree	15.08.2019	23	Law	1. ANKA Arabuluculuk Şirketi (Mediation Company) 2. Altaş Avukatlık Ortaklığı (Law Firm Partner)
Ali Rıza Akpınar*	Member of the Board of Directors	Post-graduation	27.05.2019	14	Banking	1. Head of Loans and Financing Department of Tarım Kredi Kooperatifleri Merkez Birliği
Mahmut Güngör	Member of the Board of Directors/General Manager	Post-graduation	04.01.2018	24	Other	1. Member of the Board of Directors of Pension Monitoring Center 2. Tarım Sigortaları Havuz İşletmesi A.Ş. Member of the Board of Directors

\*Dr. Ahmet Bağcı is in charge of the compliance with the requirements of MASAK (Financial Crimes Investigation Authority) and Ali Rıza AKPINAR is in charge of the internal systems.



**Auditor**

Term : 01.01.2020-31.12.2020

Name : KPMG BAĞIMSIZ DENETİM VE SMMM A.Ş.

Address: Levent Mah. Meltem Sok. İş Kule Sit. Kule 3 No:14/3 Kat: 2,3,4,5,6,7,8,9, 34330 Beşiktaş/İST.

## REPLACEMENTS OF THE BOARD OF DIRECTORS

Yönetim Kurulu Üyeleri ile ilgili yıl içerisinde değişiklik bulunmamaktadır.

## EXECUTIVES IN CHARGE OF THE INTERNAL SYSTEMS

**Mustafa DEMİR****Executive**

Internal Audit

He graduated from the Department of Mathematics of Faculty of Science and Letters of Eskişehir Osmangazi University in 2006. He completed his Master's degree of Science and Mathematics in 2007 and graduated from the Faculty of Business Administration of Anadolu University in 2015.

He started his career at Vakıf Emeklilik ve Hayat A.Ş. in 2008 and worked as an assistant auditor and auditor in the Internal Audit Department until the end of 2012 and in Authorized Officer positions in the Department of Surveillance and Reporting until the end of 2013. After working as Authorized Officer and Supervisor in the Department of Surveillance and Reporting of Bereket Emeklilik ve Hayat A.Ş. between 2014-2018, he has been serving in Bereket Group since March 2018, and has been working as Internal Audit Executive in the Internal Audit Department.

**Levent ÖZİNCE****Manager**

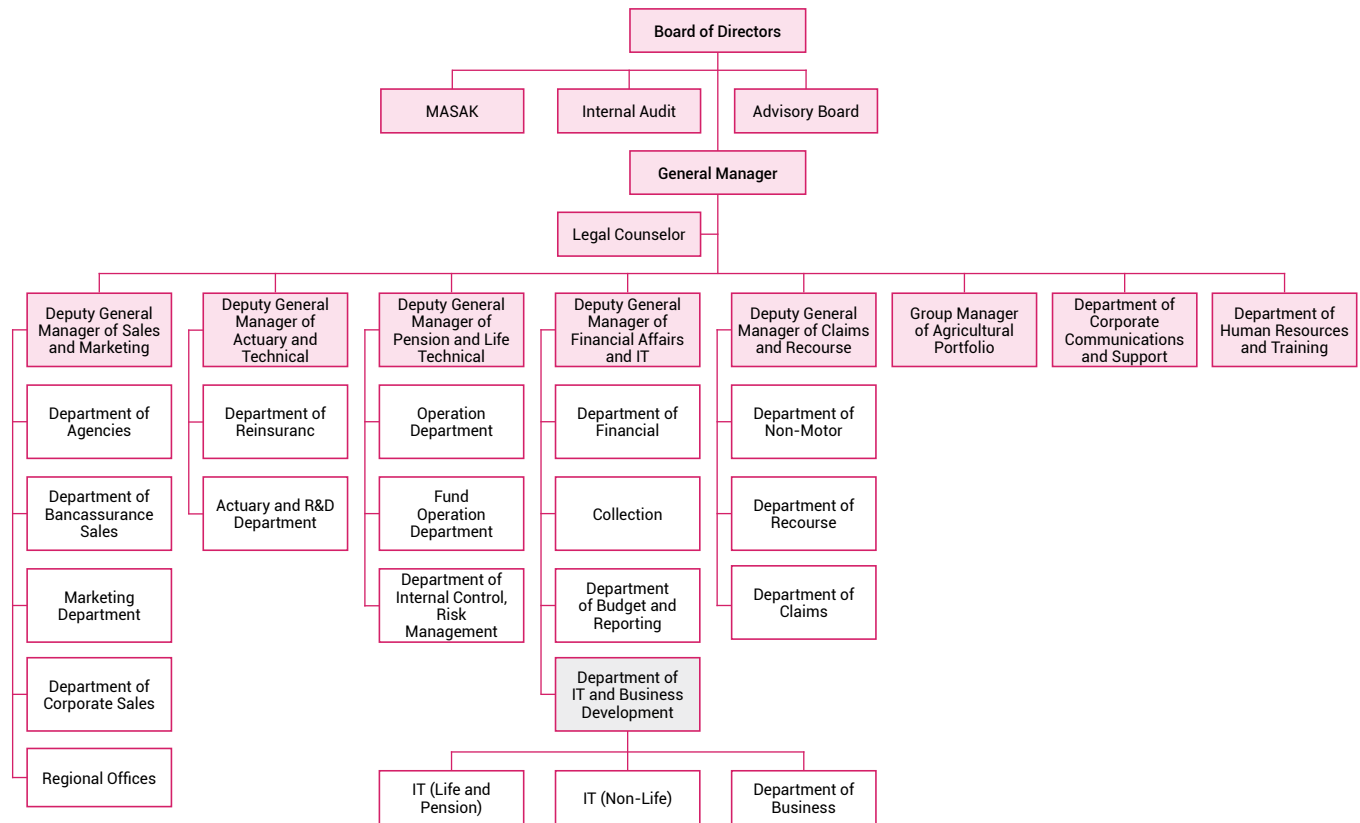
Internal Control, Risk Management and Compliance

After graduating from the Econometrics Department of Faculty of Economics of Istanbul University in 1997, he started his career as an assistant inspector at Güven Sigorta T.A.Ş., and later continued his duty as an inspector. Between 2011-2020, he worked as an assistant manager and manager in Internal Audit Department of Halk Sigorta A.Ş. He started to work as Internal Control, Risk Management and Compliance Manager within Bereket Group in September 2020.

## ATTENDANCE OF THE DIRECTORS TO THE MEETINGS DURING THE ACCOUNT PERIOD

DATE OF MEETINGS	Fahrettin POYRAZ	Ahmet BAĞCI	Bilal UÇAR	Ali Rıza AKPINAR	Mahmut GÜNGÖR
9.01.2020	✓	✓	✓	✓	✓
22.01.2020	✓	✓	✓	✓	✓
25.02.2020	✓	✓	✓	✓	✓
28.02.2020	✓	✓	✓	✓	✓
13.03.2020	✓	✓	✓	✓	✓
30.03.2020	✓	✓	✓	✓	✓
7.04.2020	✓	✓	✓	✓	✓
10.04.2020	✓	✓	✓	✓	✓
5.05.2020	✓	✓	✓	✓	✓
14.05.2020	✓	✓	✓	✓	✓
21.05.2020	✓	✓	✓	✓	✓
3.06.2020	✓	✓	✓	✓	✓
25.06.2020	✓	✓	✓	✓	✓
29.07.2020	✓	✓	✓	✓	✓
24.08.2020	✓	✓	✓	✓	✓
27.08.2020	✓	✓	✓	✓	✓
28.08.2020	✓	✓	✓	✓	✓
29.09.2020	✓	✓	✓	✓	✓
30.09.2020	✓	✓	✓	✓	✓
26.10.2020	✓	✓	✓	✓	✓
23.11.2020	✓	✓	✓	✓	✓
27.11.2020	✓	✓	✓	✓	✓
3.12.2020	✓	✓	✓	✓	✓
28.12.2020	✓	✓	✓	✓	✓

# ORGANIZATION CHART



## STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES

Bereket Emeklilik Hayat A.Ş. conducts its activities in accordance with the principles set out in the "Corporate Governance Communiqué" ("Communiqué") introduced by the Capital Market Board ("SPK"). Bereket Emeklilik Hayat A.Ş. aims to conduct its relations with its shareholders, employees, clients and all related parties with the understanding of accountability, equality, transparency and responsibility as the generally accepted constituents of the corporate governance within an efficient management and audit framework. Accordingly, the essential duties imposed by the Communiqué on the company are diligently fulfilled.

We will ensure compliance with all obligatory principles as set out by the Communiqué and are working on ensuring the compliance with such non-obligatory principles and such principles that have not yet been complied with. At present, there is not any conflict of interest arising from in compliance with any voluntary principle.

### RELATIONS WITH INVESTORS

We are still working on the establishment of an Investor Relations Unit under Part II, Article 17.1 of the "Corporate Governance Communiqué" of the SPK.

### OTHER MATTERS

Bereket Emeklilik Hayat A.Ş. filed an application on 15.05.2020 in order to be subject to the Capital Market Law (the "Law") in accordance with paragraph 3 of article 16 of the Law pursuant to the Communiqué (II-16.2) on the Principles Applicable to Joint Stock Companies in Which Cooperatives and Union of Cooperatives Have Majority Share, which was promulgated in the Official Gazette no. 30540, dated 19.09.2018, and was included in the scope of the Law on 12.06.2020.

## RESULT OF THE AFFILIATION REPORT

Regarding the year 2020, the industry in which Bereket Emeklilik ve Hayat A.Ş. operates, its functions performed, its risks undertaken and the assets owned by it, its transactions carried out with the parent company, the methods used in these transactions have been analyzed and the following results have been reached.

Concerning its operations in 2020, in accordance with Article 195 of the Turkish Commercial Code, Türkiye Tarım Kredi Kooperatifleri Merkez Birliği (Central Union of Agricultural Credit Cooperatives of Turkey), which is the main partner with a partnership share of 89.09% is the parent company of Bereket Emeklilik ve Hayat A.Ş. In this regard, Bereket Emeklilik ve Hayat A.Ş. is a company of Türkiye Tarım Kredi Kooperatifleri Merkez Birliği (Central Union of Agricultural Credit Cooperatives of Turkey) group.

In accordance with Article 199 of the Turkish Commercial Code, the Board of Directors of the Company makes the following statement in the conclusion of the affiliation report issued by it about its relations with Türkiye Tarım Kredi Kooperatifleri Merkez Birliği (Central Union of Agricultural Credit Cooperatives of Turkey), parent company:

Among Bereket Emeklilik ve Hayat A.Ş., our company, and Türkiye Tarım Kredi Kooperatifleri Merkez Birliği (Central Union of Agricultural Credit Cooperatives of Turkey), parent company, and other group companies, there is:

- a) no transfer of receivables, debts and assets;
- b) no legal transaction that creates responsibility such as giving surety, guarantee or security bond;
- c) no legal transaction that may arise as a result of profit transfer.

The commercial operations explained in the report, which Bereket Emeklilik ve Hayat A.Ş. carried out with Türkiye Tarım Kredi Kooperatifleri Merkez Birliği (Central Union of Agricultural Credit Cooperatives of Turkey), controlling shareholder, in 2020, are the transactions required by the main activity and were carried out over the precedent values prevailing in the market.

For all transactions carried out in 2020 with our company, the parent company and other affiliated companies, according to the situations and conditions known to us, the legal transactions carried out on behalf of the parent company or its subsidiary company under the direction of the parent company and all measures taken or avoided for the benefit of the parent company or its affiliated company in 2020 have been evaluated. We hereby declare that our company has not suffered such a loss due to the transactions for 2020.

The details and explanations of the activities carried out with the risk group that Bereket Emeklilik ve Hayat A.Ş. is involved for the 2020 operating period are included in the financial statement footnotes (Footnote 45) in the annual report.

# STATEMENT OF COMPLIANCE ON THE ANNUAL REPORT

10.03.2021

## STATEMENT OF COMPLIANCE ON THE ANNUAL REPORT 2020

We declare that the Annual Report 2020 of Bereket Emeklilik ve Hayat A.Ş. has been prepared in accordance with the principles and procedures set out in the Regulation on the Financial Construction of Insurance, Reinsurance and Pension Companies, which came into effect upon its promulgation in the Official Gazette no. 26606, dated 07.08.2007.

### BEREKET EMEKLİLİK VE HAYAT A.Ş. Board of Directors



**Fahrettin POYRAZ**  
Chairman of the Board of Directors



**Ahmet BAĞCI**  
Vice Chairman of the Board of Directors



**Bilal UÇAR**  
Member of the Board of Directors



**Ali Rıza AKPINAR**  
Member of the Board of Directors



**Mahmut GÜNGÖR**  
Member of the Board of Directors  
and General Manager



# OPINION OF COMPLIANCE ON THE ANNUAL REPORT



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
İş Kuleleri Kule 3 Kat:2-9  
Levent 34330 İstanbul  
Tel +90 212 316 6000  
Fax +90 212 316 6060  
www.kpmg.com.tr

## CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Shareholders of Bereket Emeklilik ve Hayat Anonim Şirketi

### Opinion

We have audited the annual report of Bereket Emeklilik ve Hayat Anonim Şirketi (the "Company") for the period between 1 January 2020 and 31 December 2020, since we have audited the complete set unconsolidated financial statements for this period.

In our opinion, the financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent, in all material respects, with the audited complete set of unconsolidated financial statements and information obtained during the audit and provides a fair presentation.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA") and the insurance legislation. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Annual Report* section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Auditor's Opinion on Complete Set of Financial Statements

We have expressed an unqualified opinion on the complete set of unconsolidated financial statements of the Company for the period between 1 January 2020 and 31 December 2020 on 1 March 2021.

# OPINION OF COMPLIANCE ON THE ANNUAL REPORT



## Board of Directors' Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Regulation On Financial Structures Of Insurance, Reinsurance And Pension Companies ("the Communiqué) published in the Official Journal dated 7 August 2007 and No. 26606, the Company's management is responsible for the following regarding the annual report:

- a) The Company's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.
- b) The Company's management prepares its annual report in such a way that it reflects the operations of the year and the financial position of the Company accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Company's financial statements. The annual report shall also clearly indicate the details about the Company's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.
- c) The annual report also includes the matters below:
  - Significant events occurred in the Company after the reporting period,
  - The Company's research and development activities.
  - Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

## Auditor's Responsibility for the Audit of the Annual Report

Our objective is to express an opinion on whether the financial information included in the annual report in accordance with the TCC and the Communiqué and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent with the audited financial statements of the Company and the information obtained during the audit and give a true and fair view and form a report that includes this opinion.

We conducted our audit in accordance with Standards on Auditing issued by POA and the insurance legislation. These standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent with the financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

  
Ali Tugrul Uzun, SMMM  
Sorumlu Denetçi

10 March 2021  
Istanbul, Turkey



KPMG Bağımsız Denetim ve  
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**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S  
REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED  
IN TURKISH**

To the Shareholders of Bereket Emeklilik ve Hayat Anonim Şirketi

**Opinion**

We have audited the annual report of Bereket Emeklilik ve Hayat Anonim Şirketi (the "Group") for the period between 1 January 2020 and 31 December 2020, since we have audited the complete set consolidated financial statements for this period.

In our opinion, the financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Group are consistent, in all material respects, with the audited complete set of consolidated financial statements and information obtained during the audit and provides a fair presentation.

**Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA") and the insurance legislation. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Annual Report* section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Auditor's Opinion on Complete Set of Financial Statements**

We have expressed an unqualified opinion on the complete set of consolidated financial statements of the Group for the period between 1 January 2020 and 31 December 2020 on 10 March 2021.

# OPINION OF COMPLIANCE ON THE ANNUAL REPORT



## Board of Directors' Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Regulation On Financial Structures Of Insurance, Reinsurance And Pension Companies ("the Communiqué) published in the Official Journal dated 7 August 2007 and No. 26606, the Company's management is responsible for the following regarding the annual report:

a) The Group's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.

b) The Group's management prepares its annual report in such a way that it reflects the operations of the year and the financial position of the Group accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Group's financial statements. The annual report shall also clearly indicate the details about the Group's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.

c) The annual report also includes the matters below:

- Significant events occurred in the Group after the reporting period,
- The Group's research and development activities.
- Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

## Auditor's Responsibility for the Audit of the Annual Report

Our objective is to express an opinion on whether the financial information included in the annual report in accordance with the TCC and the Communiqué and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent with the audited financial statements of the Company and the information obtained during the audit and give a true and fair view and form a report that includes this opinion.

We conducted our audit in accordance with Standards on Auditing issued by POA and the insurance legislation. These standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent with the financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



Ali Tuğrul Uzun, SMMM  
Sorumlu Denetçi

10 March 2021  
İstanbul, Turkey

# ISLAMIC JURISPRUDENCE ADVISOR'S OPINION REGARDING THE PARTICIPATION INSURANCE



## BEREKET EMEKLİLİK VE HAYAT A.Ş.

Opinion of the Islamic Law Specialist on the Participation  
Insurance (Takaful)

This is to certify that the carrying out of the Participation (Takaful) Life and Personal Accident Insurance Business by Bereket Emeklilik ve Hayat A.Ş., a company which has been established to engage in the Participation (Takaful) Life and Personal Accident Insurance Business, in compliance with the following principles is not prejudicial from the point of Islamic Jurisprudence.

1. Establish a Life Insurance Company in accordance with the requirements set out in the relevant legislation to do business in accordance with the principles of Participation Insurance and establish a Life Insurance fund and manage it in the capacity of an agent and/or Mudarib;
2. Collect a life insurance participation premium from the members of the Participation Insurance system to the Fund in accordance with the principle of mutual solidarity and aid and, by using these contributions, establishes a Reserve Pool, a Risk Pool, and an Investment Pool;
3. Pay any losses occurred during the term from the respective pool;
4. Invest the capital accumulated in the investment pool in interest-free financial instruments in such amount and/or at such rate as specified in the contract based on the wakala management method or the Mudarabah management method, or a combination of both, in a reasonable and fair manner and in a manner that will ensure sustainability under the market conditions;
5. Invest the capital in the investment pool in accordance with one of the following methods:
  - a. participation accounts opened with any participation banks and/or shares of stock conforming to the participation index;
  - b. mutual funds based on gold and similar precious metals represented by physical metals; and
  - c. instruments based on profit/loss sharing, such as sukuk, lease certificate, real estate investment fund, etc. which conform as to form and substance to the principles of participation finance, or any interest-free instrument to be issued in the future;
  - d. any instruments introduced in the future in accordance with the Islamic principles;
6. Establish a Reserve Pool with a reasonable portion of the participation premiums and the investment income from the investment of them, the rate and amount of which are expressly stated in the contracts, provided that the participants have given their consent for this in their contract, for use for social purposes in the event of liquidation of the company;
7. If a cash deficit occurs in the Risk Pool, the company lends money from its equity to the pool to collect it in the same amount later on without charging any interest for it, except for a rise covering the inflation;
8. Receives a wakala fee or a commission from the collected contribution premiums in such amount or at such rate expressly stated in the contract at the time of execution of the contract in consideration of the insurance services provided by it;
9. In the course of carrying out its business operations, buy protection primarily from such Retakaful (reinsurance) companies which operate in accordance with the principles of participation insurance and then, if necessary, from any reinsurance companies.

Consequently, that Bereket Emeklilik ve Hayat A.Ş. carries out Life and Personal Accident Insurance Business in accordance with the aforesaid principles is not prejudicial from the point of Islamic jurisprudence, except for any transactions that it is obliged to execute pursuant to the legislation.

12 January 2018  
Prof. Dr. Servet BAYINDIR



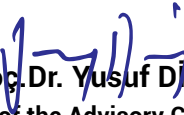
# PARTICIPATION INSURANCE ACTIVITIES AND THE ADVISORY COMMITTEE'S OPINION

## OPINION OF THE ADVISORY COMMITTEE 2020

*Bereket Emeklilik ve Hayat A.Ş. is committed to conduct its business in accordance with the principles of participation insurance under the Regulation on the Working Principles and Procedures Applicable to the Participation Insurance.*

*In this context, the company continues to adopt its products, services and processes to the principles of participation finance and participation insurance with utmost effort.*

*Our Committee has determined that Bereket Emeklilik ve Hayat A.Ş. presented its products and services and carried out its insurance services in accordance with the principles participation insurance in the activity year 2020 and that it did not take any actions contrary to these principles.*

  
**Doç.Dr. Yusuf DİNÇ**  
Member of the Advisory Committee

  
**Prof.Dr. Servet BAYINDIR**  
Chairman of the Advisory Committee



# 3 FINANCIAL INFORMATION AND RISK MANAGEMENT

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Risk Management Policies and Internal Control Activities

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Internal Audit Activities

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Legislation Amendments

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Assessments for Operating Expenses

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Unconsolidated Financial Statements and  
Independent Auditor's Report for the Period  
Ended on 31.12.2020

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Consolidated Financial Statements and  
Independent Auditor's Report for the Period  
Ended on 31.12.2020

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Contact Details

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## RISK MANAGEMENT POLICIES AND INTERNAL CONTROL ACTIVITIES

### Risk Management and Control Activities

The objective of our Internal Control activities is to design internal control mechanisms that will ensure the establishment of an efficient and productive internal control system within the organization of the company in accordance with the provisions of the Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies and to manage them efficiently through continuous monitoring activities.

The foundation of the internal control activities is the monitoring of the examined issues regularly and continuously on daily, weekly or monthly basis. In this way, any deficiencies detected in the examined areas are monitored more efficiently. Apart from this, the controls executed regularly play an important role in the recognition of any potential risks by the employees.

The compliance functions at the company are handled under two headings as compliance with the Masak regulations and the other compliance activities. The Compliance Unit established in accordance with the Masak regulations reports to the Board of Directors. The other compliance activities are carried out by the Internal Control and Risk Management Department. The objective of these activities is to ensure that any new transactions and products are in compliance with the Law and the relevant regulations as well as with the policies and rules of the company and the insurance practices.

### Risk Management Policies Implemented by Types of Risks

The Risk Management Activities of Bereket Emeklilik ve Hayat A.Ş. are carried out in

accordance with the principles set out in the "Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies" which was promulgated in the Official Gazette no. 26913, dated 21.06.2018.

The risk management has been established with the aim of identification, measuring, monitoring and controlling of all risks faced by the company. Accordingly, the risks faced by the company are identified, measured, assessed, monitored and reported.

Risk Management coordinates the management of the risks of each unit with the relevant units.

Possible risks faced by Bereket Emeklilik ve Hayat A.Ş. are classified under "Company Risk Categories". The Risk Management Policy is the basic document that includes the types of risks that may be encountered, their definition, classification, measurement, monitoring, control and the measures taken against risks, and is updated based on changing conditions, economic circumstances and actual events.

### Insurance Risks

These are the risks arising from the insurance contracts accepted by Bereket Emeklilik ve Hayat A.Ş. by the very nature of the insurance business. At the time of business acceptance, Bereket Emeklilik ve Hayat A.Ş. takes the necessary measures to minimize the risks faced by it and monitors the practices. In order to ensure that the risks are understood and sufficiently assessed before the transaction of a business, the rules to be observed for business acceptance, the business acceptance limits, the level of risk to be undertaken in general and by line of business,

and the implementation principles applicable to them are established with the "Risk Acceptance Regulation", which is introduced every year, and monitored. The identified risks and their brief description are as follows:

### Exchange Rate Risk

The exchange rate risk is defined as the risk of loss that may result from the changes to the exchange rates depending on the difference between the foreign currency assets and the foreign currency liabilities of the company. Besides, the change of value of different foreign currencies against each other, too, is the other dimension of the exchange rate risk. The exchange rate risk is managed by maintaining a net exchange position without deficit.

### Credit Risk

As regards to the accounts receivable arising from the insurance transactions, there is the risk of breach of contractual obligations by the other party. This risk is managed by the credit ratings or the limitation of the credit allowed to a particular agent. The credit risk is managed also by holding the guarantee received as the security of the receivables until the payment of them in full.

### Liquidity Risk

The liquidity risk is the possibility of failure of the company to fulfill its net funding obligations. Occurrence of an event which leads to the lessening of funding resources, such as impairment of the markets or downgrading of the credit rating, may lead to the liquidity risk. The company manages the liquidity risk by maintaining cash and cashlike assets in an amount sufficient to meet its existing and potential liabilities by distributing the fund resources.

### Operational Risks

The operational risks can be defined as other risks which cannot be classified under the credit or market risks. This term also refers to the risk of direct or indirect loss resulting from any inadequate and unsuccessful internal processes, any employees and systems or any external events. In other words, the operational risks include the possibility of any loss or damage from any error or irregular transaction overlooked due to a breach in the internal controls, from failure of any employees or managers to act in accordance with any timeframe or condition, from any faults in the management of the company, or from any error or disruption in the information technology systems of the company.

### Catastrophic Risks

It is a kind of risk arising from an event occurred outside the control of the company which has a substantial adverse effect on the business. Catastrophic risks include the possibility of any negative developments which are of non-technical nature beyond the control of the company. This category includes the risk of inability of the company to continue its business as a result of a natural disaster which had an adverse impact on the operational system of the company.

### Strategic Risks

Strategic risks, which can be characterized as structural risks that may prevent the company from attaining its short-, mid- and long-term goals, include such risks arising from areas such as planning, business model, business portfolio, corporate governance, market analysis and so on. In other words, strategic risks arise from threats that may prevent the company from realizing its strategic objectives and goals.

## INTERNAL AUDIT ACTIVITIES

The Internal Audit Department reports to the Board of Directors pursuant to the "Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies" which came into effect upon its promulgation in the Official Gazette no. 26913, dated 21.06.2008.

The audit activities are carried out in order to give assurance to the Board of Directors that the activities of the Company are carried out in accordance with the Insurance Law and the other relevant regulations as well as with the internal strategies, policies, principles and targets.

One of the highest priority goals of the internal audit unit is to raise awareness and consciousness of the employees at all levels about the internal audit culture and the risks that may arise as a result of any shortcoming in it.

The working principles, duties, powers and responsibilities applicable to the Internal Audit are set out in the "Internal Audit Regulation" which was introduced on 30.03.2018 and revised on 25.06.2020.

Based on this regulation, the annual audit plan prepared by the Internal Audit Department is submitted to the Board of Directors for approval and the results of the audits carried out in accordance with the approved annual plan are also reported to the Board of Directors. The audit plan is prepared by taking into account the goals and strategies of the company, the results of the internal control, the risk management assessments, and the risk perception of the management. Apart from the audits under the annual plan, the inspection activities regarding the irregular and illegitimate acts of the employees or third parties within the framework of the above-mentioned Regulation are also carried out by the Internal Audit Department.

The "Internal Audit Reports" prepared by the Internal Audit Department are included on the agenda of the Board of Directors and the actions to be taken based on the report results are decided. The audits conducted are aimed at providing assurance that the company operations are carried out in line with the Insurance Law and other relevant legislation, as well as in-house strategies, policies, principles and targets.

## LEGISLATION AMENDMENTS

### Regulation

#### Regulation on Insurance and Private Pension Activities In Accordance With Participation Principles

Pursuant to the participation principles, the necessary procedures and principles have been determined for the execution of insurance and private pension activities.

The working principles and terms of assignment for the Advisory Committee and Participation Compliance Unit and the Participation internal audit report have been established.

Also, the principles of information obligation have been re-evaluated in this context.

### Regulation

#### Regulation on Information in Insurance Contracts

The purpose of the regulation is to determine the procedures and principles regarding the duties and obligations to be fulfilled by the insurer in order to ensure that the lack of information that may occur about the subject, guarantees and other features of the contract before and during the establishment of the contract are eliminated for those who want to join in a certain insurance relationship, and that the relevant persons are informed of the changes and developments, which may occur during the continuation of the contract and may affect the policy owner, the insured or the beneficiary.

In this context, the general principles of the obligation to inform, text content and storage

conditions have been determined.

In addition, information about the obligations and durations after the contract is established is included.

The obligation to establish a website and the conditions regarding website content have been determined.

### Circular

#### Circular on The Projected Minimum Capital Amounts for Insurance Lines of Business (2020/9)

The "Circular no. 2020/9 of 9.10.2020 on the Projected Minimum Capital Amounts for Insurance Lines of Business", which was prepared by the Insurance and Private Pension Regulation and Supervision Board and accepted by its decision no. 33 of 9.10.2020, has been published.

## ASSESSMENTS FOR OPERATING EXPENSES

Operating Expenses (TRY)	2020	2019	2018
Personnel Expenses	16.540.898	17.556.467	10.329.626
Overhead Expenses	4.309.989	6.249.422	3.045.614
Marketing Expenses	6.672.321	4.951.434	826.696
Expenses for the Outsourced Benefits and Services	5.936.181	2.160.324	3.314.596
<b>Total</b>	<b>33.459.390</b>	<b>30.917.647</b>	<b>17.516.532</b>

Production and reinsurance commissions are excluded.

### General Assessments

1. In the Distribution of Operating Expenses, personnel expenses have the highest share with 49%, while the outsourced benefits and service expenses have a share of 18%, and the overhead and marketing expenses have a share of 13% and 20%, respectively.

2. Purchases related to operating expenses are carried out pursuant to the authorities specified in the Authority Limits Table approved by the Board of Directors.

3. Expenditures related to the outsourced benefits and services were TRY 3,314,596 in 2018, TRY 2,160,324 in 2019, and TRY 5,936,181 in 2020.

IT expenses, one of the important items of the expense group, are provided from Vizyoneks Bilgi Teknolojileri A.Ş., AcerPro Bilişim Teknolojileri A.Ş., Data Market Bilgi Hizmetleri A.Ş. and Tarnet Tarım Kredi Bilişim ve İletişim Hizmetleri San. ve Tic. A.Ş. as in the sector.

The sum of IT expenses was TRY 1,561,575 in 2018, TRY 1,080,162 in 2019 and TRY 3,218,325 in 2020.

4. The marketing and sales expenses were TRY 826,696 in 2018, TRY 4,951,434 in 2019, and TRY 6,672,321 in 2020. Marketing expenses mainly consist of promotion, advertisement, publicity, signboard, visual materials and sponsorship expenditures, and have been procured from Hüsna İç ve Dış Tic. Ltd. Şti., OND Medya Danışmanlık and Org.İç ve Dış.Tic. Ltd.Şti., Monte Reklam Mimarlık, Maare Grup.



# **Unconsolidated Financial Statements and Independent Auditor's Report for the Period Ended on 31.12.2020**



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bereket Emeklilik ve Hayat Anonim Şirketi

### A) Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying balance sheet of Bereket Emeklilik ve Hayat Anonim Şirketi ("the Company") as at 31 December 2020 and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year ended in accordance with the accounting principles and standards in force as per the insurance legislation and that are not regulated by them for "Insurance Accounting and Financial Reporting Legislation" including Turkish Financial Reporting Standards ("TFRS").

#### *Basis for Opinion*

We conducted our audit in accordance with the accounting principles and standards in force as per the insurance legislation and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants "IESBA Code" together with the ethical requirements that are relevant to our audit of the financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.,  
a Turkish corporation and a member firm of the KPMG network of independent  
member firms affiliated with KPMG International Cooperative, a Swiss entity



### Key Audit Matters

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

#### *Estimations and assumptions used in calculation of insurance technical reserves*

Refer to Note 2.20 and 17 to the financial statements for details of accounting policies and significant accounting estimates and assumptions used in calculation of insurance technical reserve.

Key Audit Matter	How our audit addressed the key audit matter
<p>As at 31 December 2020, the Company's total technical reserves amounting to TL 109.856.897 and constitute 13 percent of total liabilities. The Company recognises provisions for outstanding claims amounting to TL 15.417.594. There are also incurred but not reported provisions ("IBNR") amounting to TL 9.976.360, net in the provision for outstanding claims for possible future claims. Company management used actuarial assumptions and estimations for calculating the outstanding claims reserve Company. Due to the nature of the technical reserves calculations which has uncertainty estimations and management judgments, this matter is determined to be a key audit matters.</p>	<p>Our auditing procedures for the matter are given –as below:</p> <p>We evaluated the assumptions and estimations of the company's outstanding claims provision calculations with the involvement of actuarial specialists.</p> <p>In this context, we evaluated the actual outstanding claims internal controls and effectiveness of the process with the involvement of our IT specialists. We chose samples and tested by obtaining supporting documents of the actual outstanding claims. We controlled the lawsuit files of the outstanding claims by obtaining letter of confirmation from company lawyer.</p> <p>We controlled the mathematical accuracy of the calculations and average file and opening amounts which are determined by company actuarial specialists. We evaluated the mathematical accuracy of technical reserves for each product.</p> <p>We recalculated the technical reserves and controlled the analyzes accuracy of the past experience of the company and legislation.</p> <p>Additionally, we evaluated the adequacy of financial statement disclosures relating to the technical reserves.</p>



### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

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

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the accounting principles and standards, in force as per the insurance legislation and standards on auditing issued by the CMB and Standards on Auditing issued by POA. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the accounting principles and standards, in force as per the insurance legislation and the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

#### B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2020, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

  
Ali Tuğrul Uzun, SMMM  
Sorumlu Denetçi

1 March 2021  
Istanbul, Turkey

BEREKET EMEKLİLİK ve HAYAT A.Ş.  
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**BEREKET EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ**  
**UNCONSOLIDATED FINANCIAL REPORT**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020**

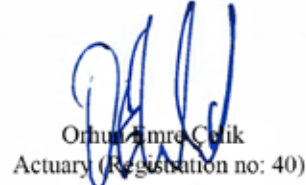
We confirm that the unconsolidated financial statements and related disclosures and footnotes which were prepared as of 31 December 2020 in accordance with the accounting principles and standards in force as per the regulations of Republic of Turkey Ministry of Treasury and Finance are in compliance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

Istanbul, 1 March 2021

  
Mahmut Güngör  
General Manager

  
Davut Menteş  
Deputy General Manager

  
Nevzat Şen  
Financial Affairs Manager

  
Orhan Zeynep Çelik  
Actuary (Registration no: 40)



<b>CONTENTS</b>	<b>PAGE</b>
<b>BALANCE SHEET.....</b>	<b>1-5</b>
<b>STATEMENT OF INCOME.....</b>	<b>6-8</b>
<b>STATEMENT OF CASH FLOW .....</b>	<b>9</b>
<b>STATEMENT OF CHANGES IN EQUITY .....</b>	<b>10</b>
<b>STATEMENT OF PROFIT DISTRIBUTION.....</b>	<b>11</b>
<b>NOTES TO THE FINANCIAL STATEMENTS .....</b>	<b>12-67</b>



# Unconsolidated Balance Sheet

## As At 31 December 2020

(Currency: Turkish Lira (TL))

ASSETS			
	Notes	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
<b>I- Current Assets</b>			
<b>A- Cash and Cash Equivalents</b>	<b>14</b>	<b>46,175,355</b>	<b>29,147,891</b>
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	43,658,376	26,898,443
4- Cheques Given and Payment Orders		-	-
5- Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	14	2,516,979	2,249,448
6- Other Cash and Cash Equivalents		-	-
<b>B- Financial Assets and Financial Investments with Risks on Policyholders</b>	<b>11</b>	<b>441,653</b>	<b>441,653</b>
1- Available-for-Sale Financial Assets	2,8,11	441,653	441,653
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading		-	-
4- Loans		-	-
5- Provision for Loans		-	-
6- Financial Investments with Risks on Saving Life Policyholders		-	-
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments		-	-
<b>C- Receivables from Main Operations</b>	<b>12</b>	<b>87,502,123</b>	<b>101,998,513</b>
1- Receivables from Insurance Operations	12	83,684,653	98,963,625
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations	12	1,955,557	1,575,618
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited to Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Operations	12,18	1,861,913	1,459,270
9- Doubtful Receivables from Main Operations	4,2,12	345,213	341,255
10- Provision for Doubtful Receivables from Main Operations	4,2,12	(345,213)	(341,255)
<b>D- Due from Related Parties</b>		<b>409</b>	<b>54,081</b>
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		392	54,000
5- Due from Personnel		17	81
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
<b>E- Other Receivables</b>	<b>4,2,12</b>	<b>3,989</b>	<b>384,717</b>
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables	4,2,12	3,989	384,717
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
<b>F- Prepaid Expenses and Income Accruals</b>	<b>17</b>	<b>39,214,295</b>	<b>34,643,729</b>
1- Deferred Acquisition Costs	17	37,428,657	33,535,818
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses and Income Accruals	17	1,785,638	1,107,911
<b>G- Other Current Assets</b>			
1- Stocks to be Used in the Following Months		-	-
2- Prepaid Taxes and Funds		-	-
3- Deferred Tax Assets		-	-
4- Job Advances		-	-
5- Advances Given to Personnel		-	-
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets		-	-
8- Provision for Other Current Assets		-	-
<b>I- Total Current Assets</b>		<b>173,337,824</b>	<b>166,670,584</b>

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

# Unconsolidated Balance Sheet As At 31 December 2020

(Currency: Turkish Lira (TL))

ASSETS			
	Notes	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
<b>II- Non-Current Assets</b>			
<b>A- Receivables from Main Operations</b>	12	735,564,535	538,447,687
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Business	12	735,564,535	538,447,687
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
<b>B- Due from Related Parties</b>		-	-
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
<b>C- Other Receivables</b>	4.2.12	5,760	5,760
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given	4.2.12	5,760	5,760
4- Other Miscellaneous Receivables		-	-
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
<b>D- Financial Assets</b>	9	22,625,243	10,000,000
1- Investments in Equity Shares		-	-
2- Investments in Associates		-	-
3- Capital Commitments to Associates		-	-
4- Investments in Subsidiaries	9	22,625,243	10,000,000
5- Capital Commitments to Subsidiaries		-	-
6- Investments in Joint Ventures		-	-
7- Capital Commitments to Joint Ventures		-	-
8- Financial Assets and Financial Investments with Risks on Policyholders		-	-
9- Other Financial Assets		-	-
10- Impairment in Value of Financial Assets		-	-
<b>E- Tangible Assets</b>	6	5,102,628	6,385,112
1- Investment Property		-	-
2- Impairment on Investment Property		-	-
3- Owner Occupied Property		-	-
4- Machinery and Equipments		-	-
5- Furniture and Fixtures	6	6,161,196	5,631,127
6- Motor Vehicles	6	280,000	330,000
7- Other Tangible Assets (Including Leasehold Improvements)	6	340,797	340,797
8- Tangible Assets Acquired Through Finance Leases	6	3,888,145	3,496,125
9- Accumulated Depreciation	6	(5,567,510)	(3,412,937)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
<b>F- Intangible Assets</b>	8	1,262,769	1,586,982
1- Rights	8	9,542,910	8,966,632
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortization	8	(8,280,141)	(7,379,650)
8- Advances Paid for Intangible Assets		-	-
<b>G-Prepaid Expenses and Income Accruals</b>		-	-
1- Prepaid Expenses		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses and Income Accruals		-	-
<b>II-Other Non-Current Assets</b>	21	1,069,549	821,849
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	1,069,549	821,849
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortization on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
<b>II- Total Non-Current Assets</b>		765,630,484	557,247,390
<b>Total Assets</b>		938,968,308	723,917,974

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

# Unconsolidated Balance Sheet

## As At 31 December 2020

(Currency: Turkish Lira (TL))

LIABILITIES			
	Notes	Audited Current Period 31 December 2020	Audited Current Period 31 December 2019
<b>III- Short-Term Liabilities</b>			
<b>A- Financial Liabilities</b>	<b>20</b>	<b>1.411.843</b>	<b>1.074.958</b>
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables	20	1.679.851	1.342.966
3- Deferred Leasing Costs	20	(268.008)	(268.008)
4- Current Portion of Long-Term Debts		-	-
5- Principal Installments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities		-	-
<b>B- Payables Arising from Main Operations</b>	<b>18, 19</b>	<b>15.664.992</b>	<b>41.260.499</b>
1- Payables Arising from Insurance Operations	19	11.886.173	37.610.145
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business	18,19	3.762.890	3.639.476
5- Payables Arising from Other Main Operations		15.929	10.878
6- Discount on Payables from Other Main Operations		-	-
<b>C-Due to Related Parties</b>	<b>19</b>	<b>2.401.986</b>	<b>2.444.332</b>
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures	19	2.376.532	2.279.552
5- Due to Personnel	19	25.454	164.780
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>	<b>19</b>	<b>1.360.756</b>	<b>601.417</b>
1- Deposits and Guarantees Received		-	-
2- Other Miscellaneous Payables	19	1.360.756	601.417
3- Discount on Other Miscellaneous Payables		-	-
<b>E-Insurance Technical Provisions</b>	<b>4.2, 17</b>	<b>101.972.999</b>	<b>58.621.434</b>
1- Reserve for Unearned Premiums - Net	2.24, 17	86.449.178	48.745.873
2- Reserve for Unexpired Risks- Net		-	-
3- Life Mathematical Provisions - Net	2.27, 17	106.227	2.674.983
4- Provision for Outstanding Claims - Net	2.26, 17	15.417.594	7.200.578
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Investment Risk for Life Insurance Policyholders - Net		-	-
7- Other Technical Provisions - Net		-	-
<b>F- Provisions for Taxes and Other Similar Obligations</b>	<b>19</b>	<b>713.151</b>	<b>4.201.114</b>
1- Taxes and Funds Payable	19	1.069.788	780.691
2- Social Security Premiums Payable	19	265.983	244.230
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		-	-
5- Corporate Tax Liability Provision on Period Profit	35	346.966	7.183.629
6- Prepaid Taxes and Other Liabilities Regarding Current Period Profit	35	(969.586)	(4.007.436)
7- Provisions for Other Taxes and Similar Liabilities		-	-
<b>G- Provisions for Other Risks</b>	<b>23</b>	<b>2.432.802</b>	<b>1.548.768</b>
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	2.432.802	1.548.768
<b>H- Deferred Income and Expense Accruals</b>	<b>19</b>	<b>565.115</b>	<b>12.590.133</b>
1- Deferred Commission Income	19	565.115	12.580.506
2- Expense Accruals		-	9.627
3- Other Deferred Income and expense accruals		-	-
<b>I- Other Short-Term Liabilities</b>		<b>17.486</b>	<b>34.920</b>
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short-Term Liabilities		17.486	34.920
<b>III - Total Short-Term Liabilities</b>		<b>126.541.131</b>	<b>122.377.575</b>

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

# Unconsolidated Balance Sheet As At 31 December 2020

(Currency: Turkish Lira (TL))

LIABILITIES			
	Notes	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
<b>IV- Long-Term Liabilities</b>			
<b>A- Financial Liabilities</b>	<b>20</b>	<b>605.995</b>	<b>1.473.566</b>
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables	20	753.226	1.620.797
3- Deferred Leasing Costs	20	(147.231)	(147.231)
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
<b>B- Payables Arising from Main Operations</b>	<b>18,19</b>	<b>735.564.535</b>	<b>538.447.687</b>
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business	18,19	735.564.535	538.447.687
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
<b>C- Due to Related Parties</b>		-	-
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>	<b>19</b>	<b>70.046</b>	<b>65.194</b>
1- Deposits and Guarantees Received	19	70.046	65.194
2- Other Miscellaneous Payables		-	-
3- Discount on Other Miscellaneous Payables		-	-
<b>E-Insurance Technical Provisions</b>	<b>4,2, 17</b>	<b>7.883.897</b>	<b>4.818.522</b>
1- Reserve for Unearned Premiums – Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Life Mathematical Provisions - Net	4,2,17	3.002.441	2.478.157
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Investment Risk for Life Insurance Policyholders – Net		-	-
7- Other Technical Provisions – Net	2,28,17	4.881.456	2.340.365
<b>F-Other Liabilities and Provisions</b>		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Provisions for Other Liabilities and Expenses		-	-
<b>G- Provisions for Other Risks</b>	<b>23</b>	<b>540.125</b>	<b>434.935</b>
1- Provisions for Employment Termination Benefits	23	540.125	434.935
2- Provisions for Employee Pension Funds Deficits		-	-
<b>H-Deferred Income and Expense Accruals</b>		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
<b>I- Other Long-Term Liabilities</b>		-	-
1- Deferred Tax Liabilities		-	-
2- Other Long-Term Liabilities		-	-
<b>IV- Total Long-Term Liabilities</b>		<b>744.664.598</b>	<b>545.239.904</b>

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

# Unconsolidated Balance Sheet

## As At 31 December 2020

(Currency: Turkish Lira (TL))

EQUITY			
V- Equity	Notes	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
<b>A- Paid in Capital</b>	<b>2.13, 15</b>	<b>30.000.000</b>	<b>30.000.000</b>
1- (Nominal) Capital	2.13, 15	30.000.000	30.000.000
2- Unpaid Capital		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences		-	-
<b>B- Capital Reserves</b>		<b>-</b>	<b>-</b>
1- Share Premium		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Asset Sales That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves		-	-
<b>C- Profit Reserves</b>	<b>15</b>	<b>38.892.937</b>	<b>2.915.635</b>
1- Legal Reserves	15	1.353.899	184.656
2- Statutory Reserves		-	-
3- Extraordinary Reserves	15	25.724.062	3.508.445
4- Special Funds		-	-
5- Valuation of Financial Assets	15	12.625.243	-
6- Other Profit Reserves	15	(810.267)	(777.466)
<b>D- Retained Earnings</b>		<b>-</b>	<b>607.604</b>
1- Retained Earnings		-	607.604
<b>E- Accumulated Losses</b>		<b>-</b>	<b>(2.993.848)</b>
1- Accumulated Losses		-	(2.993.848)
<b>F-Net Profit/(Loss) for the Period</b>		<b>(1.130.358)</b>	<b>25.771.104</b>
1- Net Profit for the Year		-	25.771.104
2- Net Loss for the Year		(1.130.358)	-
3- Nondistributed Profit of the Period		-	-
<b>V- Total Equity</b>		<b>67.762.579</b>	<b>56.300.495</b>
<b>Total Equity And Liabilities</b>		<b>938.968.308</b>	<b>723.917.974</b>

The accompanying notes are an integral part of these financial statements

# Statement of Unconsolidated Income

## As At 31 December 2020

(Currency: Turkish Lira (TL))

1- TECHNICAL SECTION	Notes	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
<b>A- Non-Life Technical Income</b>		<b>7.708.823</b>	<b>9.906.690</b>
1- Earned Premiums (Net of Reinsurer Share)		7.708.823	9.906.690
1.1- Written Premiums (Net of Reinsurer Share)	17	34.552.348	(49.608)
1.1.1- Written Premiums, gross	17,24	42.429.255	41.046.143
1.1.2- Ceded Premiums to Reinsurers	17,24	(7.876.907)	(41.095.751)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(26.843.525)	9.956.298
1.2.1- Reserve for Unearned Premiums	17	(694.966)	(16.964.439)
1.2.2- Reserve for Reinsurance Share of Unearned Premiums	10,17	(26.148.559)	26.920.737
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	-	-
1.3.1- Reserve for Unexpired Risks, gross	17	-	-
1.3.2- Reserve for Reinsurance Share of Unexpired Risks	10,17	-	-
2- Investment Income Transferred from Non-Technical Section		-	-
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1- Other Technical Income, gross		-	-
3.2- Reinsurance Share of Other Technical Income		-	-
<b>B- Non-Life Technical Expense</b>		<b>(6.297.849)</b>	<b>(5.944.167)</b>
1- Incurred Losses (Net of Reinsurer Share)		(3.346.076)	(2.683.495)
1.1- Claims Paid (Net of Reinsurer Share)	29	(1.337.550)	(1.659.160)
1.1.1- Claims Paid, gross		(9.196.990)	(4.651.560)
1.1.2- Reinsurance Share of Claims Paid		7.859.440	2.992.400
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17, 29	(2.008.526)	(1.024.335)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(4.930.207)	(4.791.503)
1.2.2- Reinsurance Share of Outstanding Claims Reserve	10,17	2.921.681	3.767.168
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Reinsurance Share of Bonus and Discount Reserve		-	-
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(778.702)	6.492
4- Operating Expenses	32	(2.173.071)	(3.267.164)
<b>C- Net Technical Income-Non-Life (A – B)</b>		<b>1.410.974</b>	<b>3.962.523</b>
<b>D- Life Technical Income</b>		<b>121.700.089</b>	<b>97.117.333</b>
1- Earned Premiums (Net of Reinsurer Share)		121.290.115	97.117.333
1.1- Written Premiums (Net of Reinsurer Share)	17	132.149.895	131.255.609
1.1.1- Written Premiums, gross	17,24	138.293.739	140.843.500
1.1.2- Ceded Premiums to Reinsurers	17,24	(6.143.844)	(9.587.891)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(10.859.780)	(34.138.276)
1.2.1- Reserve for Unearned Premiums, gross	17	(11.289.316)	(37.733.341)
1.2.2- Reserve for Reinsurance Share of Unearned Premiums	10,17	429.536	3.595.065
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Reinsurance Share of Unexpired Risks		-	-
2- Life Branch Investment Income		-	-
3- Unrealized Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		409.974	-

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

# Statement of Unconsolidated Income

## For the Year Ended 31 December 2020

(Currency: Turkish Lira (TL))

	Notes	Audited Current Period 1 January – 31 December 2020	Audited Prior Period 1 January – 31 December 2019
<b>I-TECHNICAL SECTION</b>			
<b>E- Life Technical Expense</b>		<b>(120.790.639)</b>	<b>(64.146.225)</b>
1- Incurred Losses (Net of Reinsurer Share)		(83.963.481)	(36.585.244)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(77.754.991)	(31.796.998)
1.1.1- Claims Paid, gross	17	(80.514.575)	(35.638.481)
1.1.2- Ceded Premiums to Reinsurers	10, 17	2.759.584	3.841.483
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(6.208.490)	(4.788.246)
1.2.1- Outstanding Claims Reserve	17	(6.193.943)	(5.647.616)
1.2.2- Reinsurance Share of Outstanding Claims Reserve	10,17	(14.547)	859.370
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	2.044.472	(4.581.052)
3.1- Change in Life Mathematical Provisions, gross	17	3.183.011	(6.291.680)
3.2- Change in Life Mathematical Provisions, ceded	10,17	(1.138.539)	1.710.628
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
4.1- Provision for Investment Risk for Life Insurance Policyholders		-	-
4.2- Provision for Investment Risk for Life Insurance Policyholders, ceded		-	-
5- Changes in Other Technical Provisions, ceded	17,29	(1.762.389)	(1.746.867)
6- Operating Expenses	32	(37.109.241)	(21.233.062)
7- Investment Expenses		-	-
8- Unrealized Losses on Investments		-	-
9- Investment Income Transferred to the Non-Life Technical Section		-	-
<b>F- Net Technical Income- Life (D – E)</b>		<b>909.450</b>	<b>32.971.108</b>
<b>G- Pension Business Technical Income</b>	<b>25</b>	<b>10.020.737</b>	<b>8.020.710</b>
1- Fund Management Income	25	9.671.139	7.183.408
2- Management Fee	25	56.663	50.065
3- Entrance Fee Income	25	144.699	488.198
4- Management Expense Charge in case of Suspension	25	148.236	299.039
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	-
7- Other Technical Expense		-	-
<b>H- Pension Business Technical Expense</b>		<b>(13.043.391)</b>	<b>(14.355.403)</b>
1- Fund Management Expense		(811.578)	(600.911)
2- Decrease in Value of Capital Allowances Given as Advance		-	-
3- Operating Expenses	32	(11.978.368)	(13.742.750)
4- Other Technical Expenses		(14.389)	(1.205)
5- Penalty Payment		(239.056)	(10.537)
<b>I- Net Technical Income - Pension Business (G – H)</b>		<b>(3.022.654)</b>	<b>(6.334.693)</b>

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



# Statement of Unconsolidated Income

## For the Year Ended 31 December 2020

(Currency: Turkish Lira (TL))

	Notes	Audited Current Period 31 December 2020	Audited Current Period 31 December 2019
<b>I-NON-TECHNICAL SECTION</b>			
C- Net Technical Income – Non-Life (A-B)		1,410,974	3,962,523
F- Net Technical Income – Life (D-E)		909,450	32,971,108
I- Net Technical Income – Pension Business (G-H)		(3,022,654)	(6,334,693)
J- Total Net Technical Income (C+F+I)		(702,230)	30,598,938
K- Investment Income		4,274,454	4,442,958
1- Income from Financial Investments	4.2	3,487,259	4,226,210
2- Income from Sale of Financial Investments		-	-
3- Valuation of Financial Investments	4.2	490,601	160,930
4- Foreign Exchange Gains	4.2	296,594	55,818
5- Income from Associates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment		-	-
8- Income from Derivative Transactions		-	-
9- Other Investments		-	-
10- Income Transferred from Life Section		-	-
L- Investment Expense		(3,407,052)	(3,110,807)
1- Investment Management Expenses (inc. interest)	4.2	(235,698)	(278,557)
2- Diminution in Value of Investments		-	-
3- Loss from Disposal of Financial Assets		-	-
4- Investment Income Transferred to Non-Life Technical Section		-	-
5- Loss from Derivative Transactions		-	-
6- Foreign Exchange Losses	4.2	(50,642)	(139,292)
7- Depreciation and Amortization Expenses	6.8	(3,120,712)	(2,692,958)
8- Other Investment Expenses		-	-
M- Income and Expenses From Other and Extraordinary Operations		(948,564)	1,023,644
1- Provisions	47	(942,554)	1,502,540
2- Rediscounts		(232,341)	(404,051)
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	35	239,501	47,607
6- Deferred Taxation (Deferred Tax Liabilities)	35	-	-
7- Other Income		82,732	41,791
8- Other Expenses and Losses		(95,902)	(164,243)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
N- Net Profit / (Loss) for the Year		(1,130,358)	25,771,104
1- Profit / (Loss) for the Year		(783,392)	32,954,733
2- Corporate Tax Liability Provision on Period Profit	19,35	(346,966)	(7,183,629)
3- Net Profit / (Loss) for the Year		(1,130,358)	25,771,104
4- Inflation Adjustment Account		-	-

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

# Unconsolidated Cash Flow

## For the Year Ended 31 December 2020

(Currency: Turkish Lira (TL))

	Notes	Audited Current Period 31 December 2020	Audited Current Period 31 December 2019
<b>A. Cash flows from operating activities</b>			
1. Cash provided from insurance activities		193.673.580	186.112.274
2. Cash provided from reinsurance activities		-	-
3. Cash provided from individual pension business		207.260.999	120.725.214
4. Cash used in insurance activities		(167.396.606)	(140.512.045)
5. Cash used in reinsurance activities		(379.939)	(1.564.618)
6. Cash used in individual pension business		(210.562.882)	(127.325.039)
<b>7. Cash provided by operating activities</b>		<b>22.595.152</b>	<b>37.435.786</b>
8. Interest payments		-	-
9. Income taxes payments	19	(969.586)	(4.007.436)
10. Other cash inflows		6.426.025	231.237
11. Other cash outflows		(13.557.358)	(24.594.685)
<b>12. Net cash provided by operating activities</b>		<b>14.494.233</b>	<b>9.064.902</b>
<b>B. Cash flows from investing activities</b>			
1. Proceeds from disposal of tangible assets	6,8	127.592	525.690
2. Acquisition of tangible assets	6,8	(1.183.939)	(4.084.588)
3. Acquisition of financial assets	11	(12.625.243)	(10.000.000)
4. Proceeds from disposal of financial assets	11	-	17.032.877
5. Interests received		3.977.860	4.387.140
6. Dividends received		-	-
7. Other cash inflows		27.698.119	55.818
8. Other cash outflows		(31.284.127)	(2.022.244)
<b>9. Net cash provided by investing activities</b>		<b>(13.289.739)</b>	<b>5.894.693</b>
<b>C. Cash flows from financing activities</b>			
1. Equity shares issued		-	-
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		(2.506.701)	(2.548.524)
4. Dividends payments		-	-
5. Other cash inflows		-	-
6. Other cash outflows		-	-
<b>7. Net cash provided by financing activities</b>		<b>(2.506.701)</b>	<b>(2.548.524)</b>
<b>D. Effect of currency differences on cash and cash equivalents</b>			
<b>E. Net increase/(decrease) in cash and cash equivalents</b>		<b>(1.302.207)</b>	<b>12.411.071</b>
<b>F. Cash and cash equivalents at the beginning of the year</b>	<b>14</b>	<b>17.986.961</b>	<b>5.575.890</b>
<b>G. Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>16.684.754</b>	<b>17.986.961</b>

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

# Statement of Changes in Equity

## As at 31 December 2020

(Currency: Turkish Lira (TL))

Audited Statement of Changes in Equity - 31 December 2019												
	Notes	Paid-in Capital	Own Shares of the Company	Value increase in Financial Assets	Inflation Adjustments on Shareholders' Equity	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/ (Loss) for the Year	Previous Year's Profits and Losses	Total
I - Balance at the end of the previous year - 31 December 2018	15	30,000,000	-	-	-	-	-	-	(707,429)	607,604	699,253	30,599,428
II - Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-	-
III - New Balance (1 January 2019)	15	30,000,000	-	-	-	-	-	-	(707,429)	607,604	699,253	30,599,428
A - Capital increase		-	-	-	-	-	-	-	-	-	-	-
1 - In cash		-	-	-	-	-	-	-	-	-	-	-
2 - From reserves		-	-	-	-	-	-	-	-	-	-	-
B - Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C - Gains or losses that are not included in the statement of income		-	-	-	-	-	-	-	-	-	-	-
D - Change in the value of financial assets		-	-	-	-	-	-	-	(70,037)	-	-	(70,037)
E - Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F - Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G - Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H - Net profit or loss for the year		-	-	-	-	-	-	-	-	25,771,104	-	25,771,104
I - Other reserves and transfers from retained earnings		-	-	-	-	-	184,656	3,508,445	-	(607,604)	(3,085,497)	-
J - Dividends paid		-	-	-	-	-	-	-	-	-	-	-
II - Balance at the end of the year - 31 December 2019	15	30,000,000	-	-	-	-	184,656	3,508,445	(777,466)	25,771,104	(2,386,244)	56,900,495

Audited Statement of Changes in Equity - 31 December 2020												
	Notes	Paid-in Capital	Own Shares of the Company	Value increase in Financial Assets	Inflation Adjustments on Shareholders' Equity	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/ (Loss) for the Year	Previous Year's Profits and Losses	Total
I - Balance at the end of the previous year - 31 December 2019	15	30,000,000	-	-	-	-	184,656	3,508,445	(777,466)	25,771,104	(2,386,244)	56,900,495
II - Changes in Accounting Policy		-	-	-	-	-	-	-	-	-	-	-
III - New Balance (1 January 2020)	15	30,000,000	-	-	-	-	184,656	3,508,445	(777,466)	25,771,104	(2,386,244)	56,900,495
A - Capital increase		-	-	-	-	-	-	-	-	-	-	-
1 - In cash		-	-	-	-	-	-	-	-	-	-	-
2 - From reserves		-	-	-	-	-	-	-	-	-	-	-
B - Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C - Gains or losses that are not included in the statement of income		-	-	-	-	-	-	-	-	-	-	-
D - Change in the value of financial assets		-	-	12,625,243	-	-	-	-	-	-	-	12,625,243
E - Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F - Other gains or losses		-	-	-	-	-	-	-	(32,801)	-	-	(32,801)
G - Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H - Net profit or loss for the year		-	-	-	-	-	-	-	-	(1,130,358)	-	(1,130,358)
I - Other reserves and transfers from retained earnings		-	-	-	-	-	1,169,243	22,215,617	-	(25,771,104)	2,386,244	-
J - Dividends paid		-	-	-	-	-	-	-	-	-	-	-
II - Balance at the end of the year - 31 December 2020	15	30,000,000	-	12,625,243	-	-	1,853,899	24,724,062	(810,267)	(1,130,358)	-	67,762,579

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

# Statement of Profit Distribution As at 31 December 2020

(Currency: Turkish Lira (TL))

	Notes	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
<b>I. DISTRIBUTION OF THE PROFIT FOR THE YEAR</b>			
1.1. CURRENT PERIOD PROFIT/(LOSS) <sup>(*)</sup>		(1.369.859)	25.723.497
1.2. TAXES AND DUTIES PAYABLE	35	239.501	47.607
1.2.1. Corporate Tax (Income Tax)		-	-
1.2.2. Income Tax Deductions		-	-
1.2.3. Other Taxes and Legal Duties	35	239.501	47.607
<b>A. CURRENT PERIOD PROFIT/(LOSS) (1.1 – 1.2)</b>		<b>(1.130.358)</b>	<b>25.771.104</b>
1.3. PREVIOUS YEARS' LOSSES (-)		-	(2.993.848)
1.4. FIRST LEGAL RESERVES		-	-
1.5. COMPULSORY LEGAL FUNDS TO BE RETAINED IN THE COMPANY (-)		-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [ (A - (1.3 + 1.4 + 1.5) ]</b>		<b>(1.130.358)</b>	<b>22.777.256</b>
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1. To owners of ordinary shares		-	-
1.6.2. To owners of privileged shares		-	-
1.6.3. To holders of participating redeemed shares		-	-
1.6.4. To holders' profit-sharing bonds		-	-
1.6.5. To holders of profit and loss sharing certificates		-	-
1.7. DIVIDENDS TO PERSONNEL (-)		-	-
1.8. DIVIDENDS TO FOUNDERS (-)		-	-
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9.1. To owners of ordinary shares		-	-
1.9.2. To owners of privileged shares		-	-
1.9.3. To holders of participating redeemed shares		-	-
1.9.4. To holders' profit-sharing bonds		-	-
1.9.5. To holders of profit and loss sharing certificates		-	-
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.11. SECOND LEGAL RESERVES (-)		-	-
1.12. STATUTORY RESERVES(-)		-	-
1.13. EXTRAORDINARY RESERVES		-	-
1.14. OTHER RESERVES		-	-
1.15. SPECIAL FUNDS		-	-
<b>II. DISTRIBUTION OF RESERVES</b>		-	-
2.1. DISTRIBUTED RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To owners of ordinary shares		-	-
2.3.2. To owners of privileged shares		-	-
2.3.3. To holders of participating redeemed shares		-	-
2.3.4. To holders of profit-sharing bonds		-	-
2.3.5. To owners of Profit and Loss Participation Certificates		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
<b>III. EARNINGS PER SHARE</b>		-	-
3.1. TO OWNERS OF ORDINARY SHARES		(0,03768)	0,85904
3.2. TO OWNERS OF ORDINARY SHARES (%)		(3,7679)	(85,9037)
3.3. TO OWNERS OF PRIVILEGED SHARES		-	-
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		-	-
<b>IV. DIVIDEND PER SHARE</b>		-	-
4.1. TO OWNERS OF ORDINARY SHARES		-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3. TO THE PRIVILEGED SHAREHOLDERS		-	-
4.4. TO THE PRIVILEGED SHAREHOLDERS ( % )		-	-

(\*) Since the profit distribution proposal for 2020 has not been prepared by the Board of Directors yet, the profit distribution table for 2020 has not been filled.

The accompanying notes are an integral part of these financial statement

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## General information

### 1.1 Name of the Company and the ultimate parent of the group

Bereket Emeklilik ve Hayat A.Ş. (Formerly named as Asya Emeklilik ve Hayat A.Ş.) has been founded under the name of Asya Emeklilik ve Hayat A.Ş. on 1 July 2011. The main contract of the company was registered with the Istanbul Trade Registry Office on 1 July 2011, with the number 27229 and announced on 7 July 2011 and numbered 7853 of the Turkish Trade Registry Gazette.

On 17 January 2017, the title of the company was changed to Bereket Emeklilik ve Hayat A.Ş. with the decision of Board of Directors numbered 176. The company has applied to the Istanbul Trade Registry Directorate for the change registration, and the name change was approved by the Istanbul Trade Registry Office on 13 February 2017.

As of 31 December 2020, the capital group has the direct or indirect dominance is The Central Union of Turkish Agricultural Credit Cooperatives with 89.09% share.

### 1.2 Domicile and the legal structure of the Company, country and the address of the registered office (address of the operating center if it is different from the registered office)

The Company operates in Saray Mah. Dr. Adnan Büyükdeniz Caddesi No:8 34768 Ümraniye, İstanbul is in the status of a Joint Stock Company established in accordance with the regulations of Turkish Commercial Code ("TCC"). The Company has been founded to operate in pension in Turkey, establishment and functioning of pension investment funds, and life and personal accident insurance, in accordance with the principles of the Insurance Law No. 5684, and the Private Pension Savings and Investment System Law No. 4632.

### 1.3 Business of the Company

The Company has been founded for fulfillment of all kind of legal transactions, acts and works entered into the activity area of the Company, and to make all kind of private pension, life and personal accident insurance and reinsurance transactions within the limits prescribed and foreseen by other legislation related to private pensions, insurance and capital markets. The Company carries out its retirement activities in accordance with the principles set out in the Private Pension Savings and Investment System Law No. 4632 and life branch activities in accordance with the principles in the Insurance Law No. 5684.

The Company has applied to the Ministry of Treasury and Finance for a private pension system activity on 16 September 2011. The application was approved on 23 January 2012 and published in the Official Gazette dated 9 February 2012.

The Company has applied to the Ministry of Treasury and Finance on 30 December 2011 in order to be able to carry out insurance activities. As the necessary conditions stated in the letter dated 17 May 2012 and numbered 8368 of Ministry of Treasury and Finance has provided, it is deemed appropriate to give an operating license in life, marriage, birth, investment fund, capital redeeming and accident insurance branches.

As of 31 December 2020, there are 11 Private Pension Funds offered to participants by the Company (31 December 2019; 11).

### 1.4 Description of the main operations of the Company

The Company maintains its business activities in accordance with accounting principles, statements and guidance as promulgated by the Turkish Treasury in compliance with the Insurance Law No.5684 (the "Insurance Law") issued on 14 June 2007 in Official Gazette No.26552 and with the Law of Private Pension Saving and Investment System No.4632 (the "Private Pension Law") issued on 7 April 2001 in Official Gazette No.4366, be valid as of 1 January 2013 amended by law no 6327 and issues policies/contracts in life, personal accident, and pension branches. As of 31 December 2020, the company makes contracts in life, personal accident and pension branches.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 1 General information (continued)

### 1.5 Average number of employees by categories

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

	31 December 2020	31 December 2019
Executive management	1	2
Management	33	27
Specialist	31	42
<b>Total</b>	<b>65</b>	<b>71</b>

### 1.6 Remuneration and fringe benefits provided to top management

As of 31 December 2020, remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing director in total amount to TL 787.452 (31 December 2019: TL 693.925)

### 1.7 Criteria used in the distribution of investment income and underwriting expenses (personnel, administration, research and development, marketing, selling, and other underwriting expenses) in the financial statements

The procedures and principles related to the key used in the financial statements to be prepared by the companies have been determined by Republic of Turkey Ministry of Treasury and Finance within the scope of the "Circular on the Procedures and Principles of the Keys Used in the Financial Tables Prepared in the Frame of Insurance Account Plan" dated 4 January 2008 and numbered 2008/1.

According to the circular, companies can distribute the operating expenses of the technical department to the insurance departments by the method proposed by the Republic of Turkey Ministry of Treasury and Finance, or by a method which they can determine by the approval of Ministry of Treasury and Finance. In this framework, expenses which are strictly documented for non-life, life or private pension branches and which do not hesitate to belong to these branches, are directly transferred to related branch. The technical part other than these expenses is determined within the framework of the Circular on the Amendment of the General Regarding the Procedures and Principles of the Keys Used in the Financial Tables Prepared in the Frame of Insurance Uniform Chart of Accounts dated 9 August 2010 and numbered 2010/9, and issued by the Republic of Turkey Ministry of Treasury and Finance effective from 1 January 2011.

### 1.8 Stand-alone or consolidated financial statements

The attached financial statements include only financial information about the company. As further detailed in Note 2.2 - Consolidation, the Company did not prepare consolidated financial statements as at and for the year ended 31 December 2020.

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

Trade name of the company	:Bereket Emeklilik ve Hayat Anonim Şirketi
Registered address of the head office	:Saray Mah. Dr. Adnan Büyükdeniz Cd. No.:8 34768 Ümraniye, İstanbul
The web page of company	:www.bereketemeklilik.com.tr

The information presented above has not changed since the end of the reporting period.

### 1.10 Events after the reporting period

Explanations related to subsequent events are disclosed in Note 46 – Events after the reporting period.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

#### 2.1.1 Information about the basis and special accounting policies used in the preparation of the financial statements

The Company maintains its books of account and prepares its financial statements in accordance with the Turkish Financial Reporting Standards ("TFRS") for the matters not regulated by the insurance legislation, and within the framework of "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies", the Article 18 of Insurance Law, and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") as promulgated by the Republic of Turkey Ministry of Treasury and Finance in accordance with the current regulations.

In this context, the Company prepares its financial statements in accordance with the Insurance Law No.5684 published in the Official Gazette dated 14 June 2007 and numbered 26522 and the regulations published by the Insurance and Private Pension Regulation and Supervision Agency ("IPPRS") which established by the Presidential Decree dated 18 October 2019. The insurance legislation before the establishment of IPPRS and the initiation of regulatory activities regarding the insurance sector was published by the Republic of Turkey Ministry of Treasury and Finance ("Ministry of Treasury and Finance").

As of 31 December 2020, the Company has calculated the technical provisions related to insurance within the framework of "Regulation on the Technical Provisions of Insurance, Reinsurance and Pension Companies and the Assets to be Invested by These Reserves" and other relevant legislation published in the Official Gazette dated 28 July 2010 and entered into force as of 30 September 2010, and published within the scope of the Insurance Law No. 5684, and presented in the financial statements.

Circular Related to the Presentation of Financial Statements", issued by the Turkish Treasury in the 18 April 2008 dated and 26851 numbered Official Gazette, regulates the content of the financial statements to make them comparable with the financial statements of previous periods and the other companies.

The Company's balance sheet as of 31 December 2020 and the income statement for the accounting period ending on the same date are approved by the Company Management on 1 March 2021. General Assembly and / or legal authorities of the company have authority to change financial statements in attachment.

#### Additional paragraph for convenience translation to English

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

#### 2.1.2 Other related accounting policies relevant for the financial statements

##### Accounting in hyperinflationary countries

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on "TAS 29 – Financial Reporting in Hyperinflationary Economies" as at 31 December 2004. TAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms.

In accordance with the declaration of the Republic of Turkey Ministry of Treasury and Finance with the article dated 4 April 2005 and numbered 19387, inflation accounting is no longer applied starting from 1 January 2005.



# Notes to the Unconsolidated Financial Statements As at 31 December 2020 (Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### 2.1.2 Other related accounting policies relevant for the financial statements (continued)

##### Other accounting policies

Information regarding other accounting policies is disclosed above in Note 2.1.1 – *Information about the principles and the special accounting policies used in the preparation of the financial statements* and each under its own caption in the following sections of this report.

#### 2.1.3 Functional and reporting currency

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

#### 2.1.4 Rounding level of the amounts presented in the financial statements

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

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

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for available-for-sale financial assets.

#### 2.1.6 Changes in accounting policies

There is no change or mistake in accounting policies in the current period. The clarification of accounting policies has been given in 3 - *Significant accounting estimates and decisions note*.

The COVID-19 pandemic that enounced by the World Health Organization at 11 March 2020 and preventive actions that have been taken into place to respond the pandemic, causes disruptions to business activities in all countries and affect the economic conditions adversely both locally and globally. However, any negative significant effect identified of this pandemic for the Company as of the reporting date, based on the evaluation made by the Company's management.

## 2.2 Consolidation

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by the Ministry of Treasury and Finance in the Official Gazette dated 31 December 2008 and numbered 27097 ("the Circular for Consolidation") requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from 31 March 2009.

The subsidiary of the company that should be subject to consolidation is Bereket Katılım Hayat A.Ş.

Founded on 19 July 2019 and dominated by Bereket Emeklilik ve Hayat A.Ş. as a founding partner in its capital, Bereket Katılım Hayat A.Ş. It started its insurance business by obtaining a license from the Ministry of Treasury and Finance on February 3, 2020.

## 2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Since Turkey is the main geographical area that Company operates, segment reporting presented in Note 5 - *Segment Reporting* is related to the operations of Company not to the geographical areas.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.4 Transactions in foreign currencies

The results and financial position of the Company are expressed in TL, which is the functional currency of the Company. In preparing the financial statements of the Company, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated to Turkish Lira at the rates prevailing on the balance sheet date. Gains and losses arising from exchange rate transactions are recognized in the foreign exchange gain/loss accounts according to their positive or negative position.

### 2.5 Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are reflected in the records with their remaining values after deduction of costs such as foreign exchange differences and financing expenses.

The gain or loss arising on the disposal or retirement property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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

There are no pledges, mortgages and other encumbrances on tangible fixed assets.

There are no changes in accounting estimates that have significant effect on the current period or that are expected to have significant effect on the following periods.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Rates used in depreciation of tangible items and duration of estimated useful lives are as follows :

Property, plant and equipment	Useful life
Furniture and fixture	3-15
Other tangible assets (including leasehold improvements)	5
Right of use assets	2-5

### 2.6 Investment properties

As at balance sheet date, the Company does not have any investment property

### 2.7 Intangible assets

The Company's intangible assets consist of acquired computer software.

Intangible assets are carried at cost and are depreciated on a straight-line basis over their estimated useful lives (3-5 years) after their acquisition date.

In case of impairment, book value of intangible assets is taken to its recoverable value.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.8 Financial assets

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

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

*Financial assets held for trading purpose* are measured at their fair values and gain or loss arising due to changes in the fair values of related financial assets are recorded in profit or loss. Interest income earned on held for trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses. As of 31 December 2020, The Company does not have financial assets held for trading purpose. (31 December 2019 : None.)

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such loans and receivables are initially recorded at cost plus transaction costs that reflect their fair value, and following the recording, provision is made for impairment, if any, from cost. Fees and other similar charges related to assets received as collateral for related receivables are not considered as transaction costs and presented in loss statement.

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

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Assets that are not traded in an active market are measured by using valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses derived from the difference between their fair values and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under shareholders' equity. Upon disposal, the realized gain or losses are recognized directly in profit or loss. Company's affiliated securities are classified as available-for-sale financial assets. All normal financial asset purchases and sales are reflected in the records at the transaction date which the Company undertakes to purchase or sell the asset. Such purchases and sales are trades that generally require the delivery of the financial asset within the time frame determined by the general customs and regulations in the market. As of 31 December 2020, total amount of available-for-sale financial assets amounts to TL 441.653 (31 December 2019 : TL 441.653).

*Financial Assets Held to Maturity*, consists of financial assets with acquired with the intent to hold until the end of maturity, where necessary conditions have been met for the retention of maturity until maturity, including funding capability and fixed or determinable payments with fixed maturity and with the exception of loans and receivables. Financial assets held to maturity are accounted with amortized costs calculated by effective interest method, deducting impairment for provision following the initial recognition. As of 31 December 2020, the company does not have financial assets held to maturity (31 December 2019: None).

*Loans* represent amounts borrowed by the life insurance policy in return for a certain percentage of the amounts in the table of associates of the company's certified life insurance policy for life insurers paying premiums for the period specified on the technical basis. As of 31 December 2020, the Company does not have any loans granted to the insured (31 December 2019: None).

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.8 Financial assets (continued)

*Financial investments with risks on saving life policyholders* are the financial assets invested against the savings of the life policyholders. Financial investments with risks on saving life policyholders could be classified as financial assets held for trading purpose, available for sale financial assets or held to maturity investments by considering the benefits of the policyholders and measured in accordance with the principles as explained above. As of 31 December 2020 and 31 December 2019, the company does not have financial investments with risks on saving life policy holders.

*Receivables from individual pension operations* consist of ‘capital advances given to pension investment funds’, ‘receivable from pension investment funds for fund management fees’, ‘entrance fee receivable from participants’ and ‘receivables from clearing house on behalf of the participants’.

*Receivable from pension investment funds for fund management fee* are the fees charged to the pension investment funds against for the administration of related pension investment funds which consist of fees which are not collected in the same day.

Capital advances given to pension investments funds during their establishment are recorded under ‘capital advances given to pension investment funds’.

‘Receivables from the clearing house on behalf of the participants’ is the receivable from clearing house on fund basis against the collections of the participants. Same amount is also recorded as payables to participants for the funds sold against their collections under the ‘payables arising from individual pension business’.

#### Derecognition

The Company presents the financial assets or liabilities in the balance sheet if they are parties to the relevant financial instrument contracts. The Company removed the accounting records of all or some of financial assets only when it loses control over the rights arising from the contemplation of the existence of assets. The Company's financial liabilities are only derecognized if the liability defined in the contract is abolished, canceled, or overdue.

### 2.9 Impairment on assets

#### Impairment on financial assets

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

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

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

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

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.9 Impairment on assets(continued)

#### Impairment on tangible and intangible assets

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

Rediscount and provision expenses of the period are disclosed in *Note 47 – Other*.

### 2.10 Derivative financial instruments

The Company classifies derivative transactions as trading-purpose transactions in accordance with TAS 39 - Financial Instruments: Accounting and Measurement standards.

Derivative transactions are presented in balance sheet at fair value. Liabilities and receivables arising from derivative transactions are recorded in off-balance sheet accounts at contractual amounts.

Derivative transactions are measured at fair value in the periods subsequent to their acquisition, and they are presented in the balance sheet under "Trading financial assets" or "Other financial liabilities" accounts according to whether the fair value is positive or negative. The changes in the fair value of the related derivative financial instruments are presented in income statement as a result of measurement.

As of 31 December 2020, the Company has no derivative financial instruments (31 December 2019: None).

### 2.11 Offsetting of financial assets

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

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

### 2.12 Cash and cash equivalents

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

### 2.13 Share capital

As of 31 December 2020, the shareholder having direct or indirect control over the shares of the Company is The Central Union of Turkish Agricultural Credit Cooperatives by 89,09% of the outstanding shares of the Company.

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

Name	31 December 2020		31 December 2019	
	Nominal Value of the Shares (TL)	Percentage (%)	Nominal Value of the Shares (TL)	Percentage (%)
Türkiye Tarım Kredi Kooperatifleri Merkez Birliği	26.727.000	89,090	26.727.000	89,090
Tarım Kredi Kooperatifleri ve Birlikleri Personeli Sosyal				
Yardım Vakfı	2.970.000	9,900	2.970.000	9,900
Other	303.000	1,010	303.000	1,010
<b>Paid in Capital</b>	<b>30.000.000</b>	<b>100,00</b>	<b>30.000.000</b>	<b>100,00</b>

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.13 Share capital (continued)

The Company has offered the sale of 29.397.000 shares of the total of 30.000.000 shares on 14 November 2016. The sale of shares, which are 97,99% of the Company's capital stock as a result of the tender, to The Central Union of Turkish Agricultural Credit Cooperatives has been approved by SDIF (Savings Deposit Insurance Fund) board of the fund. With the letter of the Ministry of Treasury and Finance dated 28 December 2016, the transfer of the share, corresponding to 97.99% of the Company's shares, to The Central Union of Turkish Agricultural Credit Cooperatives has been approved.

In addition, on 12 January 2017, 300.000 units of whole shares owned by Mehmet Sinan Berksan has been transferred to the The Central Union of Turkish Agricultural Credit Cooperatives with the decision of Board of Directors numbered 174. As a result, 98.99% of the Company's shares belong to The Central Union of Turkish Agricultural Credit Cooperatives.

Within the scope of the Share Transfer Agreement between The Central Union of Turkish Agricultural Credit Cooperatives and Agricultural Credit Cooperatives and Unions Personnel Social Assistance Foundation dated 29 May 2017, the Company's 2.970.000 shares have been transferred to the Agricultural Credit Cooperatives and Associations Employee Social Assistance Foundation owned by The Central Union of Turkish Agricultural Credit Cooperatives. Therefore, The Central Union of Turkish Agricultural Credit Cooperatives becomes the capital group which has the direct or indirect dominance of the company on its capital with the 89.09% share.

#### Sources of the capital increases during the period

None.

#### Privileges on common shares representing share capital

None.

#### Registered capital system in the Company

None.

#### Repurchased own shares by the Company

None.

### 2.14 Insurance and investment contracts - classification

An insurance contract is a contract under which the Company accepts significant insurance risk from another party (the policyholder) by accepting 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 have been received within the coverage of insurance contracts recognized as revenue under the account of written premiums.

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.

The Company mainly issues policies under personal accident, risk and saving cumulative life insurance branches and individual pension contracts.

#### Reinsurance agreements

Reinsurance agreements are the agreements that agreed by the Company and Reinsurance Company for the loss which may occur in one or more insurance agreement signed by the Company, and those meet all conditions to be classified as insurance contract and those whose costs are paid. The company signed a reinsurance agreement in 2020. As of 31 December 2020, the company works with General Reinsurance.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.14 Insurance and investment contracts – classification (continued)

#### Reinsurance agreements (continued)

Reinsurer	Grade	Rating Company	Date
General Reinsurance	A+ (Superior)	AM Best	25.09.2019

### 2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

As at the reporting date, the Company does not have any insurance or investment contracts.

### 2.16 Investment contracts without DPF

As of 31 December 2020 and 31 December 2019 the Company has no investment contracts without DPF.

### 2.17 Liabilities

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

*Payables from individual pension* business consist of payables to participants, participants’ temporary accounts and payables to individual pension agencies. Participant debts account is the account of the amounts of the contribution amounts that are directed to the investor in the name of the individual pension contract owners and the revenues obtained from these investments. As of reporting date, it refers debts to individual pension contract holders. The temporary account of participants includes the contributions of participants that have not yet been transferred to investment. This account also includes the entrance fee deducted portion of the participants’ fund amounts, resulting from fund share sales upon the participant’s leaving the system or transferring funds to other individual pension companies. Accounts payable to individual pension intermediaries refers to the obligation of the Company that the provision of services provided by the Company to agents and agencies that act as intermediaries in the production of individual pension contracts.



# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.18 Taxes

#### Corporate tax

Corporate income is subject to corporate tax at 20% in Turkey to be effective from 1 January 2006. However, according to the Article 91 of the Law numbered 7061 “Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation” corporate tax rate for the taxation periods of 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax-deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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

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

In accordance with Turkish Tax Legislation, tax losses can be carried forward to offset against future taxable income for up to five years. The Company doesn't have deductible tax losses as of 31 December 2020. (31 December 2019: None).

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 25th 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.

#### Deferred tax

Deferred tax assets and liabilities are recognized according to TAS 12 – *Income Taxes* standard, using the balance sheet method, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

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

If transactions and events are recorded in the statement of operations, then the related tax effects are also recognized in the statement of operations. However, if transactions and events are recorded directly in the shareholders' equity, the related tax effects are also recognized directly in the shareholders' equity.

Since the effective corporate tax rate is 20% as of January 1, 2021, 20% tax rate has been used for temporary differences expected to occur / close after 2020.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.18 Taxes

#### Transfer pricing

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

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

### 2.19 Employee termination benefits

#### Provision for termination cost

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2020 is TL 7.117 (31 December 2019: TL 6.380). The Company reserved for employee severance indemnities using actuarial method in compliance with the TAS 19 – *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Net Discount Rate	3,96%	3,89%
Expected Rate of Salary/Limit Increase	12,80%	7,00%
Estimated rate for termination	8,50%	9,09%

The above-mentioned expected salary / cap increase rate is based on the CBRT's annual inflation forecasts.

#### Other employee benefits

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

### 2.20 Provisions, conditional assets and liabilities

A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Company to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the financial statements.

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

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.21 Revenue recognition

#### Written premiums

Written premiums represent premiums on policies written during the period net of taxes, premiums of the cancelled policies which were produced in prior periods and premium ceded to reinsurance companies. Premiums ceded to reinsurance companies are accounted as “written premiums, ceded” in the statement of income.

Claims are recognized as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at period-end and incurred but not reported claims. Reinsurer’s shares of claims paid and outstanding claims provisions are off-set against these reserves.

#### Received and paid commissions

As further disclosed in Note 2.24 - Reserve for unearned premiums, commissions paid to the agencies related to the production of the insurance policies and the commissions received from the reinsurance firms related to the premiums ceded are recognized over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums for the policies produced before 1 January 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after 1 January 2008.

While no agency commission is accrued in non-life branches, the amount of commission that must be paid in the life branch if uncollected receivables are collected is calculated on a policy basis.

Reinsurance commissions are accounted for under contracts with reinsurers. In accordance with the Circular 2007/25 dated 28 December 2007 issued by the Ministry of Treasury and Finance, commissions received from reinsurers starting from 10 January 2008 are accounted for in the “future income” account in the balance sheet.

#### Interest income and expense

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

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

#### Trading income/expense

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

#### Dividend

Dividend is recognized as income when the right of collection is obtained.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.21 Revenue recognition (Continued)

#### Income from pension business

Fund management fee is recognized as income, charged to the pension investment funds against the hardware, software, personnel and accounting services provided, and fee is shared between the Company and the portfolio manager in accordance with the agreement signed between parties. Total of fund management fee charged to the pension investment funds is recognized as "Fund management income" under technical income and portion of the portfolio manager is recognized as "Fund management expense" under technical expenses.

Management fee is levied on contributions of the participants not exceeding the maximum percentage of eight percent recognized as income under "Fund management income".

Fund management fee is recognized as income, charged to the pension investment funds against the hardware, software, personnel and accounting services provided, and fee is shared between the Company and the portfolio managers in accordance with the agreement signed between parties. Total of fund management fee charged to the pension investment funds is recognized as "Fund management income" under technical income and portion of the portfolio manager is recognized as "Fund management expense" under technical expenses.

According to the "Regulation on the Amendment of the Regulation on the Private Pension System" which entered into force on 1 January 2016, amendments were made in the deduction amounts and collection processes. For contracts entered into force prior to 1 January 2016,

-No deductions will be made even if it is defined in contracts that have completed 5 years from the effective date.

- For contracts that have not completed 5 years from the effective date, no further deductions shall be made until the end of the year if there is a deduction on the annual upper limit, and no further deductions shall be made if there is a deduction over the 5-years period upper limit.

For contracts entered into force after 1 January 2016, there is no deduction available under the name of entrance fee from the participants' contributions or savings of their private pension accounts.

Participants' contributions or savings of their private pension accounts are subject to fund management expense fee. Management expense fee deduction is only made beginning from the effective date of related contract through 5 years and not exceed the eight percent of the monthly minimum gross wage which is valid for the first six month of each year. Company books deductions under the fund management expense fee account. If the contract is released from the system or transferred to another company before completed 5 years, the amount of uncollected management fees corresponding to the period until the end of the 5th year is deducted once from the accumulated contribution of the participant.

Portfolio value changes because of changes in portfolio value between establishment date of the fund portfolio and date of share sold, are recorded in the income statement as interest income on capital advances.

### 2.22 Leasing transactions

The company accounts for its contracts longer than 12 months within the scope of TFRS 16.

Lease payments made for contracts with a duration of less than 12 months or with a low value that are not considered within the scope of TFRS 16 are recorded as expense in equal amounts throughout the lease term.

The company rents real estate and cars.

The duration of financial leasing contracts is maximum 5 years. Tangible assets acquired by way of finance leases are recorded in tangible assets and the obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the financial statements. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies *(continued)*

### 2.22 Leasing transactions *(continued)*

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

Book value of the lease liability after the lease actually started; remeasured as reflectable to increase the interest in the lease liability, decreased as reflectable the lease payments made, to reflect all reassessments and changes made in the lease, or to reflect fixed lease payments of its revised core.

The interest on the lease liability for each period in the lease term is the amount found as calculated by fixed periodic interest rate to the remaining balance of the lease liability.

After the lease actually starts, the lease liability is remeasured to reflect changes in lease payments. The remeasured amount of the lease liability is reflected in the financial statements as a correction in the right of use.

In case of a change in the duration of the first lease or use of the purchase option, a revised discount rate is used to reflect the changes in the interest rate. However, if there is a change in the lease liabilities arising from a change in an index used in determining the future lease payments or the amounts expected to be paid within the context of the residual value commitment, the unmodified discount rate is used.

Regarding a change that is not recognized as a separate lease, the lease liability is remeasured by reducing the revised lease payments at a revised discount rate at the date of implementation of the change. The revised discount rate is determined as the incremental borrowing rate at the date of application of the change. For changes that narrow the scope of the lease, the carrying amount of the right of use is reduced to reflect the partial or complete termination of the lease. Gains or losses related to the partial or complete termination of the lease are recognized in profit or loss. Corrections are made on the right of use for all other changes.

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease.

Based on the evaluation made by the company's senior management, it has been evaluated that the economic effects of the Covid-19 outbreak do not have a negative impact on the Company's rental payment terms and payment schedule as of the reporting date.

### 2.23 Dividend distribution

In line with the decision taken at the Ordinary General Assembly Meeting of the Company held on 3 April 2020 profit was transferred to legal reserves and statutory reserves.

### 2.24 Reserve for unearned premiums

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

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.24 Reserve for unearned premiums (continued)

In the case of personal accident insurance, annual life insurance and life insurance which of the renewal date exceeds one year, reserve for unearned premiums is calculated for the portion of the remaining part which is left after deducting savings from gross premium written for the period. Insurance policies covering possibilities of life and death or both and personal accident, disability by illness and serious illness insurance policies are considered as life insurance policies and their premiums are classified as life insurance premiums.

Provision for unearned premiums; During the calculation of unearned premium reserves based on the "Sector Announcement Regarding the Implementation of Legislation Regarding Technical Provisions" dated 27 March 2009 and numbered 2009/9 published by the Ministry of Treasury and Finance, all the policies are started at 12:00 pm and finished at 12:00 pm so provisions for unearned premiums have been calculated as half day for the starting day and end day for all the policies.

According to the Communiqué on Technical Reserves, for the calculation of unearned premium reserves of foreign currency indexed insurance agreements, foreign currency selling exchange rates announced by Central Bank of the Republic of Turkey will be considered, unless there is a specified exchange rate in the agreement.

As of 31 December 2020, the Company provided TL 86.449.178 net unearned Premium reserve in its financial statements (31 December 2019: TL 48.745.873).

### 2.25 Reserve for unexpired risks

In accordance with the Communiqué on Technical Reserves, while providing reserve for unearned premiums, in each accounting period, the companies should perform adequacy test covering the preceding 12 months due to the probability that future claims and compensations of the outstanding policies may be in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/premium ratio. Expected claim/premium ratio is calculated by dividing incurred losses (provision for outstanding claims, net at the end of the period + claims paid, net – provision for outstanding claims, net at the beginning of the period) to earned premiums (written premiums, net + reserve for unearned premiums, net at the beginning of the period – reserve for unearned premiums, net at the end of the period). In the calculation of earned premiums; deferred commission expenses paid to the agencies and deferred commission income received from the reinsurance firms which were netted off from reserve for unearned premiums both at the beginning of the period and at the end of the period are not taken into consideration.

In accordance with Treasury Communiqué numbered 2012/15, unexpired risk reserve started to be calculated over main branches as of 31 December 2012. The test is performed on branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch. As of 31 December 2020, the Company has not provided any reserve for unexpired risks (31 December 2019: None).

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.26 Provision for outstanding claims

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Provision for outstanding claims 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.

In this context, as of 31 December 2020, the Company allocated a net provision for outstanding claims amounting to TL 15.417.594 (31 December 2019: TL 7.200.578) in its financial statements regarding incurred but not reported compensation amounts.

Identity Sharing System (KPS) in order not to be insufficient against the fluctuations in the future periods as of November 2016, the calculation of the realized but not reported damage and compensation amounts due to the insufficiency of the premiums and average coverage amounts written in the previous years for the contracts of the Company for consistent calculation) based on the data obtained with the query, the coverage amounts of the insured customers in the Company portfolio, whose damage has been realized within the policy period and whose notification has not yet been officially delivered to the Company, has been set aside as a loss compensation provision that has been incurred but has not yet been reported. For contracts with a term of more than one-year, additional provision was made using the industry average and the premium generated, in line with the actuary's opinion, in addition to the data obtained through the KPS query.

As of 31 December 2020, the Company does not have any additional outstanding claims reserve required as a result of the calculation of outstanding claims reserve adequacy difference in accordance with the actuarial chain ladder method (31 December 2019: None).

### 2.27 Mathematical reserves

In accordance with the Communiqué on Technical Reserves, companies performing in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal accident insurance contracts. Mathematical provisions are composed of actuarial mathematical provisions and profit-sharing provisions.

Actuarial mathematical provisions, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method). In life insurance where saving plan premiums are also generated, actuarial mathematical provisions consist of total saving plan portions of premiums.

Provision for profit sharing consist of profit sharing calculated in previous years and a certain percentage of current period's income, determined in the approved profit-sharing tariffs, obtained from the financial assets backing liabilities of the Company against the policyholders and other beneficiaries for the contracts which the Company is liable to give profit sharing.

The valuation method used in calculation of the profit to be shared for saving life contracts is the same with the valuation basis of portfolio on which assets on which the Company invests the provisions allocated due to liabilities against the beneficiaries are included in the framework of basis defined in the Note 2.8 "Financial Assets". As of 31 December 2020, it has reserved mathematical reserves amounting to TL 3.108.669 (31 December 2019: 5.153.140 TL).



# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.28 Equalization reserve

The companies have to reserve equalization provision for loans and earthquake guarantees provided in all branches to equalize the possible fluctuations and to cover catastrophic risks including additional guarantees.

In addition, in accordance with the related article, equalization reserves should be calculated as 12% of the earthquake and loan net premiums of each year. Amounts paid for non-proportional reinsurance contracts should be considered as premiums ceded in the calculation of net premium. In the non-proportional reinsurance agreements including more than one branch, the amount of premium carried forward per each credit and earthquake branches is calculated with respect to its portion in the total premium amount unless another calculation method is determined by the Company. Allocation of provisions should be continued until it is reached the 150% of the highest amount of net premium written in the last five years. If reserve amount is less than the reserve amount reflected in the prior year's balance as a result of the premium production following the related 5 year-period, the difference is recognized under the other reserve account in equity. The amount transferred to the equity can be taken as reserve, used for capital increase or payment of indemnities. In life insurance providing death benefit, the Company will be using its own statistical data in the calculation of balancing provision. The Companies which do not have data to make the necessary calculations will take the 11% of the death net premium as the earthquake premium and reserve the 12% of this amount. In the case of an earthquake or a loss in the loan branch and related financial year, provisions reserved for loan or earthquake guarantees can be used in the payment of indemnities. If claim is incurred, reinsurers share and the amount(s) less than the exemption limit set out in the agreement will not be deducted against equalization reserves.

According to Circular No:2010/1, "The Circular on the Use of Equalization Reserve and Additional Information about some other Circulars", it is possible to use the equalization reserve provided for catastrophic claims on the reimbursement of catastrophic claims. Additionally, it is possible to net off the outstanding claims provided, based on expertise report or the documents provided from legal authorities in case of catastrophe, from the equalization reserve. However, the related net off should not be done from current year equalization reserve. Besides, incurred catastrophic claims should be recorded to related technical accounts that incurred catastrophic claims covered from the equalization reserve should be debited from balance sheet account of equalization reserve and credited to the changes in other technical reserves account. On the other hand, it is possible to not to include paid catastrophic claims provided from the equalization reserve to the calculation of IBNR. Equalization provisions are presented under "other technical reserves" within long-term liabilities in the accompanying financial statements.

As of 31 December 2020, the Company reserved provision for equalization reserve amounting to TL 4.881.456 (31 December 2019: TL 2.340.365) (Note 17)



# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.29 Provision for bonus and rebates

Provision for bonus and rebates is the provision required to be allocated in case a bonus or rebate is committed to the insured with respect to the policies in effect in the current period and without the condition of the renewal of policy in following periods. In case insurance companies implement bonus and rebates, the provision shall be comprised of the bonus and rebate amounts allocated for the insured and beneficiaries according to the technical results of the current year. The bonuses and rebates shall cover all amounts paid or to be paid to the beneficiary or the insured in the current accounting period. The payment shall be carried out through discounts from future premiums of the insured or increases in mathematical provisions. The companies are required to specify in the contract the bonus and discount amounts they undertake. As of 31 December 2020, there is no provision for bonus and rebates (31 December 2019: None).

### 2.30 Related parties

For the purpose of the financial statements, the party is deemed to be related to the Company in the presence of one of the following criteria:

(a) The party in question, either directly or indirectly through one or more intermediaries:

- controlling the entity, controlling it by the entity or being under common control with the entity (including parent companies, subsidiaries and affiliates in the same business);
- the proportion of the company that has significant impact on the company or
- Have joint control over the company;

(b) the party is a subsidiary of the Company;

(c) the party has a business partnership in which the Company is a joint venture;

(d) the party is a member of the key management personnel of the Company or its parent company;

(e) the party is a close family member of any individual referred to in (a) or (d);

(f) the Party; controlled, jointly controlled or under significant influence, or an entity in which any individual referred to in (d) or (e) has significant voting rights, directly or indirectly;

(g) The entity has a benefit plan that is provided to an employee of an entity or an entity that is a related party of the entity after the employee has left the company.

Transactions with related parties are transfers between related parties regardless of whether the resources, services or obligations are a consideration.

Due to ordinary activities, some business relations can be entered into with related parties.

### 2.31 Earnings per share

According to TAS 33 "Earnings per Share", equity shares are not obliged to disclose earnings per share for companies that are not traded in the stock market. Earnings / losses per share have not been calculated in the accompanying financial statements since the Company's shares are not traded in the stock exchange.

### 2.32 Events after the reporting period

Post-balance sheet events that provide additional information about the Company's position at the reporting dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.33 New standards and interpretations not yet adopted

#### *Standards issued but not yet effective and not early adopted*

New standards, interpretations and amendments to existing standards are not effective at reporting date but earlier application is permitted; however the Company has not early adopted are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

#### **Amendments to TFRS 4: Applying TFRS 9 Financial Instruments with TFRS 4 Insurance Contracts**

TFRS 4 has also been amended by POA within the amendments issued by IASB in order to reduce the impact of the differing effective dates of the new insurance contracts standard and TFRS 9. These amendments to TFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying TFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognized in profit or loss under TFRS 9 and those that would have been reported under TAS 39; or ii) an optional temporary exemption from applying TFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2021. These companies will be permitted to continue to apply existing requirements for financial instruments in TAS 39.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 4.

#### **TFRS 17 – Insurance Contracts**

On 16 February 2019, POA issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. TFRS 17 replaces TFRS 4, which was brought in as an interim Standard in 2004. TFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. TFRS 17 solves the comparison problems created by TFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. TFRS 17 has an effective date of 1 January 2023 but companies can apply it earlier.

The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 17.

#### **TFRS 15 Revenue from Contracts with Customers**

As issued in September 2016 by Turkish Public Oversight Authority ("POA"), the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. In accordance with the letter submitted by Turkey Insurance Association dated 7 May 2018 and numbered 2018-354, the request of postponement of implementation of TFRS 15 in line with TFRS 17 and TFRS 9 transition is evaluated positively by the Republic of Turkey Ministry of Treasury and Finance and the announcement about the issue will be made with the circular after official approval.

The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 15.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.33 New standards and interpretations not yet adopted (continued)

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

#### **Classification of Liabilities as Current or Non-current (Amendments to TAS 1)**

On 23 January 2020, IASB issued “Classification of Liabilities as Current or Non-Current” which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

- (a) Specifying that an entity’s right to defer settlement must exist at the end of the reporting period;
- (b) Clarifying that classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement;
- (c) Clarifying how lending conditions affect classification; and
- (d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Company shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, IASB decided to defer the effective date of IAS 1 until 1 January 2023 with the amendment published on 15 July 2020, and the amendment was issued by POA on 15 January 2021.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IAS 1.

#### **Covid-19 related rent concession (Amendments to TFRS 16)**

In May 2020, IASB issued Covid-19 related rent concession which amends TFRS 16 Leases which is also issued by POA on 5 June 2020.

The amendments allow lessees not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration,
- the reduction in lease payments relates to payments due on or before 30 June 2021,
- no other substantive changes have been made to the terms of the lease.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The Company shall apply these amendments for annual periods beginning on or after 1 June 2020 with earlier application permitted.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies *(continued)*

### 2.33 New standards and interpretations not yet adopted *(continued)*

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

#### **Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 16)**

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments 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.

The amendments improve transparency and consistency by clarifying the accounting requirements specifically, the amendments 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. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

#### **Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 37)**

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. And then, TAS 37 amendment was issued on 27 July 2020 by POA to reflect these amendments.

IASB developed amendments to TAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

#### **Reference to the Conceptual Framework (Amendments to TFRS 3)**

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.

The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. And then, TFRS 3 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.33 New standards and interpretations not yet adopted (continued)

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

*Annual Improvements to TFRS Standards 2018–2020*

#### **Improvements to TFRS's**

For the current standards, "Annual Improvements in TFRSs / 2018-2020 Cycle" published by POA on 27 July 2020 is presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Company does not expect that application of these improvements to TFRSs will have significant impact on its financial statements.

#### *TFRS 1 First-time Adoption of International Financial Reporting Standards*

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to TFRSs. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

#### *TFRS 9 Financial Instruments*

This amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

#### *IFRS 16 Leases, Illustrative Example 13*

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. It will help to remove the potential for confusion in identifying lease incentives in a common real estate fact pattern.

#### **IBOR Reform and its Effects on Financial Reporting—Phase 2**

In August 2020, IASB issued amendments that complement those issued in 2019 and focus on the effects of the interest rate benchmark reform on a company's financial statements that arise when, for example, an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate.

The Phase 2 amendments, Interest Rate Benchmark Reform—Phase 2, address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). In 2019, the Board issued its initial amendments in Phase 1 of the project.

The objectives of the Phase 2 amendments are to assist companies in:

- applying IFRS Standards when changes are made to contractual cash flows or hedging relationships because of the interest rate benchmark reform; and
- providing useful information to users of financial statements.

In Phase 2 of its project, the Board amended requirements in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities;
- hedge accounting; and
- disclosures.

The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies *(continued)*

### 2.33 New standards and interpretations not yet adopted *(continued)*

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

#### **Amendments are effective on 1 January 2020**

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2020 are as follows:

1-) The revised Conceptual Framework (Version 2018)

2-) Amendments to IAS 1 and IAS 8 - Definition of Material

The application of the amendment to IAS 1 and IAS 8 is not expected to have a significant effect on the financial statements of the Company.

4-) Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The application of this amendment did not have a significant impact on the financial statements of the Company.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 3 Critical Accounting estimates and judgements in applying accounting policies

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

The preparation of financial statements requires the use of estimates and assumptions that affect the amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the amounts of income and expenses reported during the reporting period. Accounting assessments are based on estimates and assumptions, past experience and other factors and reasonable expectations regarding future events with respect to reasonable conditions. Although these assumptions and estimates are based on management's best knowledge of current events and transactions, actual results may differ from their assumptions.

One of the most important accounting estimates for the Company is to estimate the ultimate net liability for claim payments that will arise from policies in force. Estimating insurance liabilities includes the assessment of a large number of inherent uncertainties.

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

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

Note 2.26 – Provision for outstanding claims

Note 2.27 – Mathematical Provisions

Note 4.1 – Management of insurance risk

Note 4.2 – Management of financial risk

Note 10 – Reinsurance assets/liabilities

Note 11 – Financial assets

Note 12 – Loans and receivables

Note 17 – Insurance liabilities and reinsurance assets

Note 18 – Investment contract liabilities

Note 19 – Trade and other payables, deferred income

Note 21 – Deferred income taxes

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 4 Management of insurance and financial risk

### 4.1 Management of insurance risk

#### Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of the insurance contracts, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The Company's strategy of policy is the most accurate distribution based on size and type of undertaken risk. The Company determines its insurance underwriting strategy based on the type of insurance risk accepted and the claims incurred.

The company manages associated risks with reinsurance agreements that are in all branches and production strategy which is shaped by the Company. The company shares large-scale risks that may arise in natural disasters such as earthquakes, terrorism, or large-scale accidents, with catastrophic damages agreements with the reinsurers.

The following factors are considered in the risk acceptance policy in the Life and Personal Accident branches:

#### *Medical-risk assessment*

Medical risk assessment is the first step of risk assessment process. In order to learn and evaluate the health positions of the customers, they are requested to do check-up test in accordance with the conditions determined based on the amount of insured risk. Within this context, first evaluation is performed by the Company's medical doctor through medical assessment. Applicants carrying medical risk factors are rejected in accordance with the terms of agreement with reinsurer.

#### *Moral-risk assessment*

In the second step of the risk assessment process, information about the customers' gender, living conditions, residence and the occupational information is obtained. During this process, sales force of the Company is expected to support related units of the Company for suspicious circumstances of the customers which are re-assessed.

#### *Financial risk assessment*

In the third step of the risk assessment process, requirement for customers' request for the amount of life insurance limits and their annual income or the amount of the loans requested from the banks being equal to each other is analyzed. A big amount of the Company's portfolio consists of bank products, total amount of insured risk is expected to match with the total amount of banks' credit risks. Evaluation of the credit risks of the customers by the banks as a part of their credit facilities is an important step for the Company's financial risk assessment process.

Insurance guarantees given in the life branch where the company operates are as follows:

	31 December 2020		31 December 2019	
	Coverage Amount (TL)	Number	Coverage Amount (TL)	Number
Life	17.282.869.153	2.727.619	14.881.399.712	2.603.816
Personal Accident	60.044.126.380	1.677.000	57.656.541.220	1.700.992
	<b>77.326.995.533</b>	<b>4.404.619</b>	<b>72.537.940.932</b>	<b>4.304.808</b>



# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 4 Management of insurance and financial risk (continued)

### 4.1 Management of insurance risk (continued)

#### Insurance Risk (continued)

The portion of the Company that is transferred to total risk reinsurers on the basis of risk assurance is explained below:

	31 December 2020	31 December 2019
Death	13.229.659.176	1.218.514.099
Accidental death	28.831.895.000	27.076.350.000
Accidental disability	30.312.086.026	27.165.606.906
Illness disability	464.538.950	-
Critical illnesses	1.034.330.000	-
Unemployment	-	3.735.000
Accidental fracture	1.676.889.900	1.700.800.600
Accidental burn	1.676.982.000	1.700.985.000
Emergency healing	100.614.480	102.045.620

As of 31 December 2020 and 31 December 2019, "damage/ premium rate of the Company are as follows:

	31 December 2020	31 December 2019
Net	58%	42%
Gross	51%	43%

The Company makes risk assessments by considering possibilities of cumulative insurance risk, the damage results and taking into consideration the gender, nature and geographical position of the existing risks and the greatest number of risk groups in order to obtain optimum damage results.

The company has insurance contracts in life insurance and personal accident branches. Accordingly, in the insurance contracts organized, the intensification of the insurance risk according to the nature of the insurance is grossly and clearly summarized in the following table:

Branches	31 December 2020			31 December 2019		
	Total gross risk obligation	Share of reinsurers in total risk obligation	Risk obligation, net	Total gross risk obligation	Share of reinsurers in total risk obligation	Risk obligation, net
Life	17.282.869.153	464.538.950	16.818.330.203	14.881.399.712	1.311.546.005	13.569.853.708
Personal accident	60.044.126.380	11.007.128.530	49.036.997.850	57.656.541.220	57.656.491.220	50.000
<b>Total <sup>(1)</sup></b>	<b>77.326.995.533</b>	<b>11.471.667.480</b>	<b>65.855.328.053</b>	<b>72.537.940.932</b>	<b>58.968.037.225</b>	<b>13.569.903.708</b>

<sup>(1)</sup> Total risk obligation includes death and additional collateral amounts of all policies in force.

The liabilities of insurance contract are summarized in the table below as gross and net (after reinsurance) in terms of currency

	31 December 2020			31 December 2019		
	Total gross risk obligation	Share of reinsurers in total risk obligation	Risk obligation, net	Total gross risk obligation	Share of reinsurers in total risk obligation	Risk obligation, net
TL	89.711.565	10.619.024	79.092.541	40.290.041	6.833.883	33.456.158
<b>Total <sup>(1)</sup></b>	<b>89.711.565</b>	<b>10.619.024</b>	<b>79.092.541</b>	<b>40.290.041</b>	<b>6.833.883</b>	<b>33.456.158</b>

<sup>(1)</sup> Total claims obligation includes actual estimated compensation costs.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 4 Management of insurance and financial risk *(continued)*

### 4.2 Management of financial risk

#### Introduction and overview

This note shows the Company's exposure to risks for each of the following, the policies, procedures and objectives that the Company applies to manage and measure the risks in this direction, and information on capital management. In summary, the basic financial risk is that the revenues from financial assets are insufficient to meet the obligations arising from insurance contracts. The most important components of the financial risk are market risk (currency risk, market interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the volatility of financial markets and the minimization of the potential adverse effects on the financial performance of the Company. The Company does not use any derivative financial instruments. Risk management is carried out in accordance with the procedures approved by the Board of Directors.

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

#### Credit risk

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. The balance sheet items that the Company is exposed to credit risk are as follows:

- cash at banks
- available-for-sale financial assets
- financial assets for trade
- premium receivables from policyholders
- receivables from intermediaries (agencies)
- receivables from reinsurance companies related to claims paid and commissions accrued
- reinsurance shares of insurance liabilities
- due from related parties
- other receivables

Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholders. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of the reinsurance contract.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 4 Management of insurance and financial risk (continued)

### 4.2 Financial risk management (continued)

#### Credit risk (continued)

Net carrying value of the assets that are exposed to credit risk is shown in the table below:

	31 December 2020	31 December 2019
Cash and cash equivalents (Note 14)	46.175.355	29.147.891
Financial assets (Note 11)	441.653	441.653
Receivables from main operations (Note 12)	823.066.658	640.446.200
Other receivables (Note 12)	9.749	390.477
Prepaid taxes and funds (Note 12)	-	573.834
Reinsurer share in provision for outstanding claims (Note 10), (Note 17)	8.350.119	5.442.985
<b>Total</b>	<b>878.043.534</b>	<b>676.443.040</b>

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

	31 December 2020		31 December 2019	
	Gross Amount	Provision	Gross Amount	Provision
Not past due <sup>(1)</sup>	823.070.883	-	640.438.095	-
Past due 0-30 days	-	-	10.333	-
Past due 31-60 days	-	-	194	-
Past due 61-180 days	-	-	(2.422)	-
Past due 181-365 days	340.988	(345.213)	341.255	(341.255)
Past due over a year	-	-	-	-
<b>Total</b>	<b>823.411.871</b>	<b>(345.213)</b>	<b>640.787.455</b>	<b>(341.255)</b>

<sup>(1)</sup> Receivables from pension activities amounting to TL 735.564.535 are classified under non-current receivables (31 December 2019: TL 538.447.687).

The movement of the provision for receivables from insurance operations is as follows:

	31 December 2020	31 December 2019
Provision for receivables from insurance operations at the beginning of the period	341.255	329.022
Provision for doubtful receivables during the period (Note 47)	3.958	339.039
Collections during the period (Note 47)	-	(329.022)
<b>Provision for receivables from insurance operations at the end of the period</b>	<b>345.213</b>	<b>339.039</b>

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 4 Management of insurance and financial risk (continued)

### 4.2 Financial risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments.

#### Management of the Liquidity Risk

The Company considers the maturity match between assets and liabilities for the purpose of avoiding liquidity risk and ensures that it will always have sufficient liquidity to meet its liabilities when due. The following table provides an analysis of monetary assets and monetary liabilities of the Company into relevant maturity groupings based on the remaining periods to maturity:

31 December 2020	Carrying Value	Up to 3 month	3 months to 1 year	1 year to 5 years	Over 5 years	Retained
Cash and cash equivalents	46.175.355	17.175.355	29.000.000	-	-	-
Financial investments	23.066.896	441.653	-	22.625.243	-	-
Receivables from main operations	823.066.658	87.502.123	-	-	-	735.564.535
Other receivables	9.749	3.989	-	5.760	-	-
Expenses and income accruals	39.214.295	-	39.214.295	-	-	-
Receivables from related parties	409	409	-	-	-	-
<b>Total monetary assets</b>	<b>931.533.362</b>	<b>105.123.529</b>	<b>68.214.295</b>	<b>22.631.003</b>	<b>-</b>	<b>735.564.535</b>
Payables arising from main operations	751.229.527	15.664.992	-	-	-	735.564.535
Due to related parties	2.401.986	2.401.986	-	-	-	-
Insurance technical provisions <sup>(1)</sup>	15.417.594	-	15.417.594	-	-	-
Life mathematical provisions	3.108.669	-	106.228	3.002.441	-	-
Provisions for taxes and other similar obligations	713.151	713.151	-	-	-	-
Provisions for other risks	1.617.979	-	1.077.854	540.125	-	-
Expenses and income accruals	1.920.063	1.920.063	-	-	-	-
Financial liabilities	2.017.838	-	1.411.843	605.995	-	-
Other short-term liabilities	17.486	17.486	-	-	-	-
<b>Total monetary liabilities</b>	<b>778.444.293</b>	<b>20.717.678</b>	<b>18.013.519</b>	<b>4.148.561</b>	<b>-</b>	<b>735.564.535</b>

31 December 2019	Carrying Value	Up to 3 month	3 months to 1 year	1 year to 5 years	Over 5 years	Retained
Cash and cash equivalents	29.147.891	29.147.891	-	-	-	-
Financial investments	441.653	441.653	-	-	-	-
Receivables from main operations	640.446.200	101.998.513	-	-	-	538.447.687
Other receivables	390.477	384.717	-	5.760	-	-
Expenses and income accruals	34.643.729	-	34.643.729	-	-	-
Other assets	54.000	54.000	-	-	-	-
<b>Total monetary assets</b>	<b>705.123.950</b>	<b>132.026.774</b>	<b>34.643.729</b>	<b>5.760</b>	<b>-</b>	<b>538.447.687</b>
Payables arising from main operations	579.708.186	41.260.499	-	-	-	538.447.687
Due to related parties	2.444.332	2.444.332	-	-	-	-
Insurance technical provisions <sup>(1)</sup>	7.200.578	-	7.200.578	-	-	-
Life mathematical provisions	5.153.140	-	2.674.983	2.478.157	-	-
Provisions for taxes and other similar obligations	4.774.948	4.774.948	-	-	-	-
Provisions for other risks	1.983.703	-	1.548.768	434.935	-	-
Expenses and income accruals	12.590.133	12.590.133	-	-	-	-
Financial liabilities	2.548.524	-	1.074.958	1.473.566	-	-
<b>Total monetary liabilities</b>	<b>616.403.544</b>	<b>61.069.912</b>	<b>12.499.287</b>	<b>4.386.658</b>	<b>-</b>	<b>538.447.687</b>

<sup>(1)</sup> All outstanding claims provision has been presented in short-term liabilities in the accompanying tables.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 4 Management of insurance and financial risk (continued)

### 4.2 Financial risk management (continued)

#### Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, credit spreads, real estate fair values and general commodity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to identify potential risks and to measure, monitoring and reporting market risk exposures within acceptable parameters, while optimizing the risk appetite of the Company's return on risk.

#### Currency risk

Foreign exchange gains and losses due to foreign currency denominated transactions are recognized in the statement of income. Monetary assets and liabilities denominated in foreign currencies are measured at the exchange rates ("TL") ruling at the reporting date with the resulting exchange differences recognized in the statement of income as foreign exchange gains or losses.

The Company does not have foreign currency risk is.

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

Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are measured as TL at the purchasing exchange rates announced by the Central Bank of Turkey ruling at 31 December 2020 and 31 December 2019. Only life mathematical provisions and loans to the policyholders are measured at effective selling rates announced by the Central Bank of Turkey as disclosed on the face of policies.

Foreign exchange rates used for the translation of foreign currency denominated monetary assets and liabilities as at balance sheet date are as follows:

31 December 2020	US Dollar	Euro
Foreign currency rate used in translation of balance sheet items	7,3405	9,0079
31 December 2019	US Dollar	Euro
Foreign currency rate used in translation of balance sheet items	5,9402	6,6506

#### Exposure to interest rate risk

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

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 4 Management of insurance and financial risk (continued)

### 4.2 Financial risk management (continued)

#### Market risk (continued)

As at the reporting date, the interest rate profile of the Company's interest earning financial assets and interest-bearing financial liabilities are detailed below:

	31 December 2020	31 December 2019
<b>Financial assets:</b>		
<i>Financial assets with fixed interest rates:</i>		
Cash at banks (Note 14)	43.240.601	26.160.930

#### Interest rate sensitivity of the financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income for the trading financial assets and financial liabilities held at 31 December 2020. This analysis assumes that all other variables remain constant. The Company has no any financial instruments for the years ended 31 December 2020 and 31 December 2019. Therefore, financial sensitivity analysis of financial instruments has not been conducted.

#### Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where they exist, appropriate valuation methodologies. The Company has classified its marketable securities as available-for-sale, and financial investments with risks on life insurance policyholders as available-for-sale. Available-for-sale financial assets are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying financial statements.

Company management estimates that the fair value and carrying value of the other financial asset and liabilities are not significantly different. The total value of the pension funds constituting the long-term receivables and payables of the Company is accounted with their fair values.

#### Classification relevant to fair value information

TFRS 7 – *Financial Instruments: Disclosures* requires the measurements of fair value of financial instruments to be classified in a hierarchy that reflects the significance of the valuation inputs used. This classification priorities observable data, using market data obtained from independent sources, in preference to unobservable data that relies, for example on the use of predictions and assumptions about market prices by the Company. This sort of categorization generally results in the classifications below:

Held-to-maturity financial assets are not available as of 31 December 2020 (31 December 2019: None).

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 (i.e., as prices) or indirectly (i.e., derived from prices).

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

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 4 Management of insurance and financial risk (continued)

### 4.2 Management of financial risk (continued)

#### Market risk (continued)

Classification relevant to fair value information (continued)

Classification requires the use of observable market data if available. The fair value classification of financial assets and liabilities measured at fair value in this framework is as follows:

	31 December 2020			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Subsidiaries (Note 9)	-	-	22.625.243	22.625.243
<b>Total financial assets</b>	-	-	22.625.243	22.625.243
<b>Financial liabilities</b>				
Payables from Individual Pension Operations – payables to participants	735.564.535	-	-	735.564.535
<b>Total financial liabilities</b>	735.564.535	-	-	735.564.535
	31 December 2019			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Receivables from Individual Pension Operations – receivables from clearing house on behalf of the participants (Note 18)	538.447.687	-	-	538.447.687
<b>Total financial assets</b>	538.447.687	-	-	538.447.687
<b>Financial liabilities</b>				
Payables from Individual Pension Operations – payables to participants	538.447.687	-	-	538.447.687
<b>Total financial liabilities</b>	538.447.687	-	-	538.447.687

#### Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by the Republic of Turkey Ministry of Treasury and Finance;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders,
- To provide an adequate return to shareholders by pricing insurance contracts in line with the level of risk assumed

In accordance with the "Circular Regarding the Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Private Pension Companies" issued by the Republic of Turkey Ministry of Treasury and Finance on 19 January 2008 dated and 26761 numbered Official Gazette, the Company measured its minimum capital requirement as at 31 December 2020 as TL 41.587.867 (31 December 2019: TL 47.600.303). As at 31 December 2020, the Company's total equity in its statutory financial statements amounted to TL 64.904.750 (31 December 2019 : TL 48.640.860) which is TL 23.316.883 above the minimum capital requirement amount.

#### Gains and losses arising from financial assets

<b>Gains and losses recognized in the statement of income:</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Dividend income from bank deposits	3.487.259	4.226.210
Valuation of financial investment	490.601	160.930
Foreign exchange gains	296.594	-
<b>Investment income</b>	<b>4.274.454</b>	<b>4.387.140</b>
Investment management expenses	(235.698)	(278.557)
Foreign exchange losses	(50.642)	(83.474)
<b>Investment expense</b>	<b>(286.340)</b>	<b>(362.031)</b>
<b>Financial gains and losses recognized in the statement of income, net</b>	<b>3.988.114</b>	<b>4.025.109</b>

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 5 Segment reporting

Segment reporting is presented based on the Company's operations segments. The Company's main segment reporting is based on the Company's operations.

The related assets and liabilities by branches and operation results are prepared according to the accounting interpretations explained under "Summary of Significant Accounting Policies".

### Segment of activity areas:

The Company has not publicly held company status. Therefore, there is no reporting in terms of activity areas.

### Geographical segment reporting

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

## 6 Tangible assets

Movements in tangible assets in the period from 1 January to 31 December 2020 are presented below:

	1 January 2020	Additions	Disposals	Transfers	31 December 2020
<b>Cost:</b>					
Furnitures and fixtures	5.631.127	607.661	(77.592)	-	6.161.196
Leasehold improvements	340.797	-	-	-	340.797
Vehicles	330.000	-	(50.000)	-	280.000
Right of use asset <sup>(*)</sup>	3.496.125	392.020	-	-	3.888.145
<b>Total</b>	<b>9.798.049</b>	<b>999.681</b>	<b>(127.592)</b>	<b>-</b>	<b>10.670.138</b>
<b>Accumulated depreciation:</b>					
Furnitures and fixtures	(2.117.899)	(1.095.513)	51.481	-	(3.161.931)
Leasehold improvements	(118.156)	(68.160)	-	-	(186.316)
Vehicles	(49.500)	(62.667)	14.167	-	(98.000)
Right of use asset <sup>(*)</sup>	(1.127.382)	(993.881)	-	-	(2.121.263)
<b>Total</b>	<b>(3.412.937)</b>	<b>(2.220.221)</b>	<b>65.648</b>	<b>-</b>	<b>(5.567.510)</b>
<b>Net book value</b>	<b>6.385.112</b>				<b>5.102.628</b>

<sup>(\*)</sup>As of 31 December 2020, right-of-use assets comprises from leased buildings and vehicles. See note 20 for detailed explanation.

Movements in tangible assets in the period from 1 January to 31 December 2019 are presented below:

	1 January 2019	Additions	Disposals	Transfers	31 December 2019
<b>Cost:</b>					
Furnitures and fixtures	3.249.592	2.824.217	(442.682)	-	5.631.127
Leasehold improvements	358.889	5.782	(23.874)	-	340.797
Vehicles	-	330.000	-	-	330.000
Right of use asset <sup>(*)</sup>	-	3.496.125	-	-	3.496.125
<b>Total</b>	<b>3.608.481</b>	<b>6.656.124</b>	<b>(466.556)</b>	<b>-</b>	<b>9.798.049</b>
<b>Accumulated depreciation:</b>					
Furnitures and fixtures	(1.808.417)	(554.879)	251.005	-	(2.112.291)
Leasehold improvements	(55.826)	(67.938)	-	-	(123.764)
Vehicles	-	(49.500)	-	-	(49.500)
Right of use asset <sup>(*)</sup>	-	(1.127.382)	-	-	(1.127.382)
<b>Total</b>	<b>(1.864.243)</b>	<b>(1.799.699)</b>	<b>251.005</b>	<b>-</b>	<b>(3.412.937)</b>
<b>Net book value</b>	<b>1.744.238</b>				<b>6.385.112</b>

<sup>(\*)</sup>As of 31 December 2019, right-of-use assets comprises from leased buildings and vehicles. See note 20 for detailed explanation.

There is not any change in depreciation method in the current period.

There are no mortgages over tangible assets as of 31 December 2020 (31 December 2019: None).



# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 7 Investment properties

None.

## 8 Intangible assets

Movements in intangible assets in the period between 1 January - 31 December 2020 are presented below:

	1 January 2020	Addition	Disposal	Transfers	31 December 2020
<i>Cost:</i>					
Computer software	8.966.632	576.278	-	-	9.542.910
<b>Total</b>	<b>8.966.632</b>	<b>576.278</b>	<b>-</b>	<b>-</b>	<b>9.542.910</b>
<i>Accumulated amortization:</i>					
Computer software	(7.379.650)	(900.491)	-	-	(8.280.141)
<b>Total</b>	<b>(7.379.650)</b>	<b>(900.491)</b>	<b>-</b>	<b>-</b>	<b>(8.280.141)</b>
<b>Net book value</b>	<b>1.586.982</b>				<b>1.262.769</b>

Movements in intangible assets in the period between 1 January and 31 December 2019 are presented below:

	1 January 2019	Addition	Disposal	Transfers	31 December 2019
<i>Cost:</i>					
Computer software	8.101.177	924.589	(59.134)	-	8.966.632
<b>Total</b>	<b>8.101.177</b>	<b>924.589</b>	<b>(59.134)</b>	<b>-</b>	<b>8.966.632</b>
<i>Accumulated amortization:</i>					
Computer software	(6.579.197)	(893.259)	92.806	-	(7.379.650)
<b>Total</b>	<b>(6.579.197)</b>	<b>(893.259)</b>	<b>92.806</b>	<b>-</b>	<b>(7.379.650)</b>
<b>Net book value</b>	<b>1.521.980</b>				<b>1.586.982</b>

## 9 Investment in Subsidiaries

The company decided to establish Bereket Katılım Hayat A.Ş with a capital of 10.000.000 TL on 30 May 2019, with the title of single shareholder. The company paid a total capital amount of 10.000.000 TL to Bereket Katılım Hayat Anonim Şirketi, which was 2.500.000 TL on 17 July 2019 and 7.500.000 TL on 27 August 2019.

The valuation was made by 25 Yeditepe Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş. regarding the financial value of Bereket Katılım Hayat A.Ş., the subsidiary of the company, as of September 30, 2020. In the company valuation, the addition method, the discounted cash flow method and the guiding precedent method in the stock market are used. According to the valuation report dated 25 January 2021, the fair value of the company has been determined as TL 22.625.243.

	31 December 2020	31 December 2019
Bereket Katılım Hayat Anonim Şirketi	22.625.243	10.000.000
<b>Subsidiaries, net</b>	<b>22.625.243</b>	<b>10.000.000</b>

# Notes to the Unconsolidated Financial Statements As at 31 December 2020 (Currency: Turkish Lira (TL))

## 10 Reinsurance assets and liabilities

Outstanding reinsurance assets and liabilities of the Company, as a ceding company in accordance with the existing reinsurance contracts are as follows:

Reinsurance assets	31 December 2020	31 December 2019
Provision for outstanding claims, ceded (Note 4.2), (Note 17)	8.350.119	5.442.985
Reserve for unearned premiums, ceded (Note 17)	5.734.226	31.453.249
Share of reinsurers in the life mathematical provision (Note 17)	-	1.138.539
<b>Total</b>	<b>14.084.345</b>	<b>38.034.773</b>

The Company has no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2020	31 December 2019
Payables to the reinsurers related to premium ceded (Note 19)	11.866.944	17.355.172
<b>Total</b>	<b>11.866.944</b>	<b>17.355.172</b>

Gains and losses recognized in the statement of income in accordance with existing reinsurance contracts are as follows:

	31 December 2020	31 December 2019
Premiums ceded during the period (Note 17)	(14.020.751)	(50.683.642)
Reserve for unearned premiums, ceded at the beginning of the period (Note 17)	(31.453.249)	(937.447)
Reserve for unearned premiums, ceded at the end of the period (Note 17)	5.734.226	31.453.249
<b>Premiums earned, ceded (Note 17)</b>	<b>(39.739.774)</b>	<b>(20.167.840)</b>
Claims paid, ceded during the period (Note 17)	10.619.024	6.833.883
Provision for outstanding claims, ceded at the beginning of the period (Note 17)	(5.442.985)	(816.447)
Provision for outstanding claims, ceded at the end of the period (Note 17)	8.350.119	5.442.985
<b>Claims incurred, ceded (Note 17)</b>	<b>13.526.158</b>	<b>11.460.421</b>
Commission income accrued from reinsurers during the period	3.240.072	20.213.189
Deferred commission income at the beginning of the period (Note 19)	12.580.506	323.865
Deferred commission income at the end of the period (Note 19)	(565.115)	(12.580.506)
<b>Commission income earned from reinsurers (Note 32)</b>	<b>15.255.463</b>	<b>7.956.548</b>
<b>Change in reinsurer share of life mathematics reserve</b>	<b>(1.138.539)</b>	<b>1.710.628</b>
<b>Total, net</b>	<b>(12.096.692)</b>	<b>959.757</b>

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 11 Financial assets

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

Financial assets and financial investments with risk on policyholders	31 December 2020	31 December 2019
Financial assets held to maturity	-	-
Available for sale financial assets <sup>(1)</sup>	441.653	441.653
Subsidiaries	22.625.243	10.000.000
<b>Total</b>	<b>23.066.896</b>	<b>10.441.653</b>

<sup>(1)</sup> Available-for-sale financial assets with no reliable market value measurement, consist of the Emeklilik Gözetim Merkezi (EGM) shares that are measured at cost.

As at 31 December 2020 the Company doesn't have financial assets held to maturity (31 December 2019: None).

The Company does not have any financial assets issued by related parties.

There are no securities that are issued by the Company during the period or which are previously issued and repayable during the period.

The Company's financial asset portfolios do not include financial assets that have been outstanding but have not yet been impaired.

Excluding bank deposits movements of the financial assets portfolios during the period are as follows:

	31 December 2020		
	Financial assets held to maturity	Financial assets available for sale	Total
<b>Balance at the beginning of the period (Not 4.2)</b>	-	441.653	441.653
Purchases during the period	-	-	-
Disposals (either sold or settled)	-	-	-
Change in the fair values of financial assets	-	-	-
Change in the amortized costs of the financial assets <sup>(1)</sup>	-	-	-
<b>Balance at the ending of the period</b>	-	441.653	441.653

	31 December 2019		
	Financial assets held to maturity	Financial assets available for sale	Total
<b>Balance at the beginning of the period (Note 4.2)</b>	17.032.877	441.653	17.474.530
Purchases during the period	-	-	-
Disposals (either sold or settled)	(17.032.877)	-	(17.032.877)
Change in the fair values of financial assets	-	-	-
Change in the amortized costs of the financial assets <sup>(2)</sup>	-	-	-
<b>Balance at the ending of the period</b>	-	441.653	441.653

<sup>(2)</sup> Consists of income accruals calculated by internal rate's return of rent certificates.

As of 31 December 2020, there are no restrictions on the Company's financial assets (31 December 2019: None).

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 12 Loans and receivables

	31 December 2020	31 December 2019
Receivables from main operations ( <i>Note 4.2</i> )	823.066.658	640.446.200
Other receivables ( <i>Note 4.2</i> )	9.749	390.477
Prepaid taxes and funds ( <i>Note 4.2</i> )	-	573.834
Receivables from related parties	409	-
<b>Total</b>	<b>823.076.816</b>	<b>641.410.511</b>
Short-term receivables	87.974.964	102.957.064
Middle and long-term receivables ( <i>Note 4.2</i> )	735.570.295	538.453.447
<b>Total</b>	<b>823.076.816</b>	<b>641.410.511</b>

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

	31 December 2020	31 December 2019
Receivables from policyholders and agencies	83.684.653	98.963.625
Receivables from reinsurers	1.955.557	1.575.618
<b>Total receivables from main operations</b>	<b>85.640.210</b>	<b>100.539.243</b>
Receivables from private pension operations	737.426.448	539.906.957
<b>Total receivables from private pension operations</b>	<b>737.426.448</b>	<b>539.906.957</b>
Doubtful receivables from main operations ( <i>Note 4.2</i> )	345.213	341.255
Provisions for receivables from main operations operations ( <i>Not 4.2</i> )	(345.213)	(341.255)
<b>Receivables from main operations</b>	<b>823.066.658</b>	<b>640.446.200</b>

### Doubtful provisions for overdue receivables and receivables not due yet

- a) Receivables under legal or administrative follow up (due): TL 345.213 (31 December 2019: TL 341.255).
- b) Provision for premium receivables (due): None (31 December 2019: None).
- c) Provision for impairment for receivables from entrance fees: None (31 December 2019: None).
- d) Provision for impairment for receivables from pension operations: None (31 December 2019: None).

The related party transactions of the Company are presented in *Note 45 – Related party transactions* in detail.

## 13 Derivative financial instruments

As of 31 December 2020, the company has no derivative financial instruments (31 December 2019: None).

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 14 Cash and cash equivalents

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

	31 December 2020		31 December 2019	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Bank deposits	43.658.376	26.898.443	26.898.443	7.507.730
Bank guaranteed credit card receivables with maturity less than three months	2.516.979	2.249.448	2.249.448	2.299.790
<b>Cash and cash equivalents in the balance sheet</b>	<b>46.175.355</b>	<b>29.147.891</b>	<b>29.147.891</b>	<b>9.807.520</b>
Rediscount on bank deposit (free portion)	(490.601)	(160.930)	(160.930)	(37.951)
Blocked amounts	(29.000.000)	(11.000.000)	(11.000.000)	(4.193.679)
<b>Cash and cash equivalents presented in the statement of cash flows</b>	<b>16.684.754</b>	<b>17.986.961</b>	<b>17.986.961</b>	<b>5.575.890</b>

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

	31 December 2020	31 December 2019
Bank deposits in Turkish Lira		
- time deposits (Note 4.2)	43.240.601	26.160.930
- demand deposits	417.775	737.513
<b>Cash at banks</b>	<b>43.658.376</b>	<b>26.898.443</b>

As at 31 December 2020, the Company has a blocked bank deposit amount of TL 29.000.000 on behalf of Republic of Turkey Ministry of Treasury and Finance (31 December 2019: 11.000.000 TL).

All time deposits of the company are TL. Interest rate for TL time deposits is between 16,75% - 18,46%.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 15 Equity

### Paid in Capital

As at 31 December 2020 and 31 December 2019, the authorized nominal share capital of the Company is TL 30.000.000 (31 December 2019: TL 30.000.000) and the share capital of the Company consists of 30.000.000 issued shares with TL 1 nominal value each. (31 December 2019: 30.000.000)

There are not any treasury shares held by the Company itself or by its subsidiaries or associates.

There are not any equity shares issued which will be subject to sale in accordance with forward transactions and contracts.

There are no shares of the Company to be issued for the sale of shares to be sold for futures and contracts.

The shareholder having direct or indirect control over the shares of the Company is Türkiye Tarım Kredi Kooperatifleri Merkezi Birliği, having 89,09% of the outstanding shares.

### Legal and extraordinary reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital but may be used to absorb losses in the event that the general reserve is exhausted.

As at 31 December 2020, the Company has TL 1.353.899 related capital reserves and TL 25.724.062 extraordinary reserves (31 December 2019: TL 184.656 capital reserves and TL 3.508.445 extraordinary reserves).

### Other legal reserves

According to the revision made in TAS 19; actuarial gains and losses previously recognized in the income statement in the calculation of provision for retirement pay liability are recognized "other profit reserves" under shareholders equity in the current period financial statements. In the calculation of provision for employment termination benefits as of 31 December 2020, an additional TL 32.801 related to actuarial calculation has been presented under other profit reserves (31 December 2019: TL 70.037).

The movement schedule for other profit reserves is as follows:

	31 December 2020	31 December 2019
Other profit reserves at the beginning of the period	777.466	707.429
Actuarial difference of employment termination	32.801	70.037
<b>Other profit reserves at the end of the period</b>	<b>810.267</b>	<b>777.466</b>

### Valuation of Financial Assets

Unrealized gains or losses arising from changes in the fair value of available-for-sale financial assets and which represent the difference between the amortized cost of securities and their fair value are recognized in the "Valuation of Financial Assets" account in the shareholders' equity.

The valuation was made by Yeditepe Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş. regarding the financial value of Bereket Katılım Hayat A.Ş., the subsidiary of the company, as of September 30, 2020. In the company valuation, the addition method, the discounted cash flow method and the guiding precedent method in the stock market are used. According to the valuation report dated 25 January 2021, the fair value of the company has been determined as TL 22.625.243. The Company has an unrealized profit or loss of TL 12.625.243 regarding the fair value changes of financial assets available for sale as of 31 December 2020 (31 December 2019: None).

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 16 Other provisions and capital component of discretionary participation

As of 31 December 2020, the Company has no other reserves represented in equity and no other assets accounted for on the equity component of participation in associates (31 December 2019 None).

## 17 Insurance liabilities and reinsurance assets

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

	31 December 2020	31 December 2019
Unearned premiums reserve, gross	92.183.404	80.199.122
Unearned premiums reserve, ceded (Note 10)	(5.734.226)	(31.453.249)
<b>Reserves for unearned premiums, net</b>	<b>86.449.178</b>	<b>48.745.873</b>
Life mathematical reserve, gross	3.108.668	6.291.679
Life mathematical reserve, ceded	-	(1.138.539)
<b>Life mathematical provisions, net</b>	<b>3.108.668</b>	<b>5.153.140</b>
Outstanding claims reserve, gross	23.767.713	12.643.563
Outstanding claims reserve, ceded (Note 4.2) (Note 10)	(8.350.119)	(5.442.985)
<b>Outstanding claims reserve, net</b>	<b>15.417.594</b>	<b>7.200.578</b>
<b>Unexpired risks reserve, net</b>	<b>-</b>	<b>-</b>
Equalization reserve	4.881.456	2.340.365
<b>Other technical reserve</b>	<b>4.881.456</b>	<b>2.340.365</b>
<b>Total technical reserve, net</b>	<b>109.856.897</b>	<b>63.439.956</b>
Short term	101.973.000	58.621.434
Medium and long-term	7.883.897	4.818.522
<b>Total insurance technical reserve, net</b>	<b>109.856.896</b>	<b>63.439.956</b>

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

	31 December 2020		
Unearned premiums reserve	Gross	Ceded	Net
Unearned premiums reserve at the beginning of the period	80.199.122	(31.453.249)	48.745.873
Premium written during the period	180.722.994	(14.020.751)	166.702.243
Premiums earned during the period	(168.738.712)	39.739.774	(128.998.938)
<b>Unearned premiums reserve at the end of the period (Note 10)</b>	<b>92.183.404</b>	<b>(5.734.226)</b>	<b>86.449.178</b>
	31 December 2019		
Unearned premiums reserve	Gross	Ceded	Net
Unearned premiums reserve at the beginning of the period	25.501.342	(937.447)	24.563.895
Premium written during the period	181.889.643	(50.683.642)	131.206.001
Premiums earned during the period	(127.191.863)	20.167.840	(107.024.023)
<b>Unearned premiums reserve at the end of the period (Note 10)</b>	<b>80.199.122</b>	<b>(31.453.249)</b>	<b>48.745.873</b>

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 17 Insurance liabilities and reinsurance assets (continued)

Outstanding claims reserve	31 December 2020		
	Gross	Ceded	Net
Outstanding claims reserve at the beginning of the period (Note 10)	12.643.563	(5.442.985)	7.200.578
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	100.835.715	(13.526.158)	87.309.557
Claims paid during the period (Note 10)	(89.711.565)	10.619.024	(79.092.541)
<b>Outstanding claims reserve at the end of the period</b>	<b>23.767.713</b>	<b>(8.350.119)</b>	<b>15.417.594</b>

Outstanding claims reserve	31 December 2019		
	Gross	Ceded	Net
Outstanding claims reserve at the beginning of the period (Note 10)	2.204.444	(816.447)	1.387.997
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	50.729.160	(11.460.421)	39.268.739
Claims paid during the period (Note 10)	(40.290.041)	6.833.883	(33.456.158)
<b>Outstanding claims reserve at the end of the period</b>	<b>12.643.563</b>	<b>(5.442.985)</b>	<b>7.200.578</b>

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

	31 December 2020		31 December 2019	
	Should be placed <sup>(*)</sup>	Placed	Should be placed <sup>(*)</sup>	Placed
Life	16.666.319	25.000.000	24.662.163	8.000.000
Non-life	1.897.657	4.000.000	3.580.576	3.000.000
<b>Total</b>	<b>18.563.976</b>	<b>29.000.000</b>	<b>28.242.739</b>	<b>11.000.000</b>

(\*)According to 7<sup>th</sup> article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Private Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Republic of Turkey Ministry of Treasury and Finance within two months.

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

	31 December 2020		31 December 2019	
	Number of policy	Mathematical Reserve	Number of policy	Mathematical Reserve
Beginning the period	49.677	6.291.679	6.138	574.632
Additions during the year	15.053	1.993.515	45.323	6.057.764
Disposals during the year	28.951	(4.457.486)	(1.784)	(150.063)
Movements during the year	-	(719.039)	-	(190.654)
<b>Current</b>	<b>35.779</b>	<b>3.108.669</b>	<b>49.677</b>	<b>6.291.679</b>



# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 17 Insurance liabilities and reinsurance assets (continued)

Information that identifies and indicates amounts arising from insurance contracts

Insurance guarantee amounts given in respect of non-life insured branches:

The factors resulting from the individual insurance contracts and the change in the mathematical reserves and the portfolio increase during 1 January - 31 December 2020 and 1 January - 31 December 2019 are as follows:

Mathematical Reserves		
	31 December 2020	31 December 2019
Newly written policies	1.993.515	6.057.764
<b>Total portfolio growth</b>	<b>1.993.515</b>	<b>6.057.764</b>

The elements resulting from the individual insurance contracts and the change in the mathematical reserves and the portfolio decrease caused by the periods between 1 January - 31 December 2020 and 1 January - 31 December 2019 are as follows:

Mathematical Reserves		
	31 December 2020	31 December 2019
Decreasing during the period	719.039	20.797
End of the maturity	3.761.580	297
Purchase	662.671	236
Ends with the occurrence of risk	33.235	157
<b>Total portfolio decrease</b>	<b>5.176.525</b>	<b>21.487</b>

	31 December 2020	31 December 2019
Accident death assurance	28.294.820.000	27.076.375.000
Accident disability assurance	28.294.820.000	27.076.335.000
Broken result of accident	1.676.889.900	1.700.800.600
Burned result of accident	1.676.982.000	1.700.985.000
Quick Recovery	100.614.480	102.045.620
<b>Total</b>	<b>60.044.126.380</b>	<b>57.656.541.220</b>

### Gains and losses recognized in profit or loss due to reinsurance purchased

Gains and losses recognized in profit or loss due to reinsurance purchased are presented in Note 10 – *Reinsurance assets and liabilities*.

### Claim development tables

Claim development tables over the last 5 years:

Accident year	2015	2016	2017	2018	2019	2020	Total
Within the year of damage	50.000	190.000	59.719	119.455	34.850.451	74.099.818	109.369.442
1 year later	137.154	35.000	10.000	730.435	6.414.756	-	7.327.346
2 year later	-	6.500	-	-	-	-	6.500
3 year later	10.000	-	-	-	-	-	10.000
4 year later	100.000	-	-	-	-	-	100.000
5 year later	-	-	-	-	-	-	-
<b>Total claims paid over the years, gross</b>	<b>297.154</b>	<b>231.500</b>	<b>69.719</b>	<b>849.890</b>	<b>41.265.207</b>	<b>74.099.818</b>	<b>116.813.288</b>

Accident year	2015	2016	2017	2018	2019	2020	Total
Within the year of damage	-	-	50.000	-	4.596.600	5.581.610	10.228.210
1 year later	-	-	25.000	54.960	3.615.380	-	3.695.340
2 year later	-	-	-	-	-	-	-
3 year later	-	-	-	-	-	-	-
4 year later	-	-	-	-	-	-	-
5 year later	-	-	-	-	-	-	-
<b>Total claims paid over the years, gross</b>	<b>-</b>	<b>-</b>	<b>75.000</b>	<b>54.960</b>	<b>8.211.980</b>	<b>5.581.610</b>	<b>13.923.550</b>

Within the scope of the damage payment, gross death-disability compensations were presented.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 17 Insurance liabilities and reinsurance assets (continued)

The effects of the changes in the assumptions used to measure insurance assets and liabilities by separately showing the effect of each change that has significant effect on the financial statements

Effects of changes in assumptions used in the measurement of insurance assets and liabilities presented in note 4 – *Management of insurance and financial risk*.

### Deferred commission expenses

The Company defers commissions paid to the intermediaries for the production of the policies and other expenses for the one-year term life products and for annually renewed long term life products under prepaid expenses. As of 31 December 2020, prepaid expenses for next month's amounting to TL 39.214.295 (31 December 2019: TL 34.643.729) consist of deferred commission expenses amounting to TL 37.428.657 (31 December 2019: TL 33.535.818) and other expenses of the month amounting to TL 1.785.638 (31 December 2019: TL 1.107.911).

The movement of deferred production commissions for the years ended 31 December 2020 and 31 December 2019 is as follows:

	31 December 2020	31 December 2019
Deferred commission expenses at the beginning of the period	33.535.818	10.752.764
Commissions accrued during the period (Note 32)	36.923.230	36.424.202
Paid commissions during the period (Note 32)	(33.030.391)	(13.641.148)
<b>Deferred commission expenses at the end of the period</b>	<b>37.428.657</b>	<b>33.535.818</b>

## 18 Investment contract liabilities

### Individual pension business

As of 31 December 2020, there are 11 pension funds (31 December 2019: 11 pension funds ) that are the founders of the Company.

The details of receivables and payables from individual pension business as at 31 December 2020 and 31 December 2019 are presented below:

	31 December 2020	31 December 2019
Receivables from the clearing house (Note 4.2)	735.564.535	538.447.687
Receivables from pension investment funds for fund management fees	1.233.337	795.547
Receivables from participants	628.576	663.723
<b>Receivables from pension operations</b>	<b>737.426.448</b>	<b>539.906.957</b>
	31 December 2020	31 December 2019
Payables to participants	735.564.535	538.447.687
Participants temporary account	3.496.910	3.394.414
Payables to clearing house and Emeklilik Gözetim Merkezi	50.349	48.009
Payables to asset management company	204.688	140.861
Payables to agencies	(17.094)	33.485
Other payables	28.037	22.707
<b>Pension business liabilities (Note 19)</b>	<b>739.327.425</b>	<b>542.087.163</b>

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 18 Investment contract liabilities (continued)

### Individual pension business (continued)

As at 31 December 2020 and 31 December 2019, individual pension investment funds founded by the Company and their unit prices are as follow:

Fund name	31 December 2020 Unit prices	31 December 2019 Unit prices
Bereket Emeklilik ve Hayat A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu	0,016788	0,015239
Bereket Emeklilik ve Hayat A.Ş. Altın Katılım Emeklilik Yatırım Fonu	0,048524	0,031312
Bereket Emeklilik ve Hayat A.Ş. Büyüme Katılım Değişken Emeklilik Yatırım Fonu	0,031504	0,022937
Bereket Emeklilik ve Hayat A.Ş. Katılım Değişken Grup Emeklilik Yatırım Fonu	0,026797	0,023096
Bereket Emeklilik ve Hayat A.Ş. Katılım Hisse Senedi Emeklilik Yatırım Fonu	0,063971	0,030914
Bereket Emeklilik ve Hayat A.Ş. Katılım Katkı Emeklilik Yatırım Fonu	0,022128	0,018422
Bereket Emeklilik ve Hayat A.Ş. Katılım Standart Emeklilik Yatırım Fonu	0,022988	0,018703
Bereket Emeklilik ve Hayat A.Ş. Muhafazakar Katılım Değişken Emeklilik Yatırım Fonu	0,026729	0,021910
Bereket Emeklilik ve Hayat A.Ş. OKS Katılım Standart Emeklilik Yatırım Fonu	0,016436	0,014166
Bereket Emeklilik ve Hayat A.Ş. OKS Agresif Katılım Değişken Emeklilik Yatırım Fonu	0,019071	0,013929
Bereket Emeklilik ve Hayat A.Ş. OKS Dinamik Katılım Değişken Emeklilik Yatırım Fonu	0,017797	0,013131

As at 31 December 2020 and 31 December 2019, the number and amount of participation shares in the portfolio and in circulation are follow:

Fund name	31 December 2020		
	Participation certificates in circulation		Participation certificates in portfolio
	Number	Amount	Number
Bereket Emeklilik ve Hayat A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu	3.824.385.147	2.386.650	99.124.114.242
Bereket Emeklilik ve Hayat A.Ş. Altın Katılım Emeklilik Yatırım Fonu	41.163.577.836	121.426.776	98.549.830.306
Bereket Emeklilik ve Hayat A.Ş. Büyüme Katılım Değişken Emeklilik Yatırım Fonu	32.538.894.152	55.229.636	97.769.255.154
Bereket Emeklilik ve Hayat A.Ş. Katılım Değişken Grup Emeklilik Yatırım Fonu	41.743.338.432	60.018.294	96.926.651.990
Bereket Emeklilik ve Hayat A.Ş. Katılım Hisse Senedi Emeklilik Yatırım Fonu	31.725.696.108	112.652.644	97.934.845.410
Bereket Emeklilik ve Hayat A.Ş. Katılım Katkı Emeklilik Yatırım Fonu	84.203.234.071	103.956.442	94.921.175.365
Bereket Emeklilik ve Hayat A.Ş. Katılım Standart Emeklilik Yatırım Fonu	69.636.717.907	85.594.070	95.404.785.653
Bereket Emeklilik ve Hayat A.Ş. Muhafazakar Katılım Değişken Emeklilik Yatırım Fonu	94.970.270.592	135.149.384	93.125.376.105
Bereket Emeklilik ve Hayat A.Ş. OKS Katılım Standart Emeklilik Yatırım Fonu	54.789.611.845	56.111.767	99.873.572.258
Bereket Emeklilik ve Hayat A.Ş. OKS Agresif Katılım Değişken Emeklilik Yatırım Fonu	995.592.446	1.533.324	99.999.793.265
Bereket Emeklilik ve Hayat A.Ş. OKS Dinamik Katılım Değişken Emeklilik Yatırım Fonu	994.040.436	1.505.548	99.999.823.437
<b>Total</b>	<b>456.585.358.972</b>	<b>735.564.535</b>	<b>1.073.629.223.185</b>

Fund name	31 December 2019		
	Participation certificates in circulation		Participation certificates in portfolio
	Number	Amount	Number
Bereket Emeklilik ve Hayat A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu	493.477.375	7.520.102	99.124.114.242
Bereket Emeklilik ve Hayat A.Ş. Altın Katılım Emeklilik Yatırım Fonu	2.007.661.678	62.863.902	98.549.830.306
Bereket Emeklilik ve Hayat A.Ş. Büyüme Katılım Değişken Emeklilik Yatırım Fonu	1.878.508.159	43.087.342	97.769.255.154
Bereket Emeklilik ve Hayat A.Ş. Katılım Değişken Grup Emeklilik Yatırım Fonu	2.429.069.327	56.101.785	96.926.651.990
Bereket Emeklilik ve Hayat A.Ş. Katılım Hisse Senedi Emeklilik Yatırım Fonu	1.748.698.643	54.059.270	97.934.845.410
Bereket Emeklilik ve Hayat A.Ş. Katılım Katkı Emeklilik Yatırım Fonu	4.588.885.825	84.536.455	94.921.175.365
Bereket Emeklilik ve Hayat A.Ş. Katılım Standart Emeklilik Yatırım Fonu	4.041.637.165	75.590.740	95.404.785.653
Bereket Emeklilik ve Hayat A.Ş. Muhafazakar Katılım Değişken Emeklilik Yatırım Fonu	5.538.329.226	121.344.793	93.125.376.105
Bereket Emeklilik ve Hayat A.Ş. OKS Katılım Standart Emeklilik Yatırım Fonu	2.324.720.440	32.931.990	99.873.572.258
Bereket Emeklilik ve Hayat A.Ş. OKS Agresif Katılım Değişken Emeklilik Yatırım Fonu	17.541.609	230.339	99.999.823.437
<b>Total</b>	<b>25.081.521.710</b>	<b>538.447.687</b>	<b>1.073.629.223.185</b>

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 18 Investment contract liabilities (continued)

### Individual pension business (continued)

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

	31 December 2020			
	Addition during the period	Left/cancellations during the period	Current	Current Amount
Individual	1.603.833	22.036.917	274.336.204	253.903.121
Group	2.632.699	29.306.457	342.558.100	315.884.342
OKS	6.107.130	10.971.873	66.685.374	61.820.631
<b>Total</b>	<b>10.343.662</b>	<b>62.315.247</b>	<b>683.579.678</b>	<b>631.608.094</b>

	31 December 2019			
	Addition during the period	Left/cancellations during the period	Current	Current Amount
Individual	2.426.156	29.534.869	205.518.861	178.410.148
Group	3.814.245	37.828.755	268.500.990	234.486.481
OKS	2.591.191	8.933.524	47.356.936	41.014.603
<b>Total</b>	<b>8.831.592</b>	<b>76.297.148</b>	<b>521.376.787</b>	<b>453.911.232</b>

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

	31 December 2020		
	Number of contracts	Gross contributions	Net contributions
Individual	250	1.347.998	1.315.851
Group	592	2.397.411	2.397.327
OKS	4.133	5.720.256	5.720.256
<b>Total</b>	<b>4.975</b>	<b>9.465.665</b>	<b>9.433.434</b>

	31 December 2019		
	Number of contracts	Gross contributions	Net contributions
Individual	398	2.131.220	2.086.992
Group	1.087	3.456.369	3.456.369
OKS	7.921	2.334.097	2.334.097
<b>Total</b>	<b>9.406</b>	<b>7.921.686</b>	<b>7.877.458</b>

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups during the period:

	31 December 2020	
	Number of contracts	First Premium amount
Individual	93	26.743
Group	3.891.224	142.172.105
<b>Total</b>	<b>3.891.317</b>	<b>142.198.847</b>

	31 December 2019	
	Number of contracts	First Premium amount
Individual	497	253.476
Group	4.717.273	145.663.222
<b>Total</b>	<b>4.717.770</b>	<b>145.916.698</b>

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 18 Investment contract liabilities (continued)

### Individual pension business (continued)

Distribution of individual and life mathematical reserves of individual life insurers as individuals and groups during the period:

	31 December 2020	
	Number of contracts	Mathematical provision
Individual	48	2.519
Group	28.903	4.454.967
<b>Total</b>	<b>28.951</b>	<b>4.457.486</b>

	31 December 2019	
	Number of contracts	Mathematical provision
Individual	78	690
Group	1.706	149.373
<b>Total</b>	<b>1.784</b>	<b>150.063</b>

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

	31 December 2020		
	Number of contracts	Gross contributions	Net contributions
Individual	6	71.671	71.671
Group	762	4.908.490	4.908.486
<b>Total</b>	<b>768</b>	<b>4.980.160</b>	<b>4.980.156</b>

	31 December 2019		
	Number of contracts	Gross contributions	Net contributions
Individual	44	1.031.414	1.031.068
Group	213	2.649.378	2.649.378
<b>Total</b>	<b>257</b>	<b>3.680.792</b>	<b>3.680.446</b>

Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio during the period: None (31 December 2019: None).

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 18 Investment contract liabilities (continued)

### Individual pension business (continued)

Distribution of individual and group participants and their gross and net contributions which were transferred to other insurance companies in terms of their numbers and gross and net contributions(exception the contracts which leave with account merging )

	31 December 2020		
	Number of contracts	Gross contributions	Net contributions
Individual	1.955	1.297.928	1.234.984
Group	4.945	1.513.800	1.435.043
OKS	6.380	3.132.081	3.132.081
<b>Total</b>	<b>13.280</b>	<b>5.943.808</b>	<b>5.802.108</b>

	31 December 2019		
	Number of contracts	Gross contributions	Net contributions
Individual	3.436	997.831	867.433
Group	6.788	1.433.682	1.102.622
OKS	7.308	2.097.871	2.097.871
<b>Total</b>	<b>17.532</b>	<b>4.529.384</b>	<b>4.067.926</b>

## 19 Trade and other payables, deferred income

	31 December 2020	31 December 2019
Payables due to main operations	751.229.527	579.708.186
Taxes and other liabilities payable	713.151	4.201.114
Other various payables	1.430.803	666.611
Expense accruals	565.115	12.590.133
Due to related parties	2.401.986	2.444.332
<b>Total</b>	<b>756.340.582</b>	<b>599.610.376</b>
Short term liabilities	20.706.001	61.097.495
Medium- and long-term liabilities (Not 4.2)	735.634.581	538.512.881
<b>Total</b>	<b>756.340.582</b>	<b>599.610.376</b>

As of 31 December 2020 and 31 December 2019, taxes and other liabilities payables consist of personnel income taxes, expense tax and period profit tax and other legal liabilities.

As at 31 December 2020, income and expense accruals for the period / year are made from expense accruals amounting to TL 565.115 (31 December 2019: TL 12.590.133 expense accruals).

As of 31 December 2020 and 31 December 2019, details of the liabilities from main operations of the Company are as follows:

	31 December 2020	31 December 2019
Payables due to pension operations (Not 18)	739.327.425	542.087.163
Payables to policyholders and agencies	19.229	20.254.973
Payables to reinsurers (Note 10)	11.866.944	17.355.172
Other	15.929	10.878
<b>Payables due to main operations</b>	<b>751.229.527</b>	<b>579.708.186</b>

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 19 Trade and other payables, deferred income

Total amount of investment allowances to be utilized in current and future periods: None.

Calculated corporation tax and prepaid taxes are detailed in the following table:

	31 December 2020	31 December 2019
Prepaid taxes during the period	346.966	7.183.629
Corporate tax provision	(969.586)	(4.007.436)
<b>Corporate tax payable, net</b>	<b>(622.620)</b>	<b>3.176.193</b>

## 20 Financial liabilities

As a result of initial measurement of TFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised TL 2.017.838 of right of use assets and TL 3.888.145 lease liabilities as at 31 December 2020 (31 December 2019: TL 3.496.125 of right-of-use assets and TL 2.548.524 lease liabilities).

## 21 Deferred taxes

As at 31 December 2020 and 31 December 2019, the detailed analysis of the items resulting deferred tax assets and liabilities are as follows:

	31 December 2020	31 December 2019
	Deferred tax assets/ (liabilities)	Deferred tax assets/ (liabilities)
Provision for lawsuits	143.757	289.866
Provision for unused vacation pay liability	66.908	49.093
Provision for employment termination benefits	108.025	86.987
Equalization provision	976.291	468.073
Other	4.906	41.322
Stock and profit share valuation	-	(33)
Rental expenses	50.191	-
Depreciation adjustment TMS difference	(280.529)	(113.459)
<b>Deferred tax assets, net</b>	<b>1.069.549</b>	<b>821.849</b>
Unrecorded deferred tax assets, net	-	-
<b>Deferred tax assets, net</b>	<b>1.069.549</b>	<b>821.849</b>

According to law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation", corporate tax rate for the taxation periods of 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

	2020	2019
Beginning of the period - 1 Ocak	821.849	756.733
Deferred tax income, net (Note 35)	239.501	47.607
Deferred tax income / (expense) under equity	8.199	17.509
<b>End of period, 31 December</b>	<b>1.069.549</b>	<b>821.849</b>

## 22 Retirement benefit obligations

As of 31 December 2020, the company has no retirement benefit obligation (31 December 2019: None).

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 23 Provision for other liabilities and charges

As of 31 December 2020 and 31 December 2019, the detail of provisions for other risks is as follows:

	31 December 2020	31 December 2019
Performance premium provision <sup>(2)</sup>	1.354.948	-
Lawsuit provision <sup>(1)</sup>	718.783	1.317.572
Provision for unused vacation	334.540	223.149
Other	24.531	8.047
<b>Provisions for costs</b>	<b>2.432.802</b>	<b>1.548.768</b>
Provision for employment termination benefits	540.125	434.935
<b>Total provision for other risks</b>	<b>2.972.927</b>	<b>1.983.703</b>

<sup>(1)</sup> It consists of the provision amount allocated for return to work cases.

<sup>(2)</sup> It consists of the performance premium provision allocated to the personnel for the 2020 fiscal year, taking into account the working hours and performance.

The movement of the provision for employment termination benefits between 1 January - 31 December 2020 and 1 January - 31 December 2019 is as follows:

	31 December 2020	31 December 2019
Provision for employment termination benefits at the beginning of the period	434.935	257.669
Interest cost (Note 47)	51.613	46.775
Service cost (Note 47)	141.147	95.516
Payment/diminishing benefits/ gain/ (loss) due to dismissal (Note 47)	122.410	23.411
Payment during the period (Note 47)	(250.981)	(75.982)
Actuarial difference	41.001	87.546
<b>Provision for employment termination benefits at the end of the period</b>	<b>540.125</b>	<b>434.935</b>

## 24 Net insurance Premium revenue

The detail of net insurance premium revenue for life and non-life branches as of 31 December 2020 and 2019, is as follows :

	31 December 2020			31 December 2019		
	Gross	Share of reinsurer	Net	Gross	Share of reinsurer	Net
Life	138.293.739	(6.143.844)	132.149.895	140.843.500	(9.587.891)	131.255.609
Personal Accident	42.429.255	(7.876.907)	34.552.348	41.046.143	(41.095.751)	(49.608)
<b>Total</b>	<b>180.722.994</b>	<b>(14.020.751)</b>	<b>166.702.243</b>	<b>181.889.643</b>	<b>(50.683.642)</b>	<b>131.206.001</b>

## 25 Fee revenues

Fee revenues consist of fees received from pension investment funds, pension participants and expenses charged to the life policyholders. The details of fees from pension investment funds and pension participants are presented in the accompanying statement of income.

	1 January- 31 December 2020	1 January- 31 December 2019
Fund management fee	9.671.139	7.183.408
Management fee deduction	56.663	50.065
Entrance fee	144.699	488.198
Management fee deduction in case of interruption	148.236	299.039
<b>Total</b>	<b>10.020.737</b>	<b>8.020.710</b>



# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 26 Investment income

Presented in Note 4.2- *Financial Risk Management*.

## 27 Net realized gains and financial assets

Presented in Note 4.2 - *Financial Risk Management*.

## 28 Net fair value gains on assets at fair value through profit or loss

Presented in Note 4.2 – *Financial Risk Management*.

## 29 Insurance rights and claims

As of 31 December 2020 and 2019, the remaining amounts of the Company's insurance technical account are as follows:

	31 December 2020	31 December 2019
Claims paid, net off ceded	(79.092.541)	(33.456.158)
Change in provision for outstanding claims, net off ceded	(8.217.016)	(5.812.581)
Change in reserve for unearned premium, net off ceded	(37.703.305)	(24.181.978)
Change in equalization reserve, ceded	(2.541.091)	(1.740.375)
Change in life mathematical provisions, ceded	2.044.471	(4.581.052)
<b>Total recognized in the statement of income</b>	<b>(125.509.482)</b>	<b>(69.772.144)</b>

## 30 Investment contract benefits

None.

## 31 Other expenses

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

## 32 Expenses by nature

For the year ended 31 December 2020 and 31 December 2019, the details of operating expenses are as follows:

	31 December 2020	31 December 2019
Employee benefit expenses (Note 33)	(16.540.898)	(17.556.467)
Commission expenses (Note 17)	(33.030.391)	(13.641.148)
Commissions to intermediaries accrued during period (Note 17)	(36.923.230)	(36.424.202)
Change in deferred commission expenses (Note 17)	3.892.839	22.783.054
Commission income from reinsurers	15.255.463	7.956.548
Administrative expenses	(4.309.989)	(6.249.422)
Advertisement and sales expenses	(6.672.321)	(4.951.434)
Service expenses rendered from third parties	(5.936.181)	(2.160.324)
Other	(26.363)	(1.640.729)
<b>Total</b>	<b>(51.260.680)</b>	<b>(38.242.976)</b>

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 33 Employee benefit expenses

For the years ended 31 December 2020 and 2019, the details of employee benefit expenses are as follows:

	31 December 2020	31 December 2019
Wages and salaries	11.156.412	8.582.565
Employer's share in social security premiums	1.737.039	1.391.589
Other benefits	3.647.447	7.582.313
<b>Total</b>	<b>16.540.898</b>	<b>17.556.467</b>

## 34 Financial costs

Finance costs are presented in Note 4.2 – *Financial Risk Management* above. There are no finance costs classified in production costs or capitalized on tangible assets. All financial costs are directly recognized as expense in the statement of income.

## 35 Income taxes

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

	31 December 2020	31 December 2019
<b>Provision for corporate tax:</b>		
Provision for corporate taxes	(346.966)	(7.183.629)
<b>Deferred taxes:</b>		
Arising from origination (+)/ reversal (-) of taxable temporary differences		
total income tax expense recognized in profit	239.501	47.607
<b>Total tax income</b>	<b>(107.465)</b>	<b>(7.136.022)</b>

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 31 December 2020 and 31 December 2019 is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
	<b>Tax rate</b>	
<b>Profit/ (Loss) before tax</b>	<b>(1.022.894)</b>	<b>32.907.126</b>
	<b>(%)</b>	<b>Tax rate (%)</b>
Income tax provision by legal tax rate	225.037	(7.239.568)
Non-deductible expenses	(332.502)	103.546
<b>Total tax income recognized in income statement</b>	<b>(107.465)</b>	<b>(7.136.022)</b>
	<b>54,51</b>	<b>(21,69)</b>

## 36 Net foreign exchange gains

Presented in Note 4.2 – *Financial Risk Management* above.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 37 Earnings per share

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

	31 December 2020	31 December 2019
Net profit / (loss) for the period	(1.130.358)	25.771.104
Weighted average number of shares	30.000.000	30.000.000
Earnings/ (loss) per share (TL)	(0,03768)	0,08590

## 38 Dividends per share

The company has net profit for the year ended 31 December 2020 amounting to TL 1.130.359 in accordance with applicable accounting standards (31 December 2019: TL 25.771.104). There is no profit distribution due to profit in previous period.

## 39 Cash generated from operations

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

## 40 Convertible bonds

None.

## 41 Redeemable preference shares

None.

## 42 Contingencies

In the normal course of its operations, the Company is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Company are provided either under provision for outstanding claims or provisions for other risks in the accompanying financial statements. As of 31 December 2020 and 31 December 2019, the details of the cases other than those filed against the Company are as follows:

	31 December 2020	31 December 2019
Personnel lawsuits against the Company (Note 23)	718.783	1.317.572
<b>Total</b>	<b>718.783</b>	<b>1.317.572</b>

## 43 Commitments

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

Details of guarantees and sureties given by the Company are as follows:

TL Commitments	31 December 2020	31 December 2019
Letters of guarantee	330.594	58.406
<b>Total</b>	<b>330.594</b>	<b>58.406</b>

## 44 Business combinations

None.

# Notes to the Unconsolidated Financial Statements

## As at 31 December 2020

(Currency: Turkish Lira (TL))

### 45 Related party transactions

Türkiye Tarım Kredi Kooperatifleri Merkez Birliği and related group which have 89,09% in total of outstanding shares of the Company and the groups having direct control over those companies and the affiliates and associates of those groups are defined as related party to the Company.

As of 31 December 2020 and 31 December 2019 the related entity balances are as follows:

	31 December 2020	31 December 2019
Türkiye Tarım Kredi Kooperatifleri Merkez Birliği A.Ş.	101.071.417	-
Gübre Fabrikaları A.Ş.	-	-
Bereket Sigorta A.Ş.	-	2.370.582
Tarım Kredi Holding A.Ş.	-	60.699
TK Taşımacılık ve Lojistik A.Ş.	-	16.753
Tarım Kredi Birlik Tarım Ürün Hay. Amb. Petr. Nak. İth. İhr. San. Tic. A.Ş.	-	-
Tarım Kredi Bilişim ve İlt. Hiz. San. Tic. A.Ş.	-	36.797
Bereket Sigorta A.Ş.(FK devri)	-	15.437.319
Tarım Kredi Gıda San.ve Tic.A.Ş.	-	81
<b>Receivables from main operations</b>	<b>101.071.417</b>	<b>17.922.231</b>
Bereket Katılım Hayat A.Ş.	-	54.000
<b>Other various receivables</b>	<b>-</b>	<b>54.000</b>

	31 December 2020	31 December 2019
Türkiye Tarım Kredi Kooperatifleri Merkez Birliği A.Ş.	18.507.295	-
Bereket Sigorta A.Ş.	653	-
Bereket Sigorta A.Ş. (FK devri)	7.790.945	-
Gübre Fabrikaları A.Ş.	3	-
Tarım Kredi Birlik Tarım Ürün Hay. Amb. Petr. Nak. İth. İhr. San. Tic. A.Ş.	4.225	-
Tarım Kredi Bilişim ve İlt. Hiz. San. Tic. A.Ş.	380	-
<b>Payables from main operations</b>	<b>26.303.501</b>	<b>-</b>

	31 December 2020	31 December 2019
Bereket Sigorta A.Ş.	2.376.532	-
Tarım Kredi Bilişim ve İlt. Hiz. San. Tic. A.Ş.	273.518	-
Tarım Kredi Holding A.Ş.	279.113	-
TK Taşımacılık ve Lojistik A.Ş.	12.935	-
Tarım Kredi Gıda San. Ve Tic. A.Ş.	660	-
Bereket Katılım Hayat A.Ş.	392	-
<b>Other various payables</b>	<b>2.943.150</b>	<b>-</b>

There are no liabilities such as guarantees, commitments, sureties, advances and endorsements given in favor of shareholders, affiliates and subsidiaries.

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 45 Related party transactions (continued)

The transactions with related parties for the years ended 31 December 2020 and 2019 are as follows:

	1 January – 31 December 2020	1 January – 31 December 2019
Türkiye Tarım Kredi Koop. Merkez Birliği	171.069.557	132.330
Gübre Fabrikaları A.Ş.	64.125	51.230
Tarım Kredi Bilişim ve İlt. Hiz. San. Tic. A.Ş.	45.709	174.186.536
İmce Plastik Tarım İnş. Taah. Pet. Ür. Ve Gıda San. Tic. A.Ş.	10.971	-
Tarım Kredi Holding A.Ş.	2.660	-
Tarım Kredi Birlik Tarım Ür. Hay. İth. İhr. San. Ve Tic. A.Ş.	1.747	-
Tarım Kredi Gıda San. Ve Tic. A.Ş.	1.140	-
Tk Taşımacılık Ve Lojistik A.Ş.	380	-
Bereket Sigorta A.Ş.	-	457.151
<b>Written premiums</b>	<b>171.196.289</b>	<b>174.827.247</b>
Bereket Sigorta A.Ş.	385.112	19.615
<b>Paid premiums</b>	<b>385.112</b>	<b>19.615</b>
Türkiye Tarım Kredi Kooperatifleri	87.635.393	26.802.124
TTK Kooperatifleri Bölge Birlikleri	-	-
Tarım Kredi Bilişim ve İlt. Hiz. San. Tic. A.Ş.	-	38.305.480
Gübre Fabrikaları T.A.Ş.	-	100.000
<b>Claims paid</b>	<b>87.635.393</b>	<b>26.802.124</b>
Bereket Sigorta A.Ş. (Expense Reflection Invoices)	1.167.741	7.461.891
Tarım Kredi Bilişim ve İlt. Hiz. San. Tic. A.Ş.	1.400.455	4.122.813
Türkiye Tarım Kredi Koop. Merkez Birliği	268.683	493.217
TK Taşımacılık ve Lojistik A.Ş.	154.387	154.890
Tarım Kredi Birlik A.Ş.	5.321	14.625
Tarım Kredi Gıda Sanayi ve T.A.Ş.	9.731	9.745
Bereket Katılım Hayat A.Ş.	35.778	-
Bereket Katılım Sigorta A.Ş.	669.962	-
Tarım Kredi Holding A.Ş.	506.391	60.699
<b>Other expenses</b>	<b>4.218.449</b>	<b>762.401</b>

	1 January – 31 December 2020	1 January – 31 December 2019
Türkiye Tarım Kredi Kooperatifleri Merkez Birliği	31.202.306	32.037.283
<b>Commission given</b>	<b>31.202.306</b>	<b>32.037.283</b>
Bereket Sigorta A.Ş.	7.876.907	37.180.653
<b>Transferred premiums</b>	<b>7.876.907</b>	<b>37.180.653</b>
Bereket Sigorta A.Ş.	3.150.763	14.873.458
<b>Commission received</b>	<b>3.150.763</b>	<b>14.873.458</b>
Bereket Sigorta A.Ş.	6.392.190	1.842.400
<b>Paid claims reinsurance share</b>	<b>6.392.190</b>	<b>1.842.400</b>
Bereket Sigorta A.Ş.	4.542	-
Bereket Katılım Hayat A.Ş.	108.216	-
Bereket Katılım Sigorta A.Ş.	392	-
<b>Other income</b>	<b>113.150</b>	<b>-</b>
Bereket Sigorta A.Ş. (Expense Reflection Invoices)	-	2.434.173
<b>Other expense</b>	<b>-</b>	<b>2.434.173</b>

# Notes to the Unconsolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 46 Events after the reporting period

None.

## 47 Other

**Description and amounts of the items which are higher than 5% of the total assets in the balance sheet or higher than 20% of the total amount of the group including the items phrased with “other” in the accompanying financial statements**

They are presented in the related notes above.

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

None.

**Subrogation recorded in “Off-Balance Sheet Accounts”**

None.

**Real rights on immovable and their values**

None.

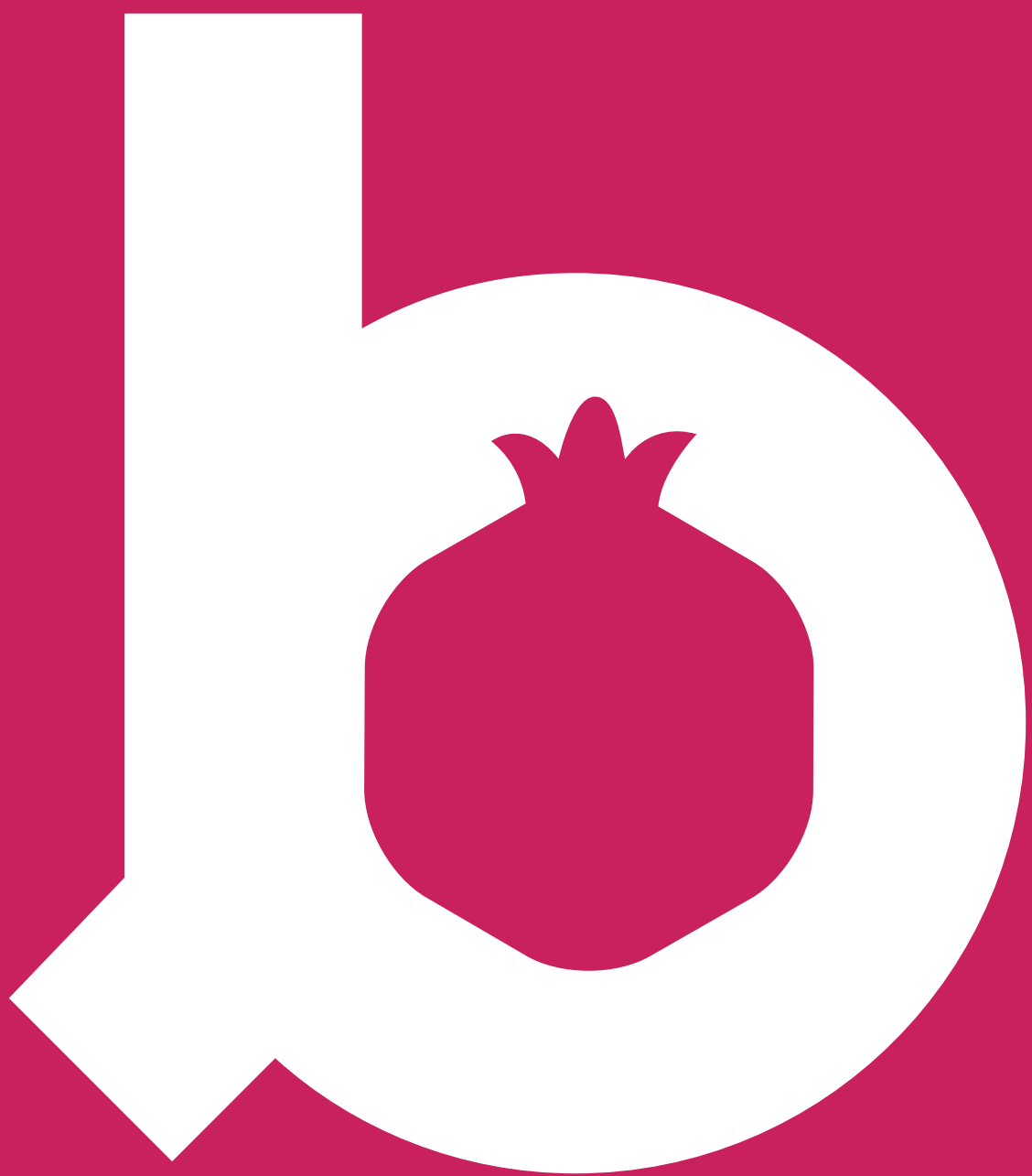
**Explanatory Note for the amounts and nature of previous years’ income and losses**

None.

**For the period ended 31 December 2020 and 31 December 2019, details of the rediscount and provision expenses are as follows:**

	31 December 2020	31 December 2019
Provision for lawsuits expense ( <i>Note 23</i> )	598.789	1.547.528
Provision for doubtful receivables ( <i>Note 4.2</i> )	(3.958)	(12.233)
Other	(6.857)	45.552
Provision for employee termination ( <i>Note 23</i> )	(64.189)	(89.720)
Provision for unused vacation ( <i>Note 23</i> )	(111.391)	11.413
Performance premium provision ( <i>Note 23</i> )	(1.354.948)	-
<b>Provisions account</b>	<b>(942.554)</b>	<b>1.502.540</b>







# **Consolidated Financial Statements and Independent Auditor's Report for the Period Ended on 31.12.2020**



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## INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Bereket Emeklilik ve Hayat Anonim Şirketi

### A) Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the accompanying consolidated balance sheet of Bereket Sigorta Anonim Şirketi ("the Group") as at 31 December 2020 and consolidated the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year ended in accordance with the accounting principles and standards in force as per the insurance legislation and that are not regulated by them for "Insurance Accounting and Financial Reporting Legislation" including Turkish Financial Reporting Standards ("TFRS").

#### *Basis for Opinion*

We conducted our audit in accordance with the accounting principles and standards in force as per the insurance legislation and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements section of our report*. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants "IESBA Code" together with the ethical requirements that are relevant to our audit of the financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.,  
a Turkish corporation and a member firm of the KPMG network of independent  
member firms affiliated with KPMG International Cooperative, a Swiss entity



### 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.

#### Estimations and assumptions used in calculation of insurance technical reserves

Refer to Note 2.26 and 17 to the consolidated financial statements for details of accounting policies and significant accounting estimates and assumptions used in calculation of insurance technical reserve.

Key Audit Matter	How our audit addressed the key audit matter
<p>As at 31 December 2020, the Group's total technical reserves amounting to TL 116.280.735 and constitute 12 percent of total liabilities. The Group recognises provisions for outstanding claims amounting to TL 15.927.577. There are also incurred but not reported provisions ("IBNR") amounting to TL 10.486.200, net in the provision for outstanding claims for possible future claims. Group management used actuarial assumptions and estimations for calculating the outstanding claims reserve Group. Due to the nature of the technical reserves calculations which has uncertainty estimations and management judgments, this matter is determined to be a key audit matters.</p>	<p>Our audit procedures for the matter are included below:</p> <p>We evaluated the assumptions and estimations of the Group's outstanding claims provision calculations with the involvement of our actuarial specialists.</p> <p>In this context, we evaluated design, implementation and operating effectiveness of internal controls on recognition of the actual outstanding claims with the involvement of our IT specialists.</p> <p>We tested actual outstanding claims by comparing the transaction details with the supporting documents obtained on sample basis of from the files.</p> <p>We have obtained confirmation letter from Group's lawyer for the lawsuit files of the outstanding claims</p> <p>We controlled the mathematical accuracy of the calculations and average file and opening amounts which are determined by Group with the involvement of actuary. We evaluated the mathematical accuracy of technical reserves for each product.</p> <p>We recalculated the technical reserves and controlled the analyzes made by the Group's registered actuary for accuracy of the past experience and legislation.</p> <p>Additionally, we evaluated the adequacy of consolidated financial statement disclosures, related to the technical reserves.</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 the accounting principles and standards, in force as per the insurance legislation, 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*

Responsibilities of auditors in an audit are as follows:

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 the accounting principles and standards, in force as per the insurance legislation and standards on auditing issued by the CMB and Standards on Auditing issued by POA. Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the accounting principles and standards, in force as per the insurance legislation and the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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.

#### B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2020, the Group's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Group's articles of association in relation to financial reporting

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



Ali Tuğrul Uzun, SMMM  
Sorumlu Denetçi

10 March 2021  
Istanbul, Turkey

BEREKET EMEKLİLİK ve HAYAT A.Ş.  
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**BEREKET EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ**  
**CONSOLIDATED FINANCIAL REPORT**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020**

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

Istanbul, 10 March 2021

  
Mahmut Güngör  
General Manager

  
Davut Menteş  
Deputy General Manager

  
Nergiz Şen  
Financial Affairs Manager

  
Orhan Emre Çelik  
Actuary (Registration no: 40)



CONTENTS	PAGE
BALANCE SHEET.....	1-5
STATEMENT OF INCOME.....	6-8
STATEMENT OF CASH FLOW .....	9
STATEMENT OF CHANGES IN EQUITY .....	10
STATEMENT OF PROFIT DISTRIBUTION.....	11
NOTES TO THE FINANCIAL STATEMENTS .....	12-64

# Consolidated Balance Sheet As At 31 December 2020

(Currency: Turkish Lira (TL))

ASSETS			
	Notes	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
<b>I- Current Assets</b>			
<b>A- Cash and Cash Equivalents</b>	<b>14</b>	<b>58.679.198</b>	<b>39.465.839</b>
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	56.161.920	37.216.391
4- Cheques Given and Payment Orders		-	-
5- Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	14	2.517.278	2.249.448
6- Other Cash and Cash Equivalents		-	-
<b>B- Financial Assets and Financial Investments with Risks on Policyholders</b>	<b>11</b>	<b>441.653</b>	<b>441.653</b>
1- Available-for-Sale Financial Assets	2,8,11	441.653	441.653
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading		-	-
4- Loans		-	-
5- Provision for Loans		-	-
6- Financial Investments with Risks on Saving Life Policyholders		-	-
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments		-	-
<b>C- Receivables from Main Operations</b>	<b>12</b>	<b>91.390.927</b>	<b>101.998.513</b>
1- Receivables from Insurance Operations	12	87.573.457	98.963.625
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations	12	1.955.557	1.575.618
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited to Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Operations	12,18	1.861.913	1.459.270
9- Doubtful Receivables from Main Operations	4,2,12	345.213	341.255
10- Provision for Doubtful Receivables from Main Operations	4,2,12	(345.213)	(341.255)
<b>D- Due from Related Parties</b>		<b>17</b>	<b>81</b>
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		17	81
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
<b>E- Other Receivables</b>	<b>4,2,12</b>	<b>3.989</b>	<b>384.717</b>
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables	4,2,12	3.989	384.717
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
<b>F- Prepaid Expenses and Income Accruals</b>	<b>17</b>	<b>39.384.878</b>	<b>34.643.729</b>
1- Deferred Acquisition Costs	17	37.457.758	33.535.818
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses and Income Accruals	17	1.927.120	1.107.911
<b>G- Other Current Assets</b>		<b>143.558</b>	<b>26.104</b>
1- Stocks to be Used in the Following Months		-	-
2- Prepaid Taxes and Funds	12,19	143.558	23.485
3- Deferred Tax Assets		-	-
4- Job Advances		-	2.619
5- Advances Given to Personnel		-	-
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets		-	-
8- Provision for Other Current Assets		-	-
<b>I- Total Current Assets</b>		<b>190.044.220</b>	<b>176.960.636</b>

The accompanying policies and explanatory notes on pages 12 through 64 form an integral part of these consolidated financial statements.



# Consolidated Balance Sheet As At 31 December 2020

(Currency: Turkish Lira (TL))

ASSETS			
	Notes	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
<b>II- Non-Current Assets</b>			
<b>A- Receivables from Main Operations</b>	12	735,564,535	538,447,687
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Business	12	735,564,535	538,447,687
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
<b>B- Due from Related Parties</b>		-	-
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
<b>C- Other Receivables</b>	4.2,12	5,760	5,760
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given	4.2,12	5,760	5,760
4- Other Miscellaneous Receivables		-	-
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
<b>D- Financial Assets</b>		-	-
1- Investments in Equity Shares		-	-
2- Investments in Associates		-	-
3- Capital Commitments to Associates		-	-
4- Investments in Subsidiaries		-	-
5- Capital Commitments to Subsidiaries		-	-
6- Investments in Joint Ventures		-	-
7- Capital Commitments to Joint Ventures		-	-
8- Financial Assets and Financial Investments with Risks on Policyholders		-	-
9- Other Financial Assets		-	-
10- Impairment in Value of Financial Assets		-	-
<b>E- Tangible Assets</b>	6	5,132,524	6,385,112
1- Investment Property		-	-
2- Impairment on Investment Property		-	-
3- Owner Occupied Property		-	-
4- Machinery and Equipments		-	-
5- Furniture and Fixtures	6	6,195,687	5,631,127
6- Motor Vehicles	6	280,000	330,000
7- Other Tangible Assets (Including Leasehold Improvements)	6	340,797	340,797
8- Tangible Assets Acquired Through Finance Leases	6	3,888,145	3,496,125
9- Accumulated Depreciation	6	(5,572,105)	(3,412,937)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
<b>F- Intangible Assets</b>	8	1,447,024	1,586,982
1- Rights	8	9,766,637	8,966,632
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortization	8	(8,319,613)	(7,379,650)
8- Advances Paid for Intangible Assets		-	-
<b>G- Prepaid Expenses and Income Accruals</b>		-	-
1- Prepaid Expenses		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses and Income Accruals		-	-
<b>H- Other Non-Current Assets</b>	21	1,146,750	822,730
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	1,146,750	822,730
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortization on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
<b>II- Total Non-Current Assets</b>		743,296,593	547,248,271
<b>Total Assets</b>		933,340,813	724,208,907

The accompanying policies and explanatory notes on pages 12 through 64 form an integral part of these consolidated financial statements.

# Consolidated Balance Sheet As At 31 December 2020

(Currency: Turkish Lira (TL))

LIABILITIES			
	Notes	Audited Current Period 31 December 2020	Audited Current Period 31 December 2019
<b>III- Short-Term Liabilities</b>			
<b>A- Financial Liabilities</b>	<b>20</b>	<b>1.411.843</b>	<b>1.074.958</b>
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables	20	1.679.851	1.342.966
3- Deferred Leasing Costs	20	(268.008)	(268.008)
4- Current Portion of Long-Term Debts		-	-
5- Principal Installments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities		-	-
<b>B- Payables Arising from Main Operations</b>	<b>18, 19</b>	<b>15.664.992</b>	<b>41.260.499</b>
1- Payables Arising from Insurance Operations	19	11.886.173	37.610.145
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business	18, 19	3.762.890	3.639.476
5- Payables Arising from Other Main Operations		15.929	10.878
6- Discount on Payables from Other Main Operations		-	-
<b>C- Due to Related Parties</b>	<b>19</b>	<b>2.402.001</b>	<b>2.444.332</b>
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures	19	2.376.547	2.279.552
5- Due to Personnel	19	25.454	164.780
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>	<b>19</b>	<b>1.490.595</b>	<b>601.417</b>
1- Deposits and Guarantees Received		-	-
2- Other Miscellaneous Payables	19	1.490.595	601.417
3- Discount on Other Miscellaneous Payables		-	-
<b>E- Insurance Technical Provisions</b>	<b>4, 2, 17</b>	<b>102.533.111</b>	<b>58.621.434</b>
1- Reserve for Unearned Premiums - Net	2, 24, 17	86.494.681	48.745.873
2- Reserve for Unexpired Risks - Net		-	-
3- Life Mathematical Provisions - Net	2, 27, 17	110.873	2.674.983
4- Provision for Outstanding Claims - Net	2, 26, 17	15.927.557	7.200.578
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Investment Risk for Life Insurance Policyholders - Net		-	-
7- Other Technical Provisions - Net		-	-
<b>F- Provisions for Taxes and Other Similar Obligations</b>	<b>19</b>	<b>828.501</b>	<b>4.208.724</b>
1- Taxes and Funds Payable	19	1.129.849	788.301
2- Social Security Premiums Payable	19	321.272	244.230
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		-	-
5- Corporate Tax Liability Provision on Period Profit	35	346.966	7.263.518
6- Prepaid Taxes and Other Liabilities Regarding Current Period Profit	35	(969.586)	(4.087.325)
7- Provisions for Other Taxes and Similar Liabilities		-	-
<b>G- Provisions for Other Risks</b>	<b>23</b>	<b>2.785.657</b>	<b>1.552.773</b>
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	2.785.657	1.552.773
<b>H- Deferred Income and Expense Accruals</b>	<b>19</b>	<b>565.115</b>	<b>12.590.133</b>
1- Deferred Commission Income	19	565.115	12.580.506
2- Expense Accruals		-	9.627
3- Other Deferred Income and expense accruals		-	-
<b>I- Other Short-Term Liabilities</b>		<b>17.486</b>	<b>34.920</b>
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short-Term Liabilities		17.486	34.920
<b>III – Total Short-Term Liabilities</b>		<b>127.699.301</b>	<b>122.389.190</b>

The accompanying policies and explanatory notes on pages 12 through 64 form an integral part of these consolidated financial statements.

# Consolidated Balance Sheet As At 31 December 2020

(Currency: Turkish Lira (TL))

LIABILITIES			
	Notes	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
<b>IV- Long-Term Liabilities</b>			
<b>A- Financial Liabilities</b>	<b>20</b>	<b>605.995</b>	<b>1.473.566</b>
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables	20	753.226	1.620.797
3- Deferred Leasing Costs	20	(147.231)	(147.231)
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
<b>B- Payables Arising from Main Operations</b>	<b>18,19</b>	<b>735.564.535</b>	<b>538.447.687</b>
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business	18,19	735.564.535	538.447.687
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
<b>C- Due to Related Parties</b>		-	-
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>	<b>19</b>	<b>70.046</b>	<b>65.194</b>
1- Deposits and Guarantees Received	19	70.046	65.194
2- Other Miscellaneous Payables		-	-
3- Discount on Other Miscellaneous Payables		-	-
<b>E-Insurance Technical Provisions</b>	<b>4,2, 17</b>	<b>13.747.624</b>	<b>4.818.522</b>
1- Reserve for Unearned Premiums - Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Life Mathematical Provisions - Net	4,2,17	8.618.080	2.478.157
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Investment Risk for Life Insurance Policyholders - Net		-	-
7- Other Technical Provisions - Net	2,28,17	5.129.544	2.340.365
<b>F-Other Liabilities and Provisions</b>		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Provisions for Other Liabilities and Expenses		-	-
<b>G- Provisions for Other Risks</b>	<b>23</b>	<b>658.973</b>	<b>434.935</b>
1- Provisions for Employment Termination Benefits	23	658.973	434.935
2- Provisions for Employee Pension Funds Deficits		-	-
<b>H-Deferred Income and Expense Accruals</b>		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
<b>I- Other Long-Term Liabilities</b>		-	-
1- Deferred Tax Liabilities		-	-
2- Other Long-Term Liabilities		-	-
<b>IV- Total Long-Term Liabilities</b>		<b>750.647.173</b>	<b>545.239.904</b>

The accompanying policies and explanatory notes on pages 12 through 64 form an integral part of these consolidated financial statements.

## Consolidated Balance Sheet As At 31 December 2020

(Currency: Turkish Lira (TL))

EQUITY			
V- Equity	Notes	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
<b>A- Paid in Capital</b>	<b>2.13, 15</b>	<b>30.000.000</b>	<b>30.000.000</b>
1- (Nominal) Capital	2.13, 15	30.000.000	30.000.000
2- Unpaid Capital		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences		-	-
<b>B- Capital Reserves</b>		<b>-</b>	<b>-</b>
1- Share Premium		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Asset Sales That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves		-	-
<b>C- Profit Reserves</b>	<b>15</b>	<b>26.451.934</b>	<b>2.915.635</b>
1- Legal Reserves	15	1.367.865	184.656
2- Statutory Reserves		-	-
3- Extraordinary Reserves	15	25.989.414	3.508.445
4- Special Funds		-	-
5- Valuation of Financial Assets	15	-	-
6- Other Profit Reserves	15	(905.345)	(777.466)
<b>D- Retained Earnings</b>		<b>-</b>	<b>607.604</b>
1- Retained Earnings		-	607.604
<b>E- Accumulated Losses</b>		<b>-</b>	<b>(2.993.848)</b>
1- Accumulated Losses		-	(2.993.848)
<b>F-Net Profit/(Loss) for the Period</b>		<b>(1.457.595)</b>	<b>26.050.422</b>
1- Net Profit for the Year		-	26.050.422
2- Net Loss for the Year		(1.457.595)	-
3- Nondistributed Profit of the Period		-	-
<b>V- Total Equity</b>		<b>54.994.339</b>	<b>56.579.813</b>
<b>Total Equity And Liabilities</b>		<b>933.340.813</b>	<b>724.208.907</b>

The accompanying policies and explanatory notes on pages 12 through 64 form an integral part of these consolidated financial statements.

# Statement of Consolidated Income

## As At 31 December 2020

(Currency: Turkish Lira (TL))

	Notes	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
<b>I- TECHNICAL SECTION</b>			
<b>A- Non-Life Technical Income</b>		<b>7.708.823</b>	<b>9.906.690</b>
1- Earned Premiums (Net of Reinsurer Share)		7.708.823	9.906.690
1.1- Written Premiums (Net of Reinsurer Share)	17	34.552.348	(49.608)
1.1.1- Written Premiums, gross	17,24	42.429.255	41.046.143
1.1.2- Ceded Premiums to Reinsurers	17,24	(7.876.907)	(41.095.751)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(26.843.525)	9.956.298
1.2.1- Reserve for Unearned Premiums	17	(694.966)	(16.964.439)
1.2.2- Reserve for Reinsurance Share of Unearned Premiums	10,17	(26.148.559)	26.920.737
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	-	-
1.3.1- Reserve for Unexpired Risks, gross	17	-	-
1.3.2- Reserve for Reinsurance Share of Unexpired Risks	10,17	-	-
2- Investment Income Transferred from Non-Technical Section		-	-
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1- Other Technical Income, gross		-	-
3.2- Reinsurance Share of Other Technical Income		-	-
<b>B- Non-Life Technical Expense</b>		<b>(6.297.849)</b>	<b>(5.944.167)</b>
1- Incurred Losses (Net of Reinsurer Share)		(3.346.076)	(2.683.495)
1.1- Claims Paid (Net of Reinsurer Share)	29	(1.337.550)	(1.659.160)
1.1.1- Claims Paid, gross		(9.196.990)	(4.651.560)
1.1.2- Reinsurance Share of Claims Paid		7.859.440	2.992.400
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17, 29	(2.008.526)	(1.024.335)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(4.930.207)	(4.791.503)
1.2.2- Reinsurance Share of Outstanding Claims Reserve	10,17	2.921.681	3.767.168
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Reinsurance Share of Bonus and Discount Reserve		-	-
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(778.702)	6.492
4- Operating Expenses	32	(2.173.071)	(3.267.164)
<b>C- Net Technical Income-Non-Life (A – B)</b>		<b>1.410.974</b>	<b>3.962.523</b>
<b>D- Life Technical Income</b>		<b>139.723.171</b>	<b>97.117.333</b>
1- Earned Premiums (Net of Reinsurer Share)		139.313.197	97.117.333
1.1- Written Premiums (Net of Reinsurer Share)	17	150.218.480	131.255.609
1.1.1- Written Premiums, gross	17,24	156.502.324	140.843.500
1.1.2- Ceded Premiums to Reinsurers	17,24	(6.283.844)	(9.587.891)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(10.905.283)	(34.138.276)
1.2.1- Reserve for Unearned Premiums, gross	17	(11.334.819)	(37.733.341)
1.2.2- Reserve for Reinsurance Share of Unearned Premiums	10,17	429.536	3.595.065
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Reinsurance Share of Unexpired Risks		-	-
2- Life Branch Investment Income		-	-
3- Unrealized Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		-	-
5- Recourse Income Accrued		409.974	-

The accompanying policies and explanatory notes on pages 12 through 64 form an integral part of these consolidated financial statements.

# Statement of Consolidated Income

## For the Year Ended 31 December 2020

(Currency: Turkish Lira (TL))

	Notes	Audited Current Period 1 January – 31 December 2020	Audited Prior Period 1 January – 31 December 2019
<b>I-TECHNICAL SECTION</b>			
<b>E- Life Technical Expense</b>		<b>(139.929.415)</b>	<b>(64.309.272)</b>
1- Incurred Losses (Net of Reinsurer Share)		(84.603.303)	(36.585.244)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(77.884.850)	(31.796.998)
1.1.1- Claims Paid, gross	17	(80.644.434)	(35.638.481)
1.1.2- Ceded Premiums to Reinsurers	10, 17	2.759.584	3.841.483
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(6.718.453)	(4.788.246)
1.2.1- Outstanding Claims Reserve	17	(6.703.906)	(5.647.616)
1.2.2- Reinsurance Share of Outstanding Claims Reserve	10,17	(14.547)	859.370
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(3.575.812)	(4.581.052)
3.1- Change in Life Mathematical Provisions, gross	17	(2.437.273)	(6.291.680)
3.2- Change in Life Mathematical Provisions, ceded	10,17	(1.138.539)	1.710.628
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
4.1- Provision for Investment Risk for Life Insurance Policyholders		-	-
4.2- Provision for Investment Risk for Life Insurance Policyholders, ceded		-	-
5- Changes in Other Technical Provisions, ceded	17,29	(2.010.477)	(1.746.867)
6- Operating Expenses	32	(49.739.823)	(21.396.109)
7- Investment Expenses		-	-
8- Unrealized Losses on Investments		-	-
9- Investment Income Transferred to the Non-Life Technical Section		-	-
<b>F- Net Technical Income- Life (D – E)</b>		<b>(206.244)</b>	<b>32.808.061</b>
<b>G- Pension Business Technical Income</b>	<b>25</b>	<b>10.020.737</b>	<b>8.020.710</b>
1- Fund Management Income	25	9.671.139	7.183.408
2- Management Fee	25	56.663	50.065
3- Entrance Fee Income	25	144.699	488.198
4- Management Expense Charge in case of Suspension	25	148.236	299.039
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	-
7- Other Technical Expense		-	-
<b>H- Pension Business Technical Expense</b>		<b>(13.151.607)</b>	<b>(14.355.403)</b>
1- Fund Management Expense		(811.578)	(600.911)
2- Decrease in Value of Capital Allowances Given as Advance		-	-
3- Operating Expenses	32	(11.978.368)	(13.742.750)
4- Other Technical Expenses		(14.389)	(1.205)
5- Penalty Payment		(347.272)	(10.537)
<b>I- Net Technical Income - Pension Business (G – H)</b>		<b>(3.130.870)</b>	<b>(6.334.693)</b>

The accompanying policies and explanatory notes on pages 12 through 64 form an integral part of these consolidated financial statements.

# Statement of Consolidated Income

## For the Year Ended 31 December 2020

(Currency: Turkish Lira (TL))

	Notes	Audited Current Period 31 December 2020	Audited Current Period 31 December 2019
<b>I-NON-TECHNICAL SECTION</b>			
C- Net Technical Income – Non-Life (A-B)		1.410.974	3.962.523
F- Net Technical Income – Life (D-E)		(206.244)	32.808.061
I- Net Technical Income – Pension Business (G-H)		(3.130.870)	(6.334.693)
J- Total Net Technical Income (C+F+I)		(1.926.140)	30.435.891
K- Investment Income		5.364.108	4.992.612
1- Income from Financial Investments	4.2	4.433.324	4.695.756
2- Income from Sale of Financial Investments		-	-
3- Valuation of Financial Investments	4.2	634.086	241.038
4- Foreign Exchange Gains	4.2	296.698	55.818
5- Income from Associates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment		-	-
8- Income from Derivative Transactions		-	-
9- Other Investments		-	-
10- Income Transferred from Life Section		-	-
L- Investment Expense		(3.506.789)	(3.134.284)
1- Investment Management Expenses (inc. interest)	4.2	(287.693)	(302.034)
2- Diminution in Value of Investments		-	-
3- Loss from Disposal of Financial Assets		-	-
4- Investment Income Transferred to Non-Life Technical Section		-	-
5- Loss from Derivative Transactions		-	-
6- Foreign Exchange Losses	4.2	(54.317)	(139.292)
7- Depreciation and Amortization Expenses	6.8	(3.164.779)	(2.692.958)
8- Other Investment Expenses		-	-
M- Income and Expenses From Other and Extraordinary Operations		(1.041.798)	1.019.721
1- Provisions	47	(1.050.954)	1.498.535
2- Rediscunts		(232.341)	(404.051)
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	35	292.051	48.488
6- Deferred Taxation (Deferred Tax Liabilities)	35	-	-
7- Other Income		46.954	41.791
8- Other Expenses and Losses		(97.508)	(165.042)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
N- Net Profit / (Loss) for the Year		(1.457.595)	26.050.422
1- Profit / (Loss) for the Year		(1.110.629)	33.313.940
2- Corporate Tax Liability Provision on Period Profit	19,35	(346.966)	(7.263.518)
3- Net Profit / (Loss) for the Year		(1.457.595)	26.050.422
4- Inflation Adjustment Account		-	-

The accompanying policies and explanatory notes on pages 12 through 64 form an integral part of these consolidated financial statements.

# Consolidated Cash Flows

## For the Year Ended 31 December 2020

(Currency: Turkish Lira (TL))

	Notes	Audited Current Period 31 December 2020	Audited Current Period 31 December 2019
<b>A. Cash flows from operating activities</b>			
1. Cash provided from insurance activities		217.710.526	186.112.274
2. Cash provided from reinsurance activities		-	-
3. Cash provided from individual pension business		207.670.973	120.725.214
4. Cash used in insurance activities		(190.568.181)	(140.675.092)
5. Cash used in reinsurance activities		(379.939)	-
6. Cash used in individual pension business		(210.562.882)	(127.325.039)
<b>7. Cash provided by operating activities</b>		<b>23.870.497</b>	<b>37.272.739</b>
8. Interest payments		-	-
9. Income taxes payments	19	(969.586)	(4.016.893)
10. Other cash inflows		7.212.767	268.560
11. Other cash outflows		(20.377.616)	(24.744.993)
<b>12. Net cash provided by operating activities</b>		<b>9.736.062</b>	<b>8.779.413</b>
<b>B. Cash flows from investing activities</b>			
1. Proceeds from disposal of tangible assets	6,8	127.592	525.690
2. Acquisition of tangible assets	6,8	(1.442.157)	(4.084.588)
3. Acquisition of financial assets	11	(12.625.243)	(10.000.000)
4. Proceeds from disposal of financial assets	11	-	17.032.877
5. Interests received		5.067.410	4.936.794
6. Dividends received		-	-
7. Other cash inflows		27.693.480	55.818
8. Other cash outflows		(31.430.131)	(2.048.569)
<b>9. Net cash provided by investing activities</b>		<b>(12.609.050)</b>	<b>6.418.022</b>
<b>C. Cash flows from financing activities</b>			
1. Equity shares issued		-	10.000.000
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		(2.506.701)	(2.548.524)
4. Dividends payments		-	-
5. Other cash inflows		-	-
6. Other cash outflows		-	-
<b>7. Net cash provided by financing activities</b>		<b>(2.506.701)</b>	<b>7.451.476</b>
<b>D. Effect of currency differences on cash and cash equivalents</b>			
		-	-
<b>E. Net increase/(decrease) in cash and cash equivalents</b>		<b>(5.379.689)</b>	<b>22.648.911</b>
<b>F. Cash and cash equivalents at the beginning of the year</b>	<b>14</b>	<b>28.224.801</b>	<b>5.575.890</b>
<b>G. Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>22.845.112</b>	<b>28.224.801</b>

The accompanying policies and explanatory notes on pages 12 through 64 form an integral part of these consolidated financial statements.



# Statement of Changes in Equity

## As at 31 December 2020

(Currency: Turkish Lira (TL))

Audited Statement of Changes in Equity – 31 December 2019												
	Notes	Paid-in Capital	Own Shares of the Company	Value increase in Financial Assets	Inflation Adjustments on Shareholders' Equity	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/ (Loss) for the Year	Previous Year's Profits and Losses	Total
I - Balance at the end of the previous year – 31 December 2018	15	30,000,000	-	-	-	-	-	-	(707,429)	607,604	699,253	30,599,428
II - Changes in Accounting Policy												
III – New Balance (1 January 2019)	15	30,000,000	-	-	-	-	-	-	(707,429)	607,604	699,253	30,599,428
A- Capital increase												
1- In cash												
2- From reserves												
B- Purchase of own shares												
C- Gains or losses that are not included in the statement of income												
D- Change in the value of financial assets												
E- Currency translation adjustments												
F- Other gains or losses									(70,037)	-	-	(70,037)
G- Inflation adjustment differences												
H- Net profit or loss for the year										26,050,422	-	26,050,422
I – Other reserves and transfers from retained earnings							184,656	3,508,445		(607,604)	(3,085,497)	-
J- Dividends paid												
II - Balance at the end of the year – 31 December 2019	15	30,000,000	-	-	-	-	184,656	3,508,445	(777,466)	26,050,422	(2,386,244)	56,579,813

Audited Statement of Changes in Equity – 31 December 2020												
	Notes	Paid-in Capital	Own Shares of the Company	Value increase in Financial Assets	Inflation Adjustments on Shareholders' Equity	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/ (Loss) for the Year	Previous Year's Profits and Losses	Total
I - Balance at the end of the previous year – 31 December 2019	15	30,000,000	-	-	-	-	184,656	3,508,445	(777,466)	26,050,422	(2,386,244)	56,579,813
II - Changes in Accounting Policy												
III – New Balance (1 January 2020)	15	30,000,000	-	-	-	-	184,656	3,508,445	(777,466)	26,050,422	(2,386,244)	56,579,813
A- Capital increase												
1- In cash												
2- From reserves												
B- Purchase of own shares												
C- Gains or losses that are not included in the statement of income												
D- Change in the value of financial assets												
E- Currency translation adjustments												
F- Other gains or losses									(127,879)	-	-	(127,879)
G- Inflation adjustment differences												
H- Net profit or loss for the year										(1,457,595)	-	(1,457,595)
I – Other reserves and transfers from retained earnings							1,183,209	22,215,617	265,352	(26,050,422)	2,386,244	-
J- Dividends paid												
II - Balance at the end of the year – 31 December 2020	15	30,000,000	-	-	-	-	1,367,865	25,724,062	(639,993)	(1,457,595)	-	54,994,339

The accompanying policies and explanatory notes on pages 12 through 64 form an integral part of these consolidated financial statements.

# Statement of Profit Distribution As at 31 December 2020

(Currency: Turkish Lira (TL))

	Notes	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
<b>I. DISTRIBUTION OF THE PROFIT FOR THE YEAR</b>			
1.1. CURRENT PERIOD PROFIT/(LOSS) <sup>(*)</sup>		(1.369.859)	25.723.497
1.2. TAXES AND DUTIES PAYABLE	35	239.501	47.607
1.2.1. Corporate Tax (Income Tax)		-	-
1.2.2. Income Tax Deductions		-	-
1.2.3. Other Taxes and Legal Duties	35	239.501	47.607
<b>A. CURRENT PERIOD PROFIT/(LOSS) (1.1 – 1.2)</b>		<b>(1.130.358)</b>	<b>25.771.104</b>
1.3. PREVIOUS YEARS' LOSSES (-)		-	(2.993.848)
1.4. FIRST LEGAL RESERVES		-	-
1.5. COMPULSORY LEGAL FUNDS TO BE RETAINED IN THE COMPANY (-)		-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [ (A - (1.3 + 1.4 + 1.5) ]</b>		<b>(1.130.358)</b>	<b>22.777.256</b>
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1. To owners of ordinary shares		-	-
1.6.2. To owners of privileged shares		-	-
1.6.3. To holders of participating redeemed shares		-	-
1.6.4. To holders' profit-sharing bonds		-	-
1.6.5. To holders of profit and loss sharing certificates		-	-
1.7. DIVIDENDS TO PERSONNEL (-)		-	-
1.8. DIVIDENDS TO FOUNDERS (-)		-	-
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9.1. To owners of ordinary shares		-	-
1.9.2. To owners of privileged shares		-	-
1.9.3. To holders of participating redeemed shares		-	-
1.9.4. To holders' profit-sharing bonds		-	-
1.9.5. To holders of profit and loss sharing certificates		-	-
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.11. SECOND LEGAL RESERVES (-)		-	-
1.12. STATUTORY RESERVES(-)		-	-
1.13. EXTRAORDINARY RESERVES		-	-
1.14. OTHER RESERVES		-	-
1.15. SPECIAL FUNDS		-	-
<b>II. DISTRIBUTION OF RESERVES</b>			
2.1. DISTRIBUTED RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To owners of ordinary shares		-	-
2.3.2. To owners of privileged shares		-	-
2.3.3. To holders of participating redeemed shares		-	-
2.3.4. To holders of profit-sharing bonds		-	-
2.3.5. To owners of Profit and Loss Participation Certificates		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
<b>III. EARNINGS PER SHARE</b>			
3.1. TO OWNERS OF ORDINARY SHARES		(0,03768)	0,85904
3.2. TO OWNERS OF ORDINARY SHARES (%)		(3,7679)	(85,9037)
3.3. TO OWNERS OF PRIVILEGED SHARES		-	-
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		-	-
<b>IV. DIVIDEND PER SHARE</b>			
4.1. TO OWNERS OF ORDINARY SHARES		-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3. TO THE PRIVILEGED SHAREHOLDERS		-	-
4.4. TO THE PRIVILEGED SHAREHOLDERS ( % )		-	-

(\*) Since the profit distribution proposal for 2020 has not been prepared by the Board of Directors yet, the profit distribution table for 2020 has not been filled.

The accompanying policies and explanatory notes on pages 12 through 64 form an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## General information

### 1.1 Name of the Group and the ultimate parent of the group

Bereket Emeklilik ve Hayat A.Ş. (Formerly named as Asya Emeklilik ve Hayat A.Ş.) has been founded under the name of Asya Emeklilik ve Hayat A.Ş. on 1 July 2011. The main contract of the company was registered with the Istanbul Trade Registry Office on 1 July 2011, with the number 27229 and announced on 7 July 2011 and numbered 7853 of the Turkish Trade Registry Gazette.

On 17 January 2017, the title of the company was changed to Bereket Emeklilik ve Hayat A.Ş. with the decision of Board of Directors numbered 176. The company has applied to the Istanbul Trade Registry Directorate for the change registration, and the name change was approved by the Istanbul Trade Registry Office on 13 February 2017.

As of 31 December 2020, the capital group has the direct or indirect dominance is The Central Union of Turkish Agricultural Credit Cooperatives with 89.09% share.

### 1.2 Domicile and the legal structure of the Group, country and the address of the registered office (address of the operating center if it is different from the registered office)

The Group operates in Saray Mah. Dr. Adnan Büyükdenez Caddesi No:8 34768 Ümraniye, İstanbul is in the status of a Joint Stock Group established in accordance with the regulations of Turkish Commercial Code ("TCC"). The Group has been founded to operate in pension in Turkey, establishment and functioning of pension investment funds, and life and personal accident insurance, in accordance with the principles of the Insurance Law No. 5684, and the Private Pension Savings and Investment System Law No. 4632.

### 1.3 Business of the Group

The Company has been founded for fulfillment of all kind of legal transactions, acts and works entered into the activity area of the Group, and to make all kind of private pension, life and personal accident insurance and reinsurance transactions within the limits prescribed and foreseen by other legislation related to private pensions, insurance and capital markets. The Company carries out its retirement activities in accordance with the principles set out in the Private Pension Savings and Investment System Law No. 4632 and life branch activities in accordance with the principles in the Insurance Law No. 5684.

The Company has applied to the Ministry of Treasury and Finance for a private pension system activity on 16 September 2011. The application was approved on 23 January 2012 and published in the Official Gazette dated 9 February 2012.

The Company has applied to the Ministry of Treasury and Finance on 30 December 2011 in order to be able to carry out insurance activities. As the necessary conditions stated in the letter dated 17 May 2012 and numbered 8368 of Ministry of Treasury and Finance has provided, it is deemed appropriate to give an operating license in life, marriage, birth, investment fund, capital redeeming and accident insurance branches.

As of 31 December 2020, there are 11 Private Pension Funds offered to participants by the Company (31 December 2019; 11).

### 1.4 Description of the main operations of the Company

The Company maintains its business activities in accordance with accounting principles, statements and guidance as promulgated by the Turkish Treasury in compliance with the Insurance Law No.5684 (the "Insurance Law") issued on 14 June 2007 in Official Gazette No.26552 and with the Law of Private Pension Saving and Investment System No.4632 (the "Private Pension Law") issued on 7 April 2001 in Official Gazette No.4366, be valid as of 1 January 2013 amended by law no 6327 and issues policies/contracts in life, personal accident, and pension branches. As of 31 December 2020, the company makes contracts in life, personal accident and pension branches.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 1 General information (continued)

### 1.5 Average number of employees by categories

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

	31 December 2020	31 December 2019
Executive management	1	2
Management	33	27
Specialist	31	42
<b>Total</b>	<b>65</b>	<b>71</b>

### 1.6 Remuneration and fringe benefits provided to top management

As of 31 December 2020, remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing director in total amount to TL 787.452 (31 December 2019: TL 693.925)

### 1.7 Criteria used in the distribution of investment income and underwriting expenses (personnel, administration, research and development, marketing, selling, and other underwriting expenses) in the financial statements

The procedures and principles related to the key used in the financial statements to be prepared by the companies have been determined by Republic of Turkey Ministry of Treasury and Finance within the scope of the "Circular on the Procedures and Principles of the Keys Used in the Financial Tables Prepared in the Frame of Insurance Account Plan" dated 4 January 2008 and numbered 2008/1.

According to the circular, companies can distribute the operating expenses of the technical department to the insurance departments by the method proposed by the Republic of Turkey Ministry of Treasury and Finance, or by a method which they can determine by the approval of Ministry of Treasury and Finance. In this framework, expenses which are strictly documented for non-life, life or private pension branches and which do not hesitate to belong to these branches, are directly transferred to related branch. The technical part other than these expenses is determined within the framework of the Circular on the Amendment of the General Regarding the Procedures and Principles of the Keys Used in the Financial Tables Prepared in the Frame of Insurance Uniform Chart of Accounts dated 9 August 2010 and numbered 2010/9, and issued by the Republic of Turkey Ministry of Treasury and Finance effective from 1 January 2011.

### 1.8 Stand-alone or consolidated financial statements

The accompanying consolidated financial statements contain the consolidated financial information of the Group, the information on the consolidation principles applied is detailed in note 2.2 - Consolidation.

As an subsidiary of the Company with 100% share in its capital prepared as of December 31, 2020 the consolidated financial statements of Bereket Katılım Hayat A.Ş. ("Bereket Katılım Hayat") have been consolidated according to the full consolidation method.

Bereket Katılım Hayat is deemed appropriate to be granted an operating license in life, marriage, birth, sickness / health and accident insurance branches since the necessary conditions have been met. The company conducts takaful life insurance activities.

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

The name and other identity information of the Group and the Subsidiary and the changes are specified in 1.1, 1.2 and 1.3.

### 1.10 Events after the reporting period

After the balance sheet date, there has been no change in the activities of the Group, the recording and document order of these activities and the Group policies.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

#### 2.1.1 Information about the basis and special accounting policies used in the preparation of the financial statements

The Group operates subject, to its own legislation, in the fields of establishment, surveillance, accounting and independent auditing standards, in accordance with the by operation of part of VIII, paragraph 5 of article 136 of the Capital Market Law No. 6362. Hence, The Group maintains its books of account and prepares its consolidated financial statements in accordance with the Turkish Financial Reporting Standards ("TFRS") for the matters not regulated by the insurance legislation, and within the framework of "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies", the Article 18 of Insurance Law, and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") as promulgated by the Republic of Turkey Ministry of Treasury and Finance in accordance with the current regulations.

In this context, the Group prepares its financial statements in accordance with the Insurance Law No.5684 published in the Official Gazette dated 14 June 2007 and numbered 26522 and the regulations published by the Insurance and Private Pension Regulation and Supervision Agency ("IPPRS") which established by the Presidential Decree dated 18 October 2019. The insurance legislation before the establishment of IPPRS and the initiation of regulatory activities regarding the insurance sector was published by the Republic of Turkey Ministry of Treasury and Finance ("Ministry of Treasury and Finance").

In the 4th article of the aforementioned regulation; accounting for insurance contracts, subsidiaries, joint ventures and affiliates and this consolidated financial statements, the consolidated financial statements to be disclosed to the public, and the procedures and principles regarding the preparation of the explanations and footnotes related to them. It has been stated that it will be determined by the communiqués to be issued by the Ministry of Treasury and Finance.

Circular Related to the Presentation of Financial Statements", issued by the Turkish Treasury in the 18 April 2008 dated and 26851 numbered Official Gazette, regulates the content of the financial statements to make them comparable with the financial statements of previous periods and the other companies.

Consolidated financial statements is prepared accounting and financial reporting regulations in force pursuant to insurance legislation and in matters not regulated by these in accordance with the rules of Turkey Accounting Standards.

The Group's balance sheet as of 31 December 2020 and the income statement for the accounting period ending on the same date are approved by the Group Management on 10 March 2021. General Assembly and / or legal authorities of the group have authority to change financial statements in attachment.

#### 2.1.2 Other related accounting policies relevant for the financial statements

##### Accounting in hyperinflationary countries

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on "TAS 29 – Financial Reporting in Hyperinflationary Economies" as at 31 December 2004. TAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms.

Based on the letter of Republic of Turkey Ministry of Treasury and Finance dated April 4, 2005 and numbered 19387, by the Capital Markets Board ("CMB") dated January 15, 2003 and effectuated in accordance with the provisions of the "Adjustment of Financial Statements in High Inflation Periods" in the "Communiqué on Accounting Standards in the Capital Markets" ("Communiqué Serial: XI No: 25") published in the Official Gazette numbered 25290, the Group prepared its financial statements dated December 31, 2004, it has prepared the opening financial statements for the year 2005 by correcting it. In addition, based on the same letter of Republic of Turkey Ministry of Treasury and Finance, the practice of correcting financial statements for inflation has been terminated since the beginning of 2005. Therefore, the non-monetary assets and liabilities and equity items, including capital, included in the balance sheet prepared as of December 31, 2020 are shown that the entries until December 31, 2004 were adjusted for inflation until December 31, 2004, and entries after this date were carried over from their nominal values.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### 2.1.2 Other related accounting policies relevant for the financial statements (continued)

##### Other accounting policies

Information regarding other accounting policies is disclosed above in Note 2.1.1 – *Information about the principles and the special accounting policies used in the preparation of the financial statements* and each under its own caption in the following sections of this report.

#### 2.1.3 Functional and reporting currency

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

#### 2.1.4 Rounding level of the amounts presented in the financial statements

Unless otherwise stated in the consolidated financial statements and related footnotes, all amounts are shown in TL and without rounding.

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

The consolidated financial statements have been prepared on the basis of historical cost, except for the financial assets available for sale and marketable securities in the tradebook, which are shown with forementioned inflation adjustments and fair values.

#### 2.1.6 Changes in accounting policies

There is no change or mistake in accounting policies in the current period. The clarification of accounting policies has been given in 3 - *Significant accounting estimates and decisions note*.

The COVID-19 pandemic that enounced by the World Health Organization at 11 March 2020 and preventive actions that have been taken into place to respond the pandemic, causes disruptions to business activities in all countries and affect the economic conditions adversely both locally and globally. However, any negative significant effect identified of this pandemic for the Group as of the reporting date, based on the evaluation made by the Group's management.

## 2.2 Consolidation

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by the Ministry of Treasury and Finance in the Official Gazette dated 31 December 2008 and numbered 27097 ("the Circular for Consolidation") requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from 31 March 2009.

The unconsolidated financial statements of the Group and the Subsidiary It is also submitted to Republic of Turkey Ministry of Treasury and Finance. Control, by having the Group directly or indirectly more than 50% of the voting right on the capital of a business, it is ensured by having a management power over the financial and operating policies in order to benefit from the activities of the group in question. Period profits / losses of subsidiaries have been included in the consolidated income statement from the date of purchase / establishment by the parent company.

Consolidated financial statements have been prepared for similar transactions and events using common accounting principles and in the same accounting order as the Group and the Subsidiary.

All intragroup transactions, balances, income and expenses including unrealized gains and losses are eliminated within the scope of consolidation.

Information about the subsidiary subject to consolidation is as follows;

	Percentage of shares	31 Aralık 2020			Percentage of shares	31 Aralık 2019		
		Total asset	Total equity	Profit / (loss) for the year		Total asset	Total equity	Profit / (loss) for the year
Subsidiary								
Bereket Katılım Hayat A.Ş.	100,00%	16.998.140	9.857.003	(327.237)	100,00%	10.344.933	10.279.318	279.318

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.3 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Since Turkey is the main geographical area that Group operates, segment reporting presented in Note 5 - *Segment Reporting* is related to the operations of Group not to the geographical areas.

### 2.4 Transactions in foreign currencies

Group at the date of the policy process transactions made in foreign currency, the Central Bank of the Republic of Turkey ("CBRT"), selling rate of exchange, other transactions are based on the CBRT foreign buying rate of exchange valid on the transaction date. The Group uses the CBRT buying rate of exchange rates when converting foreign currency balances at the end of the period into the currency used. Foreign exchange expenses or incomes arising from the conversion of foreign currency transactions into the currency used or the expression of monetary items are reflected in the consolidated income statement in the relevant period.

### 2.5 Property, Plant and Equipment

Property, plant and equipment are reflected in the records with their remaining values after deduction of costs such as foreign exchange differences and financing expenses.

Assets under construction for leasing or administrative purposes or for already other unspecified purposes are shown by deducting the impairment loss, if any, from their cost values. Legal fees are also included in the cost.

Except for land and ongoing investments, cost amounts of tangible fixed assets are subjected to depreciation using the linear depreciation method according to their expected useful lives. The expected useful life, residual value and depreciation method are reviewed every year for the possible effects of changes in estimates and if there is a change in estimates, they are accounted for prospectively.

The depreciation periods estimated based on the useful lives of tangible fixed assets are as follows:

Property, plant and equipment	Useful life
Furniture and fixture	3-15
Other tangible assets (including leasehold improvements)	5
Right of use assets	2-5

Assets purchased through financial leasing are depreciated in the same way as tangible fixed assets with the shorter of the expected useful life and the lease period in question.

The gain or loss resulting from disposal of tangible fixed assets or decommissioning of a tangible fixed asset is determined as the difference between the sales revenue and the asset's book value and is included in the income statement.

### 2.6 Investment properties

As at balance sheet date, the Group does not have any investment property

### 2.7 Intangible assets

The Group's intangible assets consist of acquired computer software.

Intangible assets are carried at cost and are depreciated on a straight-line basis over their estimated useful lives (3-5 years) after their acquisition date.

In case of impairment, book value of intangible assets is taken to its recoverable value.



# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.8 Financial assets

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

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

*Financial assets held for trading purpose* are measured at their fair values and gain or loss arising due to changes in the fair values of related financial assets are recorded in profit or loss. Interest income earned on held for trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses. As of 31 December 2020, The Group does not have financial assets held for trading purpose. (31 December 2019 : None.)

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such loans and receivables are initially recorded at cost plus transaction costs that reflect their fair value, and following the recording, provision is made for impairment, if any, from cost. Fees and other similar charges related to assets received as collateral for related receivables are not considered as transaction costs and presented in loss statement.

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

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Assets that are not traded in an active market are measured by using valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses derived from the difference between their fair values and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under shareholders' equity. Upon disposal, the realized gain or losses are recognized directly in profit or loss. Group's affiliated securities are classified as available-for-sale financial assets. All normal financial asset purchases and sales are reflected in the records at the transaction date which the Group undertakes to purchase or sell the asset. Such purchases and sales are trades that generally require the delivery of the financial asset within the time frame determined by the general customs and regulations in the market. As of 31 December 2020, total amount of available-for-sale financial assets amounts to TL 441.653 (31 December 2019 : TL 441.653).

*Financial Assets Held to Maturity*, consists of financial assets with acquired with the intent to hold until the end of maturity, where necessary conditions have been met for the retention of maturity until maturity, including funding capability and fixed or determinable payments with fixed maturity and with the exception of loans and receivables. Financial assets held to maturity are accounted with amortized costs calculated by effective interest method, deducting impairment for provision following the initial recognition. As of 31 December 2020, the group does not have financial assets held to maturity (31 December 2019: None).

*Loans* represent amounts borrowed by the life insurance policy in return for a certain percentage of the amounts in the table of associates of the company's certified life insurance policy for life insurers paying premiums for the period specified on the technical basis. As of 31 December 2020, the Group does not have any loans granted to the insured (31 December 2019: None).



# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.8 Financial assets (continued)

*Financial investments with risks on saving life policyholders* are the financial assets invested against the savings of the life policyholders. Financial investments with risks on saving life policyholders could be classified as financial assets held for trading purpose, available for sale financial assets or held to maturity investments by considering the benefits of the policyholders and measured in accordance with the principles as explained above. As of 31 December 2020 and 31 December 2019, the group does not have financial investments with risks on saving life policy holders.

*Receivables from individual pension operations* consist of 'capital advances given to pension investment funds', 'receivable from pension investment funds for fund management fees', 'entrance fee receivable from participants' and 'receivables from clearing house on behalf of the participants'.

*Receivable from pension investment funds for fund management fee* are the fees charged to the pension investment funds against for the administration of related pension investment funds which consist of fees which are not collected in the same day.

Capital advances given to pension investments funds during their establishment are recorded under 'capital advances given to pension investment funds'.

'Receivables from the clearing house on behalf of the participants' is the receivable from clearing house on fund basis against the collections of the participants. Same amount is also recorded as payables to participants for the funds sold against their collections under the 'payables arising from individual pension business'.

#### Derecognition

The Group presents the financial assets or liabilities in the balance sheet if they are parties to the relevant financial instrument contracts. The Group removed the accounting records of all or some of financial assets only when it loses control over the rights arising from the contemplation of the existence of assets. The Group's financial liabilities are only derecognized if the liability defined in the contract is abolished, canceled, or overdue.

### 2.9 Impairment on assets

#### Impairment on financial assets

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

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

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

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

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.9 Impairment on assets(continued)

#### Impairment on tangible and intangible assets

On each reporting date, the Group evaluates whether there is an indication of impairment of tangible and intangible assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 – *Impairment of Assets* and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

Rediscount and provision expenses of the period are disclosed in *Note 47 – Other*.

### 2.10 Derivative financial instruments

The Group classifies derivative transactions as trading-purpose transactions in accordance with TAS 39 - Financial Instruments: Accounting and Measurement standards.

Derivative transactions are presented in balance sheet at fair value. Liabilities and receivables arising from derivative transactions are recorded in off-balance sheet accounts at contractual amounts.

Derivative transactions are measured at fair value in the periods subsequent to their acquisition, and they are presented in the balance sheet under "Trading financial assets" or "Other financial liabilities" accounts according to whether the fair value is positive or negative. The changes in the fair value of the related derivative financial instruments are presented in income statement as a result of measurement.

As of 31 December 2020, the Group has no derivative financial instruments (31 December 2019: None).

### 2.11 Offsetting of financial assets

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

Income and expenses are presented on a net basis only when permitted by the Reporting Standards, or for gains and losses, arising from a group of similar transactions included in the Group's trading activities.

### 2.12 Cash and cash equivalents

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

### 2.13 Share capital

As of 31 December 2020, the shareholder having direct or indirect control over the shares of the Group is Türkiye Tarım Kredi Kooperatifleri Merkez Birliği by 89,09% of the outstanding shares of the Company.

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

Name	31 December 2020		31 December 2019	
	Nominal Value of the Shares (TL)	Percentage (%)	Nominal Value of the Shares (TL)	Percentage (%)
Türkiye Tarım Kredi Kooperatifleri Merkez Birliği	26.727.000	89,090	26.727.000	89,090
Tarım Kredi Kooperatifleri ve Birlikleri Personeli Sosyal Yardım Vakfı	2.970.000	9,900	2.970.000	9,900
Other	303.000	1,010	303.000	1,010
<b>Paid in Capital</b>	<b>30.000.000</b>	<b>100,00</b>	<b>30.000.000</b>	<b>100,00</b>

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.13 Share capital (continued)

As of December 31, 2020, the nominal capital of the Group is TL 30.000.000 (31 December 2019: TL 30.000.000) and consists of 30.000.000 shares (31 December 2019: 30.000.000), each of which is 1 TL, of which 30.000.000 (31 December 2019: 30.000.000) has been paid.

#### Sources of the capital increases during the period

None.

#### Privileges on common shares representing share capital

None.

#### Registered capital system in the Company

None.

Other information about the capital of the Group is disclosed in Note 15.

### 2.14 Insurance and investment contracts - classification

An insurance contract is a contract under which the Group accepts significant insurance risk from another party (the policyholder) by accepting 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 have been received within the coverage of insurance contracts recognized as revenue under the account of written premiums.

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.

The Group mainly issues policies under personal accident, risk and saving cumulative life insurance branches and individual pension contracts.

#### Reinsurance agreements

Reinsurance agreements are the agreements that agreed by the Group and Reinsurance Company for the loss which may occur in one or more insurance agreement signed by the Group, and those meet all conditions to be classified as insurance contract and those whose costs are paid. The company signed a reinsurance agreement in 2020. As of 31 December 2020, the company works with General Reinsurance.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.14 Insurance and investment contracts – classification (continued)

#### Reinsurance agreements (continued)

Reinsurer	Grade	Rating Company	Date
General Reinsurance	A+ (Superior)	AM Best	25.09.2019

### 2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

As at the reporting date, the Group does not have any insurance or investment contracts.

### 2.16 Investment contracts without DPF

As of 31 December 2020 and 31 December 2019 the Group has no investment contracts without DPF.

### 2.17 Liabilities

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

*Payables from individual pension* business consist of payables to participants, participants’ temporary accounts and payables to individual pension agencies. Participant debts account is the account of the amounts of the contribution amounts that are directed to the investor in the name of the individual pension contract owners and the revenues obtained from these investments. As of reporting date, it refers debts to individual pension contract holders. The temporary account of participants includes the contributions of participants that have not yet been transferred to investment. This account also includes the entrance fee deducted portion of the participants’ fund amounts, resulting from fund share sales upon the participant’s leaving the system or transferring funds to other individual pension companies. Accounts payable to individual pension intermediaries refers to the obligation of the Group that the provision of services provided by the Group to agents and agencies that act as intermediaries in the production of individual pension contracts.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.18 Taxes

#### Corporate tax

Corporate income is subject to corporate tax at 20% in Turkey to be effective from 1 January 2006. However, according to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" corporate tax rate for the taxation periods of 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax-deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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

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

In accordance with Turkish Tax Legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Companies doesn't have deductible tax losses as of 31 December 2020. (31 December 2019: None).

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 25th 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.

The Law No. 5024 Amending the Tax Procedure Law, Income Tax Law and Corporate Tax Law ("Law No. 5024"), published in the Official Gazette on December 30, 2003, requires taxpayers, who determine their income on the basis of balance sheet, to subject their financial statements to inflation correction starting from January 1, 2004.

In order to make inflation correction according to the aforementioned law provision, the cumulative inflation rate of the last 36 months (TURKSTAT WPI increase rate) should exceed 100% and the last 12 months inflation rate (TÜİK WPI increase rate) should exceed 10%. Inflation adjustment has not been applied as these conditions were not fulfilled (Note 35).

#### Deferred tax

The deferred tax should be reflected by taking into account the tax effects arising from the temporary differences between the values of the assets and liabilities reflected in financial reporting and the bases in the legal tax account, taking into account the balance sheet liability method. Deferred tax liability needs to be calculated over all taxable temporary differences.

Deferred tax assets must be calculated on all temporary differences and unused tax losses, if it seems possible to generate sufficient profits for future deduction of deductible temporary differences and unused tax losses.

The Group reflected its deferred tax assets and liabilities in their financial statements by clarifying them. Deferred tax is calculated over the tax rates expected to be valid in the period when assets are created or liabilities are fulfilled and recorded as expense or income in the consolidated income statement. However, if the deferred tax relates to assets directly associated with equity capital in the same or a different period, it is directly associated with the equity account group. Tax legislation in Turkey does not permit a parent company and its subsidiary consolidated tax return to fill out. Therefore, both current and deferred tax provisions reflected in the consolidated financial statements are calculated separately for the Group and the Subsidiary. Since the effective corporate tax rate is 20% as of January 1, 2021, 20% tax rate has been used for temporary differences expected to occur / close after 2020.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.18 Taxes

#### Transfer pricing

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

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

### 2.19 Employee termination benefits

#### Provision for termination cost

In accordance with existing Turkish Labour Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2020 is TL 7.117 (31 December 2019: TL 6.380). The Group reserved for employee severance indemnities using actuarial method in compliance with the TAS 19 – *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Net Discount Rate	3,96%	3,89%
Expected Rate of Salary/Limit Increase	12,80%	7,00%
Estimated rate for termination	8,50%	9,09%

The above-mentioned expected salary / cap increase rate is based on the CBRT's annual inflation forecasts.

#### Other employee benefits

The Group has provided for undiscounted other employee benefits earned during the period as per services rendered in compliance with *TAS 19* in the accompanying financial statements.

### 2.20 Provisions, conditional assets and liabilities

A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Group to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the financial statements.

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

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies *(continued)*

### 2.21 Revenue recognition

#### Written premiums

Written premiums represent premiums on policies written during the period net of taxes, premiums of the cancelled policies which were produced in prior periods and premium ceded to reinsurance companies. Premiums ceded to reinsurance companies are accounted as “written premiums, ceded” in the statement of income.

Claims are recognized as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at period-end and incurred but not reported claims. Reinsurer’s shares of claims paid and outstanding claims provisions are off-set against these reserves.

#### Received and paid commissions

As further disclosed in Note 2.24 - Reserve for unearned premiums, commissions paid to the agencies related to the production of the insurance policies and the commissions received from the reinsurance firms related to the premiums ceded are recognized over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums for the policies produced before 1 January 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after 1 January 2008.

While no agency commission is accrued in non-life branches, the amount of commission that must be paid in the life branch if uncollected receivables are collected is calculated on a policy basis.

Reinsurance commissions are accounted for under contracts with reinsurers. In accordance with the Circular 2007/25 dated 28 December 2007 issued by the Ministry of Treasury and Finance, commissions received from reinsurers starting from 10 January 2008 are accounted for in the “future income” account in the balance sheet.

#### Interest income and expense

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

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

#### Trading income/expense

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

#### Dividend

Dividend is recognized as income when the right of collection is obtained.



# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.21 Revenue recognition (Continued)

#### Income from pension business

Fund management fee is recognized as income, charged to the pension investment funds against the hardware, software, personnel and accounting services provided, and fee is shared between the Group and the portfolio manager in accordance with the agreement signed between parties. Total of fund management fee charged to the pension investment funds is recognized as "Fund management income" under technical income and portion of the portfolio manager is recognized as "Fund management expense" under technical expenses.

Management fee is levied on contributions of the participants not exceeding the maximum percentage of eight percent recognized as income under "Fund management income".

Fund management fee is recognized as income, charged to the pension investment funds against the hardware, software, personnel and accounting services provided, and fee is shared between the Group and the portfolio managers in accordance with the agreement signed between parties. Total of fund management fee charged to the pension investment funds is recognized as "Fund management income" under technical income and portion of the portfolio manager is recognized as "Fund management expense" under technical expenses.

According to the "Regulation on the Amendment of the Regulation on the Private Pension System" which entered into force on 1 January 2016, amendments were made in the deduction amounts and collection processes. For contracts entered into force prior to 1 January 2016,

-No deductions will be made even if it is defined in contracts that have completed 5 years from the effective date.

- For contracts that have not completed 5 years from the effective date, no further deductions shall be made until the end of the year if there is a deduction on the annual upper limit, and no further deductions shall be made if there is a deduction over the 5-years period upper limit.

For contracts entered into force after 1 January 2016, there is no deduction available under the name of entrance fee from the participants' contributions or savings of their private pension accounts.

Participants' contributions or savings of their private pension accounts are subject to fund management expense fee. Management expense fee deduction is only made beginning from the effective date of related contract through 5 years and not exceed the eight percent of the monthly minimum gross wage which is valid for the first six month of each year. Company books deductions under the fund management expense fee account. If the contract is released from the system or transferred to another company before completed 5 years, the amount of uncollected management fees corresponding to the period until the end of the 5th year is deducted once from the accumulated contribution of the participant.

Portfolio value changes because of changes in portfolio value between establishment date of the fund portfolio and date of share sold, are recorded in the income statement as interest income on capital advances.

### 2.22 Leasing transactions

The Group accounts for its contracts longer than 12 months within the scope of TFRS 16.

Lease payments made for contracts with a duration of less than 12 months or with a low value that are not considered within the scope of TFRS 16 are recorded as expense in equal amounts throughout the lease term.

The Group rents real estate and cars.

The duration of financial leasing contracts is maximum 5 years. Tangible assets acquired by way of finance leases are recorded in tangible assets and the obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the financial statements. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.



# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies *(continued)*

### 2.22 Leasing transactions *(continued)*

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

Book value of the lease liability after the lease actually started; remeasured as reflectable to increase the interest in the lease liability, decreased as reflectable the lease payments made, to reflect all reassessments and changes made in the lease, or to reflect fixed lease payments of its revised core.

The interest on the lease liability for each period in the lease term is the amount found as calculated by fixed periodic interest rate to the remaining balance of the lease liability.

After the lease actually starts, the lease liability is remeasured to reflect changes in lease payments. The remeasured amount of the lease liability is reflected in the financial statements as a correction in the right of use.

In case of a change in the duration of the first lease or use of the purchase option, a revised discount rate is used to reflect the changes in the interest rate. However, if there is a change in the lease liabilities arising from a change in an index used in determining the future lease payments or the amounts expected to be paid within the context of the residual value commitment, the unmodified discount rate is used.

Regarding a change that is not recognized as a separate lease, the lease liability is remeasured by reducing the revised lease payments at a revised discount rate at the date of implementation of the change. The revised discount rate is determined as the incremental borrowing rate at the date of application of the change. For changes that narrow the scope of the lease, the carrying amount of the right of use is reduced to reflect the partial or complete termination of the lease. Gains or losses related to the partial or complete termination of the lease are recognized in profit or loss. Corrections are made on the right of use for all other changes.

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease.

Based on the evaluation made by the company's senior management, it has been evaluated that the economic effects of the Covid-19 outbreak do not have a negative impact on the Company's rental payment terms and payment schedule as of the reporting date.

### 2.23 Dividend distribution

In line with the decision taken at the Ordinary General Assembly Meeting of the Group held on 3 April 2020 profit was transferred to legal reserves and statutory reserves.

### 2.24 Reserve for unearned premiums

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

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.24 Reserve for unearned premiums (continued)

In the case of personal accident insurance, annual life insurance and life insurance which of the renewal date exceeds one year, reserve for unearned premiums is calculated for the portion of the remaining part which is left after deducting savings from gross premium written for the period. Insurance policies covering possibilities of life and death or both and personal accident, disability by illness and serious illness insurance policies are considered as life insurance policies and their premiums are classified as life insurance premiums.

Provision for unearned premiums; During the calculation of unearned premium reserves based on the "Sector Announcement Regarding the Implementation of Legislation Regarding Technical Provisions" dated 27 March 2009 and numbered 2009/9 published by the Ministry of Treasury and Finance, all the policies are started at 12:00 pm and finished at 12:00 pm so provisions for unearned premiums have been calculated as half day for the starting day and end day for all the policies.

According to the Communiqué on Technical Reserves, for the calculation of unearned premium reserves of foreign currency indexed insurance agreements, foreign currency selling exchange rates announced by Central Bank of the Republic of Turkey will be considered, unless there is a specified exchange rate in the agreement.

As of 31 December 2020, the Group provided TL 86.494.681 net unearned Premium reserve in its financial statements (31 December 2019: TL 48.745.873).

### 2.25 Reserve for unexpired risks

In accordance with the Communiqué on Technical Reserves, while providing reserve for unearned premiums, in each accounting period, the companies should perform adequacy test covering the preceding 12 months due to the probability that future claims and compensations of the outstanding policies may be in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/premium ratio. Expected claim/premium ratio is calculated by dividing incurred losses (provision for outstanding claims, net at the end of the period + claims paid, net – provision for outstanding claims, net at the beginning of the period) to earned premiums (written premiums, net + reserve for unearned premiums, net at the beginning of the period – reserve for unearned premiums, net at the end of the period). In the calculation of earned premiums; deferred commission expenses paid to the agencies and deferred commission income received from the reinsurance firms which were netted off from reserve for unearned premiums both at the beginning of the period and at the end of the period are not taken into consideration.

In accordance with Treasury Communiqué numbered 2012/15, unexpired risk reserve started to be calculated over main branches as of 31 December 2012. The test is performed on branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch. As of 31 December 2020, the Group has not provided any reserve for unexpired risks (31 December 2019: None).

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.26 Provision for outstanding claims

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Provision for outstanding claims 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.

In this context, as of 31 December 2020, the Group allocated a net provision for outstanding claims amounting to TL 15.417.594 (31 December 2019: TL 7.200.578) in its financial statements regarding incurred but not reported compensation amounts.

Identity Sharing System (KPS) in order not to be insufficient against the fluctuations in the future periods as of November 2016, the calculation of the realized but not reported damage and compensation amounts due to the insufficiency of the premiums and average coverage amounts written in the previous years for the contracts of the Group for consistent calculation) based on the data obtained with the query, the coverage amounts of the insured customers in the Group portfolio, whose damage has been realized within the policy period and whose notification has not yet been officially delivered to the Group, has been set aside as a loss compensation provision that has been incurred but has not yet been reported. For contracts with a term of more than one-year, additional provision was made using the industry average and the premium generated, in line with the actuary's opinion, in addition to the data obtained through the KPS query.

As of 31 December 2020, the Group does not have any additional outstanding claims reserve required as a result of the calculation of outstanding claims reserve adequacy difference in accordance with the actuarial chain ladder method (31 December 2019: None).

### 2.27 Mathematical reserves

In accordance with the Communiqué on Technical Reserves, companies performing in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal accident insurance contracts. Mathematical provisions are composed of actuarial mathematical provisions and profit-sharing provisions.

Actuarial mathematical provisions, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Group meets in future and current value of premiums paid by policyholder in future (prospective method). In life insurance where saving plan premiums are also generated, actuarial mathematical provisions consist of total saving plan portions of premiums.

Provision for profit sharing consist of profit sharing calculated in previous years and a certain percentage of current period's income, determined in the approved profit-sharing tariffs, obtained from the financial assets backing liabilities of the Group against the policyholders and other beneficiaries for the contracts which the Group is liable to give profit sharing.

The valuation method used in calculation of the profit to be shared for saving life contracts is the same with the valuation basis of portfolio on which assets on which the Group invests the provisions allocated due to liabilities against the beneficiaries are included in the framework of basis defined in the Note 2.8 "Financial Assets". As of 31 December 2020, it has reserved mathematical reserves amounting to TL 8.728.953 (31 December 2019: 5.153.140 TL).

# Notes to the Consolidated Financial Statements

## As at 31 December 2020

(Currency: Turkish Lira (TL))

### 2 Summary of significant accounting policies *(continued)*

#### 2.28 Equalization reserve

The companies have to reserve equalization provision for loans and earthquake guarantees provided in all branches to equalize the possible fluctuations and to cover catastrophic risks including additional guarantees.

In addition, in accordance with the related article, equalization reserves should be calculated as 12% of the earthquake and loan net premiums of each year. Amounts paid for non-proportional reinsurance contracts should be considered as premiums ceded in the calculation of net premium. In the non-proportional reinsurance agreements including more than one branch, the amount of premium carried forward per each credit and earthquake branches is calculated with respect to its portion in the total premium amount unless another calculation method is determined by the Company. Allocation of provisions should be continued until it is reached the 150% of the highest amount of net premium written in the last five years. If reserve amount is less than the reserve amount reflected in the prior year's balance as a result of the premium production following the related 5 year-period, the difference is recognized under the other reserve account in equity. The amount transferred to the equity can be taken as reserve, used for capital increase or payment of indemnities. In life insurance providing death benefit, the Group will be using its own statistical data in the calculation of balancing provision. The Companies which do not have data to make the necessary calculations will take the 11% of the death net premium as the earthquake premium and reserve the 12% of this amount. In the case of an earthquake or a loss in the loan branch and related financial year, provisions reserved for loan or earthquake guarantees can be used in the payment of indemnities. If claim is incurred, reinsurers share and the amount(s) less than the exemption limit set out in the agreement will not be deducted against equalization reserves.

According to Circular No:2010/1, "The Circular on the Use of Equalization Reserve and Additional Information about some other Circulars", it is possible to use the equalization reserve provided for catastrophic claims on the reimbursement of catastrophic claims. Additionally, it is possible to net off the outstanding claims provided, based on expertise report or the documents provided from legal authorities in case of catastrophe, from the equalization reserve. However, the related net off should not be done from current year equalization reserve. Besides, incurred catastrophic claims should be recorded to related technical accounts that incurred catastrophic claims covered from the equalization reserve should be debited from balance sheet account of equalization reserve and credited to the changes in other technical reserves account. On the other hand, it is possible to not to include paid catastrophic claims provided from the equalization reserve to the calculation of IBNR. Equalization provisions are presented under "other technical reserves" within long-term liabilities in the accompanying financial statements.

As of 31 December 2020, the Group reserved provision for equalization reserve amounting to TL 5.129.544 (31 December 2019: TL 2.340.365) *(Note 17)*

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.29 Provision for bonus and rebates

Provision for bonus and rebates is the provision required to be allocated in case a bonus or rebate is committed to the insured with respect to the policies in effect in the current period and without the condition of the renewal of policy in following periods. In case insurance companies implement bonus and rebates, the provision shall be comprised of the bonus and rebate amounts allocated for the insured and beneficiaries according to the technical results of the current year. The bonuses and rebates shall cover all amounts paid or to be paid to the beneficiary or the insured in the current accounting period. The payment shall be carried out through discounts from future premiums of the insured or increases in mathematical provisions. The companies are required to specify in the contract the bonus and discount amounts they undertake. As of 31 December 2020, there is no provision for bonus and rebates (31 December 2019: None).

### 2.30 Related parties

It is the person or business associated with the business that prepares the consolidated financial statements (to be used as the "reporting entity" in this Standard).

- (a) A person or a member of their immediate family is deemed to be related to the reporting entity if:
  - The person in question;
    - (i) Has control or joint control power over the reporting entity,
    - (ii) Has a significant influence on the reporting entity,
    - (iii) If the reporting entity or a parent company of the reporting enterprise is a member of the key management personnel.
- (b) An entity is deemed to be related to a reporting entity if any of the following conditions exist:
  - (i) If the entity and the reporting entity are members of the same group (ie each parent company, subsidiary and other subsidiary is associated with the others).
  - (ii) In case the business is the affiliate or business partnership of the other business (or a member of a group to which the other business is a member).
  - (iii) If both businesses are joint ventures of the same third party.
  - (iv) If one of the entities is a business partnership of a third enterprise and the other entity is a subsidiary of the said third entity.
  - (v) In the event the entity, reporting entity or there are post-employment benefit plans for the employees of an entity associated with the reporting entity.  
If the reporting entity itself has such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) If the entity is controlled or jointly controlled by a person identified in article (a).
  - (vii) If a person defined in item (i) of article (a) has a significant influence on the entity or is a member of the key management personnel of the entity (or the parent company of this entity)

The transaction made with the related party is transferred, of resources, services, or obligations between the reporting entity and a related party, regardless of whether it is for a price or not.

The transaction made with the related party is transferred, of resources, services or obligations between related parties regardless of whether it is for a price or not.

In the consolidated financial statements dated December 31, 2020 and the related explanatory footnotes, Bereket Group companies, other than shareholders, are defined as related parties of other shareholders and Group management as related parties.

### 2.31 Earnings per share

According to TAS 33 "Earnings per Share", equity shares are not obliged to disclose earnings per share for companies that are not traded in the stock market. Earnings / losses per share have not been calculated in the accompanying financial statements since the Group's shares are not traded in the stock exchange.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.32 Other monetary balance sheet items

They are reflected in the balance sheet with their registered values.

### 2.33 Events after the reporting period

Post-balance sheet events that provide additional information about the Group's position at the reporting dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

### 2.34 New standards and interpretations not yet adopted

#### *Standards issued but not yet effective and not early adopted*

New standards, interpretations and amendments to existing standards are not effective at reporting date but earlier application is permitted; however the Group has not early adopted are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

#### **Amendments to TFRS 4: Applying TFRS 9 Financial Instruments with TFRS 4 Insurance Contracts**

TFRS 4 has also been amended by POA within the amendments issued by IASB in order to reduce the impact of the differing effective dates of the new insurance contracts standard and TFRS 9. These amendments to TFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying TFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognized in profit or loss under TFRS 9 and those that would have been reported under TAS 39; or ii) an optional temporary exemption from applying TFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2021. These companies will be permitted to continue to apply existing requirements for financial instruments in TAS 39.

The Group is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 4.

#### **TFRS 17 – Insurance Contracts**

On 16 February 2019, POA issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. TFRS 17 replaces TFRS 4, which was brought in as an interim Standard in 2004. TFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. TFRS 17 solves the comparison problems created by TFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. TFRS 17 has an effective date of 1 January 2023 but companies can apply it earlier.

The Group is assessing the potential impact on its financial statements resulting from the application of TFRS 17.

#### **TFRS 15 Revenue from Contracts with Customers**

As issued in September 2016 by Turkish Public Oversight Authority ("POA"), the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Group expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. In accordance with the letter submitted by Turkey Insurance Association dated 7 May 2018 and numbered 2018-354, the request of postponement of implementation of TFRS 15 in line with TFRS 17 and TFRS 9 transition is evaluated positively by the Republic of Turkey Ministry of Treasury and Finance and the announcement about the issue will be made with the circular after official approval.

The Group is assessing the potential impact on its financial statements resulting from the application of TFRS 15.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies *(continued)*

### 2.34 New standards and interpretations not yet adopted *(continued)*

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

#### **Classification of Liabilities as Current or Non-current (Amendments to TAS 1)**

On 23 January 2020, IASB issued “Classification of Liabilities as Current or Non-Current” which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

- (a) Specifying that an entity’s right to defer settlement must exist at the end of the reporting period;
- (b) Clarifying that classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement;
- (c) Clarifying how lending conditions affect classification; and
- (d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, IASB decided to defer the effective date of IAS 1 until 1 January 2023 with the amendment published on 15 July 2020, and the amendment was issued by POA on 15 January 2021.

The Group is assessing the potential impact on its financial statements resulting from the application of the amendments to IAS 1.

#### **Covid-19 related rent concession (Amendments to TFRS 16)**

In May 2020, IASB issued Covid-19 related rent concession which amends TFRS 16 Leases which is also issued by POA on 5 June 2020.

The amendments allow lessees not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration,
- the reduction in lease payments relates to payments due on or before 30 June 2021,
- no other substantive changes have been made to the terms of the lease.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The Group shall apply these amendments for annual periods beginning on or after 1 June 2020 with earlier application permitted.



# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.34 New standards and interpretations not yet adopted (continued)

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

#### **Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 16)**

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit a Group from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Group is preparing the asset for its intended use. Instead, the Group will recognise such sales proceeds and related cost in profit or loss.

The amendments improve transparency and consistency by clarifying the accounting requirements specifically, the amendments prohibit a Group from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Group is preparing the asset for its intended use. Instead, the Group will recognise such sales proceeds and related cost in profit or loss. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

#### **Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 37)**

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. And then, TAS 37 amendment was issued on 27 July 2020 by POA to reflect these amendments.

IASB developed amendments to TAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

#### **Reference to the Conceptual Framework (Amendments to TFRS 3)**

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.

The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. And then, TFRS 3 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.



# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies (continued)

### 2.34 New standards and interpretations not yet adopted (continued)

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

*Annual Improvements to TFRS Standards 2018–2020*

#### **Improvements to TFRS's**

For the current standards, "Annual Improvements in TFRSs / 2018-2020 Cycle" published by POA on 27 July 2020 is presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Group does not expect that application of these improvements to TFRSs will have significant impact on its financial statements.

#### *TFRS 1 First-time Adoption of International Financial Reporting Standards*

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to TFRSs. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

#### *TFRS 9 Financial Instruments*

This amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

#### *IFRS 16 Leases, Illustrative Example 13*

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. It will help to remove the potential for confusion in identifying lease incentives in a common real estate fact pattern.

#### **IBOR Reform and its Effects on Financial Reporting—Phase 2**

In August 2020, IASB issued amendments that complement those issued in 2019 and focus on the effects of the interest rate benchmark reform on a company's financial statements that arise when, for example, an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate.

The Phase 2 amendments, Interest Rate Benchmark Reform—Phase 2, address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). In 2019, the Board issued its initial amendments in Phase 1 of the project.

The objectives of the Phase 2 amendments are to assist companies in:

- applying IFRS Standards when changes are made to contractual cash flows or hedging relationships because of the interest rate benchmark reform; and
- providing useful information to users of financial statements.

In Phase 2 of its project, the Board amended requirements in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities;
- hedge accounting; and
- disclosures.

The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 2 Summary of significant accounting policies *(continued)*

### 2.34 New standards and interpretations not yet adopted *(continued)*

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

#### **Amendments are effective on 1 January 2020**

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2020 are as follows:

1-) The revised Conceptual Framework (Version 2018)

2-) Amendments to IAS 1 and IAS 8 - Definition of Material

The application of the amendment to IAS 1 and IAS 8 is not expected to have a significant effect on the financial statements of the Group.

4-) Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The application of this amendment did not have a significant impact on the financial statements of the Group.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 3 Critical Accounting estimates and judgements in applying accounting policies

In the preparation of the consolidated financial statements, the Group management is required to make assumptions and estimates determining that will affect the reported asset and liability amounts, possible liabilities and commitments as of reporting date and the income and expense amounts as of balance sheet date. Actual results may differ from the estimates. The forecasts are regularly reviewed, necessary corrections are made and they are reflected in the consolidated income statement in the period in which they are realized. The estimates used are mainly; in connection with insurance outstanding claims provision, other technical provisions and provisions for impairment of assets, and these estimates and assumptions are explained in detail in the related notes. Apart from these, important estimates used in the preparation of consolidated financial statements are as follows:

### *Provision for termination cost:*

The Group has calculated the provision for termination cost in the accompanying consolidated financial statements using actuarial assumptions and reflected it in its records.

### *Provision for doubtful receivables:*

The Group allocates provision for doubtful receivables for those of the relevant intermediaries and insureds who cannot make repayments and their recourse receivables at the stage of execution or litigation (Note 12).

### *Deferred tax:*

Deferred tax assets are recorded when it is highly probable to benefit from temporary differences and accumulated losses by making future taxable profit. While determining the amount of deferred tax assets to be recorded, it is necessary to make important estimates and evaluations regarding the taxable profits that may occur in the future (Note 21).

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 4 Management of insurance and financial risk

### 4.1 Management of insurance risk

#### Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of the insurance contracts, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The Company's strategy of policy is the most accurate distribution based on size and type of undertaken risk. The Company determines its insurance underwriting strategy based on the type of insurance risk accepted and the claims incurred.

The company manages associated risks with reinsurance agreements that are in all branches and production strategy which is shaped by the Company. The company shares large-scale risks that may arise in natural disasters such as earthquakes, terrorism, or large-scale accidents, with catastrophic damages agreements with the reinsurers.

The following factors are considered in the risk acceptance policy in the Life and Personal Accident branches:

#### Medical-risk assessment

Medical risk assessment is the first step of risk assessment process. In order to learn and evaluate the health positions of the customers, they are requested to do check-up test in accordance with the conditions determined based on the amount of insured risk. Within this context, first evaluation is performed by the Company's medical doctor through medical assessment. Applicants carrying medical risk factors are rejected in accordance with the terms of agreement with reinsurer.

#### Moral-risk assessment

In the second step of the risk assessment process, information about the customers' gender, living conditions, residence and the occupational information is obtained. During this process, sales force of the Company is expected to support related units of the Company for suspicious circumstances of the customers which are re-assessed.

#### Financial risk assessment

In the third step of the risk assessment process, requirement for customers' request for the amount of life insurance limits and their annual income or the amount of the loans requested from the banks being equal to each other is analyzed. A big amount of the Company's portfolio consists of bank products, total amount of insured risk is expected to match with the total amount of banks' credit risks. Evaluation of the credit risks of the customers by the banks as a part of their credit facilities is an important step for the Company's financial risk assessment process.

Insurance guarantees given in the life branch where the Group operates are as follows:

	31 December 2020		31 December 2019	
	Coverage Amount (TL)	Number	Coverage Amount (TL)	Number
Life	20.583.357.479	2.765.196	14.881.399.712	2.603.816
Personal Accident	60.044.126.380	1.677.000	57.656.541.220	1.700.992
	<b>80.627.483.859</b>	<b>4.442.196</b>	<b>72.537.940.932</b>	<b>4.304.808</b>

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 4 Management of insurance and financial risk (continued)

### 4.1 Management of insurance risk (continued)

#### Insurance Risk (continued)

The portion of the Group that is transferred to total risk reinsurers on the basis of risk assurance is explained below:

	31 December 2020	31 December 2019
Death	14.911.830.551	1.218.514.099
Accidental death	30.450.211.951	27.076.350.000
Accidental disability	30.312.086.026	27.165.606.906
Illness disability	464.538.950	-
Critical illnesses	1.034.330.000	-
Unemployment	-	3.735.000
Accidental fracture	1.676.889.900	1.700.800.600
Accidental burn	1.676.982.000	1.700.985.000
Emergency healing	100.614.480	102.045.620

As of 31 December 2020 and 31 December 2019, damage/ premium rate of the Group are as follows:

	31 December 2020	31 December 2019
Net	47%	42%
Gross	47%	43%

The Group makes risk assessments by considering possibilities of cumulative insurance risk, the damage results and taking into consideration the gender, nature and geographical position of the existing risks and the greatest number of risk groups in order to obtain optimum damage results.

The Group has insurance contracts in life insurance and personal accident branches. Accordingly, in the insurance contracts organized, the intensification of the insurance risk according to the nature of the insurance is grossly and clearly summarized in the following table:

Branches	31 December 2020			31 December 2019		
	Total gross risk obligation	Share of reinsurers in total risk obligation	Risk obligation, net	Total gross risk obligation	Share of reinsurers in total risk obligation	Risk obligation, net
Life	20.013.241.662	261.593.380	19.751.648.282	10.232.601.389	817.540.336	9.415.061.053
Personal accident	57.038.188.770	55.095.234.670	1.942.954.100	31.500.114.960	18.254.796.890	13.245.318.070
<b>Total <sup>(1)</sup></b>	<b>77.051.430.432</b>	<b>55.356.828.050</b>	<b>21.694.602.382</b>	<b>41.732.716.349</b>	<b>19.072.337.226</b>	<b>22.660.379.123</b>

<sup>(1)</sup> Total risk obligation includes death and additional collateral amounts of all policies in force.

The liabilities of insurance contract are summarized in the table below as gross and net (after reinsurance) in terms of currency

	31 December 2020			31 December 2019		
	Total gross risk obligation	Share of reinsurers in total risk obligation	Risk obligation, net	Total gross risk obligation	Share of reinsurers in total risk obligation	Risk obligation, net
TL	89.711.565	10.619.024	79.092.541	40.290.041	6.833.883	33.456.158
<b>Total <sup>(1)</sup></b>	<b>89.711.565</b>	<b>10.619.024</b>	<b>79.092.541</b>	<b>40.290.041</b>	<b>6.833.883</b>	<b>33.456.158</b>

<sup>(1)</sup> Total claims obligation includes actual estimated compensation costs.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 4 Management of insurance and financial risk *(continued)*

### 4.2 Management of financial risk

#### Introduction and overview

This note shows the Group's exposure to risks for each of the following, the policies, procedures and objectives that the Group applies to manage and measure the risks in this direction, and information on capital management. In summary, the basic financial risk is that the revenues from financial assets are insufficient to meet the obligations arising from insurance contracts. The most important components of the financial risk are market risk (currency risk, market interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the volatility of financial markets and the minimization of the potential adverse effects on the financial performance of the Group. The Group does not use any derivative financial instruments. Risk management is carried out in accordance with the procedures approved by the Board of Directors.

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

#### Credit risk

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. The balance sheet items that the Group is exposed to credit risk are as follows:

- cash at banks
- available-for-sale financial assets
- financial assets for trade
- premium receivables from policyholders
- receivables from intermediaries (agencies)
- receivables from reinsurance companies related to claims paid and commissions accrued
- reinsurance shares of insurance liabilities
- due from related parties
- other receivables

Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Group's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholders. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of the reinsurance contract.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 4 Management of insurance and financial risk (continued)

### 4.2 Financial risk management (continued)

#### Credit risk (continued)

Net carrying value of the assets that are exposed to credit risk is shown in the table below:

	31 December 2020	31 December 2019
Cash and cash equivalents (Note 14)	58.679.198	39.465.839
Financial assets (Note 11)	441.653	441.653
Receivables from main operations (Note 12)	826.955.462	640.446.200
Other receivables (Note 12)	9.749	390.477
Prepaid taxes and funds (Note 12)	143.558	23.485
Reinsurer share in provision for outstanding claims (Note 10), (Note 17)	8.350.119	5.442.985
<b>Total</b>	<b>894.579.739</b>	<b>686.210.639</b>

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

	31 December 2020		31 December 2019	
	Gross Amount	Provision	Gross Amount	Provision
Not past due <sup>(1)</sup>	826.882.694	-	640.438.095	-
Past due 0-30 days	76.993	-	10.333	-
Past due 31-60 days	-	-	194	-
Past due 61-180 days	-	-	(2.422)	-
Past due 181-365 days	340.988	(345.213)	341.255	(341.255)
Past due over a year	-	-	-	-
<b>Total</b>	<b>827.300.675</b>	<b>(345.213)</b>	<b>640.787.455</b>	<b>(341.255)</b>

<sup>(1)</sup> Receivables from pension activities amounting to TL 735.564.535 are classified under non-current receivables (31 December 2019: TL 538.447.687).

The movement of the provision for receivables from insurance operations is as follows:

	31 December 2020	31 December 2019
Provision for receivables from insurance operations at the beginning of the period	341.255	329.023
Provision for doubtful receivables during the period (Note 47)	3.958	341.255
Collections during the period (Note 47)	-	(329.023)
<b>Provision for receivables from insurance operations at the end of the period</b>	<b>345.213</b>	<b>341.255</b>

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 4 Management of insurance and financial risk (continued)

### 4.2 Financial risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that a company cannot meet its funding needs. The Group measures and evaluates cyclically the liquidity risk within the framework of the compliance with the liquidity risk policies of the group to which it is affiliated.

Group's distribution by remaining maturity of monetary assets and liabilities as of December 31, 2020 is as follows:

31 December 2020	Carrying Value	Up to 3 month	3 months to 1 year	1 year to 5 years	Over 5 years	Retained
Cash and cash equivalents	58.679.198	29.679.198	29.000.000	-	-	-
Financial investments	441.653	441.653	-	-	-	-
Receivables from main operations	826.955.462	90.351.272	1.039.655	-	-	735.564.535
Other receivables	9.749	3.989	-	5.760	-	-
Expenses and income accruals	39.384.878	-	39.384.878	-	-	-
Receivables from related parties	17	17	-	-	-	-
<b>Total monetary assets</b>	<b>925.470.957</b>	<b>120.476.129</b>	<b>69.424.533</b>	<b>5.760</b>	<b>-</b>	<b>735.564.535</b>
Payables arising from main operations	751.229.527	15.664.992	-	-	-	735.564.535
Due to related parties	2.402.001	2.402.001	-	-	-	-
Insurance technical provisions <sup>(1)</sup>	15.927.557	-	15.417.594	-	-	-
Life mathematical provisions	8.728.953	-	106.228	8.622.725	-	-
Provisions for taxes and other similar obligations	828.501	828.501	-	-	-	-
Provisions for other risks	3.444.630	-	2.785.657	658.973	-	-
Expenses and income accruals	565.115	565.115	-	-	-	-
Financial liabilities	2.017.838	-	1.411.843	605.995	-	-
<b>Total monetary liabilities</b>	<b>785.144.122</b>	<b>19.460.609</b>	<b>20.231.285</b>	<b>9.887.693</b>	<b>-</b>	<b>735.564.535</b>

31 December 2019	Carrying Value	Up to 3 month	3 months to 1 year	1 year to 5 years	Over 5 years	Retained
Cash and cash equivalents	39.465.839	39.465.839	-	-	-	-
Financial investments	441.653	441.653	-	-	-	-
Receivables from main operations	640.446.200	101.998.513	-	-	-	538.447.687
Other receivables	390.477	384.717	-	5.760	-	-
Expenses and income accruals	34.643.729	-	34.643.729	-	-	-
Other assets	81	81	-	-	-	-
<b>Total monetary assets</b>	<b>715.387.979</b>	<b>142.290.803</b>	<b>34.643.729</b>	<b>5.760</b>	<b>-</b>	<b>538.447.687</b>
Payables arising from main operations	2.444.332	2.444.332	-	-	-	-
Due to related parties	7.200.578	-	7.200.578	-	-	-
Insurance technical provisions <sup>(1)</sup>	5.153.140	-	2.674.983	2.478.157	-	-
Life mathematical provisions	4.208.724	4.208.724	-	-	-	-
Provisions for taxes and other similar obligations	1.987.708	-	1.552.773	434.935	-	-
Provisions for other risks	12.590.133	12.590.133	-	-	-	-
Expenses and income accruals	2.444.332	2.444.332	-	323.865	-	-
Financial liabilities	2.548.524	-	1.074.958	1.473.566	-	-
<b>Total monetary liabilities</b>	<b>615.841.325</b>	<b>60.503.688</b>	<b>12.503.292</b>	<b>4.386.658</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> All outstanding claims provision has been presented in short-term liabilities in the accompanying tables.



# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 4 Management of insurance and financial risk (continued)

### 4.2 Financial risk management (continued)

#### Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, credit spreads, real estate fair values and general commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to identify potential risks and to measure, monitoring and reporting market risk exposures within acceptable parameters, while optimizing the risk appetite of the Group's return on risk.

#### Currency risk

Foreign exchange gains and losses due to foreign currency denominated transactions are recognized in the statement of income. Monetary assets and liabilities denominated in foreign currencies are measured at the exchange rates ("TL") ruling at the reporting date with the resulting exchange differences recognized in the statement of income as foreign exchange gains or losses.

The Group does not have foreign currency risk is.

#### Exposure to interest rate risk

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

As of the end of the reporting period, since the Group does not have trading securities and investment securities, the interest profile of financial assets and liabilities with only interest earning and interest bearing is detailed in the table below:

	31 December 2020	31 December 2019
<b>Financial assets:</b>		
<i>Financial assets with fixed interest rates:</i>		
Cash at banks (Note 14)	54.384.086	36.341.038

#### Interest rate sensitivity of the financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income for the trading financial assets and financial liabilities held at 31 December 2020. This analysis assumes that all other variables remain constant. The Group has no any financial instruments for the years ended 31 December 2020 and 31 December 2019. Therefore, financial sensitivity analysis of financial instruments has not been conducted.

#### Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where they exist, appropriate valuation methodologies. The Group has classified its marketable securities as available-for-sale, and financial investments with risks on life insurance policyholders as available-for-sale. Available-for-sale financial assets are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying financial statements.

Group management estimates that the fair value and carrying value of the other financial asset and liabilities are not significantly different. The total value of the pension funds constituting the long-term receivables and payables of the Group is accounted with their fair values.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 4 Management of insurance and financial risk (continued)

### 4.2 Financial risk management (continued)

#### Market risk (continued)

##### Classification relevant to fair value information

TFRS 7 – *Financial Instruments: Disclosures* requires the measurements of fair value of financial instruments to be classified in a hierarchy that reflects the significance of the valuation inputs used. This classification priorities observable data, using market data obtained from independent sources, in preference to unobservable data that relies, for example on the use of predictions and assumptions about market prices by the Group. This sort of categorization generally results in the classifications below:

Held-to-maturity financial assets are not available as of 31 December 2020 (31 December 2019: None).

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 (i.e., as prices) or indirectly (i.e., derived from prices).

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

Classification requires the use of observable market data in case of available. In this framework, the fair value classification of financial assets and liabilities measured at their fair values is as follows:

	31 December 2020			Total
	Level 1	Level 2	Level 3	
<b>Financial assets available for sale</b>				
Receivables from Individual Pension Operations – receivables from clearing house on behalf of the participants (Note 18)	735.564.535	-	-	735.564.535
<b>Total financial assets</b>	<b>735.564.535</b>	<b>-</b>	<b>-</b>	<b>735.564.535</b>
<b>Financial liabilities available for sale</b>				
Payables from Individual Pension Operations – payables to participants (Note 19)	735.564.535	-	-	735.564.535
<b>Total financial liabilities</b>	<b>735.564.535</b>	<b>-</b>	<b>-</b>	<b>735.564.535</b>
	31 December 2019			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Receivables from Individual Pension Operations – receivables from clearing house on behalf of the participants (Note 18)	538.447.687	-	-	538.447.687
<b>Total financial assets</b>	<b>538.447.687</b>	<b>-</b>	<b>-</b>	<b>538.447.687</b>
<b>Financial liabilities</b>				
Payables from Individual Pension Operations – payables to participants (Note 19)	538.447.687	-	-	538.447.687
<b>Total financial liabilities</b>	<b>538.447.687</b>	<b>-</b>	<b>-</b>	<b>538.447.687</b>

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 4 Management of insurance and financial risk (continued)

### 4.2 Financial risk management (continued)

#### Market risk (continued)

#### Capital management

The Group's capital management policies include the following:

- To comply with the insurance capital requirements required by the Republic of Turkey Ministry of Treasury and Finance;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders,
- To provide an adequate return to shareholders by pricing insurance contracts in line with the level of risk assumed

In accordance with the "Circular Regarding the Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Private Pension Companies" issued by the Republic of Turkey Ministry of Treasury and Finance on 19 January 2008 dated and 26761 numbered Official Gazette, the Company measured its minimum capital requirement as at 31 December 2020 as TL 41.587.867 (31 December 2019: TL 47.600.303). As at 31 December 2020, the Company's total equity in its statutory financial statements amounted to TL 64.904.750 (31 December 2019 : TL 48.640.860) which is TL 23.316.883 above the minimum capital requirement amount.

#### Gains and losses arising from financial assets

<i>Gains and losses recognized in the statement of income:</i>	<b>31 December 2020</b>	<b>31 December 2019</b>
Dividend income from bank deposits	4.433.324	4.695.756
Valuation of financial investment	634.086	241.038
Foreign exchange gains	296.594	55.818
<b>Investment income</b>	<b>5.364.004</b>	<b>4.992.612</b>
Investment management expenses	(287.693)	(302.034)
Foreign exchange losses	(54.317)	(139.292)
<b>Investment expense</b>	<b>(342.010)</b>	<b>(441.326)</b>
<b>Financial gains and losses recognized in the statement of income, net</b>	<b>5.021.994</b>	<b>4.551.286</b>

## 5 Segment reporting

It is explained in footnote 2.3.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 6 Tangible assets

Movements in tangible assets in the period from 1 January to 31 December 2020 are presented below:

	1 January 2020	Additions	Disposals	Transfers	31 December 2020
<b>Cost:</b>					
Furnitures and fixtures	5.631.127	642.152	(77.592)	-	6.195.687
Leasehold improvements	340.797	-	-	-	340.797
Vehicles	330.000	-	(50.000)	-	280.000
Right of use asset <sup>(*)</sup>	3.496.125	392.020	-	-	3.888.145
<b>Total</b>	<b>9.798.049</b>	<b>1.034.172</b>	<b>(127.592)</b>	<b>-</b>	<b>10.704.629</b>
<b>Accumulated depreciation:</b>					
Furnitures and fixtures	(2.117.899)	(1.100.117)	51.490	-	(3.166.526)
Leasehold improvements	(118.156)	(68.160)	-	-	(186.316)
Vehicles	(49.500)	(62.667)	14.167	-	(98.000)
Right of use asset <sup>(*)</sup>	(1.127.382)	(993.881)	-	-	(2.121.263)
<b>Total</b>	<b>(3.412.937)</b>	<b>(2.224.816)</b>	<b>65.648</b>	<b>-</b>	<b>(5.572.105)</b>
<b>Net book value</b>	<b>6.385.112</b>				<b>5.132.524</b>

<sup>(\*)</sup>As of 31 December 2020, right-of-use assets comprises from leased buildings and vehicles. See note 20 for detailed explanation.

Movements in tangible assets in the period from 1 January to 31 December 2019 are presented below:

	1 January 2019	Additions	Disposals	Transfers	31 December 2019
<b>Cost:</b>					
Furnitures and fixtures	3.249.592	2.824.217	(442.682)	-	5.631.127
Leasehold improvements	358.889	5.782	(23.874)	-	340.797
Vehicles	-	330.000	-	-	330.000
Right of use asset <sup>(*)</sup>	-	3.496.125	-	-	3.496.125
<b>Total</b>	<b>3.608.481</b>	<b>6.656.124</b>	<b>(466.556)</b>	<b>-</b>	<b>9.798.049</b>
<b>Accumulated depreciation:</b>					
Furnitures and fixtures	(1.808.417)	(554.879)	251.005	-	(2.112.291)
Leasehold improvements	(55.826)	(67.938)	-	-	(123.764)
Vehicles	-	(49.500)	-	-	(49.500)
Right of use asset <sup>(*)</sup>	-	(1.127.382)	-	-	(1.127.382)
<b>Total</b>	<b>(1.864.243)</b>	<b>(1.799.699)</b>	<b>251.005</b>	<b>-</b>	<b>(3.412.937)</b>
<b>Net book value</b>	<b>1.744.238</b>				<b>6.385.112</b>

<sup>(\*)</sup>As of 31 December 2019, right-of-use assets comprises from leased buildings and vehicles. See note 20 for detailed explanation.

There is no mortgage on real estates for use in favor of the Republic of Turkey Ministry of Treasury and Finance.

The Group does not have any tangible fixed assets acquired as a tenant in financial leasing transactions (31 December 2019: None).

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 7 Investment properties

None.

## 8 Intangible assets

Movements in intangible assets in the period between 1 January - 31 December 2020 are presented below:

	1 January 2020	Addition	Disposal	Transfers	31 December 2020
<i>Cost:</i>					
Computer software	8.966.632	800.005	-	-	9.766.637
<b>Total</b>	<b>8.966.632</b>	<b>800.005</b>	<b>-</b>	<b>-</b>	<b>9.766.637</b>
<i>Accumulated amortization:</i>					
Computer software	(7.379.650)	(939.963)	-	-	(8.319.613)
<b>Total</b>	<b>(7.379.650)</b>	<b>(939.963)</b>	<b>-</b>	<b>-</b>	<b>(8.319.613)</b>
<b>Net book value</b>	<b>1.586.982</b>				<b>1.447.024</b>

Movements in intangible assets in the period between 1 January and 31 December 2019 are presented below:

	1 January 2019	Addition	Disposal	Transfers	31 December 2019
<i>Cost:</i>					
Computer software	8.101.177	924.589	(59.134)	-	8.966.632
<b>Total</b>	<b>8.101.177</b>	<b>924.589</b>	<b>(59.134)</b>	<b>-</b>	<b>8.966.632</b>
<i>Accumulated amortization:</i>					
Computer software	(6.579.197)	(893.259)	92.806	-	(7.379.650)
<b>Total</b>	<b>(6.579.197)</b>	<b>(893.259)</b>	<b>92.806</b>	<b>-</b>	<b>(7.379.650)</b>
<b>Net book value</b>	<b>1.521.980</b>				<b>1.586.982</b>

## 9 Investment in Subsidiaries

None (31 December 2019: None).

# Notes to the Consolidated Financial Statements

## As at 31 December 2020

(Currency: Turkish Lira (TL))

### 10 Reinsurance assets and liabilities

As of December 31, 2020 and December 31, 2019, the reinsurance assets and liabilities of the Group in accordance with the existing reinsurance agreements it has made are shown in detail in the table below:

Reinsurance assets	31 December 2020	31 December 2019
Provision for outstanding claims, ceded (Note 4.2), (Note 17)	8.350.119	5.442.985
Reserve for unearned premiums, ceded (Note 17)	5.734.226	31.453.249
Share of reinsurers in the life mathematical provision (Note 17)	-	1.138.539
<b>Total</b>	<b>14.084.345</b>	<b>38.034.773</b>

The Group has no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2020	31 December 2019
Payables to the reinsurers related to premium ceded (Note 19)	11.866.944	17.355.172
<b>Total</b>	<b>11.866.944</b>	<b>17.355.172</b>

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

	31 December 2020	31 December 2019
Premiums ceded during the period (Note 17)	(14.160.751)	(50.683.642)
Reserve for unearned premiums, ceded at the beginning of the period (Note 17)	(31.453.249)	(937.447)
Reserve for unearned premiums, ceded at the end of the period (Note 17)	5.734.226	31.453.249
<b>Premiums earned, ceded (Note 17)</b>	<b>(39.879.774)</b>	<b>(20.167.840)</b>
Claims paid, ceded during the period (Note 17)	10.619.024	6.833.883
Provision for outstanding claims, ceded at the beginning of the period (Note 17)	(5.442.985)	(816.447)
Provision for outstanding claims, ceded at the end of the period (Note 17)	8.350.119	5.442.985
<b>Claims incurred, ceded (Note 17)</b>	<b>13.526.158</b>	<b>11.460.421</b>
Commission income accrued from reinsurers during the period	3.240.072	20.213.189
Deferred commission income at the beginning of the period (Note 19)	12.580.506	323.865
Deferred commission income at the end of the period (Note 19)	(565.115)	(12.580.506)
<b>Commission income earned from reinsurers (Note 32)</b>	<b>15.255.463</b>	<b>7.956.548</b>
<b>Change in reinsurer share of life mathematics reserve</b>	<b>(1.138.539)</b>	<b>1.710.628</b>
<b>Total, net</b>	<b>(12.236.692)</b>	<b>959.757</b>

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 11 Financial assets

As at 31 December 2020 and 31 December 2019, the Group's financial assets are detailed as follows:

Financial assets and financial investments with risk on policyholders	31 December 2020	31 December 2019
Financial assets held to maturity	-	-
Available for sale financial assets	441.653	441.653
<b>Total</b>	<b>441.653</b>	<b>441.653</b>

As at 31 December 2020 the Group doesn't have financial assets held to maturity (31 December 2019: None).

The Group does not have any financial assets issued by related parties.

There are no securities that are issued by the Group during the period or which are previously issued and repayable during the period.

The Group's financial asset portfolios do not include financial assets that have been outstanding but have not yet been impaired.

Excluding bank deposits movements of the financial assets portfolios during the period are as follows:

	31 December 2020		
	Financial assets held to maturity	Financial assets available for sale	Total
<b>Balance at the beginning of the period (Not 4.2)</b>	-	441.653	441.653
Purchases during the period	-	-	-
Disposals (either sold or settled)	-	-	-
Change in the fair values of financial assets	-	-	-
Change in the amortized costs of the financial assets	-	-	-
<b>Balance at the ending of the period</b>	-	441.653	441.653

	31 December 2019		
	Financial assets held to maturity	Financial assets available for sale	Total
<b>Balance at the beginning of the period (Note 4.2)</b>	17.032.877	441.653	17.474.530
Purchases during the period	-	-	-
Disposals (either sold or settled)	(17.032.877)	-	(17.032.877)
Change in the fair values of financial assets	-	-	-
Change in the amortized costs of the financial assets	-	-	-
<b>Balance at the ending of the period</b>	-	441.653	441.653

As of 31 December 2020, there are no restrictions on the Group's financial assets (31 December 2019: None).

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 12 Loans and receivables

	31 December 2020	31 December 2019
Receivables from main operations (Note 4.2)	826.955.462	640.446.200
Other receivables (Note 4.2)	9.749	390.477
Prepaid taxes and funds (Note 4.2)	143.558	644.266
Receivables from related parties	17	81
<b>Total</b>	<b>827.108.786</b>	<b>641.481.024</b>
Short-term receivables	91.394.933	103.027.577
Middle and long-term receivables (Note 4.2)	735.570.295	538.453.447
<b>Total</b>	<b>826.965.228</b>	<b>641.481.024</b>

The details of the Group's receivables from main operations as of December 31, 2020 and December 31, 2019 are as follows:

	31 December 2020	31 December 2019
Receivables from policyholders and agencies	87.573.457	98.963.625
Receivables from reinsurers	1.955.557	1.575.618
<b>Total receivables from main operations</b>	<b>89.529.014</b>	<b>100.539.243</b>
Receivables from private pension operations	737.426.448	539.906.957
<b>Total receivables from private pension operations</b>	<b>737.426.448</b>	<b>539.906.957</b>
Doubtful receivables from main operations	345.213	341.255
Provisions for receivables from main operations operations	(345.213)	(341.255)
<b>Receivables from main operations</b>	<b>826.955.462</b>	<b>640.446.200</b>

## 13 Derivative financial instruments

As of 31 December 2020, the Group has no derivative financial instruments (31 December 2019: None).

## 14 Cash and cash equivalents

Cash and cash equivalents that constitute the basis of the cash flow statement for the period ending on December 31, 2020 are shown in footnote 2.12.

	31 December 2020		31 December 2019	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Bank deposits	56.161.920	37.216.391	37.216.391	7.507.730
Bank guaranteed credit card receivables with maturity less than three months	2.517.278	2.249.448	2.249.448	2.299.790
<b>Cash and cash equivalents in the balance sheet</b>	<b>58.679.198</b>	<b>39.465.839</b>	<b>39.465.839</b>	<b>9.807.520</b>
Rediscount on bank deposit (free portion)	(634.086)	(241.038)	(241.038)	(37.951)
Blocked amounts	(35.200.000)	(11.000.000)	(11.000.000)	(4.193.679)
<b>Cash and cash equivalents presented in the statement of cash flows</b>	<b>22.845.112</b>	<b>28.224.801</b>	<b>28.224.801</b>	<b>5.575.890</b>

The maturity details of the Group's participation accounts as of December 31, 2020 and December 31, 2019 are as follows:

	31 December 2020	31 December 2019
Bank deposits in Turkish Lira		
- time deposits (Note 4.2)	54.384.086	36.341.038
- demand deposits	1.777.834	875.353
<b>Cash at banks</b>	<b>56.161.920</b>	<b>37.216.391</b>

As at 31 December 2020, the Group has a blocked bank deposit amount of TL 35.200.000 on behalf of Republic of Turkey Ministry of Treasury and Finance (31 December 2019: 11.000.000 TL).

All time deposits of the group are TL. The dividend rate for TL time deposits is between 16,75% - 18,46%.



# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 15 Equity

### Paid in Capital

The partnership structure of the Group as of the balance sheet date is given in Note 1.1.

As at 31 December 2020 and 31 December 2019, the authorized nominal share capital of the Group is TL 30.000.000 (31 December 2019: TL 30.000.000) and the share capital of the Group consists of 30.000.000 issued shares with TL 1 nominal value each. (31 December 2019: 30.000.000)

There are not any treasury shares held by the Group itself or by its subsidiaries or associates.

There are not any equity shares issued which will be subject to sale in accordance with forward transactions and contracts.

There are no shares of the Group to be issued for the sale of shares to be sold for futures and contracts.

### Legal and extraordinary reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital but may be used to absorb losses in the event that the general reserve is exhausted.

As at 31 December 2020, the Group has TL 1.367.865 related capital reserves and TL 25.724.062 extraordinary reserves (31 December 2019: TL 184.656 capital reserves and TL 3.508.445 extraordinary reserves).

### Other legal reserves

According to the revision made in TAS 19; actuarial gains and losses previously recognized in the income statement in the calculation of provision for retirement pay liability are recognized "other profit reserves" under shareholders equity in the current period financial statements. In the calculation of provision for employment termination benefits as of 31 December 2020, an additional TL 127.879 related to actuarial calculation has been presented under other profit reserves (31 December 2019: TL 70.037).

The movement schedule for other profit reserves is as follows:

	31 December 2020	31 December 2019
Other profit reserves at the beginning of the period	777.466	707.429
Actuarial difference of employment termination	127.879	70.037
<b>Other profit reserves at the end of the period</b>	<b>905.345</b>	<b>777.466</b>

### Equity movements

As of December 31, 2020 and December 31, 2019, the Group's paid-in capital consists of 100,000,000 shares with a unit nominal value of 1 TL.

Other detailed information about the capital of the Group is given in footnote 2.13.

### Capital Adequacy

In accordance with the "Regulation on the Amendment of the Regulation on the Measurement and Evaluation of the Capital Adequacy of Insurance and Reinsurance and Pension Companies" published in the Official Gazette No. 27156 dated March 1, 2009, of the Republic of Turkey Ministry of Treasury and Finance, the calculated capital of the Group's parent company and subsidiary qualification results are given in the table below.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 15 Equity (continued)

### BEREKET EMEKLİLİK VE HAYAT A.Ş.

	31 December 2020	31 December 2019
Accepted equity	64.904.750	48.640.860
The amount of equity required for the company	41.587.867	47.600.303
<b>Equity adequacy result</b>	<b>23.316.883</b>	<b>1.040.557</b>

### BEREKET KATILIM HAYAT A.Ş.

	31 December 2020	31 December 2019
Accepted equity	10.759.565	48.640.860
The amount of equity required for the company	4.011.674	47.600.303
<b>Equity adequacy result</b>	<b>6.747.891</b>	<b>1.040.557</b>

## 16 Other provisions and capital component of discretionary participation

As of 31 December 2020, the Group has no other reserves represented in equity and no other assets accounted for on the equity component of participation in associates (31 December 2019 None).

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 17 Insurance liabilities and reinsurance assets

As at 31 December 2020 and 31 December 2019, provisions for technical reserves of the Group are disclosed as follows:

	31 December 2020	31 December 2019
Unearned premiums reserve, gross	92.228.907	80.199.122
Unearned premiums reserve, ceded (Note 10)	(5.734.226)	(31.453.249)
<b>Reserves for unearned premiums, net</b>	<b>86.494.681</b>	<b>48.745.873</b>
Life mathematical reserve, gross	8.728.953	6.291.679
Life mathematical reserve, ceded (Note 10)	-	(1.138.539)
<b>Life mathematical provisions, net</b>	<b>8.728.953</b>	<b>5.153.140</b>
Outstanding claims reserve, gross	24.277.676	12.643.563
Outstanding claims reserve, ceded (Note 4.2) (Note 10)	(8.350.119)	(5.442.985)
<b>Outstanding claims reserve, net</b>	<b>15.927.557</b>	<b>7.200.578</b>
<b>Unexpired risks reserve, net</b>	<b>-</b>	<b>-</b>
Equalization reserve	5.129.544	2.340.365
<b>Other technical reserve</b>	<b>5.129.544</b>	<b>2.340.365</b>
<b>Total technical reserve, net</b>	<b>116.280.735</b>	<b>63.439.956</b>
Short term	102.533.111	58.621.434
Medium and long-term	13.747.624	4.818.522
<b>Total insurance technical reserve, net</b>	<b>116.280.735</b>	<b>63.439.956</b>

Movement of unearned premiums provision at the accounting period

	31 December 2020		
Unearned premiums reserve	Gross	Ceded	Net
Unearned premiums reserve at the beginning of the period	80.199.122	(31.453.249)	48.745.873
Premium written during the period	198.931.579	(14.160.751)	184.770.828
Premiums earned during the period	(186.901.794)	39.879.774	(147.022.020)
<b>Unearned premiums reserve at the end of the period</b>	<b>92.228.907</b>	<b>(5.734.226)</b>	<b>86.494.681</b>
	31 December 2019		
Unearned premiums reserve	Gross	Ceded	Net
Unearned premiums reserve at the beginning of the period	25.501.342	(937.447)	24.563.895
Premium written during the period	181.889.643	(50.683.642)	131.206.001
Premiums earned during the period	(127.191.863)	20.167.840	(107.024.023)
<b>Unearned premiums reserve at the end of the period</b>	<b>80.199.122</b>	<b>(31.453.249)</b>	<b>48.745.873</b>

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 17 Insurance liabilities and reinsurance assets (continued)

Movement of outstanding claims provision at the accounting period

Outstanding claims reserve	31 December 2020		
	Gross	Ceded	Net
Outstanding claims reserve at the beginning of the period	12.643.563	(5.442.985)	7.200.578
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	101.475.537	(13.526.158)	87.949.379
Claims paid during the period	(89.841.424)	10.619.024	(79.222.400)
<b>Outstanding claims reserve at the end of the period</b>	<b>24.277.676</b>	<b>(8.350.119)</b>	<b>15.927.557</b>

Outstanding claims reserve	31 December 2019		
	Gross	Ceded	Net
Outstanding claims reserve at the beginning of the period	2.204.444	(816.447)	1.387.997
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	50.729.160	(11.460.421)	39.268.739
Claims paid during the period	(40.290.041)	6.833.883	(33.456.158)
<b>Outstanding claims reserve at the end of the period</b>	<b>12.643.563</b>	<b>(5.442.985)</b>	<b>7.200.578</b>

As of December 31, 2020 the Group's claim development table with the final damage cost estimates is as follows:

Claim development tables over the last 5 years:

Accident year	2015	2016	2017	2018	2019	2020	Total
Within the year of damage	50.000	190.000	59.719	119.455	34.850.451	46.572.840	81.842.464
1 year later	-	35.000	10.000	730.435	6.398.955	-	7.174.390
2 year later	-	6.500	-	-	-	-	6.500
3 year later	10.000	-	-	-	-	-	10.000
4 year later	100.000	-	-	-	-	-	100.000
5 year later	-	-	-	-	-	-	-
<b>Total claims paid over the years, gross</b>	<b>160.000</b>	<b>231.500</b>	<b>69.719</b>	<b>849.890</b>	<b>41.249.406</b>	<b>46.572.840</b>	<b>89.133.354</b>

Accident year	2015	2016	2017	2018	2019	2020	Total
Within the year of damage	-	-	50.000	-	4.596.600	2.784.740	7.431.340
1 year later	-	-	25.000	54.960	3.085.540	-	3.165.500
2 year later	-	-	-	-	-	-	-
3 year later	-	-	-	-	-	-	-
4 year later	-	-	-	-	-	-	-
5 year later	-	-	-	-	-	-	-
<b>Total claims paid over the years, gross</b>	<b>-</b>	<b>-</b>	<b>75.000</b>	<b>54.960</b>	<b>7.682.140</b>	<b>2.784.740</b>	<b>10.596.840</b>

Within the scope of the damage payment, gross death-disability compensations were presented.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 17 Insurance liabilities and reinsurance assets (continued)

### Deferred commission expenses

The Group defers commissions paid to the intermediaries for the production of the policies and other expenses for the one-year term life products and for annually renewed long term life products under prepaid expenses. As of 31 December 2020, prepaid expenses for next month's amounting to TL 39.384.878 (31 December 2019: TL 34.643.729) consist of deferred commission expenses amounting to TL 37.457.758 (31 December 2019: TL 33.535.818) and other expenses of the month amounting to TL 1.927.120 (31 December 2019: TL 1.107.911).

The movement of deferred production commissions for the years ended 31 December 2020 and 31 December 2019 is as follows:

	31 December 2020	31 December 2019
Deferred commission expenses at the beginning of the period	33.535.818	10.752.764
Commissions accrued during the period (Note 32)	46.932.638	36.424.202
Paid commissions during the period (Note 32)	(43.010.698)	(13.641.148)
<b>Deferred commission expenses at the end of the period</b>	<b>37.457.758</b>	<b>33.535.818</b>

## 18 Investment contract liabilities

### Individual pension business

As of 31 December 2020, there are 11 pension funds (31 December 2019: 11 pension funds ) that are the founders of the Group.

The details of receivables and payables from individual pension business as at 31 December 2020 and 31 December 2019 are presented below:

	31 December 2020	31 December 2019
Receivables from the clearing house	735.564.535	538.447.687
Receivables from pension investment funds for fund management fees	1.233.337	795.547
Receivables from participants	628.576	663.723
<b>Receivables from pension operations</b>	<b>737.426.448</b>	<b>539.906.957</b>

	31 December 2020	31 December 2019
Payables to participants	735.564.535	538.447.687
Participants temporary account	3.496.910	3.394.414
Payables to clearing house and Emeklilik Gözetim Merkezi	50.349	48.009
Payables to asset management company	204.688	140.861
Payables to agencies	(17.094)	33.485
Other payables	28.037	22.707
<b>Pension business liabilities</b>	<b>739.327.425</b>	<b>542.087.163</b>

# Notes to the Consolidated Financial Statements

## As at 31 December 2020

(Currency: Turkish Lira (TL))

### 18 Investment contract liabilities (continued)

#### Individual pension business (continued)

As at 31 December 2020 and 31 December 2019, individual pension investment funds founded by the Group and their unit prices are as follow:

Fund name	31 December 2020 Unit prices	31 December 2019 Unit prices
Bereket Emeklilik ve Hayat A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu	0,016788	0,015239
Bereket Emeklilik ve Hayat A.Ş. Altın Katılım Emeklilik Yatırım Fonu	0,048524	0,031312
Bereket Emeklilik ve Hayat A.Ş. Büyüme Katılım Değişken Emeklilik Yatırım Fonu	0,031504	0,022937
Bereket Emeklilik ve Hayat A.Ş. Katılım Değişken Grup Emeklilik Yatırım Fonu	0,026797	0,023096
Bereket Emeklilik ve Hayat A.Ş. Katılım Hisse Senedi Emeklilik Yatırım Fonu	0,063971	0,030914
Bereket Emeklilik ve Hayat A.Ş. Katılım Katkı Emeklilik Yatırım Fonu	0,022128	0,018422
Bereket Emeklilik ve Hayat A.Ş. Katılım Standart Emeklilik Yatırım Fonu	0,022988	0,018703
Bereket Emeklilik ve Hayat A.Ş. Muhafazakar Katılım Değişken Emeklilik Yatırım Fonu	0,026729	0,021910
Bereket Emeklilik ve Hayat A.Ş. OKS Katılım Standart Emeklilik Yatırım Fonu	0,016436	0,014166
Bereket Emeklilik ve Hayat A.Ş. OKS Agresif Katılım Değişken Emeklilik Yatırım Fonu	0,019071	0,013929
Bereket Emeklilik ve Hayat A.Ş. OKS Dinamik Katılım Değişken Emeklilik Yatırım Fonu	0,017797	0,013131

As at 31 December 2020 and 31 December 2019, the number and amount of participation shares in the portfolio and in circulation are follow:

	31 December 2020		
	Participation certificates in circulation		Participation certificates in portfolio
Fund name	Number	Amount	Number
Bereket Emeklilik ve Hayat A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu	3.824.385.147	2.386.650	99.124.114.242
Bereket Emeklilik ve Hayat A.Ş. Altın Katılım Emeklilik Yatırım Fonu	41.163.577.836	121.426.776	98.549.830.306
Bereket Emeklilik ve Hayat A.Ş. Büyüme Katılım Değişken Emeklilik Yatırım Fonu	32.538.894.152	55.229.636	97.769.255.154
Bereket Emeklilik ve Hayat A.Ş. Katılım Değişken Grup Emeklilik Yatırım Fonu	41.743.338.432	60.018.294	96.926.651.990
Bereket Emeklilik ve Hayat A.Ş. Katılım Hisse Senedi Emeklilik Yatırım Fonu	31.725.696.108	112.652.644	97.934.845.410
Bereket Emeklilik ve Hayat A.Ş. Katılım Katkı Emeklilik Yatırım Fonu	84.203.234.071	103.956.442	94.921.175.365
Bereket Emeklilik ve Hayat A.Ş. Katılım Standart Emeklilik Yatırım Fonu	69.636.717.907	85.594.070	95.404.785.653
Bereket Emeklilik ve Hayat A.Ş. Muhafazakar Katılım Değişken Emeklilik Yatırım Fonu	94.970.270.592	135.149.384	93.125.376.105
Bereket Emeklilik ve Hayat A.Ş. OKS Katılım Standart Emeklilik Yatırım Fonu	54.789.611.845	56.111.767	99.873.572.258
Bereket Emeklilik ve Hayat A.Ş. OKS Agresif Katılım Değişken Emeklilik Yatırım Fonu	995.592.446	1.533.324	99.999.793.265
Bereket Emeklilik ve Hayat A.Ş. OKS Dinamik Katılım Değişken Emeklilik Yatırım Fonu	994.040.436	1.505.548	99.999.823.437
Total	456.585.358.972	735.564.535	1.073.629.223.185

	31 December 2019		
	Participation certificates in circulation		Participation certificates in portfolio
Fund name	Number	Amount	Number
Bereket Emeklilik ve Hayat A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu	493.477.375	7.520.102	99.124.114.242
Bereket Emeklilik ve Hayat A.Ş. Altın Katılım Emeklilik Yatırım Fonu	2.007.661.678	62.863.902	98.549.830.306
Bereket Emeklilik ve Hayat A.Ş. Büyüme Katılım Değişken Emeklilik Yatırım Fonu	1.878.508.159	43.087.342	97.769.255.154
Bereket Emeklilik ve Hayat A.Ş. Katılım Değişken Grup Emeklilik Yatırım Fonu	2.429.069.327	56.101.785	96.926.651.990
Bereket Emeklilik ve Hayat A.Ş. Katılım Hisse Senedi Emeklilik Yatırım Fonu	1.748.698.643	54.059.270	97.934.845.410
Bereket Emeklilik ve Hayat A.Ş. Katılım Katkı Emeklilik Yatırım Fonu	4.588.885.825	84.536.455	94.921.175.365
Bereket Emeklilik ve Hayat A.Ş. Katılım Standart Emeklilik Yatırım Fonu	4.041.637.165	75.590.740	95.404.785.653
Bereket Emeklilik ve Hayat A.Ş. Muhafazakar Katılım Değişken Emeklilik Yatırım Fonu	5.538.329.226	121.344.793	93.125.376.105
Bereket Emeklilik ve Hayat A.Ş. OKS Katılım Standart Emeklilik Yatırım Fonu	2.324.720.440	32.931.990	99.873.572.258
Bereket Emeklilik ve Hayat A.Ş. OKS Agresif Katılım Değişken Emeklilik Yatırım Fonu	17.541.609	230.339	99.999.823.437
Total	25.081.521.710	538.447.687	1.073.629.223.185

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 19 Trade and other payables, deferred income

As of December 31, 2020 and December 31, 2019, the Group's liabilities from main operations are as follows:

	31 December 2020	31 December 2019
Payables due to main operations	751.229.527	579.708.186
Taxes and other liabilities payable	828.501	4.208.724
Other various payables	1.560.641	655.417
Expense accruals	565.115	12.590.133
Due to related parties	2.402.001	2.444.332
<b>Total</b>	<b>756.585.785</b>	<b>599.606.792</b>
Short term liabilities	20.951.204	61.093.911
Medium- and long-term liabilities ( <i>Not 4.2</i> )	735.634.581	538.512.881
<b>Total</b>	<b>756.585.785</b>	<b>599.606.792</b>

As of 31 December 2020 and 31 December 2019, taxes and other liabilities payables consist of personnel income taxes, expense tax and period profit tax and other legal liabilities.

As at 31 December 2020, income and expense accruals for the period / year are made from expense accruals amounting to TL 565.115 (31 December 2019: TL 12.590.133 expense accruals).

As of 31 December 2020 and 31 December 2019, details of the liabilities from main operations of the Group are as follows:

	31 December 2020	31 December 2019
Payables due to pension operations ( <i>Not 18</i> )	739.327.425	542.087.163
Payables to policyholders and agencies	19.229	20.254.973
Payables to reinsurers ( <i>Note 10</i> )	11.866.944	17.355.172
Other	15.929	10.878
<b>Payables due to main operations</b>	<b>751.229.527</b>	<b>579.708.186</b>

The detailed explanation of the Group's transactions with related parties and their balances as of the end of the period is given in the footnote of "Related party transactions".

**Total amount of investment allowances to be utilized in current and future periods:** None.

Calculated corporation tax and prepaid taxes are detailed in the following table:

	31 December 2020	31 December 2019
Prepaid taxes during the period	1.113.144	4.110.810
Corporate tax provision	(346.966)	(7.263.518)
<b>Corporate tax payable, net</b>	<b>766.178</b>	<b>(3.152.708)</b>

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 20 Financial liabilities

As a result of initial measurement of TFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised TL 2.017.838 of right of use assets and TL 3.888.145 lease liabilities as at 31 December 2020 (31 December 2019: TL 3.496.125 of right-of-use assets and TL 2.548.524 lease liabilities).

## 21 Deferred taxes

As at 31 December 2020 and 31 December 2019, the detailed analysis of the items resulting deferred tax assets and liabilities are as follows:

	31 December 2020	31 December 2019
	Deferred tax assets/ (liabilities)	Deferred tax assets/ (liabilities)
Provision for lawsuits	143.757	289.866
Provision for unused vacation pay liability	76.799	49.093
Provision for employment termination benefits	131.795	86.987
Equalization provision	1.025.909	468.073
Other	6.340	42.203
Stock and profit share valuation	-	(33)
Rental expenses	50.191	-
Depreciation adjustment TMS difference	(288.041)	(113.459)
<b>Deferred tax assets, net</b>	<b>1.146.750</b>	<b>822.730</b>
Unrecorded deferred tax assets, net	-	-
<b>Deferred tax assets, net</b>	<b>1.146.750</b>	<b>822.730</b>

Movement of deferred tax assets during the period is as follows:

	2020	2019
Beginning of the period - 1 Ocak	821.849	756.733
Deferred tax income, net (Note 35)	292.051	48.488
Deferred tax income / (expense) under equity	31.969	17.509
<b>End of period, 31 December</b>	<b>1.146.750</b>	<b>822.730</b>

## 22 Retirement benefit obligations

As of 31 December 2020, the group has no retirement benefit obligation (31 December 2019: None).



# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 23 Provision for other liabilities and charges

As of 31 December 2020 and 31 December 2019, the detail of provisions for other risks is as follows:

	31 December 2020	31 December 2019
Performance premium provision	1.651.172	-
Lawsuit provision <sup>(1)</sup>	718.783	1.317.572
Provision for unused vacation	383.997	223.149
Other	31.705	12.052
<b>Provisions for costs</b>	<b>2.785.657</b>	<b>1.552.773</b>
Provision for employment termination benefits	658.973	434.935
<b>Total provision for other risks</b>	<b>3.444.630</b>	<b>1.987.708</b>

<sup>(1)</sup> It consists of the provision amount allocated for return to work cases.

The movement of the provision for employment termination benefits between 1 January - 31 December 2020 and 1 January - 31 December 2019 is as follows:

	31 December 2020	31 December 2019
Provision for employment termination benefits at the beginning of the period	434.935	257.669
Interest cost (Note 47)	51.613	46.775
Service cost (Note 47)	141.147	95.516
Payment/diminishing benefits/ gain/ (loss) due to dismissal (Note 47)	122.410	23.411
Payment during the period (Note 47)	(250.981)	(75.982)
Actuarial difference	159.849	87.546
<b>Provision for employment termination benefits at the end of the period</b>	<b>658.973</b>	<b>434.935</b>

## 24 Net insurance Premium revenue

The Group's detail of net insurance premium revenue for life and non-life branches as of 31 December 2020 and 2019, is as follows :

	31 December 2020			31 December 2019		
	Gross	Share of reinsurer	Net	Gross	Share of reinsurer	Net
Life	156.502.324	(6.283.844)	150.218.480	140.843.500	(9.587.891)	131.255.609
Personal Accident	42.429.255	(7.876.907)	34.552.348	41.046.143	(41.095.751)	(49.608)
<b>Total</b>	<b>198.931.579</b>	<b>(14.160.751)</b>	<b>184.770.828</b>	<b>181.889.643</b>	<b>(50.683.642)</b>	<b>131.206.001</b>

## 25 Fee revenues

The Group's fee revenues consist of fees received from pension investment funds, pension participants and expenses charged to the life policyholders. The details of fees from pension investment funds and pension participants are presented in the accompanying statement of income.

	1 January- 31 December 2020	1 January- 31 December 2019
Fund management fee	9.671.139	7.183.408
Management fee deduction	56.663	50.065
Entrance fee	144.699	488.198
Management fee deduction in case of interruption	148.236	299.039
<b>Total</b>	<b>10.020.737</b>	<b>8.020.710</b>

## 26 Investment income

Presented in Note 4.2- Financial Risk Management.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 27 Net realized gains and financial assets

Presented in Note 4.2 - *Financial Risk Management*.

## 28 Net fair value gains on assets at fair value through profit or loss

Presented in Note 4.2 – *Financial Risk Management*.

## 29 Insurance rights and claims

As of 31 December 2020 and 2019, the remaining amounts of the Group's insurance technical account are as follows:

	31 December 2020	31 December 2019
Claims paid, net off ceded	(79.222.400)	(33.456.158)
Change in provision for outstanding claims, net off ceded	(8.726.979)	(5.812.581)
Change in reserve for unearned premium, net off ceded	(37.748.808)	(24.181.978)
Change in equalization reserve, ceded	(2.789.179)	(1.740.375)
Change in life mathematical provisions, ceded	(3.575.813)	(4.581.052)
<b>Total recognized in the statement of income</b>	<b>(132.063.179)</b>	<b>(69.772.144)</b>

## 30 Investment contract benefits

None.

## 31 Other expenses

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

## 32 Expenses by nature

For the year ended 31 December 2020 and 31 December 2019, the details of operating expenses are as follows:

	31 December 2020	31 December 2019
Employee benefit expenses (Note 33)	(18.116.336)	(17.556.467)
Commission expenses (Note 17)	(43.010.698)	(13.641.148)
Commissions to intermediaries accrued during period (Note 17)	(46.932.638)	(36.424.202)
Change in deferred commission expenses (Note 17)	3.921.940	22.783.054
Commission income from reinsurers	15.255.463	7.956.548
Administrative expenses	(4.731.025)	(6.354.295)
Advertisement and sales expenses	(6.884.040)	(4.951.434)
Service expenses rendered from third parties	(6.519.878)	(2.218.498)
Other	115.252	(1.640.729)
<b>Total</b>	<b>(63.891.262)</b>	<b>(38.406.023)</b>

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 33 Employee benefit expenses

For the years ended 31 December 2020 and 2019, the details of employee benefit expenses are as follows:

	31 December 2020	31 December 2019
Wages and salaries	12.380.796	8.582.565
Employer's share in social security premiums	1.928.604	1.391.589
Other benefits	3.806.936	7.582.313
<b>Total</b>	<b>18.116.336</b>	<b>17.556.467</b>

## 34 Financial costs

Finance costs are presented in Note 4.2 – *Financial Risk Management* above. There are no finance costs classified in production costs or capitalized on tangible assets. All financial costs are directly recognized as expense in the statement of income.

## 35 Income taxes

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

	31 December 2020	31 December 2019
<b>Provision for corporate tax:</b>		
Provision for corporate taxes	(346.966)	(7.263.518)
<b>Deferred taxes:</b>		
Arising from origination (+)/ reversal (-) of taxable temporary differences		
total income tax expense recognized in profit	292.051	48.488
<b>Total tax income</b>	<b>(54.915)</b>	<b>(7.215.030)</b>

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 31 December 2020 and 31 December 2019 is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
	<b>Tax rate</b>	
<b>Profit/ (Loss) before tax</b>	<b>(1.402.681)</b>	<b>33.265.452</b>
	<b>(%)</b>	<b>Tax rate (%)</b>
Income tax provision by legal tax rate	308.590 (22,00)	(7.318.400) (22,00)
Non-deductible expenses	(363.505) 25,92	103.370 0,31
<b>Total tax income recognized in income statement</b>	<b>(54.915) 3,92</b>	<b>(7.215.030) (21,69)</b>

## 36 Net foreign exchange gains

Presented in Note 4.2 – *Financial Risk Management* above.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 37 Earnings per share

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

	31 December 2020	31 December 2019
Net profit / (loss) for the period	(1.110.630)	33.313.940
Weighted average number of shares	30.000.000	30.000.000
Earnings/ (loss) per share (TL)	(0,03702)	1,11046

## 38 Dividends per share

The group has net profit for the year ended 31 December 2020 amounting to TL 1.457.595 in accordance with applicable accounting standards (31 December 2019: TL 26.050.422 profit). There is no profit distribution due to profit in previous period.

## 39 Cash generated from operations

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

## 40 Convertible bonds

None.

## 41 Redeemable preference shares

None.

## 42 Contingencies

In the normal course of its operations, the Group is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Group are provided either under provision for outstanding claims or provisions for other risks in the accompanying financial statements. As of 31 December 2020 and 31 December 2019, the details of the cases other than those filed against the Group are as follows:

	31 December 2020	31 December 2019
Personnel lawsuits against the Group (Note 23)	718.783	1.317.572
<b>Total</b>	<b>718.783</b>	<b>1.317.572</b>

## 43 Commitments

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

Details of guarantees and sureties given by the Group are as follows:

TL Commitments	31 December 2020	31 December 2019
Letters of guarantee	330.594	58.406
<b>Total</b>	<b>330.594</b>	<b>58.406</b>

## 44 Business combinations

None.

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 45 Related party transactions

As of 31 December 2020 and 31 December 2019 the related entity balances are as follows:

	31 December 2020	31 December 2019
Türkiye Tarım Kredi Kooperatifleri Merkez Birliği A.Ş.	101.071.417	-
Gübre Fabrikaları A.Ş.	-	-
Bereket Sigorta A.Ş.	-	2.370.582
Tarım Kredi Holding A.Ş.	-	60.699
TK Taşımacılık ve Lojistik A.Ş.	-	16.753
Tarım Kredi Birlik Tarım Ürün Hay. Amb. Petr. Nak.	-	-
İth. İhr. San. Tic. A.Ş.	-	-
Tarım Kredi Bilişim ve İlt. Hiz. San. Tic. A.Ş.	-	36.797
Bereket Sigorta A.Ş.(FK devri)	-	15.437.319
Tarım Kredi Gıda San.ve Tic.A.Ş.	-	81
<b>Receivables from main operations</b>	<b>101.071.417</b>	<b>17.922.231</b>

	31 December 2020	31 December 2019
Türkiye Tarım Kredi Kooperatifleri Merkez Birliği A.Ş.	18.507.295	-
Bereket Sigorta A.Ş.	653	-
Bereket Sigorta A.Ş. (FK devri)	7.790.945	-
Gübre Fabrikaları A.Ş.	3	-
Tarım Kredi Birlik Tarım Ürün Hay. Amb. Petr. Nak. İth. İhr. San. Tic. A.Ş.	4.225	-
Tarım Kredi Bilişim ve İlt. Hiz. San. Tic. A.Ş.	380	-
<b>Payables from main operations</b>	<b>26.303.501</b>	<b>-</b>

	31 December 2020	31 December 2019
Bereket Sigorta A.Ş.	2.376.532	-
Tarım Kredi Bilişim ve İlt. Hiz. San. Tic. A.Ş.	319.772	-
Tarım Kredi Holding A.Ş.	279.113	-
TK Taşımacılık ve Lojistik A.Ş.	12.935	-
Tarım Kredi Gıda San. Ve Tic. A.Ş.	660	-
<b>Other various payables</b>	<b>2.989.012</b>	<b>-</b>

There are no liabilities such as guarantees, commitments, sureties, advances and endorsements given in favor of shareholders, affiliates and subsidiaries.

# Notes to the Consolidated Financial Statements

## As at 31 December 2020

(Currency: Turkish Lira (TL))

### 45 Related party transactions (continued)

The transactions with related parties for the years ended 31 December 2020 and 2019 are as follows:

	1 January – 31 December 2020	1 January – 31 December 2019
Türkiye Tarım Kredi Koop. Merkez Birliği	171.069.557	132.330
Gübre Fabrikaları A.Ş.	64.125	51.230
Tamet Tarım Kredi Bilişim ve İlt. Hiz. San. Tic. A.Ş.	45.709	174.186.536
İmcece Plastik Tarım İnş. Taah. Pet. Ür. Ve Gıda San. Tic. A.Ş.	10.971	-
Tarım Kredi Holding A.Ş.	2.660	-
Tarım Kredi Birlik Tarım Ür. Hay. İth. İhr. San. Ve Tic. A.Ş.	1.747	-
Tarım Kredi Gıda San. Ve Tic. A.Ş.	1.140	-
Tk Taşımacılık Ve Lojistik A.Ş.	380	-
Bereket Sigorta A.Ş.	-	457.151
<b>Written premiums</b>	<b>171.196.289</b>	<b>174.827.247</b>
Bereket Sigorta A.Ş.	385.112	19.615
<b>Paid premiums</b>	<b>385.112</b>	<b>19.615</b>
Türkiye Tarım Kredi Kooperatifleri	87.635.393	26.802.124
TTK Kooperatifleri Bölge Birlikleri	-	-
Tamet Tarım Kredi Bilişim ve İlt. Hiz. San. Tic. A.Ş.	-	38.305.480
Gübre Fabrikaları T.A.Ş.	-	100.000
<b>Claims paid</b>	<b>87.635.393</b>	<b>26.802.124</b>
Bereket Sigorta A.Ş. (Gider Yansıtma Faturaları)	1.167.741	7.461.891
Tamet Tarım Kredi Bilişim ve İlt. Hiz. San. Tic. A.Ş.	1.489.131	4.122.813
Türkiye Tarım Kredi Koop. Merkez Birliği	268.683	493.217
TK Taşımacılık ve Lojistik A.Ş.	154.387	154.890
Tarım Kredi Birlik A.Ş.	5.321	14.625
Tarım Kredi Gıda Sanayi ve T.A.Ş.	9.731	9.745
Bereket Katılım Sigorta A.Ş.	669.962	-
Tarım Kredi Holding A.Ş.	506.391	60.699
Bereket Sigorta A.Ş.	53.653	-
<b>Other expense</b>	<b>4.484.300</b>	<b>762.401</b>
	1 January – 31 December 2020	1 January – 31 December 2019
Türkiye Tarım Kredi Kooperatifleri Merkez Birliği	31.202.306	32.037.283
<b>Commission given</b>	<b>31.202.306</b>	<b>32.037.283</b>
Bereket Sigorta A.Ş.	7.876.907	37.180.653
<b>Transferred premiums</b>	<b>7.876.907</b>	<b>37.180.653</b>
Bereket Sigorta A.Ş.	3.150.763	14.873.458
<b>Commission received</b>	<b>3.150.763</b>	<b>14.873.458</b>
Bereket Sigorta A.Ş.	6.392.190	1.842.400
<b>Paid claims reinsurance share</b>	<b>6.392.190</b>	<b>1.842.400</b>
Bereket Sigorta A.Ş.	4.542	-
Bereket Katılım Sigorta A.Ş.	392	-
<b>Other income</b>	<b>4.934</b>	<b>-</b>
Bereket Sigorta A.Ş. (Expense Reflection Invoices)	-	2.434.173
<b>Other expense</b>	<b>-</b>	<b>2.434.173</b>

# Notes to the Consolidated Financial Statements As at 31 December 2020

(Currency: Turkish Lira (TL))

## 46 Events after the reporting period

In the Board of Directors meeting held on January 9, 2021, the group decided to increase its existing capital by 15.000.000 TL in cash to 25.000.000 TL in order to strengthen its equity structure. The Group applied to the Ministry of Commerce to obtain the permissions regarding the capital increase decision.

## 47 Other

Description and amounts of the items which are higher than 5% of the total assets in the balance sheet or higher than 20% of the total amount of the group including the items phrased with “other” in the accompanying financial statements

They are presented in the related notes above.

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

None.

Subrogation recorded in “Off-Balance Sheet Accounts”

None.

Real rights on immovable and their values

None.

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

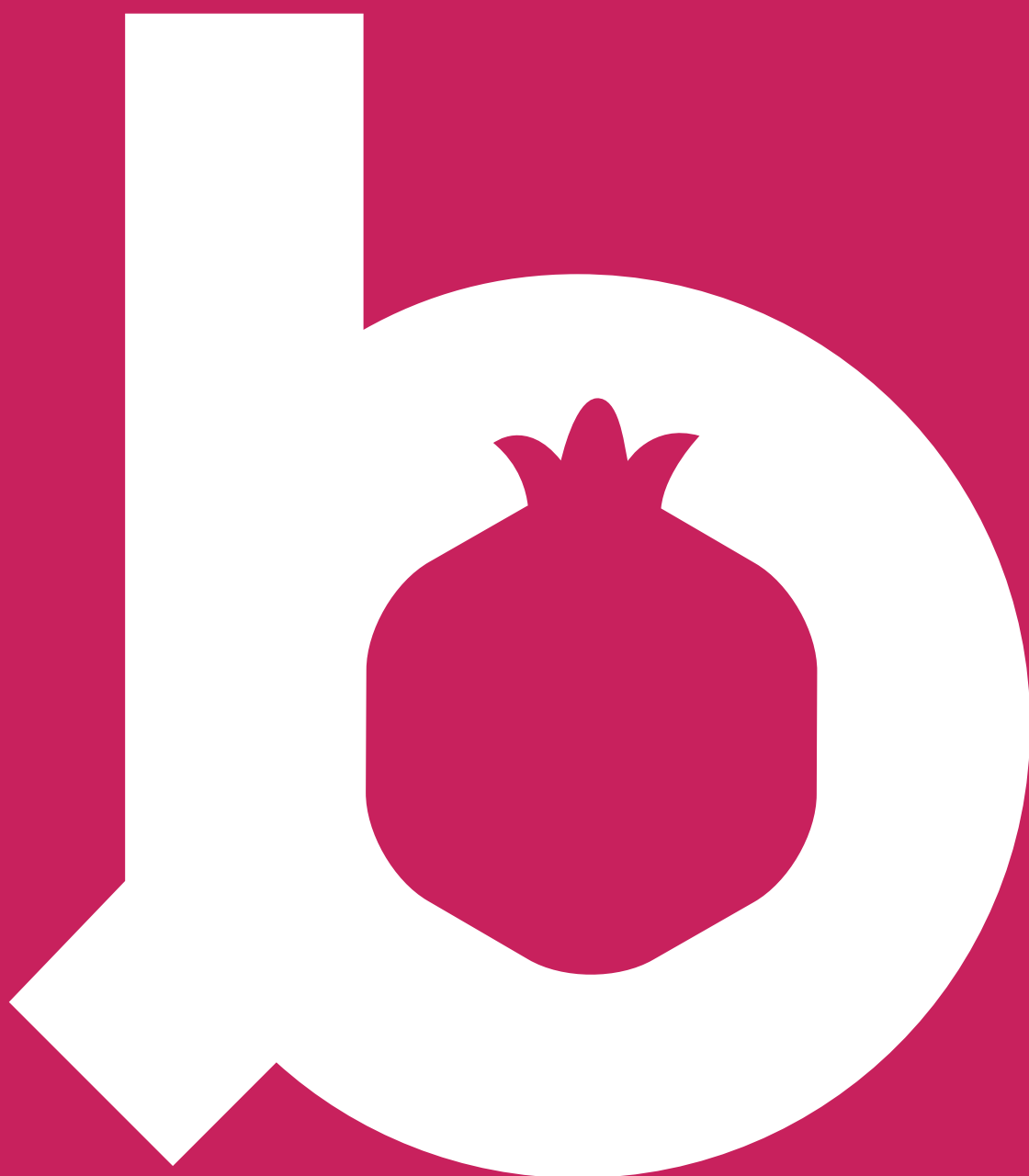
None.

For the period ended 31 December 2020 and 31 December 2019, details of the rediscount and provision expenses are as follows:

	31 December 2020	31 December 2019
Performance premium provision (Note 23)	(1.651.172)	-
Provision for employee termination (Note 23)	(183.037)	(89.720)
Provision for unused vacation (Note 23)	(160.848)	11.413
Provision for doubtful receivables (Note 4.2)	(3.958)	(12.233)
Other	349.272	41.547
Provision for lawsuits expense (Note 23)	598.789	1.547.528
<b>Provisions account</b>	<b>(1.050.954)</b>	<b>1.498.535</b>







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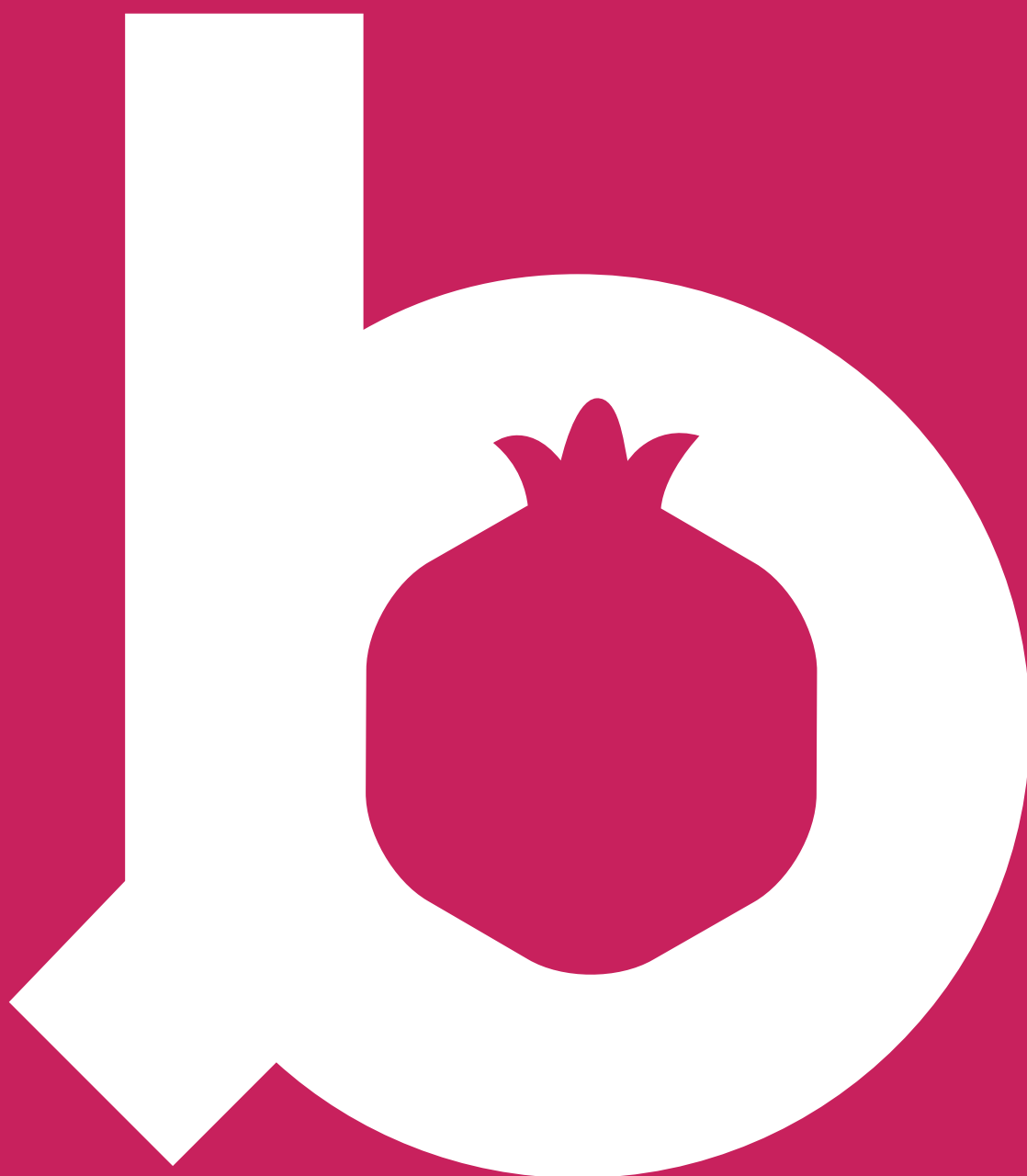
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