

20

A N N U A L R E P O R T

20



Katılım
Emeklilik

INDEX

A- GENERAL INFORMATION04

A-1	Declaration of Management	04
A-2	Summarized Financial Information on the Results of the Accounting Period Activities	05
A-3	Company Information, Historical Development, Corporate Values, Our Vision and Mission	06
A-4	Review of Our Chairman of the Board of Directors pertaining to 2020 and Expectations	08
A-5	Review of Our General Manager pertaining to 2020 and Expectations.....	10
A-6	Information on the Amendment of the Articles of Association and the Structure of Partnership	12
A-7	Remarks About the Shares Owned by the Chairman and Members of the Board of Directors, General Manager, and Assistant General Managers, if any.....	12
A-8	Human Resources Policies and Practices.....	12
A-9	Organizational Structure and Organization Chart of the Company.....	13

B- INFORMATION ON BOARD OF DIRECTORS, DIRECTORS, AND PERSONNEL.....14

B-1	Information on the Board of Directors of the Company.....	14
B-2	Information on Senior Management of the Company	18
B-3	Information on Salaries and Similar Benefits Provided to the Senior Executives such as Chairman and Members of the Board of Directors, General Coordinator, Assistant General Managers in the current period.....	20
B-4	Information on Directors of the Units and Under Report Units.	21
B-5	Miscellaneous Information and Statistics about Company Personnel	22
1-	Employees per Position / Number of Employees per Position	23
2-	Distribution of Place of Business.....	23
3-	Distribution of Educational Background.....	23
4-	Distribution of Age & Sex.....	24

B-6	Information on the Board Meetings	25
-----	---	----

C- INFORMATION ON THE COMPANY ACTIVITIES AND OTHER IMPORTANT DEVELOPMENTS.....26

C-1	Analysis and Evaluation of the Operating Results of the Company, The Realization Level of Planned Activities, the Status of the Company In Terms of Determined Strategic Targets.....	28
C-2	Economic Developments in Turkey and World in 2020	28
C-3	Information on Investments Made During the Accounting Period.....	29
C-4	Our Activities Concerning Corporal Communication	29
C-5	Risk Assessment and Indemnity Management.....	31
C-6	Our Collection System and Collection Activities.....	32
C-7	Our Customer Services/Call Center Activities.....	32
C-8	Our Strategic Marketing Activities.....	33
C-9	Our Project Management Office Activities.....	34
C-10	Our Operational Activities in Insurance, Health, and Private Pension Segments	35
C-11	Activities of Our Corporate Services and Complaint Management Teams.....	36
C-12	Our Activities on Information Technologies and Reporting.....	37
C-13	Our Training Activities.....	38
C-14	Our Technical and Actuarial Activities.....	39
C-15	Our Research and Development Activities	39
C-16	Information on the Internal Control System and Internal Audit Activities and the Opinion of the Board of Directors on this subject.....	40

C-17 Corporate Risk Management and Internal Control Activities by Risk Types.....	41	C-26 Transactions of the Company with the Risk Group.....	50
1. Insurance Risk.....	41	C-27 If Group is an Affiliate; all other measures taken or avoided with or direction of Holding Companies in favor of the Company or its Affiliates	51
2. Operational Risks.....	43	C-28 Participation Insurance.....	51
3. Financial Risks.....	43	C-29 Information and Investment Amount of Investment Instrument Where Participation Insurance Companies Direct Their Funds and Related Yields.....	56
4. Strategic Risk.....	43	C-30 Consultant Committee Opinion Indicating that Company Activities are Carried out in conformity with Katılım Finance Principles.....	57
5. Information Technology Risks.....	43		
6. Risks of Pension Mutual Funds.....	44	D- BOARD OF DIRECTORS ACTIVITY REPORT	58
7. Human Resources Risk.....	44	E- MISCELLANEOUS PROVISIONS	60
8. Risk of Sales Channels	44	E-1 Independent Auditor's Compliance Opinion for the Activity Report.....	62
9. Masak Compliance Risk.....	44	E-2 Information on Financial Standing, Profitability and Indemnity Solvency As Well As Financial Structure of the Company.....	63
C-18 Assessments on the Risks of the Company.....	44	E-3 Information on Notification Policy and Ethical Principles	63
C-19 Explanation on Private Audits and State audits Performed Within the Accounting Period.....	49	E-4 Dividends Policy and Information on Distribution of Dividends.....	63
C-20 Information on the Company's Direct or Indirect Subsidiaries and Shareholding.....	49	INDEPENDENT AUDIT REPORT	64
C-21 Information on the Company's Acquired Own Shares.....	50	Balance Sheets	68
C-22 Financial Rights Provided to Members of Board of Directors and Senior Executives	50	Statements Of Income.....	78
C-23 Information on the Lawsuits Which are Filed Against the Corporation and May Affect the Financial Position and Activities of Corporation and the Possible Consequences Thereto and Information on the Administrative and Judicial Sanctions Applied to the Company and Members of the Board of Directors.....	50	Statements Of Cash Flows.....	83
C-24 Information and Assessments on Achievement to Targets Determined in Previous Periods and Actions Taken According to General Assembly Resolutions as well as the Grounds Thereof.....	50	Statements Of Changes In Shareholders' Equity.....	84
C-25 Information on the Donations and Grants Made by the Company During the Year and Expenditures made within the Framework of Social Responsibility Projects	50	Statement Of Profit Distribution.....	86
		Notes To The Financial Statements.....	88

A GENERAL INFORMATION

A1

Declaration of Management

Following declaration has been prepared and submitted to the Board of Directors pursuant to Paragraph 1 of Article 19 of Regulation on Financial Organization of Insurance, Reinsurance, and Pension Companies by the individuals specified in the above-mentioned provision of legislation as well as Resolution of Board of Directors dated 01.03.2021 and numbered 2021/03/01.

We hereby declare that the contents of “Katılım Emeklilik ve Hayat A.Ş. Board of Directors’ Activity Report pertaining to activities of 2020” have been prepared in accordance with Article 516 of Turkish Code of Commerce No 6102, the provisions of the “Regulation on Determination of the Minimum Content of the Companies’ Annual Activity Reports,” which is published by the Ministry of Customs and Trade, as well as the principles and procedures outlined in Chapter Six, Article 17 of the “Regulation on Financial Organization of Insurance, Reinsurance and Pension Companies” under the titles:

- Presentation and General Information on the Company,
- Information on Company Management and Corporate Management Structure,
- Assessments on Financial Information and Risk Management.

A2

Summarized Financial Information on the Results of the Accounting Period Activities

Within the scope of Group Life Insurance activities, Katılım Emeklilik ve Hayat A.Ş. has made gross premium production equal to TRY 102.6 Million in 2020. On the other hand, the company has made a gross indemnity payment equal to TRY 17.4 Million in the same period. The total amount of technical expense, including the afore-mentioned gross indemnity payment, is TRY 76.4 Million.

As for Private Pension activities, the company's fund has reached to total value of TRY 2.419 Billion. On the other hand, the company has made a gross indemnity payment equal to TRY 536 Thousand. The total amount of technical expenses, including the afore-mentioned gross indemnity payment, is TRY 6.9 Million. As for Private Pension segment activities, the company's fund has reached to total value of TRY 3.773 Billion. Within this scope, the company has made technical pension income amounting to TRY 85.9 Million while spending TRY 60.7 Million in technical pension expenses.

Within the scope of Health segment activities, the company has made gross premium production equal to TRY 37.3 Million. On the other hand, the company has made a gross indemnity payment equal to TRY 11.6 Million. The total amount of technical expenses, including the afore-mentioned gross indemnity payment, is TRY 28.8 Million. While the total amount of investment income within the activity period is TRY 22.6 Million, the total amount of investment expenses is TRY 10.3 Million. The total amount of other revenues is TRY 549 Thousand. Within this context, the company has closed the activity period of 2020 with business-related profit after tax amounting to TRY 41.9 Million. (the accounting period of 2019 was completed with commercial profit amounting to TRY 27.5 Million).

Company Information, Historical Development, Corporate Values, Our Vision and Mission

Head Office: Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi No:2
Akkom Ofis Park 3. Blok Kat:2 Ümraniye / İstanbul

Contact:

tel: 0216 999 81 00

faks: 0216 692 11 22

web: www.katilimemeklilik.com.tr

e-mail: info@katilimemeklilik.com.tr

Pursuant to applicable laws and related legislation, the company establishment permission has been granted by the writ of the Republic of Turkey's Ministry of Treasury and Finance dated 27 November 2013 and numbered 18631.

Company establishment proceedings were completed at a fast pace; and thereafter, Katılım Emeklilik ve Hayat A.Ş. was founded to carry out activities in the field of Private Pension and Group Life Insurance on December 23, 2013, by being registered to Istanbul Trade Registry Office under trade registry number 895027.

Following the completion of official establishment proceedings, the company submitted the requisite petitions (i) dated 27/12/2013 and numbered GM-016 to carry out activities in the field of Private Pension; (ii) dated 14/01/2014 and numbered GM-14-003 to carry out activities in the field of Group Life Insurance. Upon reviews and assessments conducted by the Ministry of Treasury and Finance, on 09/05/2014, our company was granted a mandatory license to carry out business activities in Private Pension, Life Insurance, Accident Insurance, Capital Redemption, Investment Fund, and Marriage/Birth Insurance.

The news about the operating license regarding Group Life Insurance segment activities was published on the Trade Registry Gazette dated 20.05.2014 and numbered 8575; the news about the operating license regarding Private Pension segment activities was published on the Trade Registry Gazette dated 26/06/2014 and numbered 8576, and the news about the operating license regarding Disease/Health segment activities was published on the Trade Registry Gazette dated 06/09/2017 and numbered 9402.

Our Corporate Values

Meeting customer demand and exceeding expectations by utilizing interest-free financial instruments based on the principles of "participation, sharing and trust," Katılım Emeklilik ve Hayat A.Ş. raises awareness among its customer base by improving their financial literacy. Our corporate goal is to become a distinguished brand of Turkey and contribute to the Turkish economy by providing transparent, fast, and high-quality services

Our Mission

To aid our customers on their journey towards achieving their financial objectives with interest-free instruments of insurance and pension according to our ethical principles.

Our Vision

To create value for our customers by providing trustworthy, accurate, and advanced insurance solutions in interest-free pensions and life insurances and giving our potential customers better insight on financial literacy; to become the leading interest-free insurance company of Turkey with the support of our customers.





A-4

Review of Our Chairman of the Board of Directors pertaining to 2020 and Expectations

We left behind a year shaped around the coronavirus pandemic and related uncertainties. The global economic activity that has shrunk due to the impact of the pandemic, the effects thereof on the labor market, and the public debt burden, which is the result of the measures taken by the public to stimulate economic activity, have become the primary agenda items of all the countries in 2020. Although interest rate cuts, asset purchase programs, and loan support packages led by central banks and public authorities of developed and developing countries alleviated the impact of the pandemic on economic activity, many countries completed 2020 with a severe contraction.

The difficult conditions caused by the pandemic affected economic activity in our country as in the entire world. Public authorities took various measures in order not to interrupt the production and supply chain, to protect employment, and to maintain the healthy functioning of the financial system. We can say that taking precautions for the pandemic on time, the supports for the sectors affected by the pandemic, strong real sector dynamics, and social sensitivity during the fight against the pandemic made it possible for Turkey to be less affected by the pandemic compared to many developed countries.

The importance of saving is better understood during the pandemic

The developments, as expected, also affected the insurance industry, which is an important actor in finance, and the Private Pension System (BES) as well. With its technological infrastructure, high knowledge, well-equipped human resources,

and advanced organizational structure, the Turkish insurance industry has quickly adapted to the new conditions arising from the pandemic process. In 2020, which has passed under the shadow of the pandemic, with its performance BES proved that it is Turkey's leading saving, investment, and future planning instrument.

The BES and insurance industry has recovered rapidly and maintained profitability. On the other hand, this process revealed the importance of life insurances, health insurances, and pension products. Especially the importance of saving is better understood during the pandemic. In this period, the premium production of our industry increased by 19.3 percent compared to the previous year and reached TRY 82.6 billion.

The Interest to interest-free funds increases

The industry has gained an upward momentum with the BES funds that provide yield above the inflation rate. The number of participants in the voluntary BES reached 7 million and the fund amount reached TRY 159 billion. Participation-based BES played a significant role in this growth. As a matter of fact, with the preference of interest-free funds over conventional funds in the Automatic Participation System, this category has proven to be deeper and more inclusive than expected. It turns out that our people increasingly favor interest-free funds.

We grew 52 percent in 2020

As Katılım Emeklilik, we demonstrated successful performance in this challenging period. With a fund size of TRY 3.8 billion, 13 interest-free funds, 200 thousand insurance contracts, and 750 thousand BES contracts, we continued our growth momentum in this period, where risks increased significantly, with our wide range of products from BES to health insurances. We made significant contributions to increasing the attractiveness of BES with our high fund performance. While our existing participants preferred to stay in the system, we had considerable success in this challenging year by encouraging new participants. We closed 2020 with a growth of 52%, with an after-tax profit of approximately TRY 42 million. As Katılım Emeklilik, we completed 2020 in the first place among pension companies with a return rate of 34.5% based on founding companies in the EGM index.

We will diversify our product and service range

In 2021, we will continue to add value to all our stakeholders in line with our sustainable and profitable growth targets. We will continue to diversify our product and service range by focusing on customer needs and expectations. We will continue to be the pioneer of participation insurance by increasing customer satisfaction in all channels that we contact with our customers, making breakthroughs in the field of digitalization, and introducing innovations to the sector. We will increase savings awareness and insurance literacy with new research and communication studies. We will continue our efforts with growing momentum for BES and participation insurance to reach broader segments.

I would like to thank all of our stakeholders, who have never refrained from supporting, especially our colleagues, who contributed to our success in the past year.

Yours Sincerely,

Ufuk UYAN

Chairman of Board of Directors



A-5

Review of Our General Manager pertaining to 2020 and Expectations

2020 was a challenging year in which the entire world faced the pandemic reality, and economies were tested - the problems experienced in all world economies due to the pandemic inevitably experienced in Turkey. The effects of the ongoing slowdown in the global economy were added to this. The stagnation in March and April in 2020 caused an uncertain period that affects the insurance sector and the Private Pension System (BES), as it affected all other sectors. However, the Turkish insurance industry quickly adapted to the pandemic process with its technological infrastructure, human resources with high knowledge, and organizational structure.

In this challenging period, the importance of life insurances, health insurances, and pension products was better understood. The sector has managed to maintain its profitability by recovering quickly.

With regard to Katılım Emeklilik, with the start of the pandemic, we became one of the fastest insurance companies that provide remote service and work and manage the pandemic process best with high efficiency. With our approach that focuses on digital and our high technological capacity, we addressed this whole process smoothly on both the customer end and the employee end. With the emergence of the pandemic, we worked on scenarios by extracting medium and long-term demands and expectations, and we prepared ourselves by studying our lesson well. The most popular subject of this period was health insurances, undoubtedly. As Katılım Emeklilik, we combined our health products under our brand Katılım Sağlık at the beginning of the year and made a breakthrough with a new team. We have created a new interest-free category in the field of health. We developed Turkey's first interest-free private health insurance under the brand of Katılım Sağlık. After the launching of Katılım Sağlık, many of our individual and corporate customers appreciated this innovation. With the emergence of the pandemic, we quickly covered COVID-19 and ensured that our participants receive uninterrupted health care. We have shown great sensitivity to this issue by renewing our policies. We ensured that our customers received remote supports from specialists such as physicians, psychologists, dieticians, etc., within the scope of their policies.

From the point of view of Katılım Emeklilik, in participation insurance, we generated TRY 102.6 million in life insurance, TRY 37.3 million in health insurances and TRY 7.3 million personal accident insurances. On the BES side, the number of our contracts, including OKS, exceeded 750 thousand, and our fund size has reached TRY 3.773 billion.

The industry has gained an upward momentum with the BES funds that provide yield above the inflation rate. The number of participants in the voluntary BES reached 6 million and the fund amount reached TRY 159 billion. Participation-based BES played a significant role in this growth. With the preference of interest-free funds over conventional funds in the Automatic Participation System, this category has proven to be deeper and more inclusive than expected. Interest-free funds that increasingly attracted the attention of people had a doping effect on the sector.

In 2020, the market share of interest-free funds increased from 13.70 percent at the end of 2019 to 18.12 percent at the end of 2020. While the pension sector had an average return of 23 percent in 2020, according to the EGM All Interest-Free Index data calculated by the Pension Monitoring Center, only interest-free funds yielded a return of around 33.9 percent. In short, interest-free funds continue to lift the pension system with high returns. In this process, as Katılım Emeklilik, we pioneered increasing the attractiveness of BES with our high fund performance. We closed this year again as the revenue champion in individual fund performance. Katılım Emeklilik Stock Fund, which was the first in 2019 with a return of 59.72 percent, was also the most profitable fund in 2020. Our Stock Fund completed the year again with a 109.31 percent return among all pension funds.

As Katılım Emeklilik, we completed 2020 in the first place among pension companies with a return rate of 34.5% on the basis of founding companies in the EGM index. While the average return of the sector was 23 percent, our participants selected Katılım Emeklilik funds and earned 11.5 percent more than the average pension sector participants. We made a significant contribution to increasing the attractiveness of BES with our high fund performance. While our existing participants preferred to stay in the system, we had considerable success in this challenging year by encouraging new participants. We are proud of ourselves for our role in the growth of both the industry and our economy.

We thank the interest of our people.

On the other hand, as Katılım Emeklilik, our primary mission is to enable our customers to make long-term plans. It is priceless to be able to plan 20-30 years ahead while going through difficult times where the future is uncertain. With this understanding, we are working to reach more people and for more awareness. We have been able to successfully pass this test caused by the pandemic with our assurance products that touch every aspect of life, from BES to health insurances. We make significant contributions not only to Katılım Emeklilik customers and the sector but also to the Turkish economy with our strong pension funds. In addition, we carry out studies in terms of numbers and acquire savings culture and raise awareness on this issue.

We don't wait for someone to do it; we are taking action. We know how to achieve it by measuring it well and taking fast action. As a result of this devoted work, we expand more than the sector each year. We closed the year 2020 by growing above the industry again. I congratulate the entire Katılım Emeklilik Family for this success. A rising momentum with the gains of 2020 awaits us in 2021.

We will continue to grow with our innovative approach, contribute to the country's economy, and be worthy of our nation's belief in us. I would like to thank for their support and express my gratitude to our esteemed Board of Directors, all employees of Katılım Emeklilik, our bank employees, our shareholders, all our stakeholders, and our participants who chose us.

Yours Sincerely,

Ayhan SİNCEK
General Manager

A-6

Information on the Amendment of the Articles of Association and the Structure of Partnership

By virtue of the board of directors resolution dated 15/04/2016 and numbered 2016/06/01, the company has been transformed into a registered capital system, following the requisite permission for the amendment of Article 7 (titled: Capital) of the Articles of Association was obtained to transform the company into a Registered Capital System pursuant to Extraordinary General Assembly Resolution dated 27/04/2016 and Article 332 of Turkish Commercial Code No 6102, in accordance with “the Notification Regarding the Principles of Registered Capital System in Non-Public Companies” and the provisions of Article 460 of the Turkish Code of Commerce No 61002. Pursuant to the board of directors resolution dated 11/07/2016 and numbered 2016/10/01, the company capital has been increased from TRY 31.000.000.00 to TRY 40.000.000.00; the amount of capital increase in question has been paid equally in advance by the shareholders of the company. The capital increase has been announced on the Turkish Trade Gazette dated 21/07/2016 and numbered 9120.

In the Meeting of Board of Directors dated 25 June 2020, it was resolved for the entire TRY 32.000.000 of the company's Capital to be covered from retained earnings of the company by current shareholders. The resolution was registered on 20 July 2020 and announced in the Trade Registry Gazette dated 22 July 2020 and numbered 10123.

No transaction was made in 2020 regarding the capital, and it continues as follows.

Title of Partner	Partnership Share	Capital Amount
Albaraka Türk Katılım Bankası A.Ş.	% 50	36.000.000 TL
Kuveyt Türk Katılım Bankası A.Ş.	% 50	36.000.000 TL
Total Capital of Company		72.000.000 TL

A-7

Remarks About the Shares Owned by the Chairman and Members of the Board of Directors, General Manager, and Assistant General Managers, if any

The Chairman of the Board of Directors, the Members of the Board of Directors, the General Manager, and the Assistant General Managers do not hold any share in the company capital.

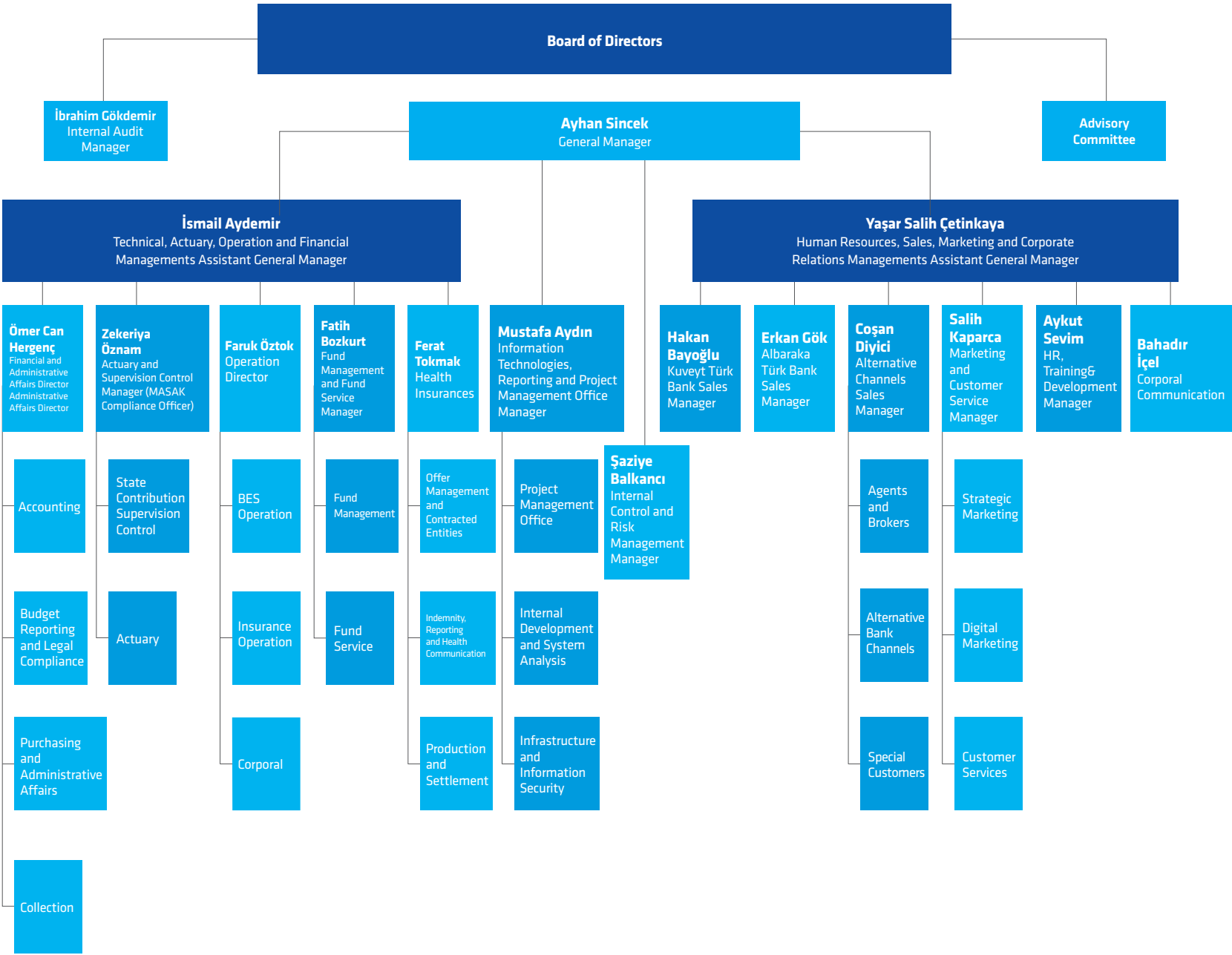
A-8

Human Resources Policies and Practices

The procedures regulating the recruitment, service conditions, qualifications, careers, appointments, rights and obligations, personal rights, social benefits, disciplinary provisions, leaving conditions, as well as the principles applied to these areas and various rules subject to Katılım Emeklilik employees, are available, in addition to the Human Resources Guidelines approved by the Board of Directors and the procedures pertaining to that.

- Regulation on Human Resources
- Ethical Principles
- The Procedure of Working Hours and Overtime
- The Procedure of Disciplinary Process
- Principles and Instructions for Company Vehicles
- List of Allowance and Social Compensations
- The Procedure of Business Travel
- Procedure of Recruitment
- Procedure of Leave
- Dress Code
- Work Procedure for Sales Personnel
- The Procedure of Wage Applications
- Principles of Foreign Language Compensations

Organizational Structure and Organization Chart of the Company



B

INFORMATION ON BOARD OF DIRECTORS, DIRECTORS, AND PERSONNEL

B1

Information on the Board of Directors of the Company

Members of the Board Of Directors	Name Surname	Commencement Date	Educational Background	Field of Experience	Term Of Experience (Year)	Non-Corporate Duties
Chairman	Ufuk UYAN	29.03.2019	Master's Degree	Banking	36	Kuveyt Türk Katılım Bankası A.Ş. Member of Board of Directors - General Manager
Vice-Chairman	Melikşah UTKU	01.02.2017	Master's Degree	Banking	28	Albaraka Türk Katılım Bankası A.Ş. Member of Board of Directors - General Manager
Member	Mehmet ORAL	09.01.2014	Bachelor's Degree	Banking	29	Kuveyt Türk Katılım Bankası A.Ş. Assistant General Manager
Member	Turgut SİMİTÇİOĞLU	01.02.2017	Master's Degree	Banking	31	Albaraka Türk Katılım Bankası A.Ş. Assistant General Manager
Member (General Manager)	Ayhan SİNCEK	09.01.2014	Master's Degree	Insurance	26	N/A





Ufuk UYAN

Chairman of Board of Directors

Ufuk Uyan was born in 1958, in Eskişehir. He graduated from Boğaziçi University, Department of Economics, in 1981. He received a master's degree in 1983 from the department of business administration in the same university. Uyan started the business life as Research Assistant in 1979 at Boğaziçi University, Department of Economics; in 1982, he worked as a Researcher Economist at Turkey Industrial Development Bank, Directorate of Special Researches. Uyan became Project Vice-Manager at Albaraka Türk in 1985 and continued his career at Kuveyt Türk as Project and Investments Manager in 1989. Uyan was promoted to the position of Assistant General Manager in 1993, and then he was appointed as Head Assistant of General Manager. He was appointed as General Manager in 1999. Ufuk Uyan is a member of the Board of Directors, Executive Board, Pricing and Nominating Committee, Credit Committee, and Corporate Social Responsibility member; and is serving as Chairman of Board of Directors at Katılım Emeklilik ve Hayat A.Ş.



Melikşah UTKU

Vice-Chairman of Board of Directors

He was born in 1968 in Ankara. He graduated from Boğaziçi University, Department of Mechanical Engineering, in 1990. He completed his master's degree in the field of Economic Development at the London School of Economics between 1990-1992 and at Marmara University between 1996-1998. He started working as a General Management Consultant for Albaraka Türk in 2004. He served as the Chief Economist for Albaraka Türk between 2006-2007. He wrote an economics column for a national newspaper, Yeni Şafak, between 1995 and December 2009. After serving as the Director of Investor Relations between 2007-2009, he became Assistant General Manager and CIO in December 2009. Then, he continued to work as the CFO, who is responsible for Financial Affairs, Budget, Financial Reporting, and Corporate Communications. Mr. Utku also served as a Member of the Board of Directors for Borsa İstanbul between 2013 and 2016. As of October 2016, he was appointed as the General Manager of Albaraka Türk in addition to his position as Vice-Chairman of Board of Directors at Participation Banks Association of Turkey (TKBB), Bereket Varlık Kiralama A.Ş., Katılım Emeklilik ve Hayat A.Ş., and Albaraka Gayrimenkul Portföy Yönetimi A.Ş. He is also a member of the Albaraka Türk Credits Committee, Pricing Committee, and Executive Committee.



Mehmet ORAL

Member of Board of Directors

Graduated from Uludağ University, Department of Business Administration, Mr. Mehmet Oral started his career within the organization of the Kuveyt Türk family as an authorized signatory at the main branch in 1992. After serving the main branch for 8 years, he was appointed as the Manager of the IMES Branch in 2000. Mr. Oral served as the Bursa Branch Manager between 2001-2004, and then he was transferred to Merter Branch to serve between 2004-2005.

As the company adopted a Regional Directorship structure, he was appointed as the Regional Manager of the Istanbul European Side Region in 2005. Having served as the Regional Manager for 4 years, Mr. Oral has been continuing his career as the HR, Training, and Quality Group Manager since 2009. He has been serving as Assistant General Manager responsible for Private and Enterprise Banking since October 2012 and a Member of the Board of Directors for Katılım Emeklilik ve Hayat A.Ş. since 2014.



Turgut SİMİTÇİOĞLU

Member of Board of Directors

He was born in 1961 in Erzurum. He graduated from King Saud University, Faculty of Education, in 1989 in Saudi Arabia. He completed his master's degree at Fatih University, Institute of Social Sciences. He started working for Albaraka Türk in 1990. He served for the Department of Fund Application between 1990-1995 and then in the main branch between 1995-2001.

He worked as a Director for the main branch at Main Branch first and then at Banking Directorate between 2001-2003. He served as the Manager of the Main Branch between 2003-2009. He was appointed as an Assistant General Manager in December 2009. He served as the Assistant General Manager responsible for Credits Operation, External Transactions Operation, Payment Systems Operation, Banking Services Operation, and Risk Monitoring. He is currently serving as the Deputy General Manager and the Head Assistant General Manager.



Ayhan SINCEK

Member of Board of Directors General Manager

The General Manager of our Company, Mr. Ayhan Sincek was born in 1970, in Kütahya. He got his Bachelor's Degree from Middle Eastern Technical University in the field of Mathematics in 1994; then, he completed his master's degree at Boston University, in the Department of Actuary, in 2004.

He started working as an Instructor within the organization of Middle Eastern Technical University, Department of Mathematics, in 1995. Afterward, he served as the Actuary Examiner within the organization of the Republic of Turkey's Ministry of Treasury and Finance, Insurance Auditing Board. He was appointed as the Assistant General Manager of Credit Life Europe in 2007. He served as the Assistant General Manager for Anadolu Hayat Emeklilik between 2010-2013.

Since having been appointed as the Founding General Manager in August 2013, he has been a Member of the Board of Directors and General Manager of Katılım Emeklilik ve Hayat A.Ş.

B-2

Information on Senior Management of the Company

Information on our company's Senior Management is as follows.

Name Surname	Title	Commence Ment Date	Educational Background	Field of Experience	Term of Experience (Year)	Non- Corporate Duties	Field Of Responsibility
Ayhan SINCEK	General Manager	09.01.2014	Master's Degree	Insurance	26	N/A	All Works and Transactions
İsmail AYDEMİR	Assistant General Manager	09.01.2014	Master's Degree	Insurance	21	N/A	All Works and Transactions
Yaşar Salih ÇETİNKAYA	Assistant General Manager	09.01.2014	Bachelor's Degree	Insurance	24	N/A	All Works and Transactions



İsmail AYDEMİR

Assistant General Manager Responsible
From Technical, Actuary, Operation and
Financial Managements

The Assistant General Manager of our Company, Mr. İsmail Aydemir was born in 1977, in Balıkesir. He graduated from Boğaziçi University, Department of Mathematics, with a Bachelor's Degree in 2000. Then, he completed the MBA Program at Bilgi University in 2003; and he got a master's degree from Bahçeşehir University in the field of Actuary in 2006. He served as the Director of Actuary within the organization of Garanti Emeklilik ve Hayat A.Ş. between 2000-2007. Then, between 2007 and 2010, he worked as the Technical Actuary Unit Manager at Cigna Finans Emeklilik ve Hayat A.Ş. Starting from 2010, he served as the Technical Actuary Group Manager for Cigna Finans Emeklilik ve Hayat A.Ş. Since August 2013, he has been working as the Assistant General Manager of Katılım Emeklilik ve Hayat A.Ş., responsible for the departments of Technical, Actuary, Operation and Financial Managements.



Yaşar Salih ÇETİNKAYA

Assistant General Manager Responsible
from Sales, Marketing and Human
Resources

The Assistant General Manager of our Company Mr. Yaşar Salih Çetinkaya was born in 1972 in Keşan District of Edirne. He graduated from Mimar Sinan University, Department of History with a Bachelor's Degree in 1995. He started working at AvivaSa Emeklilik ve Hayat A.Ş. as a Financial Consultant between 1997 and 1998. Then, he worked as a Sales Manager between 1998 and 2001; and as a Branch Manager between 2001 and 2007. After being appointed as the Assistant General Manager of Credit Europa Life in 2007, he became the General Manager in 2011. Since August 2013, he has been working as the Assistant General Manager of Katılım Emeklilik ve Hayat A.Ş., responsible for the departments of Sales, Marketing, and Human Resources.

B-3

Information on Salaries and Similar Benefits Provided to the Senior Executives such as Chairman and Members of the Board of Directors, General Coordinator, Assistant General Managers in the current period

The total amount of salaries and similar benefits provided in the current period **1 January 2020 - 31 December 2020** to the senior executives such as Chairman and members of the Board of Directors, General Manager, and Assistant General Managers is equal to **TRY 4.790.362.**



Information on Directors of the Units and Under Report Units

Name/ Surname:	Title	Educational Background	Professional Experience (Year)	Departments Under Responsibility	Tel, Fax, E-Mail	Photo graph
Ömer Can HERGENÇ	Director	License	21	Accounting Collection Purchasing and Administrative Affairs Budget Reporting and Legal Compliance	Tel : 0216 999 81 13 Fax : 0216 692 11 22 omer.hergenc@katilimemeklilik.com.tr	
Mustafa AYDIN	Director	Master's Degree	24	Project Management Office, Work Development and System Analysis, Infrastructure and Information Security	Tel : 0216 999 81 15 Fax : 0216 692 11 22 mustafa.aydin@katilimemeklilik.com.tr	
Zekeriya ÖZNAM	Manager	Bachelor's Degree	23	Actuary, Supervision Control	Tel : 0216 999 81 14 Fax : 0216 692 11 22 zekeriya.oznam@katilimemeklilik.com.tr	
İbrahim GÖKDEMİR	Manager	Bachelor's Degree	14	Internal Audit	Tel : 0216 999 81 18 Fax : 0216 692 11 22 ibrahim.gokdemir@katilimemeklilik.com.tr	
Erkan GÖK	Manager	Bachelor's Degree	27	Bancassurance Albaraka Türk	Tel : 0216 999 81 17 Fax : 0216 692 11 22 erkangok@katilimemeklilik.com.tr	
Fatih BOZKURT	Manager	Bachelor's Degree	13	Fund Management Fund Service	Tel : 0216 999 81 32 Fax : 0216 692 11 22 fatih.bozkurt@katilimemeklilik.com.tr	
Hakan BAYOĞLU	Manager	Bachelor's Degree	16	Bancassurance Kuveyt Turk	Tel : 0216 999 81 16 Fax : 0216 692 11 22 hakan.bayoglu@katilimemeklilik.com.tr	
Faruk ÖZTOK	Manager	Bachelor's Degree	20	BES Operation, Insurance Operation, Corporal Services	Tel : 0216 999 81 34 Fax : 0216 692 11 22 faruk.oztok@katilimemeklilik.com.tr	
Şaziye BALKANCI	Manager	Bachelor's Degree	12	Internal Control and Risk Management	Tel : 0216 999 81 33 Fax : 0216 692 11 22 saziye.balkanci@katilimemeklilik.com.tr	
Aykut SEVİM	Manager	Master's Degree	11	Human Resources, Training and Development	Tel : 0216 999 81 39 Fax : 0216 692 11 22 aykut.sevim@katilimemeklilik.com.tr	
Salih KAPARCA	Manager	Bachelor's Degree	22	Strategic Marketing, Customer Services, Digital Marketing	Tel : 0216 999 82 79 Fax : 0216 692 11 22 salih.kaparca@katilimemeklilik.com.tr	
Coşan DİVİCİ	Manager	Bachelor's Degree	17	Agents and Brokers, Alternative Bank Channels, Special Customers	Tel : 0216 999 82 81 Fax : 0216 692 11 22 cosan.diyici@katilimemeklilik.com.tr	

Miscellaneous Information and Statistics about Company Personnel

Since our company has completed its establishment process within an industry-record period while creating its Human Resources Policies, designating employment strategies, and concluding its organizational structure, the Human Resources strategies are the fundamental dynamic of our company's journey towards industry leadership, which is the new agenda henceforth.

After closing the year 2019 with 135 personnel, our company has shown a 6.4% growth in this area in 2020, increasing the number of employees to 156.

Katılım Emeklilik ve Hayat A.Ş. considers its human resources as its most valuable asset. Therefore, the areas of employee satisfaction and employee investment are among the primary goals of our company. As we said #günbugün (*today is the day) for participating to Katılım Emeklilik; we said #günbugün to stay safe and healthy in our homes during the pandemic. As of the day the first covid 19 cases were seen in our country, we switched to the remote working system.

The primary fields of human resources activities consist of choosing correct human resources, employee training, positioning, retention, and increasing performance. Within this context, our human resources policy is defining our business and qualification goals clearly, supporting continuous training and development, encouraging teamwork, establishing common corporate culture focusing on high performance and employee satisfaction, and ensuring sustainability.

new developments. In this regard, the roles of some employees were changed in order for them to gain different qualifications thanks to the rotation activities between departments that provide the employees to change positions.

Creating professional and individual development opportunities for our employees, as required by their tasks and responsibilities, is among our company's goals. The objectives are; to rapidly familiarize new employees with the company culture employing orientation programs, teach them business conduct, and create human resources committed to company values.

In the light of this vision, the year 2020 has been defined by our Human Resources Department as the year of **"Unity."** The importance of unity has been seen during the pandemic.

Social Benefits

Transportation: Head Office employees benefit from the shuttle service for commuting. The travel allowance determined by the company is paid to the sales staff who do not use the shuttle service..

Meal: Employees can have meals wherever they want with the meal allowance loaded onto their meal cards.

Group Health Insurance: Group health insurance is provided to employees and their spouses and children.

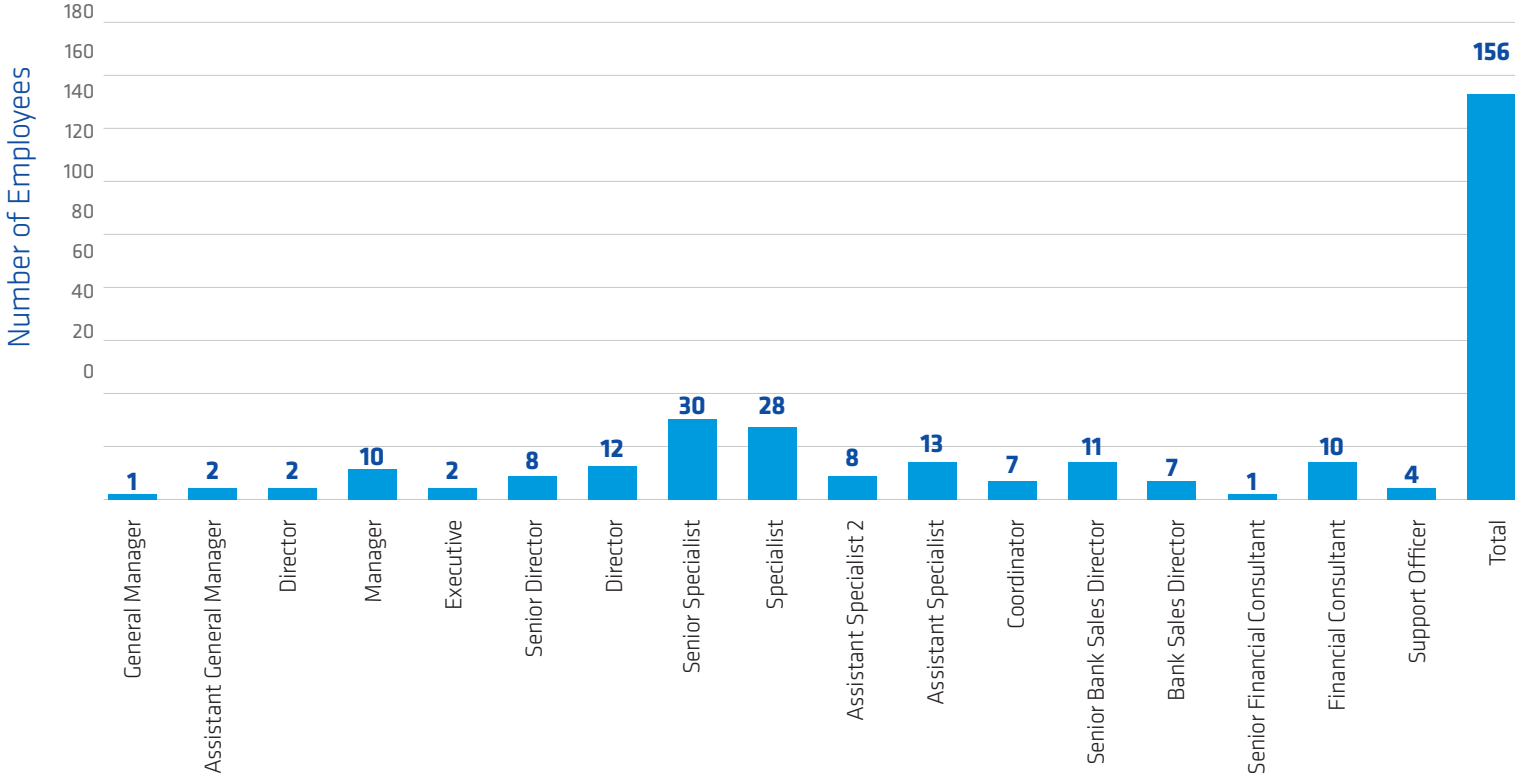
Group Life Insurance: Group Life Insurance is provided for all the employees.

Employer Contributed Pension Plan: If they wish, the employees are included in the Private Pension System within the scope of the company's Group Pension plan

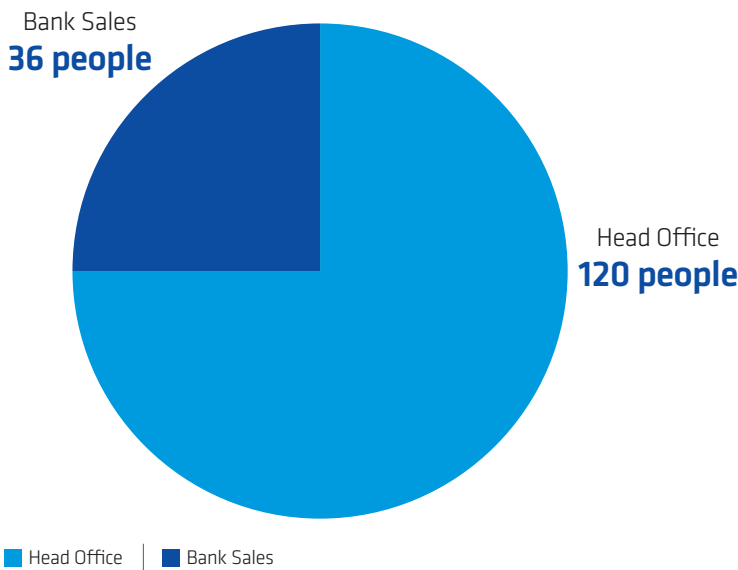
Foreign Language Compensation: TEmployees, who document their English level with Toefl IBT, may benefit from monthly foreign language compensation.



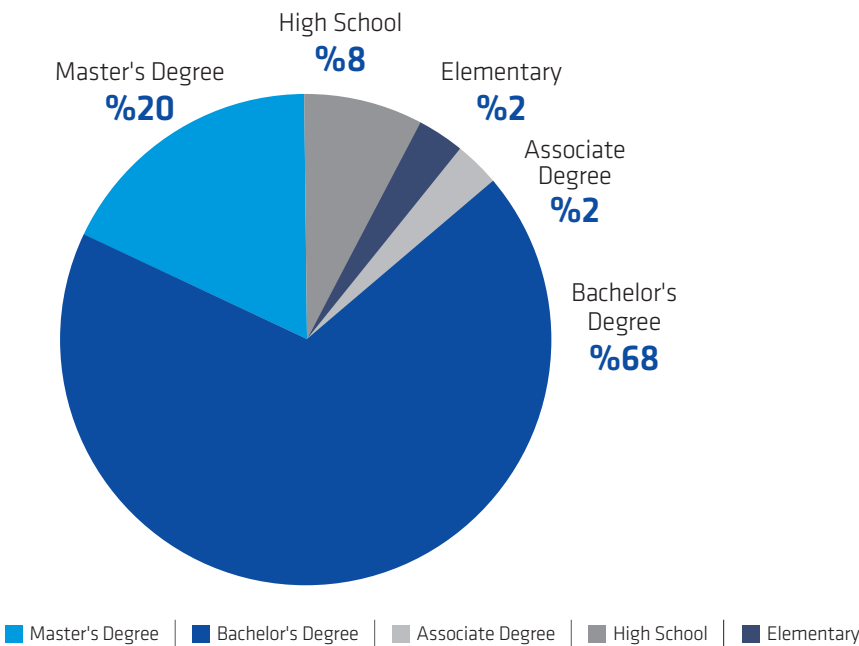
1- Employees per Position / Number of Employees per Position



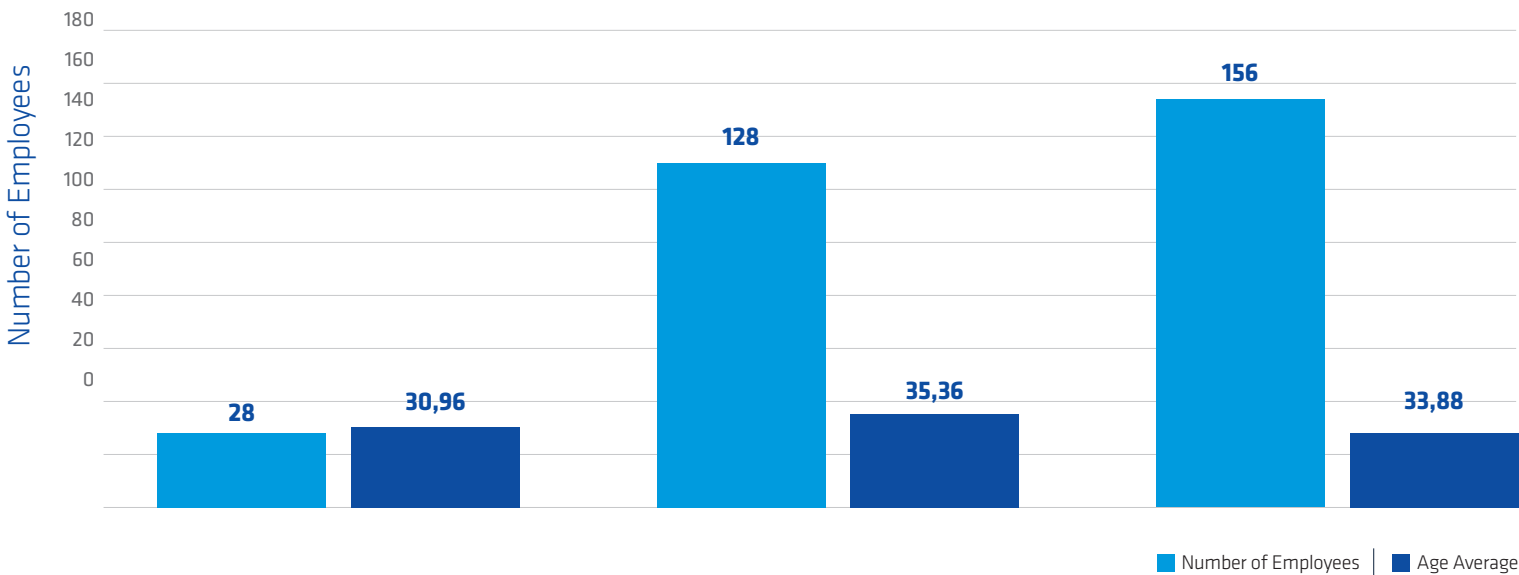
2 - Distribution of Place of Business



3 - Distribution of Educational Background



4- Distribution of Age & Sex



Information on the Board Meetings

The Board of Directors has held 9 meetings on various occasions within the year 2020, in which they have made 35 resolutions concerning the administration of the company.

General Meeting No	Year Meeting No	Date of Meeting	Resolution Number	Number of Participating Members
77	1	13.02.2020	1	5
77	1	13.02.2020	2	5
77	1	13.02.2020	3	5
77	1	13.02.2020	4	5
77	1	13.02.2020	5	5
77	1	13.02.2020	6	5
77	1	13.02.2020	7	5
77	1	13.02.2020	8	5
78	2	19.03.2020	1	5
78	2	19.03.2020	2	5
78	2	19.03.2020	3	5
78	2	19.03.2020	4	5
78	2	19.03.2020	5	5
78	2	19.03.2020	6	5
79	3	24.04.2020	1	5
80	4	25.06.2020	1	5
80	4	25.06.2020	2	5
81	5	27.07.2020	1	5
81	5	27.07.2020	2	5
81	5	27.07.2020	3	5
82	6	16.09.2020	1	5
82	6	16.09.2020	2	5
83	7	30.10.2020	1	5
83	7	30.10.2020	2	5
83	7	30.10.2020	3	5
83	7	30.10.2020	4	5
83	7	30.10.2020	5	5
83	7	30.10.2020	6	5
84	8	13.11.2020	1	5
84	8	13.11.2020	2	5
84	8	13.11.2020	3	5
85	9	24.12.2020	1	5
85	9	24.12.2020	2	5
85	9	24.12.2020	3	5
85	9	24.12.2020	4	5

C

INFORMATION ON THE COMPANY ACTIVITIES AND OTHER IMPORTANT DEVELOPMENTS



C-1

Analysis and Evaluation of the Operating Results of the Company, The Realization Level of Planned Activities, the Status of the Company In Terms of Determined Strategic Targets

The numbers reflected in the income statement are as follows.

Account Group	Account Total
Non-Life Technical Income	35.106.229
Non-Life Technical Expense*	-35.691.590
Life Technical Income	97.205.737
Life Technical Expense*	-76.387.554
Pension Technical Income	85.916.012
Pension Technical Expense*	-60.748.079
Investment Incomes	22.564.042
Investment Expenses	-10.290.040
Other Income/Profit - Expense/Loss	-548.588
Net Profit for The Period	41.860.084

(*) The values mentioned above include the distribution of all expenses under the segments related to the methods determined within the scope of legal legislation.

The investments made are mainly within the scope of the objective for carrying the information technology infrastructure up to a level where it may serve to the sectoral studies and provide our Company reaching its high targets.

In this context, 93% of our Company's targeted General Expenses in 2020 have been used for this purpose. In the same period, 142% of the targeted Life technical income was realized, and 104% of the targeted Insurance and Pension technical income was realized. These realizations are the result of the priorities taken into consideration in the activities of our Company.

C-2

Economic Developments in Turkey and World in 2020

The year 2020 was undoubtedly marked by the Coronavirus (COVID-19), which was first seen in China and affected the whole world around March. The COVID-19 pandemic brought along international lockdowns and resulted in the disruption of supply chains. Food prices broke a record by reaching the top of the last 6 years, especially due to oil prices, which had a downward trend with severe cuts in the demand channel. The strong sales wave in the stock markets resulted in the decrease of the BIST-100 Index down to 842.46 points. However, the trillions of dollars circulating with the stimulus packages of the governments and asset purchase programs of the Central Banks, FED (American Central Bank) in particular, have weakened the impacts of this crisis. With the development of the COVID-19 vaccine around the end of the year, the world economies started to move slowly to the recovery phase.

In our country, Turkey, we left a critical year behind. GDP, which grew by 4.5% in the first quarter of 2020, shrank by -9.9% in the second quarter due to pandemic impact. However, the partial opening of the economy with the containment of the virus had a positive effect on the 3rd quarter, and the growth resumed with 6.7%. The policy rate, which was decreased to 8.25% during the year, increased especially in the second 6-month period of the year and reached 17%. The USD/TRY parity, on the other hand, broke a record more than once and rose to the level of 8.5235. The markets reacted positively to the changes in positions at the CBRT in November and at the Ministry of Treasury and Finance immediately. The TRY started to gain value with the aggressive increases in the policy rate within a short time. When evaluated in terms of geostrategic location, especially the Mediterranean has become one of the main risk areas. The NAVTEX dispute between Greece and Turkey and the increasing military presence in Libya and Syria were essential developments. With the Azerbaijan-Armenia war, the borders in the region also changed, and Nagorno-Karabakh was liberated from occupation and joined the Azerbaijani lands.

Briefly, from the regional point of view, China has been one of the first countries to overcome the adverse effects of the virus.

The Chinese economy, which shrank only in the first quarter of 2020, increased its growth in the last 3 quarters and ended the year with a growth of 2.3%. The US economy shrank by a record -31.4 in the second quarter but started to recover with 33.4% growth in the third quarter. The euro zone was one of the regions where the virus have affected severely. The fact that the lockdowns continued throughout the year had a negative impact on the economy, and the region entered recession.

Based on this framework, our summary about the basic markets is as follows;

Stock Exchange Market: In 2020, BIST-100 Index: fluctuated within a wide range between 842.46 – 1.479.91; Participation 50 Index, on the other hand, ranged between 986.92-2.561.29. Although there were serious recessions in the period after March, when the pandemic took effect, the recovery was achieved with incentive and asset purchase programs. In 2020, BIST-100 managed to offer a yield to its investors at a rate of 27.38%, and the Participation 50 Index, at a rate of 88.88%.

Foreign Exchange Market: USD/TRY parity within 2020 was ranged between 5.85 - 8.52 TRY, and EUR/TRY parity was ranged between 6.51-10.12 TRY. Due to reasons such as geopolitical risks and dollarization, the TRY has lost value.

Commodity Market: The ounce price of gold was recorded as the lowest 1472 \$ and the highest 2063 \$ levels in 2020. The gram price of gold moved within the range of 290-535TRY. Increasing risks and incentive packages on a global scale positively affected the price of gold, which is a security blanket.

Brent Oil prices moved around 19-69 USD in 2020. With the economic shutdown, many business activities came to a halt, which negatively affected the demand for oil. The news of partial opening, decrease in stocks, and vaccination towards the end of the year raised the oil price again.

C-3

Information on Investments Made During the Accounting Period

In 2020, our Company generally made fixed asset investments. The breakdown of the fixed asset investment amounting to a total of TRY 8.3 Million is as follows.

Investment Amounts in 2020	
Fixtures and Installations	1.973.163
Special Costs	60.578
Rights and Software	6.276.577
Total Investments in 2020	8.310.318

C-4

Our Activities Concerning Corporal Communication

Ourcorporal communication department managed the representation and communication of the entity through all communication channels in 2020 and supported our other departments in terms of printed and digital needs. The projects that the corporal communication department took an active role-in in 2020 are as follows.

Within the scope of communication and advertisement activities; announcements and advertisement studies were performed periodically for the promotion of a different product/campaign each month. These are published and shared in newspapers, journals, websites, and social media accounts.

We updated our communication philosophy according to the studies performed by following trends, researches, and workshops. Our Katılım Sağlık brand, which we have created for the products we offer in the health segment, has had a successful period and developed in order to make its name heard in more places by being supported with an application under the name of Katılım Sağlık.

Within the scope of press and public relations activities; a total of **2 thousand 18 news** about Katılım Emeklilik were published/ broadcasted in 2020 in printed media, digital media, and visual media. We reached **1 billion 30 million 136 thousand 420 people** with our news in the printed media and digital media. 647 of such news were published in printed media, 1.346 of the same were in digital media, and 20 of the same were in visual media.

A total of **647 media reflections** were obtained with the news content of Katılım Emeklilik in the media between January and December 2020; we reached **59 million 139 thousand 126 people**. An advertisement equivalent of **\$688 thousand 972** was obtained from the news covering **38 thousand 305 stxcm** area. In 2020, a total of **1.346 digital media reflections** were achieved with the news content of Katılım Emeklilik. We reached **977 million 604 thousand 992 people** with our news in the digital media.

With a total of **20 TV** reflections obtained between January and December 2020, the advertisement equivalent of **\$25 thousand 995** was reached.

While our news in print media increased by 31 percent compared to 2019, we ranked first among competitors in the sector with our advertising equivalent and access figures thanks to the news in the printed media. In digital media, we moved two steps up among our competitors and ranked 3rd..

The activities performed in our digital communication channels; Wdigital transformation has been initiated in communication channels, where we will renew all our digital platforms, including our website, individual and corporate internet branches, our mobile application, our online sales site, and our blog. In this context, many studies such as researches, surveys, and workshops have been carried out. Subsequently, the software studies of our new website, online branches, and mobile application were started. Our new digital channels are planned to be launched in 2021.

Our current information and monthly fund analysis are sent to all our customers through studies such as monthly e-bulletin, fund bulletin (macro fund), etc. The announcement and information mailings are prepared as needed by our departments for corporal and non-corporal communication.

The number of followers of our social media accounts as of December 2020 is as follows:

- **Facebook:** The number of our followers, which was 53.075 in December 2019, became 52.861 in December 2020.
- **Instagram:** The number of our followers, which was 2.854 in December 2019, increased and reached 4.169 in December 2020.

- **Twitter:** The number of our followers, which was 19.542 in December 2019, increased and reached 19.857 in December 2020.
- **Linkedin:** The number of our followers, which was 3.642 in December 2019, increased regularly and reached 4.557 in December 2020.
- **YouTube:** The number of our followers, which was 83 in December 2019, increased and reached 1.700 in December 2020.

Until 2020, our ads, announcements, and programs attended by our corporate spokesperson were broadcast on the Youtube channel. In 2020, we prepared and published content that we hosted the important names of society and our employees with the aim of increasing insurance literacy and spreading the awareness of savings with the communication projects and programs we started exclusively on our youtube channel.

Our activities performed within the scope of in-house communication and social responsibility; In 2020, we held competitions on the “I Participate” platform, which is our internal communication platform. We continued making our announcements through the “I Participate” platform. Relevant departments can upload company documents to this platform and inform all our employees.

Within the scope of in-house communication studies, we aimed to raise awareness to support children with cancer this year, as every year. And we participated in the KAÇUV event through social media due to the pandemic. We shared posts aimed at raising awareness.

Although the Katılım Emeklilik library, which we opened in 2019, was not used as actively as the previous year due to the Pandemic in 2020, the number of our books continued to increase with the donations received.

2020 yılında Kurumsal İletişim kapsamında gerçekleşen faaliyetler, biri uluslararası olmak üzere iki ödül de almamıza vesile olmuştur. Ödüllerimiz;

- In 2020, we were awarded with the “Fastest Growing Corporate Health Insurance Company” and “Fastest Growing Takaful Insurance Company” by The Global Economics Awards, which is among the most renowned economy awards in the world.

- According to the data collected within the scope of BoomSonar’s “Social Media Brand Index” at the Social Media Awards Turkey, the most comprehensive social media competition in Turkey with the cooperation of Marketing Turkey & BoomSonar and Deloitte expertise, we received the bronze award in the Private Pensio and Life Insurance categories.

C-5

Risk Assessment and Indemnity Management

Our Risk Assessment and Indemnity Management team served in the following areas in 2020;

Within the scope of Life and Personal Accident Insurance;

- Risk assessment procedures of Credit Life / Credit Personal Accident and Optional Insurance products are pursued
- **35.628** policies were checked and approved in the Credit Life and Credit Personal Accident segments.
- **24.560** policies were produced or approved in the Optional Life and Personal Accident segments.
- The management of Check-ups of **232** insured candidates was provided in Credit Life products.
- In our long-term insurance products, **24.406** surrender transactions were performed, and TRY **9.427.837.45** was paid; **5.905** Day-Based Payment transaction was completed, and total payment amount was TRY **4.262.682.01**.
- **311** indemnity claims were evaluated, and TRY **8.540.317.29** was paid to our **181** insurant, banks, or beneficiaries of our policyholders. **79** indemnity claims were rejected.
- At the end of the year, there is an outstanding claim amounting to TRY **4.212.992.54**, corresponding to **52** products.
- **52.122** policies were produced under **21** closed Group Personal Accident and Group Life tariffs.

Within the scope of Katılım Health activities;

- Total TRY 11.023.172 has been paid for a total of 38.507 indemnity claims under Group, Private, and Travel Health Policies.

- Total TRY 589.366 insurant payment was made by hand.
- As of the year-end, there is an outstanding indemnity amounting

Type of Policy	Number of Indemnities Paid in 2020	2020 Number of Outstanding Indemnities
Group Policies	33.707	18.818
Personal Policies	4.799	3.113
Travel Health	1	-
Payments By Hand (to the Insured)	-	-
Total	38.507	21.931

Type of Policy	Indemnity Paid in 2020	2020 Outstanding Indemnity
Group Policies	9.940.680	4.811.410
Group Policies	1.082.377	785.875
Travel Health	115	-
Payments By Hand (to the Insured)	589.366	-
Total	11.612.538	5.597.285

- In 2020, 54 group policies were issued for 54 corporate customers.
- 19 of these are within the scope of ÖSS/Hybrid-based coverage, and a premium equal to TRY 29.852 has been collected. And 35 of these are within the scope of TSS-based coverage, and a premium equal to TRY 1.127.586 has been collected.
- As of the year-end, 29.401 people from Travel Health and 373 people from Foreign Health are included in our portfolio.



Our Collection System and Collection Activities

Katılım Emeklilik, which has been a pioneer in the sector with its collection infrastructure since the day it was founded, continues its activities with the method of direct collection from bank accounts. As of today, it continues the direct account inquiry application successfully over three banks in total. In addition to our processes where we attach great importance to credit card integrations, we have started the payment gateway integration by taking part in a project that we aim to accelerate the integration processes in new member business agreements. Upon commencement of this project, it is aimed to include new banks in our member business agreement with 4 banks by executing new POS agreements. In this way, it is aimed to increase the application of more advantageous blockage periods for credit cards of more banks.

We have started the development process in order to activate our inquiry application from more than one payment tool, for which we have already accelerated the studies. For our customers who have given approval, we will try to make collection from more than one payment instrument; we will ensure the continuity of the collection of the insured, and accordingly, our delinquency rate will be reduced.

In our collection operations, in addition to collective collection attempts at certain hours, instant and optional manual collection triggering processes after policy/contract-based approval were put into use. In line with the insured's request, collection attempts are made in the system outside the specified hours, and accordingly, the collection rate has been increased, and a positive improvement has been achieved within the scope of customer satisfaction. The collection department has initiated studies to ensure that the authorization to trigger collections is made through the call center and banks during the year.

3D POS infrastructure has been put into use for our life insurance products sold on our website. If our insured persons choose this payment method, they can perform their collection transactions through the secured payment infrastructure. We are continuing to work on secured infrastructure payment systems and aim to make

more use of the POS infrastructure.

Our young and dynamic team continues to produce new ideas for all developments that will improve operational processes and increase customer satisfaction and constantly work to put the same into practice.

Our Customer Services/Call Center Activities

The teams in our Customer Services department provided services in the following areas in 2020:

In 2020 Our **Call Center** continued to serve our customers through our line: 0850 226 0 123.

Our Call Center rendered service in Edirne by using the service provided by Turkcell Global Bilgi company with 1 Operation Director, 2 Team Leaders, 1 Quality Specialist, 28 Customer Services Representatives speaking Turkish, 1 Customer Services Representative speaking Arabic, 1 Customer Services Representative speaking English, 2 Home Agent Customer Representatives, and 2 VIP Health Representatives.

The team in the Head Office performed management, training, and reporting activities of our call center operation.

In addition to welcome call, customer information update, demands, and change procedures, delinquency information, delivery address update, our call center served with a separate team in 2020 for persuasion calls as well.

The studies for increasing the productivity of the call center by converting delinquency calls into robot calls still continue; the system is currently in the testing stage and will be completed within the first quarter of 2021. Upon completion of the system, the representatives presently being employed for such calls (2-3 people) will be assigned to other services for saving purposes.

Thanks to the private health insurance queue structured in the Call Center IVR within the scope of Health Insurances, we continued to

provide priority service to our health customers coming from the related channel.

In 2020, service was rendered with the following performance data: The inbound call (incoming call) team received **472.019** thousand calls, and an average of **1.788** calls per day was met with an average conversation time of **3** minutes. Outbound team (outgoing call) made **34.000** calls with an average of **285** calls per day and an average conversation time of **2** minutes.

30.102 live support requests were responded through the “**Live Support Center**” application on the Corporate Internet Branch.

In our call center, after inbound calls, all the customers are presented with Huzurlu Yuvam Personal Accident Insurance, Kadınca Güven Critical Diseases Insurance, Gülümseten Complementary Health Insurance, İkinci Bahar Personal Accident Insurance, Yolum Açık Personal Accident Insurance, and Practical BES products, and sales activities are carried out as a result of such calls. In 2020, a total of **4.818** product sales activities were completed by the Call Center.

The confirmation calls of the Practical BES products, which are received through Albaraka Türk Bank, Emlak Participation Bank, and Agency channels, were made within the body of the Head Office, and related offers were converted into contracts. In this regard, a total of **3.145** product sales activities were completed in 2020.

Within the scope of persuasion activities in 2020, **12.121** BES participants were discouraged from their exit/transfer requests, and a total of TRY **58.704.792** funds were kept, resulting in a persuasion rate of **27.43%**.

C-8

Our Strategic Marketing Activities

In 2020, we continued our activities to develop our product portfolio in a manner to serve all customer segments. We launched the Long Term Commercial Loan Life product for Albaraka Türk. In order to compensate for the decreased customer activity in branches due to the pandemic by using our experience and capacity in the distance sales channel and support sales activities in the field, we prepared the Practical Insurance process and made it available at Albaraka

Türk branches as of May.

In addition to infographics, participation insurance, and general sector development, weekly fund index and media bulletins, extra campaigns, and sales team commission reports are sent to related in-house and external stakeholders periodically.

As of April, we started to provide Medline Emergency Health services in our Healthcare products, except for travel products, in order for our insured persons to benefit from the 24/7 Land Ambulance with Physician and Medical Consultancy services.

We have developed our relations with the companies we receive service in order to improve customer experiences and usage rates for the assistance services we offer in certain products.

We reduced the management expense deduction in the Practical Participation Pension Plan, which we sell with hybrid and digital methods in our distribution channels, from 8.5% to 6% and made it more advantageous for our participants.

By further enriching our cross-selling capacity in 2020, we reached nearly 500 new BES sales in addition to the sales of nearly 5.000 new Personal Accident, Life and Health Insurance through Turkcell Global Bilgi and Headquarters Corporate Services channels. We continue our preparations to increase the capacity of these channels with new products and different calls to our existing customers.

We continued our efforts to develop our digital sales channels within both our Company and our distribution channels. We have reached nearly 200 sales by putting our Support Personal Accident and İkinci Bahar Personal Accident products for sale in Kuveyt Türk's mobile and internet branch channels. The necessary preparations for putting our Complementary Health and Travel Health products for sale through these channels have been completed. We also launched the Pratik Pension plan, which we offered for sale through these channels, on the Albaraka Turk internet branch. We continue our efforts to open both our BES and insurance products for sale through Albaraka Turk mobile branch in the upcoming period.

Our Project Management Office Activities

In 2020, our Project Management Office carried out the following activities within the scope of Process Management studies:

- 38 new or current processes and procedures are developed and announced to the company.
- 70 new or current work flows are developed through the Kirlangıç system.
 - Information Technologies Purchasing Work Flow
 - HR and Corporate Purchasing Work Flow
 - HR Notice Publishing Work Flow
 - Invoice Reminder Work Flow
 - KE Training Work Flow
 - Periodical Authorization Control Work Flow
 - Agent Broker Health Insurance Offer and Agreement Opening Work Flow
 - Accounting E-Notice Notification Work Flow
 - Health Insurances Damage By Hand Work Flow
 - Health Insurances Transition Sending and Request Work Flow
 - Health Insurances Indemnity Evaluation and Communication Work Flow
 - Health Insurances Offer Management Work Flow
 - Health Insurances Production and Settlement Work Flow
 - Health Insurances Productivity and Performance Reporting Work Flow
 - Integration of Document Management System with 3rd Parties

- Customer Information Integration between Life In and Kirlangıç Work Flow System
- Kirlangıç Oracle Database Transition
- Kirlangıç System Security Sanctions

- In the Kirlangıç system, 4.348.123 work flows were conducted from the beginning to the end of 2020 for our 165 processes.

Within the scope of the Project Management procedures for 2020;

- Project Management and Request/Claim Management Processes, as well as the Work Flows, were revised.
- Studies were initiated for the management and processes of the JIRA Software Project Management application. It is planned for the same to be put into use in February 2021.
- Project selection was carried out in Project Prioritization Meetings according to company priorities.
- The project scaling studies were initiated, and it was ensured for it to be included in the related processes.
- The following projects in the master plan have been managed;
 - Kasem Health Project
 - Private/Corporate Mobile and Internet Branch Projects
 - RoboAdvisor Project
 - Kuveyt Türk Mobile and Internet Branch TSS and SSS Projects
 - ISO27001 Information Security Project

Within the scope of the Data Warehouse and Business Intelligence Reporting procedures for 2020;

- The system SMS sending process was transferred to Hira. Different channels were defined for all suppliers sending SMS, and it was provided for the same to be sent via Hira.
- Rule-Based Architecture Sending Study was carried out.

- Interactive SMS sending infrastructure was created. The architecture covering our business partners has been completed and put into practice.
- The Report Servers started to be managed by our team.

C-10

Our Operational Activities in Insurance, Health, and Private Pension Segments

Within the scope of our Private Pension Activities;

- **57.943** amendments were made regarding the Private Pension contracts of our participants.
- A total of **10.301** Employer Group Pension Certificates were produced in coordination with group executives, and **168** Group Employer Pension and **8** Private Pension Affiliated to Group agreements were executed.
- **89.457** Private Pension Offers have been controlled for compliance with the Private Pension and MASAK regulations, and all of them have been approved. **4.335** BES Offers, which couldn't be produced by our Bank branches, were produced by our Operation Unit.
- **1.081** transfer requests of our participators and **442** Saving Transfer requests for Automatic Participation Certificate were informed to counterparty Personal Pension Companies, and it was provided for the process to be commenced accordingly.

- **4.707** parcels were received by our company, and **1.818** were sent by us. At the same time, it was provided for **663.981** mandatory notices such as policy agreement texts, annual account statements, etc. to be delivered to our customers via SMS, E-mail, and carriers within the legal delivery periods. **643** BES and Life Proposal Form and **157** Change Request Forms with wet signature were recorded, and they were archived in **305** folders inside **61** boxes. We are still working with the ZIP carrier company for delivery activities (printing, enveloping, and shipping).
- Production of **1.275** OKS (Automatic Participation System) Group Protocols was realized.
- The Company has fulfilled the requests for Private Pension withdrawal and Insurance Cancellation within the legal periods.
- In the Private Pension segment, **190.743** exit transactions have been made, including Withdrawal, Early Termination, Transfer, and Death. The payment amount subject to these transactions is TRY **547.578.489.80** in total.

In 2020, our Health Insurances unit was active in the following areas;

Within the scope of Katılım Health activities;

- A total of TRY 31.046.274 premium production was made for 19.701 insured in Group Policies. Accordingly, an indemnity expenditure of TRY 16.813.820 has been made.
- A total of TRY 6.997.860 premium production was made for 7.271 insured in TSS Policies. Accordingly, an indemnity expenditure of TRY 806.230 has been made.

Group Policies					
Product	Number of Insured	Total Gross Premium	Earned Gross Premium	Total Indemnity Amount (TRY)	T/P
Group Katılım Sağlık	18.429	29.915.293	25.294.543	16.651.864	%66
Full Katılım Sağlık	1.272	1.130.982	597.888	161.955	%27
Total	19.701	31.046.274	25.892.431	16.813.820	%65

- A total of TRY 6.158,088 premium production was made for 6.042 insured in Katılım Health TSS Policies. Accordingly, an indemnity expenditure of TRY 541.015 has been made.
- A total of TRY 839.772 premium production was made indirectly for 1.229 insured in Neova Health Insurance Policies. Accordingly, an indemnity expenditure of TRY 265.214 has been made.

Personal TSS Policies (2020)							
Product	Type of Coverage	Number of Policies	Number of Insured	Total Gross Premium	Earned Gross Premium	Total Indemnity	T/P
TSS	AT+YT	3.888	5.790	6.057.672	3.450.364	535.264	%16
TSS	YT	208	252	100.416	52.202	5.751	%11
Neo Katılım	AT+YT	598	988	769.066	370.350	265.214	%72
Neo Katılım	YT	222	241	70.706	40.211	-	%0
Total		4.916	7.271	6.997.860	3.913.127	806.230	%21

- In Personal TSS products, TRY 1.4 Million premium production was made with the renewal of 1.103 policies from the previous year.
- Total 4.975 policies were issued newly with a premium amount of TRY 5.9 Million.
- The renewal rate in Personal TSS products is 25%.

Number of Personal Policies New Work/Renewal					
Product	New Entry	Renewal	Mature	Cancelled	Renewal Rate
Neova AT+YT	817	74	455	68	%16
Neova YT	137	80	727	18	%11
TSS AT+YT	3.859	913	3.044	234	%30
TSS YT	162	36	150	11	%24
Total	4.975	1.103	4.376	331	%25

C-11

Activities of Our Corporate Services and Complaint Management Teams

- **1,015** customer requests and complaints from various channels such as our **Complaint Management** team, Call Center, Internet Site, and official institutions were recorded, examined with due diligence, and solutions were produced accordingly. The complaint response period is **3.2** days on average. The detailed complaint reports prepared by analyzing root reasons of customer complaints were continued being shared through Bankasürans channels regularly, and studies were made for decreasing and controlling the complaint numbers.
- Instant uninterrupted service was provided to Bank Branches, our Agents, and Field Personnel via Call Center line: **0850 226 0 226** with our new IVR infrastructure; **2.025** incoming calls were satisfied with **2:17** minutes of average conversation time and **84%** response rate.
- Our Sales Channels Support team has solved **27.133** support requests received from bank branches via the e-mail/Kırlangıç workflow system.
- The executives of all the companies, which signed the Group Protocol Agreement in **2020** within the scope of OKS, have been called by from the line **0850 622 6 623** by our **Corporate Services** team, which commenced its operations at the beginning of 2017 together with the Automatic Participation System, within the scope of welcome call system, and it was continued for all the details of the system to be informed.

- Our team provided the following services to the executives of the employers:

Service has been rendered to **14.836** employers.

38.931 incoming calls were satisfied with **2:08** minutes of average conversation time and a **93%** response rate.

10.130 outbound calls were made with an average conversation time of **3:00** minutes.

18.983 requests from corporates, which were commenced with the Kirlangıç workflow system by being sent to our corporate support e-mail address by executives of the employers, were processed and responded accordingly.

- As a result of employer officials connecting to our Live Chat service through the **Genesys** program, **1.681** employer representatives were supported.

C-12

Our Activities on Information Technologies and Reporting

System Infrastructure and Information Security

Under the pandemic conditions that emerged in 2020, our company has become one of the fastest companies in the sector to switch to a remote working system with 100% capacity thanks to its robust technological infrastructure and has continued to provide uninterrupted service. This year - as every year- by increasing its investments in the field of security, it has made developments and improvements in data security; and in this context, it has initiated ISO27001 Information Security Management System procedures. Our company will continue to maintain its ambition to be innovative and a pioneer in the sector by continuing to reinforce its infrastructure by closely following the technological developments.

Work Development and System Analysis

As Work Development and System Analysis department, we made fundamental changes in our processes in 2020. We identified our

weak points by conducting a SWOT analysis, started to take actions for our development opportunities, and made our processes more traceable.

We reorganized our team and started to manage our business by assigning analysts specific to each unit for domain-based management regarding business units.

We created or revised the needs analysis document, requirement document, functional technical design document, test case documents, and documents of all system service integrations that are missing or need to be edited in our processes.

We organized events and trainings to increase motivation and teamwork within the framework of team awareness.

The System developments, the software of which developed and maintained by the Work Development and System Analysis department in 2020, are as follows;

1. FTGK development
2. IYS development
3. SBM Integration development
4. Türkiye Finans Katılım Bankası integration development

In addition, 104 medium-scale requests went live after software development and testing. Moreover, the 1349 error item was resolved with support.

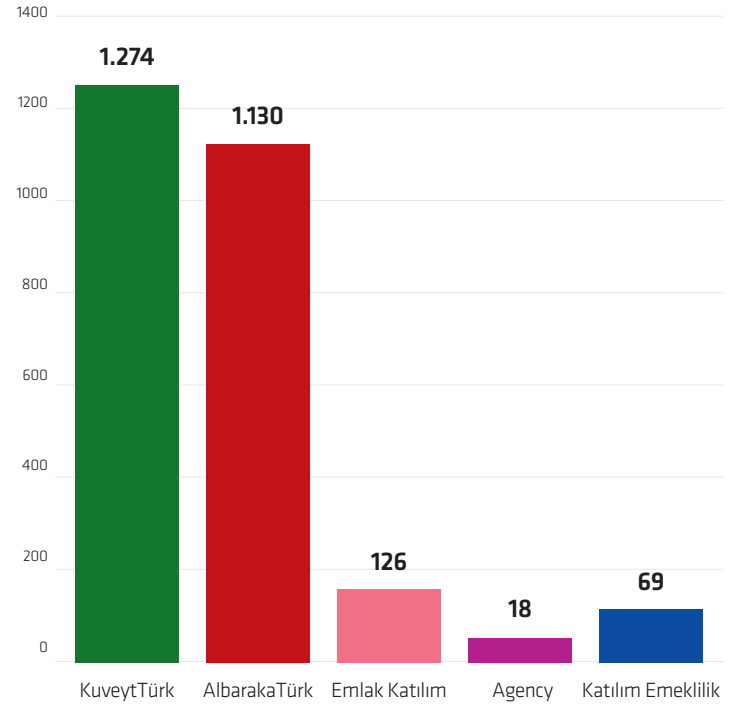


Our Training Activities

In 2020, several trainings were provided with basic, technical, legislative, and career titles in order to raise competent personnel.

- Due to the pandemic, online seminars were held with expert psychologists and career coaches in order to increase employee motivation.
- “Data Analysis and Reporting” training was initiated in order to increase reporting activities in departments.
- BES, Life Insurances and Health Insurance Legislation trainings were provided to all sales staff.
- Talent Pools were created from the Head Office and Sales staff, and their training was started accordingly.
- Basic Information Security Training: with the participation of 156 people
- MASAK Education: with the participation of 156 people

- PDPL Education: with the participation of 156 people
- SEGEM Improper Insurance Practices Training: with the participation of 15 people
- Number of BES Licensed intermediaries: 2.617



C-14

Our Technical and Actuarial Activities

2020 was the 7th activity year of Katılım Emeklilik ve Hayat A.Ş. Sales of Credit Life Insurance, which is offered for sale within the Life segment at bank distribution channels, Critical Disease product, Education Assurance Insurance, Life Insurance special to SMEs, School Installment Assurance products, Credit Life Insurances with unemployment indemnity, Support Personal Accident and Full Support Personal Accident insurances were continued. In addition to these products, credit life insurances and critical diseases insurances were prepared and put up for sales for our new distribution channel, Emlak Katılım Bankası.

In the Health Insurance segment, the sales of Complementary Health Insurance, Travel Health Insurance, Foreign Health Insurance products, and Complementary Health Insurance through Neova Sigorta A.Ş. were continued in 2020. In accordance with the agreement executed with Neova Sigorta A.Ş., our company acts in the capacity of Reinsurer. In addition, our company has started production within the scope of Private Health Insurances as of 2020, and the products are offered for sale through the channels of Banks, Agencies, Brokers, and the Center.

In 2020, necessary developments were applied to Private Health Insurances, and new products were offered for sale.

Upon leaving behind the seventh activity year, the need for cash flow modeling was emerged for our company due to increased policy numbers and premium generation, increased portfolio size, and increased assumed insurance risk. As a result of long research and negotiations, our Company decided for RAFM program of Willis Towers Watson company. The RAFM program has been actively used by the unit for product profitability studies and budget studies.

As of 31.12.2020, the total number of life insurance policies/participation certificates in effect is 117.321, and the total life insurance premium production is amounted to TRY 102.617.263.

In the Accident segment, as of 31.12.2020, the total number of personal accident insurance policies/participation certificates in effect is 67.993, and the total premium production is equal to TRY 7.267.527.

As of 31.12.2020, the average death benefit of the existing 117.321 life insurance policies/participation certificates was equal to TRY 123.152. Here, it is observed that most of the loan-related life insurances are high due to the housing (mortgage) loan products provided by our banks.

C-15

Our Research and Development Activities

Since 2020 was the seventh year of operation, as in the first six operating years, particular importance and strict attention were paid to new product development activities for changing and evolving customer needs. In 2020, new product development and tests in life and personal accident segments on the basis of both credit and optional products were continued. In the health branch, activities were initiated in the field of Private Health Insurance in 2020 in addition to the Complementary Health Insurance, Travel Health Insurance, Foreign Health Insurance sub-branches. In 2020, it was concentrated on product and systemic developments in all branches, especially in the Health branch. In 2020, product development activities were carried out through call centers of Albaraka Türk Katılım Bankası and Kuveyt Türk Katılım Bankası, which are among our sales channels, and sales of the products were commenced accordingly. In addition, developments were made for the sales of personal accident, health insurance, and personal pension products through mobile applications of our banks, and the generation of such products was commenced in 2020.

Katılım Emeklilik was established to operate in interest-free private pension and life insurance segments. Since Albaraka Türk and Kuveyt Türk Participation Banks, as the main distribution channels, are established and leader corporations in the interest-free field of our country, they operate in all products and render services under Islamic Finance and Participation Banking principles. Information subjects in the private pension sector are among the important aspects of our industry. Our company pays particular attention to notification of our customers fully and completely at the time of sale for customer loyalty. Therefore, we regularly call our customers to welcome them to our Company and Private Pension System due to their participation and to remind them of their rights in the system. In the first year of its operation, the credit life insurances offered by the participation banks, which are the main distribution

channels for assurance of their financing, came to the forefront in the product portfolio. In 2020, in addition to our Credit Life products, we continued to sell our Education Assurance product and our Critical Diseases product. In addition, automatic renewal and annual packages of these products, SME packages, Education Insurance for agency channels, and Critical Diseases Insurance products were also sold. In 2020, sales of Complementary Health Insurance, Travel Health Insurance, Foreign Health Insurance, Critical Disease Insurance containing cancer coverage special to women, and Personal Accident Insurance products with revised indemnity and premiums continued.

With the pandemic emerged in 2020, our company has covered the possible diagnosis and treatment expenses that will occur within the scope of COVID-19 disease during these difficult days. Although epidemics are excluded from the coverage, possible treatment expenses incurred within the scope of COVID-19 disease and its treatment have been covered and will continue being covered especially for this period at the contracted private hospitals that are valid under our Private and Complementary Health Insurances and are designated as pandemic hospitals according to the current terms and limits in the policy. Newly issued policies are also subject to this application, provided that the disease has not occurred before the policy commencement date.

Since the first establishment date, our company created an Advisory Board to maintain its activities in interest-free content and in conformity with participation banking principles. Our board, which consists of expert members in Participation banking and insurance as well as Islamic law, conducts meetings periodically during the year and provides opinions and approval for our products and services.

Within the scope of Life and Personal Accident Insurance,

Katılım Emeklilik, in 2020, carried out activities for personal accident insurance products that are sold by remote sales method, in particular. Personal Accident product was offered for sale in the application of Kuveyt Türk Bank, one of our main distribution channels. Personal accident products with assistance services were also offered for sale. In addition to the current Critical Diseases product, package product studies were conducted in which critical diseases specific to women are covered and premiums determined according to age ranges, and production of the same was commenced. The online channel has been added to the existing sales channels, and such product has

been opened for sales in the online channel. In order for the main distribution channels to be able to meet the customers' needs, studies were made for personal accident products with different coverage and premiums, and such products were offered for sale.

Within the scope of Private Pension,

Katılım Emeklilik continued active sales of Economic, Beautiful and Special Participation Private Pension Plans, which are designed for customers with different risk perception under the same strategy group within the private pension segment, and also Employer Contribution and Group-Based Private Pension plans, suitable for different group profiles, in the private pension segment, under the separate strategy group in 2020. Participants who transferred into the Retirement Income Plan continued to receive regular repayments in 2020.

Within the scope of Health Insurance,

Katılım Emeklilik continued sales of the Complementary Health Insurance product, which covers the inpatient and outpatient treatment and only inpatient treatment due to being more affordable in the health segment in 2020 as well. In addition, our company has started production within the scope of Private Health Insurances as of 2020 and has progressed rapidly in terms of production in the field of Participation Insurance and advanced near the top. Both Private Health Insurance products and Complementary Health Insurance products are positioned in Bank, Agency, Broker, and Center channels. The sales of Travel Health Insurance continued in 2020 as well.

C-16

Information on the Internal Control System and Internal Audit Activities and the Opinion of the Board of Directors on this subject

Internal Control System

Pursuant to the "Regulation on Internal Systems of Insurance, Reinsurance and Pension Companies" published in the Official Gazette dated 26 June 2008 and numbered 26913 by the Republic of Turkey, Undersecretariat of Treasury; an Internal Control and Risk Management Department was established by our Company, and an Internal Control and Risk Management Director was appointed.

Our Company has established the Internal Control Systems Regulation and Risk Management Regulation in consideration with the provisions of the Regulation; Internal Control and Risk Management activities are being carried out with an effective internal control system and control activities in accordance with the Company's strategy and legal liabilities within the risk appetite of the senior management. Internal control consists of the control environment, risk assessment, control activities, information & communication, and monitoring, and therefore, reporting activities are performed thoroughly and accurately, operations are carried out effectively and efficiently, and activities are carried out in conformity with legislation and internal regulations. While such activities are carried out by ensuring the efficiency of internal control systems, it is planned for the strategic goals and objectives of our Company to be fulfilled.

Necessary studies are being performed in order to ensure that the company's workflows, procedures, and job descriptions completely and fully comply with the regulations. It is aimed for the periodical controls to be made for compliance of the activities with legal and internal regulations, for corrective and preventive actions to be determined within the framework of control results, concentrated and analyzed according to the source (process, system, person), and for necessary actions to be taken and essential improvements to be made. The Internal Control and Risk Management system provides reasonable assurance to our Company in achieving its goals and objectives.

The Internal Control and Risk Management Department operates under the General Manager of the Company.

Internal Audit Activities

The internal audit system of Katılım Emeklilik and Hayat A.Ş. is structured pursuant to the provisions of the "Regulation on Internal Systems of Insurance, Reinsurance and Pension Companies" published in the Official Gazette dated 26 June 2008 and numbered 26913. The Internal Audit Department reports to the Board of Directors in its organizational structure.

The scope of internal audit activities is to provide reliable, independent, and impartial opinions and suggestions for improvement and development in relation to these processes as a result of examining and evaluating the effectiveness and effectiveness of internal control,

risk management, and administrative procedures. In addition, the duty of investigating financial crimes is among the responsibilities of the Internal Audit Department.

The Internal Audit team consists of 1 Audit Manager and 1 Chief Auditor, who have the qualifications defined in the Regulation on Internal Systems of Insurance, Reinsurance, and Pension Companies. The Internal Audit Department personnel have no responsibility, authority, or influence in the Company's audited operational activities; also, its independence is fully ensured.

In 2020, the Internal Audit Department carried out audits for Financial and Administrative Affairs, Actuarial, Operation, Compliance, and Agent, as well as for State Contribution and Automatic Participation processes, monitored activities for previous process audits, and submitted the related reports to the senior management and the Board of Directors.

Since the Internal Audit Manager also serves as the fund auditor of the pension investment funds established by the Company, examinations of these funds were made during the reporting period, and the significant improvements were reported to the Fund Board; and the required reports were submitted to the Board of Directors in accordance with the CMB legislation.

C-17

Corporate Risk Management and Internal Control Activities by Risk Typesi

The risks that our company is exposed to and the policies, procedures, and objectives of our Company in order to manage and measure the risks are as follows.

The company's risk management policies were established to identify and analyze the risks faced by the Company, to determine risk limits and controls, and to monitor risks and compliance with specified limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the 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.

1. Insurance Risk

Management of insurance risk aims to manage and mitigate risks arising from insurance contracts and policies.

These risks are the risks that are arising from the insurance contracts concluded; such risks may be exemplified as: the fact that the insured risks are not selected in a healthy manner and that the insurance premiums are not determined at the level to meet the future damages and the concentrations due to the non-distribution of the risks.

Since the risk concept is accidental and unpredictable, this indicates the importance of risk assessment. Therefore, in order to protect the financial and competition power of our company, each risk is fully classified, the policy is produced by determining a proper premium, or it is rejected accordingly.

The market conditions, reinsurance agreements, turnover, profitability, and sustainable growth targets are considered as a whole when tariffs are prepared, and pricing is made.

Risk assessment processes have been established between our company and our contracted reinsurer companies, the terms and conditions of which are defined with strict lines. In this way, the high numbers of policies are automatically produced by determining the best price.

According to our company's risk assessment criteria, non-standard risks are meticulously evaluated, accepted, or rejected. In addition, our company maintains retention on certain ratios and transfers the amounts exceeding the retention limit to the reinsurer company.

In order to establish an effective risk assessment policy regarding the insurance risks of our company, Risk Acceptance Regulation has been prepared, and insurance risk assessment activities have been carried out within this framework. This regulation is revised every year in accordance with the new products and portfolio structure.

Within the scope of our Company's medical risk assessment operations, technical risk assessment is carried out by our own team directly and by getting support from a company experienced in the

field of medical risk assessment procedures.

Our Company continuously monitors the loss/premium ratios and supervises its reserve capabilities through regular and periodic reporting.

Our company's production strategy is based on the type of policy, the type of risk undertaken, and the optimal distribution to the reinsurance companies according to the size.

The Company carries out reinsurance studies on life insurances only through the risks assured in terms of death benefits and additional coverage. In the risk-based life insurance tariffs, an amount, which will be determined not to exceed the maximum amount of retention determined as a result of actuarial calculations for the death benefit and the additional coverage, is kept on the company, and any excess amount is transferred to the reinsurance companies that we cooperate under optional reinsurance agreements (surplus and quota-share reinsurance agreements).

A separate Personal Accident Insurance Surplus Reinsurance Agreement was concluded with the reinsurance company for the Personal Accident Insurance coverage that can be given alone in the accident segment.

The following criteria are decisive for the provision of obtaining reliable and high standards of service business relations from the reinsurance companies and selection of the same from reinsurance program of the Company, and for ensuring that reinsurers fulfill their obligations.

1. Financial strength and credit ratings issued by international credit rating agents
2. The long-term approach in business relations,
3. Competitive reinsurance premium prices
4. The capacity opportunity provided in optional works and non-proportional reinsurance contracts,
5. Information on risk assessment tools, new developments in the sector, and opportunities provided to the company for product development, training, etc.
6. Being able for the company to perform the works within the principles of Islamic finance,

The risk amounts exceeding the retention amounts in proportional reinsurance contracts are transferred to reinsurers through optional reinsurance.

In addition, a non-proportional catastrophic damage surplus (XL) reinsurance agreement that fits the portfolio structure has been executed in order to protect the retention each year as a result of major disasters such as earthquakes, floods, etc., or traffic accidents or terrorist attacks in public transportation vehicles. This agreement is also renewed every year by revising our existing insurance portfolio.

2. Operational Risks

This is the risk of direct or indirect damages resulting from insufficient and unsuccessful internal processes, personnel, and systems or external events. The risks such as supply, human resources, customer satisfaction, sales, business outages, natural disasters, etc. that may arise depending on the company's daily operations, business processes, and functions.

In the management of the Operational Risk, controls are developed to eliminate or minimize the possibility of loss.

3. Financial Risks

The risks arising from the use of financial instruments are;

- Credit risk
- Liquidity Risk
- Market Risk:
- Exchange Risk

Credit risk

Credit risk is defined as the risk of non-repayment of loans issued to countries, real persons, or legal entities.

In order to avoid this risk or to minimize its impacts, money management is performed based on the ratings of the credit rating agents where the money is deposited.

Liquidity Risk

It is the risk that the assets cannot meet the cash demand. This risk arises from the fact that assets cannot be sold and cannot be converted to money when cash is needed. If the maturities of assets

are longer than the maturities of their liabilities, the liquidity risk increases.

These funds are evaluated in short-term capital market instruments to meet such liabilities based on the Company's short-term liabilities. In order to be conservative, it will be essential to assess a provision equal to the company's liabilities that should be paid within the next 3 months with capital market instruments or maximum one-month maturity instruments.

Market Risk

The risk of a financial institution being adversely affected by an unexpected change in interest rates in the market. The “interest” phrase here doesn't refer to our company imposing interest on the current investments; it refers to the risk of interest-free products being affected by interest volatility within the market.

In the management of this risk, in case of possible volatility in the markets, attention will be paid to realize the company's financial income at the optimum level by applying an investment strategy with minimum maturity possible in capital and money market instruments.

Exchange Risk

It refers to the possibility of loss in the assets and/or liabilities that may arise as a result of the fluctuations in the exchange rate in the future.

One of the most crucial risk parameters to be taken into consideration while conducting the asset-liability management of the company will be the exchange rate risk. Foreign currency at the amount that is required to make the foreign currency payments of the Company shall be kept, and this amount shall be evaluated in the participation accounts by considering the payment dates.

4. Strategic Risk

The planning, business model, investment, corporate management, etc., risks arising from decision-making processes and decisions for reaching the targets of the company.

Measures are taken to mitigate or minimize the possibility of loss in Strategic Risk management, and these measures are specified in the risk control matrix.

5. Information Technology Risks

This is the risk of loss of the automation system, network, or other critical IT resources in a way that adversely affects business processes in achieving the company's goals.

In order to manage the risks related to the information technologies, the Information Technologies risks were determined in detail, evaluated, and necessary actions were taken to reduce risks to an acceptable level.

6. Risks of Pension Mutual Funds

It refers to the risks that will arise as a result of the fact that the investment instruments within the fund assets that do not respond to the changing conditions in a timely manner, exceed the limitations, are mismanaged, and that mistakes are made in the operational processes.

In order to prevent or minimize the risks related to Pension Mutual Funds, all risks are determined in detail, and the controls related to these risks are made on a daily basis; necessary actions are taken according to the Capital Markets Board legislation, fund board meetings are held, Capital Markets Board bulletins and regulations are followed, and emergency plans are prepared.



7. Human Resources Risk

Risks associated with human resources; assignment of a trained employee to a wrong position, decrease in motivation levels, misevaluation of the performance, not informing the employee sufficiently about the corporate policies and practices, not being able to provide the additional employee on time and in accordance with the required qualifications, and initiation of corporal projects at the risk of failure.

In order to prevent and manage the risks related to human resources, our Company established Human Resources Regulations, determined Human Resources Strategies, developed Performance Management System, and created a Career Management and Backup Procedure; the Company carries out its activities according to the determined strategies and procedures.

8. Risk of Sales Channels

It refers to the risks that sales organizations may face in order to reach the targets of the company.

In order to manage the risks related to the sales channels, the Sales Channels risks were determined in detail, evaluated, and necessary actions were taken to reduce risks to an acceptable level.

9. Masak Compliance Risk

It refers to the risks that the company may be exposed as a result of the activities carried out for prevention of laundering of crime revenues and money laundering as specified in "Regulation on Compliance Program regarding Prevention of Laundering Crime Revenues and Financing of Terrorism" issued by Financial Crime Investigation Board (MASAK).

In order to prevent these risks, our Company established MASAK Corporate Policy, and risky procedures are being monitored by the MASAK Compliance Officer. In addition, the Legal Compliance Department established within the body of our Company performs studies in order to ensure compliance and adjustment of the Company's activities with the current legislation, regulations, and standards.

Assessments on the Risks of the Company

Technical Risks

Insurance Risk and Insurance Risk Management Process

Insurance risk refers to the possibility that the premiums paid by the policyholder couldn't cover the compensation to be paid when the event subject to the insurance is realized.

Since the risk concept is accidental and unpredictable, this indicates the importance of risk assessment. In order to establish an effective risk assessment policy regarding the insurance risks of the company, Risk Acceptance Regulation has been prepared, and insurance risk assessment activities have been carried out within this framework. Conditions of the Risk Acceptance Regulation are reviewed every year according to the needs of the company and the structure of the changing life insurance portfolio. This risk management is one of the most important processes in our company in order to ensure that our insured persons are insured in the most appropriate way and to prevent the insurance company from being financially challenged. In addition, the Risk Assessment Committee continued its activities in order for Company's insurance risk assessment activities to be carried effectively. In accordance with the agreement executed for procurement of effective and professional service in the risk assessment studies related to the Company's insurance applications and compensation claims, all medical risk assessment procedures are carried out by Compu Group Medical Bilgi Sistemleri A.Ş.

Our Company utilizes internationally recognized and accepted insurance risk assessment instruments in risk assessment instrument processes. In the evaluation of medical, personal, and financial technical risks, controls are being made by utilizing the web-based insurance risk assessment instrument named GUM (Global Underwriting Manual) of RGA Global Reinsurance Labuan, Malaysia, which is our retakaful company within our reinsurance program, and the numerical risk rating results obtained from this program are being used accordingly.

Our Risk Acceptance Regulation is reviewed each year in line with the changing coverage, customer, and sales channel requirements of our portfolio and is revised in order to implement an effective risk assessment process by discussing with our Risk Assessment Committee. In addition to this assessment, assistance is received from our contracted medical risk assessment organization for medical risk assessment; and the Operation Team of our Company performed assessments for personal (professional, hobby, lifestyle, geographical residence, and moral risk) and financial risks of the insured candidates.

In the management of this risk, in case of possible volatility in the markets, attention will be paid to realize the company's financial income at the optimum level by applying an investment strategy with minimum maturity possible in capital and money market instruments.

Medical Risk Assessment

In the assessment of insurance applications made to our company, it is requested from the insured candidates, who asks for coverage above the amounts specified in the Risk Acceptance Regulation in accordance with the life insurance coverage amounts at the first stage, to have specific check-ups at the contracted health institutions and thus, information is received about the health status of the insured candidates. These medical results are examined by our contracted medical risk assessment organization, and medical opinion is prepared and submitted to our Company. Life insurance applications of the insured candidates, who are found to have increased the risk of mortality as a result of the insurance risk assessment carried out according to the numerical risk rating method, are rejected.

Personal (in terms of living conditions, occupation, morale, and hobbies) Risk Assessment

At the second stage of our insurance risk assessment process, information on gender, lifestyle, geographical residence, and occupation obtained from insured candidates is measured and assessed with the insurance risk assessment instruments, and where necessary, additional information and documents are requested, and risks are re-assessed accordingly.

Financial Risk Assessment

At the third stage, it is investigated whether the amount of life insurance coverage requested by customers and the annual income and/or loan amount are compatible with each other or not. Since the Company's portfolio consists of mainly life insurance products for bank risk, it is checked at this stage whether the insurance coverage amounts requested are compatible with the bank's financing amounts or not. The fact that the first financial analysis in credit life insurances is made by the bank and the issuance of the loan constitutes an important indicator for our Company in terms of financial risk assessment. At this stage, as stated in the Risk Acceptance Regulation, the financial statement form, a copy of the credit facility contract, and the information and documents indicating the income status of the insured are requested from the insured candidate.

Within a month following the issuance of the coverage regarding the risks that the Company holds in excess of 5% of its equity in relation to a contract; the Company should upload the table, the content, and form of which is determined by the Ministry and which contains the amount of the coverage given, the amount transferred to the reinsurer, the net risk remaining on the company, the reinsurers to which the premiums are assigned, international credit ratings of such reinsurers as well as the reason and grounds for taking such risk, to the portal of Ministry of Treasury and Finance.

The Company's actuarial principles are intended to ensure that the activities of all units of the Company comply with legal regulations, Company strategies, policies, and application principles.

The inspection process of underwriting risk consists of notifying the senior management and Board of Directors of the Company for;

- Effectiveness of risk management process,
- Compliance with the processes determined in writing,
- Compliance with agreed limits,
- The level of reflection of the facts of the data and the reports produced, as well as the recommendations for the measures to be taken and for the necessary implementation changes.

Management Process Regarding Risks of Reinsurance Companies

The Company carries out reinsurance studies on life insurances only through the risks assured in terms of death benefits and additional coverage (death by accident, disability as a result of disease, full or partial permanent disability as a result of an accident, critical (dangerous) diseases, critical diseases specific to women, medical expenses due to accident, alternating unemployment (unemployment/temporary incapacity/daily hospitalization). In the risk-based life insurance tariffs, an amount, which will be determined not to exceed the maximum amount of retention determined as a result of actuarial calculations for the death benefit and the additional coverage, is kept on the company, and any excess amount is transferred to the reinsurance companies that we cooperate under optional reinsurance agreements (surplus and quota-share reinsurance agreements). In addition, the sales of the product, which has been available since 2015 and the main coverage of which is Death and the additional coverage of which is Critical Diseases, will continue in 2021. The conservation amounts of the company are limited on relatively uncertain guarantees such as unemployment guarantee, which started to be sold in 2017, loan-based unemployment guarantee started to be sold in 2018, and guarantees in the health branch; and it is expected for the sales of these products to get increased in 2021.

A non-proportional catastrophic damage surplus (XL) reinsurance agreement that fits the portfolio structure was executed by the Company in 2015 in order to protect the retention each year as a result of major disasters such as earthquake, flood, etc., or traffic accidents or terrorist attacks in public transportation vehicles, and similar nature agreements have been executed in subsequent years as well. The agreement was converted into a retakaful agreement in 2018 and executed accordingly. A mutual understanding was reached for the renewal of the same in 2021. In addition, an optional CAT XL retakaful agreement was also executed due to cumulating risk for Group Personal Accident Contract of Albaraka Türk Employees and for Group Life Contract for Kuveyt Türk Employees.

The company that has an agreement with contracted reinsurers on life and accident segments performs reinsurance transactions with appropriate risk assessment conditions and reinsurance capacity.

As of the end of December 2020, the results of reinsurance activities in the life and accident segments of the company are as follows:

Life Segment Reinsurance Results	1 January - 31 December 2020	Personal Accident Reinsurance Results	1 January - 31 December 2020
Transferred Premium	5.659.262	Transferred Premium	1.580.062
Received Commission (-)	-	Received Commission (-)	17.948
Reinsurer Share in Check-Up Expenses (-)	73.664	Reinsurer Share in Check-Up Expenses (-)	-
Reinsurer Share in Indemnity (-)	2.466.652	Reinsurer Share in Indemnity (-)	223.463
Total	3.118.946	Total	1.338.651

The following criteria are decisive for the provision of obtaining reliable and high standards of service business relations from the reinsurance companies and selection of the same from reinsurance program of the Company, and for ensuring that reinsurers fulfill their obligations.

- Financial strength and credit ratings issued by international credit rating agents
- The long-term approach in business relations
- Competitive reinsurance premium prices
- The capacity opportunity provided in optional works and non-proportional reinsurance contracts,
- Information on risk assessment tools, new developments in the sector, and opportunities provided to the company for product development, training, etc.
- Being able for the company to perform the works within the principles of Islamic finance (as Retakaful)

Our company's policy of managing reinsurance is based on business relationships with stable and financially reliable reinsurance companies. The reinsurance agreements signed with reinsurance companies are executed according to the developments in the sector and the market conditions by considering the financial status of the company.

As a result of consistent and steady pricing and risk acceptance policies implemented by the Company, the risk assessment terms and procedures agreed with treaty reinsurers allow for insurance coverage that is higher than market averages to be insured automatically.

The ranges of our current life insurances according to the coverage amounts and the reinsurance distribution at these intervals are shown in the following table.

Distribution of Total Number of Policy/Certificates and Reinsurance based on Death Benefit Amount Ranges in Life Segment as of 31.12.2020 is as follows:

TL	PCS	AMOUNT	RETENTION	SURPLUS	OPTIONAL
1-5.000	2.633	9.196.031	7.995.350	1.200.681	-
5.001-10.000	3.809	29.665.056	27.202.934	2.462.122	-
10.001-25.000	11.130	195.582.742	186.801.777	8.780.965	-
25.001-50.000	18.113	696.423.989	680.146.840	16.277.148	-
50.001-100.000	33.035	2.475.403.003	2.424.024.686	51.284.516	93.802
100.001-500.000	46.583	9.347.827.988	6.231.990.779	3.115.837.209	-
500.001-1.000.000	1.718	1.204.932.925	235.173.136	968.999.789	760.000
1.000.001-5.000.000	294	439.450.366	41.034.943	378.173.447	20.241.975
5.000.001 +	6	49.832.072	750.000	14.808.865	34.273.207
TOTAL	117.321	14.448.314.172	9.835.120.445	4.557.824.742	55.368.984

Labuan, Malaysia-based retakaful branch of RGA Global Reinsurance, which is one of the largest reinsurance companies in the world with head office in the USA, rendered our reinsurance agreements in 2020, as in previous years. In addition, a reinsurance agreement has been signed with Neova Sigorta A.Ş. for the personal accident

segment, and reinsurance relations are carried out within the framework of such contract. Service is rendered for some products are procured from Swiss Re Retakaful, which is the Malaysia-based Islamic Reinsurance branch of Swiss-based Swiss Re, which is one of the largest reinsurance companies in the world.

The ratings of **RGA Re** from the credit rating agencies are as follows:

Company	Rating
Standart & Poors	AA(-) Very Strong
A.M Best	A+ (Superior)
Moody's Investor	A1 (Good)

The ratings of **Swiss Re** from the credit rating agencies are as follows:

Company	Rating
Standart & Poors	AA(-) Very Strong
A.M Best	A+ (Superior)
Moody's Investor	AA3 (Excellent)

It can be seen that the credit ratings of the existing reinsurance companies conform to the minimum ratings determined by institutions, the rating activities of which are approved by the Republic of Turkey, Ministry of Treasury and Finance and are accepted by the Undersecretariat of Treasury pursuant to the third clause of Article 8 of “Regulation on Measurement and Assessment of Capital Competencies of Insurance, Reinsurance and Pension Companies.”

In the selection of the reinsurer following are considered; the documents certifying that the reinsurer is inspected by legal audit and control authorities, balance sheet, income table, and ratings of the foreign independent rating agents for determining the financial strength of the companies. The selection of reinsurance companies is made by the senior management of the Company in accordance with the recommendations of the executive unit.

Furthermore, within a month following the issuance of the coverage regarding the risks that the Company holds in excess of 5% of its equity in relation to a contract; the Company should upload the statement, the content, and form of which is determined by the Undersecretariat and which contains the amount of the coverage given, the amount transferred to the reinsurer, the net risk remaining on the company, the reinsurers to which the premiums are assigned, international credit ratings of such reinsurers as well as the reason and grounds for taking such risk exceeding 5% of the equity, to the portal of Ministry of Treasury and Finance.

C-19

Explanation on private audits and state audits performed within the accounting period

The audits our company underwent in 2020 are as follows:

- Independent Audit conducted twice a year in accordance with Turkish Code of Commerce and Insurance Legislation.
- Inspection of state contribution transactions by the Republic of Turkey Ministry of Treasury and Finance.

- Independent audit carried out by the Independent Audit Company within the scope of the Pension Legislation for Pension Mutual Funds established by our Company.
- Inspections carried out by the Certified Public Accounting company from time to time within the scope of Full Approval of Corporate Tax.
- Audits conducted by independent auditors of our partners under BRSA.
- Inspections made by the supervisory boards of our partners.

C-20

Information on the Company's direct or indirect subsidiaries and shareholding

The Company has no subsidiary besides the Emeklilik Gözetim Merkezi A.Ş. share certificates, which should be participated pursuant to legislation. Since the mentioned amount is below the subsidiary limit, it is considered under other financial assets.



C-21

Information on the Company's Acquired Own Shares

The corporation does not have any acquired shares.

C-22

Financial Rights Provided to Members of Board of Directors and Senior Executives

The total amount of salaries and similar benefits provided in the current period **01.01.2020-31.12.2020** to the senior executives such as Chairman and members of the Board of Directors, General Manager, and Assistant General Managers is equal to TRY **4.790.362.**

C-23

Information on the lawsuits which are filed against the Corporation and may affect the financial position and activities of Corporation and the possible consequences thereto and Information on the Administrative and Judicial Sanctions Applied to the Company and Members of the Board of Directors

The lawsuits filed against the Company are not at the level to affect the operations and financial situation of the Company. In addition, the lawsuits filed against the company are explained in footnote 42 of the financial statements.

There are no judicial and administrative sanctions imposed on the Company and the members of the Board of Directors on account of practices contrary to the provisions of the Legislation.

C-24

Information and Assessments on Achievement to Targets Determined in Previous Periods and Actions Taken According to General Assembly Resolutions as well as the Grounds Thereof

In this context, 93% of our Company's targeted General Expenses in 2020 have been used for this purpose. In the same period, 142% of the targeted Life technical income was realized, and 104% of the targeted Insurance and Pension technical income was realized.

Our general assembly meeting pertaining to 2019 was held on 31.03.2020. All the decisions taken by the General Assembly Meeting are the requirement of the Turkish Code of Commerce and Insurance Legislation; all actions are taken and completed pursuant to the legal framework. In addition to this issue, eight articles of the Company's articles of association have been amended.

C-25

Information on the Donations and Grants Made by the Company During the Year and Expenditures made within the Framework of Social Responsibility Projects

During the accounting period, our Company made TRY 150.000 donations to the Ministry of Family, Labor, and Social Services, TRY 20.130 to the Environmental Organizations Solidarity Association, and TRY 5.000 to others.

C-26

Transactions of the Company with the risk Group

Our company is the first and only company in Turkey, for the capital of which is contributed by two banks at the same rate. All the commercial activities carried out by our company are performed within the framework of these contribution ratios. In this context, such situation is expressed in article 32, "Quorum" of our Articles of Association as follows.

"The Board of Directors shall convene when the majority of the members (minimum three persons) are present. The decisions shall be made by a simple majority of the attendees, provided that a minimum of one of the members elected by the proposal of both founding shareholders has cast a positive vote. According to this, the decisions shall be made with positive votes of 2 members (each elected by the proposal of one partner), if the meeting quorum is constituted with 3 members; of 3 members (provided that among two of them, one of each is elected by the proposal of founding shareholders), if the meeting quorum is constituted with 4 members; and of 3 members (provided that among two of them, one of each is elected by the proposal of founding shareholders), if the meeting quorum is constituted with 5 members. If none of the members ask for a meeting, the decisions of the board of directors may be taken by signing the written proposal of one of the members of the board on a certain subject by getting the approval of a sufficient number of members, provided that the decision quorum in the above paragraph is constituted. The fact that the same proposal was made to all members of the Board of Directors is the validity condition of the decision to be taken in this way."

In this context, our company carried out insurance and pension activities in Life, Personal Accident, Health Insurance Group, and Private Pension Group with Kuveyt Türk Katılım Bankası A.Ş. and Albaraka Türk Katılım Bankası A.Ş., which signed an agent agreement with our company under the same terms and conditions and which, on the other hand, contributed to the capital of our company at the same rate, with 662 branches in total as of the end of 2020.

C-27

If Group is an Affiliate; all other measures taken or avoided with or direction of Holding Companies in favor of the Company or its Affiliates

In the examinations performed by the Board of Directors, it was concluded that all necessary transactions had been made and all measures have been taken with the holding partners and subsidiaries of the holding partners in 2020, and to the knowledge of the company, when it was avoided from the same, a counteraction was provided, there has been no measure taken or avoided that may cause loss, and further, there has been no transaction or measure that require settlement in this framework.

C-28

Participation Insurance

Katılım Emeklilik carries out all its activities according to interest-free insurance and Participation insurance principles.

Participation Insurance a type of insurance that is based on joint risk share and solidarity where participators make a contribution to the risk fund, which is created for covering the requests of the participators for indemnity and/or saving payments, whereby the fund is managed by an insurance company authorized to conduct insurance activities in accordance with the financial principles of participation. The main principles of this type of insurance are as follows;

- Existence of contribution element/purpose,
- The fact that the pool where the premiums are collected belongs to the policyholders,
- Evaluation of the premiums collected from shareholders and insured by interest-free market instruments approved by the AdvisoryCommittee(ParticipationaccountsopenedinParticipation Banks, Public and Private Sukuks, BIST Participation Index, precious metals, gold, foreign exchange, interest-free investment funds,

- Acting selective for subjects contained in insurance coverage,
- Receiving service from a delegation of advisory committee specialized in the field of fiqh.

The most important principle of Katılım Emeklilik ve Hayat A.Ş. within all the insurance segments is the due diligence exercised to participation principle in all operations and agreements.

The model implemented by Katılım Emeklilik in the Participation Insurance is the Combination of Deputation/Labor-Capital (Hybrid) Model, where the company collects premiums at a specific amount against the service rendered related to insurance organization carried out and a share from the revenues ensuing from the management of investment transactions.

Our Company carries out the Participation Insurance activities within the scope of all insurance licenses issued by the Republic of Turkey, Ministry of Treasury and Finance.

"Participant Risk Fund Management Implementation Principles" have been prepared for all processes, including the establishment of risk fund, management of the relevant account, and indemnity payments according to the rules approved by the Advisory Board of our Company.

The proxy fee rate varies according to the insurance segments and our products, and the ratio is expressly and transparently stated to the participants in the Insurance Information Forms of the related product.

The Labor-Capital (Mudarebe) fee rate applied by our company on the investment income of the participant risk fund is also clearly stated in the Insurance Information Forms.

Following are the main principles as well; establishment of "Participant Risk Fund" (KRF) with the remaining amounts after deducting proxy fees from Participation Insurance Premiums, transfer of Indemnity and Retekaful/reinsurance payments from the Participant Risk Fund, payment of insurance and indemnity risk assessment fees from such fund, and obtaining debt (benevolent loan) in favor of Participant Risk Fund, if there is no sufficient balance in the Participant Risk Fund, i.e., providing liquidity.

Attention is paid for benefiting from hedges and services of the

retakaful (Participant reinsurance) companies carrying activities in the management of insurance risks according to Islamic financial principles; however, if and when they are insufficient, for benefiting from services of other reinsurance companies by adhering to the principles of Islamic insurance.

Participation premiums obtained from the equity of the company and insured persons are utilized for suitable investment instruments, which are proper to Islamic financing principles and which are approved by Consulting Board of the company.

In case of a surplus balance as a result of calculations to be made in accordance with the actuarial and participation finance principles as of the end of the period in the Participant Risk Fund; it is our principle to refund the balance partially or fully, to use the balance for donation projects, or to evaluate with any other method in accordance with the principles of the Participation Insurance that are approved by the Advisory Board.

The amount of this fund and the participant risk balance amount are calculated on the basis of prudence in accordance with the actuarial principles in order to fulfill the obligations of the Participant Risk Fund against the participants and to ensure continuity in the financial perspective.

Within the scope of this model, income and expense items of the participant risk fund and the company results by years are as follows. The participant risk fund amount includes the balance amounts of both the ongoing insurance contracts and the terminated insurance contracts.

Risk Fund Balance amount is currently retained within the Participatory Risk Fund with approval of the Advisory Board in order to meet the claims that may be encountered in the future periods as well as the costs and probable risks.

The Income and Expenses of the Participant Risk Fund consists of the following items.

Income Items (A)

- Received Contribution Premium
- Participation Reinsurance (Retakaful) Share in the Paid Indemnity
- Collected Participation Reinsurance (Retakaful) Commission
- Investment Revenues (Net of Tax and Company Share)
- Other Technical Expenses

Expense Items (B)

- Paid Participation Reinsurance (Retakaful) Premium
- Paid Indemnities
- Total Proxy Fees (Including Agent Commission)
- Total Technical Provisions Change (Net)
 - Unearned Premium Provisions Change (Net)
 - Actuarial Mathematical Provisions Change (Net)
 - Outstanding Claims Provisions Change (Net)
 - Balancing Provision Change (Net)
 - Ongoing Risks Provision Change (Net)

- Other Technical Expenses
- Taxes and Legal Liabilities
- Loan (if any) transferred from previous year

Investment Income: is the investment income for the participant risk fund in a calendar year.

Risk Fund balance values by years are as follows. The participant risk fund balances in the Company are calculated separately for each insurance segment as well. The following information indicates the total results. The results according to the additional precautionary change and tax rates by years are as follows. As of the end of 2020, the total provision is TRY 26.991.397.

Year	2014	2015	2016	2017	2018	2019	2020
Year-End Net Balance	-58.026	180.362	789.625	1.568.361	5.108.311	7.593.747	9.037.789

In line with its transparency principle, our Company allocates these balance values as provisions in its financial statements.

We carry out our works, including the subjects that will enter into force in 2021 pursuant to the REGULATION ON INSURANCE AND PRIVATE PENSION ACTIVITIES WITHIN THE SCOPE OF PARTICIPATION PRINCIPLES published in 2020.

Katılım Emeklilik ve Hayat A.Ş Advisory Board

Companies engaged in participation insurance establish an advisory board consisting of members who are specialized in the field of Islamic law in order to ensure their activities conform to the participation insurance and participation financial principles or they receive such service externally.

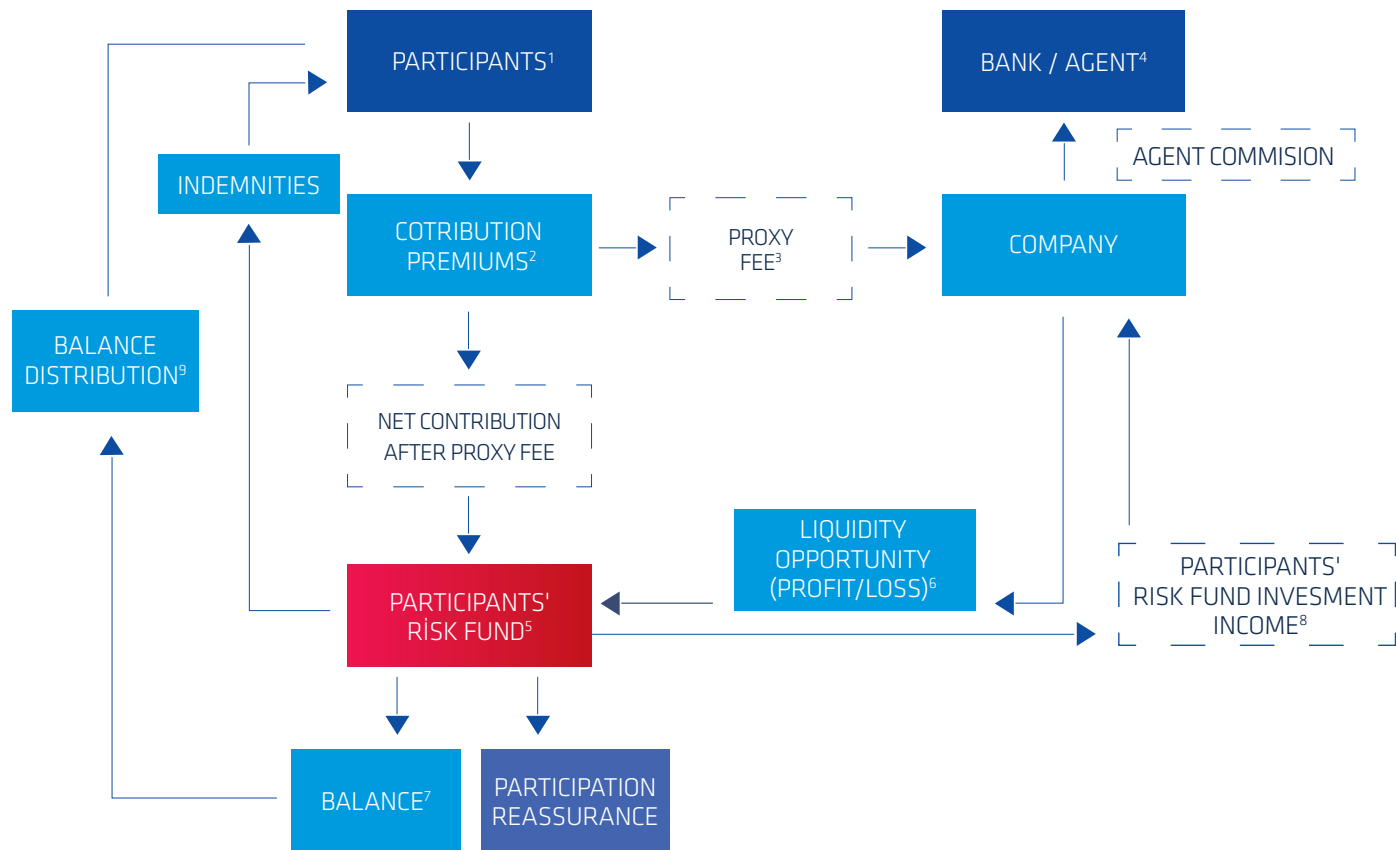
Katılım Emeklilik Advisory Board carries out its activities pursuant to Article 8 of Regulation on Procedures and Principles of Participation Insurance Operations. Our advisory board is established within the organizational structure of the company and is affiliated with the company's board of directors.

The primary duties of our Advisory Board are as follows;

- a) To evaluate the policies and procedures applicable within the Company within the scope of participation finance principles,
- b) To approve participation reinsurance or reinsurance within the scope of participation finance principles,
- c) To assess and approve the compliance of the Company's investment activities with the financial principles of participation,
- ç) To offer consultancy to the company's board of directors and other related units about participation finance and participation insurance principles and practices,
- d) To participate in new product development processes within the Company,
- e) To express an opinion that the Company's activities are carried out in accordance with the financial principles of participation in the annual reports of the Company,
- f) To give the necessary information or do the necessary works if requested by the Undersecretariat,
- g) To fulfill other duties and responsibilities encumbered by the related regulation

In 2020, the Advisory Board was convened one time on 25 December 2020.

Proxy / Partnership-Based Hybrid Model



1. They are natural persons or legal entities paying participation premiums.
2. Participation premiums are collected from the participants.
3. Company takes a proxy fee from the participation premiums. Proxy fees are disclosed to the participants in accordance with the principle of transparency.
4. Company pays agent commission to its agents from the proxy fee.
5. Technical expenses such as indemnities, actuarial provisions, participation reinsurance are compensated from the participants' risk fund.
6. If the expense items of participants' risk fund exceed its income

items, the balance value will be negative. In that case, the company provides the participants' risk fund with interest-free liquidity.

7. The end of each period reflects the profit or loss of the participants' risk fund. Balance values are **not guaranteed**.
8. The company takes a partnership share in relation to its investment management activities. The rates of partnership share are disclosed to the participants in accordance with the principle of transparency.
9. If the balance is positive, it may be distributed among the participants in proportion with their respective shares, or it may be, in part or as a whole, maintained in the participants' risk fund in consideration of the precautionary principle.

Members of our Advisory Board

Prof. Dr. Hamdi Döndüren

Uludağ University Faculty of Law, Retired
Lecturer

He was born in 1943 in Balıkesir. After completely memorized the Qur'an, he graduated from Imam Hatip High School and an ordinary high school. Then he completed his undergraduate education at Istanbul High Islam Institute and Istanbul University Faculty of Law. He worked as Preacher in Balıkesir and as Mufti of Bozcaada Çanakkale. On 20.04.1975, he was appointed as a lecturer of Islamic Law and Fiqh Method at Konya High Islamic Institute. Since 06.11.1973, he has been working at Bursa High Islamic Institute and Uludağ University Faculty of Theology. In 1978, he started his doctoral studies on Islamic Law at the Faculty of Theology at Ankara University, and completed in 1983. On 25.10.1998, he became an associate professor. With the invitation of Saudi Arabia Imam Muhammad b. Saud el-Islamiyye University in 1986, he carried out research there for a while. The author has various works, articles, and researches on Islamic Law and Islamic Economics.

He has many researches about various problems encountered under today's economic conditions such as money, credit, inflation, company, Islamic Banking, the community of interest, capital risk and interest, money foundations, employee and employer, etc.

Mehmet Odabaşı

He was born in 1975 in Sivas. He finished elementary school and Imam Hatip high school (1993) in Sivas. While studying in high school, he received private Arabic and Islamic sciences lessons. He got into Marmara University, Faculty of Theology, in 1993 and graduated in 1998. In 2005, he completed his master's degree by submitting his thesis "Effects of Al-Muwatta Mentality on Imam Malik's Fiqh Doctrine" under the supervision of Prof. Dr. Fahrettin Atar of Marmara University, Institute of Social Sciences, Department of Islamic Law. Currently, at the same university, he is preparing his dissertation in the Islamic Law department, "Sukuk Leasing As A Security and Assessment of it in terms of Islamic Law," under the supervision of Prof. Dr. Rahmi Yaran. After he got into Marmara University in 1993, he received Arabic and Islamic Studies lessons from Nurettin Can Hodja. He took part in the translator crew of Imam Serahsi's work called Mebsut and İthafü'l-kârî bihtisârî Fethi'l-bari.

Together with Assoc. Prof. İ. Emin Aktepe translated "el-Meâyirü's-Şer'iyye" published by Fiqh Authority affiliated to AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) into Turkish with the title "Interest-Free Banking Standards." He has conducted various research and translation studies in his field.

Information and Investment Amount of Investment Instrument Where Participation Insurance Companies Direct Their Funds and Related Yields

In the participation insurance activities, Katılım Emeklilik ve Hayat A.Ş. makes all its investments in the Participant Risk Fund to interest-free instruments pursuant to participation insurance business principles and also receives the opinion of the Advisory Committee about the areas to be invested. Participant risk fund is created to accumulate revenues from balance amounts of participant risk fund contribution premium payments after proxy fees and to cover the expenses and costs incurred, including the indemnity payments and legal liabilities. Our Existing Participant Risk Fund invests in Participation Accounts, and Lease Certificates (Sukuk) opened at Participation Banks.

The investment income of our Participating Risk Fund by years is shown in the following table.



	2014	2015	2016	2017	2018	2019	2020	Total
Investment Income	6.715	167.775	544.575	1.101.790	3.391.514	6.825.999	6.276.470	18.314.838

Consultant Committee Opinion Indicating that Company Activities are Carried out in conformity with Katılım Finance Principles



01.03.2021

KATILIM EMEKLİLİK VE HAYAT A.Ş.'NİN İSLAMİ FİNANS İLKELERİNE UYGUNLUĞU

Katılım Emeklilik ve Hayat A.Ş.'nin 2020 yılında tüm hayat, ferdi kaza ve sağlık katılım sigortası branşlarında üretimlerini Danışma Kurulu'nun belirlediği İslami usul ve esaslara göre gerçekleştirdiğini ayrıca üretimlerden elde edilen katkı primlerinin faizsiz finans ilkelerine göre değerlendirildiğini yine bu işlemlerin kontrollerinin tarafımızca gerçekleştirildiğini beyan ederiz.

Ayrıca bireysel emeklilik sisteminde 2020 yılında toplanan katkı paylarının İslami finans prensiplerine uygunluğu onaylanmış yatırım araçlarında değerlendirildiğini yine bu işlemlerin kontrollerinin tarafımızca gerçekleştirildiğini beyan ederiz.

Katılım Emeklilik Danışma Kurulu Üyeleri

Danışma Kurulu Üyesi
Mehmet ODA BAŞI

Danışma Kurulu Başkanı
Prof. Dr. Hamdi DÖNDÜREN

D BOARD OF DIRECTORS ACTIVITY REPORT

Dear Our Partners,

We would like to submit the summary of the accounting period between 01.01.2020 – 31.12.2020 of Katılım Emeklilik ve Hayat Anonim Şirketi for your information and consideration.

As is known, our Company's official establishment proceedings were concluded in December 2013; as a result, it was duly founded as a Joint Stock Company within the scope of the Turkish Code of Commerce, and its first General Assembly Meeting was held on 09.01.2014.

As of the relevant date, efforts to obtain licenses for Private Pension and Insurance activities, which are the main reason for establishment, have started, and on 09/05/2014, our company was granted with the activity license to carry out business activities in the fields of Private Pension, Life Insurance, Accident Insurance, Capital Redemption, Investment Fund, and Marriage/Birth Insurances. Afterward, the Company started its activities in full force once the agent contracts were signed by and between our company and our partner banks in early June.

The news about the operating license regarding Disease/Health activities was published on the Turkish Trade Registry Gazette dated 06/09/2017 and numbered 9402. Sales activities were started in 2018. Within the scope of Group Life Insurance activities, Katılım Emeklilik ve Hayat A.Ş. has made gross premium production equal to TRY 102.6 Million in the year 2020. On the other hand, the company has made a gross indemnity payment equal to TRY 17.4 Million in the same period. The total amount of technical expense, including the afore-mentioned gross indemnity payment, is TRY 76.4 Million.

As for Private Pension activities, the company's fund has reached to total value of TRY 2.419 Billion. On the other hand, the company has made a gross indemnity payment equal to TRY 536 Thousand. The total amount of technical expenses, including the afore-mentioned gross indemnity payment, is TRY 6.9 Million.

As for Private Pension segment activities, the company's fund has reached to total value of TRY 3.773 Billion. Within this scope, the company has made technical pension income amounting to TRY 85.9 Million while spending TRY 60.7 Million in technical pension expenses. Within the scope of Health segment activities, the company has made gross premium production equal to TRY 37.3 Million. On the other hand, the company has made a gross indemnity payment equal to TRY 11.6 Million. The total amount of technical expenses, including the afore-mentioned gross indemnity payment, is TRY 28.8 Million.

While the total amount of investment income within the activity period is TRY 22.6 Million, the total amount of investment expenses is TRY 10.3 Million, and the total amount of other revenues is TRY 549 Thousand.

Within this context, the company has closed the activity period of 2020 with business-related profit after tax amounting to TRY 41.9 Million. (the accounting period of 2019 was completed with commercial profit amounting to TRY 27.5 Million).

In accordance with the principles defined by the Ministry of Treasury and Finance, the mandatory minimum amount of equity capital for our company as of 31/12/2020 has been calculated as TRY 67.1 Million; on the other hand, our equity capital is TRY 121.1 Million, including the equalization provision.

We would like to wish all the best for our esteemed shareholders and their representatives who have honored the meeting.
Yours sincerely,

Ufuk UYAN
Yönetim Kurulu Başkanı

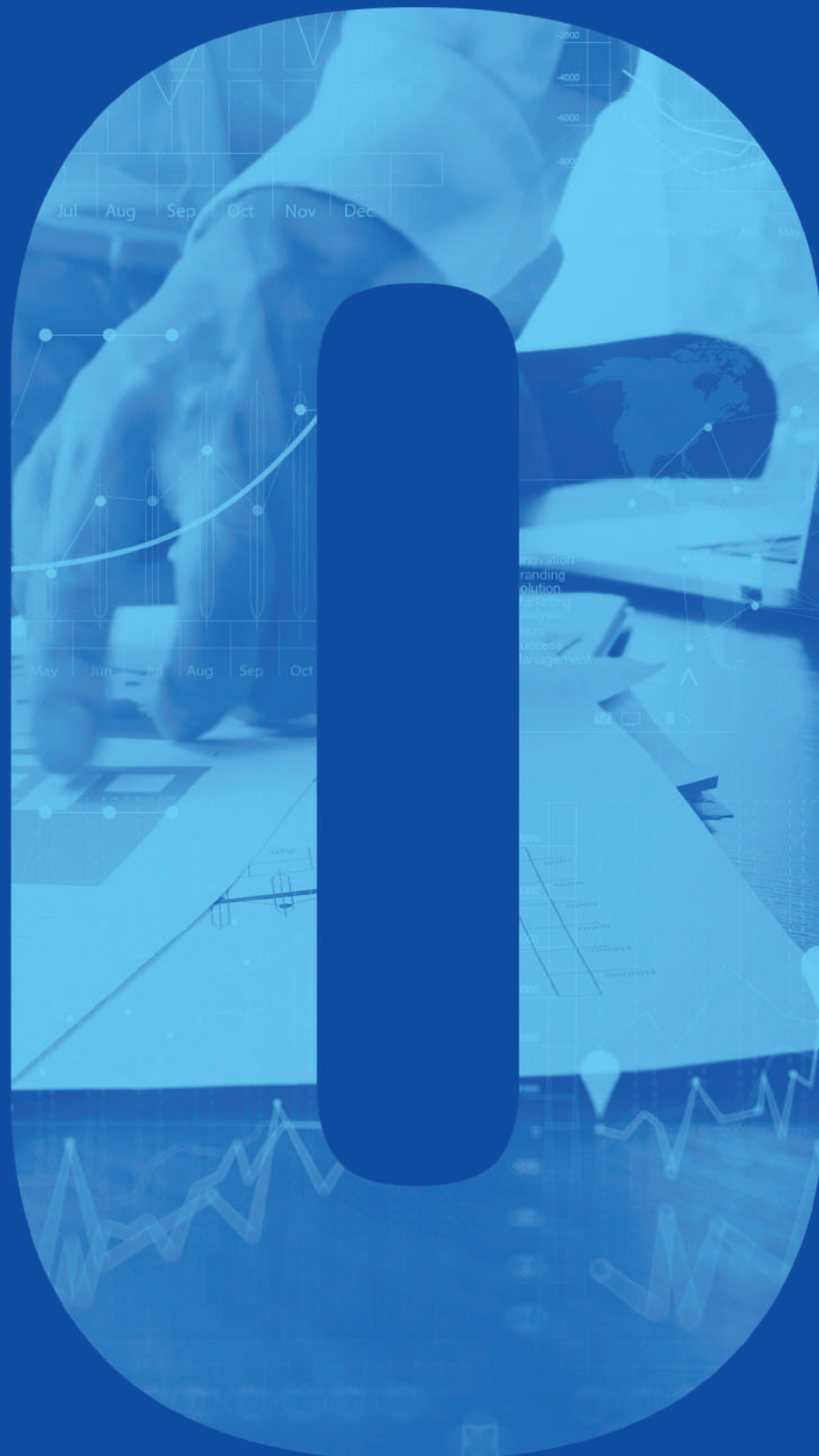


Ayhan SİNCEK
Genel Müdür





E MISCELLANEOUS PROVISIONS



Independent Auditor's Compliance Opinion for the Activity Report



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

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

1. Opinion

We have audited the annual report of Katılım Emeklilik ve Hayat A.Ş. (the "Company") for the 1 January - 31 December 2020 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Company's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Financial Statements

We expressed an unqualified opinion in the auditor's report dated 1 March 2021 on the full set financial statements for the 1 January - 31 December 2020 period.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
BJK Plaza, Süleyman Seha Caddesi No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul-Türkiye
T: +90 212 326 6060, F: +90 212 326 6050, www.pwc.com.tr Mersis Numarası: 0-1400-0224-0500915



4. Board of Director's Responsibility for the Annual Report

Company management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 are as follows:

- to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- to prepare the annual report to reflect the Company's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Company may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- to include the matters below in the annual report:
 - events of particular importance that occurred in the Company after the operating year,
 - the Company's research and development activities,
 - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.



5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements of the Company and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements and with the information obtained in the course of audit.

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


Adnan Akan, SMMM
Partner

Istanbul, 1 March 2021

E-2

Information on Financial Standing, Profitability and Indemnity Solvency As Well As Financial Structure of the Company

In 2020, the size of the company assets had reached up to TRY 4,069 Billion. The accounting period has been closed with TRY 41.9 Million in profits.

The company has adopted the principle of finalizing the determined indemnity payments to beneficiaries as soon as the assessments are concluded in valid insurance claims in cases where vital risks secured by the company have materialized.

The company has made indemnity payments amounting to TRY 29.6 Million, among the effective insurance policies of life, personal accident, and health as of the end of 2020. The company's paid-up capital is equivalent to TRY 72 million as of the end of 2020.

In accordance with the principles defined by the Ministry of Treasury and Finance, the mandatory minimum amount of equity capital for our company as of 31/12/2020 has been calculated as TRY 67.1 Million; on the other hand, our equity capital is TRY 121.1 Million, including the equalization provision.

E-3

Information on Notification Policy and Ethical Principles

The corporate website (www.katilimemeklilik.com.tr) is one of the most effective tools employed for the purpose of public disclosure. In a manner that facilitates transparent conduct on activities and transactions of the company, the corporate website contains corporate information, interim reports along with footnotes containing the financial information subject to and/or not subject to independent auditing, annual activity reports, as well as announcement and news about the company. The corporate website has been designed with an accessible, clear, and comprehensible layout. Corporate information, trade registry details, articles of association, Information on the board members, activity reports, independent audit reports,

financial statements of the last five years, including the footnotes, and the company's mission and vision statements are available on the corporate website.

Moreover, the financial statements prepared in compliance with the legislation of the Ministry of Treasury and Finance's Directorate General of Insurance, which is published every three months, and the footnotes and explanations regarding the said financial statements, as well as the independent audit reports, which are conducted in every six months (mid-year and end-year) are submitted to the Republic of Turkey, the Ministry of Treasury and Finance within the given legal periods and published on the corporate website.

Additionally, the annual activity report, which was prepared in a manner to contain all required information and statements in compliance with applicable legislation, is published on the corporate website for the purpose of public disclosure following the General Assembly Meeting.

Turkish Trade Registry Gazette, the official publishing body of the Turkish Trade Registry Office, is the primary medium in our country employed to inform third parties. All activities and updates subject to registration and announcement, such as amendments on the articles of association, general assembly meetings, capital increases, representation, etc., as well as the resolutions of the Board of Directors, are announced through the Turkish Trade Registry Gazette. The existing national or sector-oriented media organs in our country can be employed by our company for the purpose of public disclosure when deemed necessary.

Our company has adopted the Ethical Insurance Principles published by the Insurance Association of Turkey, whose goal is to define ethical principles to be followed in the relations between insurance and reinsurance companies, customers, employees, agents, public bodies, and authorities, and to increase public trust on the sector within the framework of the said principles.

E-4

Dividends Policy and Information on Distribution of Dividends

The dividend practices of the company are being developed in accordance with the provisions of the Turkish Code of Commerce and are defined by the articles of association.

KATILIM EMEKLİLİK VE HAYAT A.Ş.
INDEPENDENT AUDIT REPORT FOR THE
ACCOUNTING PERIOD BETWEEN JANUARY 01
- DECEMBER 31, 2020.



To the General Assembly Katılım Emeklilik ve Hayat A.Ş.

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Katılım Emeklilik ve Hayat A.Ş. (the “Company”) which comprise the statement of financial position as at 31 December 2020 and the statement of profit or loss, statement of changes in shareholders’ equity, statement of cash flows and statement of profit distribution for the year then ended and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with accounting and financial reporting regulations enforced by insurance legislation and Turkish Financial Reporting Standards (“TFRS”) for the matters not regulated by insurance legislation “Regulation on Insurance Accounting and Financial Reporting Principles”.

2. Basis for Opinion

Our audit was conducted in accordance with the regulations on the principles on auditing as set out in the insurance legislation and the Standards on Independent Auditing (the “SIA”) that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the “POA”). Our responsibilities under these standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the “Ethical Rules”) and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that in our professional judgment were of most significance in our audit of the financial statements of the current period. Key audit matters were addressed in the context of our independent 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.

Key Audit Matter	Denetimde Konunun Nasıl Ele Alındığı
<p>Estimations and assumptions used in calculation of mathematical reserves arising from insurance contracts</p> <p>As explained in Notes 2 and 17, as of 31 December 2020, the Company's total net mathematical reserves amounted to TRY110.3 million and this amount constitutes a significant portion of the total liabilities of the Company, excluding long-term pension liabilities. The measurement of liabilities related to insurance contracts involves significant estimates and assumptions on the overall final value of long-term liabilities as it includes results of future uncertain events, including benefits guaranteed to the insured.</p> <p>Liabilities related to group life insurance, actuarial mathematical provisions calculated in accordance with the formulas and principles specified in the approved technical principles of the contracts, and the amount that includes the part calculated according to the approved dividend distribution system for contracts the Company undertakes to provide dividends and that belongs to previous years consists of accumulated profit share provisions.</p> <p>The mathematical reserves are considered to be a key audit matter due to their significance in the financial statements and the important assumptions underlying them.</p>	<p>The key controls on the calculation methods of the technical provisions calculated by the Company as of 31 December 2020 were evaluated.</p> <p>As of 31 December 2020, mathematical reserves of TRY48.8 million, a bonus in the amount of TRY27 million and discounts of TRY7.1 million are followed in the technical reserve accounts. The mathematical accuracy of these amounts and the suitability of the methods and assumptions used in their calculation have been examined. Tariffs and dividend provisions, which are components of insurance contract liabilities, have been recalculated using the sampling method on the calculation data, and the accuracy of the policy information subject to calculation has been tested within the scope of the policy information in force and registered in the Company's system, the explanatory information related to the insurance contract obligations and its compliance with reporting regulations. Such audit work was carried out by the actuaries on the audit team.</p> <p>As of 31 December 2020, unearned premium reserves of TRY12.1 million, outstanding claims reserves of TRY12.1 million and equalization reserves of TRY3.2 million were tested using the recalculation method, and the completeness of the data subject to the calculations was tested using the sampling method. As part of our audit procedures, physical file reviews were conducted for outstanding claims reserves.</p>

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

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulation on Insurance Accounting and Financial Reporting Principles 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.

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

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is 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 independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with the regulations on the principles on auditing as set out in the insurance legislation and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 independent audit conducted in accordance with the regulations on the principles on auditing as set out in the insurance

legislation and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in 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.
- Assess the 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 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 independent 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 Responsibilities Arising from Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

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

Adnan Akan, SMMM

Partner



Istanbul, 1 March 2021

THE BALANCE SHEETS

ASSETS	Note	Audited Note 31 December 2020	Audited Note 31 December 2019
I- Current Assets			
A- Cash and Cash Equivalents	14	97.496.022	115.658.506
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	2.12 ve 14	86.336.282	104.760.588
4- Cheques Given and Payment Orders (-)		-	-
5- Bank Warrantied and Shorter Than 3 Months Credit Card Receivables	2.12 ve 14	11.159.740	10.897.918
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments with Risks on Policyholders	11	147.294.718	40.218.307
1- Available for Sale Financial Assets	11	97.567.691	22.552.081
2- Held to Maturity Investments	11	6.941.048	14.662.793
3- Financial Assets Held for Trading	11	42.785.979	3.003.433
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Financial Assets at Insuree's Risk		-	-
7- Company Shares		-	-
8- Provision for Impairment of Financial Assets (-)		-	-
C-Receivables from Main Operations		10.631.909	6.616.058
1- Receivables from Insurance Operations	12	5.407.210	3.244.194
2- Provision for Receivables from Insurance Operations (-)	12	(1.680.583)	(765.150)
3- Receivables from Reinsurance Operations	12	81.434	130.283
4- Provision for Receivables from Reinsurance Operations (-)		-	-
5- Cash Deposits on Insurance and Reinsurance Companies		-	-
6- Loans to Policyholders (Advance Loan)		-	-
7- Provision for Loans to Policyholders (Advance Loan) (-)		-	-
8- Receivables from Pension Operations	471	6.823.848	4.006.731
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-

Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.
The accompanying notes form an integral part of these financial statements.

THE BALANCE SHEETS

ASSETS	Note	Audited Note 31 December 2020	Audited Note 31 December 2019
D-Due from Related Parties		15.187	112.437
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		15.187	112.437
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties (-)		-	-
8- Doubtful Receivables From Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
E-Other Receivables		2.029.908	4.507
1- Finance Leasing Receivables		-	-
2- Unearned Leasing Profit Income (-)		-	-
3- Deposits And Guarantees Given		-	-
4- Other Miscellaneous Receivables		2.029.908	4.507
5- Rediscount on Other Miscellaneous Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
F-Deferred Expenses and Income Accruals		4.783.379	4.624.673
1- Deferred Acquisition Expenses	17	2.158.514	2.239.434
2- Accrued Profit And Rent Income		-	-
3- Income Accruals		-	-
4- Other Deferred Expenses and Other Income Accruals	471	2.624.865	2.385.239
G-Other Current Assets		11.923	52.388
1- Stocks to be Used In The Following Months		-	-
2- Prepaid Taxes and Funds		-	-
3- Deferred Tax Assets		-	-
4- Business Advances		11.923	52.388
5- Advances Given to Personnel		-	-
6- Inventory Count Deficiency		-	-
7- Other Miscellaneous Current Assets		-	-
8- Provision for Other Miscellaneous Current Assets (-)		-	-
I- Total Current Assets		262.263.046	167.286.876

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

THE BALANCE SHEETS

ASSETS	Note	Audited Note 31 December 2020	Audited Note 31 December 2019
II-Non-Current Assets			
A- Receivables from Main Operations	12 and 17	3.773.417.739	2.419.138.628
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 Deposits on Insurance and Reinsurance Companies		-	-
6- Loans to Policyholders (Advance Loan)		-	-
7- Provision for Loans to Policyholders (Advance Loan) (-)		-	-
8- Receivables from Pension Operations	12 and 17	3.773.417.739	2.419.138.628
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
C-Other Receivables		-	-
1- Finance Leasing Receivables		-	-
2- Unearned Leasing Profit Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables		-	-
5- Rediscount on Other Miscellaneous Receivables (-)		-	-
6- Other Doubtful Receivable		-	-
7- Provision for Other Doubtful Receivables (-)		-	-

Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.
The accompanying notes form an integral part of these financial statements.

THE BALANCE SHEETS

ASSETS	Note	Audited Note 31 December 2020	Audited Note 31 December 2019
II- Non-Current Assets			
D- Financial Assets	11 and 45.2	473.790	473.790
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	11 and 45.2	473.790	473.790
10- Provision for Impairment of Financial Assets (-)		-	-
E- Tangible Assets	6	15.568.315	16.556.738
1- Investment Property		-	-
2- Provision for Diminution In ValueoOf Investment Property (-)		-	-
3- Property for Operational Usage		-	-
4- Machinery and Equipment		-	-
5- Furniture and Fixtures	6	13.262.458	11.338.057
6- Motor Vehicles	6	4.434.236	4.434.236
7- Other Tangible Assets (Including Leasehold Improvements)	6	3.072.221	3.011.643
8- Tangible Assets Acquired Through Finance Leases	6	7.525.160	5.267.940
9- Accumulated Depreciation (-)	6	(12.725.760)	(7.495.138)
10- Advances Given for Tangible Assets (Including Construction in Progress)		-	-

Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.
The accompanying notes form an integral part of these financial statements.

THE BALANCE SHEETS

ASSETS	Note	Audited Note 31 December 2020	Audited Note 31 December 2019
II- Non-Current Assets			
F- Intangible Assets	8	8.169.553	4.042.601
1- Rights		-	-
2- Goodwil		-	-
3- Start-Up Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets	8	17.655.520	11.378.943
6- Accumulated Amortization (-)	8	(10.659.260)	(7.619.542)
7- Advances Given for Intangible Assets	8	1.173.293	283.200
G-Deferred Expenses and Income Accruals	47.1	451.565	585.359
1- Deferred Acquisition Expenses		-	-
2- Income Accruals		-	-
3- Other Deferred Expenses	47.1	451.565	585.359
H-Other Non-Current Assets		9.095.719	5.343.279
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	9.095.719	5.343.279
6- Other Miscellaneous Non-Current Assets		-	-
7- Other Non-Current Assets Depreciation (-)		-	-
8- Provision for Other Non-Current Assets		-	-
II- Total Non-Current Assets		3.807.176.681	2.446.140.395
Total Assets (I+II)		4.069.439.727	2.613.427.271

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

THE BALANCE SHEETS

LIABILITIES	Note	Audited Note 31 December 2020	Audited Note 31 December 2019
III - Current Liabilities			
A- Financial Liabilities		2.085.890	1.184.628
1- Due to Credit Institutions		-	-
2- Leasing Payables	20	3.153.185	2.263.065
3- Deferred Leasing Costs (-)	20	(1.067.295)	(1.078.437)
4- Principal Instalments and Profit Shares of Long-Term Loans		-	-
5- Issued Bonds (Bills) Principal, Instalments And Dividends		-	-
6- Other Issued Debt Securities		-	-
7- Valuation Differences of Other Issued Debt Securities (-)		-	-
8- Other Financial Payables (Liabilities)		-	-
B-Payables from Main Operations		42.834.656	33.323.714
1- Payables Arising from Insurance Operations	4 and 19	2.590.087	3.678.348
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Pension Operations	4, 19 and 471	22.496.720	29.388.502
5- Payables from Other Operations		17.747.849	256.864
6- Rediscount on Payables from Other Operations (-)		-	-
C-Due to Related Parties		9.914	30.678
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		9.914	30.678
6- Due to Other Related Parties		-	-
D- Other Payables	19 ve 471	4.358.643	10.025.575
1- Deposits and Guarantees Received		-	-
2- Payables to SSI for Treatment Expenses		-	-
3- Other Miscellaneous Payables	19 ve 471	4.360.032	10.035.886
4- Rediscount on Other Miscellaneous Payables (-)	19 ve 471	(1.389)	(10.311)

Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.
The accompanying notes form an integral part of these financial statements.

THE BALANCE SHEETS

LIABILITIES	Note	Audited Note 31 December 2020	Audited Note 31 December 2019
III - Current Liabilities			
E- Insurance Technical Provisions		58.249.446	28.062.625
1- Unearned Premium Reserve - Net	4 and 17	12.183.983	6.432.036
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserve - Net		-	-
4- Outstanding Claims Provision - Net	4 and 17	11.972.239	2.162.218
5- Bonus and Rebate Provision - Net	2.24, 4 and 17	26.991.397	17.953.607
6- Other Technical Reserves - Net	4, 17 and 471	7.101.827	1.514.764
F- Taxes and Other Fiscal Liabilities	4	5.734.587	4.320.979
1- Taxes and Funds Payable		2.657.801	1.416.932
2- Social Security Withholdings Payable		487.370	389.906
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
4- Other Taxes and Fiscal Liabilities		-	-
5- Corporate Tax Provision and Other Fiscal Liabilities	35	15.266.085	9.895.805
6- Prepaid Corporate Tax and Other Fiscal Liabilities (-)	35	(12.676.669)	(7.381.664)
7- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks	23	8.615.402	6.497.397
1- Provision for Employment Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provision for Expense Accruals	23	8.615.402	6.497.397
H- Gelecek Aylara Ait Gelirler ve Gider Tahakkukları		29.143	55.673
1- Provision for Employment Termination Benefits	10, 17 and 19	2.729	4.518
2- Provision for Pension Fund Deficits		26.414	51.155
3- Provision for Expense Accruals		-	-
I- Other Current Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Current Liabilities		-	-
III - Total Current Liabilities		121.917.681	83.501.269

Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.
The accompanying notes form an integral part of these financial statements.

THE BALANCE SHEETS

LIABILITIES	Note	Audited Note 31 December 2020	Audited Note 31 December 2019
IV- Long-Term Liabilities			
A- Financial Liabilities		3.176.159	3.219.509
1- Borrowings to Financial Institutions		-	-
2- Finance Lease Payables	20	3.686.574	4.232.615
3- Deferred Leasing Costs (-)	20	(510.415)	(1.013.106)
4- Bond Issues		-	-
5- Other Issued Debt Securities		-	-
6- Valuation Differences of Other Issued Debt Securities (-)		-	-
7- Other Financial Payables (Liabilities)		-	-
B- Payables from Main Operations	2.14, 17 and 19	3.773.417.739	2.419.138.628
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Pension Operations	2.14, 17 and 19	3.773.417.739	2.419.138.628
5- Payables From Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Payables to SSI for Treatment Expenses		-	-
3- Other Miscellaneous Payables		-	-
4- Rediscount On Other Miscellaneous Payables (-)		-	-

Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.
The accompanying notes form an integral part of these financial statements.

THE BALANCE SHEETS

LIABILITIES	Note	Audited Note 31 December 2020	Audited Note 31 December 2019
IV- Long-Term Liabilities			
E- Insurance Technical Provisions		52.031.996	31.613.549
1- Unearned Premium Reserve - Net		-	-
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserve - Net	2.24, 4 and 17	48.791.224	29.542.475
4- Outstanding Claims Provision - Net		-	-
5- Bonus And Rebate Provision - Net		-	-
6- Other Technical Reserves - Net	2.24, 4, 17 and 47.1	3.240.772	2.071.074
F- Other Liabilities and Related Provisions		-	-
1- Other Liabilities and Related Provisions		-	-
2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
3-Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks	22	1.013.424	681.917
1- Provision for Employment Termination Benefits	22	1.013.424	681.917
2- Provision for Social Aid Fund Asset Shortage		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Non-Current Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Other Non-Current Liabilities		-	-
IV- Total Non-Current Liabilities		3.829.639.318	2.454.653.603

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

THE BALANCE SHEETS

SHAREHOLDERS' EQUITY	Note	Audited Note 31 December 2020	Audited Note 31 December 2019
V- Shareholders' Equity			
A- Share Capital	2.13 and 15	72.000.000	40.000.000
1- (Nominal) Capital	2.13 and 15	72.000.000	40.000.000
2- Unpaid Capital (-)		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences (-)		-	-
B- Capital Reserves		-	-
1- Share Premiums		-	-
2- Profit of Cancelled Shares		-	-
3- Sales Profit Addition to The Capital		-	-
4- Foreign Currency Translation Differences		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		3.070.512	947.999
1- Legal Reserves	15	2.750.832	1.378.564
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Reserves		2.000.000	-
5- Valuation of Financial Assets	15	(1.135.633)	3.466
6- Other Profit Reserves	15	(544.687)	(434.031)
D- Retained Earnings		17.628.789	23.555.703
1- Retained Earnings		17.628.789	23.555.703
E- Accumulated Losses (-)		(16.676.657)	(16.676.659)
1- Previous Years' Losses		(16.676.657)	(16.676.659)
F- Net Profit (loss) for the Period		41.860.084	27.445.356
1- Net Profit for the Period		41.860.084	27.445.356
2- Net Loss for the Period (-)		-	-
3- Profit Not Subject to Distribution		-	-
V- Total Shareholders' Equity		117.882.728	75.272.399
Total Liabilities and Shareholders' Equity (III+IV+V)		4.069.439.727	2.613.427.271

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

THE STATEMENTS OF INCOME

I-TECHNICAL PART	Note	Audited 1 January-31 December 2020	Audited 1 January-31 December 2019
A- Non-Life Technical Income		35.106.229	9.333.751
1 - Earned Premiums - (Net Of Reinsurers' Share)		34.959.327	9.295.336
1.1 - Written Premiums - (Net Of Reinsurers' Share)	2.21 and 24	40.959.010	10.075.606
1.1.1- Gross Written Premium (+)	24	44.607.383	14.063.896
1.1.2 - Reinsurers' Share of Gross Written Premium (-)	24	(3.648.373)	(3.988.290)
1.1.3 - Premiums Ceded To SSI (-)		-	-
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	17	(5.999.683)	(780.270)
1.2.1 - Unearned Premiums Reserve (-)	17	(5.942.382)	(1.046.886)
1.2.2 - Reinsurers' Share of Unearned Premiums Reserve (+)	10 and 17	(57.301)	266.616
1.2.3 - SSI Share of Unearned Premium Reserve (+/-)		-	-
1.3- Change in Unexpired Risks Reserve (Net Of Reinsurers' Share and Reserves Carried Forward) (+/-)		-	-
1.3.1- Unexpired Risks Reserve (-)		-	-
1.3.2- Reinsurers' Share of Unexpired Risks Reserve (+)		-	-
2 - Investment Income Transferred from Non-Technical Part		146.902	38.415
3 - Other Technical Income - (Net of Reinsurer's Share) (+/-)		-	-
4 - Claim Recovery and Salvage Income Accruals (+)		-	-
B- Non-Life Technical Expense (-)		(35.691.590)	(8.125.725)
1 - Incurred Losses - (Net Of Reinsurer's Share)		(18.369.407)	(398.220)
1.1 - Paid Claims - (Net Of Reinsurer's Share)		(11.238.787)	(423.144)
1.1.1 - Gross Paid Claims (-)		(12.114.558)	(1.002.315)
1.1.2 - Reinsurer's Share of Gross Paid Claims (+)	10	875.771	579.171
1.2 - Change in Outstanding Claims (Net Of Reinsurer's Share and Reserves Carried Forward) (+/-)		(7.130.620)	24.924
1.2.1 - Outstanding Claims (-)		(8.679.204)	(294.599)
1.2.2 - Reinsurer's Share of Outstanding Claims Provision (+)	10	1.548.584	319.523
2 - Change in Bonus Provision (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17	(5.397.831)	(1.716.307)
3 - Change in Other Technical Reserves (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)	17	(34.140)	(38.691)
4 - Operating Expenses (-)	31	(11.810.281)	(6.068.271)
5 - Change In Mathematical Reserves (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		(79.931)	95.764

Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.
The accompanying notes form an integral part of these financial statements.

THE STATEMENTS OF INCOME

I-TECHNICAL PART	Bağımsız	Bağımsız Denetimden Geçmiş 1 Ocak - 31 Aralık 2020	Bağımsız Denetimden Geçmiş 1 Ocak - 31 Aralık 2019
5.1 - Mathematical Reserve (-)		(77.991)	96.527
5.2 - Reinsurer's Share Of Mathematical Reserve (+)		(1.940)	(763)
6 - Other Technical Expenses (-)		-	-
C- Net Technical Income- Non-Life (A - B)		(585.361)	1.208.026
D- Life Technical Income		97.205.737	48.041.474
1 - Earned Premiums - (Net Of Reinsurer's Share)		97.205.737	48.041.474
1.1 - Written Premiums - (Net Of Reinsurer's Share)	2.21 and 24	96.958.001	47.844.433
1.1.1 - Gross Written Premiums (+)	24	102.617.263	52.991.421
1.1.2 - Reinsurers' Share of Gross Written Premium (-)	24	(5.659.262)	(5.146.988)
1.2 - Change in Unearned Premiums Reserve (Net Of Reinsurer's Share and Returned Reserve) (+/-)	17	247.736	197.041
1.2.1 - Unearned Premiums Reserve (-)	17	499.262	260.603
1.2.2 - Reinsurer's Share of Unearned Premiums Reserve (+)	17	(251.526)	(63.562)
1.3 - Change In Unexpired Risks Reserve (Net Of Reinsurer's Share and Returned Reserve) (+/-)		-	-
1.3.1 - Unexpired Risks Reserve (-)		-	-
1.3.2 - Reinsurer's Share of Unexpired		-	-
2 - Life Investment Income		-	-
3 - Unrealised Gain Generated from Investments		-	-
4 - Other Technical Income - Net of Reinsurer's Share		-	-
5 - Claim Recovery and Salvage Income Accruals (+)		-	-
E- Life Technical Expense		(76.387.554)	(42.915.444)
1 - Incurred Losses - (Net Of Reinsurer's Share)		(17.648.233)	(6.798.314)
1.1 - Paid Claims (Net Of Reinsurer's Share)		(14.968.832)	(7.689.418)
1.1.1 - Gross Paid Claims (-)		(17.435.484)	(8.903.166)
1.1.2 - Reinsurer's Share Of Gross Paid Claims (+)	10	2.466.652	1.213.748
1.2- Change In Outstanding Claims (Net of Reinsurer's Share And Returned Reserve) (+/-)		(2.679.401)	891.104
1.2.1 - Outstanding Claims Provision (-)		(3.982.912)	836.569
1.2.2- Reinsurer's Share of Outstanding Claim Provisions (+)	10	1.303.511	54.535
2- Change in Bonus Provision (Net Of Reinsurer's Share and Returned Reserve) (+/-)	17	(3.639.959)	(5.877.440)
3- Change in Mathematical Reserves (Net of Reinsurer's Share and Returned Reserve) (+/-)		(19.168.818)	(8.329.118)

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

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

THE STATEMENTS OF INCOME

I-TECHNICAL PART	Bağımsız	Bağımsız Denetimden Geçmiş 1 Ocak - 31 Aralık 2020	Bağımsız Denetimden Geçmiş 1 Ocak - 31 Aralık 2019
3.1- Life Mathematical Reserves (-)		(19.255.303)	(8.716.789)
3.1.1 - Actuarial Mathematical Reserves (+/-)		(19.255.303)	(8.716.789)
3.1.2 - Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk.)		-	-
3.2- Reinsurer's Share of Life Mathematical Reserves (+)		86.485	387.671
3.2.1 - Reinsurer's Share of Actuarial Mathematical Reserves (+)		86.485	387.671
3.2.2- Reinsurance Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk.) (+)		-	-
4- Change on Other Technical Reserves (Net of Reinsurer's Share and Returned Reserve) (+/-)	17	(6.722.622)	(2.030.658)
5 - Operating Expenses (-)	31	(29.207.922)	(19.879.914)
6 - Investment Expenses (-)		-	-
7 - Unrealised Investment Expense (-)		-	-
8 - Investment Income Transferred to Non-Life Technical Part (-)		-	-
F- Net Technical Income- Life (D -E)		20.818.183	5.126.030
G- Pension Funds Technical Income		85.916.012	61.943.089
1 - Fund Management Income		46.807.669	28.487.554
2 - Management Expense Charge		28.796.319	23.707.505
3 - Entrance Fee Income	25	7.025.277	6.710.700
4 - Management Expense Charge In Case of Suspension		3.286.747	3.037.330
5 - Special Service Expense Charge		-	-
6 - Capital Allowance Value Increase Income		-	-
7 - Other Technical Income		-	-
H- Pension Funds Technical Expense		(60.748.079)	(44.552.993)
1 - Fund Management Expense (-)		(4.473.226)	(2.383.483)
2 - Capital Allowance Value Decrease Expense (-)		-	-
3 - Operating Expenses (-)	31	(55.621.423)	(41.851.681)
4 - Other Technical Expenses (-)		(624.223)	(274.943)
5 - Penalty Payments (-)		(29.207)	(42.886)
I- Net Technical Income - Pension Funds (G - H)		25.167.933	17.390.096

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

THE STATEMENTS OF INCOME

II-NON-TECHNICAL PART	Bağımsız	Bağımsız Denetimden Geçmiş 1 Ocak - 31 Aralık 2020	Bağımsız Denetimden Geçmiş 1 Ocak - 31 Aralık 2019
C- Net Technical Income - Non-Life (A-B)		(585.361)	1.208.026
F- Net Technical Income - Life (D-E)		20.818.183	5.126.030
I- Net Technical Income - Pension Funds (G-H)		25.167.933	17.390.096
J- Total Net Technical Income (C+F+I)		45.400.755	23.724.152
K- Investment Income	26	22.564.042	19.929.665
1- Income from Financial Investments		15.646.068	18.074.660
2- Income from Liquidation Of Financial Investments		-	-
3- Valuation of Financial Investments		5.163.266	1.855.005
4- Foreign Exchange Gains		1.754.708	-
5- Income from Subsidiaries		-	-
6- Income from Equity Investments and Joint Ventures		-	-
7- Income from Property, Plant and Equipment		-	-
8- Income from Derivatives		-	-
9- Other Investments		-	-
10- Investment Income Transferred from Life Technical Part		-	-
L- Investment Expense (-)		(10.290.040)	(7.039.372)
1- Investment Management Expenses	34	(1.335.538)	(1.351.190)
2- Diminution in Value of Investments (-)		(15.944)	-
3- Loss from Realization of Financial Investments (-)		(4.022)	-
4- Investment Income Transferred to Non-Life Technical Part (-)		-	-
5- Loss from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)		(616.160)	-
7- Depreciation Expenses (-)	6	(8.318.376)	(5.688.182)
8- Other Investment Expenses (-)		-	-

Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.
The accompanying notes form an integral part of these financial statements.

THE STATEMENTS OF INCOME

II-NON-TECHNICAL PART	Bağımsız	Bağımsız Denetimden Geçmiş 1 Ocak - 31 Aralık 2020	Bağımsız Denetimden Geçmiş 1 Ocak - 31 Aralık 2019
M- Income and expenses from other operations and extraordinary operations (+/-)		(548.588)	726.716)
1- Provisions (+/-)	47.4	(3.233.706)	(966.884)
2- Rediscounts (+/-)		(28.073)	(5.399)
3- Special Insurance Account (+/-)		-	-
4- Inflation Adjustment (+/-)		-	-
5- Deferred Tax Assets (+/-)	21 and 35	3.403.492	2.584.279
6- Deferred Tax Liabilities Expenses (-)		-	-
7- Other Income		123.749	116.100
8- Other Expenses And Losses (-)	47.1	(814.050)	(1.001.380)
9- Prior Year's Income		-	-
10- Prior Year's Expenses (-)		-	-
N- Net Profit/(Loss) For The Period	37	41.860.084	27.445.356
1- Profit/(Loss) for The Period		57.126.169	37.341.161
2- 2- Corporate Tax Provision and Other Fiscal Liabilities Other Fiscal Liabilities (-)	35	(15.266.085)	(9.895.805)
3- Net Profit/(Loss) for The Period	37	41.860.084	27.445.356
4- Inflation Adjustment		-	-

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

THE STATEMENTS OF CASH FLOWS

	Bağımsız	Bağımsız Denetimden Geçmiş 1 Ocak - 31 Aralık 2020	Bağımsız Denetimden Geçmiş 1 Ocak - 31 Aralık 2019
A- Cash Generated From Main Operations			
1- Cash Flows from Insurance Operations		150.670.308	69.792.984
2- Cash Flows from Reinsurance Operations		-	-
3- Cash Flows from Pension Fund Operations		1.457.686.108	941.781.722
4- Cash Outflows from Insurance Operations (-)		(43.961.052)	(29.262.555)
5- Cash Outflows from Reinsurance Operations (-)		-	-
6- Cash Outflows from Pension Fund Operations (-)		(1.424.111.866)	(920.021.929)
7 - Net Cash from Main Operations (A1+A2+A3-A4-A5-A6)		140.283.498	62.290.222
8- Profit Share Payment (-)		-	-
9- Income Tax Payment (-)		(15.190.810)	(8.576.533)
10- Other Cash Inflows		6.180.689	399.475
11- Other Cash Outflows (-)		(49.182.223)	(18.429.863)
12- Net Cash from Operating Activities		82.091.154	35.683.301
B - Cash Flows from Investing Operations			
1- Sales of Tangible Assets		48.763	-
2- Tangible Assets Acquisition (-)	6	(2.033.741)	(7.241.714)
3- Financial Assets Acquisition (-)		(118.952.601)	(162.000.937)
4- Profit Share from Term Participation Accounts and Lease Certificates		7.721.745	158.476.792
5- Dividends Received		20.956.236	18.113.076
6- Dividends Received		-	-
7- Other Cash Inflows		-	-
8- Other Cash Outflows (-)	8	(7.166.670)	(2.575.577)
9- Net Cash from Investing Activities		(99.426.268)	4.771.640
C - Cash Flows from Financing Operations			
1- Issue of Shares		-	-
2- Cash Flows Due to the Borrowings		-	-
3- Leasing Payments (-)	20	(2.514.817)	(2.214.993)
4- Dividends Paid (-)		-	-
5- Other Cash Inflows		-	-
6- Other Cash Outflows (-)		-	-
7 - Net Cash Used in Financing Activities		(2.514.817)	(2.214.993)
D- Effect of Exchange Differences on Cash and Cash Equivalents		-	-
E- Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C+D)		(19.849.931)	38.239.948
F- Cash and Cash Equivalents at the Beginning of the Period		84.655.031	46.415.083
G- Cash and Cash Equivalents at the End of the Period (E+F)	2.12	64.805.100	84.655.031

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

THE STATEMENTS OF CHANGES IN EQUITY

Statements of Changes in Shareholders' Equity - Audited (*)											
	Capital	Own Shares of the Company (-)	Valuation Increase/ Decrease in Assets	Inflation Adjustment to the share Capital	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Profit/ Retained Profit	Net Earnings/ (Loss) for Period	Retained Earnings/ (Previous Year Losses)	Total
I- Balances at the previous period end (31/12/2018)	40.000.000	-	3.466	-	-	1.378.564	-	(434.031)	27.445.356	6.879.044	75.272.399
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From internal resources	-	-	-	-	-	-	-	-	-	-	-
B- Own shares of the company	-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not included in the income statement (Note 15)	-	-	-	-	-	-	-	(110.656)	-	-	(110.656)
D- Value increase in the assets	-	-	(1.139.099)	-	-	-	-	-	-	-	(1.139.099)
E- Currency translation adjustments	-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses	-	-	-	-	-	-	2.000.000	-	-	-	2.000.000
G- Inflation adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period (Note 37)	-	-	-	-	-	-	-	-	41.860.084	-	41.860.084
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	32.000.000	-	-	-	-	1.372.268	-	-	(27.445.336)	(5.926.912)	-
II- Balances at the period end (I+ A+B+C+D+E+ F+G+H+I+J)	72.000.000	-	(1.135.633)	-	-	2.750.832	2.000.000	(544.687)	41.860.084	952.132	117.882.728

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

THE STATEMENTS OF CHANGES IN EQUITY

Statements of Changes in Shareholders' Equity - Audited (*)											
	Capital	Own Shares of the Company (-)	Valuation Increase/ Decrease in Assets	Inflation Adjustment to the share Capital	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Profit/ Retained Profit	Net Earnings/ (Loss) for Period	Retained Earnings/ (Previous Year Losses)	Total
I- Balances at the previous period end (31/12/2018)	40.000.000	-	-	-	-	653.693	-	2.568.416	14.497.420	(6.893.505)	50.826.024
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From internal resources	-	-	-	-	-	-	-	-	-	-	-
B- Own shares of the company	-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not included in the income statement (Note 15)	-	-	-	-	-	-	-	(365.427)	-	-	(365.427)
D- Value increase in the assets	-	-	3.466	-	-	-	-	-	-	-	3.466
E- Currency translation adjustments	-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses	-	-	-	-	-	-	-	(2.637.020)	-	-	(2.637.020)
G- Inflation adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period (Note 37)	-	-	-	-	-	-	-	-	27.445.356	-	27.445.356
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	724.871	-	-	(14.497.420)	13.772.549	-
II- II- Balances at the period end (I+ A+B+C+D+E+ F+G+H+I+J)	40.000.000	-	3.466	-	-	1.378.564	-	(434.031)	27.445.356	6.879.044	75.272.399

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

THE STATEMENTS OF PROFIT DISTRIBUTION

	Note	Current Period	Prior Period
I.DISTRIBUTION OF CURRENT PERIOD PROFIT			
1.1. CURRENT YEAR PROFIT			
1.2. TAXES AND DUTIES PAYABLE (-)			
1.2.1. Corporate Tax (Income Tax)			
1.2.2. Withholding Tax			
1.2.3. Other Taxes and Duties			
A NET PROFIT FOR THE YEAR (1.1 - 1.2)			
1.3. PRIOR YEAR LOSSES (-)			
1.4. FIRST LEGAL RESERVES			
1.5. OTHER STATUTORY RESERVES (-)			
B DISTRIBUTABLE NET PERIOD PROFIT [(A - (1.3 + 1.4 + 1.5)]			
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)			
1.6.1. To Owners of Ordinary Shares			
1.6.2. To Owners of Preferred Stocks			
1.6.3. To Owners of Preferred Stocks (Pre-emptive Rights)			
1.6.4. To Profit Sharing Bonds			
1.6.5. To Owners of the profit/loss Sharing Certificates			
1.7. DIVIDEND TO PERSONNEL (-)			
1.8. DIVIDEND TO OWNERS (-)			
1.9. DIVIDEND TO BOARD OF DIRECTORS (-)			
1.10. ECOND DIVIDEND TO SHAREHOLDERS (-)			
1.10.1. To Owners of Ordinary Shares			
1.10.2. To Owners of Preferred Stocks			
1.10.3. To Owners of Preferred Stocks (Pre-emptive Rights)			
1.10.4. To Profit Sharing Bonds			
1.10.5. To Owners of the profit/loss Sharing Certificates			

Since there is no profit distribution for the period ending on 31 December 2020 and 2019, a profit distribution table has not been prepared.

THE STATEMENTS OF PROFIT DISTRIBUTION

	Note	Current Period	Prior Perriod
1.11. SECOND LEGAL RESERVE (-)			
1.12. STATUS RESERVES (-)			
1.13. EXTRAORDINARY RESERVES			
1.14. OTHER RESERVES			
1.15. SPECIAL FUNDS			
II. DISTRIBUTION OF RESERVES			
2.1. DISTRIBUTED RESERVES			
2.2. SECOND LEGAL RESERVES (-)			
2.3. SHARE TO SHAREHOLDERS (-)			
2.3.1. To Owners of Ordinary Shares			
2.3.2. To Owners of Preferred Stocks			
2.3.3. To Owners of Preferred Stocks (Pre-emptive Rights)			
2.3.4. To Profit Sharing Bonds			
2.3.5. To Owners of the profit/loss Sharing Certificates			
2.4. SHARE TO PERSONNEL (-)			
2.5. SHARE TO BOARD OF DIRECTORS (-)			
III. EARNINGS PER SHARE			
3.1. TO OWNERS OF STOCKS (TRY)			
3.2. TO OWNERS OF STOCKS (%)			
3.3. TO OWNERS OF PREFERRED STOCKS			
3.4. TO OWNERS OF PREFERRED STOCKS (%)			
IV. DIVIDEND PER SHARE			
4.1. TO OWNERS OF STOCKS			
4.2. TO OWNERS OF STOCKS (%)			
4.3. TO OWNERS OF PREFERRED STOCKS			
4.4. TO OWNERS OF PREFERRED STOCKS (%)			

Since there is no profit distribution for the period ending on 31 December 2020 and 2019, a profit distribution table has not been prepared.

1. General Information

1.1 Name of the parent company:

As of 31 December 2020 and 2019, the main shareholders of Katılım Emeklilik ve Hayat A.Ş. (the "Company") are AlBaraka Türk Katılım Bankası A.Ş. and Kuveyt Türk Katılım Bankası A.Ş.

1.2 Legal residence of the Company, its legal structure, the country of incorporation and the address of its registered office:

The Company was registered on 17 December 2013 in İstanbul and started its operations after the declaration of its articles of incorporation on the Trade Registry Gazette on 23 December 2013. The registered address of the Company is Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi No:2 Akkom Ofis Park-Kelif Plaza Kat:2 Ümraniye/İstanbul.

Republic of Turkey Ministry of Treasury and Finance ("Ministry of Treasury and Finance") has approved the license of the Company on 9 May 2014 to operate in Personal Accident, Life and Private Pension branches. Following the announcement of the relevant decision in the Trade Registry Gazette dated 20 May 2014 for the Life branch and 26 May 2014 for the pension branch, the relevant license procedures have been completed; The company issued its first policy in the Life branch on 2 June 2014. The Company also carries out participation insurance activities in accordance with the Mudarabah/Wakalah (Hybrid) Model within the scope of the "Regulation on Participation Insurance Working Procedures and Principles" published in the Official Gazette dated 20 September 2017 and numbered 30186.

1.3 Nature of operations:

The company carries out its activities in line with the provisions of the Insurance Law No. 5684 and the Private Pension Savings and Investment System Law No. 4632 in accordance with the provisions of other legislation.

1.4 Explanation of the activities and characteristics of main operations of the corporation:

Disclosed in Notes 1.2 and 1.3.

1.5 Average number of employees during the period by category:

	1 January- 31 December 2020	1 January - 31 December 2019
Top and middle management	13	12
Other personnel	135	120
	148	132

1.6 Total salaries and benefits paid to the chairman and members of the board of directors, general manager, general coordinator, assistant general managers and other executive management during the current period:

TRY4.790.362 (31 December 2019: TRY3.648.736).

1.7 Criteria set for the allocation of investment income and operating expenses (personnel, management, research and development, marketing and sales, outsourcing utilities and services and other operating expenses) in the financial statements:

The Company allocates the investment income and personnel, management, research and development, marketing and selling, outsourced benefits and services and other operational expenses related to the technical accounts in accordance with the "Circular on the Fundamentals of the Procedures and Principals of the Criteria used in Financial Statements in Accordance with Insurance Uniformed Chart of Accounts" numbered No 2010/9 and dated 9 August 2010 and issued by the Republic of Turkey Ministry of Treasury and Finance.

1.8 Whether financial statements include only one firm or group of firms:

Financial statements include only one company (Katılım Emeklilik ve Hayat A.Ş.).

1.9 Name and other identification information of the reporting firm and changes in this information since the previous balance sheet date:

Company's name and other company information are presented in Note 1.1, Note 1.2 and Note 1.3.

1.10 Events occurred after the balance sheet date:

The authority to change and approve the financial statements for the period between 1 January - 31 December 2020 is in the Board of Directors, the financial statements which are prepared in accordance with the applicable accounting principles and standards and comply with the relevant legislation and the Company's records was signed and declared by Ayhan Sincek (General Manager), İsmail Aydemir (Assistant General Manager, Finance, Operations, IT and Actuaries), Ömer Can Hergenç (Financial and Administrative Affairs Manager), Ahmet Korhan Akçöl (Actuarial) on 1 March 2021. Explanations related to subsequent events are disclosed in detail in Note 46.

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

The Company prepares its financial statements in accordance with the Insurance Law and the regulations published by SEDDK. The insurance legislation regarding financial reporting before the establishment of SEDDK and the initiation of regulatory activities regarding the insurance sector was published by the Ministry of Treasury and Finance. 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 ("SEDDK") established by the Presidential Decree dated 18 October 2019. . The insurance legislation before the establishment of SEDDK and the initiation of regulatory activities regarding the insurance sector was published by the Ministry of Treasury and Finance ("Ministry of Treasury and Finance").

Financial statements are prepared in accordance with the Insurance Account Plan included in the Communiqué on Insurance Account Plan and Explanatory Notice (Insurance Accounting System Communiqué No: 1) published by the Republic of Turkey Ministry of Treasury and Finance in the Official Gazette No: 25686 dated 30 December 2004. The format and contents of the financial statements and their explanations and notes are determined in accordance with the

Communiqué on Presentation of Financial Statements published in the Official Gazette dated 18 April 2008 and numbered 26851.

The Company calculates and recognizes its insurance technical provisions in its financial statements as of 31 December 2019 in accordance with the "Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested" ("Regulation on Technical Reserves") dated 28 July 2010 published in official gazette numbered 27655 and changes on this regulation on 17 July 2012 and numbered 28356 and other regulations issued for insurance and reinsurance companies by the Republic of Turkey Ministry of Treasury and Finance (Note 2.24).

According to the "Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies" issued on 14 July 2007 and effective from 1 January 2008, except for the communiqués which may be issued by the Republic of Turkey Ministry of Treasury and Finance, operations of insurance companies shall be accounted for in accordance with the Turkish Accounting Standards ("TAS") and the Turkish Financial Reporting Standards ("TFRS") as issued by the Turkish Accounting Standards Board ("TASB") and other regulations, communiqués and explanations issued by the Turkish Accounting Standards Board ("TASB") regarding accounting and financial reporting issues. With reference to the Republic of Turkey Ministry of Treasury and Finance No. 9 dated 18 February 2008, "TAS 1- Financial Statements and Presentation", "TAS 27- Consolidated and Unconsolidated Financial Statements", "TFRS 1 - Transition to TFRS" and "TFRS 4- Insurance Contracts" have been scoped out of this application. In addition, the companies are obliged to comply with the Communiqué on the Preparation of the Consolidated Financial Statement of Insurance and Reinsurance Companies and Pension Companies dated 31 December 2008 and published in official gazette numbered 27097 effective from 31 March 2009. The company does not need to prepare consolidate financial statement as there is no affiliate controlled by the company that it has to supervise in this direction.

Accounting policies and measurement principles that are used in the preparation of the financial statements are disclosed in the notes from 2.4 to 2.24 below.

Where necessary, comparative figures have been reclassified to conform to the presentation of the current year financial statements.

New standards and interpretations not yet implemented

a. Standards, amendments and interpretations applicable as 31 December 2020

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' and consequential amendments to other IFRSs:
 - I) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting,
 - II) Clarify the explanation of the definition of material and
 - III) Incorporate some of the guidance in IAS 1 about immaterial information.
- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex and it results in too many transactions qualifying as business combinations.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 - Profit rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with profit rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges

involving IBOR-based contracts, the reliefs will affect companies in all industries.

- **Amendment to IFRS 16, 'Leases' - Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs

b. Standards, amendments and interpretations that are issued but not effective as at 31 December 2020:

The Company has evaluated the changes in the standards that are published but not yet effective, and started work on the TFRS 17 standard and its effects. Apart from the TFRS 17 standard, the Company believes that the changes made do not have a material impact on the financial statements.

- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the

expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

- **Some alterations of narrow amendments in IFRS 3, IAS 16, IAS 17 and some annual improvements in IFRS 1, IFRS 9, IAS 41 and IFRS 16;** It is valid for annual reporting periods starting on January 1, 2022 or after this date.
- **IFRS 3 Changes in business combinations;**
This amendment updates a reference to the Conceptual Framework for Financial Reporting in TFRS 3 without changing the accounting requirements for business combinations.
- **Amendments to IAS 16 'Tangible fixed assets';**
It prohibits deducting the income from the sale of manufactured products from the amount of the tangible fixed asset until the asset of a company is ready for use. Instead, the company will reflect such sales revenue and related cost as profit or loss.
- **T- IAS 37 'Amendments to Provisions Contingent Liabilities and Contingent Assets';**
This amendment specifies what costs a company will pay when deciding whether to lose from a contract.

Annual improvements make minor changes in the explanatory examples of IFRS 1 'First time implementation of International Financial Reporting Standards', IFRS 9 'Financial Instruments', IAS 41 'Agricultural Activities' and IFRS 16.

2.2 Consolidation

The Company does not have any subsidiaries that are required to be consolidated.

2.3 Segment Reporting

The Company is not a listed company, the Company does not perform segment reporting in the scope of "IFRS 8 - Segment Reporting".

2.4 Foreign Currency Translation

The functional currency of the Company is TRY. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Foreign exchange differences arising from the translation of non-monetary financial assets and liabilities are considered as part of the fair value changes and those differences are accounted for in the accounts in which the fair value changes are accounted for.

2.5 Property, Plant and Equipment

All property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the tangible assets. The depreciation periods estimated considering useful lives of tangible assets are as follows:

Furniture and fixtures	:	3 - 10 years
Special costs	:	5 years
Vehicles	:	5 years

If there are indicators of impairment on tangible assets, a review is made in order to determine possible impairment and as a result of this review, if an asset's carrying amount is greater than its estimated recoverable amount, the asset's carrying amount is written down immediately to its recoverable amount by accounting for an impairment provision. Gains and losses on disposals of property and equipment are included in other non-operational income and expenses accounts (Note 6).

2.6 Investment property

The Company does not have investment property as of 31 December 2020 (31 December 2019: None).

2.7 Intangible Assets

Intangible assets consist of the information systems and software acquired by the Company. Intangible assets are recognized at acquisition cost and amortized by the straight-line method over their estimated useful lives after their acquisition date. If impairment exists, carrying amounts of the intangible assets are written down immediately to their recoverable amounts. The amortization periods of intangible assets are 3 years (Note 8).

2.8 Financial Assets

The Company classifies and accounts for its financial assets as “financial assets held to maturity”, “Available-for-sale financial assets”, “Financial assets at fair value through profit or loss” and “Loans and receivables (Receivables from main operations)”. Receivables from main operations are the receivables arising from insurance and pension operations and they are classified as financial assets in the financial statements.

Purchases and sales of the financial assets are recognized and derecognized based on “Settlement date”. The classification of the financial assets is determined by the Company management at inception by considering the purpose for which the financial assets are acquired.

Financial assets held to maturity are financial assets that are held for the purpose of custody until maturity and that have the necessary conditions to be held until maturity, including ability to fund, have fixed or determinable payments and fixed valuation and are at fair value during initial recognition other than loans and receivables are financial assets that are not classified as financial assets that are reflected in the income statement and which are not presented as available for sale. These assets are initially recognized at cost and are considered to be their fair value. The fair value of assets held to maturity is determined based on market prices of the underlying transaction price or similar financial instruments. Financial assets held to maturity are valued at amortized cost. Contribution income related to assets held to maturity is reflected in the income statement.

The Company does not account for a provision for impairment of short-term market fluctuations for the debt securities classified as held-to-maturity financial assets provided that collection risk does not exist. If there is a collection risk, the impairment amount is determined as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective income rate.

Available-for-sale financial assets:

As of 31 December 2020, the Company's held until maturity investments consist of fixed and variable lease certificates and are accounted at their discounted value as of the balance sheet date amounted TRY6.941.048 (31 December 2019: TRY14.662.793).

Available-for-sale financial assets:

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. However, 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 value 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 the profit or loss. During the available-for-sale asset is first recognized additional costs of recognition will be added to fair value.

Financial assets held for trading (Financial assets whose fair value difference is reflected in the income statement):

Financial assets measured by the Company at fair value and associated with the income statement are classified in the financial statements under the account item “Financial Assets for Trading”. Financial assets, which are measured with reasonable value and associated with the income statement, are obtained for the purpose of profit from fluctuations in price and similar factors in the short

period in the market and regardless of the reason for being acquired, it is considered that the Company evaluates the performance of the Company according to its reasonable value with financial instruments. For this purpose, it consists of financial instruments classified in this category at the time of purchase.

The fair values of reasonable value difference are reflected in the income statement and their fair values are used in the periods following their registration. In case the price formations, which constitute the basis of reasonable value, are not realized within the active market conditions, it is accepted that the reasonable value is not determined reliably and the “discounted value” calculated according to the effective rate of return method is considered as reasonable value. Gains and losses resulting from the valuation are included in the income statement.

Loans and receivables (Receivables from main operations):

Loans and receivables are financial assets which are generated by providing money or service to the debtor. Loans and receivables are initially recognized at acquisition value and subsequently measured at cost. Fees and other charges paid in relation to assets obtained as guarantee for the above-mentioned receivables are not deemed as transaction costs and charged as expenses to the income statement.

The Company accounts for a provision for its receivables based on evaluations and estimations of the management. The mentioned provision is classified under “Provision for due from insurance operations” on the balance sheet. The Company sets its estimations in accordance with the risk policies and the principle of prudence by considering the structure of current receivable portfolio, financial structure of policyholders and intermediaries, non-financial data and economic conditions.

2.9 Impairment on Financial Assets

The details about the impairment of assets are explained in the notes in which the accounting policies of the relevant assets are explained.

Mortgages or guarantees on assets are explained in Note 43, provisions for doubtful receivables which are overdue and not overdue

are explained in Note 12.1 and rediscount and provision expenses for the period are explained in Note 47.4.

2.10 Derivative Financial Instrument

None (31 December 2019: None).

2.11 Offsetting Financial Instruments

Financial assets and liabilities are offset only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or when the acquisition of the asset and the settlement of the liability take place simultaneously.

2.12 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, demand deposits held at banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.



Cash and cash equivalents included in the statements of cash flows are as follows:

	31 December 2020	31 December 2019
Cash (Note 14)	86.336.282	104.760.588
Bank guaranteed credit card receivables with maturities less than three months (Note 14)	11.159.740	10.897.918
Blocked deposits (*) (Note 43)	(31.767.242)	(30.154.770)
Term participation account valuation	(923.680)	(848.705)
Total cash and cash equivalent	64.805.100	84.655.031

(*) The change in blocked deposits is included in other cash inflows/outflows from the main activities in the cash flow statement.

2.13 Share Capital

The composition of the Company's share capital at 31 December 2020 and 2019 is as follows:

Name of shareholders	31 December 2020		31 December 2019	
	Share (%)	Share Amount	Share (%)	Share Amount
AlBaraka Türk Katılım Bankası A.Ş.	50.00	36.000.000	50	20.000.000
Kuveyt Türk Katılım Bankası A.Ş.	50.00	36.000.000	50	20.000.000
	100	72.000.000	100	40.000.000

As of 31 December 2020, there are no privileges granted for the shares that represent the capital (31 December 2019: None).

Other information regarding the capital of the Company are disclosed under the Note 15.

2.14 Insurance and Investment Contracts - Classification

The insurance contracts are those contracts that transfer insurance risk. The insurance contracts protect the insured against the adverse economic consequences of loss event under the terms and conditions stipulated in the insurance policy.

The main contracts produced by the Company are personal accident insurance, life insurance, reinsurance agreements and private pension agreements as explained below:

I) Risk Policies:

Annual life insurance contract

Annual life insurance provides one-year guarantee for the risks that the policyholder can be faced with. This insurance covers all risks that the policyholder can be exposed to by providing natural death coverage along with the additional coverage such as accidental death, permanent or temporary disability and critical disease during the policy term. Annual life insurance policies cover risks, it does not include savings and does not include right of surrender and policy loans. It can be sold as a group or individual. The age limit is between 18 and 75, premium amount changes according to the risk assessment based on age, sex and health.

Long-term life insurance contracts

Long-term life insurance provides long-term guarantee for all risks that the policyholder can be exposed to by providing natural death coverage along with the additional coverage such as accidental death, permanent or temporary disability during the policy term. The insurance term can be set between 1 and 30 years. Long-term life insurance provides protection and covers risks, it does not include savings. It is sold individually. The age limit is between 18 and 75 and premium amount changes according to the risk assessment based on age, sex and health.

Credit life insurance

Credit life insurance provides guarantee throughout the credit term against such as death or disability. If any claim occurs within the credit term, the credit debt is covered by credit life insurance. Coverage

generally includes only death risk. These products are risk-based policies that do not include saving. The age limit is between 18 and 75 and premium amount changes according to the risk assessment based on age, sex and health.

Personal accident insurance

Personal accident insurance provides guarantee against risks arising as a result of accidents. It provides accidental death coverage along with the additional coverage such as accidental disability, unemployment or temporary disability and medical expenses.

II) Private Pension Operations:

As of 31 December 2020, there are 13 Pension Mutual Funds that the Company established (31 December 2019: 13).

Private pension system receivables mainly consist of capital advances made to pension funds, fund management fee receivables from pension funds, receivables from participants and the custodian company. In the “fund operating deductions receivables from funds” account; the Company keeps funds operating expense deductions receivables deriving from funds management that could not be collected on the same day. Advances allocated to pension investment funds established by the Company are kept in “capital advances made to pension investment funds” account and all the advances were collected. Receivables based on funds from the custodian company on behalf of participants are kept in “receivables from Custodian Company” account. At the same time, this amount is disclosed in private pension system payables account as “payables to participants for sold funds”.

In addition to debts to participants account explained in the prior paragraph, private pension system payables also include accruals calculated for management expenses of pension funds, temporary account of participants and payables to private pension intermediaries. Accruals calculated for management expenses of pension funds consists of accruals of payables to portfolio management company due to the pension investment funds established by the company. Temporary account of participants includes the contributions of participants that have not yet been transferred to investment and

the amount that will be transferred to other companies or paid to participants after making certain deductions following the sales of the funds of the participants in the cases of transfers to other companies or departs from the system.

Fund management fee, which is taken in return for the management and representation of funds and hardware, personnel and accounting services devoted to funds, is recorded as income in the Company’s accounts and is shared between the Company and the portfolio management company according to the ratios in the agreement or as a fixed expense. The total fee is recorded to the Company’s technical income as fund management fee and the fee which belongs to the fund manager is recorded in the Company’s technical expense as balance paid in return for fund management.

If the participant participates in the private pension system for the first time or signs a pension contract in a different company for the first time, the entrance fee can be taken from the participant or sponsoring institution, taking into account the monthly gross minimum wage amount valid at the date of signing the proposal;

- a) Seventy-five percent of those leaving the company within three years from the effective date of the contract,
 - b) Fifty percent for those who leave the company six years before the contracts that have completed three years from the effective date of the contract,
 - c) It cannot exceed twenty-five percent of contracts that have completed six years from the effective date of the contract, for those who have left the company before ten years.
- For those who have completed their tenth year from the effective date of the pension contract, those who leave due to death or disability or the right to retirement cannot be collected as a deferred entry fee.

Within the scope of the amendment to the Individual Pension System Regulation published in the Official Gazette No. 29366 dated 25 May 2015 and effective from 1 January 2016. With this regulation, it is stated that the irregular payment and the fund related obligatory

expenses are defined and the administrative expenses deduction can be taken from the savings of the participant with the contributions paid to the individual pension account, additional management expenses can be deducted from the savings of the participant during the interruption period. Limitations on interruptions have been introduced according to the years in which the contract was in the system.

The final version of the deductions, together with the summarizing provisions of the regulation in question, are as follows:

The total amount of the entrance fee and management fee incurred during the first five years of the contract does not exceed 8.5% of the gross minimum wage applicable for the first 6 months of the year. After the fifth year of a contract is completed, management expenses, including interruption, cannot be deducted and entry fee cannot be collected. Since the regulation does not affect the Company's receivables accrued before the effective date, the Company reserves the rights regarding the accrued but uncollected receivables before 1 January 2016. According to the transfer data related to the contract information, all the time spent in the relevant contract is taken into account in the calculation of the time spent in the contract. If it was established by transfer before 1 January 2016, the upper limits of the deduction are calculated regardless of the deduction amounts in the previous companies. If it is established by transfer after this date, it will be subject to calculation considering the deduction amounts in previous companies.

Expense deductions that are taken on the condition that the participants do not exceed the maximum two percent of their contributions to the private pension account depending on the contract conditions are followed under the management expense deduction account.

III) 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 agreements signed by the Company and those meet all conditions to be classified as insurance contract and those whose costs are paid.

As of 31 December 2020 the Company has annual quota-share treaty under the Life Branch for "Premium Exemption in case of Death" coverage, "Premium Exemption in case of Critical Illnesses" coverage, "Premium Exemption in case of Total and Permanent Disability" coverage, "Premium Exemption in case of Unemployment" coverage and "Premium Exemption in case of In-Patient Treatment due to Accident" coverage. Additionally, the Company has facultative reinsurance agreements signed separately for certain risks based on certain policies.

IV) Participation Insurance:

The main purpose of participation insurance is to combine the insured with the purpose of mutual aid and solidarity and to use the collected contributions by those exposed to risk. The money collected in this system accumulates in the premium pool (risk fund), called the charity fund and the losses of the members (policy holders) who are at risk are compensated from this pool. There are 3 type of method in "Regulation on Participation Insurance Working Procedures and Principles" published in the Official Gazette dated 20 September 2017 and numbered 30186. "Mudarabah Model", "Wakalah Method" and "Hybrid (Mudarabah/Wakalah) Method". The Company uses the Hybrid Model, in which it receives a proxy fee for risk fund management and other technical and legal transactions related to insurance, where the entire technical profit is distributed to the participants but the investment profit is shared between the participant and the Company at a predetermined rate.

Advisory Committee

The advisory committee is the committee that monitors the functioning of the participation insurance system and the compliance of the participation finance system with the principles of common risk sharing and solidarity.

Risk Fund

The fund is created for collecting contribution premiums and the income and expenses arising from them, including compensation and/or savings payments and legal liabilities. Provided that the participants are clearly informed before the contract or in the insurance contract,

if the balance regarding the said risk fund is excessive, this amount;

- a) It is used to decrease the contribution premiums,
- b) Reserve the reserve fund for future unforeseen risks,
- c) Sharing the fund, in whole or in part, without allowing the company to take a share,
- d) It is possible to evaluate in another way, which the advisory committee will approve.

2.15 Insurance Contracts and Investment Contracts with Discretionary Participation Feature

None (31 December 2019: None).

2.16 Investment Contracts without Discretionary Participation Feature

None (31 December 2019: None).

2.17 Borrowings

None (31 December 2019: None).

2.18 Taxes

Corporate Tax

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income. Advance Tax is declared by 14th and is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by the corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

According to Turkish tax legislation, tax losses on the returns can be offset against period income for not up to 5 years. However, tax losses cannot be offset against retained earnings.

In Turkey, there is no such application for the reconciliation of payable taxes with the tax authority. Corporate tax returns are submitted to the related tax office by the 25th day of the 4th month following the

month when the accounting period ends.

In tax reviews authorized bodies can review the accounting records for the past five years and if misstatements are detected, tax amounts may change due to tax assessment.

Deferred Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are determined using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized (Note 21)

2.19 Employee Benefits

The Company accounts for its liability related to employment termination and vacation benefits according to "Turkish Accounting Standards Regarding Employee Benefits" ("TAS 19") and classifies in balance sheet under the account "Provision of Employment Termination Benefits" and "Provision for expense accruals".

The actuarial gains and losses identified in the calculations regarding the liabilities for employee benefits shall be recognized directly in equity. In this context, the service and profit share costs are recognized in the statement of income whereas the actuarial gains and losses are recognized in "Other Profit Reserves" under shareholders' equity (Note 15 and 22).

2.20 Provisions (Out of Technical Provisions)

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provision amounts are estimated over expenditures expected to be required to settle the obligation at the balance sheet date by considering the risks and uncertainties related to the obligation. When the provision is measured by using the estimated cash outflows that are required to settle the obligation, the carrying value of the provision is equal to the present value of the related cash outflows.

Liabilities 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 entity are classified as contingent liabilities and not included in the financial statements (Note 23).

2.21 Accounting for Revenues

Written Premiums

Written premiums represent premiums on policies written during the year, net of cancellations. As disclosed in Note 2.24, premium income is recognized in the financial statements on accrual basis by allocating the unearned premium provision over written risk premiums. The premium written for life insurance policies with maturities over one year consists of income accrued for payments with maturities within the current year. The premium written for policies with maturities less than one year covers the total premium of the relevant period.

Reinsurance Commissions

Commission income for ceded premiums to reinsurance companies are recorded on an accrual basis over the period and classified in the technical section of the income statement under operating expenses. 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.

Profit Share Income from Term Participation Accounts

In the scope of participation banks in Turkey operating principle, profit share are periodic income which has been obtained by physically and consists of accruals recognized in the financial statements.

Dividend income

Dividend income is recognised as an income in the financial statements when the right to receive payment is established.

Subscription Revenues

Disclosed under Notes 2.14 and 25.

2.22 Leases

Leases are accounted for in accordance with IFRS 16 as explained in Note 2.1.

2.23 Dividend distribution

Dividend liabilities are recognized as a liability in the financial statements in the period in which the dividends are declared as a component of dividend distribution.

2.24 Technical Provisions

Mathematical Reserves

Mathematical reserves show the total amount for actuarial mathematical reserves and the bonus reserves which are calculated separately for each contract in accordance with the technical principals on the tariff. In addition to life insurance for more than one year, in cases where personal accident, health, disability and dangerous diseases are given for more than one year; life insurances mathematical reserve amount is calculated to include the mathematical reserve amount calculated according to actuarial principles regarding additional guarantees. Mathematical provisions consist of actuarial mathematical provisions which are calculated separately according to the technical principles in

the tariff for each contract in effect and explained below.

Actuarial mathematical reserve is the difference between the premiums received for the risks assumed and cash value of liabilities to policyholders and beneficiaries. Actuarial mathematical reserves are provided for life insurance having more than one year of maturity, based on the formulas and elements of the approved technical principles. Actuarial mathematical provisions are calculated as the difference between the cash value of the insurer's future obligations and the present value of the future premiums to be paid by the insurer (prospective method). However, the actuarial mathematical provisions compute the difference between the result value of the premiums paid by the insurer and the result value of the risk that the insurer assumes (retrospective method), or the total of actuarial mathematical provisions found if calculated according to the generally accepted actuarial methods accepted by the Ministry of Treasury and Finance. This value is considered to be zero when actuarial mathematical provision is calculated as negative.

As of 31 December 2020, the Company has recognized a net mathematical reserve of TRY48.791.224 for life and personal accident branches (31 December 2019: TRY29.542.475).

Unearned Premium Reserve

The reserve for unearned premiums is calculated as the portion of the accrued premiums that accrues for the current period as of the balance sheet date. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12:00 noon and finish at 12:00 noon again. According to "Regulation on Technical Reserves", unearned premium reserves and the reinsurers' share of the unearned premium reserves of policies written are calculated and accounted as the unearned portion of the premiums and ceded premiums to reinsurers without deducting commissions or any other expenses, on an accrual and on a gross

Deferred Commission Expenses and Differed Commission Incomes

Within the framework of the Circular numbered 2007/25 and dated 28 December 2007 published by the Republic of Turkey Ministry of Treasury and Finance, the unearned portion of commissions paid

to agencies for the written premiums and commissions received from reinsurers for the ceded premium, are recorded as in deferred expenses and deferred commission income, respectively on the balance sheet, as operating expenses on a net basis in the income statement (Note 17).

Outstanding Claims Provision

The Company accounts for accrued and calculated outstanding claim provision for ultimate cost of the claims incurred, but not paid in the current or prior periods or for the estimated ultimate cost if the cost is not calculated yet, for the incurred but not reported claims. Claim provisions are accounted for based on reports of experts or initial assessments of policyholders and experts and in the related calculations claim recoveries, salvage and similar gains are not deducted (Note 17).

According to the circular No. 2014/16 and dated 5 December 2014, related to "Outstanding Claims Reserve" that went into effect on 1 January 2015, which was published by the Ministry of Treasury and Finance, the Circular on "Actuarial Chain Ladder Method" numbered 2010/12 and valid until 31 December 2014 is repealed with the exception of Articles 9 and 10, since

1 January 2015 for incurred but not reported claims reserve according to the best estimates determined within the framework of the Company's actuarial opinions, the provision is calculated. According to the said circular, the selection of the data used in the calculations related to the incurred but not reported claims, the correction procedures, the selection of

the most appropriate method and development factors and the intervention to the development factors are made by the Company actuary using actuarial methods. In the calculation of incurred but not reported claims, Standard Chain, Damage/Premium, Cape Cod, Frequency Intensity, Munich Chain or Bornhuetter-Ferguson actuarial chain ladder methods ("ACLM") will be used and companies have the right to choose one of these methods for each branch.

As of 31 December 2019, with the outstanding claim provision accrued and determined for the non-life personal accident branch; content and application principles, Technical Provisions Regulation and

The difference between the amount determined by using the actuarial chain ladder methods specified in the related regulations and the “Circular on Provision for Outstanding Claims” dated 5 December 2014 and 2014/16, which entered into force on 1 January 2015, was realized, however it is accounted for as unreported compensation. Companies within the framework of the “Circular on Discounting Net Cash Flows Arising from Outstanding Claims” dated 10 June 2016 and 2016/22, published by the Ministry of Treasury and Finance has been given the opportunity to discount the net cash flows that will be generated by the outstanding claims reserve and calculated according to the insurance legislation.

In this context, as of 31 December 2019, the Company has chosen the Standard chain method over the incurred claims in accordance with the opinions of the Company's actuary, in the calculations made for the non-life personal accident branch and the life branch, but not reported. In order to find the net amount that has been realized but not reported, based on the calculations of the AZMM made as gross; The conservation rates of the sensitive individuals subject to the AZMM table are used. According to, the net amount of the incurred but not reported claim provision recognized for the life branch as of 31 December 2020 is TRY1.812.087 (31 December 2019: TRY361.202).

Considering the Regulation on Technical Provisions, due to the lack of statistical information required for the calculation as of the balance sheet date, the Company used the sector averages obtained as of 30 September 2020 in the Personal Accident Insurance and Health branches during the calculation of the incurred but not reported compensation amounts. Accordingly, as of 31 December 2020, the incurred but not reported claims provision for personal accident and health branches are net 274.708 TRY and 1.369.714 TL respectively (31 December 2019: Net TRY 31.276 for Personal Accident Insurance, net TRY17.494 for Health branch.).

Companies sector average method for Turkey Insurance Association issued by the some of the Company as of September 30, 2020 using data from the Financial and Technical Tables Accident and including separately for the health branch of the amount of money

compensation current Total gross realized but not reported, total gross written premium As of 31 December 2020, the gross and net incurred compensation amount was accounted for by multiplying it with the gross and net premium amount recorded in the Company's records as of 31 December 2020.

Equalization Reserve

Technical Provisions of Insurance and Reinsurance and Pension Companies dated 27 July 2010 and numbered 27655, published by the Ministry of Treasury and Finance and companies that do not have the necessary data set for the calculation of the Regulation on the Amendment to the Regulation on the assets to which these provisions will be deposited and the Balancing Provision will accept 11% of the death net Premium and it was stated that they would reserve a reserve of 12% of these amounts and the regulation was amended.

In the calculation of the net premium, the amounts paid for non-proportional reinsurance agreements are accepted as transferred premium. As of 31 December 2019, the Company has made a balancing provision of TRY3.240.772 (31 December 2019: TRY2.071.074) (Note 17).

Bonus and Rebate Provision

Provision for bonuses and discounts is the provision to be set aside if a bonus or discount commitment is made to the policyholder in the following periods, regardless of renewal, in relation to the policies in the current period. In the event that insurance companies apply bonuses and discounts in accordance with the Regulations on Technical Provisions and Participation Insurance Working Procedures and Principles, the bonuses and discounts that should be reserved as per Article 16 of the Insurance Law, from the bonuses and discounts allocated for the insured or beneficiaries according to the technical results of the current year. occurs. In addition, the Company calculates the balance for the risk fund in accordance with the generally accepted actuarial and participation finance principles at the end of each period. In this context, the Company calculated the provision for bonuses and discounts amounting to TRY 26.991.397 in life and non-

life branches in line with the principles of participation insurance as of December 31, 2020 (31 December 2019: TRY 17.953.607) (Note 17).

Unexpired Risks Reserve

Within the scope of the Regulation on Technical Provisions, companies are obliged to carry out a proficiency test covering the last 12 months as of each fiscal period, in case the indemnities that may arise due to the insurance contracts in force are more than the reserve for unearned premiums reserved for the relevant contracts while allocating the provisions for unearned premiums. While conducting this test, the net unearned premium reserve should be multiplied by the expected net loss ratio. Expected net loss ratio, realized claims (outstanding claims (net) + claims paid (net) - transferred outstanding claims (net)) earned premiums (written premiums (net) + transferred unearned premium provision (net) - unearned premium provision (net))) is found by dividing. In the calculation of earned premiums; The parts of commissions paid to intermediaries and commissions received from reinsurers, which are clearly shown within the provision for unearned premiums of the relevant period, are not taken into account.

According to this calculation, if the expected loss ratio calculated on the basis of each main branch is over 95%, the amount found by multiplying the ratio exceeding 95% with the net unearned premium reserve, the net continuing risks provision is The amount found by multiplying it with the gross unearned premium reserve is calculated as the gross ongoing risk provision and reflected in the financial statements. The difference between the gross amount and the net amount is considered as the reinsurer share. According to the relevant test result, there is no provision for ongoing risks that the Company has to allocate as of the end of the reporting period (31 December 2019: None).

3. Critical Accounting Estimates and Judgments

Reparation of financial statements requires the use of estimations and assumptions which may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the

balance sheet date and reported amounts of income and expenses during the financial period. Accounting estimates and assumptions are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Although the estimations and assumptions are based on the best knowledge of the management for existing events and operations, they may differ from the actual results.

The estimation of the ultimate liability for technical expenses that can be incurred for the existing insurance contracts is the one of the most critical accounting estimates for the Company. Estimation of the insurance liabilities, by nature, includes the evaluation of several uncertainties.

The Company recognizes deferred tax assets and liabilities for temporary timing differences arising from differences between tax-based financial statements and financial statements prepared in accordance with TAS. The Company has deferred tax assets consisting of unused financial losses and deductible temporary differences that may be deducted from future profits. While accounting for these deferred tax assets, the Company has taken into account the future profit projections and the dates when the losses occurred in the current period can be used (Note 21). Where the final tax consequences on this issue differ from the initially recorded amounts, these differences may affect income tax and deferred tax assets and liabilities at the time they are determined.

4. Management of Insurance and Financial 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 determines its insurance underwriting strategy based on the type of insurance risk accepted and the claims incurred.

The Company's pricing mainly depends on statistical analysis and outputs from historical data and/or on some mortality/disability/morbidity tables assumed to be best fit for the related product. The Company manages these potential risks through underwriting strategy and adequate reinsurance agreements.

The following factors are taken into account in the risk acceptance policy in Life and Personal Accident branches:

- In individual insurances; insured age, insurance fee, health claims and reports taking into account the duration of the insurance,
- In group insurance; the health declarations and reports to be taken, if any, according to the number of people in the group, the working area of the group and whether the insurance is mandatory or optional,
- In pricing, information regarding the application of a period premium, the addition of additional terms or the reduction or rejection of the guarantee, according to the health, occupation and residence status of the insured,
- In addition to health documents in high amounts of collateral, information and documents regarding the financial status of the insured and for what purpose he/she requested insurance.

The concentration of insurance risk (maximum insured loss) under each branch is summarized below:

Life	31 December 2020	31 December 2019
Death	14.448.314.172	9.056.631.477
Disabled due to accident	11.775.128.137	7.213.109.664
Critical illness	393.155.375	539.609.005
Disability due to illness	312.121.520	341.188.150
Treatment costs after accident	14.892.500	17.619.700
Death due to accident	7.825.000	4.730.000
Unemployment and accident&illness	8.678.303	3.060.677
Daily compensation due to accident	365.900	418.100
Non-life		
Disabled due to accident	5.339.789.977	5.896.403.362
Death due to accident	5.345.589.977	5.886.397.656
Treatment costs after accident	786.100	210.085.762
Daily compensation due to accident	165.030.985	900.800
Unemployment and accident&illness	-	3.300
	37.811.677.946	29.170.157.653

The Company is subject to the following risks in relation to the pricing of policies:

Mortality risk:

The Company is subject to mortality risk if the actual death claims are higher than expected death rates in the mortality tables used in pricing the policies. The Company uses the appropriate mortality table for each product. In addition, the tariffs are updated according to the loss ratio of each product. The Company uses the CSO 2001 and TRSH 2010 mortality tables while pricing the life insurance agreements.

Sensitivity analysis

Financial risk

The Company is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of the financial risk are market risk (including foreign exchange risk, fair value profit share rate risk, cash flow profit share rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential negative effects on the Company's financial performance. The Company does not use derivative financial instruments. Risk management is carried out by management under policies approved by the Board of Directors.

(a) Market risk

I. Foreign currency risk

The company is exposed to foreign exchange risk arising from exchange rate changes due to the conversion of foreign currency receivables and debts into Turkish Lira. These risks are monitored and limited by analyzing the foreign exchange position.

As of 31 December 2020, if the US Dollar appreciated/lost 10% against TRY and all other variables remained constant, the profit before tax as a result of exchange rate profit/loss due to the conversion of receivables and payables in US Dollar TRY53.847 higher/lower would be (2019: TRY572.566 higher/lower).

II. Price risk

The Company's financial assets expose the Company to price risk. The Company is not exposed to commodity price risk.

III. Profits Risks

The main risk that non-trading portfolios are exposed to is the loss that will occur as a result of the fluctuation in future cash flows and the decrease in the fair values of financial assets as a result of changes in market profit share rates. The management of dividend

risk is done by monitoring the dividend ratio range and determining pre-approved limits for repricing bands.

As of 31 December 2020 and 2019, the Company's financial assets with profit margin are detailed in the table below:

Fixed income financial assets and liabilities:	31 December 2020	31 December 2019
Bank deposits (Note 14)	70.365.473	96.058.491
Available for sale financial assets (Note 11)	55.795.935	17.015.307
Held to maturity investments (Note 11)	502.268	1.959.559
Variable income financial assets and liabilities:		
Held to maturity investments (Note 11)	6.438.780	12.703.234
Available for sale financial assets (Note 11)	41.771.756	5.536.774
Financial assets held for trading (Note 11)	42.785.979	3.003.433

Sensitivity of financial instruments to dividend

The sensitivity of equity to profit share is calculated by considering the change in the fair values of the available-for-sale financial assets in the portfolio as of 31 December 2020 as a result of the default change in the rates. During this analysis, other variables, especially exchange rates, are assumed to be fixed (31 December 2019: None).

31 December 2020	Income Statement		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Available for sale financial assets	(131.843)	132.191	(131.843)	132.191

(b) Liquidity risk

The Company uses its available cash resources to pay claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management sets limits on the minimum portion of funds available

to meet such liabilities. The table below analyses the Company's financial liabilities and insurance liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the expected or contractual maturity date. The amounts disclosed in the tables are the undiscounted cash flows:

Contractual Cash flows

31 December 2020	Up to 3 months	3 months - 1 year	1 year 5 years	Over 5 years	Total
Payables arising from individual pension operations	22.496.720	-	-	-	22.496.720
Taxes and other similar liabilities and provisions	2.590.087	-	-	-	2.590.087
Payables arising from insurance operations	5.734.587	-	-	-	5.734.587
Other payables	22.107.881	-	-	-	22.107.881
	52.929.275	-	-	-	52.929.275
31 December 2019	Up to 3 months	3 months 1 year	1 year 5 years	Over 5 years	Total
Payables from retirement activities	29.388.502	-	-	-	29.388.502
Taxes and other similar liabilities and provisions	4.320.979	-	-	-	4.320.979
Liabilities from insurance activities	3.678.348	-	-	-	3.678.348
Other payables	10.292.750	-	-	-	10.292.750
	47.680.579	-	-	-	47.680.579

Expected Cash Flows

31 December 2020	Up to 3 months	3 months 1 year	1 year 5 years	Over 5 years	Total
Mathematical reserves - net	-	-	16.785.317	32.005.907	48.791.224
Bonus and rebate provision, net	1.817.749	10.366.234	-	-	12.183.983
Unearned premiums reserve - net	-	26.991.397	-	-	26.991.397
Outstanding claims provision	11.972.239	-	-	-	11.972.239
Equalization reserve - net	7.101.827	-	-	-	7.101.827
Expense share provision - net	-	-	-	3.240.772	3.240.772
	20.891.815	37.357.631	16.785.317	35.246.679	110.281.442
31 December 2019	Up to 3 months	3 months 1 year	1 year 5 years	Over 5 years	Total
Mathematical reserves - net	10.579	319.998	9.811.692	19.400.206	29.542.475
Bonus and rebate provision, net	-	17.953.607	-	-	17.953.607
Unearned premiums reserve - net	643.842	5.788.194	-	-	6.432.036
Outstanding claims provision	2.162.218	-	-	-	2.162.218
Equalization reserve - net	-	-	-	2.071.074	2.071.074
Expense share provision - net	1.514.764	-	-	-	1.514.764
	4.331.403	24.061.799	9.811.692	21.471.280	59.676.174

The Company foresees to meet the above-mentioned liabilities with its financial assets and cash and cash equivalents included in its assets.

Fair value of the financial assets

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

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at period end exchange rates, are considered to approximate carrying values. The fair values of cash and cash equivalents are considered to approximate their respective carrying values due to their short-term nature. The carrying value of receivables from main operations along with related provision for overdue receivables is considered to approximate respective fair values. The cost of the financial assets that are not quoted in an active market, less impairment if any, are considered to approximate carrying value.

Financial liabilities

The fair values of liabilities from main operations and other financial liabilities are considered to approximate to their respective carrying values.

Capital management

The Company's objectives when managing the capital are:

- To comply with the capital requirements of 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 the operations.

The minimum required shareholders' equity amount calculated as of 31 December 2020 within the framework of the related regulations on capital adequacy is TRY67.091.879 (31 December 2019: TRY29.843.028). The Company's equity is TRY54.031.621 more than the required equity (31 December 2019: TRY47.510.565).

5. Segment Information

Disclosed in Note 2.3.

6. Tangible Assets

6.1 Depreciation and amortisation expenses for the period:

TRY8.318.376 (1 January - 31 December 2019: TRY5.688.182).

6.1.1 Depreciation expense:

TRY3.603.044 (1 January - 31 December 2019: TRY3.555.292).

6.1.2 Amortisation expense

TRY4.715.332 (1 January - 31 December 2019: TRY2.132.890).

6.2 Changes in depreciation calculation methods and effect of such changes on depreciation expenses for the year (+/-): None.

6.3 Movements of tangible assets in the current period:

6.3.1 Cost of Tangible assets purchased:

TRY72.033.741 (1 January - 31 December 2019: TRY7.241.714).

6.3.2 Cost of Tangible assets sold or used as scrap:

TRY48.763 (1 January - 31 December 2019: TRY219.244).

6.3.3 Revaluation increases in the current period

6.3.3.1 Cost of fixed assets (+):None (1 January - 31 December 2019: None).

6.3.3.2 Accumulated depreciation: None (1 January - 31 December 2019: None).

Tangible assets:

	1 December 2020	Additions	Disposals	31 December 2020
Cost				
Furniture and fixtures	11.338.057	1.973.163	(48.762)	13.262.458
Motor vehicles	4.434.236	-	-	4.434.236
Right of use assets	5.267.940	2.257.220	-	7.525.160
Special costs	3.011.643	60.578	-	3.072.221
	24.051.876	4.290.961	(48.762)	28.294.075

	1 December 2019	Additions	Disposals	31 December 2020
Cost				
Furniture and fixtures	4.644.230	6.869.866	(176.039)	11.338.057
Motor vehicles	4.279.691	154.545	-	4.434.236
Right of use assets	5.206.387	61.553	-	5.267.940
Special costs	2.837.545	217.303	(43.205)	3.011.643
	16.967.853	7.303.267	(219.244)	24.051.876

Accumulated depreciation				
Furniture and fixtures	(3.423.746)	(2.268.039)	48.037	(5.643.748)
Motor vehicles	(999.080)	(886.847)	-	(1.885.927)
Right of use assets	(1.343.199)	(1.675.613)	-	(3.018.812)
Special costs	(1.729.114)	(448.158)	-	(2.177.272)
	(7.495.139)	(5.278.657)	48.037	(12.725.759)
Net book value	16.556.737			15.568.316

Accumulated depreciation				
Furniture and fixtures	(2.727.956)	(841.333)	145.543	(3.423.746)
Motor vehicles	(125.112)	(873.969)	-	(999.081)
Right of use assets	-	(1.343.198)	-	(1.343.198)
Special costs	(1.275.526)	(496.792)	43.205	(1.729.113)
	(4.128.594)	(3.555.292)	188.748	(7.495.138)
Net book value	12.839.259			11.419.880

7. Investment Properties

The Company does not have any investment properties as of 31 December 2020 (31 December 2019: None).

8. Intangible Assets

The Company does not have any investment properties as of 31 December 2020 (31 December 2019: None).

	1 December 2020	Additions	31 December 2020
Cost			
Rights and computer software	11.378.943	6.276.577	17.655.520
Advances given for intangible assets	283.200	890.093	1.173.293
	11.662.143	7.166.670	18.828.813

Birikmiş İtfa Payı			
Rights and computer software	(7.619.542)	(3.039.718)	(10.659.260)
	(7.619.542)	(3.039.718)	(10.659.260)
Net book value	4.042.601		8.169.553

	1 December 2019	Additions	31 December 2019
Cost			
Rights and computer software	9.086.566	2.292.377	11.378.943
Advances given for intangible assets	-	283.200	283.200
	9.086.566	2.575.577	11.662.143

Birikmiş İtfa Payı			
Rights and computer software	(5.486.652)	(2.132.890)	(7.619.542)
	(5.486.652)	(2.132.890)	(7.619.542)
Net defter değeri	3.599.914		4.042.601

9. Investments in Subsidiaries

The Company does not have any associate reflected in its records according to equity accounting method (31 December 2019: None).

10. Reinsurance Assets/(Liabilities)

	31 December 2020	31 December 2019
Reinsurer's share of unearned premium reserve (Note 17)	2.245.449	2.554.276
Reinsurer's share of outstanding claims provision (Note 17)	4.448.456	1.596.361
Reinsurers' share of mathematical reserves (Note 17)	864.322	779.776
Deferred reinsurance commission income (Note 17)	2.729	(4.518)

Reinsurance Income/(Expenses)

	1 January - 31 December 2020	1 January - 31 December 2019
Paid claims - Reinsurer share	3.342.423	1.792.919
Reinsurers' share of outstanding claims provision	2.852.095	374.058
Reinsurers' share of change in unearned premiums reserve (Note 17)	308.827	203.054
Reinsurers' share in change in mathematical reserves (Note 17)	86.485	386.908
Commissions received (gross)	19.736	389.479
Reinsurers' share in other operating expenses	-	31.165
Postponing commissions from reinsurers	-	4.112
Ceded premiums to reinsurers (Note 24)	(9.307.635)	(9.135.278)

11. Financial Assets

11.1 Sub categorization of the items presented compatible to the Entity's operations:

	31 December 2020	31 December 2019
Available for sale financial assets - Lease certificates	97.567.691	22.552.081
Held to maturity investments - Lease certificates	6.941.048	14.662.793
Financial assets held for trading - Investment funds	42.785.979	3.003.433
	147.294.718	40.218.307

Lease certificates in the portfolio of financial assets held to maturity are in TL and US Dollars, and the average maturity is 11 months for TL papers, 48 months for US Dollar papers, and the weighted average contribution rate is 11.7% for TL papers and% for US dollar papers. 4 (31 December 2019: 11 months for TL TL papers, 48 months for US Dollar papers and the weighted average contribution rate is 11.7% for TL papers and 4% for US Dollar papers). Details of blocked financial assets are given in footnote 43.

11.2 Marketable securities issued during the year other than share certificates:

(31 December 2019: None).

11.3 Debt securities redeemed during the year:

(31 December 2019: None).

11.4 Market value of marketable securities and financial assets carried at cost and carrying value of marketable securities and financial assets carried at market value:

The Company's participation shares in Emeklilik Gözetim Merkezi A.Ş. are measured at cost, amounting to TRY473.790 since it does not have a quoted market price in an active market (31 December 2019: TRY473.790) (Note 45.2).

Marketable securities	31 December 2020		
	Cost Value	Fair Value	Book Value
Lease certificates			
Available for sale financial assets	96.796.664	96.796.664	97.567.691
Held to maturity investments	5.460.991	6.941.048	6.941.048
Financial assets held for trading - Investment funds	40.923.548	42.785.979	42.785.979
	143.181.203	146.523.691	147.294.718

Marketable securities	31 December 2019		
	Cost Value	Fair Value	Book Value
Lease certificates			
Available for sale financial assets	21.846.138	22.547.638	22.552.081
Held to maturity investments	13.396.590	14.662.793	14.662.793
Financial assets held for trading - Investment funds	3.000.397	3.003.433	3.003.433
	38.243.125	40.213.864	40.218.307

11.5 Amounts of marketable securities classified under marketable securities and investment securities accounts issued by the Company's shareholders, associates and subsidiaries and the issuers:

None (31 December 2019: None).

11.6 Value increase on financial assets in the last three years:

Value increase on financial assets disclosed under Notes 11.4 and 15.

11.7 - 11.9 Other information about financial assets:

Maturity analysis of financial assets

	31 December 2020				
	Demand and 0 - 6 months	6 months - 1 year	1 - 5 years	More than 5 years	Total
- Available for sale financial assets	77.852.681	7.083.190	10.521.980	2.109.840	97.567.691
- Held to maturity investments	-	4.012.250	-	2.928.798	6.941.048
- Financial assets held for trading	42.785.979	-	-	-	42.785.979
	120.638.660	11.095.440	10.521.980	5.038.638	147.294.718

	31 December 2019				
	Demand and 0 - 6 months	6 months - 1 year	1 - 5 years	More than 5 years	Total
- Available for sale financial assets	16.083.981	-	6.468.100	-	22.552.081
- Held to maturity investments	8.655.599	-	3.624.440	2.382.754	14.662.793
- Financial assets held for trading	3.003.433	-	-	-	3.003.433
	27.743.013	-	10.092.540	2.382.754	40.218.307

12. Loans and Receivables

12.1 Classification of the receivables as receivables from customers, receivables from related parties, advance payments (short-term and long-term prepayments) and others:

	31 December 2020	31 December 2019
Receivables from pension operations (long term)	3.773.417.739	2.419.138.628
Receivables from the policyholders	5.407.210	3.244.194
Receivables from pension operations (short term) (Note 47)	6.823.848	4.090.612
Receivables from reinsurance operations	81.434	130.283
	3.785.730.231	2.426.603.717
Receivables from insurance operations	(1.680.583)	(765.150)
Provisions from receivable from pension operations (Note 47)	(81.910)	(83.881)
Receivables from main operations - net	3.783.967.738	2.425.754.686

12.2 Due from/due to shareholders, associates and subsidiaries:

The transactions and balances with the related parties are disclosed in Note 45.

12.3 Total mortgages and collaterals obtained for receivables:

None (31 December 2019: None).

12.4 - 12.7 Other information about loans and receivables:

The aging of due from insurance operations is as follows:

	31 December 2020	31 December 2019
Overdue receivables	4.113.730	2.487.139
Up to 3 months		644.717
3 - 6 months	577.565	95.070
6 months - 1 year	213.396	17.268
	5.407.210	3.244.194

The details of receivables from insures and intermediaries that are overdue but not yet become doubtful:

	31 December 2020	31 December 2019
Up to 3 months	2.433.147	1.721.989
	2.433.147	1.721.989

The movement of provision for doubtful receivables from main operations is as follows:

	2020	2019
Beginning of the period - 1 January	765.150	1.029.005
Net change during the period (Note 47.4)	915.43	(263.855)
End of the period - 31 December	1.680.583	765.150

13. Derivative Financial Instruments

None (31 December 2019: None).

14. Cash and Cash Equivalents

The details of bank deposits of the Company are as follows:

	31 December 2020	31 December 2019
Banks	86.336.282	104.760.588
Bank guaranteed credit card receivables with maturities less than three months	11.159.740	10.897.918
	97.496.022	115.658.506

The detail of the Bank deposits of the company is as follows:

	31 December 2020	31 December 2019
Foreign Currency Deposits		
- Time Deposits	538.493	3.738.904
- Demand Deposits	1.471	-
TRY Deposits		
- Time Deposits	69.826.980	92.319.587
- Demand Deposits	15.969.338	8.702.097
	86.336.282	104.760.588

As of 31 December 2020, Company blocked deposit amounting TRY31.767.242 (31 December 2019: TRY30.154.770) in favour of Ministry of Treasury and Finance (Note 43). The detail of the foreign currency bank deposits of the company is as follows:

	31 December 2020			
	Foreign Currency		TRY Equivalent	
	Demand Deposits	Time Deposits	Demand Deposits	Time Deposits
USD	198	-	1.471	-
Gold	-	1.197	-	538.493
			1.471	538.493

	31 December 2019			
	Foreign Currency		TRY Equivalent	
	Demand Deposits	Time Deposits	Demand Deposits	Time Deposits
USD	-	564.693	-	3.354.392
Gold	-	1.003	-	288.650
EUR	-	14.414	-	95.862
			-	3.738.904

15. Capital

Legal Reserves:

Retained earnings as per the statutory financial statements, other than legal reserve requirements as referred below, are available for distribution. The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum

of all cash distributions in excess of 5% of the paid-in share capital. Under the Turkish Commercial Code, the legal reserves can only be used to offset losses unless they exceed 50% of paid-in share capital and are not available for any other usage. There is no movement in the legal reserves in the current period. As of 31 December 2020, the Company's legal reserves amount to TRY2.750.832 (31 December 2019: TRY1.378.564). The movement of shares between opening and closing balances is as follows:

	1 January 2020		Issued capital		Issued capital		31 December 2019	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid-in Capital	40.000.000	40.000.000	32.000.000	32.000.000	-	-	72.000.000	72.000.00
Total	40.000.000	40.000.000	32.000.000	32.000.000	-	-	72.000.000	72.000.00

	1 January 2019		Issued capital		Issued capital		31 December 2018	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid-in capital	40.000.000	40.000.000	-	-	-	-	40.000.000	40.000.000
Total	40.000.000	40.000.000	-	-	-	-	40.000.000	40.000.000

Special Funds (Reserves):

The company made an investment commitment on behalf of securities for the next year within the scope of tax incentives. The relevant investment is TRY2.000.000 and as of 31 December 2020, it is followed in the "Special Funds (Reserves)" account.

Change in actuarial gain/(loss):

The details of the actuarial loss/gain change that the Company has accounted for under equity are as follows:

	2020	2019
Beginning of the period - 1 January	(434.031)	(68.604)
Change in actuarial gain (Note 22)	(138.320)	(456.784)
Tax effect of change in actuarial gain	27.664	91.357
End of the period - 31 December	(544.687)	(434.031)

Valuation of Financial Assets:

The unrealized gains and losses that result from the changes in the fair values of available-for-sale financial assets are directly recognized in the shareholders' equity as "Valuation of Financial Assets":

	2020	2019
Beginning of the period - 1 January		-
Increases/(decreases) in fair value	771.027	701.500
Recognized in the income statement within the period	(2.231.410)	(697.057)
Deferred tax effect	321.284	(977)
End of the period - 31 December	(1.135.633)	3.466



16. Other Reserves and Equity Component of Discretionary Participation Feature

Information about other reserves classified under the equity is explained in Note 15.

17. Insurance Liabilities and Reinsurance Assets

17.1 Guarantees to be provided and guarantees provided for life and non-life branches:

The aging of the receivables from Insured is as follows:

	31 December 2020	31 December 2019
Required guarantee amount to be provided for life branch (*)	56.839.933	34.455.118
Required guarantee amount provided for life branches (Note 43)	55.416.659	33.632.341
Required guarantee amount to be provided for non-life branch (*)	7.481.608	2.909.528
Required guarantee amount provided for non-life branches (Note 43)	9.526.704	3.831.685

(*) In accordance with Article 4 of the "Regulation on Financial Structure of Insurance, Reinsurance and Pension Companies" based on the Insurance Law and published in the Official Gazette No. 26606 of 7 August 2007, the insurance companies and pension companies operating in the life and non-life branch are obliged to establish the Minimum Guarantee Fund amount corresponding to one third of the required capital amount during the capital adequacy calculation as collateral in the capital adequacy calculation period. The company will complete the life blockade on 26 February 2020.

17.2 Number of life policies, the number and mathematical reserve amount of the life policies that enter and exit during the year and current status:

	2020		2019	
	Number of policies	Mathematical reserve	Number of policies	Mathematical reserve
Beginning of the period - 1 January		30.322.252	75.142	21.309.121
Policies written for the period	54.921	28.285.596	39.589	15.874.729
Portfolio change/ (Decrease)	-	(3.666.345)	-	(3.247.868)
Disposals	(33.639)	(5.285.957)	(24.899)	(3.613.731)
Reinsurers' share of mathematical reserves	-	(864.322)	-	(779.776)
End of the period - 31 December	111.114	48.791.224	89.832	29.542.475

17.3 Insurance guarantees given for non-life and life branches:

	31 December 2020	31 December 2019
Life	27.753.106.643	17.176.366.773
Non-life	10.851.197.039	11.993.790.880
	38.604.303.682	29.170.157.653

17.4 Unit prices of pension funds and savings founded by the Company:

Pension Funds	Unit Prices 31 December 2020	Unit Prices 31 December 2019
	0.048593	0.003138
(KEH) Büyüme Amaçlı Alternatif Hisse EYF	0.045051	0.002152
(KEZ) OKS Agresif EYF	0.030575	0.001592
(KEG) Alternatif Esnek EYF	0.029287	0.002044
(KEK) Grup Alternatif Altın Esnek EYF	0.028640	0.002082
(KES) Alternatif İkinci Esnek EYF	0.027980	0.002193
(KEB) Alternatif Standart EYF	0.022400	0.001837
(KEA) Alternatif Katkı EYF	0.022130	0.001859
(KET) OKS Atak EYF	0.021773	0.001570
(KEY) Başlangıç EYF		0.001561
(KTZ) OKS Standart EYF	0.016426	0.001417
(KED) Değişken EYF	0.013966	0.001123
(KKS) Kamu Kira Sertifikaları EYF	0.013282	0.001280

17.5 Units and amounts of share certificates in portfolio and in circulation:

	31 Aralık 2020	
	Units in Circulation	Amount in TRY
(KEF) Alternatif Altın Eyf	19.794.954.240	961.904.461
(KEB) Alternatif Standart Eyf	41.111.761.423	920.922.789
(KEA) Alternatif Katkı Eyf	24.468.631.442	541.499.524
(KEG) Alternatif Esnek Eyf	13.058.530.159	382.448.049
(KEH) Büyüme Amaçlı Alternatif Hisse Eyf	8.074.231.597	363.750.411
(KTZ) OKS Standart Fonu	13.031.861.495	214.066.150
(KES) Alternatif ikinci esnek Eyf	7.133.610.857	199.599.791
(KEK) Grup Alternatif Altın Esnek Eyf	4.411.229.380	126.294.004
(KEY) Başlangıç Fonu	1.640.920.715	28.278.568
(KKS) Kamu Kira Sertifikaları	1.357.556.382	18.030.699
(KEZ) OKS Agresif Fonu	305.930.452	9.353.780
(KET) OKS Atak Fonu	203.817.977	4.437.688
(KED) Katılım Bankası Katılım Değişken Fonu	202.769.318	2.831.825
Total	134.795.805,437	3.773.417.739

	31 Aralık 2019	
	Units in Circulation	Amount in TRY
(KEB) Alternatif Standart EYF	40.679.375.615	747.117.413
(KEF) Alternatif Altın EYF	13.802.119.963	433.124.327
(KEA) Alternatif Katkı EYF	20.531.854.267	381.625.575
(KEG) Alternatif Esnek EYF	11.768.587.390	240.514.620
(KTZ) OKS Standart EYF	11.668.759.321	165.287.976
(KEH) Büyüme Amaçlı Alternatif Hisse EYF	6.972.675.133	150.079.860
(KES) Alternatif İkinci Esnek EYF	5.704.697.188	125.098.305
(KEK) Grup Alternatif Altın Esnek EYF	5.640.438.508	117.422.649
(KEY) Başlangıç EYF	2.200.537.283	34.354.788
(KKS) Kamu Kira Sertifikaları EYF	1.476.497.265	18.903.594
(KET) OKS Atak EYF	147.372.456	2.314.042
(KEZ) OKS Agresif EYF	139.892.622	2.227.230
(KED) Değişken EYF	95.090.746	1.068.249
Total	120.827.897.757	2.419.138.628

17.6 Numbers and portfolio amounts of the individual and group pension participants (entered, left, cancelled during the period and the current participants):

1 January - 31 December 2020						
	Additions in current period		Disposals in current period		Current	
	Unit	TL	Adet	TL	Unit	TL
Individual	75.911	206.710.733	35.668	317.570.215	309.805	2.672.428.958
Group	196.103	94.260.263	144.687	206.872.248	444.432	1.100.577.351
Total	197.073	300.970.996	180.355	524.442.463	754.237	3.773.006.309

1 January - 31 December 2019						
	Additions in current period		Disposals in current period		Current	
	Unit	TL	Unit	TL	Unit	TL
Individual	86.022	116.212.064	39.223	190.295.998	269.596	1.673.288.932
Group	225.260	78.189.129	157.976	130.435.500	403.425	745.111.455
Total	311.282	194.401.193	197.199	320.731.498	673.021	2.418.400.387

17.7 Valuation methods of profit share calculation for life insurance:

None (31 December 2019: None).

17.8 Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participants during the period:

1 January - 31 December 2020				1 January - 31 December 2019		
	Number of Policies	Gross Premium	Net Premium	Number of Policies	Gross Premium	Net Premium
Individual	75.911	203.971.541	203.971.541	86.022	122.196.931	122.196.931
Corporate	196.103	85.083.754	85.081.899	255.260	74.381.513	74.379.667
Total	272.014	289.055.295	289.053.440	341.282	196.578.444	196.576.598

17.9 Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participants during the period:

1 January - 31 December 2020				1 January - 31 December 2019		
	Number of Policies	Gross Premium	Net Premium	Number of Policies	Gross Premium	Net Premium
Individual	863	21.407.494	21.407.494	1.685	31.474.884	31.474.884
Corporate	395	5.284.895	5.284.895	4.590	2.724.815	2.724.815
Total	1.258	26.692.389	26.692.38	6.275	34.199.699	34.199.699

17.10 Number of units and individual/group allocation of gross/net contribution amounts of the private pension participants transferred from the life insurance portfolio to the private pension fund portfolio during the period:

None (1 January - 31 December 2019: None).

17.11 Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participants that left the Company and transferred to another company or that left the Company but did not transfer to another company:

None (1 January - 31 December 2019: None).

1 January - 31 December 2020				1 January - 31 December 2019		
	Number of Policies	Gross Premium	Net Premium	Number of Policies	Gross Premium	Net Premium
Individual	35.668	276.522.990	259.606.627	39.223	157.276.470	146.422.230
Corporate	144.687	197.970.136	190.878.261	157.976	125.820.081	121.889.501
Total	180.355	474.493.126	450.484.888	197.199	283.096.551	268.311.731

17.12 Number of units, gross/net premiums and individual/group allocation for life policyholders that joined the portfolio during the period:

1 January - 31 December 2020				1 January - 31 December 2019		
	Number of Policies	Gross Premium	Net Premium	Number of Policies	Gross Premium	Net Premium
Individual	9.648	17.389.236	17.389.236	14.636	19.949.121	19.949.121
Corporate	57.210	90.199.884	90.199.884	42.680	29.587.943	29.587.943
Total	66.858	107.589.120	107.589.120	57.316	49.537.064	49.537.064

17.13 Number of units, gross/net premiums and individual/group allocation of mathematical reserves for life policyholders that left the portfolio during the period:

1 January - 31 December 2020				1 January - 31 December 2019		
	Number of Policies	Gross Premium	Net Premium	Number of Policies	Gross Premium	Net Premium
Individual	9.557	3.592.761	3.592.761	3.425	3.294.062	3.294.062
Corporate	17.900	1.379.096	1.379.096	22.738	913.776	913.776
Total	27.457	4.971.857	1.992.163	26.163	4.207.838	4.207.838

17.14 Profit share allocation rate to the life policyholders:

None (1 January - 31 December 2019: None).

17.15 - 17.19 Other required information about liabilities from insurance agreements:

2020			
Outstanding claim provision	Gross	Reinsurers share	Net
Beginning of the period - 1 January	3.758.579	(1.596.361)	2.162.218
Payments	(29.550.042)	3.342.423	(26.207.619)
Increase in outstanding claim provision	37.389.155	(4.828.023)	32.561.131
End of the period - 31 December	11.597.692	(3.081.961)	8.515.730
Incurred but not reported claims	4.823.004	(1.366.495)	3.456.509
Total	16.420.696	(4.448.456)	11.972.239

2019			
Outstanding claim provision	Gross	Reinsurers share	Net
Beginning of the period - 1 January	2.382.603	(938.032)	1.444.571
Payments	(1.290.180)	210.000	(1.080.180)
Increase in outstanding claim provision	1.863.600	(475.745)	1.387.855
End of the period - 31 December	2.956.023	(1.203.777)	1.752.246
Incurred but not reported claims	802.556	(392.584)	409.972
Total	3.758.579	(1.596.361)	2.162.218

2020			
Unearned premium reserve	Gross	Reinsurers share	Net
Beginning of the period - 1 January	8.986.312	(2.554.276)	6.432.036
Net change	5.443.120	308.827	5.751.947
End of the period - 31 December	14.429.432	(2.245.449)	12.183.983

2019			
Unearned premium reserve	Gross	Reinsurers share	Net
Beginning of the period - 1 January	8.200.029	(2.351.222)	5.848.807
Net change	786.283	(203.054)	583.229
End of the period - 31 December	8.986.312	(2.554.276)	6.432.036

As of 31 December 2020, deferred commission expenses and revenues are TRY2.158.514 (31 December 2019: TRY2.239.434) and TRY2.729 (31 December 2019: TRY4.518), respectively. They are in the "Deferred

acquisition expenses" and "Deferred commission income" amounts in the balance sheet.

2020						
Equalization reserve	Life			Non-Life		
	Gross	Reinsurers share	Net	Gross	Reinsurers share	Net
Beginning of the period - 1 January	1.939.237	-	1.939.237	131.837	-	131.837
Net change	1.135.556	-	1.135.556	34.142	-	34.142
End of the period - 31 December	3.074.793		3.074.793	165.979		165.979
2019						
Equalization reserve	Life			Non-Life		
	Gross	Reinsurers share	Net	Gross	Reinsurers share	Net
Beginning of the period - 1 January	1.373.980	-	1.373.980	93.146	-	93.146
Net change	565.257	-	565.257	38.691	-	38.691
End of the period - 31 December	1.939.237	-	1.939.237	131.837	-	131.837
2020						
Life - Long-term products, expense allowance	Life			Non-Life		
	Gross	Reinsurers share	Net	Gross	Reinsurers share	Net
Beginning of the period - 1 January	1.514.764	-	1.514.764	-	-	-
Net change	5.587.063	-	5.587.063	-	-	-
End of the period - 31 December	7.101.827	-	7.101.827	-	-	-
2019						
Life - Long-term products, expense allowance	Life			Non-Life		
	Gross	Reinsurers share	Net	Gross	Reinsurers share	Net
Beginning of the period - 1 January	49.363	-	49.363	-	-	-
Net change	1.465.401	-	1.465.401	-	-	-
End of the period - 31 December	1.514.764	-	1.514.764	-	-	-

2020			
Bonuses and rebate provision	Gross	Reinsurers share	Net
Beginning of the period - 1 January	17.953.607	-	17.953.607
Net change	9.037.790	-	9.037.790
End of the period - 31 December	26.991.397		26.991.397

2019			
Bonuses and rebate provision	Gross	Reinsurers share	Net
Beginning of the period - 1 January	7.722.840	-	7.722.840
Net change	10.230.767	-	10.230.767
End of the period - 31 December	17.953.607	-	17.953.607

Mathematical reserve	2020	2019
Beginning of the period - 1 January		21.309.121
Written policies and increased fuses	28.285.596	15.874.729
Portfolio increase total	58.607.848	15.874.729
Expenses (-)	(3.645.939)	(2.584.176)
Termination and cancellations	(1.581.181)	(1.008.969)
Those that ended as a result of the realization of the risk (-)	(56.015)	(20.586)
Portfolio change	(3.669.167)	(3.247.868)
Portfolio decrease total	(8.952.302)	(6.861.599)
Gross mathematical provisions	49.655.546	30.322.251
Mathematical provisions reinsurers' share	(864.322)	(779.776)
End of the period - 31 December	48.791.224	29.542.475

18. Investment Contract Liabilities

None (31 December 2019: None).

19. Trade and Other Payables and Deferred Income

	31 December 2020	31 December 2019
Payables arising from pension operations (Note 47.1)	22.496.720	29.388.502
Other payables from operating activities (*)	17.747.849	256.864
Payables to intermediaries and insurers	2.590.087	3.678.348
Commission payables	26.414	51.155
Deferred commission income (Note 17)	2.729	4.518
Total short-term payables	42.863.799	33.379.387
Other miscellaneous payables (Note 47.1)	4.360.032	10.035.886
Other miscellaneous payables rediscount (-)	(1.389)	(10.311)
Total other payables	4.358.643	10.025.575
Payables arising from pension operations	3.773.417.739	2.419.138.628
Total long-term payables	3.773.417.739	2.419.138.628
Total trade and other payables, deferred income	3.820.640.181	2.462.543.590

(*) Related amount includes individual pension state contribution amounts. Since the reflection of the contributions to the account coincides with the official holiday, the state contributions were directed to private pension funds on January 4, 2021.

20. Borrowings

As of 31 December 2020 and 1 January 2020, the Company's total lease obligation and lease liabilities, which are recognized as part of the transition to IFRS 16 Leases, are as follows:

	31 December 2020	1 January 2020
Short- term leases liabilities	3.153.185	2.263.065
Long- term lease liabilities	3.686.574	4.232.615
Alternative borrowing rate and discount amount	(1.577.710)	(2.091.543)
Total lease liabilities	5.262.049	4.404.137

	2020	2019
Total lease liabilities as of 1 January	4.404.137	-
IFRS 16 transition effect	-	5.206.387
IFRS 16 rent increases	287.298	61.553
Rent payments	(2.514.817)	(2.214.993)
Borrowing costs	3.085.431	1.351.190
Total lease liabilities as of 31 December	5.262.049	4.404.137

21. Deferred Income Tax

The Company calculates deferred income tax assets and liabilities for the temporary differences in the balance sheet items arising due to the measurement in these financial statements and measurement in accordance with Tax Procedure Law.

The enacted tax rate used for the calculation of deferred income tax

assets and liabilities on temporary differences that are expected to be realised in the following periods under the liability method is 20% or 11% (31 December 2019: 22%). Under the aforementioned law stated in Note 2.18, the Company has calculated deferred tax assets and liabilities of 22% over temporary differences that will occur in 2019, 20% for subsequent years.

	Cumulative temporary differences		Deferred income tax assets/(liabilities)	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Deferred income tax assets				
Bonus and discount allowance	26.991.397	15.316.587	5.398.279	3.369.649
Expense share provision	7.101.827	1.514.764	1.420.365	333.248
Personnel premium provision	4.500.000	3.000.000	900.000	660.000
Equalization reserve	3.240.772	2.071.074	648.154	414.215
Sales campaign provision	2.701.543	1.921.911	540.309	422.820
Provision for doubtful receivables	1.801.474	878.959	360.295	193.371
Provision for employment termination benefits	1.013.424	681.917	202.685	136.383
Provision for unused vacation	937.983	943.634	187.597	207.599
Personnel sales premium provision	475.875	428.228	95.175	94.210
Tangible assets leases	276.305	479.395	55.261	105.467
Fund total expense deduction provision	-	309.228	-	68.030
Other provisions	1.366.714	188.198	273.397	41.404
			10.081.517	6.046.396
Deferred income tax liabilities				
Tangible and intangible fixed assets	(4.928.989)	(3.195.987)	(985.798)	(703.117)
			(985.798)	(703.117)
Net deferred income tax assets			9.095.719	5.343.279

Deferred income tax assets and liabilities are determined using tax rates and tax legislation that has been enacted at the balance sheet date and is expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

The movement of deferred tax assets during the period is as follows:

	2020	2019
Beginning of the period - 1 January	5.343.279	2.668.620
Deferred tax income (Note 35)	3.403.492	2.584.279
Deferred tax recognized under equity (Note 15)	348.948	90.380
End of period - 31 December	9.095.719	5.343.279

22. Retirement Benefit Obligations

	31 December 2020	31 December 2019
Provision for employment termination benefits	1.013.424	681.917
	1.013.424	681.917

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). After the changes made on 23 May 2002 in the legislation, some process of transition clauses related to the length of service before retirement have been omitted.

The amount payable consists of one month's salary limited to a maximum of TRY7.117.17 (31 December 2019: TRY6.379.86) for each year of service as of 31 December 2020. The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

IAS 19 requires actuarial valuation methods to be developed to

estimate the enterprise's obligation. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2020	31 December 2019
Discount rate per annum (%)	4.55	4.55
Turnover rate to estimate the probability of retirement (%)	94.54	94.23

The principal assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised annually, the maximum amount of TRY7.638.96 (1 January 2020: TRY6.730.15) which is effective from 1 January 2021, has been taken into consideration in calculating the provision for employment termination benefits. The movement in the provision for employment termination benefits in the current period is as follows:

	2020	2019
Opening balance - 1 January	681.917	304.714
Service cost	177.816	91.846
Profit cost	136.195	35.042
Paid during the period (-)	(120.824)	(206.469)
Actuarial gain/(loss)	138.320	456.784
Closing balance - 31 December	1.013.424	681.917

23. Provisions for Other Liabilities and Charges

The details of provisions that are classified under provisions for expense accruals in balance sheet are as follows:

	31 December 2020	31 December 2019
Personnel premium provision	4.500.000	3.000.000
Sales campaign provision	2.701.544	1.921.911
Allowance	937.983	943.634
Personnel sales premium provision	475.875	428.228
Other	-	203.624
	8.615.402	6.497.397

24. Net Insurance Premium Revenue

	1 January - 31 December 2020			1 January - 31 December 2019		
	Gross	Reinsurers share	Net	Gross	Reinsurers share	Net
Life	102.617.263	(5.659.262)	96.958.001	52.991.421	(5.146.988)	47.844.433
Personal accident	7.267.527	(1.852.200)	5.415.327	8.744.631	(2.501.968)	6.242.663
Health	37.339.856	(1.796.173)	35.543.683	5.319.265	(1.486.322)	3.832.943
End of period - 31 December	147.224.646	(9.307.635)	137.917.011	67.055.317	(9.135.278)	57.920.039

25. Fee Income

For the period ended 31 December 2020, the Company generated entrance fee income amount of TRY7.025.277 (1 January - 31 December 2019: TRY6.710.700) from pension branch.

26. Investment Income

The details of investment income are as follows:

	31 December 2020	31 December 2019
Participation account profit share income	9.914.904	10.833.823
Income from rental certificates	5.079.963	6.754.001
Rental certificate valuation revenues	2.379.512	544.669
Participation account valuation revenues	1.569.913	1.307.300
Exchange profit	1.138.546	-
Securities valuation income	769.831	-
Mutual fund realized income	651.202	486.836
Stock valuation income	444.010	-
	21.947.881	19.929.665

27. Net Accrual Gains on Financial Assets

None (31 December 2019: None).

28. Fair Value Gains on Assets at Fair Value Through Income

None (31 December 2019: None).

29. Insurance Benefits and Claims

Disclosed in Note 17.

30. Investment Contract Benefits

None (31 December 2019: None).

31. Other Expenses by Destination

Operating expenses classified under technical part	1 January-31 December 2020	1 Ocak - 31 December 2019
Pension	55.621.423	42.169.510
Life	29.207.922	19.879.914
Non-Life	11.810.281	6.068.271
Total (Note 32)	96.639.626	68.117.695

32. Expenses by Nature

	1 January-31 December 2020	1 Ocak - 31 December 2019
Production commission expenses	37.104.446	22.858.279
Personnel expenses (Note 33)	29.387.267	22.714.143
External benefits and services	13.342.066	7.806.383
Marketing sales expenses	5.106.656	4.635.411
IT expenses	4.025.290	2.632.587
Tax and notary expenses	2.552.846	1.713.258
Communication expenses	2.009.635	1.445.029
Advertising expenses	792.352	948.574
Education expenses	672.733	614.080
Union dues expenses	581.364	343.335
Rent expense	306	6.759
Other		2.399.857
Total (Note 31)	96.639.626	68.117.695

33. Employee Benefit Expense

	1 January-31 December 2020	1 Ocak - 31 December 2019
Salary payments	22.088.818	16.626.922
Social insurance institution premium employer share	3.101.049	2.380.001
Life and health insurance	1.283.089	848.735
Sales staff success premium	1.214.138	1.281.940
Expenses for lunch tickets	918.063	739.381
Other		837.164
Total (Note 32)	29.387.267	22.714.143

Total amount of the salaries and the benefits provided to top management such as the chairman and the members of the board of directors, general manager, general coordinator, assistant general managers and other executive management in the current period are disclosed in Note 1.6.

34. Finance Costs

Borrowing costs related to lease obligations are TRY1.335.538 (31 December 2019: 1.351.190).

35. Income Taxes

Tax income and expenses recognised in the statements of income for the years ended 31 December 2020 and 2019 are summarised below:

	31 December 2020	31 December 2019
Current period tax expense (-)	(15.266.085)	(9.895.805)
Deferred income tax	3.403.492	2.584.279
Total tax expense reflected in the income statement (-)	(11.862.593)	(7.311.526)

	31 December 2020	31 December 2019
Tax provision	(15.266.085)	(9.895.805)
Prepaid taxes (-)	12.676.669	7.381.664
Net tax debt	(2.589.416)	(2.514.141)

The settlement between the actual income tax calculated with the effective tax rate and the income tax provision calculated with the legal tax rate over the operating profit before tax pertaining to 1 January - 31 December 2020 and 2019 is detailed in the following table:

	1 January- 31 December 2020	1 January- 31 December 2019
Profit before deferred tax	53.722.677	34.756.882
Tax calculated according to the legal tax rate	(11.818.989)	(7.646.514)
Effect of income not subject to tax	(43.604)	334.988
Total tax expenses (-)	(11.862.593)	(7.311.526)

36. Net Foreign Exchange gains

As of 31 December 2020, the Company's foreign currency income from investment income is TRY372.181 (31 December 2019: TRY37.967).

37. Earnings per Share

Earnings per share is calculated by dividing net profit for the period into weighted average number of shares of the Company.

	1 January-31 December 2020	1 Ocak - 31 December 2019
Net profit for the period	41.860.084	27.445.356
Weighted average number of shares with nominal	72.000.000	40.000.000
Earnings per share (TRY)	0.58	0.69

38. Dividends per Share

None (31 December 2019: None).

39. Cash Generated from Operations

Disclosed in the statement of cash flow.

40. Convertible Bonds

None (31 December 2019: None).

41. Redeemable Preference Shares

None (31 December 2019: None).

42. Risks

As of 31 December 2020, the probable amount of liability (including dividends and other expenses) that will arise in the event that nine lawsuits against which the Company is responded against the Company is TRY1.541.745 (31 December 2019: TRY913.649).

43. Commitments

Total amount of mortgages or restrictions on assets:

	31 December 2020	31 December 2019
Bank deposits (Note 2.12 and Note 14)	31.767.242	30.154.770
Lease certificates	33.176.121	7.309.256
	64.943.363	37.464.026
Guarantee letters given	55.000	55.000
	55.000	55.000

44. Business Combinations

None (31 December 2019: None).

45. Related Party Transactions

The total amount of salaries and similar benefits provided to the top managers such as the chairman and members of the board of directors, senior manager and assistant general managers in the current period is explained in Note 1.6.

a) Payables from insurance activities

	31 December 2020	31 December 2019
Albaraka Türk Katılım Bankası A.Ş.	1.967.848	1.113.781
Kuveyt Türk Katılım Bankası A.Ş.	2.037.290	2.288.686
	4.005.138	3.402.467

b) Written premiums

	31 December 2020	31 December 2019
Albaraka Türk Katılım Bankası A.Ş.	392.023	356.855
Kuveyt Türk Katılım Bankası A.Ş.	26.417.554	85.882
	26.809.577	442.737

c) Gross paid commissions

	31 December 2020	31 December 2019
Kuveyt Türk Katılım Bankası A.Ş.	25.230.033	16.002.596
Albaraka Türk Katılım Bankası A.Ş.	9.842.806	7.066.460
	35.072.839	23.069.056

45.1 Doubtful receivables from shareholders, associates and subsidiaries:

None (31 December 2019: None).

45.2 Breakdown of associates and subsidiaries having an indirect shareholding and management relationship with the Company; names, participation rates and amounts of associates and subsidiaries; profit/loss and net profit/loss in the latest financial statements, the period of these financial statements, whether these financial statements are prepared in accordance with the accounting principles and standards as set out in the insurance legislation, whether they are independent audited and the opinion type of the independent audit report:

31 December 2020									
	%	Book Value	Restated Cost	Independent Audit Opinion	Financial Statement Period	Total Assets	Total Liabilities	Net Sales	Net Profit
Emeklilik Gözetim Merkezi A.Ş.	5.56	473.790	473.790	-	31 Aralık 2020	19.896.234	9.378.289	27.969.032	669.932

31 December 2019									
	%	Book Value	Restated Cost	Independent Audit Opinion	Financial Statement Period	Total Assets	Total Liabilities	Net Sales	Net Profit
Emeklilik Gözetim Merkezi A.Ş.	5.56	473.790	473.790	-	31 Aralık 2019	16.338.477	6.509.942	24.560.133	1.271.117

45.3 Bonus shares obtained through internally funded capital increases of equity investments and subsidiaries:

None (31 December 2019: None).

45.4 Rights on immovable and their value:

None (31 December 2019: None).

45.5 Guarantees, commitments and securities given for shareholders, investments and subsidiaries:

None (31 December 2019: None).

46. Events after the balance sheet date:

There is no other event that occurs after the balance sheet date, except for the matters specified in the footnotes.

47. Other

47.1 Details of “Other” items in the balance sheet which exceed 20% of its respective account group or 5% of total assets:

a) Receivables from pension operations

	31 December 2020	31 December 2019
Fund operating expenses deduction receivables	6.308.815	3.554.318
Receivables from participants	596.943	536.294
Entry fee provision	(81.910)	(83.881)
	6.823.848	4.006.731

b) Other expenses and income accruals for the coming months

	31 December 2020	31 December 2019
IT expenses	1.911.655	2.058.543
Personnel insurances	373.823	254.735
Advertising expenses	286.641	-
Other	52.746	71.961
	2.624.865	2.385.239

c) Other expenses and income accruals for the coming years

	31 December 2020	31 December 2019
IT expenses	436.848	585.359
Licence rent expense	14.717	-
	451.565	585.359

d) Payables from pension operations

	31 December 2020	31 December 2019
Participants temporary account	20.609.672	27.665.656
Payables to private pension agents	965.163	998.650
Payables to participants	669.346	559.529
Participants retraction	51.884	35.280
Other	200.655	129.387
	22.496.720	29.388.502

e) Other payables from operating activities

	31 December 2020	31 December 2019
Payables to suppliers	4.360.033	10.035.886
Other miscellaneous debt accrual (-)	(1.389)	(10.311)
	4.358.644	10.025.575

f) Other miscellaneous payables - short term

	31 December 2020	31 December 2019
Equalisation reserve	3.240.772	2.071.074
Equity expense share provision - short term	7.101.827	1.514.764
	10.342.599	3.585.838

g) Other technical provisions - short and long term

	1 January -31 December 2020	1 January -31 December 2019
Tax expenses	764.832	889.652
Disallowable expenses	47.628	60.240
Fixed asset sales losses	726	-
Other	860	51.488
	814.050	1.001.380

47.2 Due from and due to personnel classified in “Other receivables” and “Other short-term or long-term payables” that exceed 1% of total assets:

None (31 December 2019: None).

47.3 Claim recovery receivables followed under off-balance sheet items:

None (31 December 2019: None).

47.4 Other information required by Republic of Turkey Ministry of Treasury and Finance to be presented

Provision and rediscount (expenses)/income for the period:	1 January -31 December 2020	1 January -31 December 2019
Personnel premium provision	1.500.000	1.200.000
Provision for receivables from insurance activities	922.515	(263.855)
Sales campaign provision	779.632	(78.089)
Provision for employment termination benefit	308.065	(38.217)
Sales premium provision	47.647	(163.379)
Provision expense of unused vacation	(5.651)	311.721
Provision for receivables from retirement activities	(309.228)	(2.254)
Other	(9.274)	957
	3.233.706	966.884

F u t u r e S t a r t s F r o m T o d a y

www.katilimemeklilik.com.tr

0850 226 0 123