

AKSIGORTA A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD JANUARY 1 - JUNE 30, 2020
TOGETHER WITH AUDITOR'S REVIEW REPORT**



REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

To the Board of Directors of Aksigorta A.Ş.

Introduction

1. We have reviewed the accompanying condensed interim statement of financial position of Aksigorta A.Ş. (the “Company”) as of 30 June 2020 and the related condensed interim statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six -month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

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

Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

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

Adnan Akan, SMMM
Partner

Istanbul, 29 July 2020

AKSIGORTA A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - JUNE 30, 2020**

TABLE OF CONTENTS	PAGE
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION	1
CONDENSED INTERIM INCOME STATEMENT	2
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME.....	3
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	4
CONDENSED INTERIM STATEMENT OF CASH FLOWS.....	5
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	6-28

AKSIGORTA A.Ş.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION FOR THE PERIOD JANUARY 1 - JUNE 30, 2020

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

Assets	Note	Reviewed	Audited
		June 30, 2020	December 31, 2019
Total current assets		7,600,566,410	7,189,521,842
Cash and cash equivalents	9	1,359,077,338	2,063,042,512
Financial assets			
Marketable securities:			
- Available for sale at company's risk	8	1,749,749,031	702,319,600
- Available for sale at insurees' risk	8	1,875,338	1,806,587
- Held for trading at company's risk	8	214,729,576	590,751,326
- Held to maturity at company's risk	8	115,090,149	34,881,722
- Impairment in value of financial assets (-)	8	(692,487)	-
Premium receivables		834,978,623	715,107,728
Due from reinsurers		30,861,391	22,369,137
Reinsurance share of insurance liabilities	11	3,120,607,358	2,831,234,908
Deferred acquisition costs		149,126,489	176,322,242
Derivative financial assets		786,125	510,490
Other current assets		24,377,479	51,175,590
Total non-current assets		171,343,024	167,853,184
Tangible assets	5	22,531,960	23,163,809
Right of use of asset	5	27,587,302	26,128,904
Intangible assets	6	57,030,099	60,569,259
Investment properties		153,838	163,066
Equity securities:			
- Available for sale	8	531,050	430,032
Deferred income tax assets	13	63,436,580	57,248,860
Other non-current assets		72,195	149,254
Total assets		7,771,909,434	7,357,375,026
Liabilities	Note	Audited	Audited
		June 30, 2020	December 31, 2019
Total current liabilities		6,943,428,772	6,554,166,727
Obligations under repurchase agreements		-	47,970,865
Insurance liabilities	11	6,040,832,352	5,605,185,858
Payables due to main operations	12	669,016,263	596,443,293
Other financial liabilities		11,985,863	12,806,818
Derivative financial liabilities		-	29,597,359
Provisions for other liabilities and charges		72,059,822	59,947,386
Trade and other payables	12	91,665,151	145,576,602
Current income tax liabilities	13	55,249,833	52,831,979
Lease liabilities	12	2,619,488	3,806,567
Total non-current liabilities		37,898,195	32,996,385
Provision for retirement benefit obligation		8,266,365	7,052,711
Lease liabilities	12	29,631,830	25,943,674
Total equity		790,582,467	770,211,914
Shareholders' equity	10	306,000,000	306,000,000
Legal and other reserves	10	302,288,128	137,889,692
Actuarial loss arising from employee benefit	10	(5,167,237)	(4,518,213)
Available-for-sale investments fund	10	(6,447,794)	6,588,634
Retained earnings/accumulated deficit		193,909,370	324,251,801
Total equity and liabilities		7,771,909,434	7,357,375,026

The accompanying notes form an integral part of these condensed interim financial statement.

AKSIGORTA A.Ş.**CONDENSED INTERIM INCOME STATEMENT
FOR THE PERIOD JANUARY 1 - JUNE 30, 2020**

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

Income Statement	Note	Reviewed January 1 - June 30, 2020	Reviewed January 1 - June 30, 2019
Insurance premium revenue	14	2,252,202,065	1,811,240,018
Insurance premium ceded to reinsurers	14	(953,363,997)	(798,211,513)
Net insurance premium revenue	14	1,298,838,068	1,013,028,505
Investment income		185,908,194	163,143,259
Commission income		121,742,830	100,162,772
Other operating income		4,924,368	4,573,062
Net income		1,611,413,460	1,280,907,598
Insurance claims	16	(1,263,457,417)	(1,186,042,645)
Insurance claims recovered from reinsurers	16	467,136,496	433,591,522
Net insurance claims	16	(796,320,921)	(752,451,123)
Commission expense		(322,235,393)	(259,988,903)
Expenses for marketing and administration	15	(126,606,082)	(109,144,980)
Other operating expenses		(56,520,707)	(44,044,905)
Insurance claims and expenses		(1,301,683,103)	(1,165,629,911)
Results of operating activities		309,730,357	115,277,687
Foreign exchange gain / (loss), net		(2,710,258)	74,077,241
Profit before tax		307,020,099	189,354,928
Income tax expense	13	(71,004,094)	(49,170,056)
Profit for the period		236,016,005	140,184,872
Earnings per share		0.0077	0.0046

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

AKSİGORTA A.Ş.**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD JANUARY 1 - JUNE 30, 2020**

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

	Reviewed	Reviewed
	January 1 -	January 1 -
Statement of comprehensive income	June 30, 2020	June 30, 2019
Profit for the period	236,016,005	140,184,872
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Change in available-for-sale financial assets fund, net off deferred tax	(13,036,428)	2,628,167
Net other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods	(13,036,428)	2,628,167
Other comprehensive income not being reclassified to profit or loss in subsequent periods:		
Actuarial loss, net off deferred tax	(649,024)	(711,863)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	(649,024)	(711,863)
Other comprehensive income, net of tax	(13,685,452)	1,916,304
Total comprehensive income for the period, net of tax	222,330,553	142,101,176

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

AKSİGORTA A.Ş.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1 - JUNE 30, 2020

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

June 30, 2019							
	Note	Share capital	Available-for-sale investment funds	Legal reserves	Actuarial loss arising from employee benefit	Retained earnings	Total
Balances at December 31, 2018	10	306,000,000	(10,638,677)	112,230,612	(3,602,019)	242,280,529	646,270,445
Profit for the period		-	-	-	-	140,184,872	140,184,872
Transfer		-	-	25,659,080	-	(25,659,080)	-
Other comprehensive income		-	2,628,167	-	(711,863)	-	1,916,304
Total comprehensive income	10	-	2,628,167	25,659,080	(711,863)	114,525,792	142,101,176
Dividend payment		-	-	-	-	(201,960,000)	(201,960,000)
June 30, 2019	10	306,000,000	(8,010,510)	137,889,692	(4,313,882)	154,846,321	586,411,621
June 30, 2020							
	Note	Share capital	Available-for-sale investment funds	Legal reserves	Actuarial loss arising from employee benefit	Retained earnings	Total
Balances at December 31, 2019	10	306,000,000	6,588,634	137,889,692	(4,518,213)	324,251,801	770,211,914
Profit for the period		-	-	-	-	236,016,005	236,016,005
Transfer		-	-	164,398,436	-	(164,398,436)	-
Other comprehensive income		-	(13,036,428)	-	(649,024)	-	(13,685,452)
Total comprehensive income	10	-	(13,036,428)	164,398,436	(649,024)	71,617,569	222,330,553
Dividend payment		-	-	-	-	(201,960,000)	(201,960,000)
June 30, 2020	10	306,000,000	(6,447,794)	302,288,128	(5,167,237)	193,909,370	790,582,467

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

AKSIGORTA A.Ş.

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR PERIOD JANUARY 1 - JUNE 30, 2020**

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

Cash Flow Statement	Note	January 1 - June 30, 2020	January 1 - June 30, 2019
Cash inflows from insurance operations		2,700,010,327	2,676,381,968
Cash outflows from insurance operations		(2,374,085,431)	(2,513,810,980)
Income tax payment		(71,352,598)	(31,558,719)
Cash outflows from operational expenses		(170,679,060)	(88,887,046)
Net cash flows from operating activities		83,893,238	42,125,223
Tangible and intangible asset acquisitions / disposals		(14,673,855)	(13,722,362)
Financial asset acquisitions / disposals		(695,663,645)	(25,089,780)
Interest received		146,750,008	140,955,368
Other cash (outflows)/inflows		(45,428,843)	22,558,356
Net cash flows (outflow)/inflow from investing activities		(609,016,335)	124,701,582
Dividends paid		(201,960,000)	(201,960,000)
Financial lease debts payments		(7,775,170)	(3,041,048)
Net cash (outflow)/inflows from financing operations		-	-
Net decrease in cash and cash equivalents		(734,858,267)	(38,174,243)
Cash and cash equivalents at the beginning of the period		1,831,766,957	1,763,461,138
Cash and cash equivalents at the end of the period	9	1,096,908,690	1,725,286,895

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

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2020

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

1. General Information

Aksigorta A.Ş. (the "Company") is a joint venture of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of June 30, 2020. 38.02% (December 31, 2019: 38.02%) of the Company is issued in Borsa İstanbul ("BİST") (Note 2.3).

Agreement about the sale of 50% of 18,965,880,200 units of Aksigorta A.Ş. shares with TL 189,658,802 nominal value that belong to H.Ö. Sabancı Holding ("Holding") portfolio was signed with Ageas Insurance International N.V. ("Ageas") at 18 February 2011. At the date of 29 July 2011, 9,482,940,100 units of Aksigorta A.Ş. shares that correspond to 50% of the Holding's portfolio have been transferred to Ageas Insurance International N.V. with the sale price (excluding the corrections) of USD 220,029,000. According to the joint administration agreement, which was signed between Holding and Ageas at 18 February 2011, Holding's previous administrative controls over Aksigorta A.Ş. are going to remain equally with Ageas.

The Company is a corporation, which was established in accordance with the requirements of Turkish Commercial Code and registered in Turkey as at 25 April 1960. The Company is located at Poligon Cad. Buyaka 2 Sitesi No:8 Kule:1 Kat:0-6 Ümraniye 34771, İstanbul.

The Company's main operations include insurance activities based on non-life insurance branches, including primarily motor third party liability, motor, fire, marine, accident, personal accident, engineering, agriculture and health.

Average numbers of employees during the period by category are as follows:

	June 30, 2020	December 31, 2019
Top and middle management	108	130
Other personnel	560	534
Total	668	664

Remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing directors amount to TL 4,173,680 in total for January 1 - June 30, 2020 (January 1 - June 30, 2019: TL 3,709,315).

Financial statements include only one company (Aksigorta A.Ş.) and the Company does not have any subsidiaries or affiliates as of June 30, 2020 (December 31, 2019: None).

The Company's interim condensed financial statements as of June 30, 2020 are approved and authorized for issuance as of July 29, 2020 by the Board of Directors.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2020**

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements at June 30, 2020 have been prepared in accordance with International Financial Reporting Standard as defined by IAS 1. In accordance with the International Accounting Standard No: 34 “Interim Financial Reporting”, entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Company has preferred to prepare condensed financial statements in the interim periods. Additionally, the accounting policies used in the preparation of the condensed interim financial statements for the period ended June 30, 2020 are consistent with those used in the preparation of annual financial statements for the year ended December 31, 2019. Accordingly, the financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements as at December 31, 2019 and any public announcement made by the Company during the period.

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (“TL”) in accordance with the Insurance Law numbered 5684 and the regulations issued for insurance and reinsurance companies by the Undersecretary of Treasury which is also the functional currency of the Company. These financial statements are based on the statutory records, with adjustments and reclassifications, for the purpose of fair presentation in accordance with IFRS.

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise its judgements in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to financial statements are disclosed in Note 3.

Comparative information and restatement of prior period financial statements

The Company’s statement of financial position as of June 30, 2020 is presented in comparison with its statement of financial position as of December 31, 2019; statement of comprehensive income, statement of changes in equity and statement of cash flows for the period between January 1 - June 30, 2020 are presented in comparison with its statement of comprehensive income, statement of changes in equity and statement of cash flows for the period between January 1 - June 30, 2019.

2.2 Adoption of New and Revised Standards

The new standards, amendments and interpretations

The accounting policies applied in the preparation of the financial statements as of January 1 - June 30, 2020 are consistent with those applied in the preparation of the financial statements as of December 31, 2019, except for the new standards and amended IAS/IFRS standards which are valid as of January 1, 2020 and International Financial Reporting Interpretations Committee’s (“IFRIC”) interpretations summarized below.

Standards, amendments and interpretations applicable as at 30 June 2019:

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2020**

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

Standards, amendments and interpretations applicable as at 30 June 2019 (Continued):

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 - Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest 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.

Standards, amendments and interpretations that are issued but not effective as at 30 June 2020:

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.

Standard will be implemented for the periods after January 1, 2023. The Company assesses the effects of the standard on the financial situation and performance.

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.

The Company assesses the effects of the standards above on the financial situation and performance.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2020

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

Standards, amendments and interpretations that are issued but not effective as at 30 June 2020 (Continued):

Several narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16; effective from Annual periods beginning on or after 1 January 2022.

- **Amendments to IFRS 3**, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to IAS 16**, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to IAS 37**, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.
- **IAS 23**, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

2.3 Share capital

As of June 30, 2020, the Company's nominal capital is TL 306,000,000 (December 31, 2019: TL 306,000,000). Share capital is represented by 30,600,000,000 of equity shares having a nominal amount of TL 0,01 each.

The share capital structure of the Company is as follows:

Name of shareholders	June 30, 2020		December 31, 2019	
	Share	Share amount	Share	Share amount
H. Ömer Sabancı Holding A.Ş.	36.00	110,160,000	36.00	110,160,000
Ageas Insurance International NV	36.00	110,160,000	36.00	110,160,000
Publicly quoted shares	28.00	85,680,000	28.00	85,680,000
Total	100.00	306,000,000	100.00	306,000,000

Agreement about the sale of 50% of 18,965,880,200 units of Aksigorta A.Ş. shares with nominal value of TL 189,658,802 that belong to H.Ö. Sabancı Holding ("Holding") portfolio, was signed with Ageas Insurance International N.V. at 18 February 2011. 9,482,940,100 units of Aksigorta A.Ş. shares that correspond to 50% of the Holding's portfolio has been transferred to Ageas Insurance International N.V. on 29 July 2011 with a sale price of USD 220,029,000 except for adjustments to sale price.

The Company has accepted the registered capital system set out in accordance with the provisions of Law No: 2499 and applied the system as of June 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As of June 30, 2020, the Company's registered share capital is TL 500,000,000 (December 31, 2019: TL 500,000,000).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2020**

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

3. Critical accounting estimates and judgements

Preparation 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 statement of financial position 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 one of the most critical accounting estimates. Estimation of the insurance liabilities, by nature, includes the evaluation of several uncertainties.

Impact of Covid - 19

The impact of Covid-19 (Coronavirus) pandemic to the Company’s operations and financial results has been monitored and actions have been immediately taken for the Company to mitigate the impacts of the pandemic. In connection with the Covid-19 pandemic and parallel to the current conditions/slowdown in the global and Turkish economy. In the meantime, the Company has taken measures for savings on operational and capital expenditures. Cash management strategies have been reviewed for a stronger liquidity position.

In preparation of the condensed interim consolidated financial statements as of 30 June 2020, the Company has assessed the possible impacts of Covid-19 pandemic on the financial statements and reviewed the critical estimates and assumptions. Within this scope, the Company has tested the financial assets, tangible and intangible assets for a possible impairment and no impairments were identified. The Company has also tested the assumptions for the measurement of insurance liabilities.

In accordance with the announcement issued on April 29, 2020, by the Ministry of Treasury and Finance - General Directorate of Insurance , the sixth clause of the article 4, titled “Principles for the determination of insurance premiums” of the Regulation on the Principles of Compulsory Financial Liability Tariffs, Undersecretary of Treasury may impose special rules for the sharing of premiums and claims among insurers with high risk. The premium of these insured is determined by the Undersecretary of Treasury, based on provision; it has been decided to extend the validity period of the policies in the scope of MTPL risk insured pool with an expiry date between April 30, 2020 and May 31, 2020 for a period of 1 month without additional premium.

4. Segment information

Information related to the operational reporting made by the Company to the chief operating decision-maker in accordance with the “IFRS 8 - Operating Segments” is disclosed in this part.

Numerical limits in “IFRS 8 - Operating Segments” is also considered as the reporting to the chief operating decision-maker in the determination of segments and the premium production and net technical income of the segments are considered while determining a separate operating segment.

The Company has been operating in Turkey. Since the effect of the foreign operations on financial statements is extremely low, geographic segment information is not given.

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

AS AT JUNE 30, 2020

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

4. Segment information (Continued)

Segment results for period January 1 - June 30, 2020 is as follows:

January 1 - June 30, 2020	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	82,334,365	15,163,987	413,661,117	631,243,198	51,282,587	53,621,879	51,530,935	-	1,298,838,068
Earned Premiums (Net of Reinsurer Share)	82,334,365	15,163,987	413,661,117	631,243,198	51,282,587	53,621,879	51,530,935	-	1,298,838,068
Premiums (Net of Reinsurer Share)	87,003,190	15,403,318	419,231,504	593,827,612	53,191,649	42,962,736	47,032,163	-	1,258,652,172
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(4,668,825)	(239,331)	(5,570,387)	37,415,586	(1,909,062)	10,659,143	4,498,772	-	40,185,896
TECHNICAL EXPENSES	(88,232,810)	(7,806,175)	(346,673,683)	(597,412,434)	(43,211,972)	(32,401,282)	(59,277,549)	-	(1,175,015,905)
Total Claims (Net of Reinsurer Share)	(50,193,951)	(3,854,823)	(227,737,397)	(455,418,115)	(18,298,361)	(4,629,113)	(36,189,161)	-	(796,320,921)
Claims Paid (Net of Reinsurer Share)	(29,104,245)	(3,256,557)	(209,869,685)	(312,432,603)	(11,420,752)	(2,776,114)	(11,809,155)	-	(580,669,111)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(21,089,706)	(598,266)	(17,867,712)	(142,985,512)	(6,877,609)	(1,852,999)	(24,380,006)	-	(215,651,810)
Commission income/(expenses) (Net)	(11,498,537)	(2,604,492)	(77,776,476)	(65,105,651)	(14,580,395)	(20,515,896)	(8,411,116)	-	(200,492,563)
Operating Expenses	(23,503,083)	(787,474)	(28,172,267)	(47,363,480)	(8,441,448)	(5,561,992)	(12,776,338)	-	(126,606,082)
Other Operating Income / Expenses	(3,037,239)	(559,386)	(12,987,543)	(29,525,188)	(1,891,768)	(1,694,281)	(1,900,934)	-	(51,596,339)
Technical Profit	(5,898,445)	7,357,812	66,987,434	33,830,764	8,070,615	21,220,597	(7,746,614)	-	123,822,163
Investment income	-	-	-	-	-	-	-	185,908,194	185,908,194
Foreign exchange income	-	-	-	-	-	-	-	(2,710,258)	(2,710,258)
Tax expense	-	-	-	-	-	-	-	(71,004,094)	(71,004,094)
Net Profit / (Loss)	(5,898,445)	7,357,812	66,987,434	33,830,764	8,070,615	21,220,597	(7,746,614)	112,193,842	236,016,005

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

AS AT JUNE 30, 2020

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

4. Segment information (Continued)

Segment results for period January 1 - June 30, 2019 is as follows:

January 1 - June 30, 2019	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	95,604,371	13,871,118	375,378,155	421,922,602	52,690,529	41,274,303	12,287,427	-	1,013,028,505
Earned Premiums (Net of Reinsurer Share)	95,604,371	13,871,118	375,378,155	421,922,602	52,690,529	41,274,303	12,287,427	-	1,013,028,505
Premiums (Net of Reinsurer Share)	114,534,149	14,504,800	394,187,741	499,497,194	58,082,018	54,024,356	12,379,206	-	1,147,209,464
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(18,929,778)	(633,682)	(18,809,586)	(77,574,592)	(5,391,489)	(12,750,053)	(91,779)	-	(134,180,959)
TECHNICAL EXPENSES	(79,917,491)	(5,721,020)	(369,953,676)	(476,936,162)	(63,990,921)	(34,431,037)	(29,943,770)	-	(1,060,894,077)
Total Claims (Net of Reinsurer Share)	(38,872,456)	(3,721,978)	(276,761,159)	(379,929,274)	(38,706,598)	(9,029,078)	(5,430,580)	-	(752,451,123)
Claims Paid (Net of Reinsurer Share)	(42,208,338)	(2,454,332)	(259,541,420)	(260,768,582)	(10,023,398)	(4,249,375)	(3,228,910)	-	(582,474,355)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	3,335,882	(1,267,646)	(17,219,739)	(119,160,692)	(28,683,200)	(4,779,703)	(2,201,670)	-	(169,976,768)
Commission income/(expenses) (Net)	(12,220,580)	(778,113)	(46,920,384)	(45,778,255)	(13,852,172)	(17,780,254)	(22,496,373)	-	(159,826,131)
Operating Expenses	(25,429,901)	(728,417)	(35,335,376)	(30,353,259)	(9,561,307)	(6,156,182)	(1,580,538)	-	(109,144,980)
Other Operating Income / Expenses	(3,394,554)	(492,512)	(10,936,757)	(20,875,374)	(1,870,844)	(1,465,523)	(436,279)	-	(39,471,843)
Technical Profit	15,686,880	8,150,098	5,424,479	(55,013,560)	(11,300,392)	6,843,266	(17,656,343)	-	(47,865,572)
Investment income	-	-	-	-	-	-	-	163,143,259	163,143,259
Foreign exchange income	-	-	-	-	-	-	-	74,077,241	74,077,241
Tax expense	-	-	-	-	-	-	-	(49,170,056)	(49,170,056)
Net Profit / (Loss)	15,686,880	8,150,098	5,424,479	(55,013,560)	(11,300,392)	6,843,266	(17,656,343)	188,050,444	140,184,872

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2020

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

5. Tangible assets

As of June 30, 2020 and 2019 tangible assets movement and its accumulated depreciation is as follows:

Costs:	January 1, 2020	Additions	Disposals	Transfers	June 30, 2020
Property for operational use	1,598,569	-	-	-	1,598,569
Motor vehicles	2,720,001	-	-	-	2,720,001
Furniture and fixtures and leased tangible assets	27,612,750	2,479,080	(539,580)	-	29,552,250
Other tangible assets (including leasehold improvements)	21,347,617	334,940	-	-	21,682,557
Right of use of asset	34,372,885	6,272,195	-	-	40,645,080
Total	87,651,822	9,086,215	(539,580)	-	96,198,457
Accumulated depreciation: (-)					
Property for operational use	(601,219)	(15,898)	-	-	(617,117)
Motor vehicles	(549,962)	(270,514)	-	-	(820,476)
Furniture and fixtures and leased tangible assets	(17,306,145)	(2,022,459)	529,072	-	(18,799,532)
Other tangible assets	(11,657,802)	(1,126,490)	-	-	(12,784,292)
Right of use of asset	(8,243,981)	(4,813,797)	-	-	(13,057,778)
Total	(38,359,109)	(8,249,158)	529,072	-	(46,079,195)
Net book value	49,292,713				50,119,262
Costs:	January 1, 2019	Additions	Disposals	Transfers	June 30, 2019
Property for operational use	1,598,569	-	-	-	1,598,569
Motor vehicles	2,720,001	-	-	-	2,720,001
Furniture and fixtures and leased tangible assets	23,741,539	2,537,066	(704,504)	-	25,574,101
Other tangible assets (including leasehold improvements)	21,052,437	47,390	-	-	21,099,827
Right of use of asset	33,797,961	-	-	-	33,797,961
Total	82,910,507	2,584,456	(704,504)	-	84,790,459
Accumulated depreciation: (-)					
Property for operational use	(569,248)	(15,854)	-	-	(585,102)
Motor vehicles	(5,962)	(269,764)	-	-	(275,726)
Furniture and fixtures and leased tangible assets	(14,906,985)	(1,396,679)	607,094	-	(15,696,570)
Other tangible assets	(9,300,583)	(1,212,511)	-	-	(10,513,094)
Right of use of asset	-	(4,063,414)	-	-	(4,063,414)
Total	(24,782,778)	(6,958,222)	607,094	-	(31,133,906)
Net book value	58,127,729				53,656,553

The Company has not accounted for any impairment provision for tangible fixed assets in the current period.

Total depreciation expense is TL 23,112,700 (January 1 - June 30, 2019: TL 15,656,258).

AKSIGORTA A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2020**

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

6. Intangible assets

Costs:	January 1,2020	Additions	Disposals	Transfers	June 30,2020
Rights	134,184,258	7,435,492	(2,250)	1,492,986	143,110,486
Advances given for intangible assets	3,489,088	3,882,513	-	(1,492,986)	5,878,615
Total	137,673,346	11,318,005	(2,250)	-	148,989,101
Accumulated depreciation: (-)					
Rights	(77,104,087)	(14,855,040)	125	-	(91,959,002)
Total	(77,104,087)	(14,855,040)	125	-	(91,959,002)
Net book value	60,569,259				57,030,099
Costs:	January 1,2019	Additions	Disposals	Transfers	June 30,2019
Rights	111,808,560	9,670,346	(275,900)	-	121,203,006
Advances given for intangible assets	1,949,163	1,467,560	-	-	3,416,723
Total	113,757,723	11,137,906	(275,900)	-	124,619,729
Accumulated depreciation: (-)					
Rights	(58,117,829)	(8,698,036)	215,814	-	(66,600,051)
Total	(58,117,829)	(8,698,036)	215,814	-	(66,600,051)
Net book value	55,639,894				58,019,678

7. Management of insurance and financial risk**Foreign currency risk**

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities. These risks are monitored by the analysis of exchange rate position. The details of the Company's foreign currency denominated assets and liabilities as of June 30, 2020 and December 31, 2019 are disclosed below:

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2020

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

7. Management of insurance and financial risk (Continued)

June 30, 2020			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	9,661,733	6.8422	66,107,510
EUR	2,609,671	7.7082	20,115,866
GBP	38,120	8.4282	321,283
CHF	87,829	7.2161	633,783
Other	23,165	0.0637	1,476
Total			87,179,918
Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	38,115,652	6.8422	260,794,914
Total			260,794,914
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	47,753,755	6.8422	326,740,742
EUR	12,808,345	7.7082	98,729,285
GBP	119,729	8.4282	1,009,100
Total			426,479,127
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(9,100,949)	6.8422	(62,270,513)
EUR	(1,065,632)	7.7082	(8,214,105)
Total			(70,484,618)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(47,258,589)	6.8422	(323,352,718)
EUR	(12,392,707)	7.7082	(95,525,464)
Other			(649,500)
Total			(419,527,682)
Payables from Suppliers	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(399,163)	6.8422	(2,731,153)
Total			(2,731,153)
Net Foreign Currency Position			281,710,506

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2020

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

7. Management of insurance and financial risk (Continued)

December 31, 2019			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
EUR	2,401,308	6.6506	15,970,139
USD	2,405,752	5.9402	14,290,648
GBP	130,106	7.7765	1,011,769
CHF	100,218	6.0932	610,648
Other	943	0.0543	51
Total			31,883,255
Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	30,724,479	5.9402	182,509,550
Total			182,509,550
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	46,809,061	5.9402	278,055,184
EUR	15,914,733	6.6506	105,842,523
GBP	76,635	7.7765	595,952
CHF	96,229	6.0932	586,343
Total			385,080,002
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(11,809,266)	5.9402	(70,149,402)
EUR	(2,454,675)	6.6506	(16,325,062)
Total			(86,474,464)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(49,015,172)	5.9402	(291,159,925)
EUR	(7,960,738)	6.6506	(52,943,684)
Other			(1,964,019)
Total			(346,067,628)
Payables from Suppliers	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(743,357)	5.9402	(4,415,689)
EUR	(115,922)	6.6506	(770,951)
Total			(5,186,640)
Net Foreign Currency Position			161,744,075

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

AS AT JUNE 30, 2020

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

7. Management of insurance and financial risk (Continued)

Liquidity risk

Liquidity risk is the possibility of non-performance of the Company's due liabilities. Events that give rise to funding shortages, such as; market deteriorations and decrease in credit ratings, are the main reasons of liquidity risk. The Company manages its liquidity risk through having adequate cash and cash equivalents in order to fulfill its current and possible liabilities by allocating its funds.

The company implements strategies and policies to ensure that liquidity risk is managed effectively due to the Coronavirus (Covid-19) outbreak worldwide.

Table of liquidity risk as of June 30, 2020 is as follows:

June 30, 2020	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	886,757,523	360,858,970	3,166,241	-	-	108,294,604	1,359,077,338
Financial assets available for sale	13,712,370	41,212,742	660,294,620	712,732,166	178,739,060	143,058,073	1,749,749,031
Financial assets held for trading	114,831,778	-	-	-	-	99,897,798	214,729,576
Financial assets held to maturity	-	-	11,507,255	103,582,894	-	-	115,090,149
Investments on policyholders' risk	-	-	-	1,875,338	-	-	1,875,338
Impairment in value of financial assets (-)	-	-	(692,487)	-	-	-	(692,487)
Receivables from main operations	240,781,137	188,052,164	396,854,320	9,291,002	-	-	834,978,623
Due from reinsurance companies	-	30,861,391	-	-	-	-	30,861,391
Reinsurers' share of insurance liabilities	1,310,237,729	919,219,673	726,932,873	151,051,173	13,165,910	-	3,120,607,358
Equity securities	-	-	-	-	-	531,050	531,050
Derivative financial assets	-	-	786,125	-	-	-	786,125
Other assets	-	-	-	-	-	173,503,968	173,503,968
Assets	2,566,320,537	1,540,204,940	1,798,848,947	978,532,573	191,904,970	525,285,493	7,601,097,460
Obligations under repurchase agreements	-	-	-	-	-	-	-
Financial liabilities	11,985,863	-	2,619,488	-	-	-	14,605,351
Taxes and other liabilities	-	55,249,833	-	-	-	-	55,249,833
Insurance liabilities	2,387,705,373	1,855,187,628	1,503,526,026	271,250,663	23,162,662	-	6,040,832,352
Payables due to main operations	455,983,460	150,094,034	62,938,769	-	-	-	669,016,263
Provisions for other liabilities and charges	-	-	67,938,040	1,256,495	-	2,865,287	72,059,822
Trade and other payables	-	-	146,914,984	-	-	-	146,914,984
Liabilities	2,855,674,696	2,060,531,495	1,728,687,474	272,507,158	23,162,662	2,865,287	6,943,428,772
Liquidity surplus/(deficit)	(289,354,159)	(520,326,555)	70,161,473	706,025,415	168,742,308	522,420,206	657,668,688

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

AS AT JUNE 30, 2020

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

7. Management of insurance and financial risk (Continued)

Table of liquidity risk as of December 31, 2019 is as follows:

December 31, 2019	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	942,019,120	1,080,190,601	20,293,159	-	-	20,539,632	2,063,042,512
Financial assets available for sale	20,993,443	16,816,813	114,942,696	415,543,534	56,413,071	77,610,043	702,319,600
Financial assets held for trading	448,138,096	-	-	-	-	142,613,230	590,751,326
Financial assets held to maturity	-	-	-	34,881,722	-	-	34,881,722
Investments on policyholders' risk	-	-	-	1,806,587	-	-	1,806,587
Receivables from main operations	235,458,533	200,768,514	248,829,307	30,051,374	-	-	715,107,728
Due from reinsurance companies	-	22,369,137	-	-	-	-	22,369,137
Reinsurers' share of insurance liabilities	1,183,976,273	947,174,701	523,442,442	164,782,779	11,858,713	-	2,831,234,908
Equity securities	-	-	-	-	-	430,032	430,032
Derivative financial assets	-	-	510,490	-	-	-	510,490
Other assets	-	-	227,497,832	-	-	-	227,497,832
Assets	2,830,585,465	2,267,319,766	1,135,515,926	647,065,997	68,271,784	241,192,937	7,189,951,874
Obligations under repurchase agreements	47,970,865	-	-	-	-	-	47,970,865
Financial liabilities	-	12,806,818	3,806,567	-	-	-	16,613,385
Taxes and other liabilities	-	52,831,979	-	-	-	-	52,831,979
Insurance liabilities	2,152,457,276	1,907,803,325	1,211,135,551	313,295,091	20,494,615	-	5,605,185,858
Payables due to main operations	283,517,463	182,770,356	117,966,682	12,188,792	-	-	596,443,293
Provisions for other liabilities and charges	-	-	56,664,751	1,230,853	-	2,051,782	59,947,386
Trade and other payables	21,696,551	138,326,863	67,982,526	-	-	-	228,005,940
Liabilities	2,505,642,155	2,294,539,341	1,457,556,077	326,714,736	20,494,615	2,051,782	6,606,998,706
Liquidity surplus/(deficit)	324,943,310	(27,219,575)	(322,040,151)	320,351,261	47,777,169	239,141,155	582,953,169

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2020

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

8. Financial assets

Available for sale debt securities:

June 30, 2020			
	Cost Value	Fair Value	Book Value
Private bonds	677,189,635	686,999,410	686,999,410
Eurobonds	613,855,126	611,599,642	611,599,642
Government bonds	294,512,444	308,091,906	308,091,906
Equities	150,416,408	143,058,073	143,058,073
Total	1,735,973,613	1,749,749,031	1,749,749,031

December 31, 2019			
	Cost Value	Fair Value	Book Value
Private bonds	326,266,711	333,690,554	333,690,554
Eurobonds	152,806,509	152,749,578	152,749,578
Government bonds	133,150,541	137,902,513	137,902,513
Equities	70,267,685	77,976,955	77,976,955
Total	682,491,446	702,319,600	702,319,600

Held for trading at insurees risk:

June 30, 2020			
	Cost Value	Fair Value	Book Value
Reverse repo	114,807,482	114,831,778	114,831,778
Investment funds	71,700,788	99,897,798	99,897,798
Total	186,508,270	214,729,576	214,729,576

December 31, 2019			
	Cost Value	Fair Value	Book Value
Reverse repo	447,999,882	448,138,096	448,138,096
Investment funds	116,663,610	142,613,230	142,613,230
Total	564,663,492	590,751,326	590,751,326

Financial assets at insurees' risk:

June 30, 2020			
	Cost Value	Fair Value	Book Value
Government bonds	1,647,665	1,875,338	1,875,338
Total	1,647,665	1,875,338	1,875,338

December 31, 2019			
	Cost Value	Fair Value	Book Value
Government bonds	1,647,665	1,806,587	1,806,587
Total	1,647,665	1,806,587	1,806,587

AKSIGORTA A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2020**

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

8. Financial assets (Continued)**Held to maturity:**

June 30, 2020			
	Cost Value	Fair Value	Book Value
Eurobond	102,109,260	15,449,600	103,582,895
Government bonds	9,194,956	14,619,344	11,507,254
Total	111,304,216	30,068,944	115,090,149

December 31, 2019			
	Cost Value	Fair Value	Book Value
Eurobond	23,431,170	24,095,114	24,027,260
Government bonds	9,194,956	12,411,600	10,854,462
Total	32,626,126	36,506,714	34,881,722

List of the investments and fair values is as below:

June 30, 2020			
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Tarsim	531,050	-	531,050
Total	531,050	-	531,050

December 31, 2019			
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Tarsim	430,032	-	430,032
Total	430,032	-	430,032

Fair Value Hierarchy

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

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

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

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

AKSİGORTA A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2020**

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

8. Financial assets (Continued)

	June 30, 2020	Level 1	Level2	Level 3
Available for sale at company's risk	1,749,749,031	1,749,749,031	-	-
Held for trading at company's risk	214,729,576	214,729,576	-	-
Held to maturity at company's risk	115,090,149	115,090,149	-	-
Available for sale at insurees' risk	1,875,338	1,875,338	-	-
Equity securities, net	531,050	-	-	531,050
Total	2,081,975,144	2,081,444,094	-	531,050

	December 31, 2019	Level 1	Level2	Level 3
Available for sale at company's risk	702,319,600	702,319,600	-	-
Held for trading at company's risk	590,751,326	590,751,326	-	-
Held to maturity at company's risk	34,881,722	34,881,722	-	-
Available for sale at insurees' risk	1,806,587	1,806,587	-	-
Equity securities, net	430,032	-	-	430,032
Total	1,330,189,267	1,329,759,235	-	430,032

9. Cash and cash equivalents

The details of cash and cash equivalents of the Company are as follows:

	June 30, 2020	December 31, 2019
Cash at banks	888,052,819	1,356,583,321
-time deposits	779,758,215	1,336,043,689
-demand deposits	108,294,604	20,539,632
Bank guaranteed credit card receivables with maturity less than 3 months	471,024,519	706,459,191
Total cash and cash equivalents	1,359,077,338	2,063,042,512

The maturities of the Company's time deposits as of June 30, 2020 are less than six months (December 31, 2019: Less than six months).

Cash and cash equivalents that are included in the statements of cash flows for the periods January 1 - June 30, 2020 and 2019 are as follows:

	June 30, 2020	December 31, 2019
Total cash and cash equivalents	1,359,077,338	2,063,042,512
Interest accrual on cash at banks (-)	(1,270,878)	(2,557,348)
Blocked time deposits	(210,897,770)	(178,718,207)
Blocked credit card receivables	(50,000,000)	(50,000,000)
Cash and cash equivalents per statement of cash flow	1,096,908,690	1,831,766,957

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2020

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

9. Cash and cash equivalents (Continued)

Weighted average interest rates of time deposits:

	June 30, 2020	December 31, 2019
TL	6,00 – 8,80	10.65 - 18
USD	0,10 - 1,25	1.25
EUR	0,01 - 0,05	0.20 - 0.35

10. Equity

As of June 30, 2020, the Company's total amount of nominal shares is 30,600,000,000 (December 31, 2019: 30,600,000,000) which has all been paid. The face value of the Company's common stocks is TL 0,01 each and the total nominal amount is TL 306,000,000 (December 31, 2019: TL 306,000,000).

Movement of common stocks at opening balance and closing balance is as follows:

	January 1, 2020		Issued Capital		Amortised		June 30, 2020	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
Paid								
Total	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000

	January 1, 2019		Issued Capital		Amortised		June 30, 2019	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
Total	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000

Movement of legal reserves is as follows:

Legal Reserves	2020	2019
Opening balance, January 1	137,889,692	112,230,612
Transfers from retained earnings	164,398,436	25,659,080
Closing balance, June 30	302,288,128	137,889,692

Actuarial gain / (loss)

In accordance with changes regarding "IAS 19 - Employee Benefits" effective as of January 1, 2013, actuarial loss amounting to TL 6,459,046 (net-off deferred tax: TL 5,167,237) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity.

Movement of actuarial loss arising from employee benefit is as follows:

Actuarial Loss	2020	2019
Opening balance, January 1	(6,459,046)	4,502,523
Change for the period	1,291,809	889,829
Closing balance, June 30	(5,167,237)	5,392,352

AKSIGORTA A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2020**

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

10. Equity (Continued)***Available for sale investments fund (Continued):***

Available for sale investments fund	2020	2019
Opening balance, January 1	6,588,634	(10,638,677)
Increase/decrease in value recognized under the shareholders' equity in the current period	(13,036,428)	2,628,167
Closing balance, June 30	(6,447,794)	(8,010,510)

Dividend payment - Covid-19

According to the Law No. 7244 published in the Official Gazette dated April 17, 2020, the Law on Reducing the Effects of the New Corona Virus (Covid-19) on economic and social life and with the amendment made in the Turkish Commercial Code, it has been decided that maximum twenty-five percent of the net profit of the year 2019 can be distributed as dividends until September, 30, 2020. If the General Assembly has decided to distribute dividends for the fiscal year of 2019, but the shareholders have not yet been paid or partial payments have been made, payments for the portion exceeding twenty five percent of the net profit for 2019 will be postponed until the end of the specified period. In the Ordinary General Assembly Meeting held on March 11, 2020, the Company, in accordance with the profit distribution proposal of the Board of Directors, distributed its gross profit share of 201,960,000 TL from the net profit of 366,358,436 TL for the 2019 fiscal period in cash on March 13, 2020.

11. Insurance liabilities

Gross	June 30, 2020	December 31, 2019
Outstanding claims provision	3,668,174,254	3,246,299,108
Reserve for unearned premiums	2,370,276,328	2,356,539,448
Life actuarial mathematical reserves	1,292,788	1,302,184
Life profit share provision	143,643	144,687
Bonus and rebates provision	945,339	900,431
Total	6,040,832,352	5,605,185,858
Reinsurance Share	June 30, 2020	December 31, 2019
Reinsurers' share of outstanding claims	2,085,444,901	1,879,234,498
Reinsurers' share of unearned premiums	1,034,223,038	951,108,392
Reinsurers' share of bonus and rebates provision	939,419	892,018
Total	3,120,607,358	2,831,234,908
Net	June 30, 2020	December 31, 2019
Net outstanding claims	1,582,729,353	1,367,064,610
Net unearned premiums	1,336,053,290	1,405,431,056
Life actuarial mathematical reserves	1,292,788	1,302,184
Life profit share provision	143,643	144,687
Bonus and rebates provision	5,920	8,413
Total	2,920,224,994	2,773,950,950

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2020

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

12. Payables to reinsurers, trade and other payables and lease liabilities

	June 30, 2020	December 31, 2019
Payables to reinsurers	640,283,659	554,050,816
Payables to SSI regarding medical expenses	28,732,604	42,392,477
Payables due to main operations	669,016,263	596,443,293
Payables to contracted institutions	19,483,351	48,821,504
Taxes payable	31,212,587	40,603,094
Payables to suppliers	3,392,406	27,539,894
Payables to Turkish Catastrophe Insurance Pool	30,105,138	23,480,700
Other	7,471,669	5,131,410
Total other short term payables	91,665,151	145,576,602
Total financial liabilities trade and other payables, deferred income	760,681,414	742,019,895

As at June 30, 2020 and January 1, 2019; lease liabilities are as follows:

	June 30, 2020	December 31, 2019
Short-term lease liabilities (undiscounted)	9,317,933	12,599,956
Long term lease liabilities (undiscounted)	39,206,268	36,383,769
Discount amount with lease's incremental borrowing rate of interest	(16,272,883)	(19,233,484)
Total	32,251,318	29,750,241

Movement of lease liabilities for the period ended June 30, 2020 and January 1, 2019 are as follows:

	June 30, 2020	December 31, 2019
Opening balance, January 1	29,750,241	-
IFRS 16 impact	-	31,004,961
Addition	6,272,195	-
Lease payments	(7,775,170)	(9,570,804)
Interest payments	4,004,052	8,316,084
Total	32,251,318	29,750,241

AKSIGORTA A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2020**

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

13. Taxes

As at June 30, 2020 and December 31, 2019 prepaid income taxes are netted off with the current income tax payable as stated below:

	June 30, 2020	December 31, 2019
Income taxes payable	73,770,452	125,897,142
Prepaid income taxes	(18,520,619)	(73,065,163)
Tax payable/(asset)	55,249,833	52,831,979

Deferred tax

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

The details of deferred tax are presented in the following statements:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	June 30, 2020	December 31, 2019	June 30 2020	December 31, 2019
Discounting in outstanding claims	281,908,082	252,705,356	62,019,778	55,595,178
General expense provision	27,096,543	20,409,677	5,961,239	4,490,129
Doubtful receivable provisions	22,399,649	34,734,800	4,927,923	7,641,656
Claim handling	19,490,523	19,168,182	4,287,915	3,833,636
IBNR best estimate	11,146,984	-	2,452,336	-
Employment termination benefit	8,266,365	7,052,711	1,653,273	1,410,542
Leased assets	4,664,016	2,051,782	1,026,084	796,694
Financial assets valuation effect accounted under equity	8,059,740	(8,235,792)	1,611,948	(1,647,158)
Bonus provision	4,352,251	8,433,527	957,495	1,855,376
Unused vacation provision	2,865,287	2,051,782	630,363	451,392
Derivative asset valuation	(2,263,430)	30,321,953	(497,955)	6,670,829
Useful life of tangible and intangible assets	(7,825,232)	(11,328,416)	(1,721,551)	(2,492,252)
Equalization reserve	(92,144,236)	(95,692,472)	(20,271,732)	(21,052,344)
Other	1,815,744	(1,524,090)	399,464	(304,818)
Total deferred tax assets / liabilities	289,832,286	260,149,000	63,436,580	57,248,860

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on the Amendment of Some Tax Acts and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2020

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

13. Taxes (Continue)

	June 30, 2020	June 30, 2019
Profit before taxes	307,020,099	189,354,928
Tax rate	22%	22%
Taxes on income per statutory tax rate	(67,544,422)	(41,658,084)
The effect of prior periods' adjustments	-	(4,969,248)
The effect of non-deductible expenses	(3,459,672)	(2,542,724)
Tax expense	(71,004,094)	(49,170,056)

14. Net insurance premium income

The distribution of premium income is as follows:

	January 1 - Gross	June 30, 2020 Reinsurers' share	Net	January 1 - Gross	June 30, 2019 Reinsurers' share	Net
Written premium	2,265,938,945	(1,007,286,773)	1,258,652,172	2,142,765,112	(995,555,648)	1,147,209,464
Change in unearned premium reserve	(13,736,880)	53,922,776	40,185,896	(331,525,094)	197,344,135	(134,180,959)
Total premium revenue	2,252,202,065	(953,363,997)	1,298,838,068	1,811,240,018	(798,211,513)	1,013,028,505
Motor Third Party Liability	754,148,617	(160,373,872)	593,774,745	675,132,060	(144,388,332)	530,743,728
Motor Own Damage	421,948,400	(2,716,907)	419,231,493	359,342,931	(2,495,822)	356,847,109
Fire	427,174,681	(340,392,749)	86,781,932	422,866,381	(336,756,448)	86,109,933
General Losses	162,640,822	(109,449,241)	53,191,581	163,911,386	(110,400,288)	53,511,098
Marine	44,188,816	(30,498,707)	13,690,109	42,341,237	(29,361,504)	12,979,733
Other	455,837,609	(363,855,297)	91,982,312	479,171,117	(372,153,254)	107,017,863
Total	2,265,938,945	(1,007,286,773)	1,258,652,172	2,142,765,112	(995,555,648)	1,147,209,464

15. Expenses by nature

	January 1 - June 30, 2020	January 1 - June 30, 2019
Personnel expenses	(62,724,188)	(52,744,183)
Depreciation expenses	(23,112,700)	(15,656,258)
Assistance expenses	(13,968,994)	(10,456,297)
Information technology expenses	(11,162,811)	(8,868,533)
Advertisement expenses	(2,783,402)	(2,070,959)
Meeting and training expenses	(2,697,989)	(3,762,853)
Repair and maintenance	(2,073,302)	(2,005,598)
Social relief expenses	(1,794,833)	(2,540,480)
Outsourcing service expenses	(1,100,893)	(1,740,826)
Transportation expenses	(967,277)	(2,122,194)
Communication expenses	(930,361)	(944,739)
Other	(3,289,332)	(6,232,060)
Total	(126,606,082)	(109,144,980)

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2020

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

16. Insurance claims and claims recovered from reinsurers

June 30, 2020			
	Gross	Reinsurers' Share	Net
Paid Claims	846,118,043	(265,448,932)	580,669,111
Change in outstanding claims	417,304,906	(201,640,163)	215,664,743
Change in mathematical reserves	(10,440)	-	(10,440)
Bonus and rebates provision	44,908	(47,401)	(2,493)
Total	1,263,457,417	(467,136,496)	796,320,921

June 30, 2019			
	Gross	Reinsurers' Share	Net
Paid Claims	839,691,249	(257,216,894)	582,474,355
Change in outstanding claims	406,823,612	(236,746,947)	170,076,665
Change in mathematical reserves	(21,067)	-	(21,067)
Bonus and rebates provision	(60,451,149)	60,372,319	(78,830)
Total	1,186,042,645	(433,591,522)	752,451,123

17. Related parties

The details of transactions between the Company and other related parties are disclosed below:

Due from /to related parties		
	June 30, 2020	December 31, 2019
Shareholder's subsidiaries	36,661,022	58,379,601
Shareholders	1,926,547	44,663
Total	38,587,569	58,424,264

Banks		
	June 30, 2020	December 31, 2019
Shareholder's subsidiaries	228,102,179	484,545,450
Total	228,102,179	484,545,450

Marketable securities		
	June 30, 2020	December 31, 2019
Shareholder's subsidiaries	334,912,062	27,149,232
Total	334,912,062	27,149,232

Investment funds		
	June 30, 2020	December 31, 2019
Shareholder's subsidiaries	99,897,798	142,613,229
Total	99,897,798	142,613,289

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2020

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

17. Related parties (Continued)

Written Premium

	June 30, 2020	June 30, 2019
Shareholder's subsidiaries	65,577,402	85,188,805
Shareholders	1,076,136	1,152,660
Total	66,653,538	86,341,465

Claims Paid

	June 30, 2020	June 30, 2019
Shareholder's subsidiaries	4,294,198	22,856,118
Total	4,294,198	22,856,118

Investment Income

	June 30, 2020	June 30, 2019
Shareholder's subsidiaries	39,736,728	27,370,901
Total	39,736,728	27,370,901

Commission paid

	June 30, 2020	June 30, 2019
Shareholder's subsidiaries	49,944,754	57,574,736
Total	49,944,754	57,574,736

18. Contingencies

As of June 24, 2014, Tax Inspection Board of T.C. Ministry of Finance has launched a limited tax investigation related to the Banking and Insurance Transaction Tax for the years 2009, 2010, 2011 and 2012 and as a consequence of the tax inspection, tax of TL 1,8 million and tax penalty of TL 2,8 million for the year 2009, tax of TL 2 million and tax penalty of TL 3 million for the year 2010, tax of TL 3 million and tax penalty of TL 4,6 million for the year 2011 and tax of TL 4,3 million and tax penalty of TL 6,4 million for the year 2012 and in total tax and tax penalty of TL 27,9 million related to Banking Insurance Transaction Tax were imposed to the Company. There is no accrued interest on this amount as of report date. The Company has not booked any provision in the financial statements since the Company believes that its practice is in compliance with the regulations. On January 16, 2015, the Company filed a reconciliation request for the year 2009 and on February 20, 2015 filed a reconciliation request for the years 2010, 2011 and 2012 to the Large Taxpayers Office Commission of Reconciliation. The reconciliation meeting took place on February 15, 2018, however parties could not reach a consensus. As a consequence, the Company sued Large Taxpayers Office on February 27, 2018. Tax courts decided in favor of the Company for the years 2009, 2010, 2011 and 2012.

19. Subsequent events

None.