

AKSIGORTA A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD JANUARY 1 - MARCH 31, 2021**

AKSİGORTA A.Ş.

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FOR THE PERIOD JANUARY 1 - MARCH 31, 2021**

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AKSİGORTA A.Ş.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION FOR THE PERIOD JANUARY 1 – MARCH 31, 2021

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

Assets	Note	Unaudited	Audited
		March 31, 2021	December 31, 2020
Total current assets		9,573,007,826	8,996,918,504
Cash and cash equivalents	9	2,143,892,245	2,270,224,400
Debt securities:			
- Available for sale at company’s risk	8	1,279,362,097	1,472,808,484
- Held to maturity at company’s risk	8	442,192,281	205,527,370
- Held for trading at company’s risk	8	254,182,881	63,234,980
- Available for sale at insurees' risk	8	1,763,450	1,952,843
Premium receivables		1,013,015,549	1,056,877,634
Due from reinsurers		32,677,757	28,401,167
Reinsurance share of insurance liabilities	11	4,162,230,836	3,647,998,480
Deferred acquisition costs		190,746,026	184,523,983
Other current assets		52,944,704	65,369,163
Total non-current assets		175,131,188	168,396,544
Tangible assets	5	19,426,231	20,015,818
Right of use of assets	5	21,278,365	23,486,209
Intangible assets	6	58,367,812	57,223,537
Equity securities:			
- Available for sale	8	722,156	722,156
Deferred income tax assets	14	75,296,608	66,887,355
Other non-current assets		40,016	61,469
Total assets		9,748,139,014	9,165,315,048
Liabilities	Note	Unaudited	Audited
		March 31, 2021	December 31, 2020
Total current liabilities		9,067,095,045	8,198,589,465
Insurance liabilities	11	7,877,507,586	7,047,271,201
Payables to reinsurers	12	839,854,936	811,188,810
Other financial liabilities		18,165,070	13,065,843
Obligations under repurchase agreements		-	59,562,359
Derivative financial liabilities		-	5,352,006
Provisions for other liabilities and charges		58,973,520	70,812,935
Trade and other payables	12	246,065,025	160,344,827
Current income tax liabilities	14	18,989,865	23,614,067
Short-term lease liabilities	12	7,539,043	7,377,417
Total non-current liabilities		29,586,808	30,609,684
Provision for retirement benefit obligation		10,246,238	9,095,078
Long-term lease liabilities	12	19,340,570	21,514,606
Total equity		651,457,161	936,115,899
Shareholders' equity	10	306,000,000	306,000,000
Legal and other reserves	10	428,631,014	302,288,128
Actuarial loss arising from employee benefit	10	(6,123,732)	(5,451,203)
Available-for-sale investments fund	10	(39,811,970)	1,441,549
Retained earnings/accumulated deficit	10	(37,238,151)	331,837,425
Total equity and liabilities		9,748,139,014	9,165,315,048

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

AKSİGORTA A.Ş.**CONDENSED INTERIM INCOME STATEMENT
FOR THE PERIOD JANUARY 1 - MARCH 31, 2021**

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

Income Statement	Note	Unaudited	Unaudited
		March 31, 2021	March 31, 2020
Insurance premium revenue	13	1,353,508,138	1,100,006,391
Insurance premium ceded to reinsurers	13	(602,013,404)	(458,865,391)
Net insurance premium revenue	13	751,494,734	641,141,000
Investment income		134,729,539	102,151,779
Commission income		70,569,984	59,832,613
Other operating income		6,636,350	3,137,294
Net income		963,430,607	806,262,686
Insurance claims	16	(1,277,262,331)	(645,325,912)
Insurance claims recovered from reinsurers	16	664,406,078	199,281,519
Net insurance claims	16	(612,856,253)	(446,044,393)
Commission expense		(184,311,921)	(161,234,400)
Expenses for marketing and administration	15	(71,979,207)	(63,468,450)
Other operating expenses		(32,518,836)	(24,242,883)
Insurance claims and expenses		(901,666,217)	(694,990,126)
Results of operating activities		61,764,390	111,272,560
Foreign exchange gain / (loss), net		17,127,911	(17,890,308)
Profit before tax		78,892,301	93,382,252
Income tax expense	14	(15,624,989)	(21,991,853)
Profit for the period		63,267,312	71,390,399
Earnings per share		0.0021	0.0023

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 - MARCH 31, 2021**

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

		Unaudited	Unaudited
Statement of comprehensive income	Note	March 31, 2021	March 31, 2020
Profit for the period		63,267,312	71,390,399
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in available-for-sale financial assets fund, net of deferred tax	10	(41,253,519)	(60,093,055)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(41,253,519)	(60,093,055)
Other comprehensive income not being reclassified to profit or loss in subsequent periods:			
Actuarial loss, net of deferred tax	10	(672,529)	(401,771)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		(672,529)	(401,771)
Other comprehensive income, net of tax		(41,926,048)	(60,494,826)
Total comprehensive income for the year, net of tax		21,341,264	10,895,573

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 - MARCH 31, 2021

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

March 31, 2021							Unaudited
	Note	Share capital	Available-for-sale investment funds	Legal reserves	Actuarial loss arising from employee benefit	Retained earnings	Total
Balances at December 31,	16	306,000,000	1,441,549	302,288,128	(5,451,203)	331,837,425	936,115,899
Profit for the period		-	-	-	-	63,267,310	63,267,310
Transfer		-	-	126,342,886	-	(126,342,886)	-
Other comprehensive income		-	(41,253,519)	-	(672,529)	-	(41,926,049)
Total comprehensive income	16	-	(41,253,519)	126,342,886	(672,529)	(63,075,575)	21,341,262
Dividend payment						(306,000,000)	(306,000,000)
March 31, 2021	16	306,000,000	(39,811,970)	428,631,014	(6,123,732)	(37,238,150)	651,457,161

March 31, 2020							Unaudited
	Note	Share capital	Available-for-sale investment funds	Legal reserves	Actuarial loss arising from employee benefit	Retained earnings	Total
Balances at December 31,	16	306,000,000	6,588,634	137,889,692	(4,518,213)	324,251,802	770,211,915
Profit for the period		-	-	-	-	71,390,399	71,390,399
Transfer		-	-	164,398,436	-	(164,398,436)	-
Other comprehensive income		-	(60,093,055)	-	(401,771)	-	(60,494,826)
Total comprehensive income	16	-	(60,093,055)	164,398,436	(401,771)	(93,008,037)	10,895,573
Dividend payment						(201,960,001)	(201,960,001)
March 31, 2020	16	306,000,000	(53,504,421)	302,288,128	(4,919,984)	29,283,764	579,147,487

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

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED STATEMENT OF CASH FLOWS FOR THE PERIOD JANUARY 1 - MARCH 31, 2021

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

Cash Flow Statement	Note	January 1 – March 31, 2021	January 1 – March 31, 2020
Cash inflows from insurance operations		1,987,443,950	1,552,546,961
Cash outflows from insurance operations		(1,811,194,974)	(1,304,305,965)
Income tax payment		(18,176,934)	(55,178,459)
Cash inflows/(outflows) from operational expenses		(160,324,080)	(111,433,273)
Net cash flows from operating activities		(2,252,038)	81,629,264
Tangible and intangible asset acquisitions		(7,688,618)	(6,947,231)
Financial asset acquisitions / disposals		(169,671,941)	(187,675,741)
Interest received		92,220,770	104,922,619
Other cash inflows/(outflows)		(66,401,076)	17,890,308
Net cash flows from investing activities		(151,540,865)	(71,810,045)
Dividends paid		(201,960,000)	(201,960,000)
Financial lease payments		(3,710,103)	(3,910,841)
Net cash flows from financing operations		(205,670,103)	(205,870,841)
Net increase/(decrease) in cash and cash equivalents		(359,463,006)	(231,832,238)
Cash and cash equivalents at the beginning of the period		1,994,609,067	1,831,766,957
Cash and cash equivalents at the end of the period	9	1,635,146,061	1,599,934,719

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 MARCH 31, 2021

(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 March 31, 2021 38.02% (December 31, 2020: 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. 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 signed with Ageas Insurance International N.V. at 18 February 2011, Holding’s previous administrative controls over Aksigorta A.Ş. are going to remain equally with Ageas Insurance International N.V.

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:

	March 31, 2021	December 31, 2020
Top and middle management	155	144
Other personel	519	524
Total	674	668

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 2,733,355 in total for January 1 - March 31, 2021 (January 1 – March 31, 2020: TL 2,245,140).

Financial statements include only one company (Aksigorta A.Ş.) and the Company does not have any subsidiaries or affiliates as of March 31, 2021 (December 31, 2020: None).

The Company’s interim condensed financial statements as of March 31, 2021 are approved and authorized for issuance as of April 29, 2021 by the Board of Directors.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT
MARCH 31, 2021**

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements at March 31, 2021 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. 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 March 31, 2021 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 at 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 Note 3.

Comparative information and restatement of prior period financial statements

The Company’s statement of financial position as of March 31, 2021 is presented in comparison with its statement of financial position as of December 31, 2020; statement of comprehensive income, statement of changes in equity and statement of cash flows for the period between January 1 - March 31, 2021 are presented in comparison with its statement of comprehensive income, statement of changes in equity and statement cash flows for the period between January 1 - March 31, 2020.

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 - March 31, 2021 are consistent with those applied in the preparation of the financial statements as of December 31, 2020, except for the new standards and amended IAS/IFRS standards which are valid as of January 1, 2021 and International Financial Reporting Interpretations Committee’s (“IFRIC”) interpretations summarized below.

Standards, amendments and interpretations applicable as at 31 March 2021:

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
MARCH 31, 2021**

(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)

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.

Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions; as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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.

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16; effective from Annual periods beginning on or after 1 January 2022.

Amendments to IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2021

(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)**

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 ; effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2; effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

Amendments to IFRS 17 and IFRS 4, ‘Insurance contracts’, deferral of IFRS 9; effective from annual periods beginning on or after 1 January 2021. These amendments change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023.

2.3 Share capital

As of March 31, 2021, the Company’s nominal capital is TL 306,000,000 (December 31, 2020: 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	March 31, 2021		December 31, 2020	
	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 March 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As of March 31, 2021, the Company’s registered share capital is TL 750,000,000 (December 31, 2020: TL 500,000,000).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT
MARCH 31, 2021**

(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.

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.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2021

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

4. Segment information (Continued)

Segment results for period January 1 - March 31, 2021 is as follows:

January 1-									
March 31, 2021	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	18,520,981	9,039,209	287,115,477	332,581,428	17,728,687	24,962,920	61,546,032	-	751,494,734
Earned Premiums (Net of Reinsurer Share)	18,520,981	9,039,209	287,115,477	332,581,428	17,728,687	24,962,920	61,546,032	-	751,494,734
Premiums (Net of Reinsurer Share)	19,412,179	9,374,937	346,757,018	384,950,814	17,750,298	31,609,788	85,515,773	-	895,370,807
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(891,198)	(335,728)	(59,641,541)	(52,369,386)	(21,611)	(6,646,868)	(23,969,741)	-	(143,876,073)
TECHNICAL EXPENSES	(55,039,956)	(5,755,592)	(293,364,472)	(348,260,536)	(22,033,578)	(32,672,147)	(67,333,602)	-	(824,459,883)
Total Claims (Net of Reinsurer Share)	(29,450,084)	(3,097,238)	(218,092,185)	(301,649,815)	(1,667,188)	(2,838,361)	(56,061,382)	-	(612,856,253)
Claims Paid (Net of Reinsurer Share)	(14,204,851)	(1,960,001)	(188,151,979)	(205,029,988)	(994,764)	(2,539,760)	(27,846,955)	-	(440,728,298)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(15,245,233)	(1,137,237)	(29,940,206)	(96,619,827)	(672,424)	(298,601)	(28,214,427)	-	(172,127,955)
Commission income/(expenses) (Net)	(14,545,644)	(1,926,335)	(56,791,356)	(3,886,633)	(16,463,199)	(28,018,182)	7,889,412	-	(113,741,937)
Operating Expenses	(10,349,624)	(393,016)	(12,811,211)	(24,670,441)	(3,238,301)	(3,663,185)	(16,853,429)	-	(71,979,207)
Other Operating Income / Expenses	(694,604)	(339,003)	(5,669,720)	(18,053,647)	(664,890)	1,847,581	(2,308,203)	-	(25,882,486)
Technical Profit	(36,518,975)	3,283,617	(6,248,995)	(15,679,108)	(4,304,891)	(7,709,227)	(5,787,570)	-	(72,965,149)
Investment income	-	-	-	-	-	-	-	134,729,539	134,729,539
Foreign exchange income	-	-	-	-	-	-	-	17,127,911	17,127,911
Tax expense	-	-	-	-	-	-	-	(15,624,989)	(15,624,989)
Net Profit / (Loss)	(36,518,975)	3,283,617	(6,248,995)	(15,679,108)	(4,304,891)	(7,709,227)	(5,787,570)	136,232,461	63,267,312

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2020

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

4. Segment information (Continued)

Segment results for period January 1 - March 31, 2020 is as follows:

January 1-									
March 31, 2020	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	40,804,912	7,722,469	202,281,867	312,286,931	23,675,238	28,002,152	26,367,431	-	641,141,000
Earned Premiums (Net of Reinsurer Share)	40,804,912	7,722,469	202,281,867	312,286,931	23,675,238	28,002,152	26,367,431	-	641,141,000
Premiums (Net of Reinsurer Share)	45,656,048	8,975,862	205,762,301	318,034,189	33,114,197	24,900,517	24,840,940	-	661,284,054
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(4,851,136)	(1,253,393)	(3,480,434)	(5,747,258)	(9,438,959)	3,101,635	1,526,491	-	(20,143,054)
TECHNICAL EXPENSES	(45,522,630)	(3,676,189)	(180,153,618)	(328,850,923)	(20,540,692)	(17,712,897)	(35,563,270)	-	(632,020,219)
Total Claims (Net of Reinsurer Share)	(25,227,657)	(1,749,319)	(123,701,395)	(259,553,141)	(7,274,278)	(2,957,950)	(25,580,653)	-	(446,044,393)
Claims Paid (Net of Reinsurer Share)	(13,762,545)	(2,314,536)	(129,900,279)	(175,563,442)	(6,252,620)	(1,491,755)	(7,202,210)	-	(336,487,387)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(11,465,112)	565,217	6,198,884	(83,989,699)	(1,021,658)	(1,466,195)	(18,378,443)	-	(109,557,006)
Commission income/(expenses) (Net)	(7,313,675)	(1,431,737)	(37,739,382)	(32,441,503)	(7,967,749)	(11,105,547)	(3,402,194)	-	(101,401,787)
Operating Expenses	(11,749,235)	(261,961)	(13,910,613)	(24,090,857)	(4,583,815)	(3,087,684)	(5,784,285)	-	(63,468,450)
Other Operating Income / Expenses	(1,232,063)	(233,172)	(4,802,228)	(12,765,422)	(714,850)	(561,716)	(796,138)	-	(21,105,589)
Technical Profit	(4,717,718)	4,046,280	22,128,249	(16,563,992)	3,134,546	10,289,255	(9,195,839)	-	9,120,781
Investment income	-	-	-	-	-	-	-	102,151,779	102,151,779
Foreign exchange income	-	-	-	-	-	-	-	(17,890,308)	(17,890,308)
Tax expense	-	-	-	-	-	-	-	(21,991,853)	(21,991,853)
Net Profit / (Loss)	(4,717,718)	4,046,280	22,128,249	(16,563,992)	3,134,546	10,289,255	(9,195,839)	62,269,618	71,390,399

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2021

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

5. Tangible assets

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

Costs:	January 1	Additions	Disposals	March 31, 2021
Property for operational use	1,598,569	-	-	1,598,569
Motor vehicles	2,720,000	963,244	-	3,683,244
Furniture and fixtures and leased tangible assets	30,431,171	156,052	(302,484)	30,284,739
Other tangible assets (including leasehold improvements)	21,682,557	35,400	-	21,717,957
Advances for tangible assets	41,129,271	-	-	41,129,271
Total	97,561,568	1,154,696	(302,484)	98,413,780
Accumulated depreciation: (-)				
Property for operational use	(633,191)	(7,883)	-	(641,074)
Motor vehicles	(1,093,962)	(168,444)	-	(1,262,406)
Furniture and fixtures and leased tangible assets	(20,847,952)	(1,054,586)	295,264	(21,607,274)
Other tangible assets	(13,841,375)	(506,147)	-	(14,347,522)
Advances for tangible assets	(17,643,062)	(2,207,846)	-	(19,850,908)
Total	(54,059,542)	(3,944,906)	295,264	(57,709,184)
Net book value	43,502,026	(2,790,210)	(7,220)	40,704,596

Costs:	January 1	Additions	Disposals	March 31, 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	2,145,987	(10,735)	29,748,002
Other tangible assets	21,347,617	-	-	21,347,617
Total	53,278,937	2,145,987	(10,735)	55,414,189
Accumulated depreciation: (-)				
Property for operational use	(601,945)	(7,949)	-	(609,894)
Motor vehicles	(549,962)	(135,257)	-	(685,219)
Furniture and fixtures and leased tangible assets	(17,306,145)	(988,071)	10,157	(18,284,059)
Other tangible assets	(11,661,266)	(561,039)	-	(12,222,305)
Total	(30,119,318)	(1,692,316)	10,157	(31,801,477)
Net book value	23,159,619	453,671	(578)	23,612,712

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

Total depreciation expense is TL 10,600,281 (January 1 - March 31, 2020: TL 9,912,186).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2021

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

5. Tangible assets (Continued)

As of March 31, 2021 and 2020 right of use assets movement and its accumulated depreciation is as follows:

Right of use assets	January 1	Additions	Disposals	March 31, 2021
Real estate	27,717,430	-	-	27,717,430
Furniture & Fixture	12,836,918	-	-	12,836,918
Motor Vehicle	574,925	-	-	574,925
Total	41,129,272	-	-	41,129,273
Accumulated depreciation: (-)				
Real estate	(10,892,521)	(1,206,531)	-	(12,099,052)
Furniture & Fixture	(6,582,854)	(965,382)	-	(7,548,236)
Motor Vehicle	(167,687)	(35,933)	-	(203,620)
Total	(17,643,061)	(2,207,846)	-	(19,850,908)
Net Profit / (Loss)	23,486,211	(2,207,846)	-	21,278,365

Right of use assets	January 1	Additions	Disposals	March 31, 2020
Real estate	27,717,430	-	-	27,717,430
Furniture & Fixture	6,080,531	6,272,195	(574,923)	11,777,803
Motor Vehicle	574,924	-	-	574,924
Total	34,372,885	6,272,195	-	40,070,157
Accumulated depreciation: (-)				
Real estate	(5,530,674)	(1,382,669)	-	(6,913,343)
Furniture & Fixture	(2,689,352)	(961,942)	-	(3,651,294)
Motor Vehicle	(23,955)	(35,933)	-	(59,888)
Total	(8,243,981)	(2,380,544)	-	(10,624,525)
Net Profit / (Loss)	26,128,904	3,891,651	-	29,445,632

6. Intangible assets

As of March 31, 2021 and 2020 intangible assets movement and its accumulated depreciation is as follows:

Costs:	January 1	Additions	Disposals	Transfers	March 31, 2021
Rights	161,424,844	3,205,397	-	3,131,465	167,761,706
Advances given for intangible assets	9,163,796	4,594,252	-	(3,131,465)	10,626,583
Total	170,588,640	7,799,649	-	-	178,388,289
Accumulated depreciation: (-)					
Rights	(113,365,102)	(6,655,375)	-	-	(120,020,477)
Total	(113,365,102)	(6,655,375)	-	-	(120,020,477)
Net book value	57,223,538	1,144,274	-	-	58,367,812

Costs:	January 1	Additions	Disposals	Transfers	March 31, 2020
Rights	134,184,258	3,112,435	(2,250)	1,442,473	138,736,916
Advances given for intangible assets	3,489,088	1,701,795	-	(1,442,473)	3,748,410
Total	137,673,346	4,814,230	(2,250)	-	142,485,326
Accumulated depreciation: (-)					
Rights	(77,104,087)	(5,835,075)	125	-	(82,939,037)
Total	(77,104,087)	(5,835,075)	125	-	(82,939,037)
Net book value	60,569,259	(1,020,845)	(2,125)	-	59,546,289

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2021

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

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 March 31, 2021 and December 31, 2020 are disclosed below:

March 31, 2021			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	4,867,133	8.3258	40,522,776
EUR	1,071,566	9.7688	10,467,914
GBP	155,705	11.4411	1,781,436
CHF	5,950	8.8104	52,422
Other	36,535	0.0751	2,742
Total			52,827,290
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	44,709,686	8.3258	372,243,904
EUR	18,686,344	9.7688	182,543,157
GBP	69,781	11.4411	798,371
CHF	63,994	8.8104	563,813
Total			556,149,245
Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	30,339,948	8.3258	252,604,339
Total			252,604,339
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(7,965,834)	8.3408	(66,441,428)
EUR	(1,145,543)	9.7864	(11,210,742)
Total			(77,652,170)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(55,612,962)	8.3408	(463,856,593)
EUR	(13,724,679)	9.7864	(134,315,199)
Other	-	-	(801,276)
Total			(598,973,068)
Off-balance sheet liabilities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(41,104)	8.3408	(342,840)
Total			(342,840)
Net Foreign Currency Position			184,612,796

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AS AT MARCH 31, 2021**

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

7. Management of insurance and financial risk (Continued)**Foreign currency risk (Continued)**

December 31, 2020			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	20,805,122	7.3405	152,719,998
EUR	1,536,160	9.0079	13,837,576
GBP	100,040	9.9438	994,778
CHF	79,066	8.2841	654,991
Total			168,207,342
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	47,616,088	7.3405	349,525,894
EUR	18,785,729	9.0079	169,219,968
GBP	98,084	9.9438	975,328
CHF	68,286	8.2841	565,688
Total			520,286,878
Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	24,956,034	7.3405	183,189,768
Total			183,189,768
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(9,473,467)	7.3405	(69,539,985)
EUR	(1,134,957)	9.0079	(10,223,579)
Total			(79,763,564)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(60,000,422)	7.3405	(440,433,098)
EUR	(11,572,916)	9.0079	(104,247,670)
Other	-	-	(1,379,856)
Total			(546,060,624)
Payables from Supplier	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(899,254)	7.3405	(6,600,974)
EUR	(63,701)	9.0079	(573,812)
Total			(7,174,786)
Net Foreign Currency Position			238,685,014

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2021

(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.

Table of liquidity risk as of March 31, 2021 is as follows:

March 31, 2021	Up to 1 month	1 - 3 months	months to 1 year	1 - 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	1,078,116,031	756,671,543	238,026,516	-	-	71,078,155	2,143,892,245
Financial assets available for sale	123,934,884	89,181,047	473,583,472	311,185,900	107,696,343	173,780,451	1,279,362,097
Financial assets held for trading	254,182,881	-	-	-	-	-	254,182,881
Financial assets held to maturity	9,867	24,772,579	187,009,718	230,400,117	-	-	442,192,281
Investments on policyholders' risk	-	-	-	1,763,450	-	-	1,763,450
Receivables from main operations	279,928,484	326,128,667	401,696,820	5,261,578	-	-	1,013,015,549
Due from reinsurance companies	-	-	32,677,757	-	-	-	32,677,757
Reinsurers' share of insurance liabilities	1,747,266,344	1,281,086,442	914,462,423	201,430,533	17,985,094	-	4,162,230,836
Equity securities	-	-	-	-	-	722,156	722,156
Total Assets	3,483,438,491	2,721,531,008	2,247,456,706	750,041,578	125,681,437	245,580,762	9,573,729,982
Financial liabilities	-	18,165,070	7,539,043	-	-	-	25,704,113
Taxes and other liabilities	-	-	18,989,865	-	-	-	18,989,865
Insurance liabilities	3,089,344,193	2,418,540,160	1,989,537,796	350,260,649	29,824,788	-	7,877,507,586
Due to reinsurers	350,244,735	89,314,964	400,295,237	-	-	-	839,854,936
Provisions for other liabilities and charges	-	-	53,803,129	1,678,160	-	3,492,231	58,973,520
Trade and other payables	-	-	246,065,025	-	-	-	246,065,025
Total liabilities	3,439,588,928	2,526,020,194	2,716,230,095	351,938,809	29,824,788	3,492,231	9,067,095,045
Liquidity surplus/(deficit)	43,849,563	195,510,814	(468,773,389)	398,102,769	95,856,649	242,088,531	506,634,937

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2021

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

7. Management of insurance and financial risk (Continued)

Liquidity risk (Continued)

Table of liquidity risk as of December 31, 2020 is as follows:

December 31, 2020	Up to 1 month	1 - 3 months	months to 1 year	1 - 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	1,221,480,537	864,266,192	105,247,617	-	-	79,230,054	2,270,224,400
Financial assets available for sale	31,037,645	112,580,873	640,723,212	466,432,369	85,564,805	136,469,580	1,472,808,484
Financial assets held for trading	56,027,437	-	-	-	-	7,207,543	63,234,980
Financial assets held to maturity	-	150,513,077	21,937,908	33,076,385	-	-	205,527,370
Investments on policyholders' risk	-	-	-	1,952,843	-	-	1,952,843
Receivables from main operations	229,586,738	237,049,716	582,974,690	7,266,490	-	-	1,056,877,634
Due from reinsurance companies	-	28,401,167	-	-	-	-	28,401,167
Reinsurers' share of insurance liabilities	1,495,075,781	1,121,736,407	844,537,744	171,376,464	15,272,084	-	3,647,998,480
Equity securities	-	-	-	-	-	722,156	722,156
Other assets	-	249,893,146	-	-	-	-	249,893,146
Total Assets	3,033,208,138	2,764,440,578	2,195,421,171	680,104,551	100,836,889	223,629,333	8,997,640,660
Obligations under repurchase agreements	59,562,359	-	-	-	-	-	59,562,359
Financial liabilities	1,236,701	15,517,707	9,835,523	28,360,104	-	-	54,950,035
Insurance liabilities	2,720,038,213	2,162,241,825	1,831,409,475	307,130,352	26,451,336	-	7,047,271,201
Due to reinsurers	229,913,557	58,629,635	522,645,618	-	-	-	811,188,810
Provisions for other liabilities and charges	-	-	67,020,700	1,633,654	-	2,158,581	70,812,935
Trade and other payables	-	-	189,310,900	-	-	-	189,310,900
Total liabilities	3,010,750,830	2,236,389,167	2,620,222,216	337,124,110	26,451,336	2,158,581	8,233,096,240
Liquidity surplus/(deficit)	22,457,308	528,051,411	(424,801,045)	342,980,441	74,385,553	221,470,752	764,544,420

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2021

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

8. Available for sale financial assets at insurees' risk

Available for sale marketable securities

March 31, 2021			
	Cost Value	Fair Value	Book Value
Private bonds	474,438,983	484,930,435	484,930,435
Eurobonds	516,281,775	518,747,455	518,747,455
Equities	195,884,657	173,816,531	173,816,531
Government bonds	111,095,383	101,867,676	101,867,676
Total	1,297,700,798	1,279,362,097	1,279,362,097
December 31, 2020			
	Cost Value	Fair Value	Book Value
Private bonds	466,632,308	476,919,365	476,919,365
Eurobonds	651,580,189	658,081,546	658,081,546
Equities	126,165,413	136,469,582	136,469,582
Government bonds	200,278,369	201,337,991	201,337,991
Total	1,444,656,279	1,472,808,484	1,472,808,484

Held for trading securities

March 31, 2021			
	Cost Value	Fair Value	Book Value
Investment Funds	253,244,154	254,182,881	254,182,881
Total	253,244,154	254,182,881	254,182,881
December 31, 2020			
	Cost Value	Fair Value	Book Value
Investment Funds	55,999,882	56,027,437	56,027,437
Reverse Repo	6,466,901	7,207,543	7,207,543
Total	62,466,783	63,234,980	63,234,980

Available for sale financial assets at insurees' risk

March 31, 2021			
	Cost Value	Fair Value	Book Value
Government bonds	1,734,832	1,763,450	1,763,450
Total	1,734,832	1,763,450	1,763,450
December 31, 2020			
	Cost Value	Fair Value	Book Value
Government bonds	1,647,665	1,952,843	1,952,843
Total	1,647,665	1,952,843	1,952,843

Held to maturity:

March 31, 2021			
	Cost Value	Fair Value	Book Value
Government bonds	182,951,283	173,904,067	182,730,343
Private bonds	95,112,370	95,929,340	96,957,523
Eurobond	162,529,829	108,101,286	162,504,415
Total	440,593,482	377,934,693	442,192,281
December 31, 2020			
	Cost Value	Fair Value	Book Value
Eurobond	136,087,693	145,800,345	138,255,898
Government bonds	62,670,791	43,390,995	67,271,472
Total	198,758,484	189,191,340	205,527,370

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2021

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

8. Available for sale financial assets at insurees' risk (Continued)

List of the investments and fair values is as below:

March 31, 2021			
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Tarsim	722,156	-	722,156
Total	722,156	-	722,156

December 31, 2020			
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Tarsim	722,156	-	722,156
Total	722,156	-	722,156

Fair Value Hierarchy

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

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

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

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

	March 31, 2021	Level 1	Level 2	Level 3
Available for sale at company's risk	1,279,362,097	1,279,362,097	-	-
Available for sale at insurees' risk	1,763,450	1,763,450	-	-
Held to maturity at company's risk	442,192,281	442,192,281	-	-
Held for trading at company's risk	254,182,881	254,182,881	-	-
Equity securities, net	722,156	-	-	722,156
Total	1,978,222,865	1,977,500,709	-	722,156

	December 31, 2020	Level 1	Level 2	Level 3
Available for sale at company's risk	1,472,808,484	1,472,808,484	-	-
Available for sale at insurees' risk	1,952,843	1,952,843	-	-
Held to maturity at company's risk	205,527,370	205,527,370	-	-
Held for trading at company's risk	63,234,980	63,234,980	-	-
Equity securities, net	722,156	-	-	722,156
Total	1,744,245,833	1,743,523,677	-	722,156

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2021

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

9. Cash and cash equivalents

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

	March 31, 2021	December 31, 2020
Cash at banks	1,268,378,435	1,600,368,638
-time deposits	1,197,300,280	1,521,138,584
-demand deposits		
Bank guaranteed credit card receivables with maturity less than 3 months	875,513,810	669,855,762
Total cash and cash equivalents	2,143,892,245	2,270,224,400

The maturities of the Company's time deposits as of March 31, 2021 are less than three months (December 31, 2020: Less than three months).

Cash and cash equivalents that are included in the statements of cash flows for the periods January 1 - March 31, 2021 and 2020 are as follows:

	March 31, 2021	December 31, 2020
Total cash and cash equivalents	2,143,892,245	2,270,224,400
Interest accrual on cash at banks (-)	(17,593,363)	(11,553,673)
Blocked time deposits	(316,152,821)	(89,061,660)
Blocked credit card receivables	(175,000,000)	(175,000,000)
Cash and cash equivalents per statement of cash flow	1,635,146,061	1,994,609,067

Interest rate ranges of time deposits:

	March 31, 2021	December 31, 2020
TL	13.65 – 19.00	13.65 – 22.25
USD	0.20 – 2.00	0.20 – 3.10
EUR	-	0.01 – 0.05

10. Equity

As of March 31, 2021, the Company's total amount of nominal shares is 30,600,000,000 (December 31, 2020: 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, 2020: TL 306,000,000).

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

January 1, 2020		Issued Capital		Amortised		March 31, 2021	
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
January 1, 2020		Issued Capital		Amortised		December 31, 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
Total	30.600.000.000	306.000.000	-	-	-	30.600.000.000	306.000.000

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10. Equity (Continued)

Movement of legal reserves is as follows:

Legal Reserves	2021	2020
Opening balance, January 1	302,288,128	137,889,692
Addition related to profit for the period	126,342,887	164,398,436
Closing balance, March 31	428,631,015	302,288,128

Dividend Payment

In the Ordinary General Assembly Meeting held on March 16, 2021, the Company, in accordance with the profit distribution proposal of the Board of Directors, decided to distribute its gross profit share of TL 306,000,000 from the net profit of TL 432,342,886,00 for the 2020 fiscal period in cash within two instalments ; first one as gross amount of TL 201.960.000 on March 22, 2021 and the second one as the gross amount of TL 104.040.000 on September 8, 2021. In accordance with the decision, first instalment is made in March 2021, and as of 31st of March 2021, the second instalment is reserved under payables to shareholders account in the financial statement.

Actuarial gain / (loss)

In accordance with changes regarding "IAS 19 - Employee Benefits" effective as of January 1, 2013, actuarial loss amounting to TL 7,654,664 (net of deferred tax: TL 6,123,732) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity (December 31, 2020: TL 6,814,004 (net of deferred tax: TL 5,451,203).

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

Actuarial Loss	2021	2020
Opening balance, January 1	6,814,004	5,647,766
Change for the period	840,660	502,203
Closing balance, March 31	7,654,664	6,149,969

Available for sale investments fund:

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 "Available for sale investments fund". Movement of available for sale investments fund is below:

Available for sale investments fund	2021	2020
Opening balance, January 1	1,441,549	6,588,634
Increase/decrease in value recognized under the shareholders' equity in the current period	(41,253,519)	(60,093,055)
Closing balance, March 31	(39,811,970)	(53,504,421)

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11. Insurance liabilities

Gross	March 31, 2021	December 31, 2020
Outstanding claims provision	4,724,448,945	4,118,631,648
Reserve for unearned premiums	3,151,213,001	2,926,765,514
Life actuarial mathematical reserves	1,272,231	1,276,448
Life profit share provision	141,359	141,828
Bonus and rebates provision	432,050	455,763
Total	7,877,507,586	7,047,271,201

Reinsurance share	March 31, 2021	December 31, 2020
Reinsurers' share of outstanding claims	2,782,177,295	2,348,492,639
Reinsurers' share of unearned claims	1,379,625,088	1,299,053,674
Reinsurers' share of bonus and rebates provision	428,453	452,167
Total	4,162,230,836	3,647,998,480

Net	March 31, 2021	December 31, 2020
Net outstanding claims	1,942,271,650	1,770,139,009
Net unearned premiums	1,771,587,913	1,627,711,840
Life actuarial mathematical reserves	1,272,231	1,276,448
Life profit share provision	141,359	141,828
Bonus and rebates provision	3,597	3,596
Total	3,715,276,750	3,399,272,721

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

	March 31, 2021	December 31, 2020
Payables to reinsurers	797,086,075	765,628,607
Payables to SSI regarding medical expenses	42,768,861	45,560,203
Payables due to main operations	839,854,936	811,188,810
Payables to contracted institutions	40,348,575	53,532,317
Taxes payable	29,576,727	29,576,727
Payables to suppliers	40,496,161	40,496,161
Payables to Turkish Catastrophe Insurance Pool	26,540,034	26,540,034
Other	109,103,528	10,199,588
Total other short term payables	246,065,025	160,344,827
Total financial liabilities trade and other payables, deferred income	1,085,919,961	971,533,637

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

	March 31, 2021	December 31, 2020
Short-term lease liabilities (undiscounted)	13,247,550	13,524,088
Long term lease liabilities (undiscounted)	24,926,539	28,360,104
Discount amount with lease's incremental borrowing rate of interest	(11,294,476)	(12,992,169)
Total lease liabilities	26,879,613	28,892,023

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

	March 31, 2021	December 31, 2020
Opening balance, January 1	28,892,023	29,750,241
Lease payments	(3,710,103)	(8,762,206)
Interest payments	1,697,693	7,903,988
Total	26,879,613	28,892,023

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2021

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13. Taxes

As at March 31, 2021 and December 31, 2020 prepaid income taxes are netted of with the current income tax payable as stated below:

	March 31, 2021	December 31, 2020
Income taxes payable	131,183,419	117,630,688
Prepaid income taxes	(112,193,554)	(94,016,621)
Tax payable/(asset)	18,989,865	23,614,067

With the "Tax Procedure Law Circular No. 127, published by the Revenue Administration on April 17, 2020; The period of issuance of the Corporate Tax for the 2019 accounting period, which must be submitted by the end of April 30, 2020, and the payment periods of the taxes accrued on these statements have been extended until the end of Monday, June 1, 2020.

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.

Tax rate is applied as 22% for the calculation of deferred tax asset and liabilities. The details of deferred tax are presented in the following statements:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Discounting in outstanding claims	319,912,436	332,370,505	70,380,736	66,474,101
General expense provision	25,852,285	22,348,560	5,170,457	4,469,712
Claim handling	21,060,325	21,629,678	4,633,272	4,325,936
Fiscal loss	15,763,360	(5,367,435)	3,152,672	(1,073,487)
Provision for Not Litigated Subr. Rec.	12,528,365		2,505,673	
Employment termination benefit	10,246,238	9,095,078	2,049,248	1,819,017
Doubtful receivable provisions	8,637,000	18,369,485	1,727,400	3,673,897
Claims reserve	8,135,075	-	1,627,015	-
Leased assets	5,601,250	5,405,815	1,120,250	1,081,163
Donation	4,460,000	-	892,000	-
Useful life of tangible and intangible assets	3,902,790	1,421,985	780,558	284,397
Unused vacation provision	3,492,230	2,158,580	698,446	431,716
Bonus provision	3,091,565	10,544,210	618,313	2,108,842
Bonus and rebate	3,595	3,595	719	719
Derivative asset valuation	-	5,352,005	-	1,070,401
Equalization reserve	(91,182,503)	(80,813,904)	(20,060,151)	(17,779,059)
Total deferred tax assets / liabilities	351,504,011	342,518,157	75,296,608	66,887,355

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.

	2021	2020
Profit before taxes	78,892,301	93,382,252
Tax rate	22.00%	22.00%
Taxes on income per statutory tax rate	(17,356,306)	(20,544,095)
The effect of prior periods' adjustments	(2,505,673)	(4,969,248)
The effect of non-deductible expenses	4,236,990	3,521,490
Tax expense	(15,624,989)	(21,991,853)

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14. Net insurance premium income

The distribution of premium income is as follows:

	January 1 -	March 31, 2021		January 1 -	March 31, 2020	
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Written premium	1,577,955,625	(682,584,818)	895,370,807	1,233,591,381	(572,307,326)	661,284,055
Change in unearned premium reserve	(224,447,487)	80,571,414	(143,876,073)	(133,584,990)	113,441,935	(20,143,055)
Total premium revenue	1,353,508,138	(602,013,404)	751,494,734	1,100,006,391	(458,865,391)	641,141,000
Fire	186,265,130	(166,852,951)	19,412,179	220,611,966	(174,955,918)	45,656,048
Marine	28,691,393	(19,316,456)	9,374,937	28,724,653	(19,748,791)	8,975,862
Motor own damage	369,461,825	(22,704,807)	346,757,018	219,952,190	(14,189,889)	205,762,301
Motor third party liability	488,257,948	(103,307,551)	384,950,397	400,808,895	(82,774,706)	318,034,189
Other	338,557,303	(253,041,113)	85,516,190	107,125,107	(82,284,167)	24,840,940
General Losses	28,263,410	(10,513,112)	17,750,298	101,614,833	(68,500,636)	33,114,197
Health	138,458,616	(106,848,828)	31,609,788	154,753,737	(129,853,219)	24,900,518
Life	-	-	-	-	-	-
Total	1,577,955,625	(682,584,818)	895,370,807	1,233,591,381	(572,307,326)	661,284,055

15. Expenses by nature

	January 1 - March 31, 2021	January 1 - March 31, 2020
Personnel expenses	(38,610,798)	(32,056,045)
Depreciation expenses	(10,600,281)	(9,912,186)
Assistance expenses	(7,466,192)	(7,917,555)
Information technology expenses	(6,809,353)	(5,564,176)
Consultancy expenses	(2,652,349)	(608,987)
Advertisement expenses	(2,351,905)	(1,159,720)
Repair and maintenance	(758,032)	(1,024,142)
Communication expenses	(640,874)	(442,963)
Meeting and training expenses	(572,317)	(1,654,859)
Building utilization expenses	(524,988)	(798,928)
Transportation expenses	(269,533)	(780,300)
Social relief expenses	(168,710)	(1,479,419)
Other	(553,876)	(69,170)
Total	(71,979,207)	(63,468,450)

16. Insurance claims and claims recovered from reinsurers

March 31, 2021	Gross	Reinsurers' Share	Net
Paid Claims	671,473,435	(230,745,137)	440,728,298
Change in outstanding claims	605,817,297	(433,684,653)	172,132,644
Change in mathematical reserves	(4,686)	-	(4,686)
Bonus and rebates provision	(23,715)	23,712	(3)
Total	1,277,262,331	(664,406,078)	612,856,253
March 31, 2020	Gross	Reinsurers' Share	Net
Paid Claims	508,673,261	(172,185,875)	336,487,386
Change in outstanding claims	136,642,498	(27,083,099)	109,559,399
Change in mathematical reserves	(2,400)	-	(2,400)
Bonus and rebates provision	12,553	(12,545)	8
Total	645,325,912	(199,281,519)	446,044,393

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT MARCH 31, 2021

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17. Related parties

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

Due from /to related parties		
	March 31, 2021	December 31, 2020
Shareholder’s subsidiaries	28,846,165	91,461,912
Shareholders	1,143,163	2,254,915
Total	29,989,328	93,716,827
Banks		
	March 31, 2021	December 31, 2020
Shareholder’s subsidiaries	227,250,636	409,450,889
Total	227,250,636	409,450,889
Marketable securities		
	March 31, 2021	December 31, 2020
Shareholder’s subsidiaries	24,897,741	28,642,016
Total	24,897,741	28,642,016
Investment funds		
	March 31, 2021	December 31, 2020
Shareholder’s subsidiaries	340,313,260	95,998,460
Total	340,313,260	95,998,460
Written Premium		
	March 31, 2021	December 31, 2020
Shareholder’s subsidiaries	28,846,165	132,381,217
Shareholders	1,143,163	-
Total	29,989,328	132,381,217
Claims Paid		
	March 31, 2021	December 31, 2020
Shareholder’s subsidiaries	2,469,535	11,411,400
Shareholders	-	1,848
Total	2,469,535	11,413,248
Investment Income		
	March 31, 2021	December 31, 2020
Shareholder’s subsidiaries	11,625,798	48,594,991
Total	11,625,798	48,594,991
Commission expense		
	March 31, 2021	December 31, 2020
Shareholder’s subsidiaries	35,334,450	80,206,902
Total	35,334,450	80,206,902

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18. Contingencies

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

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 27,9 million related to Banking Insurance Transaction Tax were imposed to the Company. The Company has not booked any provision in the financial statements since it 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 Company has interviewed with the Large Taxpayers Office on February 15, 2019. Due to there is no agreement, the Company has filed a suit against the institution the Large Taxpayers Office. From the suits related to Banking Insurance Transaction Tax on salvage transaction in 2009, 2010, 2011 and 2012, the Tax Court has given the rule for the benefit of the Company. Suits related to the years of 2011 and 2012 continue at the Tax Court.

19. Subsequent events

There are no subsequent events.

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