

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ
(Formerly “AvivaSA Emeklilik ve Hayat Anonim Şirketi”)

INTERIM CONSOLIDATED FINANCIAL INFORMATIONs
AS OF JUNE 30, 2021
AND INDEPENDENT AUDITOR’S REPORT



INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the interim consolidated financial information

Our opinion

In our opinion, the accompanying interim consolidated financial information presents fairly, in all material respects, the interim consolidated financial position of AgeSA Hayat ve Emeklilik A.Ş. (Formerly “AvivaSA Emeklilik ve Hayat A.Ş.”) (“the Company”) and its subsidiary (“collectively referred as the “Group”) as at 30 June 2021, and their interim consolidated financial performance and their consolidated cash flows for the six-month period then ended in accordance with International Accounting Standard (“IAS”) 34.

What we have audited

The Group’s interim consolidated financial information comprises:

- the consolidated statement of financial position as at 30 June 2021;
- the consolidated statement of income for the six-month period then ended;
- the consolidated statement of comprehensive income for the six-month period then ended;
- the consolidated statement of changes in equity for the six-month period then ended;
- the consolidated statement of cash flows for the six-month period then ended; and
- the consolidated notes to the interim consolidated financial information, which include a summary of significant accounting policies and other explanatory notes.

Basis for opinion

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

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



Independence

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

Our audit approach

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

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

Key audit matters

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



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<i>Estimations and assumptions used in calculation of life mathematical reserves arising from insurance contracts</i> As explained in Notes 2 and 21 to the accompanying interim consolidated financial information, as of 30 June 2021, the Group's total net life mathematical reserves amounted to TRY 2,949 million and this amount constitutes an important part of the total liabilities of the Group as of the same date. The measurement of life mathematical reserves requires significant estimates and assumptions, as it includes results for future uncertain events, including benefits guaranteed to the insured. The life mathematical reserves are considered as the subject of a key audit matter by us, due to their importance regarding the accompanying interim consolidated financial information and their underlying important assumptions.	 As of 30 June 2021, we tested the design and operational effectiveness of the key controls implemented by the Group's management in relation to the calculation of life mathematical reserves. The life mathematical reserves were recalculated by the expert actuaries in our audit team using the sampling method through the tariffs and other related calculation data. The compliance of the explanatory information related to these reserves in the accompanying interim consolidated financial information with related IFRSs has been examined.

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

Management is responsible for the preparation and fair presentation of the interim consolidated financial information in accordance with IAS 34, and for such internal control as management determines is necessary to enable the preparation of consolidated financial information that are free from material misstatement, whether due to fraud or error.

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

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



Auditor's responsibilities for the audit of the interim consolidated financial information

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

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

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



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

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

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

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

Adnan Akan, SMMM
Partner

Istanbul, 9 August 2021

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ
(Formerly “AvivaSA Emeklilik ve Hayat Anonim Şirketi”)

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED JUNE 30, 2021

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

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AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ
(Formerly “AvivaSA Emeklilik ve Hayat Anonim Şirketi”)

**CONSOLIDATED INFORMATION OF BALANCE SHEET FOR THE PERIOD
ENDED JUNE 30, 2021 AND DECEMBER 31, 2020**

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

Assets	Note	June 30, 2021	December 31,2020
Cash and cash equivalents	4,5	988,095,029	994,041,049
Financial assets	4,6	2,987,414,209	2,229,963,493
Premium and other insurance receivables	4,8	35,334,332	35,330,094
Reinsurance share of insurance liabilities	4,7,21	12,724,736	10,949,619
Deferred expenses	19	564,073,102	524,525,316
Other financial assets	4,13	897,700	868,012
Pension business receivables	4,9	217,771,706	197,580,785
Right of use assets	11	18,562,205	26,194,006
Property and equipment, net	11	49,187,798	26,571,545
Intangible assets, net	12	127,328,478	93,797,549
Other assets	10	38,065,524	40,668,444
Total assets		5,039,454,819	4,180,489,912
Liabilities			
Lease liabilities	4,14	19,545,339	30,342,375
Due to insurance and reinsurance companies	4,15	42,745,462	32,213,493
Pension business payables	4,9	533,475,563	520,044,530
Insurance contract liabilities	21	2,884,860,337	2,211,385,128
Provision for employment termination benefits	17,18	24,397,153	21,040,315
Deferred tax liabilities	17	87,007,745	94,352,699
Current tax liabilities	17	47,942,547	13,368,352
Other payables and liabilities	20	209,372,852	128,998,804
Other provisions	16	47,114,123	52,836,084
Total liabilities		3,896,461,121	3,104,581,780
Share capital	1.1,22	180,000,000	180,000,000
Items that may be reclassified to profit or loss			
Fair value reserves from available for sale assets	22	7,233,708	36,602,809
Other capital reserves	22	837,095	837,095
Profit reserves	22	321,225,389	190,370,612
Retained earnings		375,957,173	318,459,643
Profit for the period	23	257,740,333	349,637,973
Equity attributable to the owners of the Group		1,142,993,698	1,075,908,132
Total equity and liabilities		5,039,454,819	4,180,489,912

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

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ
(Formerly “AvivaSA Emeklilik ve Hayat Anonim Şirketi”)

CONSOLIDATED INFORMATION OF INCOME
FOR THE PERIOD ENDED JUNE 30, 2021 AND JUNE 30, 2020

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

	Note	January 1 - June 30, 2021	April 1 - June 30, 2021	January 1 - June 30, 2020	April 1 - June 30, 2020
Income:					
Gross written premiums	3,21,24	860,590,262	454,812,913	657,173,739	329,232,343
Premium ceded to reinsurers	3,21,24	(12,224,177)	(6,521,361)	(9,760,807)	(4,671,541)
Premium written net of reinsurance	3,21,24	848,366,085	448,291,552	647,412,932	324,560,802
Net change in provision for unearned premiums reserves	3	(7,259,102)	1,695,896	6,659,766	4,485,784
Net premiums earned		841,106,983	449,987,448	654,072,698	329,046,586
Net change in mathematical reserves	3	(302,791,631)	(160,311,079)	(264,840,749)	(128,917,343)
Income generated from pension business	25	248,153,411	123,742,334	216,545,429	113,363,201
Investment and other income	28	124,691,211	80,756,891	63,993,507	37,565,576
Commission income	3,27	5,350,261	3,532,982	5,544,439	4,030,552
Foreign exchange gains/(losses), net	26	39,095,971	3,541,025	6,032,950	1,208,172
Other (expense)/income, net		903,851	192,609	-	-
Total income		956,510,057	501,442,210	681,348,274	356,296,744
Expenses:					
Claims paid and change in outstanding claims provisions	3,21	(105,600,752)	(64,164,247)	(111,975,609)	(53,932,284)
General and administrative expenses	30	(271,182,328)	(141,087,887)	(207,378,009)	(98,784,442)
Pension expenses including commission	3,29	(89,188,412)	(45,603,388)	(83,571,029)	(50,178,303)
Commission expense	3,27	(145,258,612)	(78,589,156)	(106,370,882)	(49,439,924)
Other (expense)/income, net	12,31	-	-	(2,729,032)	(2,998,060)
Total expenses		(611,230,104)	(329,444,678)	(512,024,561)	(255,333,013)
Profit before taxes		345,279,953	171,997,532	169,323,713	100,963,731
Income tax expense (-)	3,17	(87,539,620)	(52,063,226)	(38,315,527)	(22,968,876)
Profit for the period	3,23	257,740,333	119,934,306	131,008,186	77,994,855
Earnings per share (TL 0.01 nominal value per share)	23	0.0143	0.0067	0.0073	0.0043

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

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ
(Formerly “AvivaSA Emeklilik ve Hayat Anonim Şirketi”)

CONSOLIDATED INFORMATION OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED JUNE 30, 2021 AND JUNE 30, 2020

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

	Note	January 1 - June 30, 2021	April 1 - June 30, 2021	January 1 - June 30, 2020	April 1 - June 30, 2020
Profit for the year	3,23	257,740,333	119,934,306	131,008,186	77,994,855
Other comprehensive income:					
Items that may be reclassified subsequently to profit or (loss):					
Net gain/(loss) on available for-sale assets		(39,158,801)	26,764,061	(11,394,827)	66,332,293
Deferred tax relating to components of other comprehensive income		9,789,700	(4,713,329)	2,506,862	(14,593,104)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent years		(29,369,101)	22,050,732	(8,887,965)	51,739,189
Items that will not be reclassified subsequently to profit or loss:					
Actuarial gain/ (loss) on employee termination benefits		(1,604,395)	(339,782)	(2,032,122)	(2,436,636)
Deferred tax relating to actuarial gain/ (loss)		318,729	153,524	447,067	536,060
Net other comprehensive gain/ (loss) not being reclassified to profit or loss in subsequent years		(1,285,666)	(186,258)	(1,585,055)	(1,900,576)
Other comprehensive income / (loss), net of tax		(30,654,767)	21,864,474	(10,473,020)	49,838,613
Total comprehensive income, net of tax		227,085,566	141,798,780	120,535,166	127,833,468

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

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ
(Formerly “AvivaSA Emeklilik ve Hayat Anonim Şirketi”)

CONSOLIDATED INFORMATION OF CHANGES IN EQUITY
FOR THE PERIOD ENDED JUNE 30, 2021 AND JUNE 30, 2020

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

	Note	Share capital	Other capital reserves	Items that may be reclassified to profit or loss/ Fair value reserves for available for - sale financial assets	Profit reserves	Retained earnings	Profit for the period	Total
Balances at January 1, 2020- as previously stated		180,000,000	837,095	(294,093)	135,728,079	247,919,092	240,536,950	804,727,123
ROP DAC impact		-	-	-	-	30,212,482	16,994,999	47,207,481
Balances at December 31, 2019		180,000,000	837,095	(294,093)	135,728,079	278,131,574	257,531,949	851,934,604
Profit for the period		-	-	-	-	-	131,008,186	131,008,186
Other comprehensive loss	22	-	-	(8,887,965)	-	(1,585,055)	-	(10,473,020)
Total comprehensive income				(8,887,965)		(1,585,055)	131,008,186	120,535,166
Transfer	22	-	-	-	49,137,253	208,394,696	(257,531,949)	-
Dividend payment	22	-	-	-	-	(160,000,000)	-	(160,000,000)
Balance at June 30, 2020		180,000,000	837,095	(9,182,058)	184,865,332	324,941,215	131,008,186	812,469,770
	Note	Share capital	Other capital reserves	Items that may be reclassified to profit or loss/ Fair value reserves for available for - sale financial assets	Profit reserves	Retained earnings	Profit for the period	Total
Balances at December 31, 2020		180,000,000	837,095	36,602,809	190,370,612	318,459,643	349,637,973	1,075,908,132
Profit for the period		-	-	-	-	-	257,740,333	257,740,333
Other comprehensive income	22	-	-	(29,369,101)	-	(1,285,666)	-	(30,654,767)
Total comprehensive income				(29,369,101)		(1,285,666)	257,740,333	227,085,566
Transfer	22	-	-	-	130,854,777	218,783,196	(349,637,973)	-
Dividend payment	22	-	-	-	-	(160,000,000)	-	(160,000,000)
Balance at June 30, 2021		180,000,000	837,095	7,233,708	321,225,389	375,957,173	257,740,333	1,142,993,698

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

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ
(Formerly “AvivaSA Emeklilik ve Hayat Anonim Şirketi”)

CONSOLIDATED INFORMATION OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2021

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

	Note	January 1 - June 30, 2021	January 1 - June 30, 2020
Cash flows from operating activities:			
Profit for the period	3,23	257,740,333	131,008,186
Income taxes	3,17	87,539,620	38,315,527
Depreciation and amortization	11,12,30	(27,859,403)	18,665,837
(Gains) / losses from sale of property and equipment		1,416,274	-
Interest income		(132,094,973)	(61,400,741)
Unrealized exchange rates (gains) / losses from cash and cash equivalents		(676,131,081)	17,323,178
Unrealized Exchange rates (gains) / losses from financial assets	6	(295,081,057)	79,284,536
Fair value changes in marketable securities	6	3,747,936	(28,496,919)
Change in claims provision	21	107,433,843	112,165,613
Change in life mathematical reserves	21	661,594,097	444,641,312
Change in provision for unearned premiums reserves	21	7,028,028	(7,635,042)
Change in provision for employment termination benefits	18	4,170,049	1,883,544
Intangible asset write off adjustment	12,31	57,490	-
Change in blockage	5	11,027,027	(17,652,225)
Operating profit before changes in operating assets / liabilities		10,588,183	728,102,806
Changes in operating assets and liabilities:			
Change in premium and other insurance receivables	8	(4,238)	(9,534,728)
Change in other assets	10	2,602,920	(64,418,656)
Change in deferred expenses	19	(39,547,786)	(1,410,280)
Change in pension business receivables	9	(20,190,921)	(18,071,950)
Change in pension business payables	9	13,431,033	38,309,237
Change in lease liabilities		(969,565)	584,341
Corporate taxes paid		(52,277,912)	(24,113,966)
Cash paid for claims settled during the year, net	21	(102,580,759)	(107,103,092)
Employment termination benefits paid	18	(813,211)	(781,099)
Change in other liabilities		143,157,168	14,781,040
Net cash provided from / (used in) operating activities		(46,605,088)	556,343,653
Cash flows from investing activities:			
Acquisition of property and equipment	11	(50,346,466)	(3,827,362)
Acquisition of intangible assets	12	(49,493,483)	(22,132,021)
Disposal of property and equipment		-	16,632
Purchases of financial assets	6	(1,596,571,898)	(3,745,267,954)
Proceeds from sale of financial assets	6	1,086,960,762	3,439,675,735
Interest received	28	132,094,973	66,028,730
Net cash provided by investing activities		(477,356,112)	(265,506,240)
Dividend payment		(160,000,000)	(100,000,000)
Paid rent for lease liabilities	14	(9,196,186)	(8,128,932)
Net cash provided by/(used in) financing activities		(169,196,186)	(108,128,932)
Effect of exchange rates on cash and cash equivalents		676,131,080	(17,323,178)
Net increase in cash and cash equivalents		(17,026,306)	165,385,303
Cash and cash equivalents at the beginning of the year	5	703,099,425	280,374,522
Cash and cash equivalents at the end of the period		686,073,119	445,759,825

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

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ
(Formerly “AvivaSA Emeklilik ve Hayat Anonim Şirketi”)

NOTES TO CONSOLIDATED FINANCIAL INFORMATION
AS AT JUNE 30, 2021

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

1. GENERAL INFORMATION

1.1 Corporate Information

AgeSA Hayat ve Emeklilik Anonim Şirketi (formerly “AvivaSA Emeklilik ve Hayat Anonim Şirketi”) (“the Company”) was established on October 31, 2007 by the merger of Ak Emeklilik Anonim Şirketi (“Ak Emeklilik”) with Aviva Hayat ve Emeklilik Anonim Şirketi (Aviva Emeklilik).

Aviva Europe SE and Hacı Ömer Sabancı Holding A.Ş.; each held 49.83% of the shares before offering 19.67% of the shares of the Company to public on November 13, 2014. As a result of the initial public offering, the shares of the Company have been listed on Borsa İstanbul A.Ş. (“BIST”) as of November 13, 2014. After the price stabilization activities, the Company’s main shareholders’ share in partnership were 41.28% each and the percentage of shares which are publicly traded were 17.28%.

Hacı Ömer Sabancı Holding A.Ş. sold its shares with the nominal value of TL 458,956 in BIST on August 5, 2015 and after this disposal, its share in AgeSA Hayat ve Emeklilik Anonim Şirketi (formerly “AvivaSA Emeklilik ve Hayat Anonim Şirketi”) decreased to 40%.

Aviva International Holdings Ltd. sold its share with the nominal value of TL 458,956 in BIST on August 5, 2015 and after this sale its share in AgeSA Hayat ve Emeklilik Anonim Şirketi (formerly “AvivaSA Emeklilik ve Hayat Anonim Şirketi”) decreased to 40%.

With the Board of Directors’ decision dated October 26, 2018, it has been decided to get permission from the Prime Ministry Capital Markets Board, SEDDK and Ministry of Commerce to increase the paid-in capital of the Company by 52.54% and increase from TL 118,000,000 to TL 180,000,000 and to provide the entire increase of TL 62,000,000 from Extraordinary Reserves and to give 52.54% of the shares to each share held by the shareholders. As of June 30, 2021 19.91% of the Company’s share have been listed on the Borsa İstanbul (“BIST”).

The Company is engaged in pension business and life insurance. The Company also issues insurance policy for personal accident.

The Company’s management analysed their relationship with the pension investment funds under IFRS 10, 11 and 12 and concluded that the Company has no control over the pension investment funds.

The Share Purchase Agreement was signed between Ageas Group and Aviva Group on 23 February 2021. Accordingly, Ageas agreed to take over all of AvivaSA’s shares with a nominal value of TL 72,000,006.72, representing 40% of the capital owned by Aviva. The closing conditions determined in the Share Purchase Agreement have been fulfilled, and all of Aviva’s shares representing 40% of our Company’s capital were taken over by Ageas as of 5 May 2021.

The company will continue to operate as a joint venture company with a 40-40% partnership between Sabancı Holding and Ageas.

AGESA HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ
(Formerly “AvivaSA Emeklilik ve Hayat Anonim Şirketi”)

NOTES TO CONSOLIDATED FINANCIAL INFORMATION
AS AT JUNE 30, 2021

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

1. GENERAL INFORMATION (Continued)

1.1 Corporate Information (Continued)

The validity of the Share Purchase Agreement signed between Ageas and Aviva depends on the fulfillment of the closing conditions specified in the relevant contracts, including obtaining the necessary permissions and approvals, and the entire process is expected to be completed in 2021.

The registered office of the Company is Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi No: 12, 34768 Ümraniye, Istanbul - Turkey.

Other contact information of the company is as follows:

Phone : (216) 633 33 33
Fax : (216) 634 35 69
Web : www.agesahayatemeklilik.com.tr
E-mail address : avivasa@avivasa.hs03.kep.tr

The consolidated financial informations of the Company as at and for the period ended June 30, 2021 comprises the Company and its subsidiary (together referred to as the “Group” and individually as “Group Entities”).

The subsidiary; AvivaSA Sigorta Aracılığı A.Ş. has been approved in AvivaSA Hayat ve Emeklilik A.Ş. board of directors meeting dated December 13, 2018 which has officially registered on December 20, 2018 to brokerage insurance and private pension with 2,000,000 TL paid-in capital and 100% subsidiary.

The Share Purchase Agreement was signed between Ageas Group and Aviva Group on 23 February 2021. Accordingly, Ageas agreed to take over all of AvivaSA's shares with a nominal value of TL 72,000,006.72, representing 40% of the capital owned by Aviva. The closing conditions determined in the Share Purchase Agreement have been fulfilled, and all of Aviva's shares representing 40% of our Company's capital were taken over by Ageas as of 5 May 2021.

In the new situation, the company will continue its activities as a company subject to joint management with the 40-40% partnership of Sabancı Holding and Ageas.

Enforcement of the Share Purchase Agreement signed between Ageas and Aviva depends on the fulfillment of the closing conditions specified in the relevant agreements, including the obtaining of necessary permits and approvals, and the entire process is expected to be completed in 2021.

The address of the registered office of the subsidiary is as follows;

Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi No: 12, 34768 Ümraniye, Istanbul - Turkey.

AvivaSA Sigorta ve Aracılığı A.Ş. acts as an agent for non-life insurance policies including health and pension contracts. The Company also can deal with any other type of business on behalf of and in favour of the Group by the approval of General Assembly

The average personnel number of the Group is 1,445 employees for the period ended June 30, 2021 (1 January - December 31, 2020: 1,377).

The accompanying consolidated financial informations of the Group for the period ended June 30, 2021 were authorized for issue in accordance with a resolution of the directors on August 9, 2021.

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1. GENERAL INFORMATION (Continued)

1.1 Corporate Information (Continued)

As of June 30, 2021, there are 38 pension investment funds established by the Group (December 31, 2020: 35 pension funds). The pension investment funds established by the Group are as follows:

Name of Pension Fund	Date of Establishment
Avivasa Emeklilik Ve Hayat Karma Emeklilik Yatırım Fonu	21 October 2003
Avivasa Emeklilik Ve Hayat Agresif Değişken Emeklilik Yatırım Fonu	21 October 2003
Avivasa Emeklilik Ve Hayat Dış Borçlanma Araçları Emeklilik Yatırım Fonu	21 October 2003
Avivasa Emeklilik Ve Hayat Orta Vadeli Borçlanma Araçları Emeklilik Yatırım Fonu	21 October 2003
Avivasa Emeklilik Ve Hayat İkinci Para Piyasası Emeklilik Yatırım Fonu	21 October 2003
Avivasa Emeklilik Ve Hayat İkinci Değişken Emeklilik Yatırım Fonu	21 October 2003
Avivasa Emeklilik Ve Hayat Kamu Dış Borçlanma Araçları (Abd Doları 5-15 Yıl Vadeli) Emeklilik Yatırım Fonu	8 November 2005
Avivasa Emeklilik Ve Hayat Bist Temettü 25 Endeksi Emeklilik Yatırım Fonu	28 December 2006
Avivasa Emeklilik Ve Hayat Birinci Para Piyasası Emeklilik Yatırım Fonu	20 August 2003
Avivasa Emeklilik Ve Hayat Borçlanma Araçları Emeklilik Yatırım Fonu	20 August 2003
Avivasa Emeklilik Ve Hayat Dinamik Değişken Emeklilik Yatırım Fonu	20 August 2003
Avivasa Emeklilik Ve Hayat Birinci Değişken Emeklilik Yatırım Fonu	20 August 2003
Avivasa Emeklilik Ve Hayat Hisse Senedi Emeklilik Yatırım Fonu	20 August 2003
Avivasa Emeklilik Ve Hayat Borçlanma Araçları Grup Emeklilik Yatırım Fonu	5 January 2005
Avivasa Emeklilik Ve Hayat Muhafazakar Değişken Emeklilik Yatırım Fonu	5 January 2005
Avivasa Emeklilik Ve Hayat Hisse Senedi Grup Emeklilik Yatırım Fonu	5 January 2005
Avivasa Emeklilik Ve Hayat Karma Grup Emeklilik Yatırım Fonu	17 August 2010
Avivasa Emeklilik Ve Hayat Dengeli Değişken Emeklilik Yatırım Fonu	20 December 2011
Avivasa Emeklilik Ve Hayat Katkı Emeklilik Yatırım Fonu	2 May 2013
Avivasa Emeklilik Ve Hayat Standart Emeklilik Yatırım Fonu	2 May 2013
Avivasa Emeklilik Ve Hayat Altın Emeklilik Yatırım Fonu	20 June 2013
Avivasa Emeklilik Ve Hayat Teknoloji Sektörü Yabancı Değişken Emeklilik Yatırım Fonu	10 May 2013
Avivasa Emeklilik Ve Hayat Özel Sektör Borçlanma Araçları Emeklilik Yatırım Fonu	25 October 2013
Avivasa Emeklilik Ve Hayat Başlangıç Emeklilik Yatırım Fonu	12 January 2017
Avivasa Emeklilik Ve Hayat Başlangıç Katılım Emeklilik Yatırım Fonu	12 January 2017
Avivasa Emeklilik Ve Hayat Katılım Standart Emeklilik Yatırım Fonu	26 May 2017
Avivasa Emeklilik Ve Hayat Oks Dinamik Katılım Değişken Emeklilik Yatırım Fonu	25 December 2017
Avivasa Emeklilik Ve Hayat Oks Agresif Katılım Değişken Emeklilik Yatırım Fonu	25 December 2017
Avivasa Emeklilik Ve Hayat Oks Muhafazakar Değişken Emeklilik Yatırım Fonu	25 December 2017
Avivasa Emeklilik Ve Hayat Oks Dengeli Değişken Emeklilik Yatırım Fonu	25 December 2017
Avivasa Emeklilik Ve Hayat Oks Dinamik Değişken Emeklilik Yatırım Fonu	25 December 2017
Avivasa Emeklilik Ve Hayat Oks Agresif Değişken Emeklilik Yatırım Fonu	25 December 2017
Avivasa Emeklilik Ve Hayat Katılım Katkı Emeklilik Yatırım Fonu	26 May 2017
Avivasa Emeklilik Ve Hayat Oks Standart Emeklilik Yatırım Fonu	2 January 2018
Avivasa Emeklilik Ve Hayat Oks Katılım Standart Emeklilik Yatırım Fonu	2 January 2018
Avivasa Emeklilik Ve Hayat Birinci Fon Sepeti Emeklilik Yatırım Fonu	2 February 2021
Avivasa Emeklilik Ve Hayat İkinci Fon Sepeti Emeklilik Yatırım Fonu	2 February 2021
Avivasa Emeklilik Ve Hayat Üçüncü Fon Sepeti Emeklilik Yatırım Fonu	2 February 2021

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

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

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1. GENERAL INFORMATION (Continued)

1.1 Corporate Information (Continued)

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

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

As at June 30, 2021 and December 31, 2020 units and amounts of share certificates in circulation are as follows:

	June 30, 2021		December 31, 2020	
	Number of Share Certificates	Net Asset Value (TL)	Number of Share Certificates	Net Asset Value (TL)
Share certificates in circulation				
Avivasa Emeklilik Ve Hayat Karma Emeklilik Yatırım Fonu	700,722,424	54,249,229	735,071,945	56,227,858
Avivasa Emeklilik Ve Hayat Agresif Değişken Emeklilik Yatırım Fonu	1,140,478,819	96,752,521	1,059,512,876	91,226,178
Avivasa Emeklilik Ve Hayat Dış Borçlanma Araçları Emeklilik Yatırım Fonu	24,643,592,606	3,090,824,028	25,643,370,957	2,847,670,701
Avivasa Emeklilik Ve Hayat Orta Vadeli Borçlanma Araçları Emeklilik Yatırım Fonu	1,728,452,525	132,351,066	1,933,916,637	146,552,203
Avivasa Emeklilik Ve Hayat İkinci Para Piyasası Emeklilik Yatırım Fonu	1,642,256,467	119,324,713	1,657,064,489	111,132,687
Avivasa Emeklilik Ve Hayat İkinci Değişken Emeklilik Yatırım Fonu	3,591,264,250	225,754,053	4,295,383,861	240,751,970
Avivasa Emeklilik Ve Hayat Kamu Dış Borçlanma Araçları (Abd Doları 5-15 Yıl Vadeli) Emeklilik Yatırım Fonu	23,486,213,994	2,771,467,196	24,386,450,173	2,533,093,739
Avivasa Emeklilik Ve Hayat Bist Temettü 25 Endeksi Emeklilik Yatırım Fonu	1,815,037,568	106,600,786	1,654,135,899	91,405,896
Avivasa Emeklilik Ve Hayat Birinci Değişken Emeklilik Yatırım Fonu	41,133,740,072	3,175,730,402	39,875,098,015	2,840,941,233
Avivasa Emeklilik Ve Hayat Borçlanma Araçları Emeklilik Yatırım Fonu	36,261,376,127	2,724,861,109	38,755,798,162	2,873,858,701
Avivasa Emeklilik Ve Hayat Dinamik Değişken Emeklilik Yatırım Fonu	26,716,521,654	2,349,130,315	27,532,739,952	2,419,962,645
Avivasa Emeklilik Ve Hayat Birinci Değişken Emeklilik Yatırım Fonu	18,744,945,878	1,665,732,126	18,588,114,111	1,383,736,391
Avivasa Emeklilik Ve Hayat Hisse Senedi Emeklilik Yatırım Fonu	15,259,254,640	1,505,584,878	15,113,731,517	1,571,843,192
Avivasa Emeklilik Ve Hayat Borçlanma Araçları Grup Emeklilik Yatırım Fonu	4,501,751,536	288,998,943	5,044,760,691	318,611,951
Avivasa Emeklilik Ve Hayat Muhafazakar Değişken Emeklilik Yatırım Fonu	1,961,113,079	146,995,231	2,138,467,880	148,685,533
Avivasa Emeklilik Ve Hayat Hisse Senedi Grup Emeklilik Yatırım Fonu	1,296,282,407	129,096,765	1,339,619,319	139,845,540
Avivasa Emeklilik Ve Hayat Karma Grup Emeklilik Yatırım Fonu	987,948,785	29,696,753	1,019,832,900	30,209,490
Avivasa Emeklilik Ve Hayat Dengeli Değişken Emeklilik Yatırım Fonu	410,161,198	11,131,365	327,146,863	8,726,315
Avivasa Emeklilik Ve Hayat Katkı Emeklilik Yatırım Fonu	191,792,393,419	3,545,474,185	185,137,728,419	3,639,252,328
Avivasa Emeklilik Ve Hayat Standart Emeklilik Yatırım Fonu	9,562,716,629	178,937,554	10,754,076,849	202,961,692
Avivasa Emeklilik Ve Hayat Altın Emeklilik Yatırım Fonu	149,610,842,588	7,978,746,235	153,307,402,012	7,463,157,637
Avivasa Emeklilik Ve Hayat Teknoloji Sektörü Yabancı Değişken Emeklilik Yatırım Fonu	8,879,893,763	502,095,833	4,145,922,080	183,411,447
Avivasa Emeklilik Ve Hayat Özel Sektör Borçlanma Araçları Emeklilik Yatırım Fonu	5,009,058,891	130,125,332	3,267,547,474	78,192,411
Avivasa Emeklilik Ve Hayat Başlangıç Emeklilik Yatırım Fonu	4,655,577,005	88,134,728	4,290,174,844	74,837,810
Avivasa Emeklilik Ve Hayat Başlangıç Katılım Emeklilik Yatırım Fonu	3,265,083,695	59,006,593	3,019,542,473	50,145,542
Avivasa Emeklilik Ve Hayat Oks Dinamik Katılım Değişken Emeklilik Yatırım Fonu	568,812,673	11,983,745	451,972,660	9,089,622
Avivasa Emeklilik Ve Hayat Oks Agresif Katılım Değişken Emeklilik Yatırım Fonu	875,257,295	20,621,062	702,528,596	15,910,165
Avivasa Emeklilik Ve Hayat Oks Muhafazakar Değişken Emeklilik Yatırım Fonu	541,301,054	9,033,232	599,506,315	9,260,574
Avivasa Emeklilik Ve Hayat Oks Dengeli Değişken Emeklilik Yatırım Fonu	879,209,463	14,312,651	707,473,424	11,248,120
Avivasa Emeklilik Ve Hayat Oks Dinamik Değişken Emeklilik Yatırım Fonu	1,205,279,628	19,473,703	804,388,912	12,871,027
Avivasa Emeklilik Ve Hayat Oks Agresif Değişken Emeklilik Yatırım Fonu	1,617,331,419	25,115,540	1,040,921,238	16,315,399
Avivasa Emeklilik Ve Hayat Oks Standart Emeklilik Yatırım Fonu	36,157,256,822	561,775,299	35,772,782,543	530,438,820
Avivasa Emeklilik Ve Hayat Katılım Standart Emeklilik Yatırım Fonu	17,924,936,469	308,918,355	18,010,785,501	289,595,420
Avivasa Emeklilik Ve Hayat Katılım Katkı Emeklilik Yatırım Fonu	1,181,664,058	20,207,637	878,427,920	13,953,828
Avivasa Emeklilik Ve Hayat Katılım Standart Emeklilik Yatırım Fonu	371,061	7,771	335,910	6,654
Avivasa Emeklilik Ve Hayat Birinci Fon Sepeti Emeklilik Yatırım Fonu	5,553,717,704	59,485,870	-	-
Avivasa Emeklilik Ve Hayat İkinci Fon Sepeti Emeklilik Yatırım Fonu	7,394,497,519	78,707,032	-	-
Avivasa Emeklilik Ve Hayat Üçüncü Fon Sepeti Emeklilik Yatırım Fonu	5,805,248,883	60,670,656	-	-
	658,501,564,067	32,297,114,492	633,991,733,417	30,455,130,719

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1. GENERAL INFORMATION (Continued)

1.1 Corporate Information (Continued)

	June 30, 2021		December 31, 2020	
	Number of Share Certificates	Net Asset Value (TL)	Number of Share Certificates	Net Asset Value (TL)
Participation certificates at the Group				
AgeSA Hayat ve Emeklilik Anonim Şirketi (formerly “AvivaSA Emeklilik ve Hayat Anonim Şirketi”) Katılım Standart EYF	38,898,359	814,610	38,933,510	771,273
	38,898,359	814,610	38,933,510	771,273

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial information have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2.2 Basis of consolidation

The accompanying consolidated financial information comprise of the consolidated financial information of the parent company “AgeSA Hayat ve Emeklilik Anonim Şirketi” (formerly “AvivaSA Emeklilik ve Hayat Anonim Şirketi”) and its subsidiary (“AvivaSA Sigorta Aracılığı A.Ş.”, wholly owned by the Company) prepared on the basis set out in sections below. The consolidated financial information of the entities included in the consolidation have been prepared as at the date of these consolidated financial information.

Subsidiary

Subsidiary is the entity controlled by the Group. The consolidated financial information of the subsidiary is included in the consolidated financial information from the date that control commences.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial information.

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies

Written premiums

Written premiums represent the policies on cancellations from prior years and premiums ceded to reinsurers and after tax deduction in addition to the policies written in the current year. Annual, long term and saving policies are accounted according to the accrual basis. For unit-linked life savings policies, premiums are recognized on a collection basis.

Premiums ceded to reinsurers

Premiums ceded to reinsurers consist of the premiums that are attributable to reinsurers in accordance with the provisions of the respective reinsurance contracts.

Net change in provision for unearned premium reserves

The portion of written premiums attributable to subsequent periods (gross of commission payable to intermediaries) is deferred as a provision for unearned premiums. The change in this provision is recognized as revenue in the information of profit or loss over the period of risk.

Unit-linked life savings policies (except for a small amount of mortality deductions relating to the life savings business) and long-term life insurance policies are not subject to unearned premium reserves.

Net change in mathematical reserves

Life insurance mathematical reserves are calculated according to actuarial principles on a prudent basis in order to ensure liabilities are fully met for policies longer than one year. Mathematical reserves are calculated on a prospective basis as the difference between the present value of liabilities and future premiums to be paid by the policyholders. The change in this provision is recognized as revenue in the information of profit or loss over the period of risk.

Income generated from pension business

Fees received from the pension business consist of (i) fund management fees, (ii) premium holiday charges, (iii) entry and deferred entry fees and (iv) account management fees and deferred income reserves. Revenues arising from fund management and other related services offered by the Group are recognized in the accounting period during which the service is rendered.

Fund management fees, which are calculated with reference to assets under management, are attributable to the hardware, software, personnel and accounting services provided to pension funds. Management fees are attributable to the operational costs of the services rendered to customers by the Group and can be deducted from the participants’ funds. Premium holiday charges may be received when the participant does not pay his or her regular premium within three months of being due. Entry fees are fees received from the participant when he or she first enters the pension system and from any participants who have already entered into the system but create a new account in another pension company. Deferred entry fees may be charged to the participant and recorded as income in the event that he or she exits, merges or transfers accounts within the context of conditions defined in the contract as of the effective date of contract. Account management fees and deferred account management fees, which is effective with the BES 3.0 legislation, entered into force on January 1, 2016, and the reduction from contracts established in 2016. Effective from January 1, 2018 IAS 18 revenue recognition principle was replaced by IFRS 15 Revenue from contracts and it also requires the deferral of upfront fees over the life time of contracts. Management fees starting from 2016 are capped to 5 years according to new legislation, total of management fees are subject to deferral regarding IFRS 15. Also the entry fees recognized as revenue between the years 2013-2015 are deferred under IFRS 15. The Group applied 7 years for the average duration of the portfolio in line with the 7 years DAC amortization period estimate (31 December 2020: 7 years).

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Income generated from pension business (Continued)

Pension fees are subject to limitations and caps in the form of maximum fees collectible from pension customers set out in the local regulation on pension system.

In the payment amounts and collection process were made regulation pursuant to “Amendment Regulation of Regulation on Individual Retirement System” came into force dated January 1, 2016. Deductions were able to receive from the accumulation of the participant with this regulation during five years within the scope of limits and rules.

For agreements which came into force dated before January 1, 2016, there will be no deduction from the agreements which filled 5 years as of the effective date even defined.

For the agreements which did not fill 5 years as of the effective date, if there is deduction over the annual limit, there will be no deduction until the anniversary, if there is deduction over 5 years limit, there is not any deduction as of this date. There can be entrance fee and administrative expense deduction in the first five years, exit without mandatory reasons, in case of leaving provided that defined to the product within the limits as of the effective date of agreement.

For the agreements which came into force dated after January 1, 2016; “Deferred Entrance Fee” can be deducted from the saving of the participant in the first five years for the policies which exits without mandatory reasons provided that it is defined to the product within the limits of regulation and rules.

Investment and other income (expense), net

Net investment and other income (expense) comprises interest income, net profit and loss on realization, dividend income, other income and expenses and investment management expenses.

Interest income is recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset.

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

Interest income presented in the information of comprehensive income includes:

- interest on financial assets at amortized cost on an effective interest rate basis,
- interest on available-for-sale financial assets on an effective interest rate basis,
- interest earned till the disposal of financial assets at fair value through profit or loss.

Net profit and loss on realization includes gains and losses arising from disposals of financial assets at fair value through profit or loss and available-for-sale financial assets.

Commission income and commission expenses

The Group receives commission income from reinsurance companies in respect of the ceded premiums in its life protection, personal accident and life savings business segments. Commission income is recognized on an accrual basis.

Commission expenses include third-party commissions paid in respect of the distribution of the Group’s life protection, life savings and personal accident business products through external channels including banks, agencies and brokers, and change in deferred acquisition costs. It does not include any distribution commissions for pension products, which are recorded separately under pension expenses including commissions. Commission expenses are recognized on an accrual basis.

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Claims paid and change in outstanding claims provisions

Claims are recognized in the period in which they occur, based on reported claims or on the basis of estimates when not reported. The claims provision is the total estimated ultimate cost of settling all claims arising from events, which have occurred up to the end of the accounting period. Full provision is accounted for outstanding claims, including claim settlements reported at the period-end. Incurred but not reported claims are also provided for under the provision for outstanding claims, presented in insurance contract liabilities.

Pension expenses including commission

Pension business expenses primarily consist of (i) pension business commissions paid to third parties, (ii) fund management charges paid to asset management companies, (iii) service charges of the Pension Monitoring Center (EGM), Takasbank and the custodian bank of pension funds and (iv) other pension business-related expenses.

Commissions paid to banks and agencies for distribution of the Group’s pension products are recognized (net of deferred acquisition cost) under pension expenses. As required under Turkish pension regulations, the Group’s pension funds are managed by third party asset manager(s) who receive asset management fees according to the terms specified in the agreement signed between the parties and such management fees are recorded under pension expenses.

Cash and cash equivalents

In terms of presentation of cash flow information, cash and cash equivalents comprise cash at hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less, which are readily convertible to cash and are subject to an insignificant risk of changes in value.

Property and equipment

The property and equipment purchased subsequent to this date are recorded at their historical cost. Accordingly, property and equipment are carried at cost, less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Furniture and fixtures	2-15 years
Machinery and equipment	4 years
Other tangible assets	4-5 years
Leasehold improvements	5 years or term of rent contract

Where the carrying amount of an asset is greater than its estimated recoverable amount (higher of net selling price and value in use), it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Right of use assets and lease liabilities

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the lease term on a straight line basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar economic environment with similar terms and conditions. As of 30 June 2021, the alternative borrowing rates used by the Group for Turkish Lira leases are 25% annually for leases before 2021 and 18% for 2021 leases. As of 30 June 2021, the Group has no foreign currency lease obligations.

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Intangible assets

Intangible assets mainly comprise computer software and internally generated software. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives as three to five years from the acquisition date. Where an indication of impairment exists, the carrying amount of intangible assets is assessed and written down immediately to its recoverable amount.

Construction in progress refers to the Group’s software development projects to unify the basic insurance applications used within the structure of the Group and to use such applications by integration to all the surrounding systems. Personnel expenses and cost of the outsourced services associated directly with the development of the application are capitalised as incurred.

Financial instruments

Recognition

The Group initially recognizes loans and advances on the date which they are originated. Regular way of purchase and sales of financial assets are recognized on the trade date which the Group commits to purchase or sell the asset. All other financial assets and liabilities are initially recognized on the trade date at which the Group becomes a party to contractual provisions of the instrument.

Classification

The Group classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date.

Financial assets at fair value through profit or loss: Financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, or if it forms part of a portfolio of financial assets in which there is evidence of short term profit making.

Available-for-sale financial assets: Available-for-sale (“AFS”) financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale. Assets backing long term insurance contracts are classified as available-for-sale financial assets in the accompanying consolidated financial informations.

Financial investments with risks on policyholders classified as available for sale: Financial investments with risks on policyholders classified as available for sale consist of public securities, foreign currency Eurobonds and time deposits.

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. They arise when the Group provides money, goods and services directly to a debtor with no intention of trading the receivable.

Financial liability: Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Measurement

A financial asset or liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Subsequent to initial recognition, financial assets at fair value through profit or loss and available-for-sale financial assets are measured at fair values, except that any equity instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost.

Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognized in the information of comprehensive income in the period in which they arise. Unrealized gains and losses arising from changes in the fair values of available-for-sale financial assets are recognized in equity as “Fair value reserves from available-for-sale financial assets”. When available-for-sale financial assets are sold or impaired, the accumulated fair value reserves under equity are transferred to the information of comprehensive income as net realized gains/losses on financial assets.

All non-trading financial liabilities, loans and receivables are measured at amortized cost less impairment losses, if any. Amortized cost is calculated on the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the financial instruments.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management’s best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

Derecognition

A financial asset is derecognized when the control over the contractual rights that comprise that asset, is lost. This occurs when the rights are realized, expire or are surrendered. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Available-for-sale financial assets and financial assets at fair value through profit or loss that are sold are derecognized and corresponding receivables from the buyer for the payment are recognized as at the date the Group commits to sell the assets. The specific identification method is used to determine the gain or loss on derecognition.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the information of financial position when there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Impairment of financial assets

Premium and other insurance receivables

In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated amounts recoverable from a portfolio of premiums, other insurance receivables and individual premiums. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- (a) significant financial difficulty of the agency or debtor;
- (b) the Group granting to the agency, for economic or legal reasons relating to the agency’s financial difficulty, a concession that the lender would not otherwise consider;
- (c) it is probable that the agency will declare bankruptcy or enter into other financial reorganization;
- (d) the disappearance of an active market for the related financial asset because of financial difficulties; or
- (e) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - (i) adverse changes in the payment status of agencies; or
 - (ii) national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that there occurs an impairment loss on receivables, the amount of the loss is measured based on the difference between the asset’s carrying amount and the estimated recoverable amount. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognized in the information of comprehensive income, to the extent that the carrying value of the asset does not exceed its cost at the reversal date.

A write off is made when all or part of a premium receivable is deemed uncollectible or in the case of debt forgiveness. Such premium receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the amount of the insurance receivable. Subsequent recoveries of amounts previously written off are included in information of profit or loss.

The methodology and assumptions used for estimating both the amount and timing of recoverable amounts are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available-for-sale financial assets

If an available-for-sale investment security is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Reinsurance assets

If the reinsurance asset is impaired, the Group reduces its carrying amount accordingly and recognizes that impairment loss in the information of profit or loss. A reinsurance asset is impaired if, and only if:

- (a) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group may not receive all amounts and
- (b) that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

An insurance contract is a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk covers all risks except for financial risks. All premiums written within the coverage of insurance contracts are recognized as revenue under “written premiums” account.

Investment contracts are those contracts which transfer financial risk without significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

Insurance contracts

Insurance contracts are contracts that provide protection to the insured against adverse economic consequences of an event of loss as covered under the terms and conditions stipulated in the insurance policy according to IFRS 4.

Financial Guarantee Contract is a contract which requires that the issuer make specific payments to reimburse the holder for the loss incurred by the debtor when a specific breach of its obligation to pay, in accordance with the conditions, original or amended, of a debt instrument.

According to IFRS 4, financial risk is the risk posed by a possible future change in one or more of the following variables: an interest rate specified the price of a financial instrument, the price of a commodity trading, an exchange rate, a price index or interest, a credit rating or an index or other variable. If this is a nonfinancial variable, it is necessary that the variable is not specific to one of the parties to the contract.

According to this, insurance contracts include changes in market prices, as well as insurance risk.

Some policies (Saving Life Policies) of the Group include financial return in addition to insurance risk and carry financial risk, accordingly. However these contracts are defined as insurance contracts also and accounted in this context. Because there are no contracts with a stand-alone financial risk in the Group’s portfolio and contracts carry significant insurance risk, mentioned policies are within the context of insurance contracts.

All policies in the Group portfolio are treated as insurance contracts.

Liability adequacy test

At each reporting date, an assessment is made of whether the recognized long-term business provisions are adequate, using current estimates of future cash flows. A liability adequacy test is required to ensure that losses do not remain unrecognized.

- a) the test considers current estimates of all contractual cash flows, and of related cash flows such as claims handling costs, as well as cash flows resulting from embedded options and guarantees; and
- b) if the best test shows that the liability is inadequate, the entire deficiency is recognised in profit or loss.

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Incremental direct costs which are essential to the contract transaction are subject to deferral. During the deferral of salaries, benefits and other costs, two criterias are evaluated and should be met; must have a direct role in acquisition activities and must be an essential activity resulting in the contract being issued. The Group management has identified that when the following criterias are met, expenses are subjected to deferral:

- Stand-alone direct sales force sales teams and sales managers’ commissions
- Bancassurance coaches’ and sales managers’ commissions
- Corporate sales teams commissions
- Third party, Akbank T.A.Ş. and agency commissions

Subsequent to initial recognition, DAC for life insurance are amortized over the expected life of the contracts as a constant percentage of expected premiums. Deferred commissions for personal accident insurance products are amortized over the period in which the related revenues are earned. The reinsurers’ share of deferred commissions is amortized in the same manner as the underlying asset amortization is recorded in profit or loss.

Deferral periods can be the average life-time of the contracts (which are longer than the lapse assumptions). The Group management has determined the life time period as seven years for pension contracts and as nine years for ROP products. The amount of DAC is subject to Liability Adequacy Test each year. The Group has applied straight line method for the amortization of DAC.

Provision for unearned premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as a provision for unearned premiums. The change in this provision is taken to profit or loss as recognition of revenue over the period of risk.

Unearned premium reserve is calculated on a daily basis for all policies in force as of information of financial position date for unearned portions of premiums written. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12:00 noon and end at 12:00 noon again. Unearned premium reserve and the reinsurers’ share of the unearned premium reserve for policies, are calculated and recorded as the deferred portion of the accrued premiums related to the policies in force and ceded premiums to reinsurers without deducting commissions or any other deduction, on a daily and gross basis.

Provision for outstanding claims/IBNR

Outstanding claims reserve represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting date as well as the corresponding handling costs. A provision for claims incurred but not reported (“IBNR”) is also established as described below.

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The primary technique adopted by management in estimating the cost of IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. In addition to that, the Group also reassesses its notified claims provision at each reporting date on each claim file basis.

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Mathematical reserves

Actuarial mathematical reserves are the difference between the premiums received for the risk undertaken by the companies and the cash values of the liabilities to the policyholders and beneficiaries. Actuarial mathematical reserves are calculated according to the formulas and principles specified in the technical principles of the tariffs for life insurance for more than one year and as of June 30, 2021, the company performs mathematical calculations based on Treasury approved tariffs. Actuarial mathematical reserves are calculated as the difference between the cash value of the insurer's future obligations and the present value of the premiums to be paid by the insurer in the future (prospective method).

Insurance companies operating in life branch allocate mathematical reserves, adequately according to actuarial principles, for long-term life policies in order to meet its obligations to beneficiaries and policyholders.

Mathematical reserves consist of actuarial mathematical reserves and profit share reserves, share of policyholders, determined from the income generated from mathematical reserves directed towards investment, that are calculated separately for each effective policy, in accordance with the technical principles in the tariffs.

Actuarial mathematical reserves are the difference between the premiums received for the risks assumed and cash value of liabilities to policyholders and beneficiaries. Actuarial mathematical reserves are provided for life insurance having more than one year of maturity, based on the formulas and elements of technical principles. Mathematical reserves are calculated on a prospective basis as the difference between the present value of liabilities and future premiums to be paid by the policyholders.

Profit share reserves consist of the income obtained from assets in relation to reserves provided for the obligations for the policyholders and beneficiaries in contracts for which the Group has committed to distribute profit shares; the guaranteed portion, not to exceed the technical interest income calculated based on the profit share distribution system prescribed in the approved technical principles of profit share and prior years' accumulated profit share reserves.

The Company applies deductions in accordance with the tariff technical principles of the product for the mathematical compensation of the policies exempt from premium payment (paid-up policy) within the scope of Return of Premium product. As stated in Article 1502 of the TCC, in insurance exempt from premium payment, the insurance amount is paid according to the ratio between the premium paid and the premium payable pursuant to the contract. Due to the expected changes in the legislation, it is expected that additional liabilities will occur in mathematical reserve calculations for the policies that are in the paid-up status of the Company and have not matured yet. The company has not made any adjustments to the paid-up mathematical reserve amount of TL 66,5 million recorded as of June 30, 2021, since the legislation has not yet been published. In the event that the risks subject to the above-mentioned calculations materialize in the upcoming periods, the period profitability and capital adequacy calculations for the said periods may be significantly affected.

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more life insurance contracts issued by the Group, and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Reinsurance liabilities are primarily reinsurance premiums payable to reinsurance contracts and are recognized as an expense when due.

Reinsurance cessions of the Group are made on risk premium basis with regard to death benefit and supplementary benefits. For group and individual life reinsurance surplus agreements, cessions are made to the treaty reinsurers according to shares of the surplus amounts in excess of the Group retention limits which are approved by the Turkish Treasury.

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Pension business

The Group provides group and individual plans to customers.

The Group offers 38 pension investment funds (2020: 35). These pension funds are in different risk profiles according to the portfolio composition of the funds. The participants choose from among different pension funds within legal limitations and determine allocation rates for contributions and additional contributions according to the contract provisions. The participants gain right for retirement provided that they remain in the pension system for at least 10 years, pay contributions for at least 10 years and attain 56 years of age.

Pension business receivables consist of ‘receivable from pension investment funds for fund management fees’, ‘entry fee receivable from participants’ and ‘receivables from clearing house on behalf of the participants’. ‘Receivable from pension investment funds for fund management fees’ are the fees charged to the pension funds against for the administration of related pension funds which consist of fees which are not collected in the same day.

Pension business payables include participants’ temporary accounts, and payables to pension agencies. Pension business payables consist of payables to intermediaries in pension business, payables to custodians and payables to the Pension Monitoring Centre. The temporary accounts of participants consist of funds of participant which are yet not directed to investments and of payables due to sale of investments net of any entry fee payables by the participants and other deductions of participants who will either leave the pension business or who will transfer their funds to another insurance company. In case where collections from participants are performed or where cash is transferred to the Group subsequent to the sale of investments of the participants, the pension business payable account is credited. When the funds of participants are directed to investments or where the participants’ funds are transferred to another insurance company the account is debited.

Employee benefits

Provision for Termination Benefit Obligations

Provision for Termination Benefit Obligations represents the present value of the estimated future probable obligation of the Group arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the consolidated financial informations on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The maximum amount of TL 7,639 effective as of June 30, 2021 (December 31, 2020: TL 7,117) has been taken into consideration during calculation of provision from employment termination benefits.

IAS 19 - *Employee benefits* requires actuarial valuation methods to be developed to estimate the Group’s obligation for termination benefits. The principal statistical assumptions used in the calculation of the total liability in the accompanying consolidated financial informations at June 30, 2021 and December 31, 2020 is as follows:

	June 30, 2021 (%)	December 31, 2020 (%)
Expected rate of salary/yearly limit increase	8.50	8.50
Yearly iscount rate	13.50	13.50

Other benefits to employees

The Group has provided for undiscounted short-term employee benefits earned during the period as per services rendered in compliance with IAS 19 in the accompanying consolidated financial informations.

Income on/Expense from Pension Operations

Details of income and expenses from pension operations are explained in detail in “e) Income generated from pension business” and “i) Pension expenses including commission above”.

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Provisions

A provision is recognized when, and only when, the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Taxes on income

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the information of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial informations and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income information, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Related parties

Parties are considered related to the Group if;

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The Group management, groups associated to Sabancı Holding and Aviva are defined as related parties.

Foreign currency transactions

Transactions are recorded in TL, which represents the Group’s functional currency. Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are converted into TL at the exchange rates ruling at the reporting date with the resulting exchange differences recognized in profit or loss as foreign exchange gains or losses.

Pursuant to the announcement of the Kamu Gözetimi Kurumu dated 15 March 2021, assets in foreign currency were valued at the Central Bank of the Republic of Turkey (TCMB) foreign exchange buying rate valid at the end of the reporting period, and monetary liabilities in foreign currency were valued with the effective TCMB foreign exchange selling rate as of the end of the reporting period. In the valuation of the liabilities, if a rate is determined on the contract, the exchange rate written in the contract is taken into account first. Unit-based policies are valued with the TCMB foreign exchange buying rate, while dividend policies are valued with the TCMB effective selling rate.

As of the balance sheet date of December 31, 2020, foreign currency receivables and debts are valued with the TCMB foreign exchange buying rates. In the valuation of liabilities, if an exchange rate is determined on the contract, the exchange rates written in the contract are taken into account. is valued with the TCMB effective selling rate.

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Foreign currency transactions(Continued)

Foreign currency assets and liabilities are converted by using period end exchange rates of Central Bank of the Republic of Turkey’s bid rates.

The Central Bank of the Republic of Turkey exchange rates used in the conversion is as follows:

	June 30, 2021			December 31, 2020		
	USD / TL	Euro / TL	GBP / TL	USD / TL	Euro / TL	GBP / TL
Bid Rates	8.6803	10.3249	12.0008	7.3405	9.0079	9.9438
Ask Rates	8.7089	10.3590	12.0633	7.3647	9.0376	10.0107

Segment reporting

Reporting segments are determined to conform to the reporting made to the Group’s chief operating decision maker. The chief operating decision maker is responsible for making decisions about resources to be allocated to the segment and assess its performance. Details related to the segment reporting are disclosed in the Note 3.

2.4 Changes in accounting policy and disclosures

Consolidated financial informations of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the consolidated financial informations is changed, consolidated financial informations of the prior periods are also reclassified in order to maintain consistency with the current year’s presentation in line with the related changes.

a) Standards, amendments and interpretations applicable as at 30 June 2021:

The group evaluated the effects of the standards and changes mentioned below on the financial informations and concluded that the changes made did not have a significant impact on the financial informations.

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

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2. ACCOUNTING POLICIES (Continued)

2.4 Changes in accounting policy and disclosures (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2021:

The company has evaluated the changes in the not yet effective standards mentioned below and has begun to work on the IFRS 17 standard and its effects. Apart from the IFRS 17 standard, the company concluded that the changes made did not have a significant impact on the financial informations.

- **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 informations’ on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, ‘Presentation of financial informations’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.
- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3, ‘Business combinations’** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to IAS 16, ‘Property, plant and equipment’** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’** specify which costs a company includes when assessing whether a contract will be loss-making.

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

- **Narrow scope amendments to IAS 1, Practice information 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial informations to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

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’.

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2. ACCOUNTING POLICIES (Continued)

2.5 Critical accounting estimates and judgments in applying accounting policies

The preparation of consolidated financial informations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Deferral periods can be the average life-time of the contracts (which are longer than the lapse assumptions). The Group management reviews the historical lapse development for pension and ROP contracts each period. As of June 30, 2021, the estimated life time of the pension and ROP contracts is defined as seven years and nine years respectively. The amount of DAC is subject to Liability Adequacy Test each year. The Group has applied straight line method for the amortization of DAC in the average-life time of the contacts.

Deferred income reserve (DIR)

IFRS 15 Revenue from Contracts with Customers requires the recognition of revenue over the life time of contracts. The Group applied seven years of amortization in line with DAC.

Ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is executed depending on different assumptions. Mortality tables (CSO 1953-58, CSO 80 (Male-Female) approved by the Turkish Treasury are used to estimate the ultimate liability arising from life insurance policies. For estimating the risk of critical illness, the Critical Illness Rating Tables which are recommended by leader treaty reinsurer are used.

Estimate of future benefit payments and premiums arising from long-term insurance contracts

For estimation of future benefit and premium payments, four parameters have significant impacts:

- i) The lapse and surrender rates: These estimated rates are derived from past experience. In its estimation, the Group also takes into consideration the economic crisis or positive economic developments that will affect the rates either in a positive or a negative way.
- ii) Number of deaths: While estimating number of deaths in a year, the historical mortality experiences are used.
- iii) Future investment income: This estimate is based on current market returns as well as expectations about future economic and financial developments.
- iv) Average premium per insured: The assumption is based on historical trends in average premium amounts per insured and economical expectations that may affect the average premium amount.

Employee termination benefits

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In calculating the related liability to be recorded in the consolidated financial informations for these termination benefits, the Group makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations which are disclosed in Note 2.3 and Note 18 are reviewed regularly.

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2. ACCOUNTING POLICIES (Continued)

2.5 Critical accounting estimates and judgments in applying accounting policies (Continued)

Doubtful receivables provisions

Doubtful receivables provisions are related to the total amount of receivables assessed by the Group’s management, to cover the future potential losses arising from the non-collectability of the receivables as of the balance sheet date, upon the current state of the economy. The total amount of the provision is determined according to the valuation results, performances, market credibility, collection performances following balance sheet date, and the restructuring on the receivables. The doubtful receivables provision as of the balance sheet date is disclosed in Note 8.

Provision for litigations

In determining the provision for litigations, the Management considers the probability of legal cases to be brought against the Group and in case it is brought against the Group considers its consequences based on the assessments of legal advisor. The Group management makes its best estimates using the available data provided (Note 16).

2.6 Covid-19

General Explanation;

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

As of March 16, 2020, Group is carrying out its business processes with remote working model. The office is under strict health and safety measures, with the utmost care to maintain social distance, for those who are required to be there as per their duties. The face-to-face customer meetings held by the sales teams are suspended, Group Mobile application, Group Individual and Corporate internet branches, social media accounts and Customer Support Center continue to provide services in line with the Business Continuity Plan in order to implement customers’ transactions and requests regarding to their contracts and policies. In addition, the Group completed its infrastructure preparations for distance selling in July in order to support new business generation.

In line with the normalization processes, sales teams started face-to-face customer meetings on a voluntary basis in a controlled manner as of 15 June 2020, without going to the sales offices in line with the precautions and directions taken by the company. However, as the pandemic conditions have become negative again, our entire sales organization continues its services by using remote working methods without making face-to-face customer visits between 13 November 2020 and 28 February 2021. With the measures taken giving results, in parallel with the decisions taken by the Ministry of Health, our financial advisors started to make customer visits on the days determined on the basis of the province in March, taking all measures, and continue to work remotely on other days.

The Group acts cautiously about the return plan of the Headquarters teams and takes all necessary precautions. As of November 16, 2020 employees who are not able to perform their duties remotely are allowed to enter the building in a planned manner by taking all precautions.

Covid-19 Legal Regulations,

- Short-time working allowance will be made in line with the employers' information, without waiting for the completion of the eligibility determination, for the compelling reasons for short work applications made by the employers due to the coronavirus.

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2. ACCOUNTING POLICIES (Continued)

2.6 Covid-19 (Continued)

- All kinds of employment or service contracts cannot be terminated by the employer for the next three months, except for the situations that do not comply with the rules of ethics and goodwill or similar reasons. Considering only three months of period, employers may obligate the employees for full or partial unpaid vacation leave. In addition, within the scope of the same change, by adding temporary article 24 to the Labor Law numbered 4857; Workers who had an employment contract as of 17.04.2020 but who were granted unpaid leave by the employer pursuant to the provisional article 10 of the Labor Law No.4857 and who would not be able to benefit from short work allowance, and the employment contract was terminated within the scope of Article 51 of Law No.4447 after 15.03.2020 and Workers who cannot benefit from unemployment benefits are provided with cash wage support for the period of unpaid leave or unemployment, provided that they do not receive old-age pension from any social security institution and are limited to the termination of employment. With the "Presidential Decree numbered 3592" published in the Official Gazette dated 09.03.2021, the aforementioned applications, which were extended until 17.03.2021 with the Presidential Decree numbered 3344, were once again extended for two months.

In line with this practice, the company made applications for individual short-time work allowance for April, May and June under the relevant law article for sales staff, and sales teams benefited from short-time work allowance in April-May-June. In April, the necessary applications for cash wage support were made for employees who could not benefit from the short-time working allowance, valid from May, and in April, employees who could not benefit from the short-time working allowance were granted an annual leave for unemployed periods.

Presidential Decision dated 29 June 2020 and numbered 2706 in the Official Gazette dated 30 June 2020:

Within the framework of the principles stated in the additional article 2 of the Unemployment Insurance Law dated 25/8/1999 and numbered 4447 and the temporary article 23, the duration of the short-time working allowance for workplaces that applied for short-term work until 30 June 2020 (including this date) for compelling reasons within the context of periodic situations due to external influences due to the new coronavirus (Covid-19); without the need for a new application and eligibility assessment, for the same workers who have previously benefited from short work and provided that they do not exceed the same conditions, as of 1 July 2020 in terms of workplaces whose short work application has ended before the publication date of this decision, in terms of workplaces whose short-term practice continued on the date of publication of this decision, one month has been extended starting from the short-term end date. With the President's Decree No. 3556 published in the Official Gazette dated 19 February 2021 and numbered 31400, the short-time work allowance originating from COVID-19 was extended until March 31, 2021.

The Group made the necessary applications for its sales staff in accordance with the related decision numbered 2706 published in the Official Gazette on 30 June 2020 and benefited from short-time working allowance until 31 July 2020.

According to the Presidential decision published in the Official Gazette on 23 December 2020, the "31 December 2020" date in the provisional article 6 of the decision regarding the determination of Value Added Tax rates to be applied to goods and services has been changed to 31 May 2021.

The annex of the Presidential Decree No. 3319, published in the Official Gazette dated 23 December 2020 and numbered 31343, and the Council of Ministers Decisions numbered 2009/14592 and 2009/14594 regarding the withholding tax rates in Articles 94 of the Income Tax Law and 15th of the Corporate Tax Law decisions have been changed.

With the aforementioned amendment, within the framework of the President's Decree No. 2813 published in the Official Gazette dated 31 July 2020 and numbered 31202, the term of the lease payments, which were reduced in the withholding rate until 31 December 2020, was extended until 31 July 2021.

The company has calculated the leases, which are subject to IFRS 16, for the periods specified in the President's Decisions, taking into account the new withholding and VAT rates, and reflected them in its financial informations.

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2. ACCOUNTING POLICIES (Continued)

2.6 Covid-19 (Continued)

Significant changes in the Group, Tariff changes, strategy changes

Industry announcement of SEDDK 36908670-010.07.02-E-221551 dated 25 March 2020 on the measures taken for the covid-19 outbreak and facilitating the payment of insurance premiums, one month additional period has been granted for policy cancellations. Within the scope of this announcement, the Group postponed the cancellation that should be made at the end of April, May and June to the policies that could not pay the following due date until the end of July.

The Group started Customer information on policy collections as of July 1, in line with the new normalization process decisions made by the Presidency dated June 10, 2020. The cancellations of the policies, which are not collected, realized as of the end of July.

The Group made advance incentive commission payments in order to minimize the potential negative effects of COVID-19 outbreak on commercial activities carried out under the agency agreement. The portion of the advance paid Temporary Incentive Commission amount that corresponds to monthly production is accepted as a “partial progress payment” and reflected in the profit and loss information.

3. SEGMENT INFORMATION

Information related to the operational reporting made by the Group to the chief operating decision-maker in accordance with the “IFRS 8 - Operating Segments” is disclosed in this note. The Group manages its business through the following business segments:

Life Protection

The Group’s life insurance business is principally related to life protection insurance, including credit-linked life and non-credit-linked life policies, such as term life, return of premium, critical illness and unemployment.

- Credit-linked life insurance policies represent the largest group of products historically offered by the Group, both in terms of the number of valid insurance policies and by share of the gross written premiums in the total gross written premiums earned by the Group. The Group offers both long-term and short-term credit-linked life insurance. Long-term credit-linked life insurance includes insurance policies relating to mortgages or consumer loans for terms greater than one year. Short-term credit-linked life insurance includes yearly renewable insurance policies relating to consumer loans with accidental disability and optional unemployment covers check credit life and SME credit life.
- Non-credit-linked (term) life insurance policies provide life protection insurance for a certain period of time. The insurance covers the insuree’s life. In the event of death, the beneficiary receives the amount insured. Individual protection insurance may be entered into only with regular premium installments in amounts pre-determined for the entire contract period. The Group offers customizable life insurance riders including involuntary unemployment, critical illness, accidental death, and disability due to accident or sickness in its non-credit-linked product portfolio.

Life Savings

Life savings products are generally written for a contract period, during which the insured makes regular premium payments into a unit, in return for a unit-price guaranteed.

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3. SEGMENT INFORMATION (Continued)

Personal Accident

Personal accident policies provide coverage against disability, death and medical expenses due to accident. The insurance covers the insuree’s life. In the event of a defined accident, the beneficiary receives the amount insured. Individual protection insurance may be entered into with a single premium or with regular premium installments in amounts pre-determined for the entire contract period.

Pension

The Group offers a number of individual and corporate pension plans within the framework of the private pension system in Turkey.

The segment information below is presented on the basis used by the chief operating decision-maker to evaluate performance. Premium production and technical profit are considered while determining operating segments. Technical profit is the profit that the Group derives from providing insurance coverage, exclusive of the income it derives from investments. The chief operating decision-maker reviews discrete financial information for each of its segments, including measures of operating results. The segments are managed primarily on the basis of their results, which are measured on a basis which is broadly consistent with the Summary of Significant Accounting Policies described in Note 2, with the exception of certain adjustments. Management considers that this information provides the most appropriate way of reviewing the performance of the business.

Since the Group operates principally in Turkey, geographic segment information is not presented.

Commission expenses: Represents commission expenses included in general and administrative expenses in the information of profit or loss under IFRS which are attributable to life protection, life savings, pension and personal accident segments.

Net change in mathematical reserves: Net change in mathematical reserves are a component of net premiums earned as per the Group’s segment reporting; whereas this is presented as part of total income after net premiums earned in the information of profit or loss under IFRS.

Other: Adjustments included in other represent individually insignificant reclassifications.

Transactions between the business segments are on normal commercial terms and conditions.

Below are the reconciliations of the information of profit or loss:

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3. SEGMENT INFORMATION (Continued)

January 1 - June 30, 2021	Life Insurance					Reconciliation to information of profit and loss			
	Pension	Life protection	Life savings	Personal accident	Total	Commissions expenses	Other	Net change in mathematical reserves	Information of profit or loss
Gross written premiums		829,156,794	4,410,972	27,022,496	860,590,262	-	-	-	860,590,262
Premium ceded to reinsurers		(11,781,112)	(297,510)	(145,555)	(12,224,177)	-	-	-	(12,224,177)
Premium written net of reinsurance		817,375,682	4,113,462	26,876,941	848,366,085	-	-	-	848,366,085
Net change in mathematical reserves		(337,941,951)	35,150,321	-	(302,791,630)	-	-	302,791,630	-
Net change in provision for unearned premiums reserves		(11,140,756)	571	3,881,083	(7,259,102)	-	-	-	(7,259,102)
Net premiums earned		468,292,975	39,264,354	30,758,024	538,315,353	-	-	302,791,630	841,106,983
Net change in mathematical reserves		-	-	-	-	-	-	(302,791,631)	(302,791,631)
Claim paid and change in outstanding claims		(67,235,018)	(37,213,483)	(1,152,251)	(105,600,752)	-	-	-	(105,600,752)
Commission income		5,145,322	17,503	187,436	5,350,261	-	-	-	5,350,261
Commission expense		(130,023,604)	-	(15,972,508)	(145,996,112)	737,500	-	-	(145,258,612)
Commission expense		(155,594,876)	-	(15,972,508)	(171,567,384)	737,500	-	-	(170,829,884)
DAC		25,571,272	-	-	25,571,272	-	-	-	25,571,272
Other income / (expense), net		79,233,914	-	698,935	79,932,849	-	412,567	-	80,345,416
Life and personal accident technical profit		355,413,589	2,068,374	14,519,636	372,001,599				
Fund management charge	188,130,192	-	-	-	188,130,192	-	-	-	188,130,192
Management fee	7,057	-	-	-	7,057	-	-	-	7,057
Account management fee, net of DIR	48,844,880	-	-	-	48,844,880	-	-	-	48,844,880
Account management fee	48,146,411	-	-	-	48,146,411	-	-	-	48,146,411
DIR	698,469	-	-	-	698,469	-	-	-	698,469
Premium holiday charges	5,484	-	-	-	5,484	-	-	-	5,484
Deferred fee	11,165,799	-	-	-	11,165,799	-	-	-	11,165,799
Pension income	248,153,412	-	-	-	248,153,412	-	-	-	248,153,412
Fund management charge	(20,867,445)	-	-	-	(20,867,445)	-	-	-	(20,867,445)
Commission expense, net of DAC	(55,529,436)	-	-	-	(55,529,436)	-	336,985	-	(55,192,451)
Commission expense	(64,740,618)	-	-	-	(64,740,618)	-	336,985	-	(64,403,633)
DAC	9,211,182	-	-	-	9,211,182	-	-	-	9,211,182
Other income / (expense), net	(13,128,516)	-	-	-	(13,128,516)	-	-	-	(13,128,516)
Pension expenses including commission	(89,525,397)	-	-	-	(89,525,397)	-	336,985	-	(89,188,412)
Pension technical profit	158,628,015	-	-	-	158,628,015				
Total technical profit	158,628,015	355,413,589	2,068,374	14,519,636	530,629,614				
General and administrative expenses					(263,961,872)				
Net technical profit after overhead expenses	158,628,015	355,413,589	2,068,374	14,519,636	266,667,742				
Foreign exchange gain/(loss), net					14,453,622				
Investment and other income/(expense), net					64,158,589				
Net financial income					78,612,211				
Profit before taxes					345,279,953				
Income tax expense					(87,539,620)				
Profit for the period					257,740,333				

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3. SEGMENT INFORMATION (Continued)

January 1 - June 30, 2020	Life Insurance					Reconciliation to information of profit and loss			
	Pension	Life protection	Life savings	Personal accident	Total	Commissions expenses	Other	Net change in mathematical reserves	Information of profit or loss
Gross written premiums		615,091,369	4,396,533	37,685,837	657,173,739	-	-	-	657,173,739
Premium ceded to reinsurers		(7,335,003)	(262,621)	(2,163,183)	(9,760,807)	-	-	-	(9,760,807)
Premium written net of reinsurance	-	607,756,366	4,133,912	35,522,654	647,412,932	-	-	-	647,412,932
Net change in mathematical reserves	-	(289,133,849)	24,293,100	-	(264,840,749)	-	-	264,840,749	-
Net change in provision for unearned premiums reserves	-	4,937,227	(10,299)	1,732,838	6,659,766	-	-	-	6,659,766
Net premiums earned	-	323,559,744	28,416,713	37,255,492	389,231,949	-	-	264,840,749	654,072,698
Net change in mathematical reserves	-	-	-	-	-	-	-	(264,840,749)	(264,840,749)
Claim paid and change in outstanding claims	-	(83,478,835)	(26,698,732)	(1,798,042)	(111,975,609)	-	-	-	(111,975,609)
Commission income	-	4,058,704	238,499	1,247,236	5,544,439	-	-	-	5,544,439
Commission expense	-	(88,592,262)	-	(19,314,914)	(107,907,176)	1,536,294	-	-	(106,370,882)
Commission expense	-	(103,299,226)	-	(19,314,914)	(122,614,140)	1,536,294	-	-	(121,077,846)
DAC	-	14,706,964	-	-	14,706,964	-	-	-	14,706,964
Other income / (expense), net	-	22,235,638	-	(293,629)	21,942,009	-	196,857	-	22,138,866
Life and personal accident technical profit	-	177,782,989	1,956,480	17,096,143	196,835,612	-	-	-	-
Fund management charge	156,504,006	-	-	-	156,504,006	-	-	-	156,504,006
Management fee	1,589,424	-	-	-	1,589,424	-	-	-	1,589,424
Account management fee, net of DIR	45,311,160	-	-	-	45,311,160	-	-	-	45,311,160
Account management fee	41,303,042	-	-	-	41,303,042	-	-	-	41,303,042
DIR	4,008,118	-	-	-	4,008,118	-	-	-	4,008,118
Premium holiday charges	360,621	-	-	-	360,621	-	-	-	360,621
Deferred fee	12,780,218	-	-	-	12,780,218	-	-	-	12,780,218
Pension income	216,545,429	-	-	-	216,545,429	-	-	-	216,545,429
Fund management charge	(18,283,966)	-	-	-	(18,283,966)	-	-	-	(18,283,966)
Commission expense, net of DAC	(57,927,844)	-	-	-	(57,927,844)	2,860,159	-	-	(55,067,685)
Commission expense	(47,851,725)	-	-	-	(47,851,725)	2,860,159	-	-	(44,991,566)
DAC	(10,076,119)	-	-	-	(10,076,119)	-	-	-	(10,076,119)
Other income / (expense), net	(10,219,378)	-	-	-	(10,219,378)	-	-	-	(10,219,378)
Pension expenses including commission	(86,431,188)	-	-	-	(86,431,188)	2,860,159	-	-	(83,571,029)
Pension technical profit	130,114,241	-	-	-	130,114,241	-	-	-	-
Total technical profit	130,114,241	177,782,989	1,956,480	17,096,143	326,949,853	-	-	-	-
General and administrative expenses					(198,953,701)				
Net technical profit after overhead expenses	130,114,241	177,782,989	1,956,480	17,096,143	127,996,152				
Foreign exchange gain/(loss), net					10,114,049				
Investment and other income/(expense), net					31,213,512				
Net financial income					41,327,561				
Profit before taxes					169,323,713				
Income tax expense					(38,315,527)				
Profit for the period					131,008,186				

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT

The Group has developed and implemented a risk management structure to protect it against events that undermine sustainable performance, solvency or the achievement of strategic objectives. The risk management system is a fundamental part of the daily operations and ongoing performance of the Group. By identifying, analyzing, measuring, controlling, managing, reporting and mitigating risks that may arise in the course of its operations in a timely manner, the Group intends to, among other things, comply with applicable legislative and regulatory requirements, meet its obligations towards its customers and counterparties and maintain capital adequacy.

The Group’s approach to risk management is based on the following elements:

- Ensuring compliance with legal obligations and the Group’s risk management policies;
- Identifying all structural risks the Group is exposed to and defining risk acceptance criteria; and;
- Designing and applying internal control mechanisms and actions to seek to address these risks, and assuring the Board of Directors about the transparent reporting of such risks.

The Board of Directors has overall responsibility for the risk and control environment, including setting the Group’s risk appetite, risk strategy and target operating model, and risk management and internal control systems.

Early Risk Detection Committee

Pursuant to the Regulation on Internal Systems and a resolution of AvivaSA’s Board of Directors dated July 15, 2011 and numbered 2011/29, AvivaSA established a risk committee. Subsequently, pursuant to a resolution of AvivaSA’s Board of Directors dated October 17, 2014 and numbered 2014/62, the risk committee was restructured to replace the former risk committee in compliance with the Corporate Governance Principles (the Early Risk Detection Committee). Pursuant to the Corporate Governance Communique, an early risk detection committee is to be responsible for the preliminary detection of risks that may endanger the existence, development and continuity of a public company. Such committee is also responsible for supervising the implementation of appropriate remedial measures and the performance of risk management activities, during the course of which it must monitor, at least once a year, the risk management systems of the Group.

Risk Management Framework

The Group aims to maximize Market Consistent Embedded Value (MCEV) and Shareholders’ expectations within the risk appetite framework. It is provided by consistent and strong risk management process are applied companywide.

AgeSA Hayat ve Emeklilik Anonim Şirketi (formerly “AvivaSA Emeklilik ve Hayat Anonim Şirketi”)’s risk management framework “(RMF)” forms an integral part of the management and Board processes and decision making framework. The key elements of our risk management framework comprise risk appetite, risk governance including risk policies and business standards, risk oversight committees and roles and responsibilities and the processes we use to identify, measure, manage, monitor and report “(IMMMR)” risks.

Roles and responsibilities for risk management are based around the “three lines of defence model” where ownership for risk is taken at all levels in the Group.

- *First line of defence (Management):* Primary responsibility for risk identification, measurement, management, monitoring and reporting lies with management. The first-line management is responsible for the implementation and practice of risk management, as well as establishing internal control systems.
- *Second line of defence (Risk and Internal Control Function):* Risk and Internal Control function is accountable for oversight and challenge of the IMMMR process and for developing the risk management framework.
- *Third line of defence (Internal audit function):* Internal Audit function provides an independent assessment of the risk framework and internal control processes.

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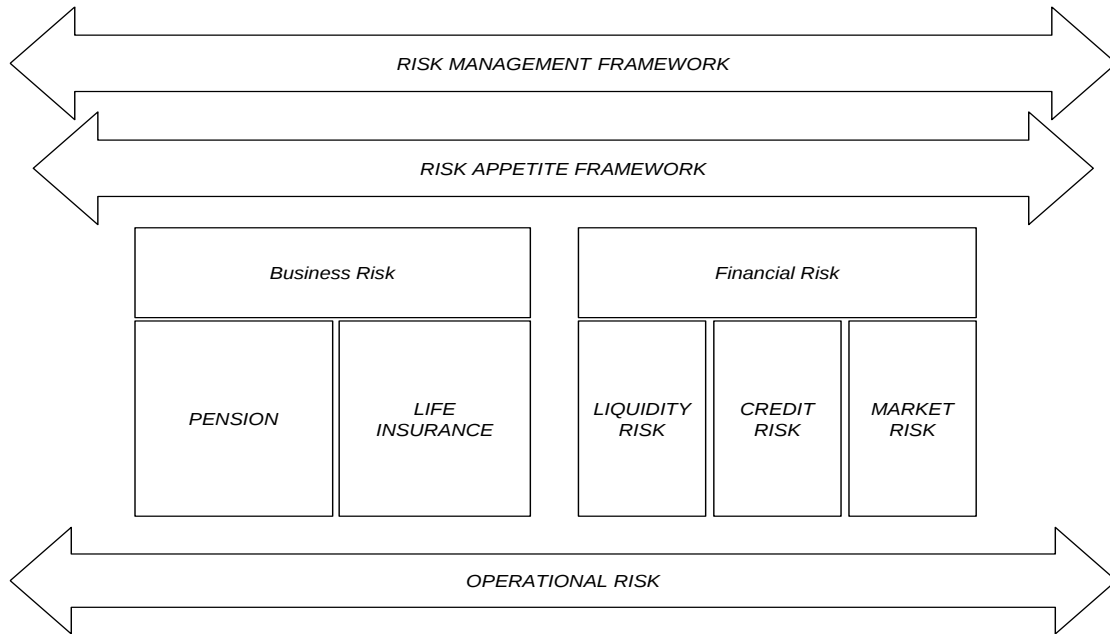
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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

The Group’s risk management model identifies risk classes, which are then further highlighted under risk management policies and standards. These risk management policies and standards act as practical guides explaining how the Group can manage any financial, operational and nominal losses in the most appropriate way, by identifying the risks inherent in the life insurance and private pension industry, analyzing measurable data concerning these risks and establishing limits for such risks for the Group and its management.

The following diagram sets out the Group’s risk policy framework:



The Group also adheres to the following business policies and standards as regards risk management:

Risk policies

The risk management policies set the basic principles and standards for the risk management system and processes. The policies are approved by the Board of Directors and the amendments require the Board of Directors approval. The tools required to determine, measure, manage, monitor and report the risk vary by the risk type. Therefore, the risk policy framework includes six risk policies, including the Risk Management Framework Policy, special to each risk type to which the Group is exposed: life insurance and private pension, credit, market, liquidity and operational risk.

Business standards

The Group recognizes the importance of consistent and controlled business processes as a form of risk management. Each risk policy is therefore supported by a number of associated business standards which sets out the requirements for operating consistent processes across its most important business activities.

Primary risks facing the Group are Insurance Risk and Financial Risk (comprising mainly Market Risk and Credit Risk).

Insurance Risk

This is the risk that the insurance premiums allocated by the Group may not meet the claim liabilities and profit share payments and any payment in relation to claims and damages may exceed its expectations. Life insurance risk includes, death, disability, additional collateral due to accidents and dangerous diseases etc.

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

Insurance Risk (Continued)

a) Life insurance

Life insurances are offered as individual and group contracts in short and long term periods. Mortality risk (the risk that more than expected insured parties die), disability, critical illness and additional collateral play an important role in the life insurance businesses of the Group. The all risk associated with the Group’s life insurance mentioned above and related rider businesses have been partly reinsured.

The life insurance businesses are also exposed to lapse risk and persistency risk. Lapse risk is the risk that policies exit prior the maturity. Persistency risk is defined as the risk of a sustained increase in lapse rates, unexpected volatility in lapse rates and mass lapses. Whether policyholders terminate or renew (explicitly or through automatic renewal) their insurance policies depends on consumer expectations and developments in the financial markets. Managing the attractiveness of life insurance products for customers and intermediaries as well as close monitoring of developments in the portfolio are key to mitigating this risk.

In case of technical interest rates remain below the guaranteed return on investment returns on life insurance will be taken of the cumulative premium investment risk is the risk of the insurance company is concerned.

b) Personal accident (Non-Life)

Personal Accident insurances are offered as individual or group contracts. Personal accident insurance contains the risk like accidental death and accidental disability. Disposals and customer retention risks are also among the risk of personal accident insurance. The personal accident insurance as well as life insurance should be given as additional collateral to guarantee unemployment insurance, reinsurance collateral is transferred to all.

c) Pensions

The pensions business is also exposed to lapse risk, which is the risk of cancelling contracts, transfers out to competitors and termination of pension policies at maturity (*i.e.*, retirement). The investment risk under pension contracts is borne by the customer. The customer evaluates its pension fund investments according to its own preferences.

Assessment and claims settlement

In order to assess insurance risk, and accordingly manage the claim and premium balance, determine liabilities accurately and ensure sufficient provisioning to meet liabilities, the Group performs the following analyses:

- experience investigations on claims;
- persistency reports on lapses and transfer outs; and
- Market-Consistent Embedded Value (“MCEV”)

Claims handling is organized in a specialized department within the operations division of the Group, handling both individual and corporate policies, and the assessment and settlement of incurred claims takes place on a monthly basis.

Insurance Risk Management

The purpose in managing risks arising from insurance contracts and policies designed to reduce such risks:

The insurance risk is a risk transferred by insured to insurer, apart from financial risk. Transferred risk is about an uncertain future incident. Uncertainty arises from lack of information about whether the incident is going to happen or not or about its size or timing.

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

Insurance Risk Management (Continued)

The ratio of premiums collected by insurer to claim paid to insured denotes a Company’s capacity to meet insurance risk.

As at June 30, 2021 and December 31, 2020, Company’s claim/premium ratio related branches are given below. It is observed that premiums collected provide a capacity to meet any incurred claims:

Net claims ratio	June 30, 2021	December 31, 2020
Life	18%	28%
Personal Accident (Casualty)	3%	3%

As at June 30, 2021 and December 31, 2020 that part of total risk which is ceded to reinsurers is given below on a risk coverage basis.

June 30, 2021

Life							
Natural death	Accidental Death	Accidental disability	Sickness disability	Dangerous Sickness	Public Transport	Unemployment	Accidental Treatment Cost
7.80%	11.61%	2.73%	2.54%	51.05%	10.77%	100.00%	15.47%
Personal Accident							
Accidental death		Accidental disability			Accidental treatment cost		Unemployment
0.77%		1.33%			0.03%		100.00%

December 31, 2020

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

Sensitivity to Insurance Risk

The Group’s policy production strategy is based on optimal distribution of risk to reinsurance companies according to policy type, as well as to kind and size of risk taken. At June 30, 2021 and December 31, 2020 the Group has both proportional and non-proportional reinsurance treaties.

Outstanding claims are reviewed and updated periodically by claims department.

The Group executes insurance contracts in life insurance and personal accident branches. Accordingly, in such insurance contracts, insurance risk concentration according to nature of the subject-matter of insurance are summarized below in gross and net figures (net of reinsurance):

June 30, 2021	Total gross risk liability	Share of reinsurer in total risk liability	Net risk liability
Life	78,055,781,392	(6,089,613,503)	71,966,167,889
Personal Accident	25,533,406,736	(263,247,762)	25,270,158,974
Total	103,589,188,128	(6,352,861,265)	97,236,326,863
December 31, 2020	Total gross risk liability	Share of reinsurer in total risk liability	Net risk liability
Life	64,035,368,614	(4,907,509,190)	59,127,859,424
Personal Accident	28,358,639,571	(2,562,790,806)	25,795,848,765
Total	92,394,008,185	(7,470,299,996)	84,923,708,189

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

Sensitivity to Insurance Risk (Continued)

The Group’s gross provision for outstanding claims at June 30, 2021 and December 31, 2020 are as follows:

Outstanding Claims	June 30, 2021	December 31, 2020
Life	84,586,513	79,262,316
Personal Accident	7,101,796	7,572,909
Total	91,688,309	86,835,225

Financial Risk

Financial risk arises from the financial instruments used by the Group, such as cash, time bank deposits, government bonds, treasury bills, private sector bonds and Eurobonds. The specific risks arising from such instruments and insurance contract liabilities are as follows:

a) Market Risk

Market risk refers to the risk of incurring financial losses as a result of fluctuations in the fair value of a financial instrument or expected future cash flows from a financial instrument and the risk that fair value of cash flows resulting from liabilities (including insurance liabilities) will change due to fluctuations in the level or the volatility of market variables. Market risk consists of equity risk, inflation risk, property risk, commodity risk and, more importantly for the Group, interest rate risk and foreign exchange risk.

i) Foreign Currency Risk

The Group is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated receivables and payables.

Foreign currency sensitivity analysis as of June 30, 2021 and December 31, 2020 are as follows:

At June 30, 2021, on condition that all variables remain constant, effect of a 20% appreciation/devaluation of Eurobonds against TL on owners’ equity is TL 783,728/ (783,728). As at December 31, 2020, on condition that all variables remain constant, effect of a 20% appreciation/devaluation of Eurobonds against TL on owners’ equity is TL 7,633,800/ (7,633,800).

June 30, 2021:

Liabilities and assets in foreign currency	Effect on income/expense		
Exchange rate variation (*)	USD (*)	EUR (*)	GBP (*)
20%	16,790,974	664,054	10,604
(20%)	(16,790,974)	(664,054)	(10,604)

December 31, 2020:

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

(*) All amounts are presented in TL.

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

Financial Risk (Continued)

a) Market Risk (Continued)

ii) Interest Risk

The Group’s sensitivity to interest rate risk is related to the change in the fair values or expected cash inflows of the financial assets due to the fluctuations in the interest rates. The Group closely monitors interest rate risk by monitoring market conditions and appropriate valuation methods.

In the following table, on condition that all other variables remain constant, it is disclosed that the effect of 100 base points and 500 base points increase / decrease in market interest rates on securities. The underlying logic used in this projection; by using of upward and downward changes in the weighted average interest rates of securities in the market, calculating how much the present value of future cash flows can be affected by amount. In the related calculation, the methods valid in the market for interest sensitivity are used.

The company implements stress tests and scenarios for interest rate risk in routine basis and creates an action plan by considering these studies while determining the distribution of strategic assets.

As at June 30, 2021 :

Total of trading and available for sale financial assets Market interest increase / (decrease) (**)	Effect Profit and Loss		
	TL	USD (*)	EUR (*)
5%	(37,529,663)	(21,614,641)	(20,552)
(5%)	37,529,663	21,614,641	20,552
1%	(7,505,933)	(43,229,283)	(41,104)
(1%)	7,505,933	43,229,283	41,104

(*) Amounts are presented in TL.

(**) Interest risk computed according to a 0.5% variation in interest rates for USD and EUR portfolio.

As at December 31, 2020 :

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

(*) Amounts are presented in TL.

(**) Interest risk computed according to a 0.5% variation in interest rates for USD and EUR portfolio.

b) Credit Risk

Credit risk is the failure of Group to third parties not to fulfill their obligations wholly or partially, financial loss related to changes in credit spreads and credit note.

Since, financial assets of the Group mainly consist of government bonds which are not considered as a high credit risk and bank deposits in the banks resident in Turkey, credit risk is lower than other risk categories.

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

b) Credit Risk (Continued)

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the consolidated financial informations:

	June 30, 2021	December 31, 2020
Financial assets	2,987,414,209	2,229,963,493
Cash and cash equivalents	988,095,029	994,041,049
Pension business receivables	217,771,706	197,580,785
Premium and other insurance receivables	35,334,332	35,330,094
Reinsurance share of insurance liabilities	12,724,736	10,949,619
Other financial assets	897,700	868,012
Total	4,242,237,712	3,468,733,052

c) Liquidity Risk

The Group faces the risk that its short-term assets are insufficient to meet its short-term obligations (such as claims arising from insurance contracts) as they fall due. To mitigate this risk, it uses liquidity coverage ratio “(LCR)” to monitor its liquidity risk profile on a 12-month basis. The monthly LCR is defined as (i) the projected amount of cash available at the start of the month divided by (ii) the planned net cash outflows during the month plus an allowance for a 1 in 10 stress event.

Liquidity risk refers to the risk that the Company's short-term liabilities, such as losses arising from insurance contracts, cannot be supplied by the short-term resources it holds. The company estimates the Liquidity Coverage Ratio (LCR) to monitor the liquidity risk and execute stress tests.

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

As of 30 June 2021, the Company's non-discounted commercial debts and the maturities of financial debts are as follows, and there is no liquidity risk at present and for the future periods.

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

c) Liquidity Risk (Continued)

As at June 30, 2021, table of liquidity risk is as follows:

The following tables detail the Group’s remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The undiscounted totals column includes the effect of the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the information of financial position.

June 30, 2021	Carrying amount	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	5 years and over	No maturity date	Undiscounted Totals
Financial assets								
Cash and cash equivalents	988,095,029	127,522,915	453,357,907	433,413,307	-	-	-	1,014,294,129
Financial assets	2,987,414,209	-	15,440,969	174,928,565	497,762,444	2,235,983,735	70,510,060	2,994,625,773
- Available for sale financial investments	215,074,938	-	15,440,969	52,329,753	103,564,046	36,119,399	-	207,454,167
- Financial assets at fair value through profit or loss	285,738,091	-	-	16,405,265	174,801,264	24,845,317	70,510,060	286,561,906
-Available for sale asset backing financial investments, Policyholders’ portfolio	2,486,601,180	-	-	106,193,547	219,397,134	2,175,019,019	-	2,500,609,700
Premium and other insurance receivables	35,334,332	-	27,878,618	7,350,728	104,986	-	-	35,334,332
Pension business receivables	217,771,706	39,422,670	11,658,844	34,835,612	119,533,434	12,321,147	-	217,771,707
Other financial assets	897,700	-	-	-	-	-	897,700	897,700
Total	4,229,512,976	166,945,585	508,336,338	650,528,212	617,400,864	2,248,304,882	71,407,760	4,262,923,641
Financial liabilities								
Lease liabilities	19,545,339	-	1,892,693	5,638,374	12,014,272	-	-	19,545,339
Due to insurance and reinsurance companies	42,745,462	-	42,745,462	-	-	-	-	42,745,462
Pension business payables	533,475,563	309,939,593	14,425,399	43,101,837	151,578,483	14,430,251	-	533,475,563
Other payables and liabilities	209,372,852	131,477,943	27,363,239	40,029,795	10,501,875	-	-	209,372,852
Total	805,139,216	441,417,536	86,426,793	88,770,006	174,094,630	14,430,251	-	805,139,216
Liquidity surplus/(deficit)	3,424,373,760	(274,471,951)	421,909,545	561,758,206	443,306,234	2,233,874,631	71,407,760	3,457,784,425

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

c) Liquidity Risk (Continued)

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

December 31, 2020	Carrying amount	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	5 years and over	No maturity date	Undiscounted Totals
Financial assets								
Cash and cash equivalents	994,041,049	27,317,694	831,476,362	142,227,683	-	-	-	1,001,021,739
Financial assets	2,229,963,493	-	4,056,317	41,312,797	602,868,768	1,472,847,136	23,232,675	2,144,317,693
- Available for sale financial investments	112,389,182	-	4,056,317	41,312,797	17,591,609	13,340,533	-	76,301,256
- Financial assets at fair value through profit or loss	241,385,756	-	-	-	193,260,508	11,974,758	23,232,675	228,467,941
- Available for sale asset backing financial investments, Policyholders' portfolio	1,876,188,555	-	-	-	392,016,651	1,447,531,845	-	1,839,548,496
Premium and other insurance receivables	35,330,094	-	26,961,028	7,755,185	613,881	-	-	35,330,094
Pension business receivables	197,580,785	27,539,314	10,542,041	31,333,710	118,221,433	9,944,287	-	197,580,785
Other financial assets	868,012	-	-	-	-	-	868,012	868,012
Total	3,457,783,433	54,857,008	873,035,748	222,629,375	721,704,082	1,482,791,423	24,100,687	3,379,118,323
Financial liabilities								
Lease liabilities	30,342,375	-	1,995,835	4,944,082	17,956,423	5,446,035	-	30,342,375
Due to insurance and reinsurance companies	32,213,493	486,380	31,727,113	-	-	-	-	32,213,493
Pension business payables	520,044,530	304,074,321	13,389,479	39,797,044	150,153,415	12,630,271	-	520,044,530
Other payables and liabilities	128,998,804	108,887,568	11,829,369	-	8,281,867	-	-	128,998,804
Total	711,599,202	413,448,269	58,941,796	44,741,126	176,391,705	18,076,306	-	711,599,202
Liquidity surplus/(deficit)	2,746,184,231	(358,591,261)	814,093,952	177,888,249	545,312,377	1,464,715,117	24,100,687	2,667,519,121

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

c) Liquidity Risk (Continued)

Fair value of the financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm’s length transaction in accordance with market conditions.

The Group determines the estimated fair value of its financial instruments by using the current market information and appropriate valuation methods. Additionally, ability to estimate the market values through assessing the market information requires interpretation and judgment. As a result, the estimations presented herein cannot be an indicator of the amounts obtained by the Group in a current market transaction.

Fair value hierarchy

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

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

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

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

	June 30, 2021			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Available for sale financial assets (Note 6)	215,074,938	-	-	215,074,938
Financial assets held for trading (Note 6)	285,738,091	-	-	285,738,091
Financial investments with risks on company as held to maturity (Note 6)	1,820,874,758	-	-	1,820,874,758
Financial investments with risks on policyholders classified as available for sale (Note 6) (*)	665,726,422	-	-	665,726,422
Total financial assets	2,987,414,209	-	-	2,987,414,209

(*) If there is time deposits it is not included in this line. There is no time deposits for this period. Carrying values of time deposits approximate their fair values due to their short term nature.

	December 31, 2020			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Available for sale financial assets (Note 6)	112,389,182	-	-	112,389,182
Financial assets held for trading (Note 6)	241,385,756	-	-	241,385,756
Financial investments with risks on company as held to maturity (Note 6)	1,063,932,884	-	-	1,063,932,884
Financial investments with risks on policyholders classified as available for sale and held to maturity (Note 6) (*)	809,537,851	-	-	809,537,851
Total financial assets	2,227,245,673	-	-	2,227,245,673

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

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

d) Operational Risk

Operational risks consist of all other risks that may cause financial loss or loss of reputation to the Group and may result from the potential failure of the people, processes and technology employed in taking and managing risks. Operational risks that Company faces include the following:

- Regulatory reporting defects regarding pension and life;
- Defects due to incapability of the IT infrastructure; and
- Deficiencies in internal control systems.

The Group regards tight control over its IT systems as a strategic necessity. The Group aims to strengthen its central IT organization and the strategic information management function to increase the effectiveness of the general IT controls and to reduce costs through, for example, the improvement of existing IT systems. The IT systems require many ongoing adjustments because of legislative changes and chain integration.

Operational risks are detailed in the Group’s risk tracking system, called OPERA, which is updated to reflect changes in the operating environment and its business processes.

Capital Management

In accordance with the regulations on capital requirements within the framework of the “Regulation on Measurement and Evaluation of Capital Requirements of Insurance and Reinsurance and Pension Companies” published in the Official Gazette dated 23 August 2015 no. 29454 of the SEDDK, the purpose of the Company’s capital management is to create and maintain a strong capital structure to sustain the operations of the Company and to maximize the value it provides to the Company’s partners.

As of June 30, 2021 and December 31, 2020, the Company has a sufficient amount of equity for losses which may arise from current liabilities and potential risks of the Company. As of June 30, 2021 and December 31, 2020, the required capital reserves (calculated in accordance with the above-mentioned local regulation) and current capital adequacy analysis is as follows:

	June 30, 2021	December 31, 2020
Total shareholders’ equity in the statutory consolidated financial informations (*)	759,942,775	722,469,731
Required minimum capital reserves	431,383,826	369,206,991
Capital surplus	328,558,949	353,262,740

(*) Excluded equalization reserve.

In accordance with the regulations on capital requirements within the framework of the “Regulation on Measurement and Evaluation of Capital Requirements of Insurance and Reinsurance and Pension Companies” published in the Official Gazette dated 23 August 2015 no. 29454 of SEDDK, the purpose of the Company’s capital management is to create and maintain a strong capital structure to sustain the operations of the Company and to maximize the value it provides to the Company’s partners.

The company has a strong capital structure with a long-term sustainable profitability target. In this period, with frequent market fluctuations, the Company’s capital adequacy ratio is also closely monitored and regularly subjected to stress tests.

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5. CASH AND CASH EQUIVALENTS

As at June 30, 2021 and December 31, 2020, cash and cash equivalents are as follows:

	June 30, 2021	December 31, 2020
Banks	641,491,377	665,739,196
Other cash and cash equivalents (**)	346,747,627	328,470,720
Cheques given and payment orders	(143,975)	(168,867)
Total cash and cash equivalents	988,095,029	994,041,049
Blockage amount (*)	(136,239,221)	(147,266,248)
Accrued interest	(3,000,876)	(1,657,313)
Time deposits more than 3 months	(162,781,813)	(142,018,063)
Total cash and cash equivalents per information of cash flow	686,073,119	703,099,425

(*) Note 32 presents the details about the blockage on bank accounts in favour of SEDDK.

(**) Other cash and cash equivalents consist of credit card receivables with maturities up to 41 days.

Interest rates of time deposits are stated below:

	June 30, 2021	December 31, 2020
	Interest Rate (%)	Interest Rate (%)
EUR	2.07%	2.07%
USD	1.58%	2.71%
TL	19.06%	17.82%

As of June 30, 2021, TL time deposit maturity varies between July 1, 2021 and Aug 4, 2021, foreign currency time deposits maturity varies between July 1, 2021 and December 8, 2021.

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

As at June 30, 2021 and December 31, 2020; the detail of cash and cash equivalents are as follows:

	June 30, 2021	December 31, 2020
Foreign currency cash and cash equivalents	441,298,677	157,834,723
- demand deposits	2,343,373	2,071,465
- time deposits	438,955,304	155,763,258
TL cash and cash equivalents	546,796,352	836,206,326
- demand deposits	26,687,545	19,422,791
- time deposits	173,505,155	488,481,682
- credit card receivables	346,747,627	328,470,720
- cheques given and payment orders	(143,975)	(168,867)
Total	988,095,029	994,041,049

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6. FINANCIAL ASSETS

As at June 30, 2021 and December 31, 2020; the securities portfolio of the Group is as follows:

	June 30, 2021	December 31, 2020
Financial assets at fair value through profit / loss	285,738,091	241,385,756
Total available for sale financial assets and held to maturity	2,701,676,118	1,988,577,737
Available for sale financial investments	215,074,938	112,389,182
Available for sale asset backing financial investments and held to maturity policyholders’ portfolio	2,486,601,180	1,876,188,555
Total securities portfolio	2,987,414,209	2,229,963,493

As at June 30, 2021 and December 31, 2020; financial assets as fair value through profit or loss are as follows:

	June 30, 2021		
	Cost	Fair value	Carrying value
Investment funds	63,994,517	70,510,060	70,510,060
Treasury bills and government bonds	118,966,110	124,710,339	124,710,339
Eurobonds-USD	52,148,357	52,324,728	52,324,728
Private sector bonds	41,338,600	42,505,675	42,505,675
Derivatives	(4,312,711)	(4,312,711)	(4,312,711)
Total financial assets at fair value through profit or loss	272,134,873	285,738,091	285,738,091

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

As at June 30, 2021 and December 31, 2020; available for sale financial assets owned by the Group are as follows:

	June 30, 2021		
	Cost	Fair value	Carrying value
Treasury bills and government bonds - TL	117,270,744	119,329,206	119,329,206
Private Sector bonds	84,244,256	95,745,732	95,745,732
Total available for sale financial investments	201,515,000	215,074,938	215,074,938

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

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6. FINANCIAL ASSETS (Continued)

As at June 30, 2021 and December 31, 2020; available for sale financial assets backing insurance contracts and held to maturity financial assets are as follows:

	June 30, 2021		
	Cost	Fair value	Carrying value
Treasury bills and government bonds-TL	42,405,891	34,652,443	34,652,443
Eurobonds - USD	649,216,027	629,987,420	629,987,420
Eurobonds - EUR	1,000,323	1,086,559	1,086,559
Time deposits - TL	-	-	-
Held to maturity Eurobonds- USD	1,789,845,066	1,820,874,758	1,820,874,758
Total available for sale asset backing financial investments and held to maturity policyholders' portfolio	2,482,467,307	2,486,601,180	2,486,601,180

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

As at June 30, 2021 and June 30, 2020; financial assets at fair value through profit or loss and available for sale financial assets movement table are as follows:

	2021	2020
Opening, January 1	2,229,963,493	1,771,746,764
Purchases	1,596,571,898	3,745,267,954
Disposals	(703,067,324)	(3,118,272,886)
Change in the valuation - unrealized gain and losses	(3,747,936)	28,496,919
Disposals through the redemption	(383,893,438)	(321,402,849)
Unrealized exchange rate gains/(losses)	295,081,057	(79,284,536)
Change in balance recognized under equity	(36,312,208)	(11,394,830)
Change in balance recognized under life mathematical reserves	(7,181,333)	(3,023,432)
Closing, June 30	2,987,414,209	2,012,133,104

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6. FINANCIAL ASSETS (Continued)

The maturity analysis of financial assets is as follows:

As at June 30, 2021 and December 31, 2020; the remaining contractual maturities of financial assets are as follows:

	June 30, 2021						Total
	No stated maturity	0-3 months	3-6 months	6 months to 1 year	1-3 years	More than 3 years	
Eurobonds	-	-	-	-	17,473,217	2,157,048,888	2,174,522,105
Investment funds	70,510,060	-	-	-	-	-	70,510,060
Government bonds and treasury bills	-	-	-	4,260,697	59,106,644	215,324,647	278,691,988
Private sector bonds	-	15,440,969	50,167,250	17,869,034	39,727,931	15,046,223	138,251,407
Eurobond private sector	-	-	-	107,064,788	71,497,956	151,188,616	329,751,360
Time deposits	-	-	-	-	-	-	-
Derivative securities	(4,312,711)	-	-	-	-	-	(4,312,711)
	66,197,349	15,440,969	50,167,250	129,194,519	187,805,748	2,538,608,374	2,987,414,209

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

The currency analysis of financial assets is as follows:

	June 30, 2021			
	Currency Type	Currency Amount	Rate	Amount TL
Financial assets available-for-sale	TL			215,074,938
				215,074,938
Financial assets at fair value through profit or loss	USD	6,027,986	8.6803	52,324,728
	TL			233,413,363
				285,738,091
Financial investments with risks on policy holders	USD	282,347,635	8.6803	2,450,862,178
	EUR	105,237	10.3249	1,086,559
	TL			34,652,443
				2,486,601,180
Total securities portfolio				2,987,414,209

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6. FINANCIAL ASSETS (Continued)

	Currency Type	December 31, 2020		
		Currency Amount	Rate	Amount TL
Financial assets available-for-sale	TL			112,389,182
				112,389,182
Financial assets at fair value through profit or loss	TL			201,984,161
	USD	5,367,699	7.3405	39,401,595
				241,385,756
Financial investments with risks on policy holders	USD	250,151,172	7.3405	1,836,234,677
	EUR	108,891	9.0079	980,879
	TL			38,972,999
				1,876,188,555
Total securities portfolio				2,229,963,493

7. REINSURANCE SHARE OF INSURANCE LIABILITIES

As at June 30, 2021 and December 31, 2020; reinsurance share of insurance liabilities are as follows:

	June 30, 2021	December 31, 2020
Reinsurers’ share of outstanding claims	8,026,778	6,193,687
Reinsurers’ share of unearned premiums reserve	3,014,066	3,245,141
Reinsurers’ share of life mathematical reserve	1,683,892	1,510,791
	12,724,736	10,949,619

8. PREMIUM AND OTHER INSURANCE RECEIVABLES

As at June 30, 2021 and December 31, 2020; premium and other insurance receivables are as follows:

	June 30, 2021	December 31, 2020
Policyholders and reinsurance companies	35,334,332	35,330,094
Total premium and other insurance receivables	35,334,332	35,330,094

As at June 30, 2021 and December 31, 2020; maturity distribution of neither past due nor impaired insurance operations receivables is as follows:

	June 30, 2021	December 31, 2020
Receivables from policyholders and reinsurance companies		
Up to 3 months	6,791,826	6,100,353
3 to 6 months	3,825,006	4,080,780
6 to 9 months	2,046,413	2,499,183
9 to 12 months	589,569	808,809
	13,252,814	13,489,125

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8. PREMIUM AND OTHER INSURANCE RECEIVABLES (Continued)

As at June 30, 2021 and December 31, 2020; an analysis of the aging of overdue but not impaired insurance operations receivables is as follows:

	June 30, 2021	December 31, 2020
Overdue 0-3 months	13,370,483	9,957,112
Overdue 3-6 months	798,078	183,073
Overdue 6-9 months	81,119	119,886
Overdue 9-12 months	10,543	63,454
Overdue 1 year	104,987	613,881
	14,365,210	10,937,406
Total	27,618,024	24,426,531

As of June 30, 2021, total of receivables from reinsurance companies and intermediaries are TL 7,716,308 (31 December 2020: TL 10,903,563).

As at June 30, 2021 and December 31, 2020; the collateral held by the Group as security for its receivables are as follows:

	June 30, 2021			
	USD	EUR	TL	Total (TL)
Guarantees received				
Letter of guarantees	520,818	-	25,891,692	26,412,510
Mortgage deed	-	-	309,450	309,450
Other guarantees	953,538	28,527	97,800	1,079,865
	1,474,356	28,527	26,298,942	27,801,825
	December 31, 2020			
	USD	EUR	TL	Total (TL)
Guarantees received				
Letter of guarantees	440,430	-	19,863,500	20,303,930
Mortgage deed	-	-	309,700	309,700
Other guarantees	809,447	24,888	97,800	932,135
	1,249,877	24,888	20,271,000	21,545,765

9. PENSION BUSINESS RECEIVABLES AND PAYABLES

As at June 30, 2021 and December 31, 2020; pension business receivables are as follows:

	June 30, 2021	December 31, 2020
Pension business receivables - deferred income reserves	177,534,427	169,270,198
Receivables pension operations	39,422,670	27,539,314
Capital advance for pension funds	814,609	771,273
Total individual pension business receivables, net	217,771,706	197,580,785

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9. PENSION BUSINESS RECEIVABLES AND PAYABLES (Continued)

As at June 30, 2021 and December 31, 2020; pension business payables are as follows:

	June 30, 2021	December 31, 2020
Temporary account of participants	309,939,593	304,074,321
Pension business payables - deferred income reserves (*)	223,535,970	215,970,209
Total pension business payables	533,475,563	520,044,530

(*) Reserve for account management fee deferred over 7 years based on the average deviation of the contract terms of pension portfolio.

10. OTHER ASSETS

As at June 30, 2021 and December 31, 2020; other assets are as follows:

	June 30, 2021	December 31, 2020
Prepaid expenses	31,080,037	35,370,184
Other receivables from other related parties	22,680	1,024,260
Income accruals	217,141	-
Advances to personnel	2,295,005	1,881,965
Advances given	3,438,579	1,306,315
Other receivables from third parties	120,098	186,285
Deposits and guarantees given	87,151	88,836
Receivables from shareholders (Note 33)	547,351	547,351
Other	257,482	263,248
Total other assets	38,065,524	40,668,444

11. PROPERTY AND EQUIPMENT, NET

As of June 30, 2021 and December 31, 2020; tangible assets movement and its accumulated depreciation is as follows:

Cost	January 1, 2021	Additions	Disposals	June 30, 2021
Machinery and equipment	16,044,009	16,076,675	(168,112)	31,952,572
Furniture and fixtures	22,648,517	8,785,834	(2,805)	31,431,546
Other tangible assets	30,677,139	252,282	-	30,929,421
Motor Vehicles	1,721,735	3,800,644	(1,138,000)	4,384,379
Right of use assets	45,617,311	21,431,031	(45,146,006)	21,902,336
Total	116,708,711	50,346,466	(46,454,923)	120,600,254
Accumulated depreciation	January 1, 2021	Period charge	Disposals	June 30, 2021
Machinery and equipment	(10,016,603)	(1,910,106)	166,975	(11,759,734)
Furniture and fixtures	(15,313,519)	(1,718,843)	47	(17,032,315)
Other tangible assets	(18,573,519)	(1,570,511)	-	(20,144,030)
Motor Vehicles	(616,214)	(469,927)	512,100	(574,041)
Right of use assets	(19,423,305)	(6,281,516)	22,364,690	(3,340,131)
Total	(63,943,160)	(11,950,903)	23,043,812	(52,850,251)
Net book value	52,765,551			67,750,003

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11. PROPERTY AND EQUIPMENT, NET (Continued)

Cost	January 1, 2020	Additions	Disposals	June 30, 2020
Machinery and equipment	13,296,320	853,534	-	14,149,854
Furniture and fixtures	21,007,774	2,010,133	(80,508)	22,937,399
Other tangible assets	29,640,700	963,695	-	30,604,395
Vehicles	1,721,735	-	-	1,721,735
Right of use assets	42,063,298	1,949,528	-	44,012,826
	107,729,827	5,776,890	(80,508)	113,426,209
Accumulated depreciation	January 1, 2020	Period charge	Disposals	June 30, 2020
Machinery and equipment	(9,308,787)	(1,086,877)	-	(10,395,664)
Furniture and fixtures	(13,148,826)	(1,247,399)	63,876	(14,332,349)
Other tangible assets	(15,501,314)	(1,506,082)	-	(17,007,396)
Vehicles	(271,867)	(172,174)	-	(444,041)
Right of use assets	(9,172,556)	(5,263,097)	-	(14,435,653)
Total	(47,403,350)	(9,275,629)	63,876	(56,615,103)
Net book value	60,326,477			56,811,106

12. INTANGIBLE ASSETS, NET

As of June 30, 2021 and December 31, 2020; intangible assets movement and its accumulated amortization are as follows:

Cost	January 1, 2021	Additions	Transfer	Disposals	June 30, 2021
Software	157,401,429	25,635,318	10,916,687	-	193,953,434
Capitalized software development costs	14,754,297	23,858,165	(10,916,687)	(57,490)	27,638,285
Total	172,155,726	49,493,483	-	(57,490)	221,591,719
Accumulated amortization	January 1, 2021	Period charge	Transfer	Disposals	June 30, 2021
Software	(78,358,177)	(15,908,499)	3,435	-	(94,263,241)
Total	(78,358,177)	(15,908,499)	3,435	-	(94,263,241)
Net book value	93,797,549				127,328,478
Cost	January 1, 2020	Additions	Transfer	Disposals	June 30, 2020
Software	101,306,352	15,137,703	2,344,348	-	118,788,403
Capitalized software development costs	14,745,065	6,994,318	(2,344,348)	-	19,395,035
	116,051,417	22,132,021	-	-	138,183,438
Accumulated amortization	January 1, 2020	Period charge	Transfer	Disposals	June 30, 2020
Software	(57,516,287)	(9,390,208)	-	-	(66,906,495)
Total	(57,516,287)	(9,390,208)	-	-	(66,906,495)
Net book value	58,535,130				71,276,943

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13. OTHER FINANCIAL ASSETS

Other financial assets include equity participations that are classified as available for sale. As these equity participations do not have a quoted market price in an active market and other methods of reasonably estimating their values would be inappropriate and impracticable, they are stated at cost. As at June 30, 2021 and December 31, 2020; the details of other financial assets are as follows:

	June 30, 2021		December 31, 2020	
	Participation rate (%)	Amount	Participation rate (%)	Amount
Third Party				
Milli Reasürans A.Ş.	0.1494	575,082	0.1494	575,082
Emeklilik Gözetim Merkezi A.Ş.	5.5553	321,991	5.5553	292,303
Enternasyonal Turizm Yatırım A.Ş.	0.0001	2	0.0001	2
Endüstri Holding A.Ş.	0.0001	625	0.0001	625
		897,700		868,012

14. LEASE LIABILITIES

As at June 30, 2021 and December 31, 2020; lease liabilities are as follows:

	June 30, 2021	December 31, 2020
Short-term lease liabilities (undiscounted)	9,342,691	11,333,979
Long term lease liabilities (undiscounted)	14,904,345	38,219,902
Discount amount with lease’s incremental borrowing rate of interest	(4,701,697)	(19,211,506)
Total	19,545,339	30,342,375

Movement of lease liabilities for the period ended June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021	December 31, 2020
Opening balance, January 1	30,342,375	35,733,545
IFRS 16 lease increase / decrease (*)	(1,350,284)	3,554,013
Lease payments	(9,196,186)	(16,960,928)
Lease termination procedures cancellation of paid interest	(4,916,480)	
Exchange rate valuation	9,073	1,026,263
Interest payments	4,656,841	6,989,482
Closing balance	19,545,339	30,342,375

(*) As of 30 June 2021, the lease contract obligation made with the termination notice has been cancelled.

15. DUE TO INSURANCE AND REINSURANCE COMPANIES

As at June 30, 2021 and December 31, 2020; due to insurance and reinsurance companies are as follows:

	June 30, 2021	December 31, 2020
Due to the intermediaries	37,607,311	29,782,098
Due to the reinsurance companies	5,376,871	1,945,015
Due to the policyholders	(238,720)	486,380
	42,745,462	32,213,493

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16. OTHER PROVISIONS

As at June 30, 2021 and December 31, 2020; provision for expenses and lawsuit provisions are as follows:

	June 30, 2021	December 31, 2020
Personnel bonus provision	23,523,029	27,035,574
Provision for lawsuit against the Group (Note 34)	11,318,274	11,366,186
Bonus provision for sales activities	6,343,169	7,467,324
Commission provision	5,929,651	6,967,000
	47,114,123	52,836,084

17. TAXES

Corporate taxes

Statutory income is subject to corporate tax at 25% (2020: 22%). This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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

In the Official Gazette dated April 22, 2021 and numbered 31462, the Law No. 7316 on the procedure for the collection of public receivables and Law Amending Certain Laws has been published and the Provisional Article 13 has been added to the Corporate Tax Law with the 11th article of the stated Law. Corporate tax rate of 20% with the added item will be applied as;

- 25% for corporate earnings for the 2021 taxation period.
- 23% for corporate earnings for the 2022 taxation period.

The respective rate increase came into effect on April 22, 2021, starting from the declarations that must be valid for the corporate earnings for the taxation period starting from January 1, 2021.

Corporate tax is declared until the evening of the twenty-fifth of the fourth month following the end of the relevant accounting period and is paid in one installment until the end of the relevant month. In accordance with the tax legislation, the temporary tax will be calculated at a rate of 25% (2020: 22%), starting from the 2nd period advance tax return for the 2021 period, over the earnings generated in quarterly periods, and the amounts paid will be deducted from the tax calculated on the annual earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous years.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of the 25th day of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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17. TAXES (Continued)

Income tax

As at June 30, 2021 and December 31, 2020; prepaid income taxes are netted off with the current income tax payable as stated below:

	June 30, 2021	December 31, 2020
Income taxes payable	87,918,170	90,440,439
Prepaid income taxes (-)	(39,975,623)	(77,072,087)
Current tax liabilities / (assets)	47,942,547	13,368,352

Deferred taxes

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

	Cumulative temporary Differences		Deferred tax assets / (liabilities)	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Deferred income reserves	223,535,970	215,970,209	51,632,332	45,759,575
Expense accruals	74,865,609	42,066,545	18,716,402	8,866,807
Provision for employee termination benefit	24,397,153	21,040,315	4,879,431	4,208,063
Unused vacation provision	7,843,686	5,421,984	1,882,485	1,084,397
Claims for Insured Customer Claims	6,403,064	5,934,574	1,280,613	1,186,915
Right of use asset	969,565	4,134,800	242,391	826,960
Provision for lawsuits	2,268,237	2,740,711	521,694	548,142
Provisions for agency receivables	2,370,474	2,370,474	474,095	474,095
Incentive commission	288,283	2,011,614	72,071	402,323
Withdrawal of outstanding legal claims	7,916,692	7,977,352	1,979,173	1,595,470
Derivative securities	4,312,710	-	1,078,178	-
Eurobond valuation difference	1,859,279	-	464,820	-
Valuation VUK-SFRS difference	1,655,456	-	413,864	-
Deposits internal rate of return linear interest rate difference	118,812	258,455	29,702	51,691
Total deferred tax assets	358,804,990	309,927,033	83,667,251	65,004,438
Deferred acquisition cost	(539,647,946)	(561,895,075)	(119,853,418)	(107,915,256)
Pension business receivables	(177,534,427)	(169,270,198)	(40,388,797)	(35,291,579)
Net difference between the carrying values and tax base values of tangible assets and intangible assets	(44,220,980)	(36,380,067)	(8,825,970)	(7,276,013)
Eurobond valuation difference	-	(2,016,089)	-	(403,218)
Derivative securities	-	(5,716,491)	-	(1,143,298)
Price difference in coupon bond held for trading	(3,236,914)	56,509	(809,230)	11,302
Total deferred tax liabilities	(764,640,267)	(775,221,411)	(169,877,415)	(152,018,062)
Deferred tax assets/ (liabilities) accounted for under equity over the fair value reserve for available for sale financial assets	(3,796,051)	(38,000,708)	(949,013)	(7,600,142)
Effect of rate change of corporation tax	-	-	151,432	261,067
Deferred tax liabilities, net	(409,631,328)	(503,295,086)	(87,007,745)	(94,352,699)

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17. TAXES (Continued)

Deferred taxes (Continued)

Movement of deferred tax liabilities for the period ended June 30, 2021 and 2020 are as follows:

	2021	2020
Opening balance, January 1	(94,352,699)	(57,708,907)
ROP DAC impact (*)	-	(13,314,930)
Charged to profit or loss	484,731	4,396,568
Cancellation available for sale financial assets that are recognized in shareholders' equity of deferred tax assets	7,600,141	(1,086,924)
Deferred tax asset /(liability) recognized in other comprehensive income due to fair value losses on available for sale financial assets	(949,013)	4,618,833
Fair Value - IRR corporate tax rate change effect	(109,634)	-
Deferred tax asset of actuarial loss on employment termination provision	318,729	447,067
Closing balance, June 30	(87,007,745)	(62,648,293)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial informations. Deferred income tax assets and liabilities are determined using tax rates and tax legislation that has been enacted at the information of financial position date and is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

There are no unrecognized deferred tax assets in the periods presented.

(*) Effects of ROP DAC impact has been explained in Note 1.1.

Income tax expenses for the period ended June 30, 2021 and June 30, 2020; are as follows:

	January 1 - June 30, 2021	January 1 - June 30, 2020
Income tax expense recognized in profit or loss:		
- Current tax charge	(93,613,374)	(46,531,658)
- Deferred tax charge	482,581	4,396,509
Adjustments recognized in the period for current tax of prior periods	5,591,173	3,819,622
Income tax expense	(87,539,620)	(38,315,527)

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

	January 1 - June 30, 2021	January 1 - June 30, 2020
Profit before taxes	345,279,953	169,323,713
Tax rate	25%	22%
Taxes on income per statutory tax rate	(86,319,988)	(37,251,217)
Revenue that is exempt from taxation	2,051,236	(1,061,717)
Non-deductible expenses, net	(3,270,868)	(2,593)
Income tax expense	(87,539,620)	(38,315,527)

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18. EMPLOYMENT TERMINATION BENEFITS

	June 30, 2021	December 31, 2020
Provision for employment termination benefits	24,397,153	21,040,315
Total	24,397,153	21,040,315

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and attains the retirement age.

The amount payable consists of one month's salary limited to a maximum of TL 7,639 (December 31, 2020: TL 7,117) for each year of service as of June 30, 2021.

IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation; the provision has been calculated by using projection method. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	June 30, 2021	December 31, 2020
Estimated yearly salary increase rate	8.50%	8.50%
Yearly discount rate	13.50%	13.50%

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

	2021	2020
Opening balance, January 1	21,040,315	15,971,826
Paid during the period	(813,211)	(781,099)
Service cost	1,145,559	867,855
Interest cost	1,420,095	1,015,688
Actuarial loss	1,604,395	2,032,122
Closing balance, June 30	24,397,153	19,106,392

19. DEFERRED EXPENSES

As at June 30, 2021 and 2020; movements of deferred expenses are as follows:

	2021	2020
Deferred acquisition costs, gross January 1	501,416,003	444,609,469
Acquisition costs deferred during the period	101,086,888	74,151,031
Amortization	(62,854,945)	(68,582,080)
Deferred acquisition costs - June 30	539,647,946	450,178,420
Deferred commission costs, gross January 1	31,312,514	33,578,846
Commission cost deferred during the period	(6,887,358)	(4,115,061)
Deferred commission costs - June 30	24,425,156	29,463,785
Total deferred expenses	564,073,102	479,642,205

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20. OTHER PAYABLES AND LIABILITIES

As at June 30, 2021 and December 31, 2020; other payables and liabilities are as follows:

	June 30, 2021	December 31, 2020
Payables to shareholders	80,471,822	60,422,578
Taxes and funds payable	29,809,497	25,364,003
Payables to suppliers	20,871,370	22,637,816
Payables to related parties	27,363,239	11,047,722
Unused vacation provision	8,889,440	6,467,738
Expense accruals	40,029,788	909,826
Deferred commission income	1,478,515	1,681,106
Payables to personnel	451,385	461,124
Other deferred income	2,055	2,055
Deposits and guarantees	5,741	4,836
Total	209,372,852	128,998,804

21. INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities as at June 30, 2021 and December 31, 2020; are as follows:

	June 30, 2021	December 31, 2020
Gross insurance contract liabilities		
Life mathematical reserves (*)	2,721,218,875	2,059,624,778
Reserve for unearned premiums	71,953,153	64,925,125
Claims provision	91,688,309	86,835,225
	2,884,860,337	2,211,385,128
Reinsurance share of insurance contract liabilities		
Mathematical reserves, ceded (Note 7)	1,683,892	1,510,791
Reserve for unearned premiums, ceded (Note 7)	3,014,066	3,245,141
Claims provision, ceded (Note 7)	8,026,778	6,193,687
	12,724,736	10,949,619
Net insurance contract liabilities		
Life mathematical reserves	2,719,534,983	2,058,113,986
Reserve for unearned premiums	68,939,087	61,679,985
Claims provision	83,661,531	80,641,538
Net insurance liabilities	2,872,135,601	2,200,435,509

(*) As of June 30, 2021, the negative fair value difference of financial assets at insuree’s risk amounting to TL 13,688,738 (December 31, 2020: negative fair value difference of financial assets at insuree’s risk amounting to TL 13,630,243), deferred taxes on the fair value difference of financial assets at insuree’s risk amounting to TL 220,663 (December 31, 2020: TL 2,059,572) and reinsurers share of TL 1,683,892. (December 31, 2020: 1,997,764) have been included in the above mentioned mathematical reserve table.

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21. INSURANCE CONTRACT LIABILITIES (Continued)

Movements in insurance liabilities and reinsurance assets

Claims:

June 30, 2021	Gross	Ceded	Net
Total at the beginning of the year	78,857,873	(6,193,687)	72,664,186
Change during period	12,830,436	(1,833,091)	10,997,345
Total at the end of the period	91,688,309	(8,026,778)	83,661,531

June 30, 2021			
Reported claims	62,680,447	(4,933,468)	57,746,979
Incurred but not reported	29,007,862	(3,093,310)	25,914,552
Total at the end of the period	91,688,309	(8,026,778)	83,661,531

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

December 31, 2020			
Reported claims	63,283,232	(4,842,273)	58,440,959
Incurred but not reported	23,551,993	(1,351,414)	22,200,579
Total at the end of the period	86,835,225	(6,193,687)	80,641,538

Claims paid and change in outstanding claims provision for the period ended June 30, 2021 and 2020 are as follows:

	January 1 - June 30, 2021	April 1 - June 30, 2021	January 1 - June 30, 2020	April 1 - June 30, 2020
Cash paid for claims settled during the period	102,580,759	55,055,770	107,103,092	48,265,019
- Surrender and maturity from life savings	35,339,294	21,450,106	9,813,908	6,113,896
- Death and disability claims (*)	44,001,469	21,363,458	24,820,732	10,227,136
- Surrender from life protection	23,239,996	12,242,206	72,468,452	31,923,987
Change in outstanding claims provision	3,019,993	9,108,477	4,872,517	5,667,265
Claims paid and change in outstanding claims provision	105,600,752	64,164,247	111,975,609	53,932,284

(*) The amounts are presented net off reinsurance.

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21. INSURANCE CONTRACT LIABILITIES (Continued)

Reserve for unearned premiums:

June 30, 2021	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the year	64,925,125	(3,245,140)	61,679,985
Premiums written during the period	860,590,262	(12,224,177)	848,366,085
Premiums earned during the period	(853,562,234)	12,455,251	(841,106,983)
Reserve for unearned premiums at the end of the period	71,953,153	(3,014,066)	68,939,087
December 31, 2020	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the year	95,871,371	(6,516,521)	89,354,850
Premiums written during the period	1,331,872,294	(18,449,424)	1,313,422,870
Premiums earned during the period	(1,362,818,540)	21,720,805	(1,341,097,735)
Reserve for unearned premiums at the end of the period	64,925,125	(3,245,140)	61,679,985

Life mathematical reserves

	2021	2020
	Mathematical reserve TL	Mathematical reserve TL
Total at the beginning of the year, January 1	2,066,132,182	1,293,865,592
Additions	721,673,868	523,520,137
Disposals	(53,119,101)	(78,878,825)
Total at the end of the period, June 30 (*)	2,734,686,949	1,738,506,904

(*) As of June 30, 2021, the negative fair value difference of financial assets at insuror's risk amounting to TL 13,688,738 (December 31, 2020: negative fair value difference of financial assets at insuror's risk amounting to TL 13,630,243), deferred taxes on the fair value difference of financial assets at insuror's risk amounting to TL 220,663 (December 31, 2020: TL 2,059,572) and reinsurers share of TL 1,683,892. (December 31, 2020: 1,997,764) have been included in the above mentioned mathematical reserve table.

Claims development tables

The claims provision is sensitive to some key assumptions. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting date.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent consolidated financial informations.

As at June 30, 2021; claim development table of the Group is as follows:

Accident year	2014 and earlier	2015	2016	2017	2018	2019	2020	2021	Total
Current estimate of claims									
Accident year	8,005,589	2,653,757	5,378,679	4,306,838	4,216,736	2,209,728	10,958,973	17,109,958	54,840,258
1 year later	637,929	373,072	692,996	1,194,847	931,011	943,846	1,906,622	-	6,680,323
2 year later	-	65,532	201,158	59,595	187,621	155,687	-	-	669,593
3 year later	5,136	16,650	54,797	183,192	25,470	-	-	-	285,245
4 year later	-	32,700	-	112,699	-	-	-	-	145,399
5 year later	-	-	27,501	-	-	-	-	-	27,501
6 year later	32,128	-	-	-	-	-	-	-	32,128
7 year later	-	-	-	-	-	-	-	-	-
Total	8,680,782	3,141,711	6,355,131	5,857,171	5,360,838	3,309,261	12,865,595	17,109,958	62,680,447
Incurred but not reported									21,091,171
Additional claims according to the actuarial claim development table									7,916,691
Total gross provision for outstanding claims as at June 30, 2021									91,688,309

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21. INSURANCE CONTRACT LIABILITIES (Continued)

As at December 31, 2020, claim development table of the Group is as follows:

Accident year	2013 and earlier	2014	2015	2016	2017	2018	2019	2020	Total
Current estimate of claims									
Accident year	7,463,038	2,277,564	3,682,162	5,568,507	4,513,726	5,848,200	2,485,075	24,805,391	56,643,663
1 year later	303,787	653,435	746,887	688,736	1,253,245	1,083,777	1,094,766	-	5,824,633
2 year later	13,730	-	99,636	197,714	13,001	201,276	-	-	525,357
3 year later	-	4,995	19,626	54,797	131,978	-	-	-	211,396
4 year later	-	-	41,370	-	-	-	-	-	41,370
5 year later	-	-	7,076	-	-	-	-	-	7,076
6 year later	-	-	-	-	-	-	-	-	-
7 year later	29,737	-	-	-	-	-	-	-	29,737
Total	7,810,292	2,935,994	4,596,757	6,509,754	5,911,950	7,133,253	3,579,841	24,805,391	63,283,232
Incurred but not reported									15,574,641
Additional claims according to the actuarial claim development table									7,977,352
Total gross provision for outstanding claims as at June 30, 2021									86,835,225

22. EQUITY

Share capital of the Group as at June 30, 2021 and December 31, 2020; are as follows:

	June 30, 2021		December 31, 2020	
	Shareholding %	TL	Shareholding %	TL
Hacı Ömer Sabancı Holding A.Ş.	40.00	72,000,007	40.00	72,000,007
Ageas InsuranceInternational NV(*)	40.00	72,000,007	40.00	72,000,007
Other	0.09	166,026	0.09	166,026
Publicly Traded	19.91	35,833,960	19.91	35,833,960
Total share capital	100.00	180,000,000	100.00	180,000,000

(*) The Share Purchase Agreement was signed between Ageas Group and Aviva Group on 23 February 2021. Accordingly, Ageas agreed to take over all of AvivaSA's shares with a nominal value of TL 72,000,006.72, representing 40% of the capital owned by Aviva. The closing conditions determined in the Share Purchase Agreement have been fulfilled, and all of Aviva's shares representing 40% of our Company's capital were taken over by Ageas as of 5 May 2021.

The upper limit of registered capital of the Group is TL 500,000,000 as of June 30, 2021, and it is divided into 50,000,000,000 registered shares each with nominal value of TL 0.01. The upper limit of registered capital change, which was approved and resolved at the general assembly meeting dated March 16, 2021, was registered on 24.03.2021. (December 31, 2020: The upper limit of registered capital of the company is 300,000,000 TL and it is divided into 30,000,000,000 registered shares, each with nominal value of TL 0.01.)

Profit and other capital reserves:

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

	June 30, 2021	December 31, 2020
Profit reserves	321,225,389	190,370,612
Other capital reserves	837,095	837,095
Total	322,062,484	191,207,707

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22. EQUITY (Continued)

Profit and other capital reserves (Continued):

Retained earnings as per the statutory consolidated financial information, other than legal reserve requirements as referred below, are available for distribution. The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group’s paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the Turkish Commercial Code, the legal reserves can only be used to offset losses unless they exceed 50% of paid-in share capital and are not available for any other usage.

Profit reserves

As at June 30, 2021 and December 31, 2020; details of profit reserves is as follows:

	June 30, 2021	December 31, 2020
Extraordinary reserves	225,798,730	110,043,953
Legal reserves	95,415,165	80,315,165
Statutory reserves	11,494	11,494
Total	321,225,389	190,370,612

Movement of profit reserves is presented below:

	June 30, 2021	December 31, 2020
Opening balance, January 1	190,370,612	135,728,079
Transfers	130,854,777	54,642,533
Closing balance	321,225,389	190,370,612

Profit reserves

As of 30 June 2021, the Group’s profit reserves consists of 95,415,165 TL (31 December 2020: 80,315,165 TL) legal reserves, 11,494 TL (31 December 2020: 11,494 TL) statute reserves and 225,798,730 TL (31 December 2020: 110,043,954 TL) extraordinary reserves.

Other capital reserves

As of June 30, 2021 capital reserves of the Group amounting to TL 837,095 consist of the amount of TL 512,783 as a result of addition of TL 66,028,020 to capital, which is difference resulted between the amount of TL 82,320,000 that is pre-merger nominal paid capital of Aviva Emeklilik and TL 15,779,197 that is capital increase amount of Ak Emeklilik; participants’ capitalization issue amounting to TL 324,312.

Fair value reserves from available for sale assets

Unrealized gains and losses due to changes in the fair values available for sale financial assets net of taxes are directly recognized in the shareholders’ equity as “Fair value reserves from available for sale assets”.

Movement of the reserve is below:

	2021	2020
Opening balance, January 1	36,602,809	(294,093)
Unrealized gains and losses due to changes in the fair values of available for sale financial assets net of taxes	(29,369,101)	(8,887,965)
Closing balance, June 30	7,233,708	(9,182,058)

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23. EARNINGS PER SHARE

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

	January 1- June 30, 2021	April 1- June 30, 2021	January 1- June 30, 2020	April 1- June 30, 2020
Profit for the period	257,740,333	119,934,306	131,008,186	77,994,855
Weighted average number of shares with nominal value of TL 0.01 nominal value per share	18,000,000,000	18,000,000,000	18,000,000,000	18,000,000,000
Earnings per share	0.0143	0.0067	0.0073	0.0043

As of June 30, 2021 capital of the Group consists of 18,000,000,000 shares with nominal value of TL 0.01 (December, 2020: 18,000,000,000 shares with nominal value of TL 0.01).

24. WRITTEN PREMIUMS

The distribution of written premiums is as follows:

	January 1- June 30, 2021			April 1- June 30, 2021		
	Gross	Reinsurer share	Net	Gross	Reinsurer share	Net
Non-life	27,022,496	(145,555)	26,876,941	9,867,293	(59,488)	9,807,805
Life (Life protection + savings)	833,567,766	(12,078,622)	821,489,144	444,945,620	(6,461,873)	438,483,747
Total premium income	860,590,262	(12,224,177)	848,366,085	454,812,913	(6,521,361)	448,291,552

	January 1- June 30, 2020			April 1- June 30, 2020		
	Gross	Reinsurer share	Net	Gross	Reinsurer share	Net
Non-life	37,685,837	(2,163,182)	35,522,655	16,465,392	(79,357)	16,386,035
Life (Life protection + savings)	619,487,902	(7,597,625)	611,890,277	312,766,951	(4,592,184)	308,174,767
Total premium income	657,173,739	(9,760,807)	647,412,932	329,232,343	(4,671,541)	324,560,802

25. INCOME GENERATED FROM PENSION BUSINESS

Income generated from pension business for the periods ended June 30, 2021 and June 30, 2020; are as follows:

	January 1- June 30, 2021	April 1 - June 30, 2021	January 1- June 30, 2020	April 1 - June 30, 2020
Fund management income	188,130,192	95,499,802	156,504,006	81,968,175
Management fee	48,851,937	23,144,528	46,900,584	25,299,584
Deferred entry fees income	11,165,799	5,097,286	12,780,218	5,946,546
Premium holiday charges	5,483	718	360,621	148,896
Total	248,153,411	123,742,334	216,545,429	113,363,201

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26. FOREIGN EXCHANGE GAINS / (LOSSES), NET

Foreign exchange gains / (losses) for the periods ended June 30, 2021 and 2020; are as follows:

	January 1 - June 30, 2021	April 1 - June 30, 2021	January 1 - June 30, 2020	April 1 - June 30, 2020
Foreign exchange gains	71,207,053	26,325,835	26,398,933	11,349,798
Foreign exchange losses	(32,111,082)	(22,784,810)	(20,365,983)	(10,141,626)
Total	39,095,971	3,541,025	6,032,950	1,208,172

27. COMMISSION INCOME AND COMMISSION EXPENSE

Commission income for the periods ended June 30, 2021 and June 30, 2020; are as follows:

	January 1 - June 30, 2021	April 1 - June 30, 2021	January 1 - June 30, 2020	April 1 - June 30, 2020
Commission income from reinsurance companies (net)	5,350,261	3,532,982	5,544,439	4,030,552
Total	5,350,261	3,532,982	5,544,439	4,030,552

Commission expense for the periods ended June 30, 2021 and June 30, 2020; are as follows:

	January 1 - June 30, 2021	April 1 - June 30, 2021	January 1 - June 30, 2020	April 1 - June 30, 2020
Commission expenses due to personal accident insurance	(15,972,508)	(7,810,392)	(19,314,914)	(9,636,260)
Commission expenses due to life insurance	(129,286,104)	(70,778,764)	(87,055,968)	(39,803,664)
-Change in commission expenses	(154,857,376)	(70,046,243)	(101,762,932)	(46,472,004)
-Change in deferred acquisition cost	25,571,272	(732,521)	14,706,964	6,668,340
Total	(145,258,612)	(78,589,156)	(106,370,882)	(49,439,924)

28. INVESTMENT AND OTHER INCOME

Investment income for the periods ended June 30, 2021 and June 30, 2020; are as follows:

	January 1 - June 30, 2021	April 1 - June 30, 2021	January 1 - June 30, 2020	April 1 - June 30, 2020
Interest income	120,358,225	55,226,306	65,150,376	31,144,603
-Income from financial assets at fair value through profit or loss	25,524,908	14,164,618	18,287,888	10,253,523
-Income from available for sale financial assets	94,833,317	41,061,688	46,862,488	20,891,080
Net income from sale of financial assets	12,256,254	13,832,840	22,346,818	29,822,343
-Income from financial assets at fair value through profit or loss	(1,660,084)	5,831,942	5,480,494	11,298,809
-Income from available for sale financial assets	13,916,338	8,000,898	16,866,324	18,523,534
Dividend and realization income from other financial assets	65,060	-	(1,452,554)	(1,854,289)
Net gains on derivatives fair value through profit or loss	(54,381)	18,099,663	-	-
Interest expense regarding lease liabilities	(4,656,841)	(2,414,917)	(3,595,197)	(1,803,141)
Investment management expenses	(584,566)	(180,391)	(20,015,910)	(20,114,569)
Other income, net	(2,692,540)	(3,806,610)	1,559,974	370,629
Total investment and other income/(expense), net	124,691,211	80,756,891	63,993,507	37,565,576

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29. PENSION EXPENSES INCLUDING COMMISSION

Pension expenses including commission for the periods ended June 30, 2021 and June 30, 2020; are as follows:

	January 1- June 30, 2021	April 1 - June 30, 2021	January 1- June 30, 2020	April 1 - June 30, 2020
Fund management charge	(20,867,445)	(10,194,131)	(18,283,966)	(10,396,370)
Commission expense, net of DAC	(55,192,452)	(27,769,527)	(55,067,105)	(34,753,264)
- Commission expense	(64,403,634)	(35,766,240)	(44,990,986)	(20,817,245)
- Change in deferred acquisition cost	9,211,182	7,996,713	(10,076,119)	(13,936,019)
Takasbank commission expense	(3,060,392)	(1,517,949)	(2,861,213)	(1,402,171)
Other expense	(10,068,123)	(6,121,781)	(7,358,745)	(3,626,498)
Total pension expenses	(89,188,412)	(45,603,388)	(83,571,029)	(50,178,303)

30. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the periods ended June 30, 2021 and June 30, 2020; are as follows:

	January 1- June 30, 2021	April 1 - June 30, 2021	January 1- June 30, 2020	April 1 - June 30, 2020
Personnel expenses	(158,164,270)	(79,330,570)	(127,526,202)	(54,878,512)
Outsourced expenses including IT services	(53,094,105)	(27,208,396)	(38,199,101)	(20,201,477)
Depreciation and amortization	(27,859,553)	(14,962,845)	(18,665,837)	(9,663,721)
Management expenses	(5,504,028)	(3,269,166)	(4,637,486)	(2,444,869)
Communication expenses	(3,089,890)	(1,702,537)	(2,971,442)	(1,394,369)
Advertising and marketing expenses	(7,059,037)	(6,003,453)	(1,219,219)	(745,106)
Travelling and transportation expenses	(1,967,814)	(1,054,557)	(3,159,290)	(292,332)
Representation and hosting expenses	(2,671,675)	(1,213,480)	(2,054,263)	(369,655)
Brokerage expenses	(1,633,092)	(1,328,650)	(3,404,525)	(22,646)
Other marketing, sales and distribution expenses	(679,626)	(368,605)	(788,992)	(537,832)
Office supplies expenses	(1,723,605)	(998,708)	(935,927)	(350,556)
Change in deferred acquisition cost	16,106,282	13,610,284	938,106	(4,741,976)
Other expenses	(23,841,915)	(17,257,204)	(4,753,831)	(3,141,391)
Total	(271,182,328)	(141,087,887)	(207,378,009)	(98,784,442)

Personnel expenses for the period ended June 30, 2021 and June 30, 2020; are as follows:

	January 1- June 30, 2021	April 1 - June 30, 2021	January 1- June 30, 2020	April 1 - June 30, 2020
Salaries	(92,652,420)	(47,793,447)	(65,197,910)	(30,649,134)
Commission and promotion expenses	(15,560,700)	(6,318,397)	(19,944,923)	(6,479,492)
Other salary expenses	(19,278,308)	(10,586,638)	(19,089,601)	(9,697,399)
Social security expenses	(17,277,396)	(8,495,281)	(13,599,376)	(5,943,978)
Other personnel expenses	(7,582,634)	(4,293,929)	(5,728,413)	(1,988,660)
Employee termination benefit expenses	(2,565,654)	(1,282,827)	(1,883,544)	(894,977)
Unused vacation expenses	(3,247,158)	(560,051)	(1,907,705)	775,128
Notice pay expense	-	-	(174,730)	-
Total	(158,164,270)	(79,330,570)	(127,526,202)	(54,878,512)

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31. OTHER INCOME/(EXPENSE), NET

Other income and expenses for the periods ended June 30, 2021 and 2020 are as follows:

	January 1- June 30, 2021	April 1 - June 30, 2021	January 1- June 30, 2020	April 1 - June 30, 2020
Other income:				
Other technical income	1,418,452	771,900	499,040	(177,872)
Other expense:				
Other operating expense	36,772	(416,660)	(2,514,750)	(2,192,432)
Intangible asset write-off	(57,490)	(57,490)	-	-
Other expense	(493,883)	(105,141)	(713,322)	(627,756)
Total other income / (expense), net	903,851	192,609	(2,729,032)	(2,998,060)

32. BLOCKED SECURITIES AND BANK DEPOSITS

The amounts below are deposited in a blocked account in favour of SEDDK. Accordingly the following guarantees have been issued to the Turkish Treasury based on the financial results:

	June 30, 2021	December 31, 2020
Blocked securities	2,517,775,083	1,856,532,558
Blocked bank deposits	123,748,129	138,200,000
Total	2,641,523,212	1,994,732,558

33. RELATED PARTY BALANCES AND TRANSACTIONS

As at June 30, 2021 and December 31, 2020 balances with related parties are as follows:

	June 30, 2021	December 31, 2020
Akbank T.A.Ş. - Credit card receivables	345,557,969	325,956,194
Other cash and cash equivalents	345,557,969	325,956,194
Akbank T.A.Ş.- Bank deposit	93,555,320	187,233,011
Banks	93,555,320	187,233,011

As of June 30, 2021 and December 31, 2020, The Group’s portfolio of financial assets classified as held for trading and financial assets issued by related parties of the Group are as follows:

	June 30, 2021	December 31, 2020
Other receivables from related parties		
Akbank T.A.Ş.	9,006	-
Aksigorta A.Ş.	13,674	1,024,260
Total	22,680	1,024,260

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33. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	June 30, 2021	December 31, 2020
Receivables from main operations		
Kordsa Teknik Tekstil A.Ş.	94,620	(4,990)
Brisa Bridgestone Sabancı Lastik ve Ticaret A.Ş.	(9,304)	427
Başkent Elektrik Dağıtım A.Ş.	1,233	(12,945)
Enerjisa Enerji Üretim A.Ş.	6,899	940
Çimsa Çimento Sanayi ve Ticaret A.Ş., Sabancı Üniversitesi	185,026 184,757	
Other	5,497	(1,069)
	468,728	(17,637)

	30 June 2021			
	Nominal value	Cost	Fair value	Book value
Private sector bond				
Enerjisa Elektrik Dağıtım A.Ş.	12,500,000	12,500,000	21,346,777	21,346,777
Financial assets	12,500,000	12,500,000	21,346,777	21,346,777

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

	June 30, 2021	December 31, 2020
Other payables to related parties		
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	27,205,985	8,691,273
EnerjiSA Anadolu Yakası Elektrik Perakende Satış A.Ş.	52,174	80,931
TeknoSA İç ve Dış Tic. A.Ş.	168,096	126,381
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	2,926	800,254
EnerjiSA Başkent Elektrik Perakende Satış A.Ş.	2,037	262
Vista Turizm ve Seyahat A.Ş.	(2,280)	(4,529)
Ak Sigorta A.Ş.	(66,463)	408,050
Ak Portföy Yönetimi A.Ş.	-	945,100
EnerjiSA Toroslar Elektrik Perakende Satış A.Ş.	764	-
	27,363,239	11,047,722

	June 30, 2021	December 31, 2020
Advances given		
Vista Turizm ve Seyahat A.Ş.	788,100	687,573
	788,100	687,573

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33. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	June 30, 2021	December 31, 2020
Payables from main operations		
Akbank T.A.Ş.	46,585,370	29,117,799
Ak Portföy Yönetimi A.Ş.	3,447,597	5,686,009
Emeklilik Gözetim Merkezi A.Ş.	319,909	312,857
	50,352,876	35,116,665

	June 30, 2021	December 31, 2020
Income accruals for the month		
Akbank T.A.Ş.	6,086,684	24,088,392
	6,086,684	24,088,392

	June 30, 2021	December 31, 2020
Shareholders:		
Hacı Ömer Sabancı Holding	54,691	103,557
Payables to shareholders	54,691	103,557

	June 30, 2021	December 31, 2020
Shareholders:		
Aviva International Holdings Ltd.	547,351	547,351
Receivables from shareholders	547,351	547,351

Transactions with related parties for the period ended June 30, 2021 and December 31, 2020 are as follows:

	January 1- June 30, 2021	April 1 - June 30, 2021	January 1- June 30, 2020	April 1 - June 30, 2020
Services Purchased				
Akbank T.A.Ş.	197,630,259	105,811,249	77,973,503	37,946,517
- <i>Commission paid</i>	196,680,259	105,336,249	77,023,503	37,471,517
- <i>Paid administrative expenses</i>	950,000	475,000	950,000	475,000
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	30,185,173	16,937,016	19,267,704	10,046,746
Ak Portföy Yönetimi A.Ş.	19,972,924	10,310,335	16,150,257	8,281,243
Emeklilik Gözetim Merkezi A.Ş.	2,331,802	1,184,525	1,873,862	927,886
Vista Turizm ve Seyahat A.Ş.	19,271	18,313	1,803,944	112,869
AkSigorta A.Ş.	1,338,322	868,067	527,611	426,497
Anadolu Yakası Elektrik Dağıtım A.Ş.	452,951	169,947	477,955	162,414
Teknosa İç ve Dış Ticaret A.Ş.	249,489	110,930	227,500	85,437
Other	329,744	(5,496)	605,021	93,534
	252,509,935	135,404,886	118,907,357	58,083,143

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33. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	January 1- June 30, 2021	April 1 - June 30, 2021	January 1- June 30, 2020	April 1 - June 30, 2020
Financial income				
Akbank (interest income)	10,437,219	5,753,743	8,484,976	1,380,129
Enerjisa Enerji A.Ş.	-	-	160,650	-
Çimsa Çimento San,ve Tic, A.Ş.	172,244	-	-	-
Akyatırım	-	-	15,612	-
	10,609,463	5,753,743	8,661,238	1,380,129

	January 1- June 30, 2021	April 1 - June 30, 2021	January 1- June 30, 2020	April 1 - June 30, 2020
Services Provided				
Akbank T.A.Ş.	7,332,928	3,670,967	-	-
Kordsa Teknik Tekstil A.Ş.	1,019,767	8,147	895,258	(359)
Brisa Bridgestone Sabancı Lastik ve Ticaret A.Ş.	806,579	(10,258)	726,470	(8,472)
Başkent Elektrik Dağıtım A.Ş.	597,889	10,103	553,517	(9,580)
Enerjisa Enerji Üretim A.Ş.	437,313	6,899	386,840	2,348
Ak Yatırım Menkul değerler A.Ş.	377,354	(203)	297,923	868
Akçansa Çimento Sanayi ve Ticaret A.Ş.	342,297	532	278,931	(3,682)
AkSigorta A.Ş.	332,130	(3,672)	286,128	(1,187)
Toroslar Elektrik Dağıtım A.Ş.	329,589	14,256	296,633	(58)
Çimsa Çimento Sanayi ve Ticaret A.Ş.	315,370	2,987	361,855	9,234
Temsa Ulaşım Araçları Sanayi ve Ticaret A.Ş.	293,399	4,195	246,408	(31,387)
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	256,613	20,298	202,034	2,822
TeknoSA İç ve Dış Ticaret A.Ş.	235,727	592	211,316	3,881
İstanbul Anadolu yakası Elektrik Dağıtım A.Ş.	196,290	2,224	183,194	75
Ak Portföy Yönetimi A.Ş.	181,508	(3,444)	152,443	-
CarrefourSA Carrefour Sabancı Ticaret Merkezi A.Ş.	127,349	(5,775)	114,450	304
Other	939,319	627,627	706,027	422,606
	14,121,421	4,345,475	5,899,427	387,413

Benefits provided to executive management

For the period ended June 30, 2021 and 2020, wages and other benefits provided to Chairman and members of the Board of Directors, general manager, general coordinator, senior managers and assistant general managers are TL 9,593,164 (April 1- June 30, 2021: TL 2,431,287) and TL 6,785,586 (April 1- June 30, 2020: TL 2,210,407) respectively.

34. CONTINGENCIES

Provision for lawsuits

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

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34. CONTINGENCIES (Continued)

Provision for lawsuits (Continued)

As at June 30, 2021 and December 31, 2020; provisions for lawsuits against the Group are as follows:

	June 30, 2021	December 31, 2020
Lawsuits provision under other provision:	11,318,274	11,366,186
Insurance lawsuits against the Group	6,419,745	5,995,183
Business lawsuits against the Group	2,268,237	2,740,710
Other lawsuits against the Group	2,630,292	2,630,293
Lawsuits provision under claims provision	34,383,472	34,459,548
Total lawsuits provision	45,701,746	45,825,734

35. COMMITMENTS

As at June 30, 2021 and December 31, 2020, total insurance risk accepted by the Group under normal courses of the insurance business is detailed in Note 4.

As at June 30, 2021 and December 31, 2020, letters of guarantee given to suppliers and government institutions are as follows:

	June 30, 2021	December 31, 2020
Letters of guarantee	9,440,014	9,217,397
Total	9,440,014	9,217,397

36. SUBSEQUENT EVENTS

The Group’s consolidated financial informations as of 30 June 2021 is approved at 9 August 2021 by the Board of Directors.

Article 2 of the Company's Articles of Association "Title of the Company" was amended by the General Assembly dated July 1, 2021 and the new title was "Agesa Hayat ve Emeklilik A.Ş." was registered with the Trade Registry on 08.07.2021.

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