

**(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S
REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH)**

AKSIGORTA A.Ş.

**FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020
TOGETHER WITH
THE INDEPENDENT AUDITOR'S REPORT**

**THE MANAGEMENT’S REPRESENTATION ON THE FINANCIAL STATEMENTS
PREPARED AS OF SEPTEMBER 30, 2020**

The accompanying financial statements, related disclosures and notes of September 30,2020 (“the financial report”) are prepared in accordance with the requirements set out by Republic of Turkey Ministry of Treasury and Finance and accordance with the accounting principles and standarts that inforced by insurance legislation and are in compliance with our Company’s accounting records.

Istanbul, October 26, 2020

Osman AKKOCA
Chief Financial Officers

Uğur GÜLEN
Chief Executive Officer

Halil KOLBAŞI
Actuary
Licence No: 72

Seza TANINMIŞ ÖZGÜR
Accounting Manager

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF SEPTEMBER 30, 2020 AND 2019

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

ASSETS			
I- CURRENT ASSETS	Note	Unaudited	Audited
		Current Period (30/09/2020)	Previous Period (31/12/2019)
A- Cash and Cash Equivalents	14	1.620.256.608	2.063.042.512
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	866.489.221	1.356.583.321
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	753.767.387	706.459.191
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	11.1	2.194.055.338	1.330.189.267
1- Financial Assets Available for Sale	11.1	1.928.737.779	702.749.632
2- Financial Assets Held to Maturity	11.1	167.235.877	34.881.722
3- Financial Assets Held for Trading	11.1	96.844.871	590.751.326
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders	11.1	1.862.598	1.806.587
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)	11.1	(625.787)	-
C- Receivables From Main Operations	12.1	785.308.915	760.619.614
1- Receivables From Insurance Operations	12.1	794.976.051	770.022.957
2- Provision for Receivables From Insurance Operations (-)	12.1	(31.318.013)	(18.093.784)
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)	12.1	-	-
5- Cash Deposited For Insurance & Reinsurance Companies	12.1	30.954	30.954
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations	12.1	169.528.020	142.028.430
10- Provisions for Doubtful Receivables From Main Operations (-)	12.1	(147.908.097)	(133.368.943)
D- Due from Related Parties		180.126	160.165
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		180.126	160.165
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables		19.656.939	17.597.262
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		972.324	802.322
4- Other Receivables	47	18.684.615	16.794.940
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals	4.2.2	289.135.471	294.531.083
1- Deferred Commission Expenses	17.20	281.371.008	291.440.909
2- Accrued Interest and Rent Income		-	9.950
3- Income Accruals	2.10	4.189.974	510.490
4- Other Prepaid Expenses	47	3.574.489	2.569.734
G- Other Current Assets	4.2.2	2.671.836	7.623.377
1- Inventories		22	22
2- Prepaid Taxes and Funds		2.629.293	7.610.410
3- Deferred Tax Assets		-	-
4- Business Advances		42.521	12.945
5- Advances Given to Personnel		-	-
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		4.911.265.233	4.473.763.280

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF SEPTEMBER 30, 2020 AND 2019

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

ASSETS			
II- NON CURRENT ASSET	Note	Unaudited Current Period (30/09/2020)	Audited Previous Period (31/12/2019)
A- Receivables From Main Operations		-	-
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited for Insurance & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
C- Other Receivables		-	-
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets		-	-
1- Investments In Associates		-	-
2- Affiliates		-	-
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)		-	-
E- Tangible Fixed Assets	6 and 7	46.051.218	49.455.053
1- Investment Properties	7	-	170.958
2- Diminution in Value for Investment Properties (-)		-	-
3- Owner Occupied Properties	6	1.598.569	1.598.569
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	6	29.624.843	27.612.750
6- Vehicles	6	2.720.001	2.720.001
7- Other Tangible Assets (Including Leasehold Improvements)	6	21.682.557	21.347.617
8- Leased Tangible Fixed Assets	6	40.645.080	34.372.885
9- Accumulated Depreciation (-)	6 and 7	(50.219.832)	(38.367.727)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
F- Intangible Fixed Assets	8	53.578.413	60.569.259
1- Rights	8	150.871.684	134.184.258
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortizations (-)	8	(103.218.931)	(77.104.087)
7- Advances Regarding Intangible Assets	8	5.925.660	3.489.088
G- Prepaid Expenses and Income Accruals		61.469	149.980
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses	47	61.469	149.980
H- Other Non-current Assets		33.377.323	23.935.685
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	35	33.377.323	23.935.685
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non current Assets		133.068.423	134.109.977
TOTAL ASSETS (I+II)		5.044.333.656	4.607.873.257

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF
SEPTEMBER 30, 2020 AND 2019**

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

LIABILITIES			
III- SHORT TERM LIABILITIES	Note	Unaudited	Audited
		Current Period	Previous Period
		(30/09/2020)	(31/12/2019)
A- Borrowings		13.375.409	64.584.250
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables	20	4.721.617	12.599.956
3- Deferred Finance Lease Borrowing Costs (-)	20	(4.028.955)	(8.793.389)
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)	14	12.682.747	60.777.683
B- Payables From Main Operations		657.280.968	554.050.816
1- Payables Due to Insurance Operations	19.1	657.280.968	554.050.816
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		523.833	287.654
1- Due to Shareholders		1.143	1.143
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		522.690	286.511
6- Due to Other Related Parties		-	-
D- Other Payables		114.803.448	147.073.119
1- Deposits and Guarantees Received	12.1	7.400.614	3.002.608
2- Due to SSI regarding Treatment Expenses	19.1	37.200.485	42.392.477
3- Other Payables	19.1	70.202.349	101.678.034
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		2.840.739.679	2.515.041.331
1- Unearned Premiums Reserve - Net	20	1.398.945.931	1.405.431.056
2- Unexpired Risk Reserves - Net	20	24.541.121	14.410.790
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	4.1 and 20	1.417.246.937	1.095.191.072
5- Provision for Bonus and Discounts - Net	20	5.690	8.413
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions		68.100.445	93.440.050
1- Taxes and Dues Payable		34.483.763	40.384.078
2- Social Security Premiums Payable	23.1	174.030	219.016
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		5.472	4.977
5- Corporate Tax Liability Provision on Period Profit	35	101.165.392	125.897.142
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	35	(67.728.212)	(73.065.163)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		89.066.397	59.947.386
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	19.1 and 23.4	89.066.397	59.947.386
H- Deferred Income and Expense Accruals		127.021.258	144.643.673
1- Deferred Commission Income	19.1	127.021.258	115.046.314
2- Expense Accruals	2.11 ve 19.1	-	29.597.359
3- Other Deferred Income		-	-
I- Other Short Term Liabilities		235	235
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		235	235
III - Total Short Term Liabilities		3.910.911.672	3.579.068.514

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF SEPTEMBER 30, 2020 AND 2019

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

LIABILITIES			
IV- LONG TERM LIABILITIES	Note	Unaudited	Audited
		Current Period (30/09/2020)	Previous Period (31/12/2019)
A- Borrowings		29.533.648	25.943.674
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables	20	39.863.638	36.383.769
3- Deferred Finance Lease Borrowing Costs (-)	20	(10.329.990)	(10.440.095)
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations		-	-
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		100.781.509	97.139.342
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net	17.2 and 20	1.419.633	1.446.871
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves – Net	20	99.361.876	95.692.471
F- Other Liabilities and Provisions		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks		8.406.885	7.052.711
1- Provision for Employment Termination Benefits	22	8.406.885	7.052.711
2- Provisions for Employee Pension Fund Deficits		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Long Term Liabilities		-	-
1- Deferred Tax Liability		-	-
2- Other Long Term Liabilities		-	-
IV- Total Long Term Liabilities		138.722.042	130.135.727

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

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF
SEPTEMBER 30, 2020 AND 2019**

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

SHAREHOLDERS' EQUITY			
	Note	Unaudited	Audited
		Current Period (30/09/2020)	Previous Period (31/12/2019)
V- SHAREHOLDERS' EQUITY			
A- Paid in Capital		306.000.000	306.000.000
1- (Nominal) Capital	15	306.000.000	306.000.000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		-	-
4- Negative Inflation Adjustment on Capital (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves		90.989.327	90.989.327
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital	15	90.989.327	90.989.327
4- Translation Reserves		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		166.861.398	48.970.786
1- Legal Reserves	15	82.866.210	45.882.288
2- Statutory Reserves		62	62
3- Extraordinary Reserves		128.432.530	1.018.015
4- Special Funds (Reserves)	15 and 22	(5.144.160)	(4.518.213)
5- Revaluation of Financial Assets	16.1	(39.293.244)	6.588.634
6- Other Profit Reserves		-	-
D- Previous Years' Profits		86.350.467	86.350.467
1- Previous Years' Profits		86.350.467	86.350.467
E- Previous Years' Losses (-)		-	-
1- Previous Years' Losses		-	-
F- Net Profit of the Period	37	344.498.750	366.358.436
1- Net Profit of the Period		344.498.750	366.358.436
2- Net Loss of the Period (-)		-	-
3- Net Income not Subject to Distribution		-	-
V- Total Shareholders' Equity		994.699.942	898.669.016
Total Liabilities and Shareholders' Equity (III+IV+V)		5.044.333.656	4.607.873.257

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME
FOR THE PERIODS JANUARY 1 – SEPTEMBER 30, 2020 AND 2019**

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

I-TECHNICAL PART	Note	Unaudited	Unaudited
		Current Period '01/01/2020- 30/09/2020	Previous Period 01/01/2019 - 30/09/2019
A- Non-Life Technical Income		2.357.886.756	1.992.027.141
1- Earned Premiums (Net of Reinsurer Share)		2.015.708.520	1.615.997.556
1.1- Written Premiums (Net of Reinsurer Share)	24	2.019.353.725	1.790.352.941
1.1.1- Gross Written Premiums (+)	24	3.535.653.598	3.117.582.477
1.1.2- Ceded Premiums to Reinsurers (-)	17.16 ve 24	(1.417.244.152)	(1.234.477.956)
1.1.3- Ceded Premiums to SSI (-)	17.16 ve 24	(99.055.721)	(92.751.580)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		6.485.125	(178.132.882)
1.2.1- Unearned Premiums Reserve (-)	20	(97.919.310)	(302.064.711)
1.2.2- Reinsurance Share of Unearned Premiums Reserve (+)	17.16 ve 20	108.906.312	110.917.730
1.2.3- SSI of Unearned Premiums Reserve (+)	17.16 ve 20	(4.501.877)	13.014.099
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		(10.130.330)	3.777.497
1.3.1- Unexpired Risks Reserve (-)	20	(113.023.687)	(13.032.245)
1.3.2- Reinsurance Share of Unexpired Risks Reserve (+)	17.16 ve 20	102.893.357	16.809.742
2-Investment Income Transferred from Non-Technical Part		309.043.692	356.368.586
3-Other Technical Income (Net of Reinsurer Share)		3.522.185	3.587.017
3.1- Gross Other Technical Income (+)		3.522.185	3.587.017
3.2- Reinsurance Share of Other Technical Income (-)		-	-
4- Accrued Subrogation and Salvage Income (+)		29.612.359	16.073.982
B- Non-Life Technical Expense (-)		(1.804.204.401)	(1.566.555.951)
1-Total Claims (Net of Reinsurer Share)		(1.278.036.016)	(1.121.450.346)
1.1- Claims Paid (Net of Reinsurer Share)		(955.988.484)	(909.082.917)
1.1.1- Gross Claims Paid (-)		(1.405.765.699)	(1.274.154.719)
1.1.2- Reinsurance Share of Claims Paid (+)	17.16	449.777.215	365.071.802
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(322.047.532)	(212.367.429)
1.2.1- Outstanding Claims Reserve (-)		(763.408.890)	(858.484.028)
1.2.2- Reinsurance Share of Outstanding Claims Reserve (+)	17.16	441.361.358	646.116.599
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	20	2.723	75.983
2.1- Bonus and Discount Reserve (-)	20	352.410	59.232.783
2.2- Reinsurance Share of Bonus and Discount Reserve (+)	17.16 ve 20	(349.687)	(59.156.800)
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	20	(3.669.404)	(8.934.790)
4- Operating Expenses (-)	32	(442.009.588)	(372.829.360)
5- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5.1- Mathematical Reserves (-)		-	-
5.2- Reinsurance Share of Mathematical Reserves (+)		-	-
6.- Other Technical Expenses (-)	47	(80.492.116)	(63.417.438)
6.1.- Gross Other Technical Expenses (-)	47	(80.492.116)	(63.417.438)
6.2.- Reinsurance Share of Other Technical Expenses (+)		-	-
C- Non Life Technical Net Profit (A-B)		553.682.355	425.471.190

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

AKSIGORTA A.Ş.
CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME
FOR THE PERIODS JANUARY 1, - SEPTEMBER 30, 2020 AND 2019
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	Note	Unaudited	Unaudited
		Current Period '01/01/2020- 30/09/2020	Previous Period 01/01/2019 - 30/09/2019
I-TECHNICAL PART			
D- Life Technical Income		96.984	98.209
1. Earned Premiums (Net of Reinsurer Share)		-	-
1.1 - Written Premiums (Net of Reinsurer Share)	24	-	-
1.1.1 - Gross Written Premiums (+)		-	-
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	-	-
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		-	-
1.2.1- Unearned Premium Reserves (-)		-	-
1.2.2- Unearned Premium Reserves Reinsurer Share (+)	17.16	-	-
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
1.3.1- Unexpired Risks Reserves (-)		-	-
1.3.2- Unexpired Risks Reserves Reinsurer Share (+)		-	-
2. Life Branch Investment Income		96.984	98.209
3. Unrealized Income from Investments		-	-
4-Other Technical Income (Net of Reinsurer Share) (+/-)		-	-
4.1- Gross Other Technical Income (+/-)		-	-
4.2- Reinsurance Share of Other Technical Income (+/-)		-	-
5- Accrued Subrogation and Salvage Income (+)		-	-
E- Life Technical Expense		(100.759)	(105.327)
1- Total Claims (Net of Reinsurer Share)		(127.998)	(131.081)
1.1- Claims Paid (Net of Reinsurer Share)		(119.665)	(123.723)
1.1.1- Gross Claims Paid (-)		(119.665)	(123.723)
1.1.2- Claims Paid Reinsurer Share (+)		-	-
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(8.333)	(7.358)
1.2.1 - Outstanding Claims Reserve (-)		(8.333)	(7.358)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17.16	-	-
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3-Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		27.239	25.754
3.1- Mathematical Reserves (-)		27.239	25.754
3.1.1- Actuarial Mathematical Reserve (-)		24.515	23.178
3.1.2- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		2.724	2.576
3.2- Reinsurer Share of Mathematical Reserves (+)		-	-
3.2.1- Reinsurance Share of Actuarial Mathematical Reserve (+)		-	-
3.2.2- Reinsurance Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
4- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	20	-	-
5- Operating Expenses (-)	32	-	-
6- Investment Expenses (-)		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non- Technical Part (-)		-	-
F- Life Technical Profit (D-E)		(3.775)	(7.118)
G- Individual Retirement Technical Income		-	-
1- Fund Management Fee		-	-
2- Management Fee Deduction		-	-
3- Initial Contribution Fee		-	-
4- Management Fee In Case Of Temporary Suspension		-	-
5- Withholding tax		-	-
6- Increase in Market Value of Capital Commitment Advances		-	-
7-Other Technical Income		-	-
H- Individual Retirement Technical Expense		-	-
1- Fund Management Expenses (-)		-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expense (-)		-	-
I- Individual Retirement Technical Profit (G-H)		-	-

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

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME
FOR THE PERIODS JANUARY 1 – SEPTEMBER 30, 2020 AND 2019**

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

II-NON TECHNICAL PART	Note	Unaudited	Unaudited
		Current Period '01/01/2020- 30/09/2020	Previous Period 01/01/2019 - 30/09/2019
C- Non Life Technical Profit (A-B)		553.682.355	425.471.190
F- Life Technical Profit (D-E)		(3.775)	(7.118)
I - Individual Retirement Technical Profit (G-H)		-	-
J- Total Technical Profit (C+F+I)		553.678.580	425.464.072
K- Investment Income		501.791.179	488.214.186
1- Income From Financial Investment	26	142.547.856	103.086.892
2- Income from Sales of Financial Investments	26	59.911.835	45.261.105
3- Revaluation of Financial Investments	26	22.553.073	49.534.811
4- Foreign Exchange Gains	36	210.231.181	142.828.427
5- Income from Affiliates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income Received from Land and Building	26	-	-
8- Income from Derivatives	13	66.547.234	147.502.951
9- Other Investments		-	-
10- Investment Income transferred from Life Technical Part		-	-
L- Investment Expenses (-)		(546.787.046)	(518.875.737)
1- Investment Management Expenses (including interest) (-)		(5.832.757)	(6.277.013)
2- Valuation Allowance of Investments (-)	26	(11.285.314)	(372.992)
3- Losses On Sales of Investments (-)	26	(13.993.340)	(8.522.680)
4- Investment Income Transferred to Life Technical Part (-)		(309.043.692)	(356.368.586)
5- Losses from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	36	(168.094.617)	(122.949.928)
7- Depreciation Expenses (-)	5, 6 ve 8	(38.537.326)	(24.384.538)
8- Other Investment Expenses (-)		-	-
M- Other Income and Expenses (+/-)	47	(63.018.570)	(55.319.518)
1- Provisions Account (+/-)	47	(55.627.016)	(16.489.832)
2- Discount account (+/-)	47	-	-
3- Mandatory Earthquake Insurance Account (+/-)	47	1.851.719	1.320.359
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Asset Accounts(+/-)	35 ve 47	(2.185.318)	(3.363.588)
6- Deferred Tax Expense Accounts (-)		-	-
7- Other Income and Revenues	47	1.061.746	1.256.058
8- Other Expense and Losses (-)	47	(8.119.701)	(38.042.515)
9- Prior Period Income	47	-	-
10- Prior Period Losses (-)		-	-
N- Net Profit/(Loss)	37	344.498.750	259.001.578
1- Profit/(Loss) Before Tax		445.664.143	339.483.003
2- Corporate Tax Liability Provision (-)	35	(101.165.393)	(80.481.425)
3- Net Profit/(Loss)		344.498.750	259.001.578
4- Inflation Adjustment Account		-	-

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS JANUARY 1 – SEPTEMBER 30, 2020 AND 2019**

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

Statement of Changes in Shareholders' Equity - January 1 - September,30 2020 (*)

CURRENT PERIOD	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I - Closing Balance of Prior Period (31/12/2019)	306.000.000	-	6.588.634	-	-	45.882.288	62	87.489.129	366.358.436	86.350.467	898.669.016
A- Capital increase (A1+A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	306.000.000	-	6.588.634	-	-	45.882.288	62	87.489.129	366.358.436	86.350.467	898.669.016
2- Internal sources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Income/(expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets (Note 16.1)	-	-	-	-	-	-	-	-	-	-	-
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income/(expenses)	-	-	(45.881.878)	-	-	-	-	-	-	-	(45.881.878)
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	(625.947)	-	-	(625.947)
I- Dividend distributed	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	-	-	-	344.498.750	-	344.498.750
II- Closing Balance (31/12/2019)											
(I+ A+B+C+D+E+F+G+H+I+J)	-	-	-	-	-	-	-	-	(201.960.000)	-	(201.960.000)

(*) Details of equity accounts are explained in Note 15.

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS JANUARY 1 - SEPTEMBER 30, 2020 AND 2019**

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

Statement of Changes in Shareholders' Equity - January 1 - September 30, 2019 (*)

CURRENT PERIOD	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I - Closing Balance of Prior Period (31/12/2018)	306.000.000	-	(10.638.677)	-	-	15.835.334	62	92.793.197	227.619.080	86.350.467	717.959.463
A- Capital increase (A1+A2)	-	-	-	-	-	-	-	-	-	-	-
Cash	306.000.000	-	(10.638.677)	-	-	15.835.334	62	92.793.197	227.619.080	86.350.467	717.959.463
Internal sources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Income/(expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets (Note 16.1)	-	-	-	-	-	-	-	-	-	-	-
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income/(expenses)	-	-	14.819.100	-	-	-	-	-	-	-	14.819.100
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	(1.038.810)	-	-	(1.038.810)
I- Dividend distributed	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	-	-	-	259.001.578	-	259.001.578
II- Closing Balance (31/12/2018)											
(I+ A+B+C+D+E+F+G+H+I+J)	-	-	-	-	-	-	-	-	(197.572.126)	(4.387.874)	(201.960.000)

(*) Details of equity accounts are explained in Note 15.

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF CASH FLOWS
FOR THE PERIODS JANUARY 1 - SEPTEMBER 30, 2020 AND 2019**

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

CASH FLOW STATEMENT			
	Note	Reviewed	Reviewed
		30/09/2020	30/09/2019
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		4.272.615.455	3.713.811.414
2. Cash inflows from the reinsurance operations			-
3. Cash inflows from the pension operations			-
4. Cash outflows due to the insurance operations (-)		(3.514.162.523)	(3.347.854.480)
5. Cash outflows due to the reinsurance operations (-)			-
6. Cash outflows due to the pension operations (-)			-
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		758.452.932	365.956.934
8. Interest payments (-)		-	-
9. Income tax payments (-)		(120.560.192)	(69.097.504)
10. Other cash inflows		6.784.350	-
11. Other cash outflows (-)		(225.370.949)	(165.376.000)
12. Net cash generated from the operating activities		419.306.141	131.483.430
B. CASH FLOWS FROM THE INVESTING ACTIVITIES			
1. Sale of tangible assets		(578.448)	-
2. Purchase of tangible assets (-)	6,7,8	(21.897.831)	(19.057.735)
3. Acquisition of financial assets (-)		(2.867.953.095)	(470.345.723)
4. Sale of financial assets		2.067.099.262	485.090.172
5. Interest received		187.122.623	229.276.307
6. Dividends received			-
7. Other cash inflows			1.927.057
8. Other cash outflows (-)		(48.094.936)	-
9. Net cash generated from the investing activities		(684.302.425)	226.890.078
C. CASH FLOWS FROM THE FINANCING ACTIVITIES			
1. Issue of equity shares			-
2. Cash inflows from the loans to policyholders			-
3. Payments of financial leases (-)		(11.628.883)	(6.575.084)
4. Dividend paid (-)	38	(201.960.000)	(201.960.000)
5. Other cash inflows			-
6. Other cash outflows (-)			(6.277.013)
7. Cash generated from the financing activities		(213.588.883)	(214.812.097)
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		1.283.337	16.602.905
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		(477.301.830)	160.164.316
F. Cash and cash equivalents at the beginning of the period	14	1.831.766.957	1.763.461.138
G. Cash and cash equivalents at the end of the period (E+F)	14	1.354.465.127	1.923.625.454

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 – SEPTEMBER 30, 2020

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

1. General Information

1.1 Name of the Parent Company and the ultimate owner

Aksigorta Anonim Şirketi (“the Company”) is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of September 30, 2020. 38.02% (December 31, 2019: 38.02%) of the Company is issued in Borsa İstanbul (“BİST”) (Note 2.14).

Agreement about the sale of 50% of 189,658,802 units of Aksigorta A.Ş. shares with TL 189,658,802 nominal value that belongs to H.Ö. Sabancı Holding (“Holding”) portfolio was signed with Ageas Insurance International N.V. at February 18, 2011. At the date of July 29, 2011, 9,482,940,100 units of Aksigorta A.Ş. shares that correspond to 50% of the Holding’s portfolio have been transferred to Ageas Insurance International N.V. with the sale price (excluding the corrections) of USD 220,029,000.

1.2 The Company’s address and legal structure and address of its registered country and registered office (or, if the Company’s address is different from its registered office, the original location where the Company’s actual operations are performed)

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

1.3 Main operations of the Company

The Company’s main operations include insurance activities based on non-life insurance branches, including primarily motor vehicle, motor third party liability, fire, marine, accident, personal accident, engineering, agriculture and health. The headquarters of the Company is in İstanbul. The Company has 10 district offices of which three of them are in İstanbul (İstanbul Anatolian Region, İstanbul European Region and İstanbul Thracian Region), and one in each White Sea and South Aegean Region, Ankara Region, Çukurova and Central Anatolia Region, Eastern Anatolia and Eastern Black Sea Region, Southeast Region, İzmir and North Aegean Region, Marmara and West Black sea Region. As of September 30, 2020, the Company has 3.061 authorized agencies (December 31, 2019: 2.878).

1.4 Details of the Company’s operations and nature of field of activities

Explained in Note 1.2 and Note 1.3.

1.5 Average number of the Company’s personnel based on their categories

	1 January - 30 September 2020	1 January - 31 December 2019
Top executive	9	9
Manager assistant manager	99	121
Specialist/Executives	560	534
Total	667	664

1.6 Remuneration and fringe benefits provided to top management

For the year ended September 30, 2020, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers amounted to TL 6,735,420 (September 30, 2019: TL 5,563,973).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2020**

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

1. General Information (Continued)

1.7 Distribution keys used in the distribution of investment income and operating expenses in the financial statements (personnel expenses, administration expenses, research and development expenses, marketing and selling expenses and other operating expenses)

Within the framework of the Republic of Turkey of the Treasury and Finance Ministry ("Treasury and Finance Ministry") "Circular relating to Procedures and Principles for Keys used in Financial Statements prepared in the scope of Uniform Chart of Accounts for Insurance No. 2008/1 is dated January 4, 2008" is changed to "Circular relating to Procedures and Principles for Keys used in Financial Statements prepared in the scope of Uniform Chart of Accounts for Insurance in relation amending No. 2010/9 is dated August 9, 2010

Other investment revenues were classified under the non-technical division. While distributing to sub-branches the operating expenses transferred to technical division, the last three-year weighted average of number of policies generated in the current period, the premium amount written as gross and number of claims were taken into account.

1.8 Stand-alone or consolidated financial statements

The accompanying financial statements comprise the stand-alone financial statements for Aksigorta A.Ş. as of September 30, 2020.

1.9 Name and other information of the reporting company and subsequent changes to the prior balance sheet date

There has been no change in The Company's name and other company information presented in Note 1.1, Note 1.2 and Note 1.3 as of the prior balance sheet date.

1.10 Subsequent Events

The financial statements as of September 30, 2020 have been approved by the Company's Board of Directors on October 26, 2020. The financial statements, according to Decree on "Financial Reporting of Insurance and Reinsurance Companies and Pensions Funds", were signed by the Chief Executive Officer Uğur Gülen, Chief Financial Officer Osman Akkoca, Accounting Manager Seza Tanınmış Özgür and Actuary Halil Kolbaşı on behalf of the Board of Directors. Detailed information about this subsequent events is disclosed in Note 46.

2. Summary of the Accounting Policies

2.1 Basis of Preparation

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used

Accounting Standards

In accordance with Article 50(a) of Section VII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Company's financial statements are prepared in accordance with the prevailing accounting principles and standards for Insurance and Reinsurance Companies and Pension Funds set out by the by Treasury and Finance Ministry and applicable regulations required by the Insurance Law No: 5684 published in the Official Gazette No: 26522 on June 14, 2007.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2020**

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the communiqué issued by the Treasury regarding the Insurance Chart of Accounts and Prospects, published in the Official Gazette (No:25686) dated December 30, 2004 (Insurance Accounting System Communiqué No:1) and announcement of new account codes in the Insurance Account Plan dated December 27, 2011 and numbered 2011/14. Content and the format of the financial statements prepared and explanations and notes thereof are determined in accordance with the Communiqué on Presentation of Financial Statements published in the Official Gazette numbered 26851 dated June 18, 2008 and the Communiqué on the New Accounting Codes and Presentation of Financial Statements published in the Official Gazette dated May 31, 2012 and numbered 2012/7.

Financial statements has been prepared in TL, based on cost basis, subject to inflation adjustment until December 31, 2004 except for financial assets designated at fair value.

As of January 1, 2008, the Company accounts for its operations in accordance with the “Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies” issued on July 14, 2007 and effective from January 1, 2008 within the framework of this regulation a, Turkish Accounting Standards (“TAS”) and Turkish Financial Reporting Standards (“TFRS”) issued by Turkish Accounting Standards Board (“TASB”) and other regulations, communiqués and explanations issued by Treasury on accounting and financial reporting.

With reference to the notice of Treasury No. 9 dated February 18, 2008, “TAS 1- Financial Statements and Presentation”, “TAS 27- Consolidated and Non-consolidated Financial Statements”, “TFRS 1 - Transition to TFRS” and “TFRS 4- Insurance Contracts” were not included in the scope of this application for the year 2008. In addition, as of March 31, 2009, the companies are obliged to apply the Communiqué on the Preparation of the Consolidated Financial Statement of Insurance and Reinsurance Companies and Pension Companies” (“Consolidation Communiqué”) dated December 31, 2009 and published in the Official Gazette numbered 27097. The Company does not have any subsidiaries to be consoled in this direction.

The Company accounts and recognizes its insurance technical provisions in its not consolidated financial statements as of September 30, 2020 in accordance with the “Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested,” (“Regulation on Technical Reserves”) dated July 28, 2010 and published in official gazette numbered 27655 and published in Official Gazzette dated July 17, 2012 numbered 28356 effective and the regulations issued for insurance and reinsurance companies by the Treasury and Finance Ministry.

Entities established in order to execute at least one of the fields of activity projected in the Banking Law dated October 19, 2005 and numbered 5411, set an example to the financial statements to be prepared by companies obliged to apply TAS; except for development and investment banks and financial holding companies as well as financial institutions established to engage in insurance, individual retirement and capital market within the frame of the Capital Market Law dated December 6, 2012 and numbered 6362, Insurance Law dated June 3, 2007 and numbered 5684, Individual Saving and Investment System Law dated March 28, 2001 and numbered 4632 and regulations pertaining to their own clauses.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2020**

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

Financial Statements are prepared accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Accounting Standards decree for the matters not regulated by insurance legislation; “Insurance Accounting and Financial Reporting Legislation”.

Comparative information on the presentation of the financial statements in the current period is classified as necessary.

a. Preparation of Financial Statements in Hyperinflationary Periods

In accordance with the Treasury and Finance Ministry’s statement no: 19387 issued on April 4, 2005, the Company’s financial statements as of December 31, 2004 are adjusted and its 2005 openings are prepared based on the requirements set out in “the preparation of financial statements in hyperinflationary periods” specified in the Capital Market Board’s (CMB) Decree Volume: XI, No: 25 “Accounting Standards in Capital Markets” which was published in the Official Gazette No: 25290 on November 15, 2003. In addition, the preparation of financial statements in hyperinflationary periods has not been applied in accordance with the statement of the Treasury and Finance Ministry. Therefore, as of December 31, 2018, non-monetary balance sheet assets and liabilities and equity items, including capital share, are calculated by indexing of inputs as of December 31, 2004 (for inputs prior to December 31, 2004) and carrying inputs subsequent to December 31, 2004 at nominal value.

b. Comparative Information and Restatement of Prior Period Financial Statements

The Company’s balance sheet as of September 30, 2020 is presented in comparison with its balance sheet as of December 31, 2019; income statement, statement of changes in equity and cash flow statement for the period between January 1 - September 30, 2020 are presented in comparison with its income statement, statement of changes in equity and cash flow statement for the period between January 1 - September 30, 2019.

c. Technical Reserves

Unearned Premium Reserve

An unearned premium reserve is calculated on a daily basis for all policies in force as of the balance sheet date for unearned portions of premiums written. For marine policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12:00 noon and finish at 12:00 noon again. Commissions paid for written premium and commissions received from ceded premium that hit future months and future income statements are accounted in prepaid expenses and prepaid expenses for future years respectively in balance sheet, net in operating expenses. According to the Technical Reserves Regulation, foreign exchange selling rates declared in the Official Gazette of the CBRT on the date of accrual of the relevant premium are taken into account in the account of the unearned premiums related to the insurance contracts, which are indexed to beverages, if no foreign exchange rate is specified in the insurance contract (Note 20).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2020**

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

Within the framework of the Circular numbered 2007/25 and dated December 28, 2007 published by Treasury, the unearned portion of commissions paid to agencies for the written premiums and commissions received from reinsurers for the ceded premium, are recorded as in deferred expenses and deferred income, respectively on the balance sheet, and as operating expenses on a net basis in the income statement.

Unexpired Risks Reserve

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that, future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected loss ratios. Expected loss ratio is calculated by dividing the current year incurred losses to current year earned premiums. If the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share.

In accordance with the Treasury and Finance Ministry's announcement no: 2012/13, article of 7 in order to eliminate the misleading effect of changes in the claims provision calculation, the Company has recalculated the prior period claims provision with new method to calculate unexpired risk reserve.

Within the framework of "the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2016/22 and dated June 10, 2016 and within the framework of "the amendment to the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2017/7 and dated September 15, 2017 published by Treasury, The Company has revised retrospectively the calculation of outstanding claims provision and ongoing risk provision that it has applied after discounting.

In the Circular on Provision for Unexpired Risk Reserve 2019/5, it is stated that the amount of Unexpired Risks Reserve can be calculated on the basis of the accounting year or the year of accident as explained in the first paragraph. If the calculation is based on the accident year, separate calculations will be made for the works transferred to the pool. As a result of the related circular, the Company makes Unexpired Risks Reserve accounts on the basis of accounting year.

As of September 30,2020, the Company provided a net reserve of TL 24.541.121 TL. 24.539.808 TL in general liability branch, TL 378 in air craft branch and TL 935 in aircraft liability branch. (December 31, 2019: TL 14.410.790) (Note 20).

Bonuses and rebates reserve

The bonus and rebates provisions are the amount that has to be made provision if the Company commits to pay bonus to insured's' policies in force regardless of renewal of the related policies. According to Insurance Law Article No.16, if the Company decides to bonus or discount operations, the amount must be allocated for insured person or beneficiaries regarding to technical results of the current year.

The Company has calculated and accounted for gross bonuses and rebates reserve amounting to TL 548,020 and TL 5,690 net at September 30, 2020 (as of December 31, 2019 company has calculated and accounted gross bonus and rebates reserve amounting to TL 900.431 and TL 8.413 net) (Note 20).

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2020

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

Claims provision

The Company accounts for outstanding claims and indemnities for the claims and indemnity costs which have accrued and determined on account, but not actually paid in the previous fiscal periods or in the current fiscal period or if this amount could not be calculated, for the claims and indemnity costs which have emerged in expected amounts, but not reported.

In accordance with Technical Reserve Regulation and "Circular on Regarding to Statements Related to Accounting of Claim Files in a Lawsuit, Actuarial Chain Ladder Method and Recovery and Salvage Income" dated January 14, 2011 numbered 2011/1, outstanding claim reserves are made according to calculated average amounts in accordance with the methods determined by Treasury as of July 1, 2012 for cases with uncertain amounts. Furthermore, outstanding claim reserves are updated according to experts' reports received from courts and stated amounts according to lawsuit judgements.

The Company recognizes outstanding claims reserve for the claims which are accrued but not paid yet in the current period or previous periods and for claims incurred but not reported.

In accordance with the "Regulation Regarding the Amendment of the Regulation Regarding Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested" published in the Official Gazette dated July 28, 2010 and numbered 27655 and the Circular on Claims Provision dated December 5, 2014 and numbered 2014/16, the Company's Incurred But Not Reported (IBNR) claims provisions were calculated using the actuarial chain ladder methods ("ACLM").

The Regulation on the amendment of the related Regulation, published in the Official Gazette dated July 5, 2012 and numbered 28356 has enforced the provision "Incurred but not reported claims are calculated using the actuarial chain ladder method, the content and implementation basis are determined by the Treasury and Finance Ministry or other calculation methods to be determined by the Treasury and Finance Ministry

In accordance with the circular issued by Turkish Treasury dated December 5, 2014 and numbered 2014/16, as of January 1, 2015 selection of data to be used in the calculation in branch-basis, adjusting process, selection of most appropriate method to interfere with the development factors are performed by the Company's actuary. IBNR calculation in non-life insurance in accordance with the same circular, chain ladder methods are Standard Chain, Claim/Premium, Cape Cod, Frequency/Severity, Munich Chain or Bornhuett-Ferguson. The method's using by the actuary are as follows:

Branch	Applied Method	30 September 2020		31 December 2019	
		Gross Additional Reserve	Net Additional Reserve	Gross Additional Reserve	Net Additional Reserve
Motor Crafts Liability	Frequency/Severity/Standard	864.298.601	864.298.601	658.290.473	658.290.473
General Liability	Standard Chain/Loss Ratio	317.478.151	54.674.160	119.748.672	32.107.540
General Losses	Bornhuetter-Ferguson	7.278.879	294.051	10.814.816	281.819
Fire and Natural Disaster	Bornhuetter-Ferguson	35.386.918	3.318.779	17.298.485	(800.489)
Transportation	Bornhuetter-Ferguson	(1.321.516)	(765.504)	(2.229.694)	(707.912)
Motor Own Damage	Bornhuetter-Ferguson	2.323.633	1.351.901	1.908.026	867.099
Health	Standard Chain	847.924	14.233	776.358	775
Credit	Standard Chain	43.305	2.165	148.614	7.430
Air Crafts Liability	Standard Chain	644.056	(51)	662.131	546
Financial Losses	Standard Chain	3.820.879	(262.975)	3.514.079	(197.884)
Water Crafts	Standard Chain	570.804	226.650	567.812	152.879
Suretyship	Standard Chain	799.735	414.566	307.177	177.484
Air Crafts	Standard Chain	378.977	171	51.264	2
Legal Protection	Standard Chain	98.453	98.453	108.650	108.650
Motor Crafts	Standard Chain	1.417.060	1.417.060	(7.048.377)	(7.048.377)
Total		1.234.065.859	925.082.260	804.918.487	683.240.035

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2020**

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

Claims provision (Continued)

With the resolution of Ministry of Treasury and Finance dated July 5, 2017 and numbered 18145, "Risky Insurance Pool" is founded as of April 12, 2017. Within this framework; On Motor Third Party Liability branch, premium and claim amounts that are transferred to Pool will be deducted from data used for IBNR calculation. For the damages that the company will take over from the pool; The loss premium rate of 135% for 2017, 139% for 2018 and 135% for 2019 and 91% for 2020 was taken into consideration, IBNR was calculated with the earned premium estimate and the provision amounting to TL 185,390,460 was reflected in the financial statements. Related loss ratio, is the expected loss ratio for the pool said pool by Turkey manages Bureau of Motor Vehicles is described in the report published on September 30, 2020. Since the loss premium rates in the IBNR calculation of the company correspond to 76 bases, the expected loss premium rate used in the calculation is specified by considering the same base in the report.

A similar pool practice is founded for Medical Malpractice with the sectoral announcement dated September 6, 2017 and numbered 2017/4. When company calculates IBNR for TKU breakdowns with its own modelling, even though IBNR is negative, IBNR have not been recognized for conservative purposes.

As of September 30, 2020, Outstanding Claim Provision discount is calculated as TL 329,531,514 for General Liability and Motor Liability branches within the framework of "the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2016/22 and dated June 10, 2016 and within the framework of "the amendment to the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" published by Treasury (December 31, 2019: TL 252,705,358).The discount calculation was made considering the development of the claims paid. In this calculation, the distribution of the payments of material and bodily damages for the Motor Vehicle Branch has been evaluated separately. As of September 30, 2020 TL 329,531,514 the net outstanding claims provisions of the Company are presented below before and after the discount. The Company has not applied discounts in outstanding compensation provisions in the branches other than the Motor Liability and General Liability branches, where discounting is mandatory.

September 30, 2020

Branch	Net Outstanding Claim Provision Before Discount	Discount Amount	Net Discounted Outstanding Claim Provision
Motor Third Party Liability	1.247.570.999	266.759.724	980.811.275
General Liability	236.974.701	62.771.790	174.202.912
Total	1.484.545.701	329.531.514	1.155.014.187

December 31, 2019

Branch	Net Outstanding Claim Provision Before Discount	Discount Amount	Net Discounted Outstanding Claim Provision
Motor Third Party Liability	995.107.625	206.012.886	789.094.739
General Liability	178.049.961	46.692.472	131.357.489
Total	1.173.157.586	252.705.358	920.452.228

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2020

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

Claims provision (Continued)

While determining the amount of IBNR, the company actuary has determined the threshold values for major damages with plot analysis starting from 2015, whereas it was calculated by Box-Plot method, which is permitted only by the Treasury and Finance Ministry in the Compulsory Traffic branch before 2014/16 Circle, in order to work with a more homogenous dataset. Files exceeding the threshold value determined by this method are considered as major damage. Since the damage progress of these files is separate from the other files, IBNR amounts have been determined and added to the provisions by a separate calculation for these files. Threshold values determined by September 30, 2020 are total number of files subject to calculation, number of files determined as dmajor damage and their shares in total files are as follows;

BRANCH	September 30 2020				December 31 2019			
	Threshold	# of Major Claim Files	Total Number of Claim Files	% of Elimination	Threshold	# of Major Claim Files	Total Number of Claim Files	% of Elimination
General Liability		161	35.936	0,4%	200.000	553	29.747	1,9%
Employer Third Party Liability	650.000	34	11.458	0,3%				
General Third Party Liability	600.000	93	17.157	0,5%				
Other	400.000	34	7.321	0,5%				
General Losses	999.999	85	181.046	0,0%	999.999	74	171.777	0,0%
Transportation	499.999	108	61.551	0,2%	499.999	87	59.792	0,1%
Fire and Natural Disaster	999.999	226	278.511	0,1%	999.999	193	260.399	0,1%
Accident	299.999	35	7.507	0,5%	299.999	33	6.977	0,5%
Suretyship	149.999	114	9.566	1,2%	149.999	87	9.112	1,0%
Financial Losses	50.000	53	36.781	0,1%	50.000	48	35.299	0,1%

In the branches where major damages are determined, gross and net additional provision amounts that are separately made for these files and added to Outstanding Claim Provisions are shown in the following table.

Branch	Gross Additional Amount	Net IBNR
General Liability	39.229.971	3.975.782
General Losses	6.407.998	74.712
Accident	377.476	26.801
Fire and Natural Disaster	30.340.379	1.971.596
Facultative Public Liability	3.332.632	3.332.632
Financial Losses	4.201.551	114.958
Transportation	1.009.258	141.268

The circular numbered 2015/7 published by the Treasury and Finance Ministry has made it possible to recognize gradually the increases to occur in the IBNR amount to be calculated as of January 1, 2015 in accordance with the circular numbered 2014/6 when compared to the IBNR amount calculated as of prior year as of quarterly periods from 2015 to 2017. In compliance with the circular published at 2nd quarter of 2017, the company has not used the gradual travision rate in the Compulsory Traffic and General Liability branches (December 31, 2019: gradual travision is not used).In accordance with the statement of Ministry of Treasury and Finance about Incurred But Not Reported (IBNR) (2011/23); Companies have to calculate a win rate on the amounts of the cases against them on sub branches in the last 5 years starting from the concluding dates of cases.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2020**

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

Claims provision (Continued)

By doing this that can make a discount for their cases in litigation process in condition of not exceeding 25% of accrued outstanding cases(15% for branches that recently began and not applicable for accessing 5 years old data).According to company’s actuary’s opinion, Company did not calculate a discount on the case win rate from company outstanding claim reserves because of actuarial chain stairway methods mentioned above reflects the case win discount to calculations.

In accordance with the circular, IBNR was calculated by the company actuary in gross amount based on the Accident Periods using the above-mentioned methods. For these gross IBNR amounts, reinsurer shares were calculated taking into consideration the reinsurance rates and the effective reinsurance agreement types in the related accident periods in related branches.

Equalization Reserve

In accordance with the Regulation on Technical Reserves, insurance companies are required to record an equalization reserve for the insurance contracts including earthquake and credit coverage, in order to cover the catastrophic risks and in order to equalize the fluctuations within the claim ratios that may occur during the following accounting periods. Such reserve is calculated over 12% of net earthquake and credit premiums corresponding to each year. In the calculation of the net premium, the amounts paid for the non-proportional reinsurance agreements are regarded as ceded premiums.

In condition of not being of balancing provision of current year, paid claims for earthquake and provision of outstanding claim which is supported by documents such as appraisal report or taken from official organizations in term of disaster can be discounted from balancing reserve. The company used 7,192,609 TL from the Elazığ Earthquake claim that occurred in 2020, from the compensation allocated in the previous years.The Company has calculated TL 99.361.876 (December 31, 2019: TL 95,692,471) of equalization reserve as of September 30, 2020, and presented in the long term liabilities in the accompanying financial statements under “Other Technical Reserves” (Note 20).

Life mathematical reserves

Life mathematical reserves comprise actuarial mathematical reserves and life profit share reserves and represent the Company’s total liability to the policyholders in the life branch.

Mathematical Reserves has been calculated with the tariffs approved by the Treasury in the current period of the policies and applicable methods and assumptions specified in the profit share technical principles (Note 20).

d. Subrogation and salvage income

Within the framework of the Treasury and Finance Ministry’s Office of Republic of Turkey. Circular relating to Subrogation and salvage income No. 2015/6, dated February 10, 2015; as of September 30, 2020, the Company recognizes receivables from salvage and subrogation on an accrual basis up to coverage limit of debtor insurance company, on conditions that following the payment of claim, the Company receives the acquaintance or document agreed on payment from individuals and notification is made to individuals or insurance company. However, a doubtful receivables provision for these receivables is accounted under “Provisions for Doubtful Receivables From Main Operations” in case where related amounts are not collected from insurance companies after six months and from individuals after four months following the payment of claim

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2020

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

d. Subrogation and salvage income (Continued)

Accordingly, accrued receivables from salvage and subrogation and doubtful receivables provision for salvage and subrogation as of September 30, 2020 are TL 33.197.619 (December 31, 2019: TL 31,126,674) and TL 21.430.817 (December 31, 2019: TL 7.983.926) respectively (Note 12.1).

The amounts of the net salvage and subrogation income which are collected and the accrued income amounts from salvage and subrogation receivables for the claims paid by the Company are as follows:

	30 September 2020					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Motor Own Damage	143.708.945	(1.908)	143.707.037	26.017.702	-	26.017.702
Motor Crafts Liability	8.200.060	(352.311)	7.847.749	4.114.627	(150.172)	3.964.455
Fire and Natural Disaster	5.748.055	(3.593.440)	2.154.615	3.459.840	(1.090.071)	2.369.769
Transportation	1.236.820	(734.961)	501.859	1.049.426	(676.306)	373.120
General Liability	36.863	(26.966)	9.897	-	-	-
General Losses	222.375	(197.128)	25.247	186.790	(161.639)	25.151
Water Crafts	32.590	(8.147)	24.443	98.078	-	98.078
Suretyship	6.013	(3.163)	2.850	698.168	(348.824)	349.344
Accident	24.454	-	24.454	-	-	-
Financial Losses	3.255	(1.628)	1.627	-	-	-
Total	159.219.430	(4.919.652)	154.299.778	35.624.631	(2.427.012)	33.197.619

	31 December 2019					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Motor Own Damage	214.908.496	(820)	214.907.676	23.429.417	-	23.429.417
Motor Crafts Liability	9.232.283	(373.776)	8.858.507	7.170.979	(286.586)	6.884.393
Fire and Natural Disaster	6.420.064	(4.424.592)	1.995.472	1.242.057	(510.410)	731.647
Transportation	5.672.117	(3.002.323)	2.669.794	48.076	(35.249)	12.827
General Liability	73.730	(43.603)	30.127	21.022	(790)	20.232
General Losses	163.244	(112.271)	50.973	114.875	(93.533)	21.342
Water Crafts	34.502	(24.152)	10.350	33.584	(8.396)	25.188
Suretyship	11.527	(6.124)	5.403	-	-	-
Accident	-	-	-	-	-	-
Legal Protection	3.769	-	3.769	-	-	-
Financial Losses	-	-	-	3.256	(1.628)	1.628
Total	236.519.732	(7.987.661)	228.532.071	32.063.266	(936.592)	31.126.674

e. Premium Income and Claims

Premium income represents premiums on policies written during the year. Unearned premium reserves are determined from premiums written during the year on a daily basis.

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

f. Receivables from Insurance Operations

In accordance with the Turkish Tax Code article No: 323, the Company provided provision for doubtful receivables by taking the nature and the value of the receivable into account. As of September 30, 2020, the Company has provided provision for the doubtful receivables under legal and management follow up in the account of “Provision for doubtful receivables from insurance operations” amounting to TL 24.260.983 (December 31, 2019: TL 23,816,352) provision for the overdue receivables which are not under legal follow up in the account of “Provision for doubtful receivables from main operations” amounting to TL 31.318.013 (December 31, 2019: TL 18,093,784). Furthermore, provision is accounted for the retention of claim recovery transactions under legal follow up amounting to TL 123.647.114 (December 31, 2019: TL 109,552,591) and it has been accounted in “Provision for doubtful receivables from main operations” account (Note 12).

g. Earnings per Share

Earnings per share presented in the statement of income is calculated by dividing the net profit into the weighted average number of the outstanding shares throughout the financial year.

Companies in Turkey can increase their capital by distributing “bonus shares” to shareholders from the prior periods’ profit. Such “bonus share” distributions are considered as issued shares in the earnings per share calculations. Accordingly, weighted average number of equity shares used in the calculations is calculated by considering the retrospective effects of share distributions.

h. Subsequent Events

Subsequent events cover the events between the balance sheet date and the issuance of the financial statements, even if they are occurred subsequent to the disclosures made on profit or other selected financial information.

The Company adjusts its financial statements in the occurrence of any subsequent events (Note 46).

i. Provisions, Contingent Liabilities and Assets

If there is an existing obligation arising from past events, it is probable that the obligation will be fulfilled and the amount in question is reliably predictable, a provision is made in the financial statements. The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. If provision is measured using the cash flows estimated to settle the present obligation, its carrying amount will be equal to the present value of such cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 23.2).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2020**

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

j. Accounting Policies, Changes and Misstatements on Accounting Estimates

Significant changes in accounting policies and significant accounting errors are applied retrospectively and prior period financial statements are restated. If the changes in accounting estimates are related to only one period, they are applied in the current period in which the change is made, and if they are related to the future periods, they are applied prospectively both in the period of change and in the future period.

Covid - 19 Company Impact

Based on the announcement published by the Ministry of Treasury and Finance General Directorate of Insurance on April 29, 2020, the sixth paragraph of Article 4 titled "Principles of determination of insurance premiums" of the Regulation on the Principles of Tariff Implementation in Highways Motor Vehicles Compulsory Liability Insurance, "The Undersecretariat, for insured people with high risk It may introduce special rules for premium and claim sharing among insurance companies. The premium of these insured is determined by the Undersecretariat. " Based on the provision; To be applied to policies within the Risky Insurance Pool; It has been decided to extend the validity period of policies with a policy expiry date between 30 April 2020 and 31 May 2020 for 1 month without additional premium.

k. Corporate Taxation and Deferred Tax

Income tax expense represents the sum of the current tax payable and deferred tax expense.

Corporate Tax

Corporation tax is payable at a rate of 22% on the total income of the Company and its Subsidiaries registered in Turkey in 2020 (2019: 22%) after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution thus does not incur withholding tax and no stoppage is applied.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income. Advance Tax is declared by 14th of the second month following and payable by the 17th of the second month following each calendar quarter end. Advance Tax paid by corporations is credited against the annual Corporation Tax liability.

The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

The affiliate shares stocked for minimum 2 years and the 50% of the profit obtained from the property sales are considered as tax exemptions in such condition that the amount is added onto capital as restated in Corporate Tax Law or the amount is kept in equity for 5 years.

According to Turkish tax legislation, financial losses on the returns can be offset against period income for up to 5 years. However, financial losses cannot be offset against previous years' profits. There is no such application for the reconciliation of payable taxes with the tax authority. Corporate tax returns are submitted to the related tax office by the 25th day of the 4th month following the month when the accounting period ends. In tax reviews authorized bodies can review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

k. Corporate Taxation and Deferred Tax (Continued)

Corporate Tax (Continued)

In accordance with Tax Law No.5024 “Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law” published in the Official Gazette on December 30, 2003 to amend the tax base for non-monetary assets and liabilities, effective from January 1,2004 income and corporate taxpayers are required to prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (Wholesale Price Index increase rate). Since these conditions in question were not fulfilled in 2019 and 2018, no inflation adjustments were performed (Note 35).

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are determined using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The asset and liabilities are not recognized if the temporary difference related to the transaction that does not affect the commercial or financial profit / loss is due to the first time the goodwill or other assets and liabilities are included in the financial statements (other than business combinations).

Except the conditions that the Company can control its temporary differences removal and when the possibility of that removal is very low, deferred tax liabilities are accounted for all of the taxable temporary differences that are related with the rates in partnerships and investments in subsidiaries and participations. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, “Law on the Amendment of Some Tax Acts and Some Other Laws”, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of December 31, 2019 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

As of September 30, 2020, the Company has booked the deferred tax assets in amounting to TL 33.377.323 (December 31, 2019: TL 23,935,685). The Company management is in the opinion that the Company is able to make sufficient taxable income based on the business plans and projections therefore the Company foresees no indicator of any concern regarding its recoverability of deferred tax assets.

Income tax withholding

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from April 24, 2003 by the end of July 22, 2006. However, this rate was changed to 15% commencing from July 22,2006 upon the order no: 2006/10731 of the Council of Ministers. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.2 Other related accounting policies for the understanding of financial statements

All accounting policies are explained in Note 2.1.1 “Basis of Preparation of Financial Statements and Specific Accounting Policies Used”.

2.1.3 Functional currency

The Company’s financial statements are expressed in TL, which is the functional and presentation currency of the Company

2.1.4 Rounding degree used in the financial statements

All the balances presented in the financial statements are expressed in full in Turkish Lira (TL) and rounded to the closest whole number.

2.1.5 Valuation method(s) used in the presentation of financial statements

Financial statements, except for revaluation of financial instruments, are prepared based on the historical cost method.

2.1.6 New and Revised International Financial Reporting Standards

New and revised standards and comments

Turkey Financial Reporting Standards (IFRS) financial statements are register changes in the standards and comments should be as follow in the notes:

a) Standards, amendments and interpretations applicable as at September 30, 2020:

- **Amendment to IFRS 9, ‘Financial instruments’;** effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.
- **Amendment to IAS 28, ‘Investments in associates and joint venture’;** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.
- **IFRS 16, ‘Leases’;** effective from annual periods beginning on or after 1 January 2019. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same.

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2.1 Basis of Preparation (Continued)

2.1.6 New and Revised International Financial Reporting Standards (Continued)

a) Standards, amendments and interpretations applicable as at September 30, 2020: (Continued)

- IFRS 16, ‘Leases’ (Continued)

However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- **IFRIC 23, ‘Uncertainty over income tax treatments’**; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there

is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- **Annual improvements 2015-2017**; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - IFRS 3, ‘Business combinations’, – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - IFRS 11, ‘Joint arrangements’, – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12, ‘Income taxes’ – a company accounts for all income tax consequences of dividend payments in the same way.

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

2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.6 New and Revised International Financial Reporting Standards (Continued)

a) Standards, amendments and interpretations applicable as at September 30, 2020: (Continued)

- IAS 23, ‘Borrowing costs’ – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- **Amendments to IAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’;** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
 - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
 - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:
 - i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in IAS 1 about immaterial information.

- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

- **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

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2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.6 New and Revised International Financial Reporting Standards (Continued)

a) Standards, amendments and interpretations applicable as at September 30, 2020: (Continued)

- **IFRS 17, ‘Insurance contracts’**; effective from annual periods beginning on or after 1 January 2022. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

- **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities**; effective from 1 January 2022. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

On adaption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principle of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1,2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1,2019 was 25% for local currency liabilities.

- **IFRIC 23, “Uncertainty over income tax treatments”**; effective from annual periods beginning on or after January 1, 2020. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The Company assesses the effects of the related standard on the financial situation and performance

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2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.6 New and Revised International Financial Reporting Standards (Continued)

a) Standards, amendments and interpretations applicable as at September 30, 2020: (Continued)

Annual improvements 2015 - 2017; effective from annual periods beginning on or after January 1, 2020. These amendments include minor changes to:

- IFRS 3, “Business combinations”; - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, “Joint arrangements”; - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, “Income taxes”; - a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, “Borrowing costs”; - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

Amendments to IAS 19, “Employee benefits’ on plan amendment, curtailment or settlement”; effective from annual periods beginning on or after January 1, 2019. These amendments require an entity to:

- use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

Improvement will be valid for the periods after January 1, 2020. The Company assesses the effects of the standards on the financial situation and performance.

b) *Standards, amendments and interpretations that are issued but not effective as at September 20, 2020:*

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after January 1, 2020. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:

- i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii) clarify the explanation of the definition of material; and
- iii) incorporate some of the guidance in IAS 1 about immaterial information.

The effects of the mentioned standard on the financial status and performance of the Company are evaluated.

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2. Summary of the Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

2.1.6 New and Revised International Financial Reporting Standards (Continued)

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

Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after January 1, 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

The amendment does not apply to the Company. It will not have an impact on the financial position or performance of the Company.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform; effective from Annual periods beginning on or after January 1, 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

IFRS 17, ‘Insurance contracts’; effective from annual periods beginning on or after

January 1, 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.

2.2 Consolidation

The Company has no subsidiaries or joint ventures that fall within the scope of consolidation as per “IFRS 10 - Consolidated and Separate Financial Statements” as of September 30, 2020 (December 31, 2019: None).

2.3 Segment Reporting

Reporting segments are determined to conform to the reporting made to the Company’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 5. The competent authority for decision-making is responsible for making decisions on the resources to be allocated to the department and for evaluating the performance of the department. Details of segment reporting are explained in Note 5.

2.4 Discontinued Operations

The Company does not have any discontinued or disposed operations as of September 30, 2020 and December 31, 2019.

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2. Summary of the Accounting Policies (Continued)

2.5 Foreign Currency Translation

The Company’s functional currency is Turkish Lira (“TL”). In preparing the financial statements of the Company, transactions in currencies other than TL (foreign currencies) are recognized at exchange rates prevailing at the transaction date. At each balance sheet date, monetary items denominated in foreign currencies are retranslated to Turkish Lira at the rates prevailing on the balance sheet date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated to Turkish Lira at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in equity.

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

2.6 Tangible assets

Tangible assets are carried at cost, less any accumulated depreciation and impairment loss.

Assets held for use in the construction, or for leasing, administrative or any other purposes are carried at cost, less any impairment. Legal charges are also added to costs. For assets that need substantial time to be ready for use or sale, borrowing costs are capitalized based on the Company’s accounting policy.

Such assets are depreciated, on the same basis used for other fixed assets, when they are ready to use. Assets, other than land and ongoing constructions, are depreciated over their expected useful lives by using the straight line method. Estimated useful life, residual value, and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Assets acquired under finance lease are depreciated as the same basis as tangible assets or, where shorter, the term of the relevant lease.

Gain or loss arising on the disposal or retirement of an item of tangible assets are determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized to profit or loss.

Depreciation periods for tangible assets are presented in the table below:

	Useful Life
Properties	50 years
Furniture and fixtures	10 years
Motor vehicles	5 years
Other intangible assets	5 years

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2. Summary of the Accounting Policies (Continued)

2.7 Investment Properties

Investment property is held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. Carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis. Depreciation period for investment property is nil for land, and 50 years for buildings.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

Transfers are made to or from investment property only, when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy applied to “Property, Plant and Equipment” up to the date of change in use.

Real estate’s held under finance lease are classified as investment properties.

2.8 Intangible Assets

Intangible assets acquired

Intangible assets acquired are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred from the date of acquisition to the date to bring the specific software in use. These costs are capitalized under intangible advances account and amortized over their estimated useful lives (1 to 10 years).

Costs associated with developing or maintaining computer software programs are recognized as expense as incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Company and will probably provide more economic benefits than costs in one year are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets from the date that the assets become to provide economic benefit are amortized over their estimated useful lives (September 30, 2020: 5 years - December 31, 2019:5 years).

2.9 Financial Assets

Investments, other than those that are classified as financial assets at fair value through profit and loss, are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Investments are recognized and derecognized on a trade date, where the purchase or sale of an investment under a contract, whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as “available-for-sale” (AFS) financial assets, “financial assets at fair value through profit and loss” and “loans and receivables”.

Effective interest method

Effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

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2. Summary of the Accounting Policies (Continued)

2.9 Financial Assets (Continued)

Held for trading financial assets

Financial assets that are measured at fair value by the Company and associated with the income statement are classified under financial assets held for trading in the financial statements.

Financial assets measured at fair value and associated with the income statement are obtained for the purpose of gaining profit from the fluctuations in price and similar factors that occur in the market in the short term, or regardless of the reason for obtaining them, financial assets in a short term profit portfolio and measured at fair value by the Company are classified in this category during the purchase.

Financial assets at fair value through profit or loss are initially measured at fair value, and are subsequently remeasured at their fair values. Gains and losses arising from the valuation are included in the income statement (Note 11).

Available-for-sale financial assets

Available-for-sale financial assets are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in an active market and their fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power. Gains and losses arising from available-for-sale financial assets are included in profit or loss for the period. Changes in the fair value of such these assets are recognized in the equity. When the related asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Held-to-maturity financial assets

Held-to-maturity financial assets are intended to be held until their maturities and including ability to funding, provided the circumstances to be held to maturity, with fixed or determinable payments and with fixed maturity, and apart from loans and receivables, when recognized, not recognized as financial assets at fair value through profit or loss and not available for sale financial assets. These financial assets, initially recognized at the acquisition cost and is considered fair value. The fair value of held-to-maturity financial assets is determined on transaction cost of these financial assets or market price of similar financial instruments. Held-to-maturity financial assets are carried at amortized cost. Contribution income related to held-to-maturity financial assets is reflected in the income statement.

The Company does not allocate any impairment on short-term market fluctuations, provided that there is no risk of collection of the securities representing the borrowings classified as held-to-maturity financial assets. If there is a risk of collection, the amount of the impairment is the difference between the book value of the financial asset and the value of the cash flows expected from the financial asset, if any, amortized based on the original effective rate of return.

As of September 30, 2020, the Company has TL 167.235.877 of financial assets under held-to-maturity investment account (December 31, 2019: TL 34,881,722).

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2. Summary of the Accounting Policies (Continued)

2.9 Financial Assets (Continued)

Financial Assets at Insured’s Risk

Such assets are classified as available for sale and held to maturity financial assets. Available for sale financial assets are carried at fair value and revaluation difference arising from amortized cost is recognized under the statement of income. Also, 5% of the difference in between the fair value and amortized cost is recognized under equity and 95% of insurance technical reserves that are attributable to insures are recognized in the Insurance Technical Reserves - Life Mathematical Reserves account. Assets that are not carried at fair value are carried at amortized cost using the effective interest rate method.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

2.10 Investment Properties

Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate, that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that are impaired, are reviewed for possible reversal of the impairment at each reporting date.

Impairment of financial assets

The Company assesses its financial assets, other than those at FVTPL, at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as held-to-maturity, available-for-sale or loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

For loans and receivables, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2020

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2. Summary of the Accounting Policies (Continued)

2.10 Investment Properties (Continued)

Impairment of financial assets (Continued)

Except for AFS equity instruments, 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, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

2.11 Derivative Financial Instruments

The Company uses foreign currency swap and option contracts, the Company uses end of period market exchange rates and interest rates to calculate market value of foreign exchange swap contracts. As of September 30, 2020, there is a registered financial asset amounting to 130.473.389 (December 31, 2019: TL 1,085,032,639).

As of September 30, 2020, the Company has accrued TL 3.813.368 arising from valuation of derivative instruments. (December 31, 2019: TL 29,597,359 income accrual).

2.12 Offsetting Financial Instruments

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

2.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments, which have maturities with three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. (Note 14.)

2.14 Share Capital

As of September 30, 2020, the Company’s nominal capital is TL 306,000,000 (December 31, 2019: TL 306,000,000). Share capital is represented by 30,600,000,000 of equity shares having a nominal amount of TL 0.01 each. The share capital structure of the Company is as follows:

	September 30 2020		December 31 2019	
	Rate %	Amount TL	Rate %	Amount TL
H.Ömer Sabancı Holding A.Ş.	36.00	110,160,000	36.00	110,160,000
Ageas Insurance International NV	36.00	110,160,000	36.00	110,160,000
Other	28.00	85,680,000	28.00	85,680,000
	100.00	306,000,000	100.00	306,000,000

Agreement about the sale of 50% of 18,965,880,200 units of Aksigorta A.Ş. shares with TL 189,658,802 nominal value that belong to H.Ö. Sabancı Holding (“Holding”) portfolio was signed with Ageas Insurance International N.V. at February 18, 2011. At the date of July 29, 2011, 9,482,940,100 units of Aksigorta A.Ş. shares that correspond to 50% of the Holding’s portfolio have been transferred to Ageas Insurance International N.V. with the sale price (excluding the corrections) of USD 220,029,000.

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2. Summary of the Accounting Policies (Continued)

2.14 Share Capital (Continued)

The Company has accepted the registered capital system set out in accordance with the provisions of Law No: 2499 and applied the system as of 15 June 2000 upon the permission no: 67/1039 granted by the Capital Markets Board.

As of September 30, 2020, Company has TL 500,000,000 registered share capital ceiling. December 31, 2019: TL 500,000,000). More extensive details related to the company capital are disclosed in the Note 15.

2.15 Insurance and Investment Contracts

Insurance Contracts

Insurance contracts are contracts in which one part accepts a significant insurance risk and pays compensation (insurer) to the other part (insure) when any uncertain case affects the insure. The Company makes reinsurance agreements in which the Company (ceding company) is compensated by the insurer (reinsurer company) for one or more claims. Insurance contracts entered into by the Company under which the contract holder is another insurer (reinsurance) are included with insurance contracts.

Insurance and reinsurance contracts of the Company are included in classification of Insurance contracts.

Insurance contracts are accounted when the insurance risk is transferred and classified as an insurance contract as of the maturity date and/or amortization of the all contractual rights and liabilities.

Investment Contracts:

The accumulation component present in some life insurance contracts is measured by the Company on a separate basis; On the other hand, as the accounting policies require the recognition of rights and obligations related with the accumulation component, regardless of the measurement principles, the insurance and investment components are not decomposed.

Reinsurance Agreements:

Reinsurance agreements are the agreements agreed by the Company and reinsurance company for the loss which may occur in one or more insurance agreements signed by the Company, and those meet all conditions to be classified as insurance contract and those whose costs are paid.

The Company has excess of loss, surplus and quota share treaty agreements in related branches. In the context of excess of loss agreements, the ceded premiums are accounted for on accrual basis over the related period. The ceded premiums and claims of other agreements are accounted on the basis of the income and loss from related insurance contracts.

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2. Summary of the Accounting Policies (Continued)

2.15 Insurance and Investment Contracts (Continued)

Reinsurance agreements: (Continued)

The Company has surplus reinsurance agreement in fire, marine, engineering and other accident branches. Besides, The Company has excess of loss agreements in fire, marine and engineering branches. The Company continues to be exposed to the insurance risk under the insurance contracts whereas the liability of the reinsurer ceases by the end of the agreement period. Company has annual proportional quota-share reinsurance agreement for third person liability, electronic equipment, personal accident, health, professional liability, machinery breakdown and bus compulsory chair branches. Mentioned reinsurance agreements, the reinsurer's liability continues even after expiration of the agreement in the run-off agreements. Catastrophic excess of loss re-insurance agreement, natural disasters such as flood and earthquake is also protected in these branches.

In addition, the Company has facultative reinsurance agreements signed separately for certain risks based on certain policies.

Premiums Transferred to Social Security Institution

The collection and settlement of expenses with respect to the medical care related services provided to the injured people due to the traffic accidents have been regulated by Article 98 of Road Traffic Act numbered 2918 altered by Article 59 of “The Law on Restructuring of Some Receivables and Changes in Social Security and General Insurance Law and Other Laws and Law Decrees” (the “Law”) numbered 6111 and dated February 25, 2011. In this context, all the traffic accident related medical care services provided by any public or private health institution will be covered by Social Security Institution (“SSI”) regardless of social security status of the injured. Besides, in accordance with the temporary Article 1 of the Law, all of the expenses with respect to the traffic accident related medical care services provided before enforcement of the Law, will also be covered by SSI.

The liability of the insurance companies with respect to the service costs to be incurred in the context of abovementioned articles has been determined in accordance with the provisions of “The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated August 27, 2011 (“The Regulation”), “The Communiqué on the Principles of the Implementation of the Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated September 15, 2011 and numbered 2011/17 (the “Communiqué numbered 2011/17”) and “The Communiqué on the Accounting of Payments to Social Security Institution (“SSI”) with respect to Treatment Expenses and Introduction of New Account Codes to Insurance Account Chart” dated. October 17, 2011 (the “Communiqué numbered 2011/18”), the regulation (the “Communique numbered 2012/3”) making changes in “The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated March 16, 2012 and numbered 2012/3 and the communique about changes related “the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated April 30, 2012 and numbered 2012/6 (Note 2.24) (the “Communique numbered 2012/6”). Within this framework, the Group is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued as of February 25, 2011 the notice numbered 2012/3 and the communiqué numbered 2012/6 in “Compulsory Transportation”, “Compulsory Traffic” and “Compulsory Motor Personal Accident” branches regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law.

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2. Summary of the Accounting Policies (Continued)

2.15 Insurance and Investment Contracts (Continued)

Premiums Transferred to Social Security Institution (Continued)

Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in January 1 - September 30, 2020 accounting period as TL 99.055.721 (January 1 - September 30, 2019: TL 92.751.580) and unearned premium reserve amounting to TL (4.501.877) (January 1 - September 30, 2019: TL 13.014.099) for the period ended as of January 1 – September 30, 2020; classified under the accounts of “Premiums ceded to SSI” and “Change in SSI share of of Unearned Premiums Reserve”, respectively (Note 20).

In the Board of Directors meeting of The Association of the Insurance and Reinsurance Companies of Turkey dated September 22, 2011 and numbered 18, it was decided to appeal Council of State for the “suspense of execution” and “cancellation” of the Regulation and the Communiqué numbered 2011/17; and the cancellation of related provisions of the Law as being contradictory to the Constitution. The legal procedures are in progress as of the date of the preparation of the financial statements.

Premium ceded to Turkish Motor Insurers’ Bureau

The Pool of Higher Risk Policies (“The Pool”) was established by Treasury and Finance Ministry in accordance with "the Regulation Regarding Change in the Regulation on Tariff Application Principals of Motor Liability Insurance" issued on the Official Gazette dated July 11, 2017 and numbered 30121 for the vehicle groups and/or steps what have high damage frequency valid for written motor liability policies after April 12, 2017. In accordance with the Higher Risk Policies Operating Principals that is effectuated with aforementioned regulation, Turkey Motor Insurance Bureau (“TMIB”) makes two-step calculations premiums and claims of motor liability policies which are subject to the Pool. Hereunder, 50% of premiums and claims is apportioned between insurance companies equally and the other 50% is apportioned according to insurance companies' share of motor liability premiums in last 3 years.

In accordance with the Higher Risk Policies Operating Principals issued by TMIB on August 15, 2017; 76% of total premiums net of deductions to be received from the insured, on policies issued after July 11, 2017 which are subject to the Pool, will be ceded to the Pool.

The Company has recorded the amounts of premiums, claims and commissions paid to the Pool under the regulation and taken over from the Pool within the scope of the Company's share, taking into account the monthly receipts finalized by the TMTB as of September 30, 2020. As at September 30, 2020, the Company accounted TL 144.105.163 premium ceded to the Pool, TL 59.389.611 paid claim and 351.867 TL recourse income; 128.357.455 premium which is reported as Company share from the pool, TL 40.604.201 claims paid, TL 431.709 recourse and TL 583.545 salvage are accounted in accordance with the related legislation.

2.16 Insurance and Investment Contracts With Discretionary Participation Features

None (December 31, 2019: None).

2.17 Investment Contracts without Discretionary Participation Features

None. (December 31, 2019: None).

2.18 Borrowings

As of September 30, 2020, the Company has TL 12.682.747 borrowings with one day maturity without interest rate and classified as “Other Financial Liabilities. (December 31, 2019: TL 12,806,818).

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2. Summary of the Accounting Policies (Continued)

2.19 Employee Benefits

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

According to the Turkish Labor Law, the Company is required to pay termination benefits to each employee whose jobs are terminated except for the reasons such as resignation, retirement and attitudes determined in Labor Law. The provision for employment termination benefits is calculated over present value of the possible liability in scope with the Labor Law by considering determined actuarial estimates (Note 22).

2.20 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured over expenditures expected to be required to settle the obligation by considering the risks and uncertainties related to the obligation at the balance sheet date. When the provision is measured by using the estimated cash outflows that are required to settle the obligation, the carrying value of the provision is equal to present value of the related cash outflows.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized as an asset if and only it is virtually certain that reimbursement will be received and the reimbursement can be reliably estimated.

Liabilities that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity are classified as contingent liabilities and not included in the non-consolidated financial statements (Note 23).

2.21 Revenue Recognition

Written Premium Commission

Written premiums represent premiums on policies written during the year, net of cancellations. Premium income is recognized in the financial statements on accrual basis by allocating the unearned premium provision over written premiums.

Commission income received in relation to ceded premiums to reinsurance companies is accrued in the related period and classified in technical part under operating expenses in the income statement.

The part of paid amounts to the assistance services which hit the following periods are deferred in accordance with the Technical Provisions Regulation numbered 27655 and dated July 28, 2010.

Interest income and expense

Interest income and expenses are accounted on an accrual basis in the related period’s profit/loss. Interest income includes income gains from the coupons of the fixed return investment instruments and valuation of discounted government bonds based on internal rate of return method.

Dividend income

Dividend income from the equity share investments are recognized when the shareholder has the right to receive dividends.

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2. Summary of the Accounting Policies (Continued)

2.22 Profit Share Distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the Company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The excess portion of the inflation adjustment of the general reserves including prior year losses and profits, share premiums and shareholders’ equity excluding capital is considered in the calculation of the net distributable profit.

Covid - 19 Legal Regulations

With the Law on Reducing the Economic and Social Effects of the 7244 New Coronavirus (Covid-19) Epidemic, published in the Official Gazette dated 17 April 2020, and the Law Amending Some Laws, capital companies until 30 September 2020, Only up to twenty-five percent of the net profit for the period may be distributed, if the General Assembly has decided to distribute dividends for the 2019 fiscal period but the shareholders have not yet been paid or partial payments have been made, the payments for the part exceeding twenty-five percent of the net profit for the year 2019 are at the end of the specified period. It has been determined that it will be postponed until. At the Ordinary General Assembly Meeting held on March 11, 2020, the Company distributed a gross dividend of TL 201,960,000 in cash from the net profit of 366,358,436.00 TL for the 2019 fiscal period on 13 March 2020 in line with the profit distribution proposal of the Board of Directors.

2.23 Related parties

Parties are considered related to the Company 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.

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2. Summary of the Accounting Policies (Continued)

2.24 Foreign currency transactions

Transactions are recorded in TL, which represents the Company’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 the statement of profit or loss as foreign exchange gains or losses.

Foreign currency assets and liabilities are converted by using period end exchange rates of Central Bank of the Republic of Turkey’s bid rates. For the conversion of liabilities the exchange rate stated at the contract is used.

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

	September 30, 2020		December 31, 2019	
	USD/ TL	EUR/ TL	USD/ TL	EUR/ TL
Buying rate	7,8080	9,1281	5,9402	6,6506
Selling rate	7,8338	9,1583	5,9598	6,6725

3. Significant Accounting Estimates and Requirements

Preparation of financial statements requires the use of assumptions and estimates that might affect the amounts of assets and liabilities reported as of balance sheet date, explanation of the conditional assets and liabilities and amounts of the income and expenses reported throughout the accounting period. Accounting evaluations, estimates and assumptions are evaluated taking into consideration past experience, other factors, current conditions and reasonable expectations for future events. Such evaluations and estimates might differ from actual consequences, even though they are based on the best knowledge of the management about current events and transactions.

One of the most important accounting estimates for the Company is to estimate the final net liabilities relating to the expenses to arise from the effective policies. As per its nature, estimating liabilities regarding the insurance business includes the evaluation of many uncertainties.

4. Insurance and Financial Risk Management

4.1 Insurance Risk

4.1.1 Objective of managing risks arising from insurance contracts and policies used to minimize such risks

Insurance risk is the probability of risk exposure that is covered under any insurance contracts and the uncertainty of the magnitude of the claims in relation to the risk exposed. Due to the nature of insurance transactions, risks are incidental and hard to anticipate. Maximum risk that the Company bears is limited to the coverage amount specified in the insurance contract.

The Company has adopted central risk assessment policy and this policy is applied in relation to the Company’s specified operations and limitations. Principally, in risk assessment, potential claims are measured based on the past experience, similar risk comparisons and risks in relation to production process. Location, geographical area, field of activity and fire and theft measures are also key issues used in the assessment of the insured risk.

The Company is managing its insurance risk by policy production strategies, reinsurance contracts and effective settlement and payment operations.

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4. Insurance and Financial Risk Management (Continued)

4.1 Insurance Risk (Continued)

4.1.1 Objective of managing risks arising from insurance contracts and policies used to minimize such risks (Continued)

4.1.1.1 Sensitivity to insurance risk

The Company is managing its insurance risk by policy production strategies, reinsurance contracts and effective settlement and payment operations.

The Company’s policy production strategy follows an effective risk management in the policy production process considering the nature, extent, geographical area and accurate distribution of the risk incurred.

Reinsurance contracts include excess of loss (quota-share and excess loss) and catastrophic coverage. The Company can also enter into reinsurance contracts with facultative participation under its reinsurance program.

Reinsurance Company Notification

2020		2019	
Reinsurance Company	Standard & Poors Rating	Reinsurance Company	Standard & Poors Rating
Milli Re	TR A+	African Re	A-
Scor	AA-	ARIG	NR
Everest Re	A+	Asia Capital Re	A-
Odyssey Re	A-	China Re	A
Mapfre Re	A+	Covea Cooperations	A+
QBE	A+	Everest Re	A+
Covea Cooperations	AA-	Fair Pool	NR
Ageas	A	GIC	NR
Hannover Re	AA-	Hannover Re	AA-
VHV Re	A+	Korean Re	A
Turk Re	NR	Mapfre Re	A
Toa Re	A+	Milli Re	trA+
Partner Re	A+	MS Amlin AG	A
GIC	A	Odyssey Re	A-
R+V Re	AA-	Partner Re	A+
Dongbu Re	A	QBE	A+
Sava Re	A	Samsung Fire&Marine Re	AA-
China Re P&C	A	Sava Re	A
VIG	A+	Scor Global P&C	AA-
MS Amlin AG	A	Toa Re	A+
Samsung Re	AA-	Tokio Millenium Re	A+
Central Re	A	Trust Re	NR
African Re	A-	Unipol Re	NR
Unipol Re	NR	VIG	A+
Malaysian Re	NR	XL Catlin Re	A+
Munich Re	AA-		
Lib Synd Paris (4472)	A+		
New Re	AA-		
Cathedral 2010	A+		
Labuan Re	A-		
Taiping Re	A		
Aspen	A-		
Blenheim Syndicate	A+		

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4. Insurance and Financial Risk Management (Continued)

4.1 Insurance Risk (Continued)

4.1.1 Objective of managing risks arising from insurance contracts and policies used to minimize such risks (Continued)

4.1.1.2 Insurance risk concentrations with explanations of how management identify risk concentrations and common features of each concentration (the nature of insurance, geographic region or currency)

Generally, the Company’s insurance contracts include fire and natural disasters, marine, accident, motor vehicles, air crafts, water crafts, general losses, motor vehicles liability, air crafts liability, general liability, financial losses, legal protection, illness/health and life branches. The Company’s gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarized as below:

Total Claims Liability (*)	30 September 2020			31 December 2019		
	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Motor Crafts Liability	1.010.455.821	(28.656.659)	981.799.162	813.372.523	(24.277.783)	789.094.740
Fire and Natural Disaster	1.004.514.425	(949.012.139)	55.502.286	682.056.042	(645.451.686)	36.604.356
General Liability	767.786.072	(593.577.441)	174.208.631	587.034.338	(455.674.426)	131.359.912
General Losses	256.140.807	(240.369.189)	15.771.618	275.074.848	(264.431.598)	10.643.250
Motor Own Damage	158.438.136	(267)	158.437.869	99.102.286	(204)	99.102.082
Financial Losses	99.782.421	(96.003.819)	3.778.602	90.207.565	(85.959.053)	4.248.512
Fidelity Guarantee	110.885.749	(107.688.570)	3.197.179	87.583.476	(84.371.502)	3.211.974
Transportation	85.028.541	(72.529.634)	12.498.907	58.021.514	(48.146.372)	9.875.142
Air Crafts	5.743.377	(5.741.888)	1.489	31.150.045	(31.150.043)	2
Health	24.280.667	(17.155.707)	7.124.960	18.591.478	(13.191.962)	5.399.516
Air Crafts Liability	21.850.824	(21.843.669)	7.155	15.756.454	(15.742.697)	13.757
Water Crafts	8.225.264	(6.780.180)	1.445.084	32.231.008	(30.061.736)	2.169.272
Accident	6.094.596	(3.227.668)	2.866.928	5.901.468	(3.017.587)	2.883.881
Credit	991.685	(942.101)	49.584	727.288	(690.924)	36.364
Legal Protection	412.838	-	412.838	412.001	-	412.001
Life	144.645	-	144.645	136.311	-	136.311
Total	3.560.775.868	(2.143.528.931)	1.417.246.937	2.797.358.645	(1.702.167.573)	1.095.191.072

(*) Total claim liability includes all outstanding claims reserves and IBNR as of the balance sheet date.

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4. Insurance and Financial Risk Management (Continued)

4.1 Insurance Risk (Continued)

4.1.1 Objective of managing risks arising from insurance contracts and policies used to minimize such risks (Continued)

4.1.1.3 Comparison of incurred claims with past estimates (claims development process)

	30 September 2020				December 31, 2019		
	Effect on Current Period (Net)	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Unpaid Claims	(157.031.462)	2.878.569.087	(2.057.017.541)	821.551.546	2.412.577.612	(1.748.057.528)	664.520.084
Discount Effect of Reported Damages	76.826.155	(552.003.723)	222.472.210	(329.531.513)	(420.273.765)	167.568.407	(252.705.358)
Claim Provisions (*)	(241.842.225)	1.234.065.859	(308.983.599)	925.082.260	804.918.487	(121.678.452)	683.240.035
Non-life Total	(322.047.532)	3.560.631.223	(2.143.528.930)	1.417.102.293	2.797.222.334	(1.702.167.573)	1.095.054.761
Life	(8.334)	144.645		144.645	136.311	-	136.311
Grand Total	(322.055.866)	3.560.775.868	(2.143.528.930)	1.417.246.938	2.797.358.645	(1.702.167.573)	1.095.191.072

(*) Claim provisions include all additional provisions within unpaid claims in the total outstanding compensation provision in the balance sheet date.

Outstanding Claim Reserve:

	30 September 2020			30 September 2019		
	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Beginning of Period - 1 January	2.412.577.612	(1.748.057.528)	664.520.084	1.783.361.109	(1.235.866.842)	547.494.267
Opened in the Period	1.871.876.839	(758.737.228)	1.113.139.611	2.074.543.692	(1.032.085.839)	1.042.457.853
Paid from Current Period (-)	(674.824.975)	215.893.063	(458.931.912)	(853.766.556)	244.598.107	(609.168.449)
Paid from Previous Period (-)	(731.060.389)	233.884.152	(497.176.237)	(420.511.886)	120.473.695	(300.038.191)
Period End Reported Claims	2.878.569.087	(2.057.017.541)	821.551.546	2.583.626.359	(1.902.880.879)	680.745.480
Life	144.645		144.645	136.311	-	136.311
Discount Effect of Reported Claims	(552.003.723)	222.472.210	(329.531.513)	(356.372.283)	121.421.579	(234.950.704)
IBNR	1.234.065.859	(308.983.599)	925.082.260	727.379.169	(111.533.132)	615.846.037
Total	3.560.775.868	(2.143.528.930)	1.417.246.938	2.954.769.556	(1.892.992.432)	1.061.777.124

Claims development tables prepared in accordance with the Technical Provision Regulations which are used in the ACLM calculation are explained below:

Gross claim development table prepared on the principles of incurred claims by September 30, 2020:

	1.10.2013 30.09.2014	1.10.2014 30.09.2015	1.10.2015 30.09.2016	1.10.2016 30.09.2017	1.10.2017 30.09.2018	1.10.2018 30.09.2019	1.10.2019 30.09.2020	Gross Claim
Claim realized in the accident period	793.535.826	897.712.457	774.300.100	1.303.880.772	1.403.265.675	2.195.883.119	1.814.162.537	9.182.740.487
1 year later	222.079.374	273.265.891	216.085.036	977.423.065	614.094.232	1.277.599.254	-	3.580.546.852
2 year later	114.023.554	154.000.585	323.832.199	624.190.509	302.565.989	-	-	1.518.612.835
3 year later	100.449.991	164.975.143	301.900.318	649.470.099	-	-	-	1.216.795.551
4 year later	97.695.185	159.545.021	380.511.120	-	-	-	-	637.751.326
5 year later	99.321.021	184.964.734	-	-	-	-	-	284.285.755
6 year later	122.369.937	-	-	-	-	-	-	122.369.937
TOTAL	1.549.474.888	1.834.463.831	1.996.628.773	3.554.964.444	2.319.925.896	3.473.482.373	1.814.162.537	16.543.102.743

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4. Insurance and Financial Risk Management (Continued)

4.1 Insurance Risk (Continued)

4.1.1 Objective of managing risks arising from insurance contracts and policies used to minimize such risks (Continued)

4.1.1.3 Comparison of incurred claims with past estimates (claims development process) (Continued)

Gross claim development table prepared on the principles of incurred claims by December 31, 2019:

	1.01.2013 31.12.2013	1.01.2014 31.12.2014	1.01.2015 31.12.2015	1.01.2016 31.12.2016	1.01.2017 31.12.2017	1.01.2018 31.12.2018	1.01.2019 31.12.2019	Gross Claim
<i>Claim realized in the accident period</i>	673.019.738	838.172.102	841.913.192	930.621.837	1.366.238.878	1.564.047.984	2.299.187.241	8.513.200.972
<i>1 year later</i>	160.181.399	239.937.131	216.699.946	420.934.178	793.577.616	606.286.572	-	2.437.616.842
<i>2 year later</i>	84.819.582	144.014.862	126.303.760	345.579.004	633.208.482	-	-	1.333.925.689
<i>3 year later</i>	67.301.174	120.606.234	110.917.361	344.631.786	-	-	-	643.456.554
<i>4 year later</i>	65.886.722	133.086.346	113.024.946	-	-	-	-	311.998.014
<i>5 year later</i>	65.079.638	151.210.207	-	-	-	-	-	216.289.845
<i>6 year later</i>	70.135.757	-	-	-	-	-	-	70.135.757
TOTAL	1.186.424.010	1.627.026.882	1.408.859.204	2.041.766.805	2.793.024.976	2.170.334.556	2.299.187.241	13.526.623.674

4.2 Financial Risk

4.2.1 Capital risk management and capital requirement

The Company’s main purpose in capital management is to maintain its status as an revenue generating company of the group and to protect shareholder and corporate partners’ benefits while sustaining the most effective capital structure in order to reduce capital costs.

The Company measures its adequacy semi-annually in accordance with the Decree “Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds” published in the Official Gazette No: 26761 on January 19, 2008. The Treasury and Finance Ministry has not published capital adequacy calculation tables for the interim period ended on September 30, 2020 as of publication date of financial statements. The minimum required capital of the company as of June 30, 2020, calculated within the framework of the regulation on capital adequacy measurement is TL 922.940.035. Company management believes that, as of September 30, 2020, the necessary capital adequacy has been provided for the interim period January 1 - September 30, 2019 considering the movement of equity.

4. Insurance and Financial Risk Management (Continued)

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4.2 Financial Risk (Continued)

4.2.2. Financial risk factors

The Company is exposed to market risk (exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk due to its assets and liabilities and reinsurance assets and liabilities. The Company’s risk management generally focuses on minimizing the probable adverse effects of uncertainties in financial markets over the Company’s performance. The Company’s exposure to interest rate risk and credit risk in general is due to its financial investments and insurance receivables, respectively.

Market risk

The Company is exposed to market risk due to fluctuations in the exchange rates, interest rates and equity share prices.

Exchange rate risk

The Company’s foreign currency denominated assets and liabilities expose the Company to exchange rate risks. These risks are monitored by analyzing exchange rate position. The details of the Company’s foreign currency denominated assets and liabilities as of September 30, 2020 and December 31, 2019 are presented in details in Note 12.4

Sensitivity to exchange rate risk

The Company’s sensitivity to a 10% increase/decrease in USD and Euro currencies are presented below. Sensitivity analysis only includes foreign currency denominated monetary assets outstanding at the end of period and indicates the effects of 10% changes in exchange rates. Positive value indicates an increase in profit/loss and other equity items.

	September 30, 2020		December 31, 2019	
	USD Effect	EUR Effect	USD Effect	EUR Effect
Profit/Loss Increase	24.395.985	3.552.218	10.913.037	5.177.297
Profit/Loss (Decrease)	(24.395.985)	(3.552.218)	(10.913.037)	(5.177.297)

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2020

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

4. Insurance and Financial Risk Management (Continued)

4.2 Financial Risk (Continued)

4.2.2 Financial risk factors (Continued)

Interest rate risk

	September 30, 2020	December 31, 2019
Total	Effect on profit and profit reserves	
Market interest rate increase / (decrease)		TL
+1%	(6.440.255)	(6.705.683)
-1%	7.646.561	7.942.645
Financial assets	Effect on profit and profit reserves	
Market interest rate increase / (decrease)		TL
+1%	(6.440.255)	(6.705.683)
-1%	7.646.561	7.942.645
+1% Financial Assets with Risks on Policy Holders	-	-
-1% Financial Assets with Risks on Policy Holders	-	-

The Company is required to manage its interest rate risks due to price fluctuations in its financial instruments arising from changes in interest rates. The Company's sensitivity to interest rate risk results from the mismatch in maturities of its assets and liabilities. Interest rate risk is managed by offsetting the assets that are affected by the interest rate fluctuations against the liabilities in same nature.

Price risk

The Company is exposed to price risk due to its available for sale financial assets. As of the reporting date, if data used in the valuation method is increased/decreased by 10% and all variables remain fixed, the Company's sensitivity is as follows. The sensitivity of the Company for the price risk is arising from the available for sale financial assets as of September 30, 2020.

	September 30, 2020	December 31, 2019
Total	Effect on Financial assets available for sale	
Price increase / (decrease)		TL
+10%	199.015.778	73.763.135
-10%	(199.015.778)	(73.763.135)

Credit risk

Credit risk is the risk that the debtor defaults on its obligations under the terms of the transaction. Credit risk is managed by setting out limits and providing guarantees for receivables from a specific party. Limits and guarantees are determined based on the assessment of the respective party's financial ability and trading capacity. The Company is exposed to credit risk in Turkey because it mainly performs its operations in Turkey.

As of September 30, 2020, the Company has presented its receivables from insurance operations and guarantees received and provision for doubtful receivables in Note 12.1.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2020

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4. Insurance and Financial Risk Management (Continued)

4.2 Financial Risk (Continued)

4.2.2 Financial risk factors (Continued)

Liquidity risk

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

Due to the worldwide Coronavirus (COVID-19) epidemic, the company implements strategies and policies to ensure that liquidity risk is managed effectively and that sufficient liquidity is constantly maintained in order to continue its activities.

Liquidity risk table

30 September 2020							
	Up to 1 month	1 - 3 month	3 months-1 year	1 -5 years	5 years and over	No maturity	Total
Cash and Cash Equivalents	820.236.731	549.675.641	78.728.303	-	-	171.615.933	1.620.256.608
Financial Assets Available for Sale	20.670.845	45.850.721	845.642.107	681.762.370	169.422.001	165.389.735	1.928.737.779
Financial Assets for Trading	-	-	-	-	-	96.844.871	96.844.871
Held-to-maturity financial assets	-	-	11.552.084	155.683.793	-	-	167.235.877
Investments with Risks on Policy Holders	-	-	-	1.862.598	-	-	1.862.598
Receivables From Main Operations	209.576.242	184.332.750	384.214.432	7.185.491	-	-	785.308.915
Due from Related Parties	180.126,00	-	-	-	-	-	180.126
Other Receivables	-	-	625.787	-	-	-	-625.787
Prepaid Expenses and Income Accruals	43.682.033	67.237.294,00	178.216.144	-	-	-	289.135.471
Other Current Assets	-	-	19.656.939	-	-	0	19.656.939
Total Assets	1.094.345.977	847.096.406	1.517.384.222	846.494.252	169.422.001	433.850.539	4.908.593.397
Financial Liabilities	12.682.747	-	692.662,00	29.533.647,00	-	-	42.909.056
Payables From Main Operations	399.162.483	89.886.975	168.231.510	-	-	-	657.280.968
Due to Related Parties	522.691	-	1.143	-	-	-	523.834
Other Payables	-	107.402.834	-	-	-	7.400.614,00	114.803.448
Insurance Technical Reserves	945.995.159	857.724.445	858.869.727	169.520.080	8.630.268	-	2.840.739.679
Taxes and Other Liabilities and Provisions	-	68.100.445	-	-	-	-	68.100.445
Cost Expense Provisions							
Prepaid Income and Expense Accruals	19.053.189	38.106.377	69.861.692	-	-	-	127.021.258
Long Term Insurance Technical Reserves	-	-	-	1.419.633	99.361.876	-	100.781.509
Provisions for Other Risks	-	-	-	-	-	8.406.885	8.406.885
Total Liabilities	1.377.416.269	1.161.221.076	1.097.656.734	200.473.360	107.992.144	15.807.499	3.960.567.082

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4. Insurance and Financial Risk Management (Continued)

4.2 Financial Risk (Continued)

4.2.2 Financial risk factors (Continued)

Liquidity risk table (Continued)

December 31, 2019	Up to 1 month	1 - 3 month	3 months-1 year	1 - 5 years	5 years and over	No maturity	Total
Cash and Cash Equivalents	942.019.120	1.080.190.601	20.293.159	-	-	20.539.632	2.063.042.512
Financial Assets Available for Sale	20.993.443	16.816.813	114.942.696	415.543.534	56.413.071	78.040.075	702.749.632
Financial Assets for Trading	448.138.096	-	-	-	-	142.613.230	590.751.326
Held-to-maturity financial assets	-	-	-	34.881.722	-	-	34.881.722
Investments with Risks on Policy Holders	-	-	-	1.806.587	-	-	1.806.587
Receivables From Main Operations	235.458.533	200.768.514	294.341.193	30.051.375	-	-	760.619.614
Due from Related Parties	-	-	160.165	-	-	-	160.165
Other Receivables	-	-	17.597.262	-	-	-	17.597.262
Prepaid Expenses and Income Accruals	41.425.868	69.643.629	183.461.586	-	-	-	294.531.083
Other Current Assets	-	7.623.377	-	-	-	-	7.623.377
Tangible Fixed Assets	-	-	-	-	-	49.455.053	49.455.053
Intangible Fixed Assets	-	-	-	-	-	60.569.259	60.569.259
Prepaid Expenses and Income Accruals (Long Terms)	-	-	-	149.980	-	-	149.980
Other Non-current Assets	-	-	-	-	-	23.935.685	23.935.685
Total	1.688.035.060	1.367.419.557	630.796.060	482.283.218	56.413.071	241.192.937	4.466.139.903
Financial Liabilities	60.777.683	-	3.806.567	25.943.674	-	-	90.527.924
Payables From Main Operations	283.517.463	140.377.879	117.966.682	12.188.792	-	-	554.050.816
Due to Related Parties	286.511	-	1.143	-	-	-	287.654
Other Payables	-	147.073.119	-	-	-	-	147.073.119
Insurance Technical Reserves	720.574.743	630.761.513	401.332.066	755.461.917	6.911.092	-	2.515.041.331
Taxes and Other Liabilities and Provisions	-	93.440.050	-	-	-	-	93.440.050
Prepaid Income and Expense Accruals	21.696.551	54.964.596	67.982.526	-	-	-	144.643.673
Long Term Insurance Technical Reserves	-	-	-	1.446.871	95.692.471	-	97.139.342
Provisions for Other Risks	-	-	-	-	-	7.052.711	7.052.711
Financial Liabilities	60.777.683	-	3.806.567	25.943.674	-	-	90.527.924
Payables From Main Operations	283.517.463	140.377.879	117.966.682	12.188.792	-	-	554.050.816
Total Liabilities	1.086.852.951	1.066.617.157	591.088.984	795.041.254	102.603.563	7.052.711	3.649.256.620

Categories of Financial Assets:

Current Financial Assets	September 30, 2020		December 31, 2019	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets Available for Sale	1.928.737.779	1.928.737.779	702.749.632	702.749.632
Financial Assets Held for Trading	167.235.877	189.191.340	36.506.714	34.881.722
Financial Assets Held to Maturity	96.844.871	96.844.871	590.751.326	590.751.326
Financial Investments with Risks on Policy Holders	1.862.598	1.862.598	1.806.587	1.806.587
Impairment Provision for Affiliates	(625.787)	(625.787)	-	-
Total Financial Assets	2.194.055.338	2.216.010.801	1.331.814.259	1.330.189.267

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4. Insurance and Financial Risk Management (Continued)

4.2 Financial Risk (Continued)

4.2.2 Financial risk factors (Continued)

Fair value of financial assets

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.

	<u>September 30, 2020</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Financial Assets Available for Sale				
Private Sector Bonds	713.763.403	713.763.403	-	-
Eurobonds	746.009.470	746.009.470	-	-
Government Bonds & Treasury Bills	165.389.737	164.795.643	-	594.094
Equity share	303.575.169	303.575.169	-	-
Financial Assets Held for Trading				
Investment Funds	74.837.757	74.837.757	-	-
Reverse Repo	22.007.114	22.007.114	-	-
Held to Maturity Financial Assets				
Eurobonds	145.800.345	145.800.345	-	-
Government Bonds & Treasury Bills	43.390.995	43.390.995	-	-
Financial Investments with Risks on Policy Holders				
Government Bonds & Treasury Bills	1.862.598	1.862.598	-	-
Total	2.216.636.588	2.216.042.494	0	594.094

	<u>December 31, 2019</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Financial Assets Available for Sale				
Private Sector Bonds	333.690.554	333.690.554	-	-
Eurobonds	152.749.578	152.749.578	-	-
Equity share	78.406.987	77.976.955	-	430.032
Government Bonds & Treasury Bills	137.902.513	137.902.513	-	-
Financial Assets for Trading				
Reverse Repo	448.138.096	448.138.096	-	-
Investment Funds	142.613.230	142.613.230	-	-
Financial Assets Held to Maturity				
Eurobonds	24.027.260	24.027.260	-	-
Government Bonds & Treasury Bills	10.854.462	10.854.462	-	-
Financial Investments with Risks on Policy Holders				
Government Bonds & Treasury Bills	1.806.587	1.806.587	-	-
Total	1.330.189.267	1.329.759.235	0	430.032

The Company 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 Company in a current market transaction.

The fair value of financial assets shown in the following table in terms of valuation methods is shown divided into three categories. “Category 1”, was organized market obtained from fair values (market data), the “Category 2” precedent that has truth according to processes and “Category 3” is the future cash flows to their present reduced according to the values that are valued financial assets represents.

The following methods and assumptions were used to estimate the fair value of financial instruments for which fair value estimates are practicable.

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FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2020**

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4. Insurance and Financial Risk Management (Continued)

4.2 Financial Risk (Continued)

4.2.2 Financial risk factors (Continued)

Financial assets

It is anticipated that fair value of the financial assets including cash and cash equivalents and other financial assets carried at cost will approximate to their book value based on their short term nature and having insignificant potential losses.

Market value is taken as a basis in the measurement of fair value of government bonds and equity shares.

Financial liabilities

It is anticipated that fair value of monetary liabilities will converge to their carrying value based on their short term nature.

5. Segment Information

5.1 Operating segments

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

Numerical limits in “IFRS 8 - Operating Segments” is also considered as well as management reporting in the determination of operating segments. Premium production and net technical income of different operating segments are grouped separately.

The Company operates in Turkey. Since the results of operating activities abroad have very low effect on financial statements, the information about geographical segmentation has not been given.

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

5. Segment Information (Continued)

5.1 Operating segments (Continued)

Segment results for the period ended at September 30, 2020:

	Fire	Transportation	Motor Own Damage	Motor Crafts Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME	153.272.925	24.488.801	772.294.239	1.127.969.611	139.031.958	17.442.260	27.113.510	96.273.452	96.984	-	2.357.983.740
1- Earned Premiums (Net of Reinsurer Share)	127.204.499	19.725.651	677.582.296	962.616.167	109.770.386	15.188.980	23.115.615	80.504.926	-	-	2.015.708.520
1.1- Premiums (Net of Reinsurer Share)	124.879.744	19.855.815	701.839.980	954.327.842	114.880.979	15.479.892	23.574.999	64.514.474	-	-	2.019.353.725
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	2.324.755	(130.164)	(24.257.684)	8.288.325	5.019.737	(290.912)	(459.384)	15.990.452	-	-	6.485.125
1.3-Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-	-	-	-	(10.130.330)	-	-	-	-	-	(10.130.330)
2- Investment Income transferred from Non-Technical Part	22.270.808	4.165.800	84.817.458	147.905.982	28.356.035	2.044.968	3.997.895	15.484.746	96.984	-	309.140.676
3- Other Technical Income (Net of Reinsurance Share)	-	-	3.238.405	-	-	-	-	283.780	-	-	3.522.185
4- Accrued Subrogation and Salvage Income (+)	3.797.618	597.350	6.656.080	17.447.462	905.537	208.312	-	-	-	-	29.612.359
TECHNICAL EXPENSES	(126.044.646)	(12.287.684)	(643.537.989)	(834.601.247)	(113.180.476)	(9.088.466)	(19.723.483)	(45.740.411)	(100.759)	-	(1.804.305.160)
1- Total Claims (Net of Reinsurer Share)	(69.832.971)	(6.397.968)	(433.747.309)	(675.285.313)	(64.872.566)	(8.683.921)	(12.753.206)	(6.462.762)	(127.998)	-	(1.278.164.014)
1.1- Claims Paid (Net of Reinsurer Share)	(50.935.040)	(3.774.202)	(374.411.523)	(482.580.890)	(23.773.180)	(7.587.446)	(8.188.884)	(4.737.319)	(119.665)	-	(956.108.149)
1.2- Changes in Outstanding Claims Reserve Reinsurer Share and Reserves Carried Forward (+/-)	(18.897.931)	(2.623.766)	(59.335.786)	(192.704.423)	(41.099.386)	(1.096.475)	(4.564.322)	(1.725.443)	(8.333)	-	(322.055.865)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer) (+/-)	3.415	-	-	-	(692)	-	-	-	-	-	2.723
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-) and Other Technical Expenses	(2.034.648)	-	(1.123.945)	-	(179.874)	(330.937)	-	-	-	-	(3.669.404)
4- Operating Expenses	(44.709.101)	(5.650.881)	(162.740.839)	(141.075.634)	(44.335.738)	455.628	(6.768.455)	(37.184.568)	-	-	(442.009.588)
4.1- Production Commissions (-)	(88.020.076)	(11.211.184)	(122.968.365)	(119.957.884)	(63.894.171)	(15.240.194)	(5.670.255)	(66.970.562)	-	-	(493.932.691)
4.2- Reinsurance Commissions (+)	70.956.213	7.581.471	176.116	20.824.875	31.846.166	19.616.074	(487.779)	37.070.339	-	-	187.583.475
4.3- General Administrative Expenses	(27.645.238)	(2.021.168)	(39.948.590)	(41.942.625)	(12.287.733)	(3.920.252)	(610.421)	(7.284.345)	-	-	(135.660.372)
4.4- Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	-	-	-	-	-	-	-	-	27.239	-	27.239
6- Other Technical Expenses (Net of Reinsurer Share)	(9.471.341)	(238.834)	(45.925.896)	(18.240.300)	(3.791.606)	(529.236)	(201.822)	(2.093.081)	-	-	(80.492.116)
TECHNICAL PROFIT/(LOSS)	27.228.279	12.201.117	128.756.250	293.368.364	25.851.482	8.353.794	7.390.027	50.533.041	(3.775)	-	553.678.580
Depreciation expense	-	-	-	-	-	-	-	-	-	501.791.179	501.791.179
Provisions account, net	-	-	-	-	-	-	-	-	-	(38.537.326)	(38.537.326)
Tax expenses	-	-	-	-	-	-	-	-	-	(101.165.393)	(101.165.393)
Financial expenses	-	-	-	-	-	-	-	-	-	(508.249.720)	(508.249.720)
Other	-	-	-	-	-	-	-	-	-	(7.391.554)	(7.391.554)
NET PROFIT/(LOSS)	27.228.279	12.201.117	128.756.250	293.368.364	25.851.482	8.353.794	7.390.027	50.533.041	(3.775)	(209.179.830)	344.498.750

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5. Segment Information (Continued)

5.1 Operating segments (Continued)

Segment results for the period ended at September 30, 2019:

	Fire	Transportation	Motor Own Damage	Motor Crafts Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME	146.611.350	23.576.683	636.514.371	922.393.862	138.221.816	15.698.803	20.652.204	88.358.052	98.209	-	1.992.125.350
1- Earned Premiums (Net of Reinsurer Share)	117.451.297	18.044.992	562.114.651	721.854.836	102.740.736	14.180.051	15.048.493	64.562.500	-	-	1.615.997.556
1.1- Premiums (Net of Reinsurer Share)	118.020.287	18.249.960	583.371.726	846.957.726	119.091.053	11.892.678	20.071.640	72.697.871	-	-	1.790.352.941
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(568.990)	(204.968)	(38.539.015)	(125.102.890)	(3.486.773)	2.287.373	(5.023.147)	(7.494.472)	-	-	(178.132.882)
1.3-Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-	-	17.281.940	-	(12.863.544)	-	-	(640.899)	-	-	3.777.497
2- Investment Income transferred from Non-Technical Part	26.524.205	6.011.063	69.663.737	187.931.829	35.428.782	1.409.707	5.603.711	23.795.552	98.209	-	356.466.795
3- Other Technical Income (Net of Reinsurance Share)	-	-	3.587.017	-	-	-	-	-	-	-	3.587.017
4- Accrued Subrogation and Salvage Income (+)	2.635.848	(479.372)	1.148.966	12.607.197	52.298	109.045	-	-	-	-	16.073.982
TECHNICAL EXPENSES	(112.356.023)	(9.291.761)	(581.968.326)	(696.749.723)	(99.113.781)	(11.294.788)	(12.955.071)	(42.826.477)	(105.327)	-	(1.566.661.277)
1- Total Claims (Net of Reinsurer Share)	(51.047.480)	(6.448.698)	(408.396.648)	(579.274.559)	(50.567.688)	(8.649.283)	(8.590.199)	(8.475.791)	(131.081)	-	(1.121.581.427)
1.1- Claims Paid (Net of Reinsurer Share)	(52.881.518)	(1.635.266)	(390.819.828)	(420.272.947)	(23.743.142)	(8.212.028)	(4.591.677)	(6.926.511)	(123.723)	-	(909.206.640)
1.2- Changes in Outstanding Claims Reserve Reinsurer Share and Reserves Carried Forward (+/-)	1.834.038	(4.813.432)	(17.576.820)	(159.001.612)	(26.824.546)	(437.255)	(3.998.522)	(1.549.280)	(7.358)	-	(212.374.787)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer) (+/-)	(16.106)	9.142	83.916	-	(969)	-	-	-	-	-	75.983
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-) and Other Technical Expenses	(7.748.809)	-	(834.933)	-	(142.974)	(208.074)	-	-	-	-	(8.934.790)
4- Operating Expenses	(45.073.207)	(2.666.443)	(139.705.347)	(102.917.602)	(44.953.918)	(1.917.507)	(4.248.910)	(31.346.426)	-	-	(372.829.360)
4.1- Production Commissions (-)	(75.569.949)	(8.062.567)	(99.142.085)	(88.142.088)	(61.217.762)	(16.073.302)	(5.657.815)	(50.134.738)	-	-	(404.000.306)
4.2- Reinsurance Commissions (+)	56.960.610	7.298.019	27.181	16.968.615	28.588.623	17.871.998	1.984.478	26.596.092	-	-	156.295.616
4.3- General Administrative Expenses	(26.463.868)	(1.901.895)	(40.590.443)	(31.744.129)	(12.324.779)	(3.716.203)	(575.573)	(7.807.780)	-	-	(125.124.670)
4.4- Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	-	-	-	-	-	-	-	-	25.754	-	25.754
6- Other Technical Expenses (Net of Reinsurer Share)	(8.470.421)	(185.762)	(33.115.314)	(14.557.562)	(3.448.233)	(519.924)	(115.962)	(3.004.260)	-	-	(63.417.438)
	34.255.327	14.284.922	54.546.045	225.644.139	39.108.035	4.404.015	7.697.133	45.531.575	(7.118)	-	425.464.073
Financial income	-	-	-	-	-	-	-	-	-	488.214.186	488.214.186
Depreciation expense	-	-	-	-	-	-	-	-	-	(24.384.538)	(24.384.538)
Provisions account	-	-	-	-	-	-	-	-	-	(16.489.832)	(16.489.832)
Tax expenses	-	-	-	-	-	-	-	-	-	(80.481.425)	(80.481.425)
Financial expenses	-	-	-	-	-	-	-	-	-	(494.491.199)	(494.491.199)
Other	-	-	-	-	-	-	-	-	-	(38.829.686)	(38.829.686)
NET PROFIT/(LOSS)	34.255.327	14.284.922	54.546.045	225.644.139	39.108.035	4.404.015	7.697.133	45.531.575	(7.118)	(166.462.494)	259.001.579

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6. Tangible Assets

September 30, 2020

<u>Cost Value</u>	<u>Owner Occupied Properties</u>	<u>Vehicles</u>	<u>Furnitures and Fixtures and Leased Tangible Assets</u>	<u>Other Tangible Assets (Including Leasehold Improvements)</u>	<u>Right-of-use assets</u>	<u>Total</u>
1 January	1.598.569	2.720.001	27.612.750	21.347.617	34.372.885	87.651.822
Additions	-	-	2.576.561	334.940	6.272.195	9.183.696
Disposals	-	-	(564.468)	-	-	(564.468)
30 September	1.598.569	2.720.001	29.624.843	21.682.557	40.645.080	96.271.050
<u>Accumulated Depreciation</u>						
1 January	(601.219)	(549.962)	(17.306.145)	(11.657.802)	(8.243.981)	(38.359.109)
Additions	(23.935)	(407.257)	(3.097.513)	(1.665.216)	(7.217.733)	(12.411.654)
Disposals	-	-	550.931	-	-	550.931
30 September	(625.154)	(957.219)	(19.852.727)	(13.323.018)	(15.461.714)	(50.219.832)
Net Book Value as of September 30	973.415	1.762.782	9.772.116	8.359.539	25.183.366	46.051.218

The Company has no impairment loss recognized for tangible fixed assets in the current period (December 31, 2019: None).

September 30, 2019

<u>Cost Value</u>	<u>Owner Occupied Properties</u>	<u>Vehicles</u>	<u>Furnitures and Fixtures and Leased Tangible Assets</u>	<u>Other Tangible Assets (Including Leasehold Improvements)</u>	<u>Right-of-use assets</u>	<u>Total</u>
1 January	1.598.569	2.720.001	23.741.539	21.052.437	33.797.961	82.910.507
Additions	-	-	2.612.682	47.390	-	2.660.072
Disposals	-	-	(717.808)	(21.657)	-	(739.465)
30 September	1.598.569	2.720.001	25.636.414	21.078.170	33.797.961	84.831.114
<u>Accumulated Depreciation</u>						
1 January	(569.248)	(5.962)	(14.906.985)	(9.300.583)	-	(24.782.778)
Additions	(28.222)	(406.882)	(2.387.148)	(1.649.008)	(6.141.720)	(10.612.980)
Disposals	-	-	635.899	8.129	-	644.027
30 September	(597.470)	(412.844)	(16.658.235)	(10.941.462)	(6.141.720)	(34.751.731)
Net Book Value as of September 30	1.001.099	2.307.157	8.978.179	10.136.708	27.656.241	50.079.383

7. Investment Properties

September 30, 2020

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
1 January	-	170.958	170.958
Additions	-	-	-
Disposals	-	(170.958)	(170.958)
30 September	-	-	-
<u>Accumulated Depreciation</u>			
1 January	-	(8.618)	(8.618)
Charge for the Period	-	(11.397)	(11.397)
Disposals	-	20.015	20.015
September 30	-	-	-
Net Book Value as of September 30	-	-	-

In the period of January 1 – September 30, 2020, the Company has no obtained rental income from investment properties (January 1 - September 30, 2019: None).

The Company has no investment properties as of September 30, 2020.

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7. Investment Properties (Continued)

30 September 2019

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
1 January	-	-	-
Additions	-	170.958	170.958
Disposals	-	-	-
September 30	-	170.958	170.958
<u>Accumulated Depreciation</u>			
1 January	-	-	-
Charge for the Period	-	(4.309)	(4.309)
September 30	-	(4.309)	(4.309)
Net Book Value as of 30 September	-	166.649	166.649

8. Intangible Assets

September 30, 2020

<u>Cost Value</u>	<u>Advances for Intangible Assets (*)</u>	<u>Rights</u>	<u>Total</u>
1 January	3.489.088	134.184.258	137.673.346
Additions	5.754.650	13.383.328	19.137.978
Disposals	-	(13.980)	(13.980)
Transfers	(3.318.078)	3.318.078	-
30 September	5.925.660	150.871.684	156.797.344
<u>Accumulated Amortization</u>			
1 January	-	(77.104.087)	(77.104.087)
Charge for the Period	-	(26.114.980)	(26.114.980)
Disposals	-	136	136
30 September	-	(103.218.931)	(103.218.931)
Net book Value as of September 30	5.925.660	47.652.753	53.578.413

(*) Intangible assets advances include the administrative advances for the projects implemented. Since the related assets do not create economic benefits no amortization is calculated over intangible assets.

September 30, 2019

<u>Cost Value</u>	<u>Advances for Intangible Assets (*)</u>	<u>Rights</u>	<u>Total</u>
1 January	1.949.163	111.808.560	113.757.723
Additions	1.681.857	14.715.806	16.397.663
Disposals	-	(260.153)	(260.153)
30 September	3.631.020	126.264.213	129.895.233
<u>Accumulated Amortization</u>			
1 January	-	(58.117.829)	(58.117.829)
Charge for the Period	-	(13.767.249)	(13.767.249)
Disposals	-	215.814	215.814
30 September	-	(71.669.264)	(71.669.264)
Net book Value as of September 30	3.631.020	54.594.949	58.225.969

(*) Intangible assets advances include the administrative advances for the projects implemented. Since the related assets do not create economic benefits no amortization is calculated over intangible assets.

As of September 30, 2020, the Company has not recognized any impairment loss for its intangible fixed assets in the current period (September 30, 2020: None).

The Company has no goodwill amount in its financial statements.

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9. Investments in Affiliates

On 28 June 2019, in line with the Board of Directors Decision No. 41 dated 31 December 2018; Merter B.V, which is a 25% owned subsidiary of Apollo European Real Estate III Co. and Apollo European Real Estate III (EU) Coöperatief U.A. to the companies.

10. Reinsurance Assets

Reinsurance assets are disclosed in Note 17.16.

11. Financial Assets

11.1 Subcategories of Financial Assets

Financial Assets and Financial Investments with Risks on Policy Holders

	30 September 2020	31 December 2019
Financial Assets Available for Sale	1.928.737.779	702.749.632
Financial Assets for Trading	96.844.871	590.751.326
Held-to-maturity financial assets	167.235.877	34.881.722
Financial Investments with Risks on Policy Holders	1.862.598	1.806.587
Provision for Impairment	(625.787)	0
Total	2.194.055.338	1.330.189.267

Financial Assets Available for Sale

	September 30, 2020			December 31, 2019		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value	Fair Value TL	Book Value TL
Private Sector bonds	703.872.858	713.763.403	713.763.403	326.266.711	333.690.554	333.690.554
Eurobond	748.627.623	746.009.470	746.009.470	152.806.509	152.749.578	152.749.578
Government Bonds	312.557.748	303.575.169	303.575.169	133.150.541	137.902.513	137.902.513
Equity Shares (Listed on the stock exchange)	181.117.704	164.795.643	164.795.643	70.267.685	77.976.955	77.976.955
Equity Shares (Not listed on the stock exchange)	594.094	0	594.094	430.032	0	430.032
Total	1.946.770.027	1.928.143.685	1.928.737.779	682.921.478	702.319.600	702.749.632

Financial Assets Held for Trading

	September 30, 2020			December 31, 2019		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Reverse Repo	21.999.882	22.007.114	22.007.114	447.999.882	448.138.096	448.138.096
Investment Funds	58.982.215	74.837.757	74.837.757	116.663.610	142.613.230	142.613.230
Total	80.982.097	96.844.871	96.844.871	564.663.492	590.751.326	590.751.326

Held-to-Maturity Financial Assets

	September 30, 2020			December 31, 2019		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	38.198.561	43.390.995	40.704.675	9.194.956	12.411.600	10.854.462
Eurobond	126.660.022	145.800.345	126.531.202	23.431.170	24.095.114	24.027.260
Total	164.858.583	189.191.340	167.235.877	32.626.126	36.506.714	34.881.722

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

11. Financial Assets (Continued)

11.2 Subcategories of Financial Assets (Continued)

Financial Investment with Risks on Policy Holders

	September 30, 2020			December 31, 2019		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	1.647.665	1.862.598	1.862.598	1.647.665	1.806.587	1.806.587

The breakdown of the shares classified as available-for-sale financial assets is as follows:

September 30, 2020

Equity Shares	Participation Rate %	Cost Value TL	Fair Value TL	Book Value TL
Borsa İstanbul Unlisted		158.256.012	152.646.785	152.646.785
Listed on overseas stock exchange		22.861.692	12.148.858	12.148.858
Tarsim	4,17	594.094	-	594.094
Unlisted		594.094	-	594.094
Total		181.711.798	164.795.643	165.389.737

December 31, 2019

Equity Shares	Participation Rate %	Cost Value TL	Fair Value TL	Book Value TL
Borsa İstanbul Unlisted		70.267.685	77.976.955	77.976.955
Tarsim	4,17	430.032	-	430.032
Unlisted		430.032	-	430.032
Total		70.697.717	77.976.955	78.406.987

As of September 30, 2020 and December 31, 2019, the blockage on financial assets in favour of Treasury and Finance Ministry has been disclosed in Note 17.1.

11.2 Securities other than equity shares issued in the current period

None (December 31, 2019: None).

11.3 Securities issued representing the amortized borrowing in the current period:

None (December 31, 2019: None).

11.4 Fair value of securities and long-term financial assets that are carried at cost in the balance sheet and cost of securities and long-term financial assets that are carried at fair value in the balance sheet

None (December 31, 2019: None)

11.5 Marketable securities issued by the shareholders, affiliates and subsidiaries of the Company classified under marketable securities and associates and their issuers:

None (December 31, 2019: None).

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11. Financial Assets (Continued)

11.6 Increase in value of financial assets in the last three years

Value increases and decreases (net-off deferred tax) reflect the difference between the book value and cost value of the financial assets at period end.

Type of Financial Asset	September 30, 2020	December 31, 2019	December 31, 2018
Financial Assets Available for Sale	(49.116.555)	8.235.792	(13.298.346)

11.7 Financial Instruments

- i) Information that enables the financial statement users to evaluate the financial position and performance of the Company is disclosed in Note 4.1.
- ii) Information on the book value of the financial assets is disclosed in Note 11.1.
- iii) Comparison of the fair value and book value of financial assets is disclosed in Note 11.1.
- iv) Financial assets overdue or impaired are presented in Note 11.1.

11.8 Financial Instruments

Information related to hedge accounting has been disclosed in Note 34.5

11.9 Effects of Exchange Rate Differences

Exchange rate differences arising from the payments of monetary items or different conversion rates used in the current period or at initial recognition are recognized in profit or loss.

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2020

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12. Receivables and Payables

12.1 Details of the Company's receivables

	September 30, 2020	December 31, 2019
Receivables from insurance operations		
Receivables from agencies	573.156.927	545.911.687
Bank Guaranteed Credit Card Receivables More than Three Months	153.420.029	170.128.762
Receivables from reinsurance companies	34.665.492	22.338.183
Receivables for salvage and claim recovery - net (Note 2.1.1)	33.197.619	31.126.674
Other receivables	535.984,00	517.651,00
Receivables from insurance operations	794.976.051	770.022.957
Cash deposited for insurance and reinsurance companies	30.954	30.954
Receivables from insurance and reinsurance companies	30.954	30.954
Claim recovery receivables under legal follow-up	123.647.114	109.552.591
Doubtful receivables from main operations	45.880.906	32.475.839
Total provision amount for doubtful receivables	169.528.020	142.028.430
Receivables from main operations	964.535.025	912.422.824
Provision for due from insurance operations (-) (*)	(31.318.013)	(18.093.784)
Provision for doubtful receivables from main operations (-) (**)	(24.260.983)	(23.816.352)
Provision for net claim recovery receivables under legal follow-up (-) (**)	(123.647.114)	(109.552.591)
Total provision amount for doubtful receivables	(179.226.110)	(151.462.727)
Receivables from main operations - net	785.308.915	760.960.097

(*) In balance sheet disclosed under provision for receivables from insurance operations.

(**) In balance sheet disclosed under provision for receivables from main operations.

The movement table of provision for doubtful receivables under legal follow-up is presented below:

	September 30, 2020	December 31, 2019
0 - 90 days	40.251.777	9.029.378
90+	35.464.556	21.712.042
Not due receivables	719.290.672	739.312.491
Total	795.007.005	770.053.911

The details of guarantees for the Company's receivables are presented below:

Type of Guarantees	September 30, 2020		December 31, 2019	
	Receivables	Doubtful Receivables	Receivables	Doubtful Receivables
Real Estate Pledges	55.889.538	1.001.200	55.282.791	1.195.700
Letters of Guarantee	44.102.771	-	43.933.079	-
Cash Guarantees	7.400.614	-	3.002.608	-
Government Bonds and Equity	2.656.919	-	314.439	7.500
Other	307.846	7.500	2.424.466	-
Total	110.357.688	1.008.700	104.957.383	1.203.200

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12. Receivables and Payables (Continued)

12.1 Details of the Company’s receivables (Continued)

The Company books provision for 100% of doubtful receivables disclosing guarantees. The movement table of provision for doubtful receivables under legal follow-up is presented below:

Doubtful trade receivable transactions

	2020	2019
Opening Balance, 1 January	(133.368.943)	(106.734.101)
Charge for the period	(19.121.756)	(10.352.820)
Collections	4.582.602	3.722.614
Closing Balance, 30 September	(147.908.097)	(113.364.307)

12.2 Receivable - payable relationship with shareholders, affiliates and subsidiaries of the Company

Due to/from shareholders, affiliates and subsidiaries in balance sheet includes dividends which have paid in previous years but not yet collected by shareholders. As of 30 September, 2020, the Company has liabilities amounting to TL 1,143 to shareholders (December 31, 2019: TL 1,143).

12.3 Total pledges and other guarantees received for receivables amount

Total amount of pledges and other guarantees received for receivables amounts to TL 110.357.688 as of 30 September, 2020 (December 31, 2019: TL 104,957,383).

12.4 Details of the Company’s foreign currency denominated receivables without exchange rate guarantees are presented below:

September 30, 2020

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount TL
EUR	21.502.812	7,8080	167.893.956
USD	1.225.629	9,1281	11.187.664
GBP	58.587	10,0309	587.680
CHF	86.607	8,4413	731.076
Other	35.592	0,0737	2.623
Total			180.402.999
Stocks and Bonds	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	33.752.989	7,8080	263.543.339
Total			263.543.339
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	33.177.272	7,8080	259.048.140
EUR	17.345.822	9,1281	158.334.398
GBP	150.942	10,0309	1.514.088
Total			418.896.625
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	(8.729.148)	7,8080	(68.157.188)
EUR	(1.088.960)	9,1281	(9.940.134)
Total			(78.097.322)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	(48.102.189)	7,8080	(375.581.891)
EUR	(13.487.136)	9,1281	(123.111.927)
Other			(1.154.953)
Total			(499.848.771)
Payables to Suppliers	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	(356.879)	7,8080	(2.731.152)
EUR	(103.836)	9,1281	(947.824)
Total			(3.734.332)
Net Foreign Currency Position			281.162.538

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12. Receivables and Payables (Continued)

12.4 Details of the Company’s foreign currency denominated receivables without exchange rate guarantees are presented below (Continued)

December 31, 2019

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount TL
EUR	2,401,308	6,6506	15,970,139
USD	2,405,752	5,9402	14,290,648
GBP	130,106	7,7765	1,011,769
CHF	100,218	6,0932	610,648
Other	943	0,0543	52
Total			31,883,256
Stocks and Bonds	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	30.724.479	5,9402	182.509.552
Total			182.509.552
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	46.809.061	5,9402	278.055.184
EUR	15.914.733	6,6506	105.842.523
GBP	76.635	7,7765	595.952
Other	96.229	6,0932	586.340
Total			385.079.999
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	(11.809.266)	5,9402	(70.149.402)
EUR	(2.454.675)	6,6506	(16.325.060)
Total			(86.474.462)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	(49.015.172)	5,9402	(291.159.924)
EUR	(7.960.738)	6,6506	(52.943.683)
Other			(1.964.019)
Total			(346.067.626)
Payables to Suppliers	Amount in Foreign Currency	Exchange Rate	Amount TL
USD	(743.357)	5,9402	(4.415.687)
EUR	(115.922)	6,6506	(770.947)
Total			(5.186.634)
Net Foreign Currency Position			161.744.085

13. Derivative Financial Instruments

During the period between January 1 – September 30, 2020, total income resulting from short-term swap contracts’ market valuation has been accounted under “Income from derivatives” in the income statement in amounting to TL 66.547.234 (January 1 - September 30, 2019: TL 147.502.951).

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14. Cash and Cash Equivalents

	September 30, 2020	December 31, 2019
Cash at Banks	866.489.221	1.356.583.321
Time Deposit	694.873.288	1.336.043.689
Demand Deposit	171.615.933	20.539.632
Bank Guaranteed Credit Card Receivables with Maturities less than three months	753.767.387	706.459.191
Total	1.620.256.608	2.063.042.512
Interest Accrual on Cash and Cash Equivalents	(6.530.263)	(2.557.348)
Blocked Deposits (*)	(259.261.218)	(228.718.207)
Cash Flow Based Grand Total	1.354.465.127	1.831.766.957

(*) Details of blocked deposits in the company's treasury are given in footnote 17.1.

The details of interest rates received from time deposits as of September 30, 2020 and December 31 2019 are as follows:

	September 30, 2020	December 31, 2019
	Annual Interest Rate	Annual Interest Rate
	(%)	(%)
TL	8,25 – 13,00	10,65 – 18,00
USD	0,10 - 1,50	1,25
EUR	0,01 - 0,05	0,2 - 0,35

As of September 30, 2020, the maturities of TL deposits are between January 2, 2020 and October 2, 2020; while the currency of foreign exchange deposits varies between January 2, 2020 and March 3, 2020.

As of December 31, 2019, the maturities of TL deposits vary between January 2, 2020 and September 16, 2020.

As March 31, 2020, there are TL 14,628,485 in the companies' other financial payables accounts. The (December 31, 2019: TL 47,970,865).

As of March 31, 2020, the Company has no in the valuation of repurchase agreements. (December 31, 2019: 303,863) (Note 26).

15. Share Capital

15.1 Transactions between the Company and its shareholders, showing each distribution made to the shareholders separately

The Company's shareholders and its shareholders' equity structure as of September 30, 2020 and December 31, 2019 are presented in Note 2.14.

The details of the transactions between the Company and its shareholders and the related balances as of the end of the period are presented in “Related Parties” note.

According to the provisions of the tax legislation, 50% of the profits arising from the sales of real estates in the assets of the companies are exempted from the corporation tax, provided that they are kept in a special fund account for at least five full years. The exempted profit can be transferred to another account nor be withdrawn unless it is in any other account, except for the addition to the capital within five years. The Sales Profit To Be Added To The Capital account includes the amounts transferred from the real estate sales to the equity.

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15. Share Capital (Continued)

15.2 Reconciliation of carrying values of each capital account and each reserve as of the beginning and end of the period showing each change separately

Legal Reserve

According to the Turkish Commercial Code, legal reserves; consists of first and second legal reserves. The first legal reserve is appropriated out of the statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves cannot be distributed unless they exceed 50% of the total capital; however, they can be used to compensate for losses in case of depletion of reserve reserves. As of September 30, 2020, the Company has legal reserves amounting to TL 82,886,210 (December 31, 2019: TL 45,882,288).

Special Funds (reserves)	September 30, 2020	December 31, 2019
Actuarial (gain)/loss	5.144.160	4.518.213
Total	5.144.160	4.518.213

Gains from sale of fixed asset

75% of TL 127,169,601 of total gains from the sale of real estates, namely TL 95,377,201, which was obtained through the sale of real estate in Bursa and Istanbul in 2009, sale of real estate in İzmir in 2010, sale of Adapazarı Karaaptiller land and participation shares in 2011, sale of real estate in İzmir Tepecik in 2011, sale of real estate in Istanbul Fındıklı and Ankara in 2013, and sale of real estate in Ankara, Çanakkale and İzmir in 2014, has been decided not to be distributed in the related accounting periods but to be followed under special funds account pursuant to the Article 5-1/3 of the Corporate Tax Law and in accordance with the Tax Legislation, Capital Markets Legislation and other related financial legislation.

15.3 For each class of share capital

15.3.1 The explanation about the number of capital shares

The Company's issued capital share is composed of 30,600,000,000 shares having a nominal amount of TL 0.01 each. These shares are presented by Class 10 shares (December 31, 2019: 30,600,000,000 shares with a nominal amount of TL 0.01 each).

15.3.2 The explanation about the number of issued and fully paid shares and issued but not fully paid shares

None (December 31, 2019: None).

15.3.3 Nominal value of an equity share or equity shares without having nominal value

Nominal value of equity shares is TL 0.01 per share (December 31, 2019: TL 0.01 per share).

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15. Share Capital (Continued)

15.3 For each class of share capital (Continued)

15.3.4 Reconciliation of the number of the equity shares at the beginning and ending of the period

	Number of Shares	
	September 30, 2020	December 31, 2019
Beginning of the Period, 1 January	30,600,000,000	30,600,000,000
Issued in the Current Period	-	-
End of the Period, 30 September	30,600,000,000	30,600,000,000

15.3.5 Rights, privileges and limitations on dividend payments and repayment of share capital

In accordance with Article 61 of the Company’s Articles of Association, corporate tax is deducted from the net profit which is determined and calculated based on the issued balance sheet. 5% of statutory reserve is allocated over the remaining amount and subsequent to this allocation, at minimum, 1. dividend amount that is determined by the CMB is also allocated over the final remaining amount.

The Company’s capital does not include any preferred shares.

Based on the guidelines and principals issued by the Capital Markets Board (the Board) dated January 27, 2010 for the distribution of dividends from the profit generated from operating activities in 2010, concerning public entities, the shares of which are quoted in public equity markets, it has been agreed upon not to set a mandatory minimum dividend payment quota. Furthermore, it has been agreed upon to let public entities perform dividend distributions as stated within the “Communique Concerning Principal Matters on Dividend Advances Distributed by Public Entities Under the Regulation of the Capital Markets Law” (Serial: IV, No: 27), as stated within the principal agreement of the companies and as stated within the policies on dividend distribution that have been shared with the public.

15.3.6 Equity shares held by the Company, its affiliates or its subsidiaries

None (December 31, 2019: None).

15.3.7 Equity shares held for future sale for forward transactions and contracts

None (December 31, 2019: None).

15.4 Share based payments

None (December 31, 2019: None).

15.5 Subsequent events

Disclosed in note 46.

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16. Other Provisions and Capital Component of Discretionary Participation

16.1 Each income and expense item and their total amounts accrued under shareholders’ equity in the current period in accordance with other standards and interpretations

	September 30, 2020	December 31, 2019
Available for sale financial assets valuation difference	(49.116.555)	8.235.793
Deferred tax effect	9.823.311	(1.647.159)
Total	(39.293.244)	6.588.634

In accordance with changes regarding “TAS 19 - Employee Benefits” effective as of January 1, 2013, actuarial loss amounting to TL 6,430,200 (Deferred tax effect: TL 1,286,040), (December 31, 2019: TL 5,647,766 , Deferred tax effect: TL 1,129,553) resulting from retirement pay liability calculation has been accounted to “Other Reserves and Retained Earnings” under equity.

16.2 Net exchange differences classified separately as an equity item and reconciliation of exchange differences at the beginning and end of the period

None (December 31, 2019: None).

16.3 Hedging for forecasted transactions and net investment hedging

None (December 31, 2019: None).

16.4 Hedging against financial risks

Information related to hedge accounting has been disclosed in Note: 34.5.

16.5 Gains and losses from available for sale financial assets recognized directly in equity for in the current period and amounts recognized in the current profit or loss taken from shareholders’ equity

	2020 Increase/(Decrease)	2019 Increase/(Decrease)
Beginning of the Period, 1 January	6.588.634	(10.638.677)
Increase/decrease in value recognized under the shareholders’ equity in the current period	(45.881.878)	17.227.311
End of the Period, 30 September	(39.293.244)	6.588.634

16.6 Income and loss related to affiliates recognized directly in equity in the current period

Disclosed in note 34.5.

16.7 Revaluation increases in tangible fixed assets

None (December 31, 2019: None).

16.8 Current and deferred tax in relation to debit and credit items directly charged in equity

None (December 31, 2019: None).

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

17. Insurance Liabilities and Reinsurance Assets

17.1 Guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets

The Company’s guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets are below:

Branch	September 30, 2020		December 31, 2019	
	Amount to be Provided TL	Current Blockage TL	Amount to be Provided TL	Current Blockage TL
Life	1.577.345	1.897.929	1.602.590	1.806.587
Government Bonds		1.897.929		1.806.587
Non-Life (*)	308.576.202	309.161.218	195.062.313	228.718.207
Time Deposit		209.261.218		178.718.207
Government bonds		49.900.000		
Credit Card		50.000.000		50.000.000
Total	310.153.547	311.059.147	196.664.903	230.524.794

(*) As of September 30, 2020, the required guarantee amount has been calculated based on capital requirements in June 30, 2020. The Company has on behalf of Treasury and Finance Ministry, TL 209.261.218 time deposits, TL , 49.900.000 Government bonds and TL 50,000,000 credit card blocked.

17.2 Number of life insurance policies, additions, disposals in the current period, and current life insurances and their mathematical reserves

	2020		2019	
	Unit	Mathematical Reserves TL	Unit	Mathematical Reserves TL
Beginning of the Period, 1 January	173	1.446.871	182	1.473.636
Participations in the Current Period	-	-	-	-
Leavings in the Current Period	(6)	(27.238)	(9)	(25.753)
End of Period, 30 September	167	1.419.633	173	1.447.883

Mathematical reserves amounting to TL 1.419.633 (December 31, 2019: TL 1,446,871) and Reserves for the policies, investment risk of which belongs to life insurance policy holders amounting TL 141.963 (December 31, 2019: TL 147,367) and cancelled policy numbers together with their mathematical reserves are included in the table above.

Financial assets classified as Financial Assets Available For Sale under Financial Investments at Policyholder’s Risk are valued with current value as explained in note 11; as of September 30, 2019, there is no difference in the value accounted in Life Mathematical Reserve account discounted with current value (December 31, 2019: None).

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17. Insurane Liabilities and Reinsurance Assets (Continued)

17.3 Insurance guarantees given ton on life insurances based on insurance branches

Branch	September 30, 2020	December 31, 2019
Motor Crafts Liability	45.228.465.479.090	30.947.452.871.905
Health	7.859.915.001.562	19.184.808.633.587
Fire and Natural Disaster	1.190.987.659.905	1.108.881.267.915
General Losses	324.678.292.591	401.874.537.958
Transportation	263.682.170.438	229.031.409.773
General Liability	157.515.196.744	217.122.301.005
Financial Losses	135.069.982.036	143.962.247.275
Motor Own Damage	169.551.098.595	120.500.080.048
Air Crafts Liability	79.431.724.196	56.376.566.352
Accident	41.850.748.369	38.320.933.542
Legal Protection	10.270.632.963	9.761.649.517
Air Crafts	3.968.287.756	6.849.068.075
Suretyship	1.671.854.319	1.701.829.554,49
Credit	1.012.398.205	964.404.821
Total	55.468.070.526.770	52.467.607.801.327

17.4 Pension investment funds established by the Company and their unit prices

None (December 31, 2019: None).

17.5 Number and amount of participation certification in portfolio and circulation

None (December 31, 2019: None).

17.6 Number of portfolio amounts of additions, disposals, reversals, and current individual and group pension participants

None (December 31, 2019: None).

17.7 Valuation methods used in profit share calculation for life insurances with profit shares

None (December 31, 2019: None).

17.8 Number of the additions and their group or individual gross and net share participations in the current period

None (December 31, 2019: None).

17.9 Number of additions from the other companies and their group or individual gross and net share participations in the current period

None (December 31, 2019: None).

17.10 Number of transfers from the Company's life portfolio to individual pension portfolio and their group or individual gross and net share participations

None (December 31, 2019: None).

17.11 Number of transfers from the Company's individual pension portfolio to other company or not and together their personal and corporate allocation and gross and net share participations

None (December 31, 2019: None).

17.12 Number of additions of life insurances and their group or individual gross and net mathematical reserves

None (December 31, 2019: None).

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.13 Number of disposals of life insurances and their group or individual gross and net mathematical reserves

All of disposals of life insurances in current period are individual and units and amounts are represented in Note 17.2.

17.14 Profit share distribution rate of life insurances in the current period

In the current period, profit share distribution rate of life insurances are calculated as below:

	September 30, 2020 Profit Share Distribution	December 31, 2019 Profit Share Distribution
TL (Life Insurance)	9.00	9.00

17.15 Explanation of information that describes amounts arose from insurance agreements

None (December 31 2019: None).

17.16 Assets, liabilities, income, expense and cash flows from insurance contacts recognized when the insurer is a ceding company:

Reinsurance Assets

	30 September 2020	31 December 2019
Reinsurance Share of Outstanding Claims Reserve (Note 4.1.2.2)	2.143.528.931	1.702.167.573
Reinsurance Share of Unearned Premiums Reserve (Note 20)	1.055.512.828	951.108.392
Reinsurance Share of Equalization Reserve (Note 20)	177.764.118	160.236.890
Receivables from Reinsurance Companies (Note 12.1)	34.665.492	22.338.183
Reinsurance Share of Unexpired Risks Reserve (Note 20)	252.764.905	149.871.549
Reinsurance Share of Premiums and Discounts	542.331	892.019
Cash Deposited For Insurance & Reinsurance Companies (Note 12.1)	30.954	30.954
Total	3.664.809.559	2.986.645.560

Reinsurance Liabilities

	30 September 2020	31 December 2019
Payables to Insurance and Reinsurance Companies (Note 19.1)	657.280.968	554.050.816
Deferred Commissions Income (Note 19.1)	127.021.258	115.046.314
Total	784.302.226	520.228.222

Income / Expense on Reinsurance Agreements

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
Reinsurance Share of Outstanding Claims Reserve	441.361.358	247.127.178	646.116.599	439.607.574
Reinsurance Share of Unearned Premiums Reserve (Note 20)	104.404.435	21.289.789	123.931.829	(96.088.335)
Reinsurance Share of Claims Paid	449.777.215	179.924.369	365.071.802	105.259.991
Commissions Received (Note 32)	187.583.475	65.840.645	156.295.616	56.132.843
Reinsurance Share of Premiums and Discounts	(349.687)	(397.088)	(59.156.800)	1.215.519
Reinsurance Share of Unexpired Risks Reserve (Note 20)	102.893.357	8.395.739	16.809.742	(48.100.214)
Premiums Ceded to Reinsurers (-)	(1.516.299.873)	(509.013.100)	(1.327.229.536)	(331.673.888)
Total	(230.629.720)	13.167.532	(78.160.748)	126.353.490

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.16 Assets, liabilities, income, expense and cash flows from insurance contacts recognized when the insurer is a ceding company: (Continued)

Branch	September 30, 2020			September 30, 2019		
	Premiums Ceded (*)	Reinsurance Share of Technical Reserves (**)	Reinsurance Share of Claims Paid	Premiums Ceded (*)	Reinsurance Share of Technical Reserves (**)	Reinsurance Share of Claims Paid
Fire and Natural Disaster	(561.038.075)	391.435.140	62.092.081	(439.432.530)	428.749.662	46.420.883
Health	(248.545.565)	18.446.898	140.473.895	(197.778.653)	34.309.814	137.069.587
General Losses	(155.513.554)	(15.746.005)	68.265.170	(152.323.124)	(70.199.465)	59.222.636
Motor Crafts Liability	(245.047.433)	1.491.316	59.038.399	(221.315.724)	31.379.163	63.761.979
General Liability	(146.616.487)	268.399.985	25.620.020	(117.126.809)	180.340.298	15.645.405
Financial Losses	(67.031.906)	6.847.507	19.896.176	(71.654.407)	98.393.397	19.221.755
Transportation	(40.734.320)	23.639.165	17.368.875	(36.988.397)	12.716.428	12.795.904
Accident	(7.056.140)	(1.145.570)	2.199.174	(4.770.712)	(6.132.243)	4.702.954
Fidelity Guarantee	(1.675.362)	17.894.709	(11.665.229)	(3.046.219)	1.068.348	396.333
Air Crafts Liability	(13.367.901)	36.204.901	333.275	(22.446.438)	(45.157.965)	
Air Crafts	(8.425.071)	(75.037.053)	39.549.084	(39.937.183)	22.058.971	2.756.836
Water Crafts	(14.725.506)	(26.898.065)	26.313.443	(14.458.675)	38.426.539	2.527.612
Credit	(2.315.111)	628.788	294.665	(2.378.618)	(410.902)	549.918
Motor Own Damage	(4.207.442)	2.147.747	(1.813)	(3.572.047)	2.159.325	
Total	(1.516.299.873)	648.309.463	449.777.215	(1.327.229.536)	727.701.370	365.071.802

(*) As explained in Note 2.15, Transferred Premiums amounted to TL 99.055.721 (September 30, 2019: TL 92.751.580) transferred to the Social Security Institution as of September 30, 2020.

(**) Technical reserves reinsurer share includes unearned premium reserve, unexpired risk reserve, outstanding claim reserve, bonus and discount reserve.

The company defers commission income that arises from reinsurance agreements which has been bought ascendant enterprise.

17.17. Comparison of incurred claims with past estimations

Disclosed in Note 4.1.2.3.

17.18. Effects of changes in the assumptions used in the measurement of insurance assets and liabilities, showing the effects of each change that has significant effect on the financial statements separately

Disclosed in note 4.1.2.4.

17.19 Reconciliation of insurance payables, reinsurance assets and changes in deferred acquisition costs, if any

	2020	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, January 1	669.097.130	2.986.645.560
Net change of the year	115.205.096	678.163.999
End of the period – September 30	784.302.226	3.664.809.559
	2019	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, January 1	520.228.222	2.219.291.401
Net change of the year	41.403.078	831.885.794
End of the period, September 30	561.631.300	3.051.177.195

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.20 Deferred production commissions and deferred commission income

The part of the commissions paid to the intermediaries for the premiums written and the commissions received from the reinsurers due to the premiums transferred to the reinsurers are accounted for in the balance sheet under “Deferred manufacturing expenses” and “deferred commission income” accounts, respectively, and in the Income Statement under the operating expenses account. Deferred commission expenses and deferred commission income as of September 30, 2020 amounted to 281.371.008 TL (December 31, 2019: 291,440,909) and TL 127.021.258 (December 31, 2019: TL 115,046,314), respectively, deferred production expenses and deferred tax commission income is included in account items.

18. Investment Contract Liabilities

Disclosed in Note 17.3.

19. Trade and Other Payables, Deferred Income

19.1 Sub-classifications of presented items in the Company’s operations line with

	September 30, 2020	December 31, 2019
Payables from Insurance and Reassurance Operations (Note 17.16)	657.280.968	554.050.816
Payables from Insurance Operations	657.280.968	554.050.816
Payables to Turkish Catastrophe Insurance Pool	25.514.755	23.480.700
Payables to contracted enterprises	32.627.519	48.821.504
Payables to suppliers	9.562.837	27.539.894
Turkish Catastrophe Insurance Pool Payables to agencies	1.554.475	979.333
Other	942.763	856.603
Other Payables	70.202.349	101.678.034
Payables to SSI regarding medical expenses	37.200.485	42.392.477
Deferred commission income (Not 17.16)	127.021.258	115.046.314
Provision for Cost Expenses (not 23.4)	89.066.397	59.947.386
Expense accruals (Not 23.4)	-	29.597.359
Deferred Income and Expense Accruals	216.087.655	204.591.059
Total Short Term Liabilities	980.771.457	246.983.536
Total Trade and Other Payables, Deferred Income	980.771.457	902.712.386

19.2 Related Party Disclosures

Details related with related party balances and transactions for the current financial period are disclosed in Note 45.

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20. Payables

Insurance Technical Reserves	September 30, 2020	December 31, 2019
Unearned Premiums Reserve - Net (*)	1.398.945.931	1.405.431.056
Outstanding Claims Reserve - Net (Note 4.1.2.2)	1.417.246.937	1.095.191.072
Equalization Reserve - Net	99.361.876	95.692.471
Unexpired Risks Reserve - Net	1.419.633	1.446.871
Mathematical Reserves - Net	24.541.121	14.410.790
Bonuses and rebates reserve - Net	5.690	8.413
Total	2.941.521.188	2.612.180.673

(*) While calculating the income statement effect of the provisions for unearned premiums, TL 1.693.796 the deferral effect of the premiums transferred to assistance companies, which is included in operating expenses, has been netted off (December 31, 2019: TL 9,906,207)

As disclosed in Note 2.15, the reinsurers' share of unearned premiums includes SSI share as of September 30, 2020 which is TL (4.501.877) (December 31, 2019: TL 23,363,624).

The movement of technical reserves are as follows:

Unearned Premium Reserve:

	September 30, 2020			September 30, 2019		
	Gross	Reinsurance Share(*)	Net	Gross	Reinsurance Share(*)	Net
Beginning of the Period, January	2.356.539.448	(951.108.392)	1.405.431.056	1.769.723.314	(729.548.076)	1.040.175.238
Net change	97.919.310	(104.404.435)	(6.485.125)	302.064.710	(123.931.829)	178.132.881
End of the Period, September 30	2.454.458.758	(1.055.512.827)	1.398.945.931	2.071.788.024	(853.479.905)	1.218.308.119

(*) The reinsurance share for unearned premiums also includes the share of SSI amounting to TL (4.501.877) (September 30, 2019: TL 13.014.099),

Unexpired Risk Reserve:

	September 30, 2020			September 30, 2019		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	164.282.339	(149.871.549)	14.410.790	127.573.257	(106.920.200)	20.653.057
Net change	113.023.687	(102.893.356)	10.130.331	13.032.245	(16.809.742)	(3.777.497)
End of the Period, September 30	277.306.026	(252.764.905)	24.541.121	140.605.502	(123.729.942)	16.875.560

Equalization Reserve:

	September 30, 2020			September 30, 2019		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	255.929.361	(160.236.890)	95.692.471	189.329.309	(106.980.739)	82.348.570
Net change	21.196.633	(17.527.228)	3.669.405	44.787.394	(35.852.604)	8.934.790
End of the Period, September 30	277.125.993	(177.764.118)	99.361.876	234.116.703	(142.833.343)	91.283.360

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20. Payables (Continued)

Provision for bonus and discount

	September 30, 2020			September 30, 2019		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	900.431	(892.018)	8.413	62.162.575	(62.065.520)	97.055
Net change	(352.410)	349.687	(2.723)	(59.232.783)	59.156.800	(75.983)
End of the Period, September 30	548.020	(542.331)	5.690	2.929.792	(2.908.720)	21.072

Outstanding claims reserve:

The movement of Outstanding Claims Reserve of 2020 and 2019 are presented in note 4.1.2.3.

The movement table of the total lease obligation and lease obligations that the Company has recognized within the scope of the transition to IFRS 16- Leases standard is as follows:

	September 30, 2020	December 31, 2019
Short-term rent liabilities	4.721.617	12.599.956
Long-term rent liabilities	39.863.638	36.383.769
Alternative borrowing rate and discount amount	(14.358.945)	(19.233.484)
Total rent liabilities	30.226.310	29.750.241

	September 30, 2020	September 30, 2019
Total lease liability as of January 1	29.750.241	-
IFRS 16 effect	-	31.004.961
New lease agreements	6.272.195	-
Terminated lease agreements	-	-
Rent payments	(11.628.883)	(6.575.040)
Interest payments	5.832.757	6.277.013
Total lease liability as of the balance sheet date	30.226.310	30.706.890

21. Deferred Income Tax

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

Within the scope of the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated December 5, 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. For severance indemnity provision and marketable securities valuation difference, 20% is used. The Company's deferred income tax amounts are disclosed in footnote 35.

22. Retirement and Welfare Liabilities

Provisional Article 23 of the Banking Act No: 5411 requires the transfer of pension funds, which are established for employees of financial institutions, insurance and reinsurance companies under Social Security Act, to Social Security Institution ("SSP") as of the effective date of the Act within 3 years and principles and procedures of fund transfer are also prescribed in accordance with the Council of Ministers' order no: 2006/11345 issued on November 30, 2006.

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22. Retirement and Welfare Liabilities (Continued)

However, transfer requirement in the related Act was annulled based on the application made by the Turkish President on November 2, 2005 in accordance with the order of the Constitutional Court (no: E.2005/39, K.2007/33) issued on March 22, 2007 as effective from the date of publishment in the Official Gazette no: 26479 on March 31, 2007.

On the other hand, the Act No: 5754 “Amendments in Social Securities and General Health Insurance Acts Specific Laws and Related Requirements” published in the Official Gazette No: 26870 on May 8, 2008, requires the transfer of participants or beneficiaries of pension funds to SSI as of the effective date of the Act within 3 years and prescribes the extension period of the transfer as maximum of two years upon the order of Council of Ministers.

The Act prescribes that, as of the transfer date, present value of fund liabilities should be measured by considering the fund income and expense based on the insurance branches presented in the related act using 9,8% of technical interest rate in the actuarial calculation. The Act also specifies that the uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by institutions that made the fund transfers.

Aksigorta A.Ş. is a member of Akbank T.A.Ş Pension Fund (Akbank T.A.Ş Tekaüt Sandığı). At each period-end, the Company pays its liability calculated for its share to the pension fund. As the result of the actuarial calculations made in relation to the Pension Fund of Akbank T.A.Ş. established in accordance with Article 20 of the Social Securities Act No: 506, the Company has no deficits by the end of the current period and no payments have been made in relation to any deficit amount by the Company. Fund assets are adequate in covering all the funds liabilities; therefore, the Company management anticipates no liabilities to be assumed in relation to the above-mentioned matter.

Retirement Pay Provisions:

Under the terms of Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are entitled to retirement pay provisions subsequent to the completion of their retirement period by gaining a right to receive retirement payments in accordance with the amended Article 60 of the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on March 6, 1981 and August 25, 1999, respectively. Some transitional provisions related to pre-retirement service term was excluded from the law since the related law was amended as of May 23, 2002.

Employee termination benefits provisions are legally not a subject of funding. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at September 30 2020 and December 31, 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. As of September 30, 2019, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 12,09% (December 31, 2019: 15.4%) and a discount rate of 14% (December 31, 2019: 11.7%), resulting in a real interest rate of 4% (December 31, 2019: 4%). The anticipated rate of forfeitures is considered and estimated rate of the Company’s retirements pay is also taken into account.

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22. Retirement and Welfare Liabilities (Continued)

However, during this estimation, other conditions other than the ages specified in subparagraphs (a) and (b) of the first paragraph of Article 60 of Law 506, which are stated in paragraph 1 of Article 14 of Article 14 of the Labor Law No. 1475, temporary. According to Article 81, the severance payments to be made due to the fact that they complete the insured period (15 years) and the number of premium payment days (3600 days) foreseen to be connected to the old-age pension are separated from their estimations.

Actuarial loss amounting to TL 6,430,200 (Deferred tax effect: TL 1,286,040) in the calculation of severance pay provision is accounted in the account of private funds under the equity (Note 15.2).

As the maximum liability is updated semiannually, as of September 30, 2020, the maximum amount of TL 7,117 effective from July 1, 2020 has been taken into consideration in calculation of provision from employment termination benefits (December 31, 2019: TL 6.730).

Movement of employee termination benefits provisions are presented in the statement below:

	2020	2019
Beginning of the period, January 1	7.052.711	6.503.684
Charge for the period (Note 47)	1.247.358	1.312.254
Actuarial Gain/(Loss)	782.434	1.298.512
Retirement Payments (-)	(675.617)	(1.813.348)
End of the period, September 30	8.406.885	7.301.102

23. Other Liabilities and Expense Accruals

23.1 Provisions related to employee benefits and others

	2020		2019	
	Unused Vacations Provisions	Social Security Premiums Payable	Unused Vacations Provisions	Social Security Premiums Payable
Beginning of the period, January 1	2.051.784	219.016	1.833.998	168.325
Movements in the Current Period	(41.745)	29.816.674	273.965	22.516.211
Payments in the Current Period	(65.954)	(29.861.660)	(207.809)	(22.445.910)
End of the period, September 30	1.944.085	174.030	1.900.154	238.626

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23. Other Liabilities and Expense Accruals (Continued)

23.2 Total Amount of Non-Liability Commitments

Company’s statement of pledges and commitments as of September 30, 2020 and December 31, 2019 are presented below:

Collaterals, Pledges and Mortgages Given by the Company(CPM)	March 31, 2020		December 31, 2019	
	Amount in Original Currency	Amount TL	Amount in Original Currency	Amount TL
A. Total amount of CPM’s given on behalf of the Company legal entity	-	-	-	-
B. Total amount of CPM’s given in favor of joint ventures included in full consolidation	-	-	-	-
C. Total amount of CPM’s given as the guarantee of the third parties for the maintenance purpose of the ordinary activities	10.361.17	10.361.171	7.786.291	7.786.291
Turkish Lira	1	10.361.171	7.786.291	7.786.291
USD	-	-	-	-
D. Total amount of the other CPM’s given		488.179		488.179
i. Total amount of CPM’s given in favor of the parent company	-	-	-	-
ii. Total amount of CPM’s given in favor of other group companies not included in clauses B and C	-	-	-	-
iii. Total amount of CPM’s given in favor of third parties not included		488.179		488.179
Turkish Lira	488.179	488.179	488.179	488.179
Total		10.849.350		8.274.470

Other CPM’s given by the Company is zero in proportion to the Company’s equity (December 31, 2019: None).

23.3 Provisions, Contingents Assets and Liabilities

Contingent Liabilities	September 30, 2019	December 31, 2019
Outstanding Claims under Litigation (*)	881.834.867	712.591.573
Unused Vacation allowance	1.944.085	2.051.784
Business Cases Provision	1.286.273	1.230.851
Total	885.065.224	715.874.208
Contingent Assets	September 30, 2020	December 31, 2019
Subrogation Receivable Litigations, Gross	176.094.370	131.094.166
Trade Receivable Litigations and Executions	8.295.660	8.946.215
Total	184.390.030	140.040.381

(*) Outstanding claims provision consists of net receivables, interest and expenses & agency fees in the amount of TL 675.352.832, TL 177.712.368 and TL 28.769.667 respectively.

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23. Other Liabilities and Expense Accruals (Continued)

23.3 Provisions, Contingents Assets and Liabilities (Continued)

As of June 24, 2014, Tax Inspection Board of T.C. Ministry of Finance has launched a limited tax investigation related to the Banking and Insurance Transaction Tax for the years 2009, 2010, 2011 and 2012 and as a consequence of the tax inspection, tax of TL 1.8 million and tax penalty of TL 2.8 million for the year 2009, tax of TL 2 million and tax penalty of TL 3 million for the year 2010, tax of TL 3 million and tax penalty of TL 4.6 million for the year 2011 and tax of TL 4.3 million and tax penalty of TL 6.4 million for the year 2012 and in total tax and tax penalty of TL 27.9 million related to Banking Insurance Transaction Tax were imposed to the Company. The Company has not booked any provision in the financial statements since it believes that its practice is in compliance with the regulations. On January 16, 2015, the Company filed a reconciliation request for the year 2009 and on February 20, 2015 filed a reconciliation request for the years 2010, 2011 and 2012 to the Large Taxpayers Office Commission of Reconciliation. Large taxpayers were interviewed by the Tax Office on February 15, 2018, and on February 27, 2018 a lawsuit was filed against the Grand Taxpayers Office as no compromise could be reached. In the cases of 2009, 2010, 2011 and 2012, in tax litigation related to BITT, Tax Court has decided in favor of the Company in the cases of 2009 and 2010. The cases of 2011 and 2012 continue before the Tax Court.

In the lawsuit filed before the Tax Court regarding the BITT in 2009 proceedings, the Grand Taxpayers applied for taxpayers' tax office based on the decision made by the tax court in favor of the company (cancellation of tax and penalty charges). The Istanbul Regional Administrative Court dismissed the appeal.

23.4 Provision for Expense Accruals

	September 30, 2020	December 31, 2019
Commission provision (*)	27.575.795	28.447.678
Performance premium provision	6.805.094	8.433.529
Guarantee fund provision	10.221.182	13.656.077
Expense provision	14.344.493	5.528.924
Business Cases Provision	1.286.273	1.230.851
Unused vacation provision	1.944.085	2.051.784
Donation	23.620.000	0
Other	3.269.475	598.543
Total	89.066.397	59.947.386

(*) Commission provision to be distributed to the agency, bank and institutional channels for the current period.

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24. Net Insurance Premium Revenue

	January 1 – September 30, 2020		
	Gross	Reinsurance share	Net
Motor Crafts Liability (*)	1.199.375.274	(245.047.433)	954.327.841
Fire and Natural Disaster	685.917.820	(561.038.075)	124.879.745
Motor Own Damage	706.047.422	(4.207.442)	701.839.980
Health	313.060.039	(248.545.565)	64.514.474
General Losses	224.347.911	(152.490.344)	71.857.567
General Liability	167.040.196	(149.627.248)	17.412.948
Financial Losses	99.515.303	(67.031.906)	32.483.397
Transportation	60.590.135	(40.734.320)	19.855.815
Accident	31.715.517	(7.068.589)	24.646.928
Water Crafts	17.379.642	(14.725.506)	2.654.136
Air Crafts	8.425.505	(8.425.071)	434
Air Crafts Liability	13.368.254	(13.367.901)	353
Fidelity Guarantee	3.063.517	(1.675.362)	1.388.155
Legal Protection	3.407.111	-	3.407.111
Credit	2.399.952	(2.315.111)	84.841
Total - Non-life branches	3.535.653.598	(1.516.299.873)	2.019.353.725
Written premium - Life branch	-	-	-
Total	3.535.653.598	(1.516.299.873)	2.019.353.725

	January 1 – September 30, 2019		
	Gross	Reinsurance share	Net
Motor Own Damage	1.068.273.451	(221.315.725)	846.957.726
Fire and Natural Disaster	557.452.817	(439.432.530)	118.020.287
Motor Crafts Liability	586.943.773	(3.572.047)	583.371.726
Health	270.476.524	(197.778.653)	72.697.871
General Losses	222.134.982	(151.574.139)	70.560.843
General Liability	134.632.493	(117.113.107)	17.519.386
Financial Losses	105.347.289	(71.654.407)	33.692.882
Transportation	55.238.357	(36.988.397)	18.249.960
Accident	27.785.923	(5.533.398)	22.252.525
Water Crafts	16.458.336	(14.458.675)	1.999.661
Air Crafts	39.937.694	(39.937.183)	510
Air Crafts Liability	22.446.893	(22.446.438)	456
Fidelity Guarantee	4.936.687	(3.046.219)	1.890.468
Legal Protection	3.038.278	-	3.038.278
Credit	2.478.980	(2.378.618)	100.362
Total - Non-life branches	3.117.582.477	(1.327.229.535)	1.790.352.942
Written premium - Life branch	-	-	-
Total	3.117.582.477	(1.327.229.535)	1.790.352.942

(*) Reinsurance share of land vehicles liability branch amounting to TL 99.055.721 (January 1 – September 30, 2019: TL 92.751.580) includes premiums to be ceded to SSI.

25. Fee Income

None (January 1 – September 30 2019: None.).

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26. Investment Income/(Expense)

	January 1 - September 30, 2020	January 1 - September 30, 2019
Realized Investment Income/Expenses		
Term Deposit	41.865.133	42.388.952
Private Sector Bonds	40.390.527	47.873.169
Government Bond	16.982.299	15.313.739
Investment Fund	36.798.565	11.724.108
Eurobond	27.990.134	14.591.414
Treasury Bond	10.880.584	3.551.989
Stock	13.559.109	4.381.946
Total	188.466.351	139.825.317
Unrealized Investment Income/(Expenses)		
Investment Fund	(8.894.463)	4.774.648
Private Sector Bonds	6.271.469	1.465.615
Time Deposit	3.962.965	38.119.972
Government Bond	(1.573.731)	2.520.492
Treasury bond	(96.984)	(98.209)
Repo	(94.349)	214.216
Eurobonds	11.515.546	2.439.869
Equity Share	177.306	(274.784)
Total	11.267.759	49.161.819
Investment Income/Expense, Net	199.734.110	188.987.136

27. Net Accrual Income on Financial Assets

	January 1 - September 30, 2020	January 1 - September 30, 2019
Financial Assets Available for Sale		
Valuation differences recognized under shareholders' equity	(39.293.244)	4.180.423
Total	(39.293.244)	4.180.423

28. Assets Held At Fair Value through Profit and Loss

The net gain which is booked in income statement from the fair value difference reflected to gain or loss of the financial assets, is amounting to TL 8,988.812 as of September 30, 2020 (January 1 – September 30, 2019: TL 4,988.865).

29. Insurance Rights and Demands

	January 1 - September 30, 2020	January 1 - September 30, 2019
Outstanding Claims Reserve Expenses		
Motor Crafts Liability	(192.704.422)	(159.001.611)
Fire and Natural Disaster	(18.897.931)	1.834.038
Motor Own Damage	(59.335.786)	(17.576.820)
General Liability	(42.848.718)	(25.689.715)
General Losses	(5.268.641)	(4.573.193)
Transportation	(2.623.766)	(4.813.432)
Water Crafts	724.189	(1.037.216)
Suretyship	14.794	(589.126)
Financial Losses	469.912	1.717.620
Legal Protection	(838)	(113.990)
Air Crafts	(1.487)	6.383
Air Crafts Liability	6.602	(4.158)
Credit	(13.220)	32.880
Accident	157.225	(1.009.808)
Health	(1.725.443)	(1.549.282)
Total Non-life	(322.047.532)	(212.367.429)
Life	(8.333)	(7.358)
Total (*)	(322.055.865)	(212.374.787)

(*) For current previous period comparison please refer to note 4.1.1.3.

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30. Investment Agreement Types

None. (December 31 2019: None).

31. Mandatory Other Expenses

Types of expenses are disclosed in Note 32.

32. Expense Type:

	January 1 - September 30, 2020	January 1 - September 30, 2019
Production Commissions (-)	(493.932.691)	(404.000.306)
Employee Wages and Expenses (-) (*) (Note 33)	(93.816.362)	(83.101.270)
Information Technology Expenses (-)	(17.055.471)	(13.466.297)
Meeting and Training Expenses (-)	(3.895.218)	(5.568.995)
Transportation Expenses (-)	(1.260.740)	(3.166.353)
Social Relief Expenses (-)	(2.017.752)	(3.790.864)
Advertisement Expenses (-)	(5.453.218)	(3.062.901)
Reinsurance Commissions (+)	187.583.475	156.295.616
Other (-)	(12.161.611)	(12.967.990)
Production Commissions (-)	(493.932.691)	(404.000.306)
Total	(442.009.588)	(372.829.360)

(*) The Company makes payments to pension contribution (3% of the monthly gross salary) for the employees who fulfill conditions and this amount is presented in employees' wages and expenses.

33. Employee Wages and Expenses

	January 1 - September 30, 2020	January 1 - September 30, 2019
Salary and Bonus Payments	(71.517.096)	(64.481.612)
Insurance Payments	(17.788.167)	(13.156.263)
Other Payments	(4.511.099)	(5.463.395)
Total (Note 32)	(93.816.362)	(83.101.270)

34. Financing Cost

34.1 Financial Expenses:

None. (December 31 2019: None).

34.2 Current period's financial expenses related to shareholders, affiliates and subsidiaries:

None. (December 31 2019: None.).

34.3 Sales transactions with shareholders, affiliates and subsidiaries

Disclosed in Note 45.

34.4 Interest, rent and similar balances with shareholders, affiliates and subsidiaries:

Disclosed in Note 45.

34.5 Hedge accounting principle

Cash Flow hedging principle

None (December 31 2019: None).

Type risk and principle of the cash flow hedge

None (December 31 2019: None).

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34. Financing Cost (Continued)

34.6 Exchange differences, other than those arising from financial assets held at fair value through profit and loss.

None (December 31 2019: None).

35. Corporate Tax

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
<u>Current Tax Liability:</u>		
Corporate Tax Liability Provision on Period Profit	101.165.393	125.897.143
Prepaid Taxes and Other Liabilities on Period Profit (-)	(67.728.212)	(73.065.163)
Total	33.437.181	52.831.980
<u>Tax (Expense)/Income is Formed by the Items Below:</u>		
Current Tax Income / (Expense)	(101.165.393)	(80.481.425)
Deferred Tax Income / (Expense) due to Temporary Differences	(2.185.318)	(3.363.588)
Total Tax Income/(Expense)	(103.350.711)	(83.845.013)
<u>Deferred Tax</u>	2020	2019
Recognized in the Shareholders' Equity:		
Valuation of Financial Assets Available for Sale	9.823.311	(1.647.159)
Actuarial Gain/Loss Effect	1.286.040	1.129.553
	11.109.351	(517.606)

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below. Within the scope of the “Law on the Amendment of Certain Tax Laws and Some Other Laws” numbered 7061, which was published in the Official Gazette dated December 5, 2017, the corporate tax rate for the years 2019 and 2020 was increased from 20% to 22%. In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, “Law on the Amendment of Some Tax Acts and Some Other Laws”, corporate tax rate for the years 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of December 31, 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards. The tax rate used in the calculation of deferred tax assets and liabilities is 22% excluding the retirement pay provision. For severance indemnity provision and marketable securities valuation difference, 20% is used.

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35. Corporate Tax (Continued)

Deferred tax items are as follows:

Deferred Tax Assets / (Liabilities)	Temporary differences September 30 2020	Temporary differences December 31 2019	Deferred Tax Assets / (Liabilities) September 30 2020	Deferred Tax Assets / (Liabilities) December 31 2019
Expense reserves (Note 23.4)	30.238.635	20.409.676	6.652.500	4.490.129
Performance premium provision (Note 23.4)	6.805.094	8.433.529	1.497.121	1.855.376
Equilization provision	9.665.553	8.525.890	2.126.422	1.875.696
Donation	23.620.000	-	5.196.400	-
Provision for employment termination benefits (Note 22)	8.406.885	7.052.711	1.681.377	1.410.542
Provision for doubtful receivables	14.601.629	34.734.800	3.212.358	7.641.656
Unused vacation allowance (Note 23.4)	1.944.085	2.051.784	427.699	451.392
Valuation difference for securities classified under equity	49.116.555	(8.235.792)	9.823.311	(1.647.158)
Provision for unexpired risks	24.541.121	14.410.790	5.399.047	3.170.374
Bonus and rebates provision	5.690	8.413	1.252	1.851
Derivative valuation	(3.813.368)	30.321.953	(838.941)	6.670.830
Provision for Impairment of Financial Assets Held for Trading	(336.966)	(708.780)	(74.133)	(155.932)
Tangible Asset Leases	5.042.943	3.621.336,88	1.109.448	796.694,00
Marketable securities valuation difference	(606.879)	(606.879)	(133.513)	(133.513)
Tangible and intangible assets	(7.557.377)	(11.328.416)	(1.662.623)	(2.492.252)
Deferred Tax Assets/(Liabilities)	156.944.498	108.691.016	33.377.323	23.935.685

Corporation tax reconciliation is as below:

Confirmation of Tax Provision	2020	2019
Profit Before Tax	447.849.461	473.925.154
Tax Calculated: 22%	(98.526.881)	(104.263.534)
Effect of Additions	(35.667.985)	(44.012.743)
Effect of Discounts, net	33.029.473	22.379.134
Corporate Tax Liability Provision on Period Profit	(101.165.393)	(125.897.143)

Reconciliation of period tax expense with net income for the period is as below:

	2020	2019
Profit before tax	447.849.461	225.307.587
Calculated tax revenue: 22%	(98.526.881)	(49.567.669)
Tax rate change effect (Note 2.1.1)		(4.969.248)
Disallowable expenses	(4.823.830)	(2.180.593)
Total Tax Expense	(103.350.711)	(56.717.510)

36. Net Foreign Exchange Gain/Loss

	January 1- September 30, 2020	January 1- September 30, 2019
Recognized in Profit / Loss:		
Foreign Exchange Income	210.231.181	142.828.427
Foreign Exchange Expense (*)	(168.094.617)	(122.949.928)
	42.136.564	19.878.499

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37. Earnings per Share

	<u>2020</u>	<u>2019</u>
Number of Equity Shares Outstanding Beginning Period, 1 January	<u>30.600.000.000</u>	<u>30.600.000.000</u>
Number of Equity Shares Issued in Cash	-	-
Number of Equity Shares Outstanding End of Period, 30 September	<u>30.600.000.000</u>	<u>30.600.000.000</u>
Weighted Average Number of Outstanding Shares (Unit of 1; TL 0.01)	30.600.000.000	30.600.000.000
Net Profit for the Period / (Loss) (TL)	<u>344.498.750</u>	<u>366.358.436</u>
Earnings / (Loss) per Share (TL)	<u>1,126</u>	<u>1,197</u>

38. Dividends per share

Pursuant to the decision taken in the Company’s Ordinary General Meeting held on March 11, 2020, dividend distribution to shareholders was TL 201,960,000 based on the 2019 operating results. (December 31, 2019: TL 201,960,000)

39. Cash Generated from the Operations

Cash Generated from Operations is presented in the Cash Flow Statement.

40. Equity Share Convertible Bonds

None (December 31, 2019: None).

41. Cash Convertible Privileged Equity Shares

None (December 31, 2019: None).

42. Risks

The Company’s contingent asset and liabilities are presented in Note 23.3.

43. Commitments

Total amount of off balance sheet commitments are presented in Note 23.2.

44. Business Combinations

None (December 31 2019: None).

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2020

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

45. Related Parties

Related Party Receivables/(Payables)

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

<u>Bank Deposit</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Group Companies	175.425.650	484.545.450
Total	175.425.650	484.545.450
<u>Private Sector Bonds</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Group Companies	347.627.183	27.149.232
Total	347.627.183	27.149.232
<u>Investment Funds</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Group Companies	155.379.570	142.613.289
Total	155.379.570	142.613.289
<u>Related Party Receivables/(Payables)</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Group Companies	78.292.645	58.379.601
Shareholders	21.651	44.663
Total	78.314.296	58.424.264
<u>Premium production</u>	<u>1 January- September 30, 2020</u>	<u>1 January- September 30, 2019</u>
Group Companies	107.691.707	127.509.833
Shareholders	1.896.242	1.751.210
Total	109.587.949	129.261.043
<u>Claims Paid</u>	<u>1 January- September 30, 2020</u>	<u>1 January- September 30, 2019</u>
Group Companies	6.975.652	20.184.318
Related Parties	1.848	-
Total	3.954.871	1.064.735
<u>Interest Income Received from Related Part</u>	<u>1 January- September 30, 2020</u>	<u>1 January- September 30, 2019</u>
Group Companies	51.206.233	47.365.274
Total	51.206.233	47.365.274
<u>Commission Expenses</u>	<u>1 January- September 30, 2020</u>	<u>1 January- September 30, 2019</u>
Group Companies	80.206.902	85.069.155
Total	80.206.902	85.069.155

46. Subsequent Events

None.

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2020

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

47. Other

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

Other Receivables	September 30, 2020	December 31, 2019
Receivables from Tarım Sigortaları A.Ş.	9.531.680	8.888.272
Receivables from Agencies due to DASK Premiums	2.487.203	2.674.168
Other Receivables	6.665.732	5.232.500
Total	18.684.615	16.794.940

Other Short Term Payables	September 30, 2020	December 31, 2019
Payables to contracted enterprises	25.514.755	23.480.700
Turkish Catastrophe Insurance Pool Payables to agencies	32.627.519	48.821.504
Payables to suppliers	9.562.837	27.539.894
Payables to Turkish Catastrophe Insurance Pool	1.554.475	979.333
Other	942.763	856.603
Total	70.202.349	101.678.034

Other Prepaid Expenses	September 30, 2020	December 31, 2019
Prepaid Expenses	3.574.489	2.569.734
Total	3.574.489	2.569.734

Other Prepaid Expenses (Long Term)	September 30, 2020	December 31, 2019
Prepaid Expenses	61.469	149.980
Total	61.469	149.980

Assistance services under other technical expenses in the income statement, amounting to TL 80.492.116 (1 July- 30 September 2020: 31.091.832 TL) (1 January - 30 September 2019: 63.417.438 TL ve 1 July- 30 September 2019: 24.413.706 TL), consist of deferral of these amounts and technical expenses of these services,

Income and Profit / Expenses and Losses from Other and Extraordinary Activities	1 January- 30 September 2020	1 January- 30 September 2019
Provisions Account (+/-)	(55.627.016)	(16.489.832)
Provisions No Matter	-	30.116.653
Provisions for doubtful receivable (Note 12.1)	(27.791.641)	(24.120.904)
Donation(*)	(23.620.000)	(16.900.000)
Portfolio Management	(2.358.901)	(3.332.916)
Retirement pay provision	(1.247.358)	(1.312.254)
Unused vacation provision	41.745	(273.965)
Provisions for other expenses	(650.861)	(666.446)
Specialized Insurance Account (+/-)	1.851.719	1.320.359
Deferred tax asset account (+/-)	(2.185.318)	(3.363.588)
Other income and profits	1.061.746	1.256.058
Other expenses and losses (-)	(8.119.701)	(38.042.515)
Affiliate Sales Loss (**)	-	(30.116.647)
Bank Expenses	(5.944.975)	(6.131.856)
Non-tax-deductible expenses	(407.343)	(574.604)
Other	(1.767.383)	(1.219.408)
Total	(63.018.570)	(11.518.256)

(*) Donations to be paid to Hacı Ömer Sabancı Foundation.

(**) Merter BV, the subsidiary of the company, was sold for a euro. While the registered value of the subsidiary is accounted for under the "Other Expenses and Losses" account after deducting the sales amount, the provision reserved for the subsidiary is recognized under the "Non-subject Provisions" account.

(***) The company has started to monitor the amount of the security fund provision in accordance with the legislation in operating expenses, which "are part of the technical income / expense.

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

AKSİGORTA ANONİM ŞİRKETİ			
Profit Distribution Statement			
	Note	Current Period (01/01/2020 - 30/09/2020)	Audited Current Period (01/01/2019 - 31/12/2019)
I. Distribution of profit for the period			
1.1. Profit for the period			
1.2. Taxes payable and legal liabilities			
1.2.1. Corporation tax (Income tax)			
1.2.2. Income tax deduction			
1.2.3. Other taxes and legal liabilities			
A. Net profit for the period (1.1 - 1.2)			
1.3. Previous years' losses (-)			
1.4. First legal reserve			
1.5. Legal reserves kept in the company (-)			
B. Net distributable Profit for the period [a - (1.3 + 1.4 + 1.5)]			
1.6. First dividend to shareholders (-)			
1.6.1. To common shareholders			
1.6.2. To preferred shareholders			
1.6.3 To owners of participating redeemed shares			
1.6.4 To owners of profit-sharing securities			
1.6.5 To owners of profit and loss sharing securities			
1.7. Dividends to personnel (-)			
1.8. Dividends to founders (-)			
1.9. Dividends to board of directors (-)			
1.10. Second dividends to shareholders (-)			
1.10.1. To common shareholders			
1.10.2. To preferred shareholders			
1.10.3. To owners of participating redeemed shares			
1.10.4. To owners of profit-sharing securities			
1.10.5. To owners of profit and loss sharing securities			
1.11. Second legal reserve (-)			
1.12. Statutory reserves (-)			
1.13. Extraordinary reserves			
1.14. Other reserves			
1.15. Special funds			
II. Distribution from reserves			
2.1. Distributed reserves			
2.2. Second legal reserve (-)			
2.3. Dividends to shareholders (-)			
2.3.1. To common shareholders			
2.3.2 To preferred shareholders			
2.3.3. To owners of participating redeemed shares			
2.3.4 To owners of profit-sharing securities			
2.3.5 To owners of profit and loss sharing securities			
2.4. Dividends to employees (-)			
2.5. Dividends to board of directors (-)			
III. Profit per share			
3.1. To common shareholders			
3.2. To common shareholders (%)			
3.3. To preferred shareholders			
3.4. To preferred shareholders (%)			
IV. Dividends per share			
4.1. To common shareholders			
4.2. To common shareholders (%)			
4.3. To preferred shareholders			
4.4. To preferred shareholders (%)			

(*) Profit Distribution table for December 31, 2019 was presented as approved by the General Assembly held on March 14, 2019.

(**) The profit distribution proposal for 2019 has not been filled as the General Assembly meeting has not been held as of the date of the financial statements.

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