

AKSIGORTA A.Ş.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

AKSIGORTA A.Ş.

**FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2020**

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AKSIGORTA A.Ş.

STATEMENT OF FINANCIAL POSITION FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2020

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

Assets	Note	Audited	Audited
		December 31, 2020	December 31, 2019
Total current assets		8,996,918,504	7,189,521,842
Cash and cash equivalents	10	2,270,224,400	2,063,042,512
Financial assets			
Debt securities:			
- Available for sale at company’s risk	9	1,472,808,484	702,319,600
- Held to Maturity at company’s risk	9	205,527,370	34,881,722
- Held for trading at company’s risk	9	63,234,980	590,751,326
- Available for sale at insurees' risk	9, 30	1,952,843	1,806,587
Premium receivables	11	1,056,877,634	715,107,729
Due from reinsurers	11	28,401,167	22,369,137
Reinsurance share of insurance liabilities	12, 17	3,647,998,480	2,831,234,908
Deferred acquisition costs	13	184,523,983	176,322,242
Derivative financial assets	2.26	-	510,490
Other current assets	14	65,369,163	51,175,589
Total non-current assets		168,396,544	167,853,184
Tangible assets	6	20,015,818	23,163,083
Right of use of assets	6	23,486,209	26,128,904
Intangible assets	7	57,223,537	60,569,259
Investment properties	8	-	163,066
Financial assets			
Equity securities:			
- Available for sale	9	722,156	430,032
Deferred income tax assets	24	66,887,355	57,248,860
Other non-current assets	14	61,469	149,980
Total assets		9,165,315,048	7,357,375,026
		Audited	Audited
Liabilities	Note	December 31, 2020	December 31, 2019
Total current liabilities		8,198,589,465	6,554,166,726
Insurance liabilities	17	7,047,271,201	5,605,185,858
Payables to reinsurers	19	811,188,810	596,443,293
Other financial liabilities	2.19	13,065,843	12,806,817
Obligations under repurchase agreements	2.14	59,562,359	47,970,865
Derivative financial liabilities	2.26	5,352,006	29,597,359
Provisions for other liabilities and charges	18	70,812,935	59,947,386
Trade and other payables	19	160,344,827	145,576,601
Current income tax liabilities	24	23,614,067	52,831,980
Short-term lease liabilities	21	7,377,417	3,806,567
Total non-current liabilities		30,609,684	32,996,385
Provision for retirement benefit obligation	20, 24	9,095,078	7,052,711
Long-term lease liabilities	21	21,514,606	25,943,674
Total equity		936,115,899	770,211,915
Shareholders' equity	15	306,000,000	306,000,000
Legal and other reserves	15	302,288,128	137,889,692
Actuarial loss arising from employee benefit	15	(5,451,203)	(4,518,213)
Available-for-sale investments fund	15	1,441,549	6,588,634
Retained earnings/accumulated deficit	15	331,837,425	324,251,802
Total equity and liabilities		9,165,315,048	7,357,375,026

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

AKSIGORTA A.Ş.

STATEMENT OF INCOME FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2020

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

Income Statement	Note	Audited	Audited
		December 31, 2020	December 31, 2019
Insurance premium revenue	22	4,701,915,991	3,886,743,705
Insurance premium ceded to reinsurers	22	(2,026,507,846)	(1,705,948,841)
Net insurance premium revenue	22	2,675,408,145	2,180,794,864
Investment income	25	359,796,245	399,318,535
Commission income	26	260,600,253	212,487,705
Other operating income	27	11,147,509	8,408,548
Net income		3,306,952,152	2,801,009,652
Insurance claims	23	(3,033,626,045)	(2,884,294,561)
Insurance claims recovered from reinsurers	23	1,222,897,937	1,286,921,952
Net insurance claims	5, 23	(1,810,728,108)	(1,597,372,609)
Commission expense	26	(670,043,275)	(556,193,015)
Expenses for marketing and administration	28	(275,395,049)	(230,311,057)
Other operating expenses	27	(97,825,145)	(84,799,091)
Insurance claims and expenses		(2,853,991,577)	(2,468,675,772)
Results of operating activities		452,960,575	332,333,880
Foreign exchange gain / (loss), net	29	30,495,696	68,811,680
Profit before tax		483,456,271	401,145,560
Income tax expense	24	(109,512,212)	(91,555,207)
Profit for the period		373,944,059	309,590,353
Earnings per share	16	0.0122	0.0101

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

AKSIGORTA A.Ş.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2020

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

Statement of comprehensive income	Note	Audited	Audited
		December 31, 2020	December 31, 2019
Profit for the period		373,944,059	309,590,353
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in available-for-sale financial assets fund, net off deferred tax	15	(5,147,085)	17,227,311
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(5,147,085)	17,227,311
Other comprehensive income not being reclassified to profit or loss in subsequent periods:			
Actuarial loss, net off deferred tax	15	(932,990)	(916,194)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		(932,990)	(916,194)
Other comprehensive income, net of tax		(6,080,075)	16,311,117
Total comprehensive income for the year, net of tax		367,863,984	325,901,470

The accompanying notes form an integral part of these financial statements

AKSİGORTA A.Ş.

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2020**

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

December 31, 2019		Audited					
	Note	Share capital	Available-for-sale investment funds	Legal and other reserves	Actuarial loss arising from employee benefit	Retained earnings	Total
Balances at December 31, 2018	15	306,000,000	(10,638,677)	112,230,612	(3,602,019)	242,280,529	646,270,445
Profit for the year		-	-	-	-	309,590,353	309,590,353
Transfer		-	-	25,659,080	-	(25,659,080)	-
Other comprehensive income		-	17,227,311	-	(916,194)	-	16,311,117
Total comprehensive income	15	-	17,227,311	25,659,080	(916,194)	283,931,273	325,901,470
Dividend payment		-	-	-	-	(201,960,000)	(201,960,000)
December 31, 2019	15	306,000,000	6,588,634	137,889,692	(4,518,213)	324,251,802	770,211,915
December 31, 2020		Audited					
	Note	Share capital	Available-for-sale investment funds	Legal and other reserves	Actuarial loss arising from employee benefit	Retained earnings	Total
Balances at December 31, 2019	15	306,000,000	6,588,634	137,889,692	(4,518,213)	324,251,802	770,211,915
Profit for the year		-	-	-	-	373,944,059	373,944,059
Transfer		-	-	164,398,436	-	(164,398,436)	-
Other comprehensive income		-	(5,147,085)	-	(932,990)	-	(6,080,075)
Total comprehensive income	15	-	(5,147,085)	164,398,436	(932,990)	209,545,623	367,863,984
Dividend payment		-	-	-	-	(201,960,000)	(201,960,000)
December 31, 2020	15	306,000,000	1,441,549	302,288,128	(5,451,203)	331,837,425	936,115,899

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

AKSIGORTA A.Ş.

STATEMENT OF CASH FLOWS FOR THE YEAR PERIOD JANUARY 1 - DECEMBER 31, 2020

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

Cash Flow Statement	Note	January 1 -	January 1 -
		December 31, 2020	December 31, 2019
Cash inflows from insurance operations		6,711,087,724	4,634,970,139
Cash outflows from insurance operations		(5,816,337,322)	(3,802,854,511)
Income tax payment		(146,848,601)	(85,306,670)
Cash inflows/(outflows)from operational expenses		(340,372,969)	(198,278,867)
Net cash flows from operating activities		407,528,832	548,530,091
Tangible and intangible asset acquisitions / disposals		(35,897,696)	(29,262,369)
Financial asset acquisitions / disposals		(283,351,546)	(665,305,063)
Interest received		332,868,763	440,888,759
Other cash inflows/(outflows)		(40,827,651)	(15,014,795)
Net cash flows from investing activities		(27,208,130)	(268,693,468)
Dividends paid		(201,960,000)	(201,960,000)
Financial lease payments		(15,518,592)	(9,570,804)
Net cash flows from financing operations		(217,478,592)	(211,530,804)
Net increase/(decrease) in cash and cash equivalents		162,842,110	68,305,819
Cash and cash equivalents at the beginning of the period		1,831,766,957	1,763,461,138
Cash and cash equivalents at the end of the period	10	1,994,609,067	1,831,766,957

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

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

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

1. General Information

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

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 Company is located at Poligon Cad. Buyaka 2 Sitesi No:8 Kule:1 Kat:0-6 Ümraniye 34771, İstanbul.

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

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

	December 31, 2020	December 31, 2019
Top and middle management	144	130
Other personel	524	534
Total	668	664

Remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing directors amount to TL 8,980,560 in total for January 1 - December 31, 2020 (January 1 - December 31, 2019: TL 7,418,631).

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

The Company’s financial statements as of December 31, 2020 are approved and authorized for issuance as of February 1, 2021 by the Board of Directors.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements at December 31, 2020 have been prepared in accordance with International Financial Reporting Standard as defined by IAS 1.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020**

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

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Comparative information and restatement of prior period financial statements

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

2.2 Adoption of New and Revised Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2020 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2020. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

i) Standards, amendments and interpretations applicable as at December 31, 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.
- **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.
- **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.
- **Amendment to IFRS 16, ‘Leases’ - Covid-19 related rent concessions;** effective from Annual periods beginning on or after June 1, 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On May 28, 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020**

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

The new standards, amendments and interpretations (Continued)

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

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

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.
- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after January 1, 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.
- **Amendments to IFRS 17 and IFRS 4, ‘Insurance contracts’, deferral of IFRS 9;** effective from annual periods beginning on or after January 1, 2021. These amendments defer the date of application of IFRS 17 by two years to January 1, 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until January 1, 2023.

AKSIGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

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

2. Summary of significant accounting policies (Continued)

2.3 Consolidation

The Company has no subsidiaries or joint ventures within the scope of consolidation in accordance with "IFRS 10- Consolidated Financial Statements" as of December 31, 2020 (December 31, 2019: None).

2.4 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.

2.5 Foreign currency translation

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

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 analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised 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 are accounted for.

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:

	December 31, 2020		December 31, 2019	
	USD/TL	EUR/TL	USD/TL	EUR/TL
Bid Rates	7.3405	9.0079	5.9402	6.6506
Ask Rates	7.3647	9.0376	5.9598	6.6725

2.6 Tangible Assets

All property and equipment are carried at cost less accumulated depreciation. Since lands have infinite life, they are not depreciated. Depreciation is calculated using the straight-line method over the estimated useful life of the tangible assets. For assets that are not ready for use or sale, such assets are depreciated, on the same basis used for other fixed assets, when they are ready to use.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020**

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

2. Summary of significant accounting policies (Continued)

2.6 Tangible Assets (Continued)

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

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 is 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
Leasehold Improvements	5 years

Right of Use Asset

Right-of-use asset is accounted for initially using the cost method and is measured at its cost adjusted for the re-measurement of the lease liability and less any accumulated depreciation and accumulated impairment losses. The Company applies the depreciation provisions in the TAS 16 Tangible Fixed Assets standard while depreciating the right of use asset.

Lease 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 the starting date of the lease agreements. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on December 31, 2020 was 20% for local currency liabilities (December 31, 2019: 25%).

2.7 Investment properties

The buildings and lands of the Company held for the purpose of receiving rent or an increase in value or both instead of being used in the operations of the Company or being sold within the normal business course are classified as investment properties. The investment properties are carried at acquisition cost by deducting the accumulated depreciation. Investment properties are amortised by the straight-line method over their estimated useful lives. If there are indicators of impairment on investment properties, a review is made in order to determine possible impairment and as a result of this review, if the property’s carrying amount is greater than its estimated recoverable amount, the property’s carrying amount is written down immediately to its recoverable amount by accounting for an impairment provision. The recoverable amount is the higher of the future cash inflows from the existing use of the investment property and the fair value of the property after cost of sale.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020**

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

2. Summary of significant accounting policies (Continued)

2.7 Investment properties (Continued)

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 (Note 8).

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 amortized over their estimated useful lives (1 to 10 years). Costs associated with developing or maintaining computer software programmes 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 are amortized over their estimated useful lives.

Useful life:

Rights

5 years

2.9 Financial assets

The Company classifies and accounts for its financial assets as, “Available-for-sale financial assets”, “Held to maturity financial assets”, “Held for trading” and “Loans and receivables (Premium receivables)”. Premium receivables are the receivables arising from insurance agreements and they are classified as financial assets in financial statements.

Regular purchases and sales of financial assets are recognised on the “settlement date”. The classification of these financial assets depends on the purpose for which they were acquired and the Company’s management determines the classification of its financial assets at initial recognition.

Loans and receivables (Premium receivables)

Loans and receivables are financial assets which are generated by providing money or service to the debtor. Loans and receivables are recognised initially at fair value and subsequently measured at cost. Fees and other charges paid related to assets obtained as guarantee for the above mentioned receivables are not deemed as transaction costs and they are recognised as expense in the income statement.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020**

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

2. Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

Loans and receivables (Premium receivables) (Continued)

The Company accounts for a provision for its receivables based on evaluations and estimations of the management. The mentioned provision is deducted from “Premium receivables” on the statement of financial position. The Company sets its estimations in accordance with the risk policies and the principle of prudence by considering the structure of current receivable portfolio, financial structure of policyholders and intermediaries, non-financial data and economical conditions.

Available-for-sale financial assets

Investments other than “financial assets at fair value through profit or loss”, and “loans and receivables” are described as available-for-sale financial assets.

Available-for-sale financial assets are subsequently measured at fair value after their recognition. It is considered that the fair value cannot be reliably measured if the price that provides a basis for fair value is not set in active market conditions and “amortised cost value” that is calculated using the effective interest method is used as fair value. Equity securities classified as available-for-sale are carried at fair values if they have quoted market prices in active markets and/or if their fair value can be reliably measured. The equity securities that do not have a quoted market price in an active market, and if their fair value cannot be reliably measured are carried at cost less the provision for impairment.

“Unrealised gains and losses” arising from the change in the fair value of available-for-sale financial assets is accounted for under “Valuation of Financial Assets” account in the shareholders’ equity and not reflected in the income statement until the financial asset is sold, disposed or derecognised. The unrealised gains and losses arising from the change in the fair value is removed from shareholders’ equity and recognised in the income statement when the financial assets mature or are derecognised. The Company assesses at each statement of financial position date whether there is objective evidence that an available-for-sale financial asset is impaired. In the case of equity investments classified as available-for-sale financial assets, such as, a significant or prolonged decline in the fair value of the security below its cost is considered as impairment. If any objective evidence for impairment exists for available-for-sale financial assets, the difference between the acquisition cost and current fair value is deducted from shareholders’ equity and recognised in the income statement. The impairment losses on available-for-sale equity instruments previously recognised in the profit or loss cannot be reversed through profit or 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.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020**

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

2. Summary of significant accounting policies (Continued)

2.9 Financial assets (Continued)

Financial assets held for trading

Financial assets held for trading are valued at their fair values and gain/loss arising is recorded in profit or loss. Interest income earned on trading securities and the difference between their acquisition costs and fair values are recorded as interest income in the statement of income. In case of sales of such securities before their maturity, the gains/losses on such sales are recorded under trading income/losses.

2.10 Reclassification of financial assets

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

2.11 Impairment of Assets

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

2.12 Related party

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 entity.

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

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

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

2. Summary of significant accounting policies (Continued)

2.12 Related party (Continued)

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

In the financial statements and related notes dated December 31, 2020 and 2019, the Company management, groups associated to H.Ö. Sabancı Holding and Ageas Insurance International N.V. are defined as related parties.

2.13 Offsetting Financial Instruments

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

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments, with maturities of 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 10).

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

	December 31, 2020	December 31, 2019
Banks	1,600,368,638	1,356,583,321
Credit Card Receivables	669,855,762	706,459,191
Less: Interest accrual	(11,553,673)	(2,557,348)
Less: Blocked deposits	(264,061,660)	(228,718,207)
Total Cash and Cash Equivalents	1,994,609,067	1,831,766,957

As of December 31, 2020, the Company has repo transactions in the amount of TL 59,562,359 (December 31, 2019: TL 47,970,865) which is accounted in “obligations under repurchase agreements”.

2.15 Share capital

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

The share capital structure of the Company is as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

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

2. Summary of significant accounting policies (Continued)

2.15 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 June 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As of December 31, 2020, the Company’s registered share capital is TL 500,000,000 (December 31, 2019: TL 500,000,000).

2.16 Insurance and investment contracts

Insurance contracts are contracts under which, in exchange for a premium, the insurer assumes the obligation to compensate a loss caused by the materialization of the danger (risk) having the consequence of harming the interest, measurable by money, of the concerned person or make payment or to fulfill other performances linked to the lifetime of one or several persons or upon the occurrence of some events in the course of their life.

The insurer can take out reinsurance, under conditions as it thinks appropriate, in respect of the interest it had covered.

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.

The main contracts produced by the Company are mainly in non-life branches such as motor own damage, motor third party liability, fire, marine, personal accident, engineering, health and agriculture insurance agreements.

The fire insurance agreements are classified as industrial and individual. The policyholder is insured for the physical losses and claims due to the risks such as fire, earthquake, bursting, flood. The policyholder is insured for losses caused by the complete or partial interruption of the operations as a result of an event covered by the insurance contract with loss of profit coverage. Casualty insurance contracts (Liability, Personal Accident and Motor) have two main purposes. These contracts protect the insured against the risk of damage of assets and against the risk of causing harm to third parties.

Marine insurance contracts contain insurance of transportation (vessels, or vehicles on land or air) and water vehicles (the payment for the claims occurred in sea, river and island vehicles). Engineering insurance contracts are subdivided into two groups. The contracts covering permanently installed risks for an indefinite period, and the contracts covering temporary, non-recurring risks. The first group consists of insurance protection against sudden and unforeseen damages or losses of the machines, mechanical equipment, plants and electronic equipments. The second group provides installation and construction insurance of which coverage is naturally limited with the guarantee period of installation and construction. Liability insurance contracts provide claims due to the air crafts, water crafts and land vehicles liability. Furthermore, the Company has major production of the animal life and publicly supported agriculture insurances which are included in general loss insurance contracts. Health insurance contracts are the contracts that pay benefits an insured who becomes ill or injured, provided that documentation is offered to confirm the illness or injury.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020**

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

2. Summary of significant accounting policies (Continued)

2.16 Insurance and investment contracts (Continued)

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, except for marine premiums. 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. In accordance with the Regulation on Technical Reserves, unearned premium reserve and the reinsurers’ share of the unearned premium reserve for policies issued after January 1,2008, are calculated and accounted as the deferred portion of the accrued premiums related to the policies in force and ceded premiums to reinsurers without deducting commissions or any other deduction, on a daily and gross basis. The Company has continued to deduct the commissions from the premiums for the calculation of unearned premium reserve regarding the policies issued before January 1,2008. For marine policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months.

Deferred Commission Expense and Income

Unearned portion of commissions paid to agencies for the written premiums and commissions received from reinsurers for the ceded premiums are recorded as in deferred acquisition costs on the statement of financial position, and as expenses for the acquisition of insurance contracts on a net basis in the income statement.

Liability Adequacy Test

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, from the assets backingsuch liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Long-term insurance contracts with fixed terms are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities. Any DAC written off as a result of this test cannot subsequently be reinstated. At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future cash flows are used. The adequacy of the unearned premium liability is assessed by considering the portion of the estimated value of claims and expenses, likely to arise after the end of the reporting period from existing contracts, that exceeds the provision for unearned premiums after deduction of any acquisition costs. Any deficiency is immediately charged to profit or loss. The assessment, whether a deficiency exists is made at the Company level since all insurance products are regarded as being managed together and there are no constraints on the ability to use assets held in relation to each line of business to meet any of the associated liabilities. For the purpose of calculating the additional provisions, the Company takes into account the investment return expected to be earned by investments held. The Company accounts additional reserves for the branches that the combined loss ratio calculated is higher than 100%.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020**

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

2. Summary of significant accounting policies (Continued)

2.16 Insurance and investment contracts (Continued)

Outstanding claims provision

Claims are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include settlement costs and arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Company. Outstanding claims are estimated using the input of assessments for individual cases reported and statistical analyses. The expected ultimate cost of claims is also affected by external factors such as court decisions.

Claims are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

For the estimation of the ultimate liability arising from claims made under insurance contracts, the Company uses Bornhuetter Ferguson (“BF”), Chain-Ladder and Frequency and Severity methods. The method for MTPL is based on frequency and severity method, for the rest of the branches are selected by applying weighted average incurred ultimate results of Chain-Ladder method and incurred or average of paid and incurred ultimate results of Bornhuetter Ferguson method are used for the estimation of ultimate liabilities. It involves the analysis of historical claim development factors based on historical pattern and also loss ratio is considered in BF method.

The appropriate development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claim cost for each accident year. The choice of selected factors for each accident year of each class of business depends on the best estimate of the Company. Considering the uncertainty about the amount and timing of claims, the Company made the estimation of claims development considering starting from the year of 2003 and a tail factor is used for some branches for future developments. The Company performs the ultimate liability estimation for large claims separately which are determined as large claims by using certain statistical methods since these claims have different claim development patterns. Additionally, the ultimate liability calculations are performed on gross basis and the net amounts are determined according to historical ceding rates on each accident quarter or applicable reinsurance treaties are applied to ultimate losses for each branch. A provision is calculated and accounted for unallocated loss adjustment expenses (“ULAE”) refer to general overhead expenses associated with the claims-handling process, and particularly the costs of investigating, handling, paying, and resolving claims. The estimation for ULAE is calculated using the rate of historical expenses to total claim amounts. The methods which were selected by the Company for each branch, the results of related calculations as of December 31, 2020 and 2019, the methods to calculate net of reinsurance results and the limits which are used for the big claims eliminations are disclosed in Note 17.

Reinsurance agreements

Reinsurance agreements are the agreements enforced by the Company and the reinsurer, in exchange for a certain compensation, to cede the premiums and losses which may occur in relation to one or more insurance policies produced by the Company. The Company has excess of loss, surplus and proportional quota-share agreements in accordance with the branches in which it operates. Within the framework of excess of loss agreements, the ceded premiums are accounted for on accrual basis over the relevant period. The revenues and liabilities due to premium and claim ceded under other annual reinsurance agreements are also accounted for on the same basis.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020**

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

2. Summary of significant accounting policies (Continued)

2.16 Insurance and investment contracts (Continued)

Reinsurance agreements (Continued)

The Company has surplus reinsurance agreement in fire, marine, engineering and other accident branches and annual proportional quota-share reinsurance agreement for motor branches. Besides, The Company has excess of loss agreements in fire, marine and engineering branches.

Motor quota-share agreement is based on the transfer of written premiums and paid claims during the period covered by the agreement, and portfolio transfer is performed for premium and outstanding claim reserves by the end of each period. For surplus agreements, which work on a run-off basis, the liability of the reinsurers continue for the underwriting year at the policy period when the claim occurred. 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. 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.

Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in January 1 - December 31, 2020 account period as TL 144,624,135 (January 1 - December 31, 2019: TL 135,165,977) and an unearned premium reserve amounting to TL 82,349,652 as of December 31, 2020 (December 31, 2019: TL 76,801,473); classified under “Ceded Premiums”.

However, 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.

2.17 Insurance contracts and investment contracts with discretionary participation feature

None (December 31, 2019: None).

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

2. Summary of significant accounting policies (Continued)

2.18 Investment contracts without discretionary participation feature

None (December 31, 2019: None).

2.19 Borrowings

As of December 31, 2020, the Company has an interest free loan in the amount of TL 13,065,843. The loan has a maturity of one day and is accounted in “Other Financial Liabilities” in the financials (December 31, 2019: TL 12,806,817).

2.20 Current and deferred income tax

The Company is subject to Turkish corporate taxes. Provision is recognized in the accompanying financial statements for the estimated charge based on the Company’s results for the years and periods. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

In accordance with the regulation numbered 7061, published in Official Gazette on December 5, 2018, " 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, the deferred tax assets/liabilities in December 31, 2020 are calculated with 20% tax rate.

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 statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.21 Employee benefits

The Company accounts for its liability related to employment termination and vacation benefits according to “Turkish Accounting Standards Regarding Employee Benefits” (“IAS 19”) and classifies in statement of financial position 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.

2.22 Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. If provision amount is measured by the cash flows estimated to settle the present obligation, its carrying amount will be equal to the present value of such cash flows.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

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

2. Summary of significant accounting policies (Continued)

2.22 Provisions (Continued)

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.

Liabilities that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity are classified as contingent liabilities and not included in the financial statements (Note 18).

2.23 Revenue recognition

Written premium

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.

Reinsurance commissions

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. Reinsurance commission income is recognized in the financial statements on an accrual basis by allocating the deferred commission income over commissions received.

Claim recovery and salvage income

The Company recognizes the subrogation and salvage receivables, as limited to the coverage amount of the debtor insurance company, provided that the claim payment has been performed, the acquittance or the statement of payment has been received from the policyholders; and related individuals or insurance companies have been notified. A provision is recorded for those receivables which are not collected from insurance companies after six months and from individuals after four months following the payment of claim.

Dividend income

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

2.24 Interest income and expense

Interest income and expenses are accounted on an accrual basis in the related period’s income statement. 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.

2.25 Dividend distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19,1 issued by the Capital Market Board (CMB) which is effective from February 1, 2014.

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2. Summary of significant accounting policies (Continued)

2.25 Dividend distribution (Continued)

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.

2.26 Derivative financial instruments

The Company uses foreign currency swap contracts. The Company uses end of period market exchange rates and interest rates to calculate market value of foreign exchange swap contracts. As of December 31, 2020, there is a registered financial instruments amounting to TL 121,308,014 which costed TL 126,660,021 (December 31, 2019: amounting TL 1,085,032,639, costed TL 1,114,629,998).

As of December 31, 2020, the Company has accrued loss of TL 5,352,006 arising from valuation of derivative financial instruments (December 31, 2019: 29,597,359 loss).

3. Critical accounting estimates and judgements

Preparation of financial statements requires the use of estimations and assumptions which may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the statement of financial position date and reported amounts of income and expenses during the financial period. Accounting estimates and assumptions are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Although the estimations and assumptions are based on the best knowledge of the management for existing events and operations, they may differ from the actual results.

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

Impact of Covid - 19

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

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3. Critical accounting estimates and judgements (Continued)***Impact of Covid – 19 (Continued)***

In preparation of the condensed interim consolidated financial statements as of December 31, 2020, the Company has assessed the possible impacts of Covid-19 pandemic on the financial statements and reviewed the critical estimates and assumptions. Within this scope, the Company has tested the financial assets, tangible and intangible assets for a possible impairment and no impairments were identified. The Company has also tested the assumptions for the measurement of insurance liabilities.

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

4. Management of insurance and financial risk**Insurance risk**

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. On principle, 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’s gross insurance guarantees given to insureds are summarized as below:

	December 31, 2020	December 31, 2019
Motor Third Party Liability	53,797,363,591,986	30,947,452,871,905
Health	6,679,519,586,938	19,184,808,633,587
Fire	1,284,858,156,955	1,108,881,267,915
General Losses	354,206,047,585	401,874,537,958
Marine	310,748,830,487	229,031,409,773
Motor Own Damage	216,041,601,896	120,500,080,048
Other	472,854,088,793	475,059,000,141
Total	63,115,591,904,640	52,467,607,801,327

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

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4. Management of insurance and financial risk (Continued)

(a) Market risk

i. Cash flow and market interest rate risk

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 is related to 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.

	December 31, 2020	December 31, 2019
Total		Effect on profit and profit reserves
Market interest rate increase / (decrease)		TL
+% 1	(2,093,886)	(6,705,683)
-% 1	2,304,606	7,942,645

ii. Foreign currency risk

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

December 31, 2020			
	Amount in		
Banks (Foreign Currency)	Foreign Currency	Exchange Rate	Amount (TL)
USD	20,805,122	7.3405	152,719,998
EUR	1,536,160	9.0079	13,837,576
GBP	100,040	9.9438	994,778
CHF	79,066	8.2841	654,991
Total			168,207,343

	Amount in		
Receivables from Insurance Operations	Foreign Currency	Exchange Rate	Amount (TL)
USD	47,616,088	7.3405	349,525,894
EUR	18,785,729	9.0079	169,219,968
GBP	98,084	9.9438	975,328
CHF	68,286	8.2841	565,688
Total			520,286,878

	Amount in		
Marketable Securities	Foreign Currency	Exchange Rate	Amount (TL)
USD	24,956,034	7.3405	183,189,768
Total			183,189,768

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

4. Management of insurance and financial risk (Continued)

(a) Market risk (Continued)

ii. Foreign currency risk (Continued)

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(9,473,467)	7.3405	(69,539,985)
EUR	(1,134,957)	9.0079	(10,223,579)
Total			(79,763,564)

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(60,000,422)	7.3405	(440,433,098)
EUR	(11,572,916)	9.0079	(104,247,670)
Other			(1,379,856)
Total			(546,060,624)

Payables to suppliers	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(899,254)	7.3405	(6,600,974)
EUR	(63,701)	9.0079	(573,812)
Total			(7,174,786)

Net foreign currency position **238,685,015**

December 31, 2019

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	2,405,752	5.9402	14,290,648
EUR	2,401,308	6.6506	15,970,139
GBP	130,106	7.7765	1,011,769
CHF	100,218	6.0932	610,648
Other			51
Total			31,883,255

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	46,809,061	5.9402	278,055,184
EUR	15,914,733	6.6506	105,842,523
GBP	76,635	7.7765	595,952
CHF	96,229	6.0932	586,343
Total			385,080,002

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

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

4. Management of insurance and financial risk (Continued)

(a) Market risk (Continued)

ii. Foreign currency risk (Continued)

Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	30,724,479	5.9402	182,509,550
Total			182,509,550

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(11,809,266)	5.9402	(70,149,402)
EUR	(2,454,675)	6.6506	(16,325,062)
Total			(86,474,464)

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(49,015,172)	5.9402	(291,159,925)
EUR	(7,960,738)	6.6506	(52,943,684)
Other			(1,964,019)
Total			(346,067,628)

Payables to suppliers	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(743,357)	5.9402	(4,415,689)
EUR	(115,922)	6.6506	(770,951)
Total			(5,186,640)

Net foreign currency position			161,744,075
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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

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

4. Management of insurance and financial risk (Continued)

(a) Market risk (Continued)

ii. Foreign currency risk (Continued)

Sensitivity to foreign currency 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.

Total	December 31, 2020		December 31, 2019	
	USD Effect	EUR Effect	USD Effect	EUR Effect
Profit / Loss Increase	16,886,161	6,801,248	10,913,037	5,177,297
Profit / Loss (Decrease)	(16,886,161)	(6,801,248)	(10,913,037)	(5,177,297)

iii. Price risk

The Company is exposed to price risk due to its investments in fair value price of marketable securities. Securities are held for strategical purposes rather than trading purposes. These investments are not actively traded by the Company.

As of the reporting date, if data used in the valuation method is increased/decreased by 10% and all variables remain fixed, since the Company’s equity investments are classified as available for sale assets and if they are not disposed of or impaired, net profit/loss would not be affected.

Total	December 31, 2020	December 31, 2019
	Effect on financial assets available for sale	
Price increase / (decrease)		
+10%	148,079,045	73,763,135
-10%	(148,079,045)	(73,763,135)

(b) Credit Risk

Credit risk is the risk that counterparties may be unable to meet the terms of their agreements. Credit risk is managed by guarantees received and procedures applied for the selection of the counterparties. 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 December 31, 2020, the Company has presented its receivables from insurance operations, guarantees received for these receivables and provision for doubtful receivables in Note 9.

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NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

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

4. Management of insurance and financial risk (Continued)

(b) Credit Risk (Continued)

Main reinsurance companies worked with as of December 31, 2020 and 2019 and their latest ratings are as follows:

2020			
Reinsurance Company	Standard & Poors Rate	Reinsurance Company	Standard & Poors Rate
African Re	A-	MS Amlin AG	A
Ageas	A	Munich Re	AA-
American Agricultural	NR	New Re	AA-
Central Re	A	Odyssey Re	A-
China Property & Casualty Reinsurance (China Re P&C)	A	Partner Re	A+
Covea Cooperations	AA-	QBE	A+
Dongbu Re (DB Insurance)	A	R+V Versicherung AG (R+V Re)	AA-
EMC	NR	Samsung Fire&Marine Re	AA-
Everest Re	A+	Sava Re	A
Hannover Rueck SE	AA-	Scor Global P&C	AA-
HCC 4141	A+	Shelter Re	NR
Korean Re	A	Taiping Re	A
Labuan Re	AA-	Toa Re	A+
Lib Synd Paris	A+	Turk Re	NR
Malaysian Re	NR	Unipol Re	NR
Mapfre Re	A+	VHV Re	NR
Milli Re	TR A+	VIG Re	A+
2019			
Reinsurance Company	Standard & Poors Rate	Reinsurance Company	Standard & Poors Rate
African Re	A-	Odyssey Re	A-
ARIG	NR	Partner Re	A+
Asia Capital Re	A-	QBE	A+
China Re	A	Samsung Fire&Marine Re	AA-
Covea Cooperations	A+	Sava Re	A
Everest Re	A+	Scor Global P&C	AA-
Fair Pool	NR	Toa Re	A+
GIC	NR	Tokio Millenium Re	A+
Hannover Re	AA-	Trust Re	NR
Korean Re	A	Unipol Re	NR
Mapfre Re	A	VIG	A+
Milli Re	TR A+	XL Catlin Re	AA-
MS Amlin AG	A		

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

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

4. Management of insurance and financial risk (Continued)

(c) Liquidity risk

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

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

The maturity analysis of financial assets and liabilities as of December 31, 2020 is as follows:

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

AKSİGORTA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2018

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

4. Management of insurance and financial risk (Continued)

(c) Liquidity risk (Continued)

The maturity analysis of financial assets and liabilities as of December 31, 2019 is as follows:

December 31, 2019	Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	942,019,120	1,080,190,601	20,291,965	-	-	20,540,826	2,063,042,512
Financial assets available for sale	20,993,443	16,816,813	114,942,696	415,543,534	56,413,071	77,610,043	702,319,600
Financial assets held for trading	448,138,097	-	-	-	-	142,613,229	590,751,326
Financial assets held to maturity	-	-	-	34,881,722	-	-	34,881,722
Investments on policyholders' risk	-	-	-	1,806,587	-	-	1,806,587
Receivables from main operations	235,458,533	200,768,514	248,829,307	30,051,375	-	-	715,107,729
Due from reinsurance companies	-	22,369,137	-	-	-	-	22,369,137
Reinsurers' share of insurance liabilities	1,183,084,258	947,174,701	523,442,442	164,782,779	12,750,728	-	2,831,234,908
Equity securities	-	-	-	-	-	430,032	430,032
Derivative financial assets	-	-	510,490	-	-	-	510,490
Other assets	-	227,497,831	-	-	-	-	227,497,831
Total Assets	2,829,693,451	2,494,817,597	908,016,900	647,065,997	69,163,799	241,194,130	7,189,951,874
Obligations under repurchase agreements	47,970,865	-	-	-	-	-	47,970,865
Financial liabilities	1,224,608	15,477,450	8,704,715	-	36,383,769	-	61,790,542
Insurance liabilities	2,151,565,258	1,907,803,325	1,211,135,551	313,295,091	21,386,633	-	5,605,185,858
Due to reinsurers	283,517,463	182,770,356	117,966,682	12,188,792	-	-	596,443,293
Provisions for other liabilities and charges	-	-	56,664,751	1,230,851	-	2,051,784	59,947,386
Trade and other payables	-	-	228,005,940	-	-	-	228,005,940
Total liabilities and shareholders' equity	2,484,278,194	2,106,051,131	1,622,477,639	326,714,734	57,770,402	2,051,784	6,599,343,884

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

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

4. Management of insurance and financial risk (Continued)

Fair value of the 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.

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.

Fair Value Hierarchy

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

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

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

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

	December 31, 2020	Level 1	Level2	Level 3
Available for sale at company’s risk	1,472,808,484	1,472,808,484	-	-
Available for sale at insurees’ risk	1,952,843	1,952,843	-	-
Held to maturity at company’s risk	205,527,370	205,527,370	-	-
Held for trading at company’s risk	63,234,980	63,234,980	-	-
Equity securities, net	722,156	-	-	722,156
Total	1,744,245,833	1,743,523,677	-	722,156
	December 31, 2019	Level 1	Level2	Level 3
Available for sale at company’s risk	702,319,600	702,319,600	-	-
Available for sale at insurees’ risk	1,806,587	1,806,587	-	-
Held to maturity at company’s risk	34,881,722	34,881,722	-	-
Held for trading at company’s risk	590,751,326	590,751,326	-	-
Equity securities, net	430,032	-	-	430,032
Total	1,330,189,267	1,329,759,235	-	430,032

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

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

4. Management of insurance and financial risk (Continued)

Capital management

The Company’s objective in capital management is to safeguard the Company’s ability to continue as a going concern so that it can continue 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 Company management is of the opinion that the necessary equity capital adequacy has been achieved, considering the equity movements for the accounting period between January 1, - December 31, 2020, as of December 31, 2020

5. Segment information

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020**

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

5. Segment information (Continued)

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

January 1- December 31, 2020	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	62,241,780	29,572,146	968,646,186	1,212,635,942	228,433,205	104,971,877	68,907,009	-	2,675,408,145
Earned Premiums (Net of Reinsurer Share)	62,241,780	29,572,146	968,646,186	1,212,635,942	228,433,205	104,971,877	68,907,009	-	2,675,408,145
Premiums (Net of Reinsurer Share)	72,651,199	31,482,824	1,096,194,700	1,288,087,347	246,019,141	96,926,303	66,327,415	-	2,897,688,929
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(10,409,419)	(1,910,678)	(127,548,514)	(75,451,405)	(17,585,936)	8,045,574	2,579,594	-	(222,280,784)
TECHNICAL EXPENSES	(89,261,636)	(18,687,945)	(871,327,418)	(1,251,983,146)	(250,119,320)	(61,132,531)	(39,731,819)	-	(2,582,243,815)
Total Claims (Net of Reinsurer Share)	(34,489,797)	(10,685,824)	(611,556,066)	(969,256,079)	(172,702,965)	(8,750,577)	(3,286,800)	-	(1,810,728,108)
Claims Paid (Net of Reinsurer Share)	(15,948,402)	(7,470,275)	(590,114,917)	(682,375,901)	(100,907,524)	(6,076,613)	(4,793,489)	-	(1,407,687,121)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(18,541,395)	(3,215,549)	(21,441,149)	(286,880,178)	(71,795,441)	(2,673,964)	1,506,689	-	(403,040,987)
Commission income/(expenses) (Net)	(21,790,013)	(5,461,967)	(169,094,826)	(133,973,833)	(25,156,167)	(37,782,276)	(16,183,940)	-	(409,443,022)
Operating Expenses	(31,141,497)	(1,665,782)	(67,134,313)	(97,443,359)	(45,506,007)	(14,279,711)	(18,224,380)	-	(275,395,049)
Other Operating Income / Expenses	(1,840,329)	(874,372)	(23,542,213)	(51,309,875)	(6,754,181)	(319,967)	(2,036,699)	-	(86,677,636)
Technical Profit	(27,019,856)	10,884,201	97,318,768	(39,347,204)	(21,686,115)	43,839,346	29,175,190	-	93,164,330
Investment income	-	-	-	-	-	-	-	359,796,245	359,796,245
Foreign exchange income	-	-	-	-	-	-	-	30,495,696	30,495,696
Tax expense	-	-	-	-	-	-	-	(109,512,212)	(109,512,212)
Net Profit / (Loss)	(27,019,856)	10,884,201	97,318,768	(39,347,204)	(21,686,115)	43,839,346	29,175,190	280,779,729	373,944,059

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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

5. Segment information (Continued)

Segment results for period January 1 - December 31, 2019 is as follows:

January 1- December 31, 2019	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	198,460,906	26,036,755	790,485,988	945,053,310	104,813,409	89,624,302	26,320,194	-	2,180,794,864
Earned Premiums (Net of Reinsurer Share)	198,460,906	26,036,755	790,485,988	945,053,310	104,813,409	89,624,302	26,320,194	-	2,180,794,864
Premiums (Net of Reinsurer Share)	218,642,705	26,408,473	894,548,312	1,143,140,224	106,999,028	112,683,711	29,971,980	-	2,532,394,433
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(20,181,799)	(371,718)	(104,062,324)	(198,086,914)	(2,185,619)	(23,059,409)	(3,651,786)	-	(351,599,569)
TECHNICAL EXPENSES	(153,436,833)	(14,580,242)	(795,337,322)	(1,057,120,633)	(72,556,017)	(63,029,973)	(91,718,499)	-	(2,247,779,519)
Total Claims (Net of Reinsurer Share)	(73,675,330)	(10,679,392)	(565,737,489)	(844,969,145)	(23,593,977)	(10,988,640)	(67,728,636)	-	(1,597,372,609)
Claims Paid (Net of Reinsurer Share)	(80,514,379)	(6,481,825)	(550,746,568)	(592,262,043)	(24,800,008)	(8,926,877)	(8,086,354)	-	(1,271,818,054)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	6,839,049	(4,197,567)	(14,990,921)	(252,707,102)	1,206,031	(2,061,763)	(59,642,282)	-	(325,554,555)
Commission income/(expenses) (Net)	(25,523,011)	(1,833,575)	(134,087,212)	(103,834,112)	(25,925,435)	(33,527,505)	(18,974,460)	-	(343,705,310)
Operating Expenses	(48,012,675)	(1,250,489)	(76,393,007)	(65,014,335)	(19,748,556)	(15,702,269)	(4,189,726)	-	(230,311,057)
Other Operating Income / Expenses	(6,225,817)	(816,786)	(19,119,614)	(43,303,041)	(3,288,049)	(2,811,559)	(825,677)	-	(76,390,543)
Technical Profit	45,024,073	11,456,513	(4,851,334)	(112,067,323)	32,257,392	26,594,329	(65,398,305)	-	(66,984,655)
Investment income	-	-	-	-	-	-	-	399,318,535	399,318,535
Foreign exchange income	-	-	-	-	-	-	-	68,811,680	68,811,680
Tax expense	-	-	-	-	-	-	-	(91,555,207)	(91,555,207)
Net Profit / (Loss)	45,024,073	11,456,513	(4,851,334)	(112,067,323)	32,257,392	26,594,329	(65,398,305)	376,575,008	309,590,353

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NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2020

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

6. Tangible assets

As of December 31, 2020 and 2019 tangible assets movement and its accumulated depreciation is as follows:

Costs:	January 1	Additions	Disposals	Transfers	December 31, 2020
Property for operational use	1,598,569	-	-	-	1,598,569
Motor vehicles	2,720,001	-	-	-	2,720,001
Furniture and fixtures and leased tangible assets	27,612,750	3,505,326	(686,905)	-	30,431,171
Other tangible assets (including leasehold improvements)	21,347,617	334,940	-	-	21,682,557
Right of use of assets	34,372,885	6,756,386	-	-	41,129,271
Total	87,651,822	10,596,652	(686,905)	-	97,561,569
Accumulated depreciation: (-)					
Property for operational use	(601,945)	(31,246)	-	-	(633,191)
Motor vehicles	(549,962)	(544,000)	-	-	(1,093,962)
Furniture and fixtures and leased tangible assets	(17,306,145)	(4,195,274)	653,467	-	(20,847,952)
Other tangible assets	(11,657,802)	(2,183,573)	-	-	(13,841,375)
Right of use of assets	(8,243,981)	(9,399,081)	-	-	(17,643,062)
Total	(38,359,835)	(16,353,174)	653,467	-	(54,059,542)
Net book value	49,291,987				43,502,027
Costs:	January 1	Additions	Disposals	Transfers	December 31, 2019
Property for operational use	1,598,569	-	-	-	1,598,569
Motor vehicles	2,720,001	-	-	-	2,720,001
Furniture and fixtures and leased tangible assets	23,741,539	4,680,142	(808,931)	-	27,612,750
Other tangible assets	21,052,437	316,837	(21,657)	-	21,347,617
Right of use of assets	33,797,961	574,924	-	-	34,372,885
Total	82,910,507	5,571,903	(830,588)	-	87,651,822
Accumulated depreciation: (-)					
Property for operational use	(569,248)	(32,697)	-	-	(601,945)
Motor vehicles	(5,962)	(544,000)	-	-	(549,962)
Furniture and fixtures and leased tangible assets	(14,906,985)	(3,140,454)	741,294	-	(17,306,145)
Other tangible assets	(9,370,383)	(2,295,548)	8,129	-	(11,657,802)
Right of use of assets	-	(8,243,981)	-	-	(8,243,981)
Total	(24,852,578)	(14,256,680)	749,423	-	(38,359,835)
Net book value	58,057,929				49,291,987

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

Total depreciation and amortization expense is TL 52,626,448 (January 1 - December 31, 2019: TL 33,510,804).

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

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7. Intangible assets

Costs:	January 1	Additions	Disposals	Transfers	December 31, 2020
Rights	134,184,258	22,996,180	(13,980)	4,258,386	161,424,844
Advances given for intangible assets	3,489,088	9,933,093	-	(4,258,386)	9,163,795
Total	137,673,346	32,929,273	(13,980)	-	170,588,639
Accumulated depreciation: (-)					
Rights	(77,104,087)	(36,261,151)	136	-	(113,365,102)
Total	(77,104,087)	(36,261,151)	136	-	(113,365,102)
Net book value	60,569,259	(3,331,878)	(13,844)	-	57,223,537
Costs:	January 1	Additions	Disposals	Transfers	December 31, 2019
Rights	111,808,560	22,988,900	(613,202)	-	134,184,258
Advances given for intangible assets	1,949,163	1,539,925	-	-	3,489,088
Total	113,757,723	24,528,825	(613,202)	-	137,673,346
Accumulated depreciation: (-)					
Rights	(58,117,829)	(19,246,232)	259,974	-	(77,104,087)
Total	(58,117,829)	(19,246,232)	259,974	-	(77,104,087)
Net book value	55,639,894	5,282,593	(353,228)	-	60,569,259

8. Investment properties

Costs:	January 1	Additions	Disposals	December 31, 2020
Property for operational use	170,958	-	(170,958)	-
Total	170,958	-	(170,958)	-
Accumulated depreciation: (-)				
Property for operational use	(7,892)	(12,123)	20,015	-
Total	(7,892)	(12,123)	20,015	-
Net book value	163,066	(12,123)	(150,943)	-
Costs:	January 1	Additions	Disposals	December 31, 2019
Property for operational use	-	170,958	-	170,958
Total	-	170,958	-	170,958
Accumulated depreciation: (-)				
Rights	-	(7,892)	-	(7,892)
Total	-	(7,892)	-	(7,892)
Net book value	-	163,066	-	163,066

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9. Financial assets

Available for sale marketable securities:

December 31, 2020			
	Cost Value	Fair Value	Book Value
Private bonds	466,632,308	476,919,365	476,919,365
Eurobonds	651,580,189	658,081,546	658,081,546
Equities	126,165,411	136,469,582	136,469,582
Government bonds	200,278,369	201,337,991	201,337,991
Total	1,444,656,277	1,472,808,484	1,472,808,484

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

Held to maturity marketable securities

December 31, 2020			
	Cost Value	Fair Value	Book Value
Eurobond	136,087,693	139,192,396	138,255,898
Government bonds	62,670,791	68,812,567	67,271,472
Total	198,758,484	208,004,963	205,527,370

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

Financial assets at insurees’ risk:

December 31, 2020			
	Cost Value	Fair Value	Book Value
Government bonds	1,647,665	1,952,843	1,952,843
Total	1,647,665	1,952,843	1,952,843

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

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9. Financial assets (Continued)

Held for trading marketable securities

December 31, 2020			
	Cost Value	Fair Value	Book Value
Reverse Repo	55,999,882	56,027,437	56,027,437
Investment Funds	6,466,902	7,207,543	7,207,543
Total	62,466,784	63,234,980	63,234,980
December 31, 2019			
	Cost Value	Fair Value	Book Value
Reverse Repo	447,999,882	448,138,097	448,138,097
Investment Funds	116,663,610	142,613,229	142,613,229
Total	564,663,492	590,751,326	590,751,326

Equity shares under available-for-sale investments:

In June 28, 2019, the Company has sold Merter BV with a 25% participation rate for 1 Euro to Apollo European Real Estate III Coöperatief U.A. ve Apollo European Real Estate III (EU) Coöperatief U.A.

List of the investments and fair values is as below:

December 31, 2020			
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Tarsim	722,156	-	722,156
Total	722,156	-	722,156
December 31, 2019			
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Tarsim	430,032	-	430,032
Total	430,032	-	430,032

As at December 31, 2020, the Company has Eurobonds with the carrying value of USD 24,406,184 (Note 4, Foreign currency risk) (December 31, 2019: USD 30,724,479).

As at December 31, 2020 and 2019, the remaining contractual maturities of financial assets are as follows:

December 31, 2020

	No stated maturity	0-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Private sector bonds	31,037,645	250,852,853	640,723,212	283,407,743	67,235,356	1,273,256,809
Investment funds	7,207,543	-	-	-	-	7,207,543
Equity shares	136,469,582	-	-	-	722,156	137,191,738
Government bonds	2,000,217	12,257,180	21,937,908	216,121,150	18,245,851	270,562,306
Reverse repo	56,027,437	-	-	-	-	56,027,437
Total	232,742,424	263,110,033	662,661,120	499,528,893	86,203,363	1,744,245,833

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

9. Financial assets (Continued)

Equity shares under available-for-sale investments (Continued):

December 31, 2019

	No stated maturity	0-3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Private sector bonds	24,027,260	40,394,339	68,891,883	341,605,188	35,548,722	510,467,392
Investment funds	142,613,229	-	-	-	-	142,613,229
Equity shares	77,976,955	-	-	-	430,032	78,406,987
Government bonds	5,240,800	513,400	46,097,459	78,977,908	19,733,995	150,563,562
Reverse repo	448,138,097	-	-	-	-	448,138,097
Total	697,996,341	40,907,739	114,989,342	420,583,096	55,712,749	1,330,189,267

Movement of financial assets:

As at December 31, 2020 and 2019, the movements of financial assets are as follows:

	2020						Total
	Available for sale financial assets(*)	Equity shares (**)	Held to maturity	Investment funds	Life portfolio	Reverse repo	
Opening, January 1	702,319,600	430,032	34,881,722	142,613,229	1,806,587	448,138,097	1,330,189,267
Purchases (+)	3,077,963,054	292,124	201,281,264	228,336,789	-	(406,554,778)	3,101,318,453
Sales (-)	(2,046,611,277)	-	(50,837,777)	(321,618,708)	(203,300)	-	(2,419,271,062)
Gain / (loss)	(260,862,893)	-	20,202,161	(42,123,767)	349,556	14,444,118	(267,990,825)
Closing, December 31	1,472,808,484	722,156	205,527,370	7,207,543	1,952,843	56,027,437	1,744,245,833

(*) Available for sale financial assets include TL 136,469,582 of equity investments as of December 31, 2020 (TL 77,976,955 as of December 31, 2019).

(**) Equity shares consist of TARSIM shares of Aksigorta A.Ş.

	2019						Total
	Available for sale financial assets(*)	Equity shares (**)	Held to maturity	Investment funds	Life portfolio	Reverse repo	
Opening, January 1	379,199,276	430,032	9,752,674	168,805,442	1,686,241	-	559,873,665
Purchases (+)	1,177,127,431	-	35,133,048	164,874,444	-	448,138,097	1,825,273,020
Sales (-)	(977,082,498)	-	(16,830,800)	(215,877,806)	(204,036)	-	(1,209,995,140)
Gain / (loss)	123,075,391	-	6,826,800	24,811,149	324,382	-	155,037,722
Closing, December 31	702,319,600	430,032	34,881,722	142,613,229	1,806,587	448,138,097	1,330,189,267

10. Cash and cash equivalents

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

	December 31, 2020	December 31, 2019
Cash at banks	1,600,368,638	1,356,583,321
-time deposits	1,521,138,584	1,336,042,495
-demand deposits	79,230,054	20,540,826
Bank guaranteed credit card receivables with maturity less than 3 months	669,855,762	706,459,191
Total cash and cash equivalents	2,270,224,400	2,063,042,512

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10. Cash and cash equivalents (Continued)

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

Cash and cash equivalents that are included in the statements of cash flows for the periods January 1 - December 31, 2020 and January 1 - December 31, 2019 are as follows:

	December 31, 2020	December 31, 2019
Total cash and cash equivalents	2,270,224,400	2,063,042,512
Interest accrual on cash at banks (-)	(11,553,673)	(2,557,348)
Blocked time deposits	(89,061,660)	(178,718,207)
Blocked credit card receivables	(175,000,000)	(50,000,000)
Cash and cash equivalents per statement of cash flow	1,994,609,067	1,831,766,957

Weighted average interest rates of time deposits:

	December 31, 2020	December 31, 2019
TL	13,65 - 22,25	10,65 - 18,00
USD	0,20 - 3,10	1.25
EUR	0,01 - 0,05	0,50 - 0,35

As at December 31, 2020 and 2019 detail of cash and cash equivalents per currency are as follows:

	December 31, 2020	December 31, 2019
Foreign currency denominated		
- demand deposits	22,868,032	2,925,614
- time deposits	145,380,002	154,032,271
Turkish Lira		
- demand deposits	56,362,022	17,615,212
- time deposits	1,375,758,582	1,182,010,224
- bank guaranteed credit card receivables with maturity less than 3 months	669,855,762	706,459,191
Total cash and cash equivalents	2,270,224,400	2,063,042,512

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

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

11. Premium receivables and due from reinsurers

As at December 31, 2020 and 2019 premium receivables and due from reinsurers are as follows:

	December 31, 2020	December 31, 2019
Receivables from intermediaries	1,050,360,922	716,040,449
Receivables from reinsurance companies	28,401,167	22,369,137
Due from insurance operations	1,078,762,089	738,409,586
Other receivables	534,116	517,651
Receivables from reinsurance and insurance companies	1,079,296,205	738,927,237
Doubtful receivables from main operations - gross	36,520,503	32,475,839
Receivables from main operations - gross	1,115,816,708	771,403,076
Provision for receivables from insurance operations	(6,055,117)	(10,109,858)
Provision for doubtful receivables from main operations	(24,482,790)	(23,816,352)
Total provision amount for doubtful receivables	(30,537,907)	(33,926,210)
Total premium receivables and due from reinsurers	1,085,278,801	737,476,866

The aging of premium receivables is as follows:

	December 31, 2020	December 31, 2019
Overdue	73,909,848	41,505,217
Up to 3 months	321,505,608	299,888,465
3 to 6 months	372,931,595	225,547,935
6 months to 1 year	212,635,113	135,772,008
Over 1 year	134,834,544	68,689,451
Receivables from insurance operations - gross	1,115,816,708	771,403,076
Provision for receivables from insurance operations (-)	(6,055,117)	(10,109,858)
Provisions for receivables from main operations (-)	(24,482,790)	(23,816,352)
Total provision amount for doubtful receivables	(30,537,907)	(33,926,210)
Total premium receivables and due from reinsurers	1,085,278,801	737,476,866

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

	2020	2019
Opening balance - January 1	(33,926,210)	(26,890,947)
Net change for the period	3,388,303	(7,035,263)
Closing balance, December 31	(30,537,907)	(33,926,210)

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NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

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11. Premium receivables and due from reinsurers (Continued)

The aging of the overdue but not impaired receivables from policyholders and agencies are as follows:

	December 31, 2020	December 31, 2019
Up to 3 months	39,706,076	9,029,378
Over 3 months	18,111,489	21,712,042
Total	57,817,565	30,741,420

As at December 31, 2020 and 2019, the details of guarantees and collaterals obtained are as follows:

Types of guarantee	December 31, 2020		December 31, 2019	
	Receivables	Doubtful receivables	Receivables	Doubtful receivables
Real Estate Pledges	57,345,412	531,200	55,282,791	1,195,700
Letters of Guarantee	91,776,888	55,000	43,933,079	-
Cash guarantee	8,186,217	-	3,002,608	-
Government Bonds and Equity Shares	1,748,553	-	314,439	7,500
Other	309,696	7,500	2,424,466	-
Total	159,366,766	593,700	104,957,383	1,203,200

The Company has utilisable guarantes and collaterals in the amount of TL 37,175,263 (December 31, 2019: TL 32,501,435).

12. Reinsurance share of insurance liabilities

As at December 31, 2020 and 2019 reinsurance share of insurance liabilities are as follows:

Reinsurance Share	December 31, 2020	December 31, 2019
Reinsurers' share of outstanding claims (Note 17)	2,348,492,639	1,879,234,498
Reinsurers' share of unearned premiums (Note 17)	1,299,053,674	951,108,392
Reinsurers' share of bonus and rebates provision (Note 17)	452,167	892,018
Total	3,647,998,480	2,831,234,908

13. Deferred acquisition costs

As at December 31, 2020 and 2019 movements of deferred acquisition costs are as follows:

	December 31, 2020	December 31, 2019
Deferred acquisition costs, gross January 1	176,322,242	120,592,122
Change	8,201,741	55,730,120
Deferred acquisition costs, gross December 31	184,523,983	176,322,242

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14. Other assets

As at December 31, 2020 and 2019 short term other assets are as follows:

	December 31, 2020	December 31, 2019
Claim recovery receivables	34,460,637	23,142,748
Receivable from Agricultural Insurance Pool	11,988,852	8,888,272
Receivable from Turkish Natural Catastrophe Insurance Pool	6,069,346	5,232,500
Prepaid expenses/Short	4,973,654	2,568,275
Prepaid taxes and funds	2,312,182	7,610,410
Other	5,564,492	3,733,384
Total short term other assets	65,369,163	51,175,589

	December 31, 2020	December 31, 2019
Claim recovery receivables	46,265,076	31,126,674
Provision for claim recovery (-)	(11,804,439)	(7,983,926)
Claim recovery receivables under legal follow-up	142,988,823	109,552,591
Provision for net claim recovery receivables under legal follow-up (-)	(142,988,823)	(109,552,591)
Subrogation receivables	34,460,637	23,142,748

As at December 31, 2020 and 2019 long term other assets are as follows:

	December 31, 2020	December 31, 2019
Prepaid expenses /Long term	61,469	149,980
Total long term other assets	61,469	149,980

15. Equity

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

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

	January 1, 2020		Issued Capital		Amortised		December 31, 2020	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
Total	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
	January 1, 2019		Issued Capital		Amortised		December 31, 2019	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
Total	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000

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15. Equity (Continued)

Movement of legal reserves is as follows:

Legal Reserves	2020	2019
Opening balance, January 1	137,889,692	112,230,612
Addition related to profit for the period	164,398,436	25,659,080
Closing balance, December 31	302,288,128	137,889,692

Actuarial gain / (loss)

In accordance with changes regarding “IAS 19 - Employee Benefits” effective as of January 1, 2013, net-off deferred tax actuarial loss amounting to TL 6,814,004 (net off deferred tax: TL 5,451,203) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity (December 31, 2019: TL 5,647,766 (net off deferred tax: TL 4,518,213).

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

Actuarial Loss	2020	2019
Opening balance, January 1	5,647,766	4,502,524
Change for the period	1,166,238	1,145,242
Closing balance, December 31	6,814,004	5,647,766

Available for sale investments fund:

The unrealized gains and losses that result from the changes in the fair values of available for sale financial assets are directly recognized in the shareholders’ equity as “Available for sale investments fund”. Movement of available for sale investments fund is below:

Available for sale investments fund	2020	2019
Opening balance, January 1	6,588,634	(10,638,677)
Increase/decrease in value recognized under the shareholders’ equity in the current period	(5,147,085)	17,227,311
Closing balance, December 31	1,441,549	6,588,634

Hedge Accounting

The Company recognizes the changes in value of hedged asset by the foreign currency differences under equity. As of December 31, 2020 The Company has no hedge assets.(December 31, 2019 : None).

16. Earning Per Share

Shareholder of the company's earnings per share calculation is as follows:

	2020	2019
Profit for the year	373,944,059	309,590,353
Weighted average number of shares with nominal value of TL 0.01 nominal value per share	30,600,000,000	30,600,000,000
Earnings per share	0.0122	0.0101

As of December 31, 2020 capital of the Company consists of 30,600,000,000 shares with nominal value of TL 0.01(December 31, 2019: 30,600,000,000 shares with nominal value of TL 0.01).

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16. Earning Per Share (Continued)

Dividend payment - Covid-19

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

17. Insurance liabilities

Insurance liabilities as at December 31, 2020 and 2019 are as follows:

Gross	December 31, 2020	December 31, 2019
Outstanding claims provision	4,118,631,648	3,246,299,108
Reserve for unearned premiums	2,926,765,514	2,356,539,448
Life actuarial mathematical reserves	1,276,448	1,302,184
Life profit share provision	141,828	144,687
Bonus and rebates provision	455,763	900,431
Total	7,047,271,201	5,605,185,858

Reinsurance Share	December 31, 2020	December 31, 2019
Reinsurers' share of outstanding claims	2,348,492,639	1,879,234,498
Reinsurers' share of unearned premiums	1,299,053,674	951,108,392
Reinsurers' share of bonus and rebates provision	452,167	892,018
Total	3,647,998,480	2,831,234,908

	December 31, 2020	December 31, 2019
Net outstanding claims	1,770,139,009	1,367,064,610
Net unearned premiums	1,627,711,840	1,405,431,056
Life actuarial mathematical reserves	1,276,448	1,302,184
Life profit share provision	141,828	144,687
Bonus and rebates provision	3,596	8,413
Total	3,399,272,721	2,773,950,950

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17. Insurance liabilities (Continued)

Movements in insurance liabilities and reinsurance assets Outstanding Claims:

	2020		
	Gross	Reinsurers' share	Net
Opening balance, January 1	3,246,299,108	(1,879,234,498)	1,367,064,610
Net change	872,332,540	(469,258,141)	403,074,399
Closing balance - December 31	4,118,631,648	(2,348,492,639)	1,770,139,009
	2019		
	Gross	Reinsurers' share	Net
Opening balance, January 1	2,367,199,719	(1,325,805,074)	1,041,394,645
Net change	879,099,389	(553,429,424)	325,669,965
Closing balance - December 31	3,246,299,108	(1,879,234,498)	1,367,064,610

Unearned Premium Reserve:

	2020		
	Gross	Reinsurers' share	Net
Opening balance - January 1	2,356,539,448	(951,108,392)	1,405,431,056
Net change	570,226,066	(347,945,282)	222,280,784
Closing balance - December 31	2,926,765,514	(1,299,053,674)	1,627,711,840
	2019		
	Gross	Reinsurers' share	Net
Opening balance - January 1	1,769,723,313	(729,547,903)	1,040,175,410
Net change	586,816,135	(221,560,489)	365,255,646
Closing balance - December 31	2,356,539,448	(951,108,392)	1,405,431,056

Life mathematical provisions:

	2020		2019	
	Number of Policies	Mathematical Reserves	Number of Policies	Mathematical Reserves
Opening balance, January 1	172	1,446,871	181	1,473,636
Addition/(leavings) in the current period	(6)	(28,595)	(9)	(26,765)
Closing balance, December 31	166	1,418,276	172	1,446,871

Mathematical reserves amounting to TL 1,418,276 (December 31, 2019: TL 1,446,871) and reserves for the policies with financial assets at insureds' risk amounting to TL 141,828 (December 31, 2019: TL 144,687) and cancelled policies together with their mathematical reserves are included in the table above.

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17. Insurance liabilities (Continued)

Subrogation income:

The amounts of the net salvage and subrogation income which are collected and the accrued income amounts from salvage and subrogation receivables with respect to the claims paid by the Company are as follow:

Claim recovery accruals	December 31, 2020			December 31, 2019		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Motor Own Damage	34,682,263	-	34,682,263	23,429,417	-	23,429,417
MTPL	8,693,394	(614,782)	8,078,612	7,170,979	(286,586)	6,884,393
Fire	4,565,328	(1,595,787)	2,969,541	1,242,057	(510,410)	731,647
Marine	717,994	(296,036)	421,958	48,076	(35,249)	12,827
General Losses	140,586	(78,729)	61,857	114,875	(93,533)	21,342
Suretyship	73,972	(37,244)	36,728	-	-	-
Legal Expenses	13,174	-	13,174	-	-	-
General Liability	3,143	(2,200)	943	21,022	(790)	20,232
Watercraft	-	-	-	33,584	(8,396)	25,188
Financial Losses	-	-	-	3,256	(1,628)	1,628
Total	48,889,854		46,265,076	32,063,266	(936,592)	31,126,674

Claim recovery collections	December 31, 2020			December 31, 2019		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Motor Own Damage	209,845,013	(1,908)	209,843,105	214,908,495	(820)	214,907,675
MTPL	13,394,366	(712,985)	12,681,381	9,232,284	(373,776)	8,858,508
Fire	7,712,930	(4,481,667)	3,231,263	6,420,064	(4,424,593)	1,995,471
Marine	1,915,055	(1,197,296)	717,759	5,672,117	(3,002,323)	2,669,794
Watercraft	125,432	(8,147)	117,285	34,502	(24,152)	10,350
General Losses	483,767	(371,211)	112,556	163,243	(112,271)	50,972
Legal Expenses	24,454	-	24,454	3,769	-	3,769
Suretyship	6,013	(3,163)	2,850	11,527	(6,124)	5,403
Financial Losses	3,256	(1,628)	1,628	-	-	-
General Liability	24,812	(27,838)	(3,026)	73,731	(43,603)	30,128
Total	233,535,098	(6,805,843)	226,729,255	236,519,732	(7,987,662)	228,532,070

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17. Insurance liabilities (Continued)

Claims development tables

The Company prepares the claim development table in accordance with the Regulation on Technical Reserves. As at December 31, 2020 and 2019, claim development table of the Company is as follows:

	2013 and earlier	2014	2015	2016	2017	2018	2019	2020	Total
Claims realized in the accident period	4,779,251,521	838,172,102	841,913,192	930,621,837	1,366,238,878	1,564,047,984	2,299,878,599	2,069,675,810	14,689,799,923
1 year later	1,159,099,782	239,937,131	216,699,946	420,934,178	793,577,616	606,370,322	939,075,198	-	4,375,694,173
2 years later	400,912,984	144,014,862	126,303,760	345,579,004	633,208,482	352,446,584	-	-	2,002,465,676
3 years later	302,651,215	120,606,234	110,917,361	344,631,786	602,343,698	-	-	-	1,481,150,294
4 years later	281,287,386	133,086,346	113,024,946	398,378,186	-	-	-	-	925,776,864
5 years later	242,522,017	151,210,707	120,467,564	-	-	-	-	-	514,200,288
6 years later	244,332,048	174,627,627	-	-	-	-	-	-	418,959,675
7 years later	253,370,080	-	-	-	-	-	-	-	253,370,080
8 years later	168,934,219	-	-	-	-	-	-	-	168,934,219
9 years later	113,505,061	-	-	-	-	-	-	-	113,505,061
10 years later	81,299,639	-	-	-	-	-	-	-	81,299,639
11 year later	51,476,156	-	-	-	-	-	-	-	51,476,156
12 year later	34,545,785	-	-	-	-	-	-	-	34,545,785
13 year later	18,752,259	-	-	-	-	-	-	-	18,752,259
14 year later	5,273,107	-	-	-	-	-	-	-	5,273,107
Total incurred gross provision for outstanding claims as at December 31, 2020	8,137,213,259	1,801,655,009	1,529,326,769	2,440,144,991	3,395,368,674	2,522,864,890	3,238,953,797	2,069,675,810	25,135,203,199

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17. Insurance liabilities (Continued)

	2012 and earlier	2013	2014	2015	2016	2017	2018	2019	Total
Claims realized in the accident period	4,399,290,662	673,019,738	838,172,102	841,913,192	930,621,837	1,366,238,878	1,564,047,984	2,299,878,599	12,913,182,992
1 year later	1,073,657,248	160,181,399	239,937,131	216,699,946	420,934,178	793,577,616	606,370,322	-	3,511,357,840
2 years later	335,711,333	84,819,582	144,014,862	126,303,760	345,579,004	633,208,482	-	-	1,669,637,023
3 years later	256,374,126	67,301,174	120,606,234	110,917,361	344,631,786	-	-	-	899,830,681
4 years later	236,621,010	65,886,722	133,086,346	113,024,946	-	-	-	-	548,619,024
5 years later	192,667,494	65,079,638	151,210,707	-	-	-	-	-	408,957,839
6 years later	186,024,109	70,146,042	-	-	-	-	-	-	256,170,151
7 years later	187,520,045	-	-	-	-	-	-	-	187,520,045
8 years later	131,351,106	-	-	-	-	-	-	-	131,351,106
9 years later	97,757,350	-	-	-	-	-	-	-	97,757,350
10 years later	68,863,070	-	-	-	-	-	-	-	68,863,070
11 years later	52,139,784	-	-	-	-	-	-	-	52,139,784
12 years later	38,219,312	-	-	-	-	-	-	-	38,219,312
13 years later	28,372,809	-	-	-	-	-	-	-	28,372,809
14 years later	22,267,604	-	-	-	-	-	-	-	22,267,604
Total incurred gross provision for outstanding claims as at December 31, 2019	7,306,837,062	1,186,434,295	1,627,027,382	1,408,859,205	2,041,766,805	2,793,024,976	2,170,418,306	2,299,878,599	20,834,246,630

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17. Insurance liabilities (Continued)

Incurred but not reported reserves in accordance with ultimate liability calculations:

Line of Businesses	Applied Method	December 31, 2020		December 31, 2019	
		Gross Additional Provision	Net Additional Provision	Gross Additional Provision	Net Additional Provision
Motor Third Party Liability	FS	892,470,020	892,470,020	FS	658,290,473
General Liability	SCL	323,240,038	41,736,151		119,748,673
Fire	BF	22,845,897	3,394,607	BF	17,298,485
General Loss	BF	12,739,115	990,478	BF	10,814,816
Health	SCL	813,472	127,099	SCL	776,358
Marine	BF	(767,587)	(474,757)	BF	(2,229,694)
Motor Own Damage	SCL	(28,150,777)	(28,150,777)	SCL	(7,048,377)
Other	SCL	8,193,187	1,366,635	SCL	7,267,753
Total		1,231,383,365	911,459,456		804,918,487
					683,240,035

The Company actuary determined the threshold values regarding the peak claims considered as large claims using the plot analysis. With this method the files, which exceeds the determined limits considered as significant claims. The claim process of these files is different from other files. For these files, additional provision calculations were performed and added to the provisions. As of December 31, 2020 and 2019, large claim limits are as follows;

Line of Businesses	2020		2019	
	Ultimate Loss	Large Claim Level	Ultimate Loss	Large Claim Level
General Liability		1,650,000	SCL	200,000
Employers Liability	BF	650,000		
Third Liability GL	BF	600,000		
Other	BF	400,000		
General Losses	BF	999,999	BF	999,999
Marine	BF	999,999	BF	499,999
Fire	BF	499,999	BF	999,999
Personal Accident	BF	299,999	BF	299,999
Motor Vehicle Facultative				
Third Party Liability	FS	149,999	FS	149,999
Financial Losses	SCL	50,000	SCL	50,000

In branches where significant claim determination is performed, additional provision calculations were performed for these files added to the Outstanding Claims Provisions. Additional gross amounts, as the LoBs are as follows.

Line of Businesses	2020	
	Gross Additional Amount	Net IBNR
General Liability	42,274,306	42,274,306
Fire	19,197,985	19,197,985
General Losses	9,096,151	9,096,151
Facultative Public Liability	4,111,157	4,111,157
Financial Losses	4,015,487	4,015,487
Accident	1,247,909	1,247,909

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18. Provisions for other liabilities and charges

The details of provisions that are classified under provisions for expense accruals in statement of financial position are as follows:

	December 31, 2020	December 31, 2019
Commission provision	35,959,660	28,447,678
Security fund provision	15,455,363	13,656,077
Performance premium provision	10,544,208	8,433,529
Expense accruals	4,353,920	5,528,924
Unused vacation provision	2,158,581	2,051,784
Legal disputes provision	1,633,654	1,230,851
Other	707,549	598,543
Total	70,812,935	59,947,386

Commitments and contingent liabilities which are not recognised as liabilities are disclosed in Note 32 and 33.

The movement of the commission provisions are as follows:

	December 31, 2020	December 31, 2019
Opening balance, January 1	28,447,678	16,206,481
Change during the year, net	7,511,982	12,241,197
Total	35,959,660	28,447,678

The movement of the performance premium provision are as follows:

	December 31, 2020	December 31, 2019
Opening balance, January 1	8,433,529	7,131,516
Change during the year, net	2,110,679	1,302,013
Total	10,544,208	8,433,529

The movement of the security fund provision are as follows:

	December 31, 2020	December 31, 2019
Opening balance, January 1	13,656,077	10,312,123
Change during the year, net	1,799,286	3,343,954
Total	15,455,363	13,656,077

The movement of the unused vacation provision are as follows:

	December 31, 2020	December 31, 2019
Opening balance, January 1	2,051,784	1,833,999
Change during the year, net	106,797	217,785
Total	2,158,581	2,051,784

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18. Provisions for other liabilities and charges (Continued)

The movement of the expense accruals are as follows:

	December 31, 2020	December 31, 2019
Opening balance, January 1	5,528,924	1,847,440
Change during the year, net	(1,175,004)	3,681,484
Total	4,353,920	5,528,924

19. Payables to reinsurers, trade and other payables

	December 31, 2020	December 31, 2019
Payables to reinsurers	765,628,607	554,050,816
Payables to SSI regarding medical expenses	45,560,203	42,392,477
Payables due to main operations	811,188,810	596,443,293
Payables to contracted institutions	40,496,161	48,821,504
Taxes payable	53,532,316	40,603,094
Payables to suppliers	29,576,727	27,539,894
Payables to Turkish Catastrophe Insurance Pool	26,540,034	23,480,700
Other	10,199,589	5,131,409
Total other short term payables	160,344,827	145,576,601
Total financial liabilities trade and other payables, deferred income	971,533,637	742,019,894

Movement of SSI regarding medical expenses is as follows:

	2020	2019
Opening Balance, January 1,	42,392,477	28,112,544
Premiums Ceded to SSI	144,624,135	135,165,977
Premium payments to SSI in the current period	(141,456,409)	(120,886,044)
Closing balance, December 31	45,560,203	42,392,477

20. Provision for retirement benefit obligation

	December 31, 2020	December 31, 2019
Provision for employment termination benefits	9,095,078	7,052,711
Total	9,095,078	7,052,711

**NOTES TO THE FINANCIAL STATEMENTS
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20. Provision for retirement benefit obligation (Continued)

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. IAS 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 December 31, 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 December 31, 2020, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 12.10% (December 31, 2019: 15.40%) and a discount rate of 14% (December 31, 2019: 11.70%), 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 retirement pay is also taken into account.

However, during this estimation, the employee termination benefits mentioned in subparagraph 5 of paragraph 1 of article 14 of the Labor Law numbered 1475 to be made in accordance with other conditions excluding the ages stipulated in clauses (a) and (b) of subparagraph A of paragraph one of article 60 of the Law numbered 506 or due to termination of employees on their own will after having completed the insurance period required for retirement pension (15 years) and the number of premium payment days (3600 days) have been excluded from the payments to be incurred by the Company.

As the maximum liability is updated semi-annually, the maximum amount of TL 7,639 effective from January 1, 2021 has been taken into consideration in calculation of provision from employment termination benefits (As of January 1, 2020, the ceiling on severance pay is TL 6,730 per month). Movement of employee termination benefits provisions are presented in the statement below:

	2020	2019
Opening balance, January 1	7,052,711	6,503,684
Charge for the period	1,663,144	1,749,671
Actuarial gain/loss	1,166,238	1,145,242
Retirement payments	(787,015)	(2,345,886)
Closing balance, December 31	9,095,078	7,052,711

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21. Lease liabilities

As at December 31, 2020 and January 1, 2019; lease liabilities are as follows:

	December 31, 2020	December 31, 2019
Short-term lease liabilities (undiscounted)	13,524,088	12,599,956
discount amount of short-term lease liabilities (-)	(6,146,671)	(8,793,389)
Total short-term lease liabilities	7,377,417	3,806,567
Long-term lease liabilities (undiscounted)	28,360,104	36,383,769
discount amount of long-term lease liabilities (-)	(6,845,498)	(10,440,095)
Total long-term lease liabilities	21,514,606	25,943,674
Total financial liabilities trade and other payables, deferred income	28,892,023	29,750,241

Movement of lease liabilities for the period ended December 31, 2020 and January 1, 2019 are as follows:

	2020	2019
Opening balance, January 1	29,750,241	-
IFRS 16 impact	-	31,004,961
Additions	6,756,386	
Lease payments	(15,518,592)	(9,570,804)
Interest payments	7,903,988	8,316,084
Closing balance, December 31	28,892,023	29,750,241

22. Net insurance premium income

The distribution of premium income is as follows:

	January 1 - December 31, 2020			January 1 - December 31, 2019		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Written premium	5,272,142,057	(2,374,453,128)	2,897,688,929	4,473,559,840	(1,941,165,407)	2,532,394,433
Change in unearned premium reserve	(570,226,066)	347,945,282	(222,280,784)	(586,816,135)	235,216,566	(351,599,569)
Total premium revenue	4,701,915,991	(2,026,507,846)	2,675,408,145	3,886,743,705	(1,705,948,841)	2,180,794,864
Motor third party liability	1,635,342,700	(347,255,353)	1,288,087,347	1,475,727,417	(332,587,193)	1,143,140,224
Motor own damage	1,166,113,201	(69,918,501)	1,096,194,700	947,640,470	(53,092,158)	894,548,312
General Losses	848,699,198	(602,680,057)	246,019,141	347,336,157	(240,337,129)	106,999,028
Health	471,952,589	(375,026,286)	96,926,303	391,037,059	(278,353,348)	112,683,711
Fire	785,280,268	(712,629,069)	72,651,199	1,017,415,537	(798,772,832)	218,642,705
Marine	116,770,024	(85,287,200)	31,482,824	93,817,971	(67,409,498)	26,408,473
Other	247,984,077	(181,656,662)	66,327,415	200,585,229	(170,613,249)	29,971,980
Total	5,272,142,057	(2,374,453,128)	2,897,688,929	4,473,559,840	(1,941,165,407)	2,532,394,433

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23. Insurance claims and claims recovered from reinsurers

December 31, 2020	Gross	Reinsurers' Share	Net
Paid Claims	2,161,766,768	(754,079,647)	1,407,687,121
Change in outstanding claims	872,332,540	(469,258,141)	403,074,399
Change in mathematical reserves	(28,595)	-	(28,595)
Bonus and rebates provision	(444,668)	439,851	(4,817)
Total	3,033,626,045	(1,222,897,937)	1,810,728,108
December 31, 2019	Gross	Reinsurers' Share	Net
Paid Claims	2,066,484,084	(794,666,030)	1,271,818,054
Change in outstanding claims	879,099,388	(553,429,424)	325,669,964
Change in mathematical reserves	(26,765)	-	(26,765)
Bonus and rebates provision	(61,262,146)	61,173,502	(88,644)
Total	2,884,294,561	(1,286,921,952)	1,597,372,609

24. Taxes

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

	December 31, 2020	December 31, 2019
Income taxes payable	117,630,688	125,897,143
Prepaid income taxes	(94,016,621)	(73,065,163)
Tax payable/(asset)	23,614,067	52,831,980

Deferred tax

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

The details of deferred tax assets and liabilities are as follows:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Discounting in outstanding claims	332,370,505	242,358,605	66,474,101	53,318,893
General expense provision	22,348,560	20,409,677	4,469,712	4,490,129
Claim handling	21,629,680	19,168,182	4,325,936	4,217,000
Doubtful receivable provisions	18,369,483	34,734,800	3,673,897	7,641,656
Bonus provision	10,544,208	8,433,529	2,108,842	1,855,376
Employment termination benefit	9,095,078	7,052,711	1,819,016	1,410,542
Leased assets	5,405,814	3,621,336	1,081,163	796,694
Derivative asset valuation	5,352,006	30,321,955	1,070,401	6,670,830
Unused vacation provision	2,158,581	2,051,784	431,716	451,392
Useful life of tangible and intangible assets	1,421,990	(11,328,418)	284,397	(2,492,252)
Bonus and rebates provision	3,596	8,414	719	1,851
Financial assets valuation effect accounted under equity	(5,367,432)	(9,683,015)	(1,073,487)	(1,936,603)
Equalization reserve	(88,895,290)	(87,166,582)	(17,779,058)	(19,176,648)
Total deferred tax assets / liabilities	334,436,779	259,982,978	66,887,355	57,248,860

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24. Taxes (Continued)

Deferred tax (Continued)

In accordance with the regulation numbered 7061, published in Official Gazette on December 5, 2018, " 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, the deferred tax assets/liabilities in December 31, 2020 are calculated with 20% tax rate.

Actual tax expense reconciliation is as follow:

	2020	2019
Profit before deferred tax and corporate tax	483,456,271	401,145,560
Tax Rate	22.00%	22%
Calculated tax expense (-)	(106,360,380)	(88,252,023)
Tax rate change effect	(2,605,818)	108,170
The effect of non-deductible expenses	(546,014)	(3,411,354)
Total tax expenses	(109,512,212)	(91,555,207)

25. Investment Income

Investment income for the year ended December 31, 2020 and 2019 are as follows:

	January 1- December 31, 2020	January 1- December 31, 2019
Available for sale interest income	219,657,294	137,890,947
Investment Income from derivatives	77,270,026	155,026,807
Cash and cash equivalents interest income	62,868,925	106,400,781
Total	359,796,245	399,318,535

26. Commission income and expenses

Commission income and expenses for the year ended December 31, 2020 and 2019 are as follows:

	January 1- December 31, 2020	January 1- December 31, 2019
Commissions Income	260,600,253	212,487,705
Commissions Expense	(670,043,275)	(556,193,015)
Total	(409,443,022)	(343,705,310)

27. Other operating income and expenses

Other operating income for the year ended December 31, 2020 and 2019 are as follows:

	January 1- December 31, 2020	January 1- December 31, 2019
Income from assistance services	7,881,937	5,678,324
State supported agriculture insurances commissions	1,758,500	1,356,101
Other	1,507,072	1,374,123
Total	11,147,509	8,408,548

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27. Other operating income and expenses (Continued)

Other operating expenses for the year ended December 31, 2020 and 2019 are as follows:

	January 1 - December 31, 2020	January 1 - December 31, 2019
Provision for doubtful receivables	(33,882,572)	(32,822,837)
Donation expense	(29,800,000)	(20,675,000)
Security fund provision	(15,455,363)	(13,656,077)
Bank expenses	(9,040,760)	(8,462,577)
Portfolio management fee	(3,409,366)	(3,858,176)
Retirement pay provisions	(1,663,144)	(1,749,671)
Disallowable expenses	(805,614)	(354,370)
Unused vacation provisions	(198,850)	(480,190)
Other	(3,569,476)	(2,740,193)
Total	(97,825,145)	(84,799,091)

28. Expenses by nature

	January 1 - December 31, 2020	January 1 - December 31, 2019
Personnel expenses*	(127,209,376)	(108,318,094)
Depreciation expenses	(52,626,448)	(33,510,804)
Assistance expenses	(34,480,713)	(27,541,991)
Information technology expenses	(23,598,190)	(19,890,295)
Advertisement expenses	(7,686,707)	(6,216,165)
Meeting and training expenses	(4,225,508)	(8,054,920)
Social relief expenses*	(2,235,208)	(5,655,130)
Transportation expenses	(1,662,758)	(4,465,507)
Other	(21,670,141)	(16,658,151)
Total	(275,395,049)	(230,311,057)

(*) Personnel expenses for the year ended December 31, 2020 and 2019 are as follows:

	January 1 - December 31, 2020	January 1 - December 31, 2019
Salary and bonus payments	(99,779,115)	(86,305,296)
Insurance payments	(23,837,216)	(17,697,458)
Other payments	(5,828,253)	(9,970,470)
Total	(129,444,584)	(113,973,224)

29. Foreign exchange gain / (loss), net

Foreign exchange gain / (loss), net for the year ended December 31, 2020 and 2019 are as follows:

	January 1 - December 31, 2020	January 1 - December 31, 2019
Foreign exchange gains (+)	316,242,743	230,548,082
Foreign exchange losses (-)	(285,747,047)	(161,736,402)
Foreign exchange gains, net	30,495,696	68,811,680

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30. Blocked securities and bank deposits

Under Insurance Law, insurance companies are obliged to deposit investments within two months in a blocked account with a state bank in favour of Undersecretariat of Treasury. Accordingly the following guarantees have been issued to the Turkish Treasury based on the financial results:

	January 1 - December 31, 2020	January 1 - December 31, 2019
Blocked bank deposits	264,061,660	228,718,207
Blocked securities	1,952,843	1,806,587
Total	266,014,503	230,524,794

31. Related parties

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

Due from /to related parties	December 31, 2020	December 31, 2019
Shareholder’s subsidiaries	91,461,912	58,379,601
Shareholders	2,254,915	44,663
Total	93,716,827	58,424,264
Banks		
	December 31, 2020	December 31, 2019
Shareholder’s subsidiaries	409,450,889	484,545,450
Total	409,450,889	484,545,450
Marketable securities		
	December 31, 2020	December 31, 2019
Shareholder’s subsidiaries	28,642,016	27,149,232
Total	28,642,016	27,149,232
Investment funds		
	December 31, 2020	December 31, 2019
Shareholder’s subsidiaries	95,998,460	142,613,289
Total	95,998,460	142,613,289
Written Premium		
	December 31, 2020	December 31, 2019
Shareholder’s subsidiaries	132,381,217	171,870,456
Shareholders	-	2,349,511
Total	132,381,217	174,219,967
Claims Paid		
	December 31, 2020	December 31, 2019
Shareholder’s subsidiaries	11,411,400	46,014,074
Shareholders	1,848	-
Total	11,413,248	46,014,074

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31. Related parties (Continued)

Investment Income	December 31, 2020	December 31, 2019
Shareholder’s subsidiaries	48,594,991	78,335,240
Total	48,594,991	78,335,240

Commission expense	December 31, 2020	December 31, 2019
Shareholder’s subsidiaries	122,037,729	126,568,178
Total	122,037,729	126,568,178

32. Commitments

Provision for lawsuit

Provision for lawsuit against the Company is classified under insurance liabilities and premium receivables.

As at December 31, 2020 and 2019, details of the provision for lawsuit against to the Company are as follows:

	December 31, 2020	December 31, 2019
Outstanding claims under litigation	977,496,405	712,591,573
Subrogation receivable litigations, gross	2,158,581	2,051,784
Trade receivable litigations and executions	1,633,654	1,230,851
Total	981,288,640	715,874,208

33. Contingencies

As at December 31, 2020 and 2019, total insurance risk accepted by the Company under normal courses of the insurance business is detailed in Note 4.

As of June 24, 2014, Tax Inspection Board of T.C. Ministry of Finance has launched a limited tax investigation related to the Banking and Insurance Transaction Tax for the years 2009, 2010, 2011 and 2012 and as a consequence of the tax inspection, tax of TL 1,8 million and tax penalty of TL 2,8 million for the year 2009, tax of TL 2 million and tax penalty of TL 3 million for the year 2010, tax of TL 3 million and tax penalty of TL 4,6 million for the year 2011 and tax of TL 4,3 million and tax penalty of TL 6,4 million for the year 2012 and in total tax and tax penalty of 27,9 million related to Banking Insurance Transaction Tax were imposed to the Company. The Company has not booked any provision in the financial statements since it believes that its practice is in compliance with the regulations. On January 16, 2015, the Company filed a reconciliation request for the year 2009 and on February 20, 2015 filed a reconciliation request for the years 2010, 2011 and 2012 to the Large Taxpayers Office Commission of Reconciliation. The Company has interviewed with the Large Taxpayers Office on February 15, 2019. Due to there is no agreement, the Company has filed a suit against the institution the Large Taxpayers Office. From the suits related to Banking Insurance Transaction Tax on salvage transaction in 2009, 2010, 2011 and 2012, the Tax Court has given the rule for the benefit of the Company. Suits related to the years of 2011 and 2012 continue at the Tax Court.

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AS AT DECEMBER 31, 2020

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34. Subsequent events

There are no significant events that occurred after the reporting period except for the matters stated in the footnotes.

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