

AKSIGORTA A.Ş.

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE INTERIM PERIOD JANUARY 1 - JUNE 30, 2021
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Aksigorta A.Ş.

Report on the audit of the condensed interim financial information

Our opinion

In our opinion, the accompanying condensed interim financial information of Aksigorta A.Ş. ("the Company") as at 30 June 2021 and for the six - month period then ended is properly prepared, in all material respects, in accordance with International Accounting Standard ("IAS") 34.

What we have audited

The Company's condensed interim financial information comprises:

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

Basis for opinion

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

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



Independence

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

Our audit approach

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

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

Key audit matters

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



| <i>Key audit matter</i> | <i>How our audit addressed the key audit matter</i> |
|---|--|
| <p data-bbox="272 499 516 533"><i>Claims provision</i></p> <p data-bbox="272 569 862 995">As explained in Notes 2.4 and 11 to the accompanying condensed interim financial information, the Company has significant gross insurance liabilities of TL 8,130 million representing 80% of the Company’s total equity and liabilities as of 30 June 2021. Concerning the estimation of incurred but not reported claims provision accounted under insurance liabilities amounting to TL 1,317 million as of 30 June 2021, the Company uses actuarial methods. The choice of selected methods and development factors for each accident year for each class of business depends on the best estimate of the Company.</p> <p data-bbox="272 1031 867 1262">The reason we focus on this area during our audit is the significance of the incurred but not reported claims provision for the condensed interim financial information and the significant actuarial judgments and estimates required by the nature of such provision in the condensed interim financial information.</p> | <p data-bbox="894 569 1495 1129">We tested the design and operational effectiveness of the key controls implemented by the Company's management in relation to the ultimate claims used in the calculation of incurred but not reported claims provision. We performed reconciliation of the data used in the calculation of incurred but not reported claims for selected branches with the condensed interim financial information. Our actuaries have assessed the estimated loss ratios and expected damage developments trends together with the selected actuarial techniques considering past damage experiences and sector developments. Moreover, for selected branches, we made an estimation of the reasonable ranges for the incurred but not reported claims provision and compared them with the Company’s records.</p> <p data-bbox="894 1165 1430 1289">We checked the adequacy and accuracy of the disclosures in the accompanying condensed interim financial information related to such provision.</p> |

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

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

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.



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

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

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

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



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

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

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

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

Adnan Akan, SMMM
Partner

Istanbul, 6 August 2021

AKSIGORTA A.Ş.

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD JANUARY 1 - JUNE 30, 2021**

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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION FOR THE PERIOD JANUARY 1 - JUNE 30, 2021

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

| Assets | Note | Audited June 30, 2021 | Audited December 31, 2020 |
|--|-------------|----------------------------------|--------------------------------------|
| Total current assets | | 10,012,690,001 | 8,996,918,504 |
| Cash and cash equivalents | 9 | 2,510,972,632 | 2,270,224,400 |
| Financial assets | | | |
| Debt securities: | | | |
| - Available for sale at company's risk | 8 | 1,170,421,725 | 1,472,808,484 |
| - Held to maturity at company's risk | 8 | 626,164,208 | 205,527,370 |
| - Held for trading at company's risk | 8 | 186,102,625 | 63,234,980 |
| - Available for sale at insurees' risk | 8 | 1,804,230 | 1,952,843 |
| Premium receivables | | 936,730,102 | 1,056,877,634 |
| Due from reinsurers | | 45,168,844 | 28,401,167 |
| Reinsurance share of insurance liabilities | 11 | 4,308,978,010 | 3,647,998,480 |
| Deferred acquisition costs | | 174,464,613 | 184,523,983 |
| Other current assets | | 51,883,012 | 65,369,163 |
| Total non-current assets | | 212,916,622 | 168,396,544 |
| Tangible assets | 5 | 19,846,140 | 20,015,818 |
| Right of use of assets | 5 | 17,493,728 | 23,486,209 |
| Intangible assets | 6 | 75,763,702 | 57,223,537 |
| Financial assets | | | |
| Equity securities: | | | |
| - Available for sale | 8 | 686,078 | 722,156 |
| Deferred income tax assets | 13 | 99,074,487 | 66,887,355 |
| Other non-current assets | | 52,487 | 61,469 |
| Total assets | | 10,225,606,623 | 9,165,315,048 |
| Liabilities | Note | Audited June 30, 2021 | Audited December 31, 2020 |
| Total current liabilities | | 9,434,753,128 | 8,198,589,465 |
| Insurance liabilities | 11 | 8,129,696,302 | 7,047,271,201 |
| Payables to reinsurers | 12 | 820,479,238 | 811,188,810 |
| Other financial liabilities | | 13,155,815 | 13,065,843 |
| Obligations under repurchase agreements | | 76,278,770 | 59,562,359 |
| Derivative financial liabilities | | 5,265,841 | 5,352,006 |
| Provisions for other liabilities and charges | | 73,337,938 | 70,812,935 |
| Trade and other payables | 12 | 258,438,037 | 160,344,827 |
| Current income tax liabilities | 13 | 51,068,060 | 23,614,067 |
| Short-term lease liabilities | 12 | 7,033,127 | 7,377,417 |
| Total non-current liabilities | | 27,454,339 | 30,609,684 |
| Provision for retirement benefit obligation | | 11,230,424 | 9,095,078 |
| Long-term lease liabilities | 12 | 16,223,915 | 21,514,606 |
| Total equity | | 763,399,156 | 936,115,899 |
| Shareholders' equity | 10 | 306,000,000 | 306,000,000 |
| Legal and other reserves | 10 | 428,631,014 | 302,288,128 |
| Actuarial loss arising from employee benefit | 10 | (6,578,451) | (5,451,203) |
| Available-for-sale investments fund | 10 | (16,006,417) | 1,441,549 |
| Retained earnings/accumulated deficit | | 51,353,010 | 331,837,425 |
| Total equity and liabilities | | 10,225,606,623 | 9,165,315,048 |

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

AKSIGORTA A.Ş.**CONDENSED INTERIM INCOME STATEMENT
FOR THE PERIOD JANUARY 1 - JUNE 30, 2021**

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

| Income Statement | Note | Audited January 1 - June 30, 2021 | Reviewed January 1 - June 30, 2020 |
|--|-------------|--|---|
| Insurance premium revenue | 14 | 2,819,179,911 | 2,252,202,065 |
| Insurance premium ceded to reinsurers | 14 | (1,255,146,381) | (953,363,997) |
| Net insurance premium revenue | 14 | 1,564,033,530 | 1,298,838,068 |
| Investment income | | 254,914,735 | 185,908,194 |
| Commission income | | 152,877,967 | 121,742,830 |
| Other operating income | | 12,459,153 | 4,924,368 |
| Net income | | 1,984,285,385 | 1,611,413,460 |
| Insurance claims | 16 | (2,353,811,972) | (1,263,457,417) |
| Insurance claims recovered from reinsurers | 16 | 1,094,975,845 | 467,136,496 |
| Net insurance claims | 16 | (1,258,836,127) | (796,320,921) |
| Commission expense | | (381,600,529) | (322,235,393) |
| Expenses for marketing and administration | 15 | (153,566,232) | (126,606,082) |
| Other operating expenses | | (33,594,908) | (56,520,707) |
| Insurance claims and expenses | | (1,827,597,796) | (1,301,683,103) |
| Results of operating activities | | 156,687,589 | 309,730,357 |
| Foreign exchange gain / (loss), net | | 36,611,299 | (2,710,258) |
| Profit before tax | | 193,298,888 | 307,020,099 |
| Income tax expense | 13 | (41,440,417) | (71,004,094) |
| Profit for the period | | 151,858,471 | 236,016,005 |
| Earnings per share | | 0.0050 | 0.0077 |

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

AKSIGORTA A.Ş.**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD JANUARY 1 - JUNE 30, 2021**

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

| | Audited | Reviewed |
|--|----------------------|----------------------|
| | January 1 - | January 1 - |
| | June 30, 2021 | June 30, 2020 |
| Statement of comprehensive income | | |
| Profit for the period | 151,858,471 | 236,016,005 |
| 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 | (17,447,966) | (13,036,428) |
| Net other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods | (17,447,966) | (13,036,428) |
| Other comprehensive income not being reclassified to profit or loss in subsequent periods: | | |
| Actuarial loss, net off deferred tax | (1,127,248) | (649,024) |
| Net other comprehensive income not being reclassified to profit or loss in subsequent periods | (1,127,248) | (649,024) |
| Other comprehensive income, net of tax | (18,575,214) | (13,685,452) |
| Total comprehensive income for the period, net of tax | 133,283,257 | 222,330,553 |

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

AKSİGORTA A.Ş.

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD JANUARY 1 - JUNE 30, 2021**

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

| June 30, 2021 | Audited | | | | | | |
|--------------------------------------|-----------|--------------------|-------------------------------------|--------------------|--|--------------------|--------------------|
| | Note | Share capital | Available-for-sale investment funds | Legal reserves | Actuarial loss arising from employee benefit | Retained earnings | Total |
| Balances at December 31, 2020 | 10 | 306,000,000 | 1,441,549 | 302,288,128 | (5,451,203) | 331,837,425 | 936,115,899 |
| Profit for the period | | - | - | - | - | 151,858,471 | 151,858,471 |
| Transfer | | - | - | 126,342,886 | - | (126,342,886) | - |
| Other comprehensive income | | - | (17,447,966) | - | (1,127,248) | - | (18,575,214) |
| Total comprehensive income | 10 | - | (17,447,966) | 126,342,886 | (1,127,248) | 25,515,585 | 133,283,257 |
| Dividend payment | 10 | - | - | - | - | (306,000,000) | (306,000,000) |
| June 30, 2021 | 10 | 306,000,000 | (16,006,417) | 428,631,014 | (6,578,451) | 51,353,010 | 763,399,156 |
| June 30, 2020 | Reviewed | | | | | | |
| | Note | Share capital | Available-for-sale investment funds | Legal reserves | Actuarial loss arising from employee benefit | Retained earnings | Total |
| Balances at December 31, 2019 | 10 | 306,000,000 | 6,588,634 | 137,889,692 | (4,518,213) | 324,251,801 | 770,211,914 |
| Profit for the period | | - | - | - | - | 236,016,005 | 236,016,005 |
| Transfer | | - | - | 164,398,436 | - | (164,398,436) | - |
| Other comprehensive income | | - | (13,036,428) | - | (649,024) | - | (13,685,452) |
| Total comprehensive income | 10 | - | (13,036,428) | 164,398,436 | (649,024) | 71,617,569 | 222,330,553 |
| Dividend payment | 10 | - | - | - | - | (201,960,000) | (201,960,000) |
| June 30, 2020 | 10 | 306,000,000 | (6,447,794) | 302,288,128 | (5,167,237) | 193,909,370 | 790,582,467 |

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

AKSIGORTA A.Ş.**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR PERIOD JANUARY 1 - JUNE 30, 2021**

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

| Cash Flow Statement | Note | Audited January 1 - June 30, 2021 | Reviewed January 1 - June 30, 2020 |
|---|-------------|--|---|
| Cash inflows from insurance operations | | 3,700,210,253 | 2,749,410,611 |
| Cash outflows from insurance operations | | (3,158,313,055) | (2,423,485,714) |
| Income tax payment | | (40,750,219) | (71,352,599) |
| Cash outflows from operational expenses | | (181,030,141) | (171,762,721) |
| Net cash flows from operating activities | | 320,116,838 | 82,809,577 |
| Tangible and intangible asset acquisitions / disposals | | (35,607,598) | (13,590,195) |
| Financial asset acquisitions / disposals | | (173,799,719) | (695,663,644) |
| Interest received | | 241,137,930 | 146,750,008 |
| Other cash inflows/(outflows) | | 35,418,405 | (45,428,843) |
| Net cash flows (outflow)/inflow from investing activities | | 67,149,018 | (607,932,674) |
| Dividends paid | 10 | (201,960,000) | (201,960,000) |
| Financial lease debt payments | 12 | (7,403,428) | (7,775,170) |
| Net cash (outflow)/inflows from financing operations | | (209,363,428) | (209,735,170) |
| Net increase/(decrease) in cash and cash equivalents | | 177,902,428 | (734,858,267) |
| Cash and cash equivalents at the beginning of the period | | 1,994,609,067 | 1,831,766,957 |
| Cash and cash equivalents at the end of the period | 9 | 2,172,511,495 | 1,096,908,690 |

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

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2021

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

1. General Information

Aksigorta A.Ş. (the “Company”) is a joint venture of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of June 30, 2021. 38.02% (December 31, 2020: 38.02%) of the Company is issued in Borsa İstanbul (“BİST”) (Note 2.3).

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

The Company is a corporation, which was established in accordance with the requirements of Turkish Commercial Code and registered in Turkey as at 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 primarily motor third party liability, motor own damage, fire, marine, accident, personal accident, engineering, agriculture and health.

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

| | June 30, 2021 | December 31, 2020 |
|---------------------------|---------------|-------------------|
| Top and middle management | 155 | 144 |
| Other personnel | 518 | 524 |
| Total | 673 | 668 |

Remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing directors amount to TL 5,467,110 in total for January 1 - June 30, 2021 (January 1 - June 30, 2020: TL 4,173,680).

Condensed interim financial information includes only one company (Aksigorta A.Ş.) and the Company does not have any subsidiaries or affiliates as of June 30, 2021 (December 31, 2020: None).

The Company’s condensed interim financial information as of June 30, 2021 are approved and authorized for issuance as of August 6, 2021 by the Board of Directors.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
AS AT JUNE 30, 2021**

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The condensed interim financial information at June 30, 2021 have been properly prepared in accordance with International Financial Reporting Standard (“IFRS”) as defined by International Accounting Standard (“IAS”) 1. In accordance with the IAS 34 “Interim Financial Reporting”, entities are allowed to prepare a complete or condensed set of interim financial information. In this respect, the Company has preferred to prepare condensed interim financial information in the interim periods. Additionally, the accounting policies used in the preparation of the condensed interim financial information for the period ended June 30, 2021 are consistent with those used in the preparation of annual financial statements for the year ended December 31, 2020. Accordingly, the condensed interim financial information do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements as at December 31, 2020 and any public announcement made by the Company during the period.

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

The preparation of condensed interim financial information 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 condensed interim financial information are disclosed in Note 3.

Comparative information and restatement of prior period financial statements

The Company’s statement of financial position as of June 30, 2021 is presented in comparison with its statement of financial position as of December 31, 2020; statement of comprehensive income, statement of changes in equity and statement of cash flows for the period between January 1 - June 30, 2021 are presented in comparison with its statement of comprehensive income, statement of changes in equity and statement of cash flows for the period between January 1 - June 30, 2020.

2.2 Adoption of New and Revised Standards

The new standards, amendments and interpretations

The accounting policies applied in the preparation of the condensed interim financial information as of January 1 - June 30, 2021 are consistent with those applied in the preparation of the financial statements as of December 31, 2020, except for the new standards and amended IAS/IFRS standards which are valid as of January 1, 2021 and International Financial Reporting Interpretations Committee’s (“IFRIC”) interpretations summarized below.

Standards, amendments and interpretations applicable as at June30, 2021:

Amendment to IFRS 16, ‘Leases’ - Covid-19 related rent concessions Extension of the Practical expedient; as of March 2021, this amendment extended till June 2022 and effective from April 1, 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 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 CONDENSED INTERIM FINANCIAL INFORMATION
AS AT JUNE 30, 2021**

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

The new standards, amendments and interpretations (Continued)

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

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

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.

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

Amendments to IAS 1, Presentation of financial statements on classification of liabilities; effective from 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.

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

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.

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2021

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

The new standards, amendments and interpretations (Continued)

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

Amendment to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction; from annual periods beginning on or after January 1, 2023. These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

2.3 Share capital

As of June 30, 2021, the Company’s nominal capital is TL 306,000,000 (December 31, 2020: TL 306,000,000). Share capital is represented by 30,600,000,000 of equity shares having a nominal amount of TL 0,01 each.

The share capital structure of the Company is as follows:

| Name of shareholders | June 30, 2021 | | December 31, 2020 | |
|----------------------------------|---------------|--------------------|-------------------|--------------------|
| | Share | Share amount | Share | Share amount |
| Hacı Ömer Sabancı Holding A.Ş. | 36.00 | 110,160,000 | 36.00 | 110,160,000 |
| Ageas Insurance International NV | 36.00 | 110,160,000 | 36.00 | 110,160,000 |
| Publicly quoted shares | 28.00 | 85,680,000 | 28.00 | 85,680,000 |
| Total | 100.00 | 306,000,000 | 100.00 | 306,000,000 |

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

The Company has accepted the registered capital system set out in accordance with the provisions of Law No: 2499 and applied the system as of March 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As of June 30, 2021, the company is listed in the permission letter of the Capital Markets Board dated February 10, 2021 and numbered E-29833736-110.03.03-1635 and the Ministry of Commerce, General Directorate of Domestic Trade, dated 5 March 2021 and numbered 62064027 and its annexes. has increased the registered capital ceiling to TL 750,000,000 with the decision of the Ordinary General Assembly dated March 16, 2021. (December 31, 2020: TL 500.000.000).

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
AS AT JUNE 30, 2021**

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

2. Summary of significant accounting policies (Continued)

2.4 Insurance Liabilities

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 Chain-Ladder and Frequency and Severity methods. The method for MTPL is based on frequency and severity method, for the rest of the branches, ultimate selections are made with Chain-Ladder 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 June 30, 2021 and December 31, 2020, the methods to calculate net of reinsurance results and the limits which are used for the big claims eliminations are disclosed in Note 11.

3. Critical accounting estimates and judgements

Preparation of condensed interim financial information 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.

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AS AT JUNE 30, 2021**

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

3. Critical accounting estimates and judgements (Continued)

Impact of Covid - 19

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

In preparation of the condensed interim financial information as of June 30, 2021, the Company has assessed the possible impacts of Covid-19 pandemic on the condensed interim financial information and reviewed the critical estimates and assumptions. Within this scope, the Company has tested the financial assets, tangible and intangible assets for a possible impairment and no impairments were identified. The Company has also tested the assumptions for the measurement of insurance liabilities.

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

4. Segment information

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

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2021

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

4. Segment information (Continued)

Segment results for period January 1 - June 30, 2021 is as follows:

| January 1 - June 30, 2021 | Fire | Marine | Motor Own Damage (MOD) | Motor Third Party Liability | General Losses | Health | Other | Undistributed | Total |
|---|---------------------|---------------------|---------------------------|--------------------------------|---------------------|---------------------|----------------------|--------------------|------------------------|
| TECHNICAL INCOME | 38,379,986 | 18,438,277 | 596,440,274 | 690,958,365 | 36,148,821 | 52,017,499 | 131,650,308 | - | 1,564,033,530 |
| Earned Premiums (Net of Reinsurer Share) | 38,379,986 | 18,438,277 | 596,440,274 | 690,958,365 | 36,148,821 | 52,017,499 | 131,650,308 | - | 1,564,033,530 |
| Premiums (Net of Reinsurer Share) | 43,866,289 | 20,609,120 | 600,891,614 | 732,397,107 | 35,452,516 | 58,871,685 | 148,638,659 | - | 1,640,726,990 |
| Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-) | (5,486,303) | (2,170,843) | (4,451,340) | (41,438,742) | 696,305 | (6,854,186) | (16,988,351) | - | (76,693,460) |
| TECHNICAL EXPENSES | (54,790,213) | (17,407,368) | (582,829,284) | (773,214,110) | (25,320,270) | (23,983,725) | (184,715,706) | - | (1,662,260,676) |
| Total Claims (Net of Reinsurer Share) | (55,601,473) | (13,002,515) | (439,785,349) | (642,099,256) | 1,777,925 | 1,066,724 | (111,192,183) | - | (1,258,836,127) |
| Claims Paid (Net of Reinsurer Share) | (49,166,020) | (9,166,746) | (366,037,590) | (428,741,630) | 2,458,998 | 1,158,578 | (64,589,606) | - | (914,084,016) |
| Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-) | (6,435,453) | (3,835,769) | (73,747,759) | (213,357,626) | (681,073) | (91,854) | (46,602,577) | - | (344,752,111) |
| Commission income/(expenses) (Net) | 11,738,744 | (2,231,479) | (107,971,864) | (71,190,224) | (17,354,001) | (14,921,824) | (26,791,914) | - | (228,722,562) |
| Operating Expenses | (14,009,784) | (1,621,816) | (23,814,001) | (54,415,912) | (8,684,326) | (8,359,339) | (42,661,054) | - | (153,566,232) |
| Other Operating Income / Expenses | 3,082,300 | (551,558) | (11,258,070) | (5,508,718) | (1,059,868) | (1,769,286) | (4,070,555) | - | (21,135,755) |
| Technical Profit | (16,410,227) | 1,030,909 | 13,610,990 | (82,255,745) | 10,828,551 | 28,033,774 | (53,065,398) | - | (98,227,146) |
| Investment income | - | - | - | - | - | - | - | 254,914,735 | 254,914,735 |
| Foreign exchange income | - | - | - | - | - | - | - | 36,611,299 | 36,611,299 |
| Tax expense | - | - | - | - | - | - | - | (41,440,417) | (41,440,417) |
| Net Profit / (Loss) | (16,410,227) | 1,030,909 | 13,610,990 | (82,255,745) | 10,828,551 | 28,033,774 | (53,065,398) | 250,085,617 | 151,858,471 |

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2021

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

4. Segment information (Continued)

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2021

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

5. Tangible assets

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

| Costs: | January 1, 2021 | Additions | Disposals | June 30, 2021 |
|--|------------------------|--------------------|--------------------|----------------------|
| Property for operational use | 1,598,569 | - | - | 1,598,569 |
| Motor vehicles | 2,720,001 | 963,243 | - | 3,683,244 |
| Furniture and fixtures and leased tangible assets | 30,431,171 | 2,000,375 | (314,879) | 32,116,667 |
| Other tangible assets (including leasehold improvements) | 21,682,557 | 239,285 | - | 21,921,842 |
| Right of use of asset | 41,129,271 | 4,642,011 | (6,225,532) | 39,545,750 |
| Advances on tangible assets | - | 106,455 | - | 106,455 |
| Total | 97,561,569 | 7,951,369 | (6,540,411) | 98,972,527 |
| Accumulated depreciation: (-) | | | | |
| Property for operational use | (633,191) | (15,854) | - | (649,045) |
| Motor vehicles | (1,093,962) | (352,101) | - | (1,446,063) |
| Furniture and fixtures and leased tangible assets | (20,847,952) | (2,074,419) | 306,196 | (22,616,175) |
| Other tangible assets | (13,841,375) | (1,027,979) | - | (14,869,354) |
| Right of use of asset | (17,643,062) | (4,408,960) | - | (22,052,022) |
| Total | (54,059,542) | (7,879,313) | 306,196 | (61,632,659) |
| Net book value | 43,502,027 | | | 37,339,868 |
| Costs: | January 1, 2020 | Additions | Disposals | June 30, 2020 |
| Property for operational use | 1,598,569 | - | - | 1,598,569 |
| Motor vehicles | 2,720,001 | - | - | 2,720,001 |
| Furniture and fixtures and leased tangible assets | 27,612,750 | 2,479,080 | (539,580) | 29,552,250 |
| Other tangible assets (including leasehold improvements) | 21,347,617 | 334,940 | - | 21,682,557 |
| Right of use of asset | 34,372,885 | 6,272,195 | - | 40,645,080 |
| Total | 87,651,822 | 9,086,215 | (539,580) | 96,198,457 |
| Accumulated depreciation: (-) | | | | |
| Property for operational use | (601,219) | (15,898) | - | (617,117) |
| Motor vehicles | (549,962) | (270,514) | - | (820,476) |
| Furniture and fixtures and leased tangible assets | (17,306,145) | (2,022,459) | 529,072 | (18,799,532) |
| Other tangible assets | (11,657,802) | (1,126,490) | - | (12,784,292) |
| Right of use of asset | (8,243,981) | (4,813,797) | - | (13,057,778) |
| Total | (38,359,109) | (8,249,158) | 529,072 | (46,079,195) |
| Net book value | 49,292,713 | | | 50,119,262 |

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

Total depreciation expense is TL 21,952,267 (January 1 - June 30, 2020: TL 23,112,700).

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2021

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

6. Intangible assets

| Costs: | January 1,2021 | Additions | Disposals | Transfers | June 30,2021 |
|--------------------------------------|----------------------|---------------------|----------------|-------------|----------------------|
| Rights | 161,424,844 | 22,058,438 | - | 3,315,525 | 186,798,807 |
| Advances given for intangible assets | 9,163,795 | 10,554,681 | - | (3,315,525) | 16,402,951 |
| Total | 170,588,639 | 32,613,119 | - | - | 203,201,758 |
| Accumulated depreciation: (-) | | | | | |
| Rights | (113,365,102) | (14,072,954) | - | - | (127,438,056) |
| Total | (113,365,102) | (14,072,954) | - | - | (127,438,056) |
| Net book value | 57,223,537 | | | | 75,763,702 |
| Costs: | January 1,2020 | Additions | Disposals | Transfers | June 30,2020 |
| Rights | 134,184,258 | 7,435,492 | (2,250) | 1,492,986 | 143,110,486 |
| Advances given for intangible assets | 3,489,088 | 3,882,513 | - | (1,492,986) | 5,878,615 |
| Total | 137,673,346 | 11,318,005 | (2,250) | - | 148,989,101 |
| Accumulated depreciation: (-) | | | | | |
| Rights | (77,104,087) | (14,855,040) | 125 | - | (91,959,002) |
| Total | (77,104,087) | (14,855,040) | 125 | - | (91,959,002) |
| Net book value | 60,569,259 | | | | 57,030,099 |

7. Management of insurance and financial risk

Foreign currency risk

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities. These risks are monitored by the analysis foreign exchange position. The details of the Company’s foreign currency denominated assets and liabilities as of June 30, 2021 and December 31, 2020 are disclosed below:

June 30, 2021

| Banks (Foreign Currency) | Amount in Foreign Currency | Exchange Rate | Amount (TL) |
|--------------------------|-------------------------------|---------------|--------------------|
| USD | 18,003,411 | 8.6803 | 156,275,009 |
| EUR | 1,745,886 | 10.3249 | 18,026,098 |
| GBP | 160,866 | 12.0008 | 1,930,521 |
| CHF | 119,255 | 9.3894 | 1,119,733 |
| Total | | | 177,351,361 |

| Marketable Securities | Amount in Foreign Currency | Exchange Rate | Amount (TL) |
|-----------------------|-------------------------------|---------------|--------------------|
| USD | 24,748,867 | 8.6803 | 214,827,590 |
| Total | | | 214,827,590 |

AKSIGORTA A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
AS AT JUNE 30, 2021**

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

7. Management of insurance and financial risk (Continued)

| Receivables from Insurance Operations | Amount in Foreign Currency | Exchange Rate | Amount (TL) |
|--|---------------------------------------|----------------------|--------------------|
| USD | 51,583,558 | 8.6803 | 447,760,759 |
| EUR | 15,684,535 | 10.3249 | 161,941,255 |
| GBP | 124,410 | 12.0008 | 1,493,020 |
| CHF | 9,897 | 9.3894 | 92,927 |
| Total | | | 611,287,961 |

| Outstanding Claims Reserve | Amount in Foreign Currency | Exchange Rate | Amount (TL) |
|-----------------------------------|---------------------------------------|----------------------|---------------------|
| USD | (7,711,705) | 8.6959 | (67,060,216) |
| EUR | (1,008,581) | 10.3435 | (10,432,258) |
| Total | | | (77,492,474) |

| Payables to Insurance Operations | Amount in Foreign Currency | Exchange Rate | Amount (TL) |
|---|---------------------------------------|----------------------|----------------------|
| USD | (62,767,465) | 8.6959 | (545,819,599) |
| EUR | (16,463,338) | 10.3435 | (170,288,537) |
| Other | | | (2,138,051) |
| Total | | | (718,246,187) |

| Payables to Suppliers | Amount in Foreign Currency | Exchange Rate | Amount (TL) |
|--------------------------------------|---------------------------------------|----------------------|--------------------|
| USD | (72,353) | 8.6959 | (629,174) |
| EUR | (4,292) | 10.3435 | (44,394) |
| Total | | | (673,568) |
| Net Foreign Currency Position | | | 207,054,683 |

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
AS AT JUNE 30, 2021**

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7. Management of insurance and financial risk (Continued)

December 31, 2020

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

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

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

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

| Payables to 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 |
|--------------------------------------|--|--|--------------------|

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2021

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

7. Management of insurance and financial risk (Continued)

Liquidity risk

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

Table of liquidity risk as of June 30, 2021 is as follows:

| June 30, 2021 | 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 | 741,460,928 | 1,288,595,826 | 355,157,060 | - | - | 125,758,818 | 2,510,972,632 |
| Financial assets available for sale | 128,856,190 | 85,041,248 | 409,126,466 | 348,595,489 | 97,050,129 | 101,752,203 | 1,170,421,725 |
| Financial assets held for trading | - | - | - | - | - | 186,102,625 | 186,102,625 |
| Financial assets held to maturity | - | 60,938,315 | 276,400,147 | 262,531,849 | 26,293,897 | - | 626,164,208 |
| Investments on policyholders’ risk | - | - | - | 1,804,230 | - | - | 1,804,230 |
| Receivables from main operations | 245,658,219 | 360,300,855 | 323,149,217 | 7,621,811 | - | - | 936,730,102 |
| Due from reinsurance companies | - | 45,168,844 | - | - | - | - | 45,168,844 |
| Reinsurers’ share of insurance liabilities | 1,583,213,310 | 1,583,283,358 | 895,043,232 | 228,168,914 | 19,269,196 | - | 4,308,978,010 |
| Equity securities | - | - | - | - | - | 686,078 | 686,078 |
| Other assets | 10,677,084 | 213,280,228 | 2,390,313 | - | - | - | 226,347,625 |
| Assets | 2,709,865,731 | 3,636,608,674 | 2,261,266,435 | 848,722,293 | 142,613,222 | 414,299,724 | 10,013,376,079 |
| Obligations under repurchase agreements | 76,278,770 | - | - | - | - | - | 76,278,770 |
| Financial liabilities | 1,283,824 | 15,294,084 | 8,589,663 | 20,475,702 | - | - | 45,643,273 |
| Insurance liabilities | 2,838,972,662 | 2,941,407,655 | 1,915,454,453 | 401,221,639 | 32,639,893 | - | 8,129,696,302 |
| Provisions for other liabilities and charges | - | - | 68,678,022 | 810,398 | - | 3,849,518 | 73,337,938 |
| Due to reinsurers | 387,660,206 | 328,239,362 | 104,579,670 | - | - | - | 820,479,238 |
| Trade and other payables | - | - | 314,771,938 | - | - | - | 314,771,938 |
| Liabilities | 3,304,195,462 | 3,284,941,101 | 2,412,073,746 | 422,507,739 | 32,639,893 | 3,849,518 | 9,460,207,459 |

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2021

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

7. Management of insurance and financial risk (Continued)

Table of liquidity risk as of December 31, 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 |

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2021

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

8. Financial assets

Available for sale debt securities:

| | June 30, 2021 | | |
|------------------|----------------------|----------------------|----------------------|
| | Cost Value | Fair Value | Book Value |
| Eurobonds | 475,625,200 | 489,334,663 | 489,334,663 |
| Private bonds | 447,600,674 | 464,500,974 | 464,500,974 |
| Government bonds | 119,483,446 | 114,833,885 | 114,833,885 |
| Equities | 118,032,878 | 101,752,203 | 101,752,203 |
| Total | 1,160,742,198 | 1,170,421,725 | 1,170,421,725 |

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

Held to maturity:

| | June 30, 2021 | | |
|------------------|--------------------|--------------------|--------------------|
| | Cost Value | Fair Value | Book Value |
| Eurobond | 266,877,525 | 273,947,511 | 273,916,470 |
| Government bonds | 194,076,754 | 191,827,508 | 197,778,965 |
| Private bonds | 150,815,590 | 154,058,375 | 154,468,773 |
| Total | 611,769,869 | 619,833,394 | 626,164,208 |

| | 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 |

Held for trading:

| | June 30, 2021 | | |
|------------------|--------------------|--------------------|--------------------|
| | Cost Value | Fair Value | Book Value |
| Reverse repo | 99,999,882 | 100,052,759 | 100,052,759 |
| Investment funds | 80,619,371 | 86,049,866 | 86,049,866 |
| Total | 180,619,253 | 186,102,625 | 186,102,625 |

| | 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 |

Available for sale financial assets at insurees' risk:

| | June 30, 2021 | | |
|------------------|------------------|------------------|------------------|
| | Cost Value | Fair Value | Book Value |
| Government bonds | 1,734,832 | 1,804,230 | 1,804,230 |
| Total | 1,734,832 | 1,804,230 | 1,804,230 |

| | 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 |

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2021

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

8. Financial assets (Continued)

Equity shares under available-for-sale investments:

List of the investments and fair values is as below:

| | Cost Value | June 30, 2021 Fair Value | Book Value |
|---------------------------|----------------|-----------------------------|----------------|
| <i>Equity investments</i> | | | |
| Tarsim | 686,078 | - | 686,078 |
| Total | 686,078 | - | 686,078 |

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

Fair Value Hierarchy

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

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

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

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

| | June 30, 2021 | Level 1 | Level2 | Level 3 |
|--------------------------------------|----------------------|----------------------|----------|----------------|
| Available for sale at company’s risk | 1,170,421,725 | 1,170,421,725 | - | - |
| Held to maturity at company’s risk | 626,164,208 | 626,164,208 | - | - |
| Held for trading at company's risk | 186,102,625 | 186,102,625 | - | - |
| Available for sale at insurees' risk | 1,804,230 | 1,804,230 | - | - |
| Equity securities, net | 686,078 | - | - | 686,078 |
| Total | 1,985,178,866 | 1,984,492,788 | - | 686,078 |

| | December 31, 2020 | Level 1 | Level2 | Level 3 |
|--------------------------------------|----------------------|----------------------|----------|----------------|
| Available for sale at company’s risk | 1,472,808,484 | 1,472,808,484 | - | - |
| 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 | - | - |
| Available for sale at insurees' risk | 1,952,843 | 1,952,843 | - | - |
| Equity securities, net | 722,156 | - | - | 722,156 |
| Total | 1,744,245,833 | 1,743,523,677 | - | 722,156 |

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2021

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

9. Cash and cash equivalents

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

| | June 30, 2021 | December 31, 2020 |
|---|----------------------|----------------------|
| Cash at banks | 1,767,594,860 | 1,600,368,638 |
| -time deposits | 1,641,836,041 | 1,521,138,584 |
| -demand deposits | 125,758,819 | 79,230,054 |
| Bank guaranteed credit card receivables with maturity less than 3 months | 743,377,772 | 669,855,762 |
| Total cash and cash equivalents | 2,510,972,632 | 2,270,224,400 |

The maturities of the Company’s time deposit as of June 30, 2021 are less than six months (December 31, 2020: Less than six months).

Cash and cash equivalents that are included in the statements of cash flows for the periods January 1 - June 30, 2021 and January 1 - December 31, 2020 are as follows:

| | June 30, 2021 | December 31, 2020 |
|---|----------------------|----------------------|
| Total cash and cash equivalents | 2,510,972,632 | 2,270,224,400 |
| Interest accrual on cash at banks (-) | (22,322,134) | (11,553,673) |
| Blocked time deposits | (141,139,003) | (89,061,660) |
| Blocked credit card receivables | (175,000,000) | (175,000,000) |
| Cash and cash equivalents per statement of cash flow | 2,172,511,495 | 1,994,609,067 |

Weighted average interest rates of time deposits:

| | June 30, 2021 | December 31, 2020 |
|-----|---------------|-------------------|
| TL | 15,00 - 20,40 | 13,65 - 22,25 |
| USD | 0,17 - 2,00 | 0,20 - 3,10 |
| EUR | - | 0,01 - 0,05 |

10. Equity

As of June 30, 2021, the Company’s total amount of nominal shares is 30,600,000,000 (December 31, 2020: 30,600,000,000) which has all been paid. The face value of the Company’s common stocks is TL 0,01 each and the total nominal amount is TL 306,000,000 (December 31, 2020: TL 306,000,000).

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

| | January 1, 2021 | | Issued Capital | | Amortised | | June 30, 2021 | |
|--------------|-----------------------|--------------------|----------------|------------|-----------|------------|-----------------------|--------------------|
| | Unit | Nominal TL | Unit | Nominal TL | Unit | Nominal TL | Unit | Nominal TL |
| Paid | 30,600,000,000 | 306,000,000 | - | - | - | - | 30,600,000,000 | 306,000,000 |
| Total | 30,600,000,000 | 306,000,000 | - | - | - | - | 30,600,000,000 | 306,000,000 |

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2021

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

10. Equity (Continued)

Movement of legal reserves is as follows:

| Legal Reserves | 2021 | 2020 |
|----------------------------------|--------------------|--------------------|
| Opening balance, January 1 | 302,288,128 | 137,889,692 |
| Transfers from retained earnings | 126,342,886 | 164,398,436 |
| Closing balance, June 30 | 428,631,014 | 302,288,128 |

Actuarial gain / (loss)

In accordance with changes regarding “IAS 19 - Employee Benefits” effective as of January 1, 2013, actuarial loss amounting to TL 8,223,064 (net-off deferred tax: TL 6,578,451) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity.

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

| Actuarial Loss | 2021 | 2020 |
|---------------------------------|--------------------|--------------------|
| Opening balance, January 1 | (5,451,203) | (4,518,213) |
| Change for the period | (1,127,248) | (649,024) |
| Closing balance, June 30 | (6,578,451) | (5,167,237) |

Available for sale investments fund:

| Available for sale investments fund | 2021 | 2020 |
|--|---------------------|--------------------|
| Opening balance, January 1 | 1,441,549 | 6,588,634 |
| Increase/decrease in value recognized under the shareholders' equity in the current period | (17,447,966) | (13,036,428) |
| Closing balance, June 30 | (16,006,417) | (6,447,794) |

Dividend payment

At the Ordinary General Assembly Meeting held on March 16, 2021, the Company decided to distribute a gross dividend of TL 306,000,000 from the net profit of TL 432,342,886 for the period January 1 - December 31, 2020, in line with the profit distribution proposal of the Board of Directors. TL 201,960,000 of this amount was distributed in cash on March 18, 2021. The remaining TL 104,040,000 dividend will be distributed as of September 6, 2021 (December 31, 2020: TL 201,960,000).

AKSIGORTA A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
AS AT JUNE 30, 2021**

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

11. Insurance liabilities

| Gross | June 30, 2021 | December 31, 2020 |
|--|----------------------|--------------------------|
| Outstanding claims provision | 5,020,310,462 | 4,118,631,648 |
| Reserve for unearned premiums | 3,107,626,278 | 2,926,765,514 |
| Life actuarial mathematical reserves | 1,231,828 | 1,276,448 |
| Life profit share provision | 136,870 | 141,828 |
| Bonus and rebates provision | 390,864 | 455,763 |
| Total | 8,129,696,302 | 7,047,271,201 |
| Reinsurance Share | June 30, 2021 | December 31, 2020 |
| Reinsurers’ share of outstanding claims | 2,905,370,686 | 2,348,492,639 |
| Reinsurers’ share of unearned premiums | 1,403,220,978 | 1,299,053,674 |
| Reinsurers' share of bonus and rebates provision | 386,346 | 452,167 |
| Total | 4,308,978,010 | 3,647,998,480 |
| Net | June 30, 2021 | December 31, 2020 |
| Net outstanding claims | 2,114,939,776 | 1,770,139,009 |
| Net unearned premiums | 1,704,405,300 | 1,627,711,840 |
| Life actuarial mathematical reserves | 1,231,828 | 1,276,448 |
| Life profit share provision | 136,870 | 141,828 |
| Bonus and rebates provision | 4,518 | 3,596 |
| Total | 3,820,718,292 | 3,399,272,721 |

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2021

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

11. Insurance liabilities (Continued)

Claims development tables

The Company prepares the claim development table in accordance with the Regulation on Technical Reserves. As of June 30, 2021 and December 31, 2020, claim development table of the Company is as follows:

| | 2014 and earlier | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Claims realized in the accident period | 5,052,312,637 | 921,276,704 | 771,427,801 | 1,143,101,874 | 1,339,731,936 | 1,771,798,732 | 1,925,624,707 | 2,576,067,470 | 15,501,341,861 |
| 1 year later | 1,207,813,115 | 267,970,503 | 203,985,590 | 853,337,768 | 513,978,660 | 979,401,528 | 1,156,729,107 | - | 5,183,216,271 |
| 2 years later | 450,021,413 | 153,366,603 | 130,022,115 | 790,654,711 | 278,460,096 | 682,274,867 | - | - | 2,484,799,805 |
| 3 years later | 345,407,350 | 159,801,362 | 100,927,480 | 785,795,693 | 276,473,932 | - | - | - | 1,668,405,817 |
| 4 years later | 303,957,165 | 170,623,840 | 107,006,756 | 841,542,822 | - | - | - | - | 1,423,130,583 |
| 5 years later | 272,829,430 | 183,449,939 | 118,597,239 | - | - | - | - | - | 574,876,608 |
| 6 years later | 281,531,610 | 211,468,481 | - | - | - | - | - | - | 493,000,091 |
| 7 years later | 290,917,742 | - | - | - | - | - | - | - | 290,917,742 |
| 8 years later | 193,725,871 | - | - | - | - | - | - | - | 193,725,871 |
| 9 years later | 118,960,577 | - | - | - | - | - | - | - | 118,960,577 |
| 10 years later | 85,813,040 | - | - | - | - | - | - | - | 85,813,040 |
| 11 year later | 57,542,716 | - | - | - | - | - | - | - | 57,542,716 |
| 12 year later | 38,879,016 | - | - | - | - | - | - | - | 38,879,016 |
| 13 year later | 21,791,463 | - | - | - | - | - | - | - | 21,791,463 |
| 14 year later | 7,222,904 | - | - | - | - | - | - | - | 7,222,904 |
| Total incurred gross provision for outstanding claims as at June 30, 2021 | 8,728,726,049 | 2,067,957,432 | 1,431,966,981 | 4,414,432,868 | 2,408,644,624 | 3,433,475,127 | 3,082,353,814 | 2,576,067,470 | 28,143,624,365 |

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2021

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

11. Insurance liabilities (Continued)

| | 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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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2021

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

11. Insurance liabilities (Continued)

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

| Line of Businesses | June 30, 2021 | | | December 31, 2020 | | |
|-----------------------------|----------------|----------------------|--------------------|-------------------|----------------------|--------------------|
| | Applied Method | Gross Additional | Net Additional | Applied Method | Gross Additional | Net Additional |
| | | Provision | Provision | | Provision | Provision |
| Motor Third Party Liability | FS | 969,009,672 | 969,009,672 | FS | 892,470,020 | 892,470,020 |
| General Liability | SCL | 355,744,371 | 33,630,780 | SCL | 323,240,038 | 41,736,151 |
| Fire | SCL | 25,286,770 | 1,624,774 | BF | 22,845,897 | 3,394,607 |
| Marine | SCL | 5,430,390 | 705,353 | BF | (767,587) | (474,757) |
| General Loss | SCL | 8,447,071 | 651,451 | BF | 12,739,115 | 990,478 |
| Health | SCL | 1,028,093 | 14,735 | SCL | 813,472 | 127,099 |
| Motor Own Damage | SCL | (60,510,674) | (60,510,674) | SCL | (28,150,777) | (28,150,777) |
| Other | SCL | 12,921,480 | 2,659,810 | SCL | 8,193,187 | 1,366,635 |
| Total | | 1,317,357,173 | 947,785,901 | | 1,231,383,365 | 911,459,456 |

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 June 30, 2021 and December 31, 2020, large claim limits are as follows;

| Line of Businesses | June 30, 2021 | | December 31, 2020 | |
|---------------------------|---------------|-------------------|-------------------|-------------------|
| | Ultimate Loss | Large Claim Level | Ultimate Loss | Large Claim Level |
| General Liability | | 1,650,000 | | 1,650,000 |
| Employers Liability | SCL | 650,000 | BF | 650,000 |
| Third Liability GL | SCL | 600,000 | BF | 600,000 |
| Other | SCL | 400,000 | BF | 400,000 |
| General Losses | SCL | 999,999 | BF | 999,999 |
| Fire | SCL | 999,999 | BF | 999,999 |
| Marine | SCL | 499,999 | BF | 499,999 |
| Personal Accident | SCL | 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 | June 31, 2021 | |
|------------------------------|-------------------------|-----------|
| | Gross Additional Amount | Net IBNR |
| General Liability | 53,224,995 | 3,611,322 |
| Facultative Public Liability | 3,263,042 | 3,263,042 |
| Fire | 25,706,937 | 2,319,315 |
| Marine | 2,481,129 | 367,909 |
| Financial Losses | 5,168,909 | 136,908 |
| General Losses | 6,170,964 | 78,612 |
| Accident | 581,213 | 44,701 |

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

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

| | June 30, 2021 | December 31, 2020 |
|--|----------------------|--------------------------|
| Payables to reinsurers | 783,669,304 | 765,628,607 |
| Payables to SSI regarding medical expenses | 36,809,934 | 45,560,203 |
| Payables due to main operations | 820,479,238 | 811,188,810 |
| Payables to Shareholders | 104,041,143 | - |
| Taxes payable | 47,986,594 | 53,532,316 |
| Payables to contracted institutions | 47,460,550 | 40,496,161 |
| Payables to suppliers | 21,832,026 | 29,576,727 |
| Payables to Turkish Catastrophe Insurance Pool | 23,545,421 | 26,540,034 |
| Other | 13,572,303 | 10,199,589 |
| Total other short term payables | 258,438,037 | 160,344,827 |
| Total financial liabilities trade and other payables, deferred income | 1,078,917,275 | 971,533,637 |

Lease Liabilities

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

| | June 30, 2021 | December 31, 2020 |
|---|----------------------|--------------------------|
| Short-term lease liabilities (undiscounted) | 12,011,756 | 13,524,088 |
| Long term lease liabilities (undiscounted) | 20,475,702 | 28,360,104 |
| Discount amount with lease’s incremental borrowing rate of interest | (9,230,416) | (12,992,169) |
| Total | 23,257,042 | 28,892,023 |

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

| | June 30,2021 | June 30, 2020 |
|----------------------------|---------------------|----------------------|
| Opening balance, January 1 | 28,892,023 | 29,750,241 |
| Changes in lease contracts | (1,583,521) | 6,272,195 |
| Lease payments | (7,403,428) | (7,775,170) |
| Interest payments | 3,351,968 | 4,004,052 |
| Total | 23,257,042 | 32,251,318 |

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13. Taxes

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

| | June 30, 2021 | December 31, 2020 |
|----------------------------|-------------------|-------------------|
| Income taxes payable | 68,204,212 | 117,630,688 |
| Prepaid income taxes | (17,136,152) | (94,016,621) |
| Tax payable/(asset) | 51,068,060 | 23,614,067 |

Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its condensed interim financial information as reported for IAS 34 purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IAS.

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

| | Cumulative temporary differences | | Deferred tax assets/ (liabilities) | |
|---|-------------------------------------|----------------------|---------------------------------------|----------------------|
| | June 30, 2021 | December 31, 2020 | June 30, 2021 | December 31, 2020 |
| Discounting in outstanding claims | 367,345,305 | 332,370,505 | 78,252,822 | 66,474,101 |
| General expense provision | 48,798,914 | 22,348,560 | 12,199,729 | 4,469,712 |
| Doubtful receivable provisions | 27,234,776 | 18,369,483 | 6,808,694 | 3,673,897 |
| Claim handling | 23,208,945 | 21,629,680 | 4,641,789 | 4,325,936 |
| Bonus provision | 16,319,810 | 10,544,208 | 4,079,953 | 2,108,842 |
| Financial assets valuation effect accounted under equity | 20,787,555 | (1,801,925) | 4,781,138 | (360,385) |
| Donation provision | 10,150,000 | - | 2,537,500 | - |
| Employment termination benefit | 11,230,424 | 9,095,078 | 2,246,085 | 1,819,016 |
| Derivative asset valuation | 5,265,841 | 5,352,006 | 1,316,460 | 1,070,401 |
| Leased assets | 5,763,315 | 5,405,814 | 1,152,663 | 1,081,163 |
| Useful life of tangible and intangible assets | 5,631,801 | 1,421,990 | 1,126,360 | 284,397 |
| Unused vacation provision | 3,849,518 | 2,158,581 | 962,380 | 431,716 |
| Exchange rate valuation effect | 2,328,778 | - | 582,195 | - |
| Bonus and rebates provision | 4,518 | 3,596 | 1,130 | 719 |
| Financial assets valuation effect | (11,078,632) | (3,565,507) | (2,215,726) | (713,102) |
| Equalization reserve | (96,993,427) | (88,895,290) | (19,398,685) | (17,779,058) |
| Total | 439,847,441 | 334,436,779 | 99,074,487 | 66,887,355 |

In accordance with the regulation numbered 7316, published in Official Gazette on April 22, 2021, “Law on the Amendment of Some Tax Acts and Some Other Laws”, corporate tax rate for the year 2021, 2022 has increased from %22 to %25 and %23 respectively, Therefore, deferred tax assets and liabilities as of June 30, 2021 are calculated with 25% and 23% tax rate for the temporary differences which will be realized in 2021, and 2022, and with 20% tax for those which will be realized after 2022 and onwards (December 31, 2020: In accordance with the regulation numbered 7061, published in Official Gazette on December 5, 2017, “Law on the Amendment of Some Tax Acts and Some Other Laws”, corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of December 31, 2020 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards).

| | June 30, 2021 | June 30, 2020 |
|--|---------------------|---------------------|
| Profit before taxes | 193,298,888 | 307,020,099 |
| Tax rate | 25% | 22% |
| Taxes on income per statutory tax rate | (48,324,722) | (67,544,422) |
| The rate change effect | 9,807,962 | - |
| The effect of non-deductible expenses | (2,923,657) | (3,459,672) |
| Tax expense | (41,440,417) | (71,004,094) |

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT JUNE 30, 2021

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14. Net insurance premium income

The distribution of premium income is as follows:

| | January 1 - June 30, 2021 | | | January 1 - June 30, 2020 | | |
|------------------------------------|---------------------------|------------------------|----------------------|---------------------------|------------------------|----------------------|
| | Gross | Reinsurers' share | Net | Gross | Reinsurers' share | Net |
| Written premium | 3,000,040,675 | (1,359,313,685) | 1,640,726,990 | 2,265,938,945 | (1,007,286,773) | 1,258,652,172 |
| Change in unearned premium reserve | (180,860,764) | 104,167,304 | (76,693,460) | (13,736,880) | 53,922,776 | 40,185,896 |
| Total premium revenue | 2,819,179,911 | (1,255,146,381) | 1,564,033,530 | 2,252,202,065 | (953,363,997) | 1,298,838,068 |
| Motor Third Party Liability | 914,432,569 | (182,035,462) | 732,397,107 | 754,148,617 | (160,373,872) | 593,774,745 |
| Motor Own Damage | 643,590,801 | (42,699,187) | 600,891,614 | 421,948,400 | (2,716,907) | 419,231,493 |
| Health | 244,707,555 | (185,835,870) | 58,871,685 | 246,864,900 | (203,902,164) | 42,962,736 |
| Fire | 455,487,631 | (411,621,342) | 43,866,289 | 427,174,681 | (340,392,749) | 86,781,932 |
| General Losses | 72,733,456 | (37,280,940) | 35,452,516 | 162,640,822 | (109,449,241) | 53,191,581 |
| Marine | 85,014,152 | (64,405,032) | 20,609,120 | 44,188,816 | (30,498,707) | 13,690,109 |
| Other | 584,074,511 | (435,435,852) | 148,638,659 | 208,972,709 | (159,953,133) | 49,019,576 |
| Total | 3,000,040,675 | (1,359,313,685) | 1,640,726,990 | 2,265,938,945 | (1,007,286,773) | 1,258,652,172 |

15. Expenses by nature

| | January 1 - June 30, 2021 | January 1 - June 30, 2020 |
|----------------------------------|---------------------------|---------------------------|
| Personnel expenses | (75,017,834) | (62,724,188) |
| Depreciation expenses | (21,952,267) | (23,112,700) |
| Assistance expenses | (21,321,919) | (13,968,994) |
| Information technology expenses | (13,961,008) | (11,162,811) |
| Outsourcing service expenses | (5,239,983) | (1,100,893) |
| Advertisement expenses | (4,211,222) | (2,783,402) |
| Meeting and training expenses | (2,320,887) | (2,697,989) |
| Social relief expenses | (1,775,055) | (1,794,833) |
| Repair and maintenance | (1,594,936) | (2,073,302) |
| Communication expenses | (1,283,830) | (930,361) |
| Legal expenses | (1,251,662) | (771,258) |
| Corporate communication expenses | (860,470) | (407,835) |
| Transportation expenses | (538,032) | (967,277) |
| Other | (2,237,127) | (2,110,239) |
| Total | (153,566,232) | (126,606,082) |

16. Insurance claims and claims recovered from reinsurers

| June 30, 2021 | Gross | Reinsurers' Share | Net |
|---------------------------------|----------------------|------------------------|----------------------|
| Paid Claims | 1,452,247,634 | (538,163,618) | 914,084,016 |
| Change in outstanding claims | 901,678,815 | (556,878,048) | 344,800,767 |
| Change in mathematical reserves | (49,578) | - | (49,578) |
| Bonus and rebates provision | (64,899) | 65,821 | 922 |
| Total | 2,353,811,972 | (1,094,975,845) | 1,258,836,127 |
| June 30, 2020 | Gross | Reinsurers' Share | Net |
| Paid Claims | 846,118,043 | (265,448,932) | 580,669,111 |
| Change in outstanding claims | 417,304,906 | (201,640,163) | 215,664,743 |
| Change in mathematical reserves | (10,440) | - | (10,440) |
| Bonus and rebates provision | 44,908 | (47,401) | (2,493) |
| Total | 1,263,457,417 | (467,136,496) | 796,320,921 |

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

17. Related parties

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

Banks

| | June 30, 2021 | December 31, 2020 |
|----------------------------|--------------------|--------------------|
| Shareholder’s subsidiaries | 308,309,712 | 409,450,889 |
| Total | 308,309,712 | 409,450,889 |

Marketable securities

| | June 30, 2021 | December 31, 2020 |
|----------------------------|-------------------|-------------------|
| Shareholder’s subsidiaries | 25,043,726 | 28,642,016 |
| Total | 25,043,726 | 28,642,016 |

Investment funds

| | June 30, 2021 | December 31, 2020 |
|----------------------------|--------------------|-------------------|
| Shareholder’s subsidiaries | 103,598,131 | 95,998,460 |
| Total | 103,598,131 | 95,998,460 |

Due from /to related parties

| | June 30, 2021 | December 31, 2020 |
|----------------------------|-------------------|-------------------|
| Shareholder’s subsidiaries | 58,601,361 | 91,461,912 |
| Shareholders | 1,428,735 | 2,254,915 |
| Total | 60,030,096 | 93,716,827 |

Written Premium

| | June 30, 2021 | June 30, 2020 |
|----------------------------|-------------------|-------------------|
| Shareholder’s subsidiaries | 90,194,894 | 65,577,402 |
| Shareholders | 1,191,369 | 1,076,136 |
| Total | 91,386,263 | 66,653,538 |

Claims Paid

| | June 30, 2021 | June 30, 2020 |
|----------------------------|------------------|------------------|
| Shareholder’s subsidiaries | 7,860,400 | 4,294,198 |
| Total | 7,860,400 | 4,294,198 |

Investment Income

| | June 30, 2021 | June 30, 2020 |
|----------------------------|-------------------|-------------------|
| Shareholder’s subsidiaries | 17,259,051 | 39,736,728 |
| Total | 17,259,051 | 39,736,728 |

Commission paid

| | June 30, 2021 | June 30, 2020 |
|----------------------------|-------------------|-------------------|
| Shareholder’s subsidiaries | 69,862,197 | 49,944,754 |
| Total | 69,862,197 | 49,944,754 |

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18. Contingencies

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

19. Subsequent events

None.

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