

AKSIGORTA A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD JANUARY 1 - SEPTEMBER 30, 2021**

AKSIGORTA A.Ş.

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

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION	1
CONDENSED INTERIM INCOME STATEMENT	2
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME.....	3
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	4
CONDENSED INTERIM STATEMENT OF CASH FLOWS.....	5
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION.....	6-31

AKSIGORTA A.Ş.

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

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

Assets	Note	Unaudited September 30, 2021	Audited December 31, 2020
Total current assets		10,351,825,943	8,996,918,504
Cash and cash equivalents	9	2,329,469,935	2,270,224,400
Debt securities:			
- Available for sale at company's risk	8	1,158,117,464	1,472,808,484
- Held to maturity at company's risk	8	805,037,774	205,527,370
- Held for trading at company's risk	8	228,127,731	63,234,980
- Available for sale at insurees' risk	8	1,797,048	1,952,843
Premium receivables		875,024,654	1,056,877,634
Due from reinsurers		46,927,750	28,401,167
Reinsurance shares of insurance liabilities	11	4,661,223,772	3,647,998,480
Deferred acquisition costs		170,246,896	184,523,983
Other current assets		75,852,919	65,369,163
Total non-current assets		214,365,666	168,396,544
Tangible assets	5	22,107,203	20,015,818
Right of use of assets	5	14,009,890	23,486,209
Intangible assets	6	77,990,848	57,223,537
Financial assets			
Equity securities:			
- Available for sale	8	916,517	722,156
Deferred income tax assets	13	99,321,330	66,887,355
Other non-current assets		19,878	61,469
Total assets		10,566,191,609	9,165,315,048
Liabilities	Note	Unaudited September 30, 2021	Audited December 31, 2020
Total current liabilities		9,739,836,070	8,198,589,465
Insurance liabilities	11	8,644,844,937	7,047,271,201
Payables to reinsurers	12	784,765,191	811,188,810
Other financial liabilities		14,575,463	13,065,843
Obligations under repurchase agreements		-	59,562,359
Derivative financial liabilities		-	5,352,006
Provisions for other liabilities and charges		94,137,779	70,812,935
Trade and other payables	12	168,457,484	160,344,827
Current income tax liabilities	13	21,887,380	23,614,067
Short-term lease liabilities	12	11,167,836	7,377,417
Total non-current liabilities		19,878,246	30,609,684
Provision for retirement benefit obligation		11,223,792	9,095,078
Long-term lease liabilities	12	8,654,454	21,514,606
Total equity		806,477,293	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	(6,635,512)	(5,451,203)
Available-for-sale investments fund	10	(14,036,529)	1,441,549
Retained earnings/accumulated deficit		92,518,320	331,837,425
Total equity and liabilities		10,566,191,609	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 - SEPTEMBER 30, 2021**

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

Income Statement	Note	Unaudited January 1 - September 30, 2021	Unaudited January 1 - September 30, 2020
Insurance premium revenue	14	4,351,696,290	3,437,734,288
Insurance premium ceded to reinsurers	14	(1,940,146,528)	(1,459,659,866)
Net insurance premium revenue	14	2,411,549,762	1,978,074,422
Investment income		417,605,888	260,545,571
Commission income		242,747,161	187,583,474
Other operating income		257,751,671	6,435,650
Net income		3,329,654,482	2,432,639,117
Insurance claims	16	(3,615,013,546)	(2,245,115,108)
Insurance claims recovered from reinsurers	16	1,372,274,586	929,179,343
Net insurance claims	16	(2,242,738,960)	(1,315,935,765)
Commission expense		(596,870,504)	(493,932,692)
Expenses for marketing and administration	15	(228,852,324)	(196,703,777)
Other operating expenses		(47,933,612)	(73,968,324)
Insurance claims and expenses		(3,116,395,400)	(2,080,540,558)
Results of operating activities		213,259,082	352,098,559
Foreign exchange gain / (loss), net		38,365,029	42,136,564
Profit before tax		251,624,111	394,235,123
Income tax expense	13	(58,600,328)	(91,555,556)
Profit for the period		193,023,783	302,679,567
Earnings per share		0.0063	0.0099

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 - SEPTEMBER 30, 2021**

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

	Unaudited January 1 - September 30, 2021	Unaudited January 1 - September 30, 2020
Statement of comprehensive income		
Profit for the period	193,023,783	302,679,567
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Change in available-for-sale financial assets fund, net off deferred tax	(15,478,078)	(45,881,878)
Net other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods	(15,478,078)	(45,881,878)
Other comprehensive income not being reclassified to profit or loss in subsequent periods:		
Actuarial loss, net of deferred tax	(1,184,309)	(625,947)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	(1,184,309)	(625,947)
Other comprehensive income, net of tax	(16,662,387)	(46,507,825)
Total comprehensive income for the period, net of tax	176,361,396	256,171,742

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 - SEPTEMBER 30, 2021**

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

September 30, 2021	Unaudited						
	Note	Share capital	Available-for-sale investment funds	Legal reserves	Actuarial loss arising from employee benefit	Retained earnings	Total
Balances at December 31, 2020	10	306,000,000	1,441,549	302,288,128	(5,451,203)	331,837,425	936,115,899
Profit for the period		-	-	-	-	193,023,783	193,023,783
Transfer		-	-	126,342,886	-	(126,342,886)	-
Other comprehensive income		-	(15,478,078)	-	(1,184,309)	-	(16,662,387)
Total comprehensive income	10	-	(15,478,078)	126,342,886	(1,184,309)	66,680,897	176,361,396
Dividend payment	10					(306,000,000)	(306,000,000)
September 30, 2021	10	306,000,000	(14,036,529)	428,631,014	(6,635,512)	92,518,320	806,477,293
September 30, 2020	Unaudited						
	Note	Share capital	Available-for-sale investment funds	Legal reserves	Actuarial loss arising from employee benefit	Retained earnings	Total
Balances at December 31, 2019	10	306,000,000	6,588,634	137,889,692	(4,518,213)	324,251,803	770,211,916
Profit for the period		-	-	-	-	302,679,567	302,679,567
Transfer		-	-	164,398,437	-	(164,398,437)	-
Other comprehensive income		-	(45,881,878)	-	(625,947)	-	(46,507,825)
Total comprehensive income	10	-	(45,881,878)	164,398,437	(625,947)	138,281,130	256,171,742
Dividend payment	10					(201,960,000)	(201,960,000)
September 30, 2020	10	306,000,000	(39,293,244)	302,288,129	(5,144,160)	260,572,933	824,423,658

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 - SEPTEMBER 30, 2021**

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

Cash Flow Statement	Note	Unaudited January 1 - September 30, 2021	Unaudited January 1 - September 30, 2020
Cash inflows from insurance operations		5,446,948,905	4,272,615,455
Cash outflows from insurance operations		(4,845,377,589)	(3,514,162,523)
Income tax payment		(87,911,798)	(120,560,192)
Cash outflows from operational expenses		(255,718,946)	(218,586,599)
Net cash flows from operating activities		257,940,572	419,306,141
Tangible and intangible asset acquisitions / disposals		(48,670,307)	(22,476,279)
Financial asset acquisitions / disposals		(340,643,340)	(800,853,833)
Interest received		390,602,864	187,122,623
Other cash inflows/(outflows)		(21,484,683)	(46,811,599)
Net cash flows (outflow)/inflow from investing activities		(20,195,466)	(683,019,088)
Dividends paid	10	(306,000,000)	(201,960,000)
Financial lease debt payments		(10,704,974)	(11,628,883)
Net cash (outflow)/inflows from financing operations		(316,704,974)	(213,588,883)
Net increase/(decrease) in cash and cash equivalents		(78,959,868)	(477,301,830)
Cash and cash equivalents at the beginning of the period		1,994,609,067	1,831,766,957
Cash and cash equivalents at the end of the period	9	1,195,649,199	1,354,465,127

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 SEPTEMBER 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 September 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, other accident, personal accident, engineering, agriculture and health.

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

	September 30, 2021	December 31, 2020
Top and middle management	155	144
Other personnel	517	524
Total	672	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 8.200.665 in total for January 1 - September 30, 2021 (January 1 - September 30, 2020: TL 6,735,420).

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

The Company’s interim condensed financial information as of September 30, 2021, are approved and authorized for issuance as of October 25, 2021, by the Board of Directors.

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The interim financial information at September 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 financial information in the interim periods. Additionally, the accounting policies used in the preparation of the condensed interim financial information for the period ended September 30, 2021, are consistent with those used in the preparation of annual financial statements for the year ended December 31, 2020. Accordingly, the interim financial information does 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 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 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 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 September 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 - September 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 - September 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 interim financial information as of January 1 - September 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
AS AT SEPTEMBER 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)

Standards, amendments and interpretations applicable as at September 30, 2021:

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

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 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

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

IFRS 17, ‘Insurance contracts’; effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
AS AT SEPTEMBER 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)

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

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

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

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

AKSIGORTA A.Ş.

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

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

2. Summary of significant accounting policies (Continued)

2.3 Share capital

As of September 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	September 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 September 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).

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.

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

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

2. Summary of significant accounting policies (Continued)

2.4 Insurance Liabilities (Continued)

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 September 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 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
AS AT SEPTEMBER 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 September 30, 2021, the Company has assessed the possible impacts of Covid-19 pandemic on the 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 interim financial information is extremely low, geographic segment information is not given.

AKSİGORTA A.Ş.

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

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

4. Segment information (Continued)

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

January 1 - September 30, 2021	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	185,843,182	27,593,692	913,383,893	1,071,070,058	102,689,262	80,849,510	30,120,165	-	2,411,549,762
Earned Premiums (Net of Reinsurer Share)	185,843,182	27,593,692	913,383,893	1,071,070,058	102,689,262	80,849,510	30,120,165	-	2,411,549,762
Premiums (Net of Reinsurer Share)	187,712,924	29,658,212	910,606,173	1,150,578,396	106,561,106	79,758,832	37,687,835	-	2,502,563,478
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(1,869,742)	(2,064,520)	2,777,720	(79,508,338)	(3,871,844)	1,090,678	(7,567,670)	-	(91,013,716)
TECHNICAL EXPENSES	(229,373,063)	(19,976,061)	(977,578,069)	(1,197,128,904)	(87,240,706)	(55,230,628)	(49,369,137)	-	(2,615,896,568)
Total Claims (Net of Reinsurer Share)	(149,055,728)	(16,663,361)	(852,806,294)	(1,108,102,631)	(48,900,705)	(15,325,140)	(51,885,101)	-	(2,242,738,960)
Claims Paid (Net of Reinsurer Share)	(121,112,631)	(12,052,216)	(741,340,125)	(808,604,527)	(36,686,388)	(15,221,037)	(14,387,304)	-	(1,749,404,228)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(27,943,097)	(4,611,145)	(111,466,169)	(299,498,104)	(12,214,317)	(104,103)	(37,497,797)	-	(493,334,732)
Commission income/(expenses) (Net)	(23,847,945)	(3,741,815)	(168,232,102)	(109,747,797)	(28,761,114)	(25,787,463)	5,994,893	-	(354,123,343)
Operating Expenses	(71,126,497)	(2,230,610)	(35,120,771)	(82,461,418)	(19,135,201)	(11,925,112)	(6,852,715)	-	(228,852,324)
Other Operating Income / Expenses	14,657,107	2,659,725	78,581,098	103,182,942	9,556,314	(2,192,913)	3,373,786	-	209,818,059
Technical Profit	(43,529,881)	7,617,631	(64,194,176)	(126,058,846)	15,448,556	25,618,882	(19,248,972)	-	(204,346,806)
Investment income	-	-	-	-	-	-	-	417,605,888	417,605,888
Foreign exchange income	-	-	-	-	-	-	-	38,365,029	38,365,029
Tax expense	-	-	-	-	-	-	-	(58,600,328)	(58,600,328)
Net Profit / (Loss)	(43,529,881)	7,617,631	(64,194,176)	(126,058,846)	15,448,556	25,618,882	(19,248,972)	397,370,589	193,023,783

AKSİGORTA A.Ş.

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

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

4. Segment information (Continued)

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

January 1 - September 30, 2020	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	124,484,515	21,588,071	636,408,846	961,399,490	77,104,311	79,346,684	77,742,505	-	1,978,074,422
Earned Premiums (Net of Reinsurer Share)	124,484,515	21,588,071	636,408,846	961,399,490	77,104,311	79,346,684	77,742,505	-	1,978,074,422
Premiums (Net of Reinsurer Share)	122,159,761	22,496,925	660,666,530	953,111,165	71,678,772	63,356,233	78,120,234	-	1,971,589,620
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	2,324,754	(908,854)	(24,257,684)	8,288,325	5,425,539	15,990,451	(377,729)	-	6,484,802
TECHNICAL EXPENSES	(122,145,016)	(12,993,671)	(610,477,265)	(933,707,128)	(61,532,787)	(47,971,577)	(97,693,990)	-	(1,886,521,434)
Total Claims (Net of Reinsurer Share)	(66,128,004)	(7,070,981)	(427,483,086)	(720,063,534)	(25,937,615)	(6,474,186)	(62,778,359)	-	(1,315,935,765)
Claims Paid (Net of Reinsurer Share)	(47,144,953)	(5,171,131)	(367,793,944)	(465,191,589)	(20,627,811)	(4,742,119)	(15,824,245)	-	(926,495,792)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(18,983,051)	(1,899,850)	(59,689,142)	(254,871,945)	(5,309,804)	(1,732,067)	(46,954,114)	-	(389,439,973)
Commission income/(expenses) (Net)	(17,063,863)	(4,055,047)	(122,792,249)	(99,133,009)	(20,048,373)	(29,900,223)	(13,356,453)	-	(306,349,217)
Operating Expenses	(35,124,781)	(1,203,728)	(43,868,365)	(74,722,320)	(13,175,551)	(9,440,739)	(19,168,293)	-	(196,703,777)
Other Operating Income / Expenses	(3,828,368)	(663,915)	(16,333,565)	(39,788,265)	(2,371,248)	(2,156,429)	(2,390,885)	-	(67,532,675)
Technical Profit	2,339,499	8,594,400	25,931,581	27,692,362	15,571,524	31,375,107	(19,951,485)	-	91,552,988
Investment income	-	-	-	-	-	-	-	260,545,571	260,545,571
Foreign exchange income	-	-	-	-	-	-	-	42,136,564	42,136,564
Tax expense	-	-	-	-	-	-	-	(91,555,556)	(91,555,556)
Net Profit / (Loss)	2,339,499	8,594,400	25,931,581	27,692,362	15,571,524	31,375,107	(19,951,485)	211,126,579	302,679,567

AKSIGORTA A.Ş.

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

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

5. Tangible assets

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

Costs:	January 1, 2021	Additions	Disposals	September 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	3,319,751	(1,304,540)	32,446,382
Other tangible assets (including leasehold improvements)	21,682,557	239,285	-	21,921,842
Right of use of asset	41,129,271	4,675,332	(7,832,494)	37,972,109
Advances on tangible assets	-	2,889,136	-	2,889,136
Total	97,561,570	12,086,747	(9,137,034)	100,511,283
Accumulated depreciation: (-)				
Property for operational use	(633,191)	(23,912)	-	(657,103)
Motor vehicles	(1,093,962)	(537,778)	-	(1,631,740)
Furniture and fixtures and leased tangible assets	(20,847,952)	(3,107,167)	1,217,921	(22,737,198)
Other tangible assets	(13,841,375)	(1,564,555)	-	(15,405,930)
Right of use of asset	(17,643,062)	(6,319,157)	-	(23,962,219)
Total	(54,059,542)	(11,552,569)	1,217,921	(64,394,190)
Net book value	43,502,028			36,117,093
Costs:	January 1, 2020	Additions	Disposals	September 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	2,576,561	(564,468)	29,624,843
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	9,183,696	(564,468)	96,271,050
Accumulated depreciation: (-)				
Property for operational use	(601,219)	(23,935)	-	(625,154)
Motor vehicles	(549,962)	(407,257)	-	(957,219)
Furniture and fixtures and leased tangible assets	(17,306,145)	(3,097,513)	550,931	(19,852,727)
Other tangible assets	(11,657,802)	(1,665,216)	-	(13,323,018)
Right of use of asset	(8,243,981)	(7,217,733)	-	(15,461,714)
Total	(38,359,835)	(12,410,928)	550,931	(50,219,832)
Net book value	49,291,987			46,051,218

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

Total depreciation expense is TL 33,348,691 (January 1 - September 30, 2020: TL 38,537,326).

AKSIGORTA A.Ş.

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

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

6. Intangible assets

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

Costs:	January 1	Additions	Disposals	Transfers	September 30, 2021
Rights	161,424,844	25,556,884	-	4,524,308	191,506,036
Advances given for intangible assets	9,163,795	17,006,547	-	(4,524,308)	21,646,034
Total	170,588,639	42,563,431	-	-	213,152,070
Accumulated depreciation: (-)					
Rights	(113,365,102)	(21,796,120)	-	-	(135,161,222)
Total	(113,365,102)	(21,796,120)	-	-	(135,161,222)
Net book value	57,223,537				77,990,848
Costs:	January 1	Additions	Disposals	Transfers	September 30, 2020
Rights	134,184,258	12,965,208	(13,980)	-	147,135,486
Advances given for intangible assets	3,489,088	6,172,770	-	-	9,661,858
Total	137,673,346	19,137,978	(13,980)	-	156,797,344
Accumulated depreciation: (-)					
Rights	(77,104,087)	(26,114,980)	136	-	(103,218,931)
Total	(77,104,087)	(26,114,980)	136	-	(103,218,931)
Net book value	60,569,259	(6,977,002)	(13,844)	-	53,578,413

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 September 30, 2021 and December 31, 2020, are disclosed below:

AKSIGORTA A.Ş.

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

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

7. Management of insurance and financial risk (Continued)

September 30, 2021			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	10,352,194	8.8785	91,911,954
EUR	2,931,378	10.2933	30,173,553
GBP	124,944	11.9175	1,489,020
CHF	43,738	9.4755	414,439
Other	-	-	5,067
Total			123,994,034
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	39,499,581	8.8785	350,697,030
EUR	11,502,915	10.2933	118,402,955
GBP	141,092	11.9175	1,681,461
Total			470,781,446
Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	35,686,836	8.8785	316,845,570
EUR	2,400,000	10.2933	24,703,920
Total			341,549,490
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(8,797,665)	8.8945	(78,250,832)
EUR	(1,196,177)	10.3118	(12,334,741)
Other			(697,813)
Total			(91,283,386)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(45,580,479)	8.8945	(405,415,571)
EUR	(15,023,176)	10.3118	(154,915,985)
Other	-	-	(1,900,998)
Total			(562,232,554)
Payables from Supplier	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(82,450)	8.8945	(733,348)
EUR	(9,141)	10.3118	(94,262)
Total			(827,610)
Net Foreign Currency Position			281,981,420

AKSIGORTA A.Ş.

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

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

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	25,127,756	7.3405	183,448,974
Total			184,448,974
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(9,473,467)	7.3405	(69,539,985)
EUR	(1,134,957)	9.0079	(10,223,579)
Total			(79,763,564)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(60,000,422)	7.3405	(440,433,098)
EUR	(11,572,916)	9.0079	(104,247,670)
Other		-	(1,379,856)
Total			(546,060,624)
Payables from Supplier	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(899,254)	7.3405	(6,600,974)
EUR	(63,701)	9.0079	(573,812)
Total			(7,174,786)
Net Foreign Currency Position			239,944,223

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT SEPTEMBER 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 September 30, 2021, is as follows:

September 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	529,750,086	1,377,438,883	351,417,382	-	-	70,863,584	2,329,469,935
Financial assets available for sale	136,899,936	180,851,786	143,302,816	437,652,900	150,542,778	108,867,248	1,158,117,464
Financial assets held for trading	228,127,731	-	-	-	-	-	228,127,731
Financial assets held to maturity	-	36,461,420	464,976,508	276,108,071	27,491,775	-	805,037,774
Investments on policyholders’ risk	-	-	-	1,797,048	-	-	1,797,048
Receivables from main operations	219,477,366	305,292,399	344,047,638	6,207,251	-	-	875,024,654
Due from reinsurance companies	-	46,927,750	-	-	-	-	46,927,750
Reinsurers’ share of insurance liabilities	1,773,955,958	1,731,727,245	874,482,473	258,935,166	22,122,930	-	4,661,223,772
Equity securities	-	-	-	-	-	916,517	916,517
Other assets	-	246,099,815	-	-	-	-	246,099,815
Assets	2,888,211,077	3,924,799,298	2,178,226,817	980,700,436	200,157,483	180,647,349	10,352,742,460
Obligations under repurchase agreements	-	-	-	-	-	-	-
Financial liabilities	-	14,575,463	11,167,836	-	-	-	25,743,299
Insurance liabilities	3,102,100,727	3,153,618,960	1,909,651,951	443,087,654	36,385,645	-	8,644,844,937
Due to reinsurers	370,786,025	313,951,668	100,027,498	-	-	-	784,765,191
Provisions for other liabilities and charges	-	-	90,153,298	699,936	-	3,284,545	94,137,779
Trade and other payables	-	-	190,344,864	-	-	-	190,344,864
Total liabilities	3,472,886,752	3,482,146,091	2,301,345,447	443,787,590	36,385,645	3,284,545	9,739,836,070

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT SEPTEMBER 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

AKSİGORTA A.Ş.

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

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

8. Financial assets

Available for sale debt securities:

	September 30, 2021		
	Cost Value	Fair Value	Book Value
Private bonds	433,958,008	453,211,236	453,211,236
Eurobonds	414,824,745	418,228,202	418,228,202
Equities	117,258,978	108,867,249	108,867,249
Government bonds	179,956,868	177,810,777	177,810,777
Total	1,145,998,599	1,158,117,464	1,158,117,464

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

Held to maturity:

	September 30, 2021		
	Cost Value	Fair Value	Book Value
Eurobond	405,490,141	403,726,905	424,684,978
Private bonds	194,126,518	199,377,977	199,902,792
Government bonds	177,502,458	177,549,973	180,450,004
Total	777,119,117	780,654,855	805,037,774

	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:

	September 30, 2021		
	Cost Value	Fair Value	Book Value
Investment funds	194,160,957	203,423,811	203,423,811
Option Premium	23,719,840	24,703,920	24,703,920
Reverse Repo	-	-	-
Total	217,880,797	228,127,731	228,127,731

	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:

	September 30, 2021		
	Cost Value	Fair Value	Book Value
Government bonds	1,734,832	1,797,048	1,797,048
Total	1,734,832	1,797,048	1,797,048

	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

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT SEPTEMBER 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:

	September 30, 2021		Book Value
	Cost Value	Fair Value	
<i>Equity investments</i>			
Tarsim	916,517	-	916,517
Total	916,517	-	916,517

	December 31, 2020		Book Value
	Cost Value	Fair 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).

	September 30, 2021	Level 1	Level2	Level 3
Available for sale at company’s risk	1,158,117,464	1,158,117,464	-	-
Held to maturity at company’s risk	805,037,774	805,037,774	-	-
Held for trading at company's risk	228,127,731	228,127,731	-	-
Available for sale at insurees' risk	1,797,048	1,797,048	-	-
Equity securities, net	916,517	-	-	916,517
Total	2,193,996,534	2,193,080,017	-	916,517

	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

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT SEPTEMBER 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:

	September 30, 2021	December 31, 2020
Cash at banks	1,633,063,033	1,600,368,638
-time deposits	1,562,199,449	1,521,138,584
-demand deposits	70,863,584	79,230,054
Bank guaranteed credit card receivables with maturity less than 3 months	696,406,902	669,855,762
Total cash and cash equivalents	2,329,469,935	2,270,224,400

The maturities of the Company’s time deposit as of September 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 - September 30, 2021 and January 1 - December 31, 2020, are as follows:

	September 30, 2021	December 31, 2020
Total cash and cash equivalents	2,329,469,935	2,270,224,400
Interest accrual on cash at banks (-)	(34,046,628)	(11,553,673)
Blocked time deposits	(204,774,108)	(89,061,660)
Blocked credit card receivables	(175,000,000)	(175,000,000)
Cash and cash equivalents per statement of cash flow	1,195,649,199	1,994,609,067

Weighted average interest rates of time deposits:

	September 30, 2021	December 31, 2020
TL	15,51 - 20,50	13,65 - 22,25
USD	0,10 - 2,00	0,20 - 3,10
EUR	-	0,01 - 0,05

10. Equity

As of September 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		Amortized		September 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		Amortized		September 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

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION AS AT SEPTEMBER 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	302,288,129	137,889,691
Transfers from retained earnings	126,342,885	164,398,437
Closing balance, September 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 8,294,390 (net-off deferred tax: TL 1,658,878) 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	1,184,309	625,947
Closing balance, September 30	6,635,512	5,144,160

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	(15,478,078)	(45,881,878)
Closing balance, September 30	(14,036,529)	(39,293,244)

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 was distributed in cash on September 6, 2021 (December 31, 2020: TL 201,960,000).

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

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

11. Insurance liabilities

Gross	September 30, 2021	December 31, 2020
Outstanding claims provision	5,596,582,951	4,118,631,648
Reserve for unearned premiums	3,046,442,591	2,926,765,514
Life actuarial mathematical reserves	1,508,041	1,276,448
Life profit share provision	(153,763)	141,828
Bonus and rebates provision	465,117	455,763
Total	8,644,844,937	7,047,271,201

Reinsurance Share	September 30, 2021	December 31, 2020
Reinsurers’ share of outstanding claims	3,333,046,245	2,348,492,639
Reinsurers’ share of unearned premiums	1,327,717,035	1,299,053,674
Reinsurers' share of bonus and rebates provision	460,492	452,167
Total	4,661,223,772	3,647,998,480

Net	September 30, 2021	December 31, 2020
Net outstanding claims	2,263,536,706	1,770,139,009
Net unearned premiums	1,718,725,556	1,627,711,840
Life actuarial mathematical reserves	1,508,041	1,276,448
Life profit share provision	(153,763)	141,828
Bonus and rebates provision	4,625	3,596
Total	3,983,621,165	3,399,272,721

AKSIGORTA A.Ş.

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

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

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

	September 30, 2021	December 31, 2020
Payables to reinsurers	740,431,854	765,628,607
Payables to SSI regarding medical expenses	44,333,337	45,560,203
Payables due to main operations	784,765,191	811,188,810
Taxes payable	59,111,254	53,532,316
Payables to contracted institutions	49,697,014	40,496,161
Payables to Turkish Catastrophe Insurance Pool	29,444,261	26,540,034
Payables to suppliers	16,209,123	29,576,727
Due to shareholder	1,142	6,616
Other	13,994,690	10,192,973
Total other short-term payables	168,457,484	160,344,827
Total financial liabilities trade and other payables, deferred income	953,222,675	971,533,637

Lease Liabilities

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

	September 30, 2021	December 31, 2020
Short-term lease liabilities (undiscounted)	15,766,206	13,524,088
Long term lease liabilities (undiscounted)	11,370,390	28,360,104
Discount amount with lease’s incremental borrowing rate of interest	(7,314,306)	(12,992,169)
Total	19,822,290	28,892,023

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

	September 30, 2021	September 30, 2020
Opening balance, January 1	28,892,023	29,750,241
Changes in lease contracts	(3,157,163)	(11,628,883)
Lease payments	(10,704,973)	5,832,757
Interest payments	4,792,403	6,272,195
Total	19,822,290	30,226,310

AKSIGORTA A.Ş.

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

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

13. Taxes

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

	September 30, 2021	December 31, 2020
Income taxes payable	86,185,111	117,630,688
Prepaid income taxes	(64,297,731)	(94,016,621)
Tax payable/(asset)	21,887,380	23,614,067

Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its 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)	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Discounting in outstanding claims	384,360,197	332,370,505	79,559,735	66,474,101
General expense provision	53,801,145	22,348,560	13,450,286	4,469,712
Doubtful receivable provisions	32,690,503	18,369,483	8,172,626	3,673,897
Claim handling	23,778,472	21,629,680	4,755,694	4,325,936
Financial assets valuation effect accounted under equity	18,229,258	(1,801,925)	4,192,729	(360,385)
Bonus provision	18,093,232	10,544,208	4,523,308	2,108,842
Donation	14,024,750	-	3,506,188	-
Employment termination benefit	11,223,792	9,095,078	2,244,759	1,819,016
Leased assets	5,812,400	5,405,814	1,162,480	1,081,163
Useful life of tangible and intangible assets	4,835,164	1,421,990	967,033	284,397
Unused vacation provision	3,284,545	2,158,581	821,136	431,716
Exchange rate valuation effect	291,172	-	72,793	-
Bonus and rebate	4,625	3,596	1,156	719
Financial assets valuation effect	(7,224,406)	(3,565,507)	(1,058,489)	(713,102)
Derivative asset valuation	(11,646,708)	5,352,006	(2,911,677)	1,070,401
Equalization reserve	(100,692,136)	(88,895,290)	(20,138,427)	(17,779,058)
Total deferred tax assets / liabilities	450,866,005	334,436,779	99,321,330	66,887,355

AKSIGORTA A.Ş.

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

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

13. Taxes (Continued)

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 September 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).

	2021	2020
Profit before taxes	251,624,111	394,235,123
Tax rate	22.00%	22.00%
Taxes on income per statutory tax rate	(55,357,304)	(86,731,727)
The rate change effect	(3,243,024)	(4,969,248)
The effect of non-deductible expenses	-	145,419
Tax expense – September 30	(58,600,328)	(91,555,556)

14. Net insurance premium income

The distribution of premium income is as follows:

	January 1 - Gross	September 30, Reinsurers’ share	2021 Net	January 1 - Gross	September 30, Reinsurers’ share	2020 Net
Written premium	4,471,373,367	(1,968,809,889)	2,502,563,478	3,535,653,598	(1,564,064,301)	1,971,589,297
Change in unearned premium reserve	(119,677,077)	28,663,361	(91,013,716)	(97,919,310)	104,404,435	6,485,125
Total premium revenue	4,351,696,290	(1,940,146,528)	2,411,549,762	3,437,734,288	(1,459,659,866)	1,978,074,422
Fire	983,424,328	(795,711,404)	187,712,924	685,917,820	(563,758,059)	122,159,761
Marine	115,176,428	(85,518,216)	29,658,212	77,969,777	(55,472,852)	22,496,925
Motor own damage	975,681,656	(65,075,483)	910,606,173	706,047,422	(45,380,892)	660,666,530
Motor third party liability	1,428,125,069	(277,546,673)	1,150,578,396	1,199,375,274	(246,264,208)	953,111,066
Other	313,133,929	(275,446,095)	37,687,835	328,935,355	(250,815,345)	78,120,010
General Losses	323,973,557	(217,412,451)	106,561,106	224,347,911	(152,669,139)	71,678,772
Health	331,858,400	(252,099,568)	79,758,832	313,060,039	(249,703,806)	63,356,233
Total	4,471,373,367	(1,968,809,889)	2,502,563,478	3,535,653,598	(1,564,064,301)	1,971,589,297

AKSIGORTA A.Ş.

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

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

15. Expenses by nature

	January 1 - September 30, 2021	January 1 - September 30, 2020
Personnel expenses	(109,957,458)	(93,816,362)
Depreciation expenses	(33,348,691)	(38,537,326)
Assistance expenses	(31,404,042)	(22,506,081)
Information technology expenses	(21,646,073)	(17,055,471)
Outsourcing service expenses	(5,643,245)	(2,777,106)
Advertisement expenses	(7,734,089)	(5,453,218)
Meeting and training expenses	(3,195,006)	(3,895,218)
Social relief expenses	(2,923,406)	(2,017,752)
Rent expenses	(2,463,333)	(2,174,427)
Repair and maintenance	(2,455,287)	(2,785,355)
Communication expenses	(2,099,718)	(1,290,431)
Legal expenses	(1,856,087)	(1,146,486)
Corporate communication	(1,247,822)	(651,669)
Transportation expenses	(874,071)	(1,260,740)
Stationery expense	(177,287)	(57,813)
Other	(1,826,709)	(1,278,322)
Total	(228,852,324)	(196,703,777)

16. Insurance claims and claims recovered from reinsurers

September 30, 2021	Gross	Reinsurers' Share	Net
Paid Claims	2,137,116,886	(387,712,658)	1,749,404,228
Change in outstanding claims	1,477,951,303	(984,553,606)	493,397,697
Change in mathematical reserves	(63,997)	-	(63,997)
Bonus and rebates provision	9,354	(8,322)	1,032
Total	3,615,013,546	(1,372,274,586)	2,242,738,960
September 30, 2020	Gross	Reinsurers' Share	Net
Paid Claims	1,366,283,855	(439,788,064)	926,495,791
Change in outstanding claims	879,210,902	(489,740,966)	389,469,936
Change in mathematical reserves	(27,239)	-	(27,239)
Bonus and rebates provision	(352,410)	349,687	(2,723)
Total	2,245,115,108	(929,179,343)	1,315,935,765

AKSIGORTA A.Ş.

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

(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:

Due from /to related parties	September 30, 2021	December 31, 2020
Shareholder’s subsidiaries	67,958,871	91,461,912
Shareholders	1,428,735	2,254,915
Total	69,387,606	93,716,827
Banks	September 30, 2021	December 31, 2020
Shareholder’s subsidiaries	334,494,023	409,450,889
Total	334,494,023	409,450,889
Marketable securities	September 30, 2021	December 31, 2020
Shareholder’s subsidiaries	25,348,870	28,642,016
Total	25,348,870	28,642,016
Investment funds	September 30, 2021	December 31, 2020
Shareholder’s subsidiaries	243,030,082	95,998,460
Total	243,030,082	95,998,460
Written Premium	September 30, 2021	September 30, 2020
Shareholder’s subsidiaries	113,201,166	107,691,707
Shareholders	1,191,369	1,896,242
Total	114,392,535	109,587,949
Claims Paid	September 30, 2021	September 30, 2020
Shareholder’s subsidiaries	15,943,678	6,975,652
Shareholders	752	1,848
Total	15,944,430	6,977,500
Investment Income	September 30, 2021	September 30, 2020
Shareholder’s subsidiaries	29,160,472	51,206,233
Total	29,160,472	51,206,233
Commission expense	September 30, 2021	September 30, 2020
Shareholder’s subsidiaries	101,822,270	80,206,902
Total	101,822,270	80,206,902

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

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

18. Contingencies

As of September 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 interim financial information since the Company believes that its practice is following 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. Consequently, 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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