

**AVİVASA EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF SEPTEMBER 30, 2020**  
**AND INDEPENDENT AUDITOR'S REVIEW REPORT**



## REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION

To the General Assembly of AvivaSA Emeklilik ve Hayat A.Ş.

### *Introduction*

1. We have reviewed the accompanying consolidated balance sheet of AvivaSA Emeklilik ve Hayat A.Ş. (The “Company”) and its subsidiary (“collectively referred as the “Group”) as at 30 September 2020 and the related consolidated statements of income, consolidated other comprehensive income, consolidated changes in equity and consolidated cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. The management of the Group is responsible for the preparation and fair presentation of these interim consolidated financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim consolidated financial information based on our review.

### *Scope of review*

2. We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”. A review of interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and the objective of which is to express an opinion on the consolidated financial statements. Consequently, a review on the interim consolidated financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information does not present fairly, in all material respects, the financial position of the Group as at 30 September 2020, and its financial performance and its cash flows for the nine- month period then ended in accordance with International Accounting Standard 34 “Interim Financial Reporting”.



*Emphasis of matter*

- 4- Prior period financial statements have been restated as explained in Note 1.1 to the accompanying interim financial information. Our conclusion is not qualified in respect of this matter.

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

Adnan Akan, SMMM  
Partner

Istanbul, 26 October 2020

AVİVASA EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

THE CONSOLIDATED FINANCIAL REPORT  
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

We assure you that our consolidated financial report and the related disclosures and notes prepared in accordance are in compliance with International Financial Reporting Standards are permitted to be published.

İstanbul, 26 Oct 2020

  
M. Fırat Kuruca  
Member of the Board of  
Directors, General Manager

  
Erkan Şahinler  
Assistant General Manager  
Finance

  
Zeliha Ersen Altınok  
Group Manager  
Accounting&Finance

  
Nevil Memiş  
Actuary

**AVIVASA EMEKLİLİK VE HAYAT A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

---

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....</b>	<b>1</b>
<b>CONSOLIDATED STATEMENT OF INCOME.....</b>	<b>2</b>
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....</b>	<b>3</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....</b>	<b>4</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS .....</b>	<b>5</b>
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....</b>	<b>6 - 67</b>

**AVIVASA EMEKLİLİK VE HAYAT A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL POSITION  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

<b>Assets</b>	<b>Note</b>	<b>September 30,2020</b>	<b>Restated (Note 1.1)</b>
			<b>December 31,2019</b>
Cash and cash equivalents	5	758,361,292	398,527,876
Financial assets	6	2,251,849,255	1,771,746,764
Premium and other insurance receivables	8	34,025,635	37,011,109
Reinsurance share of insurance liabilities	7,21	11,893,487	15,815,927
Deferred expenses	19	502,464,023	478,231,925
Other financial assets	13	868,012	868,012
Pension business receivables	9	217,335,203	212,976,185
Right of use assets	11	26,871,452	32,890,742
Property and equipment, net	11	28,742,170	27,435,735
Intangible assets, net	12	72,526,890	58,535,130
Other assets	10	61,755,277	9,720,417
<b>Total assets</b>		<b>3,966,692,696</b>	<b>3,043,759,822</b>
<b>Liabilities</b>			
Lease liabilities	14	31,494,304	35,733,545
Due to insurance and reinsurance companies	15	28,162,265	43,940,869
Pension business payables	9	527,159,319	486,090,486
Insurance contract liabilities	21	2,170,374,703	1,443,817,209
Provision for employment termination benefits	18	19,687,170	15,971,826
Deferred tax liabilities	17	63,602,872	71,023,837
Current tax liabilities	17	27,955,440	11,437,773
Other payables and liabilities	20	137,332,133	46,051,457
Other provisions	16	44,207,366	37,758,216
<b>Total liabilities</b>		<b>3,049,975,572</b>	<b>2,191,825,218</b>
Share capital	22	180,000,000	180,000,000
Items that may be reclassified to profit or loss			
Fair value reserves from available for sale assets	22	(37,626,917)	(294,093)
Other capital reserves	22	837,095	837,095
Profit reserves	22	184,865,332	135,728,079
Retained earnings	22	324,588,745	278,131,574
Profit for the period	23	264,052,869	257,531,949
<b>Equity attributable to the owners of the Group</b>		<b>916,717,124</b>	<b>851,934,604</b>
<b>Total equity and liabilities</b>		<b>3,966,692,696</b>	<b>3,043,759,822</b>

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

**AVIVASA EMEKLİLİK VE HAYAT A.Ş.**

**CONSOLIDATED STATEMENT OF INCOME  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

		Restated (Note 1.1)	Restated (Note 1.1)		
	Note	January 1 - September 30, 2020	July 1 - September 30, 2020		
		September 30, 2019	September 30, 2019		
<b>Income:</b>					
Gross written premiums	24	983,259,324	326,085,585	624,526,928	255,816,741
Premium ceded to reinsurers	24	(13,525,301)	(3,764,494)	(18,416,661)	(5,534,809)
<b>Premium written net of reinsurance</b>	<b>24</b>	<b>969,734,023</b>	<b>322,321,091</b>	<b>606,110,267</b>	<b>250,281,932</b>
Net change in provision for unearned premiums reserves		19,523,782	12,864,016	7,128,081	19,218,313
<b>Net premiums earned</b>		<b>989,257,805</b>	<b>335,185,107</b>	<b>613,238,348</b>	<b>269,500,245</b>
Net change in mathematical reserves		(353,102,184)	(88,261,435)	(231,220,882)	(119,476,688)
Income generated from pension business	25	330,770,395	114,224,964	270,201,445	89,219,578
Investment and other income	28	91,571,909	27,578,402	124,210,712	62,302,652
Commission income	27	7,390,428	1,845,990	7,420,101	2,076,865
Foreign exchange gains/(losses), net	26	30,839,914	24,806,964	-	-
<b>Total income</b>		<b>1,096,728,267</b>	<b>415,379,992</b>	<b>783,849,724</b>	<b>303,622,652</b>
<b>Expenses:</b>					
Claims paid and change in outstanding claims provisions	21	(160,311,506)	(48,335,897)	(80,798,601)	(33,522,358)
General and administrative expenses	30	(308,647,665)	(101,269,656)	(260,842,644)	(85,756,521)
Pension expenses including commission	29	(122,595,957)	(39,024,928)	(87,097,727)	(28,734,656)
Commission expense	27	(157,940,573)	(51,569,691)	(108,029,025)	(50,046,085)
Foreign exchange gains/(losses), net	26	-	-	(2,301,197)	(20,164,293)
Other (expense)/income, net	31	(6,823,639)	(4,094,606)	(1,202,687)	(67,957)
<b>Total expenses</b>		<b>(756,319,340)</b>	<b>(244,294,778)</b>	<b>(540,271,881)</b>	<b>(218,291,870)</b>
<b>Profit before taxes</b>		<b>340,408,927</b>	<b>171,085,214</b>	<b>243,577,843</b>	<b>85,330,782</b>
Income tax expense (-)	17	(76,356,058)	(38,040,531)	(55,074,260)	(20,197,598)
<b>Profit for the period</b>		<b>264,052,869</b>	<b>133,044,683</b>	<b>188,503,583</b>	<b>65,133,184</b>
<b>Earnings per share (TL 0.01 nominal value per share)</b>	<b>23</b>	<b>0.0147</b>	<b>0.0074</b>	<b>0.0105</b>	<b>0.0036</b>

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

**AVIVASA EMEKLİLİK VE HAYAT A.Ş.**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

			Restated (Note 1.1)	Restated (Note 1.1)
	Note	January 1 - September 30, 2020	July 1 - September 30, 2020	January 1 - September 30, 2019
		September 30, 2020	September 30, 2019	September 30, 2019
<b>Profit for the year</b>		<b>264,052,869</b>	<b>133,044,683</b>	<b>188,503,583</b>
<b>Other comprehensive income:</b>				
<b>Items that may be reclassified subsequently to profit or (loss):</b>				
Net gain/(loss) on available for-sale assets		(47,862,595)	(36,467,768)	34,072,524
Deferred tax relating to components of other comprehensive income		10,529,771	8,022,909	(7,495,955)
<b>Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent years</b>		<b>(37,332,824)</b>	<b>(28,444,859)</b>	<b>26,576,569</b>
<b>Items that will not be reclassified subsequently to profit or loss:</b>				
Actuarial gain/ (loss) on employee termination benefits		(2,484,005)	(451,883)	(3,966,512)
Deferred tax relating to actuarial gain/ (loss)		546,481	99,414	872,633
<b>Net other comprehensive gain/ (loss) not being reclassified to profit or loss in subsequent years</b>		<b>(1,937,524)</b>	<b>(352,469)</b>	<b>(3,093,879)</b>
<b>Other comprehensive income / (loss), net of tax</b>		<b>(39,270,348)</b>	<b>(28,797,328)</b>	<b>23,482,690</b>
<b>Total comprehensive income, net of tax</b>		<b>224,782,521</b>	<b>104,247,355</b>	<b>211,986,273</b>

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



# AVİVASA EMEKLİLİK VE HAYAT A.Ş.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

	Note	Share capital	Other capital reserves	Items that may be reclassified to profit or loss/ Fair value reserves for available for - sale financial assets	Profit reserves	Retained earnings	Profit for the period	Total
<b>Balances at January 1, 2019 - as previously stated</b>		<b>180,000,000</b>	<b>837,095</b>	<b>(39,141,204)</b>	<b>44,498,235</b>	<b>242,623,147</b>	<b>200,564,104</b>	<b>629,381,377</b>
ROP DAC impact (*)		-	-	-	-	17,339,743	12,872,739	30,212,482
<b>Balances at January 1, 2019 (as restated)</b>		<b>180,000,000</b>	<b>837,095</b>	<b>(39,141,204)</b>	<b>44,498,235</b>	<b>259,962,890</b>	<b>213,436,843</b>	<b>659,593,859</b>
Profit for the period		-	-	-	-	-	188,503,583	188,503,583
Other comprehensive loss	22	-	-	26,576,569	-	(3,093,898)	-	23,482,671
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>26,576,569</b>	<b>-</b>	<b>(3,093,898)</b>	<b>188,503,583</b>	<b>211,986,254</b>
Transfer	22	-	-	-	91,229,844	122,206,999	(213,436,843)	-
Dividend payment	22	-	-	-	-	(100,000,000)	-	(100,000,000)
<b>Balance at September 30, 2019</b>		<b>180,000,000</b>	<b>837,095</b>	<b>(12,564,635)</b>	<b>135,728,079</b>	<b>279,075,991</b>	<b>188,503,583</b>	<b>771,580,113</b>
	Note	Share capital	Other capital reserves	Items that may be reclassified to profit or loss/ Fair value reserves for available for - sale financial assets	Profit reserves	Retained earnings	Profit for the period	Total
<b>Balances at January 1, 2020- as previously stated</b>		<b>180,000,000</b>	<b>837,095</b>	<b>(294,093)</b>	<b>135,728,079</b>	<b>247,919,092</b>	<b>240,536,950</b>	<b>804,727,123</b>
ROP DAC impact (*)		-	-	-	-	30,212,482	16,994,999	47,207,481
<b>Balances at January 1, 2020 (as restated)</b>		<b>180,000,000</b>	<b>837,095</b>	<b>(294,093)</b>	<b>135,728,079</b>	<b>278,131,574</b>	<b>257,531,949</b>	<b>851,934,604</b>
Profit for the period		-	-	-	-	-	264,052,869	264,052,869
Other comprehensive income	22	-	-	(37,332,824)	-	(1,937,525)	-	(39,270,349)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>(37,332,824)</b>	<b>-</b>	<b>(1,937,525)</b>	<b>264,052,869</b>	<b>224,782,520</b>
Transfer	22	-	-	-	49,137,253	208,394,696	(257,531,949)	-
Dividend payment	22	-	-	-	-	(160,000,000)	-	(160,000,000)
<b>Balance at September 30, 2020</b>		<b>180,000,000</b>	<b>837,095</b>	<b>(37,626,917)</b>	<b>184,865,332</b>	<b>324,588,745</b>	<b>264,052,869</b>	<b>916,717,124</b>

(\*) Disclosed in Note 1.1.

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

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

	Note	January 1 - September 30, 2020	(Restated Note 1.1) January 1 - September 30, 2019
<b>Cash flows from operating activities:</b>			
Profit for the period		264,052,869	188,503,583
Income taxes	17	76,356,058	55,074,260
Depreciation and amortization	30	28,639,594	22,368,565
(Gains) / losses from sale of property and equipment		-	3,070
Interest income		(87,760,919)	(68,127,766)
Unrealized exchange rates (gains) / losses from cash and cash equivalents		17,323,178	(589,081)
Unrealized Exchange rates (gains) / losses from financial assets	6	(142,540,807)	(54,641,675)
Fair value changes in marketable securities	6	(2,848,198)	10,784,910
Change in claims provision	21	159,507,694	81,391,679
Change in life mathematical reserves	21	754,633,071	314,970,795
Change in provision for unearned premiums reserves	21	(21,937,772)	(5,092,746)
Change in provision for employment termination benefits	18	2,834,898	6,372,150
Intangible asset write off adjustment		4,483,171	-
Change in blockage	5	57,071,623	155,139,755
<b>Operating profit before changes in operating assets / liabilities</b>		<b>1,109,814,460</b>	<b>706,157,499</b>
<b>Changes in operating assets and liabilities:</b>			
Change in premium and other insurance receivables	7,8	6,907,914	(3,521,071)
Change in other assets	10	(52,034,860)	(9,856,618)
Change in deferred expenses	19	(24,232,098)	(30,269,260)
Change in pension business receivables	9	(4,359,018)	(32,856,820)
Change in pension business payables	9	41,068,833	25,573,710
Change in lease liabilities		961,708	1,996,057
Corporate taxes paid		(56,035,312)	(43,128,422)
Cash paid for claims settled during the year, net	21	(153,805,807)	(76,622,429)
Employment termination benefits paid	18	(1,603,559)	(3,567,455)
Change in other liabilities		22,107,789	18,999,610
<b>Net cash provided from / (used in) operating activities</b>		<b>888,790,050</b>	<b>552,904,801</b>
<b>Cash flows from investing activities:</b>			
Acquisition of property and equipment	11	(7,484,627)	(4,278,320)
Disposal of property and equipment	11	66,238	-
Acquisition of intangible assets	12	(33,095,082)	(21,170,198)
Purchases of financial assets	6	(4,653,327,781)	(1,689,450,775)
Proceeds from sale of financial assets	6	4,258,607,647	1,416,210,005
Interest received	28	92,484,827	68,127,766
<b>Net cash provided by investing activities</b>		<b>(342,748,778)</b>	<b>(230,561,522)</b>
<b>Net cash provided by/(used in) financing activities</b>			
Dividend payment		(100,000,000)	(54,749,033)
Paid rent for lease liabilities	14	(12,385,793)	(10,438,494)
<b>Net cash provided by/(used in) financing activities</b>		<b>(112,385,793)</b>	<b>(65,187,527)</b>
Effect of exchange rates on cash and cash equivalents		(17,323,178)	(589,081)
Net increase in cash and cash equivalents		416,332,301	256,566,671
Cash and cash equivalents at the beginning of the year		280,374,521	386,292,747
<b>Cash and cash equivalents at the end of the period</b>		<b>696,706,822</b>	<b>642,859,418</b>

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

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 1. GENERAL INFORMATION

#### 1.1 Restatement to Prior Year Financial Statements

The Group reviewed its accounting policy regarding deferred acquisition costs for Return of Premium products (“ROP”) and concluded on a change with effect from 1 January 2019. Up until 31 December 2018, the Group did not include the up-front commissions for ROP products produced by all channels in its deferred acquisition costs. Starting from 2019, it is agreed that these up-front commissions are also within the scope of “IFRS 4 Insurance Contracts”. However, due to the limitation of sufficient data relevant for previous periods related to agency and sales personnel commissions, the Company decided to defer the bank channel commissions only as of 31 March 2019. Such decision resulted in a change in accounting policy. As such comparative consolidated financial statements needed to be restated. However, on the grounds of materiality, the retrospective treatment of the change in accounting policy for bank channel commissions was reflected to the opening balances at 1 January 2019 only.

As of 31 March 2020, the Group added agency and sales personnel commissions in its deferred acquisition cost base for purposes of fairer presentation of the financial statements. The effect of this change was recognized retrospectively in the consolidated financial statements. As such comparative interim consolidated financial statements have been restated.

Restated balances for balance sheet and profit/loss statement is stated below:

<b>1 January 2019</b>	<b>Previously Reported</b>	<b>Effect of Restatement</b>	<b>Restated</b>
Deferred expenses	391,886,318	38,733,951	430,620,269
Deferred tax liabilities	38,640,075	8,521,469	47,161,544
Total Assets	2,192,416,957	38,733,951	2,231,150,908
Total Liabilities	1,571,295,743	8,521,469	1,579,817,212
Net Profit (Loss) for the Period	200,564,104	12,872,739	213,436,843
Retained Earnings	242,623,147	17,339,743	259,962,890
Shareholders' Equity	629,381,377	30,212,482	659,593,859

<b>31 December 2019</b>	<b>Previously Reported</b>	<b>Effect of Restatement</b>	<b>Restated</b>
Deferred expenses	417,709,514	60,522,411	478,231,925
Deferred tax liabilities	57,708,907	13,314,930	71,023,837
Total Assets	2,983,237,411	60,522,411	3,043,759,822
Total Liabilities	2,178,510,288	13,314,930	2,191,825,218
Net Profit (Loss) for the Period	240,536,950	16,994,999	257,531,949
Retained Earnings	247,919,092	30,212,482	278,131,574
Shareholders' Equity	804,727,123	47,207,481	851,934,604

<b>1 January – 30 September 2019</b>	<b>Previously Reported</b>	<b>Effect of Restatement</b>	<b>Restated</b>
General and administrative expenses	(268,036,113)	7,193,469	(260,842,644)
Commission expense	(115,935,915)	7,906,890	(108,029,025)
Income tax expense (-)	(51,752,181)	(3,322,079)	(55,074,260)
Profit before taxes	228,477,483	15,100,360	243,577,843
Profit for the period	176,725,302	11,778,281	188,503,583
Earnings / (Loss) per Share	0.0098	0.0007	0.0105

<b>1 July – 30 September 2019</b>	<b>Previously Reported</b>	<b>Effect of Restatement</b>	<b>Restated</b>
General and administrative expenses	(88,890,457)	3,133,936	(85,756,521)
Commission expense	(52,566,352)	2,520,267	(50,046,085)
Income tax expense (-)	(18,953,673)	(1,243,925)	(20,197,598)
Profit before taxes	79,676,579	5,654,203	85,330,782
Profit for the period	60,722,906	4,410,278	65,133,184
Earnings / (Loss) per Share	0.0034	0.0002	0.0036

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2020

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

---

### 1. GENERAL INFORMATION (Continued)

#### 1.2 Corporate Information

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

Following the frame agreed upon the merger contract dated July 27, 2007 and pursuant to Turkish Commercial Code Article 451 and Corporate Tax Law Article 19-20, Ak Emeklilik has acquired Aviva Emeklilik together with all assets and liabilities as a whole through dissolution without liquidation. Ak Emeklilik has become the successor of Aviva Emeklilik. Merger transaction has been realized pursuant to valuations of expert committee assigned by Decision No. 2007/876 D. of Kadıköy Commercial Court of First Instance No. 3 dated July 11, 2007 with the expert report dated July 16, 2007 based on balance sheets of Ak Emeklilik and Aviva Emeklilik as of May 31, 2007 together with other information. This merger has been published on Trade Registry Gazette No. 6930 dated on November 6, 2007 and new title of the Company was announced as "AvivaSA Emeklilik ve Hayat Anonim Şirketi".

After the merger, shareholders of the Company are Aviva International Holdings Limited ("Aviva International") (49.83% share ratio) and Aksigorta Anonim Şirketi ("Aksigorta") (49.83% share ratio).

Aksigorta Anonim Şirketi transferred its shares of AvivaSA Emeklilik ve Hayat A.Ş. to Hacı Ömer Sabancı Holding A.Ş. within the scope of clause "b" of Paragraph 3 of Article 3 of Corporate Tax Law numbered 5520 and under the provisions of "Partial Division of Corporations and Limited Liability Companies Procedures and Operations Joint Communiqué on Principles of Editing" published in the Official Gazette No. 25230 dated September 16, 2003. The transfer was registered and announced on January 12, 2010 and published in the Trade Registry Gazette No. 7481 dated January 18, 2010.

Aviva International Holdings Limited transferred its shares of AvivaSA Emeklilik ve Hayat A.Ş. to Aviva Europe SE on October 28, 2011.

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

Aviva Europe SE has transferred 1,477,063,650 shares each worth TL 0.01 with a nominal value of TL 14,770,636.50 to Aviva International Holdings Limited on July 15, 2015.

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

Aviva International Holdings Ltd. sold its share with the nominal value of TL 458,956 in BIST on August 5, 2015 and after this sale its share in AvivaSA Emeklilik ve Hayat A.Ş. decreased to 40%.

On July 28, 2015, The Board of Directors of AvivaSA Emeklilik ve Hayat A.Ş. has unanimously resolved to increase the Company's issued capital from TL 51,971,980 to TL 118,000,000 by transferring TL 66,028,020 from other capital reserves to share capital.

With the Board of Directors' decision dated October 26, 2018, it has been decided to get permission from the Prime Ministry Capital Markets Board, Treasury and Finance Ministry and Ministry of Commerce to increase the paid-in capital of the Company by 52.54% and increase from TL 118,000,000 to TL 180,000,000 and to provide the entire increase of TL 62,000,000 from Extraordinary Reserves and to give 52.54% of the shares to each share held by the shareholders. As of September 30, 2020 19.91% of the Company's share have been listed on the Borsa İstanbul ("BIST").

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

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

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 1. GENERAL INFORMATION (Continued)

#### 1.2 Corporate Information (Continued)

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

The consolidated financial statements of the Company as at and for the period ended September 30, 2020 comprises the Company and its subsidiary (together referred to as the "Group" and individually as "Group Entities").

The subsidiary; AvivaSA Sigorta ve Aracılığı A.Ş. has been approved in AvivaSA Hayat ve Emeklilik A.Ş. board of directors meeting dated December 13,2018 and the new subsidiary has officially registered on December 20,2018.

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

Küçükbakkalköy Mah. Kayışdağı Cad. Sevda Sokak No:1 (Seven Towers) Kat: 2 Daire: 2 Ataşehir/İstanbul

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

The average personnel number of the Group is 1,362 employees for the period ended September 30, 2020 (1 January - December 31, 2019: 1,429).

The accompanying consolidated financial statements of the Group for the year ended September 30, 2020 were authorized for issue in accordance with a resolution of the directors on October 26, 2020.

As of September 30, 2020, there are 35 pension investment funds established by the Group (December 31, 2019: 35 pension funds). The pension investment funds established by the Group are as follows:

Name of Pension Fund	Date of Establishment
AvivaSA Emeklilik Ve Hayat A.Ş. Karma Emeklilik Yatırım Fonu	21.10.2003
AvivaSA Emeklilik Ve Hayat A.Ş. Agresif Değişken Emeklilik Yatırım Fonu	21.10.2003
AvivaSA Emeklilik Ve Hayat A.Ş. Dış Borçlanma Araçları Emeklilik Yatırım Fonu	21.10.2003
AvivaSA Emeklilik Ve Hayat A.Ş. Uzun Vadeli Borçlanma Araçları Emeklilik Yatırım Fonu	21.10.2003
AvivaSA Emeklilik Ve Hayat A.Ş. İkinci Para Piyasası Emeklilik Yatırım Fonu	21.10.2003
AvivaSA Emeklilik Ve Hayat A.Ş. İkinci Değişken Emeklilik Yatırım Fonu	21.10.2003
AvivaSA Emeklilik Ve Hayat A.Ş. Uzun Vadeli Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	08.11.2005
AvivaSA Emeklilik Ve Hayat A.Ş. Temettü Ödeyen Şirketler Hisse Senedi Emeklilik Yatırım Fonu	28.12.2006
AvivaSA Emeklilik Ve Hayat A.Ş. Birinci Para Piyasası Emeklilik Yatırım Fonu	20.08.2003
AvivaSA Emeklilik Ve Hayat A.Ş. Borçlanma Araçları Emeklilik Yatırım Fonu	20.08.2003
AvivaSA Emeklilik Ve Hayat A.Ş. Dinamik Değişken Emeklilik Yatırım Fonu	20.08.2003
AvivaSA Emeklilik Ve Hayat A.Ş. Birinci Değişken Emeklilik Yatırım Fonu	20.08.2003
AvivaSA Emeklilik Ve Hayat A.Ş. Hisse Senedi Emeklilik Yatırım Fonu	20.08.2003
AvivaSA Emeklilik Ve Hayat A.Ş. Borçlanma Araçları Grup Emeklilik Yatırım Fonu	05.01.2005
AvivaSA Emeklilik Ve Hayat A.Ş. Muhafazakar Değişken Emeklilik Yatırım Fonu	05.01.2005
AvivaSA Emeklilik Ve Hayat A.Ş. Hisse Senedi Grup Emeklilik Yatırım Fonu	05.01.2005
AvivaSA Emeklilik Ve Hayat A.Ş. Karma Grup Emeklilik Yatırım Fonu	17.08.2010
AvivaSA Emeklilik Ve Hayat A.Ş. Dengeli Değişken Emeklilik Yatırım Fonu	20.12.2011
AvivaSA Emeklilik Ve Hayat A.Ş. Katkı Emeklilik Yatırım Fonu	02.05.2013
AvivaSA Emeklilik Ve Hayat A.Ş. Standart Emeklilik Yatırım Fonu	02.05.2013
AvivaSA Emeklilik Ve Hayat A.Ş. Altın Emeklilik Yatırım Fonu	20.06.2013
AvivaSA Emeklilik Ve Hayat A.Ş. B.R.I.C Ülkeleri Yabancı Değişken Emeklilik Yatırım Fonu	10.05.2013
AvivaSA Emeklilik Ve Hayat A.Ş. Özel Sektör Borçlanma Araçları Emeklilik Yatırım Fonu	25.10.2013
AvivaSA Emeklilik Ve Hayat A.Ş. Başlangıç Emeklilik Yatırım Fonu	12.01.2017
AvivaSA Emeklilik Ve Hayat A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu	12.01.2017
AvivaSA Emeklilik Ve Hayat A.Ş. Katılım Standart EYF	26.05.2017
AvivaSA Emeklilik ve Hayat A.Ş. OKS Dinamik Katılım Değişken EYF	25.12.2017
AvivaSA Emeklilik ve Hayat A.Ş. OKS Agresif Katılım Değişken EYF	25.12.2017
AvivaSA Emeklilik ve Hayat A.Ş. OKS Muhafazakar Değişken EYF	25.12.2017
AvivaSA Emeklilik ve Hayat A.Ş. OKS Dengeli Değişken EYF	25.12.2017
AvivaSA Emeklilik ve Hayat A.Ş. OKS Dinamik Değişken EYF	25.12.2017
AvivaSA Emeklilik ve Hayat A.Ş. OKS Agresif Değişken EYF	25.12.2017
AvivaSA Emeklilik ve Hayat A.Ş. Katılım Katkı Emeklilik Yatırım Fonu	26.05.2017
AvivaSA Emeklilik ve Hayat A.Ş. OKS Standart Emeklilik Yatırım Fonu	02.01.2018
AvivaSA Emeklilik ve Hayat A.Ş. OKS Katılım Standart Emeklilik Yatırım Fonu	02.01.2018

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2020

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

### 1. GENERAL INFORMATION (Continued)

#### 1.2 Corporate Information (Continued)

As at September 30, 2020 and December 31, 2019 units and amounts of share certificates in circulation are as follows:

	September 30, 2020		December 31, 2019	
	Number of Share Certificates	Net Asset Value (TL)	Number of Share Certificates	Net Asset Value (TL)
<b>Share certificates in circulation</b>				
AvivaSA Emeklilik ve Hayat A.Ş.Karma Emeklilik Yatırım Fonu	773,733,143	52,724,498	919,780,373	61,893,861
AvivaSA Emeklilik ve Hayat A.Ş.Agresif Değişken Emeklilik Yatırım Fonu	1,061,035,416	74,363,728	1,224,191,665	83,885,285
AvivaSA Emeklilik ve Hayat A.Ş. Dış Borçlanma Araçları Emeklilik Yatırım Fonu	25,369,767,856	2,616,333,419	25,574,352,579	2,088,810,821
AvivaSA Emeklilik ve Hayat A.Ş..Uzun Vadeli Borçlanma Araçları Emeklilik Yatırım Fonu	2,143,821,447	157,626,616	2,570,204,158	178,092,016
AvivaSA Emeklilik ve Hayat A.Ş..İkinci Para Piyasası Emeklilik Yatırım Fonu	1,693,306,141	109,934,515	2,269,124,573	137,792,590
AvivaSA Emeklilik ve Hayat A.Ş..İkinci Değişken Emeklilik Yatırım Fonu	4,182,888,316	234,053,516	2,996,048,181	131,853,084
AvivaSA Emeklilik ve Hayat A.Ş..Uzun Vadeli Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	23,702,103,286	2,279,620,890	22,319,183,776	1,689,874,680
AvivaSA Emeklilik ve Hayat A.Ş.Temettü Ödeyen Şirketler Hisse Senedi Emeklilik Yatırım Fonu	1,527,678,284	66,970,361	1,545,678,790	61,496,376
AvivaSA Emeklilik ve Hayat A.Ş.Birinci Para Piyasası Emeklilik Yatırım Fonu	39,365,092,667	2,716,781,870	44,560,624,084	2,877,858,785
AvivaSA Emeklilik ve Hayat A.Ş..Borçlanma Araçları Emeklilik Yatırım Fonu	40,910,284,715	2,944,354,101	44,963,909,999	3,042,977,573
AvivaSA Emeklilik ve Hayat A.Ş..Dinamik Değişken Emeklilik Yatırım Fonu	28,321,598,586	2,138,535,588	31,197,177,070	2,257,864,493
AvivaSA Emeklilik ve Hayat A.Ş.Birinci Değişken Emeklilik Yatırım Fonu	18,284,631,022	1,283,032,559	18,890,575,604	1,089,476,167
AvivaSA Emeklilik ve Hayat A.Ş.Hisse Senedi Emeklilik Yatırım Fonu	15,442,365,526	1,220,363,820	14,276,379,004	1,137,113,588
AvivaSA Emeklilik ve Hayat A.Ş.Borçlanma Araçları Grup Emeklilik Yatırım Fonu	5,329,349,933	325,282,203	6,000,565,928	341,798,236
AvivaSA Emeklilik ve Hayat A.Ş..Muhafazakar Değişken Emeklilik Yatırım Fonu	2,229,515,199	149,696,339	2,671,654,722	167,186,809
AvivaSA Emeklilik ve Hayat A.Ş..Hisse Senedi Grup Emeklilik Yatırım Fonu	1,342,234,805	106,193,591	1,487,617,507	117,555,998
AvivaSA Emeklilik ve Hayat A.Ş.Karma Grup Emeklilik Yatırım Fonu	1,066,892,615	28,105,152	1,223,066,798	31,599,154
AvivaSA Emeklilik ve Hayat A.Ş.Dengeli Değişken Emeklilik Yatırım Fonu	308,604,258	7,344,473	298,504,533	6,733,964
AvivaSA Emeklilik ve Hayat A.Ş..Katkı Emeklilik Yatırım Fonu	181,565,104,431	3,346,971,135	171,874,805,093	3,031,184,063
AvivaSA Emeklilik ve Hayat A.Ş..Standart Emeklilik Yatırım Fonu	11,753,311,601	207,128,610	12,758,499,674	215,848,297
AvivaSA Emeklilik ve Hayat A.Ş.Altun Emeklilik Yatırım Fonu	147,171,002,173	7,371,795,499	109,028,024,914	3,389,790,323
AvivaSA Emeklilik ve Hayat A.Ş.B.R.I.C Ülkeleri Yabancı Değişken Emeklilik Yatırım Fonu	3,726,449,745	139,879,744	4,325,544,077	157,653,105
AvivaSA Emeklilik ve Hayat A.Ş.Özel Sektör Borçlanma Araçları Emeklilik Yatırım Fonu	2,869,487,742	66,494,639	2,180,121,926	46,868,261
AvivaSA Emeklilik ve Hayat A.Ş.Başlangıç Emeklilik Yatırım Fonu	4,606,174,306	77,784,466	5,474,213,980	86,186,025
AvivaSA Emeklilik ve Hayat A.Ş..Başlangıç Katılım Emeklilik Yatırım Fonu	3,731,166,956	59,847,918	4,407,819,172	66,231,891
AvivaSA Emeklilik ve Hayat A.Ş.OKS Dinamik Katılım Değişken EYF	396,199,074	7,104,642	231,060,160	3,384,338
AvivaSA Emeklilik ve Hayat A.Ş. OKS Agresif Katılım Değişken EYF	575,829,830	11,136,549	196,605,779	2,911,338
AvivaSA Emeklilik ve Hayat A.Ş.OKS Muhafazakar Değişken EYF	653,557,164	9,745,844	404,753,636	5,617,576
AvivaSA Emeklilik ve Hayat A.Ş. OKS Dengeli Değişken EYF	640,611,634	9,138,966	363,266,002	4,865,585
AvivaSA Emeklilik ve Hayat A.Ş. OKS Dinamik Değişken EYF	654,213,479	9,066,090	361,063,887	4,776,153
AvivaSA Emeklilik ve Hayat A.Ş. OKS Agresif Değişken EYF	761,336,293	9,798,398	424,502,584	5,314,348
AvivaSA Emeklilik ve Hayat A.Ş. OKS Standart Emeklilik Yatırım Fonu	34,965,022,425	491,293,530	30,041,107,993	394,349,625
AvivaSA Emeklilik ve Hayat A.Ş. OKS Katılım Standart Emeklilik Yatırım Fonu	17,062,405,826	259,229,132	14,557,251,183	201,268,555
AvivaSA Emeklilik ve Hayat A.Ş. Katılım Katkı Emeklilik Yatırım Fonu	584,299,701	8,684,446	1,732,990	21,969
AvivaSA Emeklilik ve Hayat A.Ş. Katılım Standart Emeklilik Yatırım Fonu	317,344	5,776	392,847	5,994
	<b>624,771,392,939</b>	<b>28,596,422,623</b>	<b>581,619,405,241</b>	<b>23,120,140,926</b>

	September 30, 2020		December 31, 2019	
	Number of Share Certificates	Net Asset Value (TL)	Number of Share Certificates	Net Asset Value (TL)
<b>Participation certificates at the Group</b>				
AvivaSA Emeklilik ve Hayat A.Ş. Katılım Standart EYF	38,952,077	709,083	38,988,726	594,851
	<b>38,952,077</b>	<b>709,083</b>	<b>38,988,726</b>	<b>594,851</b>

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

---

### 2. ACCOUNTING POLICIES

#### 2.1 Basis of preparation

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

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

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

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

#### 2.2 Basis of consolidation

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

##### Subsidiary

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

##### Transactions eliminated on consolidation

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

#### 2.3 Summary of significant accounting policies

##### Written premiums

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

##### Premiums ceded to reinsurers

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS AT SEPTEMBER 30, 2020**

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

---

**2. ACCOUNTING POLICIES (Continued)**

**2.3 Summary of significant accounting policies (Continued)**

**Net change in provision for unearned premium reserves**

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

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

**Net change in mathematical reserves**

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

**Income generated from pension business**

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

Fund management fees, which are calculated with reference to assets under management, are attributable to the hardware, software, personnel and accounting services provided to pension funds. Management fees from contributions are attributable to the operational costs of the services rendered to customers by the Group and can be deducted from the participants' contributions. Premium holiday charges may be received when the participant does not pay his or her regular premium within three months of being due. Entry fees are fees received from the participant when he or she first enters the pension system and from any participants who have already entered into the system but create a new account in another pension company. Deferred entry fees may be charged to the participant and recorded as income in the event that he or she exits, merges or transfers accounts within the context of conditions defined in the contract as of the effective date of contract. Account management fees and deferred account management fees, which is effective with the BES 3.0 legislation, entered into force on January 1, 2016, and the reduction from contracts established in 2016. Effective from January 1, 2018 IAS 18 revenue recognition principle was replaced by IFRS 15 Revenue from contracts and it also requires the deferral of upfront fees over the life time of contracts. Management fees starting from 2016 are capped to 5 years according to new legislation, total of management fees are subject to deferral regarding IFRS 15. Also the entry fees recognized as revenue between the years 2013-2015 are deferred under IFRS 15. The Group applied 7 years for the average duration of the portfolio in line with the 7 years DAC amortization period estimate (31 December 2019: 8 years).

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

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

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

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

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

---

**2. ACCOUNTING POLICIES (Continued)**

**2.3 Summary of significant accounting policies (Continued)**

**Investment and other income (expense), net**

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

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

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

Interest income presented in the statement of comprehensive income includes:

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

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

**Commission income and commission expenses**

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

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

**Claims paid and change in outstanding claims provisions**

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

**Pension expenses including commission**

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

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

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2020

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

### 2. ACCOUNTING POLICIES (Continued)

#### 2.3 Summary of significant accounting policies (Continued)

##### Cash and cash equivalents

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

##### Property and equipment

The costs of the property and equipment purchased before January 1, 2006 are restated for the effects of inflation in TL unit current at December 31, 2005 pursuant to IAS 29. The property and equipment purchased subsequent to this date are recorded at their historical cost. Accordingly, property and equipment are carried at cost, less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

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

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

##### Right of use assets and lease liabilities

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar economic environment with similar terms and conditions. The weighted average lessee's incremental borrowing rate applied to the lease liabilities as of 30 September 2020 is 25% for local currency liabilities and 7% for foreign currency lease liabilities.

##### Intangible assets

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

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

##### Financial instruments

###### Recognition

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

---

**2. ACCOUNTING POLICIES (Continued)**

**2.3 Summary of significant accounting policies (Continued)**

*Classification*

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

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

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

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

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

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

*Measurement*

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

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

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

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

*Fair value measurement principles*

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS AT SEPTEMBER 30, 2020**

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

---

**2. ACCOUNTING POLICIES (Continued)**

**2.3 Summary of significant accounting policies (Continued)**

***Derecognition***

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

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

***Offsetting***

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

**Impairment of financial assets**

***Premium and other insurance receivables***

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

---

**2. ACCOUNTING POLICIES (Continued)**

**2.3 Summary of significant accounting policies (Continued)**

**Impairment of financial assets (Continued)**

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

***Available-for-sale financial assets***

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

***Reinsurance assets***

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

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

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

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

***Insurance contracts***

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

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

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

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

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS AT SEPTEMBER 30, 2020**

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

---

**2. ACCOUNTING POLICIES (Continued)**

**2.3 Summary of significant accounting policies (Continued)**

**Liability adequacy test**

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

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

**Deferred acquisition costs (DAC)**

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

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

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

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

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

**Provision for unearned premiums**

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

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

**Provision for outstanding claims/IBNR**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

---

**2. ACCOUNTING POLICIES (Continued)**

**2.3 Summary of significant accounting policies (Continued)**

**Provision for outstanding claims/IBNR (Continued)**

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

**Mathematical reserves**

Actuarial mathematical reserves are the difference between the premiums received for the risk undertaken by the companies and the cash values of the liabilities to the policyholders and beneficiaries. Actuarial mathematical reserves are calculated according to the formulas and principles specified in the technical principles of the tariffs for life insurance for more than one year and As of September 30, 2020, the company performs mathematical calculations based on Treasury approved tariffs. Actuarial mathematical reserves are calculated as the difference between the cash value of the insurer's future obligations and the present value of the premiums to be paid by the insurer in the future (prospective method).

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

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

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

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

**Reinsurance contracts held**

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

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

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2020

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

### 2. ACCOUNTING POLICIES (Continued)

#### 2.3 Summary of significant accounting policies (Continued)

##### Pension business

The Group provides group and individual plans to customers.

The Group offers 35 pension investment funds (2019: 35). These pension funds are in different risk profiles according to the portfolio composition of the funds. The participants choose from among different pension funds within legal limitations and determine allocation rates for contributions and additional contributions according to the contract provisions. The participants gain right for retirement provided that they remain in the pension system for at least 10 years, pay contributions for at least 10 years and attain 56 years of age.

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

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

##### *Income on/Expense from Pension Operations*

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

##### Employee benefits

##### *Provision for Termination Benefit Obligations*

Provision for Termination Benefit Obligations represents the present value of the estimated future probable obligation of the Group arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the consolidated financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The maximum amount of TL 7,117 effective as of September 30, 2020 (December 31, 2019: TL 6,380) has been taken into consideration during calculation of provision from employment termination benefits.

IAS 19 - *Employee benefits* requires actuarial valuation methods to be developed to estimate the Group’s obligation for termination benefits. The principal statistical assumptions used in the calculation of the total liability in the accompanying consolidated financial statements at September 30, 2020 and December 31, 2019 is as follows:

	September 30, 2020 %	December 31, 2019 %
Expected rate of salary/limit increase	7.77	8.67
Discount rate	12.80	13.60

##### *Other benefits to employees*

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

---

**2. ACCOUNTING POLICIES (Continued)**

**2.3 Summary of significant accounting policies (Continued)**

**Provisions**

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

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

**Taxes on income**

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

***Current tax***

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

***Deferred tax***

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

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

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

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

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

Since the tax rate effective from January 1, 2018 has been changed to 22% as valid for 3 years, in the calculation of deferred tax as of September 30, 2020, 22% tax rate is used for temporary differences expected to be realized within 3 years. Since the corporate tax rate will be 20% after 2020, for valid differences expected to be realized / closed after 2020, 20% tax rate is used.

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2020

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

### 2. ACCOUNTING POLICIES (Continued)

#### 2.3 Summary of significant accounting policies (Continued)

##### Related parties

Parties are considered related to the Group if;

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

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

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

##### Foreign currency transactions

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

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

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

	September 30, 2020		December 31, 2019	
	USD / TL	Euro / TL	USD / TL	Euro / TL
Bid Rates	7.8080	9.1281	5.9402	6.6506
Ask Rates	7.8338	9.1583	5.9598	6.6725

##### Segment reporting

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

---

**2. ACCOUNTING POLICIES (Continued)**

**2.4 Changes in accounting policy and disclosures**

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

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

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

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

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

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

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 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.

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

- **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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS AT SEPTEMBER 30, 2020**

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

---

**2. ACCOUNTING POLICIES (Continued)**

**2.4 Changes in accounting policy and disclosures (Continued)**

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

- **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.
- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 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.
  - o **Amendments to IFRS 3,** ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. .
  - o **Amendments to IAS 16,** ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - o **Amendments to IAS 37,** ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

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

**2.5 Critical accounting estimates and judgments in applying accounting policies**

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

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

***Deferred acquisition costs (DAC)***

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

Deferral periods can be the average life-time of the contracts (which are longer than the lapse assumptions). The Group management reviews the historical lapse development for pension and ROP contracts each period. As of September 30, 2020, the estimated life time of the pension and ROP contracts is defined as seven years and nine years respectively. The amount of DAC is subject to Liability Adequacy Test each year. The Group has applied straight line method for the amortization of DAC in the average-life time of the contacts.

***Deferred income reserve (DIR)***

IFRS 15 Revenue from Contracts with Customers requires the recognition of revenue over the life time of contracts. The Group believes that first year of fees should be recognized as entry fee. The management fees after the first year could be classified as investment management fees and recognized as revenue in accordance with the duration while the services are provided. The Group applied seven years of amortization in line with DAC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

---

**2. ACCOUNTING POLICIES (Continued)**

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

*Ultimate liability arising from claims made under insurance contracts*

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

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

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

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

*Employee termination benefits*

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In calculating the related liability to be recorded in the consolidated financial statements for these termination benefits, the Group makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations which are disclosed in Note 2.2 and Note 18 are reviewed regularly.

*Doubtful receivables provisions*

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

*Provision for litigations*

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

**2.6 Covid-19**

**General Explanation;**

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS AT SEPTEMBER 30, 2020**

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

**2. ACCOUNTING POLICIES (Continued)**

**2.6 Covid-19 (Continued)**

**General Explanation (Continued);**

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

In line with the normalization processes, sales teams started face-to-face customer meetings on a voluntary basis in a controlled manner as of 15 June 2020, without going to the sales offices in line with the precautions and directions taken by the company. In addition, the Company has completed infrastructure preparations for remote sales, to be commissioned in July 2020 to support new business production.

The Group acts cautiously about the return plan of the Headquarters teams and takes all necessary precautions. As of July 13, the company has created a 6-week work plan to gradually work in the office, but it has not allowed the employees to go to the office, giving them the flexibility to continue with the remote work model.

**Covid-19 Legal Regulations,**

As per the new laws and amendments about "Reducing the Effects of 7244 New Coronavirus (Covid-19) Epidemic on Economic and Social Life" that are published in the Official Gazette on 17.04.2020,

- *Dividends payments are aloud up to twenty-five percent of the net profit for the year of 2019, until the date of 30 September 2020. If the the dividend payment decisions are already made, but not executed yet, or if partial payments are made, the exceeding amount of twenty-five percent of the net profit will be postponed until the end of the specified period.*
- *With the President Decision No. 2948 published in the Official Gazette on 18 September .2020, it was stated that the period specified as 30 September 2020 was postponed for three months.*

As per the dividends payment proposal of the Board of Directors in the General Assembly Meeting held on 11 March 2020, 25,245,658.45 TL Prime Capital Reserves (1st and 2nd Series of Capital Reserves) and 23,891,596.55 TL Excess Reserves are separated from the net profit of 209,137,255 TL and the amount of 160.000.000 TL gross dividends payment is planned be made in cash within two instalments ; first one as gross amount of 100,000,000 TL on March 25th, 2020 and the second one as the gross amount of 60,000,000 TL on September 28th, 2020. In accordance with the decision, first instalment is made in 25th and 27th of March 2020, and as of 31st of March 2020. The second installment dividend payment planned to be made on September 28, 2020 could not be made on the stipulated date due to the aforementioned Provisional Article 13 and the "Communiqué on the Procedures and Principles Regarding the Implementation of Provisional Article 13 of the Turkish Commercial Code No. 6102". Following the expiry of the aforementioned regulations, the second installment dividend payment will be made without delay, and the second installment dividend amounts are included in the accounts payable to the partners in the Company's financial statements dated 30 September 2020.

The Company has paid the 50.25% of the 2019 gross profit to its investors in 25th and 27th of March 2020 and it is not possible to retrieve this amount from partners. Following the expiry of the aforementioned regulations, the second installment dividend payment will be made without delay, and the second installment dividend amounts are included in the other payables and liabilities in the financial statements as of 30 September 2020.

- *The force majeure short-term work payment applications will be executed in accordance with the employers' declaration without waiting for the completion of the conformity assessment.*
- *All kinds of employment or service contracts cannot be terminated by the employer for the next three months, except for the situations that do not comply with the rules of ethics and goodwill or similar reasons. Considering only three months of period, employers may obligate the employees for full or partial unpaid vacation leave*

## AVIVASA EMEKLİLİK VE HAYAT A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

---

#### 2. ACCOUNTING POLICIES (Continued)

##### 2.6 Covid-19 (Continued)

###### Covid-19 Legal Regulations,(Continued)

The group has paused the face-to-face customer meetings held by its sales teams as of 16 March 2020. In line with this practice, the company made applications for individual short-time work allowance for July, May and June under the relevant law article for sales staff, and sales teams benefited from short-time work allowance in July-May-June. In July, the necessary applications for cash wage support were made for employees who could not benefit from the short-time working allowance, valid from May, and in July, employees who could not benefit from the short-time working allowance were granted an annual leave for unemployed periods.

Presidential Decision dated 29/6/2020 and numbered 2706 in the Official Gazette dated 30 June 2020

Within the framework of the principles stated in the additional article 2 of the Unemployment Insurance Law dated 25/8/1999 and numbered 4447 and the temporary article 23, the duration of the short-time working allowance for workplaces that applied for short-term work until 30/6/2020 (including this date) for compelling reasons within the context of periodic situations due to external influences due to the new coronavirus (Covid-19); without the need for a new application and eligibility assessment, for the same workers who have previously benefited from short work and provided that they do not exceed the same conditions, as of 1/7/2020 in terms of workplaces whose short work application has ended before the publication date of this decision, in terms of workplaces whose short-term practice continued on the date of publication of this decision, one month has been extended starting from the short-term end date

The Group made the necessary applications for its sales staff in accordance with the related decision numbered 2706 published in the Official Gazette on 30 September 2020.

In line with the normalization processes, sales teams are controlled on a voluntary basis. As of 15 June 2020, in line with the precautions and directions taken by the group, it has started face to face customer meetings without going to the sales offices.

In the Official Gazette dated 31 July 2020 and numbered 31202; Presidential Decisions have been published regarding the reduction of the withholding tax rate on payments made in return for the lease of goods and rights from 20% to 10% to be applied to payments to be made between 31/07/2020 - 31/12/2020 and the reduction of the VAT rate to 8 percent and 1 percent for some services.

- With the Decree No. 2813, the withholding rate on payments made for the lease of goods and rights was reduced from 20 percent to 10 percent to be applied to payments to be made between 31/07/2020 - 31/12/2020.
- With the provisional article 6 added to the Decree No. 2007/13033 with the Decree No. 2812, the VAT rate for workplace rental services has been reduced from 18% to 8%, effective from 31/07/2020, until 31/12/2020.

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

###### Significant changes in the Group, Tariff changes, strategy changes

Industry announcement of T. C. Ministry of Treasury and Finance General Directorate of Insurance 36908670-010.07.02-E-221551 dated 25.03.2020 on the measures taken for the covid-19 outbreak and facilitating the payment of insurance premiums, one month additional period has been granted for policy cancellations. Within the scope of this announcement, the Group postponed the cancellation that should be made at the end of July, May and June to the policies that could not pay the following due date until the end of July.

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT SEPTEMBER 30, 2020

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

---

### 2. ACCOUNTING POLICIES (Continued)

#### 2.6 Covid-19 (Continued)

##### Significant changes in the Group, Tariff changes, strategy changes (Continued)

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

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

##### Corporation tax

With the Tax Procedure Law Circular No. 127, published by the Revenue Administration on July 17, 2020; The period of issuance of the Corporate Tax returns for the 2019 accounting period, which must be submitted by the end of July 30, 2020, and the payment periods of the taxes accrued on these statements have been extended until the end of Monday, June 1, 2020.

### 3. SEGMENT INFORMATION

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

#### *Life Protection*

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

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

#### *Life Savings*

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

---

**3. SEGMENT INFORMATION (Continued)**

*Personal Accident*

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

*Pension*

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

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

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

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

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

**Other:** Adjustments included in other represent individually insignificant reclassifications.

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

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

# AVİVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 3. SEGMENT INFORMATION (Continued)

January 1 - September 30, 2020	Life Insurance				Total	Reconciliation to statement of profit and loss			
	Pension	Life protection	Life savings	Personal accident		Commissions expenses	Other	Net change in mathematical reserves	Statement of profit or loss
Gross written premiums		925,431,259	6,697,304	51,130,761	983,259,324				983,259,324
Premium ceded to reinsurers		(11,094,969)	(408,045)	(2,022,287)	(13,525,301)				(13,525,301)
<b>Premium written net of reinsurance</b>		914,336,290	6,289,259	49,108,474	969,734,023	-	-	-	969,734,023
Net change in mathematical reserves		(390,754,116)	37,651,932	-	(353,102,184)	-	-	353,102,184	-
Net change in provision for unearned premiums reserves		14,462,278	13,173	5,048,331	19,523,782	-	-	-	19,523,782
<b>Net premiums earned</b>		538,044,452	43,954,364	54,156,805	636,155,621	-	-	353,102,184	989,257,805
Net change in mathematical reserves		-	-	-	-	-	-	(353,102,184)	(353,102,184)
Claim paid and change in outstanding claims	(117,355,410)		(40,893,274)	(2,062,822)	(160,311,506)	-	-	-	(160,311,506)
Commission income	5,440,832		249,673	1,699,923	7,390,428	-	-	-	7,390,428
Commission expense	(131,152,277)		-	(28,242,463)	(159,394,740)	1,454,167	-	-	(157,940,573)
Commission expense	(158,925,030)		-	(28,242,463)	(187,167,493)	1,454,167	-	-	(185,713,326)
DAC	27,772,753		-	-	27,772,753	-	-	-	27,772,753
Other income / (expense), net	47,268,186		-	526,823	47,795,009	-	196,857	-	47,991,866
<b>Life and personal accident technical profit</b>		342,245,783	3,310,763	26,078,266	371,634,812				
Fund management charge	243,340,161	-	-	-	243,340,161	-	-	-	243,340,161
Management fee	1,955,426	-	-	-	1,955,426	-	-	-	1,955,426
Account management fee, net of DIR	66,164,940	-	-	-	66,164,940	-	-	-	66,164,940
Account management fee	57,312,199	-	-	-	57,312,199	-	-	-	57,312,199
DIR	8,852,741	-	-	-	8,852,741	-	-	-	8,852,741
Premium holiday charges	453,823	-	-	-	453,823	-	-	-	453,823
Deferred fee	18,856,045	-	-	-	18,856,045	-	-	-	18,856,045
<b>Pension income</b>	330,770,395	-	-	-	330,770,395	-	-	-	330,770,395
Fund management charge	(26,461,937)	-	-	-	(26,461,937)	-	-	-	(26,461,937)
Commission expense, net of DAC	(84,062,766)	-	-	-	(84,062,766)	3,506,477	-	-	(80,556,289)
Commission expense	(85,208,475)	-	-	-	(85,208,475)	3,506,477	-	-	(81,701,998)
DAC	1,145,709	-	-	-	1,145,709	-	-	-	1,145,709
Other income / (expense), net	(15,577,731)	-	-	-	(15,577,731)	-	-	-	(15,577,731)
<b>Pension expenses including commission</b>	(126,102,434)	-	-	-	(126,102,434)	3,506,477	-	-	(122,595,957)
<b>Pension technical profit</b>	204,667,961	-	-	-	204,667,961				
<b>Total technical profit</b>	204,667,961	342,245,783	3,310,763	26,078,266	576,302,773				
General and administrative expenses								(298,104,828)	
<b>Net technical profit after overhead expenses</b>	204,667,961	342,245,783	3,310,763	26,078,266	278,197,945				
Foreign exchange gain/(loss), net					33,428,720				
Investment and other income/(expense), net					28,782,262				
<b>Net financial income</b>					<b>62,210,982</b>				
<b>Profit before taxes</b>					<b>340,408,927</b>				
Income tax expense					(76,356,058)				
<b>Profit for the period</b>					<b>264,052,869</b>				

# AVİVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 3. SEGMENT INFORMATION (Continued)

(Restated (Note 1.1))	Life Insurance					Reconciliation to statement of profit or loss			
	January 1 - September 30, 2019	Pension	Life protection	Life savings	Personal accident	Total	Commissions expenses	Other expenses	Net change in mathematical reserves
Gross written premiums	-	556,071,051	6,802,308	61,653,569	624,526,928	-	-	-	624,526,928
Premium ceded to reinsurers	-	(14,333,790)	(219,348)	(3,863,523)	(18,416,661)	-	-	-	(18,416,661)
<b>Premium written net of reinsurance</b>	-	<b>541,737,261</b>	<b>6,582,960</b>	<b>57,790,046</b>	<b>606,110,267</b>	-	-	-	<b>606,110,267</b>
Net change in mathematical reserves	-	(264,225,096)	33,004,211	-	(231,220,885)	-	-	231,220,885	-
Net change in provision for unearned premiums reserves	-	10,136,149	1,753	(3,009,821)	7,128,081	-	-	-	7,128,081
<b>Net premiums earned</b>	-	<b>287,648,314</b>	<b>39,588,924</b>	<b>54,780,225</b>	<b>382,017,463</b>	-	-	<b>231,220,885</b>	<b>613,238,348</b>
Net change in mathematical reserves	-	-	-	-	-	-	-	(231,220,885)	(231,220,885)
Claim paid and change in outstanding claims	-	(41,239,102)	(36,221,666)	(3,347,254)	(80,808,022)	-	9,421	-	(80,798,601)
Commission income	-	6,116,214	244,375	1,059,512	7,420,101	-	-	-	7,420,101
Commission expense	-	(82,842,270)	(780)	(26,278,010)	(109,121,060)	1,092,035	-	-	(108,029,025)
<i>Commission expense</i>	-	(112,864,268)	(780)	(26,278,010)	(139,143,058)	1,092,035	-	-	(138,051,023)
<i>DAC</i>	-	30,021,998	-	-	30,021,998	-	-	-	30,021,998
Other income / (expense), net	-	24,989,607	-	(582,962)	24,406,645	-	14,795	-	24,421,440
<b>Life and personal accident technical profit</b>	-	<b>194,672,763</b>	<b>3,610,853</b>	<b>25,631,511</b>	<b>223,915,127</b>	-	-	-	-
Fund management charge	183,113,879	-	-	-	183,113,879	-	-	-	183,113,879
Management fee	5,287,299	-	-	-	5,287,299	-	-	-	5,287,299
Account management fee, net of DIR	52,347,820	-	-	-	52,347,820	-	-	-	52,347,820
<i>Account management fee</i>	55,350,105	-	-	-	55,350,105	-	-	-	55,350,105
<i>DIR</i>	(3,002,285)	-	-	-	(3,002,285)	-	-	-	(3,002,285)
Premium holiday charge	1,320,621	-	-	-	1,320,621	-	-	-	1,320,621
Deferred fee	28,131,826	-	-	-	28,131,826	-	-	-	28,131,826
Entry and deferred entry fees income	-	-	-	-	-	-	-	-	-
<b>Pension income</b>	<b>270,201,445</b>	-	-	-	<b>270,201,445</b>	-	-	-	<b>270,201,445</b>
Fund management charge	(18,649,091)	-	-	-	(18,649,091)	-	-	-	(18,649,091)
Commission expense, net of DAC	(56,174,699)	-	-	-	(56,174,699)	2,142,945	-	-	(54,031,754)
<i>Commission expense</i>	(47,627,063)	-	-	-	(47,627,063)	2,142,945	-	-	(45,484,118)
<i>DAC</i>	(8,547,636)	-	-	-	(8,547,636)	-	-	-	(8,547,636)
Other income/(expense), net	(14,416,882)	-	-	-	(14,416,882)	-	-	-	(14,416,882)
<b>Pension expenses including commission</b>	<b>(89,240,672)</b>	-	-	-	<b>(89,240,672)</b>	<b>2,142,945</b>	-	-	<b>(87,097,727)</b>
<b>Pension technical profit</b>	<b>180,960,773</b>	-	-	-	<b>180,960,773</b>	-	-	-	-
<b>Total technical profit</b>	<b>180,960,773</b>	<b>194,672,763</b>	<b>3,610,853</b>	<b>25,631,511</b>	<b>404,875,900</b>	-	-	-	<b>(254,302,632)</b>
General and administrative expenses	-	-	-	-	-	-	-	-	-
<b>Net technical profit after overhead expenses</b>	<b>180,960,773</b>	<b>194,672,763</b>	<b>3,610,853</b>	<b>25,631,511</b>	<b>150,573,268</b>	-	-	-	-
Foreign exchange gain/(loss), net	-	-	-	-	(1,768,095)	-	-	-	(1,768,095)
Investment income/(expense), net	-	-	-	-	94,772,670	-	-	-	94,772,670
<b>Net financial income</b>	-	-	-	-	<b>93,004,575</b>	-	-	-	-
<b>Profit before taxes</b>	-	-	-	-	<b>243,577,843</b>	-	-	-	-
Income tax expense	-	-	-	-	(55,074,260)	-	-	-	(55,074,260)
<b>Profit for the year</b>	-	-	-	-	<b>188,503,583</b>	-	-	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

**4. INSURANCE AND FINANCIAL RISK MANAGEMENT**

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

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

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

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

**Early Risk Detection Committee**

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

**Risk Management Framework**

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

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

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

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

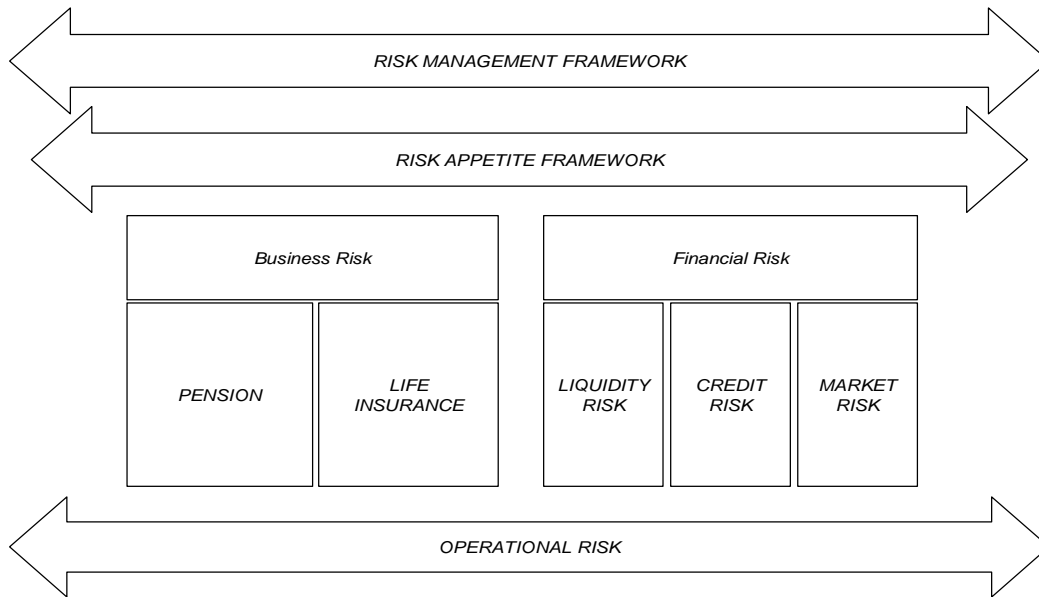
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

**4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)**

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

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



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

*Risk policies*

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

*Business standards*

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

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

**Insurance Risk**

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

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

---

### 4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

#### Insurance Risk (Continued)

##### a) Life insurance

Life insurances are offered as individual and group contracts in short and long term periods. Mortality risk (the risk that more than expected insured parties die), disability, critical illness and additional collateral play an important role in the life insurance businesses of the Group. The all risk associated with the Group's life insurance mentioned above and related rider businesses have been partly reinsured. The most important contracts are signed with Swiss Re, Scor Global Life, Cardiff Hayat ve Emeklilik and RGA. The Group has signed reinsurance agreement with Scor Global Life against catastrophic loss risks.

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

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

##### b) Personal accident (Non-Life)

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

##### c) Pensions

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

#### Assessment and claims settlement

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

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

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

#### Insurance Risk Management

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

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

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

#### Insurance Risk Management (Continued)

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

As at September 30, 2020 and December 31, 2019, Company's claim/premium ratio related branches are given below. It is observed that premiums collected provide a capacity to meet any incurred claims:

Net claims ratio	September 30, 2020	December 31, 2019
Life	3%	4%
Personal Accident (Casualty)	4%	5%

As at September 30, 2020 and December 31, 2019 that part of total risk which is ceded to reinsurers is given below on a risk coverage basis.

September 30, 2020							
Life							
Natural death	Accidental Death	Accidental disability	Sickness disability	Dangerous Sickness	Public Transport	Unemployment	Accidental Treatment Cost
7.81%	11.18%	3.57%	2.67%	54.06%	14.46%	100.00%	1.20%
Personal Accident							
Accidental death		Accidental disability		Accidental treatment cost		Unemployment	
11.03%		17.56%		0.04%		100.00%	
December 31, 2019							
Life							
Natural death	Accidental Death	Accidental disability	Sickness disability	Dangerous Sickness	Public Transport	Unemployment	Accidental Treatment Cost
8.42%	12.98%	27.27%	33.48%	50.49%	16.16%	100.00%	1.99%
Personal Accident							
Accidental death		Accidental disability		Accidental treatment cost		Unemployment	
14.27%		22.58%		0.06%		100.00%	

#### Sensitivity to Insurance Risk

The Group's policy production strategy is based on optimal distribution of risk to reinsurance companies according to policy type, as well as to kind and size of risk taken. At September 30, 2020 and December 31, 2019 the Group has both proportional and non-proportional reinsurance treaties.

Outstanding claims are reviewed and updated periodically by claims department.

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

September 30, 2020	Total gross risk liability	Share of reinsurer in total risk liability	Net risk liability
Life	63,771,775,974	4,979,728,630	58,792,047,344
Personal Accident	32,126,931,741	4,484,232,325	27,642,699,416
<b>Total</b>	<b>95,898,707,715</b>	<b>9,463,960,955</b>	<b>86,434,746,760</b>
December 31, 2019	Total gross risk liability	Share of reinsurer in total risk liability	Net risk liability
Life	50,688,699,110	4,268,272,016	46,420,427,094
Personal Accident	40,278,781,382	7,247,054,261	33,031,727,121
<b>Total</b>	<b>90,967,480,492</b>	<b>11,515,326,277</b>	<b>79,452,154,215</b>

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

#### Sensitivity to Insurance Risk (Continued)

The Group's gross provision for outstanding claims at September 30, 2020 and December 31, 2019 are as follows:

<b>Outstanding Claims</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Life	66,979,648	60,490,381
Personal Accident	8,343,979	9,131,358
<b>Total</b>	<b>75,323,627</b>	<b>69,621,739</b>

#### Financial Risk

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

##### a) *Market Risk*

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

##### i) *Foreign Currency Risk*

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

Foreign currency sensitivity analysis as of September 30, 2020 and September 30, 2019 are as follows:

At September 30, 2020, on condition that all variables remain constant, effect of a 20% appreciation/devaluation of Eurobonds against TL on owners' equity is TL 8,804,870/ (8,804,870). As at September 30, 2019, on condition that all variables remain constant, effect of a 20% appreciation/devaluation of Eurobonds against TL on owners' equity is TL 4,137,182/(4,137,182).

#### September 30, 2020:

<b>Liabilities and assets in foreign currency</b>	<b>Effect on income/expense</b>		
	<b>USD (*)</b>	<b>EUR (*)</b>	<b>GBP (*)</b>
<b>Exchange rate variation (*)</b>			
%20	14,004,330	(467,532)	13,872
(%20)	(14,004,330)	467,532	(13,872)

#### September 30, 2019:

<b>Liabilities and assets in foreign currency</b>	<b>Effect on income/expense</b>		
	<b>USD (*)</b>	<b>EUR (*)</b>	<b>GBP (*)</b>
<b>Exchange rate variation (*)</b>			
%20	(1,317,634)	(459,388)	3,416
(%20)	1,317,634	459,388	(3,416)

(\*) All amounts are presented in TL.



# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

#### Financial Risk (Continued)

##### a) Market Risk (Continued)

##### ii) Interest Risk

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

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

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

#### As at September 30, 2020 :

Total of trading and available for sale financial assets Market interest increase / (decrease) (**)	Effect Profit and Loss		
	TL	USD (*)	EUR (*)
%5	(51,614,337)	(28,204,570)	(19,187)
(%5)	51,614,337	28,204,570	19,187
%1	(10,328,654)	(56,409,141)	(38,374)
(%1)	10,328,654	56,409,141	38,374

(\*) Amounts are presented in TL.

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

#### As at September 30, 2019 :

Total of trading and available for sale financial assets Market interest increase / (decrease) (**)	Effect Profit and Loss		
	TL	USD (*)	EUR (*)
%5	25,061,782	19,670,509	7,489
(%5)	(25,061,782)	(19,670,509)	(7,489)
%1	5,012,356	39,341,018	14,979
(%1)	(5,012,356)	(39,341,018)	(14,979)

(\*) Amounts are presented in TL.

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

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

#### b) *Credit Risk*

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

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

#### Maximum exposure to credit risk

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

	September 30, 2020	December 31, 2019
Financial assets	2,251,849,255	1,771,746,764
Cash and cash equivalents	758,361,292	398,527,876
Pension business receivables	217,335,203	212,976,185
Premium and other insurance receivables	34,025,635	37,011,109
Reinsurance share of insurance liabilities	11,893,487	15,815,927
Other financial assets	868,012	868,012
<b>Total</b>	<b>3,274,332,884</b>	<b>2,436,945,873</b>

#### c) *Liquidity Risk*

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

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

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

Below table shows the distribution of the Company's financial and insurance liabilities based on their contractual periods or remaining period to maturities as of the balance sheet date:

As of 30 September 2020, the Company's non-discounted commercial debts and the maturities of financial debts are as follows, and there is no liquidity risk at present and for the future periods.

# AVİVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

#### c) *Liquidity Risk (Continued)*

As at September 30, 2020, table of liquidity risk is as follows:

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

September 30, 2020	Carrying amount	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	5 years and over	No maturity date	Undiscounted Totals
<b>Financial assets</b>								
Cash and cash equivalents	758,361,292	225,523,375	523,953,151	-	-	-	-	749,476,526
Financial assets	2,251,849,255	-	-	42,274,544	811,309,591	1,417,092,889	61,742,472	2,332,419,496
- Available for sale financial investments	224,378,275	-	-	4,019,070	65,787,399	156,616,457	-	226,422,926
- Financial assets at fair value through profit or loss	250,768,509	-	-	38,255,474	159,791,715	3,864,536	61,742,472	263,654,197
- Available for sale asset backing financial investments, Policyholders’ portfolio	1,776,702,471	-	-	-	585,730,477	1,256,611,896	-	1,842,342,373
Premium and other insurance receivables	34,025,635	-	25,822,155	7,530,997	672,483	-	-	34,025,635
Pension business receivables	217,335,203	34,762,234	10,386,050	31,024,572	127,853,687	13,308,660	-	217,335,203
Other financial assets	868,012	-	-	-	-	-	868,012	868,012
<b>Total</b>	<b>3,262,439,397</b>	<b>260,285,609</b>	<b>560,161,356</b>	<b>80,830,113</b>	<b>939,835,761</b>	<b>1,430,401,549</b>	<b>62,610,484</b>	<b>3,334,124,872</b>
<b>Financial liabilities</b>								
Lease liabilities	31,494,304	31,494,304	-	-	-	-	-	31,494,304
Due to insurance and reinsurance companies	28,162,265	627,479	27,534,786	-	-	-	-	28,162,265
Pension business payables	527,159,319	295,923,063	13,975,436	41,430,492	162,421,241	13,409,087	-	527,159,319
Other payables and liabilities	137,332,133	95,693,854	17,461,638	15,845,013	8,331,628	-	-	137,332,133
<b>Total</b>	<b>724,148,021</b>	<b>423,738,700</b>	<b>58,971,860</b>	<b>57,275,505</b>	<b>170,752,869</b>	<b>13,409,087</b>	<b>-</b>	<b>724,148,021</b>
<b>Liquidity surplus/(deficit)</b>	<b>2,538,291,376</b>	<b>(163,453,091)</b>	<b>501,189,496</b>	<b>23,554,608</b>	<b>769,082,892</b>	<b>1,416,992,462</b>	<b>62,610,484</b>	<b>2,609,976,851</b>

## AVİVASA EMEKLİLİK VE HAYAT A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

#### 4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

##### c) *Liquidity Risk (Continued)*

As at December 31, 2019, table of liquidity risk is as follows:

December 31, 2019	Carrying amount	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	5 years and over	No maturity date	Undiscounted Totals
<b>Financial assets</b>								
Cash and cash equivalents	398,527,876	27,664,968	300,747,063	80,702,091	-	-	-	409,114,122
Financial assets	1,771,746,764	-	17,228,829	90,096,772	278,528,675	938,265,941	310,325,097	1,634,445,314
- Available for sale financial investments	193,245,501	-	-	25,310,602	157,371,117	-	-	182,681,719
- Financial assets at fair value through profit or loss	512,015,032	-	17,228,829	25,310,602	32,184,592	-	310,325,097	385,049,120
- Available for sale asset backing financial investments, Policyholders' portfolio	1,066,486,231	-	-	39,475,568	88,972,966	938,265,941	-	1,066,714,475
Premium and other insurance receivables	37,011,109	-	25,081,270	11,577,140	352,699	-	-	37,011,109
Pension business receivables	212,976,185	14,787,668	8,805,158	26,415,474	102,274,394	60,693,491	-	212,976,185
Other financial assets	868,012	-	-	-	-	-	868,012	868,012
<b>Total</b>	<b>2,421,129,946</b>	<b>42,452,636</b>	<b>351,862,320</b>	<b>208,791,477</b>	<b>381,155,768</b>	<b>998,959,432</b>	<b>311,193,109</b>	<b>2,294,414,742</b>
<b>Financial liabilities</b>								
Lease liabilities	35,733,545	35,733,545	-	-	-	-	-	35,733,545
Due to insurance and reinsurance companies	43,940,869	465,116	43,475,753	-	-	-	-	43,940,869
Pension business payables	486,090,486	202,259,875	11,365,566	34,096,699	132,014,259	106,354,087	-	486,090,486
Other payables and liabilities	46,051,457	31,580,499	5,700,445	105,373	8,665,141	-	-	46,051,458
<b>Total</b>	<b>611,816,357</b>	<b>270,039,035</b>	<b>60,541,764</b>	<b>34,202,072</b>	<b>140,679,400</b>	<b>106,354,087</b>	<b>-</b>	<b>611,816,358</b>
<b>Liquidity surplus/(deficit)</b>	<b>1,809,313,589</b>	<b>(227,586,399)</b>	<b>291,320,556</b>	<b>174,589,405</b>	<b>240,476,368</b>	<b>892,605,345</b>	<b>311,193,109</b>	<b>1,682,598,384</b>

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

#### c) Liquidity Risk (Continued)

#### Fair value of the financial instruments

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

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

#### Fair value hierarchy

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

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

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

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

	September 30, 2020			Total
	Level 1	Level 2	Level 3	
<b>Financial assets:</b>				
Available for sale financial assets (Note 6)	224,378,275	-	-	224,378,275
Financial assets held for trading (Note 6)	250,768,509	-	-	250,768,509
Financial investments with risks on policyholders classified as available for sale and held to maturity (Note 6) (*)	1,772,488,238	-	-	1,772,488,238
<b>Total financial assets</b>	<b>2,247,635,022</b>	<b>-</b>	<b>-</b>	<b>2,247,635,022</b>

(\*) Time deposits amounting to TL 4,214,233 are not included. Carrying values of time deposits approximate their fair values due to their short term nature.

	December 31, 2019			Total
	Level 1	Level 2	Level 3	
<b>Financial assets:</b>				
Available for sale financial assets (Note 6)	193,245,501	-	-	193,245,501
Financial assets held for trading (Note 6)	383,015,032	-	-	383,015,032
Financial investments with risks on company as held to maturity (Note 6)	129,000,000	-	-	129,000,000
Financial investments with risks on policyholders classified as available for sale and held to maturity (Note 6) (*)	1,035,844,554	-	-	1,035,844,554
<b>Total financial assets</b>	<b>1,741,105,087</b>	<b>-</b>	<b>-</b>	<b>1,741,105,087</b>

(\*) Time deposits amounting to TL 30,641,677 are not included. Carrying values of time deposits approximate their fair values due to their short term nature.

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

#### d) Operational Risk

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

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

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

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

#### Capital Management

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

As of June 30, 2020 and December 31, 2019, the Company has a sufficient amount of equity for losses which may arise from current liabilities and potential risks of the Company. As of June 30, 2020 and December 31, 2019, the required capital reserves (calculated in accordance with the above-mentioned local regulation) and current capital adequacy analysis is as follows:

	June 30, 2020	December 31, 2019
Total shareholders' equity in the statutory consolidated financial statements (*)	508,039,072	547,413,447
Required minimum capital reserves	376,750,027	235,572,317
<b>Capital surplus</b>	<b>131,289,045</b>	<b>311,841,130</b>

(\*) Excluded equalization reserve.

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

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

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 5. CASH AND CASH EQUIVALENTS

As at September 30, 2020 and December 31, 2019, cash and cash equivalents are as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Banks	453,937,444	190,080,031	484,395,203
Other cash and cash equivalents (**)	304,673,580	208,489,233	256,791,478
Cheques given and payment orders	(249,732)	(41,388)	(125,315)
<b>Total cash and cash equivalents</b>	<b>758,361,292</b>	<b>398,527,876</b>	<b>741,061,366</b>
Blockage amount (*)	(59,733,078)	(98,984,103)	(73,759,845)
Accrued interest	(1,921,392)	(1,348,651)	(10,682,258)
Time deposits more than 3 months	-	(17,820,600)	(13,759,845)
<b>Total cash and cash equivalents per statement of cash flow</b>	<b>696,706,822</b>	<b>280,374,522</b>	<b>642,859,418</b>

(\*) Note 32 presents the details about the blockage on bank accounts in favour of Ministry of Finance and Treasury.

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

Interest rates of time deposits are stated below:

	September 30, 2020	December 31, 2019
	Interest Rate (%)	Interest Rate (%)
EUR	0.25	-
USD	2.75	2.22
TL	12.51	11.49

As of September 30, 2020, TL time deposit maturity varies between October 1, 2020 and November 12, 2020, foreign currency time deposits maturity varies between October 26, 2020 and December 18, 2020.

As of December 31, 2019, TL deposit maturity varies between January 2, 2019 and November 7, 2019, foreign currency deposits maturity varies between January 2, 2019 and September 12, 2019.

As at September 30, 2020 and December 31, 2019; the detail of cash and cash equivalents are as follows:

	September 30, 2020	December 31, 2019
<b>Foreign currency cash and cash equivalents</b>	<b>85,161,233</b>	<b>21,692,167</b>
- demand deposits	2,552,166	1,791,284
- time deposits	82,609,067	19,900,883
<b>TL cash and cash equivalents</b>	<b>673,200,059</b>	<b>376,835,709</b>
- demand deposits	18,172,172	20,808,958
- time deposits	350,604,039	147,578,906
- credit card receivables	304,673,580	208,489,233
- cheques given and payment orders	(249,732)	(41,388)
<b>Total</b>	<b>758,361,292</b>	<b>398,527,876</b>

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 6. FINANCIAL ASSETS

As at September 30, 2020 and December 31, 2019; the securities portfolio of the Group is as follows:

	September 30, 2020	December 31, 2019
<b>Financial assets at fair value through profit / loss</b>	<b>250,768,509</b>	<b>512,015,032</b>
<b>Total available for sale financial assets and held to maturity</b>	<b>2,001,080,746</b>	<b>1,259,731,732</b>
Available for sale financial investments	224,378,275	193,245,501
Available for sale asset backing financial investments and held to maturity policyholders' portfolio	1,776,702,471	1,066,486,231
<b>Total securities portfolio</b>	<b>2,251,849,255</b>	<b>1,771,746,764</b>

As at September 30, 2020 and December 31, 2019; financial assets as fair value through profit or loss are as follows:

	September 30, 2020		
	Cost	Fair value	Carrying value
Investment funds	58,267,223	61,742,472	61,742,472
Treasury bills and government bonds	158,895,510	160,206,745	160,206,745
Eurobonds-USD	39,136,537	39,098,820	39,098,820
Private sector bonds	3,800,000	3,970,873	3,970,873
Derivatives	(14,250,401)	(14,250,401)	(14,250,401)
<b>Total financial assets at fair value through profit or loss</b>	<b>245,848,869</b>	<b>250,768,509</b>	<b>250,768,509</b>

	December 31, 2019		
	Cost	Fair value	Carrying value
Investment funds	320,680,239	332,494,367	332,494,367
Treasury bills and government bonds	33,419,418	33,291,862	33,291,862
Private sector bonds	14,725,321	17,228,803	17,228,803
Reverse repo	129,000,000	129,000,000	129,000,000
<b>Total financial assets at fair value through profit or loss</b>	<b>497,824,978</b>	<b>512,015,032</b>	<b>512,015,032</b>

As at September 30, 2020 and December 31, 2019; available for sale financial assets owned by the Group are as follows:

	September 30, 2020		
	Cost	Fair value	Carrying value
Treasury bills and government bonds - TL	158,771,650	148,144,078	148,144,078
Private Sector bonds	35,260,000	42,312,036	42,312,036
Eurobonds - USD	31,284,704	33,922,161	33,922,161
<b>Total available for sale financial investments</b>	<b>225,316,354</b>	<b>224,378,275</b>	<b>224,378,275</b>
	December 31, 2019		
	Cost	Fair value	Carrying value
Treasury bills and government bonds - TL	165,679,396	163,826,455	163,826,455
Private Sector bonds	24,760,000	29,419,046	29,419,046
<b>Total available for sale financial investments</b>	<b>190,439,396</b>	<b>193,245,501</b>	<b>193,245,501</b>



# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 6. FINANCIAL ASSETS (Continued)

As at September 30, 2020 and December 31, 2019; available for sale financial assets backing insurance contracts and held to maturity financial assets are as follows:

	September 30, 2020		
	Cost	Fair value	Carrying value
Treasury bills and government bonds-TL	45,459,596	38,163,180	38,163,180
Eurobonds - USD	1,025,621,754	940,664,025	940,664,025
Eurobonds - EUR	884,372	894,305	894,305
Time deposits - TL	2,500,000	2,588,781	2,588,781
Time deposits - USD	1,561,600	1,625,452	1,625,452
Held to maturity Eurobonds- USD	776,986,220	792,766,728	792,766,728
<b>Total available for sale asset backing financial investments and held to maturity policyholders' portfolio</b>	<b>1,853,013,542</b>	<b>1,776,702,471</b>	<b>1,776,702,471</b>

	December 31, 2019		
	Cost	Fair value	Carrying value
Treasury bills and government bonds-TL	48,045,996	41,884,722	41,884,722
Eurobonds - USD	786,601,906	742,449,400	742,449,400
Eurobonds - EUR	2,556,328	2,615,036	2,615,036
Time deposits - TL	5,000,000	6,248,965	6,248,965
Time deposits - USD	25,637,903	24,392,711	24,392,711
Held to maturity Eurobonds- USD	245,059,725	248,895,397	248,895,397
<b>Total available for sale asset backing financial investments and held to maturity policyholders' portfolio</b>	<b>1,112,901,858</b>	<b>1,066,486,231</b>	<b>1,066,486,231</b>

As at September 30, 2020 and September 30, 2019; financial assets at fair value through profit or loss and available for sale financial assets movement table are as follows:

	2020	2019
Opening, January 1	1,771,746,764	843,339,644
Purchases	4,653,327,781	1,689,450,775
Disposals	(3,777,250,272)	(1,378,790,050)
Change in the valuation - unrealized gain and losses	2,848,198	(10,784,910)
Disposals through the redemption	(481,357,375)	(37,419,955)
Unrealized exchange rate gains/(losses)	142,540,807	54,641,675
Change in balance recognized under equity	(47,862,595)	34,072,524
Change in balance recognized under life mathematical reserves	(12,144,053)	12,029,830
<b>Closing, September 30</b>	<b>2,251,849,255</b>	<b>1,206,539,533</b>

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 6. FINANCIAL ASSETS (Continued)

The maturity analysis of financial assets is as follows:

As at September 30, 2020 and December 31, 2019; the remaining contractual maturities of financial assets are as follows:

	September 30, 2020						Total
	No stated maturity	0-3 months	3-6 months	6 months to 1 year	1-3 years	More than 3 years	
Eurobonds	-	-	-	-	-	1,212,848,537	1,212,848,537
Investment funds	61,742,472	-	-	-	-	-	61,742,472
Government bonds and treasury bills	-	-	-	38,463,915	108,198,696	199,851,392	346,514,003
Private sector bonds	-	-	4,019,151	-	27,320,996	14,942,762	46,282,909
Eurobond private sector	-	-	-	-	188,615,127	405,882,376	594,497,503
Time deposits	-	1,561,812	2,652,421	-	-	-	4,214,233
Derivative securities	-	(14,250,402)	-	-	-	-	(14,250,402)
	<b>61,742,472</b>	<b>(12,688,590)</b>	<b>6,671,572</b>	<b>38,463,915</b>	<b>324,134,819</b>	<b>1,833,525,067</b>	<b>2,251,849,255</b>

	December 31, 2019						Total
	No stated maturity	0-3 months	3-6 months	6 months to 1 year	1-3 years	More than 3 years	
Eurobonds	-	-	29,098,763	-	58,475,675	702,883,433	790,457,871
Investment funds	332,494,367	-	-	-	-	-	332,494,367
Government bonds and treasury bills	-	14,883,872	-	-	130,785,216	93,333,951	239,003,039
Private sector bonds	-	527,229	-	-	39,595,759	6,524,861	46,647,849
Eurobond private sector	-	-	-	-	30,497,290	173,004,671	203,501,961
Time deposits	-	30,641,677	-	-	-	-	30,641,677
Reverse repo	-	129,000,000	-	-	-	-	129,000,000
	<b>332,494,367</b>	<b>175,052,778</b>	<b>29,098,763</b>	<b>-</b>	<b>259,353,940</b>	<b>975,746,916</b>	<b>1,771,746,764</b>

The currency analysis of financial assets is as follows:

	September 30, 2020			
	Currency Type	Currency Amount	Rate	Amount TL
Financial assets available-for-sale	TL	-	-	190,456,114
	USD	4,344,539	7,8080	33,922,161
				<b>224,378,275</b>
Financial assets at fair value through profit or loss	TL	-	-	211,669,691
	USD	5,007,533	7,8080	39,098,818
				<b>250,768,509</b>
Financial investments with risks on policy holders	USD	222,207,027	7.8080	1,734,992,467
	EUR	97,973	9.1281	894,307
	TL	-	-	40,815,697
				<b>1,776,702,471</b>
<b>Total securities portfolio</b>				<b>2,251,849,255</b>

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 6. FINANCIAL ASSETS (Continued)

	December 31, 2019			
	Currency Type	Currency Amount	Rate	Amount TL
Financial assets available-for-sale	TL			193,245,501
				<b>193,245,501</b>
Reverse repo				129,000,000
Financial assets at fair value through profit or loss	TL			383,015,032
				<b>512,015,032</b>
Financial investments with risks on policy holders	USD	171,203,839	5,9402	1,016,985,045
	EUR	393,203	6,6506	2,615,035
	TL			46,886,151
				<b>1,066,486,231</b>
<b>Total securities portfolio</b>				<b>1,771,746,764</b>

### 7. REINSURANCE SHARE OF INSURANCE LIABILITIES

As at September 30, 2020 and December 31, 2019; reinsurance share of insurance liabilities are as follows:

	September 30, 2020	December 31, 2019
Reinsurers' share of outstanding claims	6,497,833	7,301,642
Reinsurers' share of unearned premiums reserve	4,102,531	6,516,521
Reinsurers' share of life mathematical reserve	1,293,123	1,997,764
	<b>11,893,487</b>	<b>15,815,927</b>

### 8. PREMIUM AND OTHER INSURANCE RECEIVABLES

As at September 30, 2020 and December 31, 2019; premium and other insurance receivables are as follows:

	September 30, 2020	December 31, 2019
Policyholders and reinsurance companies	34,025,635	37,011,109
<b>Total premium and other insurance receivables</b>	<b>34,025,635</b>	<b>37,011,109</b>

As at September 30, 2020 and December 31, 2019; maturity distribution of neither past due nor impaired insurance operations receivables is as follows:

	September 30, 2020	December 31, 2019
Receivables from policyholders and reinsurance companies		
Up to 3 months	6,567,041	8,736,266
3 to 6 months	3,823,035	5,651,573
6 to 9 months	2,172,652	3,789,420
9 to 12 months	809,757	1,179,789
	<b>13,372,485</b>	<b>19,357,048</b>

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 8. PREMIUM AND OTHER INSURANCE RECEIVABLES (Continued)

As at September 30, 2020 and December 31, 2019; an analysis of the aging of overdue but not impaired insurance operations receivables is as follows:

	September 30, 2020	December 31, 2019
Overdue 0-3 months	12,147,322	11,799,488
Overdue 3-6 months	404,348	585,835
Overdue 6-9 months	199,110	207,997
Overdue 9-12 months	122,095	162,526
Overdue 1 year	672,483	352,699
	<b>13,545,358</b>	<b>13,108,545</b>
<b>Total</b>	<b>26,917,843</b>	<b>32,465,593</b>

As of September 30, 2020, total of receivables from reinsurance companies and intermediaries are TL 7,107,792 (31 December 2019: TL 4,545,516).

As at September 30, 2020 and December 31, 2019; the collateral held by the Group as security for its receivables are as follows:

	September 30, 2020			Total (TL)
	USD	EUR	TL	
<b>Guarantees received</b>				
Letter of guarantees	468,480	-	19,863,500	20,331,980
Mortgage deed	-	-	309,700	309,700
Other guarantees	839,725	25,220	117,800	982,745
	<b>1,308,205</b>	<b>25,220</b>	<b>20,291,000</b>	<b>21,624,425</b>
	December 31, 2019			
	USD	EUR	TL	Total (TL)
<b>Guarantees received</b>				
Letter of guarantees	356,412	-	14,206,330	14,562,742
Mortgage deed	-	-	309,700	309,700
Other guarantees	533,963	18,375	222,686	775,024
	<b>890,375</b>	<b>18,375</b>	<b>14,738,716</b>	<b>15,647,466</b>

### 9. PENSION BUSINESS RECEIVABLES AND PAYABLES

As at September 30, 2020 and December 31, 2019; pension business receivables are as follows:

	September 30, 2020	December 31, 2019
Pension business receivables - deferred income reserves	181,863,885	197,593,665
Receivables pension operations	34,762,234	14,787,668
Capital advance for pension funds	709,084	594,852
<b>Total individual pension business receivables, net</b>	<b>217,335,203</b>	<b>212,976,185</b>

# AVİVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 9. PENSION BUSINESS RECEIVABLES AND PAYABLES (Continued)

As at September 30, 2020 and December 31, 2019; pension business payables are as follows:

	September 30, 2020	December 31, 2019
Temporary account of participants	295,923,064	230,271,710
Pension business payables - deferred income reserves (*)	231,236,255	255,818,776
<b>Total pension business payables</b>	<b>527,159,319</b>	<b>486,090,486</b>

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

### 10. OTHER ASSETS

As at September 30, 2020 and December 31, 2019; other assets are as follows:

	September 30, 2020	December 31, 2019
Prepaid expenses	43,441,271	5,199,477
Other receivables from other related parties	13,973,122	3,114,021
Advances to personnel	2,015,018	204,482
Advances given	1,772,753	635,488
Other receivables from third parties	192,742	220,631
Deposits and guarantees given	92,053	71,307
Receivables from shareholders (Note 33)	4,264	23,568
Other	264,054	251,443
<b>Total other assets</b>	<b>61,755,277</b>	<b>9,720,417</b>

### 11. PROPERTY AND EQUIPMENT, NET

As of September 30, 2020 and September 30, 2019; tangible assets movement and its accumulated depreciation is as follows:

Cost	January 1, 2020	Additions	Disposals	September 30, 2020
Machinery and equipment	13,296,320	4,342,519	(1,603,386)	16,035,453
Furniture and fixtures	21,007,774	2,105,669	(496,307)	22,617,136
Other tangible assets	29,640,700	1,036,439	-	30,677,139
Motor Vehicles	1,721,735	-	-	1,721,735
Right of use assets	42,063,298	1,888,198	-	43,951,496
<b>Total</b>	<b>107,729,827</b>	<b>9,372,825</b>	<b>(2,099,693)</b>	<b>115,002,959</b>
Accumulated depreciation	January 1, 2020	Period charge	Disposals	September 30, 2020
Machinery and equipment	(9,308,787)	(1,641,166)	1,603,386	(9,346,567)
Furniture and fixtures	(13,148,826)	(1,923,487)	430,069	(14,642,244)
Other tangible assets	(15,501,314)	(2,289,040)	-	(17,790,354)
Motor Vehicles	(271,867)	(258,261)	-	(530,128)
Right of use assets	(9,172,556)	(7,907,488)	-	(17,080,044)
<b>Total</b>	<b>(47,403,350)</b>	<b>(14,019,442)</b>	<b>2,033,455</b>	<b>(59,389,337)</b>
<b>Net book value</b>	<b>60,326,477</b>			<b>55,613,622</b>

AVIVASA EMEKLİLİK VE HAYAT A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

**11. PROPERTY AND EQUIPMENT, NET (Continued)**

Cost	January 1, 2019	Additions	Disposals	Impairment	September 30, 2019
Machinery and equipment	12,217,595	438,116	-		12,655,711
Furniture and fixtures	19,598,506	1,161,224	(6,844)		20,752,886
Other tangible assets	28,709,148	957,245	-	(130,073)	29,536,320
Vehicles	-	1,721,735	-		1,721,735
Right of use assets	38,805,375	548,217			39,353,592
	<b>99,330,624</b>	<b>4,826,537</b>	<b>(6,844)</b>	<b>(130,073)</b>	<b>104,020,244</b>

Accumulated depreciation	January 1, 2019	Period charge	Disposals	Impairment	September 30, 2019
Machinery and equipment	(7,237,964)	(1,539,747)	-		(8,777,711)
Furniture and fixtures	(11,054,726)	(1,579,492)	3,850		(12,630,368)
Other tangible assets	(12,554,680)	(2,207,425)	-		(14,762,105)
Vehicles	-	(185,781)	-		(185,781)
Right of use assets	-	(6,787,911)			(6,787,911)
<b>Total</b>	<b>(30,847,370)</b>	<b>(12,300,356)</b>	<b>3,850</b>		<b>(43,143,876)</b>
<b>Net book value</b>	<b>68,483,254</b>				<b>60,876,368</b>

**12. INTANGIBLE ASSETS, NET**

As of September 30, 2020 and September 30, 2019; intangible assets movement and its accumulated amortization are as follows:

Cost	January 1, 2020	Additions	Transfer	Disposals	September 30, 2020
Software	101,306,352	22,592,257	5,332,653	-	129,231,262
Capitalized software development costs	14,745,065	10,502,825	(5,332,653)	(4,483,171)	15,432,066
<b>Total</b>	<b>116,051,417</b>	<b>33,095,082</b>	<b>-</b>	<b>(4,483,171)</b>	<b>144,663,328</b>

Accumulated amortization	January 1, 2020	Period charge	Transfer	Disposals	September 30, 2020
Software	(57,516,287)	(14,620,151)	-	-	(72,136,438)
<b>Total</b>	<b>(57,516,287)</b>	<b>(14,620,151)</b>	<b>-</b>	<b>-</b>	<b>(72,136,438)</b>

<b>Net book value</b>	<b>58,535,130</b>				<b>72,526,890</b>
-----------------------	-------------------	--	--	--	-------------------

Cost	January 1, 2019	Additions	Transfer	September 30, 2019
Software	73,999,388	11,957,371	7,872,924	93,829,683
Capitalized software development costs	18,838,796	9,212,827	(7,872,924)	20,178,699
	<b>92,838,184</b>	<b>21,170,198</b>	<b>-</b>	<b>114,008,382</b>

Accumulated amortization	January 1, 2019	Period charge	Transfer	September 30, 2019
Software	(43,277,201)	(10,068,209)	-	(53,345,410)
<b>Total</b>	<b>(43,277,201)</b>	<b>(10,068,209)</b>	<b>-</b>	<b>(53,345,410)</b>

<b>Net book value</b>	<b>49,560,983</b>			<b>60,662,972</b>
-----------------------	-------------------	--	--	-------------------

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 13. OTHER FINANCIAL ASSETS

Other financial assets include equity participations that are classified as available for sale. As these equity participations do not have a quoted market price in an active market and other methods of reasonably estimating their values would be inappropriate and impracticable, they are stated at cost. As at September 30, 2020 and December 31, 2019; the details of other financial assets are as follows:

	September 30, 2020		December 31, 2019	
	Participation rate (%)	Amount	Participation rate (%)	Amount
<b>Third Party</b>				
Milli Reasürans A.Ş.	0.1494	575,082	0.1494	575,082
Emeklilik Gözetim Merkezi A.Ş.	5.5553	292,303	5.5553	292,303
Enternasyonal Turizm Yatırım A.Ş.	0.0001	2	0.0001	2
Endüstri Holding A.Ş.	0.0001	625	0.0001	625
		<b>868,012</b>		<b>868,012</b>

### 14. LEASE LIABILITIES

As at September 30, 2020 and December 31, 2019; lease liabilities are as follows:

	September 30, 2020	December 31, 2019
Short-term lease liabilities (undiscounted)	12,807,021	14,740,592
Long term lease liabilities (undiscounted)	37,678,650	44,843,368
Discount amount with lease's incremental borrowing rate of interest	(18,991,367)	(23,850,415)
<b>Total</b>	<b>31,494,304</b>	<b>35,733,545</b>

Movement of lease liabilities for the period ended September 30, 2020 and September 30, 2019 are as follows:

	September 30, 2020	September 30, 2019
Opening balance, January 1	35,733,545	38,805,375
IFRS 16 lease increase / decrease	1,888,198	548,217
Lease payments	(12,385,793)	(10,438,494)
Exchange rate valuation	961,708	349,579
Interest payments	5,296,646	5,297,062
<b>Closing balance</b>	<b>31,494,304</b>	<b>34,561,739</b>

### 15. DUE TO INSURANCE AND REINSURANCE COMPANIES

As at September 30, 2020 and December 31, 2019; due to insurance and reinsurance companies are as follows:

	September 30, 2020	December 31, 2019
Due to the intermediaries	25,587,289	40,616,332
Due to the policyholders	1,947,497	465,116
Due to the reinsurance companies	627,479	2,859,421
	<b>28,162,265</b>	<b>43,940,869</b>

## AVIVASA EMEKLİLİK VE HAYAT A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

#### 16. OTHER PROVISIONS

As at September 30, 2020 and December 31, 2019; provision for expenses and lawsuit provisions are as follows:

	September 30, 2020	December 31, 2019
Personnel bonus provision	19,737,756	18,604,271
Provision for lawsuit against the Group (Note 34)	11,336,388	10,457,200
Bonus provision for sales activities	7,540,224	2,680,745
Commission provision	5,592,998	6,016,000
	<b>44,207,366</b>	<b>37,758,216</b>

#### 17. TAXES

##### *Corporate taxes*

Statutory income is subject to corporate tax at 22% (2019: 22%). However, with Article 91 of the Bag Law No. 7061 published in the Official Gazette dated December 5, 2017 and numbered 30261, the corporate tax rate is set at 22% for corporate earnings for the tax years 2018, 2019 and 2020 and Provisional Article 10 has been added to the Law on Corporations Tax No. 5520. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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

In Turkey, advance tax returns are filed on a quarterly basis. The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. Advance corporate income tax rate applied in 2020 is 22% (2019: 22%). The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

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

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

##### *Transfer pricing*

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing, dated November 18, 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm’s length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.



# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 17. TAXES (Continued)

#### Income tax

As at September 30, 2020 and December 31, 2019; prepaid income taxes are netted off with the current income tax payable as stated below:

	September 30, 2020	December 31, 2019
Income taxes payable	76,215,383	70,705,258
Prepaid income taxes (-)	(48,259,943)	(59,267,485)
<b>Current tax liabilities / (assets)</b>	<b>27,955,440</b>	<b>11,437,773</b>

#### Deferred taxes

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

Since the tax rate effective from January 1, 2018 has been changed to 22% as valid for 3 years, in the calculation of deferred tax as of September 30, 2020, 22% tax rate is used for temporary differences expected to be realized within 3 years. Since the corporate tax rate will be 20% after 2020, for valid differences expected to be realized / closed after 2020, 20% tax rate is used.

	Cumulative temporary Differences		Deferred tax assets / (liabilities)	
	September 30, 2020	December 31,2019 Restated (Note 1.1)	September 30 ,2020	December 31,2019 Restated (Note 1.1)
Deferred income reserves	231,236,255	255,818,776	48,993,354	54,009,116
Expense accruals	54,694,153	24,089,850	12,032,714	6,193,739
Provision for employee termination benefit	19,687,170	15,971,826	4,331,177	3,513,802
Derivative securities	14,250,402	-	3,135,088	-
Unused vacation provision	5,427,725	4,775,942	1,194,100	1,050,707
Claims for Insured Customer Claims	5,939,984	5,231,525	1,187,997	1,046,305
Right of use asset	4,627,752	2,510,595	1,018,105	552,331
Provision for lawsuits	2,707,128	2,433,639	595,568	535,401
Accumulated loss	2,117,905	-	465,939	-
Provisions for agency receivables	2,370,474	2,370,474	474,095	474,095
Incentive commission	1,819,250	1,699,250	400,235	373,835
Deposits internal rate of return linear interest rate difference	134,185	102,163	29,521	22,476
<b>Total deferred tax assets</b>	<b>345,012,383</b>	<b>315,004,040</b>	<b>73,857,893</b>	<b>67,771,807</b>
Deferred acquisition cost	(537,402,839)	(455,243,007)	(102,183,491)	(93,732,691)
Pension business receivables	(181,863,885)	(197,593,665)	(38,102,620)	(41,910,702)
Net difference between the carrying values and tax base values of tangible assets and intangible assets	(26,128,130)	(12,722,615)	(5,748,188)	(2,798,975)
Eurobond valuation difference	(3,056,275)	(7,687,231)	(672,381)	(1,691,191)
Profit commission	(1,823,686)	-	(401,211)	-
Price difference in coupon bond held for trading	(107,486)	(45,797)	(23,648)	(10,075)
<b>Total deferred tax liabilities</b>	<b>(750,382,301)</b>	<b>(673,292,315)</b>	<b>(147,131,539)</b>	<b>(140,143,634)</b>
Deferred tax assets/ (liabilities) accounted for under equity over the fair value reserve for available for sale financial assets	42,771,401	4,940,567	9,409,708	1,086,924
Effect of rate change of corporation tax	-	-	261,066	261,066
<b>Deferred tax liabilities, net</b>	<b>(362,598,517)</b>	<b>(353,347,708)</b>	<b>(63,602,872)</b>	<b>(71,023,837)</b>

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 17. TAXES (Continued)

#### Deferred taxes (Continued)

Movement of deferred tax liabilities for the period ended September 30, 2020 and 2019 are as follows:

	2020	Restated (Note 1.1) 2019
Opening balance, January 1	(57,708,907)	(38,640,075)
ROP DAC impact (*)	(13,314,930)	(14,173,332)
Charged to profit or loss	(1,448,300)	(2,994,190)
Cancellation available for sale financial assets that are recognized in shareholders' equity of deferred tax assets	(1,086,924)	(9,574,754)
Deferred tax asset/(liability) recognized in other comprehensive income due to fair value losses on available for sale financial assets	9,409,708	5,276,432
Deferred tax asset of actuarial loss on employment termination provision	546,481	872,631
<b>Closing balance, September 30</b>	<b>(63,602,872)</b>	<b>(59,233,288)</b>

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

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

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

Income tax expenses for the period ended September 30, 2020 and September 30, 2019; are as follows:

	January 1 - September 30, 2020	Restated (Note 1.1) January 1 - September 30, 2019
Income tax expense recognized in profit or loss:		
- Current tax charge	(78,731,779)	(53,976,113)
- Deferred tax charge	(1,448,359)	(6,316,270)
Adjustments recognized in the period for current tax of prior periods	3,824,080	5,218,123
<b>Income tax expense</b>	<b>(76,356,058)</b>	<b>(55,074,260)</b>

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

	January 1 - September 30, 2020	Restated (Note 1.1) January 1 - September 30, 2019
Profit before taxes	340,408,927	243,577,843
Tax rate	22%	22%
Taxes on income per statutory tax rate	(74,889,964)	(53,587,125)
Revenue that is exempt from taxation	2,511,347	(2,944,743)
Non-deductible expenses	(3,977,441)	1,457,608
<b>Income tax expense</b>	<b>(76,356,058)</b>	<b>(55,074,260)</b>

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 18. EMPLOYMENT TERMINATION BENEFITS

	September 30, 2020	December 31, 2019
Provision for employment termination benefits	19,687,170	15,971,826
<b>Total</b>	<b>19,687,170</b>	<b>15,971,826</b>

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

The amount payable consists of one month's salary limited to a maximum of TL 7,117 (December 31, 2019: TL 6,378) for each year of service as of September 30, 2020.

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

	September 30, 2020	December 31, 2019
Estimated salary increase rate	7.77%	8.67%
Discount rate	12.8%	13.6%

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

	2020	2019
Opening balance, January 1	15,971,826	11,934,859
Paid during the period	(1,603,559)	(3,567,455)
Service cost	1,301,782	1,027,167
Interest cost	1,533,116	1,378,471
Actuarial loss	2,484,005	3,966,512
<b>Closing balance, September 30</b>	<b>19,687,170</b>	<b>14,739,554</b>

### 19. DEFERRED EXPENSES

As at September 30, 2020 and 2019; movements of deferred expenses are as follows:

	2020	Restated (Note 1.1) 2019
Deferred acquisition costs, gross January 1	444,609,469	393,496,930
Acquisition costs deferred during the period	131,581,854	97,511,184
Amortization	(99,310,896)	(75,620,838)
<b>Deferred acquisition costs - September 30</b>	<b>476,880,427</b>	<b>415,387,276</b>
Deferred commission costs, gross January 1	33,622,456	37,123,339
Commission cost deferred during the period	(8,038,860)	1,111,065
<b>Deferred commission costs - September 30</b>	<b>25,583,596</b>	<b>38,234,404</b>
<b>Total deferred expenses</b>	<b>502,464,023</b>	<b>453,621,680</b>

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 20. OTHER PAYABLES AND LIABILITIES

As at September 30, 2020 and December 31, 2019; other payables and liabilities are as follows:

	September 30, 2020	December 31, 2019
Payables to shareholders	60,392,034	264,235
Payables to suppliers	25,481,082	13,672,113
Taxes and funds payable	23,867,012	17,689,835
Payables to related parties	18,727,542	5,233,195
Unused vacation provision	6,473,479	5,943,026
Deferred commission income	1,858,148	2,722,115
Payables to personnel	525,628	520,965
Other deferred income	2,055	2,052
Deposits and guarantees	5,153	3,921
<b>Total</b>	<b>137,332,133</b>	<b>46,051,457</b>

### 21. INSURANCE CONTRACT LIABILITIES

Insurance contract liabilities as at September 30, 2020 and December 31, 2019; are as follows:

	September 30, 2020	December 31, 2019
<b>Gross insurance contract liabilities</b>		
Life mathematical reserves (*)	2,021,117,477	1,278,324,099
Reserve for unearned premiums	73,933,599	95,871,371
Claims provision	75,323,627	69,621,739
	<b>2,170,374,703</b>	<b>1,443,817,209</b>
<b>Reinsurance share of insurance contract liabilities</b>		
Mathematical reserves, ceded (Note 7)	1,293,123	1,997,764
Reserve for unearned premiums, ceded (Note 7)	4,102,531	6,516,521
Claims provision, ceded (Note 7)	6,497,833	7,301,642
	<b>11,893,487</b>	<b>15,815,927</b>
<b>Net insurance contract liabilities</b>		
Life mathematical reserves	2,019,824,354	1,276,326,335
Reserve for unearned premiums	69,831,068	89,354,850
Claims provision	68,825,794	62,320,097
<b>Net insurance liabilities</b>	<b>2,158,481,216</b>	<b>1,428,001,282</b>

(\*) As of September 30, 2020, the negative fair value difference of financial assets at inseree's risk amounting to TL 27,685,546 (December 31, 2019: negative fair value difference of financial assets at inseree's risk amounting to TL 13,630,243), deferred taxes on the fair value difference of financial assets at inseree's risk amounting to TL 304,359 (December 31, 2019: TL 2,059,572) and reinsurers share of TL 1,293,123. (December 31, 2019: 1,997,764) have been included in the above mentioned mathematical reserve table.

AVIVASA EMEKLİLİK VE HAYAT A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

**21. INSURANCE CONTRACT LIABILITIES (Continued)**

**Movements in insurance liabilities and reinsurance assets**

**Claims:**

<b>September 30, 2020</b>	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>
Total at the beginning of the year	69,621,739	7,301,645	62,320,094
Change during period	5,701,888	(803,812)	6,505,700
<b>Total at the end of the period</b>	<b>75,323,627</b>	<b>6,497,833</b>	<b>68,825,794</b>

<b>September 30, 2020</b>			
Reported claims	59,260,569	5,178,100	54,082,469
Incurred but not reported	16,063,058	1,319,733	14,743,325
<b>Total at the end of the period</b>	<b>75,323,627</b>	<b>6,497,833</b>	<b>68,825,794</b>

<b>December 31, 2019</b>	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>
Total at the beginning of the year	72,092,000	(6,286,342)	65,805,658
Change during period	(2,470,261)	(1,015,300)	(3,485,561)
<b>Total at the end of the period</b>	<b>69,621,739</b>	<b>(7,301,642)</b>	<b>62,320,097</b>

<b>December 31, 2019</b>			
Reported claims	51,507,851	(5,599,323)	45,908,528
Incurred but not reported	18,113,888	(1,702,319)	16,411,569
<b>Total at the end of the period</b>	<b>69,621,739</b>	<b>(7,301,642)</b>	<b>62,320,097</b>

Claims paid and change in outstanding claims provision for the period ended September 30, 2020 and 2019 are as follows:

	<b>January 1 - September 30, 2020</b>	<b>July 1 - September 30, 2020</b>	<b>January 1 - September 30, 2019</b>	<b>July 1 - September 30, 2019</b>
<b>Cash paid for claims settled during the period</b>	<b>153,805,807</b>	<b>46,702,716</b>	<b>76,622,429</b>	<b>29,108,241</b>
- Surrender and maturity from life savings	37,826,021	12,742,374	35,407,508	10,647,768
- Death and disability claims (*)	39,245,164	14,424,433	29,694,806	10,123,659
- Surrender from life protection	76,734,622	19,535,909	11,520,115	8,336,814
<b>Change in outstanding claims provision</b>	<b>6,505,699</b>	<b>1,633,181</b>	<b>4,176,172</b>	<b>4,414,117</b>
<b>Claims paid and change in outstanding claims provision</b>	<b>160,311,506</b>	<b>48,335,897</b>	<b>80,798,601</b>	<b>33,522,358</b>

(\*) The amounts are presented net off reinsurance.

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 21. INSURANCE CONTRACT LIABILITIES (Continued)

#### Reserve for unearned premiums:

September 30, 2020	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the year	95,871,371	(6,516,521)	89,354,850
Premiums written during the period	983,259,324	(13,525,301)	969,734,023
Premiums earned during the period	(1,005,197,096)	15,939,291	(989,257,805)
<b>Reserve for unearned premiums at the end of the period</b>	<b>73,933,599</b>	<b>(4,102,531)</b>	<b>69,831,068</b>
December 31, 2019	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the year	119,149,509	(4,536,303)	114,613,206
Premiums written during the period	987,754,213	(27,565,423)	960,188,790
Premiums earned during the period	(1,011,032,351)	25,585,205	(985,447,146)
<b>Reserve for unearned premiums at the end of the period</b>	<b>95,871,371</b>	<b>(6,516,521)</b>	<b>89,354,850</b>

#### Life mathematical reserves

	2020	2019
	Mathematical reserve TL	Mathematical reserve TL
Total at the beginning of the year, January 1	1,293,865,592	761,252,272
Additions	859,151,702	341,352,673
Disposals	(104,518,631)	(38,455,507)
<b>Total at the end of the period, September 30 (*)</b>	<b>2,048,498,663</b>	<b>1,064,149,438</b>

(\*) As of September 30, 2020, the negative fair value difference of financial assets at insuree's risk amounting to TL 27,685,546 (December 31, 2019: negative fair value difference of financial assets at insuree's risk amounting to TL 13,630,243), deferred taxes on the fair value difference of financial assets at insuree's risk amounting to TL 304,359 (December 31, 2019: TL 2,059,572) and reinsurers share of TL 1,293,123. (December 31, 2019: 1,997,764) have been included in the above mentioned mathematical reserve table.

#### Claims development tables

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

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

As at September 30, 2020; claim development table of the Group is as follows:

Accident year	2013 and earlier	2014	2015	2016	2017	2018	2019	2020	Total
Current estimate of claims									
Accident year	7,642,246	2,443,269	3,784,021	5,857,929	4,048,805	5,812,794	3,479,285	18,091,538	51,159,887
1 year later	299,464	735,564	755,594	778,221	1,241,008	1,939,171	998,263	-	6,747,285
2 year later	13,566	-	99,081	191,566	28,601	220,140	-	-	552,954
3 year later	-	5,410	57,126	54,797	72,843	-	-	-	190,176
4 year later	-	5,000	41,978	-	-	-	-	-	46,978
5 year later	-	19,121	7,076	-	-	-	-	-	26,197
6 year later	537,092	-	-	-	-	-	-	-	537,092
7 year later	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>8,492,368</b>	<b>3,208,364</b>	<b>4,744,876</b>	<b>6,882,513</b>	<b>5,391,257</b>	<b>7,972,105</b>	<b>4,477,548</b>	<b>18,091,538</b>	<b>59,260,569</b>
Incurred but not reported									16,063,058
<b>Total gross provision for outstanding claims as at September 30, 2020</b>									<b>75,323,627</b>

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 21. INSURANCE CONTRACT LIABILITIES (Continued)

As at December 31, 2019, claim development table of the Group is as follows:

Accident year	2012 and earlier	2013	2014	2015	2016	2017	2018	2019	Total
Current estimate of claims									
Accident year	3,265,507	4,700,993	3,884,552	4,027,782	5,829,895	4,869,959	5,664,402	11,241,309	43,484,399
1 year later	117,632	335,643	1,237,939	729,744	818,815	1,289,702	2,107,395	-	6,636,870
2 year later	-	4,200	2,067	138,939	194,255	487,378	-	-	826,839
3 year later	13,080	-	13,882	57,126	54,797	-	-	-	138,885
4 year later	-	43	10,895	69,138	-	-	-	-	80,076
5 year later	-	-	38,660	-	-	-	-	-	38,660
6 year later	-	-	-	-	-	-	-	-	-
7 year later	302,122	-	-	-	-	-	-	-	302,122
<b>Total</b>	<b>3,698,341</b>	<b>5,040,879</b>	<b>5,187,995</b>	<b>5,022,729</b>	<b>6,897,762</b>	<b>6,647,039</b>	<b>7,771,797</b>	<b>11,241,309</b>	<b>51,507,851</b>
Incurred but not reported									18,113,888
<b>Total gross provision for outstanding claims as at December 31, 2019</b>									<b>69,621,739</b>

### 22. EQUITY

Share capital of the Group as at September 30, 2020 and December 31, 2019; are as follows:

	September 30, 2020		December 31, 2019	
	Shareholding %	TL	Shareholding %	TL
Hacı Ömer Sabancı Holding A.Ş.	40.00	72,000,007	40.00	72,000,007
Aviva International Holdings Ltd.	40.00	72,000,007	40.00	72,000,007
Other	0.09	166,026	0.09	166,026
Publicly Traded	19.91	35,833,960	19.91	35,833,960
<b>Total share capital</b>	<b>100.00</b>	<b>180,000,000</b>	<b>100.00</b>	<b>180,000,000</b>

#### Profit and other capital reserves:

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

	September 30, 2020	December 31, 2019
Profit reserves	184,865,332	135,728,079
Other capital reserves	837,095	837,095
<b>Total</b>	<b>185,702,427</b>	<b>136,565,174</b>

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

## AVIVASA EMEKLİLİK VE HAYAT A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

#### 22. EQUITY (Continued)

##### *Profit reserves*

As at September 30, 2020 and December 31, 2019; details of profit reserves is as follows:

	September 30, 2020	December 31, 2019
Extraordinary reserves	104,813,938	80,922,342
Legal reserves	80,039,900	54,794,243
Statutory reserves	11,494	11,494
<b>Total</b>	<b>184,865,332</b>	<b>135,728,079</b>

Movement of profit reserves is presented below:

	September 30, 2020	December 31, 2019
Opening balance, January 1	135,728,079	44,498,235
Transfers	49,137,253	91,229,844
<b>Closing balance</b>	<b>184,865,332</b>	<b>135,728,079</b>

##### *Profit reserves*

As of 30 September 2020, the Group’s profit reserves consists of 80,039,900 TL (31 December 2019: 54,794,243 TL) legal reserves, 11,494 TL (31 December 2019: 11,494 TL) statute reserves and 104,813,938 TL (31 December 2019: 80,922,342 TL) extraordinary reserves.

##### *Other capital reserves*

As of September 30, 2020 capital reserves of the Group amounting to TL 837,095 consist of the amount of TL 512,783 as a result of addition of TL 66,028,020 to capital, which is difference resulted between the amount of TL 82,320,000 that is pre-merger nominal paid capital of Aviva Emeklilik and TL 15,779,197 that is capital increase amount of Ak Emeklilik; participants’ capitalization issue amounting to TL 324,312.

##### *Fair value reserves from available for sale assets*

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

Movement of the reserve is below:

	2020	2019
Opening balance, January 1	(294,093)	(39,141,204)
Unrealized gains and losses due to changes in the fair values of available for sale financial assets net of taxes	(37,332,824)	26,576,569
<b>Closing balance, September 30</b>	<b>(37,626,917)</b>	<b>(12,564,635)</b>



# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 23. EARNINGS PER SHARE

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

	January 1- September 30, 2020	July 1- September 30, 2020	January 1- September 30, 2019 (Restated)	July 1- September 30, 2019 (Restated)
Profit for the period	264,052,869	133,044,683	188,503,583	65,133,184
Weighted average number of shares with nominal value of TL 0.01 nominal value per share	18,000,000,000	18,000,000,000	18,000,000,000	18,000,000,000
<b>Earnings per share</b>	<b>0.0147</b>	<b>0.0074</b>	<b>0.0105</b>	<b>0.0036</b>

As of September 30, 2020 capital of the Group consists of 18,000,000,000 shares with nominal value of TL 0.01 (December, 2019: 18,000,000,000 shares with nominal value of TL 0.01).

### 24. WRITTEN PREMIUMS

The distribution of written premiums is as follows:

	January 1- September 30, 2020			July 1- September 30, 2020		
	Gross	Reinsurer share	Net	Gross	Reinsurer share	Net
Non-life	51,130,761	(2,022,287)	49,108,474	13,444,924	140,895	13,585,819
Life (Life protection + savings)	932,128,563	(11,503,014)	920,625,549	312,640,661	(3,905,389)	308,735,272
<b>Total premium income</b>	<b>983,259,324</b>	<b>(13,525,301)</b>	<b>969,734,023</b>	<b>326,085,585</b>	<b>(3,764,494)</b>	<b>322,321,091</b>

	January 1- September 30, 2019			July 1- September 30, 2019		
	Gross	Reinsurer share	Net	Gross	Reinsurer share	Net
Non-life	61,653,569	(3,863,523)	57,790,046	19,062,884	(1,204,107)	17,858,777
Life (Life protection + savings)	562,873,359	(14,553,138)	548,320,221	236,753,857	(4,330,702)	232,423,155
<b>Total premium income</b>	<b>624,526,928</b>	<b>(18,416,661)</b>	<b>606,110,267</b>	<b>255,816,741</b>	<b>(5,534,809)</b>	<b>250,281,932</b>

### 25. INCOME GENERATED FROM PENSION BUSINESS

Income generated from pension business for the periods ended September 30, 2020 and September 30, 2019; are as follows:

	January 1- September 30, 2020	July 1 - September 30, 2020	January 1- September 30, 2019	July 1 - September 30, 2019
Fund management income	243,340,161	86,836,155	183,113,879	64,786,621
Management fee	68,120,366	21,219,782	57,635,119	15,968,816
Entry and deferred entry fees income	18,856,045	6,075,827	28,131,826	8,107,212
Premium holiday charges	453,823	93,200	1,320,621	356,929
<b>Total</b>	<b>330,770,395</b>	<b>114,224,964</b>	<b>270,201,445</b>	<b>89,219,578</b>

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 26. FOREIGN EXCHANGE GAINS / (LOSSES), NET

Foreign exchange gains / (losses) for the periods ended September 30, 2020 and 2019; are as follows:

	January 1 - September 30, 2020	July 1 - September 30, 2020	January 1 - September 30, 2019	July 1 - September 30, 2019
Foreign exchange gains	51,698,418	25,299,485	37,148,478	4,927,419
Foreign exchange losses	(20,858,504)	(492,521)	(39,449,675)	(25,091,712)
<b>Total</b>	<b>30,839,914</b>	<b>24,806,964</b>	<b>(2,301,197)</b>	<b>(20,164,293)</b>

### 27. COMMISSION INCOME AND COMMISSION EXPENSE

Commission income for the periods ended September 30, 2020 and September 30, 2019; are as follows:

	January 1 - September 30, 2020	July 1 - September 30, 2020	January 1 - September 30, 2019	July 1 - September 30, 2019
Commission income from reinsurance companies (net)	7,390,428	1,845,990	7,420,101	2,076,865
<b>Total</b>	<b>7,390,428</b>	<b>1,845,990</b>	<b>7,420,101</b>	<b>2,076,865</b>

Commission expense for the periods ended September 30, 2020 and September 30, 2019; are as follows:

	January 1 - September 30, 2020	July 1 - September 30, 2020	January 1 - September 30, 2019 (Restated)	July 1 - September 30, 2019 (Restated)
Commission expenses due to personal accident insurance	(28,242,463)	(8,927,549)	(25,996,087)	(8,810,222)
Commission expenses due to life insurance	(129,698,110)	(42,642,142)	(82,032,938)	(41,235,863)
-Change in commission expenses	(157,470,863)	(55,707,931)	(88,330,375)	(39,684,983)
-Change in deferred acquisition cost	27,772,753	13,065,789	6,297,437	(1,550,880)
	<b>(157,940,573)</b>	<b>(51,569,691)</b>	<b>(108,029,025)</b>	<b>(50,046,085)</b>

### 28. INVESTMENT AND OTHER INCOME

Investment income for the periods ended September 30, 2020 and September 30, 2019; are as follows:

	January 1 - September 30, 2020	July 1 - September 30, 2020	January 1 - September 30, 2019	July 1 - September 30, 2019
<b>Interest income</b>	<b>121,825,533</b>	<b>56,675,157</b>	<b>78,157,300</b>	<b>28,213,910</b>
-Income from financial assets at fair value through profit or loss	41,918,758	23,630,870	32,622,110	8,846,960
-Income from available for sale financial assets	79,906,775	33,044,287	45,535,190	19,366,950
<b>Net income from sale of financial assets</b>	<b>10,870,209</b>	<b>(11,476,609)</b>	<b>(4,732,472)</b>	<b>183,522</b>
-Income from financial assets at fair value through profit or loss	(9,771,007)	(15,251,501)	(5,560,731)	3,792,239
-Income from available for sale financial assets	20,641,216	3,774,892	828,259	(3,608,717)
Dividend and realization income from other financial assets	4,238,454	5,691,008	48,378,329	33,982,557
Net gains on derivatives fair value through profit or loss	(16,193,115)	(16,193,115)	-	-
Interest expense regarding lease liabilities	(5,296,647)	(1,701,449)	(5,297,062)	(1,714,969)
Investment management expenses	(28,256,255)	(8,240,346)	1,093,599	417,020
Other income, net	4,383,730	2,823,756	6,611,018	1,220,612
<b>Total investment and other income/(expense), net</b>	<b>91,571,909</b>	<b>27,578,402</b>	<b>124,210,712</b>	<b>62,302,652</b>

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 29. PENSION EXPENSES INCLUDING COMMISSION

Pension expenses including commission for the periods ended September 30, 2020 and September 30, 2019; are as follows:

	January 1 - September 30, 2020	July 1 - September 30, 2020	January 1 - September 30, 2019	July 1 - September 30, 2019
Fund management charge	(26,462,843)	(8,178,878)	(18,649,091)	(6,548,007)
Commission expense, net of DAC	(80,555,382)	(25,488,277)	(54,031,754)	(17,290,800)
- Commission expense	(81,701,091)	(36,710,105)	(45,484,117)	(14,540,729)
- Change in deferred acquisition cost	1,145,709	11,221,828	(8,547,637)	(2,750,071)
Takasbank commission expense	(4,302,845)	(1,441,632)	(3,960,745)	(1,286,446)
Other expense	(11,274,887)	(3,916,141)	(10,456,137)	(3,609,403)
<b>Total pension expenses</b>	<b>(122,595,957)</b>	<b>(39,024,928)</b>	<b>(87,097,727)</b>	<b>(28,734,656)</b>

### 30. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the periods ended September 30, 2020 and September 30, 2019; are as follows:

	January 1 - September 30, 2020	July 1 - September 30, 2020	Restated January 1 - September 30, 2019	Restated July 1 - September 30, 2019
Personnel expenses	(186,283,007)	(58,756,805)	(154,811,509)	(49,933,685)
Outsourced expenses including IT services	(62,112,419)	(23,913,317)	(47,498,017)	(16,570,733)
Depreciation and amortization	(28,639,593)	(9,973,756)	(22,368,565)	(5,692,508)
Management expenses	(7,030,303)	(2,392,817)	(7,164,157)	(2,302,080)
Brokerage expenses	(4,057,656)	(653,131)	(6,347,456)	(2,266,635)
Travelling and transportation expenses	(4,022,508)	(863,218)	(5,685,723)	(1,825,580)
Representation and hosting expenses	(2,319,658)	(265,395)	(4,136,158)	(1,555,136)
Communication expenses	(4,334,096)	(1,362,654)	(2,755,476)	(1,287,229)
Advertising and marketing expenses	(1,934,709)	(715,490)	(2,242,968)	(704,600)
Office supplies expenses	(1,320,714)	(384,787)	(2,223,265)	(706,848)
Other marketing, sales and distribution expenses	(1,093,142)	(304,151)	(1,056,259)	(335,805)
Change in deferred acquisition cost	3,352,496	2,414,390	24,140,545	3,354,426
Other expenses	(8,852,356)	(4,098,525)	(28,693,636)	(5,930,108)
<b>Total</b>	<b>(308,647,665)</b>	<b>(101,269,656)</b>	<b>(260,842,644)</b>	<b>(85,756,521)</b>

Personnel expenses for the period ended September 30, 2020 and September 30, 2019; are as follows:

	January 1 - September 30, 2020	July 1 - September 30, 2020	January 1 - September 30, 2019	July 1 - September 30, 2019
Salaries	(98,932,971)	(33,735,061)	(88,406,538)	(29,577,503)
Commission and promotion expenses	(30,369,517)	(10,424,594)	(24,577,987)	(9,057,038)
Social security expenses	(19,561,347)	(5,961,971)	(17,173,150)	(5,569,367)
Other salary expenses	(25,201,450)	(6,111,849)	(13,803,608)	(3,090,498)
Other personnel expenses	(7,943,451)	(2,215,039)	(8,171,477)	(2,646,428)
Employee termination benefit expenses	(2,834,898)	(951,354)	(2,405,643)	(801,881)
Unused vacation expenses	(1,262,364)	645,342	363,427	986,648
Notice pay expense	(177,009)	(2,279)	(636,533)	(177,618)
<b>Total</b>	<b>(186,283,007)</b>	<b>(58,756,805)</b>	<b>(154,811,509)</b>	<b>(49,933,685)</b>

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 31. OTHER INCOME/(EXPENSE), NET

Other income and expenses for the periods ended September 30, 2020 and 2019 are as follows:

	January 1- September 30, 2020	July 1 - September 30, 2020	January 1- September 30, 2019	July 1 - September 30, 2019
<b>Other income:</b>				
Other technical income	802,314	303,274	46,656	46,656
<b>Other expense:</b>				
Other operating expense	(2,961,714)	(446,964)	(972,918)	(1,928)
Intangible asset write-off	(4,483,171)	(4,483,171)	-	-
Accrued subrogation expense	-	-	(9,421)	(9,421)
Other expense	(181,068)	532,255	(267,004)	(103,264)
<b>Total other income / (expense), net</b>	<b>(6,823,639)</b>	<b>(4,094,606)</b>	<b>(1,202,687)</b>	<b>(67,957)</b>

### 32. BLOCKED SECURITIES AND BANK DEPOSITS

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

	September 30, 2020	December 31, 2019
Blocked securities	1,981,927,793	1,200,246,754
Blocked bank deposits	59,733,078	98,984,103
<b>Total</b>	<b>2,041,660,871</b>	<b>1,299,230,857</b>

### 33. RELATED PARTY BALANCES AND TRANSACTIONS

As at September 30, 2020 and December 31, 2019 balances with related parties are as follows:

	September 30, 2020	December 31, 2019
Akbank T.A.Ş. - Credit card receivables	303,532,070	207,204,341
<b>Other cash and cash equivalents</b>	<b>303,532,070</b>	<b>207,204,341</b>
Akbank T.A.Ş.- Bank deposit	104,386,804	37,665,000
<b>Banks</b>	<b>104,386,804</b>	<b>37,665,000</b>

As of September 30, 2020 and December 31, 2019, The Group's portfolio of financial assets classified as held for trading and financial assets issued by related parties of the Group are as follows:

	September 30, 2020	December 31, 2019
<b>Other receivables from related parties</b>		
Akbank T.A.Ş.	-	3,114,021
Aksigorta A.Ş.	1,024,260	-
	<b>1,024,260</b>	<b>3,114,021</b>

AVIVASA EMEKLİLİK VE HAYAT A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

33. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	September 30, 2020	December 31, 2019
<b>Receivables from main operations</b>		
Sabancı Üniversitesi	197,863	84,614
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	643	93,337
Other	31,702	(122,365)
	<b>230,208</b>	<b>55,586</b>

	September 30, 2020	December 31, 2019
<b>Income accruals for the year</b>		
Akbank T.A.Ş.	33,855,788	-
	<b>33,855,788</b>	<b>-</b>

30 September 2020				
	Nominal value	Cost	Fair value	Book value
<i>Private sector bond</i>				
Enerjisa Elektrik Dağıtım A.Ş.	12,500,000	12,500,000	18,986,797	18,986,797
Çimsa Çimento Sanayi Ve Ticaret A.Ş.	4,000,000	4,000,000	4,019,151	4,019,151
<b>Financial assets</b>	<b>16,500,000</b>	<b>16,500,000</b>	<b>23,005,948</b>	<b>23,005,948</b>

31 December 2019				
	Nominal value	Cost	Fair value	Book value
<i>Private sector bonds</i>				
Enerjisa Elektrik Dağıtım A.Ş.	17,000,000	17,000,000	23,917,204	23,917,204
Çimsa Çimento Sanayi Ve Ticaret A.Ş.	4,000,000	4,000,000	4,015,201	4,015,201
<b>Financial assets</b>	<b>21,000,000</b>	<b>21,000,000</b>	<b>27,932,405</b>	<b>27,932,405</b>

	September 30, 2020	December 31, 2019
<b>Other payables to related parties</b>		
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	8,405,290	3,448,562
EnerjiSA Anadolu Yakası Elektrik Perakende Satış A.Ş.	63,705	92,558
TeknoSA İç ve Dış Tic. A.Ş.	50,881	-
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	17,290	-
EnerjiSA Başkent Elektrik Perakende Satış A.Ş.	418	-
Vista Turizm ve Seyahat A.Ş.	5,127	143,334
Ak Sigorta A.Ş.	(81,378)	471,577
Ak Portföy Yönetimi A.Ş.	-	917,164
	<b>8,461,333</b>	<b>5,073,195</b>

	September 30, 2020	December 31, 2019
<b>Advances given</b>		
Vista Turizm ve Seyahat A.Ş.	727,050	-
	<b>727,050</b>	<b>-</b>

**AVİVASA EMEKLİLİK VE HAYAT A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

**33. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)**

	September 30, 2020	December 31, 2019
<b>Payables from main operations</b>		
Akbank T.A.Ş.	26,117,040	42,251,264
Ak Portföy Yönetimi A.Ş.	2,996,165	3,718,833
Emeklilik Gözetim Merkezi A.Ş.	313,310	266,544
	<b>29,426,515</b>	<b>46,236,641</b>

	September 30, 2020	December 31, 2019
<b>Expense accruals</b>		
Hacı Ömer Sabancı Vakfı	9,291,192	-
Ak Portföy Yönetimi A.Ş.	2,103,794	-
Akbank T.A.Ş.	160,000	160,000
Aviva International Holdings Ltd.	-	93,318
	<b>11,554,986</b>	<b>253,318</b>

	September 30, 2020	December 31, 2019
<b>Income accruals for the month</b>		
Akbank T.A.Ş.	9,737,023	-
	<b>9,737,023</b>	<b>-</b>

	September 30, 2020	December 31, 2019
<b>Shareholders:</b>		
Hacı Ömer Sabancı Holding	24,073,015	21,884
Aviva International Holdings Ltd.	24,000,002	-
Other	12,319,017	242,351
<b>Payables to shareholders</b>	<b>60,392,034</b>	<b>264,235</b>

<b>Shareholders:</b>		
Aviva International Holdings Ltd.	4,264	23,568
<b>Receivables from shareholders</b>	<b>4,264</b>	<b>23,568</b>

Transactions with related parties for the period ended September 30, 2020 and September 30, 2019 are as follows:

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
<b>Services Purchased</b>				
Akbank T.A.Ş.	211,161,067	133,187,564	144,948,722	58,683,484
- Commission paid	209,736,067	132,712,564	143,341,024	58,208,484
- Paid administrative expenses	1,425,000	475,000	1,607,698	475,000
Bimsa Uluslararası İletişim ve Bilgi Sistemleri A.Ş.	29,848,053	10,580,349	21,526,112	8,233,074
Ak Portföy Yönetimi A.Ş.	25,174,066	9,023,809	17,950,666	6,863,019
Emeklilik Gözetim Merkezi A.Ş.	2,819,567	945,705	2,418,194	815,163
Vista Turizm ve Seyahat A.Ş.	1,827,035	23,091	4,654,241	1,542,507
AkSigorta A.Ş.	790,558	262,947	3,777,875	1,143,237
Anadolu Yakası Elektrik Dağıtım A.Ş.	680,864	202,910	750,982	243,872
Teknosa İç ve Dış Ticaret A.Ş.	412,410	184,910	376,628	140,888
Other	732,249	127,227	990,778	90,712
	<b>273,445,869</b>	<b>154,538,512</b>	<b>197,394,198</b>	<b>77,755,956</b>

# AVIVASA EMEKLİLİK VE HAYAT A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

### 33. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
<b>Financial income</b>				
Akbank (interest income)	28,252,742	19,767,766	24,707,787	5,747,931
Enerjisa Enerji A.Ş.	586,150	425,500	674,450	151,200
Çimsa Çimento San,ve Tic, A.Ş.	200,912	200,912	520,375	271,704
Akyatırım (liquidity provider)	47,755	32,143	69,236	31,111
Ak Finansal Kiralama A.Ş.	-	-	168,315	-
	<b>29,087,559</b>	<b>20,426,321</b>	<b>26,140,163</b>	<b>6,201,946</b>
	1 January- 30 September 2020	1 July- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2019
<b>Services Provided</b>				
Enerjisa Elektrik Üretim A.Ş. and subsidiaries	1,411,866	(22,093)	1,296,722	5,466
Kordsa Global Endüstriyel İplik ve Kordbezi San. ve Tic A.Ş.	886,888	(8,370)	738,400	(10,953)
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	722,039	(4,431)	629,340	(5,647)
Akbank T.A.Ş. and subsidiaries	544,080	6,455	473,452	(2,834)
Çimsa Çimento Sanayi ve Ticaret A.Ş. and subsidiaries	390,986	(802)	331,142	5,210
Enerjisa Enerji Üretim A.Ş. ve subsidiaries	392,349	5,162	346,776	6,833
Akçansa Çimento Sanayi ve Ticaret A.Ş. and subsidiaries	301,818	234	264,010	(3,755)
Aksigorta A.Ş.	286,351	223	244,961	950
Temsa Global Sanayi and Ticaret A.Ş. and subsidiaries	280,147	1,121	481,290	(11,681)
Teknosa İç ve Dış Ticaret A.Ş. and subsidiaries	209,873	(1,443)	172,041	712
Bimsa Uluslararası İş. Bilgi ve Yönetim Sistemleri A.Ş.	203,787	1,753	166,453	(130,837)
Yünsa Yünlü Sanayi ve Ticaret A.Ş.	58,724	(2,127)	142,917	(449)
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	10,548	-	8,833	-
Sabancı Üniversitesi	199,125	189,191	191,334	5,420
Other	229,451	2,882	240,317	839
	<b>6,128,032</b>	<b>167,755</b>	<b>5,727,988</b>	<b>(140,726)</b>

#### Benefits provided to executive management

For the period ended September 30, 2020 and 2019, wages and other benefits provided to Chairman and members of the Board of Directors, general manager, general coordinator, senior managers and assistant general managers are TL 9,664,275 and TL 9,104,773 respectively.

### 34. CONTINGENCIES

#### Provision for lawsuits

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

## AVIVASA EMEKLİLİK VE HAYAT A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2020

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

#### 34. CONTINGENCIES (Continued)

##### Provision for lawsuits (Continued)

As at September 30, 2020 and December 31, 2019; provisions for lawsuits against the Group are as follows:

	September 30, 2020	December 31, 2019
<b>Lawsuits provision under other provision:</b>	<b>11,336,388</b>	<b>10,457,201</b>
Insurance lawsuits against the Group	2,707,128	2,562,359
Business lawsuits against the Group	5,998,967	5,264,549
Other lawsuits against the Group	2,630,293	2,630,293
<b>Lawsuits provision under claims provision</b>	<b>26,498,239</b>	<b>24,938,606</b>
<b>Total lawsuits provision</b>	<b>37,834,627</b>	<b>35,395,807</b>

#### 35. COMMITMENTS

As at September 30, 2020 and December 31, 2019, total insurance risk accepted by the Group under normal courses of the insurance business is detailed in Note 4.

As at September 30, 2020 and December 31, 2019, letters of guarantee given to suppliers and government institutions are as follows:

	September 30, 2020	December 31, 2019
Letters of guarantee	9,034,923	9,723,771
<b>Total</b>	<b>9,034,923</b>	<b>9,723,771</b>

#### 36. SUBSEQUENT EVENTS

The Group's consolidated financial statements as of 30 September 2020 is approved at 26 October 2020 by the Board of Directors.

.....