

**AVİVASA EMEKLİLİK VE HAYAT
ANONİM ŞİRKETİ**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 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 31 March 2020 and the related consolidated statements of income, consolidated other comprehensive income, consolidated changes in equity and consolidated cash flows for the three-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 31 March 2020, and its financial performance and its cash flows for the three - 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, 6 May 2020

AVIVASA EMEKLİLİK VE HAYAT ANONİM ŞİRKETİ

THE CONSOLIDATED FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 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, 6 May 2020



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



Erkan Şahinler
Assistant General Manager
Finance



Zehra Ersen Altınok
Group Manager
Accounting&Finance



Nevin Mermer
Actuary

AVIVASA EMEKLİLİK VE HAYAT A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2020**

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

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AVIVASA EMEKLİLİK VE HAYAT A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL POSITION FOR THE PERIOD ENDED MARCH 31, 2020

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

Assets	Note	Restated (Note 1.1)	
		March 31, 2020	December 31, 2019
Cash and cash equivalents	5	601,841,989	398,527,876
Financial assets	6	1,640,337,972	1,771,746,764
Premium and other insurance receivables	8	38,076,812	37,011,109
Reinsurance share of insurance liabilities	7,21	16,298,241	15,815,927
Deferred expenses	19	493,500,589	478,231,925
Other financial assets	13	868,012	868,012
Pension business receivables	9	244,632,597	212,976,185
Right of use assets	11	30,595,633	32,890,742
Property and equipment, net	11	28,134,376	27,435,735
Intangible assets, net	12	64,062,053	58,535,130
Other assets	10	19,801,181	9,720,417
Total assets		3,178,149,455	3,043,759,822
Liabilities			
Lease liabilities	14	34,187,090	35,733,545
Due to insurance and reinsurance companies	15	35,830,055	43,940,869
Pension business payables	9	495,879,477	486,090,486
Insurance contract liabilities	21	1,670,751,666	1,443,817,209
Provision for employment termination benefits	18	15,908,081	15,971,826
Deferred tax liabilities	17	55,890,655	71,023,837
Current tax liabilities	17	12,823,741	11,437,773
Other payables and liabilities	20	135,741,288	46,051,457
Other provisions	16	36,501,098	37,758,216
Total liabilities		2,493,513,151	2,191,825,218
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	(60,921,246)	(294,093)
Other capital reserves	22	837,095	837,095
Profit reserves	22	184,865,334	135,728,079
Retained earnings	22	326,841,790	278,131,574
Profit for the period	23	53,013,331	257,531,949
Equity attributable to the owners of the Group		684,636,304	851,934,604
Total equity and liabilities		3,178,149,455	3,043,759,822

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 MARCH 31, 2020**

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

		Restated (Note 1.1)	
	Note	January 1 - March 31, 2020	January 1 - March 31, 2019
Income:			
Gross written premiums	24	327,941,396	177,426,075
Premium ceded to reinsurers	24	(5,089,266)	(6,653,873)
Premium written net of reinsurance	24	322,852,130	170,772,202
Net change in provision for unearned premiums reserves		2,173,982	(17,926,516)
Net premiums earned		325,026,112	152,845,686
Net change in mathematical reserves		(135,923,406)	(40,410,286)
Income generated from pension business	25	103,182,226	96,514,598
Investment and other income	28	26,427,931	18,763,485
Commission income	27	1,513,888	1,506,570
Foreign exchange gains/(losses), net	26	4,824,778	14,279,347
Other (expense)/income, net	31	269,028	-
Total income		325,320,557	243,499,400
Expenses:			
Claims paid and change in outstanding claims provisions	21	(58,043,325)	(25,717,087)
General and administrative expenses	30	(108,593,567)	(88,733,456)
Pension expenses including commission	29	(33,392,726)	(30,805,669)
Commission expense	27	(56,930,958)	(25,986,056)
Other (expense)/income, net	31	-	(664,380)
Total expenses		(256,960,576)	(171,906,648)
Profit before taxes		68,359,981	71,592,752
Income tax expense (-)	17	(15,346,650)	(16,857,933)
Profit for the period		53,013,331	54,734,819
Earnings per share (TL 0.01 nominal value per share)	23	0.0029	0.0030

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 MARCH 31, 2020**

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

		Restated (Note 1.1)	
	Note	January 1 - March 31, 2020	January 1 - March 31, 2019
Profit for the year		53,013,331	54,734,819
Other comprehensive income:			
Items that may be reclassified subsequently to profit or (loss):			
Net gain/(loss) on available-for-sale assets		(77,727,120)	(18,368,167)
Deferred tax relating to components of other comprehensive income		17,099,967	4,040,997
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent years		(60,627,153)	(14,327,170)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/ (loss) on employee termination benefits		404,515	(1,715,547)
Deferred tax relating to actuarial gain/ (loss)		(88,993)	377,421
Net other comprehensive gain/ (loss) not being reclassified to profit or loss in subsequent years		315,522	(1,338,126)
Other comprehensive income / (loss), net of tax		(60,311,631)	(15,665,296)
Total comprehensive income, net of tax		(7,298,300)	39,069,523

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 MARCH 31, 2020

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

		Restated (Note 1.1)	
	Note	January 1 - March 31, 2020	January 1 - March 31, 2019
Cash flows from operating activities:			
Profit for the period		53,013,331	54,734,819
Income taxes	17	15,346,650	16,857,933
Depreciation and amortization	30	9,002,114	6,796,201
Interest income	28	(24,674,505)	(17,747,976)
Unrealized exchange rates (gains) / losses from cash and cash equivalents		(5,126,663)	(16,260,296)
Unrealized Exchange rates (gains) / losses from financial assets	6	(110,090,158)	(52,149,050)
Fair value changes in marketable securities	6	15,924,078	33,637,242
Change in claims provision	21	57,577,491	25,879,910
Change in life mathematical reserves	21	248,767,168	97,225,686
Change in provision for unearned premiums reserves	21	(1,437,515)	20,176,545
Change in provision for employment termination benefits	18	988,568	801,855
Change in blockage	5	(12,028,454)	(196,580,522)
Operating profit before changes in operating assets / liabilities		247,262,105	(26,627,653)
Changes in operating assets and liabilities:			
Change in premium and other insurance receivables	8,21	(1,548,017)	(7,250,373)
Change in other assets	10	(10,080,764)	(10,075,361)
Change in deferred expenses	19	(15,268,664)	(20,633,808)
Change in pension business receivables	9	(31,656,412)	(44,345,409)
Change in pension business payables	9	9,788,991	51,664,473
Corporate taxes paid		(10,120,467)	(8,118,606)
Cash paid for claims settled during the year, net	21	(58,838,073)	(26,036,180)
Employment termination benefits paid	18	(647,798)	(1,738,047)
Change in other liabilities		79,971,915	80,377,063
Net cash provided from / (used in) operating activities		208,862,816	(12,783,901)
Cash flows from investing activities:			
Acquisition of property and equipment	11	(2,648,843)	(2,876,169)
Acquisition of intangible assets	12	(10,065,028)	(5,360,431)
Purchases of financial assets	6	(1,838,055,874)	(384,519,587)
Proceeds from sale of financial assets	6	1,965,497,195	315,314,002
Interest received	28	27,030,642	16,794,292
Net cash provided by investing activities		141,758,092	(60,647,893)
Dividend payment		(160,000,000)	(100,000,000)
Paid rent for lease liabilities	14	(3,897,830)	(3,241,438)
Net cash provided by/(used in) financing activities		(163,897,830)	(103,241,438)
Effect of exchange rates on cash and cash equivalents		5,126,663	16,260,296
Net increase in cash and cash equivalents		191,849,741	(160,412,936)
Cash and cash equivalents at the beginning of the year		280,374,521	515,080,209
Cash and cash equivalents at the end of the period		472,224,262	354,667,273

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 MARCH 31, 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 for the three month period ended 31 March 2020. As such these comparative interim consolidated financial statements have been restated.

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

1 January 2019	Previously Reported	Effect of Restatement	Restated
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

31 December 2019	Previously Reported	Effect of Restatement	Restated
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

1 January – 31 March 2019	Previously Reported	Effect of Restatement	Restated
General and administrative expenses	(90,564,540)	1,831,084	(88,733,456)
Commission expense	(28,552,548)	2,566,492	(25,986,056)
Income tax expense (-)	(15,890,466)	-967,467	(16,857,933)
Profit before taxes	67,195,175	4,397,577	71,592,752
Profit for the period	51,304,709	3,430,110	54,734,819
Earnings / (Loss) per Share	0.0029	0.0002	0.0031

AVİVASA EMEKLİLİK VE HAYAT A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 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 March 31, 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 MARCH 31, 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 March 31, 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 1,357 employees for the period ended March 31, 2020 (1 January - December 31, 2019: 1,429).

The accompanying consolidated financial statements of the Group for the year ended March 31, 2020 were authorised for issue in accordance with a resolution of the directors on May 6, 2020.

As of March 31, 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

AVİVASA EMEKLİLİK VE HAYAT A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2020

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

1. GENERAL INFORMATION (Continued)

1.2 Corporate Information (Continued)

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

Share certificates in circulation	March 31, 2020		December 31, 2019	
	Number of Share Certificates	Net Asset Value (TL)	Number of Share Certificates	Net Asset Value (TL)
AvivaSA Emeklilik ve Hayat A.Ş.Karma Emeklilik Yatırım Fonu	881,683,190	54,230,570	919,780,373	61,893,861
AvivaSA Emeklilik ve Hayat A.Ş.Agresif Değişken Emeklilik Yatırım Fonu	1,180,923,286	69,513,868	1,224,191,665	83,885,285
AvivaSA Emeklilik ve Hayat A.Ş.Dış Borçlanma Araçları Emeklilik Yatırım Fonu	24,984,808,830	2,011,601,913	25,574,352,579	2,088,810,821
AvivaSA Emeklilik ve Hayat A.Ş.Uzun Vadeli Borçlanma Araçları Emeklilik Yatırım Fonu	2,415,855,745	169,073,664	2,570,204,158	178,092,016
AvivaSA Emeklilik ve Hayat A.Ş..İkinci Para Piyasası Emeklilik Yatırım Fonu	2,155,926,275	134,118,018	2,269,124,573	137,792,590
AvivaSA Emeklilik ve Hayat A.Ş..İkinci Değişken Emeklilik Yatırım Fonu	3,327,406,441	159,369,459	2,996,048,181	131,853,084
AvivaSA Emeklilik ve Hayat A.Ş.Uzun Vadeli Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	22,521,529,634	1,683,191,560	22,319,183,776	1,689,874,680
AvivaSA Emeklilik ve Hayat A.Ş.Temettü Ödeyen Şirketler Hisse Senedi Emeklilik Yatırım Fonu	1,609,111,181	52,996,077	1,545,678,790	61,496,376
AvivaSA Emeklilik ve Hayat A.Ş.Birinci Para Piyasası Emeklilik Yatırım Fonu	43,679,395,563	2,889,654,093	44,560,624,084	2,877,858,785
AvivaSA Emeklilik ve Hayat A.Ş..Borçlanma Araçları Emeklilik Yatırım Fonu	44,061,673,936	3,006,019,581	44,963,909,999	3,042,977,573
AvivaSA Emeklilik ve Hayat A.Ş..Dinamik Değişken Emeklilik Yatırım Fonu	30,328,843,569	1,995,546,920	31,197,177,070	2,257,864,493
AvivaSA Emeklilik ve Hayat A.Ş.Birinci Değişken Emeklilik Yatırım Fonu	18,474,510,925	1,007,174,912	18,890,575,604	1,089,476,167
AvivaSA Emeklilik ve Hayat A.Ş.Hisse Senedi Emeklilik Yatırım Fonu	15,405,033,235	953,848,848	14,276,379,004	1,137,113,588
AvivaSA Emeklilik ve Hayat A.Ş.Borçlanma Araçları Grup Emeklilik Yatırım Fonu	5,871,617,639	338,275,635	6,000,565,928	341,798,236
AvivaSA Emeklilik ve Hayat A.Ş..Muhafazakar Değişken Emeklilik Yatırım Fonu	2,584,508,423	165,496,412	2,671,654,722	167,186,809
AvivaSA Emeklilik ve Hayat A.Ş..Hisse Senedi Grup Emeklilik Yatırım Fonu	1,536,848,078	94,697,505	1,487,617,507	117,555,998
AvivaSA Emeklilik ve Hayat A.Ş.Karma Grup Emeklilik Yatırım Fonu	1,186,137,591	28,049,782	1,223,066,798	31,599,154
AvivaSA Emeklilik ve Hayat A.Ş.Dengeli Değişken Emeklilik Yatırım Fonu	306,332,049	6,610,646	298,504,533	6,733,964
AvivaSA Emeklilik ve Hayat A.Ş..Katı Emeklilik Yatırım Fonu	174,063,217,457	2,956,289,685	171,874,805,093	3,031,184,063
AvivaSA Emeklilik ve Hayat A.Ş..Standart Emeklilik Yatırım Fonu	12,470,646,220	204,605,893	12,758,499,674	215,848,297
AvivaSA Emeklilik ve Hayat A.Ş.Altın Emeklilik Yatırım Fonu	123,979,985,531	4,555,520,588	109,028,024,914	3,389,790,323
AvivaSA Emeklilik ve Hayat A.Ş.B.R.I.C Ülkeleri Yabancı Değişken Emeklilik Yatırım Fonu	3,741,324,467	103,615,981	4,325,544,077	157,653,105
AvivaSA Emeklilik ve Hayat A.Ş.Özel Sektör Borçlanma Araçları Emeklilik Yatırım Fonu	2,534,656,074	55,841,008	2,180,121,926	46,868,261
AvivaSA Emeklilik ve Hayat A.Ş.Başlangıç Emeklilik Yatırım Fonu	4,741,287,579	76,505,416	5,474,213,980	86,186,025
AvivaSA Emeklilik ve Hayat A.Ş..Başlangıç Katılım Emeklilik Yatırım Fonu	3,922,938,910	60,201,420	4,407,819,172	66,231,891
AvivaSA Emeklilik ve Hayat A.Ş.OKS Dinamik Katılım Değişken EYF	283,747,392	4,024,106	231,060,160	3,384,338
AvivaSA Emeklilik ve Hayat A.Ş. OKS Agresif Katılım Değişken EYF	323,776,272	4,551,647	196,605,779	2,911,338
AvivaSA Emeklilik ve Hayat A.Ş.OKS Muhafazakar Değişken EYF	543,170,875	7,723,890	404,753,636	5,617,576
AvivaSA Emeklilik ve Hayat A.Ş. OKS Dengeli Değişken EYF	493,412,108	6,342,813	363,266,002	4,865,585
AvivaSA Emeklilik ve Hayat A.Ş. OKS Dinamik Değişken EYF	491,661,972	5,941,243	361,063,887	4,776,153
AvivaSA Emeklilik ve Hayat A.Ş. OKS Agresif Değişken EYF	601,016,374	6,480,159	424,502,584	5,314,348
AvivaSA Emeklilik ve Hayat A.Ş. OKS Standart Emeklilik Yatırım Fonu	32,168,193,811	420,631,302	30,041,107,993	394,349,625
AvivaSA Emeklilik ve Hayat A.Ş. OKS Katılım Standart Emeklilik Yatırım Fonu	15,787,125,441	219,804,147	14,557,251,183	201,268,555
AvivaSA Emeklilik ve Hayat A.Ş. Katılım Katkı Emeklilik Yatırım Fonu	2,339,031	29,781	1,732,990	21,969
AvivaSA Emeklilik ve Hayat A.Ş. Katılım Standart Emeklilik Yatırım Fonu	288,113	4,382	392,847	5,994
	598,660,933,217	23,507,582,924	581,619,405,241	23,120,140,926

Participation certificates at the Group	March 31, 2020		December 31, 2019	
	Number of Share Certificates	Net Asset Value (TL)	Number of Share Certificates	Net Asset Value (TL)
AvivaSA Emeklilik ve Hayat A.Ş. Katılım Standart EYF	38,981,314	592,906	38,988,726	594,851
	38,981,314	592,906	38,988,726	594,851

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.

AVIVASA EMEKLİLİK VE HAYAT A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2020

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

2. ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised 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 unrealised 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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 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 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 8 years for the average duration of the portfolio in line with the 8 years DAC amortization period estimate (31 December 2018: 9 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.

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.

AVIVASA EMEKLİLİK VE HAYAT A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 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 (Continued)

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.

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.

AVIVASA EMEKLİLİK VE HAYAT A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2020

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

2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

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 recognised 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 on 1 January 2019 was 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 MARCH 31, 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 THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 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
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(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.

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FOR THE PERIOD ENDED MARCH 31, 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 unrecognised.

- 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 criteria 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 amortised over the expected life of the contracts as a constant percentage of expected premiums. DAC for personal accident insurance products are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation 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 eight years for pension contracts and as six 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 amortisation 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.

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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

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.

Pension business

The Group provides group and individual plans to customers.

The Group offers 35 pension investment funds (2018: 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Pension business (Continued)

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 6,730 effective as of March 31, 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 March 31, 2020 and December 31, 2019 is as follows:

	March 31, 2020 %	December 31, 2019 %
Expected rate of salary/limit increase	7.80	8.67
Discount rate	13.90	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.

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.

AVIVASA EMEKLİLİK VE HAYAT A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2020

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2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

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 realised 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 March 31, 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 temporary differences expected to be realized / closed after 2020, 20% tax rate is used.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2020

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

2. ACCOUNTING POLICIES (Continued)

2.3 Summary of significant accounting policies (Continued)

Related parties (Continued)

- (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:

	March 31, 2020		December 31, 2019	
	USD / TL	Euro / TL	USD / TL	Euro / TL
Bid Rates	6.5616	7.215	5.9402	6.6506
Ask Rates	6.5375	7.2389	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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. ACCOUNTING POLICIES (Continued)

2.4 Changes in accounting policy and disclosures (Continued)

a) Standards, amendments and interpretations applicable as at 31 March 2020:

- **Amendment to IFRS 9, ‘Financial instruments’;** effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.
- **Amendment to IAS 28, ‘Investments in associates and joint venture’;** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.
- **IFRS 16, ‘Leases’;** effective from annual periods beginning on or after 1 January 2019. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **IFRIC 23, ‘Uncertainty over income tax treatments’;** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.
- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - IFRS 3, ‘Business combinations’, – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - IFRS 11, ‘Joint arrangements’, – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12, ‘Income taxes’ – a company accounts for all income tax consequences of dividend payments in the same way.
 - IAS 23, ‘Borrowing costs’ – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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2. ACCOUNTING POLICIES (Continued)

2.4 Changes in accounting policy and disclosures (Continued)

a) Standards, amendments and interpretations applicable as at 31 March 2020 (Continued):

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

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

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

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

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

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

b) Standards, amendments and interpretations that are issued but not effective as at 31 March 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.

- **Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities;** effective from 1 January 2023. 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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. ACCOUNTING POLICIES (Continued)

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

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 March 31, 2020, the estimated life time of the pension and ROP contracts is defined as eight years and six years respectively. The amount of DAC is subject to Liability Adequacy Test each year. The Group has applied straight line method for the amortisation of DAC in the average-life time of the contracts.

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 applies eight years of amortisation period which is in line with DAC.

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.

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2. ACCOUNTING POLICIES (Continued)

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

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.

Since the virus began to spread in Europe and neighboring countries in February, all the international business trips of the employees were cancelled and it was recommended to cancel if there were any special-purpose international travels. In line with the public health guidelines announced by the World Health Organization and the Ministry of Health, the employees are regularly informed about this by bringing the health and safety measures in their workplace to the highest level.

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.

The company monitors closely the customer promotion activities within the scope of its customer-oriented service strategy. In this process, the developments in the sector and all customer movements are closely observed in order to take the necessary actions timely.

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 30.9.2020. 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.***

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 instalment is reseeded under payables to shareholders account in the financial statement.

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2. ACCOUNTING POLICIES (Continued)

2.6 Covid-19 (Continued)

The Company has paid 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 the shareholders. However, the payment of the second instalment will be evaluated within the scope of the new laws and amendments about “Reducing the Effects of 7244 NewCoronavirus (Covid-19) Epidemic on Economic and Social Life”

- *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 assesment.*
- *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*

The Company has paused the face-to-face customer meetings held by its sales teams, 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 this practice, The Company has applied for individual short-time work allowance under the relevant law article for sales staff.

Corporation tax

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

Significant alterations in the company. Tariff changes, strategy changes

Regarding to the precautions of Covid-19 epidemic announcement No. 36908670-010.07.02-E-221551, dated 25.03.2020 Turkish Ministry of Treasury and Finance General Directorate of Insurance have declared that additional 1 month has been granted to the policyholder for annulment in case the premium is not collected.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2020

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

3. SEGMENT INFORMATION (Continued)

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.

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:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2020

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

3. SEGMENT INFORMATION (Continued)

January 1 - March 31, 2020	Life Insurance				Total	Reconciliation to statement of profit and loss			Statement of profit or loss
	Pension	Life protection	Life savings	Personal accident		Commissions expenses	Other	Net change in mathematical reserves	
Gross written premiums	-	304,640,566	2,080,385	21,220,445	327,941,396	-	-	-	327,941,396
Premium ceded to reinsurers	-	(2,883,458)	(121,982)	(2,083,826)	(5,089,266)	-	-	-	(5,089,266)
Premium written net of reinsurance	-	301,757,108	1,958,403	19,136,619	322,852,130	-	-	-	322,852,130
Net change in mathematical reserves	-	(147,459,586)	11,536,180	-	(135,923,406)	-	-	135,923,406	-
Net change in provision for unearned premiums reserves	-	2,286,378	14,910	(127,306)	2,173,982	-	-	-	2,173,982
Net premiums earned	-	156,583,900	13,509,493	19,009,313	189,102,706	-	-	135,923,406	325,026,112
Net change in mathematical reserves	-	-	-	-	-	-	-	(135,923,406)	(135,923,406)
Claim paid and change in outstanding claims	-	(44,542,498)	(12,715,888)	(784,939)	(58,043,325)	-	-	-	(58,043,325)
Commission income	-	896,519	5,792	611,577	1,513,888	-	-	-	1,513,888
Commission expense	-	(48,706,472)	-	(9,678,652)	(58,385,124)	1,454,166	-	-	(56,930,958)
Commission expense	-	(56,745,097)	-	(9,678,652)	(66,423,749)	1,454,166	-	-	(64,969,583)
DAC	-	8,038,625	-	-	8,038,625	-	-	-	8,038,625
Other income / (expense), net	-	12,531,841	-	566,228	13,098,069	-	119,739	-	13,217,808
Life and personal accident technical profit	-	76,763,290	799,397	9,723,527	87,286,214	-	-	-	-
Fund management charge	74,535,831	-	-	-	74,535,831	-	-	-	74,535,831
Management fee	988,437	-	-	-	988,437	-	-	-	988,437
Account management fee, net of DIR	20,612,563	-	-	-	20,612,563	-	-	-	20,612,563
Account management fee	26,567,602	-	-	-	26,567,602	-	-	-	26,567,602
DIR	(5,955,039)	-	-	-	(5,955,039)	-	-	-	(5,955,039)
Premium holiday charges	-	-	-	-	-	-	-	-	-
Deferred fee	6,833,672	-	-	-	6,833,672	-	-	-	6,833,672
Entry and deferred entry fees income	211,723	-	-	-	211,723	-	-	-	211,723
Pension income	103,182,226	-	-	-	103,182,226	-	-	-	103,182,226
Fund management charge	(7,887,314)	-	-	-	(7,887,314)	-	-	-	(7,887,314)
Commission expense, net of DAC	(23,203,342)	-	-	-	(23,203,342)	2,870,819	-	-	(20,332,523)
Commission expense	(27,063,242)	-	-	-	(27,063,242)	2,870,819	-	-	(24,192,423)
DAC	3,859,900	-	-	-	3,859,900	-	-	-	3,859,900
Other income / (expense), net	(5,172,889)	-	-	-	(5,172,889)	-	-	-	(5,172,889)
Pension expenses including commission	(36,263,545)	-	-	-	(36,263,545)	2,870,819	-	-	(33,392,726)
Pension technical profit	66,918,681	-	-	-	66,918,681	-	-	-	-
Total technical profit	66,918,681	76,763,290	799,397	9,723,527	154,204,895	-	-	-	-
General and administrative expenses	-	-	-	-	(102,906,315)	-	-	-	(102,906,315)
Net technical profit after overhead expenses	66,918,681	76,763,290	799,397	9,723,527	51,298,580	-	-	-	-
Foreign exchange gain/(loss), net	-	-	-	-	6,237,167	-	-	-	6,237,167
Investment and other income/(expense), net	-	-	-	-	10,824,234	-	-	-	10,824,234
Net financial income	-	-	-	-	17,061,401	-	-	-	17,061,401
Profit before taxes	-	-	-	-	68,359,981	-	-	-	68,359,981
Income tax expense	-	-	-	-	(15,346,650)	-	-	-	(15,346,650)
Profit for the period	-	-	-	-	53,013,331	-	-	-	53,013,331

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2020

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

3. SEGMENT INFORMATION (Continued)

January 1 - March 31, 2019	Life Insurance					Reconciliation to statement of profit or loss			
	Pension	Life protection	Life savings	Personal accident	Total	Commissions expenses	Other expenses	Net change in mathematical reserves	Statement of profit or loss
Gross written premiums	-	149,428,749	2,228,135	25,769,191	177,426,075	-	-	-	177,426,075
Premium ceded to reinsurers	-	(5,289,341)	(75,137)	(1,289,395)	(6,653,873)	-	-	-	(6,653,873)
Premium written net of reinsurance	-	144,139,408	2,152,998	24,479,796	170,772,202	-	-	-	170,772,202
Net change in mathematical reserves	-	(51,999,528)	11,589,243	-	(40,410,285)	-	-	40,410,285	-
Net change in provision for unearned premiums reserves	-	(11,691,321)	7,731	(6,242,926)	(17,926,516)	-	-	-	(17,926,516)
Net premiums earned	-	80,448,559	13,749,972	18,236,870	112,435,401	-	-	40,410,285	152,845,686
Net change in mathematical reserves	-	-	-	-	-	-	-	(40,410,285)	(40,410,285)
Claim paid and change in outstanding claims	-	(11,792,198)	(12,637,311)	(1,287,578)	(25,717,087)	-	-	-	(25,717,087)
Commission income	-	1,234,325	9,414	262,831	1,506,570	-	-	-	1,506,570
Commission expense	-	(17,682,312)	(2,215)	(8,609,173)	(26,293,700)	307,644	-	-	(25,986,056)
<i>Commission expense</i>	-	(26,293,806)	(2,215)	(8,609,173)	(34,905,194)	307,644	-	-	(34,597,550)
<i>DAC</i>	-	8,611,494	-	-	8,611,494	-	-	-	8,611,494
Other income / (expense), net	-	6,678,788	-	(87,443)	6,591,345	-	87,227	-	6,678,572
Life and personal accident technical profit	-	58,887,162	1,119,860	8,515,507	68,522,529	-	-	-	-
Fund management charge	58,673,674	-	-	-	58,673,674	-	-	-	58,673,674
Management fee	2,141,856	-	-	-	2,141,856	-	-	-	2,141,856
<i>Account management fee, net of DIR</i>	23,524,965	-	-	-	23,524,966	-	-	-	23,524,966
<i>Account management fee</i>	24,271,221	-	-	-	24,271,222	-	-	-	24,271,222
<i>DIR</i>	(746,256)	-	-	-	(746,256)	-	-	-	(746,256)
Premium holiday charge	-	-	-	-	-	-	-	-	-
Deferred fee	11,652,090	-	-	-	11,652,090	-	-	-	11,652,090
Entry and deferred entry fees income	522,013	-	-	-	522,013	-	-	-	522,012
Pension income	96,514,598	-	-	-	96,514,599	-	-	-	96,514,599
Fund management charge	(6,086,234)	-	-	-	(6,086,234)	-	-	-	(6,086,234)
Commission expense, net of DAC	(19,969,735)	-	-	-	(19,969,736)	(34,382)	-	-	(20,004,118)
<i>Commission expense</i>	(16,869,630)	-	-	-	(16,869,630)	(34,382)	-	-	(16,904,012)
<i>DAC</i>	(3,100,105)	-	-	-	(3,100,106)	-	-	-	(3,100,106)
Other income/(expense), net	(4,715,318)	-	-	-	(4,715,318)	-	-	-	(4,715,318)
Pension expenses including commission	(30,771,287)	-	-	-	(30,771,288)	(34,382)	-	-	(30,805,670)
Pension technical profit	65,743,311	-	-	-	65,743,311	-	-	-	-
Total technical profit	65,743,311	58,887,162	1,119,860	8,515,507	134,265,840	-	-	-	-
General and administrative expenses	-	-	-	-	(86,763,207)	-	-	-	(86,763,207)
Net technical profit after overhead expenses	-	-	-	-	47,502,633	-	-	-	-
Foreign exchange gain/(loss), net	-	-	-	-	14,279,346	-	-	-	14,279,346
Investment income/(expense), net	-	-	-	-	9,810,773	-	-	-	9,810,773
Net financial income	-	-	-	-	24,090,119	-	-	-	-
Profit before taxes	-	-	-	-	71,592,752	-	-	-	-
Income tax expense	-	-	-	-	(16,857,933)	-	-	-	(16,857,933)
Profit for the year	-	-	-	-	54,734,819	-	-	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(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 Communiqué, 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.

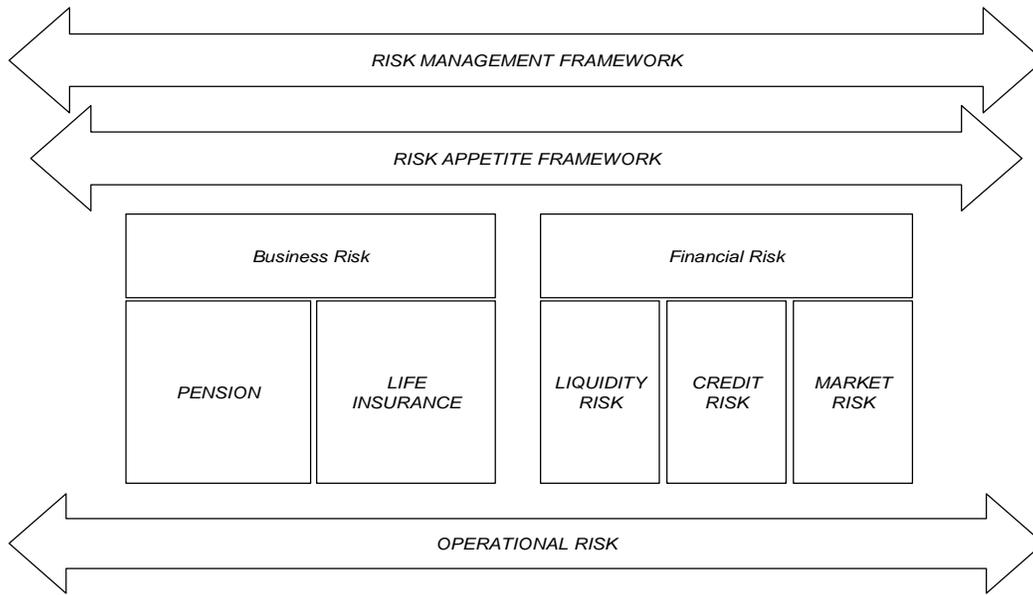
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2020**

(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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2020

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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 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.

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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 March 31, 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	March 31, 2020	December 31, 2019
Life	3%	4%
Personal Accident (Casualty)	5%	5%

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

March 31, 2020							
Life							
Natural death	Accidental Death	Accidental disability	Sickness disability	Dangerous Sickness	Public Transport	Unemployment	Accidental Treatment Cost
7.83%	11.71%	25.27%	29.89%	48.12%	14.77%	100.00%	1.72%
Personal Accident							
Accidental death	Accidental disability			Accidental treatment cost		Unemployment	
17.15%	26.66%			0.06%		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 March 31, 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):

March 31, 2020	Total gross risk liability	Share of reinsurer	
		in total risk liability	Net risk liability
Life	55,029,313,389	4,308,478,073	50,720,835,316
Personal Accident	37,265,044,159	7,969,897,474	29,295,146,685
Total	92,294,357,548	12,278,375,547	80,015,982,001
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
Total	90,967,480,492	11,515,326,277	79,452,154,215

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(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 March 31, 2020 and December 31, 2019 are as follows:

Outstanding Claims	March 31, 2020	December 31, 2019
Life	59,724,803	60,490,381
Personal Accident	8,636,355	9,131,358
Total	68,361,158	69,621,739

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 March 31, 2020 and December 31, 2019 are as follows:

At March 31, 2020, on condition that all variables remain constant, effect of a 10% appreciation/devaluation of Eurobonds against TL on owners' equity is TL 7,373,355/ (7,373,355). As at December 31, 2019, on condition that all variables remain constant, effect of a 10% appreciation/devaluation of Eurobonds against TL on owners' equity is TL 5,906,358/ (5,906,358).

March 31, 2020:

Liabilities and assets in foreign currency	Effect on income/expense		
	USD (*)	EUR (*)	GBP (*)
Exchange rate variation (*)			
10%	(11,117,500)	(104,201)	(10,231)
-10%	(11,117,500)	104,201	10,231

March 31, 2019:

Liabilities and assets in foreign currency	Effect on income/expense		
	USD (*)	EUR (*)	GBP (*)
Exchange rate variation (*)			
10%	(3.291.540)	(391.209)	(1.256)
-10%	3.291.540	391.209	1.256

(*) All amounts are presented in TL.

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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 the effect on the statement of profit or loss of a 5% and 1% increase/(decrease) in market interest rates for TL securities, as well as of a 0,5 % increase/(decrease) for USD and EURO securities. The underlying logic used in this projection is that a discount interest rate applicable for each year with effect of the stresses set in different rates by respective years is found using the upward-downward variation which might occur in average market interest rates and that market value of securities are then discounted at such rate in connection with their respective maturity period.

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 March 31, 2020 :

Total of trading and available for sale financial assets Market interest increase / (decrease) (**)	Effect Profit and Loss		
	TL	USD (*)	EUR (*)
5%	(49,034,843)	(14,698,996)	(32,968)
-5%	47,338,330	11,229,090	33,129
1%	(10,616,761)	(28,589,153)	(65,777)
-1%	8,866,669	23,146,935	66,420

(*) Amounts are presented in TL.

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

As at March 31, 2019 :

Total of trading and available for sale financial assets Market interest increase / (decrease) (**)	Effect Profit and Loss		
	TL	USD (*)	EUR (*)
5%	(9.653.257)	(24,065,796)	(14,338)
-5%	9.305.453	17,159,587	12,575
1%	(2,049,841)	(45,553,368)	(28,539)
-1%	1,767,350	36,609,850	25,527

(*) Amounts are presented in TL.

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

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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:

	March 31, 2020	December 31, 2019
Cash and cash equivalents	601,841,989	398,527,876
Financial assets	1,640,337,972	1,771,746,764
Pension business receivables	244,632,597	212,976,185
Premium and other insurance receivables	38,076,812	37,011,109
Reinsurance share of insurance liabilities	16,298,241	15,815,927
Other financial assets	868,012	868,012
Total	2,542,055,623	2,436,945,873

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.

Due to the coronavirus (COVID-19) outbreak worldwide, the Group 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 consistently.

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4. INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

c) *Liquidity Risk (Continued)*

As at March 31, 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 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.

March 31, 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
Financial assets								
Cash and cash equivalents	601,841,989	171,208,876	430,824,626	-	-	-	-	602,033,502
Financial assets	1,640,337,972	9,959,396	52,012,474	28,333,304	643,999,085	693,787,025	110,760,252	1,538,851,536
- Available for sale financial investments	309,739,504	-	-	-	80,599,286	213,496,942	-	294,096,228
- Financial assets at fair value through profit or loss	175,645,783	9,959,396	-	9,939,921	20,610,663	27,032,558	110,760,252	178,302,790
- Available for sale asset backing financial investments, Policyholders’ portfolio	1,154,952,685	-	52,012,474	18,393,383	542,789,136	453,257,525	-	1,066,452,518
Premium and other insurance receivables	38,076,812	-	28,213,761	9,408,965	454,086	-	-	38,076,812
Pension business receivables	244,632,597	-	7,489,669	33,688,925	164,504,317	38,949,686	-	244,632,597
Other financial assets	868,012	-	-	-	-	-	868,012	868,012
Total	2,525,757,382	181,168,272	518,540,530	71,431,194	808,957,488	732,736,711	111,628,264	2,424,462,459
Financial liabilities								
Lease liabilities	34,187,090	34,187,090	-	-	-	-	-	34,187,090
Due to insurance and reinsurance companies	35,830,055	622,349	35,207,706	-	-	-	-	35,830,055
Pension business payables	495,879,477	275,123,181	6,758,673	30,400,864	148,448,588	35,148,171	-	495,879,477
Other payables and liabilities	135,741,288	120,174,220	4,047,252	105,372	11,414,444	-	-	135,741,288
Total	701,637,910	430,106,840	46,013,631	30,506,236	159,863,032	35,148,171	-	701,637,910
Liquidity surplus/(deficit)	1,824,119,472	(248,938,568)	472,526,899	40,924,958	649,094,456	697,588,540	111,628,264	1,722,824,549

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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
Financial assets								
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
Total	2,421,129,946	42,452,636	351,862,320	208,791,477	381,155,768	998,959,432	311,193,109	2,294,414,742
Financial liabilities								
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
Total	611,816,357	270,039,035	60,541,764	34,202,072	140,679,400	106,354,087	-	611,816,358
Liquidity surplus/(deficit)	1,809,313,589	(227,586,399)	291,320,556	174,589,405	240,476,368	892,605,345	311,193,109	1,682,598,384

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(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).

	March 31, 2020			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Available for sale financial assets (Note 6)	309,739,504	-	-	309,739,504
Financial assets held for trading (Note 6)	175,645,783	-	-	175,645,783
Financial investments with risks on company as held to maturity (Note 6)	326,026,054	-	-	326,026,054
Financial investments with risks on policyholders classified as available for sale and held to maturity (Note 6) (*)	756,713,021	-	-	756,713,021
Total financial assets	1,568,124,362	-	-	1,568,124,362

(*) Time deposits amounting to TL 72,213,610 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	
Financial assets:				
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
Total financial assets	1,741,105,087	-	-	1,741,105,087

(*) 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.

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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

The Group's capital adequacy is calculated within the framework of "Regulation on Measurement and Evaluation of Capital Adequacy of Insurance, Reinsurance and Pension Companies" published in the Official Gazette dated January 19, 2008 and numbered 26761, in the semi-annual periods. The main purpose of the Company's capital management is to maximize the contribution provided made to its shareholders in order to create and maintain a strong capital structure to continue the operations of the Company.

As of December 31, 2019 and December 31, 2018, the Company has a sufficient amount of equity for losses which may arise from current liabilities and potential risks of the Company and the Company's capital adequacy ratio is closely monitored and regularly subjected to stress tests. As of December 31, 2019 and December 31, 2018, the required capital reserves (calculated in accordance with the above-mentioned local regulation) and current capital adequacy analysis is as follows:

	December 31, 2019	December 31, 2018
Total shareholders' equity in the statutory consolidated financial statements (*)	547,413,447	393,778,371
Required minimum capital reserves	235,572,317	205,000,410
Capital surplus	311,841,130	188,777,961

(*) Excludes equalization reserve.

5. CASH AND CASH EQUIVALENTS

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

	March 31, 2020	December 31, 2019	March 31, 2019
Banks	392,962,592	190,080,031	399.867.666
Other cash and cash equivalents (**)	209,088,658	208,489,233	272.354.409
Cheques given and payment orders	(209,261)	(41,388)	(106.491)
Total cash and cash equivalents	601,841,989	398,527,876	672.115.584
Blockage amount (*)	(74,621,721)	(98,984,103)	(78.978.166)
Time deposits more than 3 months	(54,211,436)	(17,820,600)	(234.407.059)
Accrued interest	(784,570)	(1,348,652)	(4.063.096)
Total cash and cash equivalents per statement of cash flow	472,224,262	280,374,521	354.667.263

(*) 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.

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5. CASH AND CASH EQUIVALENTS (Continued)

Interest rates of time deposits are stated below:

	March 31, 2020	December 31, 2019
	Interest Rate (%)	Interest Rate (%)
EUR	0.25%	-
USD	1.63%	2.22
TL	10.67%	11.49

As of March 31, 2020, TL time deposit maturity varies between April 1, 2020 and May 12, 2020, foreign currency time deposits maturity varies between April 1, 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 March 31, 2020 and December 31, 2019; the detail of cash and cash equivalents are as follows:

	March 31, 2020	December 31, 2019
Foreign currency cash and cash equivalents	67,209,068	21,692,167
- demand deposits	1,872,706	1,791,284
- time deposits	65,336,362	19,900,883
TL cash and cash equivalents	534,632,921	376,835,709
- demand deposits	43,627,273	20,808,958
- time deposits	282,126,251	147,578,906
- credit card receivables	209,088,658	208,489,233
- cheques given and payment orders	(209,261)	(41,388)
Total	601,841,989	398,527,876

6. FINANCIAL ASSETS

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

	March 31, 2020	December 31, 2019
Financial assets at fair value through profit / loss	175,645,783	512,015,032
Total available for sale financial assets and held to maturity	1,464,692,189	1,259,731,732
- Available for sale financial investments	309,739,504	193,245,501
- Available for sale asset backing financial investments and held to maturity policyholders' portfolio	1,154,952,685	1,066,486,231
Total securities portfolio	1,640,337,972	1,771,746,764

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

	March 31, 2020		
	Cost	Fair value	Carrying value
Investment funds	102,321,847	110,760,251	110,760,251
Treasury bills and government bonds	39,705,500	37,604,331	37,604,331
Private sector bonds	27,912,500	30,541,810	30,541,810
Derivatives	(3,260,609)	(3,260,609)	(3,260,609)
Total financial assets at fair value through profit or loss	166,679,238	175,645,783	175,645,783

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2020**

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6. FINANCIAL ASSETS (Continued)

	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
Total financial assets at fair value through profit or loss	497,824,978	512,015,032	512,015,032

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

	March 31, 2020		
	Cost	Fair value	Carrying value
Treasury bills and government bonds - TL	254,931,591	248,686,539	248,686,539
Private Sector bonds	55,260,000	61,052,965	61,052,965
Total available for sale financial investments	310,191,591	309,739,504	309,739,504

	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
Total available for sale financial investments	190,439,396	193,245,501	193,245,501

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

	March 31, 2020		
	Cost	Fair value	Carrying value
Treasury bills and government bonds-TL	47,710,721	40,076,003	40,076,003
Eurobonds - USD	862,849,403	713,812,330	713,812,330
Eurobonds - EUR	2,773,269	2,824,688	2,824,688
Time deposits - TL	2,500,000	2,527,245	2,527,245
Time deposits - USD	69,532,974	69,686,365	69,686,365
Held to maturity Eurobonds- USD	318,306,790	326,026,054	326,026,054
Total available for sale asset backing financial investments and held to maturity policyholders' portfolio	1,303,673,157	1,154,952,685	1,154,952,685

	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
Total available for sale asset backing financial investments and held to maturity policyholders' portfolio	1,112,901,858	1,066,486,231	1,066,486,231

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6. FINANCIAL ASSETS (Continued)

As at March 31, 2020 and March 31, 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	1,838,055,874	384,519,587
Disposals	(1,932,584,218)	(301,947,435)
Change in the valuation - unrealized gain and losses	(15,924,078)	(33,637,242)
Disposals through the redemption	(32,912,977)	(13,366,567)
Unrealized exchange rate gains/(losses)	110,090,158	52,149,050
Change in balance recognized under equity	(77,727,120)	(18,368,168)
Change in balance recognized under life mathematical reserves	(20,406,431)	(7,276,226)
Closing, March 31	1,640,337,972	905,412,643

The maturity analysis of financial assets is as follows:

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

	March 31, 2020						Total
	No stated maturity	0-3 months	3-6 months	6 months to 1 year	1-3 years	More than 3 years	
Eurobonds	-	31,855,686	-	-	59,798,828	736,001,587	827,656,101
Investment funds	110,760,251	-	-	-	-	-	110,760,251
Government bonds and treasury bills	-	-	-	14,396,775	154,643,294	157,326,804	326,366,873
Private sector bonds	-	30,116,184	-	13,936,529	33,005,197	14,536,865	91,594,775
Eurobond private sector	-	-	-	-	80,655,766	134,351,205	215,006,971
Time deposits	-	72,213,610	-	-	-	-	72,213,610
Derivative securities	-	-	-	(3,260,609)	-	-	(3,260,609)
	110,760,251	134,185,480	-	25,072,695	328,103,085	1,042,216,461	1,640,337,972

	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
	332,494,367	175,052,778	29,098,763	-	259,353,940	975,746,916	1,771,746,764

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6. FINANCIAL ASSETS (Continued)

The currency analysis of financial assets is as follows:

		March 31, 2020		
	Currency Type	Currency Amount	Rate	Amount TL
Financial assets available-for-sale	TL			309,739,504
				309,739,504
Financial assets at fair value through profit or loss	TL			175,645,783
				175,645,783
Financial investments with risks on policy holders	USD	170,276,972	6.52	1,109,524,749
	EUR	391,502	7.22	2,824,688
	TL			42,603,248
				1,154,952,685
Total securities portfolio				1,640,337,972
		December 31, 2019		
	Currency Type	Currency Amount	Rate	Amount TL
Financial assets available-for-sale	TL			193,245,501
				193,245,501
Reverse repo				129,000,000
Financial assets at fair value through profit or loss	TL			383,015,032
				512,015,032
Financial investments with risks on policy holders	USD	171,203,839	5.94	1,016,985,045
	EUR	393,203	6.65	2,615,035
	TL			46,886,151
				1,066,486,231
Total securities portfolio				1,771,746,764

7. REINSURANCE SHARE OF INSURANCE LIABILITIES

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

	March 31, 2020	December 31, 2019
Reinsurers' share of outstanding claims	6,835,809	7,301,642
Reinsurers' share of unearned premiums reserve	7,252,988	6,516,521
Reinsurers' share of life mathematical reserve	2,209,444	1,997,764
	16,298,241	15,815,927

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8. PREMIUM AND OTHER INSURANCE RECEIVABLES

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

	March 31, 2020	December 31, 2019
Policyholders and reinsurance companies	38,076,812	37,011,109
Total premium and other insurance receivables	38,076,812	37,011,109

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

	March 31, 2020	December 31, 2019
Receivables from policyholders and reinsurance companies		
Up to 3 months	8,337,779	8,736,266
3 to 6 months	5,122,518	5,651,573
6 to 9 months	2,977,006	3,789,420
9 to 12 months	722,236	1,179,789
	17,159,539	19,357,048

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

	March 31, 2020	December 31, 2019
Overdue 0-3 months	16,582,261	11,799,488
Overdue 3-6 months	160,199	585,835
Overdue 6-9 months	347,900	207,997
Overdue 9-12 months	79,106	162,526
Overdue 1 year	454,086	352,699
	17,623,552	13,108,545
Total	34,783,091	32,465,593

As of March 31, 2020, total of receivables from reinsurance companies and intermediaries are TL 3,293,721 (31 December 2019: TL 4,545,516).

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

	March 31, 2020			Total (TL)
	USD	EUR	TL	
Guarantees received				
Letter of guarantees	390,960	-	20,111,338	20,502,298
Mortgage deed	-	-	309,700	309,700
Other guarantees	700,775	19,934	117,800	838,509
	1,091,735	19,934	20,538,838	21,650,507

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8. PREMIUM AND OTHER INSURANCE RECEIVABLES (Continued)

	December 31, 2019			Total (TL)
	USD	EUR	TL	
Guarantees received				
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
	890,375	18,375	14,738,716	15,647,466

9. PENSION BUSINESS RECEIVABLES AND PAYABLES

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

	March 31, 2020	December 31, 2019
Pension business receivables - deferred income reserves	214,883,327	197,593,665
Receivables pension operations	29,156,364	14,787,668
Capital advance for pension funds	592,906	594,852
Total individual pension business receivables, net	244,632,597	212,976,185

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

	March 31, 2020	December 31, 2019
Temporary account of participants	216,816,000	230,271,710
Pension business payables - deferred income reserves (*)	279,063,477	255,818,776
Total pension business payables	495,879,477	486,090,486

(*) Reserve for account management fee deferred over 8 years based on the average deviation of the contract terms of pension portfolio.

10. OTHER ASSETS

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

	March 31, 2020	December 31, 2019
Prepaid expenses	12,965,025	5,199,477
Other receivables from other related parties	4,519,417	3,114,021
Advances given	1,471,876	635,488
Other receivables from third parties	249,194	220,631
Advances to personnel	219,925	204,482
Deposits and guarantees given	92,822	71,307
Receivables from shareholders (Note 33)	23,568	23,568
Other	259,354	251,443
Total other assets	19,801,181	9,720,417

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

11. PROPERTY AND EQUIPMENT, NET

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

Cost	January 1, 2020	Additions	Disposals	March 31, 2020
Machinery and equipment	13,296,320	310,059	-	13,606,379
Furniture and fixtures	21,007,774	1,932,413	-	22,940,187
Other tangible assets	29,640,700	406,371	-	30,047,071
Motor Vehicles	1,721,735	-	-	1,721,735
Right of use assets	42,063,298	218,700	-	42,281,998
Total	107,729,827	2,867,543	-	110,597,370

Accumulated depreciation	January 1, 2020	Period charge	Disposals	March 31, 2020
Machinery and equipment	(9,308,787)	(544,521)	-	(9,853,308)
Furniture and fixtures	(13,148,826)	(576,372)	-	(13,725,198)
Other tangible assets	(15,501,314)	(743,222)	-	(16,244,536)
Motor Vehicles	(271,867)	(86,087)	-	(357,954)
Right of use assets	(9,172,556)	(2,513,809)	-	(11,686,365)
Total	(47,403,350)	(4,464,011)	-	(51,867,361)

Net book value	60,326,477			58,730,009
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Cost	January 1, 2019	Additions	Impairment	March 31, 2019
Machinery and equipment	12,217,595	190,295	-	12,407,890
Furniture and fixtures	19,598,506	909,333	-	20,507,839
Other tangible assets	28,709,148	356,587	(130,073)	28,935,662
Vehicles	-	1,419,954	-	1,419,954
Right of use assets	38,805,375	-	-	38,805,375
	99,330,624	2,876,169	(130,073)	102,076,720

Accumulated depreciation	January 1, 2019	Period charge	Disposals	March 31, 2019
Machinery and equipment	(7,237,964)	(527,186)	-	(7,765,150)
Furniture and fixtures	(11,054,726)	(530,953)	-	(11,585,679)
Other tangible assets	(12,554,680)	(727,391)	-	(13,282,071)
Vehicles	-	(23,666)	-	(23,666)
Right of use assets	-	(2,090,447)	-	(2,090,447)
Total	(30,847,370)	(3,899,643)	-	(34,747,013)

Net book value	68,483,254			67,329,707
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12. INTANGIBLE ASSETS, NET

As of March 31, 2020 and March 31, 2019; intangible assets movement and its accumulated amortization are as follows:

Cost	January 1, 2020	Additions	Transfer	March 31, 2020
Software	101,306,352	6,899,403	-	108,205,755
Capitalized software development costs	14,745,065	3,165,625	-	17,910,690
	116,051,417	10,065,028	-	126,116,445

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12. INTANGIBLE ASSETS, NET (Continued)

Accumulated amortization	January 1, 2020	Period charge	Transfer	March 31, 2020
Software	(57,516,287)	(4,538,105)	-	(62,054,392)
Net book value	58,535,130			64,062,053
Cost	January 1, 2019	Additions	Transfer	March 31 2019
Software	73,999,388	2,115,336	3,161,434	79,276,158
Capitalized software development costs	18,838,796	3,245,095	(3,161,434)	18,922,457
	92,838,184	5,360,431		98,198,615
Accumulated amortization	January 1, 2019	Period charge	Transfer	March 31,2019
Software	(43,277,201)	(2,896,558)	-	(46,173,759)
Net book value	49,560,983			52,024,856

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 March 31, 2020 and December 31, 2019; the details of other financial assets are as follows:

	March 31, 2020		December 31, 2019	
	Participation rate (%)	Amount	Participation rate (%)	Amount
Third Party				
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
Total		868,012		868,012

14. LEASE LIABILITIES

As at March 31, 2020 and March 31, 2019; lease liabilities are as follows:

	March 31, 2020	March 31, 2019
Short-term lease liabilities (undiscounted)	14,870,095	10,665,056
Long term lease liabilities (undiscounted)	41,434,670	53,793,880
Discount amount with lease's incremental borrowing rate of interest	(22,117,675)	(26,702,298)
Total	34,187,090	37,756,638

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

14. LEASE LIABILITIES (Continued)

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

	March 31, 2020	March 31, 2019
Opening balance, January 1	35,733,545	38,805,375
Lease increase / decrease	218,700	-
Lease payments	(3,897,830)	(3,241,438)
Exchange rate valuation	340,619	431,939
Interest payments	1,792,056	1,760,762
Closing balance	34,187,090	37,756,638

15. DUE TO INSURANCE AND REINSURANCE COMPANIES

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

	March 31, 2020	December 31, 2019
Due to the intermediaries	32,332,741	40,616,332
Due to the reinsurance companies	2,874,965	2,859,421
Due to the policyholders	622,349	465,116
	35,830,055	43,940,869

16. OTHER PROVISIONS

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

	March 31, 2020	December 31, 2019
Personnel bonus provision	13,984,070	18,604,271
Provision for lawsuit against the Group (Note 34)	10,806,448	10,457,200
Bonus provision for sales activities	6,334,580	2,680,744
Commission provision	5,376,000	6,016,001
	36,501,098	37,758,216

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.

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

17. TAXES (Continued)

Corporate taxes (Continued)

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 25th 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.

Income tax

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

	March 31, 2020	December 31, 2019
Income taxes payable	13,514,475	70,705,258
Prepaid income taxes (-)	(690,734)	(59,267,485)
Current tax liabilities / (assets)	12,823,741	11,437,773

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 March 31, 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 2020

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

17. TAXES (Continued)

Deferred taxes (Continued)

	Cumulative temporary Differences		Deferred tax assets / (liabilities)	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Deferred income reserves	279,063,477	255,818,776	58,975,995	54,009,116
Incentive commission	1,739,250	1,699,250	382,635	373,835
Net difference between the carrying values and tax base values of tangible assets and intangible assets	(13,626,089)	(12,722,615)	(2,997,740)	(2,798,975)
Provision for employee termination benefit	15,908,081	15,971,826	3,499,778	3,513,802
Claims for Insured Customer Claims	5,472,059	5,231,525	1,094,412	1,046,305
Provision for lawsuits	2,646,913	2,433,639	582,321	535,401
Provisions for agency receivables	2,370,474	2,370,474	474,095	474,095
Unused vacation provision	7,091,992	4,775,942	1,560,238	1,050,707
Derivative securities	3,260,609	-	717,334	-
Deposits internal rate of return-linear interest rate difference	92,028	102,163	20,246	22,476
Expense accruals	31,510,011	24,089,850	6,932,202	6,193,739
Right of use assets	3,367,759	2,510,595	740,907	552,331
Total deferred tax assets	338,896,564	302,281,425	71,982,423	64,972,832
Eurobond valuation difference	(9,009,919)	(7,687,231)	(1,982,182)	(1,691,191)
Pension business receivables	(214,883,327)	(197,593,665)	(45,292,254)	(41,910,702)
Price difference in coupon bond held for trading	7,138	(45,797)	1,570	(10,075)
DAC ROP	(60,522,411)	(71,112,339)	(13,314,930)	(15,644,714)
Deferred acquisition cost	(462,231,414)	(384,130,668)	(84,599,541)	(78,087,977)
Total deferred tax liabilities	(746,639,933)	(660,569,700)	(145,187,337)	(137,344,659)
Deferred tax assets/ (liabilities) accounted for under equity over the fair value reserve for available for sale financial assets	77,514,514	4,940,567	17,053,193	1,086,924
Effect of rate change of corporation tax	-	-	261,066	261,066
Deferred tax liabilities, net	(330,228,855)	(353,347,708)	(55,890,655)	(71,023,837)

Movement of deferred tax liabilities for the period ended March 31, 2020 and 2019 are as follows:

	2020	2019
Opening balance, January 1	(57,708,907)	(38,640,075)
ROP DAC impact (*)	(13,314,930)	(11,818,720)
Charged to profit or loss	(744,094)	617,996
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	17,053,193	13,159,743
Deferred tax asset of actuarial loss on employment termination provision	(88,993)	377,415
Closing balance, March 31	(55,890,655)	(45,878,395)

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 unrecognised deferred tax assets in the periods presented.

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

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17. TAXES (Continued)

Deferred taxes (Continued)

Income tax expenses for the period ended March 31, 2020 and March 31, 2019; are as follows:

	January 1 - March 31, 2020	January 1 - March 31, 2019
Income tax expense recognized in profit or loss:		
- Current tax charge	(18,422,120)	(20,871,608)
- Deferred tax charge	(744,152)	(349,471)
Adjustments recognized in the period for current tax of prior periods	3,819,622	4,363,146
Income tax expense	(15,346,650)	(16,857,933)

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 - March 31, 2020	January 1 - March 31, 2019
Profit before taxes	68,576,925	71,592,752
Tax rate	22%	22%
Taxes on income per statutory tax rate	(15,086,924)	(15,750,407)
Revenue that is exempt from taxation	2,453,240	1,036,077
Non-deductible expenses	(2,712,966)	(2,143,603)
Income tax expense	(15,346,650)	(16,857,933)

18. EMPLOYMENT TERMINATION BENEFITS

	March 31,2020	December 31,2019
Provision for employment termination benefits	15,908,081	15,971,826
Total	15,908,081	15,971,826

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 6,730 (December 31, 2019: TL 6,380) for each year of service as of March 31, 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:

	March 31, 2020	December 31, 2019
Estimated salary increase rate	7.80%	8.67%
Discount rate	13.90%	13.6%

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18. EMPLOYMENT TERMINATION BENEFITS (Continued)

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	(647,798)	(1,738,047)
Service cost	433,927	459,492
Interest cost	554,641	342,363
Actuarial loss	(404,515)	1,715,547
Closing balance, March 31	15,908,081	12,714,214

19. DEFERRED EXPENSES

As at March 31, 2020 and 2019; movements of deferred expenses are as follows:

	2020	2019
Deferred acquisition costs, gross January 1	444,609,469	393,496,930
Acquisition costs deferred during the period	41,396,874	30,148,142
Amortization	(23,818,268)	(26,488,029)
Deferred acquisition costs - March 31	462,188,075	397,157,043
Deferred commission costs, gross January 1	33,578,846	37,123,339
Commission cost deferred during the period	(2,266,332)	6,383,767
Deferred commission costs - March 31	31,312,514	43,507,106
Total deferred expenses	493,500,589	440,664,149

20. OTHER PAYABLES AND LIABILITIES

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

	March 31, 2020	December 31, 2019
Payables to shareholders	60,404,567	264,235
Payables to suppliers	18,992,116	13,672,113
Taxes and funds payable	31,246,756	17,689,835
Payables to related parties	5,394,633	5,233,195
Unused vacation provision	8,137,746	5,943,026
Deferred commission income	3,276,698	2,722,115
Payables to personnel	8,282,419	520,965
Other deferred income	2,055	2,052
Deposits and guarantees	4,298	3,921
Total	135,741,288	46,051,457

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21. INSURANCE CONTRACT LIABILITIES

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

	March 31, 2020	December 31, 2019
Gross insurance contract liabilities		
Life mathematical reserves (*)	1,507,956,652	1,278,324,099
Reserve for unearned premiums	94,433,856	95,871,371
Claims provision	68,361,158	69,621,739
	1,670,751,666	1,443,817,209
Reinsurance share of insurance contract liabilities		
Mathematical reserves, ceded (Note 7)	2,209,444	1,997,764
Reserve for unearned premiums, ceded (Note 7)	7,252,988	6,516,521
Claims provision, ceded (Note 7)	6,835,809	7,301,642
	16,298,241	15,815,927
Net insurance contract liabilities		
Life mathematical reserves	1,505,747,208	1,276,326,335
Reserve for unearned premiums	87,180,868	89,354,850
Claims provision	61,525,349	62,320,097
	1,654,453,425	1,428,001,282

(*) As of March 31, 2020, the negative fair value difference of financial assets at insuree’s risk amounting to TL 35,947,924 (December 31, 2019: negative fair value difference of financial asstes 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 1,271,815 (December 31, 2019: TL 2,059,572) and reinsurers share of TL 2,209,444. (December 31, 2019: 1,997,764) have been included in the above mentioned mathematical reserve table.

Movements in insurance liabilities and reinsurance assets

Claims:

March 31, 2020	Gross	Ceded	Net
Total at the beginning of the year	69,621,739	7,301,645	62,320,094
Change during period	(1,260,581)	(465,836)	(794,745)
Total at the end of the period	68,361,158	6,835,809	61,525,349
March 31, 2020			
Reported claims	50,224,426	5,101,407	45,123,019
Incurred but not reported	18,136,732	1,734,402	16,402,330
Total at the end of the period	68,361,158	6,835,809	61,525,349

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21. INSURANCE CONTRACT LIABILITIES (Continued)

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

Claims paid and change in outstanding claims provision for the period ended March 31, 2020 and 2019 are as follows:

	January 1 - March 31, 2020	January 1 - March 31, 2019
Cash paid for claims settled during the period	58,838,073	26,036,180
- Surrender and maturity from life savings	3,700,013	12,944,748
- Death and disability claims (*)	14,593,595	11,292,383
- Surrender from life protection	40,544,465	1,799,049
Change in outstanding claims provision	(794,748)	(319,093)
Claims paid and change in outstanding claims provision	58,043,325	25,717,087

(*) The amounts are presented net off reinsurance.

Reserve for unearned premiums:

March 31, 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	327,941,396	(5,089,266)	322,852,130
Premiums earned during the period	(329,378,911)	4,352,799	(325,026,112)
Reserve for unearned premiums at the end of the period	94,433,856	(7,252,988)	87,180,868
December 31, 2019			
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)
Reserve for unearned premiums at the end of the period	95,871,371	(6,516,521)	89,354,850

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21. INSURANCE CONTRACT LIABILITIES (Continued)

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	296,894,758	111,795,779
Disposals	(48,127,590)	(14,570,093)
Total at the end of the period, March 31 (*)	1,542,632,760	858,477,958

(*) As of March 31, 2020, the negative fair value difference of financial assets at insuree’s risk amounting to TL 35,947,924 (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 1,271,815 (December 31, 2019: TL 2,059,572) and reinsurers share of TL 2,209,444. (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 March 31, 2020; claim development table of the Group is as follows:

Accident year	2013								Total
	and earlier	2014	2015	2016	2017	2018	2019	2020	
Current estimate of claims									
Accident year	8,246,716	3,023,472	4,040,754	5,879,602	4,487,274	5,646,663	4,007,521	6,682,895	42,014,897
1 year later	334,112	1,143,881	731,338	810,465	1,276,459	1,864,615	884,873	-	7,045,743
2 year later	17,441	2,067	140,905	182,183	31,601	191,510	-	-	565,707
3 year later	-	5,267	57,126	54,797	42,044	-	-	-	159,234
4 year later	43	9,395	60,978	14,700	-	-	-	-	85,116
5 year later	-	21,618	7,076	-	-	-	-	-	28,694
6 year later	317,685	-	-	-	-	-	-	-	317,685
7 year later	7,350	-	-	-	-	-	-	-	7,350
Total	8,923,347	4,205,700	5,038,177	6,941,747	5,837,378	7,702,788	4,892,394	6,682,895	50,224,426
Incurring but not reported									18,136,732
Total gross provision for outstanding claims as at March 31, 2020									68,361,158

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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
Total	3,698,341	5,040,879	5,187,995	5,022,729	6,897,762	6,647,039	7,771,797	11,241,309	51,507,851
Incurred but not reported									18,113,888
Total gross provision for outstanding claims as at December 31, 2019									69,621,739

22. EQUITY

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

	March 31, 2020		December 31, 2019	
	Shareholding		Shareholding	
	%	TL	%	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
Total share capital	100.00	180,000,000	100.00	180,000,000

Profit and other capital reserves:

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

	March 31, 2020	December 31, 2019
Profit reserves	184,865,334	135,728,079
Other capital reserves	837,095	837,095
Total	185,702,429	136,565,174

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 MARCH 31, 2020

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

22. EQUITY (Continued)

Profit reserves

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

	March 31, 2020	December 31, 2019
Legal reserves	80,039,902	54,794,243
Extraordinary reserves	104,813,938	80,922,342
Statutory reserves	11,494	11,494
Total	184,865,334	135,728,079

Movement of profit reserves is presented below:

	March 31, 2020	December 31, 2019
Opening balance, January 1	135,728,079	44,498,235
Transfers	49,137,255	91,229,844
Closing balance	184,865,334	135,728,079

Profit reserves

As of 31 March 2020, the Group's profit reserves consists of 80,039,902 TL (31 December 2019: 54,794,243 TL) legal reserves, 11,494 TL (31 December 2019: 11,494 TL) statue reserves and 104,813,938 TL (31 December 2019: 80,922,342 TL) extraordinary reserves.

Other capital reserves

As of March 31, 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	(60,627,153)	(14,327,170)
Closing balance, March 31	(60,921,246)	(53,468,374)

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23. EARNINGS PER SHARE

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

	January 1- March 31, 2020	January 1- March 31, 2019
Profit for the period	53,013,331	54,734,819
Weighted average number of shares with nominal value of TL 0.01 nominal value per share	18,000,000,000	18,000,000,000
Earnings per share	0.0029	0.0030

As of March 31, 2020 capital of the Group consists of 18,000,000,000 shares with nominal value of TL 0.01 (December, 2018: 11,800,000,000 shares with nominal value of TL 0.01).

24. WRITTEN PREMIUMS

The distribution of written premiums is as follows:

	January 1- March 31, 2020		
	Gross	Reinsurer share	Net
Non-life	21,220,445	(2,083,825)	19,136,620
Life (Life protection + savings)	306,720,951	(3,005,441)	303,715,510
Total premium income	327,941,396	(5,089,266)	322,852,130
	January 1- March 31, 2019		
	Gross	Reinsurer share	Net
Non-life	25,769,191	(1,289,395)	24,479,796
Life (Life protection + savings)	151,656,884	(5,364,478)	146,292,406
Total premium income	177,426,075	(6,653,873)	170,772,202

25. INCOME GENERATED FROM PENSION BUSINESS

Inome generated from pension business for the periods ended March 31, 2020 and March 31, 2019; are as follows:

	January 1- March 31, 2020	January 1- March 31, 2019
Fund management income	74,535,831	58,673,674
Management fee	21,601,000	25,666,822
Entry and deferred entry fees income	6,833,672	11,652,090
Premium holiday charges	211,723	522,012
Total	103,182,226	96,514,598

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26. FOREIGN EXCHANGE GAINS / (LOSSES), NET

Foreign exchange gains / (losses) for the periods ended March 31, 2020 and 2019; are as follows:

	January 1- March 31, 2020	January 1- March 31, 2019
Foreign exchange gains	15,049,134	22,063,392
Foreign exchange losses	(10,224,356)	(7,784,045)
Total	4,824,778	14,279,347

27. COMMISSION INCOME AND COMMISSION EXPENSE

Commission income for the periods ended March 31, 2020 and March 31, 2019; are as follows:

	January 1- March 31, 2020	January 1- March 31, 2019
Commission income from reinsurance companies (net)	1,513,888	1,506,570
Total	1,513,888	1,506,570

Commission expense for the periods ended March 31, 2020 and March 31, 2019; are as follows:

	January 1- March 31, 2020	January 1- March 31, 2019
Commission expenses due to personal accident insurance	(9,678,654)	(8,370,291)
Commission expenses due to life insurance	(47,252,304)	(17,615,765)
-Change in commission expenses	(55,290,929)	(26,227,259)
-Change in deferred acquisition cost	8,038,625	8,611,494
	(56,930,958)	(25,986,056)

28. INVESTMENT AND OTHER INCOME

Investment income for the periods ended March 31, 2020 and March 31, 2019; are as follows:

	January 1- March 31, 2020	January 1- March 31, 2019
Interest income	34,005,773	38,926,062
Income from financial assets at fair value through profit or loss	8,034,365	18,633,725
-Income from available for sale financial assets	25,971,408	20,292,337
Net income from sale of financial assets	(7,475,525)	(15,183,069)
Income from financial assets at fair value through profit or loss	(5,818,315)	(9,584,069)
Income from available for sale financial assets	(1,657,210)	(5,599,000)
Dividend and realization income from other financial assets	401,735	(6,970,764)
Interest expense regarding lease liabilities	(1,792,056)	(1,760,761)
Investment management expenses	98,659	22,063
Other income, net	1,189,345	3,729,954
Total investment and other income/(expense), net	26,427,931	18,763,485

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29. PENSION EXPENSES INCLUDING COMMISSION

Pension expenses including commission for the periods ended March 31, 2020 and March 31, 2019; are as follows:

	January 1- March 31, 2020	January 1- March 31, 2019
Fund management charge	(7,887,596)	(6,086,234)
Commission expense, net of DAC	(20,313,842)	(19,728,283)
- Commission expense	(24,173,742)	(16,628,178)
- Change in deferred acquisition cost	3,859,900	(3,100,105)
Takasbank commission expense	(1,459,042)	(1,394,733)
Other expense	(3,732,246)	(3,596,419)
Total pension expenses	(33,392,726)	(30,805,669)

30. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the periods ended March 31, 2020 and March 31, 2019; are as follows:

	January 1- March 31, 2020	January 1- March 31, 2019
Personnel expenses	(72,647,690)	(52,811,049)
Outsourced expenses including IT services	(17,997,624)	(15,711,949)
Depreciation and amortization	(9,002,114)	(6,796,201)
Travelling and transportation expenses	(2,866,959)	(2,406,504)
Management expenses	(2,192,617)	(3,606,815)
Representation and hosting expenses	(1,684,608)	(3,043,343)
Communication expenses	(1,577,073)	(2,064,202)
Brokerage expenses	(3,381,879)	(684,697)
Office supplies expenses	(585,371)	(831,428)
Advertising and marketing expenses	(474,113)	(1,648,282)
Other marketing, sales and distribution expenses	(251,159)	(281,233)
Change in deferred acquisition cost	5,680,082	12,002,132
Other expenses	(1,612,442)	(10,849,885)
Total	(108,593,567)	(88,733,456)

Personnel expenses for the period ended March 31, 2020 and March 31, 2019; are as follows:

	January 1- March 31, 2020	January 1- March 31, 2019
Salaries	(34,548,776)	(30,938,526)
Commission and promotion expenses	(13,465,430)	(6,247,239)
Other salary expenses	(9,392,201)	(5,023,175)
Social security expenses	(7,655,397)	(5,587,983)
Other personnel expenses	(3,739,753)	(2,368,096)
Unused vacation expenses	(2,682,834)	(657,455)
Employee termination benefit expenses	(988,567)	(1,738,047)
Notice pay expense	(174,732)	(250,528)
Total	(72,647,690)	(52,811,049)

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31. OTHER INCOME/(EXPENSE), NET

Other income and expenses for the periods ended March 31, 2020 and 2019 are as follows:

	January 1- March 31, 2020	January 1- March 31, 2019
Other income:		
Other technical income	676,912	-
Other expense:		
Other operating expense	(322,318)	(509,668)
Other expense	(85,566)	(154,712)
Total other income / (expense), net	269,028	(664,380)

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:

	March 31, 2020	December 31, 2019
Blocked securities	1,230,566,391	1,074,562,018
Blocked bank deposits (*)	153,054,695	129,622,006
Total	1,383,621,086	1,204,184,024

(*) 139,182,063 TRY is the company's blocked bank deposit amount and 13,872,672 TRY is the policyholder's blocked bank deposit amount in favour of Ministry of Finance and Treasury.

33. RELATED PARTY BALANCES AND TRANSACTIONS

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

	March 31, 2020	December 31, 2019
Akbank T.A.Ş. - Credit card receivables	208,369,200	207,104,884
Other cash and cash equivalents	208,369,200	207,104,884
Akbank T.A.Ş.- Bank deposit	206,063,789	37,665,000
Banks	206,063,789	37,665,000

As of March 31, 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:

	March 31, 2020	December 31, 2019
Other receivables from related parties		
Akbank T.A.Ş.	-	3,114,021
Aksigorta A.Ş.	1,031,467	-
	1,031,467	3,114,021

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33. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	March 31, 2020	December 31, 2019
Receivables from main operations		
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	114,719	93,337
Sabancı Üniversitesi	80,694	84,614
Other	983,988	(122,365)
	1,179,401	55,586
	March 31, 2020	December 31, 2019
Other payables to related parties		
Bimsa Uluslararası İş,Bilgi ve Yönetim Sistemleri A.Ş.	3,252,473	3,448,562
Vista Turizm ve Seyahat A.Ş.	135,569	143,334
Ak Sigorta A.Ş.	(81,378)	471,577
EnerjiSA Anadolu Yakası Elektrik Perakende Satış A.Ş.	85,625	92,558
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	21,637	-
TeknoSA İç ve Dış Tic, A.Ş.	6,076	-
Ak Portföy Yönetimi A.Ş.	-	917,164
	3,420,002	5,073,195
	March 31, 2020	December 31, 2019
Advances given		
Vista Turizm ve Seyahat A.Ş.	550,721	-
	550,721	-
	March 31, 2020	December 31, 2019
Payables from main operations		
Akbank T.A.Ş.	32,504,034	42,251,264
Ak Portföy Yönetimi A.Ş.	2,537,903	3,718,833
Emeklilik Gözetim Merkezi A.Ş.	-	266,544
	35,041,937	46,236,641
	March 31, 2020	December 31, 2019
Expense accruals		
Akbank T.A.Ş.	160,000	160,000
Hacı Ömer Sabancı Vakfı	1,572,363	-
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	273,114	-
Ak Portföy Yönetimi A.Ş.	60,922	-
Aviva International Holdings Ltd.	-	93,318
	2,066,399	253,318

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33. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	March 31, 2020	December 31, 2019
Income accruals		
Akbank T.A.Ş.	3,487,951	-
	3,487,951	-
	March 31, 2020	December 31, 2019
Shareholders:		
Hacı Ömer Sabancı Holding	24,001,247	21,884
Aviva International Holdings Ltd.	24,000,002	-
Other	12,403,318	242,351
Payables to shareholders	60,404,567	264,235
Shareholders:		
Aviva International Holdings Ltd.	23,568	23,568
Receivables from shareholders	23,568	23,568

Transactions with related parties for the period ended March 31, 2020 and March 31, 2019 are as follows:

	1 January- 31 March 2020	1 January- 31 March 2019
Services Purchased		
Akbank T.A.Ş.	40,026,986	44,861,798
- <i>Commission paid</i>	39,551,986	44,386,798
- <i>Paid administrative expenses</i>	475,000	475,000
Bimsa Uluslararası İletişim ve Bilgi Sistemleri A.Ş.	9,220,958	5,500,206
Ak Portföy Yönetimi A.Ş.	7,869,014	4,737,646
Vista Turizm ve Seyahat A.Ş.	1,691,075	2,510,852
Teknosa İç ve Dış Ticaret A.Ş.	142,063	1,131,661
AkSigorta A.Ş.	101,114	1,082,440
Emeklilik Gözetim Merkezi A.Ş.	945,976	816,519
Anadolu Yakası Elektrik Dağıtım A.Ş.	315,541	302,987
Other	511,487	387,030
	60,824,214	61,331,139
	1 January- 31 March 2020	1 January- 31 March 2019
Financial income		
Akbank (interest income)	7,104,847	17,229,972
Enerjisa Enerji A.Ş.	160,650	-
Akyatırım (liquidity provider)	15,612	-
	7,281,109	17,229,972

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33. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

	1 January- 31 March 2020	1 January- 31 March 2019
Services Provided		
Akbank T.A.Ş. and subsidiaries	536,758	852,855
Kordsa Global Endüstriyel İplik ve Kordbezi San. ve Tic A.Ş.	895,617	748,958
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	734,942	633,226
Temsa Global Sanayi and Ticaret A.Ş. and subsidiaries	320,429	497,059
Enerjisa Enerji Üretim A.Ş. ve subsidiaries	384,839	913,319
Enerjisa Elektrik Üretim A.Ş. and subsidiaries	1,057,702	338,906
Çimsa Çimento Sanayi ve Ticaret A.Ş. and subsidiaries	352,621	302,239
Akçansa Çimento Sanayi ve Ticaret A.Ş. and subsidiaries	305,266	274,760
Aksigorta A.Ş.	287,315	245,487
Teknosa İç ve Dış Ticaret A.Ş. and subsidiaries	207,435	176,227
Bimsa Uluslararası İş. Bilgi ve Yönetim Sistemleri A.Ş.	199,212	169,439
Yünsa Yünlü Sanayi ve Ticaret A.Ş.	73,191	161,649
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	10,548	8,833
Sabancı Üniversitesi	1,209	207
Other	218,075	234,192
	5,585,159	5,557,356

Benefits provided to executive management

For the period ended March 31, 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 4,575,179 and TL 4,961,048 respectively.

34. CONTINGENCIES

Provision for lawsuits

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

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

	March 31, 2020	December 31, 2019
Lawsuits provision under other provision:	10,806,448	10,328,480
Insurance lawsuits against the Group	2,646,913	5,264,549
Business lawsuits against the Group	5,529,242	2,433,639
Other lawsuits against the Group	2,630,293	2,630,292
Lawsuits provision under claims provision	26,438,842	32,578,804
Total lawsuits provision	37,245,290	42,907,284

35. COMMITMENTS

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

AVIVASA EMEKLİLİK VE HAYAT A.Ş.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2020**

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

35. COMMITMENTS (Continued)

	March 31, 2020	December 31, 2019
Letters of guarantee	9,529,197	9,723,771
Total	9,529,197	9,723,771

36. SUBSEQUENT EVENTS

The Group’s consolidated financial statements as of 31 March 2020 is approved at 6 May 2020 by the Board of Directors.

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