

**AVIVASA EMEKLİLİK VE HAYAT
ANONİM ŞİRKETİ**

**FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2015 AND INDEPENDENT AUDITOR'S REPORT**

Independent Auditor's Report

To the Board of Directors of

AvivaSA Emeklilik ve Hayat Anonim Şirketi:

We have audited the accompanying financial statements of AvivaSA Emeklilik ve Hayat Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AvivaSA Emeklilik ve Hayat Anonim Şirketi as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

İstanbul, February 24, 2016

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MUŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Table of contents	<u>Page</u>
Statement of financial position	1
Statement of profit or loss	2
Statement of comprehensive income	3
Statement of changes in equity	4
Statement of cash flows	5
Notes to the financial statements	6 - 82

AvivaSA Emeklilik ve Hayat A.Ş.

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015

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

Assets	Note	December 31, 2015	December 31, 2014
Cash and cash equivalents	5	447,814,449	394,414,565
Financial assets	6	333,829,916	358,396,058
Premium and other insurance receivables	8	41,606,776	24,034,051
Reinsurance share of insurance liabilities	7	7,223,323	6,471,662
Deferred expenses	19	260,990,195	204,950,612
Other financial assets	13	838,932	838,932
Pension business receivables	9	8,069,213	9,728,797
Other assets	10	9,031,157	7,273,918
Property and equipment, net	11	3,776,652	5,773,454
Intangible assets, net	12	15,162,619	27,638,737
Total assets		1,128,343,232	1,039,520,786
<hr/>			
Liabilities	Note	December 31, 2015	December 31, 2014
Financial liabilities	14	-	1,673,509
Due to insurance and reinsurance companies	15	9,755,762	7,686,218
Pension business payables	9	209,719,083	170,126,993
Insurance contract liabilities	21	439,604,054	432,591,674
Provision for employment termination benefits	18	7,685,572	7,228,051
Deferred tax liabilities	17	32,899,254	30,036,082
Current tax liabilities	17	1,976,636	2,273,541
Other payables and liabilities	20	24,658,971	24,622,555
Other provisions	16	28,963,014	29,573,881
Total liabilities		755,262,346	705,812,504
<hr/>			
Share capital	22	118,000,000	51,971,980
Items that may be reclassified to profit or loss			
Fair value reserves from available for sale assets	22	(2,210,446)	(683,131)
Other capital reserves	22	837,095	66,865,115
Profit reserves	22	24,648,038	18,449,521
Retained earnings		151,292,303	109,983,056
Profit for the year		80,513,896	87,121,741
Total shareholders' equity		373,080,886	333,708,282
<hr/>			
Total equity and liabilities		1,128,343,232	1,039,520,786

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

AvivaSA Emeklilik ve Hayat A.Ş.

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2015

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

Statement of Income	Note	January 1 – December 31, 2015	January 1 – December 31, 2014
Income:			
Gross written premiums	24	263,457,243	258,314,812
Premium ceded to reinsurers	24	(9,786,574)	(8,730,051)
Premium written net of reinsurance	24	253,670,669	249,584,761
Net change in provision for unearned premiums reserves	21	(7,150,457)	(10,770,658)
Net premiums earned		246,520,212	238,814,103
Net change in mathematical reserves	21	57,344,686	69,649,371
Income generated from pension business	25	208,060,188	164,743,556
Investment and other income/(expense), net	28	41,234,369	40,600,478
Commission income	27	2,781,127	2,483,812
Foreign exchange gains/(losses), net	26	10,836,200	3,763,832
Total income		566,776,782	520,055,152
Expenses:			
Claims paid and change in outstanding claims provisions	21	(119,000,276)	(139,826,884)
General and administrative expenses	30	(190,498,537)	(175,037,153)
Pension expenses including commission	29	(66,545,340)	(46,764,668)
Commission expense	27	(52,208,650)	(47,586,011)
Other income / (expense), net	31	(860,310)	(948,909)
Write-off of intangible assets, one-off	12	(36,343,684)	-
Total expenses		(465,456,797)	(410,163,625)
Profit before taxes		101,319,985	109,891,527
Income tax expense	17	(20,806,089)	(22,769,786)
Profit for the year		80,513,896	87,121,741
Earnings per share (TL 0.01 nominal value per share)	23	0.0068	0.0074

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

AvivaSA Emeklilik ve Hayat A.Ş.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015

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

	Note	January 1 – December 31, 2015	January 1 – December 31, 2014
Profit for the year		80,513,896	87,121,741
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Net gain/(loss) on available-for-sale assets		(1,543,469)	6,537,678
Deferred tax relating to components of other comprehensive income		16,154	(1,307,536)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	22	(1,527,315)	5,230,142
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/ (loss) on employee termination benefits		126,165	(5,333,398)
Deferred tax relating to actuarial gain/ (loss)		(25,233)	1,066,680
Net other comprehensive gain/ (loss) not being reclassified to profit or loss in subsequent periods		100,932	(4,266,718)
Other comprehensive income / (loss), net of tax	22	(1,426,383)	963,424
Total comprehensive income, net of tax		79,087,513	88,085,165

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

AvivaSA Emeklilik ve Hayat A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015

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

	Note	Share capital	Other capital reserves	Items that may be reclassified to profit or loss/ Fair value reserves for available for – sale financial assets	Profit reserves	Retained earnings	Profit for the year	Total
Balance at January 1, 2014		51,971,980	66,865,115	(5,913,273)	14,308,418	72,908,615	71,601,075	271,741,930
Profit for the year		-	-	-	-	-	87,121,741	87,121,741
Other comprehensive income/ (loss)	22	-	-	5,230,142	-	(4,266,718)	-	963,424
Total comprehensive income				5,230,142		(4,266,718)	87,121,741	88,085,165
Transfer	22	-	-	-	4,141,103	67,459,972	(71,601,075)	-
Dividend payment	22	-	-	-	-	(26,118,813)	-	(26,118,813)
Balance at December 31, 2014		51,971,980	66,865,115	(683,131)	18,449,521	109,983,056	87,121,741	333,708,282

	Note	Share capital	Other capital reserves	Items that may be reclassified to profit or loss/ Fair value reserves for available for – sale financial assets	Profit reserves	Retained earnings	Profit for the year	Total
Balance at January 1, 2015		51,971,980	66,865,115	(683,131)	18,449,521	109,983,056	87,121,741	333,708,282
Profit for the year		-	-	-	-	-	80,513,896	80,513,896
Other comprehensive income/ (loss)	22	-	-	(1,527,315)	-	100,932	-	(1,426,383)
Total comprehensive income				(1,527,315)		100,932	80,513,896	79,087,513
Transfer	22	66,028,020	(66,028,020)	-	6,198,517	80,923,224	(87,121,741)	-
Dividend payment	22	-	-	-	-	(39,714,909)	-	(39,714,909)
Balance at December 31, 2015		118,000,000	837,095	(2,210,446)	24,648,038	151,292,303	80,513,896	373,080,886

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

AvivaSA Emeklilik ve Hayat A.Ş.

STATEMENT OF CASH FLOWS FOR THE FOR THE YEAR ENDED DECEMBER 31, 2015

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

	Note	January 1 – December 31, 2015	January 1 – December 31, 2014
Cash flows from operating activities:			
Profit for the year		80,513,896	87,121,741
Income taxes	17	20,806,089	22,769,786
Depreciation and amortization	30	4,441,939	4,552,130
(Gains) / losses from sale of property and equipment		-	(7,550)
Interest income		(33,625,218)	(36,718,685)
Unrealized exchange rates (gains) / losses from cash and cash equivalents		(637,910)	(1,662,310)
Fair value changes in financial assets		7,107,390	(30,635,064)
Increase in claims provision	21	119,203,856	139,931,276
Change in life mathematical reserves	21	(10,740,289)	3,179,447
Change in provision for unearned premiums reserves	21	7,698,537	11,064,979
Change in provision for employment termination benefits	18	1,807,240	6,718,254
Change in other provisions		73,057,753	37,331,501
Operating profit before changes in operating assets / liabilities		269,633,283	243,645,505
Changes in operating assets and liabilities:			
Change in premium and other insurance receivables		(17,572,725)	(8,984,845)
Change in other assets		(1,757,231)	(1,139,923)
Change in deferred expenses		(56,039,584)	(55,871,252)
Change in pension business receivables		1,659,584	(1,261,885)
Change in pension business payables		39,592,090	66,495,312
Taxes paid		(46,595,476)	(33,934,908)
Cash paid for claims settled during the period, net	21	(109,149,724)	(131,979,333)
Employment termination benefits paid	18	(1,223,554)	(1,368,903)
Net cash provided from operating activities		78,546,663	75,599,768
Cash flows from investing activities:			
Acquisition of property and equipment	11	(366,487)	(2,070,401)
Acquisition of intangible assets	12	(24,577,018)	(19,360,157)
Purchases of financial assets	6	(175,060,180)	(334,478,170)
Proceeds from sale of financial assets		181,982,197	346,250,615
Change in time deposits with maturities more than 3 months		-	1,745,159
Interest received		33,185,525	36,340,876
Net cash provided by investing activities		15,164,037	28,427,922
Cash flow from financing activities:			
Dividend payment	22	(39,714,909)	(26,118,813)
Change in financial liabilities		(1,673,509)	1,673,509
Net cash used in financing activities		(41,388,418)	(24,445,304)
Effect of exchange rates on cash and cash equivalents		637,910	1,662,310
Net increase in cash and cash equivalents		52,960,192	81,244,696
Cash and cash equivalents at the beginning of the period		393,557,945	312,313,249
Cash and cash equivalents at the end of the year	5	446,518,137	393,557,945

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

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

1. 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).

Ak Emeklilik was established in Istanbul on December 6, 1941 with the title of Doğan Sigorta A.Ş. On October 3, 1995, the title of Doğan Sigorta A.Ş. was changed as to "Akhayat Sigorta Anonim Şirketi" and declared on the Trade Registry Gazette.

Akhayat Sigorta Anonim Şirketi was transformed into a pension company with the official letter of the Republic of Turkey Prime Ministry Undersecretariat of Treasury (the "Undersecretariat of Treasury") dated December 3, 2002 numbered 77941.

Based on the decision of the Board of Directors of Akhayat Sigorta Anonim Şirketi dated December 11, 2002 numbered 26 and the Extraordinary General Meeting held on January 23, 2003, it has been decided to amend the articles of association for change in company title and scope of the operations and to add Article 40 related to Pension Investment Fund Portfolio and Portfolio Managers. The title of Akhayat Sigorta Anonim Şirketi has been changed as "Ak Emeklilik Anonim Şirketi" and declared on Trade Registry Gazette dated January 31, 2003 numbered 5730.

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 16 July 2007 based on balance sheets of Ak Emeklilik and Aviva Emeklilik as of 31 May 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 16.09.2003. 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 TL0.01 with a nominal value of TL 14,770,636.50 to Aviva International Holdings Limited on July 15, 2015. After this transfer, the share of Aviva Europe SE decreased to %0, while share of Aviva International Holdings Ltd. increased to %41.28.

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%.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

1. Corporate information (continued)

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.

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

On July 7, 2003, Ak Emeklilik acquired a pension operating license from the Undersecretariat of Treasury to operate in the pension branch. The individual pension investment funds were registered by the Capital Market Board (CMB) on September 26, 2003 and the sale of pension products started as of October 27, 2003.

On August 26, 2003, Aviva Emeklilik acquired a pension operating license from the Undersecretariat of Treasury to operate also in the pension branch. The individual pension investment funds were registered by the Capital Market Board (CMB) on October 27, 2003, the individual retirement plans were approved on December 12, 2003 and the sale of pension products started as of December 15, 2003. In accordance with the decree of the Board of Directors dated October 8, 2007 and numbered 15, it was decided that the pension investment funds of Aviva Emeklilik shall be transferred to Ak Emeklilik as of October 31, 2007. The pension funds of the Company have been managed by Ak Portföy as of November 1, 2007. AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Performans Esnek Emeklilik Yatırım Fonu, established as of December 20, 2011, started to be managed by Ata Portföy.

In accordance with the permission acquired from CMB dated November 20, 2008 and numbered 15-1098, the names of Pension Investment Funds have been changed. The amendments were put into practice as of December 5, 2008.

As of December 31, 2015, there are 23 pension investment funds established by the Company (December 31, 2014: 24 pension funds). The pension investment funds established by the Company are as follows:

<u>Name of Pension Fund</u>	<u>Date of Establishment</u>
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	21.10.2003
AvivaSA Emeklilik ve Hayat A.Ş. Dengeli Emeklilik Yatırım Fonu	21.10.2003
AvivaSA Emeklilik ve Hayat A.Ş. Esnek Emeklilik Yatırım Fonu	21.10.2003
AvivaSA Emeklilik ve Hayat A.Ş. Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	08.11.2005
AvivaSA Emeklilik ve Hayat A.Ş. Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	21.10.2003
AvivaSA Emeklilik ve Hayat A.Ş. Para Piyasası İkinci Likit Esnek Emeklilik Yatırım Fonu	21.10.2003
AvivaSA Emeklilik ve Hayat A.Ş. İkinci Esnek Emeklilik Yatırım Fonu	21.10.2003
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	28.12.2006
AvivaSA Emeklilik ve Hayat A.Ş. Para Piyasası Birinci Likit Esnek Emeklilik Yatırım Fonu	20.08.2003
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	20.08.2003
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Esnek Emeklilik Yatırım Fonu	20.08.2003
AvivaSA Emeklilik ve Hayat A.Ş. Birinci Esnek 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. Kamu Borçlanma Araçları Emeklilik Yatırım Fonu - Grup	05.01.2005
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Esnek Emeklilik Yatırım Fonu	05.01.2005
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Hisse Senedi Grup Emeklilik Yatırım Fonu	05.01.2005
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Esnek Grup Emeklilik Yatırım Fonu	17.08.2010
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Performans Esnek Emeklilik Yatırım Fonu (**)	20.12.2011
AvivaSA Emeklilik ve Hayat A.Ş. Standart Emeklilik Yatırım Fonu	02.05.2013
AvivaSA Emeklilik ve Hayat A.Ş. Katkı 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. Özel Sektör Borçlanma Araçları EYF (*)	25.10.2013
AvivaSA Emeklilik ve Hayat A.Ş. BRIC Ülkeleri Esnek Emeklilik Yatırım Fonu (*)	10.05.2013

(*) IPO of AvivaSA Emeklilik ve Hayat A.Ş. BRIC Ülkeleri Esnek Emeklilik Yatırım Fonu and AvivaSA Emeklilik ve Hayat A.Ş. Özel Sektör Borçlanma Araçları Emeklilik Yatırım Fonu took place on January 16, 2015.

(**) Akportfoy Yönetimi A.Ş. manages the portfolio of the fund since February 1, 2016.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

1. Corporate information (continued)

As at December 31, 2015 and December 31, 2014 units and amounts of share certificates in circulation and share certificates not in circulation are as follows:

Share certificates in circulation	December 31, 2015		December 31, 2014	
	Number of Share Certificates	Net Asset Value (TL)	Number of Share Certificates	Net Asset Value (TL)
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	12,934,894,585	469,265,041	7,665,222,687	236,556,437
AvivaSA Emeklilik ve Hayat A.Ş. Dengeli Emeklilik Yatırım Fonu	2,086,849,238	81,397,555	2,300,895,025	89,573,843
AvivaSA Emeklilik ve Hayat A.Ş. Esnek Emeklilik Yatırım Fonu	3,536,171,446	145,566,498	4,076,199,143	170,523,715
AvivaSA Emeklilik ve Hayat A.Ş. Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	8,473,537,711	280,330,048	4,585,244,117	128,350,153
AvivaSA Emeklilik ve Hayat A.Ş. Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	6,947,295,154	302,964,594	8,057,033,831	346,049,603
AvivaSA Emeklilik ve Hayat A.Ş. Para Piyasası İkinci Likit Esnek Emeklilik Yatırım Fonu	3,076,912,615	105,464,257	2,242,020,935	70,029,524
AvivaSA Emeklilik ve Hayat A.Ş. İkinci Esnek Emeklilik Yatırım Fonu	2,423,958,052	50,966,142	1,668,518,127	30,026,652
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	3,888,766,256	82,441,845	3,428,977,776	83,800,788
AvivaSA Emeklilik ve Hayat A.Ş. Para Piyasası Birinci Likit Esnek Emeklilik Yatırım Fonu	23,274,198,858	848,600,565	15,356,990,681	510,358,871
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	57,361,648,551	2,544,964,261	51,534,471,316	2,250,819,569
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Esnek Emeklilik Yatırım Fonu	40,148,583,438	1,711,574,260	32,944,960,011	1,406,321,508
AvivaSA Emeklilik ve Hayat A.Ş. Birinci Esnek Emeklilik Yatırım Fonu	7,169,476,926	173,931,510	3,512,255,329	70,023,834
AvivaSA Emeklilik ve Hayat A.Ş. Hisse Senedi Emeklilik Yatırım Fonu	14,090,018,999	585,214,849	9,676,962,820	467,474,720
AvivaSA Emeklilik ve Hayat A.Ş. Kamu Borçlanma Araçları Emeklilik Yatırım Fonu - Grup	12,542,463,360	441,294,031	11,164,988,736	383,037,269
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Esnek Emeklilik Yatırım Fonu	4,281,969,201	152,382,438	4,300,081,596	139,675,250
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Hisse Senedi Grup Emeklilik Yatırım Fonu	2,199,847,804	72,671,972	1,597,638,541	61,098,491
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Esnek Grup Emeklilik Yatırım Fonu	2,289,541,924	33,200,647	1,778,749,495	25,535,728
AvivaSA Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Performans Esnek Emeklilik Yatırım Fonu	71,898,742	966,750	102,800,216	1,369,196
AvivaSA Emeklilik ve Hayat A.Ş. Standart Emeklilik Yatırım Fonu	7,652,997,229	83,471,241	4,425,141,134	48,238,464
AvivaSA Emeklilik ve Hayat A.Ş. Katkı Emeklilik Yatırım Fonu	81,322,232,123	908,125,366	48,175,996,103	536,391,541
AvivaSA Emeklilik ve Hayat A.Ş. Altın Emeklilik Yatırım Fonu	11,791,920,797	132,871,364	6,940,038,969	71,378,301
AvivaSA Emeklilik ve Hayat A.Ş. Özel Sektör Borçlanma Araçları EYF	54,651,309	650,351	-	-
AvivaSA Emeklilik ve Hayat A.Ş. BRIC Ülkeleri Esnek Emeklilik Yatırım Fonu	35,757,848	414,719	-	-
	307,655,592,166	9,208,730,304	225,535,186,588	7,126,633,457

Share certificates not in circulation	December 31, 2015		December 31, 2014	
	Number of Share Certificates	Net Asset Value (TL)	Number of Share Certificates	Net Asset Value (TL)
AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Alternatif Esnek Emeklilik Yatırım Fonu (**)	-	-	10,000,000	119,693
AvivaSA Emeklilik ve Hayat A.Ş. Özel Sektör Borçlanma Araçları EYF	-	-	10,000,000	108,776
AvivaSA Emeklilik ve Hayat A.Ş. BRIC Ülkeleri Esnek Emeklilik Yatırım Fonu (*)	-	-	100,000,000	1,098,924
	-	-	120,000,000	1,327,393

(*)IPO of AvivaSA Emeklilik ve Hayat A.Ş. BRIC Ülkeleri Esnek Emeklilik Yatırım Fonu took place on January 16, 2015. As of date of reporting, unsold fund are shown in “share certificates not in circulation”. On the other hand sold funds are shown “share certificates in circulation”.

(**)By the Board of Directors on December 26, 2014, it was decided to liquidate AvivaSA Emeklilik ve Hayat A.Ş. Gelir Amaçlı Esnek Emeklilik Yatırım Fonu. Registration process of write back of Fund Bylaws and prospectus, has been completed on April 15, 2015 in Commercial Register Service Unit of İstanbul Ticaret Odası.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

1. Corporate information (continued)

There are no entities controlled or jointly controlled by the Company (December 31, 2014: None). The Company's management analysed their relationship with the pension investment funds under IFRS 10, 11, and 12, and concluded the Company has no control over the pension investment funds.

The average personnel number of the Company is 1,590 employees as of December 31, 2015 (December 31, 2014: 1,571).

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

The accompanying financial statements of AvivaSA Hayat ve Emeklilik Anonim Şirketi for the year ended December 31, 2015 were authorised for issue in accordance with a resolution of the directors on February 24, 2016.

2. Accounting policies

2.1 Basis of preparation

The 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 Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.2 Summary of significant accounting policies

a) Gross written premiums

For short-term insurance policies, premiums are recognized on an accrual basis net of cancellations (representing the accrued premium for the months which have not yet been paid when a policy is cancelled). The portion of premium accrued on in-force contracts that relates to unexpired risks at the reporting date is recognized as the reserve for unearned premiums, calculated on a daily pro-rata basis. Premiums are presented before deduction of commissions given or received and deferred acquisitions costs, and are gross of any taxes and duties levied.

For long-term insurance policies, premiums are recognized as revenue when the premiums are receivable.

For unit-linked life savings policies, premiums are recognized on a collection basis.

b) 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.

c) 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.

d) 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.

e) 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 and (iv) entry and deferred entry fees. Revenues arising from fund management and other related services offered by the Company are recognized in the accounting period during which the service is rendered.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

e) Income generated from pension business (continued)

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 Company 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.

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.

f) Investment and other income (expense), net

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

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

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

Interest income presented in the statement of comprehensive income includes:

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

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

g) Commission income and commission expenses

The Company 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 Company'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.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

h) 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.

i) 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) and Takasbank, the custodian bank of pension funds and (iv) other pension business-related expenses.

Commissions paid to banks and agencies for distribution of the Company’s pension products are recognized (net of deferred acquisition cost) under pension expenses. As required under Turkish pension regulations, the Company’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.

j) 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.

k) 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:

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

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

k) Property and equipment (continued)

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.

l) Leases as lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessee are classified as financial leases while other leases are classified as operational leases.

The payment of the operational lease is charged to profit or loss on a straight-line basis over the lease period. The incentives received or to be received from the lessor and payments made to intermediaries to acquire the lease contract are also charged to profit or loss on a straight-line basis over the lease period. As at December 31, 2015 and December 31, 2014 details of the outstanding operational lease liability has been disclosed in Note 35.

m) Intangible assets

Intangible assets mainly comprise computer software. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for three 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 Company's software development project started in 2012 to unify the basic insurance applications used within the structure of the Company 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.

n) Financial instruments

Recognition

The Company 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 Company commits to purchase or sell the asset. All other financial assets and liabilities are initially recognized on the trade date at which the Company becomes a party to contractual provisions of the instrument.

Classification

The Company 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.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

n) Financial instruments (continued)

Classification (continued)

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 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 Company 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 Company 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.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

n) Financial instruments (continued)

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.

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 Company 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 Company 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.

o) Impairment of financial assets

Premium and other insurance receivables

In determining whether an impairment loss should be recorded in profit or loss, the Company 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 and 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 Company about the following loss events:

- (a) significant financial difficulty of the agency or debtor;
- (b) the Company 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.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

o) Impairment of financial assets (continued)

Premium and other insurance receivables (continued)

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.

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 Company 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 Company may not receive all amounts and
- (b) that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

An insurance contract is a contract under which the Company 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.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

o) Impairment of financial assets (continued)

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 Company 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 Company’s portfolio and contracts carry significant insurance risk, mentioned policies are within the context of insurance contracts.

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

p) 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.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

q) Deferred expenses

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 resulting from and 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 Company management has identified that the following expenses met these criteria and thus 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 Company management has determined the period as nine years and amount of DAC is subject to Liability Adequacy Test each year. The Company has applied straight line method for the amortisation of DAC which is nine years.

r) 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, except for marine premiums issued before 14 June 2007. 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.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

s) 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.

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 Company also reassesses its notified claims provision at each reporting date on each claim file basis.

t) 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 Company 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.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

u) Reinsurance contracts held

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more life insurance contracts issued by the Company, 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 Company 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 Company retention limits which are approved by the Turkish Treasury.

v) Pension business

The Company provides group and individual plans to customers.

The Company offers 23 pension investment funds (2014: 24). These pension funds are in different risk profiles according to the portfolio composition of the funds. The participants choose from among different pension funds within legal limitations and determine allocation rates for contributions and additional contributions according to the contract provisions. The participants gain right for retirement provided that they remain in the pension system for at least 10 years, pay contributions for at least 10-years and attain 56 years of age.

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

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

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

w) Employee benefits

Provision for Termination Benefit Obligations

Provision for Termination Benefit Obligations represents the present value of the estimated future probable obligation of the Company arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the 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 3,828 effective as of December 31, 2015 (December 31, 2014: TL 3,438) 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 Company's obligation for termination benefits. The principal statistical assumptions used in the calculation of the total liability in the accompanying financial statements at December 31, 2015 and December 31, 2014 is as follows:

	December 31, 2015	December 31, 2014
	%	%
Expected rate of salary/limit increase	5.00	5.00
Discount rate	10.10	9.20

Other benefits to employees

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

x) Provisions

A provision is recognized when, and only when, the Company 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 material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

y) 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 Company’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 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 Company 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 Company intends to settle its current tax assets and liabilities on a net basis.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

z) Related parties

Parties are considered related to the Company if;

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

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

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

aa) Foreign currency transactions

Transactions are recorded in TL, which represents the Company'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:

	December 31, 2015		December 31, 2014	
	US Dollar / TL	Euro / TL	US Dollar / TL	Euro / TL
Bid Rates	2.9076	3.1776	2.3189	2.8207
Ask Rates	2.9172	3.1881	2.3265	2.8300

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

bb) Segment reporting

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

2.3 Changes in accounting policy and disclosures

Financial statements of the Company 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 financial statements is changed, financial statements of the prior periods are also reclassified in order to maintain consistency with the current year's presentation in line with the related changes.

a) Amendments to IFRSs affecting amounts reported and/or disclosures in the financial statements

None.

b) New and revised IFRSs applied with no material effect on the financial statements

Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ¹	
Annual Improvements to 2010-2012 Cycle	<i>IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38,</i>	<i>IAS 24</i> ¹
Annual Improvements to 2011-2013 Cycle	<i>IFRS 1, IFRS 3, IFRS 13, IAS 40</i> ¹	

¹ Effective for annual periods beginning on or after 1 July 2014.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

Annual Improvements to 2010-2012 Cycle

IFRS 2: Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

IFRS 3: Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 8: Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.3 Changes in accounting policy and disclosures (continued)

b) New and revised IFRSs applied with no material effect on the financial statements (continued)

IFRS 13: Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

IAS 16 and IAS 38: Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24: Clarify how payments to entities providing management services are to be disclosed.

Annual Improvements to 2011-2013 Cycle

IFRS 1: Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

IFRS 3: Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13: Clarify the scope of the portfolio exception in paragraph 52.

IAS 40: Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

c) New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	<i>Financial Instruments</i> ²
IFRS 14	<i>Regulatory Deferral Accounts</i> ¹
Amendments to IFRS 11	<i>Accounting for Acquisition of Interests in Joint Operations</i> ¹
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i> ¹
IFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
Annual Improvements to 2012-2014 Cycle	<i>IFRS 5, IFRS 7, IAS 19, IAS 34</i> ¹
Amendments to IAS 1	<i>Disclosure Initiative</i> ¹
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> ¹
IFRS 16	<i>Leases</i> ³

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2019.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.3 Changes in accounting policy and disclosures (continued)

c) New and revised IFRSs in issue but not yet effective (continued)

IFRS 9 *Financial Instruments*

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income (“FVTOCI”) measurement category for certain simple debt instruments.

IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for ‘regulatory deferral account balances’ in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

IFRS 14 was issued by the IASB on 30 January 2014 and is applied to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

Amendments to IFRS 11 *Accounting for Acquisition of Interests in Joint Operations*

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11,
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.3 Changes in accounting policy and disclosures (continued)

c) New and revised IFRSs in issue but not yet effective (continued)

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

This amendment include ‘bearer plants’ within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The amendment also introduces a definition of ‘bearer plants’ as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of IAS 41.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

Amendments to IAS 27 Equity Method in Separate Financial Statements

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Annual Improvements 2012-2014 Cycle

IFRS 5: Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

IFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

IAS 19: Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

IAS 34: Clarify the meaning of ‘elsewhere in the interim report’ and require a cross-reference.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.3 Changes in accounting policy and disclosures (continued)

c) New and revised IFRSs in issue but not yet effective (continued)

Amendments to IAS 1 *Disclosure Initiative*

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent’s investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

IFRS 16 *Leases*

This new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 “Leases” and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 ‘Revenue from Contracts with Customers’ has also been applied.

The Company evaluates the effects of these standards, amendments and improvements on the financial statements.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.4 Critical accounting estimates and judgments in applying accounting policies

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

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

Deferred acquisition costs (DAC)

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

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

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 Company 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.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

2. Accounting policies (continued)

2.4 Critical accounting estimates and judgments in applying accounting policies (continued)

Employee termination benefits

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company 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 financial statements for these termination benefits, the Company makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations which are disclosed in Note 2.2 and Note 18 are reviewed regularly.

Doubtful receivables provisions

Doubtful receivables provisions are related to the total amount of receivables assessed by the Company’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.

Deferred taxes

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. It is necessary to evaluate and make predictions regarding taxable profits which may occur in future while determining the amount of deferred tax assets to be recorded (Note 17).

Provision for litigations

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

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

3. Segment information

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

Life Protection

The Company’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 Company, 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 Company. The Company 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 Company offers customizable life insurance riders including involuntary unemployment, critical illness, accidental death, and disability due to accident or sickness in its non-credit-linked product portfolio.

Life Savings

Live 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 Company 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 Company 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 Company operates principally in Turkey, geographic segment information is not presented.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

3. Segment information (continued)

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 Company’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:

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

3. Segment information (continued)

January 1 - December 31, 2015	Life Insurance				Total	Reconciliation to statement of profit and loss			
	Pension	Life protection	Life savings	Personal accident		Commissions expenses	Other	Net change in mathematical reserves	Statement of profit or loss
Gross written premiums	-	204,494,451	13,272,422	45,690,370	263,457,243	-	-	-	263,457,243
Premium ceded to reinsurers	-	(9,028,549)	(552,592)	(205,433)	(9,786,574)	-	-	-	(9,786,574)
Premium written net of reinsurance	-	195,465,902	12,719,830	45,484,937	253,670,669	-	-	-	253,670,669
Net change in mathematical reserves	-	(6,611,505)	63,961,552	-	57,350,047	-	(5,361)	(57,344,686)	-
Net change in provision for unearned premiums reserves	-	(7,233,235)	10,875	71,903	(7,150,457)	-	-	-	(7,150,457)
Net premiums earned	-	181,621,162	76,692,257	45,556,840	303,870,259	-	(5,361)	(57,344,686)	246,520,212
Net change in mathematical reserves	-	-	-	-	-	-	-	57,344,686	57,344,686
Claim paid and change in outstanding claims	-	(42,836,222)	(73,851,409)	(2,312,645)	(119,000,276)	-	-	-	(119,000,276)
Commission income	-	2,710,930	31,687	38,510	2,781,127	-	-	-	2,781,127
Commission expense	-	(32,455,009)	(7,720)	(20,978,790)	(53,441,519)	1,232,869	-	-	(52,208,650)
Other income / (expense), net	-	(917,529)	-	(68,936)	(986,465)	-	126,155	-	(860,310)
Life and personal accident technical profit	-	108,123,332	2,864,815	22,234,979	133,223,126	-	-	-	-
Fund management charge	129,225,637	-	-	-	129,225,637	-	-	-	129,225,637
Management fee	30,343,507	-	-	-	30,343,507	-	-	-	30,343,507
Entry fee	16,154,283	-	-	-	16,154,283	-	-	-	16,154,283
Deferred fee	25,801,498	-	-	-	25,801,498	-	-	-	25,801,498
Premium holiday charge	6,535,263	-	-	-	6,535,263	-	-	-	6,535,263
Pension income	208,060,188	-	-	-	208,060,188	-	-	-	208,060,188
Fund management charge	(17,957,375)	-	-	-	(17,957,375)	-	-	-	(17,957,375)
Commission expense, net of DAC	(42,664,483)	-	-	-	(42,664,483)	2,506,487	-	-	(40,157,996)
Commission expense	(89,264,238)	-	-	-	(89,264,238)	2,506,487	-	-	(86,757,751)
DAC	46,599,755	-	-	-	46,599,755	-	-	-	46,599,755
Other income / (expense), net	(8,788,240)	-	-	-	(8,788,240)	-	358,271	-	(8,429,969)
Pension expenses including commission	(69,410,098)	-	-	-	(69,410,098)	2,506,487	358,271	-	(66,545,340)
Pension technical profit	138,650,090	-	-	-	138,650,090	-	-	-	-
Total technical profit	138,650,090	108,123,332	2,864,815	22,234,979	271,873,216	-	-	-	-
General and administrative expenses	-	-	-	-	(184,032,356)	-	-	-	(184,032,356)
Net technical profit after overhead expenses	-	-	-	-	87,840,860	-	-	-	-
Foreign exchange gain / (loss), net	-	-	-	-	10,836,200	-	-	-	10,836,200
Investment and other income / (expense), net	-	-	-	-	38,986,609	-	-	-	38,986,609
Net financial income	-	-	-	-	49,822,809	-	-	-	49,822,809
Write-off of intangible assets, one-off	-	-	-	-	(36,343,684)	-	-	-	(36,343,684)
Profit before taxes	-	-	-	-	101,319,985	-	-	-	101,319,985
Income tax expense	-	-	-	-	(20,806,089)	-	-	-	(20,806,089)
Profit for the year	-	-	-	-	80,513,896	-	-	-	80,513,896

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

3. Segment information (continued)

January 1 - December 31, 2014	Life Insurance				Total	Reconciliation to statement of profit or loss			Statement of profit or loss
	Pension	Life protection	Life savings	Personal accident		Commissions expenses	Other expenses	Net change in mathematical reserves	
Gross written premiums	-	196,931,759	15,967,720	45,415,333	258,314,812	-	-	-	258,314,812
Premium ceded to reinsurers	-	(8,087,638)	(529,218)	(113,195)	(8,730,051)	-	-	-	(8,730,051)
Premium written net of reinsurance	-	188,844,121	15,438,502	45,302,138	249,584,761	-	-	-	249,584,761
Net change in mathematical reserves	-	(15,621,428)	85,278,876	-	69,657,448	-	(8,077)	(69,649,371)	-
Net change in provision for unearned premiums reserves	-	(2,067,486)	32,618	(8,735,790)	(10,770,658)	-	-	-	(10,770,658)
Net premiums earned	-	171,155,207	100,749,996	36,566,349	308,471,551	-	(8,077)	(69,649,371)	238,814,103
Net change in mathematical reserves	-	-	-	-	-	-	-	69,649,371	69,649,371
Claim paid and change in outstanding claims	-	(37,468,476)	(97,863,288)	(4,495,120)	(139,826,884)	-	-	-	(139,826,884)
Commission income	-	2,420,993	41,283	21,536	2,483,812	-	-	-	2,483,812
Commission expense	-	(31,789,860)	(21,785)	(16,892,048)	(48,703,693)	1,117,682	-	-	(47,586,011)
Other income / (expense), net	-	(908,378)	-	(42,509)	(950,887)	-	1,978	-	(948,909)
Life and personal accident technical profit	-	103,409,489	2,906,206	15,158,209	121,473,904	-	-	-	-
Fund management charge	98,143,837	-	-	-	98,143,837	-	-	-	98,143,837
Management fee	23,335,992	-	-	-	23,335,992	-	-	-	23,335,992
Entry fee	15,612,071	-	-	-	15,612,071	-	-	-	15,612,071
Deferred fee	20,075,801	-	-	-	20,075,801	-	-	-	20,075,801
Premium holiday charge	7,575,855	-	-	-	7,575,855	-	-	-	7,575,855
Pension income	164,743,556	-	-	-	164,743,556	-	-	-	164,743,556
Fund management charge	(11,177,233)	-	-	-	(11,177,233)	-	-	-	(11,177,233)
Commission expense, net of DAC	(32,030,762)	-	-	-	(32,030,762)	3,862,948	-	-	(28,167,814)
Commission expense	(70,204,662)	-	-	-	(70,204,662)	3,862,948	-	-	(66,341,714)
DAC	38,173,900	-	-	-	38,173,900	-	-	-	38,173,900
Other income / (expense), net	(7,360,372)	-	-	-	(7,360,372)	-	(59,249)	-	(7,419,621)
Pension expenses including commission	(50,568,367)	-	-	-	(50,568,367)	3,862,948	(59,249)	-	(46,764,668)
Pension technical profit	114,175,188	-	-	-	114,175,189	-	-	-	-
Total technical profit	114,175,188	103,409,489	2,906,206	15,158,209	235,649,093	-	-	-	-
General and administrative expenses	-	-	-	-	(167,990,989)	-	-	-	-
Net technical profit after overhead expenses	-	-	-	-	67,658,104	-	-	-	-
Foreign exchange gain / (loss), net	-	-	-	-	3,763,832	-	-	-	3,763,832
Investment income / (expense), net	-	-	-	-	38,469,591	-	-	-	38,469,591
Net financial income	-	-	-	-	42,233,423	-	-	-	42,233,423
Profit before taxes	-	-	-	-	109,891,527	-	-	-	109,891,527
Income tax expense	-	-	-	-	(22,769,786)	-	-	-	(22,769,786)
Profit for the year	-	-	-	-	87,121,741	-	-	-	87,121,741

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

4. Insurance and financial risk management

The Company 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 Company. By identifying, analyzing, measuring, controlling, managing, reporting and mitigating risks that may arise in the course of its operations in a timely manner, the Company 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 Company’s approach to risk management is based on the following elements:

- Ensuring compliance with legal obligations and the Company’s risk management policies;
- Identifying all structural risks the Company 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 Company’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 Company.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

4. Insurance and financial risk management (continued)

Risk Management Framework

The Company 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.

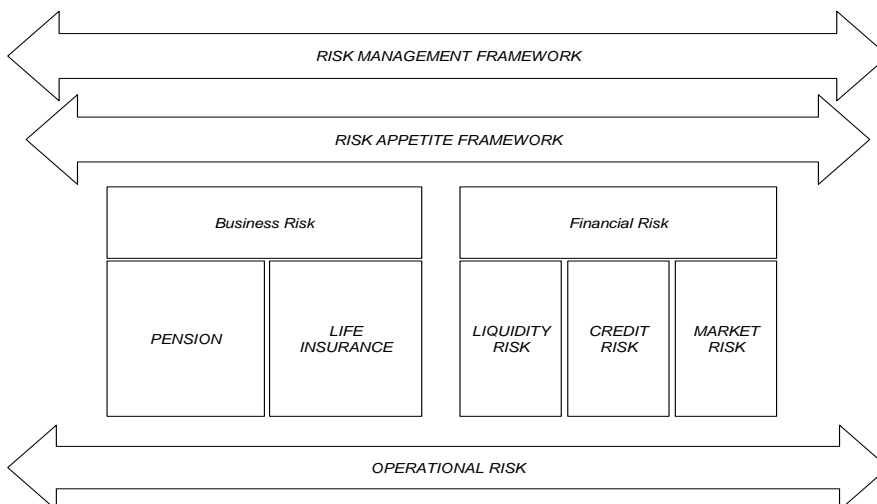
AvivaSA Emeklilik ve Hayat A.Ş.’s risk management framework “(RMF)” forms an integral part of the management and Board processes and decision making framework. The key elements of our risk management framework comprise risk appetite, risk governance including risk policies and business standards, risk 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 Company.

- *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.

The Company’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 Company 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 Company and its management.

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



AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

4. Insurance and financial risk management (continued)

Risk Management Framework (continued)

The Company 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 company is exposed: life insurance and private pension, credit, market, liquidity and operational risk.

Business standards

The Company 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 Company 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 Company 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.

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 Company. The all risk associated with the Company’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, Munich Re and Gen Re. The company has signed reinsurance agreements with Scor Global Life ve RGA against catastrophic loss risks.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

4. Insurance and financial risk management (continued)

Insurance Risk (continued)

a) Life insurance (continued)

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 Company 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 Company, handling both individual and corporate policies, and the assessment and settlement of incurred claims takes place on a monthly basis. Further, the Company has underwriting at the claim stage specifically for critical illness claims.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

4. Insurance and financial risk management (continued)

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.

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

As at December 31, 2015 and December 31, 2014, 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	December 31, 2015	December 31, 2014
Life	19%	16%
Personal Accident (Casualty)	5%	12%

As at December 31, 2015 and December 31, 2014 that part of total risk which is ceded to reinsurers is given below on a risk coverage basis.

December 31, 2015						
Life						
Natural Death	Accidental death	Accidental disability	Sickness disability	Dangerous sickness	Public Transport	Unemployment
5.91%	17.27%	6.65%	6.11%	50.89%	17.37%	100.00%
Personal Accident						
Accidental death	Accidental disability	Accidental treatment cost	Unemployment			
0.85%	1.25%	-	100.00%			
December 31, 2014						
Life						
Natural death	Accidental death	Accidental disability	Sickness disability	Dangerous Sickness	Public Transport	Unemployment
4.59%	19.15%	8.83%	11.04%	51.42%	15.89%	100.00%
Personal Accident						
Accidental death	Accidental disability	Accidental treatment cost	Unemployment			
0.35%	0.55%	-	100.00%			

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

4. Insurance and financial risk management (continued)

Sensitivity to Insurance Risk

The Company'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 31 December 2015 and 31 December 2014 the Company has both proportional and non-proportional reinsurance treaties.

Outstanding claims are reviewed and updated periodically by claims department.

The Company 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)

December 31, 2015	Total gross risk liability	Share of reinsurer in total risk liability	Net risk liability
Life	33,952,686,141	2,008,115,435	31,944,570,705
Personal Accident	32,506,272,378	334,229,847	32,172,042,531
Total	66,458,958,519	2,342,345,282	64,116,613,236

December 31, 2014	Total gross risk liability	Share of reinsurer in total risk liability	Net risk liability
Life	35,956,873,986	1,651,184,704	34,305,689,282
Personal Accident	32,490,342,306	143,503,433	32,346,838,873
Total	68,447,216,292	1,794,688,137	66,652,528,155

The Company's gross provision for outstanding claims at December 31, 2015 and December 31, 2014 are as follows:

Outstanding Claims	December 31, 2015	December 31, 2014
Life	47,164,174	36,742,425
Personal Accident	7,404,310	7,771,926
Total	54,568,484	44,514,351

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

4. Insurance and financial risk management (continued)

Financial Risk

Financial risk arises from the financial instruments used by the Company, 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 Company, interest rate risk and foreign exchange risk.

i) Foreign Currency Risk

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

Foreign currency sensitivity analysis as of 31 December 2015 and 31 December 2014 are as follows:

At December 31, 2015, on condition that all variables remain constant, effect of a 10% appreciation/ devaluation of Eurobonds against TL on owners' equity is TL 21,506.

December 31, 2015:

Liabilities and assets in foreign currency	Effect on income/expense		
	USD	EUR	GBP
Exchange rate variation (*)			
10%	3,077,837	14,661	(11,091)
-10%	(3,077,837)	(14,661)	11,091

As at December 31, 2014, on condition that all variables remain constant, effect of a 10% appreciation/ devaluation of Eurobonds against TL on owners' equity is TL 8,932.

December 31, 2014:

Liabilities and assets in foreign currency	Effect on income/expense		
	USD	EUR	GBP
Exchange rate variation (*)			
10%	2,770,854	(1,328)	(2,422)
-10%	(2,770,854)	1,328	2,422

(*) All amounts are presented in TL.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

4. Insurance and financial risk management (continued)

Financial Risk (continued)

a) Market Risk (continued)

ii) Interest Risk

The Company’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 Company closely monitors interest rate risk by monitoring market conditions and appropriate valuation methods.

In the following table, on condition that all other variables remain constant, it is disclosed that the effect on the statement of profit or loss of a 5% 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.

As at 31 December 2015:

Total of trading and available for sale financial assets	Effect Profit and Loss		
	TL	USD (*)	EUR (*)
Market interest increase / (decrease) (**)			
5%	(11,872,121)	(5,857,469)	(8,013)
-5%	11,146,289	4,635,940	6,427

Trading financial assets (company)	Effect Profit and Loss		
	TL	USD (*)	EUR (*)
Market interest increase / (decrease) (**)			
%5	(1,140,841)	-	-
-%5	1,249,276	-	-

Available for sale financial assets	Effect Profit and Loss		
	TL	USD (*)	EUR (*)
Market interest increase / (decrease) (**)			
5% Asset backing investment contacts	(9,379,802)	(3,568,683)	(8,013)
5% Available for sale financial assets (company)	(1,351,478)	(2,288,786)	-
-5% Asset backing investment contacts	8,647,904	2,670,926	6,427
-5% Available for sale financial assets (company)	1,249,109	1,965,014	-

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

(**) Amounts are shown in relevant currency.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

4. Insurance and financial risk management (continued)

Financial Risk (continued)

a) Market Risk (continued)

ii) Interest Risk (continued)

December 31, 2014:

Market interest increase / (decrease) (**)	Effect Profit and Loss		
	TL	USD (*)	EUR (*)
5%	(13,461,351)	(5,481,341)	(10,185)
-5%	12,301,084	4,619,202	7,949
Trading financial assets (company)			
Market interest increase / (decrease) (**)	TL	USD (*)	EUR (*)
5%	(1,854,800)	-	-
-5%	1,979,169	-	-
Available for sale financial assets			
Market interest increase / (decrease) (**)	TL	USD (*)	EUR (*)
5% Asset backing insurance contracts	(10,050,487)	(4,687,170)	(10,185)
5% Available for sale financial assets (Company)	(1,556,064)	(794,171)	-
-5% Asset backing insurance contracts	8,913,806	3,971,967	7,949
-5% Available for sale financial assets (Company)	1,408,109	647,235	-

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

(**) All amounts are shown in relevant currency.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

4. Insurance and financial risk management (continued)

Financial Risk (continued)

b) Credit Risk

Credit risk is the failure of Company 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 Company 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 financial statements:

	December 31, 2015	December 31, 2014
Cash and cash equivalents	447,814,449	394,414,565
Financial assets	333,829,916	358,396,058
Premium and other insurance receivables	41,606,776	24,034,051
Reinsurance share of insurance liabilities	7,223,323	6,471,662
Other financial assets	838,932	838,932
Pension business receivables	8,069,213	9,728,797
Total	839,382,609	793,884,065

c) Liquidity Risk

The Company 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.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

4. Insurance and financial risk management (continued)

Financial Risk (continued)

c) Liquidity Risk (continued)

As at December 31, 2015, table of liquidity risk is as follows:

The following tables detail the Company’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 Company can be required to pay. The table includes both interest and principal cash flows. The undiscounted totals column includes the effect of the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the statement of financial position.

December 31, 2015	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	447,814,449	40,881,542	408,601,741	-	-	-	-	449,483,283
Financial assets	333,829,916	66,858,277	4,438,655	4,664,363	-	279,483,113	-	355,444,408
- Available for sale financial investments	48,668,542	-	-	-	-	49,449,354	-	49,449,354
- Financial assets at fair value through profit or loss	62,090,728	53,003,106	4,438,655	4,664,363	-	-	-	62,106,125
-Available for sale asset backing financial investments, Policyholders’ portfolio	223,070,646	13,855,170	-	-	-	230,033,759	-	243,888,930
Premium and other insurance receivables	41,606,776	139,093	20,897,938	20,268,043	301,702	-	-	41,606,776
Pension business receivables	8,069,213	7,038,641	-	-	-	-	1,030,572	8,069,213
Other financial assets	838,932	-	-	-	-	-	838,932	838,932
Total	832,159,286	114,917,553	433,938,334	24,932,406	301,702	279,483,113	1,869,504	855,442,612
Financial liabilities								
Financial liabilities	-	-	-	-	-	-	-	-
Due to insurance and reinsurance companies	9,755,762	87,568	9,668,194	-	-	-	-	9,755,762
Pension business payables	209,719,083	183,538,222	26,180,861	-	-	-	-	209,719,083
Other payables and liabilities	24,658,971	10,074,752	9,927,578	-	4,656,641	-	-	24,658,971
Total	244,133,816	193,700,542	45,776,633	-	4,656,641	-	-	244,133,816
Liquidity surplus/(deficit)	588,025,470	(78,782,989)	388,161,701	24,932,406	(4,354,939)	279,483,113	1,869,504	611,308,796

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

4. Insurance and financial risk management (continued)

Financial Risk (continued)

c) Liquidity Risk (continued)

As at December 31, 2014, table of liquidity risk is as follows:

December 31, 2014	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	394,414,565	27,846,173	350,274,261	18,376,390	-	-	-	396,496,824
Financial assets	358,396,058	76,382,449	9,393,873	17,575,478	6,389,276	252,464,343	-	362,205,419
- Available for sale financial investments	42,808,597	-	-	9,470,577	-	33,845,580	-	43,316,157
- Financial assets at fair value through profit or loss	75,524,805	59,373,664	9,393,873	-	6,389,276	-	-	75,156,813
- Available for sale asset backing financial investments, Policyholders’ portfolio	240,062,656	17,008,785	-	8,104,901	-	218,618,763	-	243,732,449
Premium and other insurance receivables	24,034,051	126,676	13,052,477	10,793,561	61,337	-	-	24,034,051
Pension business receivables	9,728,797	6,906,833	-	-	1,327,392	-	1,494,571	9,728,797
Other financial assets	838,932	-	-	-	-	-	838,932	838,932
Total	787,412,403	111,262,131	372,720,611	46,745,429	7,778,005	252,464,343	2,333,503	793,304,022
Financial liabilities								
Financial liabilities	1,673,509	1,673,509	-	-	-	-	-	1,673,509
Due to insurance and reinsurance companies	7,686,218	31,032	7,655,186	-	-	-	-	7,686,218
Pension business payables	170,126,993	145,943,876	24,183,117	-	-	-	-	170,126,993
Other payables and liabilities	24,622,555	8,125,376	12,083,952	174,143	4,239,084	-	-	24,622,555
Total	204,109,275	155,773,793	43,922,255	174,143	4,239,084	-	-	204,109,275
Liquidity surplus/(deficit)	583,303,128	(44,511,662)	328,798,356	46,571,286	3,538,921	252,464,343	2,333,503	589,194,747

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

4. Insurance and financial risk management (continued)

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

Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

	December 31, 2015			
	1. Level	2. Level	3. Level	Total
Financial assets:				
Available for sale financial assets (Note 6)	48,668,542	-	-	48,668,542
Financial assets held for trading (Note 6)	62,090,728	-	-	62,090,728
Financial investments with risks on policyholders classified as available for sale (Note 6) (*)	209,215,476	209,215,476	-	209,215,476
Total financial assets	319,974,746	-	-	319,974,746

(*) Time deposits amounting to TL 13,855,170 are not included. Carrying values of time deposits approximate their fair values due to their short term nature.

	December 31, 2014			
	1. Level	2. Level	3. Level	Total
Financial assets:				
Available for sale financial assets (Note 6)	42,808,597	-	-	42,808,597
Financial assets held for trading (Note 6)	75,524,805	-	-	75,524,805
Financial investments with risks on policyholders classified as available for sale (Note 6) (*)	223,053,871	-	-	223,053,871
Total financial assets	341,387,273	-	-	341,387,273

(*) Time deposits amounting to TL 17,008,785 are not included. Carrying values of time deposits approximate their fair values due to their short term nature.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

4. Insurance and financial risk management (continued)

Financial Risk (continued)

d) Operational Risk

Operational risks consist of all other risks that may cause financial loss or loss of reputation to the Company 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 Company regards tight control over its IT systems as a strategic necessity. The Company 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 Company’s risk tracking system, called OPERA, which is updated to reflect changes in the operating environment and its business processes.

Capital Management

The Company’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, 2015 and December 31, 2014, the Company has a sufficient amount of equity for losses which may arise from current liabilities and potential risks of the Company. As of December 31, 2015 and December 31, 2014, the required capital reserves (calculated in accordance with the above-mentioned local regulation) and current capital adequacy analysis is as follows:

	December 31, 2015	December 31, 2014
Total owners’ equity (*)	183,979,891	187,356,615
Required minimum capital reserves	119,647,069	83,341,882
Capital surplus	64,332,822	104,014,733

* It includes equalization reserve.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

5. Cash and cash equivalents

As at December 31, 2015 and December 31, 2014, cash and cash equivalents are as follows:

	December 31, 2015	December 31, 2014
Cash	-	142
Banks (*)	261,688,873	238,263,597
Cheques given and payment orders	(32,581)	(29,741)
Other cash and cash equivalents (**)	186,158,157	156,180,567
Total cash and cash equivalents	447,814,449	394,414,565
Accrued interest	(1,296,312)	(856,620)
Total cash and cash equivalents per statement of cash flow	446,518,137	393,557,945

(*) Note 32 presents the details about the blockage on cash and cash equivalents in favour of Undersecretariat of Treasury.

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

Interest rates of time deposits are stated below:

	December 31, 2015	December 31, 2014
	Interest Rate	Interest Rate
	(%)	(%)
USD	1.08	1.96
TL	12.86	10.71

As of December 31, 2015, TL deposit maturity varies between January 5, 2016 and February 2, 2016, foreign currency deposits maturity varies between January 4, 2016 and January 25, 2016.

As of December 31, 2014, TL deposit maturity varies between January 2, 2015 and March 30, 2015, foreign currency deposits maturity varies between January 5, 2015 and January 23, 2015.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

5. Cash and cash equivalents (continued)

As at December 31, 2015 and December 31, 2014; detail of cash and cash equivalents are as follows:

	December 31, 2015	December 31, 2014
Foreign currency cash and cash equivalents	6,934,748	2,520,344
- demand deposits	318,293	103,236
- time deposits	6,547,151	2,361,515
- credit card receivables	69,304	55,593
- cash	-	-
TL cash and cash equivalents	440,879,701	391,894,221
- demand deposits	5,100,253	4,328,445
- time deposits	249,723,176	231,470,401
- cheques given and payment orders	(32,581)	(29,741)
- credit card receivables	186,088,853	156,124,974
- cash	-	142
Total	447,814,449	394,414,565

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

6. Financial assets

As at December 31, 2015 and December 31, 2014; the securities portfolio of the Company is as follows:

	December 31, 2015	December 31, 2014
Financial assets at fair value through profit or loss	62,090,728	75,524,805
Total available for sale financial assets	271,739,188	282,871,253
Available for sale financial investments	48,668,542	42,808,597
Available for sale asset backing financial investments, policyholders' portfolio	223,070,646	240,062,656
Total securities portfolio	333,829,916	358,396,058

As at December 31, 2015 and December 31, 2014; financial assets as fair value through profit or loss are as follows:

	December 31, 2015		
	Cost	Fair value	Carrying value
Investment funds	31,287,247	35,803,458	35,803,458
Private sector bonds	15,732,466	15,898,074	15,898,074
Treasury bills and Government bonds -TL	10,284,672	10,389,196	10,389,196
Total financial assets at fair value through profit or loss	57,304,385	62,090,728	62,090,728

	December 31, 2014		
	Cost	Fair value	Carrying value
Investment funds	30,348,538	31,615,509	31,615,509
Private sector bonds	23,288,702	23,615,766	23,615,766
Treasury bills and Government bonds -TL	19,802,741	20,293,530	20,293,530
Total financial assets at fair value through profit or loss	73,439,981	75,524,805	75,524,805

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

6. Financial assets (continued)

As at December 31, 2015 and December 31, 2014; available for sale financial assets owned by the Company are as follows:

	December 31, 2015		
	Cost	Fair value	Carrying value
Treasury bills and Government bonds – TL	10,772,000	9,319,663	9,319,663
Eurobonds- USD	38,784,561	39,348,879	39,348,879
Total available for sale financial investments	49,556,561	48,668,542	48,668,542

	December 31, 2014		
	Cost	Fair value	Carrying value
Treasury bills and Government bonds – TL	14,674,125	14,284,323	14,284,323
Eurobonds-USD	28,696,761	28,524,274	28,524,274
Total available for sale financial investments	43,370,886	42,808,597	42,808,597

As at December 31, 2015 and December 31, 2014; available for sale financial assets backing insurance contracts are as follows:

	December 31, 2015		
	Cost	Fair value	Carrying value
Treasury bills and Government bonds – TL	75,550,796	63,299,410	63,299,410
Eurobonds – USD	156,920,887	144,559,909	144,559,909
Eurobonds – EUR	1,221,392	1,356,157	1,356,157
Time deposits – TL	13,700,000	13,855,170	13,855,170
Total available for sale asset backing financial investments, policyholders' portfolio	247,393,075	223,070,646	223,070,646

	December 31, 2014		
	Cost	Fair value	Carrying value
Treasury bills and Government bonds – TL	84,193,796	79,711,791	79,711,791
Eurobonds – USD	142,187,167	142,113,142	142,113,142
Eurobonds – EUR	1,084,208	1,228,938	1,228,938
Time deposits – TL	16,900,000	17,008,785	17,008,785
Total available for sale asset backing financial investments, policyholders' portfolio	244,365,171	240,062,656	240,062,656

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

6. Financial assets (continued)

As at December 31, 2015 and December 31, 2014; financial assets at fair value through profit or loss and available for sale financial assets movement table are as follows:

	2015	2014
Opening, January 1	358,396,058	345,957,494
Purchases	175,060,180	334,478,171
Disposals	(193,441,548)	(344,502,613)
Change in the valuation - unrealized gain and losses	(222,381)	(2,167,477)
Disposals through the redemption	(23,842,930)	(614,186)
Unrealized exchange rate gains/(losses)	35,302,280	(1,133,795)
Change in balance recognized under equity	(1,909,144)	6,537,678
Change in balance recognized under life mathematical reserves	(15,512,599)	19,840,786
Closing, December 31	333,829,916	358,396,058

The maturity analysis of financial assets is as follows:

As at December 31, 2015 and December 31, 2014; the remaining contractual maturities of financial assets are as follows:

	December 31, 2015						Total
	No stated maturity	0-3 months	3-6 months	6 months to 1 year	1-3 years	More than 3 years	
Government bonds and treasury bills	-	-	3,468,360	6,920,830	-	72,619,079	83,008,269
Eurobonds	-	-	-	-	-	185,264,945	185,264,945
Private sector bonds	-	-	7,360,359	4,482,675	-	4,055,040	15,898,074
Time deposits	-	13,855,170	-	-	-	-	13,855,170
Investment funds	35,803,458	-	-	-	-	-	35,803,458
Total	35,803,458	13,855,170	10,828,719	11,403,505	-	261,939,064	333,829,916

	December 31, 2014						Total
	No stated maturity	0-3 months	3-6 months	6 months to 1 year	1-3 years	More than 3 years	
Government bonds and treasury bills	-	-	11,859,863	-	20,293,530	82,136,251	114,289,644
Eurobonds	-	5,743,660	-	-	-	166,122,694	171,866,354
Private sector bonds	-	3,031,294	594,278	8,148,270	11,841,924	-	23,615,766
Time deposits	-	17,008,785	-	-	-	-	17,008,785
Investment funds	31,615,509	-	-	-	-	-	31,615,509
Total	31,615,509	25,783,739	12,454,141	8,148,270	32,135,454	248,258,945	358,396,058

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

6. Financial assets (continued)

The currency analysis of financial assets is as follows:

December 31, 2015				
	Currency Type	Currency Amount	Rate	Amount TL
Financial assets available-for-sale	USD	13,533,113	2.9076	39,348,879
	TL			9,319,663
Total				48,668,542
Financial assets at fair value through profit or loss	TL			62,090,728
Total				62,090,728
Financial investments with risks on policy holders	USD	49,717,949	2.9076	144,559,909
	EUR	426,787	3.1776	1,356,157
	TL			77,154,580
Total				223,070,646
Total securities portfolio				333,829,916
December 31, 2014				
	Currency Type	Currency Amount	Rate	Amount TL
Financial assets available-for-sale	USD	12,300,778	2.3189	28,524,274
	TL			14,284,323
Total				42,808,597
Financial assets at fair value through profit or loss	TL			75,524,805
Total				75,524,805
Financial investments with risks on policy holders	USD	61,284,722	2.3189	142,113,142
	EUR	435,685	2.8207	1,228,938
	TL			96,720,576
Total				240,062,656
Total securities portfolio				358,396,058

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

7. Reinsurance share of insurance liabilities

As at December 31, 2015 and December 31, 2014; reinsurance share of insurance liabilities are as follows:

	December 31, 2015	December 31, 2014
Reinsurers' share of outstanding claims	3,760,578	3,556,998
Reinsurers' share of unearned premiums reserve	3,462,745	2,914,664
Total	7,223,323	6,471,662

8. Premium and other insurance receivables

As at December 31, 2015 and December 31, 2014; premium and other insurance receivables are as follows:

	December 31, 2015	December 31, 2014
Policyholders and reinsurance companies	41,447,804	23,893,424
Loans to policyholders	158,972	140,627
Total premium and other insurance receivables	41,606,776	24,034,051

Loans to policyholders are secured by the accumulated premiums of the policyholders.

As at December 31, 2015 and December 31, 2014; maturity distribution of neither past due nor impaired insurance operations receivables is as follows:

	December 31, 2015	December 31, 2014
Receivables from policyholders and reinsurance companies		
Up to 3 months	16,004,253	8,825,381
3 to 6 months	10,618,931	5,717,269
6 to 9 months	6,807,887	3,481,940
9 to 12 months	2,441,906	1,229,948
Total	35,872,976	19,254,538

As at December 31, 2015 and December 31, 2014; an analysis of the aging of overdue but not impaired insurance operations receivables is as follows:

	December 31, 2015	December 31, 2014
Overdue 0-3 months	4,893,685	4,227,096
Overdue 3-6 months	125,905	188,857
Overdue 6-9 months	178,916	125,673
Overdue 9-12 months	74,620	35,923
Overdue 1 year	301,702	61,337
Total	5,574,827	4,638,886
Grand total	41,447,804	23,893,424

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

8. Premium and other insurance receivables (continued)

As at December 31, 2015 and December 31, 2014; maturity distribution of neither past due nor impaired loans to the policyholders is as follows:

	December 31, 2015	December 31, 2014
Up to 3 months	139,093	126,676
3 to 6 months	-	13,951
6 to 9 months	19,879	-
9 to 12 months	-	-
Total	158,972	140,627

As at December 31, 2015 and December 31, 2014; the collateral held by the Company as security for its receivables are as follows:

	December 31, 2015			Total (TL)
	USD	EURO	TL	
Guarantees received				
Letter of guarantees	116,304	-	10,312,623	10,428,927
Mortgage deed	-	-	315,200	315,200
Other guarantees	344,608	13,864	121,100	479,571
Total	460,912	13,864	10,748,923	11,223,699

	December 31, 2014			Total (TL)
	USD	EURO	TL	
Guarantees received				
Letter of guarantees	169,280	-	5,036,085	5,205,365
Mortgage deed	-	-	316,200	316,200
Other guarantees	253,643	7,793	166,800	428,236
Total	422,923	7,793	5,519,085	5,949,801

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

9. Pension business receivables and payables

As at December 31, 2015 and December 31, 2014; pension business receivables are as follows:

	December 31, 2015	December 31, 2014
Due from pension operations	8,069,213	8,401,404
Investment management fee receivable	-	1,327,393
Total individual pension business receivables, net	8,069,213	9,728,797

As at December 31, 2015 and December 31, 2014; pension business payables are as follows:

	December 31, 2015	December 31, 2014
Temporary account of participants	199,376,407	160,431,204
Other payables from pension operations	10,342,676	9,695,789
Total pension business payables	209,719,083	170,126,993

10. Other assets

As at December 31, 2015 and December 31, 2014; other assets are as follows:

	December 31, 2015	December 31, 2014
Prepaid expenses	4,918,849	4,025,699
Other receivables from other related parties (Note 33)	3,038,173	2,528,280
Deposits and guarantees given	141,535	84,400
Advances given	33,581	146,889
Receivables from shareholders (Note 33)	8,050	18,784
Other	890,969	469,866
Total other assets	9,031,157	7,273,918

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

11. Property and equipment, net

As of December 31, 2015 and December 31, 2014; tangible assets movement and its accumulated depreciation is as follows:

Cost	1 January 2015	Additions	Disposals	31 December 2015
Machinery and equipment	7,433,981	215,812	-	7,649,793
Furniture and fixtures	10,480,846	80,688	-	10,561,534
Other tangible assets	11,030,080	69,988	-	11,100,068
Leased assets	1,175,521	-	-	1,175,521
Total	30,120,428	366,488	-	30,486,916
Accumulated depreciation	1 January 2015	Period charge	Disposals	31 December 2015
Machinery and equipment	6,314,736	459,026	-	6,773,762
Furniture and fixtures	8,120,011	701,224	-	8,821,235
Other tangible assets	8,736,706	1,203,040	-	9,939,746
Leased assets	1,175,521	-	-	1,175,521
Total	24,346,974	2,363,290	-	26,710,264
Net book value	5,773,454			3,776,652
Cost	1 January 2014	Additions	Disposals	31 December 2014
Machinery and equipment	7,006,784	430,481	(3,284)	7,433,981
Furniture and fixtures	9,718,549	787,970	(25,673)	10,480,846
Other tangible assets	10,178,130	851,950	-	11,030,080
Leased assets	1,175,521	-	-	1,175,521
Total	28,078,984	2,070,401	(28,957)	30,120,428
Accumulated depreciation	1 January 2014	Period charge	Disposals	31 December 2014
Machinery and equipment	5,892,236	425,784	(3,284)	6,314,736
Furniture and fixtures	7,468,301	677,383	(25,673)	8,120,011
Other tangible assets	7,527,184	1,209,522	-	8,736,706
Leased assets	1,175,106	415	-	1,175,521
Total	22,062,827	2,313,104	(28,957)	24,346,974
Net book value	6,016,157			5,773,454

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

12. Intangible assets, net

As of December 31, 2015 and December 31, 2014; intangible assets movement and its accumulated amortization are as follows:

Cost	1 January 2015	Additions	Write-off(*)	31 December 2015
Software	30,331,081	1,474,886	-	31,805,967
Capitalized software development costs	24,286,317	24,471,329	(36,343,684)	12,413,962
Total	54,617,398	25,946,215	(36,343,684)	44,219,929

Accumulated amortization	1 January 2015	Period charge	Disposals	31 December 2015
Software	26,978,661	2,078,649	-	29,057,310
Total	26,978,661	2,078,649	-	29,057,310

Net book value	27,638,737			15,162,619
-----------------------	-------------------	--	--	-------------------

Cost	1 January 2014	Additions	Disposals	31 December 2014
Software	28,440,212	1,890,869	-	30,331,081
Capitalized software development costs	6,817,029	17,469,288	-	24,286,317
Total	35,257,241	19,360,157	-	54,617,398

Accumulated amortization	1 January 2014	Period charge	Disposals	31 December 2014
Software	24,739,635	2,239,026	-	26,978,661
Total	24,739,635	2,239,026	-	26,978,661

Net book value	10,517,606			27,638,737
-----------------------	-------------------	--	--	-------------------

(*)Information technologies infrastructure project has been commenced on 2012 in order to standardize all core insurance applications within the Company and integration of this core system with other peripheral systems.

The project still continues, however the Company management decided to stop the development of the new core insurance system but to continue the efforts on modernizing the existing system with the decision of Board of Directors dated February 24, 2016.

As of December 31, 2015 total capitalized costs related to this project is TL 48,757,646 (December 31, 2014; TL 24,286,317) and TL 36,343,684 of this amount has been written off in the current period in accordance with the Board of Directors' decision referred to above.

The write off amount of TL 36,343,684 is recognized as "write-off of intangible assets" in the statement of profit or loss for the year ended December 31, 2015.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

13. Other financial assets

Other financial assets include equity participations that are classified as available for sale. As these equity participations do not have a quoted market price in an active market and other methods of reasonably estimating their values would be inappropriate and impracticable, they are stated at cost. As at December 31, 2015 and December 31, 2014; the details of other financial assets are as follows:

	December 31, 2015		December 31, 2014	
	Participation rate %	Amount	Participation rate %	Amount
Milli Reasürans A.Ş.	0.1494	575,082	0.1494	575,082
Emeklilik Gözetim Merkezi A.Ş.	5.2629	263,222	5.2629	263,222
Enternasyonel Turizm Yatırım A.Ş.	0.0001	2	0.0001	2
Endüstri Holding A.Ş.	0.0001	626	0.0001	626
Total		838,932		838,932

14. Financial liabilities

	December 31, 2015	December 31, 2014
Short-term bank loans	-	1,673,509
Total	-	1,673,509

As at December 31, 2014, short-term bank loan consists of interest-free loan.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

15. Due to insurance and reinsurance companies

As at December 31, 2015 and December 31, 2014; due to insurance and reinsurance companies are as follows:

	December 31, 2015	December 31, 2014
Due to the intermediaries	9,208,047	7,147,704
Due to the reinsurance companies	460,147	507,482
Due to the policyholders	87,568	31,032
Total	9,755,762	7,686,218

16. Other provisions

As at December 31, 2015 and December 31, 2014; provision for expenses and lawsuit provisions are as follows:

	December 31, 2015	December 31, 2014
Personnel bonus provision	15,155,173	14,300,291
Commission provision	3,461,745	3,493,700
Bonus provision for sales personnel	3,893,267	4,962,266
Provision for lawsuit against the Company (Note 34)	6,452,829	6,817,624
Total	28,963,014	29,573,881

17. Taxes

Corporate taxes

Statutory income is subject to corporate tax at 20% (2014: 20%). This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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

In Turkey, advance tax returns are filed on a quarterly basis. The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. Advance corporate income tax rate applied in 2015 is 20%. (2014: 20%). 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.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

17. Taxes (continued)

Corporate taxes (continued)

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 18 November 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 December 31, 2015 and December 31, 2014; prepaid income taxes are netted off with the current income tax payable as stated below:

	December 31, 2015	December 31, 2014
Income taxes payable	18,320,833	16,702,247
Prepaid income taxes	(16,344,197)	(14,428,706)
Current tax (assets) / liabilities	1,976,636	2,273,541

Deferred taxes

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

Tax rate is applied as 20% for the calculation of deferred tax asset and liabilities. The details of deferred taxes are presented in the following tables.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

17. Taxes (continued)

Deferred taxes (continued)

	Cumulative temporary Differences		Deferred tax assets / (liabilities)	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Provision for employee termination benefit	7,685,572	7,228,051	1,537,114	1,445,610
Unused vacation provision	3,787,836	3,522,638	757,567	704,528
Provision for lawsuits	6,214,443	5,170,797	1,242,889	1,034,159
Deposits internal rate of return-linear interest rate difference	97,208	74,608	19,442	14,922
Provision for loans to policyholders Banking Insurance Transaction Tax	171	234	34	47
Trading portfolio valuation difference	14,034	29,466	2,807	5,893
Incentive commission	1,030,480	318,780	206,096	63,756
Net difference between the carrying values and tax base values of tangible assets and intangible assets	33,127,318	-	6,625,464	-
Expense accruals	24,054,227	22,067,820	4,810,845	4,413,564
Total deferred tax assets	76,011,290	38,412,394	15,202,258	7,682,479
Net difference between the carrying values and tax base values of tangible assets and intangible assets	-	(2,384,098)	-	(476,820)
Eurobond valuation difference	(1,481,814)	(1,117,937)	(296,363)	(223,587)
Deferred acquisition cost	(239,231,920)	(185,216,177)	(47,846,384)	(37,043,235)
Total deferred tax liabilities	(240,713,734)	(188,718,211)	(48,142,747)	(37,743,642)
Deferred tax assets/ (liabilities) accounted for under equity over the fair value reserve for available for sale financial assets	206,179	125,412	41,236	25,082
Deferred tax liabilities, net	(164,496,265)	(150,180,406)	(32,899,254)	(30,036,082)

Movement of deferred tax liabilities for the year ended December 31, 2015 and December 31, 2014; are as follows:

	2015	2014
Opening balance, 1 January	(30,036,082)	(20,379,793)
Reversal of deferred tax liability recognized in other comprehensive income due to fair value losses on available for sale financial assets	(25,082)	(940,245)
Charged to profit or loss	(2,854,093)	(9,807,805)
Deferred tax asset /(liability) recognized in other comprehensive income due to fair value losses on available for sale financial assets	41,236	25,082
Deferred tax asset of actuarial loss on employee termination benefit provision	(25,233)	1,066,680
Closing balance, December 31	(32,899,254)	(30,036,082)

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

17. Taxes (continued)

Deferred taxes (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are determined using tax rates and tax 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.

Income tax expenses for the year ended December 31, 2015 and December 31, 2014; are as follows:

	January 1 – December 31, 2015	January 1 – December 31, 2014
Income tax expense recognized in profit or loss:		
- Current tax charge	(20,095,687)	(14,665,714)
- Deferred tax charge	(2,854,093)	(9,807,805)
Adjustments recognized in the period for current tax of prior periods	2,143,691	1,703,733
Income tax expense	(20,806,089)	(22,769,786)

The total provision for taxes on income is different than the amount computed by applying the Turkish statutory tax rate of 20% to income before provision for taxes as shown in the following reconciliation:

	January 1 – December 31, 2015	January 1 – December 31, 2014
Profit before taxes	101,319,985	109,891,527
Tax rate	20%	20%
Taxes on income per statutory tax rate	(20,263,997)	(21,978,305)
Revenue that is exempt from taxation	3,855,396	2,810,049
Non-deductible expenses	(4,397,488)	(3,601,530)
Income tax expense	(20,806,089)	(22,769,786)

18. Employment termination benefits

	December 31, 2015	December 31, 2014
Provision for employment termination benefits	7,685,572	7,228,051
Total	7,685,572	7,228,051

Under Turkish Labour Law, the Company 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.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

18. Employment termination benefit (continued)

The amount payable consists of one month's salary limited to a maximum of TL 3,828 (December 31, 2014: TL 3,438) for each year of service as of December 31, 2015.

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 Company arising from the retirement of the employees. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	December 31, 2015	December 31, 2014
Estimated salary increase rate	5.00%	5.00%
Discount rate	10.10%	9.20%

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

	2015	2014
Opening balance, January 1	7,228,051	2,571,128
Paid during the year	(1,223,554)	(1,368,903)
Service cost	1,204,912	525,284
Interest cost	602,328	167,144
Actuarial losses	(126,165)	5,333,398
Closing balance, December 31	7,685,572	7,228,051

19. Deferred expenses

As at December 31, 2015 and December 31, 2014; movements of deferred expenses are as follows:

	January 1- December 31, 2015	January 1- December 31, 2014
Deferred acquisition costs, gross January 1	185,216,176	133,990,091
Acquisition costs deferred during the period	85,655,791	73,980,476
Amortization	(31,640,047)	(22,754,390)
Deferred acquisition costs	239,231,920	185,216,177
Deferred commission costs, gross January 1	19,734,435	15,089,269
Commission cost deferred during the period	2,023,840	4,645,166
Deferred commission costs	21,758,275	19,734,435
Total deferred expenses	260,990,195	204,950,612

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

20. Other payables and liabilities

As at December 31, 2015 and December 31, 2014; other payables and liabilities are as follows:

	December 31, 2015	December 31, 2014
Taxes and funds payable	7,119,247	6,722,135
Payables to suppliers	10,310,049	9,475,531
Unused vacation provision	3,787,836	3,522,638
Payables to related parties (Note 33)	1,732,305	3,500,194
Deferred commission income	868,805	716,446
Payables to personnel	722,502	611,748
Payables to shareholders (Note 33)	116,261	72,333
Deposits and guarantees	1,919	1,530
Total	24,658,971	24,622,555

21. Insurance contract liabilities

Insurance contract liabilities as at December 31, 2015 and December 31, 2014; are as follows:

	December 31, 2015	December 31, 2014
Gross insurance contract liabilities		
Reserve for unearned premiums	62,995,270	55,296,733
Claims provision	54,568,483	44,514,351
Life mathematical reserves	322,040,301	332,780,590
Total	439,604,054	432,591,674
Reinsurance share of insurance contract liabilities		
Reserve for unearned premiums, ceded (Note 7)	3,462,745	2,914,664
Claims provision, ceded (Note 7)	3,760,578	3,556,998
Total	7,223,323	6,471,662
Net insurance contract liabilities		
Reserve for unearned premiums	59,532,525	52,382,069
Claims provision	50,807,905	40,957,353
Life mathematical reserves	322,040,301	332,780,590
Net insurance liabilities	432,380,731	426,120,012

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

21. Insurance contract liabilities (continued)

Movements in insurance liabilities and reinsurance assets

Claims:

December 31, 2015	Gross	Ceded	Net
Total at the beginning of the period	44,514,351	(3,556,998)	40,957,353
Change during period	10,054,132	(203,580)	9,850,552
Total at the end of the year	54,568,483	(3,760,578)	50,807,905

December 31, 2015	Gross	Ceded	Net
Reported claims	46,477,818	(2,671,711)	43,806,107
Incurred but not reported	8,090,665	(1,088,867)	7,001,798
Total at the end of the year	54,568,483	(3,760,578)	50,807,905

December 31, 2014	Gross	Ceded	Net
Total at the beginning of the year	36,562,387	(3,452,585)	33,109,802
Change during period	7,951,964	(104,413)	7,847,551
Total at the end of the year	44,514,351	(3,556,998)	40,957,353

December 31, 2014	Gross	Ceded	Net
Reported claims	35,179,681	(2,319,294)	32,860,387
Incurred but not reported	9,334,670	(1,237,704)	8,096,966
Total at the end of the year	44,514,351	(3,556,998)	40,957,353

Claims paid and change in outstanding claims provision for the year ended December 31, 2015 and December 31, 2014 are as follows:

	January 1 – December 31, 2015	January 1 – December 31, 2014
Cash paid for claims settled during the period	109,149,724	131,979,333
- Surrender and maturity from life savings	73,281,139	99,385,060
- Death and disability claims (*)	28,235,700	25,379,790
- Surrender from life protection	7,632,885	7,214,483
Change in outstanding claims provision	9,850,552	7,847,551
Claims paid and change in outstanding claims provision	119,000,276	139,826,884

(*) The amounts are netted-off reinsurance.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

21. Insurance contract liabilities (continued)

Reserve for unearned premiums:

December 31, 2015	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the period	55,296,732	(2,914,664)	52,382,068
Premiums written during the period	263,457,243	(9,786,574)	253,670,669
Premiums earned during the period	(255,758,705)	9,238,493	(246,520,212)
Reserve for unearned premiums at the end of the year	62,995,270	(3,462,745)	59,532,525

December 31, 2014	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the period	44,231,754	(2,620,344)	41,611,410
Premiums written during the period	258,314,812	(8,730,051)	249,584,762
Premiums earned during the period	(247,249,833)	8,435,730	(238,814,103)
Reserve for unearned premiums at the end of the year	55,296,733	(2,914,664)	52,382,069

Life mathematical reserves

	2015	2014
	Mathematical reserve TL	Mathematical reserve TL
Total at the beginning of the period, January 1	335,387,590	350,404,798
Additions	58,568,080	50,657,652
Disposals	55,204,945	(65,674,860)
Total at the end of the year, December 31	338,750,725	335,387,590

As of December 31, 2015, the fair value difference of financial assets at insuree's risk amounting to TL 18,119,604. (December 31, 2014: TL 3,323,440) has not been included in the above mentioned mathematical reserve table (Note 6). In addition, deferred taxes on the fair value difference of financial assets at insuree's risk amounting to TL 1,409,178 has not been included in the above mentioned mathematical reserve table.(December 31, 2014: TL 716,440).

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

21. Insurance contract liabilities (continued)

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 financial statements.

Claim development tables

As at December 31, 2015; claim development table of the Company is as follows:

Accident year	2008 and earlier	2009	2010	2011	2012	2013	2014	2015	Total
Current estimate of claims									
Accident year	1,953,012	1,292,057	1,372,558	1,787,897	2,935,688	7,541,684	6,857,599	16,876,488	40,616,983
1 year later	299,641	207,024	392,616	171,067	484,256	1,603,094	1,813,646	-	4,971,344
2 year later	-	-	106,400	227,236	133,604	75,192	-	-	542,432
3 year later	-	-	38,146	15,564	58,110	-	-	-	111,820
4 year later	-	-	145,206	29,700	-	-	-	-	174,906
5 year later	-	-	3,000	-	-	-	-	-	3,000
6 year later	-	-	-	-	-	-	-	-	30,958
7 year later	26,376	-	-	-	-	-	-	-	26,376
Total	2,279,029	1,530,039	2,057,926	2,231,464	3,611,658	9,219,970	8,671,245	16,876,488	46,477,818
Incurred but not reported									8,090,665
Total gross provision for outstanding claims as at 31 December 2015									54,568,483

As at December 31, 2014, claim development table of the Company is as follows:

Accident year	2007 and earlier	2008	2009	2010	2011	2012	2013	2014	Total
Current estimate of claims									
Accident year	945,589	850,142	1,214,811	1,581,299	1,877,986	3,339,716	7,197,031	13,544,421	30,550,995
1 year later	171,156	243,179	217,921	371,846	169,005	491,992	1,965,961	-	3,631,060
2 year later	-	-	139,420	97,762	203,457	151,104	-	-	591,743
3 year later	-	994	9,484	84,642	90,564	-	-	-	185,684
4 year later	-	-	47,250	143,621	-	-	-	-	190,871
5 year later	-	-	23,100	-	-	-	-	-	23,100
6 year later	-	1,228	-	-	-	-	-	-	1,228
7 year later	5,000	-	-	-	-	-	-	-	5,000
Total	1,121,745	1,095,543	1,651,986	2,279,170	2,341,012	3,982,812	9,162,992	13,544,421	35,179,681
Incurred but not reported									9,334,670
Total gross provision for outstanding claims as at 31 December 2014									44,514,351

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

22. Equity

Share capital of the Company as at December 31, 2015 and December 31, 2014; are as follows:

	December 31, 2015		December 31, 2014	
	Shareholding %	TL	Shareholding %	TL
Hacı Ömer Sabancı Holding A.Ş. (Sabancı Holding)	40.00	47,200,005	41.28	14,770,637
Aviva Europe SE	-	-	41.28	14,770,637
Aviva International Holdings Ltd.	40.00	47,200,005	-	-
Other	0.13	150,885	0.28	101,473
Public Traded	19.87	23,449,105	17.15	6,136,450
	100.00	118,000,000	100.00	35,779,197
Inflation adjustment on share capital		-		16,192,783
Total share capital (*)		118,000,000		51,971,980

(*) 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 35,779,197 to TL 118,000,000 by transferring TL 16,192,783 from inflation adjustment on share capital and TL 66,028,020 from other capital reserves to share capital.

Profit and other capital reserves:

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

	December 31, 2015	December 31, 2014
Profit reserves	24,648,038	18,449,521
Other capital reserves (**)	837,095	66,865,115
Total	25,485,133	85,314,636

Retained earnings as per the statutory 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 Company’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.

(**) TL 66,028,020 of other capital reserve was transferred to share capital in the current period as explained above.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

22. Equity (continued)

Profit reserves

As at December 31, 2015 and December 31, 2014; details of profit reserves is as follows:

	December 31, 2015	December 31, 2014
Legal reserves	18,676,741	12,786,759
Statutory reserves	11,494	11,494
Extraordinary reserves	5,959,803	5,651,268
Total	24,648,038	18,449,521

Movement of profit reserves is presented below:

	2015	2014
Opening balance, January 1	18,449,521	14,308,418
Transfers	6,198,517	4,141,103
Closing balance, December 31	24,648,038	18,449,521

Other capital reserves

As of December 31, 2015 capital reserves of the Company 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 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:

	2015	2014
Opening balance, January 1	(683,131)	(5,913,273)
Unrealized gains and losses due to changes in the fair values of available for sale financial assets net of taxes	(1,527,315)	5,230,142
Closing balance, December 31	(2,210,446)	(683,131)

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

22. Equity (continued)

Dividend per share

In 2015, the Company has distributed dividend to shareholders with respect to 2014 net distributable profit after appropriation of legal reserves amounting to TL 39,714,909 (TL 0.0034 per share) (2014: TL 26,118,812 and TL 0.0073).

23. Earnings per share

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

	January 1- December 31, 2015	January 1- December 31, 2014
Profit for the year	80,513,896	87,121,741
Weighted average number of shares with nominal value of TL 0.01 nominal value per share (*)	11,800,000,000	11,800,000,000
Earnings per share	0.0068	0.0074

As of December 31, 2015 capital of the Company consists of 11,800,000,000 shares with nominal value of TL 0.01 (December, 2014: 3,577,919,700 shares with nominal value of TL 0.01).

(*) As the share issuance in the current period occurred without any changes in shareholders' equity, earnings per share calculation for the prior year was adjusted as if the share issue had taken place at the start of the prior year.

24. Written premiums

The distribution of written premiums is as follows:

	January 1- December 31, 2015		
	Gross	Reinsurer share	Net
Non-life	45,690,370	(205,433)	45,484,937
Life (Life protection + savings)	217,766,873	(9,581,141)	208,185,732
Total premium income	263,457,243	(9,786,574)	253,670,669
	January 1- December 31, 2014		
	Gross	Reinsurer Share	Net
Non-life	45,415,333	(113,195)	45,302,138
Life (Life protection + savings)	212,899,479	(8,616,856)	204,282,623
Total premium income	258,314,812	(8,730,051)	249,584,761

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

25. Income generated from pension business

Inome generated from pension business for the years ended December 31, 2015 and December 31, 2014; are as follows:

	January 1- December 31, 2015	January 1- December 31, 2014
Fund management income	129,225,637	98,143,837
Management fee	30,343,507	23,335,992
Premium holiday charges	6,535,263	7,575,855
Entry and deferred entry fees income	41,955,781	35,687,872
Total	208,060,188	164,743,556

26. Foreign exchange gains / (losses), net

Foreign exchange gains / (losses) for the years ended December 31, 2015 and December 31, 2014; are as follows:

	January 1 – December 31, 2015	January 1 – December 31, 2014
Foreign exchange gains	44,396,953	20,777,906
Foreign exchange losses	(33,560,753)	(17,014,074)
Total	10,836,200	3,763,832

27. Commission income and commission expense

Commission income for the years ended December 31, 2015 and December 31, 2014; are as follows:

	January 1 – December 31, 2015	January 1 – December 31, 2014
Commission income from reinsurance companies (net)	2,781,127	2,483,812
Total	2,781,127	2,483,812

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

27. Commission income and commission expense (continued)

Commission expense for the years ended December 31, 2015 and December 31, 2014; are as follows:

	January 1 – December 31, 2015	January 1 – December 31, 2014
Commission expenses due to personal accident insurance	(20,798,077)	(16,542,335)
-Change in commission expenses	(20,849,070)	(20,956,307)
-Change in deferred acquisition cost (Note 19)	50,993	4,413,972
Commission expenses due to life insurance	(31,410,573)	(31,043,676)
-Change in commission expenses	(33,383,420)	(31,274,870)
-Change in deferred acquisition cost (Note 19)	1,972,847	231,194
Total	(52,208,650)	(47,586,011)

28. Investment and other income/(expense), net

Investment income for the years ended December 31, 2015 and December 31, 2014; are as follows:

	January 1 – December 31, 2015	January 1 – December 31, 2014
Interest income	28,857,514	28,664,472
-Income from financial assets at fair value through profit or loss	14,422,249	16,555,349
-Income from available for sale financial assets	14,435,265	12,109,123
Net income from sale of financial assets	4,328,011	7,676,404
-Income from financial assets at fair value through profit or loss	4,540,240	3,572,473
-Income from available for sale financial assets	(212,229)	4,103,931
Dividend and realization income from other financial assets	3,168,487	207,175
Investment management expenses	(339,310)	(310,753)
Other income / (expense), net	5,219,667	4,363,180
Total investment and other income/(expense), net	41,234,369	40,600,478

29. Pension expenses including commission

Pension expenses including commission for the years ended December 31, 2015 and December 31, 2014; are as follows:

	January 1 – December 31, 2015	January 1 – December 31, 2014
Fund management charge	(17,957,375)	(11,177,233)
Commission expense, net of DAC	(40,157,996)	(28,167,814)
- Commission expense	(86,757,751)	(66,341,714)
- Change in deferred acquisition cost	46,599,755	38,173,900
Other income/ (expense), net	(8,429,969)	(7,419,621)
Total pension expenses	(66,545,340)	(46,764,668)

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

30. General and administrative expenses

General and administrative expenses for the years ended December 31, 2015 and December 31, 2014; are as follows:

	January 1 – December 31, 2015	January 1 – December 31, 2014
Personnel expenses	(118,722,073)	(108,225,436)
Outsourced expenses including IT services	(28,463,065)	(29,366,672)
Travelling and transportation expenses	(10,282,465)	(10,361,685)
Management expenses	(11,128,294)	(8,826,308)
Communication expenses	(6,133,986)	(6,354,540)
Depreciation and amortization (Note 11,12)	(4,441,939)	(4,552,130)
Office supplies expenses	(3,256,811)	(4,136,612)
Broker expenses	(3,166,554)	(4,404,860)
Advertising and marketing expenses	(2,915,242)	(4,376,216)
Representation and hosting expenses	(4,653,582)	(1,590,528)
Other marketing, sales and distribution expenses	(1,249,093)	(2,029,632)
Change in deferred acquisition cost	7,415,989	13,052,186
Other expenses	(3,501,422)	(3,864,720)
Total	(190,498,537)	(175,037,153)

Personnel expenses for the years ended December 31, 2015 and December 31, 2014; are as follows:

	January 1 – December 31, 2015	January 1 – December 31, 2014
Salaries	(60,984,024)	(56,571,724)
Commission and promotion expenses	(22,396,362)	(18,776,753)
Other salary expenses	(14,125,556)	(15,579,958)
Social security expenses	(11,379,858)	(9,594,968)
Other personnel expenses	(7,315,047)	(6,485,819)
Employee termination benefit expenses	(1,807,239)	(692,428)
Unused vacation expenses	(503,152)	(392,430)
Notice pay expense	(210,835)	(131,356)
Total	(118,722,073)	(108,225,436)

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

31. Other income / (expense), net

Other income and expenses for the years ended December 31, 2015 and December 31, 2014 are as follows:

	January 1 – December 31, 2015	January 1 – December 31, 2014
Other income:		
Other income	5,361	8,077
Accrued subrogation income	39,657	-
Other expense:		
Other operating expense	(744,511)	(588,933)
Other expense	(160,817)	(368,055)
Total other income / (expense), net	(860,310)	(948,909)

32. Blocked securities and bank deposits

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

	December 31, 2015	December 31, 2014
Blocked bank deposits	143,936,996	137,238,410
Blocked securities	232,364,964	225,509,303
Total	376,301,960	362,747,713

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

33. Related party balances and transactions

As at December 31, 2015 and December 31, 2014 balances with related parties are as follows:

	December 31, 2015	December 31, 2014
Akbank T.A.Ş. –Credit card receivables	184,701,944	155,071,746
Other cash and cash equivalents	184,701,944	155,071,746
Akbank T.A.Ş.– Bank deposit	98,819,810	98,578,364
Banks	98,819,810	98,578,364

As of 31 December 2015 and 31 December 2014, The Company's portfolio of financial assets classified as held for trading and financial assets issued by related parties of the Company are as follows:

	December 31, 2015			
	Nominal	Cost	Fair Value	Book Value
Private Sector bonds				
Başkent Elektrik Dağıtım A.Ş.	4,500,000	4,500,000	4,604,760	4,604,760
	4,500,000	4,500,000	4,604,760	4,604,760

	December 31, 2014			
	Nominal	Cost	Fair Value	Book Value
Private Sector bonds				
Başkent Elektrik Dağıtım A.Ş.	4,500,000	4,500,000	4,585,680	4,585,680
	4,500,000	4,500,000	4,585,680	4,585,680

	December 31, 2015	December 31, 2014
Other receivables from related parties		
Aviva Sigorta A.Ş. (*)	-	35,378
Akbank T.A.Ş.	3,038,173	2,492,902
	3,038,173	2,528,280

(*) As of December 18, 2014, removed from related party status.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

33. Related party balances and transactions (continued)

	December 31, 2015	December 31, 2014
Receivables from main operations		
Temsa Global Sanayi ve Ticaret A.Ş. ve İştirakleri	51	1,643
Brisa Bridgestone Sabancı Lastik San.Tic. A.Ş.	-	6,521
Aviva Sigorta A.Ş. (*)	17,048	1,886
Ankara Enternasyonel Otelcilik A.Ş.	-	224
Enerjisa Elektrik Dağıtım A.Ş. ve iştirakleri	231,230	274,791
Other	190,339	1,352
	438,668	286,417
Other payables to related parties		
Ak Portföy Yönetimi A.Ş.	339,310	1,278,501
Ak Sigorta A.Ş.	81,823	211,193
Bimsa Uluslararası İş,Bilgi ve Yönetim Sistemleri A.Ş.	753,336	1,414,628
TeknoSA İç ve Dış Tic. A.Ş.	34,634	328,972
Vista Turizm ve Seyahat A.Ş.	408,870	207,948
EnerjiSA A.Ş.	50,542	43,088
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	10,569	-
Aviva Sigorta A.Ş. (*)	-	5,894
Akbank T.A.Ş.	53,221	9,970
	1,732,305	3,500,194
Payables from main operations		
Akbank T.A.Ş.	11,693,960	10,703,341
Ak Portföy Yönetimi A.Ş.	5,680,023	1,010,340
Emeklilik Gözetim Merkezi A.Ş.	71,433	89,818
	17,445,416	11,803,499

(*) As of December 18, 2014, removed from related party status.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

33. Related party balances and transactions (continued)

	December 31, 2015	December 31, 2014
Expense accruals		
Aviva International Holdings Ltd.	54,107	-
	54,107	-
	December 31, 2015	December 31, 2014
Shareholders:		
Hacı Ömer Sabancı Holding	17,783	286
Other	98,478	72,047
Payables to shareholders	116,261	72,333
Shareholders:		
Aviva International Holdings Ltd.	8,050	18,784
Receivables from shareholders	8,050	18,784

Transactions with related parties for the year ended December 31, 2015 and December 31, 2014 are as follows:

	1 January– 31 December 2015	1 January– 31 December 2014
Services Purchased		
Akbank T.A.Ş.	104,975,117	93,383,064
- Paid administrative expenses	1,664,131	1,299,546
- commission paid	103,310,986	92,083,518
Ak Portföy Yönetimi A.Ş.	18,286,716	11,488,246
Vista (administrative expenses)	3,576,010	3,096,901
BimSA (accounting and computing machinery)	9,673,035	4,222,768
Emeklilik Gözetim Merkezi A.Ş. (examination fee, pension costs, joint promotion servicesi)	1,105,456	685,884
Aviva Sigorta A.Ş. (*)	-	5,894
AkSigorta A.Ş.	2,729,922	2,559,190
EnerjiSA Doğal Gaz Toptan Satış A.Ş.	652,858	543,451
Other	775,370	2,378,044
	141,774,484	118,363,442

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

33. Related party balances and transactions (continued)

	1 January– 31 December 2015	1 January– 31 December 2014
Financial expenses		
Akbank T.A.Ş	270,608	600,485
	270,608	600,485
Financial income		
Akbank (interest income)	10,884,312	14,158,623
	10,884,312	14,158,623
Services Provided		
Kordsa Global Endüstriyel İplik ve Kord Bezi San,Tic, A.Ş.	452,006	420,636
Brisa Bridgestone Sabancı Lastik San, Ve Tic, A.Ş.	424,689	364,446
Temsa Global Sanayi ve Ticaret A.Ş. ve iştirakleri	309,084	271,339
Akçansa Çimento Sanayi ve Ticaret A.Ş. ve iştiraki	215,864	199,963
Enerjisa Enerji Üretim A.Ş. ve iştirakleri	289,908	297,365
Çimsa Çimento Sanayi ve Ticaret A.Ş. ve iştirakleri	253,884	208,529
Sabancı Üniversitesi	85,197	194,143
Teknosa İç ve Dış Ticaret A.Ş. ve iştirakleri	168,983	161,584
Sasa Polyester Sanayi A.Ş.	-	102,454
Exsa Satış Araştırma	4,201	3,198
Bımsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	124,702	73,174
Yünsa Yünlü San, Tic, A.Ş.	96,255	103,640
Aviva Sigorta A.Ş.(*)	-	134,375
Philip Morris Sabancı Satış ve Pazarlama A.Ş.	19	438,554
Aksigorta A.Ş.	193,944	196,198
Akbank T.A.Ş. ve iştirakleri	9,476,724	8,521,022
Other	1,103,404	1,440,546
	13,198,791	13,131,166
Other Expenses		
Hacı Ömer Sabancı Vakfı	2,298,535	1,756,773

(*) As of December 18, 2014, removed from related party status

Benefits provided to executive management

For the years ended December 31, 2015 and 2014, 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 6,285,948 and TL 6,135,091 respectively.

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

34. Contingencies

Provision for lawsuits

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

As at December 31, 2015 and December 31, 2014; provisions for lawsuits against the Company are as follows:

	December 31, 2015	December 31, 2014
Lawsuits provision under other provision:	6,452,829	6,817,624
Business lawsuits against the Company	1,041,242	2,858,681
Insurance lawsuits against the Company	5,173,201	3,628,273
Other lawsuits against the Company	238,386	330,670
Lawsuits provision under claims provision	17,747,463	12,166,595
Total lawsuits provision	24,200,292	18,984,219

35. Commitments

As at December 31, 2015 and December 31, 2014, total insurance risk accepted by the Company under normal courses of the insurance business is detailed in Note 4.

As at December 31, 2015 and December 31, 2014, letters of guarantee given to suppliers and government institutions are as follows:

	December 31, 2015	December 31, 2014
Letters of guarantee	3,314,668	2,314,534
Total	3,314,668	2,314,534

AvivaSA Emeklilik ve Hayat A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

35. Commitments (continued)

Operational leases

Future minimum rentals payable under operational leases as at December 31, 2015 and December 31, 2014 are as follows:

	December 31, 2015			
	TL	USD	EUR	Total
Within one year	830,989	5,122,969	2,846,020	8,799,978
After one year but not more than five years	-	19,938,158	5,088,580	25,026,738
More than five years	-	26,023,985	-	26,023,985
Total operational lease rental payable	830,989	51,085,112	7,934,600	59,850,701

	December 31, 2014			
	TL	USD	EUR	Total
Within one year	976,089	3,686,156	2,572,430	7,234,675
After one year but not more than five years	297,544	-	4,398,385	4,695,929
Total operational lease rental payable	1,273,633	3,686,156	6,970,815	11,930,604

36. Subsequent events

Financial statements as of December 31, 2015 has been approved by Board of Directors on February 24, 2016.

The application to increase the ceiling of registered capital of the Company from TL 100,000,000 to TL 300,000,000 and to change the sixth article of Articles of Association titled with "Capital" in accordance with this increase, has been approved by the Capital Market Board on January 20, 2016.

Avivasa Emeklilik ve Hayat A.Ş. Büyüme Amaçlı Performans Esnek Emeklilik Yatırım Fonu that was established on December 20, 2011 is being managed by Akpotföy Yönetimi A.Ş. starting from February 1, 2016.