



H1 2017 EARNINGS RELEASE

Summary

Growth;

- Pension AuM grew by 28% and reached 13.5 billion TL, supporting AvivaSA to maintain the market leadership since June 2015
- Total protection premiums grew by 60% driven by 64% growth in non-credit linked premiums and 54% growth in credit linked premiums
- Sales as measured by present value of new business premiums (PVNBP) up 41% to 3.100,4 Mtl (2016 H1: 2.195,6 Mtl)

Profitability;

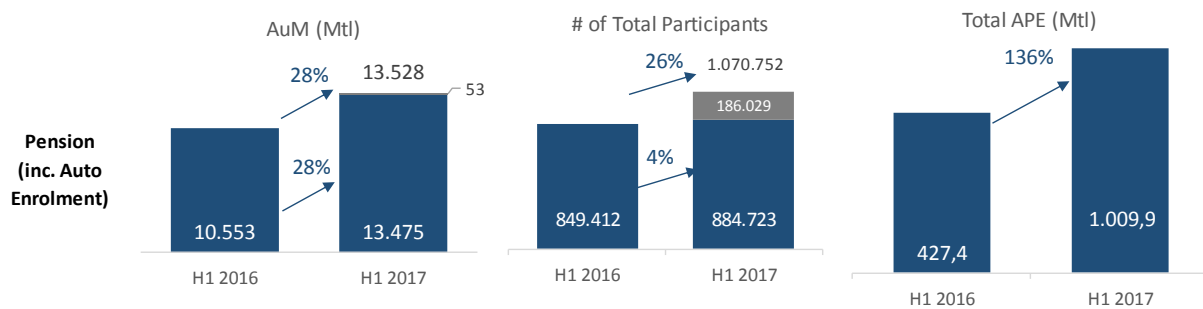
- Total technical income has grown by 21% driven by higher pension income
- IFRS Net Profit is higher than prior year by 22% at 65.8 Mtl driven by growing pension volumes and financial income.
- Annualized RoE is 29%
- Statutory profit is 41.8 Mtl and grew by 16%.
- Value of new business (VNB) the long-term profitability measure of the new sale grew by 30% and reached 126,3 Mtl in 2017 H1 mainly driven by higher protection volumes (2016 H1: 97,1 Mtl)

Deferred Income Reserve (DIR);

IAS 18 revenue recognition principle requires the deferral of upfront fees over the life time of contracts. The management fees could be classified as investment management fees and recognized as revenue in accordance with the duration while the services are provided. The company applied 9 years of amortization in line with DAC.

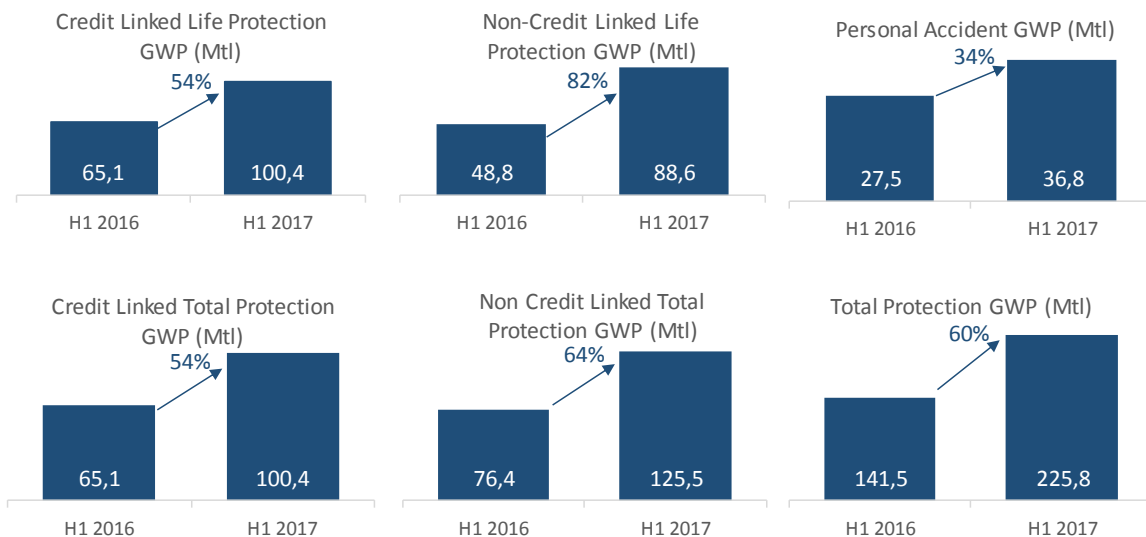
Topline Volumes

- AvivaSA is the market leader in terms of Pensions AuM since June 2015
- Strong pension fund asset performance also helped AuM growth
- Number of participants reached 885k with an increase of 35.3k
- Pension contributions increased with respect to prior year fueled by strong in-force portfolio.
- Auto Enrolment AuM and # of participant have been reached to 53 TRYM and 186k respectively.



Source: Pension Monitoring Center 30.06.2017

Total Protection gross written premiums reached 225.8 Mtl; higher than prior year by 60%



IFRS Segmental Results

IFRS (m TL)	H1 2016	H1 2017	Change
Savings	1,4	1,8	24%
Life Protection	58,8	71,2	21%
Personal Accident	11,7	9,2	-22%
Pension	75,4	96,3	28%
Total Technical Income	147,4	178,5	21%
Total General Expenses	-102,1	-126,6	24%
Net Technical Profit	45,3	51,9	15%
Total Investment & Other Income	22,5	30,4	35%
Total Tax	-13,8	-16,5	20%
Net Profit	54,0	65,8	22%

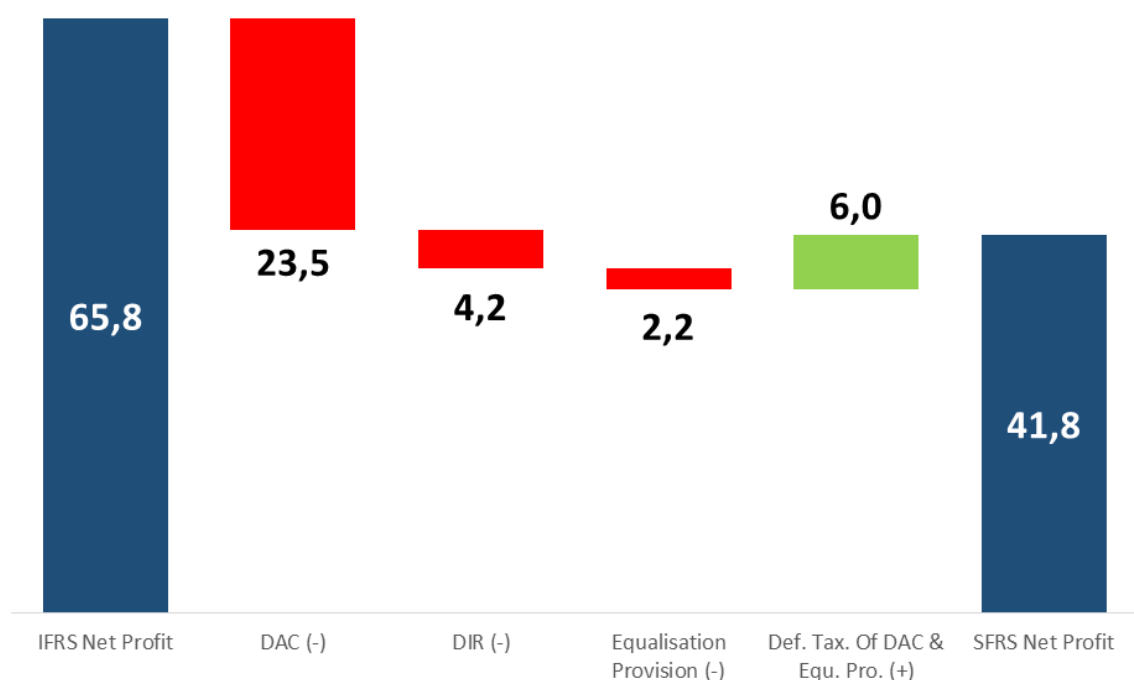
- Total technical income grew by 21% mainly driven by pension business profitability grew by 28%
 - Growing pension business in terms of AuM (+28%) is leading to an increase in technical profit
 - Life protection technical profit increased by 21% due to 34% increase in earned premiums
 - Personal Accident technical profit decreased by -22% due to higher claims with respect to prior year.
- General expenses for 2017 H1 is 126.6 Mtl with an increase of 24% y-o-y mainly due to increasing number of employees and AE expenses.
- Total investment and other income is 30,4Mtl and increased by 35% mainly due to increase in interest rates and fx income

Statutory / SFRS Results

SFRS (m TL)	H1 2016	H1 2017	Change
Life	25,7	28,4	11%
Non-Life	2,4	-2,9	-219%
Pension	-4,3	-1,7	61%
Net Technical Profit	23,8	23,8	0%
Total Investment & Other Income	17,3	28,5	65%
Tax	-5,0	-10,5	109%
Net Profit	36,1	41,8	16%

- Net profit for the period is 41.8 Mtl with an increase of 16%
- Total net technical profit (inc. is higher than prior year)
 - Life (including life savings) net technical profit is higher than prior year by 11% due to increase in earned premiums.
 - Non-life (personal accident) net technical profit after general expenses turned into -2.9 Mtl loss mainly due to higher claims with respect to prior year.
 - Pension net technical loss after general expenses decreased to 1.7 Mtl loss driven by healthy growth on IF portfolio.

Bridging from IFRS to Statutory Profit



Market Consistent Embedded Value

(m TL)	HY 2016	FY 2016	HY 2017	HY 2017 v FY 2016
Value of In-Force	1,207.2	1,289.4	1,507.9	17.0%
Present Value of Future Profits	1,418.0	1,487.7	1,641.0	10.3%
Frictional Costs	-22.9	-27.1	-28.8	-6.4%
Cost of Non-Hedgeable Risks	-187.9	-171.3	-104.3	-39.1%
Time Value of Options & Guarantees	0.0	0.0	0.0	0.0%
Net Worth	163.6	185.3	206.0	11.2%
Free Surplus	-22.2	-13.8	-17.0	-22.9%
Required Capital	185.8	199.2	223.1	12.0%
Market Consistent Embedded Value	1,370.8	1,474.7	1,714.0	16.2%

Source: Company data, unaudited results

- MCEV as at 30 June 2017 is 1.7bn TL up 16.2% from start of the year
- Present Value of Future Profits (PVFP) for the pensions segment reflect the persistency assumptions as at the start of the year
- Pension lapse rates have continued to exceed past experience across the board within the first six months of 2017. Given the volatile insurance and economic market conditions in Turkey and observed seasonality in lapses, AvivaSA will use full 2017 experience to provide consistent information in order to derive an updated best estimate view of the future lapse behaviour. Reflecting recent experience from 2016 and 2017 in the long term lapse assumptions will reduce both MCEV and the value of new business by low teen percentage points
- One-off positive effect of modelling change to CNHR reflecting Solvency II capital
- Required capital based on 150% of Turkish capital requirements (Solvency I) increased due to business growth

AvivaSA has a positive surplus on as statutory basis despite -17m TL of free surplus. Profit emergence in the first half year exceeded dividend paid, but did not fully compensate for growth in required capital

New Business

(m TL)	HY 2016	HY 2017	Change (%)
Life Protection	43.1	67.4	56%
Personal Accident	2.1	6.4	213%
Pensions	51.9	52.5	1%
Value of New Business	97.1	126.3	30%

(*): HY15 Pensions VNB excludes legislation change impact

(m TL)	HY 2016	HY 2017	Change (%)
Life Protection	228.6	413.9	81%
Personal Accident	35.9	43.9	22%
Pensions (**)	1,931.1	2642.6	37%
Present Value of New Business Premiums	2,195.6	3,100.4	41%

(**): Including State Contribution

(m TL)	HY 2016	HY 2017	Change (Diff.)
Life Protection	18.8%	16.3%	-2.6%
Personal Accident	5.7%	14.7%	9.0%
Pensions	2.7%	2.0%	-0.7%
New Business Margin	4.4%	4.1%	-0.3%

Source: Company data, unaudited results

- Sales as measured by present value of new business premiums (PVNBP) for HY 2017 totalled 3.1bn TL, primarily driven by strong in-flows from pension auto-enrolment
- Value of new business (VNB) is 126.3m TL with new business margin slightly lower due to mix impact, resulting from the auto-enrolment volumes
- Pension margin has reduced from 2.7% to 2.0% due to the introduction of pension auto-enrolment system where the charges are lower. AvivaSA is maintaining its disciplined approach to scheme pricing
- Life protection sales are up 81% primarily due to the focus on growing the Return of Premium product. Agency channel sales have grown more than threefold year-on-year
- Credit-linked life protection sales grew by just over a third for the first time in 3 years
- The improvement in new business margin for the personal accident segment is a result of pricing actions