



Q3 2016  
EARNINGS RELEASE

## Summary

### **Growth;**

- Pension AuM grew by 32% and reached 11.2 billion TL, supporting AvivaSA to maintain the market leadership since June 2015
- Total protection premiums grew by 28% as a result of 53% growth in non-credit linked premiums. Credit linked premiums growth was 8%

### **Profitability;**

- Total technical income has grown by 18% in spite of the significant pension price cut in pension.
- IFRS Net Profit is higher than restated prior year by 6% at 78.6 Mtl driven by growing protection and pension volumes
- Annualized RoE is 28%
- Statutory profit is 52.1 Mtl and grew by 29% year on year

#### **Restatement to Prior Year Financial Statement;**

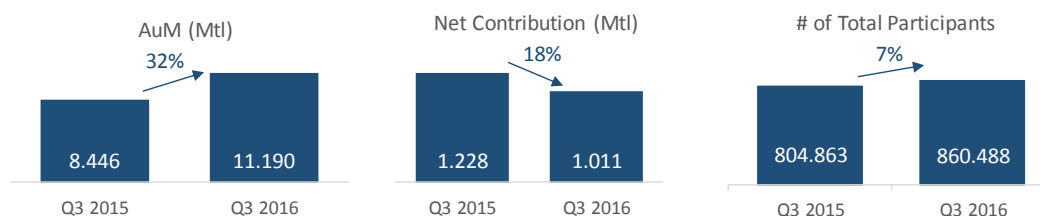
During 2016, a mismatch in accounting policy of Return of Premium life insurance policies was determined. Premiums were recognized on a yearly basis and the reserves were recognized on a monthly basis. This mismatch caused an overstatement of 2015 result and an understatement of 2016 results. In order to correct this error and make the financial statements comparable, premium accounting method was changed; due to this change the prior year financial statements are restated retrospectively. The effect of restatement to the prior year financials are set out below;

- Q3 2015 net profit effect: -13.2 million TL
- FY 2015 net profit effect: -17.6 million TL

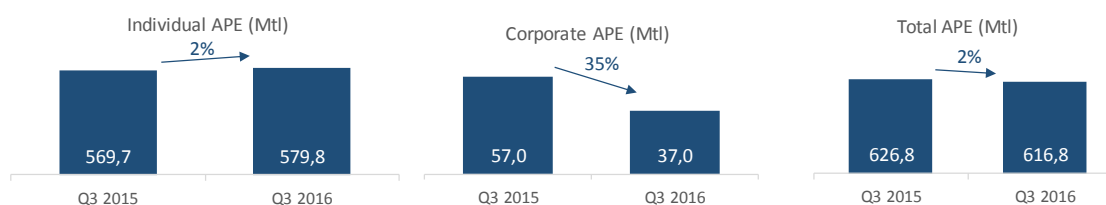
This change does not affect the profitability or cash generation of this product, only the timing of profits is moved forward

## Topline Volumes

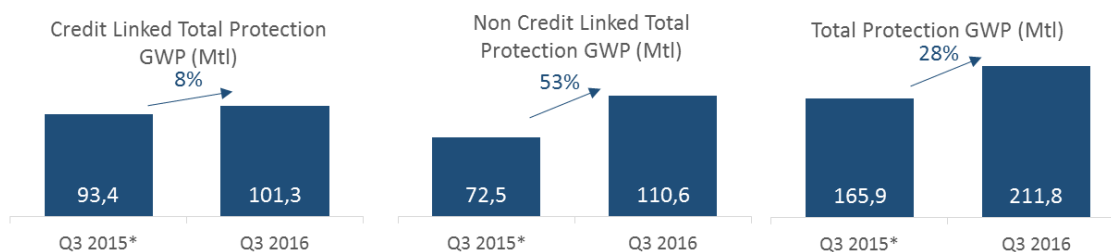
- AvivaSA is the market leader in terms of Pensions AuM since June 2015
- Strong pension fund asset performance helped AuM growth
- Number of participants reached 860k with an increase of 55.6k
- Pension contributions decreased with respect to prior year due to higher lapse rate and non-repeat of some one-off corporate transfers in 2015



Source: Pension Monitoring Center 30.09.2016



- Total Protection gross written premiums reached 211.8 Mtl; higher than restated prior year by 28%



\*restated figure

## IFRS Segmental Results

IFRS (m TL)	Q3 2015*	Q3 2016	Change
Savings	1,9	2,2	17%
Life Protection	60,4	84,5	40%
Personal Accident	16,8	15,4	-8%
Pension	103,4	113,3	10%
<b>Total Technical Income</b>	<b>182,5</b>	<b>215,4</b>	<b>18%</b>
<b>Total General Expenses</b>	<b>-133,8</b>	<b>-151,8</b>	<b>13%</b>
<b>Net Technical Profit</b>	<b>48,7</b>	<b>63,6</b>	<b>31%</b>
<b>Total Investment &amp; Other Income</b>	<b>44,6</b>	<b>35,1</b>	<b>-21%</b>
<b>Total Tax</b>	<b>-18,9</b>	<b>-20,1</b>	<b>6%</b>
<b>Net Profit</b>	<b>74,4</b>	<b>78,6</b>	<b>6%</b>

*\*restated figures*

- Total technical income grew by 18% driven mainly by protection business profitability that grew by 40%
  - Growing pension business in terms of AuM (+32%), leading to an increase in technical profit. Management actions and increase in the minimum wage help to absorb the impact of reduced pension prices and deliver double digit growth at the same time
  - Life protection technical profit is 40% higher than prior year supported by higher non-credit linked sales
  - Despite increased Personal Accident volumes, technical profit is (8%) lower than prior year level due to increase in reserves and claims
- General expenses for Q3 was 151.8 Mtl with an increase of 13% y-o-y.
- Total investment and other income decreased by 21% due to lower foreign exchange income compared with 2015

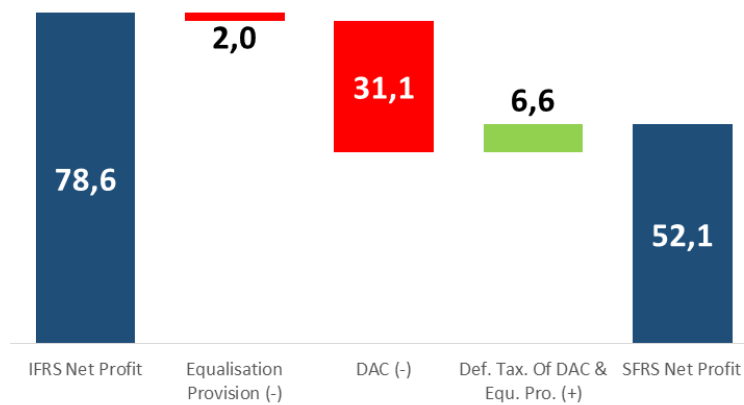
## Statutory / SFRS Results

SFRS (m TL)	Q3 2015*	Q3 2016	Change
Life	13,2	35,4	167%
Non-Life	4,8	1,6	-66%
Pension	-9,7	-5,8	41%
<b>Net Technical Profit</b>	<b>8,3</b>	<b>31,2</b>	<b>276%</b>
<b>Total Investment &amp; Other Income</b>	<b>42,5</b>	<b>30,6</b>	<b>-28%</b>
<b>Tax</b>	<b>-10,4</b>	<b>-9,7</b>	<b>-6%</b>
<b>Net Profit</b>	<b>40,4</b>	<b>52,1</b>	<b>29%</b>

*\*restated figures*

- Net profit for the period is 52.1 Mtl with an increase of 29%
- Total net technical profit is significantly higher than prior year
  - Life (including life savings) net technical was fueled by higher non-credit linked protection volumes.
  - Non-life (personal accident) net technical profit after general expenses decreased to 1.6 Mtl mainly due to higher reserves and claims with respect to prior year.
  - Pension net technical loss after general expenses decreased to (5.8) Mtl due to growing portfolio.

## Bridging from IFRS to Statutory Profit



## New Business

(m TL)	Q3 2015	Q3 2016	Change
Life Protection	60.8	63.0	4%
Personal Accident	14.4	3.8	-73%
Pensions	76.9 <sup>(*)</sup>	77.0	0%
<b>Value of New Business</b>	<b>152.2</b>	<b>143.8</b>	<b>-6%</b>

(\*): Q315 Pensions VNB excludes legislation change impact

(m TL)	Q3 2015	Q3 2016	Change
Life Protection	225.9	323.1	43%
Personal Accident	46.8	52.8	13%
Pensions <sup>(**)</sup>	3,177.2	2,808.8	-12%
<b>Present Value of New Business Premiums</b>	<b>3,450.0</b>	<b>3,184.7</b>	<b>-8%</b>

(\*\*): Including State Contribution

(m TL)	Q3 2015	Q3 2016	Change
Life Protection	26.9%	19.5%	-7.4%
Personal Accident	30.8%	7.3%	-23.6%
Pensions	2.4% <sup>(*)</sup>	2.7%	0.3%
<b>New Business Margin</b>	<b>4.4%</b>	<b>4.5%</b>	<b>0.1%</b>

Source: Company data, unaudited results

- Sales as measured by present value of new business premiums (PVNBP) is 3.2bn TL
- Value of new business (VNB) is 143.8m TL with new business margin in line with the first nine months of 2015
- Q3 2015 Pensions VNB do not reflect the legislation change impact in line with the MCEV CFO Forum Principles
- Pensions margin has improved to 2.7% from 2.4% due to expense assumption changes, increase in the minimum wage leading to higher fee income and management actions despite lower projected profits following the legislation change
- Life protection sales are up 43% primarily due to stand-alone products. Credit-linked life protection sales are flat year-on-year which is leading to a lower margin for life protection
- The new expense assumptions have significantly affected the Personal Accident new business margin. Despite the inherently profitable nature of the underwriting margins of this segment, the corresponding post-assumption change new business margin better reflects the low ticket size of the products