


# Presentation to Investors

August 2015 – (2015 Q2)



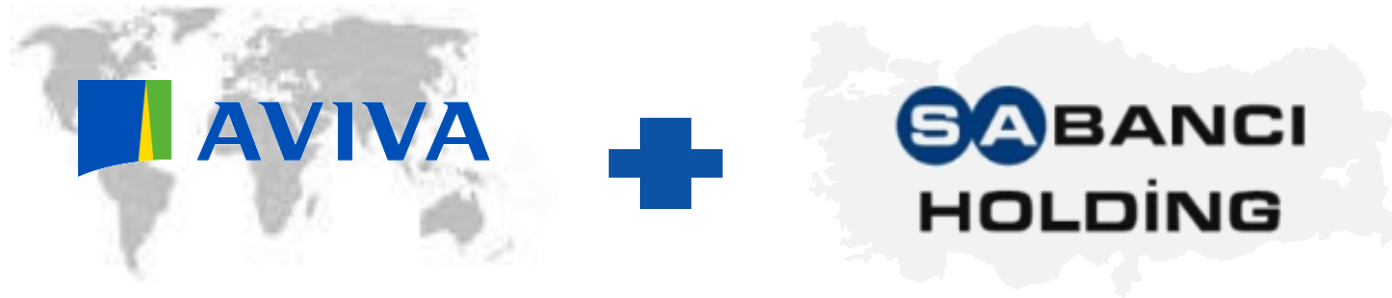


## AvivaSA at a Glance: Unique Positioning and Attractive Business Model



# ❖ Blue-chip “Sponsoring” Shareholders: A Unique Blend of Expertise and Reputation

Established in 2007 as a joint venture, after the merger of  
Ak Emeklilik and Aviva Hayat



- Global diversified insurer with presence in 17 countries and over 100 bancassurance partners
- Best practice policies based on UK international standards on governance / audit

- One of the largest Turkish “multi-business company” with wide franchise of consumer brands and networks
- Unparalleled local trust and reputation

## Turkey's attractive growth and demographics

Unique demographic profile: second largest country in Europe (76million) with almost 50% under 30 years old

**#1**  
Pension  
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Corporate Pension

- 19% market share
- ~786k participants; 8,1 billion TL AUM (H1 2015)
- 34% cagr in terms of AUM (2011-2014 / last 3 year)
- #1 Corporate Pension: Market leader in corporate pensions with %26 market share

**#9**  
Life Protection

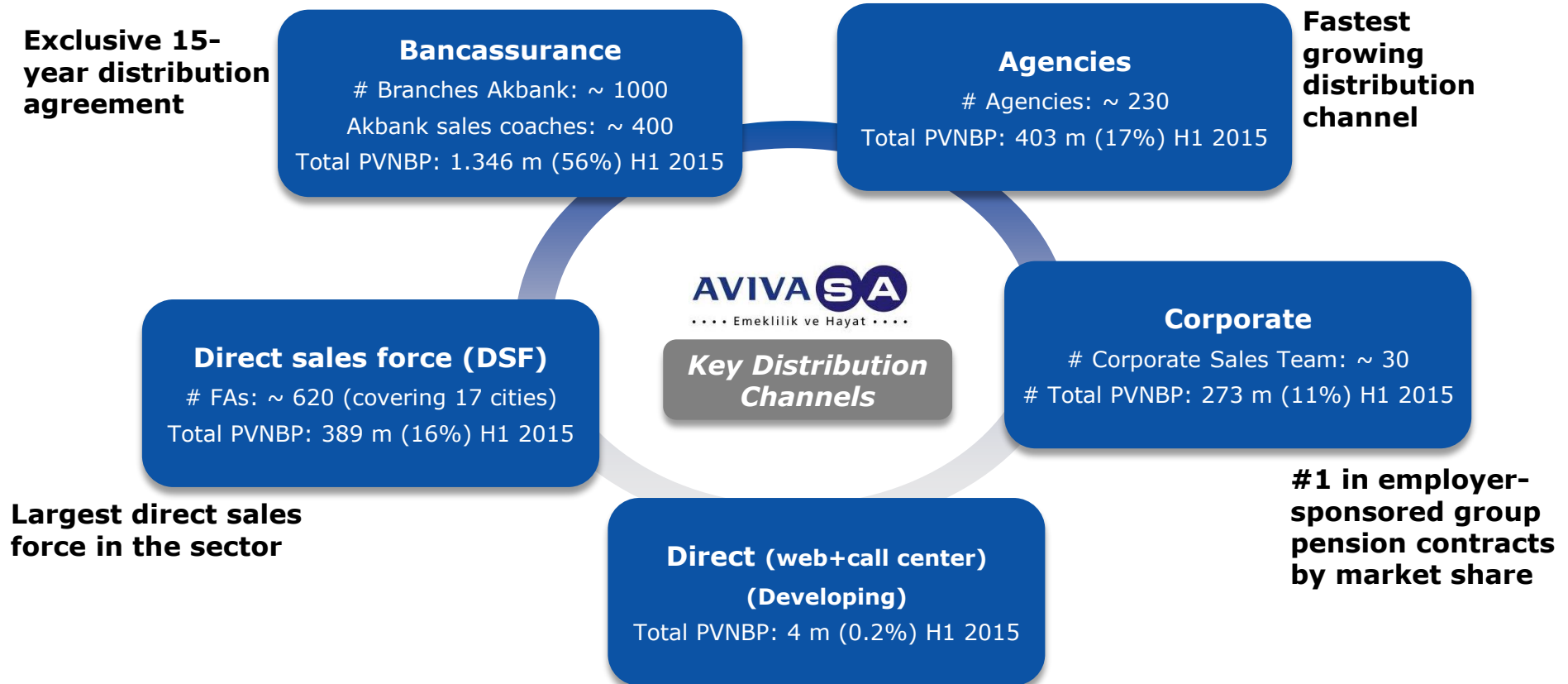
- 6% market share (05/2015)
- TL80m GWP (05/2015) and ~1.5m customers
- 33% GWP cagr (2011-2014 / last 3 year)

**#3**  
Personal Accident

- 16% market share (05/2015)
- TL7m GWP (05/2015) and ~0.5m customers
- 19% GWP cagr (2011-2014 / last 3 year)

# ❖ Solid Sales Culture through a Multidistribution Platform to Expand Scale and Penetration in Pension and Life

## Distribution Platform At a Glance



# ❖ Strategic Objectives Built on AvivaSA Strengths

Solid financial and operational foundation:  
“Focus on Profitable Growth”

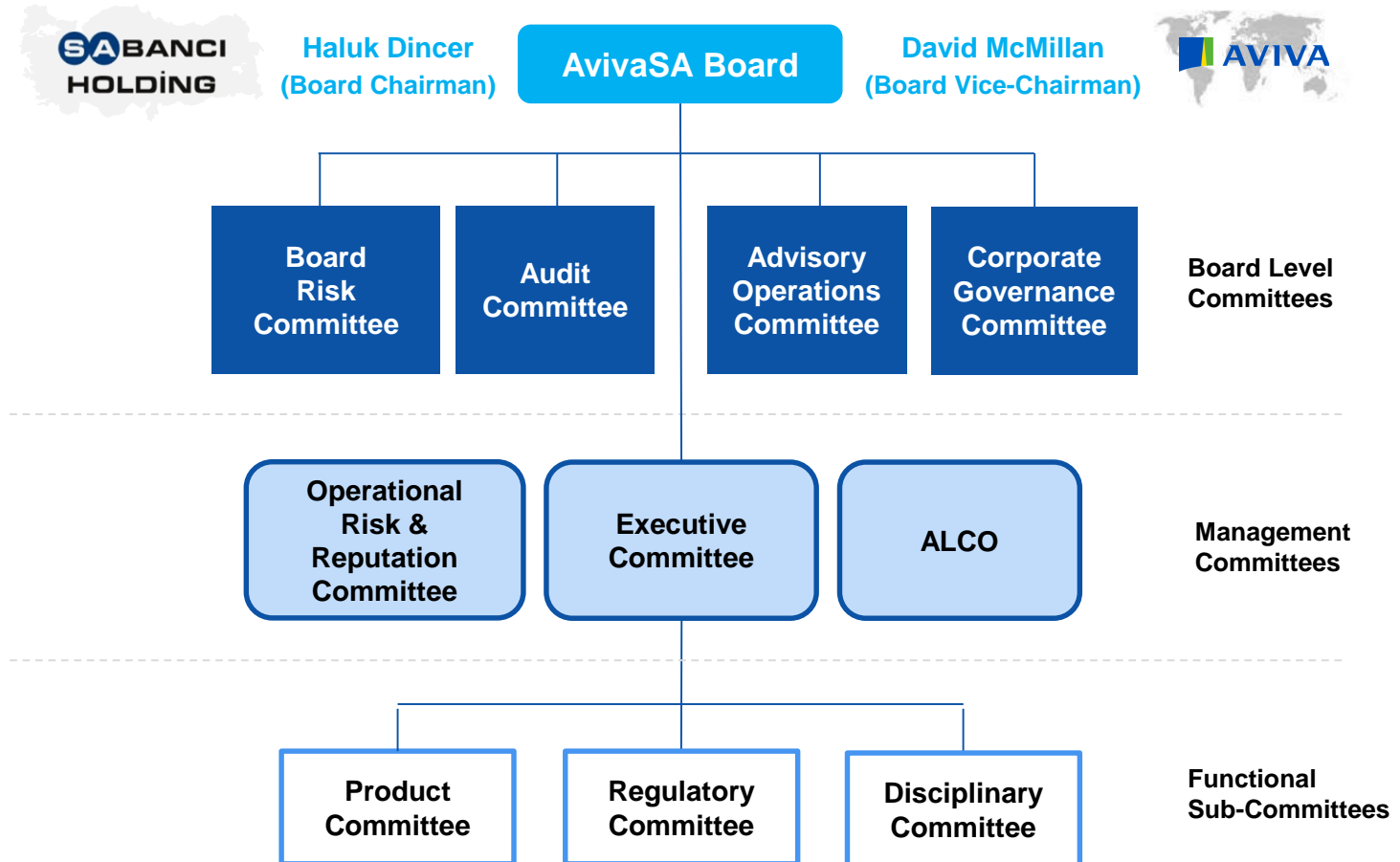


## Overview

- ✓ **Excellent corporate governance** framework established at the creation of the JV in 2007

## Governance Structure

- ✓ Top tier governance principles
- ✓ Well-balanced and experienced board with domestic and international expertise
- ✓ 2 INEDs have been appointed post-IPO







# Solid Financial Foundations and Historical Track Record of Value Creation

	2015 H1	YOY/Δ	
<b>Pension Contributions</b>	807 mTL	71%	<ul style="list-style-type: none"> <li>• Very strong growth in pensions has led AvivaSA to #1 position in terms of AuM <ul style="list-style-type: none"> <li>• Pension contributions driving business to profitable scale</li> <li>• Life production depressed by the sluggish credit growth</li> </ul> </li> </ul>
<b>Total AUM</b>	8,1 bTL	35%	
<b>Total GWP (Life+PA)</b>	128 mTL	-3%	
<b>Total Technical Profit</b>	133 mTL	16%	<ul style="list-style-type: none"> <li>• Steady increase thanks to pension scalability and protection segments</li> </ul>
<b>Expense Ratio<sup>(1)</sup></b>	10.0%	3,2 pts	<ul style="list-style-type: none"> <li>• Steady fall in cost ratio from 13% in 2014 H1 to 10.0% as efficiency improves</li> </ul>
<b>Profit for the Period</b>	56 mTL	20%	<ul style="list-style-type: none"> <li>• Track-record of profitable growth</li> </ul>
<b>ROE</b>	33%		<ul style="list-style-type: none"> <li>• One of the leaders in the sector with an ROE of 33% (annualized)</li> </ul>
<b>Solvency</b>	213%		<ul style="list-style-type: none"> <li>• Strong solvency I position with capital-light product model <ul style="list-style-type: none"> <li>• Consistent dividend payment</li> </ul> </li> </ul>
<b>VNB</b>	105 mTL	14%	<ul style="list-style-type: none"> <li>• VNB has grown 14% in H1 2015 yoy basis</li> </ul>
<b>MCEV</b>	1280 mTL	17%	<ul style="list-style-type: none"> <li>• MCEV has grown 17% in H1 2015 yoy basis</li> </ul>

Note: Segmental reporting data (1) General expenses, as % of insurance GWP and pension net contributions.

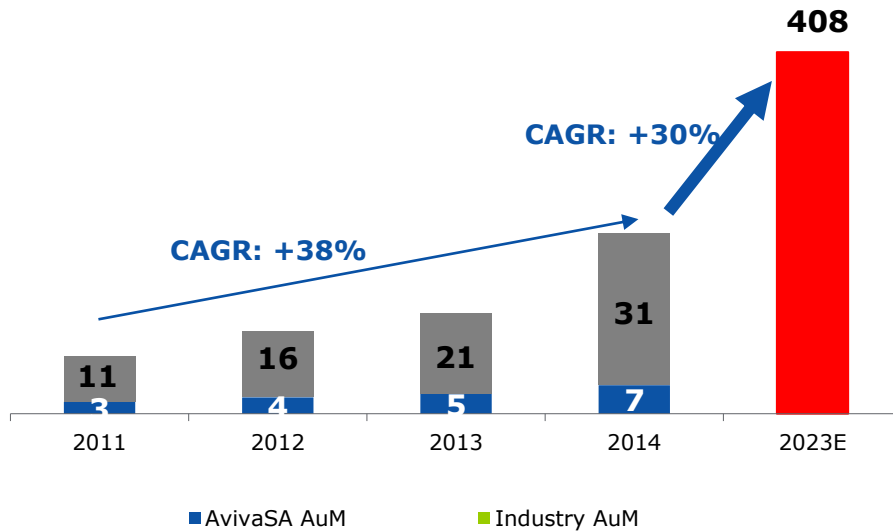


# Leading Fast Growing Pension and Life Franchise

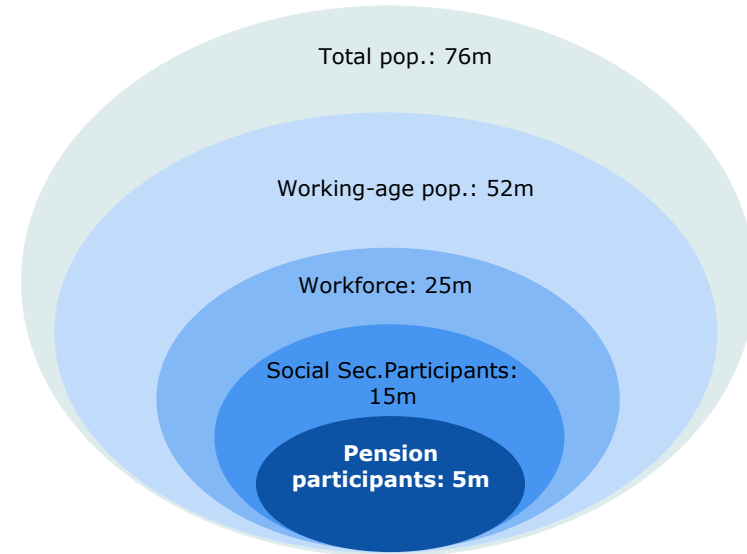


# Pension – Sustainable Growth and Scale Ambitions

## Fast Growing Pension AUM (TLbn)



## Underpenetrated Pension Market



### Drivers of Strong Government Support

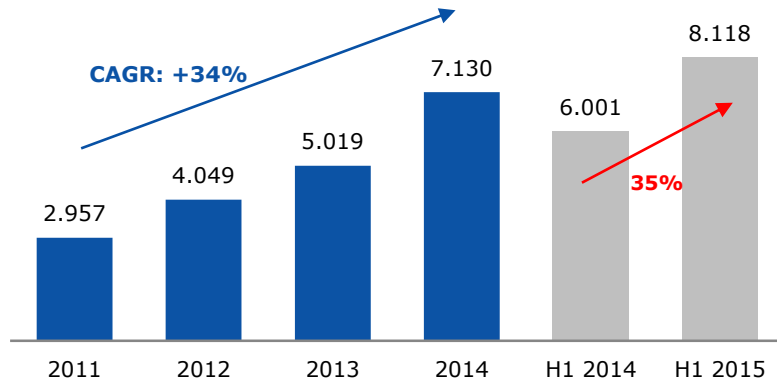
- To support the Social Security System
- To improve & deepen capital markets
- To increase the saving rate (up to %19)
- To reduce Current Account Deficit

### Strong Government Support for Pensions

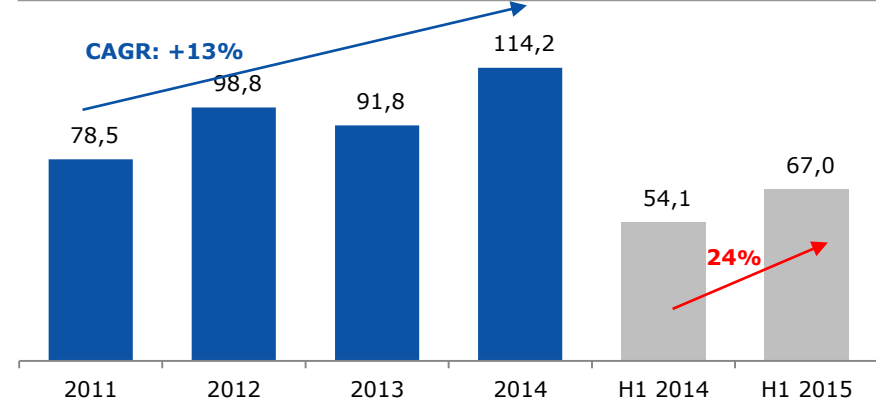
- %25 state contribution
- Deferred tax in terms of pension investment income

# Pension – Sustainable Growth and Scale Ambitions

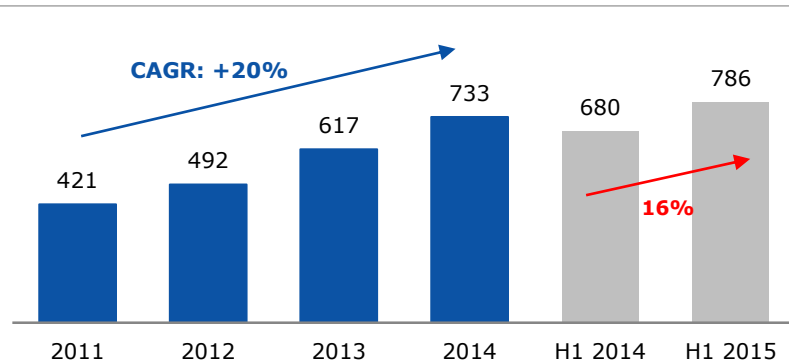
## Pensions AUM including State Contribution (TLm)



## Technical Profit (TLm)



## Number of Participants (x1000)



## Market Share Of AvivaSA % (in terms of AUM)

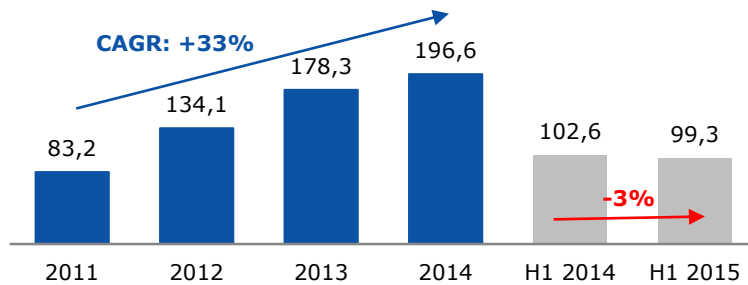
2011	2012	2013	2014	H1 2014	H1 2015
20,6	19,9	19,1	18,8	18,9	19,1

## Average Monthly Contribution Size / Policy (TL)

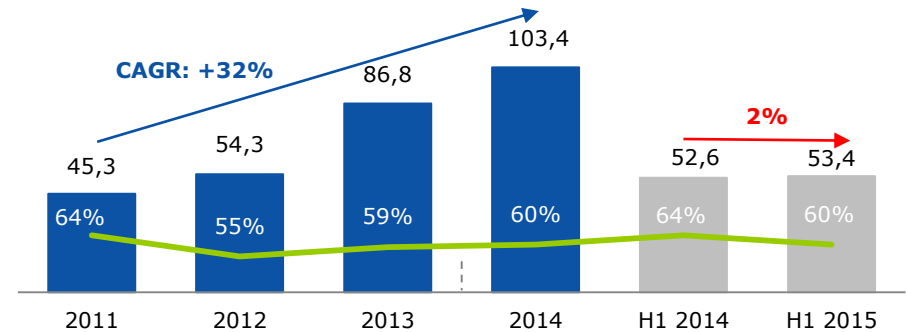
2011	2012	2013	2014	H1 2014	H1 2015
210	219	237	256	242	268

# Life Protection – Sustainable and Resilient Growth Model Fuelled by Bancassurance

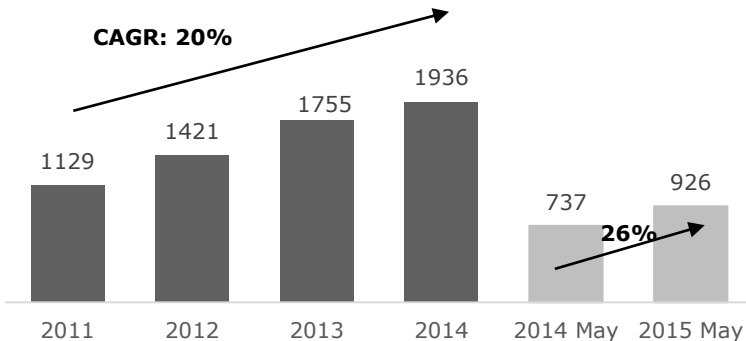
## GWP (TLm)



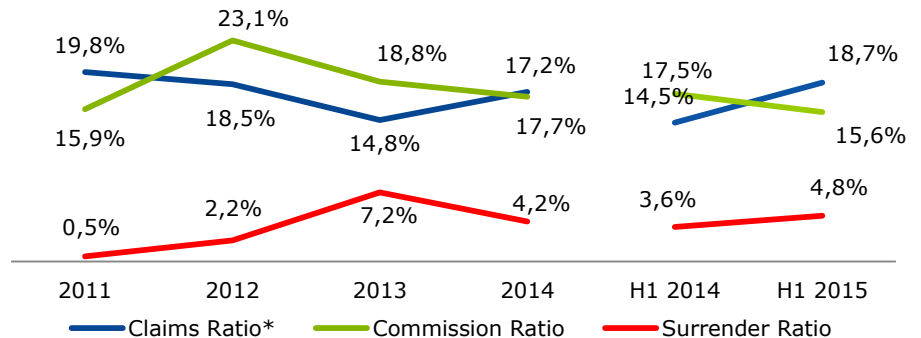
## Technical Profit & Margin<sup>(1)</sup>(TLm, %)



## Sector LP (TLm) (Excluding state companies)



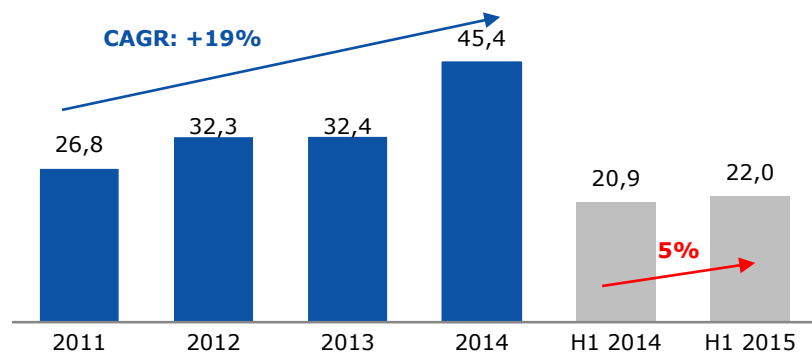
## Claims and Commission Ratios (%)



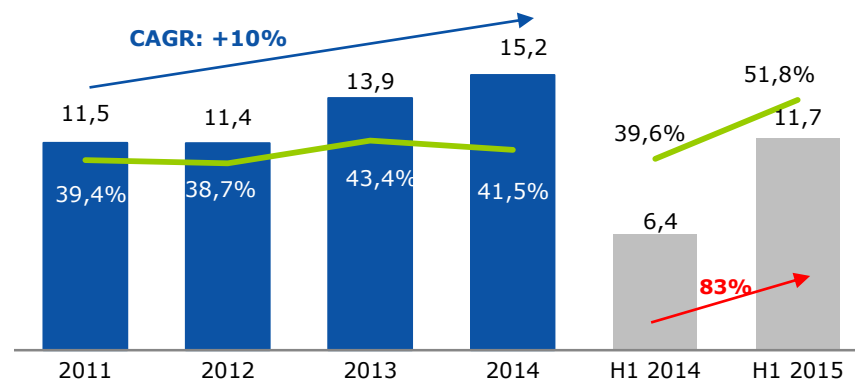
\* Exc. Surrender ratio \*\* Commission expenses net of income / NEP

# Personal Accident – A Complementary Profit Pool for the Group

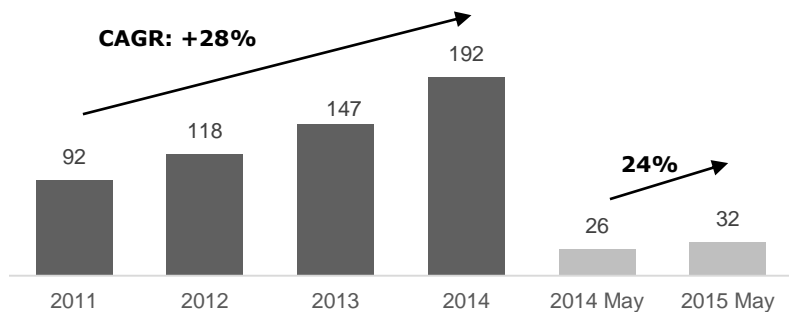
## GWP (TLm)



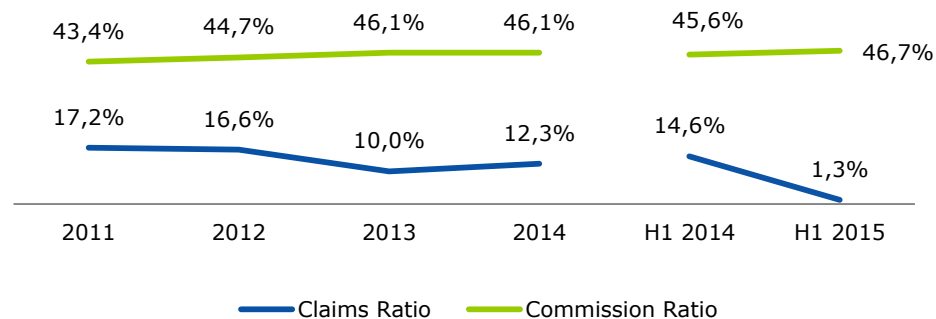
## Technical Profit & Technical Margin<sup>(1)</sup> (TLm)



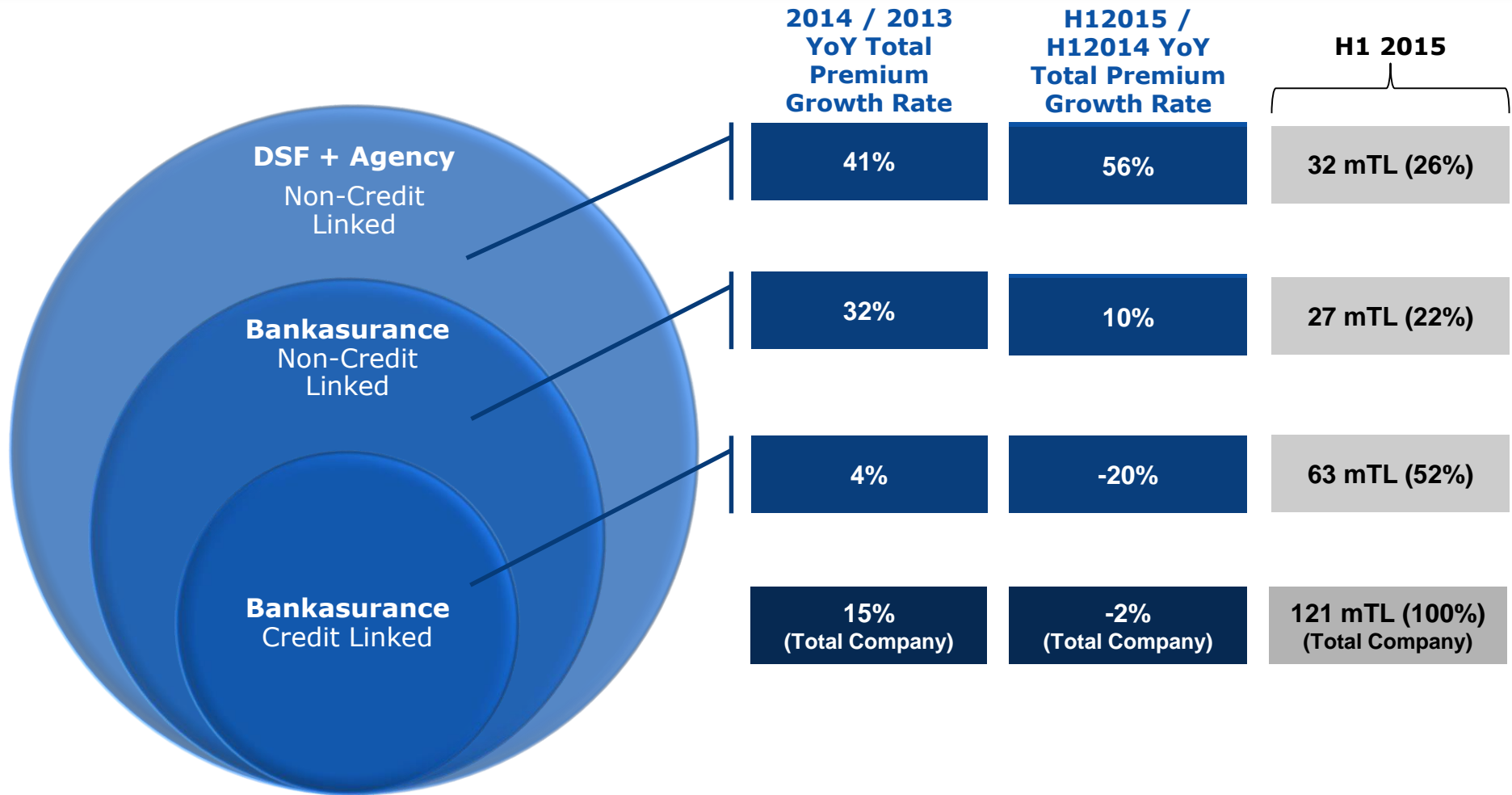
## Sector PA (TLm) (Excluding state companies)



## Commission & Claims Ratio (%)



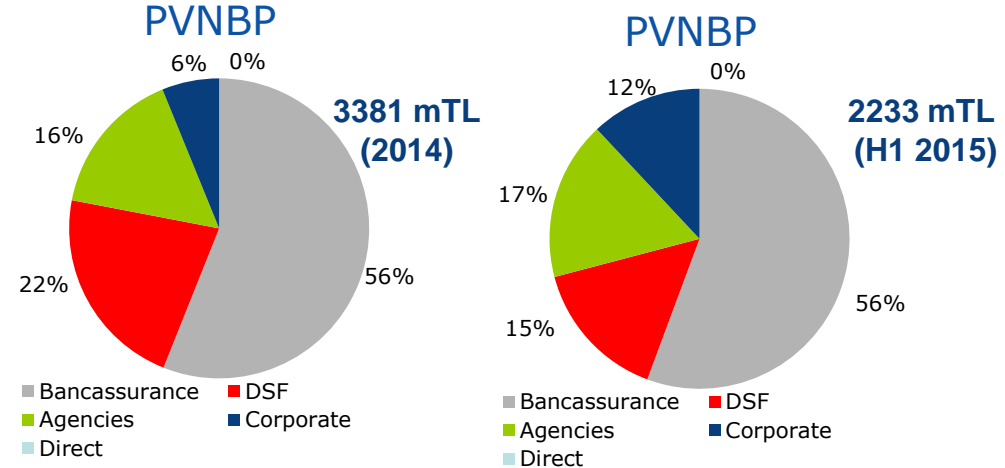
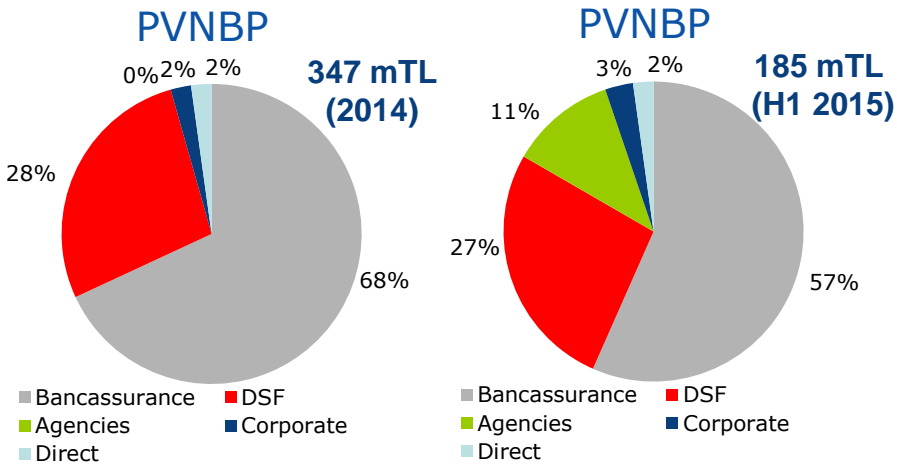
# New Action Plan to Expand Life Protection + Personal Accident



# Production by Distribution Channel and by Products

## Life + PA (by distribution channel)

## Pension (by distribution channel)



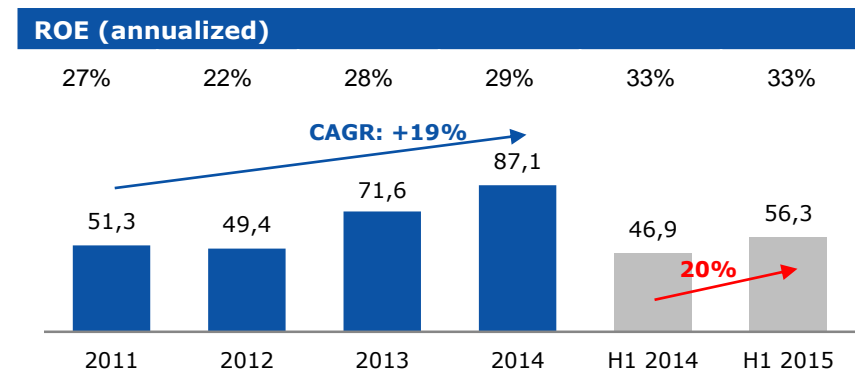
Source: Company information.



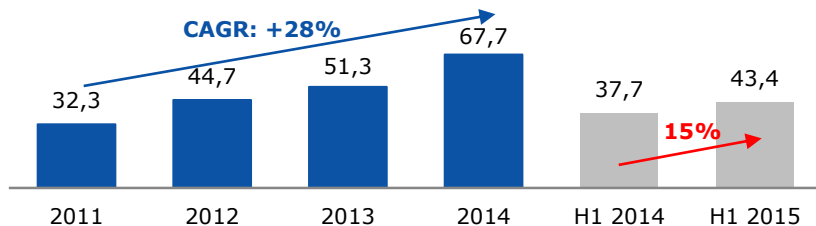
## Robust Financial Performance



## Profit for the Year and ROE (TLm)

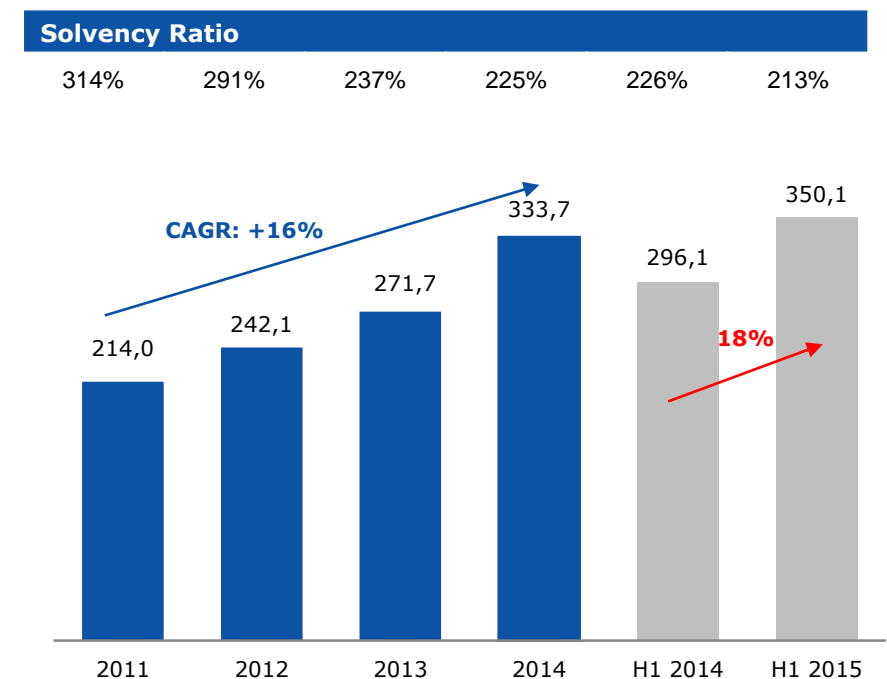


## Technical Profit After G&A (TLm) ≈ EBIT



- ✓ During the period under review, AvivaSA's profitability has been robust and growing YoY. The plateau in 2012 was essentially driven by market conditions leading to reduced investment income; the underlying operating business remained solid in that year

## Shareholders' Equity and Solvency Ratio (TLm)



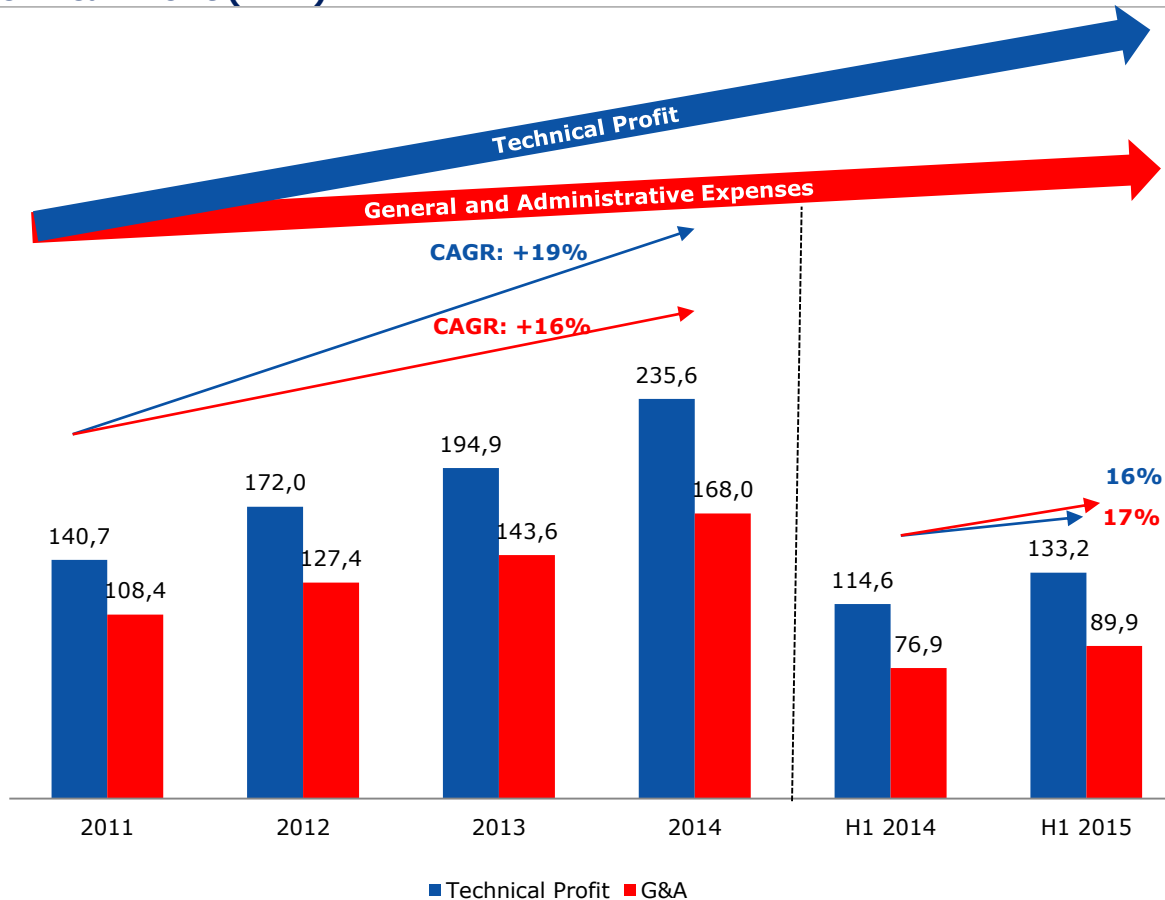
- ✓ Steady increase in shareholders' equity reflects active management of capitalization to fund business growth
- ✓ Capital-light business, with strong solvency position, which benefits from AvivaSA's measured approach to risk and new product introduction

Source: Company information.

Note: Analysis on profitable growth derives from segmental information on this and following pages of the section, unless otherwise stated.

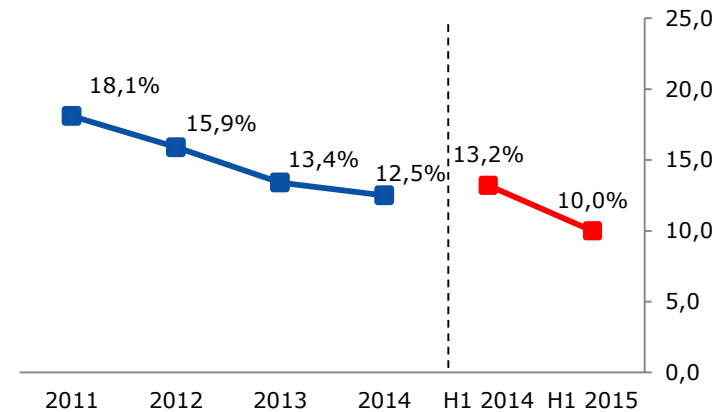
# ...Solid and Resilient Technical Profitability with Operating Leverage Potential...

## Technical Profit (TLm)

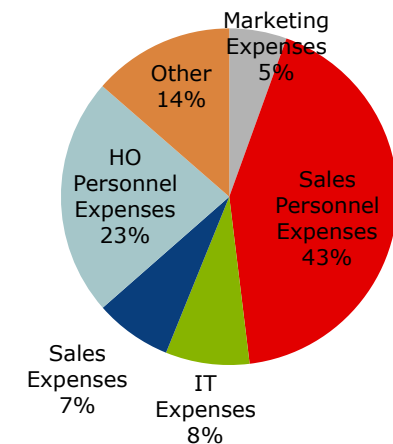


## Expense Ratio (%)

As % of net contributions (for pensions) and gross written premiums (for insurance segments)



## Breakdown of Gen. Expenses, IFRS (H12015)



# Summary of P&L from Segmental Reporting

	2011	2012	2013	2014	CAGR	H1 2014	H1 2015	YoY
Pension Technical Profit	78,5	98,8	91,8	114,2	13%	54,1	67,0	24%
Life Protection Technical Profit	45,3	54,3	86,8	103,4	32%	52,6	53,4	2%
Life Savings Technical Profit	5,5	7,5	2,4	2,9	-19%	1,5	1,0	-33%
Personal Accident Technical Profit	11,5	11,4	13,9	15,2	10%	6,4	11,7	83%
<b>Total Technical Profit</b>	<b>140,7</b>	<b>172,0</b>	<b>194,9</b>	<b>235,6</b>	<b>19%</b>	<b>114,6</b>	<b>133,2</b>	<b>16%</b>
General and Administrative Expenses	-108,4	-127,4	-143,6	-168,0	16%	-76,9	-89,9	17%
<b>Total Technical Profit after G&amp;A Expenses (≈EBIT)</b>	<b>32,3</b>	<b>44,7</b>	<b>51,3</b>	<b>67,7</b>	<b>28%</b>	<b>37,7</b>	<b>43,4</b>	<b>15%</b>
Total Investment Income & Other	29,8	20,6	39,8	42,2	12%	22,8	27,2	19%
Profit Before Taxes	62,1	65,2	91,1	109,9	21%	60,5	70,5	16%
<b>Profit for the Period</b>	<b>51,3</b>	<b>49,4</b>	<b>71,6</b>	<b>87,1</b>	<b>19%</b>	<b>46,9</b>	<b>56,3</b>	<b>20%</b>

Source: Company information, IFRS and segmental reporting.

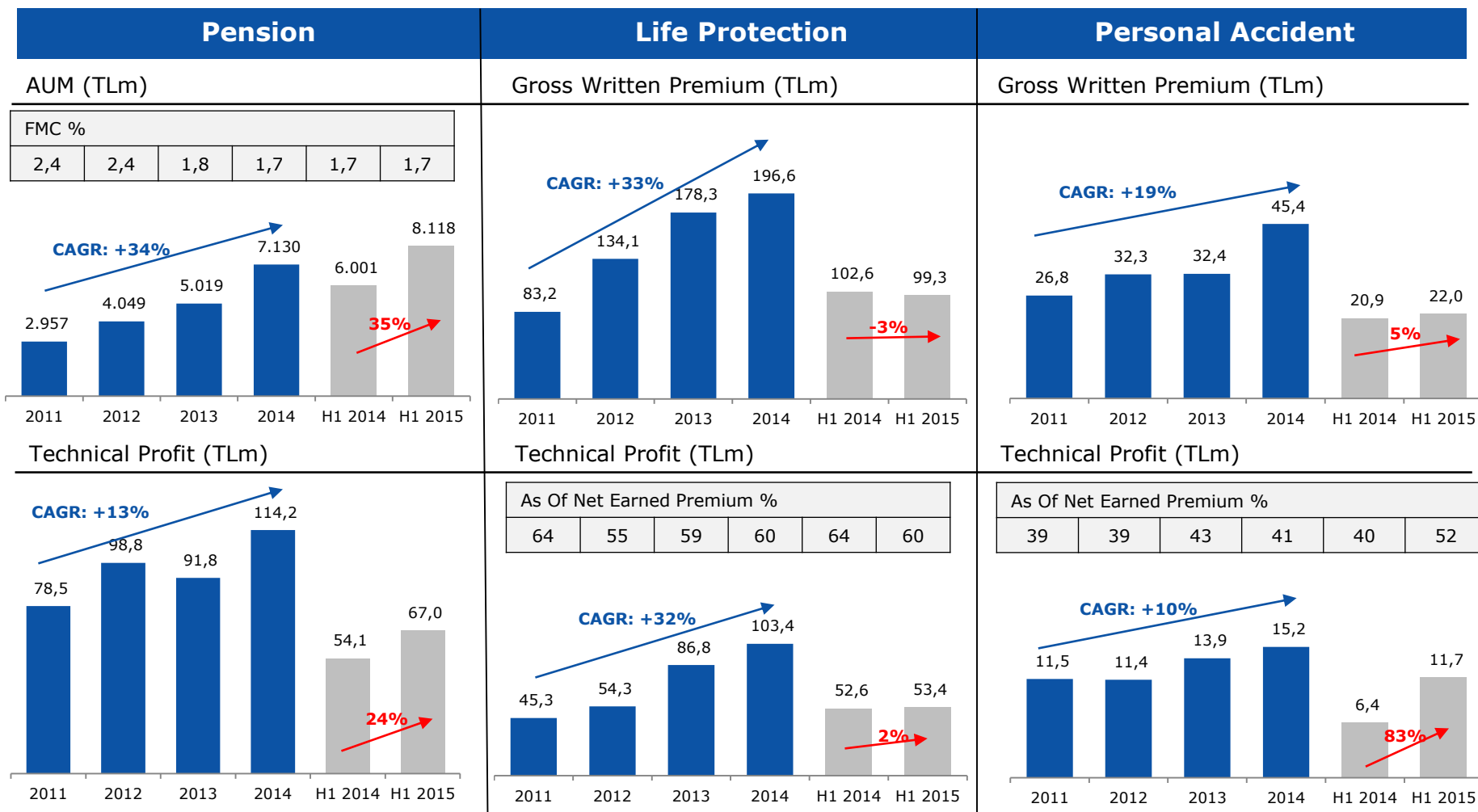


## Segment Disclosure





# Differentiated Management of Trends and Dynamics per Segment



## Pension Technical Profit (TLm)

	2011	2012	2013	2014	CAGR	H1 2014	H1 2015	YoY
<b>Fund Management Income<sup>(1)</sup></b>	57,5	74,6	69,0	87,0	15%	40,1	51,7	29%
<b>Management Fee<sup>(2)</sup></b>	28,3	32,0	17,9	30,9	3%	14,5	17,4	20%
<b>Entrance Fee Income<sup>(3)</sup></b>	15,8	20,0	30,4	35,7	31%	17,2	22	28%
<b>Other Income/(Expenses)</b>	-4,4	-5,4	-5,8	-7,4	19%	-3,7	-3,9	6%
<b>Net Commission Expenses (of which)</b>	-18,7	-22,4	19,6	-32,0	20%	-14,1	-20,2	43%
- Commission Ex.	-31,0	-29,1	-56,6	-70,2	31%	-33,7	-43,7	30%
- DAC	12,3	6,7	37,0	38,2	46%	19,7	23,5	20%
<b>Technical Profit</b>	<b>78,5</b>	<b>98,8</b>	<b>91,8</b>	<b>114,3</b>	<b>13%</b>	<b>54,1</b>	<b>67,0</b>	<b>24%</b>

## Key Profit Drivers

- Pension volume (Contribution and AUM)
- Lapses and Retention
- Pension Fee Structure (entry fee, management fee, fund management charge)
- Commission Expenses / DAC

✓ Technical profit development reflects the solid potential of the pension market as well as the effect of the new pension regulations effective 1 January 2013

Source: Company information, IFRS and segmental reporting.

Note: (1) Net of AK asset charges. (2) Charge including premium holiday. (3) Including deferred entry fee.



## Life Protection Technical Profit (TLM)

(Excluding Life Savings)

	2011	2012	2013	2014	CAGR	H1 2014	H1 2015	YoY
<b>Gross Written Premiums</b>	83,2	134,1	178,3	196,6	33%	102,6	99,3	-3%
<b>Earned Premiums</b>	<b>70,4</b>	<b>98,6</b>	<b>148,3</b>	<b>171,1</b>	<b>34%</b>	<b>82,3</b>	<b>88,4</b>	<b>7%</b>
<b>Total Claims</b>	-14,4	-20,5	-32,7	-37,5	38%	-14,8	-20,7	40%
Claims Ratio	19,8%	18,5%	14,8%	17,7%		14,5%	18,7%	
<b>Commission Expenses</b>	-11,2	-22,7	-27,8	-29,4	38%	-14,4	-13,8	-4%
Commission Ratio*	15,9%	23,1%	18,8%	17,2%		17,5%	15,6%	
<b>Other Income/ (Expense), Net</b>	0,4	-1,1	-1,0	-0,9		-0,5	-0,4	
<b>Technical Profit</b>	<b>45,3</b>	<b>54,3</b>	<b>86,8</b>	<b>103,4</b>	<b>32%</b>	<b>52,6</b>	<b>53,4</b>	<b>2%</b>
Technical Margin	64,3%	55,0%	58,5%	60,4%		63,9%	60,5%	

## Key Profit Drivers

- Net earned premium volumes
- Death and Benefits claims
- Surrender levels
- Commission Expenses

✓ Q1 2014 saw a particularly low claims ratio, which was normalised at full year. Correcting for this, underlying technical growth would be around 10%.

Source: Company information, IFRS and segmental reporting.

\* Claims ratio = Commission Paid / Gross Written Premium

## Personal Accident Technical Profit (TLm)

	2011	2012	2013	2014	CAGR	H1 2014	H1 2015	YoY
<b>Gross Written Premiums</b>	26,8	32,3	32,4	45,4	19%	20,9	22	5%
<b>Earned Premiums</b>	<b>29,1</b>	<b>29,6</b>	<b>32,1</b>	<b>36,6</b>	<b>8%</b>	<b>16,2</b>	<b>22,6</b>	<b>40%</b>
<b>Total Claims</b>	-5,0	-4,9	-3,2	-4,5	-3%	-2,4	-0,3	-88%
Claims Ratio	17,2%	16,6%	10,0%	12,3%		14,6%	1,3%	
<b>Commission Expenses</b>	-12,6	-13,2	-14,8	-16,9	10%	-7,4	-10,6	43%
Commission Ratio*	43,4%	44,7%	46,1%	46,1%		45,6%	46,7%	
<b>Other Income/(Expense), Net</b>	0,0	0,0	-0,2	0,0		0	0	
<b>Technical Profit</b>	<b>11,5</b>	<b>11,4</b>	<b>13,9</b>	<b>15,2</b>	<b>10%</b>	<b>6,4</b>	<b>11,7</b>	<b>83%</b>
Technical Margin	39,4%	38,7%	43,4%	41,5%		39,6%	51,8%	

## Key Profit Drivers

- Net earned premium volumes
- Accident / Benefits claims
- Surrender levels
- Commission Expenses

✓ Q1 2015 claims amount turned positive due to reserve releases, which in boosted technical profit. Correcting for this, the underlying technical profit growth would be around 70%

Source: Company information, IFRS and segmental reporting.

\* Claims ratio = Commission Paid / Gross Written Premium



## Embedded Value and Value of New Business Disclosure



**AvivaSA is pioneering the disclosure of EV in Turkey; nevertheless, it is a widely used valuation basis in Europe and Asia**

**MCEV is an agreed set of DCF calculations that value both the capital of the firm and the value of the business already written**

**VNB is a measure of the economic value of the profits expected to emerge from new business written in the period where these expected profits are capitalised back to the reporting date**

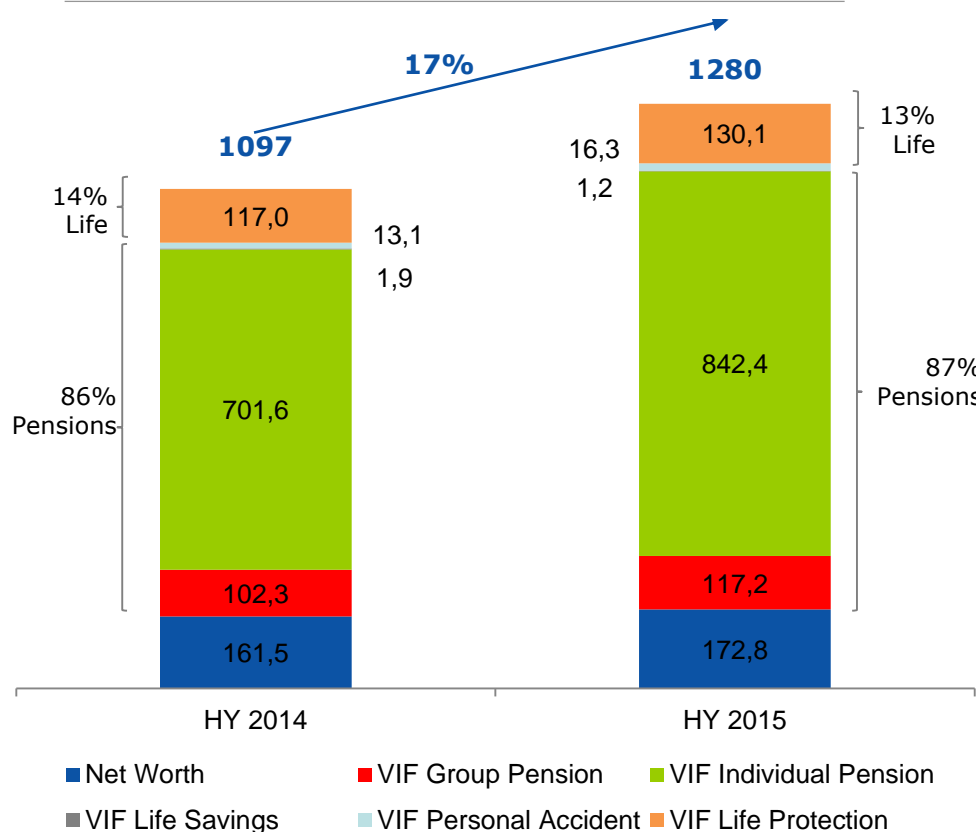
**AvivaSA has calculated and used MCEV metrics for years:**

- **Reported in Aviva accounts since 2008 (including 2007 restatements)**
- **It is a KPI on business by channel and product line**
- **Integral to business decisions**

# Market Consistent Embedded Value

## Resilient long-term growth

### MCEV (TLm)



### Comments

- Continued double digit growth of 17% in YoY MCEV reflects the growth in expected future earnings from the in-force book which is driven by VIF
- ... profitable terms over the long term and takes account of the dividend payment during the year
- Pensions business remains by far the most significant portion of the in-force book, representing about 87% of the VIF, mainly as a result of the fund management fee applied to the accumulated funds under management
- No allowance of the new pensions legislation which is expected to come in-force at the start of 2016 due to ongoing consultation process with the Regulator



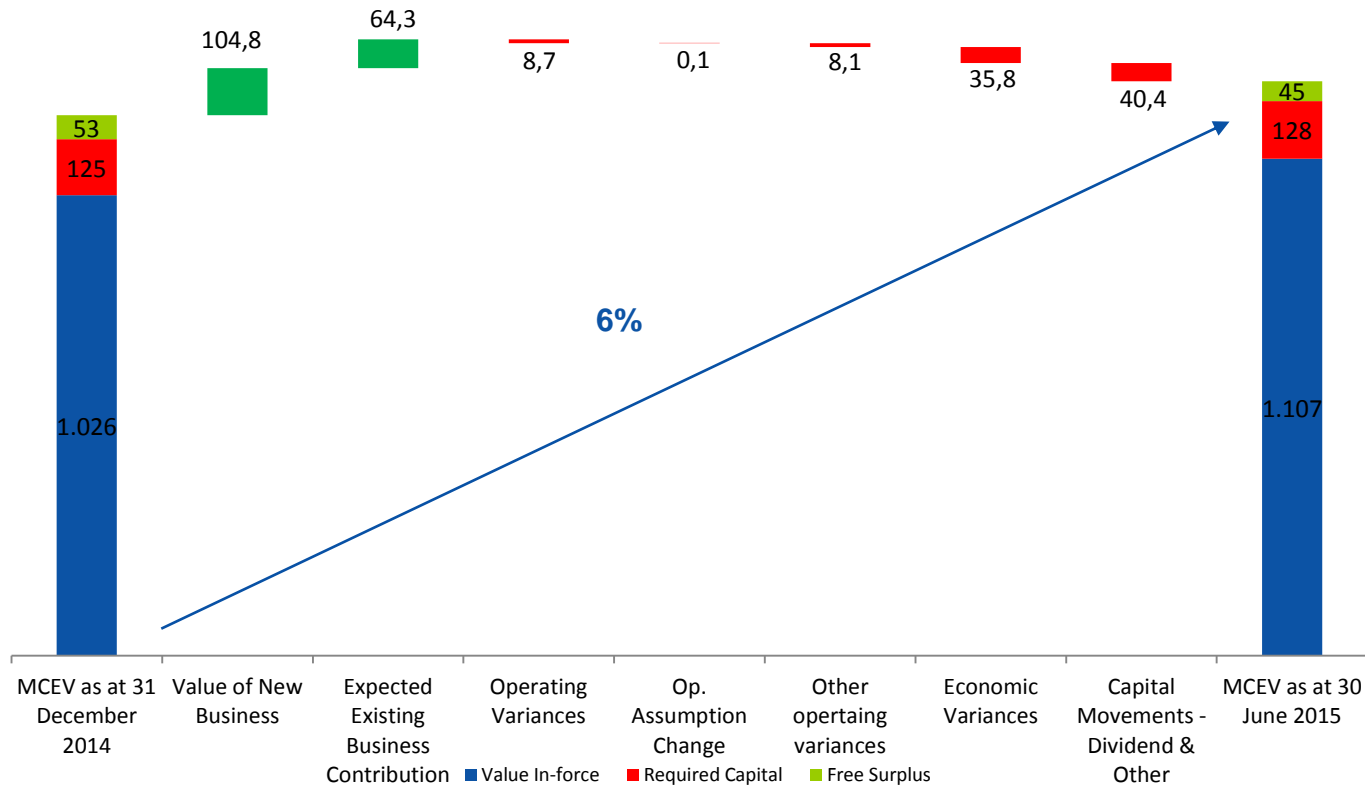
# Active Management of VNB to Steer Profitable Growth

## – VNB Metrics per Segment

	Pension		Life Protection		Personal Accident		Total	
	2014 H1	2015 H1	2014 H1	2015 H1	2014 H1	2015 H1	2014 H1	2015 H1
<b>PVNB (TLm)</b>	1.538,2 90%	45% 2.233,1 92%	141,9 8%	9% 154,4 6%	26,0 2%	18% 30,6 1%	1,706,1 100%	42% 2,418,1 100%
<b>VNB (TLm)</b>	36,3 39%	52% 55,3 53%	46,4 50%	-13% 40,3 38%	9,4 10%	-2% 9,2 9%	92,1 100%	14% 104,8 100%
<b>New Business Margin (%)</b>	2,4% 2014 H1	2,5% 2015 H1	32,7% 2014 H1	26,1% 2015 H1	36,1% 2014 H1	30,0% 2015 H1	5,4% 2014 H1	4,3% 2015 H1
<b>IRR (%)</b> <b>Payback (in years)</b>	19,3% 6,2	20,9% 5,4	181,9% 0,8	139,9% 0,9	209,2% 0,6	159,1% 0,5	43,2% 2,0	35,7% 2,4

Source: Company data

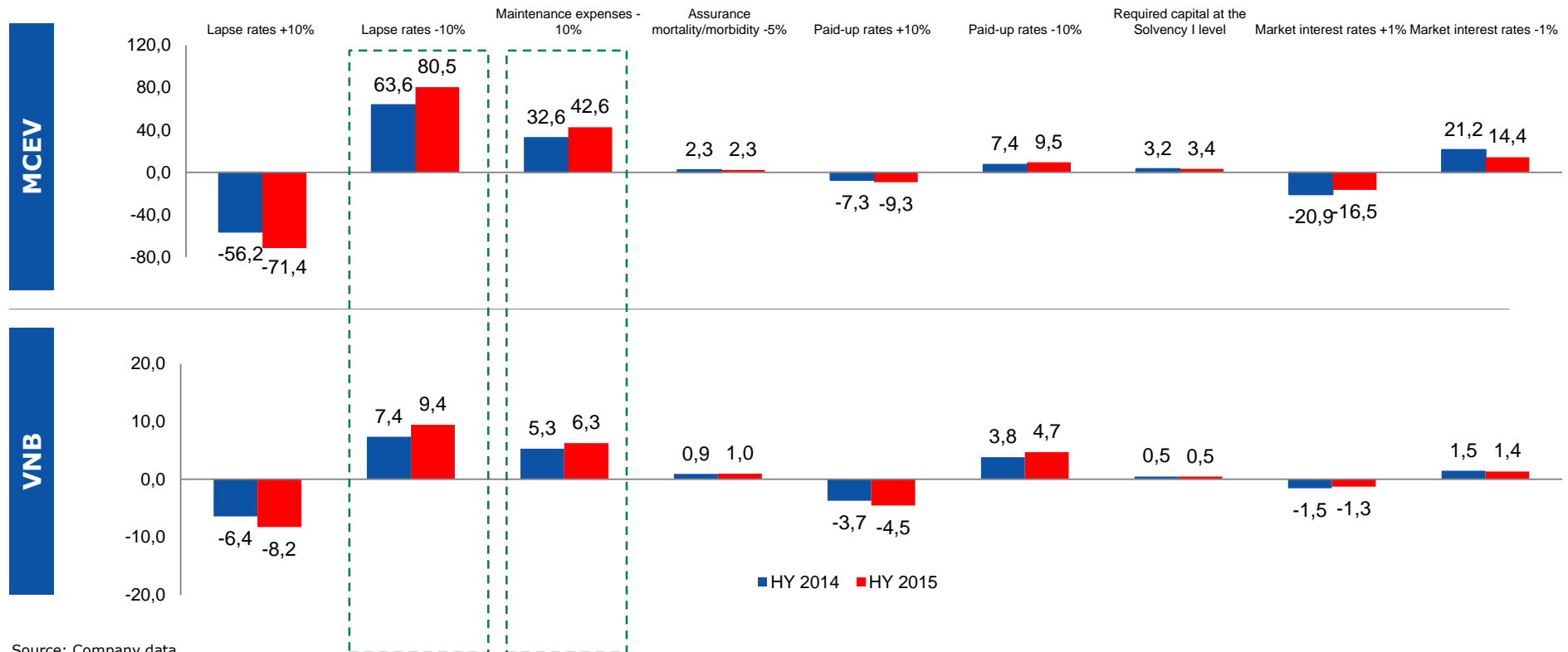
## MCEV Reconciliation (TLm)



- MCEV growth is mainly driven by VNB, a typical characteristic of an emerging market company
- Profits expected from the back-book are the next biggest contributor to MCEV, which are expected to grow with scale over time
- Negative operating variances are driven mainly by pension expenses and poor lapse experience of the long-term regular premium credit linked business. For pensions persistency; although there were higher than expected number of contracts, a greater proportion of these stopped paying contributions leading to a negative impact.
- Other operating variance is in respect of a data cleansing of the personal accident.
- Higher interest rates has decreased the present value of fee income received from pension business leading to negative economic variances
- Any capital movements, such as dividends are allowed to get to the closing MCEV balance sheet



## Sensitivities (TLm)



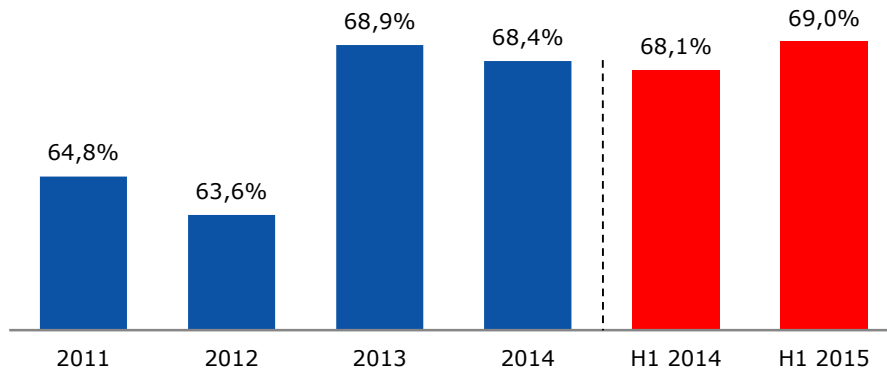
Source: Company data.  
(1) Expected to kick-in at 2016

## Appendix – Financial Section

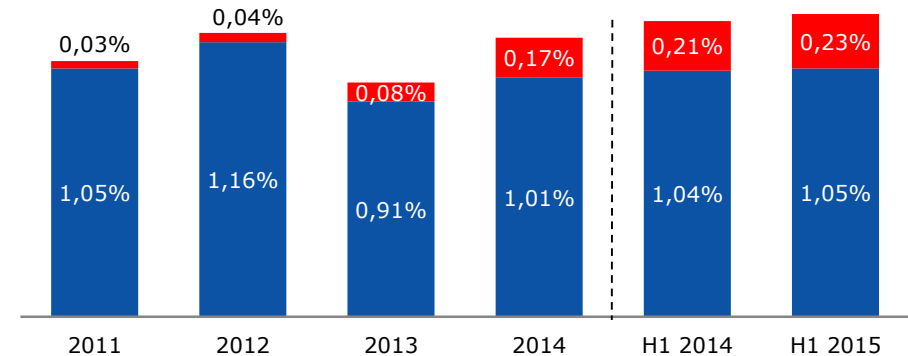


# ❖ Pension Retention and Persistency at the Forefront of our Strategy

**Collection Rate<sup>(1)</sup> (%)**



**Total Monthly Exit Rate<sup>(1)</sup> (Lapse + Maturity) (% AUM)**



- Government incentives for pension were introduced in 2012 and 2013 and AvivaSA campaigns and actions to improve collection rates were successful
- AvivaSA seeks to further increase policy persistency through enhancements to its customer service offering, in particular by establishing a more refined customer segmentation and management model and leveraging further channel integration with CRM infrastructure support
- AvivaSA is trying to enhance its retention through:
  - Remuneration model and performance management system includes persistency metrics
  - VIP customer visit procedure and quality control calls for visits
  - Customer Loyalty Program
  - Differentiated Orphan Customer management program
  - Regular “Retention Committee” meetings
  - Regular customer communications and specialized services including fund returns
  - Advantageous pension product offer to top segment customers
  - Automatic renewal process for stand alone life products

Source: Company information, IFRS and segmental reporting.

Note: (1) Based on information sourced from the operating system of the company and presented on an indicative only basis.

# Capital-Light Business Model with Strong Solvency Position

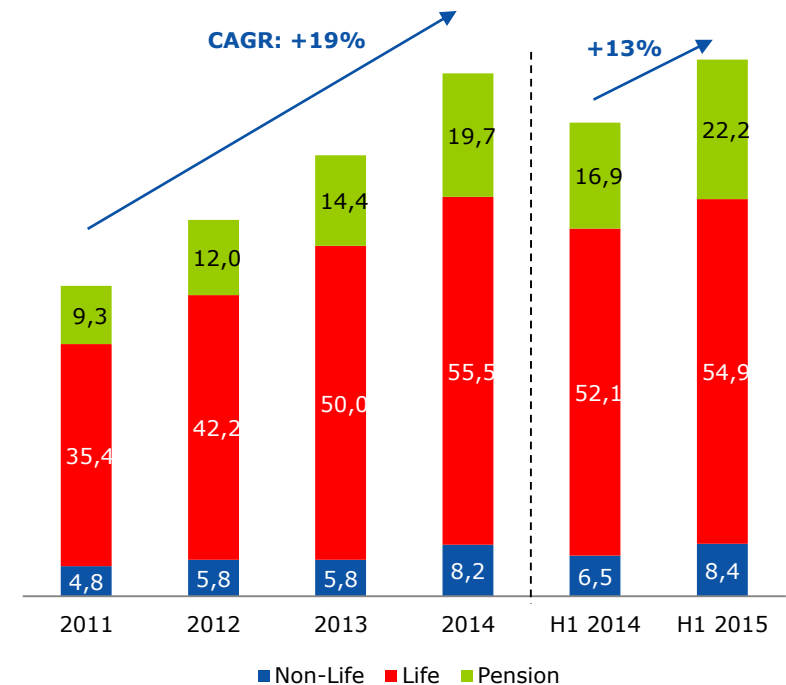
- ✓ Top tier solvency ratios driven by a measured approach to risk and new product introductions, which affords the business scope and flexibility pursuing growth options and / or returning cash to shareholders

## Regulatory Capital Requirement

Calculation of net assets to cover solvency margin	December 31				30 June	
	2011	2012	2013	2014	2014	2015
Total regulatory capital (Statutory Reporting)	155.2	174.8	166.3	187.3	170.6	182.2
Intangible assets	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-
<b>A AvivaSA net assets</b>	<b>155.2</b>	<b>174.8</b>	<b>166.3</b>	<b>187.3</b>	<b>170.6</b>	<b>182.2</b>
<b>B AvivaSA Required Capital</b>	<b>49.5</b>	<b>60.0</b>	<b>70.3</b>	<b>83.3</b>	<b>75.4</b>	<b>85.4</b>
AvivaSA guarantee fund	16.5	20.0	23.4	27.7	25.1	28.5
<b>Surplus of net assets in excess of Required Capital</b>	<b>105.8</b>	<b>114.9</b>	<b>96.0</b>	<b>104.0</b>	<b>95.2</b>	<b>96.7</b>
Surplus of net assets in excess of guarantee fund	138.7	154.8	142.9	159.6	145.5	153.7

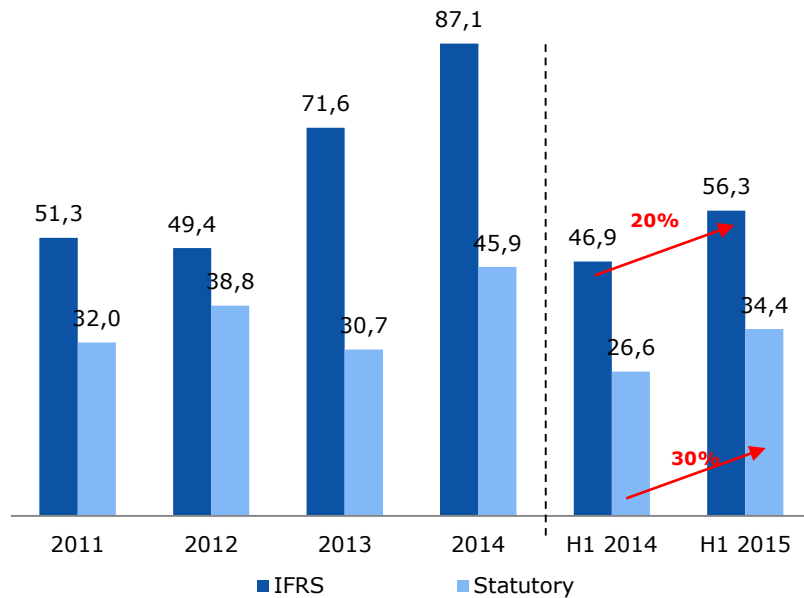
## Required Capital (TLm)

Solvency Ratio					
314%	291%	237%	225%	226%	213%



# Reconciliation between IFRS vs. Statutory Profit for the Year

## IFRS vs. Statutory Profit for the Year (TLm)



## Profit for the Year Reconciliation (TLm)

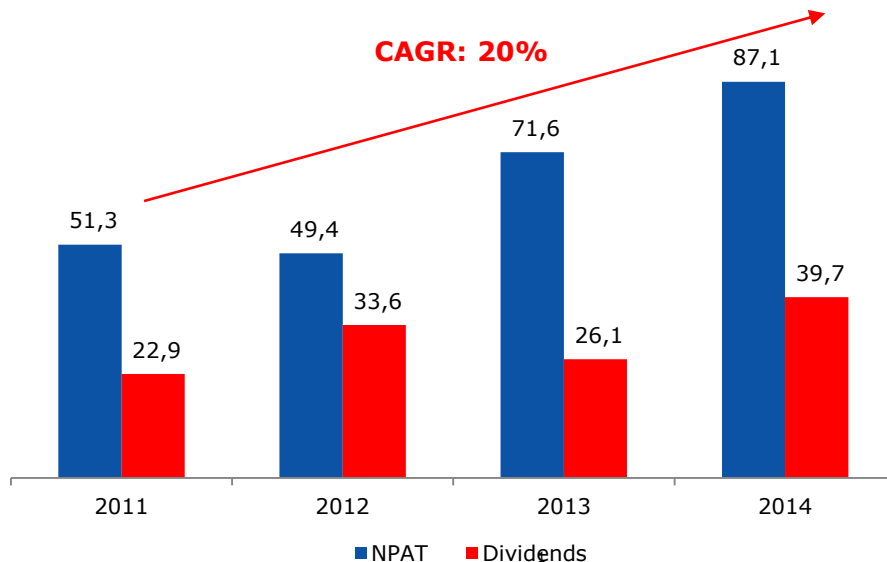
	2011	2012	2013	2014	CAGR	H1 2014	H1 2015	YoY
<b>IFRS Profit for the Year</b>	<b>51,3</b>	<b>49,4</b>	<b>71,6</b>	<b>87,1</b>	<b>19%</b>	<b>46,9</b>	<b>56,3</b>	<b>20%</b>
Equalisation Reserve write-off	-1,6	-2,1	-2,7	-0,3	-43%	-0,3	-0,3	-3%
Deferred Tax	4,4	2,1	11,8	10,3	33%	5,1	5,5	7%
Change in Deferred Asset Costs	-22,1	-10,6	-49,9	-51,2	32%	-25,1	-27,0	8%
<b>Statutory Profit for the Year</b>	<b>32,0</b>	<b>38,8</b>	<b>30,7</b>	<b>45,9</b>	<b>13%</b>	<b>26,6</b>	<b>34,4</b>	<b>30%</b>
<b>Total Difference</b>	<b>19,3</b>	<b>10,6</b>	<b>40,9</b>	<b>41,2</b>		<b>20,3</b>	<b>21,8</b>	

Source: Company information.

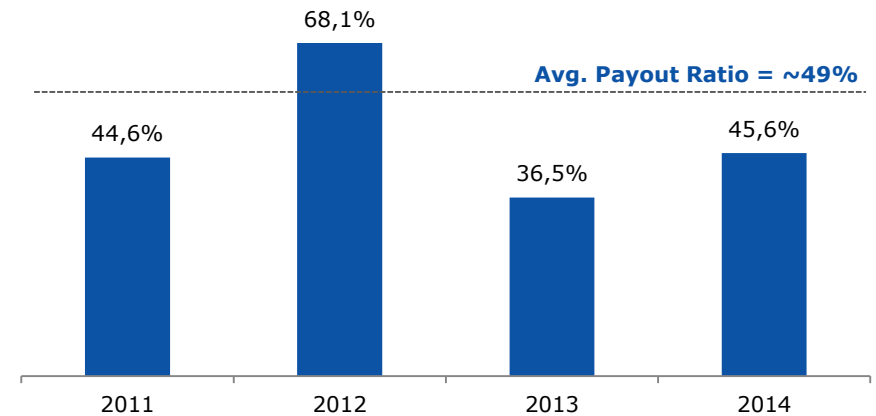
## Dividend Policy

- Objective set amongst core shareholders to aim at distributing ~50% of AvivaSA's Turkish GAAP-based distributable profit
- Current focus however is on increasing the scale of operations and therefore near-term priority is to reinvest in the business and create long term shareholder value

## Dividends Paid (TLm)



## Dividend Payout Ratio (Dividend Paid / IFRS Profit)



Source: Company information. (1) Dividends shown are paid the following year.

## Appendix – Turkish Pension System New Pricing Regulation





## Fund Management Charge (FMC):

- Current caps per fund will remain: 1.09% for money market, 1.91% for fixed income, 2.28% for flexible and equity
- If the customer's average FMC on the contract (depending on asset allocation) is above 1.1% we will pay bonuses to participants according to the year of the contract:
  - 0-5 years; No bonus
  - 6th year: 2.5% bonus
  - 7th year: 5.0% bonus
  - 8th year: 7.5% bonus
  - 9th year: 10.0% bonus
  - 10th year: 12.5% bonus
  - 11th year: 15.0% bonus
  - 12th year: 17.5% bonus
  - 13th year: 20.0% bonus
  - 14th year: 22.5% bonus
  - 15th year+: 25.0% bonus
- Bonus calculations will be done on Net FMC income (FMC minus fund expenses and asset management fees)
- Bonuses will be payable until the average goes below 1.1% and will be distributed according to customer's asset allocation
- Applicable to the in-force portfolio as well. The 5 year term count starts at Jan 2013.
- Bonus payments will start in 2021, not before.

## Management Charge (MC):

- MC will be collectible only during the first 5 years of the contract
- Annual maximum limit: 8.5% of annual minimum wage (around 100 TL per year)
- Can be charged as a percentage of premiums or lump sum per month
- Applicable to the in-force portfolio as well. The 5 year count will start from the contract establishment date
- Expecting a reduction in our MC income in 2016, but starting to increase gradually as we sell new business
- Any unused portion of 100 TL/year or 500 TL in total will be chargeable
  - As entry fee in the first year of the contract
  - As premium holiday charge in case of a premium holiday
  - As exit fee in case of exit within the first 5 years

## Entry Fee (EF)

- Current charge of 10% of monthly minimum wage per customer has been removed (but will be chargeable if reduced from the first year's MC as mentioned above)
- Applicable on the in-force as well

# ❖ Deferred Entry Fee / Premium Holiday Charge / Total Deductions

## Deferred Entry Fee/Exit Fee (DEF):

- Current charge of up to 75% of monthly minimum wage per customer has been removed (but can be charged as unused MC as explained earlier)
- Applicable on the in-force as well

## Premium Holiday Charge (PHC):

- Current charge of 2 TL per unpaid month has been removed (but can be charged as unused MC as explained earlier)
- Applicable on the in-force as well

## Total Deduction:

- Total fees throughout the lifetime of a contract will not exceed a certain percentage (60% in year 6; 70% in year 7; 80% in year 8; 90% in year 9 and 100% in subsequent years) of funds accrued in state contribution account linked with a contract. No controls in the first 5 years of the contract.
- Any excess amount will be reimbursed to the customer at the end of each year
- Only applicable for premiums paid after Jan 2016 and their returns
- Difficult to quantify but not expected to have a significant impact
- Will not start before 2021

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