

# Presentation to Investors H1 2018

August 2018



**AVIVA SA**

**YARIN ŞİMDİDEN GÜZEL**

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

# Leading Life and Pension Player in Turkey

Unique demographic profile: second largest country in Europe (~81million) with almost 50% under 30 years old

Turkey's  
attractive  
growth and  
demographics

#1  
Pension

- 19,5% market share in terms of AuM
- ~870 k participants; 15,8 billion TL AUM
- 32% CAGR in terms of AUM (2013-2017)
- Strong position at corporate pension

#2  
Auto Enrolment  
(exc. state comp.)

- 19,3% market share in terms of participants
- ~431 k participants; 286 million TL AUM

#8  
Life Protection

- 6,4% market share
- 200 mTL GWP and ~1.5m customers
- 22% CAGR in terms of GWP (2013-2017)

#2  
Personal Accident

- 15,1% market share
- 35 mTL GWP and ~0.5m customers
- 21% CAGR in terms of GWP (2013-2017)

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



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

**Established in 2007  
as a joint venture of  
Ak Emeklilik and  
Aviva Hayat**

# Cultural Change Initiatives Are Based on 5 Top Priorities

**1-0/BE WELL AHEAD**

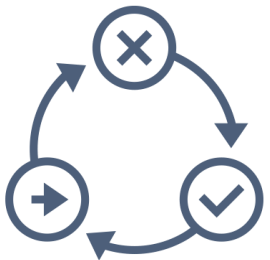


# DIGITAL FIRST: 5 ambitions to Being a «Digital Insurance Company»



## Leading the Innovation

- Digital Garage
- Insurtech eco-system
- Innovation Culture



## New Working Culture

- Agile Development
- Collaborative working
- Cross-functional Project Teams



## Being a Cost-Efficient Company

- Lowering operating costs
- Straight through processing
- Automation (Robotics etc.)



## Being a Data Driven Company

- Holistic Data Strategy
- Analytical Excellence
- Big Data
- Data Driven Culture



## Creating a Unique Digital User Experience

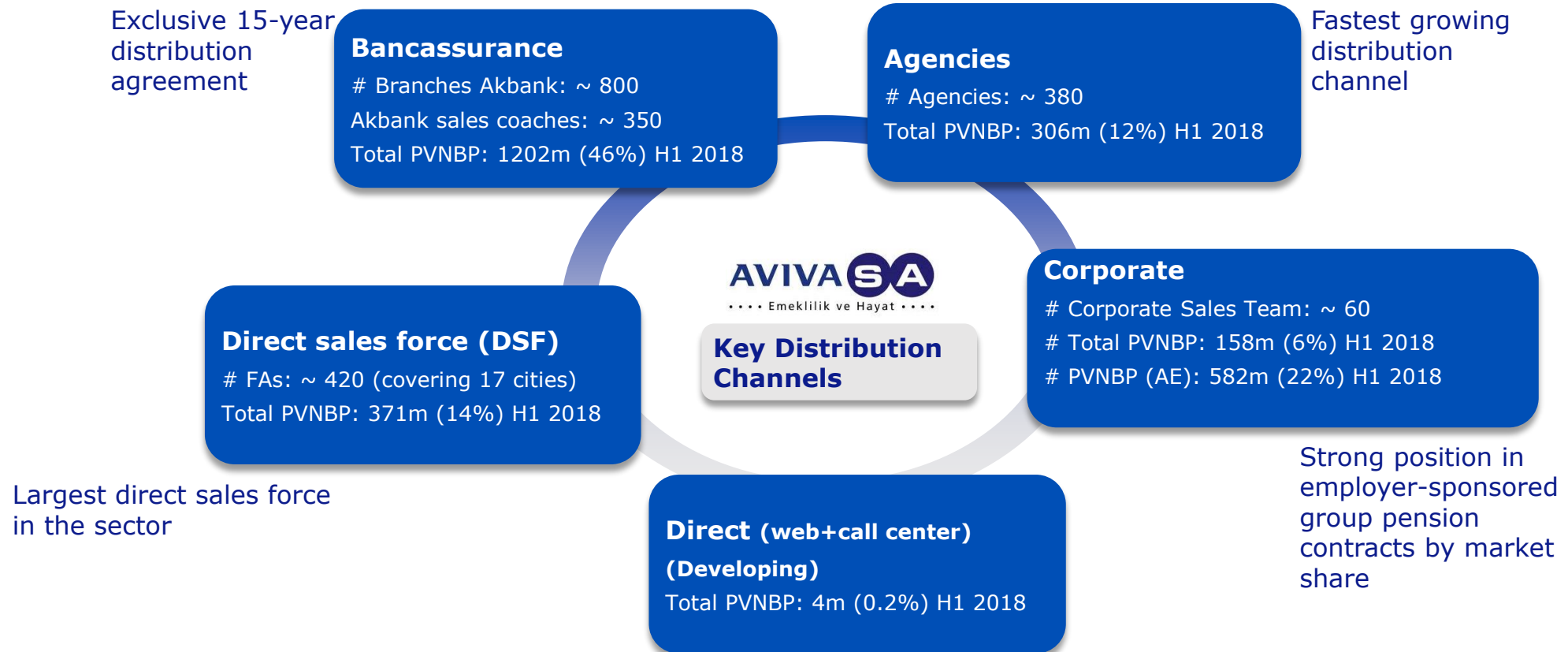
- B2I: Understanding customers
- User-Centric Design
- Unique Digital UX



YARIN ŞİMDİDEN GÜZEL



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



# Solid Financial Foundations and Historical Track Record of Value Creation

|                                    | H1 2018   | Q2 2018 | YoY/Δ    | QoQ/Δ    |
|------------------------------------|-----------|---------|----------|----------|
| <b>Pension Contributions</b>       | 727 mTL   | 338 mTL | 5%       | -13%     |
| <b>Pension AUM (inc AE)</b>        | 16.1 bTL  |         | 19%      |          |
| <b>Total GWP (Life+PA)</b>         | 285 mTL   | 145 mTL | 23%      | 3%       |
| <b>Total Technical Profit</b>      | 213 mTL   | 112 mTL | 19%      | 12%      |
| <b>Expense Ratio<sup>(1)</sup></b> | 14.7%     | 15.4%   | -1.3 pts | -1.3 pts |
| <b>Profit for the Period</b>       | 89 mTL    | 52 mTL  | 35%      | 44%      |
| <b>ROE</b>                         | 33.3%     |         | +4.1 pts |          |
| <b>MCEV</b>                        | 1,798 mTL |         | 8%       |          |
| <b>VNB</b>                         | 109 mTL   |         | -14%     |          |

- AvivaSA has maintained #1 position in terms of AuM
- Growing Life & PA business supporting both by credit and non-credit linked products

- Steady increase thanks to pension scalability and protection segments

- Mainly due to increase in IT, personnel and marketing expenses

- In Addition to 21% increase in technical profit, financial and other income is higher than prior year due to higher interest and f/x income

- One of the leaders in the sector
- High ROE level

- MCEV has continued its growth underpinned by the quality of the in-force book in a challenging environment

- Lower year-on-year VNB reflecting the lower sales volumes in 2018 and assumption changes that were done at year-end 2017



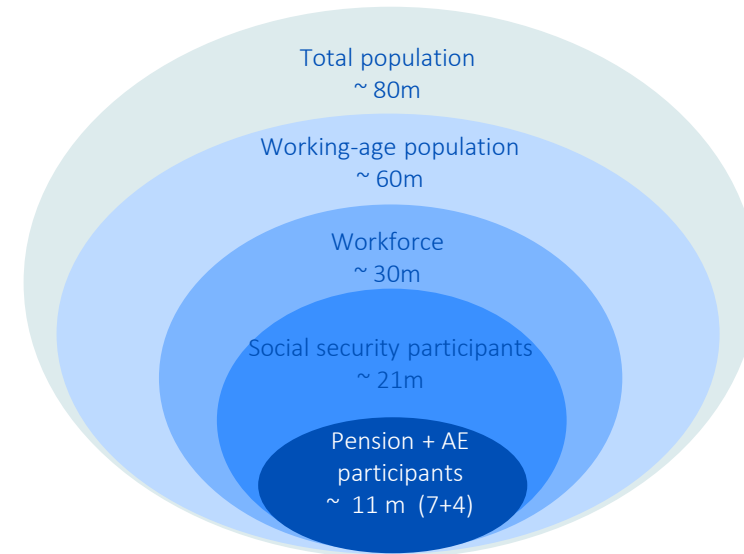
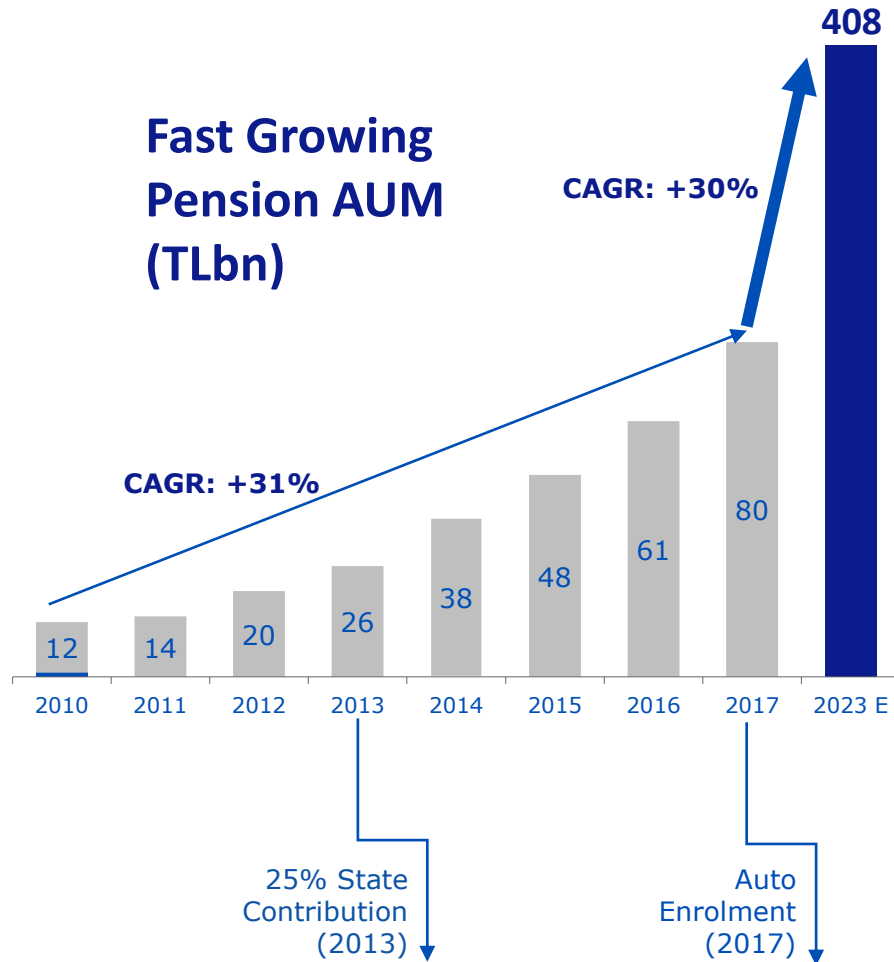
# Pension and Auto Enrolment

# Pension – Sustainable Growth and Scale Ambitions

| Pension System                                    |   |   |
|---|---|---|
| Pillar I<br>Social Security                       | Pillar II<br>Auto Enrolment (2017)  | Pillar III<br>Pension (2003)  |
| Defined Benefit<br>State Subsidized               | Defined Contribution<br>State Supported   | Defined Contribution<br>State Supported   |
| Mandatory   | Semi-Mandatory<br>(enter mandatory / stay voluntary)                                | Voluntary   |
| Covering Basic Needs for<br>Retirement and Health | Saving and Improving Life<br>Standard for Retirement                                | Saving and Improving Life<br>Standard for Retirement                                |
| Admin by government                               | - Admin by Pension Companies<br>- Asset management by Asset<br>Management Companies | - Admin by Pension Companies<br>- Asset management by Asset<br>Management Companies |

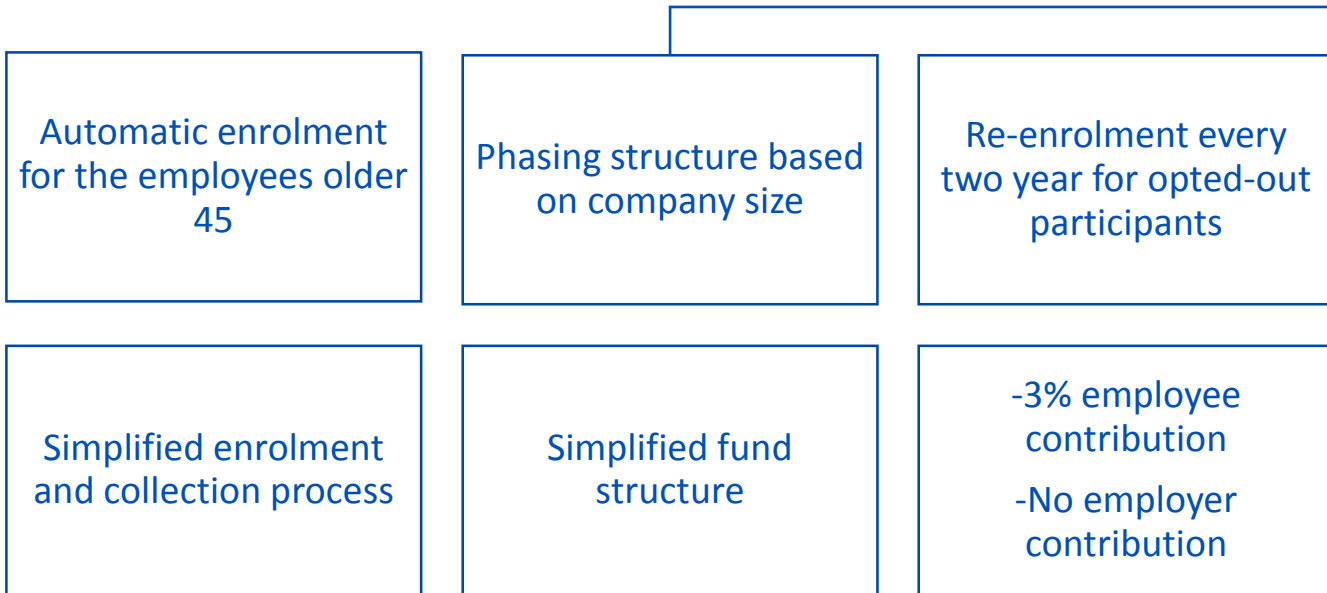
**New Topic** Severance  
Payment:  
under discussion

# Pension – Sustainable Growth and Scale Ambitions



| Incentives   |  |
|--|--|
| Auto Enrolment   | Pension  |
| <ul style="list-style-type: none"> <li>- 25% state contribution</li> <li>- 1,000 TRY one-off state contribution</li> <li>- 5% state contribution of their total savings for retired 10 years annuities buyers</li> <li>- Deferred tax in terms of pension investment income</li> </ul> | <ul style="list-style-type: none"> <li>- 25% state contribution</li> <li>- Deferred tax in terms of pension investment income</li> </ul> |

# Pension - Auto Enrolment



- 25% state contribution
- 1,000 TRY one-off state contribution
- 5% state contribution of their total savings for retired 10 years annuities buyers
- Deferred tax in terms of pension investment income

| Phasing Structure | Type of Employer | Potential Participants (Million) |
|-------------------|------------------|----------------------------------|
| Jan/2017          | 1000+ Private    | 1,9                              |
| Jan/2017          | 1000+ State      | 0,3                              |
| April/2017        | 250+ Private     | 1.0                              |
| April/2017        | 250+ State       | 2,7                              |
| July/2017         | 100+             | 1,5                              |
| Jan/2018          | 50+ Private      | 1,2                              |
| Jan/2018          | 50+ State        | 0,4                              |
| July/2018         | 10+              | 2,7                              |
| Jan/2019          | 5+               | 2,5                              |
| <b>Total</b>      |                  | <b>14,2</b>                      |

**New Topic**

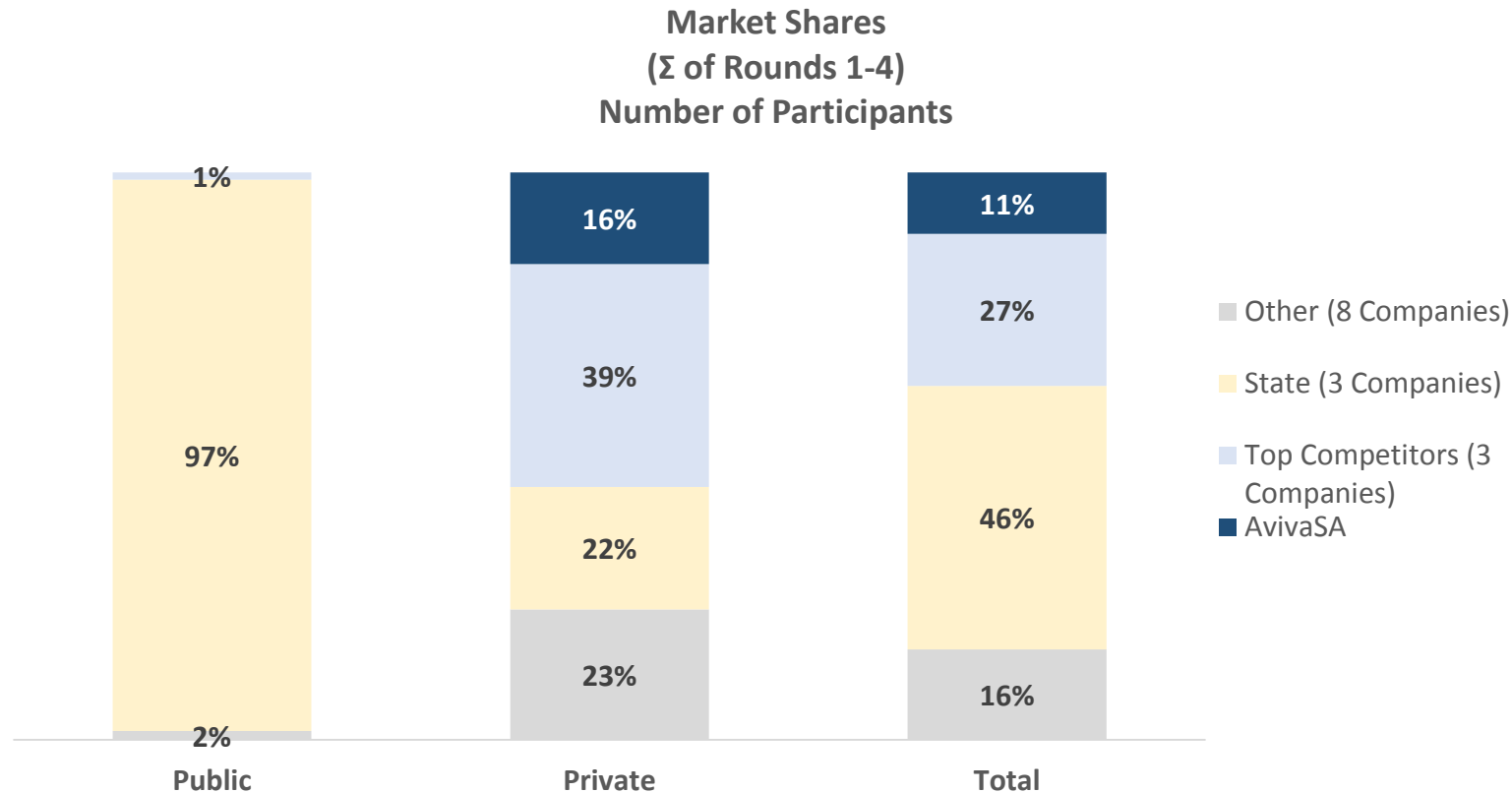
## Auto Enrolment:

Different sales, commission, service and marketing model

Corporate and SME type business line

# One of the Leading Company in Auto Enrolment Market

## Supported by Selective Presence



### Results and Lessons Learned So Far

- ✓ More fragmented than regular pensions
- ✓ Servicing capability is very important
- ✓ Banks play a key role: AvivaSA achieved it's targets mainly utilizing Akbank potential
- ✓ Cannibalization on private pension system was lower than expected
- ✓ Average opt-out ratio ~60% in the market

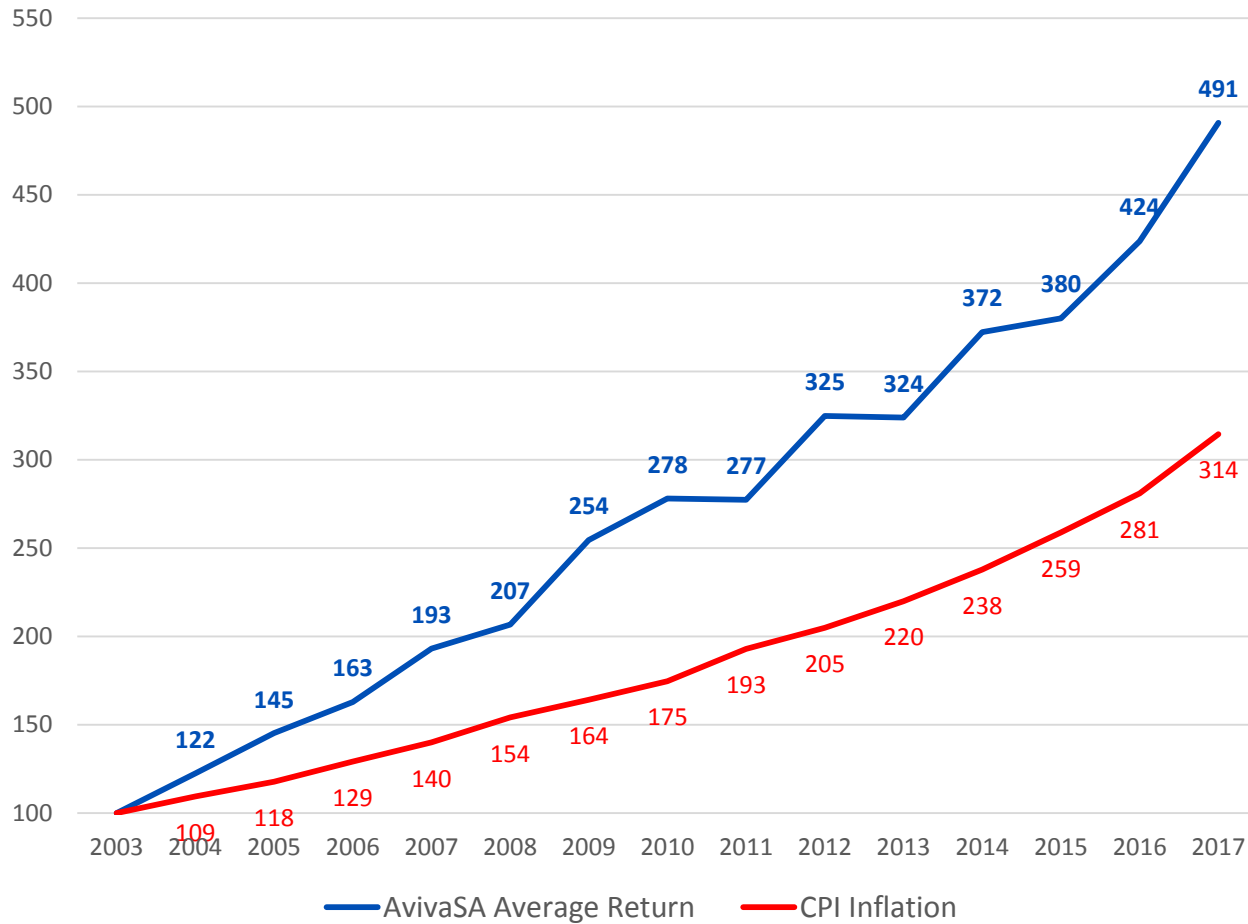
# Pension – Fee Structure

## Pension System – Fee Structure

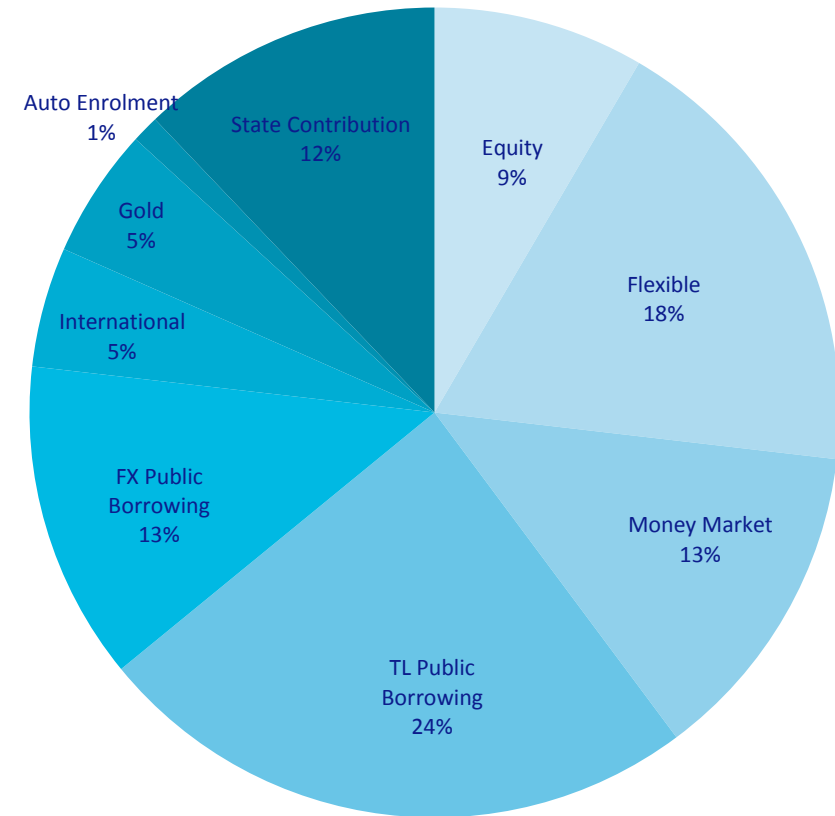
|                     | Auto Enrolment  | Pension   |
|---------------------|---|---|
| Fund Management Fee | <p><u>Max:</u><br/>0,85% yearly</p> <p>Initial Fund<br/>Standard Fund<br/>Variable Fund (4 different risk appetite)</p> | <p><u>Max:</u><br/>Money market: 1,09% yearly<br/>Fixed Income: 1,91% yearly<br/>Equity-Flexible: 2,28% yearly<br/>State Contribution: 0,365% yearly<br/><u>Avivasa average:</u><br/>1,5% including state contribution<br/><u>Bonus mechanism:</u><br/>For the policy older then 5 year old.<br/>No bonus for the fund management fee below 1,1%.<br/>It will start at 2021.<br/>0-5 years; No bonus<br/>6th year: 2.5% bonus of yearly fund mng. fee collected<br/>7th year: 5.0% bonus of yearly fund mng. fee collected<br/>14th year: 22.5% bonus of yearly fund mng. fee collected<br/>+15th year: 25.0% bonus of yearly fund mng. fee collected</p> |
| Management Fee      | None  | <p><u>Max:</u><br/>%8,5 of the monthly minimum wage<br/>Collectible for the first 5 years of the policy</p>   |

# Pension – Fixed Income Dominance and Strong Real Return

Average Pension Plan Return (AvivaSA)



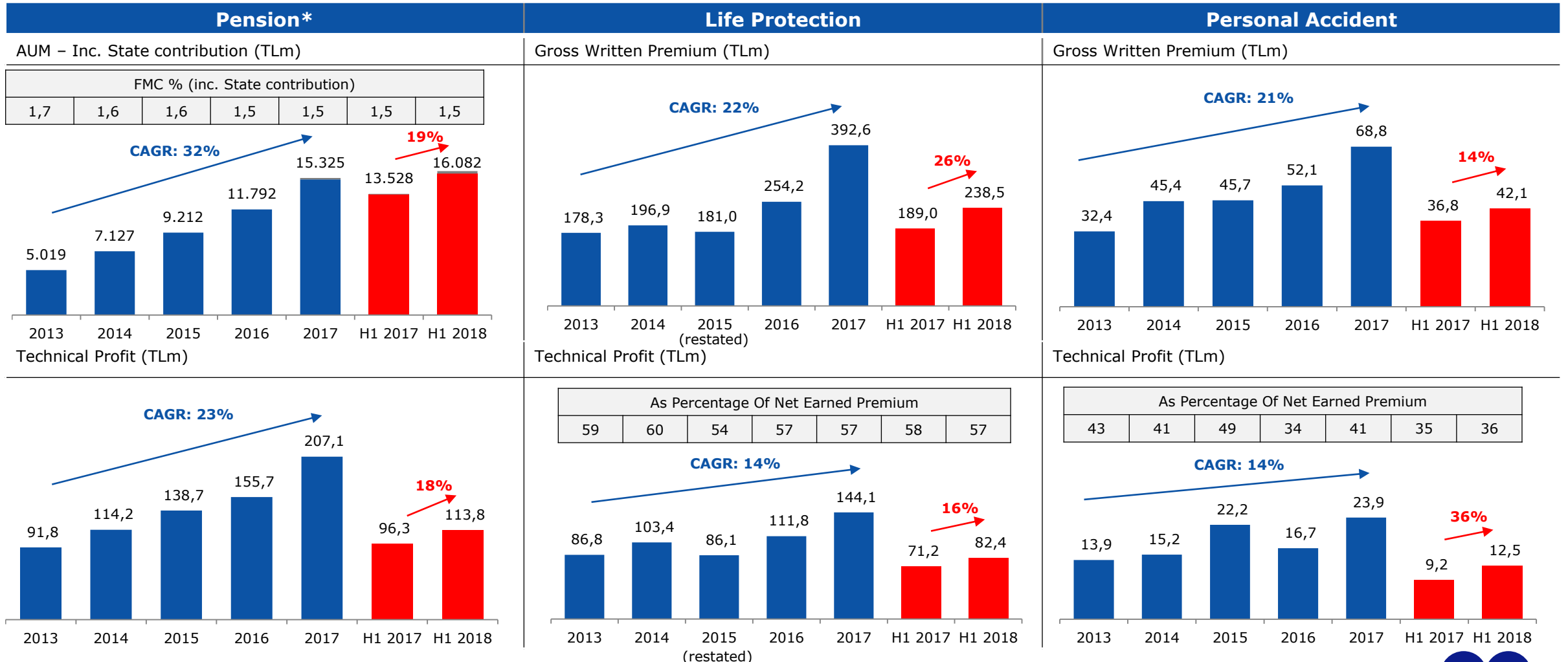
Fund Type Allocation  
(include state contribution fund)  
(AvivaSA 201)





# Business Lines

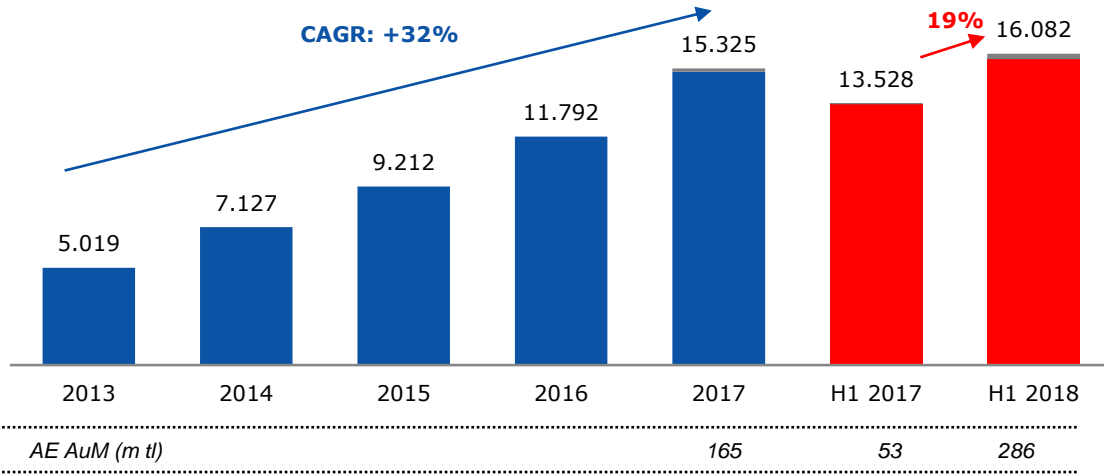
# Differentiated Management of Trends and Dynamics per Segment



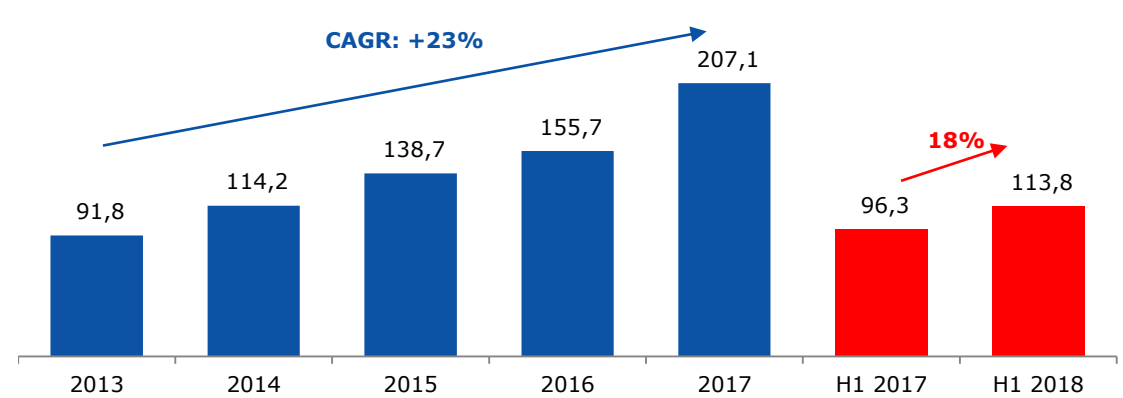
# Pension\*

## Sustainable Growth and Scale Ambitions

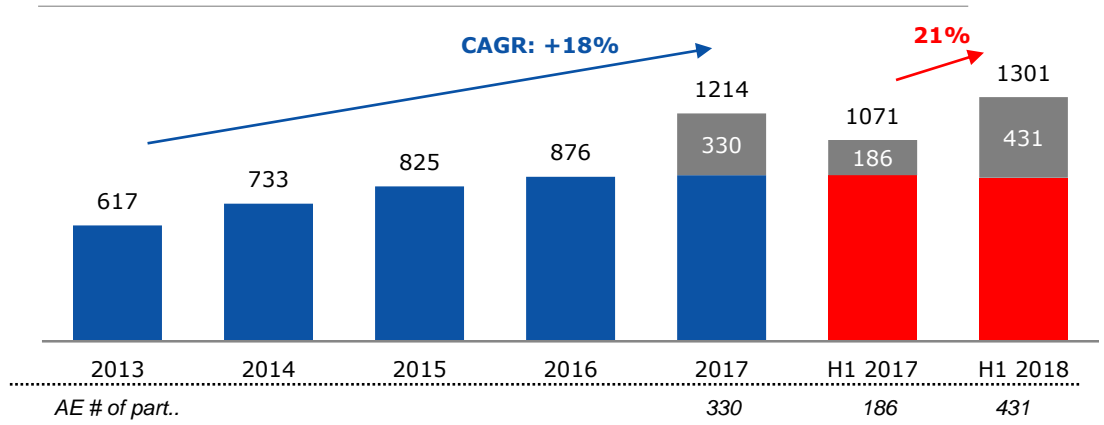
Pensions AUM including State Contribution (TLm)



Technical Profit (TLm)



Number of Participants (x1000)



Market Share Of AvivaSA % (in terms of AUM) Inc. AE

|         | 2013 | 2014 | 2015 | 2016 | 2017 | H1 2017 | H1 2018 |
|---------|------|------|------|------|------|---------|---------|
| Pension | 19,1 | 18,8 | 19,2 | 19,4 | 19,5 | 19,3    | 19,5    |
| AE      | -    | -    | -    | -    | 9,2  | 8,8     | 9,3     |
| Total   | -    | -    | -    | -    | 19,2 | 19,2    | 19,2    |

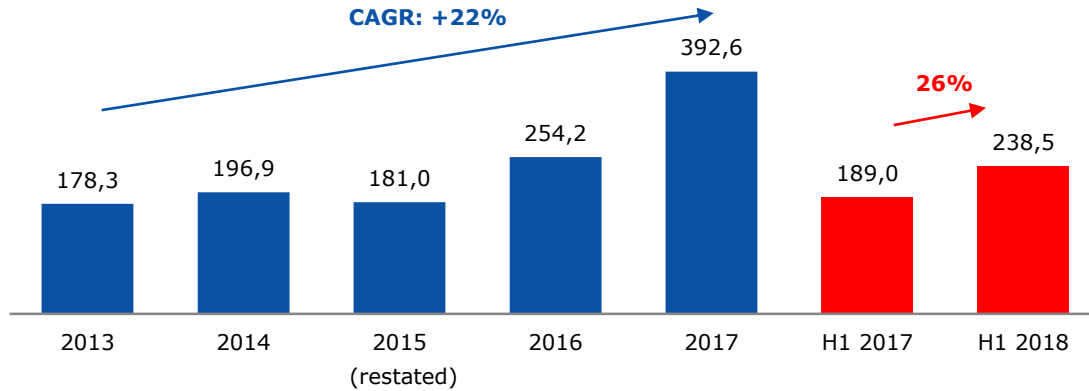
Average Monthly Contribution Size / Policy (TL) Exc. AE

| Year | 2013 | 2014 | 2015 | 2016 | 2017 | H1 2017 | H1 2018 |
|------|------|------|------|------|------|---------|---------|
|      | 202  | 217  | 261  | 288  | 259  | 254     | 319     |

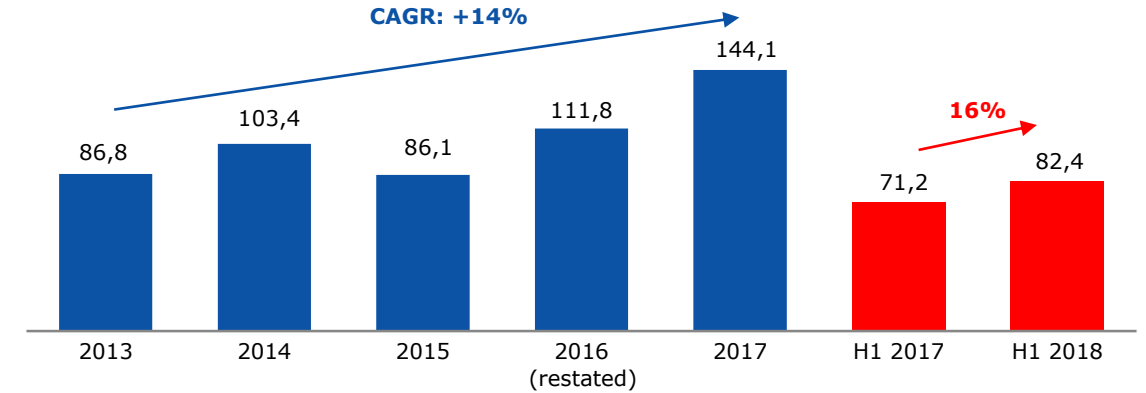
# Life Protection

## Sustainable and Resilient Growth Model Fuelled by Bancassurance

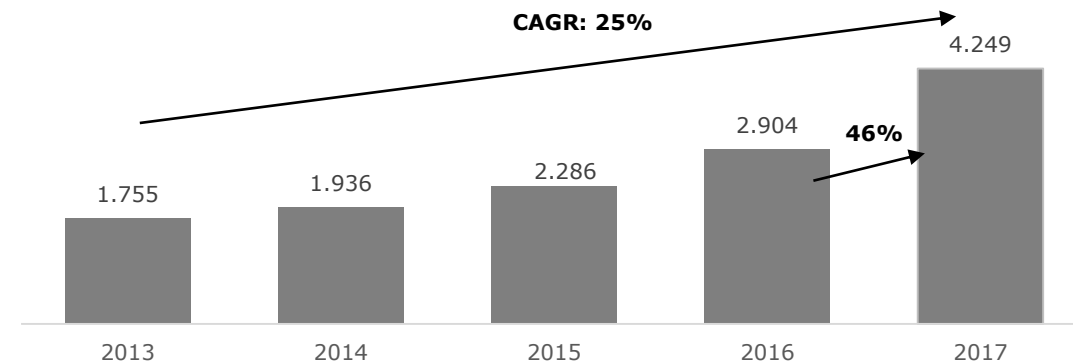
### GWP (TLm)



### Technical Profit (TLm, %)



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



### Claims and Commission Ratios (%)

(Excluding Life Savings)

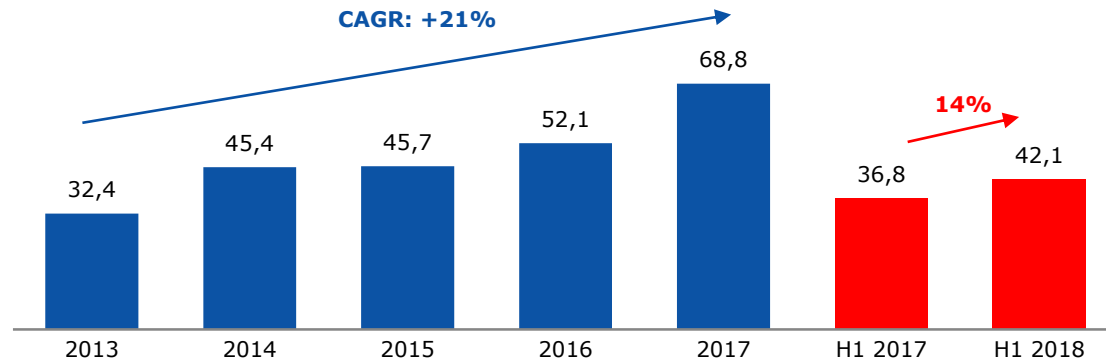
|                      | 2013  | 2014  | 2015  | 2016  | 2017  | H1 2017 | H1 2018 |
|----------------------|-------|-------|-------|-------|-------|---------|---------|
| <b>Claims Ratio*</b> | 14,8% | 17,7% | 22,3% | 20,4% | 13,3% | 12,4%   | 11,3%   |
| <b>Comm. Ratio**</b> | 18,8% | 17,2% | 17,9% | 18,4% | 26,5% | 25,8%   | 26,9%   |

\* Total Claims (exc. Surrender) / NEP  
 \*\* Commission expenses net of income / NEP

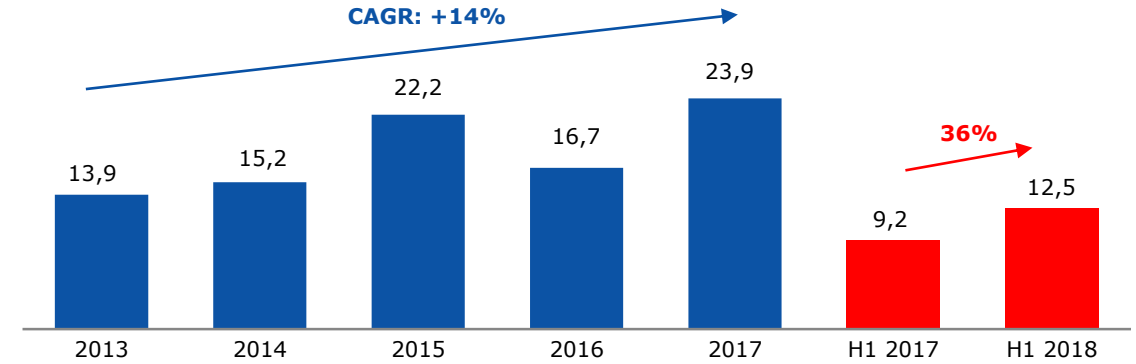
# Personal Accident

## A Complementary Profit Pool for the Group

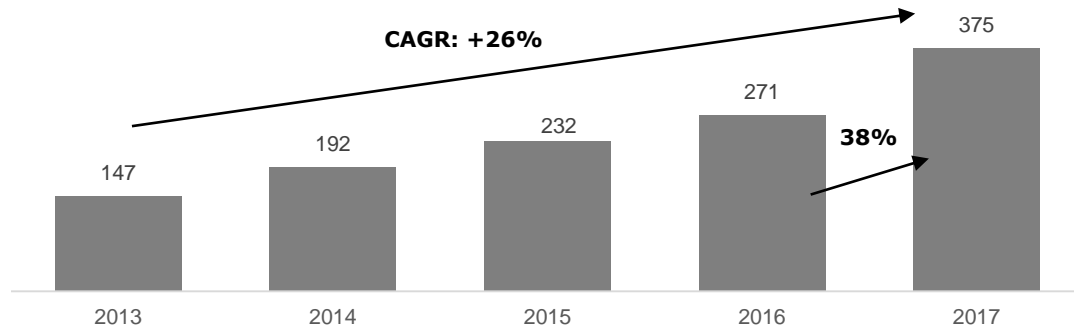
### GWP (TLm)



### Technical Profit (TLm)



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

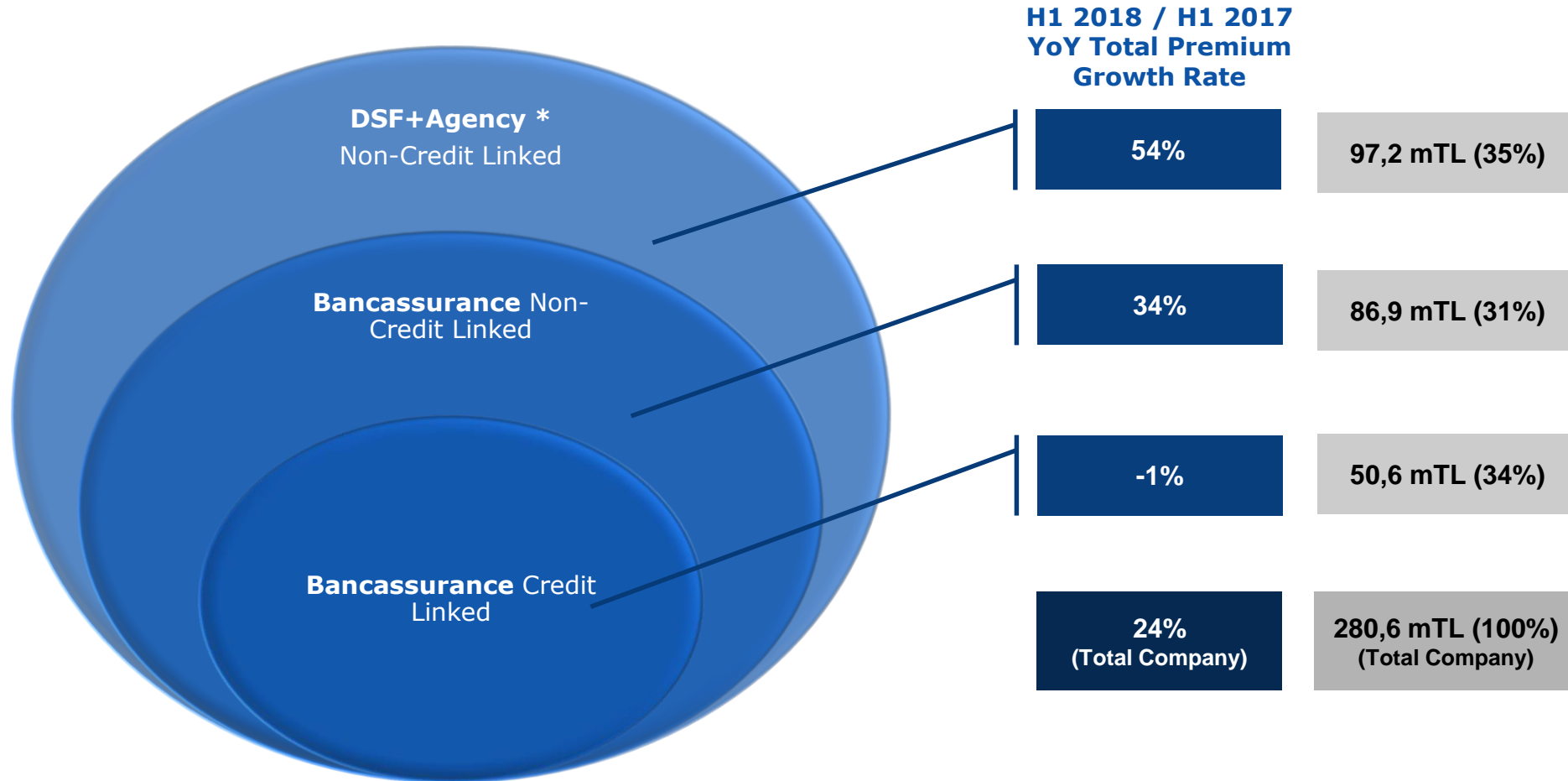


### Claims & Commission Ratio (%)

|                     | 2013  | 2014  | 2015  | 2016  | 2017  | H1 2017 | H1 2018 |
|---------------------|-------|-------|-------|-------|-------|---------|---------|
| <b>Claims Ratio</b> | 10,0% | 12,3% | 5,1%  | 19,4% | 11,5% | 18,7%   | 12,7%   |
| <b>Comm Ratio*</b>  | 46,1% | 46,1% | 46,0% | 46,0% | 45,6% | 45,0%   | 49,9%   |

\* Commission Expenses, net of income / NEP

# New Action Plan to Expand Life Protection + Personal Accident

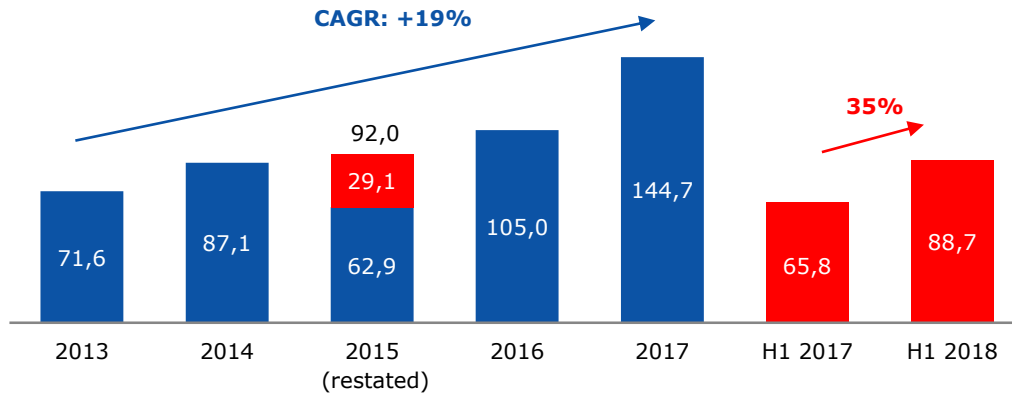


# Financials

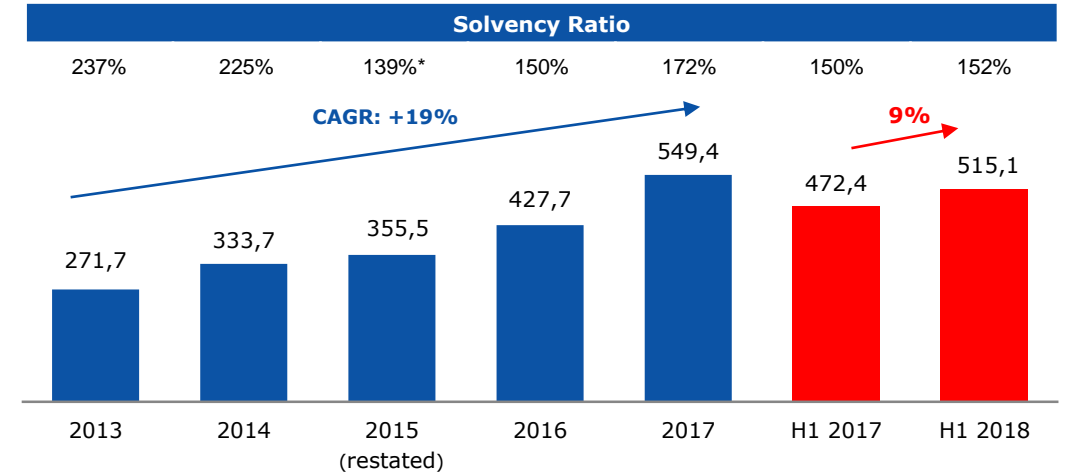


# A Story of Solid Profitable Growth

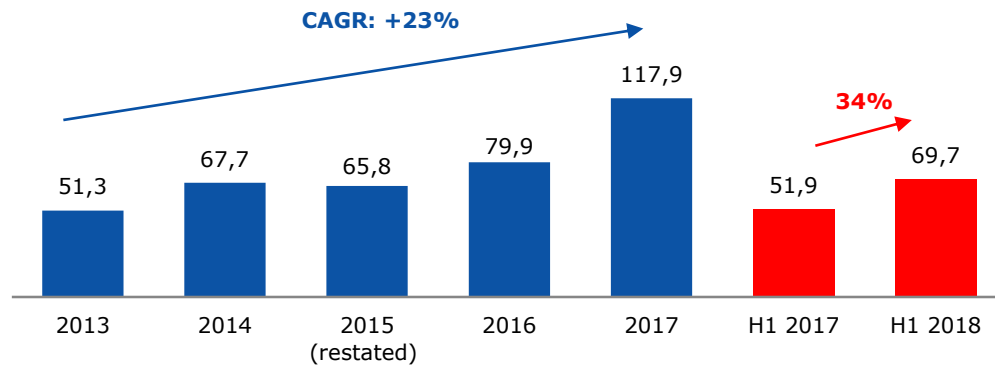
## Profit for the Period (TLm)



## Shareholders' Equity and Solvency Ratio (TLm)



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



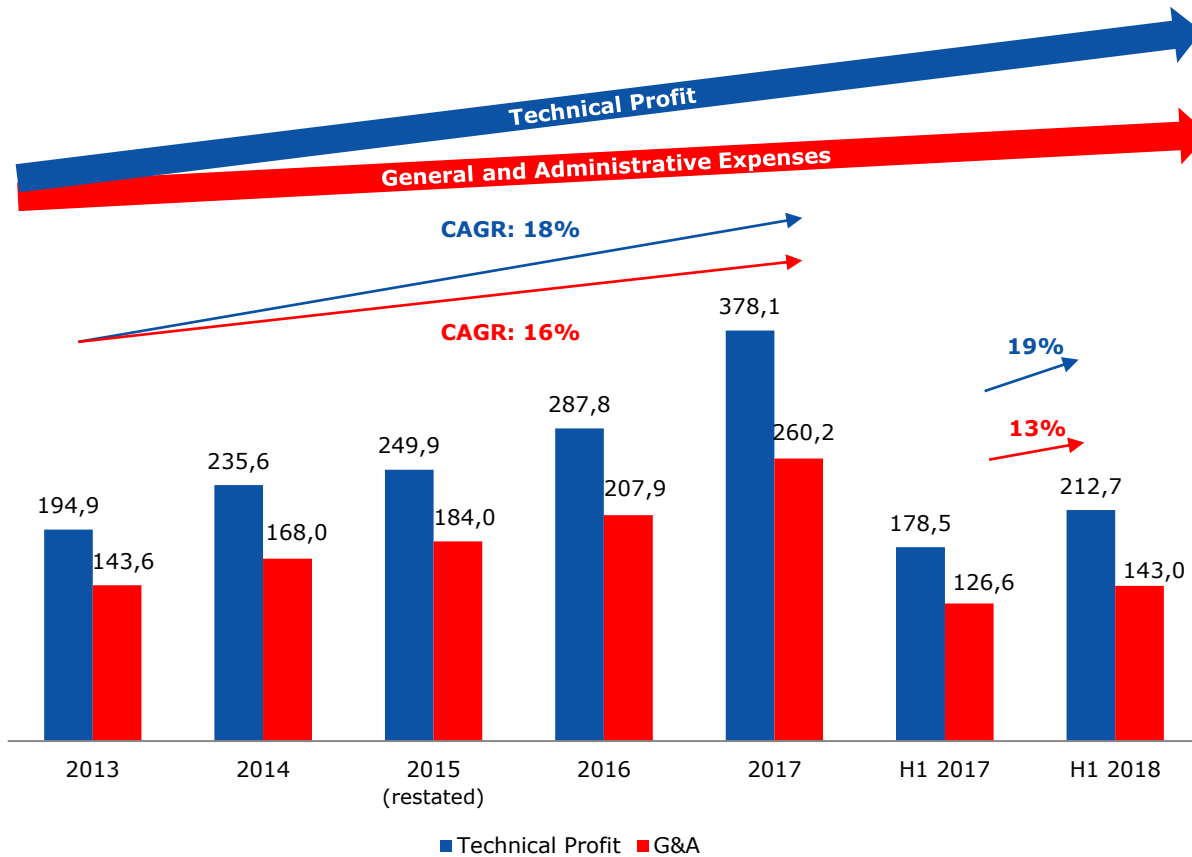
| ROE | 2013 | 2014 | 2015 (restated) | 2016 | 2017 | H1 2017 | H1 2018 |
|-----|------|------|-----------------|------|------|---------|---------|
|     | 28%  | 29%  | 18%*            | 27%  | 30%  | 29%     | 33%     |

\*Before write-off RoE is 26%, Solvency ratio is 154%

- Steady increase in shareholders' equity reflects active management of capitalization to fund business growth
- Capital-light business, which benefits from AvivaSA's measured approach to risk and new product introduction
- IFRS 15 Impact is calculated beginning from 2013 and has been reflected on 2018 opening equity, amount of (43.9) m TL.

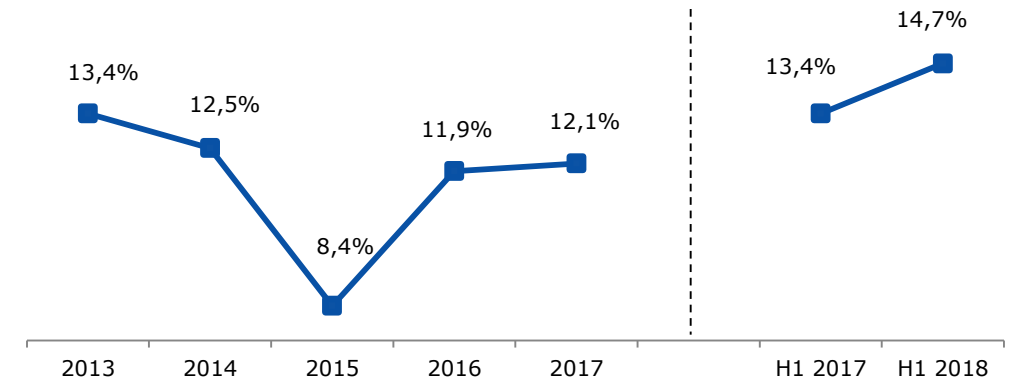
# ...Solid and Resilient Technical Profitability with Operating Leverage Potential...

## Technical Profit (TLm)

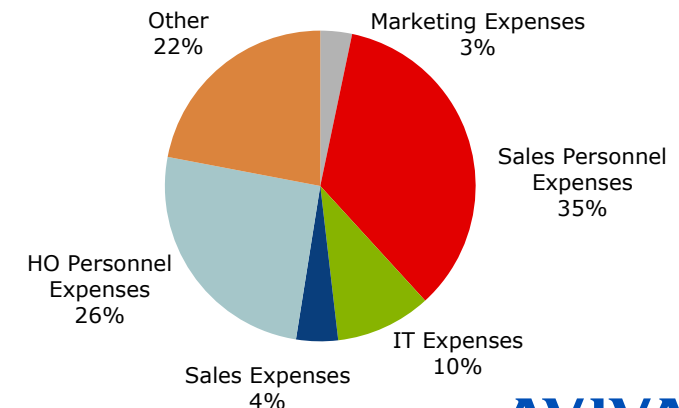


## Expense Ratio (%)\*

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



## Breakdown of Gen. Expenses, IFRS (H1 2018)



# Summary of P&L from IFRS Segmental Reporting

|  | 2013         | 2014         | 2015<br>(restated) | 2016         | 2017         | CAGR       | H1 2017      | H1 2018      | YoY        | Q1<br>2018   | Q2<br>2018   | QoQ        |
|--|--------------|--------------|--------------------|--------------|--------------|------------|--------------|--------------|------------|--------------|--------------|------------|
| Pension Technical Profit                             | 91,8         | 114,2        | 138,7              | 155,7        | 207,1        | 23%        | 96,3         | 113,8        | 18%        | 56,2         | 57,5         | 2%         |
| Life Protection Technical Profit                     | 86,8         | 103,4        | 86,1               | 111,8        | 144,1        | 14%        | 71,2         | 82,4         | 16%        | 35,9         | 46,5         | 29%        |
| Life Savings Technical Profit                        | 2,4          | 2,9          | 2,9                | 3,6          | 3,0          | 6%         | 1,8          | 3,9          | 122%       | 2,9          | 1,1          | -63%       |
| Personal Accident Technical Profit                   | 13,9         | 15,2         | 22,2               | 16,7         | 23,9         | 14%        | 9,2          | 12,5         | 36%        | 5,3          | 7,3          | 38%        |
| <b>Total Technical Profit</b>                        | <b>194,9</b> | <b>235,6</b> | <b>249,9</b>       | <b>287,8</b> | <b>378,1</b> | <b>18%</b> | <b>178,5</b> | <b>212,7</b> | <b>19%</b> | <b>100,3</b> | <b>112,4</b> | <b>12%</b> |
| General and Administrative Expenses                  | -143,6       | -168,0       | -184,0             | -207,9       | -260,2       | 16%        | -126,6       | -143,0       | 13%        | -70,5        | -72,5        | 3%         |
| <b>Total Technical Profit after G&amp;A Expenses</b> | <b>51,3</b>  | <b>67,7</b>  | <b>65,8</b>        | <b>79,9</b>  | <b>117,9</b> | <b>23%</b> | <b>51,9</b>  | <b>69,7</b>  | <b>34%</b> | <b>29,8</b>  | <b>39,9</b>  | <b>34%</b> |
| Total Investment Income & Other                      | 39,8         | 42,2         | 49,8               | 52,3         | 63,3         | 12%        | 30,4         | 44,7         | 47%        | 17,9         | 26,8         | 50%        |
| Profit Before Taxes                                  | 91,1         | 109,9        | 115,6              | 132,2        | 181,2        | 19%        | 82,3         | 114,4        | 39%        | 47,7         | 66,8         | 40%        |
| <b>Profit for the Period (Before Write-Off)</b>      | <b>71,6</b>  | <b>87,1</b>  | <b>92,0</b>        | <b>105,0</b> | <b>144,7</b> | <b>19%</b> | <b>65,8</b>  | <b>88,7</b>  | <b>35%</b> | <b>36,3</b>  | <b>52,4</b>  | <b>44%</b> |
| One-off Asset Write-Off Effect (net of tax)          |              |              | -29,1              |              |              |            |              |              |            |              |              |            |
| <b>Profit for the Period (After Write-Off)</b>       | <b>71,6</b>  | <b>87,1</b>  | <b>62,9</b>        | <b>105,0</b> | <b>144,7</b> | <b>19%</b> | <b>65,8</b>  | <b>88,7</b>  | <b>35%</b> | <b>36,3</b>  | <b>52,4</b>  | <b>44%</b> |

One-off Asset Write-off: An IT project has been started at the end of 2012 in order to standardize all core insurance systems into a single application and integrate this core system with the peripheral systems. Although the project still continues, it has been decided to discontinue the development of the new core insurance application. Instead, current core systems will be modernized with a more agile methodology. Total capitalized costs related with this project was 48.7 Mtl, and TRY 36.3 Mtl of this cost (around 75%) has been written off in accordance with the aforementioned decision.

# 2018 Outlook

- ✓ Maintaining leadership in terms of pension AuM with ~20% y-o-y growth with support of higher customer retention and better fund returns
- ✓ Selective presence approach while acquiring auto enrolment customers
- ✓ Getting stronger in protection business supported by increased both credit-linked and stand-alone volumes
- ✓ Keeping the high profitability performance in protection business
- ✓ Controlled increase in expenses for the upcoming periods
- ✓ Improving technology by stabilizing IT infrastructure
- ✓ Strengthening the customer experience with digital and user friendly solutions
- ✓ Strong RoE level at ~30%

# Going Forward

IFRS 15

IFRS 17

# Pension

## Summary P&L

### Pension Technical Profit (TLm)

|  | 2013        | 2014         | 2015         | 2016         | 2017         | CAGR       | H1 2017     | H1 2018      | YoY        | Q1 2018     | Q2 2018     | QoQ       |
|--|-------------|--------------|--------------|--------------|--------------|------------|-------------|--------------|------------|-------------|-------------|-----------|
| <b>Fund Management Income<sup>(1)</sup></b>          | 69,0        | 87,0         | 111,3        | 137,5        | 177,1        | 27%        | 82,3        | 101,3        | 23%        | 49,4        | 51,9        | 5%        |
| <b>Management &amp; Entry/Exit Fee<sup>(2)</sup></b> | 48,2        | 66,6         | 78,8         | 78,1         | 89,9         | 17%        | 46,4        | 49,3         | 6%         | 26,8        | 22,5        | -16%      |
| <b>Other Income/(Expenses)</b>                       | -5,8        | -7,4         | -8,8         | -11,2        | -12,5        | 21%        | -6,0        | -6,3         | 4%         | -3,2        | -3,0        | -6%       |
| <b>Net Commission Expenses</b> (of which)            | -19,6       | -32,0        | -42,7        | -48,7        | -47,5        | 25%        | -26,3       | -30,5        | 16%        | -16,8       | -13,8       | -18%      |
| - Commission Ex.                                     | -56,6       | -70,2        | -89,3        | -92,7        | -78,1        | 8%         | -42,5       | -39,0        | -8%        | -21,5       | -17,5       | -19%      |
| - DAC  | 37,0        | 38,2         | 46,6         | 44,0         | 30,6         | -5%        | 16,2        | 8,5          | -48%       | 4,8         | 3,7         | -22%      |
| <b>Technical Profit</b>                              | <b>91,8</b> | <b>114,2</b> | <b>138,7</b> | <b>155,7</b> | <b>207,1</b> | <b>23%</b> | <b>96,3</b> | <b>113,8</b> | <b>18%</b> | <b>56,2</b> | <b>57,5</b> | <b>2%</b> |

### Key Profit Drivers

- Pension volume (AUM)
- Lapses and Retention
- New Pension Fee Structure (management fee redefined)
- Commission Expenses / DAC

# Life Protection

## Summary P&L

### Life Protection Technical Profit (TLm)

(Excluding Life Savings)

|   | 2013         | 2014         | 2015<br>(restated) | 2016         | 2017         | CAGR       | H1 2017      | H1 2018      | YoY        | Q1<br>2018  | Q2<br>2018  | QoQ        |
|---|--------------|--------------|--------------------|--------------|--------------|------------|--------------|--------------|------------|-------------|-------------|------------|
| <b>Gross Written Premiums</b>           | 178,3        | 196,9        | 181,0              | 254,2        | 392,6        | 22%        | 189,0        | 238,5        | 26%        | 117,7       | 120,8       | 3%         |
| <b>Earned Premiums</b>                  | <b>148,3</b> | <b>171,2</b> | <b>158,1</b>       | <b>196,5</b> | <b>252,6</b> | <b>14%</b> | <b>122,9</b> | <b>144,8</b> | <b>18%</b> | <b>68,7</b> | <b>76,1</b> | <b>11%</b> |
| <b>Total Claims</b>                     | -32,7        | -37,5        | -42,8              | -48,3        | -40,8        | 6%         | -19,5        | -19,8        | 1%         | -13,1       | -6,6        | -50%       |
| Claims Ratio*                           | 14,8%        | 17,7%        | 22,3%              | 20,4%        | 13,3%        |            | 12,4%        | 11,3%        |            | 16,6%       | 4,2%        |            |
| <b>Commission Expenses</b>              | -27,8        | -29,4        | -28,3              | -36,2        | -67,0        | 25%        | -31,7        | -38,9        | 23%        | -19,2       | -19,7       | 3%         |
| Comm.Ratio**                            | 18,8%        | 17,2%        | 17,9%              | 18,4%        | 26,5%        |            | 25,8%        | 26,9%        |            | 27,9%       | 25,9%       |            |
| <b>Other Income/<br/>(Expense), Net</b> | -1,0         | -0,9         | -0,9               | -0,2         | -0,8         | -5%        | -0,5         | -3,7         | 630%       | -0,5        | -3,2        | 526%       |
| <b>Technical Profit</b>                 | <b>86,8</b>  | <b>103,4</b> | <b>86,1</b>        | <b>111,8</b> | <b>144,1</b> | <b>14%</b> | <b>71,2</b>  | <b>82,4</b>  | <b>16%</b> | <b>35,9</b> | <b>46,5</b> | <b>29%</b> |
| Technical Margin                        | 58,5%        | 60,4%        | 54,5%              | 56,9%        | 57,0%        |            | 57,9%        | 56,9%        |            | 52,2%       | 61,1%       |            |

### Key Profit Drivers

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

✓ Overall life protection technical profit is positive due to the high technical profitability of the product coupled with cost efficient operating model, and this is valid throughout all periods under review



# Personal Accident

## Summary P&L

### Personal Accident Technical Profit (TLm)

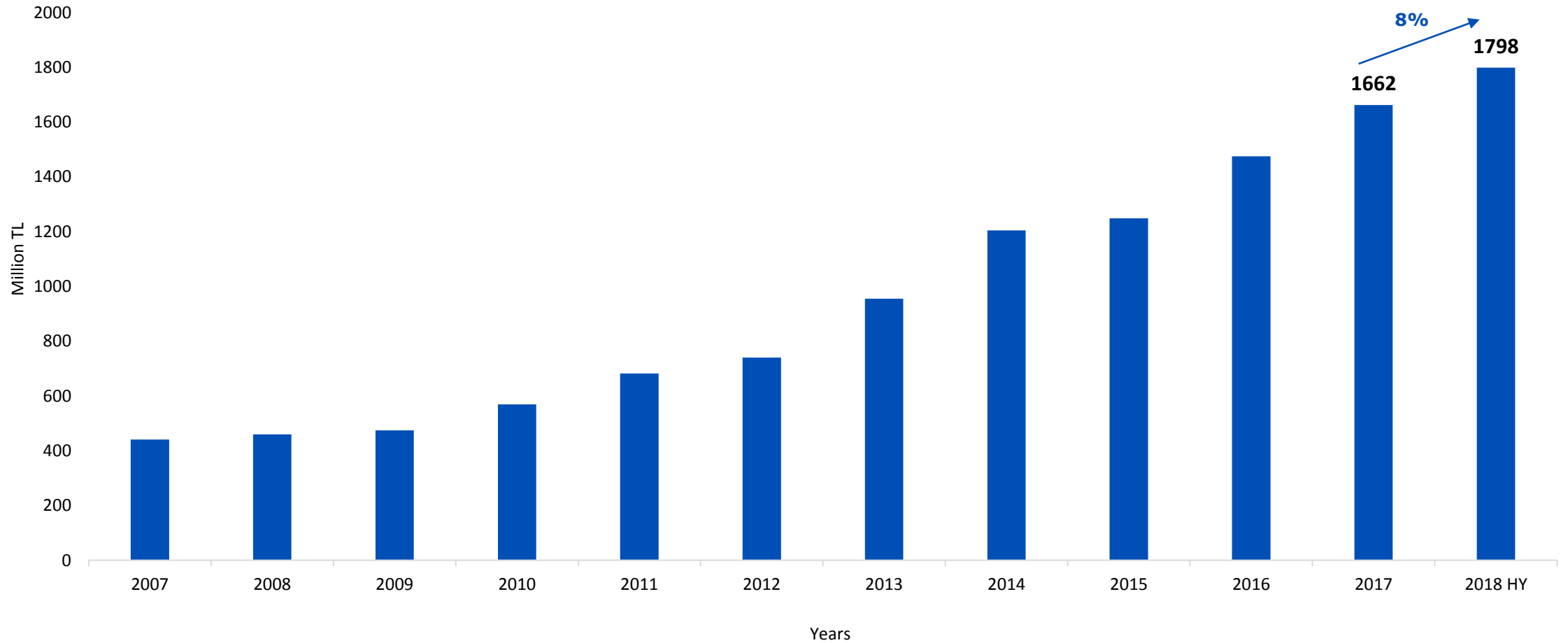
|                                    | 2013        | 2014        | 2015        | 2016        | 2017        | CAGR       | H1 2017     | H1 2018     | YoY        | Q1 2018     | Q2 2018     | QoQ        |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|------------|-------------|-------------|------------|-------------|-------------|------------|
| <b>Gross Written Premiums</b>      | 32,4        | 45,4        | 45,7        | 52,1        | 68,8        | 21%        | 36,8        | 42,1        | 14%        | 20,4        | 21,7        | 6%         |
| <b>Earned Premiums</b>             | <b>32,1</b> | <b>36,6</b> | <b>45,6</b> | <b>49,0</b> | <b>58,5</b> | <b>16%</b> | <b>26,6</b> | <b>34,9</b> | <b>31%</b> | <b>17,0</b> | <b>17,8</b> | <b>5%</b>  |
| <b>Total Claims</b>                | -3,2        | -4,5        | -2,3        | -9,5        | -6,7        | 20%        | -5,0        | -4,4        | -11%       | -2,5        | -1,9        | -24%       |
| Claims Ratio*                      | 10,0%       | 12,3%       | 5,1%        | 19,4%       | 11,5%       |            | 18,7%       | 12,7%       |            | 14,8%       | 10,7%       |            |
| <b>Commission Expenses</b>         | -14,8       | -16,9       | -20,9       | -22,5       | -26,7       | 16%        | -12,0       | -17,4       | 45%        | -8,9        | -8,5        | -5%        |
| Comm.Ratio**                       | 46,1%       | 46,1%       | 46,0%       | 46,0%       | 45,6%       |            | 45,0%       | 49,9%       |            | 52,4%       | 47,4%       |            |
| <b>Other Income/(Expense), Net</b> | -0,2        | 0,0         | -0,1        | -0,2        | -1,1        | 64%        | -0,4        | -0,5        | 17%        | -0,3        | -0,2        | -36%       |
| <b>Technical Profit</b>            | <b>13,9</b> | <b>15,2</b> | <b>22,2</b> | <b>16,7</b> | <b>23,9</b> | <b>14%</b> | <b>9,2</b>  | <b>12,5</b> | <b>36%</b> | <b>5,3</b>  | <b>7,3</b>  | <b>38%</b> |
| Technical Margin                   | 43,4%       | 41,5%       | 48,8%       | 34,2%       | 40,9%       |            | 34,7%       | 36,0%       |            | 30,9%       | 40,8%       |            |

### Key Profit Drivers

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

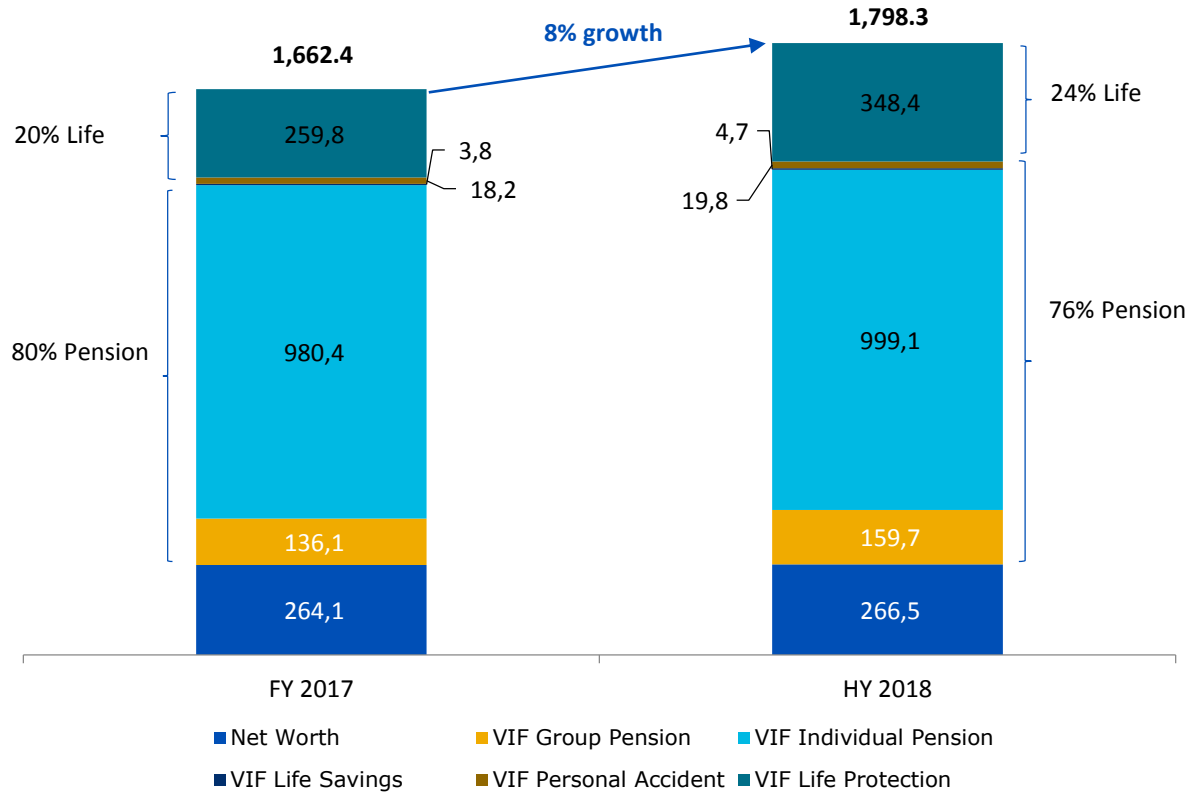
# Market Consistent Embedded Value Disclosures

# Proven track record of embedded value growth



# Value of in-force is continuing to drive growth

MCEV (TLm)

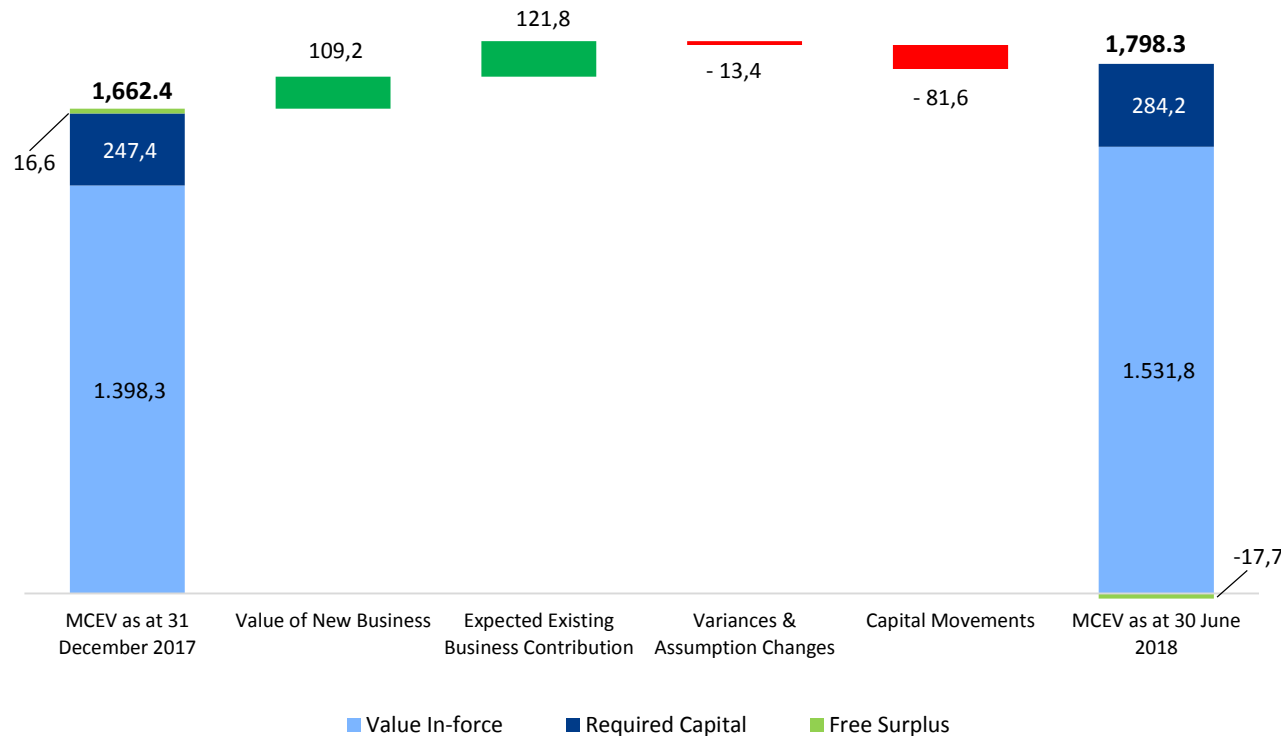


Comments

- MCEV has grown by 13% before capital movements in the first half of 2018
- Value of in-force is the stock of future profits embedded in the MCEV balance sheet
- Life protection has continued its trend of gaining a higher weight in the mix of VIF, where a quarter of the total value is expected to emerge from this segment
- AvivaSA is closely monitoring its experience across both life and pensions in volatile markets
- Net worth is flat after allowing for the dividend payment of 48.3m TL in 2018

# Transparency to value generation in analysis of change

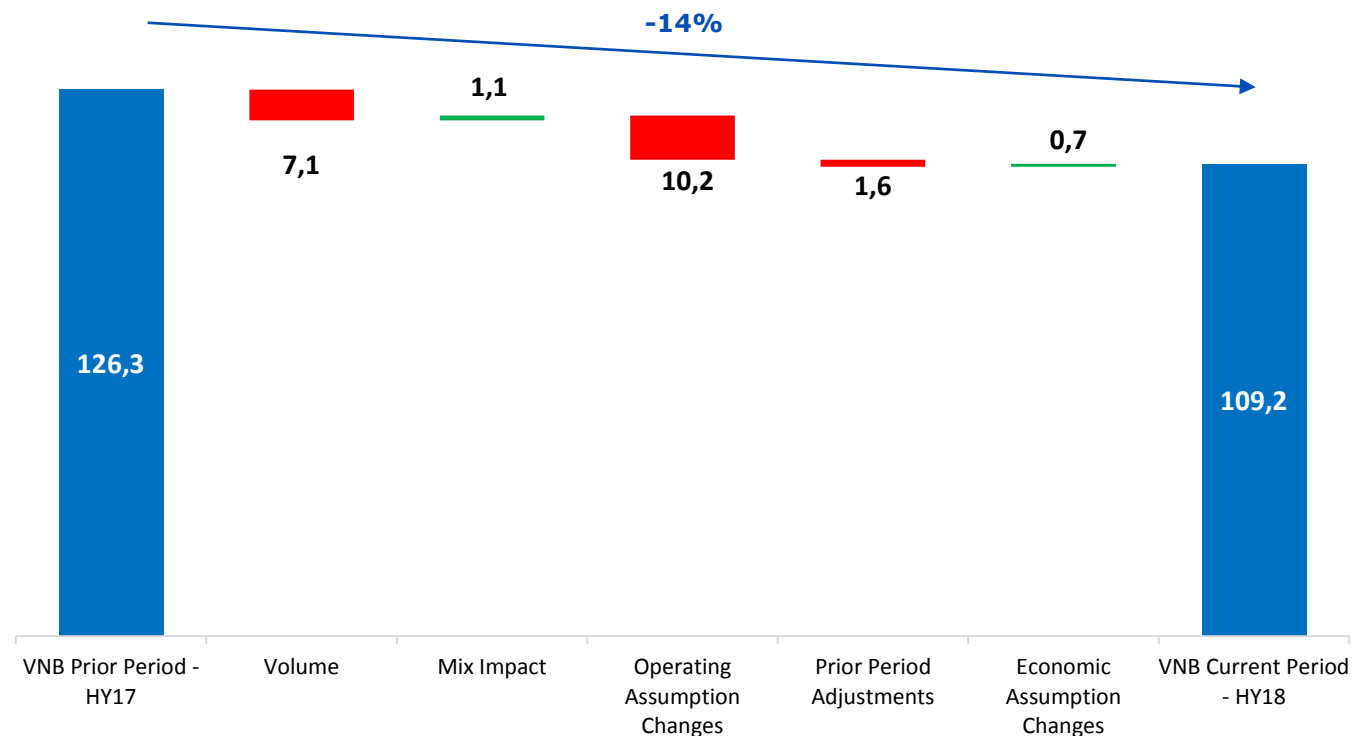
## MCEV Reconciliation (TLm)



- MCEV growth is driven by VNB, a typical characteristic of an emerging market insurance company, followed by the expected return which is the unwinding of the discount rate in the year
- AvivaSA maintains its discipline around monitoring the experience against best estimate assumptions which is regularly carried out throughout the year. HY18 has exhibited smaller experience variances than last year
- Negative experience variance is primarily related to pensions persistency partially offset by better than expected premium contribution experience, where lapses are broadly in line with expectation
- Small expense variance is broadly offset by positive mortality variance
- Economic variance of -7.3 mTL is due to higher swap rates which is reducing the value of future profits expected to emerge from pensions business in the form of fees offset by f/x gains in US Dollar denominated assets
- Capital movements are composed of dividend payment of 48.3 mTL and unrealised losses of 30.9m TL due to steep increases in yields of assets backing Return of Premium product liabilities

# VNB has continued to have a sizeable contribution to MCEV

## VNB Bridging (TLm)



- Decrease in Value of New Business is mainly due to lower volumes and assumption changes arising from lapses and expenses
- VNB is lower year-on-year by 4% on a like-with-like basis compared to a reported 14% reduction
- VNB is c7% of the opening MCEV in half-year 2018 against c9% last year
- Lower volumes are due to pensions auto-enrolment and standalone life protection sales
- Prior period adjustment is in relation to modelling developments
- Return of Premium life product benefits from higher US\$ swap curve leading to a positive economic impact

# New business margins intact in a volatile market

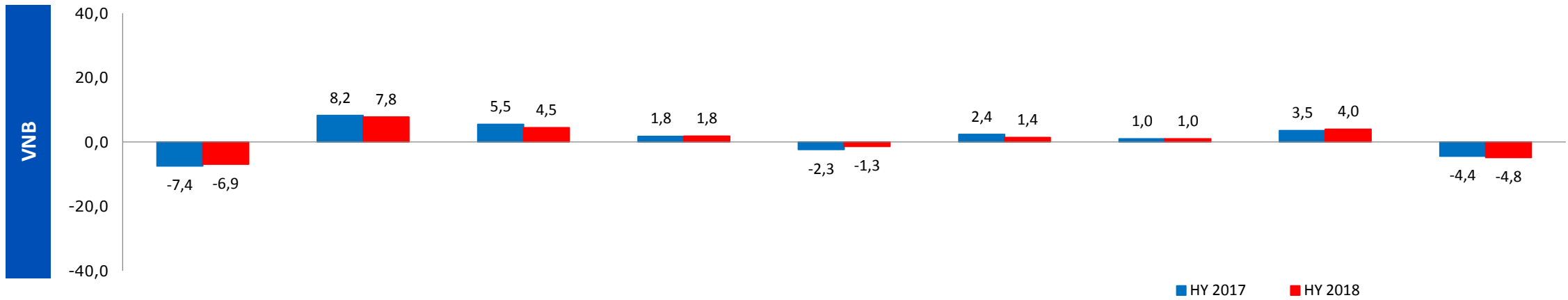
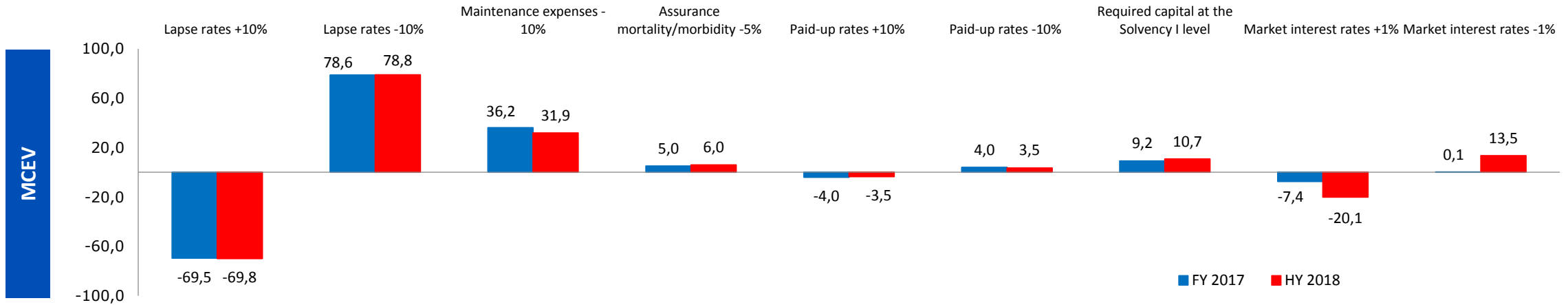
|   | Pension        |                        | Life Protection |                    | Personal Accident |                   | Total           |                         |
|---|----------------|------------------------|-----------------|--------------------|-------------------|-------------------|-----------------|-------------------------|
|   | 2017 HY        | 2018 HY                | 2017 HY         | 2018 HY            | 2017 HY           | 2018 HY           | 2017 HY         | 2018 HY                 |
| <b>PVNB (m TL)</b><br>(PVNB mix)            | 2,642.6<br>85% | -19%<br>2,153.7<br>82% | 413.9<br>13%    | 1%<br>416.5<br>16% | 43.9<br>1%        | 21%<br>53.2<br>2% | 3,100.4<br>100% | -15%<br>2,623.4<br>100% |
| <b>VNB (m TL)</b><br>(VNB mix)              | 52.5<br>42%    | -36%<br>33.5<br>31%    | 67.4<br>53%     | 7%<br>71.9<br>66%  | 6.4<br>%5         | -41%<br>3.8<br>%3 | 126.3<br>100%   | -14%<br>109.2<br>100%   |
| <b>New Business Margin (%)</b>              | 2,0%           | 1,6%                   | 16,3%           | 17,3%              | 14,7%             | 7,2%              | 4,1%            | 4,2%                    |
| <b>IRR (%)</b><br><b>Payback (in years)</b> | 24.9%<br>3.9   | 19.7%<br>5.4           | 80.9%<br>0.9    | 114.9%<br>0.8      | 61.3%<br>0.9      | 35.1%<br>1.0      | 29.9%<br>4.1    | 36.1%<br>2.9            |

Source: Company data, unaudited results



# MCEV and VNB Sensitivities

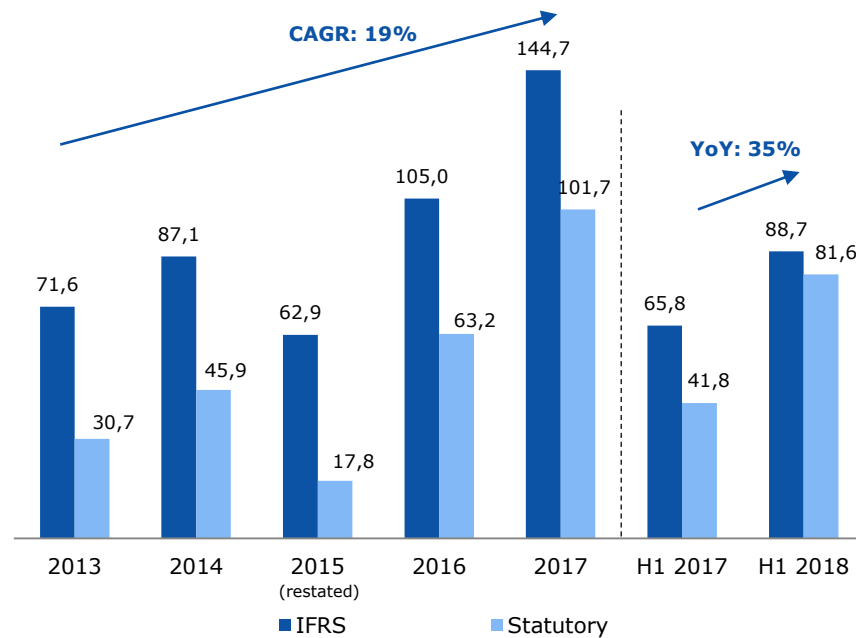
## Sensitivities (TLm)



# Appendix

# Reconciliation between IFRS vs. Statutory Profit for the Period

**IFRS vs. Statutory Profit for the Period (TLm)**



**Profit for the Period Reconciliation (TLm)**

|                                      | 2013        | 2014        | 2015 (restated) | 2016         | 2017         | CAGR       | H1 2017     | H1 2018     | YoY         |
|--------------------------------------|-------------|-------------|-----------------|--------------|--------------|------------|-------------|-------------|-------------|
| <b>IFRS Profit for the Year</b>      | <b>71,6</b> | <b>87,1</b> | <b>62,9</b>     | <b>105,0</b> | <b>144,7</b> | <b>19%</b> | <b>65,8</b> | <b>88,7</b> | <b>35%</b>  |
| Equalisation Reserve write-off       | -2,7        | -0,3        | -2,3            | -3,0         | -4,7         | 15%        | -2,2        | -3,2        | 44%         |
| Change in Deferred Asset Costs       | -49,9       | -51,2       | -54,0           | -44,5        | -45,4        | -2%        | -23,5       | -12,0       | -49%        |
| Change in Deferred Income Reserve    |             |             |                 | -4,7         | -4,5         |            | -4,2        | 5,5         | -230%       |
| Deferred Tax                         | 11,8        | 10,3        | 11,3            | 10,5         | 11,6         | 0%         | 6,0         | 2,6         | -57%        |
| <b>Statutory Profit for the Year</b> | <b>30,7</b> | <b>45,9</b> | <b>17,8</b>     | <b>63,2</b>  | <b>101,7</b> | <b>35%</b> | <b>41,8</b> | <b>81,6</b> | <b>95%</b>  |
| <i>Total Difference</i>              | <i>40,9</i> | <i>41,2</i> | <i>45,1</i>     | <i>41,8</i>  | <i>43,0</i>  | <i>1%</i>  | <i>24,0</i> | <i>7,1</i>  | <i>-70%</i> |

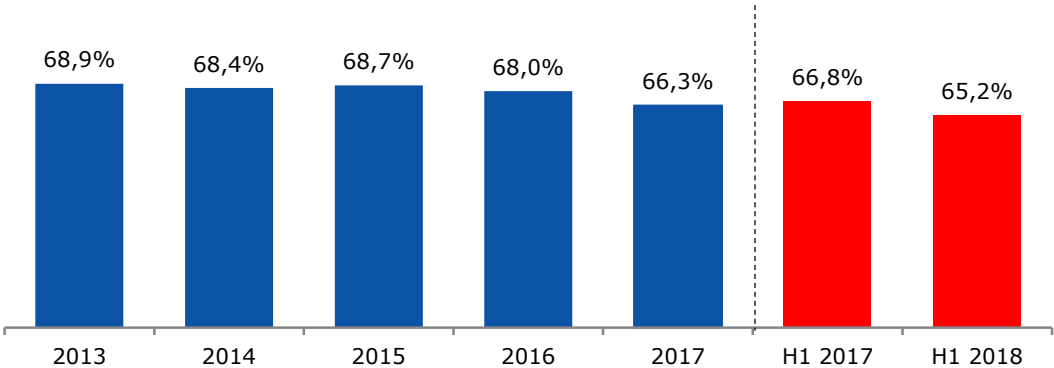
# Summary of P&L from SFRS Segmental Reporting

|  | 2013        | 2014        | 2015<br>(restated) | 2016        | 2017         | CAGR        | H1 2017     | H1 2018     | YoY         | Q1 2018     | Q2 2018     | QoQ        |
|--|-------------|-------------|--------------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
| Pension Technical Profit                             | -29,8       | -19,5       | -16,0              | -13,9       | 11,9         | n/a         | -1,7        | 28,8        | n/a         | 17,3        | 11,5        | -33%       |
| Life Technical Profit                                | 32,1        | 39,9        | 22,1               | 46,6        | 57,3         | 16%         | 28,4        | 35,5        | 25%         | 12,2        | 23,3        | 91%        |
| Non-Life Technical Profit                            | -1,2        | -1,7        | 6,4                | -3,3        | -0,5         | n/a         | -2,9        | -0,5        | -82%        | -1,8        | 1,3         | n/a        |
| <b>Total Technical Profit after G&amp;A Expenses</b> | <b>1,0</b>  | <b>18,7</b> | <b>12,4</b>        | <b>29,4</b> | <b>68,7</b>  | <b>187%</b> | <b>23,8</b> | <b>63,8</b> | <b>168%</b> | <b>27,7</b> | <b>36,1</b> | <b>30%</b> |
| Total Investment Income & Other                      | 37,5        | 39,7        | 46,9               | 50,5        | 57,9         | 11%         | 28,5        | 40,9        | 44%         | 15,2        | 25,7        | 69%        |
| Profit Before Taxes                                  | 38,5        | 58,4        | 59,3               | 79,9        | 126,6        | 35%         | 52,3        | 104,7       | 100%        | 42,9        | 61,8        | 44%        |
| <b>Profit for the Period (Before Write-Off)</b>      | <b>30,7</b> | <b>45,9</b> | <b>46,9</b>        | <b>63,2</b> | <b>101,7</b> | <b>35%</b>  | <b>41,8</b> | <b>81,6</b> | <b>95%</b>  | <b>32,8</b> | <b>48,8</b> | <b>49%</b> |
| One-off Asset Write-Off Effect (net of tax)          |             |             | -29,1              |             |              |             |             |             |             |             |             |            |
| <b>Profit for the Period (After Write-Off)</b>       | <b>30,7</b> | <b>45,9</b> | <b>17,8</b>        | <b>63,2</b> | <b>101,7</b> | <b>35%</b>  | <b>41,8</b> | <b>81,6</b> | <b>95%</b>  | <b>32,8</b> | <b>48,8</b> | <b>49%</b> |

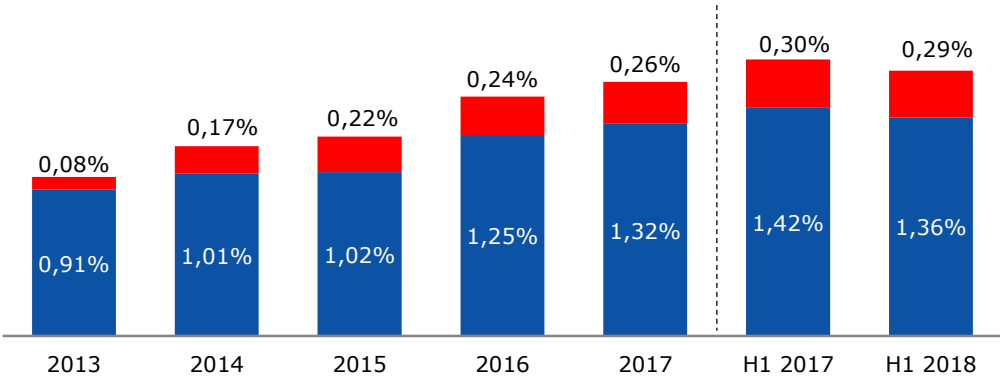
One-off Asset Write-off: An IT project has been started at the end of 2012 in order to standardize all core insurance systems into a single application and integrate this core system with the peripheral systems. Although the project still continues, it has been decided to discontinue the development of the new core insurance application. Instead, current core systems will be modernized with a more agile methodology. Total capitalized costs related with this project was 48.7 Mtl, and TRY 36.3 Mtl of this cost (around 75%) has been written off in accordance with the aforementioned decision.

# Pension Retention and Persistency at the Forefront of our Strategy

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



Total Monthly Exit Rate<sup>(1)</sup> (Lapse (inc. transfer out) + Maturity) (% AUM)



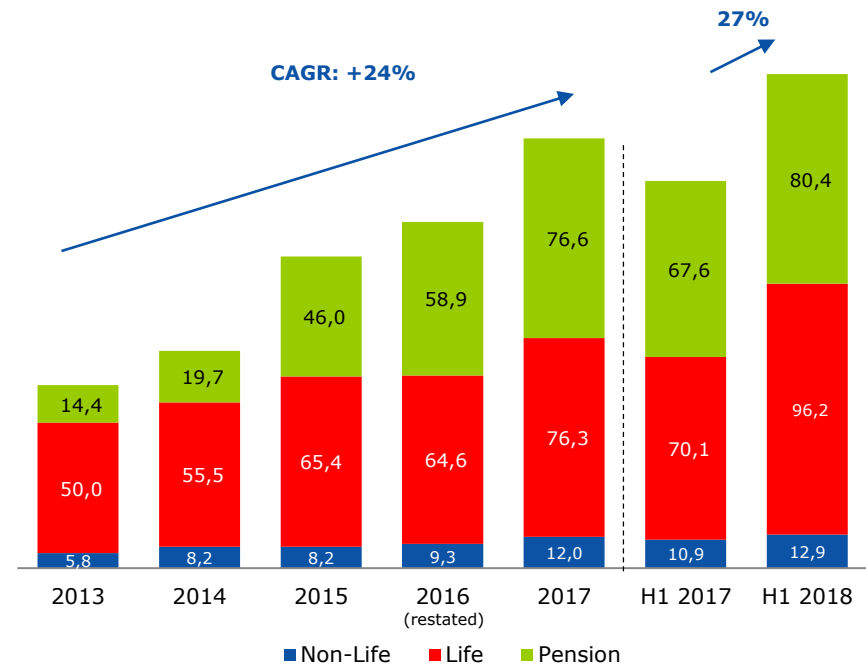
# Capital-Light Business Model with Strong Solvency Position

- ✓ Comfortable 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  |              |                 |              |              | H1 2017      | H1 2018      |
|--|--------------|--------------|-----------------|--------------|--------------|--------------|--------------|
|  | 2013         | 2014         | 2015 (restated) | 2016         | 2017         |              |              |
| Total regulatory capital (Statutory Reporting)             | 166.3        | 187.4        | 166.4           | 199.8        | 283.2        | 222.7        | 288.8        |
| Intangible assets  | -            | -            | -               | -            | -            | -            | -            |
| Deferred tax asset   | -            | -            | -               | -            | -            | -            | -            |
| <b>A AvivaSA net assets</b>                                | <b>166.3</b> | <b>187.4</b> | <b>166.4</b>    | <b>199.8</b> | <b>283.2</b> | <b>222.7</b> | <b>288.8</b> |
| <b>B AvivaSA Required Capital</b>                          | <b>70.3</b>  | <b>83.3</b>  | <b>119.6</b>    | <b>132.8</b> | <b>165.0</b> | <b>148.7</b> | <b>189.5</b> |
| AvivaSA guarantee fund                                     | 23.4         | 27.8         | 39.9            | 44.3         | 55.0         | 49.6         | 63.2         |
| <b>Surplus of net assets in excess of Required Capital</b> | <b>96.0</b>  | <b>104.0</b> | <b>46.7</b>     | <b>67.0</b>  | <b>118.2</b> | <b>74.0</b>  | <b>99.3</b>  |
| Surplus of net assets in excess of guarantee fund          | 142.9        | 159.6        | 126.5           | 155.5        | 228.2        | 173.1        | 225.6        |

| Solvency Ratio |      |      |      |      |      |      |
|----------------|------|------|------|------|------|------|
| 237%           | 225% | 139% | 150% | 172% | 150% | 152% |

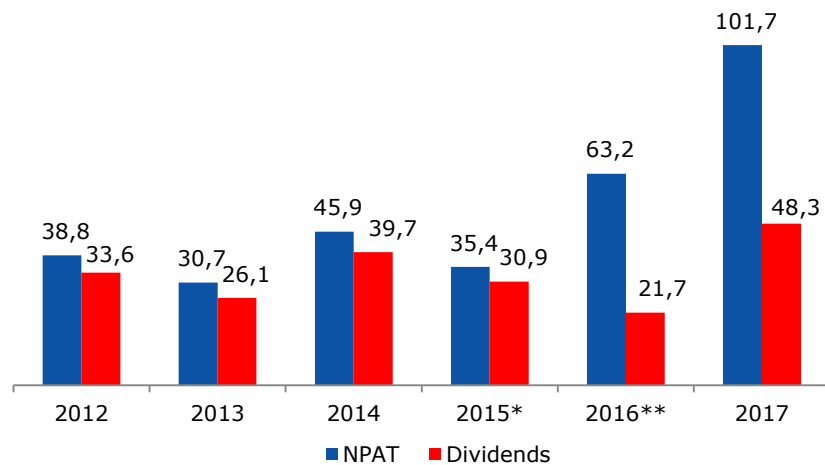


# Flexible Dividend Policy Focused on Growth

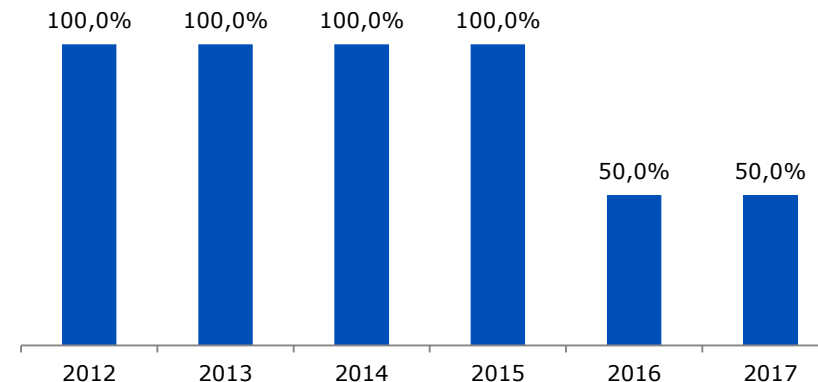
## Dividend Policy

- 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 / Distributable Profit)



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# Thank you