



FY 2017
EARNINGS RELEASE

Summary

Growth;

- Pension AuM grew by 29% and reached 15.2 billion TL, supporting AvivaSA to maintain the market leadership since June 2015
- Total protection premiums grew by 51% driven by 64% growth in non-credit linked premiums and 37% growth in credit linked premiums
- Sales as measured by present value of new business premiums (PVNBP) up 21% to 5.5 bTL (2016: 4.6 bTL)

Profitability;

- Total technical income has grown by 31% driven by higher pension income and growing protection volumes
- IFRS Net Profit is higher than prior year by 38% at 144.7 mTL driven by growing pension and protection volumes and financial income.
- 2017 RoE is 30%
- Statutory profit is 101.7 mTL and grew by 61%.
- Value of new business (VNB) the long-term profitability measure of the new sale grew by 11% and reached 232.5 mTL in 2017 mainly driven by higher protection volumes (2016: 208.9 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.

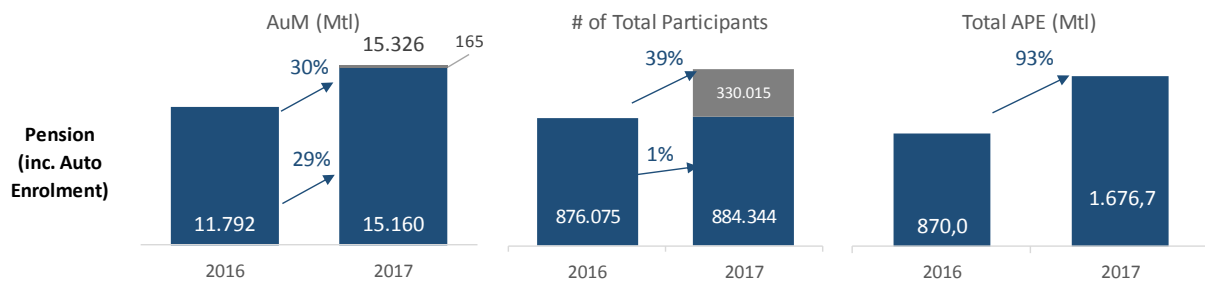
Implementation of IFRS 15;

IFRS 15 'Revenue from contracts with customers' will be effective from 1 January 2018. The standard will improve the financial reporting of revenue and improve comparability of the top line in IFRS financial statements globally. The standard compliance does not effect profitability or cash generation of the product. Also solvency margin and dividend payment are not impacted. IFRS 15 Impact is calculated beginning from 2013 and will be reflected on 2018 opening balance sheet, amount of 43.9 mTL.

Revenue recognition will be deferred to following years in order to match the expenses and revenues in line with the contract life.

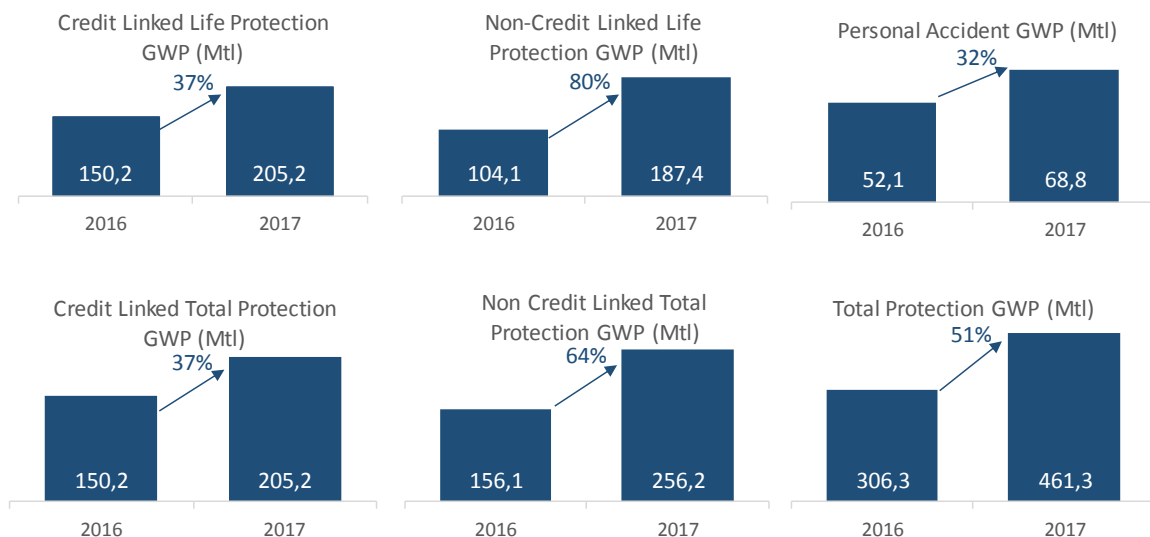
Topline Volumes

- 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 884k with an increase of 8.3k
- Pension contributions increased with respect to prior year fueled by strong in-force portfolio.
- Auto Enrolment AuM and # of participant have been reached to 165 mTL and 330k respectively.



Source: Pension Monitoring Center 29.12.2017

Total Protection gross written premiums reached 461.3 mTL; higher than prior year by 51%



IFRS Segmental Results

IFRS (m TL)	2016	2017	Change
Savings	3,6	3,0	-14%
Life Protection	111,8	144,1	29%
Personal Accident	16,7	23,9	43%
Pension	155,7	207,1	33%
Total Technical Income	287,8	378,1	31%
Total General Expenses	-207,9	-260,2	25%
Net Technical Profit	79,9	117,9	48%
Total Investment & Other Income	52,3	63,3	21%
Total Tax	-27,1	-36,5	35%
Net Profit	105,0	144,7	38%

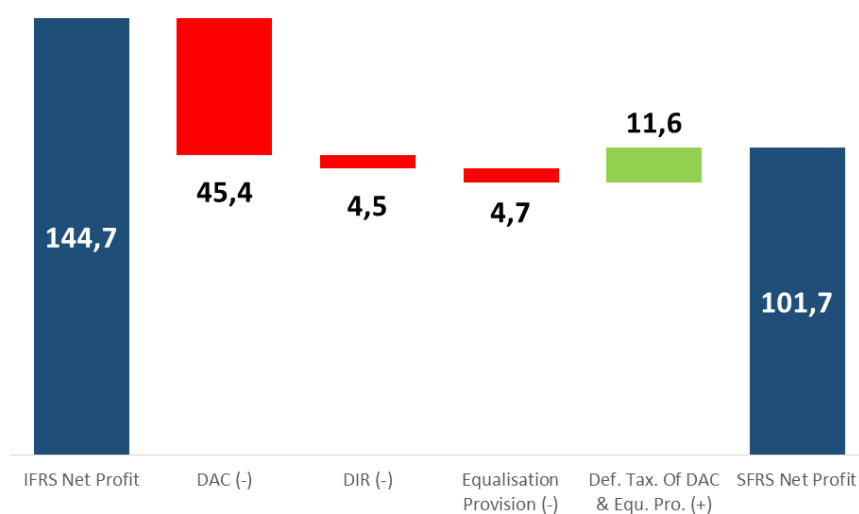
- Total technical income grew by 31% mainly driven by pension and protection business profitability grew by 33% and 31% respectively
 - Growing pension business in terms of AuM (+29%) is leading to an increase in technical profit
 - Life protection technical profit increased by 29% due to 29% increase in earned premiums
 - Despite 29% increase in claims, increase in volumes supported the growth on personal accident technical profit by 43%
- General expenses for 2017 is 260.2 mTL with an increase of 25% y-o-y mainly due to increasing number of IT employees, increased sales personnel expenses and AE expenses.
- Total investment and other income is 63,3 mTL and increased by 21% mainly due to increase in interest income

Statutory / SFRS Results

SFRS (m TL)	2016	2017	Change
Life	46,6	57,3	23%
Non-Life	-3,3	-0,5	-85%
Pension	-13,9	11,9	185%
Net Technical Profit	29,4	68,7	134%
Total Investment & Other Income	43,9	57,9	32%
Tax	-10,0	-24,9	148%
Net Profit	63,2	101,7	61%

- Net profit for the period is 101.7 mTL with an increase of 61%
- Total net technical profit increase is higher than prior year
 - Life (including life savings) net technical profit is higher than prior year by 23% due to increase in earned premiums.
 - Non-life (personal accident) net technical profit after general expenses increased to -0.5 mTL loss from -3.3 mTL loss mainly due to higher earned premiums despite higher claims and commissions with respect to prior year.
 - Pension net technical loss after general expenses turned into 11.9 mTL profit driven by healthy growth on IF portfolio.

Bridging from IFRS to Statutory Profit



Market Consistent Embedded Value

(m TL)	FY 2016	FY 2017	FY 2017 v FY 2016
Value of In-Force	1,289.3	1,398.4	8.5%
Present Value of Future Profits	1,487.7	1,526.3	2.6%
Frictional Costs	-27.1	-27.8	N/A
Cost of Non-Hedgeable Risks	-171.3	-100.1	N/A
Time Value of Options & Guarantees	0.0	0.0	N/A
Net Worth	185.4	264.1	42.5%
Free Surplus	-13.8	16.6	N/A
Required Capital	199.2	247.4	24.2%
Market Consistent Embedded Value	1,474.7	1,662.4	12.7%

Source: Company data, unaudited results

- MCEV as at 31 December 2017 is 1.7bn TL up 12.7% from start of the year
- Present value of future profits is slightly up year-on-year where new business growth and unwind of the profits from the existing business was mostly offset by lapse assumption change for pensions business as communicated at half-year
- One-off positive effect of modelling change to CNHR reflecting non-financial non-hedgeable risks
- Growth in net worth is due to higher percentage of retained earnings on the balance sheet for future growth

New Business

(m TL)	FY 2016	FY 2017	Change
Life Protection	85.5	150.5	76%
Personal Accident	7.2	6.5	-9%
Pensions	116.3	75.5	-35%
Value of New Business	208.9	232.5	11%

(m TL)	FY 2016	FY 2017	Change
Life Protection	482.2	831.9	73%
Personal Accident	69.1	84.5	22%
Pensions(*)	4,021.3	4626.4	15%
Present Value of New Business Premiums	4,572.7	5,542.8	21%

(*): Including State Contribution

(m TL)	FY 2016	FY 2017	Change
Life Protection	17.7%	18.1%	0.4%
Personal Accident	10.4%	7.7%	-2.6%
Pensions	2.9%	1.6%	-1.3%
New Business Margin	4.6%	4.2%	-0.4%

Source: Company data, unaudited results

- Sales has shown year-on-year growth of 21% across the board driven primarily by pension auto-enrolment system and Return of Premium life product
- Value of new business (VNB) the long-term profitability measure of new sales grew by 11% to 232.5 mTL in 2017 mainly driven by higher protection volumes (2016:208.9mTL). The new business margin is slightly lower due to mix impact resulting from the high auto-enrolment volumes and operating assumption changes reflecting the best estimate view of the future
- Pension margin has reduced from 2.9% to 1.6% due to the introduction of pension auto-enrolment system where the charges are lower and the lapse assumption change for the Pillar 3 pension business (existing pensions system). AvivaSA has maintained a disciplined pricing approach in the first three phases of the auto-enrolment system in 2017 and is committed to the next phase for employers with 50 – 99 employees
- Life protection sales are up 76% primarily due to the focus on growing the Return of Premium product. Agency channel sales have grown more than threefold year-on-year as a result of deliberate management actions to grow this channel
- Credit-linked life protection sales continued their strong growth in 2017 where the sales were more skewed towards the yearly renewable credit life product
- The improvement in new business margin for the personal accident segment during the year is offset by the expense assumption changes. The lower ticket size of the personal accident product makes it sensitive to small changes in cost allocation