



Q1 2017
EARNINGS RELEASE

Summary

Growth;

- Pension AuM grew by 28% and reached 12.7 billion TL, supporting AvivaSA to maintain the market leadership since June 2015
- Total protection premiums grew by 71% driven by 82% growth in credit linked premiums and 63% growth in non-credit linked premiums
- Sales as measured by present value of new business premiums (PVNBP) up 49% to 1.542,1 Mtl (2016 Q1: 1.031,9 Mtl)

Profitability;

- Total technical income has grown by 15% driven by higher pension income
- IFRS Net Profit is higher than restated prior year by 14% at 28.2 Mtl driven by growing pension volumes and financial income.
- Annualized RoE is 26%
- Statutory profit is 18.2 Mtl and grew by 7%.
- Value of new business (VNB) the long-term profitability measure of the new sale grew by 38% and reached 56,9 Mtl in 2017 Q1 mainly driven by higher protection volumes (2016 Q1: 41,2 Mtl)

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;

- 2016 Q1 net profit effect: -2.8 million TL

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

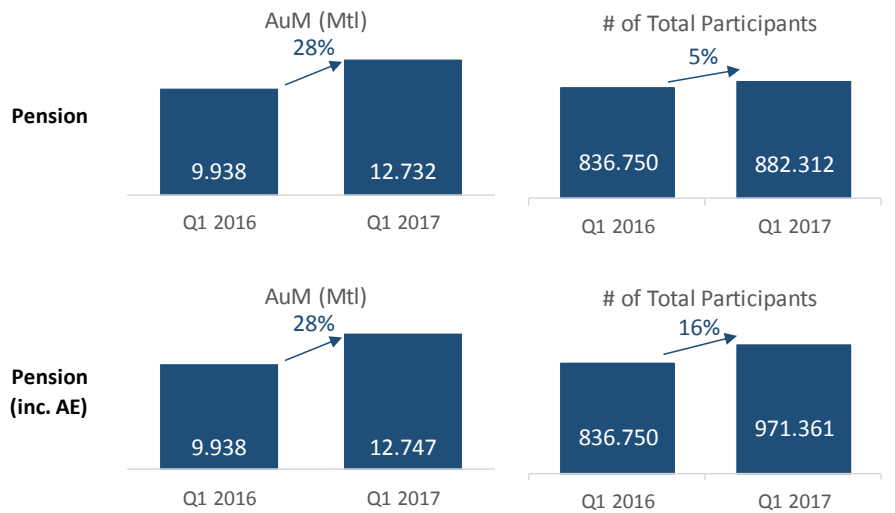
Deferred Income Reserve (DIR);

IAS 18 revenue recognition principle requires the deferral of upfront fees over the life time of contracts. The company believes that first year of fees should be recognized as entry fee and agreed with auditors. The management fees after the first year 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.

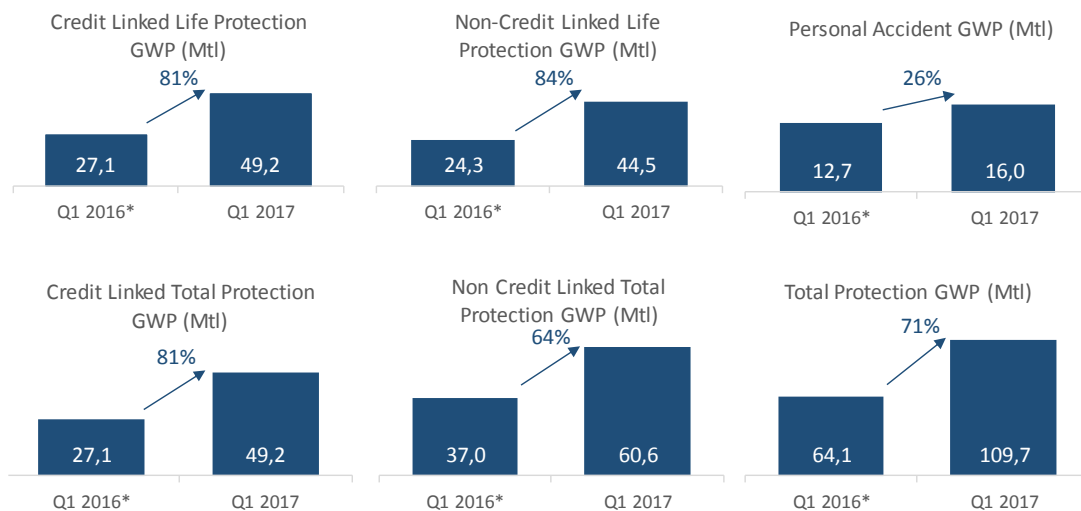
Topline Volumes

- 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 882k with an increase of 45.6k
- Pension contributions increased with respect to prior year due to higher lapse rate in 2016 Q1.

Source: Pension Monitoring Center 31.03.2017



- Total Protection gross written premiums reached 109.7 Mtl; higher than restated prior year by 71%



*restated figure

IFRS Segmental Results

IFRS (m TL)	Q1 2016*	Q1 2017	Change
Savings	0,8	0,9	18%
Life Protection	28,9	28,5	-1%
Personal Accident	5,1	4,8	-5%
Pension	36,9	48,6	32%
Total Technical Income	71,7	82,8	15%
Total General Expenses	-51,2	-62,0	21%
Net Technical Profit	20,5	20,9	2%
Total Investment & Other Income	10,0	14,5	44%
Total Tax	-5,8	-7,1	24%
Net Profit	24,8	28,2	14%

**restated figures*

- Total technical income grew by 15% mainly driven by pension business profitability grew by 32%
 - Growing pension business in terms of AuM (+28%), leading to an increase in technical profit
 - Life protection and personal accident technical profit do not reflect the impact of top line growth yet due to timing mismatch of revenue and expense streams
- General expenses for 2017 Q1 is 62.0 Mtl with an increase of 21% y-o-y due to increase in IT related expenses
- Total investment and other income is 14,5Mtl and increased by 44% mainly due to increase in interest rates and fx income

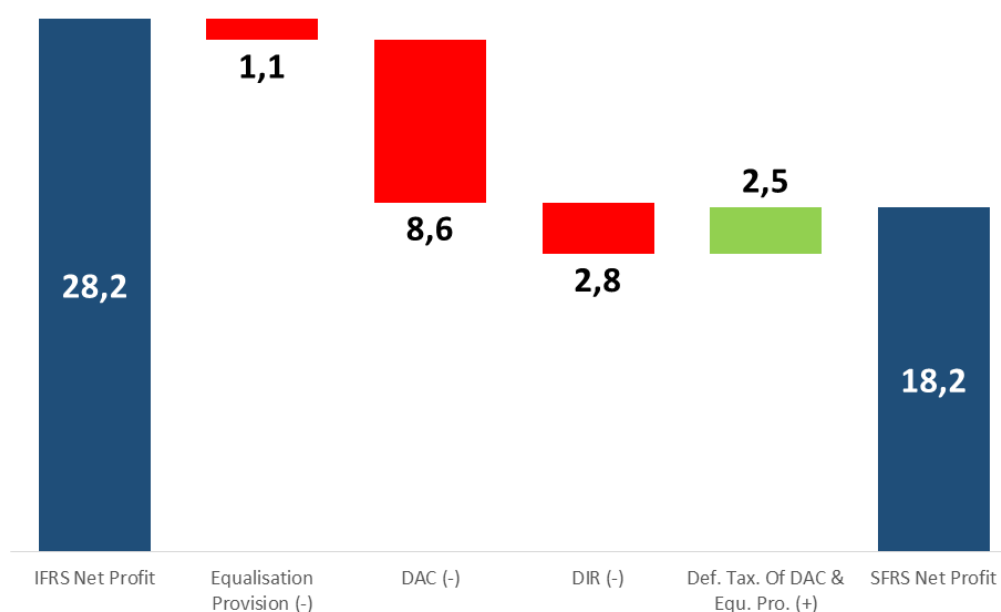
Statutory / SFRS Results

SFRS (m TL)	Q1 2016*	Q1 2017	Change
Life	12,2	9,3	-24%
Non-Life	0,8	-1,4	-281%
Pension	-1,1	1,5	231%
Net Technical Profit	11,8	9,4	-21%
Total Investment & Other Income	9,0	13,5	50%
Tax	-3,8	-4,6	21%
Net Profit	17,0	18,2	7%

*restated figures

- Net profit for the period is 18.2 Mtl with an increase of 7%
- Total net technical profit is lower than prior year
 - Life (including life savings) net technical profit is lower than prior year by 24% due to increased claims and commissions.
 - Non-life (personal accident) net technical profit after general expenses turned into -1.4 Mtl loss mainly due to higher claims with respect to prior year.
 - Pension net technical loss after general expenses turned into 1.5 Mtl profit driven by healthy growth on IF portfolio.

Bridging from IFRS to Statutory Profit



New Business

(m TL)	Q1 2016	Q1 2017	Change(%)
Life Protection	17.5	28.6	64%
Personal Accident	0.4	2.2	460%
Pensions	23.3	26.1	12%
Value of New Business	41.2	56.9	38%

(m TL)	Q1 2016	Q1 2017	Change(%)
Life Protection	98.5	193.2	96%
Personal Accident	16.9	19.1	13%
Pensions*	916.6	1,329.8	45%
Present Value of New Business Premiums	1,031.9	1,542.1	49%

(*): Including State Contribution and auto enrolment

(m TL)	Q1 2016	Q1 2017	Change(Diff.)
Life Protection	17.8%	14.8%	-2.9%
Personal Accident	2.3%	11.4%	9.1%
Pensions	2.5%	2.0%	-0.6%
New Business Margin	4.0%	3.7%	-0.3%

Source: Company data, unaudited results

- Sales as measured by present value of new business premiums (PVNBP) hit the 1.5bn TL mark with 49% growth.
- Life protection sales almost doubled year-on-year following an increase in credit-linked life protection volumes and the continued momentum of the stand-alone life protection.
- Life protection new business margin decreased by 2.9 percentage points to 14.8 percent due to a change in business mix and higher expense loadings in light of the expense assumption changes.
- Pensions auto-enrolment system (occupational pensions) was launched on the 1st of January 2017, where employers with more than 1,000 employees had enrolled in the system in the first quarter of 2017. AvivaSA is following a disciplined and selective approach in its auto-enrolment strategy where overall profitability year-to-date is in line with expectations.
- There is no evidence of a slowdown in the existing pensions (retail pensions) sales in light of the launch of the auto-enrolment system. The launch of the auto-enrolment system has set clear boundaries between the occupational and retail segments, expanding the target market for AvivaSA.
- The improvement in new business margin for the personal accident segment is as a result of pricing actions.