



**FY 2016**  
**EARNINGS RELEASE**

# Summary

## **Growth;**

- Pension AuM grew by 28% and reached 11.8 billion TL, supporting AvivaSA to maintain the market leadership since June 2015
- Total protection premiums grew by 35% driven by 50% growth in non-credit linked premiums and 22% growth in credit linked premiums
- Sales as measured by present value of new business premiums (PVNBP) down 3% to 4.572,7 Mtl (2015: 4.696,6 Mtl)

## **Profitability;**

- Total technical income has grown by 15% in spite of the significant pension price cut in pension.
- IFRS Net Profit is higher than restated prior year (exc. write-off) by 14% at 105.0 Mtl driven by growing protection and pension volumes. 67% (inc. write-off)
- RoE is 26%
- Statutory profit is 63.2 Mtl and grew by 35% (exc. write-off). 255% (inc. write-off)
- Value of new business (VNB) the long-term profitability measure of the new sale is down 12% to 208,9 Mtl mainly due to pension legislation change in 2016 (2105: 236,4 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;

- FY 2015 net profit effect: -17.6 million TL

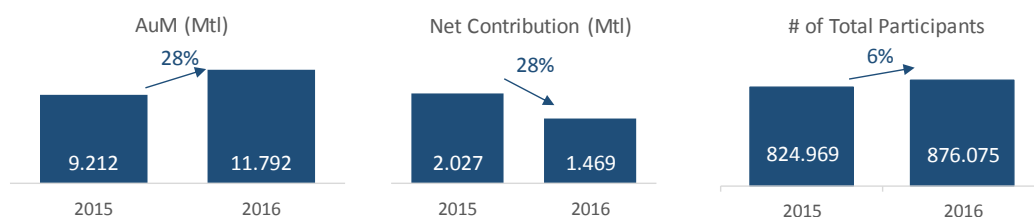
This change does not affect the profitability or cash generation of this product, only the timing of profits is moved forward.

## **Deferred Income Reserve (DIR);**

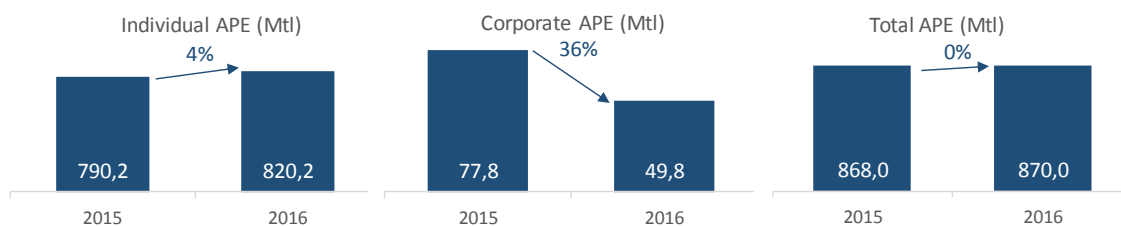
IAS 18 revenue recognition principle requires the deferral of upfront fees over the life time of contracts. The company believes that first year of fees should be recognized as entry fee and agreed with auditors. The management fees after the first year could be classified as investment management fees and recognized as revenue in accordance with the duration while the services are provided. The company applied 9 years of amortisation in line with DAC.

## Topline Volumes

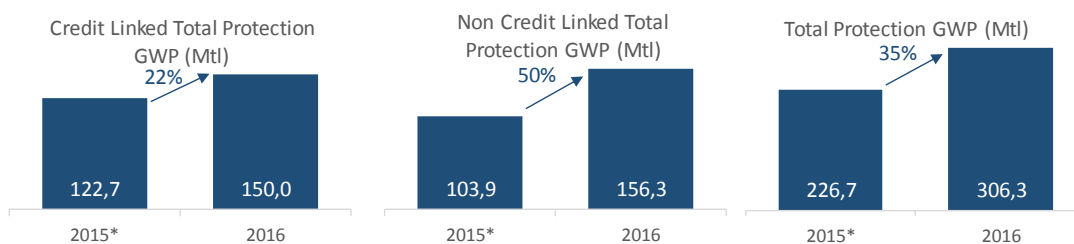
- AvivaSA is the market leader in terms of Pensions AuM since June 2015
- Strong pension fund asset performance also helped AuM growth
- Number of participants reached 876k with an increase of 51.1k
- Pension contributions decreased with respect to prior year due to higher lapse rate and non-repeat of some one-off corporate transfers in 2015



Source: Pension Monitoring Center 30.12.2016



- Total Protection gross written premiums reached 306.3 Mtl; higher than restated prior year by 35%



\*restated figure

## IFRS Segmental Results

IFRS (m TL)	2015*	2016	Change
Savings	2,9	3,6	24%
Life Protection	86,1	111,8	30%
Personal Accident	22,2	16,7	-25%
Pension	138,7	155,7	12%
<b>Total Technical Income</b>	<b>249,9</b>	<b>287,8</b>	<b>15%</b>
<b>Total General Expenses</b>	<b>-184,0</b>	<b>-207,9</b>	<b>13%</b>
<b>Net Technical Profit</b>	<b>65,8</b>	<b>79,9</b>	<b>21%</b>
<b>Total Investment &amp; Other Income</b>	<b>49,8</b>	<b>52,3</b>	<b>5%</b>
<b>Total Tax</b>	<b>-23,7</b>	<b>-27,1</b>	<b>15%</b>
<b>Net Profit before write-off</b>	<b>92,0</b>	<b>105,0</b>	<b>14%</b>
<b>One-off Asset write-off (net of tax)</b>	<b>-29,1</b>		
<b>Net Profit after write-off</b>	<b>62,9</b>	<b>105,0</b>	<b>67%</b>

*\*restated figures*

- Total technical income grew by 15% mainly driven by protection and pension business profitability those grew by 30% and 12% respectively
  - Growing pension business in terms of AuM (+28%), 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 30% higher than prior year supported by higher both credit and non-credit linked sales
  - Despite increased Personal Accident volumes, technical profit is (25%) lower than prior year level mainly due to increase in claims
- General expenses for 2016 was 207.9 Mtl with an increase of 13% y-o-y
- Total investment and other income is 52,3Mtl and increased by 5% with support of well managed financial portfolio and fx income

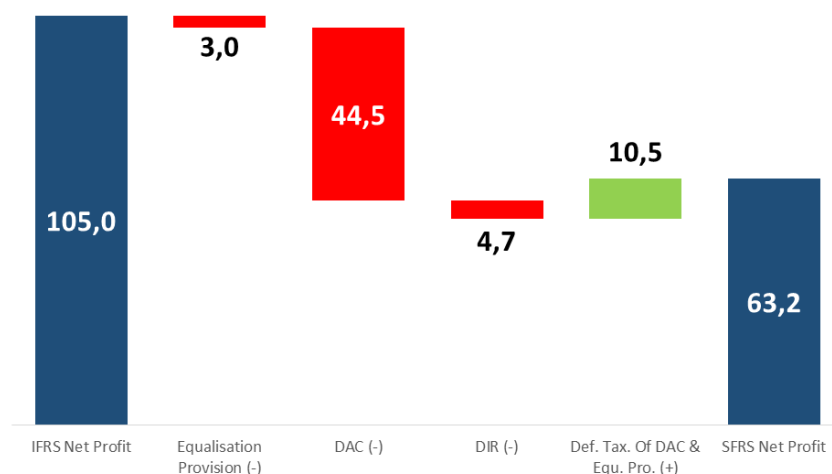
## Statutory / SFRS Results

SFRS (m TL)	2015*	2016	Change
Life	22,1	46,6	111%
Non-Life	6,4	-3,3	-152%
Pension	-16,0	-13,9	13%
<b>Net Technical Profit</b>	<b>12,4</b>	<b>29,4</b>	<b>136%</b>
<b>Total Investment &amp; Other Income</b>	<b>46,9</b>	<b>43,9</b>	<b>-6%</b>
<b>Tax</b>	<b>-12,4</b>	<b>-10,0</b>	<b>-19%</b>
<b>Net Profit before write-off</b>	<b>46,9</b>	<b>63,2</b>	<b>35%</b>
<b>One-off Asset write-off (net of tax)</b>	<b>-29,1</b>		
<b>Net Profit after write-off</b>	<b>17,8</b>	<b>63,2</b>	<b>255%</b>

\*restated figures

- Net profit for the period is 63.2 Mtl with an increase of 35% (before write-off)
- Total net technical profit is significantly higher than prior year
  - Life (including life savings) net technical was fueled by higher both credit and non-credit linked protection volumes.
  - Non-life (personal accident) net technical loss after general expenses decreased to -3.3 Mtl mainly due to higher claims with respect to prior year.
  - Pension net technical loss after general expenses decreased to (13.9) Mtl due to growing portfolio.

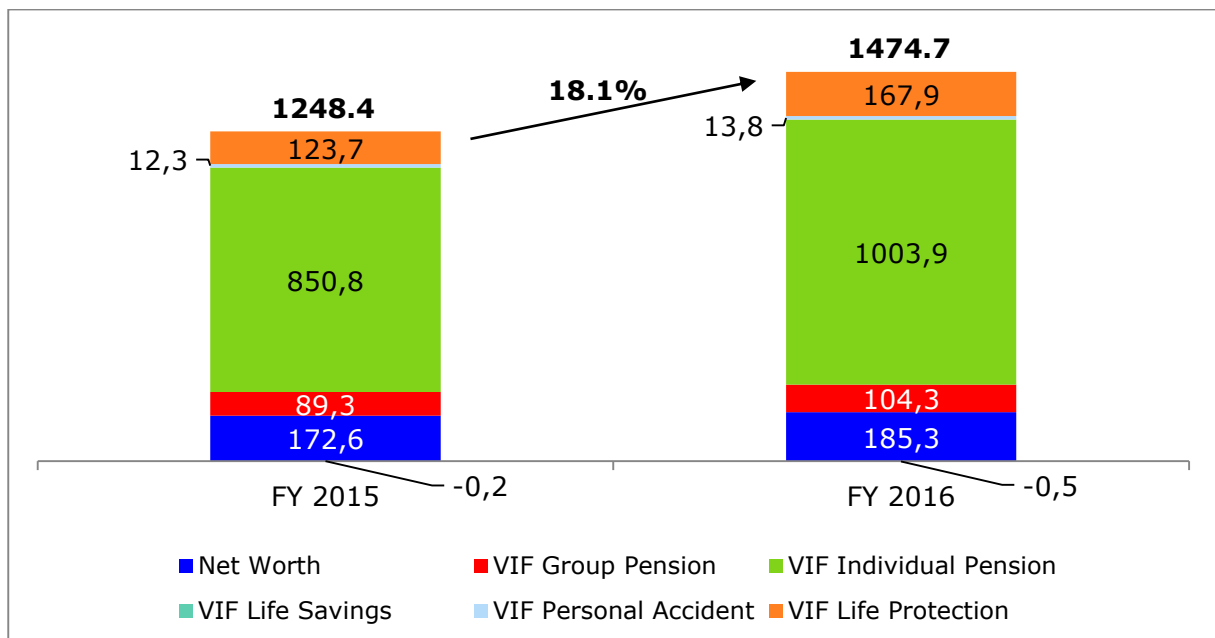
## Bridging from IFRS to Statutory Profit



## Market Consistent Embedded Value

(m TL)	FY 2015	FY 2016	FY 2015 v FY 2016
<b>Value of In-Force</b>	<b>1,075.8</b>	<b>1,289.4</b>	<b>19.8%</b>
Present Value of Future Profits	1,265.1	1,487.7	17.6%
Fricitional Costs	-23.0	-27.1	17.9%
Cost of Non-Hedgeable Risks	-166.2	-171.3	3.1%
Time Value of Options & Guarantees	0.0	0.0	N/A
<b>Net Worth</b>	<b>172.6</b>	<b>185.3</b>	<b>7.4%</b>
Free Surplus	-6.9	-13.8	100.6%
Required Capital	179.5	199.2	11.0%
<b>Market Consistent Embedded Value</b>	<b>1,248.4</b>	<b>1,474.7</b>	<b>18.1%</b>

Source: Company data, unaudited results



- Continued the double digit MCEV growth in 2016 reaching to the 1.5bn TL mark
- AvivaSA has a positive surplus on as statutory basis despite -13.8m TL of free surplus
- Increase is primarily driven by the Value of New Business and the expected return, adjusted for the adverse operating experience in the year and the corresponding assumption changes
- Despite the volatile persistency experience of the pensions segment, no assumption change was performed due to the underlying drivers of lapses not indicating a long-term trend

- Life protection VIF growth is primarily driven by the increase in reserves of 41% year-on-year

## New Business

(m TL)	FY 2015	FY 2016	Change (%)
Life Protection	79.0	85.5	8%
Personal Accident	4.7	7.2	53%
Pensions	152.7	116.3	-24%
<b>Value of New Business</b>	<b>236.4</b>	<b>208.9</b>	<b>-12%</b>

(m TL)	FY 2015	FY 2016	Change (%)
Life Protection	350.6	482.2	38%
Personal Accident	63.9	69.1	8%
Pensions (*)	4282.1	4021.3	-6%
<b>Present Value of New Business Premiums</b>	<b>4,696.6</b>	<b>4,572.7</b>	<b>-3%</b>

(\*): Including State Contribution

(m TL)	FY 2015	FY 2016	Change (Diff.)
Life Protection	22.5%	17.8%	-4.8%
Personal Accident	7.3%	10.5%	3.1%
Pensions	3.6%	2.9%	-0.7%
<b>New Business Margin</b>	<b>5.0%</b>	<b>4.6%</b>	<b>-0.5%</b>

Source: Company data, unaudited results

- Sales as measured by present value of new business premiums (PVNBP) is 4.7bn TL in a challenging environment
- Life protection sales are up 38% 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
- Pensions margin has decreased to 2.9% from 3.6% mainly due to legislation change where lower charges are projected to the future
- Negative impact of the pensions legislation change was partially compensated by selling more profitable business from life and personal accident