AVIVA SA

Emeklilik ve Hayat

FY 2015

EARNINGS RELEASE

Summary

Growth;

- Pensions growth was very strong: 77% in net contributions

- Pension AuM grew by 29% reaching 9,212 Mtl, supporting AvivaSA to maintain the market leadership since June 2015

- Total protection premiums remained flat due to sluggish credit-linked segment; -17% decline in credit-linked segment offset by 63% and 14% growth in Non-Bancassurance and Bancassurance-Non Credit Linked segments respectively

- Sales as measured by present value of new business premiums (PVNBP) up 26% to 4,696.6 Mtl (2014: 3,726.9 Mtl)

Profitability;

- Underlying business profitability (excluding one-off asset write-off) grew y-o-y by 26% on IFRS basis and 40% on Statutory basis

- Overall profitability including one-off asset write-off shrunk y-o-y by -8% on IFRS basis and -23% on Statutory basis

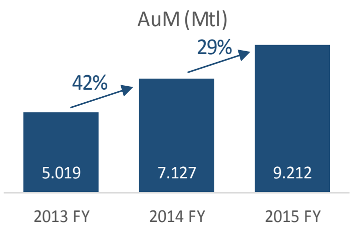
- One-off Asset Write-off: An IT project has been started at the end of 2012 in order to standardize all core insurance systems into a single application and integrate this core system with the peripheral systems. Although the project still continues, it has been decided to discontinue the development 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.

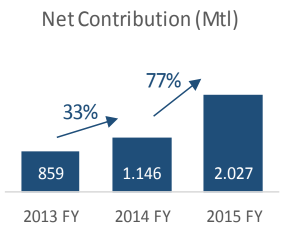
- Full year RoE is 23% (30% before write-off)

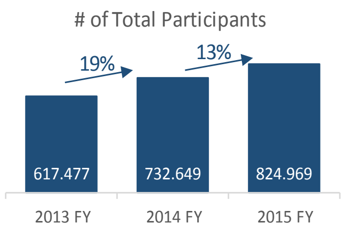
- Value of new business (VNB) the long-term profitability measure of the new sales is up 19% to 236.4 Mtl (2014: 198.5 Mtl)

Topline Volumes

- Pension volumes continued to grow at a rapid pace in 2015 despite the fact that underlying assets did not perform very well. AvivaSA is the market leader in terms of Pensions AuM since June.

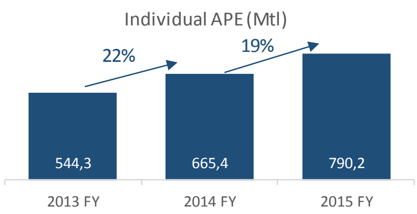


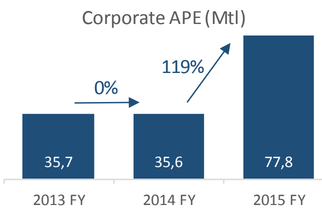


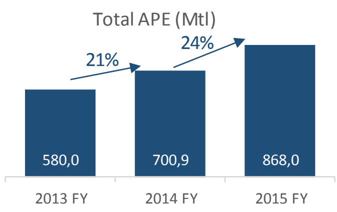


**Source: Pension Monitoring Center 01.01.2016*

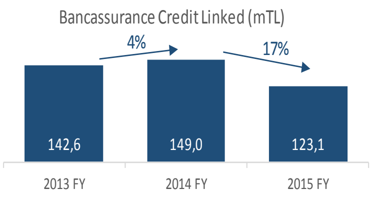
- Single premiums and corporate fund transfers helped to fuel the AuM growth in 2015
- Number of participants reached 825k with an increase of 92.3k
- Our focus has been on growing the APE that increased by 24% in total;

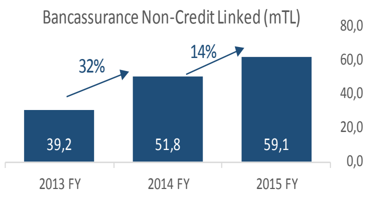


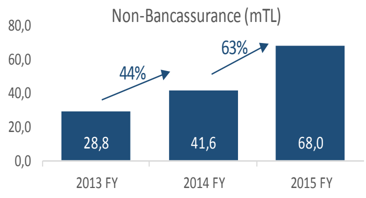




- Total Protection gross written premiums reached 250.2 Mtl; slightly higher (2%) than prior year.







- Increase in non-bancassurance (DSF, Agencies, Corporate, and Telemarketing) protection sales by 63% compensated 17% decrease in credit-linked premiums

IFRS Segmental Results

IFRS (m TL)	2014 FY	2015 FY	Change
Savings	2,9	2,9	-1%
Life Protection	103,4	108,1	5%
Personal Accident	15,2	22,2	47%
Pension	114,2	138,7	21%
Total Technical Income	**235,6**	**271,9**	**15%**
Total General Expenses	**-168,0**	**-184,0**	**10%**
Net Technical Profit	**67,7**	**87,8**	**30%**
Total Investment & Other Income	**42,2**	**49,8**	**18%**
Total Tax	**-22,8**	**-28,1**	**23%**
Net Profit before write-off	**87,1**	**109,6**	**26%**
One-off Asset write-off (net of tax)		**-29,1**	
Net Profit after write-off	**87,1**	**80,5**	**-8%**
Expense Ratio	**12,5%**	**8,3%**	**-4%**

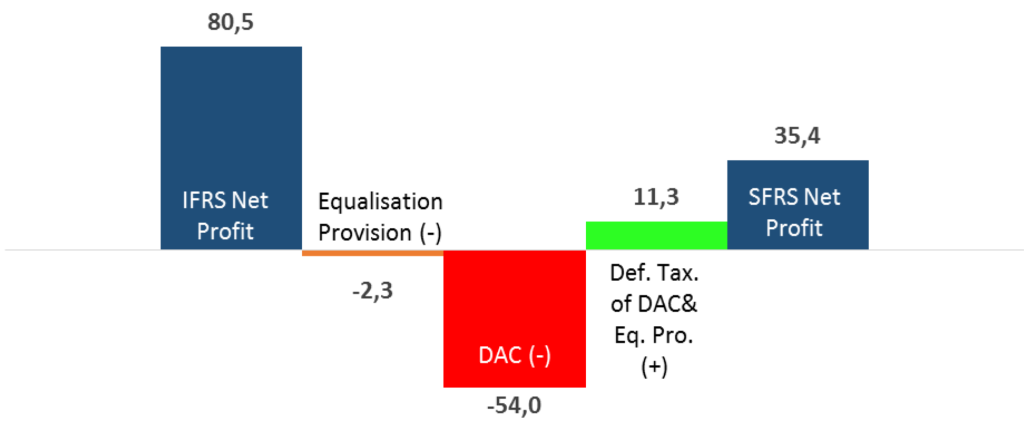
- Total technical profit grew by 15% driven by pension and personal accident businesses that grew by 47% and 21% respectively.
    - Growing pension business in terms of AuM (+29%) and net contributions (+77%), leading to a solid increase in technical profit, main driver being the fund management income
    - Life protection technical profit is slightly higher than previous year due to the effects of a dormant credit segment
    - Personal accident technical profitability also grew very strongly at 47% driven mainly by reserve releases
- General expenses for the year was 184.0 Mtl increasing by 10%. Expense ratio decreased to 8.3% due to significant growth in pension net contributions.
- Total investment and other income increased by 18% and reached 49.8Mtl driven mainly by foreign exchange income and higher interest rates.

Statutory / SFRS Results

SFRS (m TL)	2014 FY	2015 FY	Change
Life	39,9	44,1	11%
Non-Life	-1,7	6,4	na
Pension	-19,5	-16,0	18%
Net Technical Profit	**18,7**	**34,5**	**84%**
Total Investment & Other Income	**39,7**	**46,9**	**18%**
Tax	**-12,5**	**-16,8**	**35%**
Net Profit before write-off	**45,9**	**64,5**	**41%**
One-off Asset write-off (net of tax)		**-29,1**	
Net Profit after write-off	**45,9**	**35,4**	**-23%**

- Net profit for the year was 35.4 Mtl with a decrease of 23% due to one-off asset write-off
- Total net technical profit increased by 84%
    - Life (including life savings) net technical profit after general expenses was 44.1 Mtl increasing by 11%
    - Non-life (personal accident) net technical profit after general expenses increased to 6.4 Mtl profit from a 1.7 Mtl loss
    - Pension net technical loss after general expenses decreased to 16.0 Mtl from 19.5 Mtl due to an increase in income from the in-force

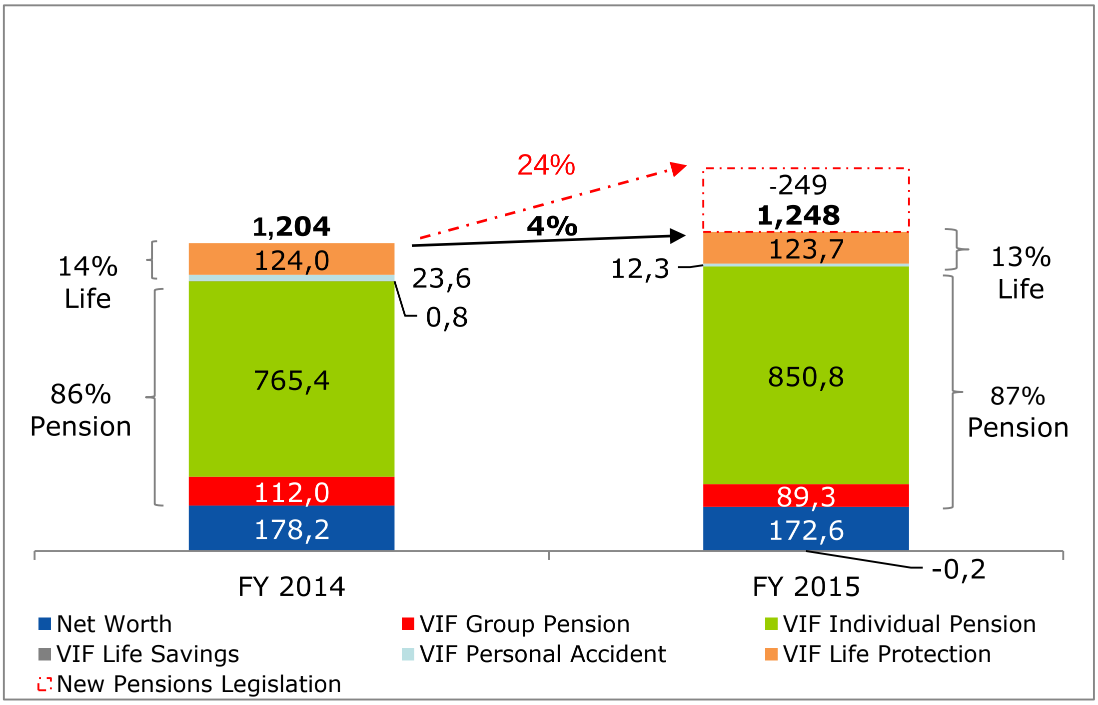
Bridging from IFRS to Statutory Profit



Market Consistent Embedded Value

(m TL)	FY 2014	FY 2015	FY 2014 v FY 2015
Value of In-Force	**1,025.8**	**1,075.8**	**4.9%**
Present Value of Future Profits	1,101.1	1,265.1	14.9%
Frictional Costs	-9.8	-23.0	133.7%
Cost of Non-Hedgeable Risks	-65.5	-166.2	153.8%
Time Value of Options & Guarantees	0.0	0.0	N/A
Net Worth	**178.2**	**172.6**	**-3.2%**
Free Surplus	53.5	-6.9	-112.9%
Required Capital	124.8	179.5	43.9%
Market Consistent Embedded Value	**1,204.0**	**1,248.4**	**3.7%**

Source: Company data, unaudited results



Source: Company data, unaudited results

- MCEV growth is flat year-on-year, primarily due to the impact of the new pensions legislation which has reduced one sixth of the embedded value
- Despite the legislation change, pensions VIF has grown by 7% over the year due to expense and lapse assumption changes. Activity based costing (ABC) approach has been used for setting expense assumptions
- Net worth is slightly lower due to the dividend payment of 39.7 Mtl during the year
- Life VIF is at the same level with offsetting movements between long-term credit-linked life and return of premium

- Long-term credit-linked life protection back book reserves are lower thereby reducing the margin release resulting in lower VIF, a reduction of -21 Mtl

- Return of premium reserves have trippled as at the end of 2015 increasing the VIF by 20.1 Mtl year-on-year

New Business

(m TL)	FY 2014	FY 2015	Change
Life Protection	95.1	79.0	-17%
Personal Accident	18.2	4.7	-74%
Pensions	85.3	152.7	79%
Value of New Business	**198.5**	**236.4**	**19%**

(m TL)	FY 2014	FY 2015	Change
Life Protection	290.0	350.6	21%
Personal Accident	56.6	63.9	13%
Pensions(*)	3,380.3	4,282.1	27%
Present Value of New Business Premiums	**3,726.9**	**4,696.6**	**26%**

(*): Including State Contribution

	FY 2014	FY 2015	Change
Life Protection	32.8%	22.5%	-10.3%
Personal Accident	32.1%	7.3%	-24.8%
Pensions	2.5%	3.6%	1.0%
New Business Margin	**5.3%**	**5.0%**	**-0.3%**

Source: Company data, unaudited results

- Sales as measured by present value of new business premiums (PVNBP) up 26%, whereas VNB growth is at 19% year-on-year due to new business mix

- Muted growth of the long-term credit-linked life protection sales have been successfully offset by the growth of the retail life sales

- Retail life protection sales have grown by 79% on a PVNBP basis. Agency channel life protection sales were in the start-up stage a few years ago whereas it is now contributing more than a tenth of the life PVNBP sales

- Bancassurance pensions business has seen record volumes of single premiums, capitalizing on the strength of Akbank, our main bancassurance partner

- Overall, VNB is benefiting from expense assumption changes due to the activity based costing methodology, mainly for bancassurance pensions. An increase of the lapse rates for the long-term credit linked life protection business has slightly reduced the VNB

- The new expense assumptions have significantly affected the Personal Accident new business margins. Despite the inherently profitable nature of the underwriting margins of this segment, the corresponding post-assumption change new business margin better reflects the low ticket size of the products

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