H1 2016

EARNINGS RELEASE

Summary

Growth;

- Pension AuM grew by 30% has reached to 10.5 billion TL, supporting AvivaSA to maintain the market leadership since June 2015
- Pensions net contribution shrinkage is 24% due to higher lapse rates that effects the whole market but it is not expected to be permanent and one-off corporate transfers in 2015
- Total protection premiums growth by 31% mainly with the help of 64% increase in non-credit linked premiums whereas credit linked premiums growth is 8%

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;

  - H1 2015 net profit effect: -10.3 million TL
  - FY 2015 net profit effect: -17.6 million TL

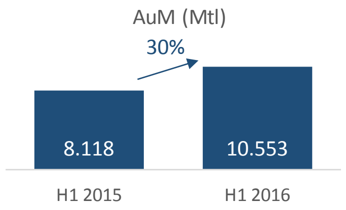
- This change does not affect the profitability or cash generation of this product, only the timing of profits is moved forward

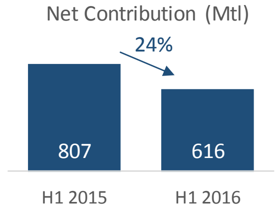
Profitability;

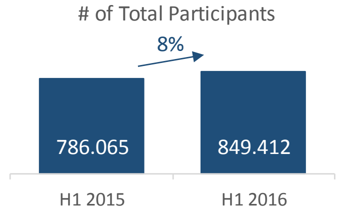
- Total technical income has grown by 23%. Despite higher level of expenses and significant pension price cuts, IFRS Net Profit is higher than restated prior year by 18% at 54.0 Mtl driven by growing protection and pension volumes
- Statutory profit is 36.1 Mtl and grew by 50%
- Annualized RoE is 29%

Topline Volumes

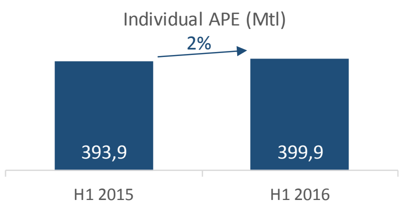
- AvivaSA is the market leader in terms of Pensions AuM since June 2015
- Strong pension fund asset performance helped AuM growth
- Number of participants reached 849k with an increase of 63.3k
- Pension contributions decreased with respect to prior year due to higher lapse rate and one-off corporate transfers in 2015

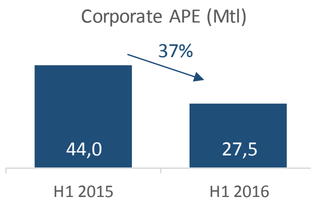


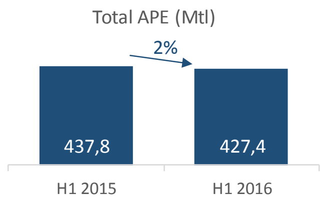




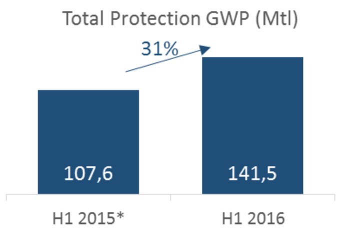
Source: Pension Monitoring Center 30.06.2016







- Total Protection gross written premiums reached 141.5 Mtl; higher (31%) than restated prior year



**restated figures*

IFRS Segmental Results

IFRS (m TL)	H1 2015*	H1 2016	Change
Savings	1,0	1,4	44%
Life Protection	40,5	58,8	45%
Personal Accident	11,7	11,7	0%
Pension	67,0	75,4	13%
Total Technical Income	**120,3**	**147,4**	**23%**
Total General Expenses	**-89,9**	**-102,1**	**14%**
Net Technical Profit	**30,4**	**45,3**	**49%**
Total Investment & Other Income	**27,2**	**22,5**	**-17%**
Total Tax	**-11,7**	**-13,8**	**18%**
Net Profit	**45,9**	**54,0**	**18%**

**restated figures*

- Total technical profit grew by 23% driven by protection and pension business that grew by 45% and 13% respectively
    - Growing pension business in terms of AuM (+30%), leading to an increase in technical profit, main driver is still the fund management income which is directly related to Fund AuM

- Life protection technical profit is 45% higher than prior year due to higher non-credit linked sales
- Despite increased Personal Accident volumes, technical profit is at the prior year level due to increase in reserves

➢ General expenses for the year was 102.1 Mtl increasing by 14%. Expense ratio increased to 13.9% due to higher IT related expenses and lower pension net contributions with respect to prior year

➢ Total investment and other income decreased by 17% due to foreign exchange loss.

Statutory / SFRS Results

SFRS (m TL)	1H 2015*	1H 2016	Change
Life	9,4	25,7	172%
Non-Life	3,9	2,4	-37%
Pension	-8,5	-4,3	49%
Net Technical Profit	**4,9**	**23,8**	**389%**
Total Investment & Other Income	**25,4**	**17,3**	**-32%**
Tax	**-6,2**	**-5,0**	**-19%**
Net Profit	**24,1**	**36,1**	**50%**

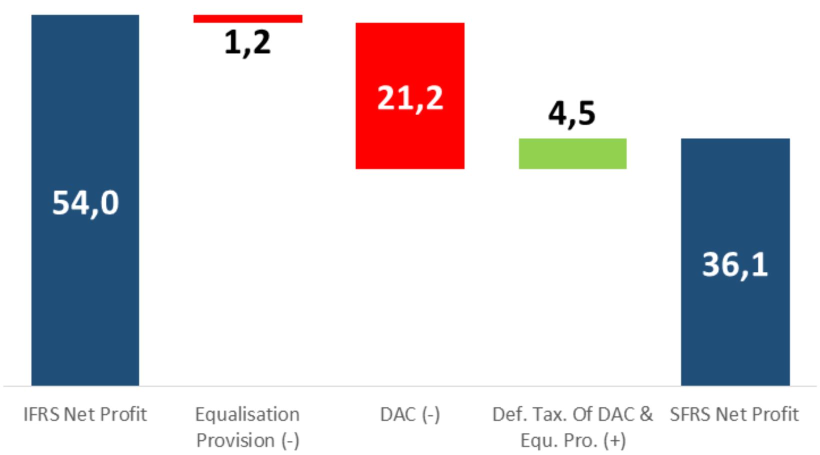
**restated figures*

➢ Net profit for the period is 36.1 Mtl with an increase of 50%

➢ Total net technical profit is significantly higher than prior year

- Life (including life savings) net technical was fueled by higher non-credit linled protection volumes.
- Non-life (personal accident) net technical profit after general expenses decreased to 2.4 Mtl mainly due to higher reserves with respect to prior year.
- Pension net technical loss after general expenses decreased to (4.3) Mtl due to growing portfolio.

Bridging from IFRS to Statutory Profit



Market Consistent Embedded Value

(m TL)	HY 2015	FY 2015	HY 2016	FY 2015 v HY 2016
Value of In-Force	**1,107.2**	**1,075.8**	**1,207.2**	**12.2%**
Present Value of Future Profits	1,190.6	1,265.1	1,418.0	12.1%
Frictional Costs	-11.6	-23.0	-22.9	N/A
Cost of Non-Hedgeable Risks	-71.7	-166.2	-187.9	N/A
Time Value of Options & Guarantees	0.0	0.0	0.0	0.0%
Net Worth	**172.8**	**172.6**	**163.6**	**-5.2%**
Free Surplus	44.7	-6.9	-22.2	N/A
Required Capital	128.1	179.5	185.8	3.5%
Market Consistent Embedded Value	**1,280.1**	**1,248.4**	**1,370.8**	**9.8%**

Source: Company data, unaudited results

- MCEV as at 30 June 2016 is 1.4bn TL up 10% from start of the year
- AvivaSA has a positive surplus on as statutory basis despite -22.2m TL of free surplus
- Present Value of Future Profits (PVFP) for the pensions segment reflect the impact of the new legislation for FY15 and HY16
- Projected premiums within PVFP are not affected by the restatement in respect of the Return of Premium product. Similarly, no change in value of new business and new business margin

New Business

(m TL)	HY 2015	HY 2016	Change (%)
Life Protection	40.3	43.1	7%
Personal Accident	9.2	2.1	-78%
Pensions	55.3(*)	51.9	-6%
Value of New Business	**104.8**	**97.1**	**-7%**

(*): HY15 Pensions VNB excludes legislation change impact

(m TL)	HY 2015	HY 2016	Change (%)
Life Protection	154.4	228.6	48%
Personal Accident	30.6	35.9	17%
Pensions (**)	2,233.1	1,931.1	-14%
Present Value of New Business Premiums	**2,418.1**	**2,195.6**	**-9%**

(**): Including State Contribution

(m TL)	HY 2015	HY 2016	Change (Diff.)
Life Protection	26.1%	18.8%	-7.3%
Personal Accident	30.0%	5.7%	-24.3%
Pensions	2.5%(*)	2.7%	0.2%
New Business Margin	**4.3%**	**4.4%**	**0.1%**

Source: Company data, unaudited results

- Sales as measured by present value of new business premiums (PVNBP) is 2.2bn TL in a challenging environment

- Value of new business (VNB) is 97.1m TL with new business margin in line with the first six months of 2015

- Half-year 2015 Pensions VNB do not reflect the legislation change impact in line with the MCEV CFO Forum Principles

- Pensions margin has improved to 2.7% from 2.5% due to expense assumption changes, increase in the minimum wage leading to higher fee income and management actions despite lower projected profits following the legislation change

- Life protection sales are up 48% 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

- The new expense assumptions have significantly affected the Personal Accident new business margin. 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