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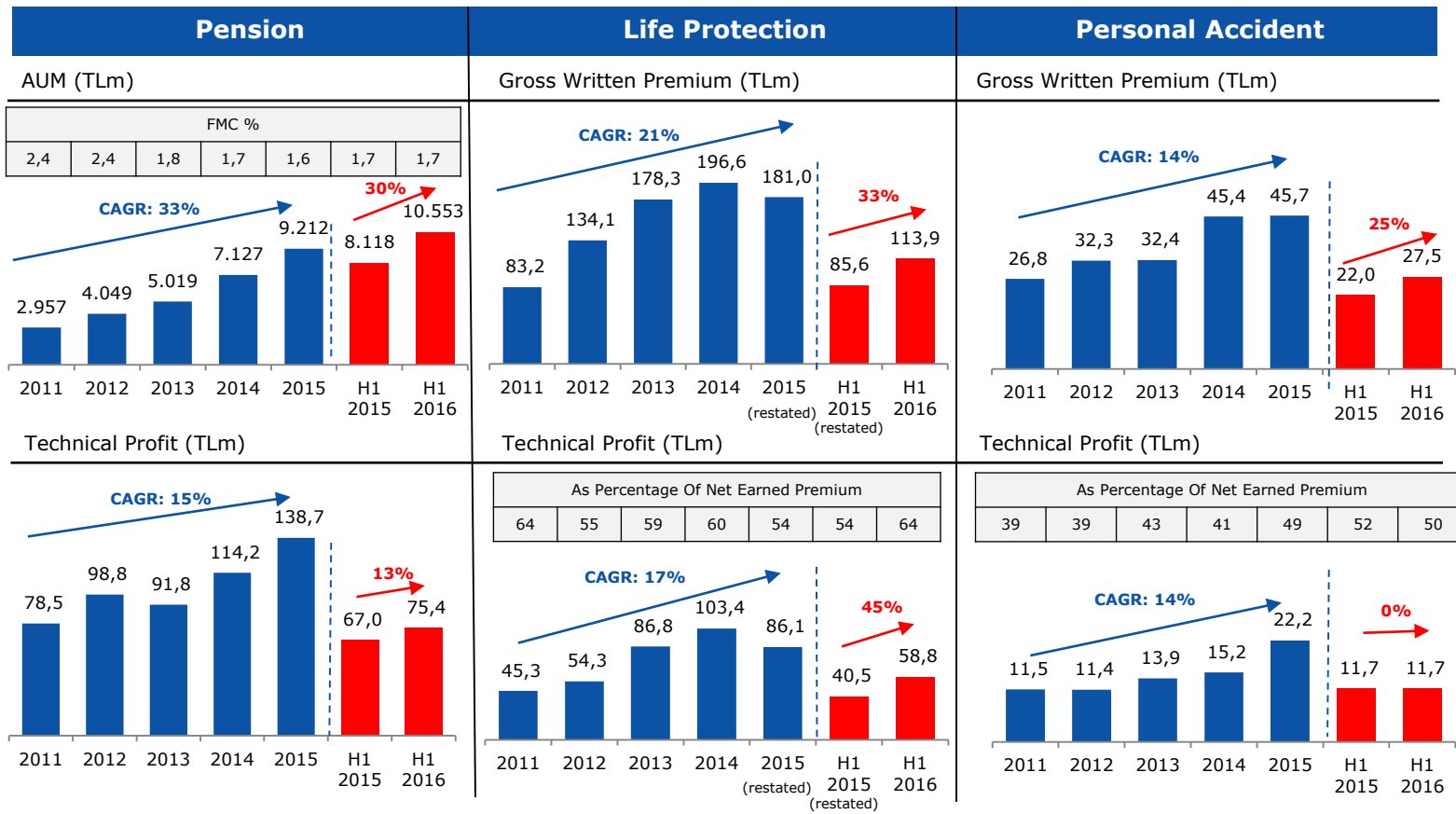
# 2016 H1 Results

August 2016





# Differentiated Management of Trends and Dynamics per Segment



Source: Company information.

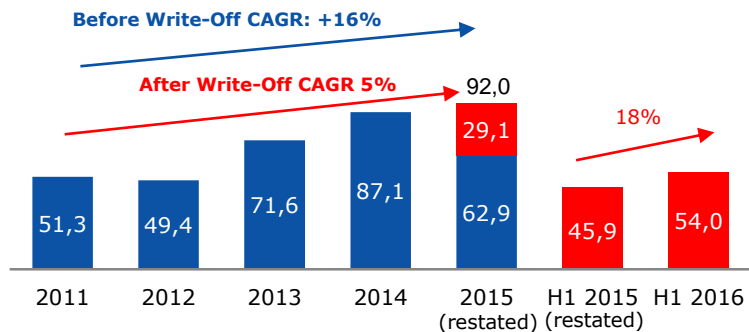


# Solid Financial Foundations and Historical Track Record of Value Creation

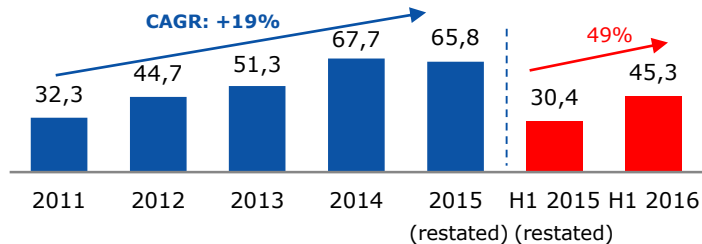
	Q2 2016	YOY/ $\Delta$	
<b>Pension Contributions</b>	616 mTL	-24%	<ul style="list-style-type: none"><li>• AvivaSA has maintained #1 position in terms of AuM</li><li>• Growing Life&amp;PA business supporting by non-credit linked products</li></ul>
<b>Total AUM</b>	10,6 bTL	30%	
<b>Total GWP (Life+PA)</b>	147 mTL	29%	<ul style="list-style-type: none"><li>• Steady increase thanks to pension scalability and protection segments</li></ul>
<b>Total Technical Profit</b>	147 mTL	23%	
<b>Expense Ratio<sup>(1)</sup></b>	13.8%	-4 pts	<ul style="list-style-type: none"><li>• Increase in expenses for Q2 and also decrease in pension contribution</li></ul>
<b>Profit for the Period</b>	54,0 mTL	18%	<ul style="list-style-type: none"><li>• Increase in technical profit was offset by increase in expenses. Also financial income is lower than prior year due to fx loss.</li></ul>
<b>ROE</b>	29%	2 pts	<ul style="list-style-type: none"><li>• One of the leaders in the sector</li><li>• High ROE level</li></ul>
<b>VNB</b>	97 mTL	-7%	<ul style="list-style-type: none"><li>• Lower VNB due to a slowdown in pension sales in a challenging environment</li><li>• Long-term value growth is intact</li></ul>
<b>MCEV</b>	1,371 mTL	10% (ytd)	

Note: Segmental reporting data (1) General expenses, as % of insurance GWP and pension net contributions.

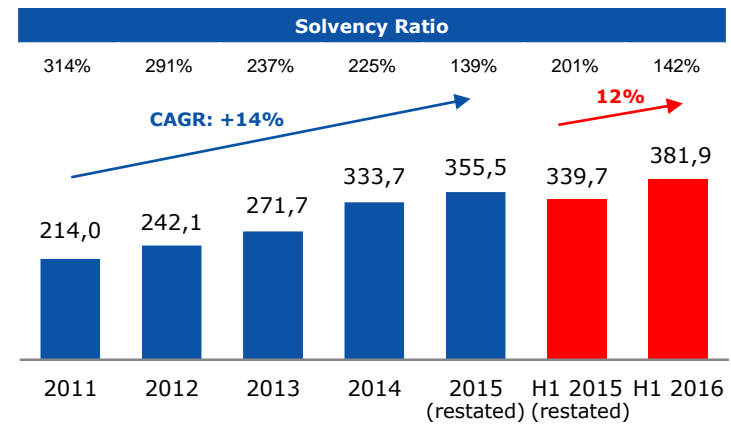
## Profit for the Period (TLm)



## Technical Profit After G&A (TLm) ≈ EBIT



## Shareholders' Equity and Solvency Ratio (TLm)



	2011	2012	2013	2014	2015 (restated)	H1 2015 (restated)	H1 2016
ROE	27%	22%	28%	29%	18%*	27%	29%

\*18% RoE is after one-off asset write-off. Before write-off RoE is 26%

- ✓ During the period under review, AvivaSA's profitability has been robust and growing YoY. The plateau in 2012 was essentially driven by market conditions leading to reduced investment income; the underlying operating business remained solid in that year

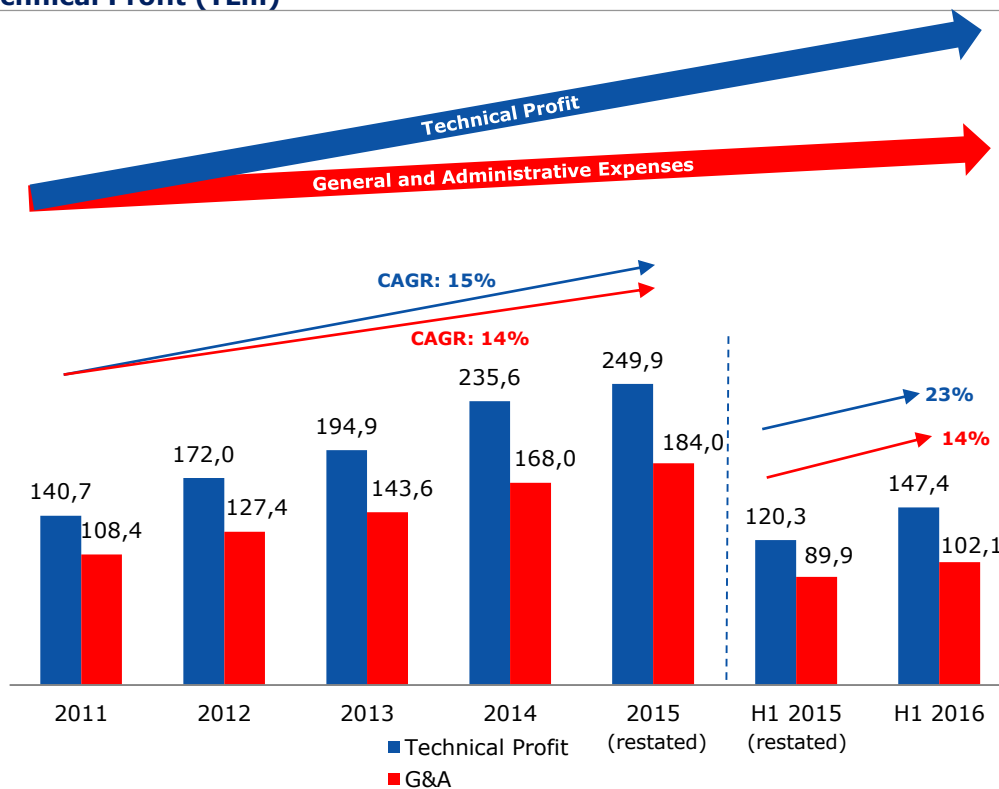
- ✓ Steady increase in shareholders' equity reflects active management of capitalization to fund business growth
- ✓ Capital-light business, which benefits from AvivaSA's measured approach to risk and new product introduction

Source: Company information.

Note: Analysis on profitable growth derives from segmental information on this and following pages of the section, unless otherwise stated.

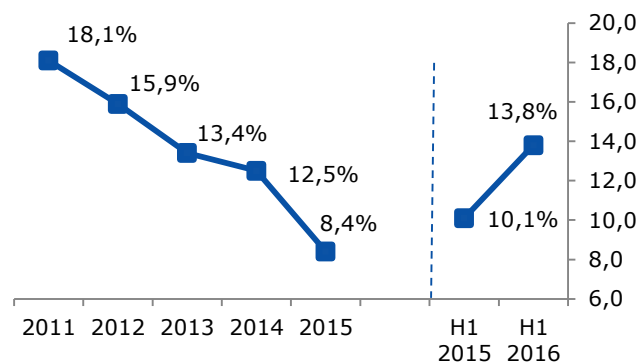
# ...Solid and Resilient Technical Profitability with Operating Leverage Potential...

## Technical Profit (TLm)

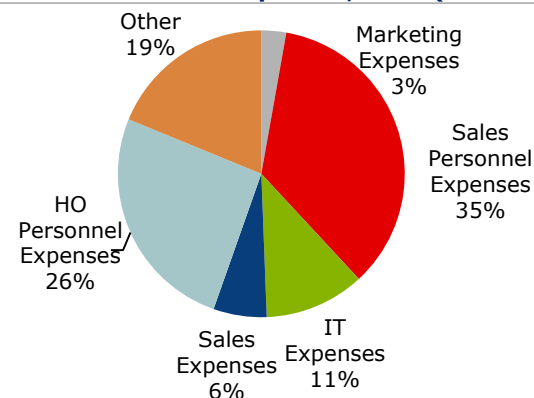


## Expense Ratio (%)

As % of net contributions (for pensions) and gross written premiums (for insurance segments)



## Breakdown of Gen. Expenses, IFRS (H1 2016)



Source: Company information.

	2011	2012	2013	2014	2015 (restated)	CAGR	H1 2015 (restated)	H1 2016	YoY
Pension Technical Profit	78,5	98,8	91,8	114,2	138,7	15%	67,0	75,4	13%
Life Protection Technical Profit	45,3	54,3	86,8	103,4	86,1	17%	40,5	58,8	45%
Life Savings Technical Profit	5,5	7,5	2,4	2,9	2,9	-15%	1,0	1,4	44%
Personal Accident Technical Profit	11,5	11,4	13,9	15,2	22,2	18%	11,7	11,7	0%
<b>Total Technical Profit</b>	<b>140,7</b>	<b>172,0</b>	<b>194,9</b>	<b>235,6</b>	<b>249,9</b>	<b>15%</b>	<b>120,3</b>	<b>147,4</b>	<b>23%</b>
General and Administrative Expenses	-108,4	-127,4	-143,6	-168,0	-184,0	14%	-89,9	-102,1	14%
<b>Total Technical Profit after G&amp;A Expenses</b>	<b>32,3</b>	<b>44,7</b>	<b>51,3</b>	<b>67,7</b>	<b>65,8</b>	<b>19%</b>	<b>30,4</b>	<b>45,3</b>	<b>49%</b>
Total Investment Income & Other	29,8	20,6	39,8	42,2	49,8	14%	27,2	22,5	-17%
Profit Before Taxes	62,1	65,2	91,1	109,9	115,6	17%	57,6	67,8	18%
<b>Profit for the Period (Before Write-Off)</b>	<b>51,3</b>	<b>49,4</b>	<b>71,6</b>	<b>87,1</b>	<b>92,0</b>	<b>16%</b>	<b>45,9</b>	<b>54,0</b>	<b>18%</b>
One-off Asset Write-Off Effect (net of tax)					-29,1				
<b>Profit for the Period (After Write-Off)</b>	<b>51,3</b>	<b>49,4</b>	<b>71,6</b>	<b>87,1</b>	<b>62,9</b>	<b>5%</b>	<b>45,9</b>	<b>54,0</b>	<b>18%</b>

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.

Source: Company information, IFRS and segmental reporting.



# Pension – Summary P&L

## Pension Technical Profit (TLm)

	2011	2012	2013	2014	2015	CAGR	H1 2015	H1 2016	YoY
<b>Fund Management Income<sup>(1)</sup></b>	57,5	74,6	69,0	87,0	111,3	18%	51,7	66,6	29%
<b>Management &amp; Entry/Exit Fee<sup>(2)</sup></b>	44,1	52,0	48,2	66,6	78,8	16%	39,4	35,8	-9%
<b>Other Income/(Expenses)</b>	-4,4	-5,4	-5,8	-7,4	-8,8	19%	-3,9	-4,4	14%
<b>Net Commission Expenses (of which)</b>	-18,7	-22,4	19,6	-32,0	-42,7	23%	-20,2	-22,6	12%
- Commission Ex.	-31,0	-29,1	-56,6	-70,2	-89,3	30%	-43,7	-43,9	1%
- DAC	12,3	6,7	37,0	38,2	46,6	40%	23,5	21,4	-9%
<b>Technical Profit</b>	<b>78,5</b>	<b>98,8</b>	<b>91,8</b>	<b>114,3</b>	<b>138,7</b>	<b>15%</b>	<b>67,0</b>	<b>75,4</b>	<b>13%</b>

## Key Profit Drivers

- Pension volume (Contribution and AUM)
- Lapses and Retention
- New Pension Fee Structure (management fee redefined)
- Commission Expenses / DAC

✓ New pension legislation that reduced pricing is started as of 01.01.2016

Source: Company information, IFRS and segmental reporting.  
Note: (1) Net of AK asset charges. (2) Charge including premium holiday



# Life Protection – Summary P&L

## Life Protection Technical Profit (TLM)

(Excluding Life Savings)

	2011	2012	2013	2014	2015 (restated)	CAGR	H1 2015 (restated)	H1 2016	YoY
<b>Gross Written Premiums</b>	83,2	134,1	178,3	196,6	181,0	21%	85,6	113,9	33%
<b>Earned Premiums</b>	<b>70,4</b>	<b>98,6</b>	<b>148,3</b>	<b>171,1</b>	<b>158,1</b>	<b>22%</b>	<b>74,6</b>	<b>91,9</b>	<b>23%</b>
<b>Total Claims</b>	-14,4	-20,5	-32,7	-37,5	-42,8	31%	-20,7	-19,7	-5%
Claims Ratio	19,8%	18,5%	14,8%	17,7%	22,3%		22,1%	17,3%	
<b>Commission Expenses</b>	-11,2	-22,7	-27,8	-29,4	-28,3	26%	-13,0	-13,4	4%
Comm.Ratio*	15,9%	23,1%	18,8%	17,2%	17,9%		17,4%	14,6%	
<b>Other Income/ (Expense), Net</b>	0,4	-1,1	-1,0	-0,9	-0,9		-0,4	-0,0	
<b>Technical Profit</b>	<b>45,3</b>	<b>54,3</b>	<b>86,8</b>	<b>103,4</b>	<b>86,1</b>	<b>17%</b>	<b>40,5</b>	<b>58,8</b>	<b>45%</b>
Technical Margin	64,3%	55,0%	58,5%	60,4%	54,5%		54,3%	63,9%	

## Key Profit Drivers

- Net earned premium volumes
- Death and Benefits claims
- Surrender levels
- Commission Expenses

✓ Overall life protection technical profit is positive due to the high technical profitability of the product coupled with cost efficient operating model, and this is valid throughout all periods under review

Source: Company information, IFRS and segmental reporting.  
\* Comm Ratio= Commission Paid / Gross Written Premium





# Personal Accident – Summary P&L

## Personal Accident Technical Profit (TLM)

	2011	2012	2013	2014	2015	CAGR	H1 2015	H1 2016	YoY
<b>Gross Written Premiums</b>	26,8	32,3	32,4	45,4	45,7	14%	22,0	27,5	25%
<b>Earned Premiums</b>	<b>29,1</b>	<b>29,6</b>	<b>32,1</b>	<b>36,6</b>	<b>45,6</b>	<b>12%</b>	<b>22,6</b>	<b>23,6</b>	4%
<b>Total Claims</b>	-5,0	-4,9	-3,2	-4,5	-2,3	-17%	-0,3	-1,7	466%
Claims Ratio	17,2%	16,6%	10,0%	12,3%	5,1%		1,3%	7,1%	
<b>Commission Expenses</b>	-12,6	-13,2	-14,8	-16,9	-20,9	13%	-10,6	-10,1	-4%
Comm.Ratio*	43,4%	44,7%	46,1%	46,1%	46,0%		46,7%	42,9%	
<b>Other Income/(Expense), Net</b>	0,0	0,0	-0,2	0,0	0,0		-0	-0	
<b>Technical Profit</b>	<b>11,5</b>	<b>11,4</b>	<b>13,9</b>	<b>15,2</b>	<b>22,2</b>	<b>18%</b>	<b>11,7</b>	<b>11,7</b>	<b>0%</b>
Technical Margin	39,4%	38,7%	43,4%	41,5%	48,8%		51,8%	49,7%	

## Key Profit Drivers

- Net earned premium volumes
- Accident / Benefits claims
- Surrender levels
- Commission Expenses

Source: Company information, IFRS and segmental reporting.

\* Claims ratio = Claims Paid / Gross Written Premium



# Embedded Value and Value of New Business Disclosure



**AvivaSA is pioneering the disclosure of EV in Turkey; nevertheless, it is a widely used valuation basis in Europe and Asia**

**MCEV is an agreed set of DCF calculations that value both the capital of the firm and the value of the business already written**

**VNB is a measure of the economic value of the profits expected to emerge from new business written in the period where these expected profits are capitalised back to the reporting date**

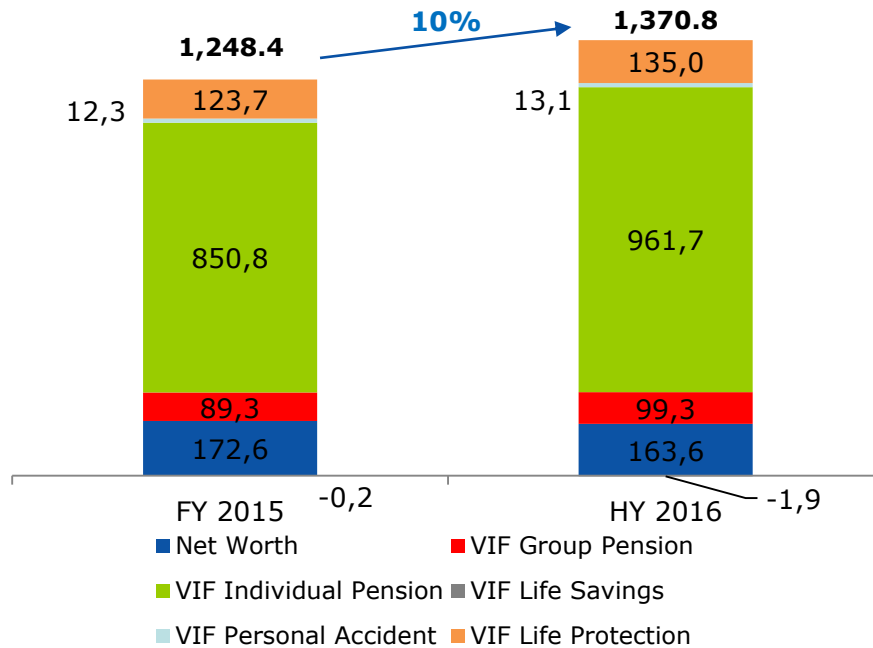
**AvivaSA has calculated and used MCEV metrics for years:**

- **Reported in Aviva accounts since 2008 (including 2007 restatements)**
- **It is a KPI on business by channel and product line**
- **Integral to business decisions**



# MCEV: A long-term value growth story

## MCEV (TLm)



## Comments

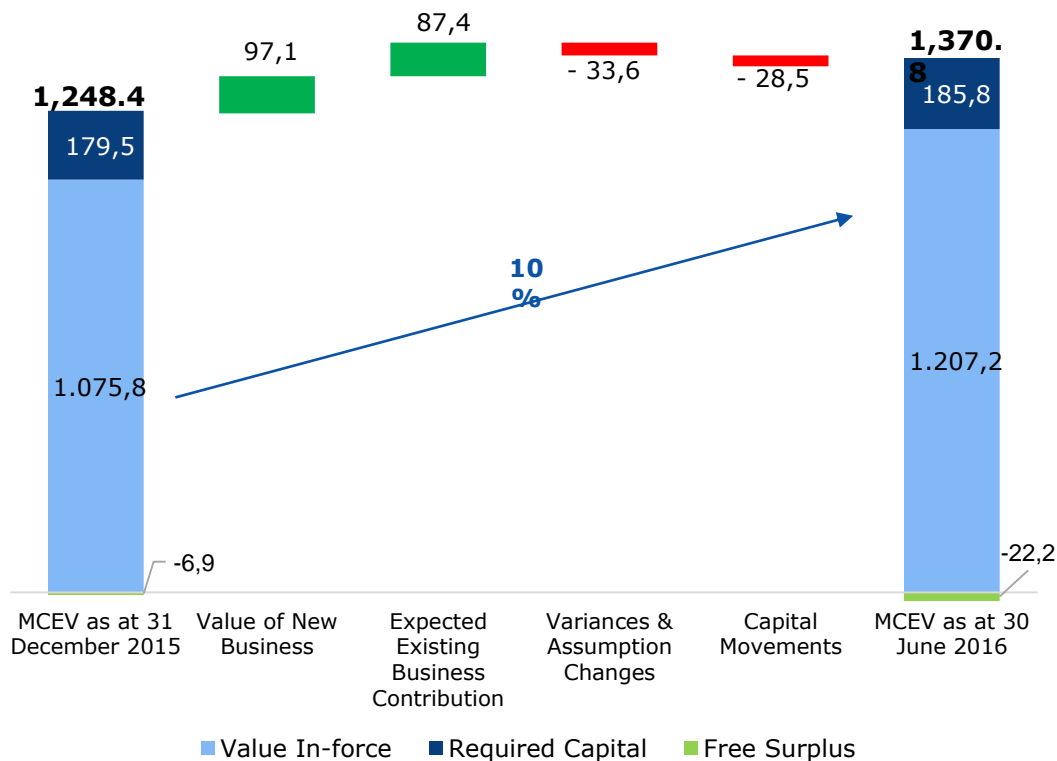
- VIF is the main driver behind AvivaSA's MCEV growth
- ... supported by strong profit emergence
- Projected profits within VIF reflect underlying experience in line with company data
- No change in Pensions VIF growth trajectory after the legislation change launched on the 1<sup>st</sup> of January 2016
- Significant headroom to grow life protection segment
- Lower net worth following the dividend payment of 30.9m TL in Q1 2016

Source: Company data, unaudited results



# Analysis of MCEV Earnings: Breakdown of the value chain

## MCEV Reconciliation (TLm)



- MCEV growth is driven by VNB, a typical characteristic of an emerging market insurance company, followed by the expected return which is the unwinding of the discount rate in the year
- Lapse variance of -20.4m TL is mainly arising from the volatile persistency experience as seen in the market
- Expense variance of -8.1m TL due to higher than expected expenses, where a slight positive offset from mortality variance of 1.4m TL
- Restatement of the prior year is reflected within the variances as Prior Period Adjustments, an impact of -18.9m TL
- Economic variances is 11.8m TL due to a year-to-date lower Turkish Lira swap curve, thereby increasing the present value of the fee income of the pensions business
- Dividend payments of 30.9m TL during the year are shown under the Capital Movements with some unrealised gains

Source: Company data, unaudited results



# Profitable new business across the board

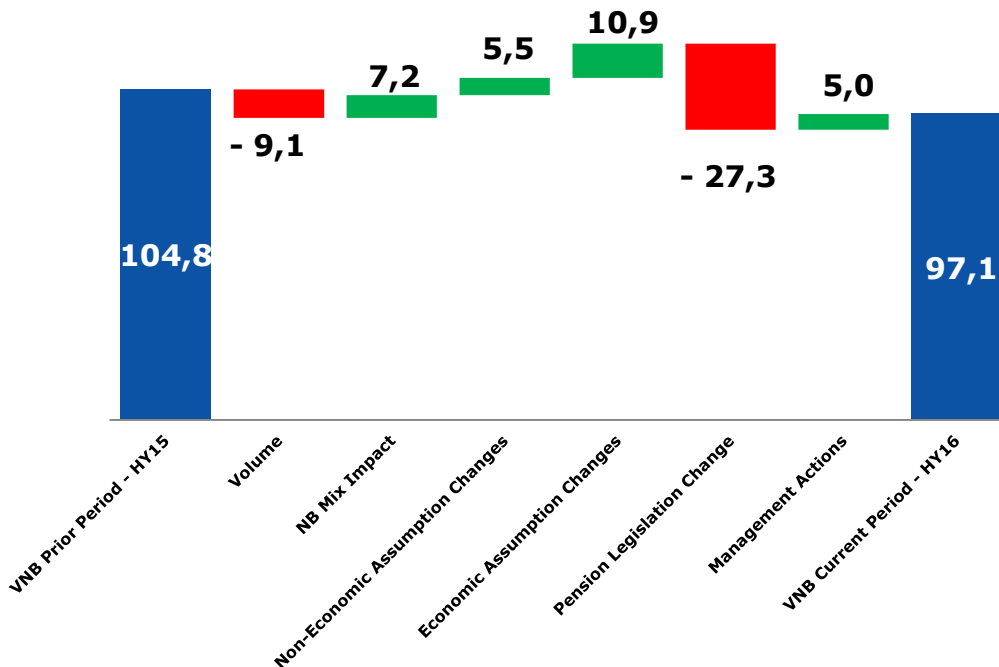
	Pension		Life Protection		Personal Accident		Total	
	2015 HY	2016 HY	2015 HY	2016 HY	2015 HY	2016 HY	2015 HY	2016 HY
<b>PVNB (TLm)</b> <b>(PVNB mix)</b>	2,233.1 92%	-14% 1,931.1 88%	154.4 6%	48% 228.6 10%	30.6 1%	17% 35.9 2%	2,418.1 100%	-9% 2,195.6 100%
<b>VNB (TLm)</b> <b>(VNB mix)</b>	55.3 53%	-6% 51.9 54%	40.3 38%	7% 43.1 44%	9.2 %9	-78% 2.1 %2	104.8 100%	-7% 97.1 100%
<b>New Business Margin (%)</b>	2.5% 2015	2.7% 2016	26.1% 2015	18.8% 2016	30.0% 2015	5.7% 2016	4.3% 2015	4.4% 2016
<b>IRR (%)</b> <b>Payback (in years)</b>	20.9% 5.4	25.9% 3.9	134.9% 0.9	84.8% 0.9	159.1% 0.5	30.4% 1.0	35.7% 2.4	36.0% 2.5

Source: Company data, unaudited results



# A step-by-step analysis of VNB to HY16

## VNB Bridging (TLm)



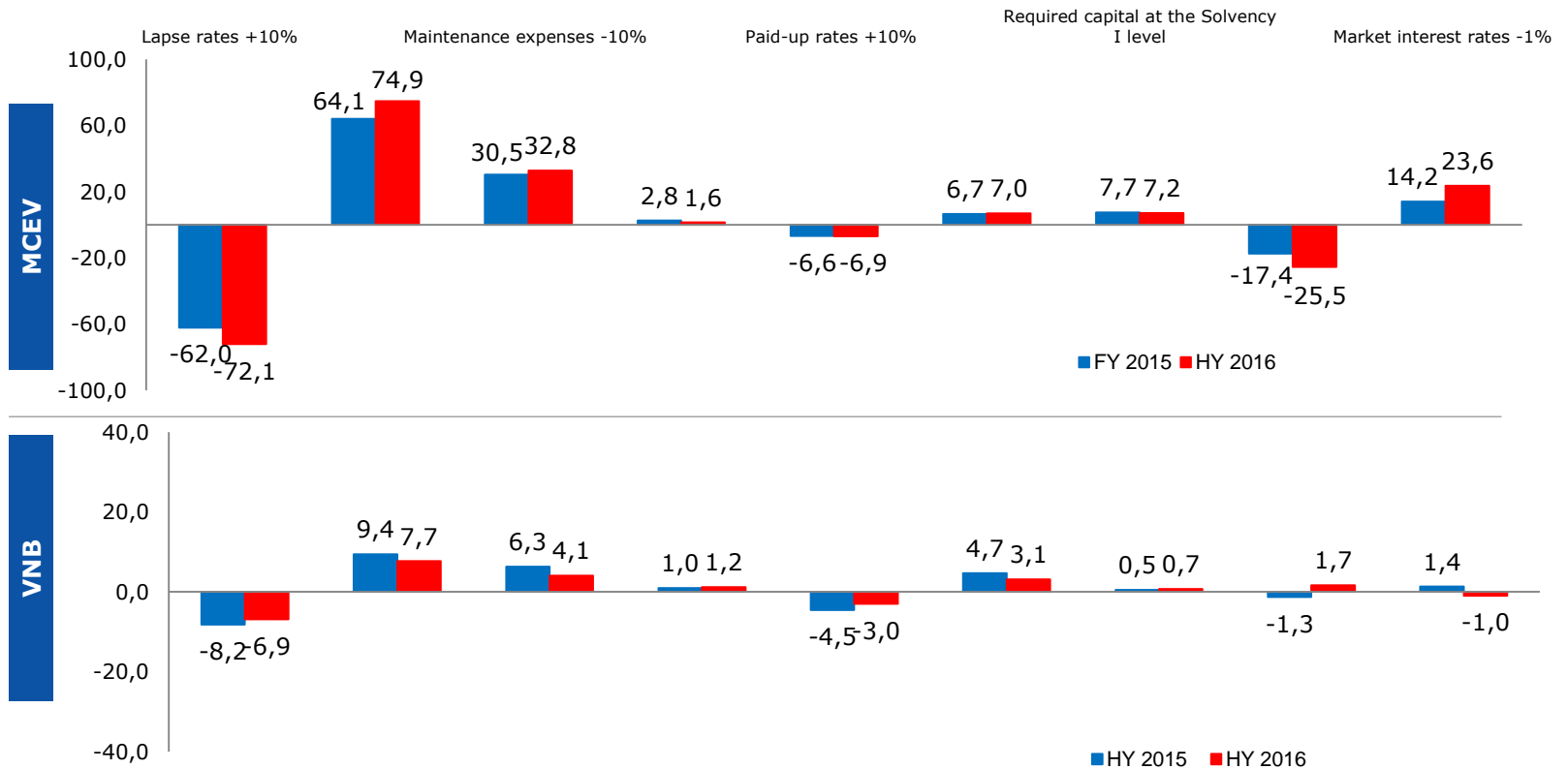
- Slowdown in pensions sales have reduced VNB in terms of volume impact
- Positive new business mix impact from life protection segment
- Non-economic assumptions are primarily from the expense assumption changes in light of the activity based costing
- Economic assumption changes include the increase in minimum wage, thereby leading to higher projected pensions fee income
- Pensions legislation impact reduces VNB due to lower projected pensions fees
- Management actions to re-negotiate remuneration with distribution channels to better reflect the underlying profitability of the pensions legislation

Source: Company data, unaudited results



# MCEV and VNB Sensitivities

## Sensitivities (TLm)



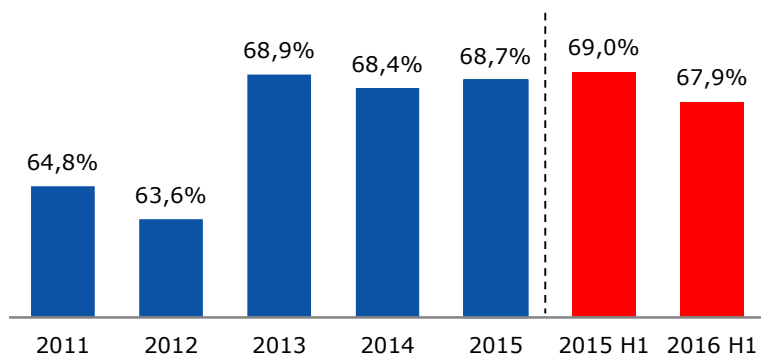
Source: Company data, unaudited results



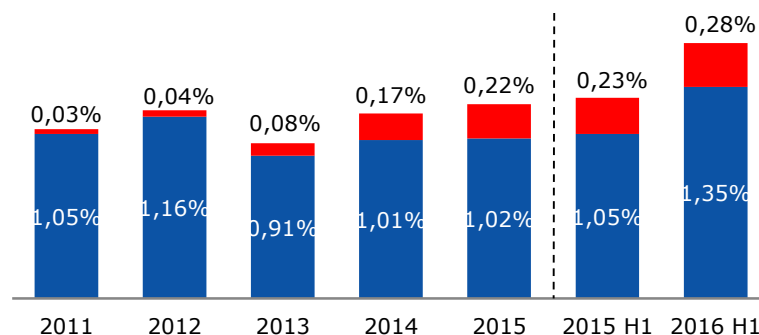
## Appendix – Financial Section

# Pension Retention and Persistency at the Forefront of our Strategy

Collection Rate<sup>(1)</sup> (%)



Total Monthly Exit Rate<sup>(1)</sup> (Lapse + Maturity) (% AUM)



- Government incentives for pension were introduced in 2012 and 2013 and AvivaSA campaigns and actions to improve collection rates were successful
- AvivaSA seeks to further increase policy persistency through enhancements to its customer service offering, in particular by establishing a more refined customer segmentation and management model and leveraging further channel integration with CRM infrastructure support
- AvivaSA is trying to enhance its retention through:
  - Remuneration model and performance management system includes persistency metrics
  - VIP customer visit procedure and quality control calls for visits
  - Customer Loyalty Program
  - Differentiated Orphan Customer management program
  - Regular “Retention Committee” meetings
  - Regular customer communications and specialized services including fund returns
  - Advantageous pension product offer to top segment customers
  - Automatic renewal process for stand alone life products

Source: Company information, IFRS and segmental reporting.

Note: (1) Based on information sourced from the operating system of the company and presented on an indicative only basis.



# Capital-Light Business Model with Strong Solvency Position

✓ Comfortable solvency ratios driven by a measured approach to risk and new product introductions, which affords the business scope and flexibility pursuing growth options and / or returning cash to shareholders

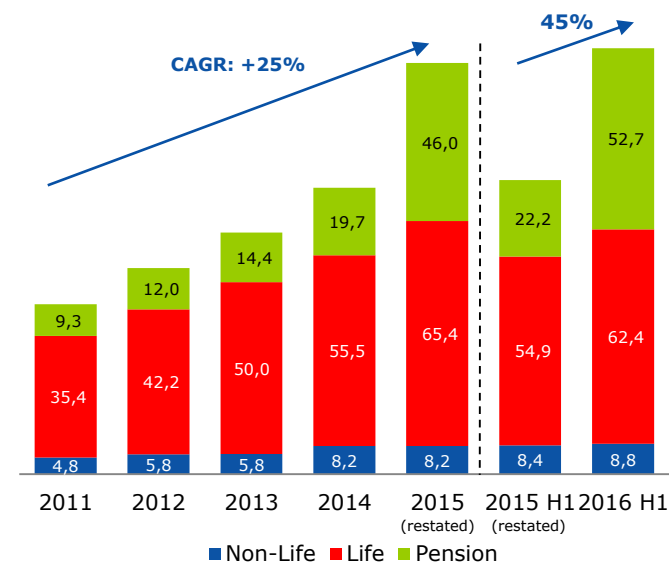
## Regulatory Capital Requirement

Calculation of net assets to cover solvency margin	December 31					H1 2015 (restated)	H1 2016
	2011	2012	2013	2014	2015 (restated)		
Total regulatory capital (Statutory Reporting)	155.2	174.8	166.3	187.4	166.4	171.8	176,2
Intangible assets	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-	-
<b>A AvivaSA net assets</b>	<b>155.2</b>	<b>174.8</b>	<b>166.3</b>	<b>187.4</b>	<b>166.4</b>	<b>171.8</b>	<b>176,2</b>
<b>B AvivaSA Required Capital</b>	<b>49.4</b>	<b>60.0</b>	<b>70.3</b>	<b>83.3</b>	<b>119.6</b>	<b>85.4</b>	<b>123,9</b>
AvivaSA guarantee fund	16.5	20.0	23.4	27.8	39.9	28.5	41,3
<b>Surplus of net assets in excess of Required Capital</b>	<b>105.8</b>	<b>114.9</b>	<b>96.0</b>	<b>104.0</b>	<b>46.7</b>	<b>86.4</b>	<b>52,4</b>
Surplus of net assets in excess of guarantee fund	138.7	154.8	142.9	159.6	126.5	143.3	134,9

Source: Company information.

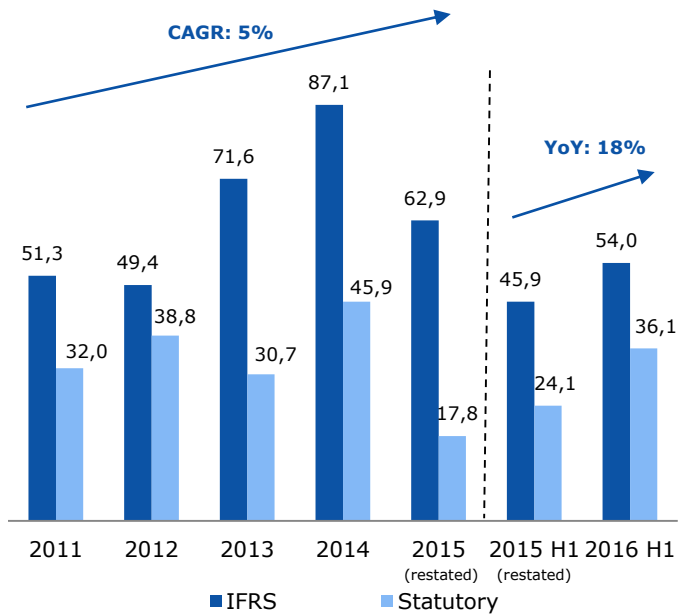
## Required Capital (TLM)

Solvency Ratio						
314%	291%	237%	225%	139%	201%	142%



# Reconciliation between IFRS vs. Statutory Profit for the Period

## IFRS vs. Statutory Profit for the Period (TLm)



Source: Company information.

## Profit for the Period Reconciliation (TLm)

	2011	2012	2013	2014	2015 (restated)	CAGR	H1 2015 (restated)	H1 2016	YoY
<b>IFRS Profit for the Year</b>	<b>51,3</b>	<b>49,4</b>	<b>71,6</b>	<b>87,1</b>	<b>62,9</b>	<b>5%</b>	<b>45,9</b>	<b>54,0</b>	<b>18%</b>
Equalisation Reserve write-off	-1,6	-2,1	-2,7	-0,3	-2,3	10%	-0,3	-1,2	296%
Deferred Tax	4,4	2,1	11,8	10,3	11,3	26%	5,5	4,5	-18%
Change in Deferred Asset Costs	-22,1	-10,6	-49,9	-51,2	-54,0	25%	-27,0	-21,2	-21%
<b>Statutory Profit for the Year</b>	<b>32,0</b>	<b>38,8</b>	<b>30,7</b>	<b>45,9</b>	<b>17,8</b>	<b>-14%</b>	<b>24,1</b>	<b>36,1</b>	<b>50%</b>
<i>Total Difference</i>	19,3	10,6	40,9	41,2	45,1	24%	21,8	17,9	-18%

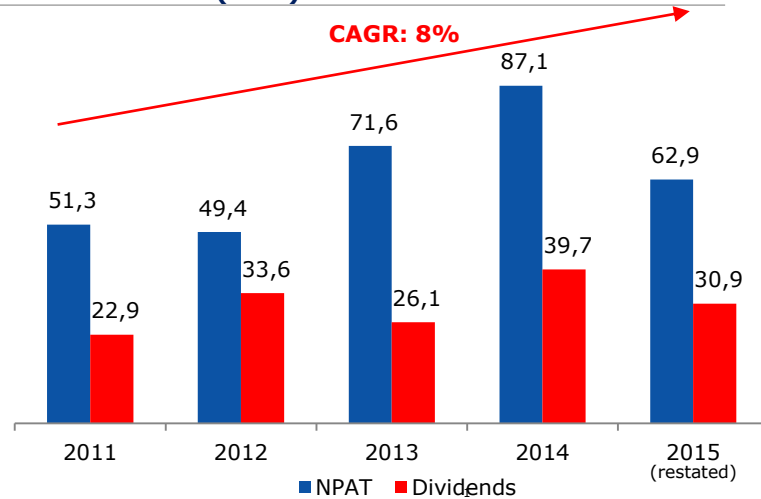


# Flexible Dividend Policy Focused on Growth

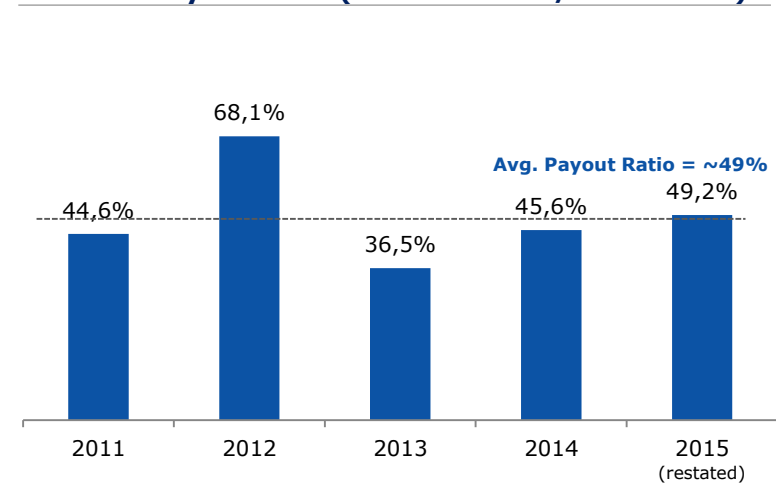
## Dividend Policy

- Objective set amongst core shareholders to aim at distributing ~50% of AvivaSA's Turkish GAAP-based distributable profit
- Current focus however is on increasing the scale of operations and therefore near-term priority is to reinvest in the business and create long term shareholder value

## Dividends Paid (TLm)



## Dividend Payout Ratio (Dividend Paid / IFRS Profit)



Source: Company information. (1) Dividends shown are paid the following year.

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