



• • • • Emeklilik ve Hayat • • • •

Q3 2015

EARNINGS RELEASE

## **Summary**

### **Growth;**

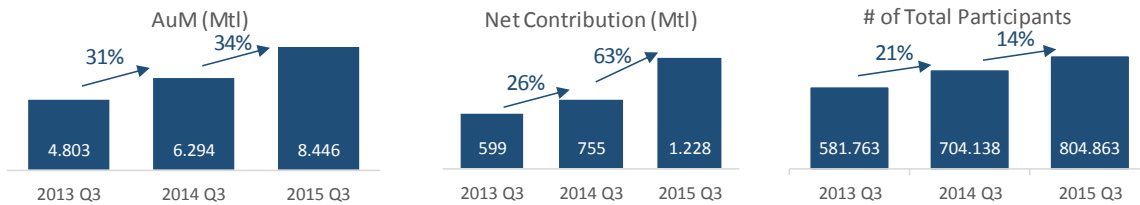
- Pensions growth was very strong: 63% in net contributions
- Pension AuM grew by 34% reaching 8,446 Mtl, supporting AvivaSA to maintain the market leadership since June 2015
- Total protection premiums remained flat due to sluggish credit-linked segment; -17% decline in credit-linked segment offset by 60% and 8% growth in DSF+Agencies and Bancassurance-Non Credit Linked respectively

### **Profitability;**

- IFRS net profit amounted to 87.6 Mtl with 27% growth
- Statutory net profit reached 53.5 Mtl with an increase of 34%
- Annualized RoE reached 33%
- Value of New Business up by 14% (H1.2015) mainly driven by pensions across all channels

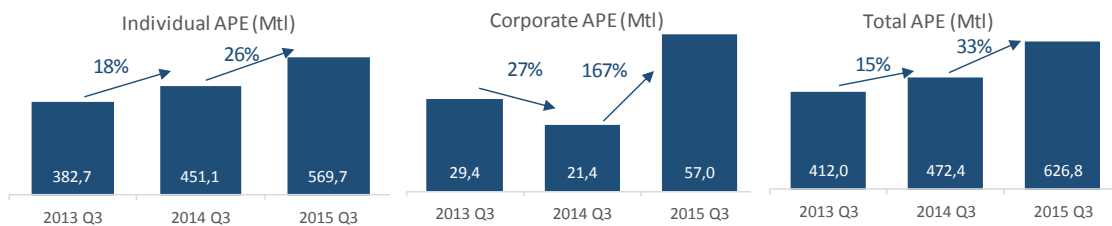
## Topline Volumes

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

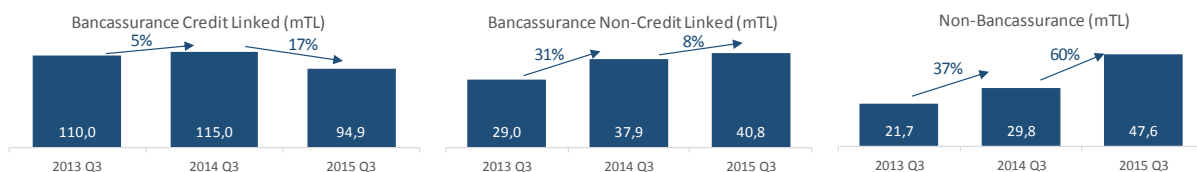


\*Source: Pension Monitoring Center 30.09.2015

- Single premiums and corporate fund transfers helped to fuel the AuM growth in 2015
- Number of participants reached to 805k with an increase of 100.7k
- Our focus has been on growing the APE that increased by 33% in total;



- Total Protection gross written premiums reached 183.4 Mtl; same level with prior year.



- Increase in non-bancassurance (DSF, Agencies, Corporate, Telemarketing) protection sales by 60% partially compensate 17% decrease in credit-linked premiums

## IFRS Segmental Results

IFRS (m TL)	2014 Q3	2015 Q3	Change
Savings	2,2	1,9	-16%
Life Protection	75,7	76,8	1%
Personal Accident	10,4	16,8	62%
Pension	82,8	103,4	25%
<b>Total Technical Income</b>	<b>171,2</b>	<b>199,0</b>	<b>16%</b>
<b>Total General Expenses</b>	<b>-117,1</b>	<b>-133,8</b>	<b>14%</b>
<b>Net Technical Profit</b>	<b>54,0</b>	<b>65,2</b>	<b>21%</b>
<b>Total Investment &amp; Other Income</b>	<b>33,9</b>	<b>44,6</b>	<b>31%</b>
<b>Total Tax</b>	<b>-19,2</b>	<b>-22,2</b>	<b>16%</b>
<b>Net Profit</b>	<b>68,8</b>	<b>87,6</b>	<b>27%</b>
<b>Expense Ratio</b>	<b>12,8%</b>	<b>9,7%</b>	<b>-3%</b>

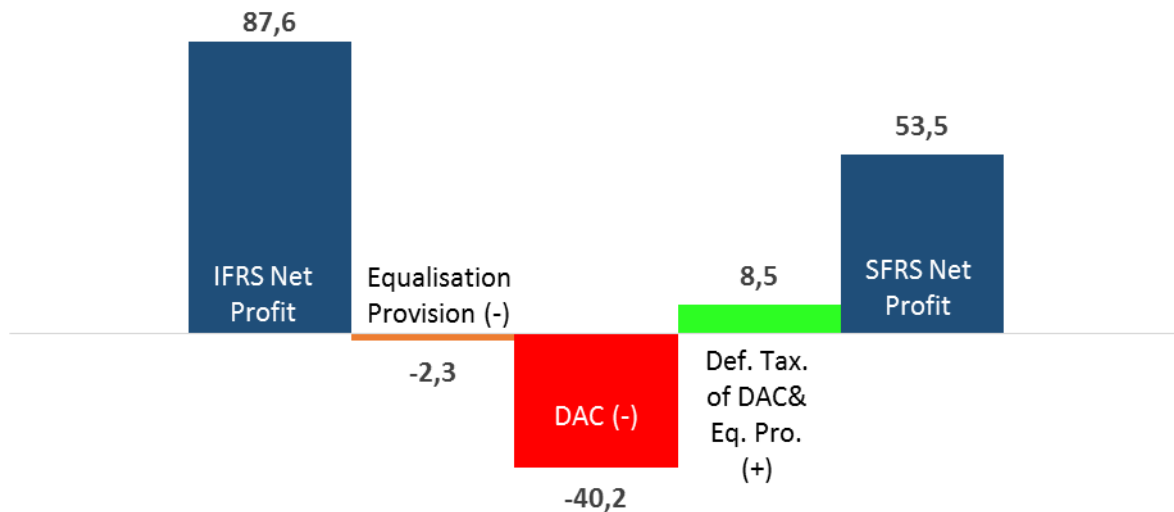
- Total technical profit grew by 16% driven by pension and personal accident businesses that grew by 25% and 62% respectively.
  - Growing pension business in terms of AuM (+34%) and net contributions (+63%), leading to a solid increase in technical profit, main driver being the fund management income
  - Life protection technical profit is at the same level with the previous year due to the effects of a dormant credit segment
  - Significant increase in personal accident is due to increase in earned premiums and decrease in outstanding claims reserve
- General expenses for the year was 133.8 Mtl increasing by 14% mainly due to personnel expenses. Expense ratio decreased to 9.7% due to significant growth in pension net contributions related with a corporate transfer from competition and single premiums
- Total investment and other income increased by 31% and reached 44.6Mtl driven mainly by foreign exchange income

## Statutory / SFRS Results

SFRS (m TL)	2014 Q3	2015 Q3	Change
Life	32,9	29,7	-10%
Non-Life	-1,0	4,8	na
Pension	-11,1	-9,7	12%
<b>Net Technical Profit</b>	<b>20,9</b>	<b>24,7</b>	<b>19%</b>
<b>Total Investment &amp; Other Income</b>	<b>30,9</b>	<b>42,5</b>	<b>37%</b>
<b>Tax</b>	<b>-11,9</b>	<b>-13,7</b>	<b>14%</b>
<b>Net Profit</b>	<b>39,9</b>	<b>53,5</b>	<b>34%</b>

- Net profit for the year was 53.5 Mtl increasing by 34%
- Total net technical profit increased by 19%
  - Life (including life savings) net technical profit after general expenses was 29.7 Mtl decreasing by 10%
  - Non-life (personal accident) net technical profit after general expenses increased to 4.8 Mtl profit from a 1.0 Mtl loss
  - Pension net technical loss after general expenses decreased to 9.7 Mtl from 11.1 Mtl due to an increase in income from the in-force

## Bridging from IFRS to SFRS



## Market Consistent Embedded Value

(m TL)	HY 2014	FY 2014	HY 2015	HY 2014 v HY 2015	FY 2014 v HY 2015
<b>Value of In-Force</b>	<b>936.0</b>	<b>1,025.8</b>	<b>1,107.2</b>	<b>18.3%</b>	<b>7.9%</b>
Present Value of Future Profits	1,006.1	1,101.1	1,190.6	18.3%	8.1%
Fricitional Costs	-10.0	-9.8	-11.6	16.7%	18.5%
Cost of Non-Hedgeable Risks	-60.2	-65.5	-71.7	19.2%	9.5%
Time Value of Options & Guarantees	0.0	0.0	0.0	0.0%	0.0%
<b>Net Worth</b>	<b>161.5</b>	<b>178.2</b>	<b>172.8</b>	<b>7.0%</b>	<b>-3.0%</b>
Free Surplus	48.4	53.5	44.7	-7.6%	-16.4%
Required Capital	113.1	124.8	128.1	13.3%	2.7%
<b>Market Consistent Embedded Value</b>	<b>1,097.5</b>	<b>1,204.0</b>	<b>1,280.1</b>	<b>16.6%</b>	<b>6.3%</b>

- AvivaSA MCEV stands at about 1.3bn TL as at the end of June 2015, an increase of 6% from year-end 2014
- Increase is driven by the value of new business (VNB) and the expected return, adjusted for non-economic experience variances and economic variances
- Net worth takes account of the dividend payment of 39.7m TL, hence reducing MCEV
- No allowance of the new pension legislation starting from 2016 is brought through to the present value of future profits (PVFP), to reflect ongoing consultation process

## New Business

(m TL)	HY 2014	HY 2015	Change
Life Protection	46.4	40.3	-13%
Personal Accident	9.4	9.2	-2%
Pensions	36.3	55.3	52%
<b>Value of New Business</b>	<b>92.1</b>	<b>104.8</b>	<b>14%</b>

(m TL)	HY 2014	HY 2015	Change
Life Protection	141.9	154.4	9%
Personal Accident	26.0	30.6	18%
Pensions(*)	1,538.2	2,233.1	45%
<b>Present Value of New Business Premiums</b>	<b>1,706.1</b>	<b>2,418.1</b>	<b>42%</b>

(\*): Including State Contribution

(m TL)	HY 2014	HY 2015	Change
Life Protection	32.7%	26.1%	-7%
Personal Accident	36.1%	30.0%	-6%
Pensions	2.4%	2.5%	0%
<b>New Business Margin</b>	<b>5.4%</b>	<b>4.3%</b>	<b>-1%</b>

- Sales as measured by present value of new business premiums (PVNBP) has increased by 42%, whereas VNB growth was at 14% due to new business mix. This has also led to a lower margin at 4.3% compared to the first six months of 2014
- The spectacular pension PVNBP growth of 45% was mainly due to strong inflows of single premium in the bancassurance channel. The inflows have tripled in 2015 compared to last year, evidence of materializing the growth potential
- The margin expansion of the individual pensions business, mainly from single premiums, have secured growth without sacrificing from profitability
- Life protection VNB is lower year-on-year in light of the slowdown in credit-linked life protection business which has been offset, to an extent, by the good performance of the standalone life protection sales of the retail channel. This mix impact is reducing the overall life protection margin due to lower margins of the retail channel
- Personal accident volumes have been flat, where the margin has been maintained at a healthy 30% level