



H1 2020 EARNINGS RELEASE

While continuing our leadership in Pension, we also maintained a sustainable growth in Life

- The Pension Assets Under Management-AuM has grown by 36% yoy and reached 25.7 billion TL as of June 2020 supporting AvivaSA to maintain in the market leader position since June 2015
- Auto Enrolment AuM increased by 55% yoy resulting mainly from the increasing IF volume. AvivaSA is the leader company in terms of private sector participants.
- Total protection premiums grew by 79% yoy driven by both 179% growth in credit linked and 40% growth in stand-alone (non-credit linked) life protection underpinning AvivaSA's diverse business model
- IFRS Net Profit is higher than prior year by 6% at 131.0 mTL mainly due to growth in Credit Life business despite decrease in net financial income resulting from lower interest environment. (Please note that the March 2019 figures are restated as explained below.)
- Total technical income has increased by 22% yoy driven by the growth in life protection volumes.
- RoE is 35.4% as of June 2020.
- Statutory profit is 119.1 mTL with an increase of 5% due to mainly growth in life protection technical profit before expenses and commissions despite decrease in financial income.
- The first installment of dividend amounting to 100 mTL and representing a 4% dividend yield, has been paid at the end of March 2020, in accordance with the General Assembly decision. The second installment of dividend amounting to 60 mTL, which is due in September 2020, will be reassessed in accordance with Covid-19 measures taken by the authorities and Solvency requirements of the Company.
- There is no material impact from Covid-19 on Company's financials.

Key Developments and Changes in H1 2020

- **Accounting policy change and restatement in IFRS Financials :**

ROP commissions paid to agencies and sales personnel are included in deferral under IFRS15 as of March 2020. Due to the materiality of the prior years' impacts (+47.2 mTL), the prior years' IFRS financials have been restated accordingly.

2020 H1 net P&L (after tax) impact is +10.7 mTL. 2019 H1 impact is +7.4 mTL (2019 FY impact is +17.0 mTL).

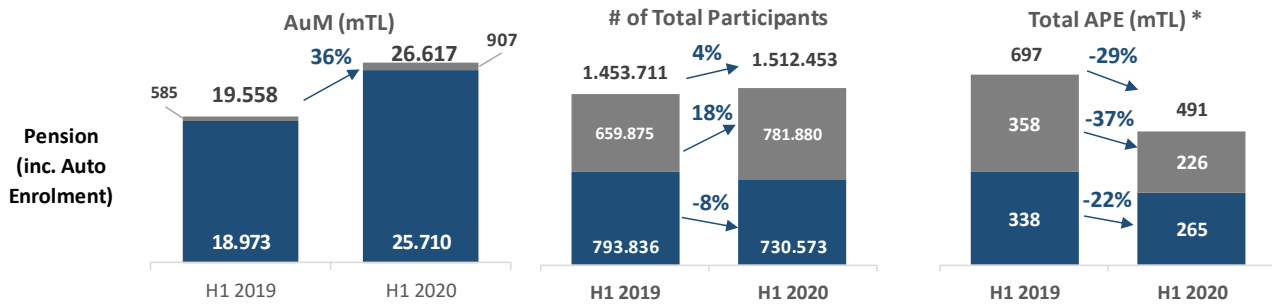
- **Accounting estimate change in IFRS financials:**

Average life-time of pension business is reduced from 8 to 7 years and ROP business increased from 6 to 9 years.

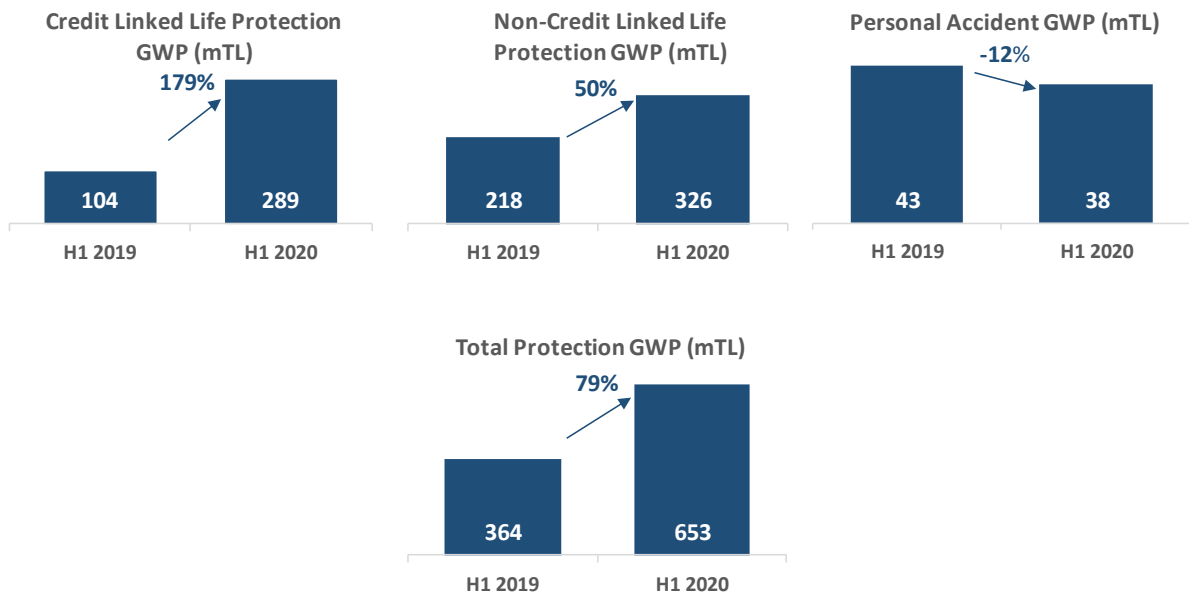
Total gross effect for DAC & DIR was calculated as -6.9m (Pension technical profit: -8.2m; Personnel expense: -3.5m; RoP: + 4.7m).

Topline Volumes

- AvivaSA is in the market leader position in terms of Pension AuM since June 2015
- Supported by the strong asset performance despite the volatility in financial markets
- Total AuM reached 26.6 bnTL with 1.5m participants



- Total Protection gross written premiums reached 653 mTL; higher than prior year by 79% continuing the momentum in a sustainable manner



IFRS Segmental Results

(mTL)	H1 2019 Reported	H1 2019 Restated	H1 2020	Change
Life Protection	104,5	125,9	177,8	41%
Personal Accident	17,4	17,4	17,1	-2%
Savings	2,8	2,8	2,0	-30%
Pension	122,4	122,4	130,1	6%
Total Technical Income	247,0	268,4	326,9	22%
Total General Expenses	-175,8	-171,8	-199,0	16%
Net Technical Profit	71,2	96,7	128,0	32%
Total Investment & Other Income	77,6	61,6	41,3	-33%
Total Tax	-32,8	-34,9	-38,3	10%
Net Profit	116,0	123,4	131,0	6%

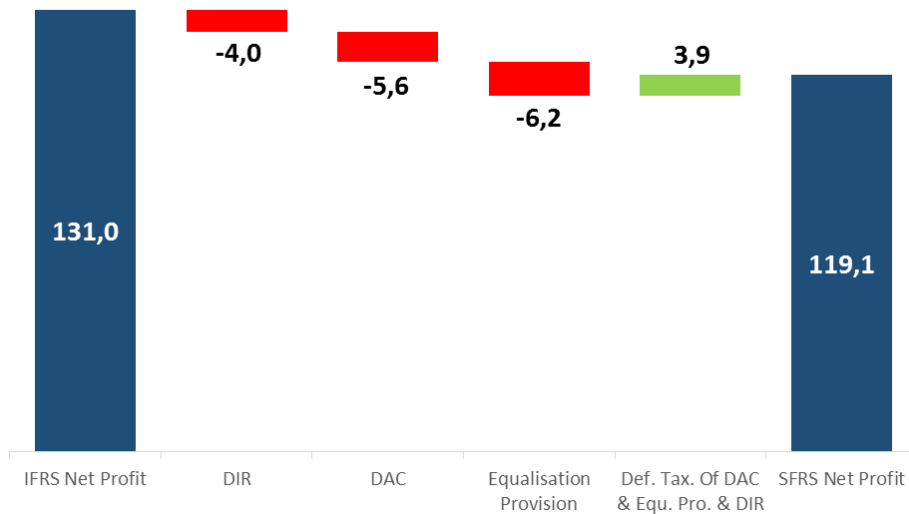
- Total technical income grew by 22% mainly driven by protection profitability which grew by 35%
 - Life protection technical profit increased by 41% due to 91% increase in premiums thanks to both our credit linked and non-credit linked RoP products.
 - Personal accident technical profit slightly decreased by 2% due to lower production.
- General expenses for H1 2020 is 199 mTL with a yoy increase of 16% mainly due to increase in IT and personnel expenses. Total investment and other income is 41.3 mTL and decreased by 33% mainly due to lower interest rates.

Statutory / SFRS Results

(m TL)	H1 2019	H1 2020	Change
Life	35,8	70,7	98%
Non-Life	2,1	3,3	59%
Pension	40,0	30,4	-24%
Net Technical Profit	77,9	104,5	34%
Total Investment & Other Income	66,9	49,0	-27%
Tax	-31,3	-34,4	10%
Net Profit	113,5	119,1	5%

- Net profit for the period is 119.1m TL with an increase of 5% mainly due to growth in Life technical profit despite lower pension technical profit and financial income
- Total net technical profit increase :
 - Life net technical profit is higher than prior year by 98% due to increasing volume. Evethough the SFRS profitability is negatively impacted from the commissions paid which are not deferrable in SFRS.
 - Non-life (personal accident) net technical profit after general expenses is 3.3 mTL and higher than prior year by 59% mainly due to lower attributable expenses.
 - Pension net technical profit after general expenses is 30.4 mTL and 24% lower compared to prior year due to commissions paid which are not deferrable in SFRS.

Bridging from IFRS to Statutory Profit



Market Consistent Embedded Value

(m TL)	FY 2019	HY 2020	HY 2018 v FY 2019
Value of In-Force	1,515.1	1,433.2	-5.4%
Present Value of Future Profits	1,718.9	1,648.6	-4.1%
Frictional Costs	-36.9	-39.2	6.2%
Cost of Non-Hedgeable Risks	-166.8	-176.1	5.6%
Time Value of Options & Guarantees			
Net Worth	519.8	468.9	-9.8%
Free Surplus	52.0	-96.3	-285.1%
Required Capital	467.8	565.1	20.8%
Market Consistent Embedded Value	2,034.9	1,902.1	-6.5%

Source: Company data, unaudited results

- MCEV as at 31 July 2020 is 1.9bn TL, down 6.5% from start of the year.
- Present value of future profits is down since FY19 as new business growth and the unwind of profits from the existing business was offset by lower risk-free interest rate levels.
- Significant increase in inforce protection portfolio increases the statutory solvency capital.
- Free surplus is negative after accounting for the 160m TL dividend payment for 2020 of which 100m TL has been distributed.

New Business

(m TL)	HY 2019	HY 2020	Change(%)
Life Protection	125.9	135.2	7.4%
Personal Accident	6.2	7.3	17.3%
Pensions	29.7	14.0	-52.8%
Value of New Business	161.8	156.5	-3.3%

(m TL)	HY 2019	HY 2020	Change(%)
Life Protection	770.7	694.1	-9.9%
Personal Accident	59.8	46.5	-22.3%
Pensions(*)	1,935.5	1,779.4	-8.1%
Present Value of New Business Premiums	2,766.0	2,519.9	-8.9%

(*): Including State Contribution

(m TL)	HY 2019	HY 2020	Change(Diff.)
Life Protection	16.3%	19.5%	3.2%
Personal Accident	10.4%	15.7%	5.3%
Pensions	1.5%	0.8%	-0.7%
New Business Margin	5.9%	6.2%	0.3%

Source: Company data, unaudited results

- Value of new business has remained steady year-on-year despite a drop in present value of new business premiums (PVNBP) due to a shift in business mix towards higher margin credit-life protection business.
- Life protection VNB grew 7.4% due to increased sales of the newly re-priced credit-life protection product. This was offset by low return of premium sales during Q2.
- Sales as measured by present value of new business premiums for pensions are lower compared to last year mainly due to completion of auto-enrolment phases.
- The personal accident line of business has seen an increase in NB margin compared to last year due to higher average premium and assumption changes.