

AKSigorta Earnings Call Presentation – 20'Q1

30/04/2020

Presented by [AKSigorta](#) IR Team

1. Aksigorta Financials (in TFRS)

2. What are the Risks & Opportunities?

3. 2020 Guidance


4. Appendix

2020 Q1 – Aksigorta Scorecard

1Q20 Financial Indicators (M TL) (YoY %)

1.234 **17%**

Gross Written
Premiums

89 **14%**

Net Income


726 **24%**


Total Equity

1Q20 Operational Ratios (YoY pp)

69% **-7 pp**

Net Loss Ratio

94% **-8 pp**

Net Combined
Ratio

58% **14 pp**

RoE

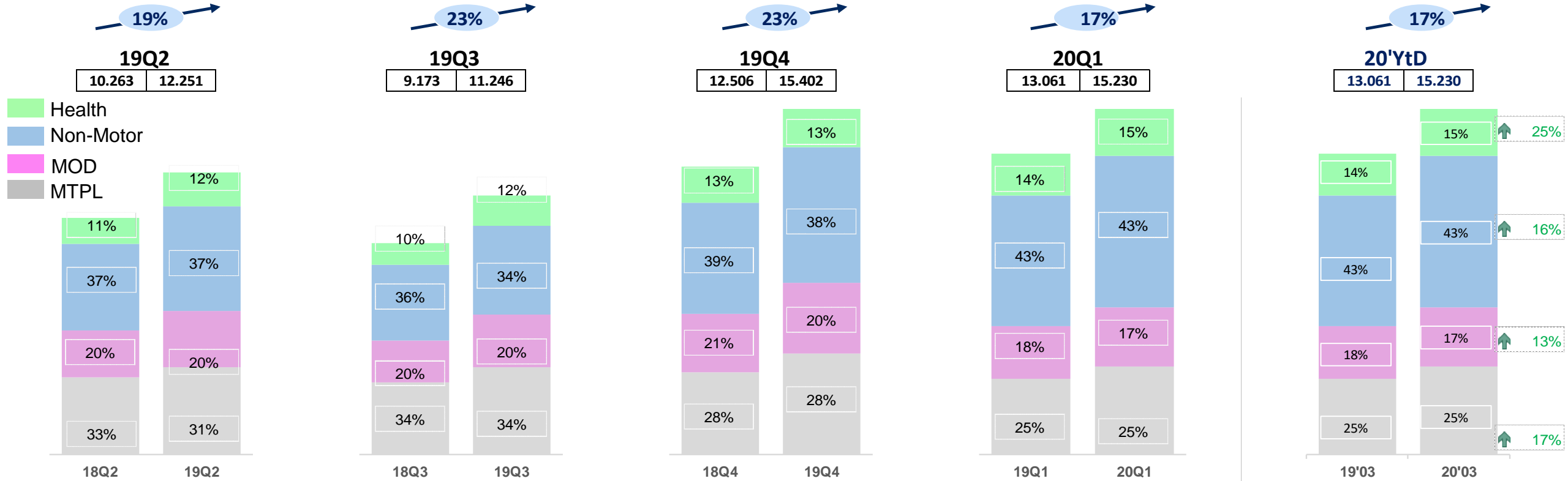
Dividend Payment Out of 2019 Net Profit (Mn TL)

202
Dividend
Paid

55%
Pay-out
Ratio

Market GWP (M TL)

Non-Life Insurance Market has 15B TL GWP in Q1 with ~17% YoY growth



	YoY Growth	Portfolio Share
Agency	17%	67%
Bank	9%	14%
Corporate	42%	19%

	YoY Growth	Portfolio Share
Agency	22%	69%
Bank	28%	13%
Corporate	20%	18%

	YoY Growth	Portfolio Share
Agency	22%	66%
Bank	51%	17%
Corporate	6%	17%

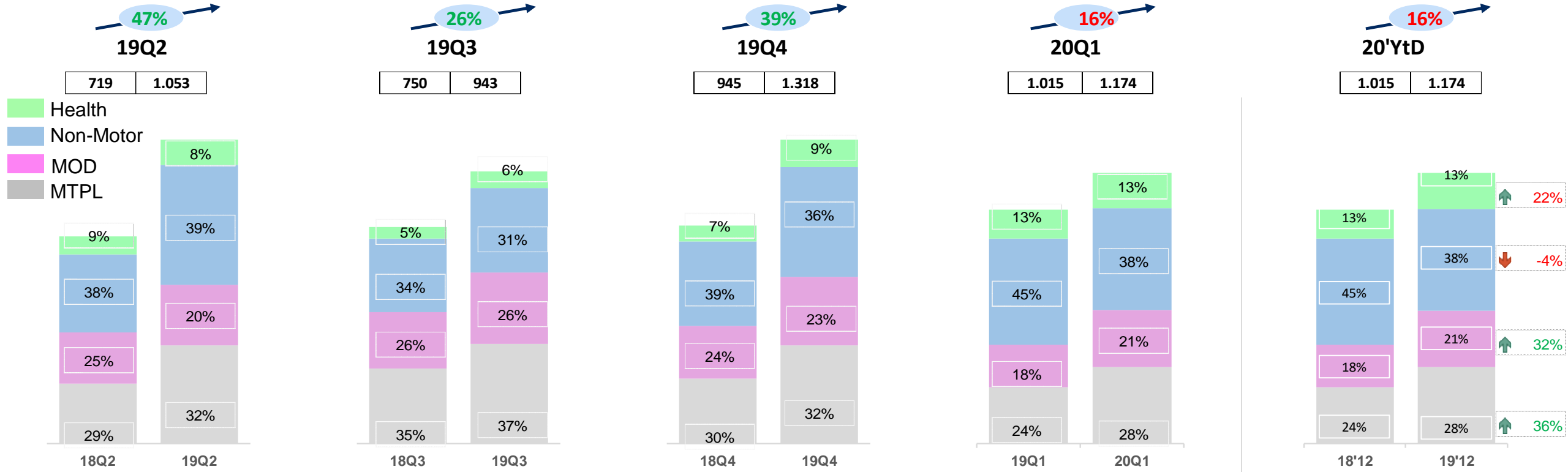
	YoY Growth	Portfolio Share
Agency	17%	62%
Bank	19%	17%
Corporate	16%	21%

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Agency	17%	62%
Bank	19%	17%
Corporate	16%	21%

Retroceded premiums from pools are excluded above.
As of March 2020, there was 1,2 Billion TL retroceded premiums in the market.

Aksigorta GWP (M TL)

Aksigorta Motor GWP YoY growth is 30%+ in 20Q1



	YoY Growth	Portfolio Share
Agency	49%	63%
Bank	16%	11%
Corporate	55%	26%

	YoY Growth	Portfolio Share
Agency	32%	65%
Bank	10%	10%
Corporate	21%	25%

	YoY Growth	Portfolio Share
Agency	46%	66%
Bank	74%	15%
Corporate	9%	20%

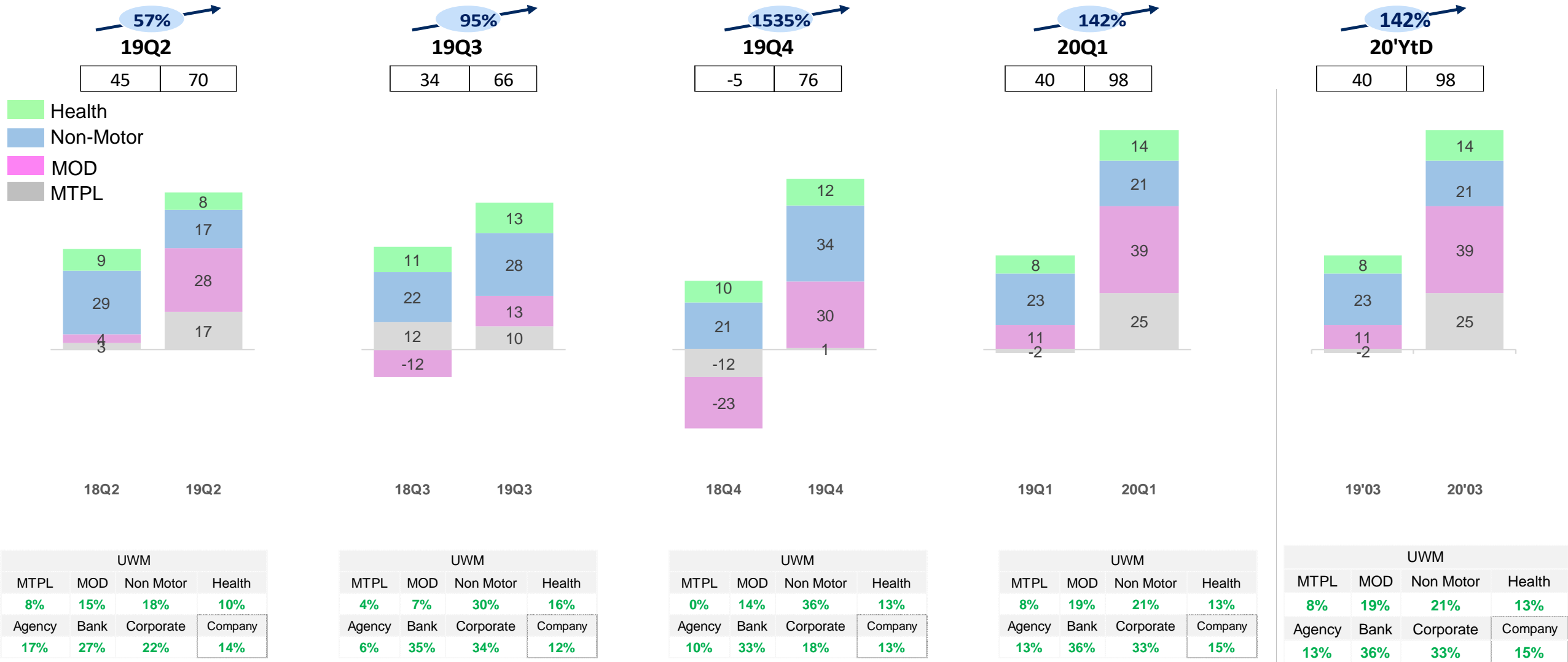
	YoY Growth	Portfolio Share
Agency	35%	60%
Bank	4%	12%
Corporate	-6%	28%

	YoY Growth	Portfolio Share
Agency	35%	60%
Bank	4%	12%
Corporate	-6%	28%

Retroceded premiums from pools are excluded above.
As of March 2020, there was 60 Million TL retroceded premiums in

Aksigorta UWR by LoBs (M TL)

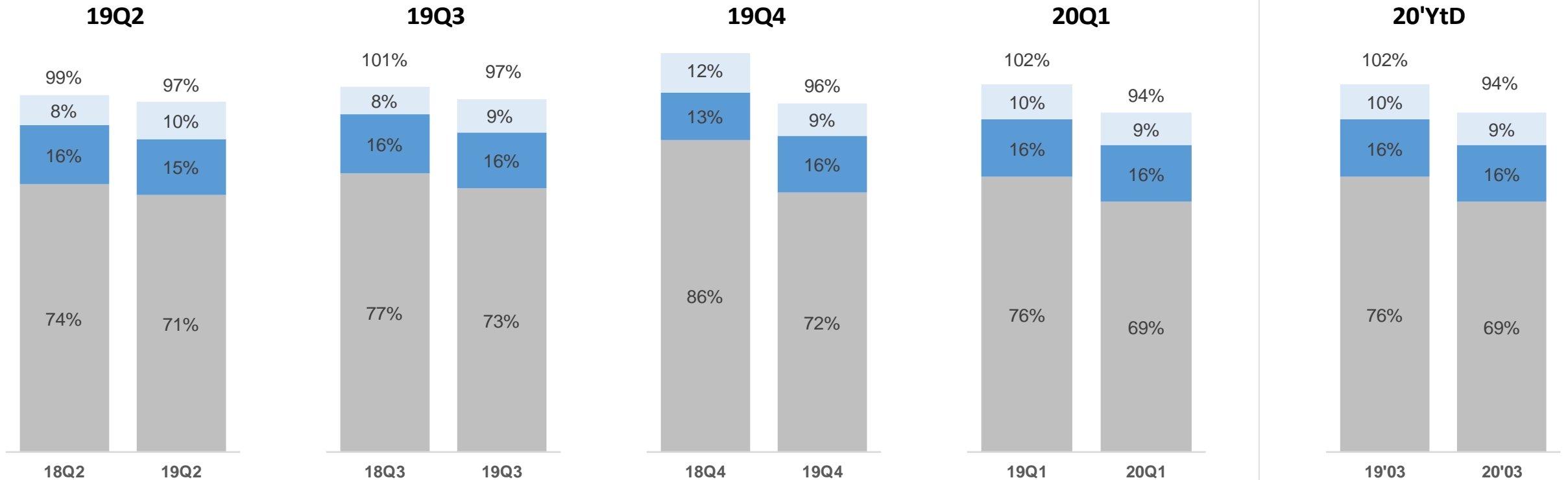
UWR more than doubled up in 1Q20 thanks to MOD & MTPL performance



Based on Lob / parallel to the market product group

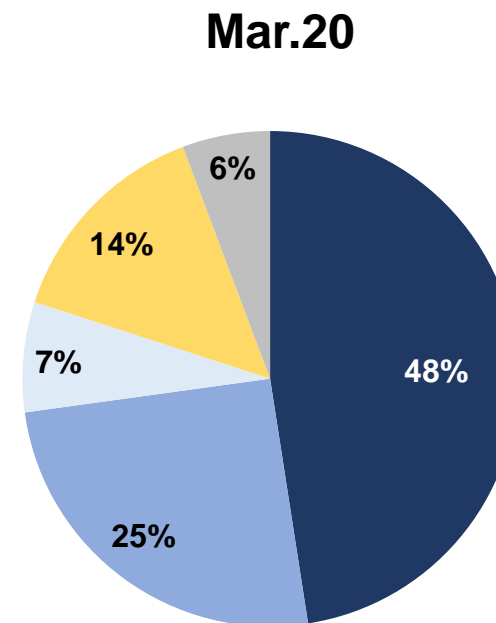
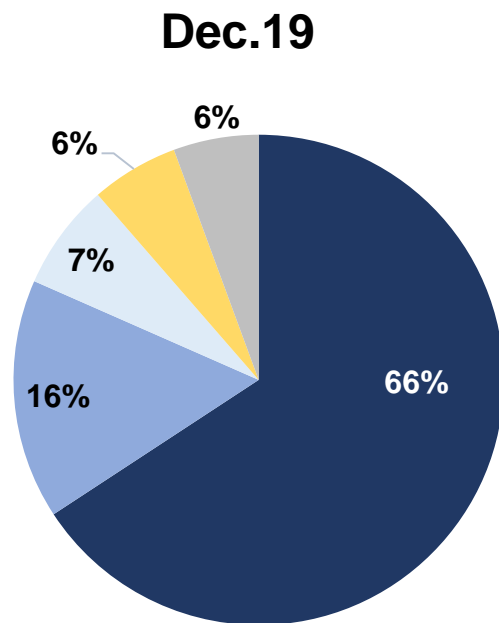
We keep combined ratio well below 100%

Combined Ratio	
Loss Ratio	Grey
Commission Ratio	Blue
Expense Ratio	Light Blue



As of Mar'20, AuM stayed flat at 2,6Bn level despite of 202m dividend

- Time deposit
- Corporate bond
- Eurobond
- Government bond
- Equity



2.610 m TL

19%

120 m TL

AuM

Annualized average yield*

Quarterly financial income**

2.580 m TL

13%

87 m TL

(*): Yield figures are net of BITT (BSMV)
 (**): Financial income includes FX gain / loss

14% net income growth in 1Q20 driven by 8pp YoY improvement in CoR

Profit & Loss	19Q1	19Q2	19Q3	19Q4	20Q1	20Q1/ 19Q1
Gross Written Premiums	1.058	1.084	975	1.356	1.234	17%
Net Earned Premiums	489	518	559	601	638	30%
Underwriting Result	40	70	66	76	98	142%
Expenses	-54	-51	-52	-57	-57	-4%
Financial Income	122	109	110	115	81	-33%
Profit Before Tax	103	122	118	131	110	7%
Net Profit	78	90	91	107	89	14%

Combined Ratio	102%	97%	97%	96%	94%	-8pp
Loss Ratio	76%	71%	73%	72%	69%	-7pp
Commission Ratio	16%	15%	16%	16%	16%	0pp
Expense Ratio	10%	10%	9%	9%	9%	-1pp
UW Margin	8%	14%	12%	13%	15%	7pp

Proven Track of Strong Financial Results, RoE 40%+

Balance Sheet (M TL)	19Q1	19Q2	19Q3	19Q4	20Q1	20Q1/ 19Q4	20Q1/ 19Q1
Receivables	1.280	1.388	1.281	1.543	1.522	-1%	19%
AUM	2.040	2.201	2.450	2.610	2.580	-1%	26%
Total Assets	3.687	3.978	4.099	4.601	4.562	-1%	24%
Reserves	2.074	2.240	2.390	2.612	2.719	4%	31%
Payables	837	819	699	856	874	2%	4%
Equity	586	686	789	899	726	-19%	24%
Total Liabilities	3.687	3.978	4.099	4.601	4.562	-1%	24%
RoE	44%	46%	44%	45%	58%	12pp	14pp

TFRS vs IFRS:

Discounting of O/S claims is the major difference between two ledgers

<i>Million TL</i>	Equity (31.03.2020)	Net Income (1Q20 FY) P&L Adjust
TFRS Result	726	89
Equalization Reserve	93	-3
Unexpired Risk Reserve	16	2
Unallocated Loss Adjustment Expenses	-18	2
Discounting of outstanding claims	-277	-24
Deferred Tax	38	5
IFRS Result	579	71

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2. **What are the Risks & Opportunities?**
3. *2020 Guidance*
4. *Appendix*

Risks & Opportunities

Risks

- Covid-19 related risks:
 - Covid-19 impact to continue in 2H – Risk on 2021 Profit
 - Health claims – Covid-19 coverage
 - Increase in Medical Malpractice claims, due to pandemic doctor assignment of all branch doctors
 - Price war in motor LoBs
- Slowdown in economic activity
- Volatility in FX rates, pricing risk
- Decrease in interest rates
- Increase in fraud
- Cash problems, collection issues

Opportunities

- Covid-19 related opportunities:
 - Record low claim frequency levels – improved UWM
 - Home office – could be a new approach after Covid-19 as well – leading to g&a saving
- Increase in interest rates
- Efficient cost management

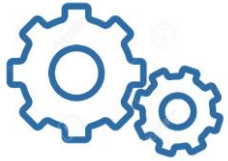
Impact of Covid-19

- The Covid-19 is a **systematic risk** that is unavoidable
- **Cash flows**: Due to slowing down in mobility, trade and economic activities we foresee that the cash flows will be the biggest challenge in the coming periods. We don't see any risk in our business since:
 - 62% of our receivables have a credit card collateral,
 - 5% of our receivables are collected via bank accounts,
 - 10% of our receivables has other collaterals (such as letter of credit, cash etc.) provided by agencies
 - In the worst case, we always have an option of cancellation
- **Asset devaluations**: Equity markets decreased by 30-40% all over the world. Weight of equities in our investment portfolio was limited at 6%
- **Business continuity** is also another risk we all face today. Thanks to our last 10 years of investment in IT; 100% of our teams work home office very efficiently
- **Health**: As Aksigorta we decided to cover the medical costs of covid-19 of our policy owners. We plan to use the savings in claims from the decrease in hospital visits to cover covid-19 treatment costs, therefore we do not foresee any negative deviation from our health uwr budget
- **Economic slowdown**: New business sales may get hurt but we do not foresee a major decline in our renewals
- **Decline in claim frequency**: Slowdown in mobility (curfews, lockdowns) leads to lower claim frequency in Motor

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2020 Year-End Guidance

Despite Covid-19 we maintain our year-end guidance



15%-25% growth in GWP



0-10% growth in Net Profit



Our Long Term Ambitions

1B \$

Market Cap

10%

Market Share

95%

Net Combined
Ratio

30%+

RoE

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Summary Financial Statements in IFRS

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Loss Ratio	78%	76%	76%	74%	73%	-5pp
Commission Ratio	16%	15%	16%	16%	16%	0pp
Expense Ratio	10%	10%	9%	9%	9%	-1pp
UW Margin	7%	8%	8%	10%	12%	5pp

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AUM	2.040	2.201	2.450	2.610	2.580	-1%	26%
Total Assets	3.706	4.004	4.128	4.635	4.601	-1%	24%
Reserves	2.171	2.365	2.535	2.774	2.904	5%	34%
Payables	709	711	582	703	733	4%	3%
Equity	508	587	673	770	579	-25%	14%
Total Liabilities	3.706	4.004	4.128	4.635	4.601	-1%	24%
RoE	47%	48%	45%	44%	57%	13pp	10pp

Technical Result Bridge btw TFRS & Management Reporting

	Technical Result in TFRS	Re-classifications							UW Result in Management Reporting
		1	2	3	4	5	6	7	
Net Earned Premiums	656	-3	-15						638
Claims, net *	-432			12	-9	-10			-440
Other Technical Inc and Exp	-15	3	15	-12	8				
Commissions, net							-100		-100
General Expenses	-147						147		
Allocated Financial Income	87							-87	
TOTAL	149	0	0	0	0	-10	47	-87	98

* **Claims, net** in TFRS reporting includes non-life technical expenses, namely incurred claims, bonus and rebates and other reserve provisions

1 Guarantee Fund (Premiums ceded to Assurance Account as a % of MTPL production)

2 Assistance Premiums

3 Subrogation Accrual

4 Other Technical Inc / Exp

5 Bad Debt for Subrogation Receivables

6 Commissions vs General Expense (Only commissions are subject to UWR in management reporting)

THANKS

AKSigorta Presented by
Investor Relations Team,
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For further questions:

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WEB

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PDP

<https://www.kap.org.tr/en/sirket-bilgileri/ozet/841-aksigorta-a-s>