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AKSIGORTA GWP REACHED 2,482m TL WITH 57% YoY GROWTH IN THE FIRST QUARTER OF 2022

2022 FIRST QUARTER PERFORMANCE SUMMARY

Aksigorta reported gross written premiums (GWP) of 2,482m TL and net loss of 254m TL in first quarter of 2022 compared to gross written premiums of 1,578m TL and net profit of 92m TL in first quarter of 2021. These figures represent 57% growth in gross written premiums and -377% YoY decline in net profit in the first quarter of 2022.

- Highlights of the first quarter of 2022 GWP growth:
 - strong growth of 94% in non-motor – fire, marine, engineering, liability main drivers
 - new pricing model and new technologies in MTPL such as AI and machine learning
 - focus in non-motor products especially in bank and corporate channels
 - Aksigorta market share decreased by 0.8pp YoY and reached 7.2% as of Mar.22

GWP (m TL)	2021 Q1	2022 Q1	YoY
MTPL	488	625	28%
MOD	369	508	37%
Non-Motor	582	1.129	94%
Health	138	220	59%
Total	1.578	2.482	57%

- Major regulatory changes announced in the first quarter of 2022:
 - With the circular numbered 2022/13, the official discount rate has been increased from 14% to 17% as of 31 March 2022
- Outstanding indemnity discount calculation has started to be applied in all branches in the last quarter of 2021, instead of the three compulsory branches. As a result of this decision, which is considered as an accounting policy change, the financial statements have been restated retrospectively.
- The effect of the change in the discount rate on the first quarter net profit of 2022 was 126 million TL.
- Decreased mobility due to Covid-19 has ended in 2021, which had a negative impact on the loss ratios in Motor branches in the first quarter of 2022.
- As a result of TL depreciation and 50% increase in minimum wage, already priced (in force) MOD portfolio resulted in technical loss (because of increase in spare parts and labor cost)
- Increase in small and medium size claims in non-motor products
- The combined ratio increased by 60pp in the first quarter of 2022 compared to first quarter of 2021 and reached 164%. The increase in the combined ratio comes entirely from the loss ratio which increased to 140% in the first quarter of 2022.

- Total underwriting result (UWR) decreased by 528 million TL to -490 million TL YoY in the first quarter of 2022
- Financial income increased by 86% compared to first quarter of 2021 and reached

Financial Highlights (m TL)	(Restated) 2021 Q1	2022 Q1	YoY
GWP	1.578	2.482	57%
UWR	38	-490	-1397%
Expenses	-66	-101	-52%
Net Financial Income	147	273	86%
Net Profit	92	-254	-377%
<i>Combined Ratio</i>	<i>104%</i>	<i>164%</i>	<i>60pp</i>

- In the first quarter 2022 Aksigorta AuM increased by 32% compared to the previous year and reached TL 4.3 billion. Thanks to successful fund management, the financial annualized return rate was 27% in the first quarter of 2022
- As a result of the TL depreciation in the last quarter of 2021, the foreign currency policy was reviewed, and it was decided to increase the net balance sheet foreign currency position to hedge from the FX effect on the MOD spare part claim cost

Prospects

Topline growth will be maintained via:

- contribution of new agencies; in the last 3 years 1.065 new agencies are added to our agency network which make 27% of total agency GWP in the first quarter 2022
- # of agencies exceeded 3.600 in the first quarter of 2022
- increase in bank channel penetration
- following corporate business potential closely
- Telcosurance partnership with Vodafone to sell insurance products
- IOT partnership with Fiat Connect to sell insurance products bundled with auto sales
- Mercedes-Benz branded MOD launched in October 2021

Combined ratio will be kept below 100% via:

- enhanced risk management policy and profitable insurance portfolio
- data analytics capabilities used in pricing and underwriting
- usage of robotic process automation (currently 130 processes are automated corresponding to 4,9m transactions in Mar.21-Mar.22 period) leading to operational efficiency & saving
- new technologies applied in customers' claim experiences
- new technologies such as AI, ML used in pricing of motor products

Q&A

The following questions were raised during the earnings call:

Q: How do you see the claims inflation developing through 2022? At what point does it start to hit the solvency levels?

CFO: Inflation is more than 100% and we adjusted our prices, so I can say prices increase more than 100% in MOD. But in MTPL side, almost 55% percent of claims come from material damages and 45% claims come from bodily damages. Material damages are like MOD claims, it is driven by PPI. For bodily claims, we pay indemnity payments, it is mainly driven by minimum wage increases, because 82% of our total bodily claims are calculated by minimum wage. Solvency level is a critical issue, it was below the legal threshold, 100% at the end of 2021. We designed a roadmap and shared with the regulator. There is no objection now. This is not an inorganic action plan; it targets to reduce our exposures in risky zones. For the coming periods, our main target is growth in profitable products.

Q: Do you think to change the breakdown of your investment portfolio drastically as your financial income is way below the inflation rate?

CFO: Our move in our investment portfolio is getting shorter in time deposit. Maybe, we can reduce it to 0%, return yields are not attractive. We increase our positions in Eurobonds, CPI-Linkers, government bonds, supranational bonds. We have invested in a supranational bond with a return yield of 40% today. This is very recent example.

Q: In your previous presentation, you said that you assume 40% minimum wage increase for calculation of reserves? Is this still valid or have you foreseen any higher rate in your first quarter financials for provision side?

CFO: Most recent forecasts are about 50%, but we do not know if any mid-term increase will occur. We try to make our prices with an increase of 50% at least. Pricing with that model bring higher premium level but it is still loss-making price level for MTPL. We discuss with the regulator for a one-shot price increase around 20%-25% in second quarter.