

5 May 2023

IN THE FIRST QUARTER OF 2023, AKSIGORTA INCREASED PREMIUM PRODUCTION by 108% to TL 5,151m and INCREASED ITS NET PROFIT by 152% to TL 131m

2023 FIRST QUARTER PERFORMANCE SUMMARY

Aksigorta announced gross written premiums (GWP) of 5,171 million TL and net profit of 131 million TL in the first quarter of 2023, compared to gross written premiums of 2,482 million TL and net loss of 254 million TL in the first quarter of 2022. These figures represent 108% YoY growth in GWP and 152% growth in net profit in the first quarter of 2023.

- Highlights of the first quarter of 2023 GWP growth:
 - Strong growth of 143% in MOD (casco) insurance – pricing supported by use of artificial intelligence technology
 - Strong growth of 90% in non-motor – home package, TCIP (DASK), corporate fire and business fire insurance are main drivers
 - Focused on non-motor products, especially in the bank and corporate channel
 - Aksigorta market share decreased by 1.1pp YoY and reached 6.1% as of Mar.23. Market share loss was mainly due to the slowdown in traffic insurance (MTPL), whereas health market share increased by 0.9pp YoY.

GWP (m TL)	1Q22	1Q23	YoY
MTPL	625	1.084	73%
MOD	508	1.233	143%
Non-Motor	1.129	2.144	90%
Health	220	710	223%
Total	2.482	5.171	108%

- As of the fourth quarter of 2022, MOD has become positive in terms of insurance technical profits with the rising pricing. This trend continued in the first quarter of 2023 as well.
- In the actuarial valuation report on the risky drivers' pool ultimate loss ratio estimation prepared as of the fourth quarter of 2022 and published by PwC in March, ultimate loss ratio of the MTPL pool was revised upwards for all accident years.
- Total underwriting result (UWR) increased by 537 million TL YoY reaching to 47 million TL in the first quarter of 2023.
- The combined ratio improved by 52pp YoY and resulted as 112% in the first quarter of 2023. The decrease in the combined ratio comes entirely from the loss ratio which decreased to 86% in the first quarter of 2023.
- With the Constitutional Court's cancellation decision of the General Conditions of Compulsory MTPL Insurance, there will be a negative impact on insurance technical profit arising from bodily damages.
- With the new circular issued by the Regulator (SEDDK) on April 4, the monthly premium increase ceiling rate for MTPL is decreased from 4.75% to 2.0% starting from May. In

addition, changes were made in the no claim discount levels determined according to the risks of the drivers and the discount rates that can be given.

- Net financial income, including FX gain/loss and financial expenses, increased by 34% compared to the first quarter of 2022 and realized as 366 million TL

Financial Highlights			
(m TL)	1Q22	1Q23	YoY
GWP	2.482	5.171	108%
UWR	-490	47	110%
Expenses	-101	-257	-154%
Net Financial Income	273	366	34%
Net Profit	-254	131	152%
<i>Combined Ratio</i>	<i>164%</i>	<i>112%</i>	<i>-52pp</i>

- In the first quarter 2023, Aksigorta AuM increased by 102% YoY and reached 8.7 billion TL. Thanks to successful fund management, annualized return yield (interest + FX) was 24% in the first quarter of 2023.

Expectations and Goals

We feel the deep sadness for the earthquakes that took place in Kahramanmaraş and affected approximately 12 provinces. We wish God's mercy on those who lost their lives and a speedy recovery to the injured ones. As always, we stand by our people in every way, both materially and morally, in this difficult period as Aksigorta. We would like to point out that we have the financial power to recover the claims of our policyholders. We foresee that with our excess of loss reinsurance agreement covering all catastrophic risks, including earthquakes and equalization reserve in our financials booked to recover the catastrophic risks such as flood and earthquake etc. could compensate the claims of the earthquake incurred and we do not see any negative impact on our equity and balance sheet profitability in 2023.

Topline growth will be maintained via:

- Contribution of new agencies; in the last 5 years 1.247 new agencies are added to our network which generate 26% of total agency GWP production in the last one year
- # of agencies reached ~3.700 in the first quarter of 2023
- Increase in bank channel penetration with the complementary health product
- Following corporate business potential closely
- IOT partnership with Fiat Connect to sell insurance products bundled with auto sales
- Economic MOD product suitable for economic conditions

Combined ratio will be kept below 100% via:

- Enhanced risk management policy and profitable insurance portfolio
- Data analytics capabilities used in pricing and underwriting
- Reducing portfolio weight of loss-making products
- Usage of robotic process automation (currently 165 processes are automated corresponding to 1,1m transactions and 160+ FTE in Jan.23-Mar.23 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
- New collaborations in the digital channel

- New products in the bank channel

Q&A

The following questions were raised during the earnings call:

Q: Do you see any additional demands due to the earthquake?

CEO: Yes, the demand for home package and TCIP policies has increased. However, after 2 months, everyone started to forget the impact of the earthquake. Today, we started a new campaign called 'Continue Life Turkey' project so that it is not forgotten by the citizens. The income from the campaigns will be transferred to the region for agencies and those who need support. We have to strive to increase the penetration of earthquake insurance. This issue is very important especially for the expected Marmara region earthquake.

CFO: Additionally, profitability from the non-motor segment (excluding earthquake impact) is doing quite well relative to both the prior year and our budget target. Right after the increasing inflation, more rational prices both in MOD and in the commercial segment will contribute to our profitability in the coming period.

Q: Can you update the total impact on the court decision this season? Can you give us more details on that and how are you planning the rest of the year?

CFO: First, the constitutional court has canceled the general conditions in MTPL, on the basis that the Insurance Regulator (SEDDK) is not entitled to set the standards for the computational compensation payment and also for the loss of value payment. Secondly, it has been only a month and a half since the constitutional court decision. We can say that we calculated and included 100 million additional reserves for the quarter. We think and plan that court decisions statistics will evolve in the coming quarters as well. Then we will measure the size of additional provisions.

Q: There is no assessment of what could be a potential overall impact, right?

CFO: Yes, there is currently no impact analysis as it is a very small sample size. The cancellation of the general conditions by the constitutional court was at the end of February. We'll see how it evolves in the coming months and quarters.

Q: What is your current currency position?

CFO: About \$132 million.

Q: Can you talk about your investment ledger? What is the difference between real-time allocations to Eurobonds or dollar-linked investments and TL-based investments that are not even in the near-term development risk in terms of inflation?

CFO: We are looking for opportunities to increase the share of Eurobond. In the upcoming period, we may see an opportunity for a decline in the Turkish CDS and we may also have an opportunity for capital gains. FX investments majority is in Eurobonds. We earned in TL onshore investments which is almost fully in investment funds in order to benefit from a tax shield.

Q: Do you think there will be any potential TL devaluation after the elections? When you look 3 months ahead, with the FX rate assumptions taken into account how do you think the industry is pricing these premiums? How can these premiums in the Motor segment prevent you from experiencing a loss of value? Can you detail the premium pricing for the last 6 months?

CFO: We calculate our insurance liability in MTPL and MOD. In terms of Aksigorta, we do not see any exchange rate risk on the health side. Non-motor prices are mostly in foreign currency, and non-motor also have a value insurance. There is value, not market value, there is limited value. Again, there is not much difference in exchange rate in non-motor products. The main exchange rate risk is in motor products, especially in MOD. There is fair value insurance. If the value of the vehicle increases, we cannot receive additional premiums, but we will have to pay the increased value on that product. Unfortunately, we experienced some losses in our balance sheet. It is very important to hedge risk in MOD with our balance sheet and currency position. Another consideration is that we calculate the remaining insurance liabilities on motor products that it is around 100 million dollars. Therefore, we are currently above the insurance liabilities foreign currency risk threshold. In other words, we are trying to both maintain and increase our current long FX position, because we see that there may be a devaluation in TL.

Q: 6 months ago, were you calculating or predicting what would happen at this time of year? Because TL depreciated less than many expected. Therefore, I would expect your loss rates in MOD to be higher than they were 6 months ago. Is it true?

CFO: We started to create our budget from September USD/TL was about 24 - 25 at the end of the year for the set of macro assumptions This possible devaluation will take place in the coming period. We need to secure our balance sheet and profitability so that we can hold an acceptable and long position in terms of foreign currency. In addition, we started to import spare parts for hedging increase in prices. Maybe we can add the 10 million dollars to FX position, and it comes to around a 142 million dollars.