

8 February 2024

**AKSIGORTA REACHED 9,456m TL IN PREMIUM PRODUCTION WITH AN 89% GROWTH AND 468m TL IN NET PROFIT WITH A 71% GROWTH IN THE FOURTH QUARTER OF 2023.**

**2023 FOURTH QUARTER PERFORMANCE SUMMARY**

Aksigorta announced gross written premiums (GWP) of 9,456m TL and net profit of 468m TL in the fourth quarter of 2023, compared to gross written premiums of 4,996m TL and net profit of 274m TL in the fourth quarter of 2022. These figures represent 89% YoY growth in GWP and 71% YoY growth in net profit in the fourth quarter of 2023.

- Highlights of the fourth quarter of 2023 GWP growth:
  - The robust 98% growth in the non-motor segment – led by home package, corporate fire, business package and engineering – were primary growth drivers.
  - Focus on non-motor products, especially in the bank and corporate channel
  - As of December 31, 2023 the market share has decreased by 0.2 pp YoY and stands at a level of 6.7%

GWP (m TL)	1Q23	YoY	2Q23	YoY	3Q23	YoY	4Q23	YoY	2022	2023	YoY
MTPL	1.084	73%	1.357	60%	1.317	81%	1.775	147%	2.922	5.533	89%
MOD	1.233	143%	1.443	85%	1.593	48%	2.000	44%	3.757	6.268	67%
Non-Motor	2.144	90%	2.576	121%	3.379	224%	4.840	98%	5.777	12.938	124%
Health	710	223%	569	146%	439	110%	841	88%	1.108	2.559	131%
<b>Total</b>	<b>5.171</b>	<b>108%</b>	<b>5.945</b>	<b>96%</b>	<b>6.727</b>	<b>120%</b>	<b>9.456</b>	<b>89%</b>	<b>13.563</b>	<b>27.299</b>	<b>101%</b>

- Major regulatory changes announced in the first quarter of 2024:
  - The technical discount interest rate has been revised to 35% instead of 28%, with the circular no. 2024/3.
- In the actuarial valuation report on the final loss/premium rate estimation of the risky drivers' pool, published by PwC and prepared as of the third quarter of 2023, the ultimate loss ratio of the motor third party liability (MTPL) insurance pool has been revised upwards for all accident years with the effect of the change in macroeconomic indicators and the impact of cancellation of MTPL general conditions by the constitutional court.
- The company's total underwriting result (UWR), improved by 44m TL YoY and realized as +115m TL in the fourth quarter of 2023.
- Net financial income, including FX gain/loss and financial expenses, increased by 114% compared to the fourth quarter of 2022 and realized as 727m TL. Together with 65m TL in the fourth quarter of 2023, the tax shield created through TL tax advantage funds in 2023 has reached to ~240m TL level.

Financial Highlights (m TL)	1Q23	YoY	2Q23	YoY	3Q23	YoY	4Q23	YoY	2022	2023	YoY
GWP	5.171	108%	5.945	96%	6.727	120%	9.456	89%	13.563	27.299	101%
UWR	47	110%	-290	42%	-132	56%	115	63%	-1.216	-260	121%
Expenses	-257	-154%	-227	120%	-303	138%	-300	97%	-484	-1.088	125%
Net Financial Income	366	34%	1.037	221%	491	4%	727	114%	1.406	2.621	86%
<b>Net Profit</b>	<b>131</b>	<b>152%</b>	<b>454</b>	<b>337%</b>	<b>132</b>	<b>-160%</b>	<b>468</b>	<b>71%</b>	<b>-121</b>	<b>1.185</b>	<b>1078%</b>
<i>Combined Ratio</i>	<i>112%</i>	<i>-52pp</i>	<i>126%</i>	<i>-30pp</i>	<i>121%</i>	<i>-11pp</i>	<i>108%</i>	<i>+3pp</i>	<i>135%</i>	<i>117%</i>	<i>-18pp</i>

- In the fourth quarter 2023, Aksigorta AuM increased by 19% YoY and reached 9.1 billion TL. Thanks to successful fund management, annualized return yield (interest + FX) realized 32% in the fourth quarter of 2023.

### Expectations and Targets

Topline growth will be maintained via:

- Increase in the number of agencies; in 2023, 31% of our total premium generation was provided by 1.315 new agencies added to our portfolio in the last 5 years.
- # of agencies approached to 3.750 in the fourth quarter of 2023
- Penetration increased in the bank channel with the complementary health product
- Corporate business opportunities are closely monitored
- Collaboration with Fiat for package policy sales along with vehicle sales
- Economic MOD product suitable for economic conditions
- The Electric vehicle MOD product launched in 2023 offers the best coverage in its class and has the potential to become the market leader with a first-mover advantage in the segment
- Aksigorta customers' experience has been improved with the credit card unemployment product offer presented during the credit card transaction process on Akbank Mobile
- In 2023, Aksigorta strengthened its partnerships with Papara and Vodafone with new product offers. Aksigorta also partners with Enerjisa and Arvento, using Sabancı Group synergies
- In August 2022, a holistic healthcare service will be provided with the new healthcare company established to serve as a healthcare competency center for Sabancı Group's financial services companies
- Aksigorta's smart assistant ADA has improved its capabilities and started to respond to all health-related questions from agencies with generative AI technology using Aksigorta's core insurance platform
- Reviewing and updating our reinsurance structure will enable us to insure high-volume corporate business

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 182 processes are automated corresponding to 5,8m transactions and 200+ FTE in Jan.23-Dec.23 period) leading to operational efficiency & savings
- New technologies applied in customers' claim experiences
- Artificial intelligence and machine learning technologies 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: Which level do you expect ROE and AUM in 2024 End?

CFO: We will be most probably expecting ROE level of close to 40% next year. Our total AUM is expected at around 14-15 billion TL.

Q: Should we expect combined ratio below 100% in 2024?

CFO: I don't think that it will be a realistic assumption to expect something around below 100% level. we estimated at %115-%120. Unfortunately, MTPL is a mandatory part of our portfolio which is creating a huge loss and leading to a combined ratio level of above %100.

Q: Is it possible to see normalization in 1Q24 profits as discount rate change is applied in 4Q23? In which segments are we going to see growth in 2024?

CFO: The discount rate changed at the end of 2023. In the 1Q24, we will not be seen any favorable impact coming from the any discount rate changes, according to our current information. In terms of segment growth, I will generally touch on the non-motor and health focus with also a more selective approach towards to motor line of businesses.

CEO: On the MOD, we would like to keep our market share which is around 8% to 9% market share. On the non-motor, in all customer segments from retail to corporate, we want to grow. In the market, there's a huge increase in the reinsurance cost and earthquake tariff. Any policies which include Earthquakes coverage the premium of these policies will increase tremendously in 2024. Growth on the non-motor, would be higher than expected at the end of 2024. Aksigorta reinsurance structure and reinsurance capacity is very well placed at the end of 2023. We would like to utilize our huge treaty capacities to gain market share on the non-motor products, regardless of customer segments. In addition, our new health company will be operating start operation 1<sup>st</sup> April 2024, health will be one of focus area for Aksigorta on the coming period. That growth would not be too strong in 2024 since 2024 will be a transition period but starting from next year health will be the major focus area for Aksigorta in terms of growth.

Q: Would you please give some guidance for 2024?

CFO: Our first expectation for the next year is the top line growth above a 80%. In terms of the total combined ratio, our target to is to be landed at a level of 115%-120%. In terms of the financial income, we expect generating overall return of almost 40% level in our total TL portfolio. Overall, we will be landing at a ROE of 40% level.

Q: Have you applied 35% discount rate already in 4Q23?

CEO: Yes, we applied that change in 4Q23.

Q: Are you using equity allocation enough to diversify and enhance your returns?

CFO: We are investing in equities in a limited share in total asset portfolio in line with our investment policy approved by the Board.