AKSigorta
Bambaşka.

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AKSIGORTA REACHED 7,498m TL IN PREMIUM PRODUCTION WITH AN 11% GROWTH AND 555m TL IN NET PROFIT WITH A 320% INCREASE IN THE THIRD QUARTER OF 2024.

2024 THIRD QUARTER SOLO PERFORMANCE SUMMARY

Aksigorta announced gross written premiums (GWP) of 7,498m TL and net profit of 555m TL in the third quarter of 2024, compared to gross written premiums of 6,727m TL and net profit of 132m TL in the third quarter of 2023. These figures represent 11% YoY growth in GWP and 320% YoY growth in net profit in the third quarter of 2024.

- In the third quarter of 2024, the focus was on growth in products with high profit margins and a positive impact on capital adequacy.
- An improvement was achieved in the capital adequacy ratio.
- In compliance with the circular on MTPL avoidance, growth in the MOD segment was aligned with the requirements of the circular.
- As of September 30, 2024 the market share has decreased by 1.2 pp YoY and stands at a level of 5.1%

GWP (m TL)	3Q23	3Q24	ΔYoY	9M23	9M24	ΔYoY
MTPL	1.317	2.605	98%	3.758	5.996	60%
MOD	1.593	899	-44%	4.269	4.737	11%
Non-Motor	3.379	3.320	-2%	8.099	11.334	40%
Health	439	673	54%	1.718	2.953	72%
Total	**6.727**	**7.498**	**11%**	**17.843**	**25.020**	**40%**

- The company's total underwriting result (UWR), with an increase of 205m TL YoY, realized as +72m TL in the third quarter of 2024 thanks to effect of higher technical profitability in all LoBs.

UWR (m TL)	3Q23	3Q24	ΔYoY	9M23	9M24	ΔYoY
MTPL	-411	-350	15%	-1.348	-1.285	5%
MOD	128	149	16%	608	444	-27%
Non-Motor	98	183	86%	248	498	101%
Health	52	90	74%	118	238	101%
Total	**-133**	**72**	**154%**	**-374**	**-106**	**72%**

Financial Highlights (m TL)	3Q23	3Q24	ΔYoY	9M23	9M24	ΔYoY
GWP	6.727	7.498	12%	17.843	25.020	40%
UWR	-133	72	154%	-374	-106	72%
Expenses	-303	-517	-70%	-787	-1.521	-93%
Net Financial Income	491	1.063	117%	1.894	2.850	50%
Net Profit	**132**	**555**	**320%**	**717**	**1.163**	**62%**
Combined Ratio	*121%*	*117%*	*-4pp*	*120%*	*121%*	*+1pp*

- In the third quarter of 2024, AuM increased by 44% year-over-year, reaching TL 12.8 billion. Thanks to successful fund management, the annualized average financial return (including fx and interest income) was 39% in the third quarter. During the same period, net financial income, including fx income and financial expenses, grew by 117%, reaching TL 1.1 billion.

Expectations and Targets

We are pursuing a dynamic and innovative strategy focused on high-margin products, aimed at sustaining a strong capital adequacy position while maximizing profitability without compromise. This approach not only reinforces our capital adequacy but also supports sustainable growth and delivers robust profitability

- Increase in the number of agencies; in the period of January 2024 – September 2024, 20% of our total agency premium generation was provided by 1.115 new agencies added to our portfolio in the last 5 years.
- # of agencies exceeded 3,650 in the third quarter of 2024
- TCIP product sales started via Akbank mobile.
- Aksigorta customers' experience has been improved with the credit card unemployment product offer presented during the credit card transaction process on Akbank Mobile.
- 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'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. Usage of robotic process automation (currently 200 processes are automated corresponding to 3,7m transactions and 200 FTE in Jan.24-Sep.24 period) leading to operational efficiency & savings
- Sales and marketing activities for our new product, Pati Plus VetAmerikan, commenced as of July 2024

Q&A

The following questions were raised during the earnings call:

Q: Don't you hold funds in portfolio income? When are redemptions for debt instruments? If it weren't for this portfolio income, it would be a loss-making structure. When will we see Aksigorta in the market as effective as before 2021? What is the latest situation on the CAR side?

CFO: In terms of the capital adequacy, we started to see the results of our actions of better business selection and not writing all the businesses that we get in third quarter. We are in the safe zone as

above the current regulatory CAR level of 115%. That's the good news for the third quarter. In terms of the financial income, we are investing in funds as well. We have the Turkish Lira tax advantage fund, established in 2022, which reached the volume of almost 4.5 billion TL as of end of September. We are taking advantage of the tax shield, which reached above 400 million for nine months. When we look at the past 9 years of financial performance, we are currently making a detailed plan to; first improve the capital adequacy and the profitability of the company. The underwriting result is crucial for the companies and healthy financials, but it should be coupled with the financial income. Because it is also a complement of the insurance business.
CEO: We have quickly implemented certain actions mainly to focus on prioritizing profitability and capital efficiency over gross productivity as a matter of fact. In the insurance industry, there are certain products that are not such capital efficient; or profitable as one would like number of products that are loss-making. Rationalization of the portfolio is very critical going forward to improve the profitability and capital adequacy ratios. We have taken certain very quick actions, and we have seen the positive result already in Q3/24. We are expecting to see more positive results going further, both in Q4 and throughout 2025 and beyond. We are focusing more on the rationalization of our portfolio supports a priority for profitability. This will include being more selective and mindful approach in premium generation, with a better product mix. We are transforming our product lines.

Q: Could you elaborate on the potential impact of synergies expected from sharing resources with Agesa? Would be great if you could guide us through the expense ratio.
CEO: Agesa is our sister company. We have already merged to some central functions such as HR, risk or audit. We have recently internally announced mergers of our bancassurances in order to tap into more potentials on the bancassurance side. We have also centralized our investment management by appointing a chief investment officer so going further. We will be looking at various opportunities. We will be seeking for even more synergies across business groups, business lines in the upcoming quarters and in years. We are on a transformation stage, and we are seeing positive results. I hope, we will be able to share even better results and more developments in the upcoming meetings.

Q: How will a minimum wage hike of 25-30% will impact your 4Q?
CFO: According to latest discussions, minimum wage rate will evolve around 25% to 30% levels, which is within our expected the border. It will not hit our balance sheet if the hiking minimum wage stays at 30% level and there will be no effect.

Q: Can you please give a color on potential inflation accounting implementation in 2025?
CFO: The exemption for the IAS29, runs up until the 1st of January 2025. Currently, there is no other news and any additional postpones. We will include the inflation accounting in the next year in our financials. Inflation accounting impact is negative for the financials. Assets are light for the insurance companies leading to monetary loss in these results. In addition, starting from next year, we will also be switching IFRS17 new standard and maybe we will be one of the countries, which is a reflecting both, IFRS17 and the inflation accounting at the same financials. If they become live at the same time, the inflation accounting impacts will be limited. Since most of the balance sheet lines will also be cash based on IFRS17. The impact of inflation accounting would be limited on top of IFRS17.

Q: Your effective tax rate is below 10%. Will that low rate be sustained in 2025?
CFO: Starting from next year, the regulation of minimum 10% of effective corporate tax rate will be enforced, which will take our tax rate to 10%. Compared to this year, we will be paying higher tax in the next year.