

AKSigorta Earnings Call Presentation – 20'Q2

29/07/2020

Presented by **AKSigorta** IR Team

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1. Aksigorta Financials (in TFRS)

2. What are the Risks & Opportunities?

3. 2020 Guidance

4. Appendix

2020 Q2 – Aksigorta Scorecard

2Q20 Financial Indicators (M TL) (YoY %)

1.032 **-5%**

Gross Written
Premiums

169 **88%**

Net Income

942 **37%**

Total Equity

2Q20 Operational Ratios (YoY pp)

55% **-16 pp**

Net Loss Ratio

79% **-18 pp**

Net Combined
Ratio

56% **10 pp**

RoE

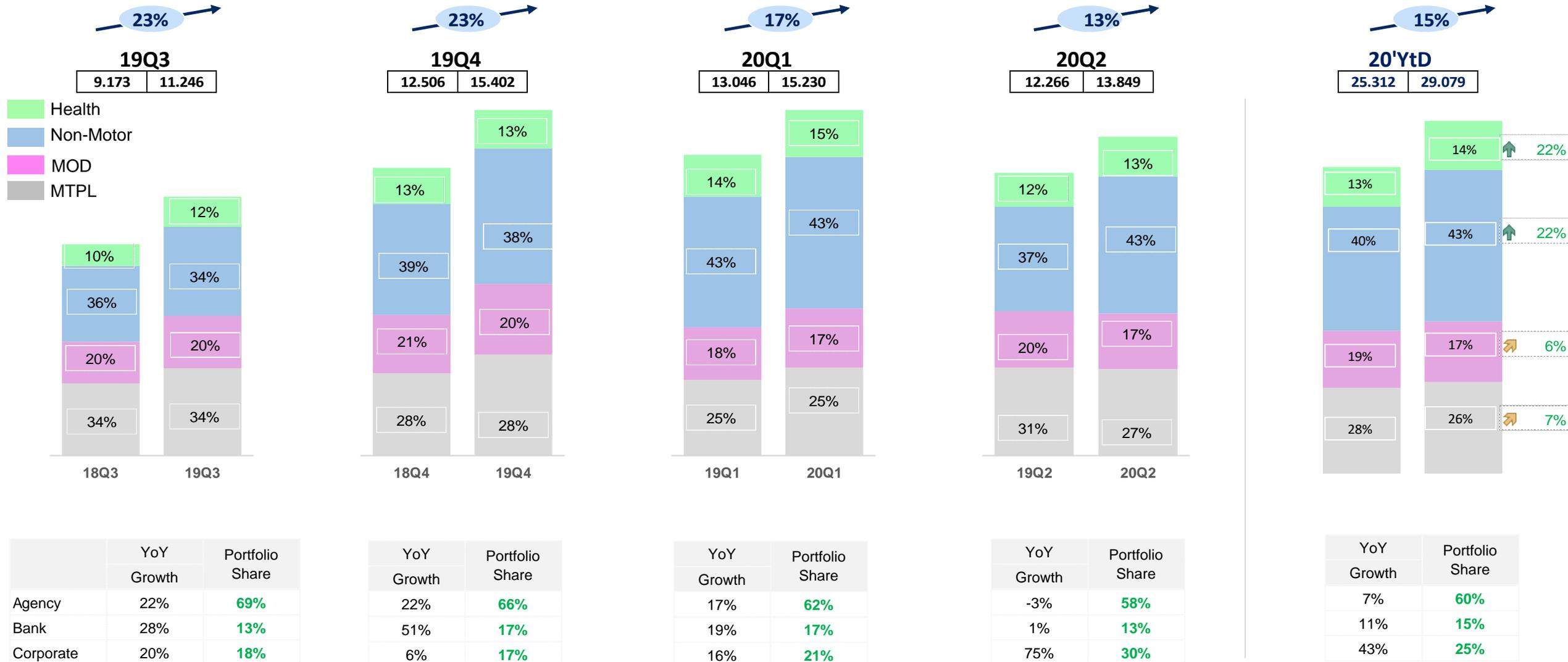
Dividend Payment Out of 2019 Net Profit (Mn TL)

202
Dividend
Paid

55%
Pay-out
Ratio

Market GWP (M TL)

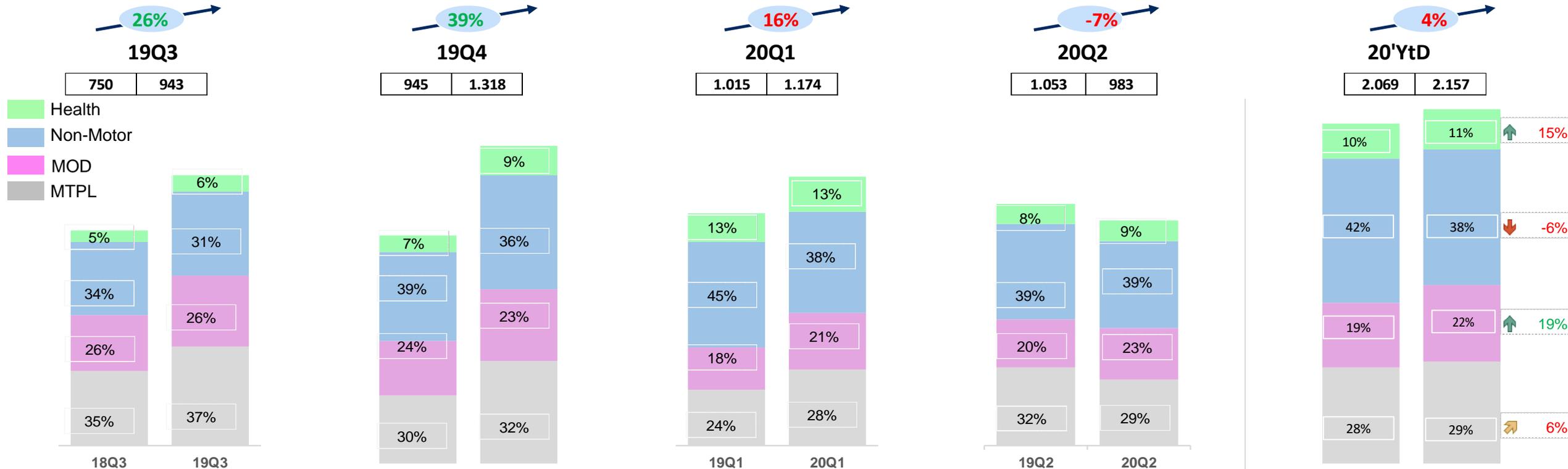
Non-Life Insurance Market GWP is 13,8Bn TL in Q2 with ~13% YoY growth



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

Aksigorta GWP (M TL)

Aksigorta GWP Growth Slowed Down Due to Covid-19 in 2Q20



	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%

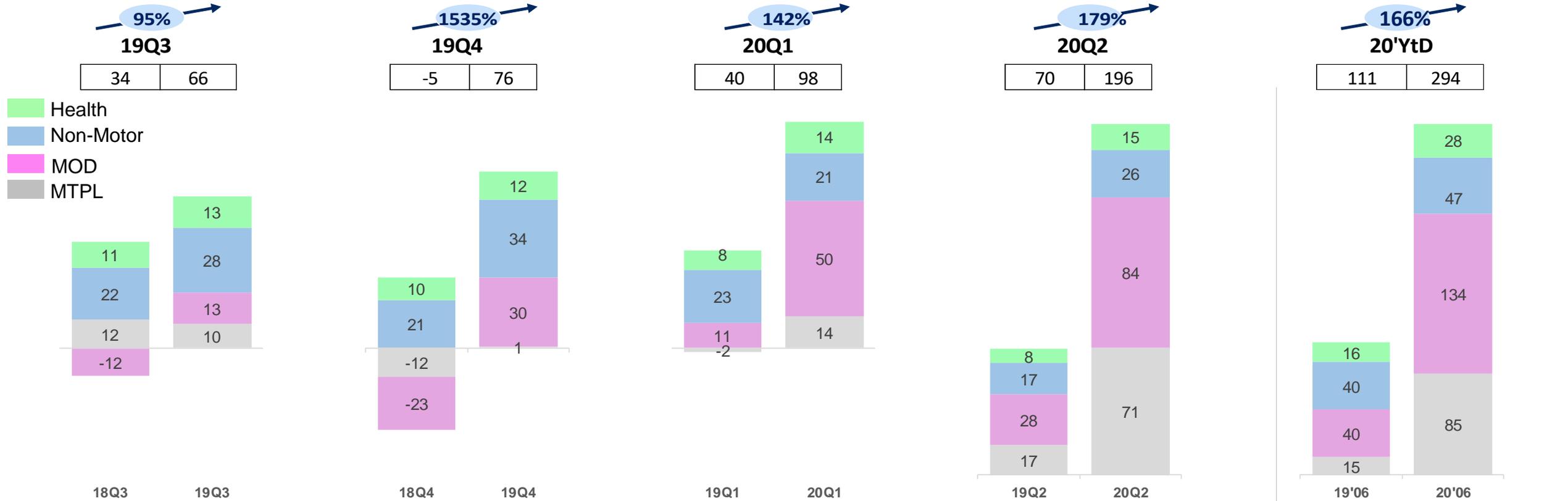
	YoY Growth	Portfolio Share
Agency	-7%	61%
Bank	-10%	11%
Corporate	4%	28%

	YoY Growth	Portfolio Share
Health	10%	15%
Non-Motor	42%	-6%
MOD	19%	19%
MTPL	28%	6%
Agency	12%	61%
Bank	-2%	11%
Corporate	-2%	28%

Retroceded premiums from pools are excluded above.
As of June 2020, there was 109 Million TL retroceded premiums in AKSigorta.

Aksigorta UWR by LoBs (M TL)

UWR more than doubled up in 2Q20 thanks to MOD & MTPL performance



UWM			
MTPL	MOD	Non Motor	Health
4%	7%	30%	16%
Agency	Bank	Corporate	Company
6%	35%	34%	12%

UWM			
MTPL	MOD	Non Motor	Health
0%	14%	36%	13%
Agency	Bank	Corporate	Company
10%	33%	18%	13%

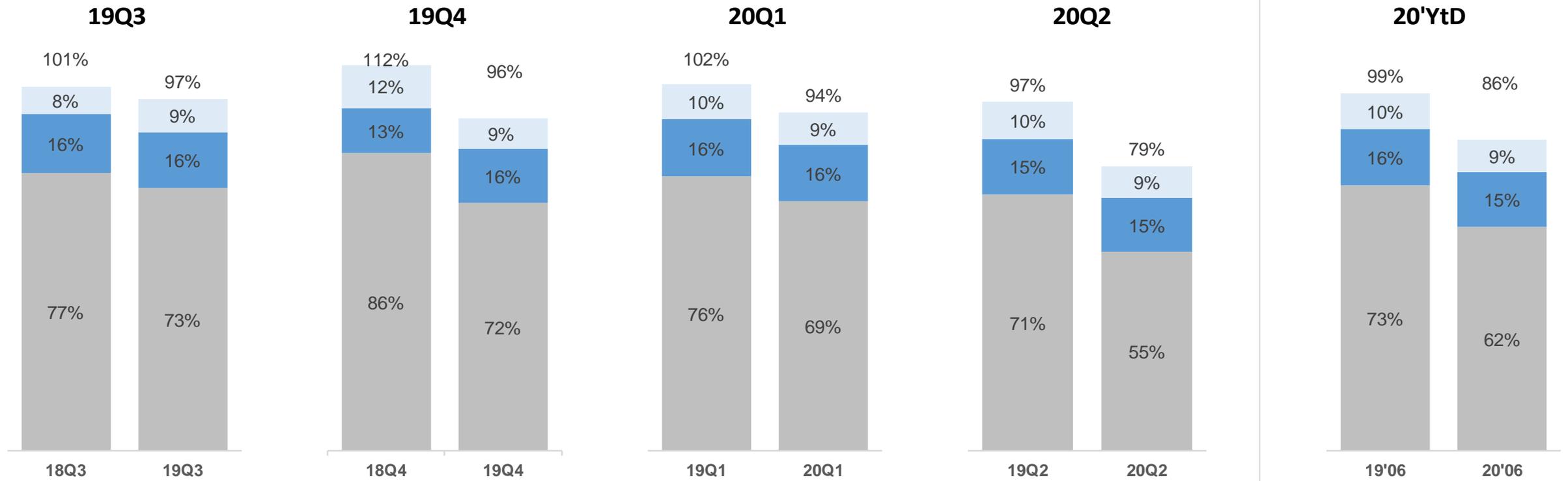
UWM			
MTPL	MOD	Non Motor	Health
5%	23%	21%	13%
Agency	Bank	Corporate	Company
13%	36%	33%	15%

UWM			
MTPL	MOD	Non Motor	Health
24%	36%	26%	14%
Agency	Bank	Corporate	Company
30%	35%	52%	30%

UWM			
MTPL	MOD	Non Motor	Health
15%	29%	24%	14%
Agency	Bank	Corporate	Company
21%	35%	42%	23%

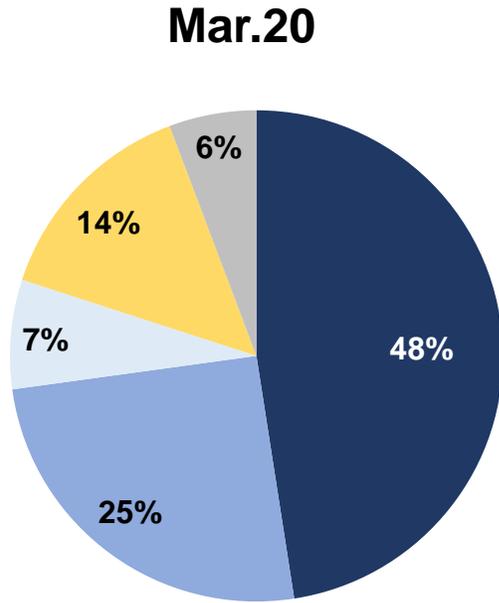
We keep combined ratio well below 100%

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



Total Assets Under Management Reached 3,0bn TL in Jun.20

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



2.580m TL

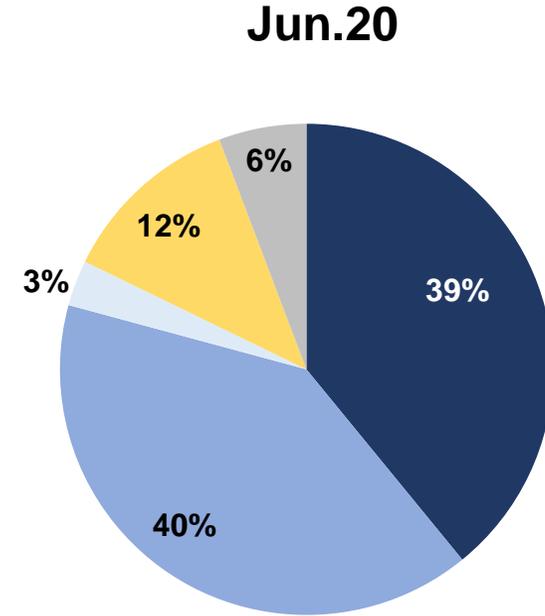
10%

87 m TL

AuM

Annualized average yield*

Quarterly financial income**



2.970 m TL

13%

101 m TL

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

Net Income Almost Doubled in 2Q20 (88% YoY Growth)

Profit & Loss	19Q2	19Q3	19Q4	20Q1	20Q2	20Q2/ 19Q2
Gross Written Premiums	1.084	975	1.356	1.234	1.032	-5%
Net Earned Premiums	518	559	601	638	655	26%
Underwriting Result	70	66	76	98	196	179%
Expenses	-51	-52	-57	-57	-61	-20%
Financial Income	109	110	115	81	96	-12%
Profit Before Tax	122	118	131	110	222	82%
Net Profit	90	91	107	89	169	88%

Combined Ratio	96%	97%	96%	94%	79%	-17pp
Loss Ratio	71%	73%	72%	69%	55%	-16pp
Commission Ratio	15%	16%	16%	16%	15%	0pp
Expense Ratio	10%	9%	9%	9%	9%	-1pp
UW Margin	14%	12%	13%	15%	30%	16pp

Proven Track of Strong Financial Results, RoE 50%+

Balance Sheet (M TL)	19Q2	19Q3	19Q4	20Q1	20Q2	20Q2/ 20Q1	20Q2/ 19Q2
Receivables	1.388	1.281	1.543	1.522	1.417	-7%	2%
AUM	2.201	2.450	2.610	2.580	2.970	15%	35%
Other	389	368	449	460	431	-7%	11%
Total Assets	3.978	4.099	4.601	4.562	4.818	6%	21%
Reserves	2.240	2.390	2.612	2.719	2.730	0%	22%
Payables	819	699	856	874	877	0%	7%
Other	234	222	235	243	269	11%	15%
Equity	686	789	899	726	942	30%	37%
Total Liabilities	3.978	4.099	4.601	4.562	4.818	6%	21%
RoE	46%	44%	45%	58%	56%	-1pp	10pp

TFRS vs IFRS:

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

	Equity	YtD P&L
Million TL		
TFRS Result	941,6	258,5
Equalization Reserve	92,1	-3,5
Unexpired Risk Reserve	17,8	3,4
Unallocated Loss Adjustment Expenses	-19,5	-0,3
IBNR	11,1	11,1
Discounting of outstanding claims	-292,2	-39,5
Deferred Tax	39,7	6,4
IFRS Result	790,6	236,0

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

Risks & Opportunities

Risks

- Downsizing economy limits insurance growth
- Decreasing UW profit margin due to competition
- Decrease in interest rates
- Natural disasters due to climate change (e.g.: hail and flood, EQ etc.)
- Possible churn in individual segments due spending cut offs
- COVID-19 impacts; decline in new sales

Opportunities

- Decrease in interest rates would have positive impact on mortgage and car sales
- Increasing new vehicle and mortgage home sales
- Higher premiums and improved UW Margin with the introduction of new products
- Efficient cost management
- Non-motor growth driven by credit expansion in public banks
- Declining claim frequency due to COVID-19

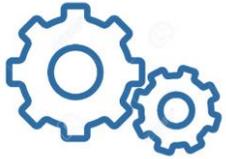
Impact of Covid-19

- 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:
 - 63% 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 caused by 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 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

1Bn \$

Market Cap

10%

Market Share

95%

Net Combined
Ratio

30%+

RoE

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Summary Financial Statements in IFRS

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Underwriting Result	42	46	59	75	191	354%
Expenses	-51	-52	-57	-57	-61	-20%
Financial Income	109	110	115	81	96	-12%
Profit Before Tax	94	43	98	93	214	128%
Net Profit	68	75	94	71	165	143%
Combined Ratio	102%	101%	99%	97%	80%	-22pp
Loss Ratio	76%	76%	74%	73%	56%	-21pp
Commission Ratio	15%	16%	16%	16%	15%	0pp
Expense Ratio	10%	9%	9%	9%	9%	-1pp
UW Margin	8%	8%	10%	12%	29%	21pp

Proven Track of Strong Financial Results, RoE 50%+

Balance Sheet (M TL)	19Q2	19Q3	19Q4	20Q1	20Q2	20Q2/ 20Q1	20Q2/ 19Q2
Receivables	1.388	1.281	1.543	1.522	1.417	-7%	2%
AUM	2.201	2.450	2.610	2.580	2.970	15%	35%
Other	414	398	482	499	470	-6%	14%
Total Assets	4.004	4.128	4.635	4.601	4.857	6%	21%
Reserves	2.365	2.535	2.774	2.904	2.920	1%	24%
Payables	711	582	703	733	783	7%	10%
Other	341	338	387	385	363	-6%	7%
Equity	587	673	770	579	791	37%	35%
Total Liabilities	4.004	4.128	4.635	4.601	4.857	6%	21%
RoE	48%	45%	44%	57%	58%	2pp	11pp

1H20 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	1.328	-6	-29							1.293
Claims, net *	-775			11	-16	-21				-800
Other Technical Inc and Exp	-39	6	29	-11	15					
Commissions, net							-198			-198
General Expenses	-290						290			
Allocated Financial Income	188								-188	
TOTAL	412	0	0	0	-1	-21	92	-188		295

* **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

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For further questions:

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