

29 July 2020

**AKSIGORTA's NET PROFIT IN THE SECOND QUARTER OF 2020 is 169m TL, A NEW RECORD HIGH**

**For the Second Quarter Ended 30 June 2020**

Aksigorta reported net profit of 169m TL and gross written premiums of 1.032m TL in the Second Quarter of 2020 compared to net profit of 90m TL and gross written premiums of 1.084m TL in the Second Quarter of 2019. These represent 188% and 95% of the corresponding numbers in the Second Quarter of 2019. The strengthening results are due to the following factors:

- The decrease in mobility due to Covid-19 improved our underwriting (uw) margins in motor lines of business; total motor uw result reached 155m TL in the Second Quarter of 2020 compared to uw result of 45m TL in the Second Quarter of 2019
- Underwriting result in health business is not affected by Covid-19 due to full reinsurance
- Limited churn in individual segments
- Contribution of new pricing model in MOD retail segment both on top line and bottom line
- Recovery of financial losses in the first quarter mainly in equity investments

Gross written premiums showed 5% decline in the Second Quarter of 2020 YoY; this is mainly due to the decrease in sales volume because of lock-downs and shrinkage in new vehicle sales. Aksigorta market share is 7.4% as of June 30, 2020; market share in motor lines increased whereas we lost market share in non-motor mainly due to two-year policies issued in 2019 and postponed projects in corporate channel.

GWP (m TL)	1Q19	1Q20	YoY	2Q19	2Q20	YoY	1H19	1H20	YoY
MTPL	275	378	37%	368	332	-10%	643	710	10%
MOD	186	247	33%	212	227	7%	397	473	19%
Non-Motor	470	454	-3%	418	382	-9%	887	836	-6%
Health	127	155	22%	88	92	5%	215	247	15%
<b>Total</b>	<b>1.058</b>	<b>1.234</b>	<b>17%</b>	<b>1.084</b>	<b>1.032</b>	<b>-5%</b>	<b>2.142</b>	<b>2.266</b>	<b>6%</b>

Combined ratio stayed below 100% at a record low level of 79% in the Second Quarter of 2020. MoD and MTPL claims frequency dropped by ~50% compared to the First Quarter of 2020 with the decline in mobility. Total Company underwriting result (uwr) reached 196m TL in the Second Quarter of 2020 with an increase of 126m TL YoY.

Financial Highlights (m TL)	1Q19	1Q20	YoY	2Q19	2Q20	YoY	1H19	1H20	YoY
GWP	1.058	1.234	17%	1.084	1.032	-5%	2.142	2.266	6%
UWR	40	98	143%	70	196	179%	111	295	167%
Expenses	-54	-57	-6%	-51	-61	-20%	-105	-118	-12%
Financial Income	122	81	-34%	109	96	-12%	231	178	-23%
<b>Net Profit</b>	<b>78</b>	<b>89</b>	<b>14%</b>	<b>90</b>	<b>169</b>	<b>88%</b>	<b>168</b>	<b>259</b>	<b>54%</b>
<i>Combined Ratio</i>	<i>102%</i>	<i>94%</i>	<i>-8,0%</i>	<i>96%</i>	<i>79%</i>	<i>-17,0%</i>	<i>99%</i>	<i>86%</i>	<i>-12,9%</i>

In the the Second Quarter of 2020 assets under management increased by 390m TL and reached 2.970m TL. Despite of the continued decline in interest rates, with active management of funds

annualized return yield is 13% in the Second Quarter of 2020 (annualized return yield in the Second Quarter of 2019 20%)

### Covid-19 Impact

Cash flows: Due to slow 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 face 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 market decreased by 30-40% all over the world at the beginning of the pandemic. Weight of equities in our portfolio is limited at 6%

Business continuity: Thanks to our last 10 years of investment in information technologies 100% of our teams work from home efficiently

Economic slowdown: New business sales got hurt but we did not face a major decline in our renewals

Decline in claim frequency: Slowdown in mobility (curfews, lockdowns) led to lower claim frequency in Motor LoBs

### Future Prospects

Topline growth will be maintained via:

- contribution of new agencies; in the last 2 years 811 new agencies are added to our agency network which make 22% of total agency GWP; # of agencies exceeded 3.000
- increase in bank penetration
- following corporate business potential closely

Combined ratio will be kept below 100% via:

- enhanced risk management policy and profitable insurance portfolio
- data analytics capabilities used in pricing and underwriting
- new technologies applied in customers' claim experiences

We will keep our focus on maximizing financial income and keeping costs under control. Even though majority of the risks are related with premium production, we maintain 2020 year end guidance of 15%-25% YoY GWP growth and 0%-10% YoY net profit growth.

### Q&A

The following questions were raised during the earnings call:

1. How are you thinking about your investment portfolio structure going forward?  
We will continue our search for higher yield, we will keep our equity portfolio since stock market has started to pick up
2. How do you see the claims ratio for the 3rd quarter?

We may expect 69%-70% claims ratio in the second half if there is no second wave of Covid-19; with commission ratio of 16% and an expense ratio of 9% - our aim is to reach combined ratio of 94%-95%

#### About Aksigorta

Aksigorta is the third largest non-life insurance player in Turkish market with 4,5bn TL of gross premiums written and 8,3% market share in 2019. The Company is uniquely positioned to enjoy both global insurance business know-how of its shareholder Ageas and Sabancı Group expertise in doing business in Turkey. Aksigorta celebrates 60<sup>th</sup> anniversary in 2020 with 668 employees, ~3,000 agencies, 69 brokers.