

Aksigorta 3Q Earnings Call Presentation

27 October 2020

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AKSigorta
Bambařka.



1. Aksigorta Financials (in TFRS)

2. What are the Risks & Opportunities?

3. 2020 Guidance

4. Appendix

2020 Q3 – Financial Indicators (m TL) (YoY %)

1.270 Gross Written Premiums	↑ 30%	86 Net Income	↓ -5%	995 Total Equity	↑ 26%
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2020 Q3 – Operational Ratios (YoY pp)

76% Net Loss Ratio	↑ +3pp	100% Net Combined Ratio	↑ +3pp	5.044 Total Assets	↑ 25%	48% RoE	↑ +5pp
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2020 Q3 – Financial Income (m TL)

3.065 AuM	↑ 25%	11% Avr. Annualized Yield
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2020 Q3 – Financial Indicators (m TL) (YoY %)

3.536 Gross Written Premiums	↑ 13%	344 Net Income	↑ 33%	995 Total Equity	↑ 26%
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2020 Q3 – Operational Ratios (YoY pp)

67% Net Loss Ratio	↓ -6pp	91% Net Combined Ratio	↓ -7pp	5.044 Total Assets	↑ 25%	48% RoE	↑ +5pp
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Dividend Payment Out of 2019 Net Profit (m TL)

202 Dividend Paid	55% Pay-out Ratio
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Market GWP Distribution (%) (m TL)

19Q4

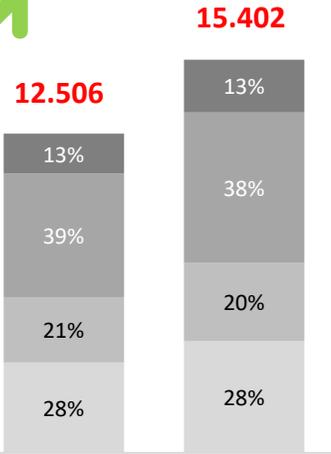
20Q1

20Q2

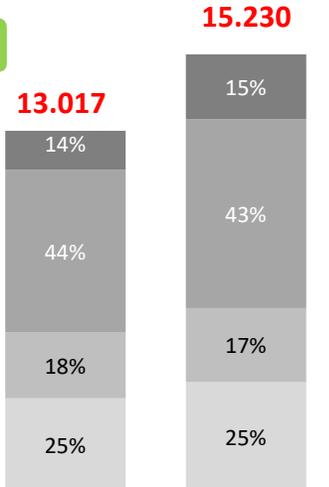
20Q3

20'09 YtD

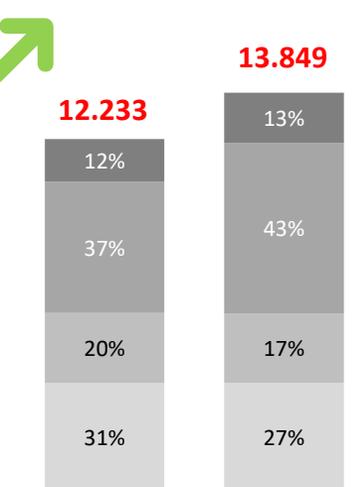
+23%



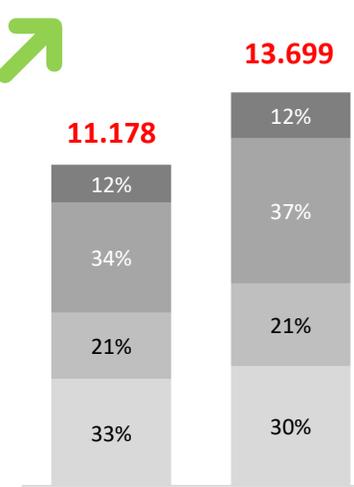
+17%



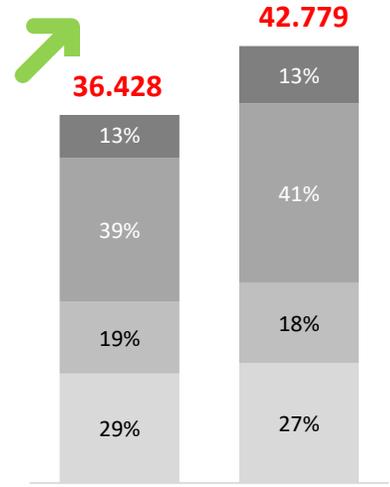
+13%



+23%



+17%



YoY			
MTPL	MOD	Non-motor	Health
+24%	+20%	+22%	+31%
Agency	Bank	Corporate	Market
+22%	+51%	+11%	+23%

Portfolio Share			
Agency	Bank	Corporate	Market
62%	16%	22%	100%

YoY			
MTPL	MOD	Non-motor	Health
+17%	+13%	+16%	+25%
Agency	Bank	Corporate	Market
+17%	+19%	+18%	+17%

Portfolio Share			
Agency	Bank	Corporate	Market
57%	16%	27%	100%

YoY			
MTPL	MOD	Non-motor	Health
0%	-1%	+30%	+19%
Agency	Bank	Corporate	Market
-3%	+1%	+55%	+13%

Portfolio Share			
Agency	Bank	Corporate	Market
54%	12%	34%	100%

YoY			
MTPL	MOD	Non-motor	Health
+12%	+25%	+32%	+21%
Agency	Bank	Corporate	Market
+19%	+30%	+30%	+23%

Portfolio Share			
Agency	Bank	Corporate	Market
63%	13%	24%	100%

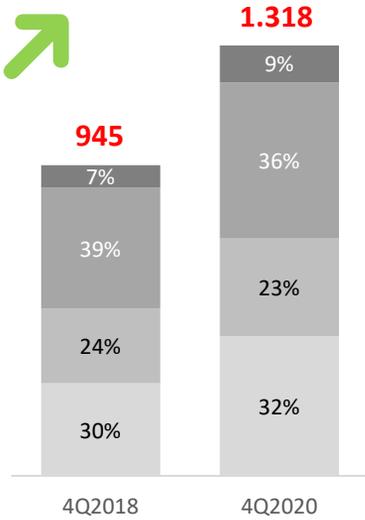
YoY			
MTPL	MOD	Non-motor	Health
+9%	+12%	+25%	+22%
Agency	Bank	Corporate	Market
+11%	+16%	+34%	+17%

Portfolio Share			
Agency	Bank	Corporate	Market
58%	14%	28%	100%

Aksigorta GWP Distribution (%) (m TL)

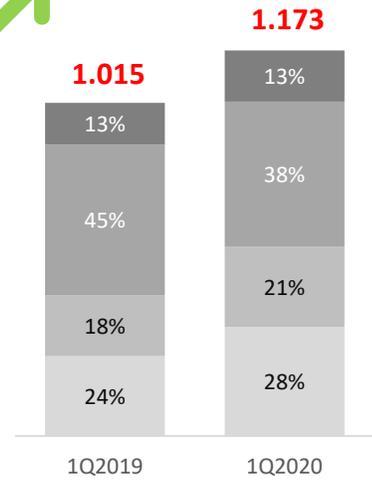
19Q4

+39%
↗



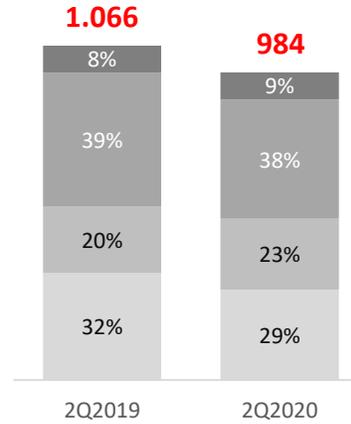
20Q1

+16%
↗



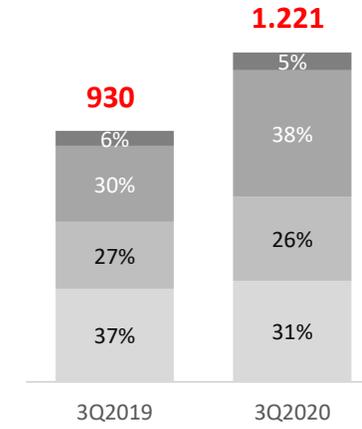
20Q2

-8%
↘



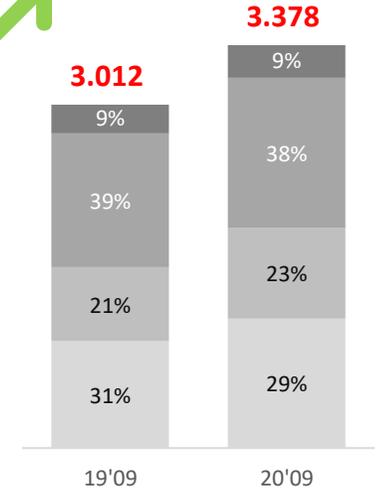
20Q3

+31%
↗



20'09 YtD

+12%
↗



YoY			
MTPL	MOD	Non-motor	Health
+51%	+31%	+29%	+78%
Agency	Bank	Corporate	Company
+46%	+74%	+9%	+39%

Portfolio Share			
Agency	Bank	Corporate	Company
65%	15%	20%	100%

YoY			
MTPL	MOD	Non-motor	Health
+36%	+32%	-4%	+22%
Agency	Bank	Corporate	Company
+35%	+4%	-7%	+16%

Portfolio Share			
Agency	Bank	Corporate	Company
60%	12%	28%	100%

YoY			
MTPL	MOD	Non-motor	Health
-15%	+7%	-11%	+5%
Agency	Bank	Corporate	Company
-7%	-10%	-1%	-8%

Portfolio Share			
Agency	Bank	Corporate	Company
61%	11%	28%	100%

YoY			
MTPL	MOD	Non-motor	Health
+8%	+26%	+66%	+19%
Agency	Bank	Corporate	Company
+19%	+37%	65%	+31%

Portfolio Share			
Agency	Bank	Corporate	Company
59%	11%	30%	100%

YoY			
MTPL	MOD	Non-motor	Health
+7%	+22%	+10%	+16%
Agency	Bank	Corporate	Company
+14%	+8%	+14%	+12%

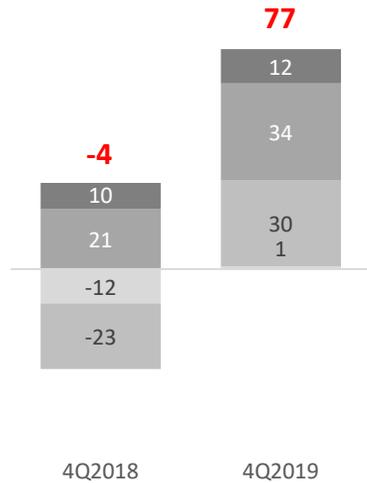
Portfolio Share			
Agency	Bank	Corporate	Company
60%	11%	29%	100%

Better performance in motor segment contributed to UW profitability

UWR business mix (TL m)

19Q4

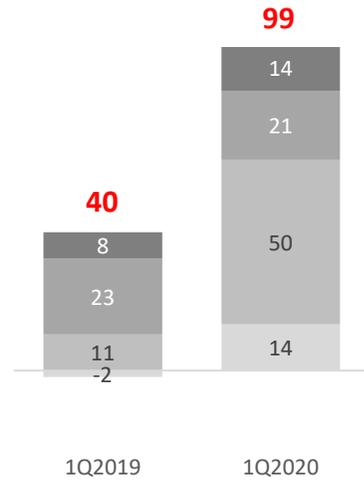
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UWM			
MTPL	MOD	Non-motor	Health
+0%	+14%	+8%	+13%
Agency	Bank	Corporate	Company
+7%	+25%	+3%	+7%

20Q1

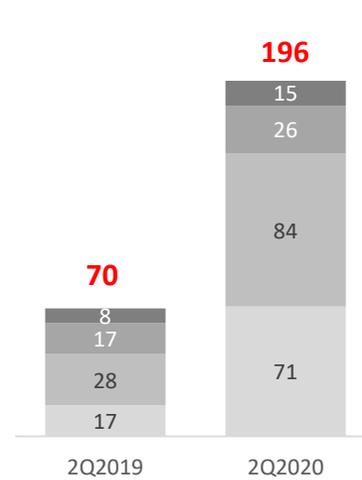
+148%
↗



UWM			
MTPL	MOD	Non-motor	Health
+4%	+22%	+5%	+13%
Agency	Bank	Corporate	Company
+9%	+27%	+6%	+9%

20Q2

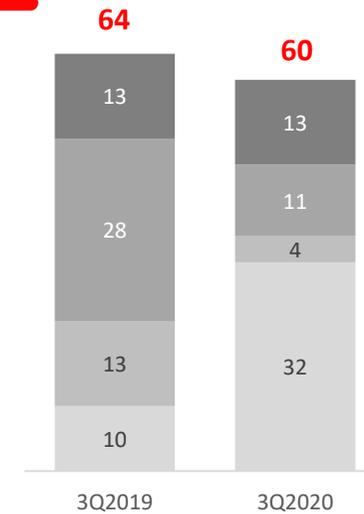
+179%
↗



UWM			
MTPL	MOD	Non-motor	Health
+19%	+34%	+6%	+14%
Agency	Bank	Corporate	Company
+20%	+27%	+9%	+17%

20Q3

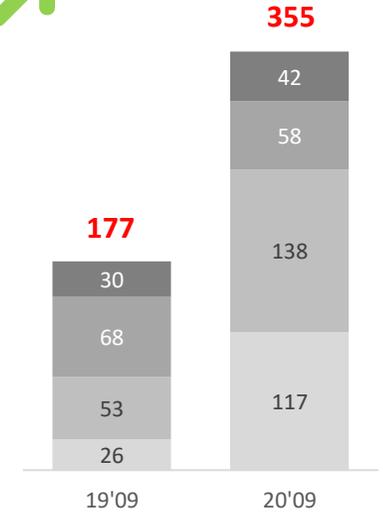
-7%
↘



UWM			
MTPL	MOD	Non-motor	Health
+8%	+1%	+3%	+12%
Agency	Bank	Corporate	Company
+4%	+29%	-1%	+5%

20 YtD

+100%
↗



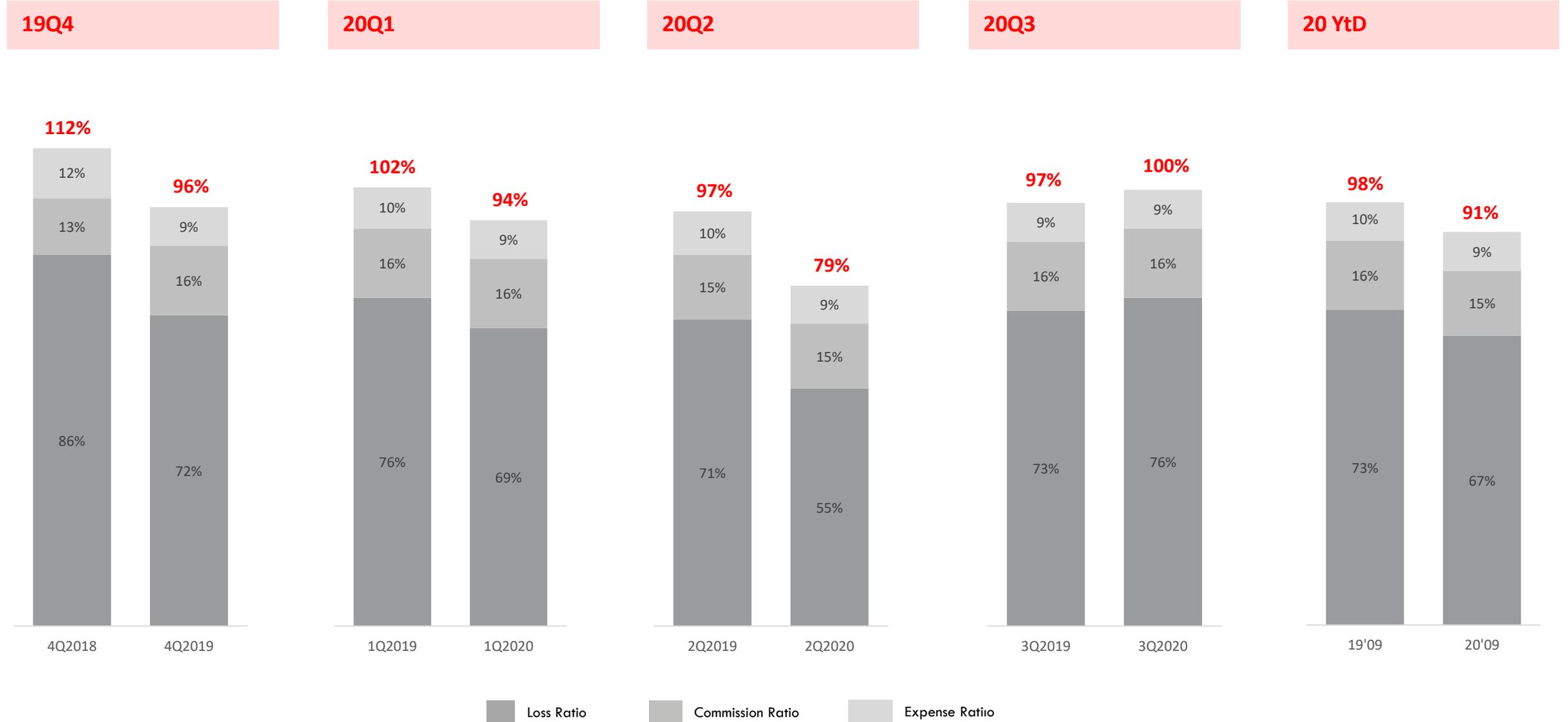
UWM			
MTPL	MOD	Non-motor	Health
+10%	+18%	+5%	+13%
Agency	Bank	Corporate	Company
+11%	+28%	+3%	+10%

UWM: UWR / Gross earned premiums

Health Non-motor MOD MTPL

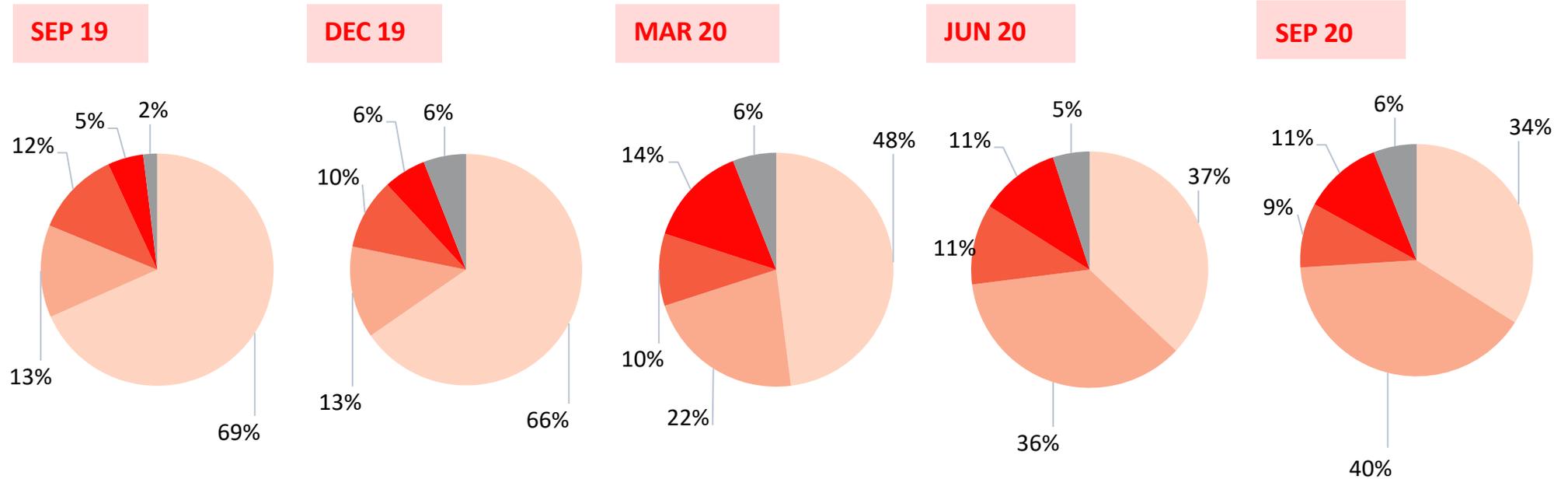
Financial Performance

Keeping combined ratio below 100%



Financial Performance

As of Sep 2020, AuM has reached TL 3.06b with a 25% YoY growth



AuM	2,450m TL	2,610m TL	2,580m TL	2,970m TL	3,065m TL
Average annualized yield*	24%	19%	10%	13%	11%
Quarterly financial income**	110m TL	120m TL	87m TL	101m TL	121m TL

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

Income Statement

Profit & Loss	19Q4	20Q1	20Q2	20Q3	20Q3 YTD	20Q3/20Q2	20Q3 YTD / 19Q3 YTD
Gross Written Premiums	1.356	1.234	1.032	1.270	3.536	23%	13%
Net Earned Premiums	601	638	655	675	1.968	3%	26%
Underwriting Result	77	99	196	60	355	-70%	100%
Expenses	-57	-57	-61	-58	-176	6%	12%
Financial Income	115	81	96	118	295	23%	-14%
Profit Before Tax	131	110	222	114	446	-48%	31%
Net Profit	107	89	169	86	344	-49%	33%
Combined Ratio	96%	94%	79%	100%	91%	21pp	-7pp
Loss Ratio	72%	69%	55%	76%	67%	21pp	-6pp
Commission Ratio	16%	16%	15%	16%	15%	1pp	-1pp
Expense Ratio	9%	9%	9%	9%	9%	0pp	1pp
UW Margin	7%	9%	17%	5%	10%	-12pp	4pp

Balance Sheet (M TL)	19Q4	20Q1	20Q2	20Q3	20Q3/20Q2	20Q3 / 19Q3
Receivables	1.543	1.522	1.417	1.618	14%	26%
AUM	2.610	2.580	2.970	3.065	3%	25%
Total Assets	4.601	4.562	4.818	5.044	5%	25%
Reserves	2.612	2.719	2.730	2.942	8%	23%
Payables	856	874	877	807	-8%	15%
Equity	899	726	942	995	6%	26%
Total Liabilities	4.601	4.562	4.818	5.044	5%	25%
RoE	45%	46%	50%	48%	-2pp	5pp

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

as of September 2020 (TL m)	Equity	YTD P&L adjustment
TFRS result	994,7	344,4
Equalization reserve	99,4	3,7
Unexpired risk reserve	24,5	10,1
Unallocated loss adjustment expenses	-21,4	-2,3
IBNR	11,7	11,7
Discounting of outstanding claims	-329,5	-76,8
Deferred tax	45,1	11,8
IFRS result	824,4	302,5

1. *Aksigorta Financials (in TFRS)*
2. **What are the Risks & Opportunities in 2020?**
3. *2020 Guidance*
4. *Appendix*

Risks and opportunities are factored in our 2020 year-end guidance

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

Opportunities

- Increase in interest rates
- Increasing new vehicle and mortgage home sales
- Higher premiums and improved UW Margin with the introduction of new products (cyber, credit etc.)
- Efficient cost management
- High focus of industry on technology and analytics to generate value

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 agency,
- Our bad debt ratio is less than 0,02%



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

Underwriting result in health business is not affected by Covid-19 due to full reinsurance.



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.

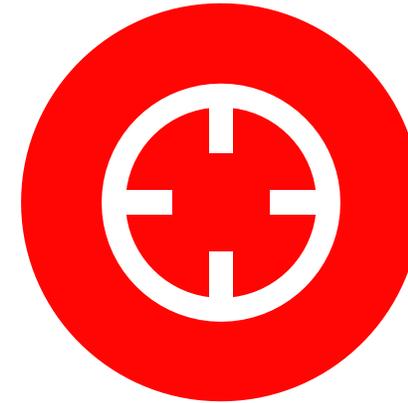
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Earnings Guidance

Risks and opportunities are factored in our 2020 year-end guidance

15%-25% growth in GWP

0%-10% increase in Net Profit



Return on Equity

30%+

Market Cap

1.0 Bn USD

Net Combined Ratio

95%

Market Share

10%

1. *Aksigorta Financials (in TFRS)*
2. *What are the Risks & Opportunities?*
3. *2020 Guidance*
4. **Appendix**

Income Statement in IFRS

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Gross Written Premiums	1.356	1.234	1.032	1.270	3.536	23%	13%
Net Earned Premiums	601	638	655	675	1.968	3%	26%
Underwriting Result	59	75	191	35	301	-82%	151%
Expenses	-57	-57	-61	-58	-176	6%	12%
Financial Income	115	81	96	118	295	23%	-14%
Profit Before Tax	98	93	214	87	394	-59%	70%
Net Profit	94	71	165	67	303	-60%	41%
Combined Ratio	99%	97%	80%	104%	94%	24pp	-7pp
Loss Ratio	74%	73%	56%	79%	69%	23pp	-7pp
Commission Ratio	16%	16%	15%	16%	15%	1pp	-1pp
Expense Ratio	9%	9%	9%	9%	9%	0pp	1pp
UW Margin	6%	7%	17%	3%	9%	-14pp	4pp

Balance Sheet in IFRS

Balance Sheet (M TL)	19Q4	20Q1	20Q2	20Q3	20Q3/20Q2	20Q3/19Q3
Receivables	1.543	1.522	1.417	1.618	14%	26%
AUM	2.610	2.580	2.970	3.065	3%	25%
Total Assets	4.635	4.601	4.857	5.161	6%	25%
Reserves	2.774	2.904	2.920	3.157	8%	25%
Payables	703	733	783	807	3%	39%
Equity	770	579	791	824	4%	23%
Total Liabilities	4.635	4.601	4.857	5.161	6%	25%
RoE	44%	46%	52%	50%	-2pp	7pp

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	2,026	-10	-48						1,968
Claims, net (*)	-1,282			30	-31	-28			-1,310
Other technical income and expense	-57	10	48	30	29				-
Commissions, net	-						-303		-303
General expenses	-442						442		-
Allocated financial income	309	-	-	-	-	-	-	-309	-
Total	554	-	-	-	-2	-28	139	-309	355

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)

(*) Claims, net in CMB reporting includes non-life technical expenses, namely incurred claims, bonus and rebates and other reserve provisions

Capital Adequacy

Capital adequacy	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Required capital	707	771	857	923	971
Asset risk	252	282	338	399	420
Reinsurance risk	72	78	83	75	78
Reserve risk	86	89	96	104	115
UW risk	284	312	328	324	337
FX risk	12	10	12	21	21
Available capital	880	994	819	1,034	1,094
Capital adequacy ratio	125%	129%	95%	112%	113%

Main drivers:

by asset size

by re-insurance portfolio

by growth

by growth

by fx exposure

MTPL	Motor Third Party Liability
MOD	Motor Own Damage Gross
GWP	Written Premiums Net
NEP	Earned Premiums
UWR	Underwriting Result
LoB	Line of Business
TCIP	Turkish Catastrophic Insurance Pool
FI	Financial Income
AUM	Asset Under Management
FTE	Full-Time Employee
HC	Headcount
UWM	Underwriting margin, Underwriting Result as a share in NEP
Tech. Result	Technical Result = UWR + Financial Income + Expenses
Tech. Margin	Margin, Technical Result as a share in NEP
Ceded Premiums Net	Premiums transferred to reinsurers
Written Premiums	Premiums net of reinsurer share
Retention Ratio	Net Written Premiums as a share in GWP
Combined Ratio	Total of Loss ratio, commission ratio and expense ratio

Thank you!

IR Officer

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AKSigorta

Bambaşka.

