TÜRKİYE SİGORTA 1H22 FINANCIAL RESULTS

General Overview

Market leadership with a strong premium growth

Türkiye Sigorta increased its total premium portfolio by 108% yoy to TL 11.2 billion in the first half of 2022. Türkiye Sigorta enhanced its leadership in non-life insurance market and raised its market share by 75bp yoy to 14.5%. The non-life insurance sector grew its premiums by 97% in the same period. With a strong contribution from bancassurance channel, Türkiye Sigorta grew its premiums by 73% in the general losses branch (agriculture, engineering etc.), 79% in the fire & natural disasters and 123% in the accident branches. Premiums were up by 240% and 115% yoy in MTPL and MOD branches. Sickness/health branch posted 37% growth yoy.

Positive technical profitability despite sectoral increase in damage frequency and claims costs

Prior to re-opening in the summer period of 2021, the mobility and damage frequencies fared relatively low on pandemic-related restrictions and brought positive repercussions in terms of technical profitability, though causing a high base effect for the first half of 2022. With the normalization in the second half of 2021, it has been observed that the claims costs are going up significantly on increasing damage frequencies, returning postponed health expenditures, rising spare part costs with the fluctuations in exchange rates, high inflation and labor costs. In 1H22, damage frequency and costs continued to increase especially in auto and health branches, putting pressure on the technical profitability of the sector.

Türkiye Sigorta recorded a technical profit of TL 177 million in the first half of the year despite sectoral increase in claims costs. While general losses, fire and natural disasters and accident branches generated TL 712 million technical profit (+26% yoy), motor (MTPL and MOD) and sickness/health branches posted TL 608 million technical losses (TL 517 million technical loss in MTPL branch). TL 73 million technical profit was obtained from other branches. In motor branches, apart from the high base effect of last year, the rise in exchange rates, minimum wage, spare part costs, market value of the vehicle, damage frequency and provisions for unexpired risks (TL 520 million) turned out to be the most important factors driving profitability into the negative territory.

Operational expenses grew by 65% yoy compared to the same period of the previous year. With the increase in premium production, net commission expenses increased by 56% yoy, while personnel expenses increased by 70%. The headcount number rose by 294 on an annual

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basis and reached 1,459. Operational expenses excluding net commissions and personnel expenses increased 75% yoy.

Summary P&L (TL million)	1H21	1H22	YoY
Gross Written Premiums	5,414	11,246	108%
Technical Profit	809	177	-78%
Net Investment Income	162	208	28%
Net Profit	634	315	-50%

Ratios	1H21	1H22
Loss Ratio	66%	99%
Commission Ratio	9%	11%
Expense Ratio	12%	15%
Combined Ratio	86%	125%
RoAA	11%	4%
RoAE	35%	15%
Effective Tax Rate	24%	34%
CAR	215%	121%

Expansion in net investment yield

Income from financial investments was up by 81% yoy, financial investment expenses were also up by 93% including investment income transferred to the technical profit. Consequently, net investment income was up by 28% yoy to TL 208 million. When investment income transferred to technical profit is included in income from financial investments, net investment income rises to TL 972 million, up 64% yoy.

Backed by improving yield on investments in H1, income from financial investments and valuation increased by 42% yoy. Income from subsidiaries rose by 152% (Turkey Hayat Emeklilik dividend income came in TL 90 million vs TL 48 million last year), while net FX gains increased by 179% on an upward trend in exchange rates. Investment income transferred to the technical profit increased by 78% yoy. Investment portfolio expanded by 28% yoy and yield enhancement supported profitability (net investment yield increased from 18% in 1H21 to 24% in 1H22, including investment income transferred to the technical profit).

Net profit & Capital adequacy

Despite increasing sector-wise profitability pressure, Türkiye Sigorta recorded a net profit of TL 315 million in 1H22. Net profit dropped by 50% compared to the same period of the previous year. RoAE came in at 15%. As per the data compiled by Insurance Association of Türkiye, non-life insurance sector registered TL 264 million net profit in 1Q22 with an annual decline of 85%, translating into 4% RoAE.

The tax provision in H1 was TL 163 million, sending effective tax ratio to 34%. Effective tax rate was relatively high as a result of unexpired risk provisions, mostly taken in the second quarter of the year, were not tax-deductible. On the other hand, these provisions led to deferred tax asset income under income from other and extraordinary operations to increase.

Capital adequacy ratio was at 121%, above the regulatory threshold of 115% with TL 530 million dividend payment in 2Q22, relatively muted profitability and increasing underwriting risk.

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Unique Distribution Channel Strength

With the exclusivity agreements it has signed, especially with the three state-owned banks, Türkiye Sigorta is the dominant player in premium production through bank channel, having direct access to a network of 4,604 branches throughout the country. Ziraat Bank has the largest branch network with 1,727 domestic branches in Turkey, while Halkbank ranks third with 1,028 branches and Vakıfbank is fourth with 935 branches. These three banks account for approximately 40% of the total branches that the deposit banks have.

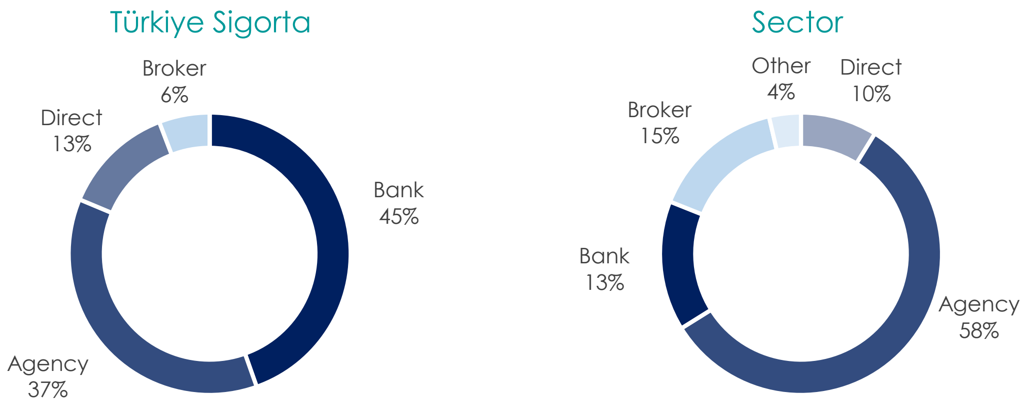
Türkiye Sigorta, growing its premiums produced through the bank channel by 68% yoy to TL 5 billion, had 48% of the banking channel production of the sector. The share of bank channel in Türkiye Sigorta's premium production is 45%.

Strengthening its dominant position on the bancassurance front, Türkiye Sigorta had achieved a significant growth in agencies in 2021 within the scope of diversification strategy in the distribution channel structure. The number of agencies, which had increased by 1,030 in net terms and reached 3,974 at the end of 2021, rose by 134 agencies in 1H22 and total agency number went up to 4,108. Channel optimization is one of the focus areas in 2022 in the agency network, which has become wider and well-spread. The capacity reached in the agency channel facilitates market share gains in branches such as health and auto and it makes important contributions in terms of diversification in the channel structure and brand awareness.

Depending on the pace of lending, premium production through bank channel may fluctuate over time and agency channel may bring in a more consistent production performance in such periods thanks to its stable nature and insurance expertise.

With increasing number of agencies, premiums written through this channel in H1 increased by 175% and reached TL 4.1 billion. The market share in the agency channel went up from 6.9% in Dec-21 to 9.1% in 1H22. The priority of Türkiye Sigorta in the agency channel will be to increase efficiency and optimize the channel structure.

Distribution Channel Mix (1H22)



Leadership in Niche Businesses and Profitability-Driven Portfolio Structure

Türkiye Sigorta achieved to grow its market share by 75 bps qoq to 14.5% in 1H22 by capitalizing on product and distribution channel diversity. In the branches where the bank dominance pay off, a market share of 52% in the agriculture branch, 16% in the fire and natural disasters and 29% in the accident were successfully attained. The share of these three branches in total premiums, whose claims were low compared to other main branches, turned out to be at 55% (sector average is 30%).

Motor branches MTPL and MOD grew by 240% and 115% yoy, reaching market shares of 16% and 7%, respectively. The share of motor branches in total premium portfolio, with 37%, remained below the sector average of 44%. In sickness/health branch emergency health product, which is sold almost entirely through the bank channel continued to shrink, 75% yoy growth in complementary and 25% in private health insurances led to an increase of 37% in the sickness/health branch.

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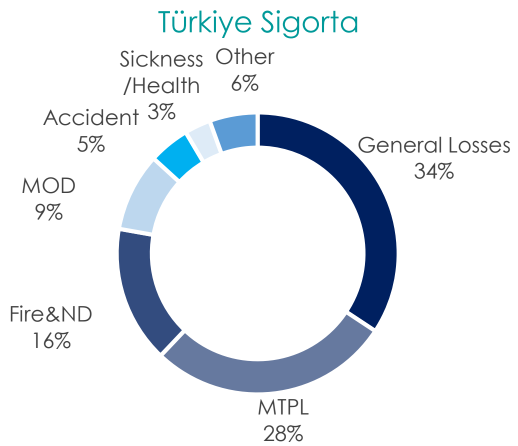
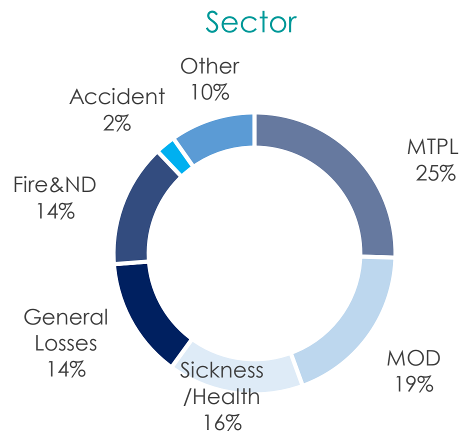
Branch Mix (1H22)





Premium Production by Major Branches (1H22)

Major Branches	GWP (Million TL)	YoY Change	Share in Total	Market Share	Sector Ranking
General Losses (Agriculture, Engineering etc.)	3,855	73.5%	34.3%	36.1%	1
MTPL	3,126	239.7%	27.8%	15.8%	1
Fire & Natural Disasters	1,767	78.7%	15.7%	16.1%	2
MOD	1,009	115.1%	9.0%	6.8%	6
Accident	529	123.3%	4.7%	29.4%	1
Sickness/Health	337	36.7%	3.0%	2.8%	7
Other	622	88.3%	5.5%	8.2%	3
TOTAL	**11,246**	**107.7%**	**100.0%**	**14.5%**	**1**

Positive Technical Profitability Despite Sectoral Increase in Damage Frequency and Claims Costs

Türkiye Sigorta delivered TL 177 million technical profit despite sector-wise increasing cost pressure. proved that it is in a much more sheltered position against increasing sector-wise cost pressures. Technical profitability remained positive by preserving optimally structured bank/non-bank distribution channel and motor/non-motor product diversification. As per the data compiled by Insurance Association of Türkiye, non-life insurance sector registered TL 440 million technical loss in 1Q22. General losses, accident and fire & natural disasters branches, in which Türkiye Sigorta has 36%, 29% and 16% market shares, respectively, generated TL 712

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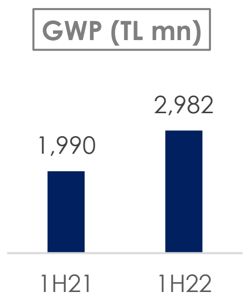
million technical profit (up 26% yoy). Arising from sectorally increasing claims, motor and sickness/health branches generated a technical loss of TL 608 million. Rise in the exchange rate, minimum wage, spare part cost, market value of the vehicle, damage frequency as well as the provision for unexpired risks in motor branches, and the return of deferred health expenditures and increasing medical inflation in the sickness/health branch have weighed on the loss ratios. On the other hand, the increase in the discount rate of the net cash flows arising from the outstanding claims provision first from 14% to 17% in Q1, then to 22% in Q2 with the circular issued by the regulatory agency SEDDK, alleviated the outstanding reserve burden in the MTPL branch.

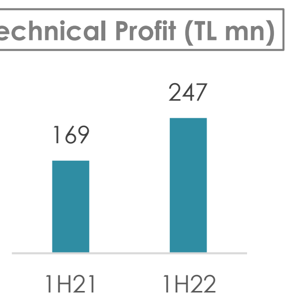
Technical Results by Major Branches

Technical Profit/Loss	1H21	1H22	YoY Change
General Losses (Agriculture, Engineering etc.)	204	270	32%
Fire & Natural Disaster	200	177	-12%
Accident	163	266	63%
MTPL	-31	-517	N.M.
MOD	168	39	-77%
Sickness/Health	73	-131	N.A.
Other	31	73	133%
TOTAL	**809**	**177**	**-78%**

Leader in Agriculture on Solid Bancassurance Capacity

Ziraat Bank operates almost unrivaled in agricultural banking in line with its mission. With a cash loan size amounting to TL 121 billion, its market share in agricultural loans is 63%. With this superiority in the banking channel, Türkiye Sigorta produced 83% of its premium in the agricultural branch through the bank channel. 52% market share was achieved with a total premium production of TL 3.0 billion was almost 3 times that of its closest competitor. With its strong bank channel dominating the agricultural field, Türkiye Sigorta continues to solidify its leadership.





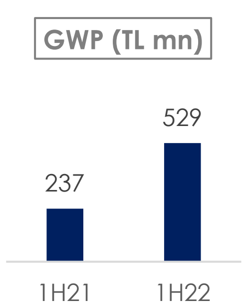
In the agriculture branch, insurance companies mostly work as an agency of the "Agricultural Insurance Pool (Tarsim)" with state-subsidized insurance products. Tarsim is an insurance pool system established in 2005 to support the dissemination of agricultural insurance in our country. Through the insurance companies authorized to issue policies on behalf of Tarsim, farmers registered in the system are written policies with the support of the state, which varies between 50% and 67% depending on the product to be insured.

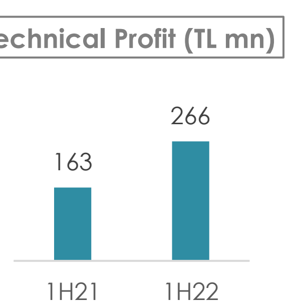
In the model, which runs quite efficiently, insurance companies also have the opportunity to provide reinsurance support to Tarsim if they wish. Türkiye Sigorta, as one of the most active companies in reinsurance support, takes part in Tarsim reinsurance panel as a retrocessionary. Additional profit is obtained through indirect agricultural production written hereby. For risks transferred to the pool, commission income is received and shared with the bank in accordance with the bancassurance agreement.

The retention ratio in the agriculture branch remains low due to high premium transfers. Earned premiums increased by 69% yoy, while incurred losses (paid + outstanding, net of reinsurer share) went up by 67% and technical profit in agriculture branch rose from TL 169 million to TL 247 million.

Increasing Profitability and Market Share in Accident Branch

Accident insurances, especially personal accident, is produced mainly through the bank channel in connection with lending activities. With effective use of the bank channel, Türkiye Sigorta increased its premium production in the accident branch by 123% yoy from TL 237 million to TL 529 million. The market share rose from 22% to 29% in the same period and the market leader position in the branch further strengthened. The sector, on the other hand, could increase its premiums by 68%.



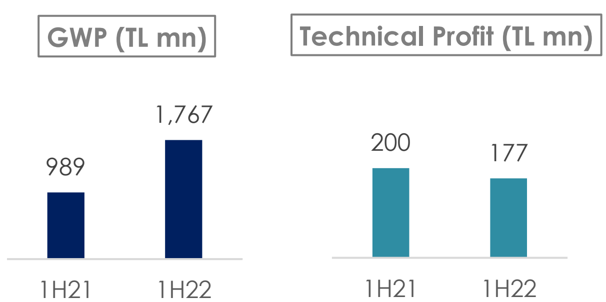


Türkiye Sigorta grew its technical profit by 63% to TL 266 million, with a combined ratio of 46%. Branch profitability has remained quite strong due to high retention and low combined ratios.

After the singularization regarding personal accident products of the companies that constituted Türkiye Sigorta with the merger, the scope of coverage was expanded and strong growth trend from 2021 continued in the first half of the year. It is aimed to continue the strong results achieved in this field.

Effective Risk Management and Excessive Capacity in Fire and Natural Disasters

Premium growth in the fire and natural disasters branch was 79% yoy, the total premium volume reached TL 1.8 billion. Due to housing and compulsory earthquake insurances, bank channel accounts for 64% of branch premium production. Technical profit declined by 12% yoy and reached TL 177 million. Resulting from increasing claims costs in the fire arm, the combined ratio of the total branch raised to 75% (sector average is 124% as of Mar-22). Effective risk management and risk selection policies on the reinsurance side stand out in the strong technical performance achieved by Türkiye Sigorta.



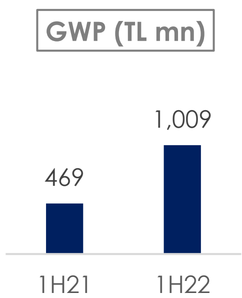
Fire and natural disaster insurance policies are mainly offered in bundle in the commercial and corporate segments. In this branch, channels such as brokers, agencies and direct sales make a significant contribution to the production. Given excessive policy and coverage size in most cases, strong capital adequacy and reinsurance capacity are required for high premium production and profitability. Türkiye Sigorta is the sector leader in both areas and has qualified teams to smoothly execute insurance process from beginning to end in niche products that special expertise is essential for. Due to the aforementioned requirements, many insurance companies in the sector, especially small and medium-sized that face capacity problems, cannot operate effectively in this field.

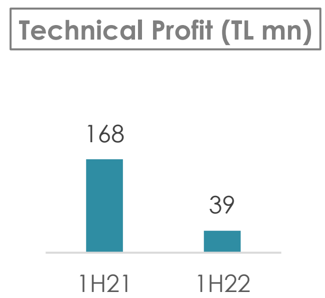
Accelerating Growth in Motor Branches

With the expansion in agency network and the continuation of insuring in MTPL in an uninterrupted manner as per the relevant rules and regulations, the activity of Türkiye Sigorta in motor branches gained momentum. While the market share reached 16% with 240% yoy premium growth in MTPL, it was 7% with a premium growth of 115% in MOD.

Recovering mobility post-reopenings in 2021, rise in spare parts costs due to exchange rates and supply bottlenecks, surging labor costs and regulatory effects translated into sectoral loss ratio increases in motor branches. The regulatory institution SEDDK's increase in the discount rate of net cash flows arising from outstanding claims provision to 22% has provided some relief on the increased provision burden in the MTPL branch.

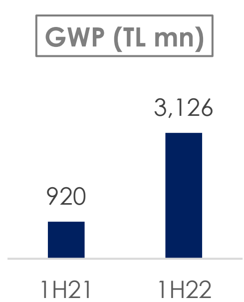
Premium production of Türkiye Sigorta **in MOD branch** accelerated in Q2 following a muted start in Q1. In line with actuarial pricing and profitability targets, together with expanding agency channel, the market share in MOD branch is expected to converge towards MTPL market share.

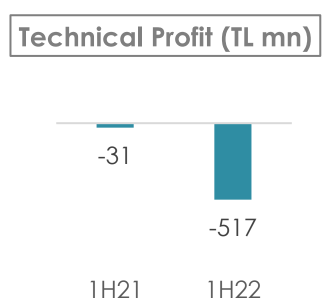




In MOD branch, net loss ratio ended 1H22 at 89% on a cumulative basis following 97% recorded in 1Q22. Growing earned premiums and cost claims remaining almost flattish brought in declining net loss ratio qoq. Having completed Q1 at 123%, cumulative COR improved to 115%. The branch went from a technical loss of TL 5 million in 1Q21 to a technical profit of TL 39 million in 1H22. Despite cost pressures for the remainder of the year, the positive impact of actuarial discipline on technical profitability will be felt stronger as the share of new sales and renewals in the existing portfolio increases.

In MTPL branch, Türkiye Sigorta's market share rose to 16% on production further picking up in 2Q22 following 13% market share in 1Q22. Türkiye Sigorta continued to underwrite MTPL policies uninterruptedly throughout the year in compliance with the relevant rules and regulations. In the rest of the year, MTPL market share is targeted to lag behind the overall market share.



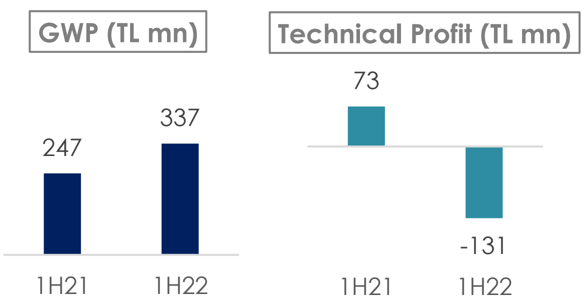


Non-life insurance sector booked TL 2.3 billion technical loss in MTPL branch in 1Q22 arising from increasing currency, minimum wage, spare parts and labor costs, market value of the vehicles and damage frequency as well as unexpired risk provisions. In the same period Türkiye Sigorta recorded TL 24 million technical loss but it ended 1H22 with a technical loss of TL 517 million. Resulting from increase in the loss ratio, TL 520 million unexpired risks provision was taken but discount rate increase by the SEDDK alleviated the outstanding reserve burden.

While SEDDK decided to make a one-off increase of 20% to the ceiling prices, effective from Feb-21, it had also determined a monthly increase rate of 1.5% to apply each month for the rest of the year. In April, SEDDK increased the monthly ceiling rate increase to 2.25%, effective from May. The Authority also decided in May to adjust the ceiling prices upward by another 25%, which became effective in June.

Moderate Growth in Health

Emergency health insurance, Supplementary health insurance (TSS) and Private health insurance (ÖSS) products are the main products in the Sickness/health branch. With its customer and product portfolios, Türkiye Sigorta posted 75% yoy growth in TSS and 25% in ÖSS segments. Total premiums in the branch came in TL 337 million, up by 37%



Loss ratio continued to increase since last year, as expected with the return of health expenditures delayed due to the pandemic. Net loss ratio increased to 115% as well as the net combined ratio to 144%. Technical profit-wise, the branch recorded TL 39 million technical loss in 1H22 from TL 73 million profit in 1H21.

It is expected that the rapid growth trend in this branch will continue in the upcoming period. Türkiye Sigorta aims to take a significant share of this growth owing to its enhanced product, digital infrastructure and distribution channel structure after the merger. Steps like the improvement in provisioning time and the release of mobile healthcare app to be able to present customer an enriched insurance experience were taken in 2021. The new ones to follow (such as an integrated new mobile app including health and other services) will add futher muscle to the competitiveness of Türkiye Sigorta.

Improving Yield on Investment Portfolio

Net investment income came in at TL 208 million in 1H22, up by 28% yoy. Including investment income transferred to the technical profit, it goes up by 64% to TL 972 million.

Income from financial investments rose 42% yoy as the volume of AUM increased from TL 6.7 billion in 1H21 to TL 8.5 billion in 1H22 and the yield on investment portfolio went up as well. Net foreign exchange profit came in at TL 159 million in 1H22 with roughly USD 55 million long position in the balance sheet. On income from subsidiaries front, Türkiye Sigorta was paid a dividend of TL 90 million by Türkiye Hayat Emeklilik compared to TL 48 million paid last year.

In the AUM, which reached TL 8.5 billion in size, the TL deposit/participation account share fell from 84% in 2020 to 48% in 1H22 on diversification efforts, while local government bonds and private sector bonds were included in the portfolio with relatively higher yields. In addition, money market placements began to be made with yields above the TL deposit interest rates through Takasbank money market. These placements made up about 10% of the total investment portfolio. With the addition of relatively high-yielding assets to the portfolio, the average return of the portfolio increased from an average of 18% in 1H21 to 24% in 1H22.

Growing Number of Customer Platform Users

As Türkiye Sigorta, we launched Turkey's first insurance super application at the end of March. Türkiye Sigorta has never had any problem in reaching customers given three big state-owned banks and over 4,000 insurance agencies. Nevertheless, we launched our customer platform in order to reduce the cost of new customer acquisition and customer retention as well as to eliminate the intangibility issue being the main problem of the insurance industry. At the first stage, Türkiye Sigorta aims to enable platform users to access the products and services they need in daily life related to insurance and pension products with affordable prices and customer experience, through business partnerships it has established in the finance, auto and health verticals.

Users will have the opportunity to meet new brands and have many new financial benefits on the platform, which is accessible to all users, whether they are Türkiye Sigorta customers or not. Furthermore, the increasing loyalty and customer satisfaction will contribute to Türkiye Sigorta's positive decoupling in price competition. In addition, customers will be presented to perform basic insurance and pension operations using the self-service portal embedded in the platform such as mini-repair, opening a damage file, filing a health expense claim, seeing contracted providers, adjusting the fund mix and increasing contribution margin. Additionally, the company's operational expenses will be positively affected by the increase in the number of self-services to be placed in the application.

Looking at the first five months results on the brand-new platform, it is seen that more than 45 business partners offer more than 90 services to the platform users. More than 1 million users in total, approximately 80 thousand of whom are not Türkiye Sigorta customers, have actively used the platform, and it is aimed to increase the number of active users to 2.5 million by year-end, with the implementation of strategies for installation and utilization. With the transactions made by using the platform, the average benefit per customer stays at 25%. Türkiye Sigorta pioneers the use of a platform-based business model based on ecosystem cooperation for the first time in the insurance industry in order to provide sustainable value to its business partners and customers.

Looking at the current development process, it is planned that the Housing and artificial intelligence-based "robo advisory" function will be included in the application in a very short period of time.

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Summary Financial Statements

Balance Sheet (TL million)	1H21	1H22	YoY Change
Cash & Cash Equivalents	6,337	6,914	9%
Receivables from Main Operations	2,762	4,182	51%
Financial Assets	2,174	5,178	138%
Tangible & Intangible Assets	295	433	47%
Other Assets	821	1,603	95%
Total Assets	**12,389**	**18,310**	**48%**
Financial Liabilities	16	14	-12%
Payables from Main Operations	1,828	2,668	46%
Technical Provisions	5,843	10,131	73%
Other Liabilities	926	1,485	60%
Total Liabilities	**8,614**	**14,299**	**66%**
Paid-in Capital	1,162	1,162	0%
Capital & Profit Reserves	1,979	2,534	28%
Accumulated Profit/Losses	0	1	N.A.
Net Profit/Losses for the Period	634	315	-50%
Shareholder's Equity (SHE)	**3,775**	**4,011**	**6%**
Total Liabilities & SHE	**12,389**	**18,310**	**48%**

Income Statement (TL mn)	1H21	1H22	YoY Change
Gross Written Premiums (GWP)	5,414	11,246	108%
Technical Profit	**809**	**177**	**-78%**
Earned Premiums (Net of Reinsurer Share)	1,960	2,522	29%
Incurred Losses (Net of Reinsurer Share)	-1,287	-2,490	93%
Other Technical Income&Expenses (Net of Reinsurer Share)	112	51	-55%
Financial Income Transferred from Non-Technical Section	430	764	78%
Operating Expenses	-406	-670	65%
Net Investment Income	**162**	**208**	**28%**
Investment Income	841	1,520	81%
Investment Expenses	-679	-1,311	93%
Income/Expenses from Other Operations	**-137**	**93**	**N.A.**
Tax Provision	**-200**	**-163**	**-18%**
Net Profit/Loss	**634**	**315**	**-50%**

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IR Contacts

Name	Responsibility	Contact Information
Umut KOVANCI	IR Director	umut.kovanci@turkiyesigorta.com.tr
Fulden PEHLİVAN	IR Manager	fulden.pehlivan@turkiyesigorta.com.tr
Eray DURAN	IR Manager	eray.duran@turkiyesigorta.com.tr
Çağlar GÜÇLÜ	IR Unit Member	caglar.guclu@turkiyesigorta.com.tr
Kerem ŞAYLİ	IR Unit Member	kerem.sayli@turkiyesigorta.com.tr
Merve AŞAR	IR Unit Member	merve.asar@turkiyesigorta.com.tr

IR Contact e-mail address: investor.relations@turkiyesigorta.com.tr