TÜRKİYE SİGORTA 1H23 FINANCIAL RESULTS

General Overview

Market leadership with a 117% premium growth

Türkiye Sigorta increased its total premium portfolio to TL 24.4 billion in the first half of 2023, which represents a 117% increase compared to the same period of the previous year. It continued to lead the non-life insurance market with a 13.1% market share. In the same period, the sector increased its premium production by 139% thanks to the annual growth of 141% in MOD and 160% in health branches. The main branches of growth in Türkiye Sigorta were Health with 225%, Accident with 235%, Fire and Natural Disasters with 191%. The increase in MOD branch was realized above the MTPL branch, which grew by 153% and 101% respectively.

Strengthened technical profitability through contributions from all major branches

The non-life insurance sector faced technical profitability pressure in 2022, especially in the motor branches due to the increase in exchange rates, minimum wage hikes, spare part and labour costs, vehicle prices, and the increase in damage frequency. The sector’s net loss ratio increased by 11 percentage points, reaching 101%, and the combined ratio ended the year at 133%. Türkiye Sigorta completed the year with a 105% loss ratio and a 132% combined ratio parallel to sectoral trends.

In the first half of 2023, Türkiye Sigorta achieved a significant improvement in technical results thanks to the continued balancing trend on the cost side, our adherence to actuarial pricing in the competitive environment of the last quarter with scientifically constructed auto tariff infrastructure, transfer of targeted policies, successful claims management, strong reinsurance protection for catastrophic losses and the implementation of a new tariff structure focused on sustainable profitability. Türkiye Sigorta, which suffered a loss of TL 1.5 billion in the motor branch and TL 352 million in the health branch throughout 2022, closed this period with a technical profit of TL 958 million in the motor branch and TL 256 million in the health branch. A substantial growth with an impressive low loss ratio in MOD; improved cost dynamics and declining market share in MTPL and a strong organic growth within a better cost environment in the health branch were the main drivers of the improvement.

On the other hand, the regulatory body SEDDK’s decision to raise the discount rate of the net cash flows arising from the outstanding claims provision from 22% to 28% has yielded favourable influence on the technical results.

The occurrence of an earthquake disaster had a significant impact on the loss ratio within the fire and natural disasters branch of the insurance sector, surging to 182%. However, Türkiye Sigorta, distinguished itself positively from the sector by maintaining a much lower rate of 49%, attributed to its robust reinsurance protections and effective claims management practices. As the second quarter progressed, the branch exhibited signs of improvement, resulting in a reduced loss ratio of 33% at the mid-year mark.

These all contributed to a remarkable enhancement in the overall net loss ratio, which decreased from 105% at the end of the previous year to 72%. So, the combined ratio displayed a favorable shift from 132% to 94%. As a testament to this improved performance, Türkiye Sigorta successfully concluded this period with a noteworthy technical profit of TL 3.9 billion (compared to the previous year's performance of TL 177 million during the same period).

On the other hand, operating expenses increased by 172% compared to the same period of the previous year. While net commission expenses increased by 229% annually with the increasing premium production, personnel expenses increased by 139%. Excluding net commission and personnel expenses, the expenses increased by 119% annually.

Investment portfolio

In the first quarter of 2023, the investment portfolio increased by 190% on an annual basis, reaching a level of TL 24.7 billion. Investment income grew by 228% yoy, while investment expenses increased by 271%. Including investment income transferred to the technical division, net investment income rose by 256% yoy, reaching TL 3,459 million.

Income from financial investments and valuation increased by 307% yoy. With the incremental trend in exchange rates net FX gains increased by 617%. Investment income transferred to the technical division increased by 336% annually.

Summary P&L *TL million*	1H22	1H23	YoY
Gross Written Premiums	11,246	24,402	117%
Technical Profit	177	3,885	2098%
Net Investment Income	208	129	-38%
Net Profit	315	2,870	812%

Ratios	1H22	1H23
Loss Ratio	99%	72%
Commission Ratio	11%	11%
Expense Ratio	15%	11%
Combined Ratio	125%	94%
RoAA	4%	16%
RoAE	15%	74%
Effective Tax Rate	34%	22%
CAR	121%	172%

*The measurement of the company's capital adequacy is conducted twice a year, following the months of June and December, in accordance with the Regulation on the Measurement and Evaluation of the Capital Adequacy of Insurance and Reinsurance Companies and Pension Companies. This measurement is carried out within two months following each of these periods.

Net Profit & Capital Adequacy

In 1H23, Türkiye Sigorta reported a net profit of TL 2,870 million, marking a 812% increase compared to the previous year. The average return on equity was realized at 74%. According to data provided by the Insurance Association of Türkiye, the non-life insurance sector generated a net profit of TL 2.5 billion in 1Q23, with an average return on equity of 19%.

The tax provision for the first quarter of 2023 was TL 796 million, indicating effective tax rate of around 22%

As of 1H23, capital adequacy ratio is at 172% thanks to the internal capital generation fueled by superior profitability, above the regulatory self-assessment level of 115% and profit distribution threshold of 135%.

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 3,734 branches throughout the country. Ziraat Bank has the largest branch network with 1,739 domestic branches in Turkey, while Halkbank ranks third with 1,056 branches, Vakıfbank is fourth with 939 branches. These three banks account for approximately 39% of the total branches that the deposit banks have.

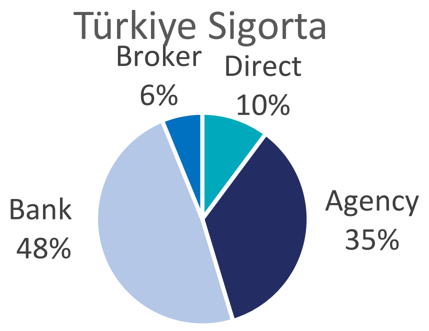
In 1H23, Türkiye Sigorta growing its premiums produced through the bank channel by 136% yoy to TL 12 billion, had 46% of the banking channel production of the sector. The share of bank channel in Türkiye Sigorta’s premium production is 48%.

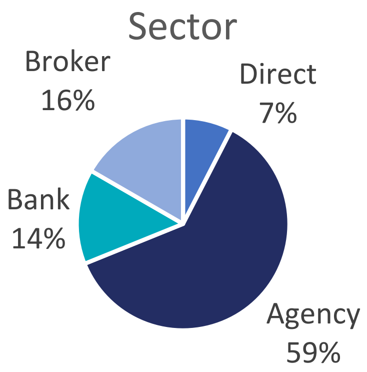
Strengthening its dominant position on the bancassurance front, Türkiye Sigorta has also been focusing on efficiency increase in agency channel which stays at 3,695 by the end of 1H23. Channel optimization is one of the focus areas in the agency network, which has become wider and well-spread. The capacity reached in the agency channel facilitates market share gains in branches such as health and motor 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.

Premiums written through agency channel increased by 108% and reached TL 9 billion. The market share in the agency channel is 8% in 2023. The priority of Türkiye Sigorta in the agency channel will be to increase efficiency and optimize the channel structure.

Distribution Channel Structure Comparison (By Premium Production, June 2023)



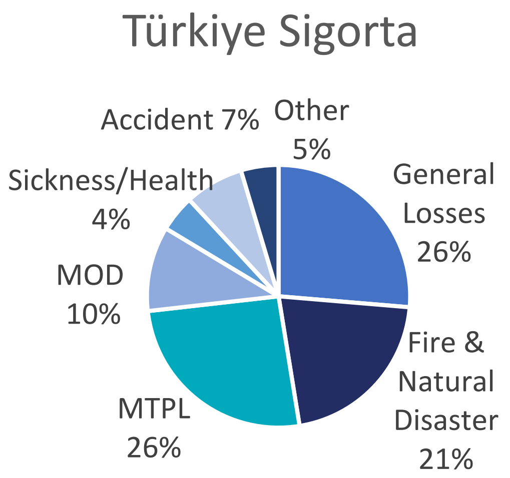


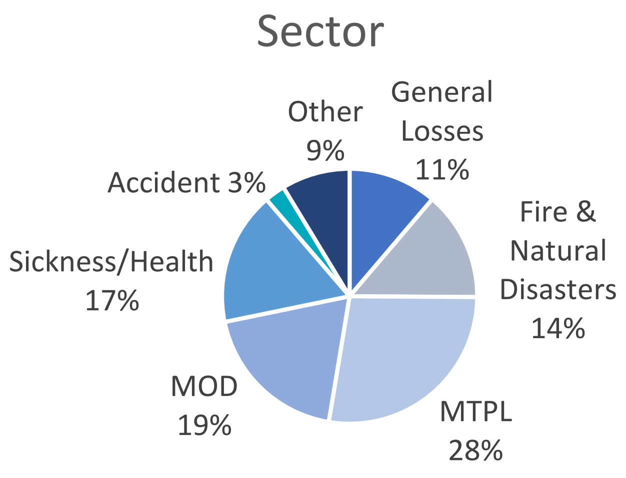
Leadership in niche businesses and profitability-driven portfolio structure

Türkiye Sigorta continued to capitalize on its product and distribution channel diversity effectively, maintaining its leadership in the non-life insurance sector with a premium production market share of 13.1%. In the branches where the bank dominance pays off, a market share of 31% in the general losses, 20% in the fire and natural disasters and 37% 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 28%).

Motor branches MTPL and MOD grew by 101% and 153% yoy, reaching market shares of 12.3% and 7.2%, respectively. The share of motor branches in total premium portfolio, with 36%, remained below the sector average of 47%. In sickness/health branch; 260% yoy growth in complementary and 222% in private health insurances led to an increase of 225% in the branch.

Branch Mix (June 2023)





Premium Production by Major Branches (June 2023)

Major Branches	GWP *TL million*	YoY Change	Share in Total	Market Share	Sector Ranking
General Losses	6,426	67%	26%	31%	1
Fire & Natural Disaster	5,150	191%	21%	20%	1
Accident	1,769	235%	7%	37%	1
MTPL	6,285	101%	26%	12%	2
MOD	2,548	153%	10%	7%	5
Sickness/Health	1,097	225%	4%	3%	7
Other	1,126	81%	5%	7%	5
TOTAL	**24,402**	**117%**	**100%**	**13%**	**1**

Strong technical profitability with successful risk management

In the first half of 2023, Türkiye Sigorta achieved a technical profit of TL 3,885 million maintaining the foundation of its optimally structured bank-non-bank distribution channel and product diversification strategy for motor/non-motor products. As per the data compiled by Insurance Association of Türkiye, non-life insurance sector registered TL 3,058 million technical profit in 1Q23.

In 1H23, general losses, accident and fire & natural disasters branches, in which Türkiye Sigorta has 31%, 37% and 20% market shares, respectively, generated TL 2,561 million technical profit (up 260% yoy). Thanks to the policy renewals, effective risk management, despite the decreasing market share in the MTPL branch, the increase in MOD market share and improving premium cost dynamics, a profit of TL 1.2 billion was achieved in the first half of this year in the motor and health branches, which incurred a total loss of TL 1.9 billion in 2022, and significant improvements were observed in the loss ratios.

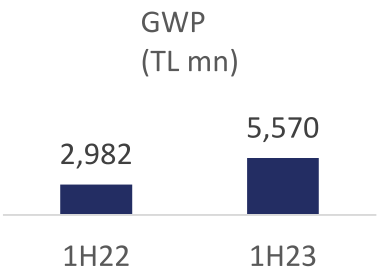
As a result of the improvement in the loss ratios, significant reductions were observed in unexpired risk reserves calculated based on the loss ratio. In 2022, due to the high loss ratio, reserves were allocated for unexpired risks amounting to TL 1.1 billion, mainly in MTPL and health branches, while in the first half of 2023, unexpired risks reserves amounting to TL 48 million were set aside, all belonging to the MTPL branch.

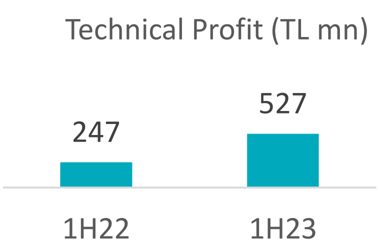
Technical Results by Major Branches

Technical Profit	1H22	1H23	YoY
General Losses (Agriculture, Engineering	270	601	123%
Fire & Natural Disaster	177	897	408%
Accident	266	1,063	300%
MTPL	-517	-279	-46%
MOD	39	1,237	3032%
Sickness/Health	-131	256	N.A.
Other	73	111	53%
TOTAL	**177**	**3,885**	**2098%**

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 298 billion, its market share in agricultural loans is 75%. With this superiority in the banking channel, Türkiye Sigorta produced 84% of its premium in the agricultural branch through the bank channel. A 49% market share was achieved with a total premium production of TL 5.6 billion, which is more than 2.5 times that of its closest competitor. With its strong bank channel dominating the agricultural field, Türkiye Sigorta continues to solidify its leadership.



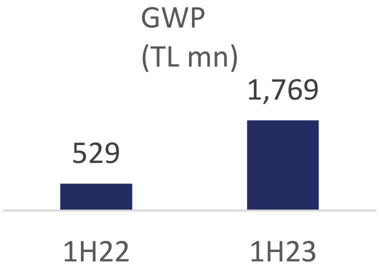


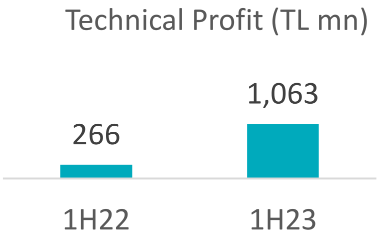
In the agriculture branch, insurance companies mostly work as an agency of the "Agricultural Insurance Pool (Tarsim)" with state-subsidized insurance products. Tarsim is an insurance pool system established in 2005 to support the dissemination of agricultural insurance in our country. Through the insurance 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. Technical profit in agriculture branch came in at TL 527 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 235% yoy from TL 529 million to TL 1,769 million. The market share rose from 29% to 37% in the same period and the market leader position in the branch further strengthened. The sector, on the other hand, increase its premiums by 169%.



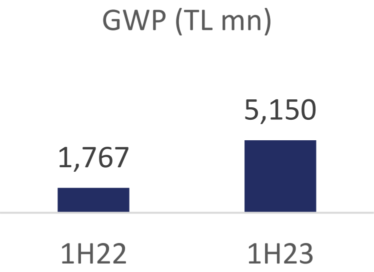


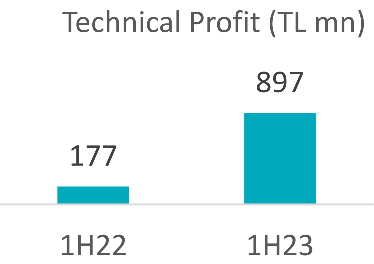
Türkiye Sigorta grew its technical profit by 300% to TL 1,062 million, with a combined ratio of 45%. Branch profitability has remained quite strong due to high conservation and significantly lower combined ratios.

After the singularization regarding personal accident products of the companies that constituted Türkiye Sigorta with the merger, the scope of coverage was expanded and while strong growth trend from 2022 continues, the strong results achieved in this field is aimed to be sustained.

Effective risk management and excessive capacity in Fire and Natural Disasters

Premium growth in the fire and natural disasters branch was 191% yoy, the total premium volume reached TL 5 billion. With a 20% market share, Türkiye Sigorta achieved sector leadership in this branch. Due to housing and compulsory earthquake insurances, bank channel accounts for 65% of branch premium production. Technical profit quintupled yoy and reached TL 897 million. The branch's retention ratio increased from 31% in the first quarter of 2022 to 40% in the first half of this year, while the combined ratio decreased from 75% in the previous year to 63% (sector average is 257% as of 1Q23). Despite the earthquake disaster we experienced in February, effective risk management and risk selection policies on the reinsurance side stand out in the strong technical performance achieved by Türkiye Sigorta.





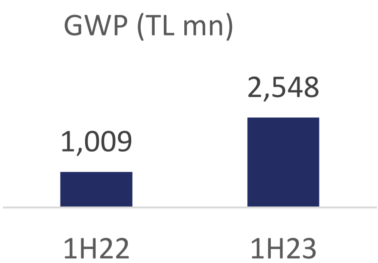
Fire and natural disaster insurance policies are mainly offered in bundle in the commercial and corporate segments. In this branch, channels such as brokers, agencies and direct sales make a significant contribution to the production. Given excessive policy and coverage size in most cases, strong capital 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.

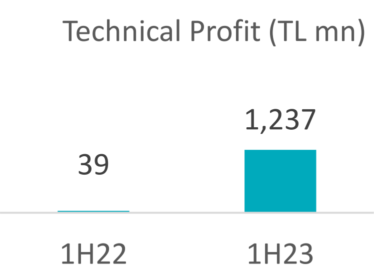
<u>Strong growth and positive technical profitability in motor branches</u>

In the first quarter of the year, Türkiye Sigorta continued to demonstrate strong performance in the motor branches with a 153% yoy growth in MOD outperforming the growth in MTPL growing by 101% in the same period. Türkiye Sigorta reached market shares of 12% in MTPL and 7% in MOD branches.

As a result of the stabilization of fundamental cost factors, particularly exchange rates and inflation, the loss ratios improved bringing about the decrease in unexpired risk reserves. As a consequence, Türkiye Sigorta achieved a technical profit of TL 958 million in 1H23 in motor branches compared to a loss of TL 477 million in the same period last year.

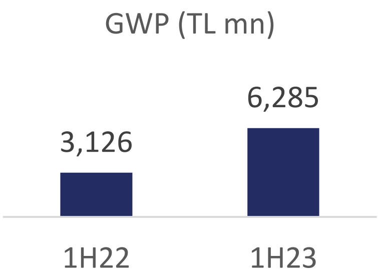
In MOD branch, Türkiye Sigorta achieved a strong momentum in the first half of the year, with an annual increase of 153% in premium production. With this growth, the market share, which was 4% at the end of the year, increased to 7%.

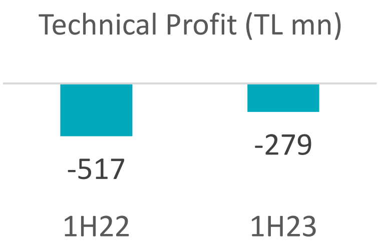




The loss ratio in MOD branch, which ended 2022 at a level of 75% on a cumulative basis, closed the first half of 2023 at 39%. Strong premium production, an increase in earned premiums, relatively stable trend in claims costs and actuarial pricing discipline resulted in an improvement in the net loss ratio. The combined ratio was at 100% at the end of 2022, while it was realized at 62% in the first half of this year. The branch's technical profit surged from TL 39 million in the first half of last year to an impressive TL 1,237 million in the first half of this year.

In MTPL branch, the market share, which rose to a peak level of 18% especially in the second quarter of last year, normalized as expected and the market leadership position in the branch was handed over. The market share decreased from 16% in 1H22 to 12% in 1H23 and it continued to lag behind the total market share of 13%.





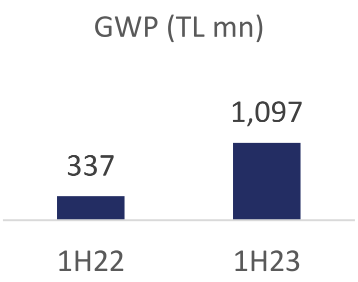
The monthly ceiling price increase rate of 4.75% until May followed by 2% thereafter and the stabilized cost environment have brought about an improvement in the loss ratio of the branch. The net loss ratio, which was at 218% at the end of 2022, was realized at 130% in the first half of this year. As a direct result of the improvement in the loss ratio, a significant improvement was also observed in the unexpired risk reserves for the branch; while TL 985 million was allocated as unexpired risks last year, only TL 48 million was allocated n the first half of this year. The branch, which ended 2022 with a technical loss of TL 2 billion, recorded a technical loss of TL 279 million in the first half of this year.

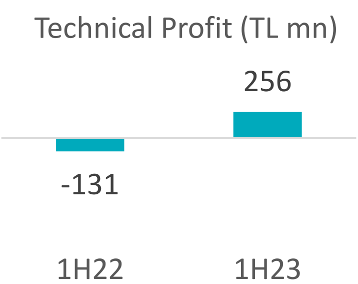
The regulatory authority SEDDK raised the discount rate of the net cash flows arising from the outstanding claims provision from 22% to 28% . Additionally, the regulatory authority published a circular earlier this year addressing the supply issues in the sector related to MTPL insurances by specifying the circumstances regarding the avoidance of MTPL policy issuances.

On the other hand, according to the Constitutional Court decision numbered 32104 published in the Official Gazette on February 1, 2023, the provision in Article 90 of the Highway Traffic Act regarding the calculation of compensation for loss of vehicle value, loss of support, and permanent disability compensation under the scope of MTPL insurance, as well as the provision granting the authority to regulate the application of the article to SEDDK, were annulled on the grounds of being unconstitutional. Since the related criteria have not been reflected in the calculation of the actuarial reserves included in our financials, no negative impact on the financials is expected from this nullification. In addition, we continue to allocate the necessary reserves in line with strong reserve practices that cover all possible scenarios (such as additional minimum wage increases or additional coverage limit increases).

Strong growth in Health

Emergency health insurance, Complementary 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 260% yoy growth in TSS and 222% in ÖSS segments. Total premiums in the branch came in TL 1,097 million, up by 225%.





The branch's loss ratio was at 143% in 2022 due to medical inflation and the return of healthcare expenditures delayed by the pandemic, but it improved to 67% in the first half of this year due to balanced cost factors, strong premium production, low loss ratio for the group ÖSS and TSS renewals and actuarial pricing discipline. The net combined ratio also declined from 193% at the end of 2022 to 91% as of the first half. With the improvement in loss ratios, the unexpired risk reserves, amounting to TL 160 million in the previous period, were fully released as of the half term. The technical loss of the branch turned into a technical profit of TL 256 million from a loss of TL 131 million in the same period last year.

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 from this growth owing to its enhanced product, digital infrastructure and distribution channel structure after the merger. The steps to enrich customer experience like the improvement in provisioning process and further integrating healthcare functions to our mobile app will strengthen the competitiveness of Türkiye Sigorta. With the bancassurance capacity of Türkiye Sigorta, there is a strong desire to grow in the retail TSS segment in the upcoming period.

Expanding investment portfolio

In the first half of 2023, the investment portfolio grew by an annual rate of 190% to reach TL 24.7 billion, up from TL 8.5 billion. The net investment income, including investment income transferred to the technical division, increased by 256% to TL 3,459 million.

With the expanding investment portfolio and product diversity, income from financial investments and the valuation of financial investments quadrupled, rising from the level of TL 758 million in the first half of 2022 to TL 3.1 billion in the same period of 2023.

Net foreign exchange income came in at TL 1.1 billion in 1H23 with USD 218 million long position (w/o FX protected deposits) in the balance sheet.

TL deposit/participation accounts make up half of the investment portfolio, which has grown to TL 24.7 billion in size. FX deposits represent 4% of the total portfolio, and FX-protected deposits account for 6%. Meanwhile, TL government debt securities and TL private sector bonds hold a weight of 13% and 4%, respectively. The Eurobond portfolio now comprises 6% of the total portfolio. Lastly, the mutual fund carries an 11% weight within the entire investment portfolio.

Buyback of TURSG shares

By our company's Board of Directors; it has been decided to revise the 35 million shares subject to repurchase, as determined by the Board of Directors Decision dated 28 June 2022, to 60 million shares and the allocated fund of TL 300 million to TL 600 million. Within this scope, the number of shares bought back reached 32.5 million representing 2.8% of the capital, while the average cost of the purchases was 9.11 TL. Türkiye Sigorta has become the only company in its sector that conducts share buybacks and paying out dividends (Dividend payment amounting to TL 140 million for the period of 2022 will be submitted to the approval of the General Assembly). In addition to its financial and strong operational performance, Türkiye Sigorta continues to provide value to its stakeholders with subsequent buybacks.

Innovations Continue in Our Digital Services!

With the ongoing productions on our sales platform called ROTA, we have finally achieved a policy number of 386 thousand. With these productions, we have digitalized our sales processes and provided positive value in terms of operational and financial savings throughout the company. Through the creation of 386 thousand contracts, we were able to generate significant cost savings, with a reduction of TL 11 million in cargo expenses, as well as a substantial reduction in paper usage amounting to TL 3.2 million (equivalent to 15.4 million pieces of paper). Additionally, our commitment to sustainable and eco-friendly production enabled us to preserve 210 trees.

As part of our ongoing endeavors to enhance customer satisfaction, we have recently introduced our chatbot service and implemented new survey modules. Through our chatbot, we were able to address and resolve 32 thousand customer requests out of the 120 thousand conversations we had, thereby reducing the need for direct customer service interaction. Our commitment to making a difference in the industry remains steadfast as we forge ahead with new brand and business partnerships in our business partnerships module. Through this module, we have successfully connected our customers with 100 services offered by our 45 business partners across four distinct branches. These services have been met with enthusiastic reception from both our

our partners and customers, resulting in a total benefit of TL 1.3 million for our valued customers. Furthermore, our efforts have generated a new volume of TL 5.2 million for our business partners, thanks to the patronage of Türkiye Sigorta customers.

In addition, we have recently launched the BES Savings Gift, which allows individuals to send savings gifts to Türkiye Hayat Emeklilik customers' BES contracts, regardless of whether they are a customer or not. With this new feature, our customers can now easily receive payment from their loved ones when requesting payment for their BES contracts. We anticipate that this initiative will result in a new volume of TL 10 million in the system, as individuals send gifts for occasions such as birthdays, weddings, congratulations, or pocket money.

In an effort to enhance our BES persuasion processes, we conducted research and leveraged the power of machine learning technology. Thanks to this initiative, we have been able to reduce our manpower requirements by 33% while maintaining the same level of customer persuasion. Our revamped structure has enabled our persuasion teams to reach the same number of customers with fewer calls, resulting in a more efficient and effective process overall.

The customer platform has been updated with improved damage processes and BES Savings Certificate services. The user base has reached 2.6 million, which is 65% of the year-end target.

Moreover, to be implemented shortly, the Churn & Experience model aims to optimize the exit processes, facilitate customers in handling their transactions without overburdening the call center through an advanced chat module, establish new business partnerships with a refreshed array of benefits, and extend services to a broader customer base.

Summary Financial Statements

Balance Sheet, Million ₺	1H22	1H23	YoY Change
Cash and Cash Equivalents	6,914	17,097	147%
Receivables from Main Operations	4,182	9,996	139%
Financial Assets	5,178	14,140	173%
Tangible and Intangible Assets	433	772	78%
Other Assets	1,603	3,656	128%
TOTAL ASSETS	**18,310**	**45,661**	**149%**
Financial Liabilities	14	8,167	N.M.
Payables Arising from Main Operations	2,668	2,571	-4%
Technical Provisions	10,131	22,244	120%
Other Liabilities	1,485	3,435	131%
TOTAL LIABILITIES	**14,299**	**36,418**	**155%**
Paid in Capital	1,162	1,162	0%
Capital and Profit Reserves	2,534	4,269	68%
Accumulated Profit/Losses	1	944	N.M.
Net Profit/Loss for the Period	315	2,870	812%
TOTAL EQUITY	**4,011**	**9,244**	**130%**
TOTAL EQUITY AND LIABILITIES	**18,310**	**45,661**	**149%**

Income Statement, Million ₺	1H22	1H23	YoY Change
Gross Written Premiums	11,246	24,402	117%
Technical Balance (Technical Profit)	**177**	**3,885**	**2098%**
Earned Premiums (Net of Reinsurer Share)	2.522	8,322	230%
Incurred Losses (Net of Reinsurer Share)	-2,490	-6,007	141%
Other Technical Income & Expenses (Net of Reinsurer Share)	51	64	25%
Financial Income - Transferred from Non-Technical Section	764	3,330	336%
Operating Expenses	-670	-1,823	172%
Financial Profit	**208**	**129**	**-38%**
Financial Income	1,520	4,989	228%
Financial Expenses	-1,311	-4,860	271%
Income and Expenses From Other Operations	**93**	**-349**	**N.A.**
Tax	**-163**	**-796**	**388%**
Net Profit/Loss	**315**	**2,870**	**812%**

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