TÜRKİYE SİGORTA 1Q22 FINANCIAL RESULTS

General Overview

Market leadership with a strong premium growth

Having increased its total premium portfolio by 74% yoy to TL 5.7 billion, Türkiye Sigorta enhanced its leadership in non-life insurance market and raised its market share by 178bp qoq to 15.2% as of end of 1Q22. The non-life insurance sector increased its premiums at 74% in the same period. With a strong contribution from bancassurance channel, Türkiye Sigorta grew its premiums by 72% in the general losses branch (agriculture, engineering etc.), 72% in the fire & natural disasters and 63% in the accident branches where it has the market leader position. Thanks to the strong expansion in the agency channel, premiums were up by 91% in auto branches. Sickness/health branch posted 19% growth yoy in Q1.

Strong 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 1Q22, 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 330 million in the first quarter of the year and posted a tad 4% decline yoy. While general losses, fire and natural disasters and accident branches generated TL 359 million technical profit (+74% yoy), motor (MTPL and MOD) and sickness/health branches posted TL 68 million technical losses. TL 39 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 60 million) turned out to be the most important factors driving profitability into the negative territory.

Operational expenses grew by 52% yoy compared to the same period of the previous year. With the increase in premium production, net commission expenses increased by 40% yoy, while personnel expenses increased by 69%. The headcount number rose by 121 on an annual basis and reached 1,338. Operational expenses excluding net commissions and personnel expenses increased 46% yoy.

Summary P&L (TL million)	1Q21	1Q22	YoY
Gross Written Premiums	3,259	5,669	74%
Technical Profit	342	330	-4%
Net Investment Income	106	97	-9%
Net Profit	329	307	-7%

Ratios	1Q21	1Q22
Loss Ratio	66%	82%
Commission Ratio	9%	10%
Expense Ratio	12%	14%
Combined Ratio	87%	105%
RoAA	11%	8%
RoAE	36%	30%
Effective Tax Rate	23%	16%
CAR	212%	182%

Expansion in net investment yield

Income from financial investments was up by 49% yoy, financial investment expenses were also up by 65% including investment income transferred to the technical profit. Consequently, net investment income was down by 9% yoy to TL 97 million. When investment income transferred to technical profit is included in income from financial investments, net investment income rises to TL 455 million, up 42% yoy.

Backed by improving yield on investments in Q1, income from financial investments and valuation increased by 43% yoy. Income from subsidiaries rose by 89% (Turkey Hayat Emeklilik dividend income came in TL 90 million in 1Q22 vs TL 48 million in 1Q21), while net FX gains decreased by 4% on declining volatility in exchange rates. Investment income transferred to the technical profit increased by 67% yoy. The investment portfolio expanded by 16% yoy and yield enhancement supported profitability (net investment yield increased from 20% in 1Q21 to 24% in 1Q22, including investment income transferred to the technical profit).

<u>Healthy profit and capital adequacy</u>

Despite increasing sector-wise profitability pressure, Türkiye Sigorta recorded a net profit of TL 307 million in 1Q22. Net profit dropped by 7% compared to the first quarter of the previous year. The tax provision in the quarter was TL 57 million, sending effective tax ratio to 16% due to income from subsidiaries and interest income from FX-linked deposits bring in corporate tax exemption.

ROAE came in at 30%. CAR was at 182% (as of Dec-21), remained well above the regulatory thresholds. Following TL 493 million gross dividend distribution last year, Türkiye Sigorta decided to pay a gross dividend of TL 530 million from its 2021 profit (0,456 TL per share). Its distribution will take place on April 29.

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 4,580 branches throughout the country. Ziraat Bank has the largest branch network with 1,726 domestic branches in Turkey, while Halkbank ranks third with 1,021 branches and Vakıfbank is fourth with 934 branches. These three banks account for approximately 40% of the total branches that the deposit banks have.

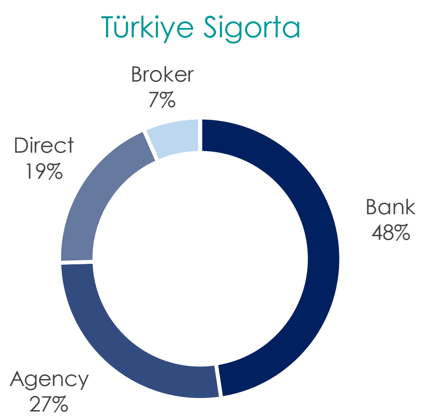
Türkiye Sigorta, growing its premiums produced through the bank channel by 50% yoy to TL 2.7 billion, had 51% of the banking channel production of the sector. The share of bank channel in Türkiye Sigorta's premium production is 48%.

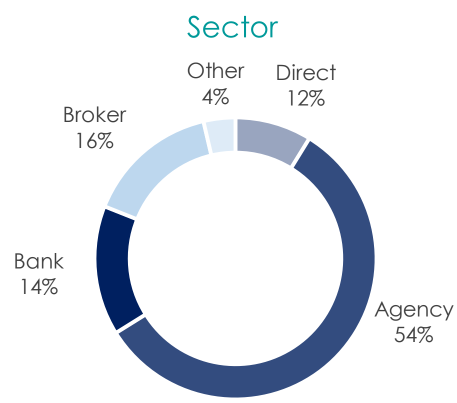
Strengthening its dominant position on the bancassurance front, Türkiye Sigorta had achieved a significant growth in agencies in 2021 within the scope of diversification strategy in the distribution channel. The number of agencies, which had increased by 1,030 in net terms and reached 3,971 at the end of 2021, rose by 67 agencies in 1Q22 and total agency number went up to 4,041. 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 Q1 increased by 76% and reached TL 1.5 billion. The market share in the agency channel went up from 6.9% in 4Q21 to 7.6% in 1Q22. The priority of Türkiye Sigorta in the agency channel will be to increase efficiency and optimize the channel structure.

Distribution Channel Mix (1Q22)



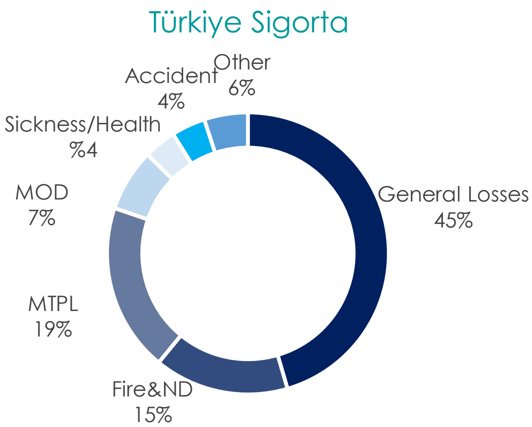


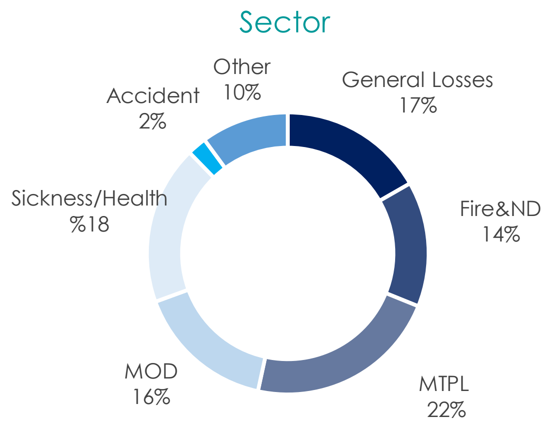
Leadership in Niche Businesses and Profitability-Driven Portfolio Structure

Türkiye Sigorta achieved to grow its market share by 178 bps qoq to 15.2% in 1Q22 by capitalizing on product and distribution channel diversity. It further consolidated its leadership in main branches such as agriculture, fire and natural disasters, and accident where the bank channel dominance pays off. A market share of 51% in the agriculture branch, 16% in the fire and natural disasters and 26% in the accident were successfully attained. The share of these three branches in total premiums, whose claims production was low compared to other main branches, turned out to be at 53%, almost doubled that of the sector.

With a rapid expansion in the agency network, the motor branches MTPL and MOD grew by 106% and 58% yoy, reaching market shares of 13% and 7%, respectively. The share of motor branches in total premium portfolio, with 26%, remained well below the sector average of 38%. In sickness/health branch emergency health product, which is sold almost entirely through the bank channel continued to shrink, 49% yoy growth in complementary and 15% in private health insurances led to an increase of 19% in the sickness/health branch.

Branch Mix (1Q22)





Premium Production by Major Branches (1Q22)

Major Branches	GWP (Million TL)	YoY Change	Share in Total	Market Share	Sector Ranking
General Losses (Agriculture, Engineering etc.)	2,547	71.9%	44,9%	40.8%	1
MTPL	1,081	106.3%	19,1%	13.0%	1
Fire & Natural Disasters	865	71.9%	15,3%	16.1%	1
MOD	400	58.3%	7,1%	6.7%	6
Accident	219	63.4%	3,9%	26.3%	1
Sickness/Health	208	18.6%	3,7%	3.1%	7
Other	349	85.9%	6,2%	9.3%	2
TOTAL	**5,669**	**74.0%**	**100.0%**	**15.2%**	**1**

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

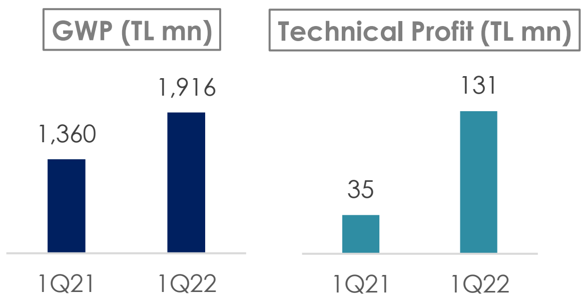
Türkiye Sigorta proved that it is in a much more sheltered position against increasing sector-wise cost pressures. Technical profitability remained positive by preserving optimally structured bank/non-bank distribution channel and motor/non-motor product diversification. Non-motor technical profit grew by 32% yoy. General losses, accident and fire & natural disasters branches, in which Türkiye Sigorta is the market leader with 41%, 26% and 16% shares, respectively, generated TL 359 million technical profit (up 74% yoy). Arising from increasing claims, the auto and sickness/health branches generated a technical loss of TL 68 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 costs 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 from 14% to 17%, with the circular issued by the regulatory agency SEDDK, alleviated the outstanding reserve burden in the MTPL branch and positively affected the technical profitability.

Technical Results by Major Branches

Technical Profit/Loss	1Q21	1Q22	YoY
General Losses (Agriculture, Engineering etc.)	52	143	175%
Fire & Natural Disaster	80	88	10%
Accident	74	128	73%
MTPL	-11	-24	112%
MOD	81	-5	N.A.
Sickness/Health	52	-39	N.A.
Other	14	39	176%
TOTAL	**342**	**330**	**-4%**

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 111 billion, its market share in agricultural loans is 65%. With this superiority in the banking channel, Türkiye Sigorta produced 82% of its premium in the agricultural branch through the bank channel. 51% market share was achieved with a total premium production of TL 1.9 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.

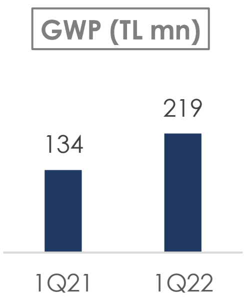
In the model, which runs quite efficiently, insurance companies also have the opportunity to provide reinsurance support to Tarsim if they wish. Türkiye Sigorta, as one of the most active companies in reinsurance support, takes part in Tarsim reinsurance panel as a retrocessionary. Additional profit 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.

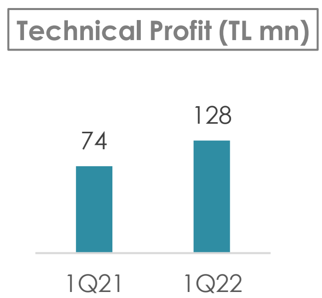
Remaining relatively low in general due to Tarsim pool mechanism, the retention ratio in the agriculture branch increased by 110 bp yoy to 17%. Earned premiums increased by 64% yoy, while incurred losses (paid + outstanding, net of reinsurer share) decreased by 7% and technical profit in agriculture branch rose from TL 35 million to TL 131 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 63% yoy from TL 134 million to TL 219 million. The market share rose from 24% to 26% qoq and the market leader position in the branch further strengthened. The sector, on the other hand, could increase its premiums by 45%.

Türkiye Sigorta grew its technical profit by 73% to TL 128 million, with a combined ratio of 47%.





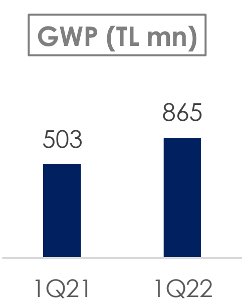
Branch profitability has been quite strong due to high retention and low combined ratios.

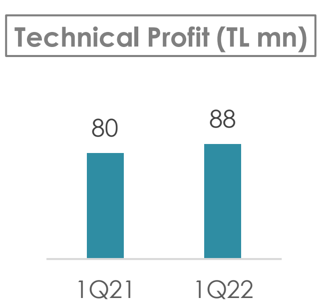
After the singularization regarding personal accident products of the companies that constituted Türkiye Sigorta with the merger, the scope of coverage was expanded and strong growth trend from 2021 continued in the first quarter of the year. It is aimed to continue the strong results achieved in this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

Leader in Fire and Natural Disasters with Effective Risk Management and Excessive Capacity

Premium growth in the fire and natural disasters branch was 72% yoy, the total premium volume reached TL 865 million. Due to housing and compulsory earthquake insurances, bank channel accounts for 63% of branch premium production. Technical profit increased by 10% yoy and reached TL 88 million. Resulting from increasing claims costs in the fire arm, the combined ratio of the total branch raised to 77% (109% in the sector as of Dec-21). 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



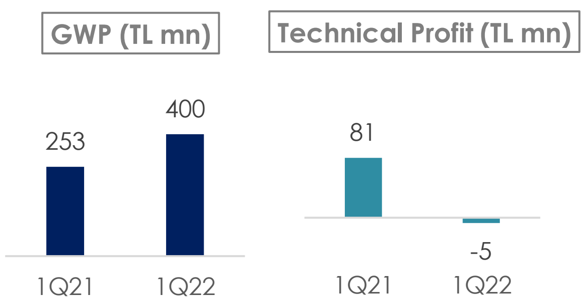


corporate segments. In this branch, channels such as brokers, agencies and direct sales make a significant contribution to the production. Given excessive policy and coverage size in most cases, strong capital adequacy and reinsurance capacity are required for high premium production and profitability. 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.

Balanced Approach in Motor

Following the expansion in agency network, the activity of Türkiye Sigorta in motor branches gained momentum. While the market share reached 13% with 106% yoy growth in MTPL, it was 7% with an increase of 58% in MOD.

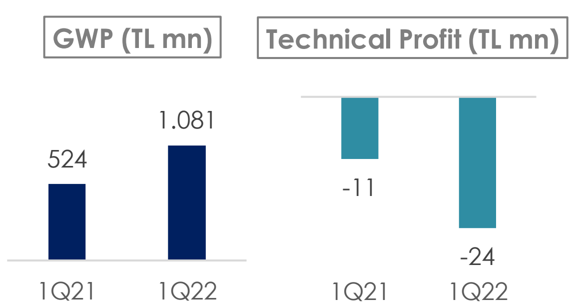
Recovering mobility post-reopenings in 2021, rise in spare parts costs due to exchange rates and supply bottlenecks, surging labor costs and regulatory effects translated into sectoral loss ratio increases in motor branches. The regulatory institution SEDDK's increase in the discount rate of net cash flows arising from outstanding claims provision to 17% has provided some relief on the increased provision burden in the MTPL branch.



The premium production of Türkiye Sigorta **in MOD branch** accelerated in February and March following a muted start in January. 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.

Combined ratio, on the other hand, completed Q1 at 122% level due to the increase in damage frequency and costs. The branch went from a technical profit of TL 81 million in 1Q21 to a technical loss of TL 5 million in 1Q22. 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 achieved a 13% market share with a strong growth in 1Q22. The market share, which was 18% in January, declined in the following months, as expected, and decreased to 13% at the end of the quarter. In the rest of the year, MTPL market share is expected to lag behind the overall market share.

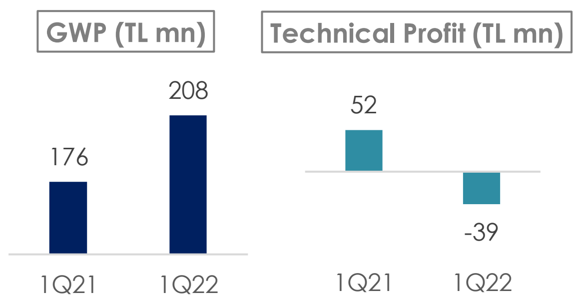


The branch closed Q1 with a technical loss of TL 24 million. Resulting from increase in the loss ratio, TL 60 million unexpired risks provision was taken but discount rate increase by the SEDDK offset the pressure on the technical profitability of the branch. SEDDK had determined a one-off 20% increase in the price cap in addition to an increase of 1.5% each months to follow effective from Feb-22. In April, SEDDK decided to revise the monthly price cap increase up to 2.25%, effective from May.

Moreover, SEDDK reduced the cap of compulsory traffic insurance premium volume that a company can produce to four times its equity. Before this change made at the end of last year, it was applied five times.

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 49% yoy growth in TSS and 15% in ÖSS segments. Total premiums in the branch came in TL 208 million, up by 19%.



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 113% as well as the net combined ratio to 140%. Technical profit-wise, the branch recorded TL 39 million technical loss in 1Q22 from TL 52 million profit in 1Q21.

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.

In addition, the details and guidances of the new remote health services regulation are still to be seen. Türkiye Sigorta continues to examine the opportunities in this field, and new products in health insurance are expected to contribute positively to financial results after the second half of the year.

Improving Yield on Investment Portfolio

Net investment income came in at TL 97 million, down by 9% yoy. Including investment income transferred to the technical profit, it goes up by 52% to TL 455 million.

Income from financial investments rose 36% yoy as the volume of AUM increased from TL 6.7 billion in 1Q21 to TL 7.7 billion in 1Q22 and the yield on investment portfolio went up as well. Net foreign exchange profit remained almost flattish at TL 52 million in 1Q22 on stabilizing exchange rates with USD 45 million long position in the balance sheet. On income from subsidiaries front, Türkiye Sigorta was paid a dividend of TL 90 million in 1Q22 by Türkiye Hayat Emeklilik compared to TL 48 million paid in 1Q21.

In the AUM, which reached TL 7.7 billion in size, the TL deposit/participation account share fell from 84% in 2020 to 69% (including FX-linked deposits) in 1Q22 on diversification efforts, while local government bonds and private sector bonds were included in the portfolio with relatively higher yields. With the addition of relatively high-yielding assets to the portfolio, the average return of the portfolio increased from an average of 20% in 1Q21 to 24% in 1Q22.

Strong Capital Position and Dividend Potential

The capital adequacy ratio remained solid at 182% (as of Dec-21). As it is known, SEDDK has increased the CAR self-assessment level from 115% to 135% in order to further improve the liquidity of companies and further strengthen their financial structures, especially by referring to the changes in the regulation to come. Companies will be able to distribute a dividend in a way that their capital adequacy ratio does not fall below this level. Türkiye Sigorta's high profitability and capital adequacy ratios provide the company with great flexibility in dividend distribution. While gross dividend distribution was TL 493 million (0.42 TL per share) in 2021, it was decided to increase it to TL 530 million (0.46 TL per share) in 2022. Türkiye Sigorta continues to operate with the aim of being a company that distributes strong dividends on a regular basis with healthy profitability and capital adequacy ratios.

Launching the New Customer Platform

Türkiye Sigorta launched Turkey's first insurance super application at the end of March. With three big public banks and over 4,000 insurance agencies, Türkiye Sigorta, which has no problem in reaching customers, launched its customer platform in order to reduce the cost of new customer acquisition and customer retention, which is shown as the most important difficulty in digitalization of the insurance industry as per international studies carried out all over the world and to eliminate the intangibility issue being the main problem of insurance. Initially, 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, while 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 such as mini-repair, opening a damage file, filing a health expense claim, seeing contracted institutions, making adjustments in the fund mix, increasing contribution margin as self-services embedded in the platform and 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 month results on the brand new platform, it is seen that more than 20 business partners offer more than 60 services to the platform users. More than 500 thousand users in total, approximately 40 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 million by the end of the year, with the implementation of strategies for downloading and usage. With the transactions made on the platform, the average benefit per customer stood 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.

TÜRKİYE SİGORTA
Gücü, adında.

Summary Financial Statements

Balance Sheet, TL Million	1Q21	1Q22	YoY Change
Cash & Cash Equivalents	6,370	6,808	7%
Receivables from Main Operations	2,040	4,342	113%
Financial Assets	2,573	3,458	34%
Tangible & Intangible Assets	287	436	52%
Other Assets	978	1,281	31%
TOTAL ASSETS	**12,249**	**16,326**	**33%**
Financial Liabilities	10	15	51%
Payables from Main Operations	1,091	2,777	155%
Technical Provisions	5,822	7,776	34%
Other Liabilities	1,469	1,743	19%
TOTAL LIABILITIES	**8,393**	**12,312**	**47%**
Paid-in Capital	1,162	1,162	0%
Capital & Profit Reserves	2,366	2,545	8%
Accumulated Profit/Losses	0	1	N/A
Net Profit/Losses for the Period	329	307	-7%
SHAREHOLDER'S EQUITY (SHE)	**3,856**	**4,014**	**4%**
TOTAL LIABILITIES & SHE	**12,249**	**16,326**	**33%**

Income Statement, TL Million	1Q21	1Q22	YoY Change
Gross Written Premiums (GWP)	3.259	5.669	74%
Technical Profit	**342**	**330**	**-4%**
Earned Premiums (Net of Reinsurer Share)	914	1.261	38%
Incurred Losses (Net of Reinsurer Share)	-604	-1.031	71%
Other Technical Income&Expenses (Net of Reinsurer Share)	13	37	194%
Financial Income Transferred from Non-Technical Section	214	358	67%
Operating Expenses	-195	-296	52%
Net Investment Income	**106**	**97**	**-9%**
Investment Income	475	707	49%
Investment Expenses	-369	-610	65%
Income/Expenses from Other Operations	**-22**	**-63**	**-181%**
Tax Provision	**-97**	**-57**	**-41%**
Net Profit/Loss	**329**	**307**	**-7%**

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