TÜRKİYE SİGORTA 9M23 FINANCIAL RESULTS

General Overview

Market leadership with a 140% premium growth

Türkiye Sigorta increased its total premium portfolio to TL 38.7 billion in the first nine months of 2023, which represents a 140% increase compared to the same period of the previous year. It continued to lead the non-life insurance market with a market share of 13.4%, increasing by 65 basis points on an annual basis. In the same period, the sector increased its premium production by 129%. The main branches of growth in Türkiye Sigorta were fire and natural disasters with 227%, accident with 224%, health with 214% and MOD with 195%. On the other hand, the MTPL branch exhibited a growth of 110%, which was significantly lower than the overall portfolio growth.

Türkiye Sigorta has consolidated its market share and leading position in fire and natural disasters and accident branches with its impressive growth performance. Additionally, in the MOD branch, it has rapidly advanced from the seventh position with a 6% market share last September to securing a 9% market share within just nine months this year, elevating its sector rank to fourth place. Furthermore, in the health branch, it has also climbed one spot in the market share rankings and currently holds the sixth position. This advancement was fuelled by substantial growth particularly in the field of complementary health insurance.

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 nine months of 2023, Türkiye Sigorta has rapidly improved its technical results thanks to the balancing on the cost side, robust growth in products featuring low loss ratios, effective claims management, strong reinsurance protection for catastrophic events 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 1 billion in the motor branch and TL 371 million in the health branch. A substantial growth with an impressive low loss ratio in MOD;

a well-managed growth pattern with a decline in 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.

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. Afterward, the branch exhibited signs of improvement, resulting in a reduced loss ratio of 24% by the end of nine months.

These all contributed to a remarkable enhancement in the overall net loss ratio, which decreased from 100% in September last year to 76% this year. So, the combined ratio displayed a favorable shift from 126% to 98%. As a testament to this improved performance, Türkiye Sigorta successfully concluded this period with a noteworthy technical profit of TL 6.4 billion (compared to the previous year's performance of TL 347 million during the same period).

On the other hand, operating expenses increased by 157% compared to the same period of the previous year. While net commission expenses increased by 211% annually with the increasing premium production, personnel expenses increased by 130%. Excluding net commission and personnel expenses, the expenses increased by 92% annually.

Investment portfolio

In the first nine months of 2023, the investment portfolio increased by 269% on an annual basis, reaching a level of TL 42 billion. Investment income grew by 268% yoy, while investment expenses increased by 290%. Including investment income transferred to the technical division, net investment income rose by 265% yoy, reaching TL 6,434 million.

Income from financial investments and valuation increased by 334% yoy. With the incremental trend in exchange rates net FX gains increased by 669%. Investment income transferred to the technical division increased by 298% annually.

Summary P&L *TL million*	9M22	9M23	YoY
Gross Written Premiums	16,106	38,697	140%
Technical Profit	347	6,360	1735%
Net Investment Income	281	528	88%
Net Profit	518	5,102	886%

Ratios	9M22	9M23
Loss Ratio	100%	76%
Commission Ratio	11%	12%
Expense Ratio	14%	10%
Combined Ratio	126%	98%
RoAA	4%	15%
RoAE	16%	73%
Effective Tax Rate	36%	21%
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 9M23, Türkiye Sigorta reported a net profit of TL 5,102 million, marking a 886% increase compared to the previous year. The average return on equity was realized at 73%. According to data provided by the Insurance Association of Türkiye, the non-life insurance sector generated a net profit of TL 23.1 billion in 1H23, with an average return on equity of 71%.

The tax provision for the first nine months of 2023 was TL 1.350 million, indicating effective tax rate of around 21%.

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 3,741 branches throughout the country. Ziraat Bank has the largest branch network with 1,743 domestic branches in Turkey, while Halkbank ranks third with 1,061 branches, Vakıfbank is fourth with 937 branches. These three banks account for approximately 40% of the total branches that the deposit banks have.

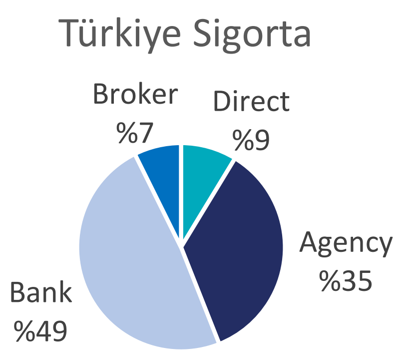
In 9M23, Türkiye Sigorta growing its premiums produced through the bank channel by 154% yoy to TL 19 billion, had 47% of the banking channel production of the sector. The share of bank channel in Türkiye Sigorta’s premium production is 49%.

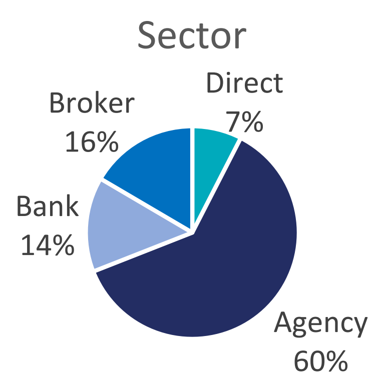
Strengthening its dominant position on the bancassurance front, Türkiye Sigorta has also been focusing on efficiency increase in agency channel which stays at 3,651 by the end of 9M23. Channel optimization is one of the focus areas in the agency network, which has become wider and well-spread. The capacity 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.

The premiums written through the agency channel witnessed an annual increase of 130%, reaching TL 14 billion. In 2023, the market share in premiums generated through agencies was 8%. Looking ahead, Türkiye Sigorta aims to boost its market share in the agency channel while ensuring sustainable growth in profitable branches.

Distribution Channel Structure Comparison (By Premium Production, Sep. 2023)



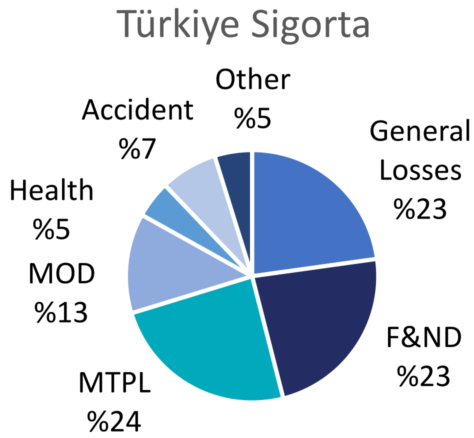


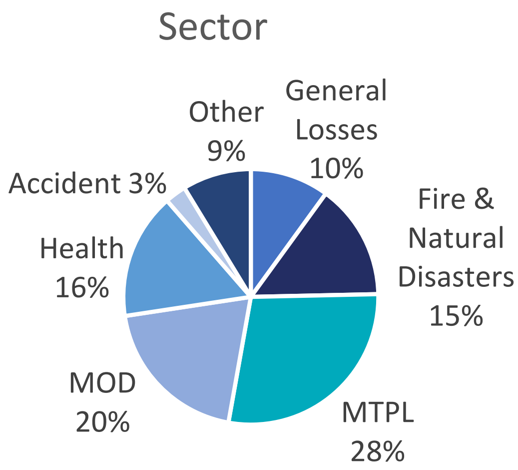
Leadership in niche businesses and profitability-driven portfolio structure

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 13.4%. In the branches where the bank dominance pays off, a market share of 31% in the general losses, 21% in the fire and natural disasters and 36% 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 53% (sector average is 27%).

Motor branches MTPL and MOD grew by 110% and 195% yoy, reaching market shares of 11.5% and 8.7%, respectively. The share of motor branches in total premium portfolio, with 37%, remained below the sector average of 48%. In health branch; 353% yoy growth in complementary and 162% in private health insurances led to an increase of 214% in the branch.

Branch Mix (September 2023)





Premium Production by Major Branches (September 2023)

Major Branches	GWP *TL million*	YoY Change	Share in Total	Market Share	Sector Ranking
General Losses	8,822	82%	23%	31%	1
Fire & Natural Disaster	8,987	227%	23%	21%	1
Accident	2,839	224%	7%	36%	1
MTPL	9,383	110%	24%	12%	2
MOD	4,959	195%	13%	9%	4
Sickness/Health	1,849	214%	5%	4%	6
Other	1,859	103%	5%	7%	5
TOTAL	**38,697**	**140%**	**100%**	**13.4%**	**1**

Strong technical profitability with successful risk management

In 9M23, Türkiye Sigorta achieved a technical profit of TL 6,360 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 23,308 million technical profit in 1H23.

In 9M23, general losses, accident and fire & natural disasters branches, in which Türkiye Sigorta has 31%, 36% and 21% market shares, respectively, generated TL 4,792 million technical profit (up 259% yoy). Thanks to the policy renewals, effective risk management, despite the decreasing market share in the MTPL branch, the increase in MOD market share, a profit of TL 1.4 billion was achieved in the first nine months 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.

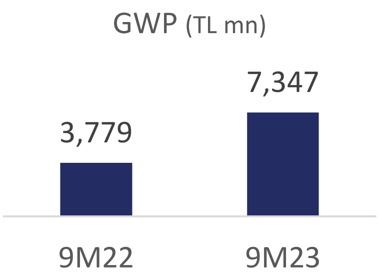
As a result of the improvement in the loss ratios, significant reductions were observed in unexpired risk reserves calculated based on the loss ratio. In 2022, owing to the high loss ratio, reserves of TL 1.1 billion were allocated for unexpired risks, primariliy in the MTPL and health branches, while in the first nine months of 2023, unexpired risks reserves totaling TL 89 million were set aside.

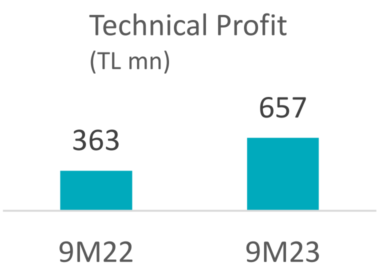
Technical Results by Major Branches

Technical Profit	9M22	9M23	YoY
General Losses (Agriculture, Engineering	406	789	%95
Fire & Natural Disaster	413	2,072	%402
Accident	516	1,931	%274
MTPL	-1,059	-1,431	%35
MOD	150	2,436	%1529
Sickness/Health	-227	371	N.A
Other	149	192	%29
TOTAL	**347**	**6,360**	**%1735**

Leader in Agriculture on solid bancassurance capacity

Aligned with its mission, Ziraat Bank operates nearly unchallenged in the realm of agricultural banking. With a substantial cash loan size of TL 360 billion, it commands a 79% market share in agricultural loans. Leveraging this banking dominance, Türkiye Sigorta generated 87% of its premiums in the agricultural branch through the bank channel. This translated into a remarkable 55% market share, reflecting a total premium production of TL 7.3 billion, a figure 3.5 times higher than that of its nearest competitor. With its robust influence in the agricultural domain through its strong bank channel, Türkiye Sigorta continues to fortify its leading position

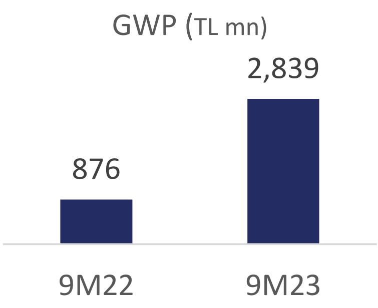


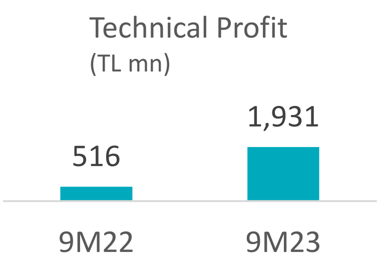


In the agriculture branch, insurance companies mostly work as an agency of the "Agricultural Insurance Pool (Tarsim)" with state-subsidized insurance products. Tarsim is an insurance pool system established in 2005 to support the dissemination of agricultural insurance in our country. Through the insurance 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 657 million.

Increasing profitability and market share in Accident branch



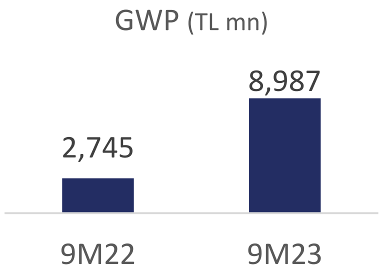


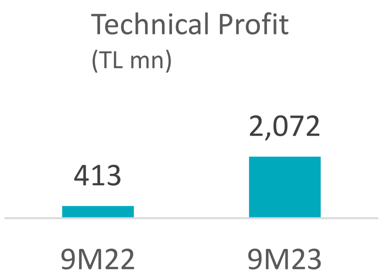
Accident insurances, especially personal accident, is produced mainly through the bank channel in connection with lending activities. With effective use of the bank channel, Türkiye Sigorta increased its premium production in the accident branch by 224% yoy from TL 876 million to TL 2,839 million. The market share rose from 31% to 36% in the same period and the market leader position in the branch further strengthened. The sector, on the other hand, increase its premiums by 173%.

Türkiye Sigorta grew its technical profit by 274% to TL 1,931 million, with a combined ratio of 46%. Branch profitability has remained quite strong due to high conservation and significantly lower combined ratios.

Effective risk management and excessive capacity in Fire and Natural Disasters

Premium growth in the fire and natural disasters branch was 227% yoy, the total premium volume reached TL 9 billion. With a 21% market share, Türkiye Sigorta achieved sector leadership in this branch. Due to housing and compulsory earthquake insurances, bank channel accounts for 66% of branch premium production. Technical profit quintupled yoy and reached TL 2.072 million. The branch's retention ratio increased from 35% in the first nine months of 2022 to 39% in the same period this year, while the combined ratio decreased from 68% in the previous year to 52% (sector average is 171% as of 1H23). 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.





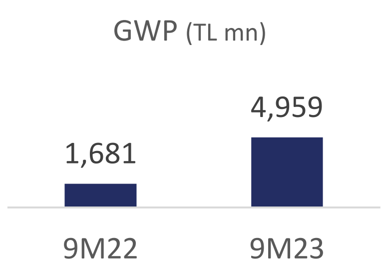
Fire and natural disaster insurance policies are mainly offered in bundle in the commercial and corporate segments. In this branch, channels such as brokers, agencies and direct sales make a significant contribution to the production. Given excessive policy and coverage size in most cases, strong capital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

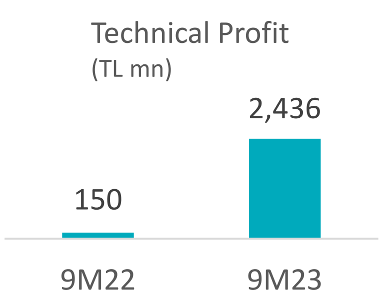
Strong growth and positive technical profitability in motor branches

In the first quarter of the year, Türkiye Sigorta continued to demonstrate strong performance in the motor branches with a 195% yoy growth in MOD outperforming the growth in MTPL growing by 110% in the same period. Türkiye Sigorta reached market shares of 12% in MTPL and 9% 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 1 billion in 9M23 in motor branches compared to a loss of TL 910 million in the same period last year.

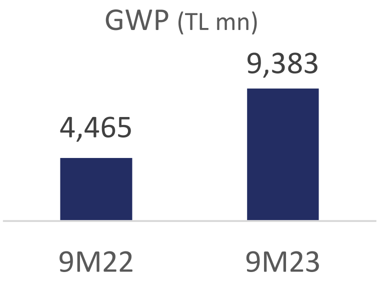
In MOD branch, Türkiye Sigorta achieved a strong momentum in the first nine months of the year, with an annual increase of 195% in premium production. With this growth, the market share, which was 6% last year in the same period, increased to 9%.

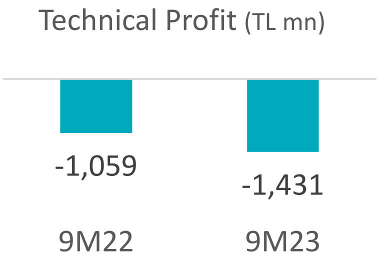




The loss ratio in MOD branch, which ended 2022 at a level of 75% on a cumulative basis, closed the first nine-month period at 45%. Strong premium production, an increase in earned premiums, relatively controlled trend in claims costs and actuarial pricing discipline resulted in an improvement in the net loss ratio. The combined ratio was at 100% at the end of 2022, while it was realized at 68% in the first nine months of this year. The branch's technical profit surged from TL 150 million in 9M22 to an impressive TL 2,436 million in 9M23.

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 12.8% in 9M22 to 11.5% in 9M23 and it continued to lag behind the total market share of 13.4%.



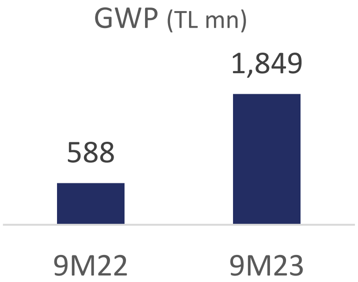


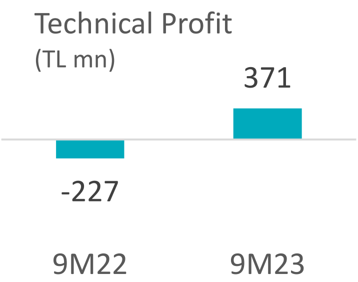
The monthly ceiling price increase rate of 4.75% until May followed by 2% thereafter and the stabilized cost environment have brought about an improvement in the loss ratio of the branch. The net loss ratio, which was at 218% at the end of 2022, was realized at 146% in the first nine months of this year. 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 250 million was allocated in the first nine months of this year. The branch recorded a technical loss of TL 1,431 million in 9M23.

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. Türkiye Sigorta continues to allocate the necessary reserves in line with strong reserve practices that cover all possible scenarios.

Strong growth in Health

Emergency health insurance, Complementary health insurance (TSS) and Private health insurance (ÖSS) products are the main products in the health branch. With its customer and product portfolios, Türkiye Sigorta posted 353% yoy growth in TSS and 162% in ÖSS segments. Total premiums in the branch came in TL 1,849 million, up by 214%.





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 70% in the first nine months of this year due to balanced cost factors, strong premium production and actuarial pricing discipline. The net combined ratio also declined from 193% at the end of 2022 to 96% as of September. With the improvement in loss ratios, the unexpired risk reserves, amounting to TL 160 million in the previous period, were fully released in 2023. The technical loss of the branch turned into a technical profit of TL 371 million from a loss of TL 227 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 nine-month period, the investment portfolio grew by an annual rate of 269% to reach TL 42 billion, up from TL 11 billion. The net investment income, including investment income transferred to the technical division, increased by 265% to TL 6,434 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 1.4 billion in the first nine months of 2022 to TL 6.2 billion in the same period of 2023.

Net foreign exchange income came in at TL 1.4 billion in 9M23 with USD 177 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 42 billion in size. FX deposits represent 4% of the total portfolio, while FX-protected deposits account for 11%. Meanwhile, TL government debt securities and TL private sector bonds hold a weight of 9% and 4%, respectively. The Eurobond portfolio now comprises 5% of the total portfolio. Lastly, the mutual fund and stock investments carry a 16% 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, 33.2 million shares, equivalent to 2.9% of the capital, were repurchased at an average cost of 8.96 TL. 30 million of these shares were subsequently sold to institutional investors via the block sale method, generating a profit of TL 660 million. Türkiye Sigorta, the sole company in its sector engaged in both share buybacks and dividend distributions, continues to enhance stakeholder value through its buyback program, as well as its robust financial and operational performance.

Summary Financial Statements

Balance Sheet, Million ₺	9M22	9M23	YoY Change
Cash and Cash Equivalents	6,150	25,072	308%
Receivables from Main Operations	3,731	9,119	144%
Financial Assets	7,541	22,898	204%
Tangible and Intangible Assets	458	806	76%
Other Assets	1,648	4,622	180%
TOTAL ASSETS	19,529	62,517	220%
Financial Liabilities	31	17,022	%N.A.
Payables Arising from Main Operations	2,085	2,551	22%
Technical Provisions	11,748	27,121	131%
Other Liabilities	1,303	3,585	175%
TOTAL LIABILITIES	15,167	50,278	231%
Paid in Capital	1,162	1,162	0%
Capital and Profit Reserves	2,682	5,973	123%
Accumulated Profit/Losses	1	2	N.A.
Net Profit/Loss for the Period	518	5,102	886%
TOTAL EQUITY	4,362	12,240	181%
TOTAL EQUITY AND LIABILITIES	19,529	62,517	220%

Income Statement, Million ₺	9M22	9M23	YoY Change
Gross Written Premiums	16,106	38,697	140%
Technical Balance (Technical Profit)	**347**	**6,360**	**1735%**
Earned Premiums (Net of Reinsurer Share)	4,702	13,826	194%
Incurred Losses (Net of Reinsurer Share)	-4,723	-10,504	122%
Other Technical Income & Expenses (Net of Reinsurer Share)	79	200	154%
Financial Income - Transferred from Non-Technical Section	1,484	5,907	298%
Operating Expenses	-1,195	-3,068	157%
Financial Profit	**281**	**528**	**88%**
Financial Income	2,526	9,286	268%
Financial Expenses	-2,245	-8,759	290%
Income and Expenses From Other Operations	**187**	**-435**	**N.A.**
Tax	**-297**	**-1,350**	**355%**
Net Profit/Loss	**518**	**5,102**	**886%**

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