

# AgeSA

## FY 2021 Financial Results

### Earnings Release

February 9, 2022

#### **Leadership Position in Pension, Sustainable Growth as Top Tier Player in Life**

AgeSA maintains Pension&AE AuM leadership among private companies and has a sustainable growth in Life business driven by the success of long term credit life product (Kredim Gvende) and strong RoP portfolio.

AgeSA reached successful results in net profit, thanks to strong technical income growth resulting from high profitability in life and pension scalability and financial income increase despite economic volatilities.

#### **FINANCIAL HIGHLIGHTS**

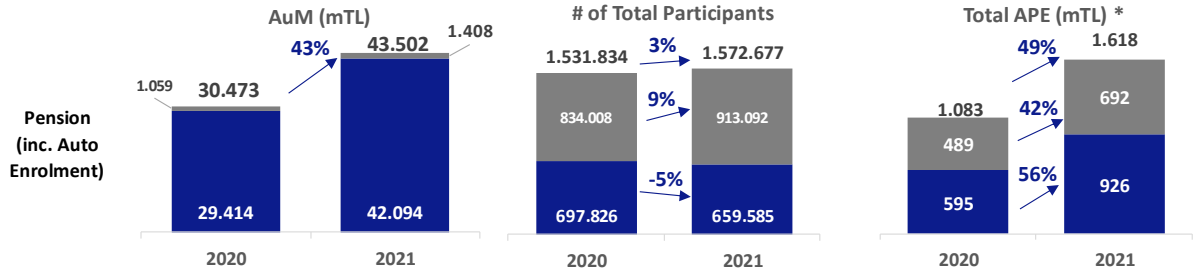
- The Pension Assets under Management (AuM) has grown by 43% yoy and reached 42.1 billion TL as of 2021.
- Auto Enrolment AuM increased by 33% yoy resulting mainly from the increasing inforce volume. AgeSA is one of the leader companies in terms of private sector participants and AuM.
- Total protection premiums grew by 52% yoy, driven by both 71% growth in credit linked and 38% growth in stand-alone (non-credit linked) life protection underpinning AgeSA's diverse business model and product positioning.
- IFRS Net Profit is higher than prior year by 55% at 541 mTL mainly due to strong growth in all major business lines (pension, credit Life and RoP) and increase in net financial income resulting from higher interest and f/x rates.
- Total technical profit has increased by 44% yoy driven by the growth in life protection volumes and pension AuM.
- RoE is 44.2% as of 2021.
- Statutory profit is 452 mTL with an increase of 53% due to mainly growth in life protection technical profit and increase in financial income.
- 80 mTL dividend has been paid in March 2021 as first installment and 80 mTL dividend has been paid in September 2021 as second installment, in accordance with the General Assembly decision.
- The second installment of 2020 dividend payment amounting to 60 mTL has been paid in January 2021 since it has been postponed due to regulatory restriction until the end of 2020.
- There is no material impact from Covid-19 on Company's financials.

## STRATEGIC HIGHLIGHTS

- The Share Purchase Agreement was signed between Ageas Group and Aviva Group on 23 February 2021. Accordingly, Ageas Insurance International NV agreed to take over all of Aviva's shares with a nominal value of TL 72,000,006.72, representing 40% of the capital owned by Aviva. The closing conditions determined in the Share Purchase Agreement have been fulfilled, and all of Aviva's shares representing 40% of the Company's capital were taken over by Ageas Insurance International NV as of 5 May 2021. The company (AgeSA) continues to operate as a joint venture company with a 40-40% partnership between Sabancı Holding and Ageas Insurance International NV.
- AgeSA serves 2.7 million customers through an extensive distribution structure, comprised of a bancassurance network which it established with Akbank, the industry's most productive direct sales team, an exclusive agency network, corporate projects and telesales.
- In order to respond to shifting market and customer dynamics, AgeSA continued to improve its distribution capabilities in 2021, in particular with the growth of the direct sales channel.
- Our aim in 2022 is to maintain our strong presence in the private pension market and expand our life insurance business even further. In order to achieve this, AgeSA plans to enrich its product range and services through customer-oriented and innovative solutions, both for pensions and life insurance.
- In addition to providing financial assurance to customers, AgeSA will also develop innovative business models and projects for sustainable growth. Parallel with the changes in global demographics, Turkey's elderly population is growing rapidly with a lack of qualified services for an ageing population necessitating new initiatives, services and products. The problems faced by senior citizens also come within the scope of our corporate social responsibility project, "Her Yaşta", which addresses a wide range of the age-related issues faced by individuals and society.
- AgeSA also released its new product, "Life Cycle Funds", which allows customers to access three different "fund of funds" options which offer stable and sustained returns in the long run in parallel with investor profiles. These funds offer agile and professional investment alternatives, especially during volatile economic conditions.

## TOPLINE HIGHLIGHTS

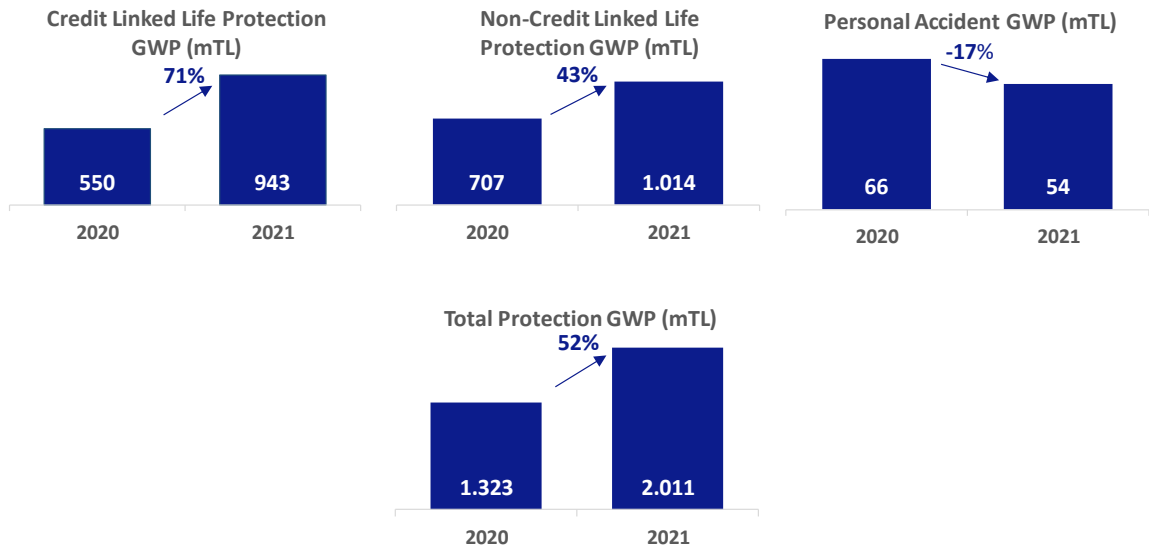
- AgeSA is the market leader in terms of Pension AuM since June 2015 among the private pension companies.
- Supported by the strong asset performance despite the volatility in financial markets Total AuM reached 43.5 bnTL with 1.6m participants, including AE.



Source: Pension Monitoring Center 31.12.2021

\*Before opt-out

- Total Protection gross written premiums reached 2.011 mTL; higher than prior year by 52% continuing the momentum in a sustainable manner.



## AGESA IFRS SEGMENT RESULTS

(mTL)	2020	2021	Change
Life Protection	473	765	62%
Personal Accident	35	31	-14%
Savings	4	5	16%
Pension	283	349	23%
<b>Total Technical Income</b>	<b>796</b>	<b>1.150</b>	<b>44%</b>
<b>Total General Expenses</b>	<b>-424</b>	<b>-621</b>	<b>46%</b>
<b>Net Technical Profit</b>	<b>372</b>	<b>529</b>	<b>42%</b>
<b>Total Investment &amp; Other Income</b>	<b>80</b>	<b>200</b>	<b>151%</b>
<b>Total Tax</b>	<b>-102</b>	<b>-188</b>	<b>85%</b>
<b>Net Profit</b>	<b>350</b>	<b>541</b>	<b>55%</b>

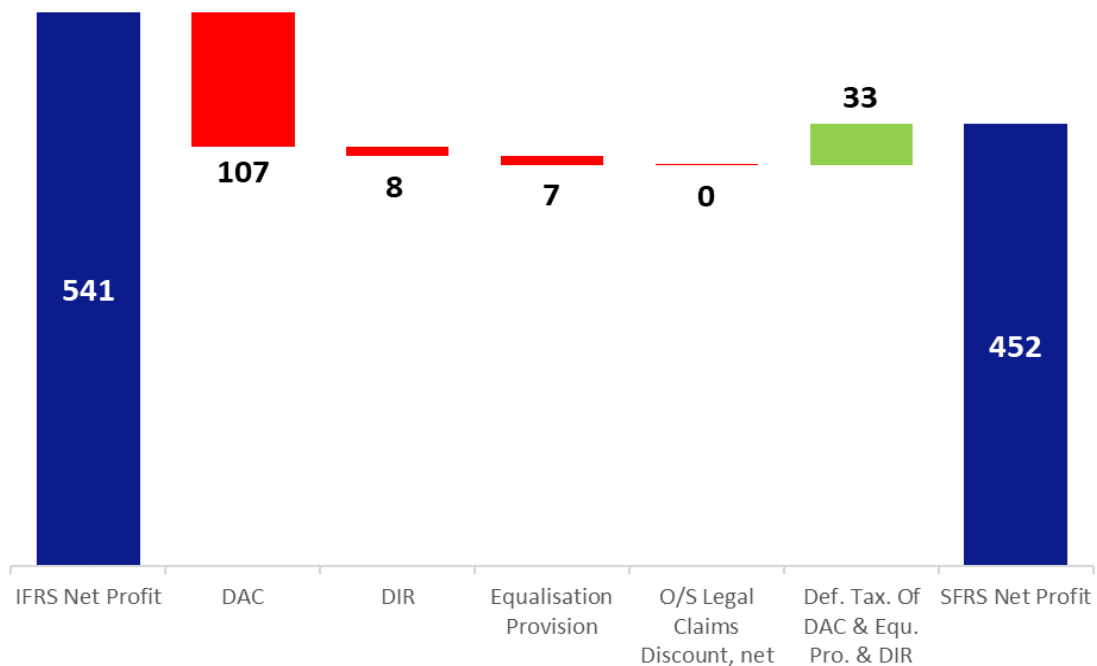
- Total technical income grew by 44% mainly driven by protection and pension profitability growth.
  - Pension technical profit increased by 23% due to higher total fund management fee regarding AuM increase and higher management fee regarding minimum wage increase.
  - Life protection technical profit increased by 62% due to increase in premiums thanks to both our credit linked and non-credit linked RoP products.
  - Personal accident technical profit decreased by 14% due to lower premiums.
- General expenses are 621 mTL with a yoy increase of 46% mainly due to rebranding costs and increase in IT expenses, in addition to high inflation increase.
- Total investment and other income is 200 mTL with a yoy increase by 151% mainly due to higher interest and f/x rates.

## AGESA STATUTORY / SFRS SEGMENT RESULTS

(m TL)	2020	2021	Change
Life	238	375	57%
Non-Life	12	6	-48%
Pension	16	-112	-787%
<b>Net Technical Profit</b>	<b>267</b>	<b>269</b>	<b>1%</b>
<b>Total Investment &amp; Other Income</b>	<b>114</b>	<b>339</b>	<b>196%</b>
<b>Tax</b>	<b>-86</b>	<b>-156</b>	<b>81%</b>
<b>Net Profit</b>	<b>295</b>	<b>452</b>	<b>53%</b>

- Net profit for the period is 452 mTL with an increase of 53% mainly due to growth in Life technical profit and financial income.
- Total net technical profit increase;
  - Life net technical profit is higher than prior year by 57% due to increasing volume; even though the SFRS profitability is negatively impacted from the commissions paid which are not deferrable in SFRS.
  - Non-life (personal accident) net technical profit after general expenses is lower than prior year by 48% mainly due to lower premium production.
  - Due to higher expense allocation which is done according to the local regulation rules, pension net technical profit after general expenses is lower than prior year. Since new business sales commissions are not deferrable in SFRS, higher NB results in lower SFRS profit for the year.

## BRIDGING FROM IFRS TO STATUTORY PROFIT



## MARKET CONSISTENT EMBEDDED VALUE RESULTS

(m TL)	FY 2020	FY 2021	Change
<b>Value of In-Force</b>	<b>1,602.7</b>	<b>2,241.6</b>	<b>39.9%</b>
Present Value of Future Profits	1,884.0	2,758.5	46.4%
Fricitional Costs	-43.6	-108.7	149.0%
Cost of Non-Hedgeable Risks	-237.6	-408.2	71.8%
Time Value of Options & Guarantees	0.0	0.0	
<b>Net Worth</b>	<b>689.0</b>	<b>893.0</b>	<b>29.6%</b>
Free Surplus	135.2	-69.6	-151.5%
Required Capital	553.8	962.6	73.8%
<b>Market Consistent Embedded Value</b>	<b>2,291.8</b>	<b>3,134.5</b>	<b>36.8%</b>

Source: Company data, unaudited results

- MCEV as at 31 December 2021 is 3.1bn TL, up 36.8% from start of the year.
- Present value of future profits has grown since FY20 due the addition of new business and the growth of the inforce portfolio due to an increase in USD swap levels and USD/TRY exchange rate.
- The growth of the life protection portfolio led to the increase in the statutory solvency capital requirement.

## NEW BUSINESS RESULTS

(m TL)	FY 2020	FY 2021	Change(%)
Life Protection	261.5	440.5	68.4%
Personal Accident	13.9	2.8	-80.2%
Pensions	38.6	45.2	17.1%
<b>Value of New Business</b>	<b>314.1</b>	<b>488.5</b>	<b>55.5%</b>

(m TL)	FY 2020	FY 2021	Change(%)
Life Protection	1,617.1	2,422.1	49.8%
Personal Accident	87.7	69.1	-21.2%
Pensions(*)	4,134.9	5,633.4	36.2%
<b>Present Value of New Business Premiums</b>	<b>5,839.8</b>	<b>8,124.7</b>	<b>39.1%</b>

(\*): Including State Contribution

(m TL)	FY 2020	FY 2021	Change(Diff.)
Life Protection	16.2%	18.2%	2.0%
Personal Accident	15.9%	4.0%	-11.9%
Pensions	0.9%	0.8%	-0.1%
<b>New Business Margin</b>	<b>5.4%</b>	<b>6.0%</b>	<b>0.6%</b>

Source: Company data, unaudited results

- Value of new business, present value of new business premiums (PVNBP), as well as new business margin (NBM) have increased year-on-year owing to higher new business sales and a further shift in product mix towards the life protection portfolio, which has a higher new business margin.
- Life protection VNB increased by 49.8% helped by higher volumes as well as an increase in USD swaps.
- The present value of new business premiums for pensions is higher compared to last year due to new business sales and additional contributions.
- The personal accident line of business has seen a decrease in NB margin compared to last year due to higher unit expenses and lower volumes.

## **DISCLAIMER**

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