

# AgeSA

## FY 2022 Financial Results

### Earnings Release

February 16, 2022

#### **Kahramanmaraş Earthquake**

We are deeply saddened by the earthquakes that took place in Kahramanmaraş and the surrounding 10 provinces on February the 6th, 2023. We offer our deepest condolences to the families of those affected and a speedy recovery to all those injured. As always, we at AgeSA are committed to walk hand-in-hand with the people of Turkey in every way possible including covering the claims occurred by our customers at the earliest opportunity.

At this time, we would like to reassure our shareholders that we do not foresee any material effect to our 2023 profitability or balance sheet due to the events of last week as AgeSA holds reinsurance to cover such catastrophic risk events.

In the meantime, we pledge to continue to provide exceptional service to our customers.

#### **#1 Leadership Position in Pension AuM and Total Life & PA GWP among private companies**

AgeSA maintains Pension&AE AuM leadership and ranked as leader in Life & PA business among private companies with support of 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**

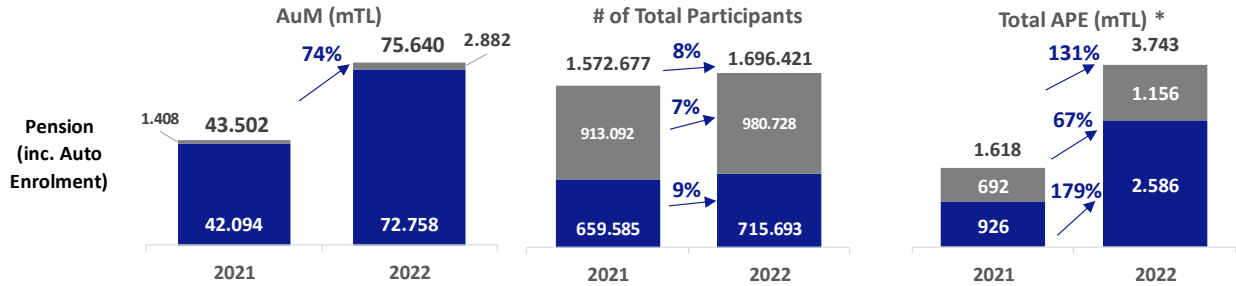
- The Pension Assets under Management (AuM) has grown by 73% yoy and reached 72.8 billion TL as of FY 2022.
- Auto Enrolment AuM increased by 105% yoy resulting mainly from the increasing inforce volume. AgeSA is one of the leader companies in terms of private sector participants and AuM.
- Total protection premiums grew by 76% yoy, driven by 106% growth in stand-alone (non-credit linked) life protection underpinning AgeSA's diverse business model and product positioning.
- Inflation accounting is not applied for 30 September 2022 Financial Statements, all financial figures represent Management Reporting (IFRS Financials excluding inflation accounting effect)
- Management Reporting Net Profit is higher than prior year by 108% at 1.127 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 68% yoy driven by the growth in life protection volumes and pension AuM.
- RoE is 58.9% as of FY 2022.
- Statutory profit is 875 mTL with an increase of 94% due to mainly growth in life protection technical profit and increase in financial income.

## STRATEGIC HIGHLIGHTS

- AgeSA serves 3.3 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.
- AgeSA achieved to maintain our strong presence in the private pension market.
- AgeSA has expanded its life insurance business even further by enriching its product range and services through customer-oriented and innovative solutions. Resulted in leadership position among private companies in terms of premium production.
- In order to respond to shifting market and customer dynamics, AgeSA continued to improve its distribution capabilities in Q4 2022, in particular with the growth of the direct sales channel.
- In addition to providing financial assurance to customers, AgeSA has developed 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's "Life Cycle" Pension Funds 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.
- AgeSA also released its new product, "Sustainability Funds" for pension business, which allows customers to invest in companies that embrace Environmental, Social and Governance values in order to obtain high real returns for long term perspective.

## TOPLINE HIGHLIGHTS

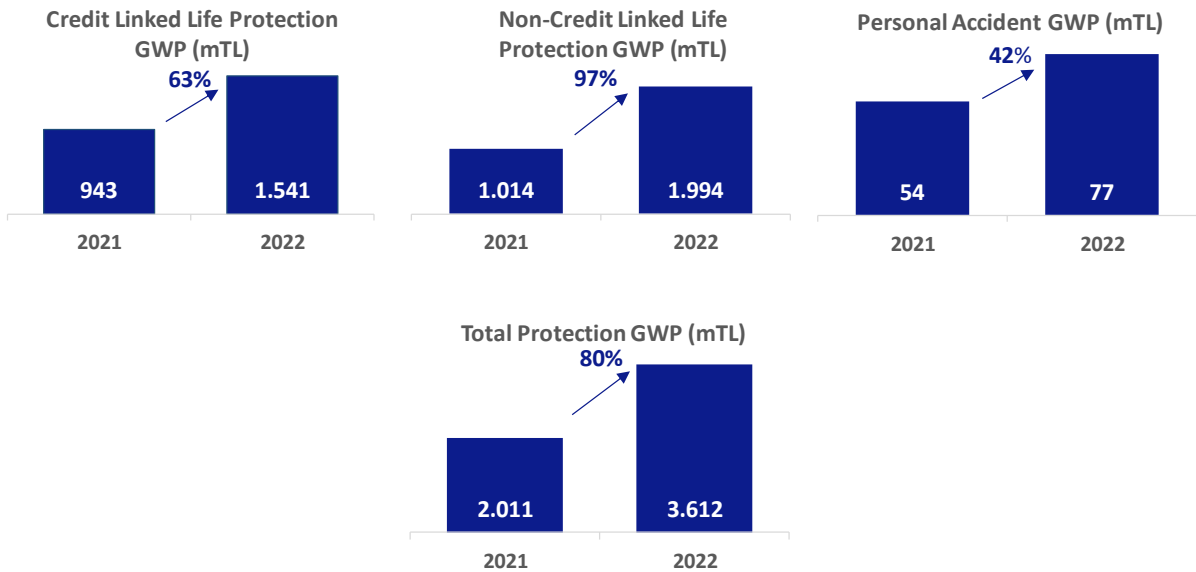
- AgeSA is the market leader in terms of Pension AuM since June 2015 among the private pension companies.
- Supported by the strong asset performance despite the volatility in financial markets Total AuM has reached 75.6 bnTL with 1.7m participants, including AE.



Source: Pension Monitoring Center 31.12.2022

\*Before opt-out

- AgeSA is the market leader in terms of Total Life & PA Premium among private companies as of December'22
- Total Protection gross written premiums reached 3.612 mTL; higher than prior year by 80% continuing the momentum in a sustainable manner.



## AGESA MANAGEMENT REPORTING SEGMENT RESULTS

(mTL)	2021	2022	Change
Life Protection	765	1.334	74%
Personal Accident	31	41	34%
Savings	5	14	186%
Pension	349	547	57%
<b>Total Technical Income</b>	<b>1.150</b>	<b>1.936</b>	<b>68%</b>
<b>Total General Expenses</b>	<b>-621</b>	<b>-1.152</b>	<b>85%</b>
<b>Net Technical Profit</b>	<b>529</b>	<b>784</b>	<b>48%</b>
<b>Total Investment &amp; Other Income</b>	<b>200</b>	<b>602</b>	<b>200%</b>
<b>Total Tax</b>	<b>-188</b>	<b>-259</b>	<b>37%</b>
<b>Net Profit</b>	<b>541</b>	<b>1.127</b>	<b>108%</b>

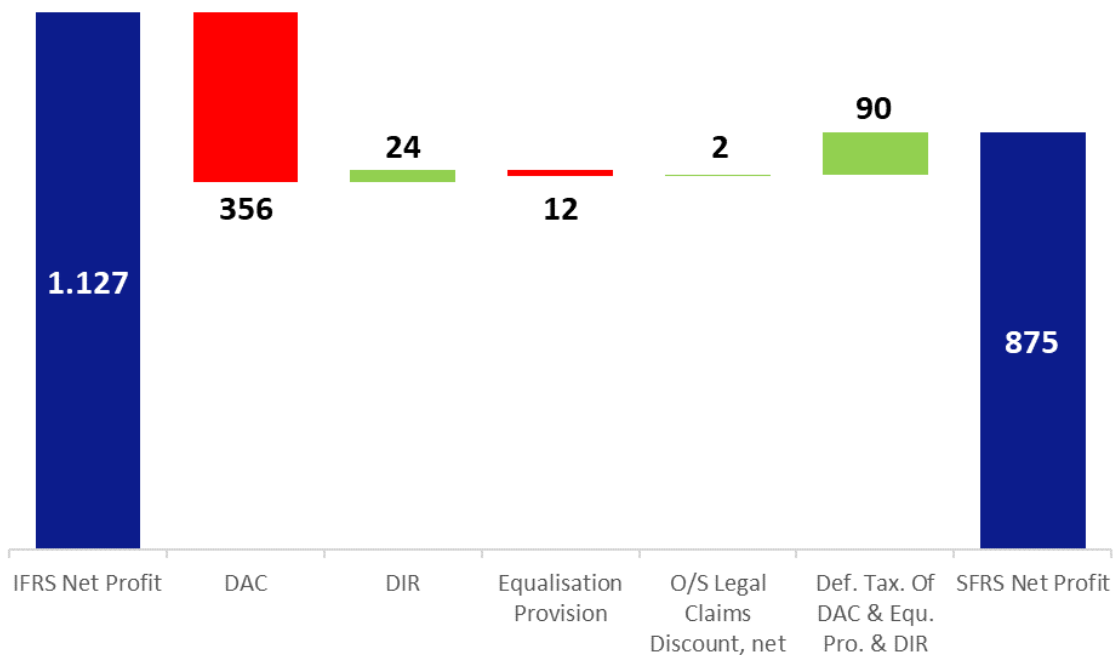
- Total technical income grew by 68% mainly driven by protection and pension profitability growth.
  - Pension technical profit increased by 57% mainly due to higher total fund management fee regarding AuM increase
  - Life protection technical profit increased by 73% due to increase in premiums thanks to both our credit linked and non-credit linked RoP products.
  - Personal accident technical profit increased by 34% due to higher premium production.
- General expenses are 1.152 mTL with a yoy increase of 85% mainly due to high inflationary environment for major cost items (i.e. Personnel, IT, Outsourcing, Consultancies)
- Total investment and other income is 602 mTL with a yoy increase by 200% mainly due to higher interest gains, returns and f/x rates, in addition to higher shareholders' fund.

## AGESA STATUTORY / SFRS SEGMENT RESULTS

(m TL)	2021	2022	Change
Life	375	553	48%
Non-Life	6	12	95%
Pension	-112	-431	286%
<b>Net Technical Profit</b>	<b>269</b>	<b>134</b>	<b>-50%</b>
<b>Total Investment &amp; Other Income</b>	<b>339</b>	<b>910</b>	<b>169%</b>
<b>Tax</b>	<b>-156</b>	<b>-169</b>	<b>8%</b>
<b>Net Profit</b>	<b>452</b>	<b>875</b>	<b>94%</b>

- Net profit for the period is 875 mTL with an increase of 94% 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 48% 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 higher than prior year by 95% mainly due to higher 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 MANAGEMENT REPORTING TO STATUTORY PROFIT



## REGULATION HIGHLIGHTS

### Inflation Accounting

- IAS29 Financial Reporting in Hyperinflationary Economies applies where an entity's functional currency is that of a hyperinflationary economy. The reason is to show how much purchasing power the company lost on monetary items and gained on non-monetary items.
- Main Monetary Items; Cash and Banks, Receivables, DIR Assets, Loans, Payables, Borrowings, Math Reserves, OS Claims, Tax payable
- There is still no clear information from Accounting and Auditing Standards Authority (“KGK”) for statutory financials yet, inflation accounting is not applied for 31 December 2022 Financial Statements

### IFRS 17

#### Main purposes of IFRS 17

- Enhance comparability between companies/products and also between sectors
- Increase disclosures so movements in key metrics are clearly understood
- Recognize profit in line with service provision

#### Enhancements

- Relevance and accuracy: Market rates and current assumptions
- Profitability: introduce a revenue recognition approach that is more consistent with that of other industries
- Comparability: a consistent framework for reporting insurance contracts

#### AgeSA’s Current Position:

- IFRS 4 standard which is still valid for Insurance Law, will be applicable for company financials that will be declared in “KAP” (Public Disclosure Platform).
- In this case, our financials will be exempted from IFRS 17 until Q3, afterwards will be subject to SEDDK evaluation.
- Our IFRS 17 implementation program is on track. We have started IFRS 17 Tests and dry runs

## NEW BUSINESS RESULTS

(m TL)	FY 2021	FY 2022	Change(%)
Life Protection	441	538	22.1%
Personal Accident	3	1	-71.3%
Pensions	45	173	281.9%
<b>Value of New Business</b>	<b>489</b>	<b>711</b>	<b>45.6%</b>

(m TL)	FY 2021	FY 2022	Change(%)
Life Protection	2422	4,237	74.9%
Personal Accident	69	99	43.5%
Pensions*	5,633	17,407	209.0%
<b>Present Value of New Business Premiums</b>	<b>8,125</b>	<b>21,743</b>	<b>167.6%</b>

(\*): Including State Contribution

(m TL)	FY 2021	FY 2022	Change(Diff.)
Life Protection	18.2%	12.7%	-5.5%
Personal Accident	4.0%	0.8%	-3.2%
Pensions	0.8%	1.0%	0.2%
<b>New Business Margin</b>	<b>6.0%</b>	<b>3.3%</b>	<b>-2.7%</b>

Source: Company data, unaudited results

- Value of new business (VNB) and present value of new business premiums (PVNBP) have increased year-on-year owing to higher Pension and credit-life new business sales. The new Savings product contributed 360m TRY to the PVNBP total.
- Life Protection margins have dropped since last year mainly due to a change in the surrender payment legislation requiring surrender values to be calculated gross of premium loadings.
- Life protection VNB increased by 22.1%, helped by higher volumes as well as an increase in USD swaps.
- The personal accident line of business has seen a decrease in NB margin compared to last year due to higher unit expenses.
- Pension business NB margin increased with a jump in lump-sum payments in 2023.

## **DISCLAIMER**

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