

AgeSA

H1 2022 Financial Results

Earnings Release

August 10, 2022

#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

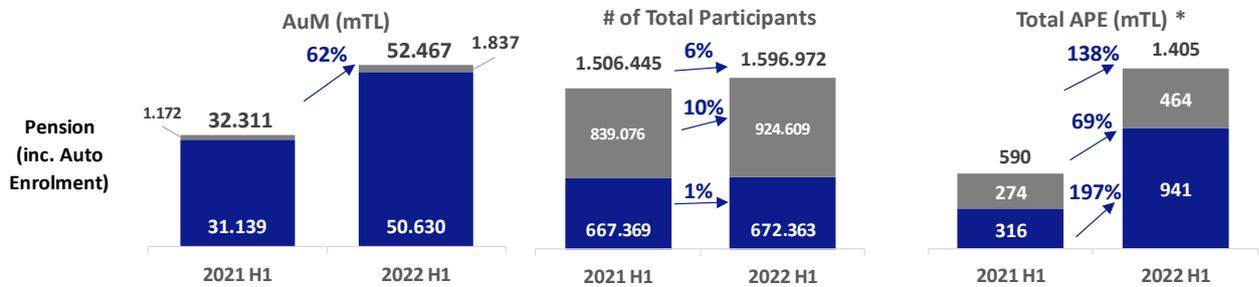
- The Pension Assets under Management (AuM) has grown by 63% yoy and reached 50.6 billion TL as of H1 2022.
- Auto Enrolment AuM increased by 57% yoy resulting mainly from the increasing inforce volume. AgeSA is one of the leader companies in terms of private sector participants and AuM.
- Total protection premiums grew by 84% yoy, driven by both 64% growth in credit linked and 101% 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 June 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 102% at 521 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 63% yoy driven by the growth in life protection volumes and pension AuM.
- RoE is 55.7% as of H1 2022.
- Statutory profit is 458 mTL with an increase of 100% due to mainly growth in life protection technical profit and increase in financial income.
- In order to meet our fast growing company strategy, long term investment and financing policies and shareholders' expectations, and to be prudent for the uncertainties that may arise from IFRS 17 which will be effective from 1.1.2023 and current macroeconomic environment, the company decided to keep 2021 distributable profit as a reserve to strengthen our equity.

STRATEGIC HIGHLIGHTS

- AgeSA serves 2.9 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.
- 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 order to respond to shifting market and customer dynamics, AgeSA continued to improve its distribution capabilities in H1 2022, in particular with the growth of the direct sales channel.
- 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’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

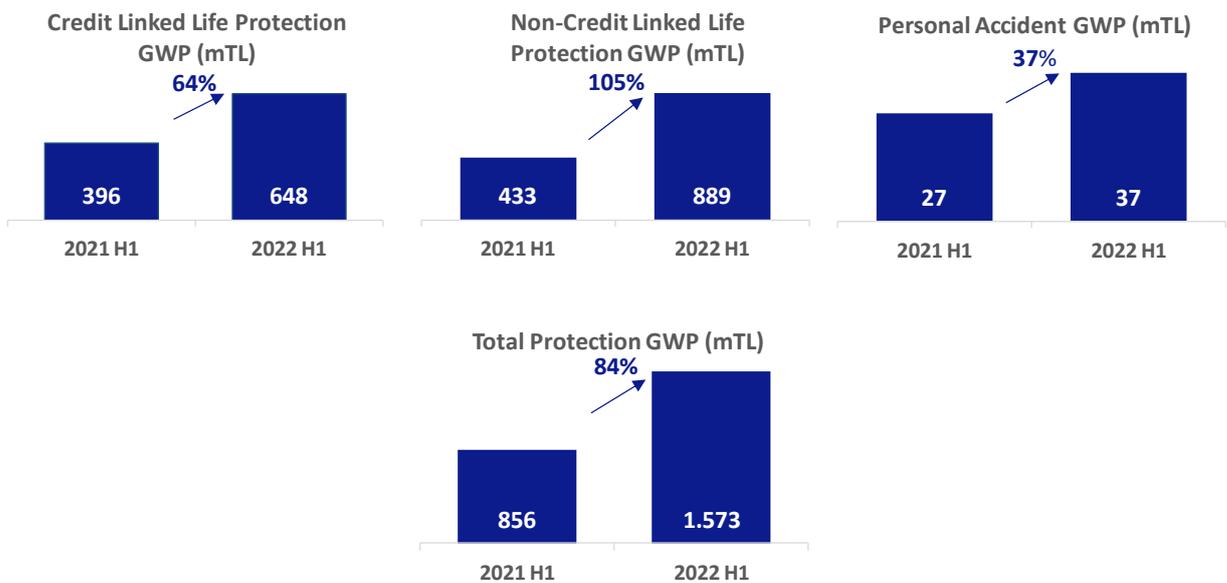
- AgeSA is the market leader in terms of Pension AuM since June 2015 among the private pension companies.
- Supported by the strong asset performance despite the volatility in financial markets Total AuM has reached 52.5 bnTL with 1.6m participants, including AE.



Source: Pension Monitoring Center 30.06.2022

*Before opt-out

- AgeSA is the market leader in terms of Total Life & PA Premium among private companies as of June'22
- Total Protection gross written premiums reached 1.573 mTL; higher than prior year by 84% continuing the momentum in a sustainable manner.



AGESA MANAGEMENT REPORTING SEGMENT RESULTS

(mTL)	2021 H1	2022 H1	Change
Life Protection	355	608	71%
Personal Accident	15	13	-9%
Savings	2	1	-50%
Pension	159	242	52%
Total Technical Income	531	864	63%
Total General Expenses	-264	-486	84%
Net Technical Profit	267	378	42%
Total Investment & Other Income	79	298	279%
Total Tax	-88	-155	77%
Net Profit	258	521	102%

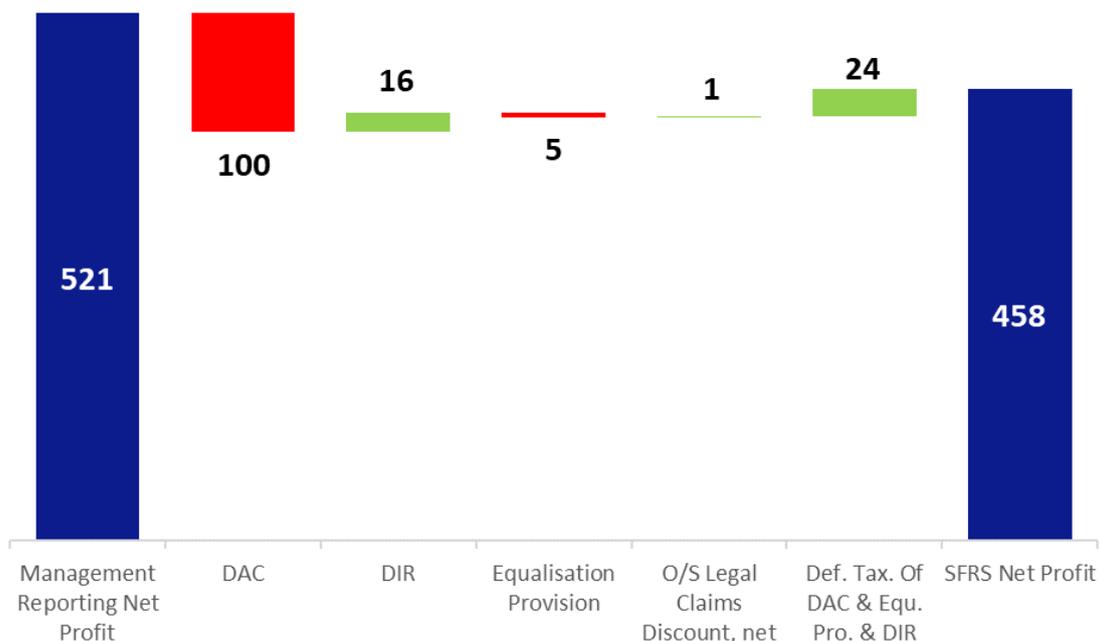
- Total technical income grew by 63% mainly driven by protection and pension profitability growth.
 - Pension technical profit increased by 52% mainly due to higher total fund management fee regarding AuM increase
 - Life protection technical profit increased by 71% due to increase in premiums thanks to both our credit linked and non-credit linked RoP products.
 - Personal accident technical profit decreased by 9% due to lower earned premiums.
- General expenses are 486 mTL with a yoy increase of 84% mainly due to high inflation environment for major cost items (i.e. Personnel, IT, Outsourcing, Consultancies)
- Total investment and other income is 298 mTL with a yoy increase by 279% 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 H1	2022 H1	Change
Life	167	239	43%
Non-Life	1	-3	-379%
Pension	4	-82	-2319%
Net Technical Profit	171	154	-10%
Total Investment & Other Income	132	434	230%
Tax	-74	-131	77%
Net Profit	229	458	100%

- Net profit for the period is 458 mTL with an increase of 100% 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 43% 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 4 mTL mainly due to higher expenses despite 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 30 June 2022 Financial Statements due to lack of consensus about implementation of inflation accounting for Turkey.

IFRS 17

Main purposes of IFRS 17

- Enhance comparability between companies and products
- 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:

- Our IFRS 17 implementation program is on track. We have started IFRS 17 Tests and dry runs for HY 2022 results
- Q1 2023 results will be announced based on IFRS 17 as parallel with IASB requirements

MARKET CONSISTENT EMBEDDED VALUE

(m TL)	FY 2021	HY 2022	FY 2021 vs HY 2022
Value of In-Force	2.312	3.557	53.9%
Present Value of Future Profits	2.832	4.175	47.4%
Frictional Costs	-109	-116	7.1%
Cost of Non-Hedgeable Risks	-411	-501	21.9%
Time Value of Options & Guarantees	0	0	
Net Worth	893	1.203	34.7%
Free Surplus	-70	-0	-99.5%
Required Capital	963	1.204	25.0%
Market Consistent Embedded Value	3.205	4.761	48.5%

Source: Company data, unaudited results

- MCEV as at 30 June 2022 is 4.8bn TL, up 48.5% from start of the year.
- Present value of future profits has grown since FY21 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)	H1 2021	H1 2022	Change(%)
Life Protection	188	282	50%
Personal Accident	4	2	-50%
Pensions	14	31	129%
Value of New Business	206	315	53%

(m TL)	H1 2021	H1 2022	Change(%)
Life Protection	1071	1.947	82%
Personal Accident	35	44	25%
Pensions(*)	1.971	5.455	177%
Present Value of New Business Premiums	3.077	7.446	142%

(*) Including State Contribution

(m TL)	Q1 2021	Q1 2022	Change(Diff.)
Life Protection	17.6%	14.5%	-3.1%
Personal Accident	11.3%	4.6%	-6.8%
Pensions	0.7%	0.6%	-0.1%
New Business Margin	6.7%	4.2%	-2.5%

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 new business sales.
- 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 50% helped by higher volumes as well as an increase in USD and TRY swaps.
- The present value of new business premiums for the pension portfolio is higher compared to last year due to impressive business sales growth.
- The personal accident line of business has seen a decrease in NB margin compared to last year due to higher unit expenses.

DISCLAIMER

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