



## Sabancı Holding Financial Services Day

November 16<sup>th</sup>, 2023 17:00 TR Time

### Speakers:

**Orhun Köstem, CFO**

**Haluk Dinçer, Financial Services SBU President**

**Şule Gençtürk Kardiçalıoğlu, IR Manager**

**Mrs. Şule Gençtürk Kardiçalıoğlu, IR Manager:** Everyone welcome to Sabancı Holding Financial Services Day. Today I have Orhun Köstem, Sabancı Holding Group Chief Financial Officer, and Haluk Dinçer Financial Services SBU President on stage to discuss about the segments current positioning and the strategy going forward. There will be a Q&A section at the end.

Please note that this presentation may contain forward looking statements, so I encourage you to review our disclaimer on the screen is right now. And this presentation will be recorded and uploaded at investor relations website. With that I will leave the floor to Orhun Köstem.

**Mr.Orhun Köstem, CFO:** Thank you, Şule. Good morning, good afternoon, everyone. Welcome to the Financial Services strategy discussion for Sabancı Group today. Obviously, our Financial Services businesses has been one of the longstanding and a consistent return generator business to our portfolio. As you see, it's about 4% of the overall NAV or 6% of our non-bank NAV in the overall Sabancı portfolio, which is about 6.5 billion dollars. If you look at the profit and return generation that's on the next page. There you see, on a year-on-year basis. This shows you the non-bank EBIDTA breakdown. Obviously, the Financial Services business has grown from contributing about 3% of the EBIDTA to about 6% of the EBIDTA.

And you will see the growth numbers on the bottom of this page, which we usually refer to as a healthy growth where our bottom-line in this business is growing faster than our top-line. Hence my reference to positive return generation. Now, this is obviously what I've shown you is historical. This is as of 9 months. But we're here today to talk a bit about the strategy and the future of our financial services business within Sabancı

Group. So, with that, I'm very happy to host Mr. Haluk Dinçer with us today. So, without further ado, I will leave the floor to him. Haluk Bey...

**Mr. Haluk Dinçer, Financial Services SBU President:** I also would like to welcome you all to this session, and I'm pleased to be with you all here. This is our first slide. Why invest in Sabancı Financial Services? Why we have invested in this field we have come up with 8 arguments. The first one is that the Turkish insurance market is very much under penetrated and signals growth potential. The second one is successful and strengthened partnership with Ageas that have lasted for the past 12 years so far. The third one is our strong portfolio companies operating in multi-lines, non-life, health, life, and pension. The fourth is our strong distribution network, with wide geographical footprint and exclusive bank assurance partnership. The fifth is our agility in entering new markets with new products. The sixth is world-class use of technology and data with sector leading capabilities. The seventh is growing into adjacent business with the New Health Company and the last one transforming core business with ecosystem and partnership focus. Now I'll give you more detail on each one of these in the coming slides.

The first one. The Turkish insurance market, as I said, is very much under penetrative with the great potential. On the left-hand side you see the exact figures. Turkish economy is nineteenth largest economy in the world, whereas the non-life insurance market is ranked as 27th, and life insurance is ranked as 49th.

We measure penetration in the market in terms of gross written premium over GDP. And when you look at that way and compare it with the figures, the average European averages. We see 1.6% in Turkey for the total premium over GDP, whereas the European average is 6.4% on non-life side is 1.3% in Turkey, whereas Europe is 3.0%, and on the life side is 0.3% versus 3.4% in Europe. So obviously, the penetration figures are quite low, and the same is true for pension. I won't get in details. Health is the same. And on the right-hand side, in those graphs you see how the market has performed in the past 5 years from 2017 to 2022. As you see, the CAGR rates are ranging from 36% to 43%. So, there has been quite a bit of growth. But still, where we are today still shows that there is still more room for growth.

We have identified four major macro trends for that affects our financial services business. The first one being digitalization and technology. As you know, core businesses are digitized to enable hybrid experience. This is true for all financial services. The second one is the changing customer needs and embedded insurance. Insurance is being sold as part of other services more and more. The third one is new risks and sustainability, new emerging risks, sustainability issues and green investments. Teams require new product and service developments. And the last one is healthy living and wellbeing. The rising needs due to aging and chronic diseases. Those are the 4 key micro trends for financial services.

This slide shows our successful and strengthened partnership with Ageas. We are fully aligned with our partner Ageas, we have been partners since 2011. In fact, Ageas become partners in our non-life and pension business in 2021. We had another partner by then, and those shares were acquired by Ageas. Now, in Ageas we have a 40% to

40% market shareholding with 20% free float. In Aksigorta, our non-life business, we have 36% to 36% and free float is 28%. Then we have our newest company, Sabancı Ageas Health Insurance Company, which is 100% subsidiary of Aksigorta. So, as you see, we have a fifty-fifty shareholding in non-public shares, directly or indirectly. According to the existing legislations, you cannot have just one company covering all these areas, life and non-life companies have to be operating separately, but we are leveraging all our distribution channels with unified customer-centric approach and plus on top of that we do joint working models to transfer experience and create efficiency in departments such as Hr- human resources, risk, compliance, internal audit, and so forth.

This slide shows our strong portfolio companies, and where they are positioned within the market. Ageasa, our life and pension company is number one among private companies in private pension in terms of assets under management, we have roughly 4 billion dollars in assets under management with 19% market share. We've been the leader of the market since 2015. We are also number one among private companies in total life and personal accident premiums with 12.5% market share. We have been the leaders for the past 2 years in this field. And then we have 4.2 million customers, and we have multi-line distribution channels, agencies, exclusive bank insurance partnership with Akbank, our group bank, and direct sales force team.

When it comes to non-life. Our Aksigorta Company is number 5 among private companies with a market share of 6.5% among 40 companies in the market by the way. We were ranked number 3. But we've lowered our market share in order to control our risks in MTPL (Motor third party liability insurance). That constitutes a major risk, not just for our company, but for the market overall, so we intentionally lowered our market share there. We may increase it in the coming years, depending on the market conditions. We think that was the right move by then, and we still think so. We have 2.5 million active customers there with 4 million active policies. Again, we have multi-line distribution channels. So we have agencies, exclusive bank partnership with Akbank. We are working with brokers as well.

On the health side, as I said, this is the newly established company. In fact, health business is the only business that life and pension companies and non-life companies can operate. But we decided to have a competence center focusing on health. And our intention was not just to have a health insurance business, but also to provide healthcare services to complement this. And we would like to leverage strategic partnerships in key focus areas when it comes to health services like such as tele-health, wellness, prevention, and disease management.

This is our strategy house. Our long-term aim is to become the leading new generation insurance services provider. In grow and protect the core area, we act as multi-line insurers with Aksigorta and Ageasa, and nowadays with our health company, which will be operational by the end of first quarter of next year. We achieve commercial excellence by diversifying our product portfolio. So, I'll have a slide on that, and we have in terms of a growth engine for customer acquisition. Cross and upsell, we're working with Akbank on that. Then we have automated and smart processes powered by AI is something that we are working currently again. I'll have a slide on that as well. Now we strengthen our leading positions. We intend to strengthen our leading position all business lines, but especially in health, since this is our newest investment area and

also in non-motor, especially for Aksigorta, where we see more potential for creating value. When it comes to developing distribution, we would like to increase our penetration in Akbank channel. We have a great partnership. We've been working quite successfully, especially in the past few years, but we still see room for growth there. So, there will be our focus area. Then we would like to increase our capacity and productivity of our direct sales force. I'll give you more information on that as well. And we see again more potential in corporate business. So that's one of our focus areas as well. In adjacencies areas, we have already made this Greenfield Health Insurance Company. It's work in progress. As I said, this will be operation by the end of the first quarter next year, and we would like to become a healthcare player. And on the transform side we pursue new opportunities with strategic partnerships in multiple ecosystems. So, this is beyond insurance, ecosystems.

This shows our strong distribution network in 4 different areas. One is agencies. There are 20,000 agencies in Turkey, not our, but in the market, and we are working with 4,000 of them. So we have about 20% penetration. And this figure has grown by about 50% in the last 5 years. We have very strong agencies network. When it comes to direct sales force, this is a unique feature of our company. In fact, especially our Agesa company has this direct sales force we have over 630 financial advisors. These are exclusively our employees in fact. They are working just for our company. And we would like to increase this figure up to 1,000 in the coming years. When it comes to brokers, we work with 70% of all the brokers in Turkey we have again excellent relationship with them.

And in bancassurance, we have an exclusive distribution agreement with Akbank that has 712 branches and 4,000 relationship managers in 19 regions of Turkey. And apart from that, we also have a dedicated sales team that has a focus on SME business, especially for Aksigorta.

We continuously study the market, where is the potential? And we are entering new markets with new products, and I'll give you a few examples. Like this year, we introduced our life savings products, as you may see in the figures as a very low penetration in Turkey, with only 148,000 participants, very low, almost nothing. And within the first year we've already achieved 30% market share. This is a very fastly growing market. And when it comes to endowment business ROP (return of premium) product, we are one of the pioneers of this market, and we had a very successful relaunch, and we are a leader in that area. On the non-motor side on the non-life side we had recently introduced our EV (electrical vehicles) casco. Again, the penetration of electrical vehicles is very low, but it's emerging very fast with the Government's intensive through tax incentives. There are only 51,000 so far. So, we would like to take the advantage of this first mover advantage. We've introduced this competitive MoD (motor-owned damage) policy. Especially for these electrical vehicles with best-in-class benefits, and the growth rate has been quite strong.

We have sectors leading capabilities. Customer centricity, data and analytics, digital enablement, smart processes. We have a quite strong team in all these areas. I won't get into details and bore you with all this. AI is, of course, another area as I said earlier, that we are studying in detail. We've identified 3 major areas where we can generate

some value. One is the efficiency area. We think we can reduce our cost and create opportunities for new growth and profitability using generative AI. On the experience side, we can improve our customer distribution channel and employee satisfaction. And on the inside side, we can unlock competitive advantage through new data and insight. So, this is, of course, again, a work in progress. It's a project that we are working on, but we certainly see a lot of potential.

And this is about our newest insurance company, the Health Insurance Company. We haven't announced our new name yet. It will be announced in the first quarter of next year. But it was established back in August 2022, and is progressing as plant. It's a greenfield company from zero. We are currently working on the technology and people foundation. And we are also searching synergies with ecosystem play. We plan to distribute our products, our health insurance products through Aksigorta Agesa and Akbank's existing channels. Since we have a very strong distribution network. That's why we would like to leverage. So this company will be focusing on the health insurance as fundamentals. But when it comes to distribution, they'll be partnering with Aksigorta, Agesa, and Akbank.

We are also partnering with SabancıDx. SabancıDx is our digital company. Bulutistan is our Cvc investment. Sabancı Cvc investment that specialized in cloud business. Albert is a tele-health company that Sabancı Cvc is a major investor. We are also cooperating with Medis. That's the Portuguese subsidiary of our partner, Ageas, specialized in health insurance and healthcare services in general, this is about our newest insurance company.

We're working on this app. We will provide insurance and healthcare services in one web app providing end-to-end, seamless experience. This is again one project that we are working on. And then we invest on the transformation side, we invest in strategic partnerships and ecosystem initiatives to transform our business. We have 3 major areas. One is the digital bank assurance with banking as a service and by offering insurance to the Akbank customers, and in other ecosystems where Akbank offers service banking. Now Akbank is already in those other ecosystems, and they are bringing us along our insurance companies to make the same offer to those customers insurance. In Sabancı Synergies, our issues companies are working closely with Teknosa are retail business in technology goods. And Enerjisa, our energy distribution business. Carrefoursa, obviously food retail, mainly food or food and non-food shelled retail. We're working closely with three companies to create synergies in between. And then our health insurance company, as I said earlier, is working closely with Aksigorta, Agesa and Akbank to develop to leverage synergies. When it comes to ecosystems, there are 2 major areas that live identified. One is the embedded insurance area. This is the new trend as I said, during the major trends, and then the healthcare ecosystem is the second area that we think we can create partnerships or be part of ecosystems.

And this is the final wrap-up slide. So we offer end-to-end financial services to maximize market potential as of now with a committed competitive market positioning with a strong distribution network, with wide geographic footprint. We have solid operational and financial performance, and we have superior digital analytics and customer management capabilities. For the future on growth and protect the core side, we will

have a profitable growth balanced portfolio and strengthened balance sheet. We will adopt a customer value-based service model will increase our share of water through analytics, capabilities. We will expand distribution network and will diversify our product portfolio with focus on new risks. And in the adjacencies we will look at health insurance synergies and on the transformation side we will be having new digital engines via platforms and strategic partnerships. So this is the end of my presentation. Thank you for your patience.

We are ready to take questions, I suppose. Thank you.

**Mrs. Şule Gençtürk Kardiçaloğlu, IR Manager:** We can start Q&A part. Well, we have one question on the line.

**Question:**What do you think about future of insurance business in Turkey?

**Mr.Haluk Dinçer, Financial Services SBU President:** I try to cover this a bit. Maybe I give you a bit more information. What I exactly think about this is. As I told you earlier that the Turkish economy, whereas when Turkish economy is ranked as nineteenth, when you look at where the insurance market is standing, I think it was 29 for non-life, and something like that in life. So normally, where we are standing. We have been seeing faster growth than the GDP in the past 10 years that I've been in charge of this business. And for the coming years, we also expect to see much faster growth than the GDP rate in general. So that's why we invested in this field, and we think that fish is bright.

**Question:** Thank you for the presentation. Do you plan a rights issue for Aksigorta.

**Mr.Haluk Dinçer, Financial Services SBU President:** We had a rights issue back in 2022, because of the macroeconomic policy, because of the dropping interest rates. Aksigorta's liabilities were growing faster with inflation, whereas the financial assets growth to investments were not growing as fast that created a decline in our capital and our capital adequacy ratio went below 100%. And we had to have a rights issue for 1 billion Turkish Lira by the end of 2022. And then, by the end of the year our capital adequacy ratio was above 100% level, just a bit over. Now, at the end of this year there are a few changes that will be applied. One is that the insurance sector in general will be shifting to IFRS 17, which will dramatically change the balance sheets. And once that happens, there will be also a change, a major change in how the capital adequacy ratio measured. And we are hoping that we will not have a rights issue. So, it's not in our plans. If that happens, of course we'll have to have a rights issue if we don't have the adequate capital. But we don't think it will happen. There's a risk there. There's a risk not just for us, for all companies in the sector, because there's a huge, big unknown. We still don't know how this FRS17 will be applied, we're expecting some clarification from the regulator. And at the same time, we don't know how the required capital or capital adequacy ratio will be measured. We don't know that as well, so there is not much of a clarity in this. It's a risk, but we don't think it will happen. I mean, it doesn't have to happen in 2023 or 2024, I should say. They should at least give us, give the sector a year to adapt to this new system. But, as you said, since you've asked yes, there's a risk there, but we don't think it will happen. It's not in our plans.

**Mrs. Şule Gençtürk Kardiçalıođlu, IR Manager:** Let me remind you once again, if you have any questions, you can use Q&A box at the bottom.

Then it looks like we come to the end of the presentation. Thank you for your participation. If you have any more questions you can contact the investor relations team. Thank you very much again.