

Summary Report of the Board of Directors for the General Assembly of Shareholders

Dear Shareholders,

Ever since its inception, our Company has espoused it as a fundamental philosophy to maintain customer-focus before its shareholders, investors and customers with respect to all of its corporate values, with a special focus on offering the best practices of modern private pension and life insurance businesses; giving the foreground to its robust capitalization, transparent implementations and customer satisfaction; being innovative and creative; putting its resources and new technologies to use towards increasing productivity, and achieving maximum involvement in social activities by a strict commitment to its social responsibilities.

Anadolu Hayat Emeklilik successfully transported its know-how and capital accumulation gained in the life insurance branch to the private pension segment regarded as a crucial part of the social security system. The Company defined it as a key objective to sustain its leadership in the market on the back of its pioneering and innovative practices in life insurance and in the private pension segment by fortifying its position among the leading financial services companies of the capital market as the first publicly-floated private pension company in the system.

2018 has been a period of increased risks for many economies and volatility for financial markets. Having posted successful results in the reporting period despite market volatilities, rate hikes, intensive exchange rate vibrancy and soaring inflation experienced in the Turkish economy particularly in the second half of the year, our Company carried on with its operations with the goal of taking customer experience to higher levels within the frame of its sustainable profitable growth strategy.

The New Economic Program announced in September 2018 reported that auto enrolment would be restructured into a more sustainable format, employee termination benefits reform would be carried out, and awareness initiatives would be undertaken in relation to public and private pension systems within the scope of the financial literacy action plan. Accordingly, it is foreseen that the Private Pension System will come at the fore of the sectors that will lead the country's economic transformation in the future, and that much higher figures in auto enrolment will be attained upon enforcement of the regulatory framework planned with respect to completion of transitions in auto enrolment and introduction of measures designed to reduce the withdrawal rates in the system and to increase incentives.

Upon completion of the final phase in the Auto Enrolment System by early 2019, greater focus is anticipated to be placed on new sales generation activities in the Private Pension System based on voluntary participation (Voluntary PPS). It is considered that practices on the axis of digitalization seeking to upgrade the customer experience will be the key differentiation between companies in the period ahead when customer retention and deepening activities will become even more significant.

With the purpose of sustaining its consistent and profitable growth in line with its strategic goals, the main focal points of our Company's activities in 2018 are summarized below:

- Completion of the preparations for improving the private pension infrastructure and updating life insurance infrastructure as part of the transformation of insurance software infrastructure,
- Improvement of product and service infrastructure for auto enrolment, collaborating with existing and potential business partners to increase penetration,
- Development of products and services addressing different target audiences in the private pension branch,
- Execution of product, sales and marketing activities directed towards increasing premium productions on credit-linked and stand-alone life insurance,
- Performance of activities in relation to implementing the Customer Experience Roadmap determined within the scope of the "Excellence in Customer Experience" Project,
- Improvement of customer processes as part of the Operational Excellence Project,
- Execution of initiatives for increasing the use and effectiveness of digital channels,
- Diversification of portfolio management companies and efforts for alignment with the regulatory framework, primarily with the Personal Data Protection Law,
- Relocating the units handling customer operations and services to the same venue,
- Carrying out work in relation to the Sustainability Management System.

Total dividends paid in cash to our shareholders in 2018 amounted to TL 170 million (gross), and all of the resolutions adopted at the Annual General Assembly Meeting held on 26 March 2018 have been realized.

Carrying out their activities in alignment with the regulatory arrangements and targeting to ensure that our Company's overall operation and practices are conducted in a manner that is structured, efficient and transparent, the Board of Directors Committees continued with their efforts and work during the reporting period. The Risk Management and Internal Control Department issues quarterly Risk Assessment Report and Compliance Report, annual Internal Control Report and, monthly Risk Monitoring Report, and performs "Value at Risk" computations on a daily basis. In addition, annual and quarterly reports are being produced in accordance with the Financial Crimes Investigation Board (in Turkish: MASAK) legislation. The data derived from the said reports, which are approved by the Company's Board of Directors, are used to ensure that potential risk exposure is regularly assessed and monitored.

Based on the sectoral data for 2018:

- Total premium production in life insurance amounted to TL 6.8 billion. Of this production figure, 85% has been generated by the top 10 companies in the sector.
- As of 28 December 2018, the number of participants in Voluntary PPS reached 6.9 million, while total funds of participants including state contributions amounted to TL 87.9 billion. Total contributions in the overall sector were reported as TL 58.3 billion as of the same date.
- In the Auto Enrolment System launched as of 1 January 2017, total funds arrived at TL 4.6 billion and the number of employees reached 5 million as of 28 December 2018.

In view of the Company's current mission, vision, corporate strategies and primary goals, 2018 has been a period during which we preserved our pioneering position in the sectors we are engaged in and attained successful financial results.

- In 2018, our Company's premium production (in life/ non-life insurance) amounted to TL 640 million. Term life insurance production, on the other hand, reached TL 450 million.
- As of 30 December 2018, 1,113,878 private pension contracts were issued for 1,299,955 participants and

TL 10,763 million were collected in contributions. Total funds of our Company's participants, including state contributions, arrived at TL 16,379 million.

- Having reached 587,408 employees and TL 485 million in total funds as at 28 December 2018 in auto enrolment, our Company ranks first -after the companies backed with public capital- in auto enrolment total funds.
- Being the first publicly-floated private pension company, Anadolu Hayat Emeklilik retained its title as the company creating highest funds in life insurance and private pension system also in 2018.
- Having concluded its activities in 2018 successfully, our Company increased its net profit by 13% to TL 253.6 million and its total assets by 13% to TL 20,222 million.
- In the reporting period, our Company derived TL 237.6 million in technical profit, up by 19% year-on-year.

Highlights of our Company's 2018 activities aimed at achieving increased share in private pension and life insurance segment and attaining sustainable profitable growth are presented below:

- Work continued in relation to implementing the Customer Experience Roadmap determined within the scope of the "Excellence in Customer Experience" Project, which was introduced to ensure end-to-end optimum running of the entire operation related to customers and to deliver the desired output to them.
- Work was carried out as part of the Brand Personality Project designed to determine and uniform the brand language; the brand personality guide was created.
- The momentum captured in the Company's growth was effectively maintained through enhanced productivity of the bancassurance operations via İşbank and through increased capacity of digital channels.
- Sales and marketing activities were carried out for attaining high market share in Auto Enrolment System, expanding the customer base through effective utilization of channels having a high cost-efficiency, and after-sales retention and deepening activities.
- Work was carried out in relation to the Phoenix Life projects, which is addressed as the second phase of our Basic Information Transformation Project Phoenix. The Phoenix Project was named a "Model Project" in

Summary Report of the Board of Directors for the General Assembly of Shareholders

the Legacy and Ecosystem Transformation category by Celent, a global advisory firm.

- Our customer services efforts in 2018 focused on expanding the use of call center and digital channels and increasing their effectiveness, with the purpose of improving customer service levels and upgrading service efficiency.
- The CEO Statement of Support exhibiting our Company's commitment to the Women's Empowerment Principles (WEPs), a joint initiative of UN Global Compact and UN Women launched in 2010 to empower women in economic life, were signed in November 2018.
- Our Company was named the best-in-class private pension company in customer experience at the fourth edition of A.L.F.A. Awards organized by Marketing Türkiye and Akademetre.
- In a repeat of last year's success, our Company won the "Gold Prize" in Private Pension and Life Insurance category at the Social Media Awards Turkey, the most comprehensive first social media competition of Turkey co-organized by Marketing Türkiye and BoomSonar.
- Farmers' Retirement Plan, designed for the farmer customer segment affiliated to BAĞ-KUR -the social security organization for artisans and self-employed-, and Education Insurance, addressing parents whose children attend private schools, were put on the market.
- Customer Services and Digital Channel Management Department and Customer Operations Department relocated to their new offices in Kartal Manzara Adalar.
- Our carbon footprint resulting from our 2017 operations was neutralized through the financial support extended to renewable energy projects and Anadolu Hayat Emeklilik remained a carbon neutral company also in 2018.

Drawing on its solid shareholding structure, its successful financial performance, its corporate culture and the customer-focused approach to service it has espoused, our Company will continue to create added value for the sector and the national economy, being Turkey's first publicly-floated pension company.

Our efforts to constantly enhance the quality of service rendered to participants in the Private Pension System and to achieve regulatory compliance will uninterruptedly continue also in the year ahead.

Projects for attaining excellence in customer experience and operational transactions will continue, and our efforts will be carried out in line with our goal of securing high-level customer experience and cost optimization at all customer touchpoints through the use of robotic technology and artificial intelligence.

Our Corporate Governance Principles Compliance Report and the financial statements for 2018 are presented on the following pages for your information and approval.

We would like to take this opportunity to express our gratitude to our founder İşbank and our other shareholders, our customers who place their trust in our Company, and all our distribution channels and all our employees for their contributions that made the results achieved possible.

Sincerely,

Board of Directors