

Message from the Chairman

Having exceeded TL 20 billion in total assets, our Company once again proved its undisputed sector leadership in this field. Technical profitability, which is the indicator of activity in core business, went up by 19% on an annual basis to TL 237.6 million.

2018 has been a year of intense political and economic fluctuations in the world and in Turkey.

2018 was characterized by increased risks for many economies and by volatility for financial markets; higher commodity prices stemming from increased tariffs negatively affected global trade, and in turn, growth figures, in connection with decreased economic activity.

The introduction of protectionist measures in foreign trade and the US taxes levied on numerous products imported from China were retaliated by the latter, and the process acquired a new dimension at the end of November when the US and Chinese leaders got together at the G-20 summit and agreed to halt additional customs tariffs for 90 days.

In the final meeting of 2018, the US Federal Reserve (the Fed) hiked rates by 25 bps to 2.25-2.5% as anticipated, and the interest rates reached their highest level in the past ten years with this fourth rate increase within one year. The Fed's rate hikes are projected to slow down from 2019.

Toward the end of 2018, the Chinese economy attained a below-projected growth. The loss of momentum is believed to have resulted from concerns over trade wars and the companies' escalated indebtedness ratios. Following China's annual review meeting, the officials announced that a proactive fiscal policy will be pursued and a prudent

approach will be displayed in relation to the monetary policy in 2019. Parallel to the slowdown in economy, the government is anticipated to increase the policies that will bolster economic activity in the period ahead.

In the Eurozone, Italy's budget and Brexit negotiations were the major agenda items and the macroeconomic data announced in the zone indicate at loss of pace in economic activity. The postponement of the British Parliament's vote on the deal between the EU and the UK from December to January fueled the expectations that approval of the deal is a low possibility. The budget uncertainty that has gone on for an extended period of time came to an end by the end of 2018 upon approval of the new budget Italy submitted to the EU.

Having adopted an uptrend through the first three quarters of 2018, oil prices plummeted after October with the increased prominence of the opinion that oil supply would not be constrained despite the sanctions against Iran and due to the concerns that economic activity would lose pace in 2019. After being driven to the past six months' highest level because of the increased sentiment toward secure investment instrument in connection with higher global risk perception, gold prices ended 2018 with a 1.5% decrease.

In the World Economic Outlook released in January 2019, the International Monetary Fund (IMF) stated global economic



growth estimate for 2018 as 3.7% consistently with its previous report, but once again updated its projections for 2019 and 2020 as 3.5% and 3.6%, respectively. In their statements, the IMF officials expressed that the downward revisions were moderate and underlined that risks over growth had aggravated.

2018 was a tough year for the Turkish economy.

Having grown by 7.3% and 5.2% in the first two quarters of 2018 respectively, the Turkish economy registered 1.6% expansion in the third quarter of the year. After the currency crisis triggered high inflation and diminished consumer demand, although economic growth and external demand remained strong in the third quarter, economic activity decelerated with the effect of tightened financial conditions as well.

Consumer inflation took an upturn in conjunction with cost-push inflationist pressures from the second quarter of the year and closed the year at 20.3%.

Contractionary monetary policies implemented by the Central Bank of the Republic of Turkey secured decline in exchange and interest rates particularly in the last quarter of the year, and the ratio of current deficit to national income decreased remarkably.

Toward a new period of acceleration in the Private Pension System

While total funds in the Private Pension System based on voluntary participation (Voluntary PPS) reached TL 87.9 billion at year-end 2018, the number of participants was 6.9 million. Launched in 2017, the Auto Enrolment System that grows through workplace participation reached 5 million employees and TL 4.6 billion total funds at year-end 2018.

The New Economic Program that was announced in September 2018 and detailing the structural transformation needed by the national economy reported that auto enrolment would be restructured into a more sustainable format, that employee termination benefits reform would be carried out, and that 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. Attaining much higher figures in auto enrolment will be possible upon enforcement of the regulatory framework planned with respect to completion of transitions in auto enrolment, and introduction of measures seeking to reduce the withdrawal rates in the system and increase incentives.

Message from the Chairman

We are taking care to offer the products and services that are aligned with the needs and expectations so as to back our goal of delivering high level customer experience by also employing technology in our operations.

We preserved our high performance also in 2018.

2018 has once again been a successful operating period in which we achieved our targets for production figures, premium production and total funds.

In auto enrolment, our Company preserved its position as the company having the highest total funds after public private pension companies and retained its title as the company possessing the highest amount of funds in the sector with total funds of TL 18.3 billion in Life Insurance and Private Pension System in 2018.

Having booked a gross profit of TL 322.2 million, up 15% year-over-year, and a net profit of TL 253.6 million, up 13% year-over-year, Anadolu Hayat Emeklilik registered a shareholders' equity in the amount of TL 940.6 million in 2018. Having exceeded TL 20 billion in total assets, our Company once again proved its undisputed sector leadership in this field. Technical profitability, which is the indicator of activity in core business, went up by 19% on an annual basis to TL 237.6 million.

We are looking to the future with confidence with our focus on sustainability.

We have made great strides in our sustainability concept backed by our slogan "A Good Future for Everyone" and in Sustainable Management System and Carbon Footprint Management that embed this concept in our processes also in 2018.

As we did in the previous year, we have neutralized our carbon footprint, which resulted from our operations in 2017, and continued to be a carbon neutral company in 2018.

As evidenced in its HR policies, products and social responsibility projects, Anadolu Hayat Emeklilik regards equal opportunities not as a privilege but as a right, and believes that the key to our societal development is to offer equal opportunities to women; hence the Company became a signatory of the Women's Empowerment Principles (WEPs). One of the most important global initiatives taken by the private sector, Women's Empowerment Principles is a joint initiative by the UN Global Compact and UN Women, and cover policies promoting the empowerment of women in business and social life.

We put customer experience and needs in our focal point.

We are taking care to offer the products and services that are aligned with the needs and expectations so as to back our goal of delivering high level customer experience by also employing technology in our operations.

We take pride in the fact that the outcomes of our approach are being recognized with awards. In 2018, Anadolu Hayat Emeklilik:

- Was named the best-in-class private pension company in customer experience at A.L.F.A. Awards,
- Claimed the gold prize in the private pension and life insurance category at the Social Media Awards Turkey, as it did last year.

As always, it will be among our priorities also in the period ahead to always deliver a better experience to our customers, in addition to further enhancing our financial performance and market capitalization, while we charge ahead with our activities placing customer needs in our focal point.

We will continue to carry out our activities with commitment and devotion drawing on our deep-seated corporate philosophy, our financial strength, competent team and technology, which we blend with the shared values and culture of İşbank Group.

On behalf of our Board of Directors and myself, I would like to thank all our employees, business partners, participants and policyholders who contributed to our achievements.

Yours sincerely,



Mahmut Magemizoğlu
Chairman of the Board of Directors