

Message from the CEO

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In 2018, the sector sustained its consistent growth.

In the Private Pension System based on voluntary participation (Voluntary PPS), total funds amounted to TL 87.9 billion, up 13% year-over-year. The number of participants at year-end was 6.9 million and the number of Voluntary PPS retirees exceeded 89 thousand.

After starting the year with 3.4 million participants and TL 1.8 billion in total funds, the Auto Enrolment System ended the year with approximately 5 million employees and TL 4.6 billion in total funds.

The slight decrease in the number of Voluntary PPS participants in 2018 stemmed from the diversion of pension companies their focus on the Auto Enrolment System, the overlapping target audiences of the two systems, and increased withdrawals from the system due to the economic conjuncture.

The economic contraction in 2018 also impacted the premium productions on products linked to banking products, which act as the engine of the life insurance branch. The overall sector's premium production amounted to TL 6.8 billion at year-end 2018, up by 1.1% year-over-year.

Our Company ended 2018 with successful results.

According to end-2018 data of the Pension Monitoring Center (PMC), Anadolu Hayat Emeklilik reached TL 16.4 billion in total funds and preserved its market share at 19% in terms of the total fund value. Remaining as the company with the highest amount of state contribution funds with TL 2.2 billion in 2018, Anadolu Hayat Emeklilik topped the rankings also in the amounts of increase in total funds and contributions, and continued to be the sector's leader with 1.3 million contracts and certificates.

Having 1.1 million participants in private pension at the end of 2018, the Company preserved its leadership in the number of retired participants as well and maintained its market share at 25%.

In auto enrolment, the Company acquired 12% market share with 587 thousand employees and 11% market share with TL 485 million in total funds, which put Anadolu Hayat Emeklilik in the top spot among private equity pension companies in terms of total funds.



Based on year-end 2018 data, Anadolu Hayat Emeklilik highly outperformed the sector in premium production in the life insurance branch, and attained an annual growth by 11% to bring the figure to TL 639 million, increasing its market share to 9.4%. Premium production on saving life policies, on the other hand, increased by 78% year-over-year and amounted to TL 170 million. Leading position in the life insurance segment is preserved through life insurance funds worth TL 1.7 billion.

We keep taking important steps in respect of customer experience and digitalization.

Pursuing its operations with a customer-focused approach to service, Anadolu Hayat Emeklilik continued to improve its product diversity and services to respond to the needs of various segments and customers, while carrying out its activities with an eye on customer experience optimization and digitalization.

Within this framework, the Company executed projects aimed at redesigning the website, the internet branch and the mobile branch in accordance with the needs, the introduction of the Chatbot (AHE Assistant) designed

to offer instant support to customers using the artificial intelligence technology, and the launch of the robotic fund advisor (Roboadvisor) that will automatically invest the accumulations of our customers in line with their risk tendencies.

On another front, the robotic process automation was put into use, which allows quick performance of a high number of recurrent operational transactions with a low error margin.

In auto enrolment, companies included in auto enrolment were provided with operational efficiency through our payroll integration-related developments made on Online Auto Enrolment page, which was launched to offer faster and healthier service to customers and to let companies participate in the system wherever and whenever they want.

Our commitment remained constant to make a difference by implementing the improvement areas identified on the basis of customer profiles in order to ensure customer experience optimization, and to upgrade the added value we create based on the globally most effective practices in marketing, distribution, service and operation processes in the business lines in which we are active.

Adeptly blending its deep-rooted corporate culture, robust capital structure, customer-focused approach to service and qualified human resource with its superior technology, Anadolu Hayat Emeklilik will remain fully committed to work for its customers and the national economy, and to create added value.

Phoenix, our Basic Insurance Transformation Project, was given the "Model Insurer" award in the "Legacy and Ecosystem Transformation" category by Celent, a global advisory firm.

We pursue our operations with our robust distribution channel structure.

Anadolu Hayat Emeklilik operates with a broad distribution channel structure. Making intense use of the agency channel since its incorporation, our company has a network of nearly 250 agents in this channel that it constantly builds on. The share of the agencies in our premiums written in saving life insurance and total contribution in private pension branches in 2018 was measured at 22%.

As a result of our collaboration built on a solid base with our principal shareholder İşbank, our bancassurance channel takes on a critical role in terms of reaching customers. Our direct sales team of 503 individuals positioned in more than 1,330 İşbank branches all over Turkey gives us a significant competitive superiority. In 2018, we derived 91% of our contribution production on private pension and 98% of our premiums written in term life insurance via the bancassurance channel.

We are contributing to the social and cultural development of women.

We believe that the key to our economic and social advancement is to provide equal opportunities to women, and we are devising our social responsibility projects on the principles of equal opportunity and women's empowerment.

Through Shots from Life as Seen by Women, Turkey's one and only photography contest exclusively for women, we are offering women a platform where they can freely express themselves. Having received more than 62 thousand photographs submitted by over 15 thousand women since its debut in 2007, the contest has quickly evolved into one of the most prominent photography contests in Turkey.

The year ahead promises significant gains for Voluntary PPS and auto enrolment.

It is projected that 16 million employees under the age of 45 will have joined the system at the end of the phases to be completed upon inclusion of workplaces with 5 to 9 employees in auto enrolment. Furthermore, in the period ahead, the system will reopen to employees under 45 who have exercised their right to withdraw or who opted out of the system in previous phases. Regulatory framework aimed at improving the Auto Enrolment System and make the system in a more attractive structure is anticipated to be completed by the end of 2019.

In addition, it is considered that the system will register significant growth in view of the employment numbers in our country, upon transformation of the employee termination benefits practice into a fund-based structure and its adaptation to the retirement system.

It is believed that the system will carry on with its growth focusing on the target audience remaining outside the scope of workplace-based implementation, i.e. housewives, youth, children, and wealthy customer groups with high savings capacity, and that customer retention and deepening

initiatives will become even more significant once the companies focus on new sales generation activities in relation to Voluntary PPS upon completion of all phases in the Auto Enrolment System. Along this line, it is envisaged that the key elements that will create a differentiation between companies will consist of initiatives directed at upgrading the customer experience on the axis of digitalization aiming to cater to evolving customer behaviors and expectations.

We will keep working to deliver customer experience to higher-level in all branches.

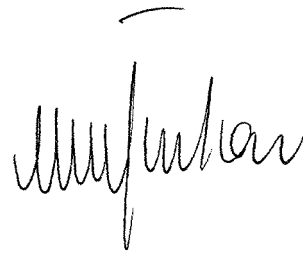
In the life insurance branch, our efforts will mainly focus on more efficient presentation of risk products complementary to pension products to diverse customer groups, systematic presentation of life insurance products entailing risk and saving elements for various life stages of customers through bancassurance and digital channels, and increasing coverage and efficiency in insurance products linked to banking products.

In the light of all these projections, projects for attaining excellence in customer experience and operational transactions will be carried out intensively, and initiatives will be conducted in line with the targets of securing high level customer experience and cost optimization at all customer touchpoints with the use of robotic technology and artificial intelligence.

Adeptly blending its deep-rooted corporate culture, robust capital structure, customer-focused approach to service and qualified human resource with its superior technology, Anadolu Hayat Emeklilik will remain fully committed to work for its customers and the national economy, and to create added value.

I would like to sincerely thank our customers for their trust in us as evidenced by their choosing our Company, to our principal shareholder İşbank for its support and contributions to our successful results, to all our production channels, our employees and all our other shareholders.

Yours sincerely,



M. Uğur Erkan
Board Director and CEO