

# 2018 Annual Report



**ANADOLU HAYAT  
EMEKLİLİK**

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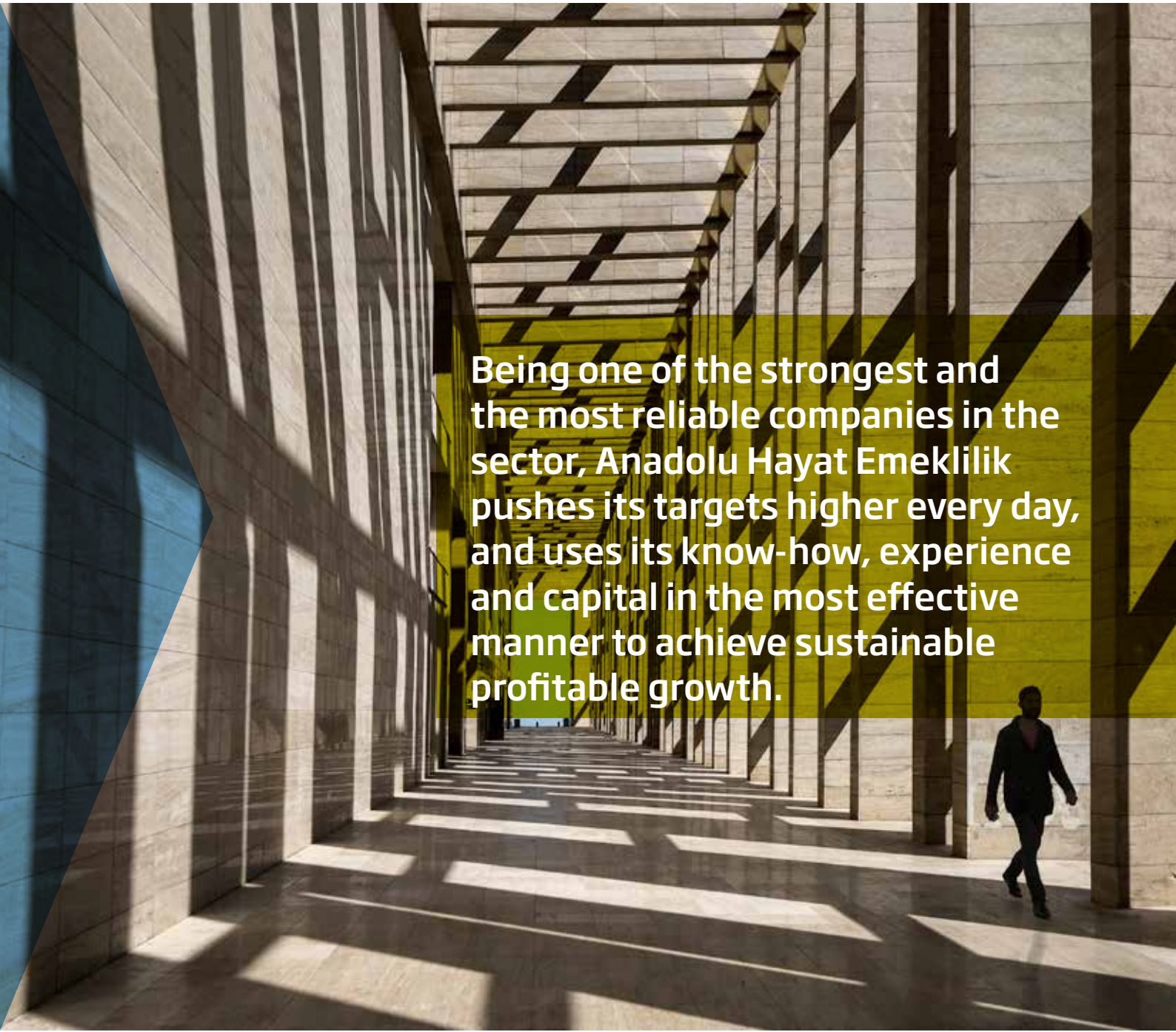
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## **Directory**



**Being one of the strongest and the most reliable companies in the sector, Anadolu Hayat Emeklilik pushes its targets higher every day, and uses its know-how, experience and capital in the most effective manner to achieve sustainable profitable growth.**

# Financial Indicators

*Total Assets:*

TL **20.2** billion

*Equity:*

TL **941** million

*Gross Profit:*

TL **322** million

*Market Capitalization:*

TL **2.6** billion

*Sector's Leader in Life Insurance  
and Private Pension Funds*

TL **18.3** billion <sup>(1)</sup> <sup>(2)</sup>

*Sector's Leader in Life  
Insurance Funds*

*Life Insurance Funds:*

TL **1,888** million <sup>(2)</sup>

*Life Insurance Policyholders:*

**1,951** thousand <sup>(2)</sup>



*Selma Arslan / Shots from Life as Seen by Women '18*

<sup>(1)</sup> Pension Monitoring Center (PMC) 28 December 2018 (Including state contribution funds)

<sup>(2)</sup> Insurance Information and Monitoring Center (31 December 2018)



## *Women's Empowerment Principles (WEPs) Were Signed*

Anadolu Hayat Emeklilik joined the Women's Empowerment Principles (WEPs) platform on 5 November 2018, and thus exhibited its commitment to use the principles as a guidance for actions that will be taken in the company and community to empower women.



# Human Resources

Headquarters & Districts:

**561**

Direct Sales Force:

**503**

Total:

**1,064**

## Position in the Sector

*Private Pension* <sup>(1)</sup>

Contracts & Certificates:

**#1 - 16%**

Participants

**#2 - 16%**

Total Pension Assets Under Management <sup>(\*)</sup>:

**#2 - 19%**

*Life Insurance* <sup>(2)</sup>

Mathematical Provisions:

**#1 - 25%**

Premiums Written:

**#2 - 9.4%**



Ayten Mermi / Shots from Life as Seen by Women '18

<sup>(1)</sup> Pension Monitoring Center (PMC) 28 December 2018 (excluding Auto Enrolment)

<sup>(2)</sup> Insurance Information and Monitoring Center (31 December 2018)

\* Including state contribution funds.



# *Organization*

Istanbul Headquarters  
Customer Operations Center  
11 District Sales Offices  
TRNC Branch Office

# Presentation

At a Glance: Our Vision, Our Mission, Our Corporate Strategy

28 Years of Anadolu Hayat Emeklilik

Message from the Chairman

Message from the CEO

An Overview of the World and Turkish Economies in 2018 and 2019 Outlook

Anadolu Hayat Emeklilik by Numbers

Strategic Goals of Anadolu Hayat Emeklilik



*Hanım Polat / Shots from Life as Seen by Women '18*





## ***The Company Creating the Highest Amount of Funds***

Year after year, Anadolu Hayat Emeklilik further consolidates its identity as the company “creating the highest amount of funds” in the aggregate of life insurance and private pension and keeps leading the sector’s growth.

# Anadolu Hayat Emeklilik at a Glance

## *Our Vision*

To be the leading company in Turkey in all aspects of financial planning that are of concern to the future of Turkey and the Turkish people.

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## *Our Mission*

To develop and to nurture in people an awareness of the need to safeguard their own futures and the futures of their loved ones, to offer financial solutions that ease people's doubts about the future and enhance the quality of their lives and to contribute to the development of the national economy by creating long-term financial resources.

## *Our Corporate Strategy*

- Contribute to the stable growth of the industry by developing and maintaining a diverse range of products capable of satisfying customers' needs and demands in terms of life insurance and private pensions.
- Increase our market share by combining our success in offering innovative products and creating value through an extensive service network.
- Provide our customers with financial security and enable them to save up for their retirement by taking advantage of the company's experience and effectiveness in the industry to achieve superior performance in the management of pension funds.
- Maintain a sustainable level of profitability that is above the market average.

*Sevinç Kaplan / Shots from Life as Seen by Women '18*



Anadolu Hayat Emeklilik started operations in 1990 as Turkey's first life insurance company.

Having acquired private pension company status upon establishment of the private pension system in Turkey in 2003, the Company began offering services under the company name Anadolu Hayat Emeklilik A.Ş.

Anadolu Hayat Emeklilik, which addresses a broad audience of policyholders and participants with its value-added product and service mix, assures high level of customer satisfaction on the back of its extensive service network and technological infrastructure.

Providing service via District Sales Offices in İstanbul (3), Ankara (2), İzmir, Adana, Bursa, Antalya, Trabzon and Kocaeli, a branch office in the Turkish

Republic of Northern Cyprus besides its head office in İstanbul, Anadolu Hayat Emeklilik commands a widespread service organization with its strong bancassurance network, direct sales force and nearly 250 agencies.

Beyond being the company that steers the sector, Anadolu Hayat Emeklilik further builds on its identity as the company creating the highest amount of funds in the aggregate of life insurance and private pension, while continuing to lead the growth of the sector.

A subsidiary of Türkiye İş Bankası A.Ş. (İşbank), Anadolu Hayat Emeklilik is the first publicly traded pension company in Turkey.

The Company's shares are quoted on the Borsa İstanbul (BIST) Stars Market under the symbol ANHYT.

# 28 Years of Anadolu Hayat Emeklilik The Author of “Firsts” in Its Industry...

1990

Founded as Turkey’s first life insurance company

2000

Became the first and only life insurance company whose shares are publicly traded

## 1990

Anadolu Hayat Emeklilik A.Ş. was founded as Turkey’s first life insurance company taking over the life insurance activities carried out by Anadolu Anonim Türk Sigorta Şirketi.

## 1991

District offices were opened in Ankara, Bursa, Adana and İzmir.

## 1995

First payouts on maturity were made in the “Insurance of the Future”.

## 1999

Lefkoşa Branch was set up in the Turkish Republic of Northern Cyprus to conduct life insurance activities. Sirkeci and Kadıköy branches were opened.

## 2000

Anadolu Hayat Emeklilik A.Ş. became the first and only life insurance company whose shares are publicly traded.

## 2001

“Life for everyone” policy, Turkey’s first-ever insurance coverage without any age limitation and without requiring any health conditions was introduced.

Bursa, Adana, İzmir and İstanbul branches were reorganized as Marmara, South Anatolia, Aegean District Offices, and İstanbul District Office 1 and 2.

## 2003

In accordance with the “Private Pension Savings and Investment System Law”, the Company was transformed into a private pension company.

The first private pension contract was issued on October 27.

## 2004

Undersigning yet another first, the Company introduced the “Pension Plan for Housewives” that provides income for housewives without social security and supplementary income in older ages.

According to legislation, the Company’s health insurance portfolio and activities were transferred to Anadolu Anonim Türk Sigorta Şirketi.

Online payment of private pension contributions and life insurance premiums via the internet was enabled.

## 2005

Bancassurance activities carried out with the parent company İşbank were expanded by agency agreements with Türk Ekonomi Bankası A.Ş. (TEB) and HSBC Bank A.Ş. (HSBC).

## 2006

With the support of the Ministry of National Education, the Company initiated the social responsibility project “Girls: The Insurance of Our Future” in cooperation with the Association for Supporting Contemporary Living (ÇYDD).

Bancassurance activities were expanded through agency agreements with Anadolubank A.Ş. and TSKB A.Ş.

## 2007

First pensioners of the private pension system were entitled to pension benefits.

An agency agreement was signed with Bank Pozitif A.Ş.

“Shots from Life as Seen by Women” photography contest has been held for the first time.

## 2008

Anadolu Hayat Emeklilik became the first pension company to hit the 300,000 participants mark under the private pension system.

The Company exceeded TL 1 billion in total funds.

**2003**

Transformed into a private pension company

**2007**

"Shots from Life as Seen by Women" photography contest held for the first time

**2010**

Became the first pension company to reach 500,000 participants in the private pension system

PPS+ packages were started to be sold covering either one of "Life Insurance with Serious Illness Cover", "Annual Life Insurance" or "Life for Everyone Insurance" products in addition to the Private Pension Plan.

A new variant was added to life insurance policies issued in connection with loans, and Loan Support Insurance incorporating unemployment cover was added to its product range.

The competition "Young Ideas by Owner" was launched, thereby enabling university students' idea conception related to the industry.

**2009**

The Company became the first pension company to reach 400,000 participants in the private pension system (PPS).

Targeting İşbank credit card customers, Credit Card Protection Insurance policy, which provides cover in the event of death, disablement and unemployment, was launched.

Private Pension Plans portfolio was further expanded with "Master's Pension Plan", which incorporates the special features of "Life-Cycle Fund Exchange Model" and "Auto Re-Balancing System", a first in Turkey.

**2010**

The Company became the first pension company to reach 500,000 participants in the private pension system.

Volume of the participants' private pension funds topped TL 2 billion.

An agency agreement was signed with Albaraka Türk Katılım Bankası A.Ş. (Albaraka Türk).

Anadolu Hayat Emeklilik was named the "Most Admired Private Pension Company" at the "Turkey's Most Admired Companies 2010" survey conducted by Capital magazine.

The Company set up "Emerging Markets Flexible Pension Growth Fund" (BRIC Plus Fund) and "Alternative Flexible Pension Income Fund" (Alternative Income Fund) and started their sales.

"Pension Income Plan" targeting private pension system participants was put on sale.

**2011**

Anadolu Hayat Emeklilik became the first company to reach TL 3 billion in funds in the private pension system.

With the aim of new customer acquisition activities alternative delivery channels were started to be used.

An implementation was introduced enabling participants holding İşbank credit cards incorporating Maximum card features to transfer the MaxiPoints earned to their private pension accounts as additional contribution.

**2012**

Anadolu Hayat Emeklilik became the first pension company to reach TL 4 billion in total funds and 600,000 participants in the private pension system.

Anadolu Hayat Emeklilik was named the "Most Admired Private Pension Company" in the "Turkey's Most Admired Companies 2012" survey conducted by Capital magazine.

"Standard Critical Illness Insurance" was launched.

Mediterranean District Office was established and started operations.

**2013**

Anadolu Hayat Emeklilik became the first pension company to reach TL 5 billion in total funds in the private pension system.

Anadolu Hayat Emeklilik was named the "Most Admired Private Pension Company" in the "Turkey's Most Admired Companies 2013" survey conducted by Capital magazine.

# 28 Years of Anadolu Hayat Emeklilik The Author of "Firsts" in Its Industry...

**2014**

Became the first pension company to reach TL 7 billion in total funds in the private pension system

**2015**

Became the first pension company to reach 1 million participants in the private pension system

"AHE Gold Fund" was introduced.

The scope of the new customer acquisition activities of the alternative delivery channels was widened with retention and deepening activities.

The Company began selling "Investment Insurance for My Child" insurance policy that is designed for investment for the future of children at an age of 0-15.

## **2014**

Anadolu Hayat Emeklilik became the first pension company to reach TL 7 billion in total funds in the private pension system.

Anadolu Hayat Emeklilik was named the "Most Admired Private Pension Company" in the "Turkey's Most Admired Companies 2014" survey conducted by Capital magazine.

East Black Sea District Office was set up and started operations.

## **2015**

The Company became the first pension company to reach 1 million participants in the private pension system.

The uncle/aunt themed advertising campaign entitled 'Bana Amca/Teyze Dediler' received six different awards including the big prize in the Crystal Apple Turkey Advertising Awards Competition, and the Golden Effie in the 7<sup>th</sup> Effie Awards Turkey Marketing Effectiveness Competition, while garnering seven different awards in the Mediacat Felis Awards.

The "Youth Pension Plan", Turkey's first pension plan designed for the youth, was introduced.

"İşbank Subsidiaries Index Fund" was put on sale.

"Life Insurance Linked to Commercial Loans" was introduced.

Critical illness insurance product range was expanded and "Female Critical Illness Insurance" and "Comprehensive Critical Illness Insurance" were put on sale.

Anadolu Hayat Emeklilik was named the best Zurich Employee Benefits Network service partner.

Anadolu Hayat Emeklilik "Mobile Branch" application was launched.

District offices were renamed to "District Sales Offices".

Western Black Sea, Thrace and Central Anatolia II District Sales Offices were set up and started their operations.

## **2016**

The Company exceeded TL 10 billion in total funds in the Private Pension System.

Anadolu Hayat Emeklilik participants received the highest amount of state contributions once again in 2017, the fourth consecutive year from the date state contribution practice was introduced.

The Company was named the "Most Admired Private Pension Company" for the fifth time in the "Turkey's Most Admired Companies" survey conducted by Capital magazine.

Anadolu Hayat Emeklilik was named the "Best Life Insurer in Turkey" by World Finance, crowned with this award for the second time by this eminent business and finance magazine.

Anadolu Hayat Emeklilik was recognized as the "Best Overall Insurance Company in the Levant Region" in 2016 at the Middle East Insurance Forum.

Based on the outcomes from the Voice of Customer Turkey survey administered by KalDer (Quality Association of Turkey) and Ipsos, Anadolu Hayat Emeklilik has been the private pension and life insurance company with the highest customer loyalty.

Credit-linked life insurance product began to be offered via İşbank Internet Branch and İşcep mobile branch.

"Commercial Life Insurance" aimed at İşbank's commercial segment customers was introduced.

**2016**

Exceeded TL 10 billion in total funds in the Private Pension System.

**2017**

Neutralized its carbon footprint and became a carbon neutral company

**2018**

Became a signatory of the Women's Empowerment Principles (WEPs)

### 2017

Having completed the first phase of technological infrastructure transformation, Anadolu Hayat Emeklilik was given the Best Corporate Transformation Award at the "FinTech Projects of the Year" awards organized within the scope of IDC Turkey Financial Services Conference 2017.

The Company has become the first and only private pension and life insurance company from Turkey to affiliate with UNEP-FI, the United Nations Environment Program - Finance Initiative.

Anadolu Hayat Emeklilik neutralized its 2016 carbon footprint within the scope of the Sustainability Management System introduced, and became a carbon neutral company.

It became the first company from Turkey to receive the Customers' Friend award given by ICERTIAS, an international certification association, in recognition of its successful customer relationship management.

It was named the best in its sector at the "Social Media Awards Turkey", Turkey's most comprehensive first social media competition co-organized by Marketing Türkiye and BoomSonar.

"Life Insurance with Premium Refund" was introduced, which offers cover against the risk of loss of life and also refunds the premiums collected in case the risk does not occur during the policy term.

"Excellence in Customer Experience Project" was launched to gain an insight into customers' true expectations and their experiences at touchpoints, to ensure optimum end-to-end operation, and to offer the desired deliverables to the customers.

### 2018

Considering the needs of diverse professional groups, Anadolu Hayat Emeklilik introduced the Farmers' Retirement Plan.

Education Insurance was launched, which ensures a safe future for children by covering his/her care and education costs against the risk of parents' death or permanent disability or critical illness.

The Brand Personality Project was launched in a bid to make clearer and best express the messages conveyed to customers on every communication channel.

The Company presented on the market the "IQ Funds" that allow the customers to invest their savings in optimum pension mutual funds in line with their risk / return expectations.

"Shots from Life as Seen by Women" photography contest was held for the 12<sup>th</sup> time.

Anadolu Hayat Emeklilik neutralized its 2017 carbon footprint resulting from its operations through the support extended to wind energy power plants and remained a carbon neutral company also in 2018.

The Company became a signatory of the Women's Empowerment Principles (WEPs) co-established by the UN Global Compact and UN Women.

Anadolu Hayat Emeklilik was named the best-in-class private pension company in customer experience at the A.L.F.A. Awards organized by Marketing Türkiye and Akademetre.

In a repeat of last year's success, the Company claimed the "Gold Award" in Private Pension and Life Insurance category at the Social Media Awards Turkey.

At the Model Insurer Awards 2018, which is a recognition program by Celent - a global financial services consultancy firm, it was given the "Model Insurer" award for its Basic Insurance Transformation Project- Phoneix, in the Legacy and Ecosystem Transformation category.

Customer Services Center began operating in Kartal Manzara Adalar Office.

# 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

# Message from the CEO

*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 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.***

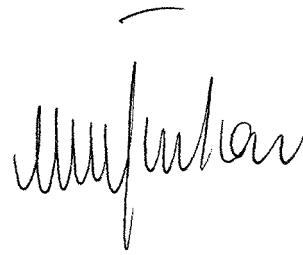
In the life insurance branch, our efforts will mainly focus on more efficient presentation of risk products complementary to pension products to diverse customer groups, systematic presentation of life insurance products entailing risk and saving elements for various life stages of customers through 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

# An Overview of the World and Turkish Economies in 2018 and 2019 Outlook

***The Turkish private pension and life insurance sectors represent a significant potential given the existing actualizations. Earlier Medium Term Programs, the New Economic Program announced in 2018 and Presidential Program for 2019 accord strategic importance to these sectors.***

## **The World Economy**

While global economy mostly preserved the growth tendency it has captured, the introduction of protectionist trade measure and their negative impact on global risk perception were among the highlights of 2018. The trade war launched by the US and especially directed to China with an increased force was reciprocated by China, and mutual sanctions took on a dimension with the potential to adversely affect the global trade volume and economic activity. On another front, while geopolitical risks originating in the Middle East remain in existence, the reintroduction of the US sanctions against Iran led to further increase of these risks.

The decisions adopted by the world's major central banks that steer the course of global economy and financial markets were in line with the projections. Continuing with its balance sheet downsizing, the US Federal Reserve (the Fed) hikes rates four times, and signaled a more moderate interest rate to be pursued in 2019. Having passed a decision to gradually reduce the size of its asset buying program in 2018, the European Central Bank (ECB) terminated asset buying at the end of the year and hinted at the second half of 2019 for rate hikes.

While we are almost three months away from the completion of the UK's exit from the EU, statements by the EU and UK government hint at the ongoing possibility of an exit "without deal". The EU Commission also disclosed the

measures it has taken in the event of the UK's exiting the EU without a withdrawal agreement.

In 2018, emerging market and developing economies experience sharp volatilities in connection with the tightened global liquidity conditions and the deterioration political factors caused in risk perception. According to the Institute of International Finance (IIF) data, portfolio investments directed to emerging market and developing economies decreased to USD 195 billion in the first 11 months of 2018 year-over-year from USD 352 billion in 2017. Despite the decline, the markets strongly believed that risk perception toward emerging market and developing economies will not deteriorate in 2019.

After downgrading its global economic growth projections for 2018 and 2019 from 3.9% to 3.7% in its report of October 2018, the International Monetary Fund (IMF) revised its global economic growth projection for 2019 once again and decreased it to 3.5% In the World Economic Outlook released in January 2019. The justification for this downward revision was stated as increased risks in German and Italian economies, and the predicted faster-than-anticipated contraction in the Turkish economy. The report specified a global growth projection of 3.6% for 2020. Keeping the growth projections for the US economy unchanged, the report decreased the 2019 growth forecast from 1.9% to 1.6% for Eurozone and from 4.7% to 4.5% for developing countries.



Real Growth (%)	2017	2018 (E)	2019 (P)
Global	3.8	3.7	3.5
Advanced Economies	2.4	2.3	2.0
USA	2.2	2.9	2.5
Eurozone	2.4	1.8	1.6
Japan	1.9	0.9	1.1
Emerging Market and Developing Economies	4.7	4.6	4.5
Change in World Trade Volume (%)	5.3	4.0	4.0
Inflation (%)			
Advanced Economies	1.7	2.0	1.7
Emerging Market and Developing Economies	4.3	4.9	5.1

Source: IMF World Economic Outlook, January 2019

### The Turkish Economy

Following the 7.2% and 5.3% growth rates attained in the first and second quarters of 2018 respectively, the growth in the third quarter was 1.6% as the loss of momentum in economic activity became pronounced. This growth rate that was below the market anticipations resulted in an average annual growth of 4.5% for the first nine months of the year.

While high volatility in financial markets along with tightening steps taken in relation to economy policies for fighting against inflation constrained economic activity, the high base effect caused the deceleration in growth to be evident.

As domestic demand conditions put pressure on economic activity in the third quarter of the year, external demand driven by the course of exchange rates was observed to give a significant support to growth, and it is estimated that net exports in the last quarter of the year played a significant part in growth.

The rate of unemployment increased by 2 points on an annual basis and reached 12.3% in November, its highest since 2009.

The implications of decelerated economic activity were manifested also in budget data, and budget revenues increased by 20.2% in return for 22.4% rise in expenditures at the end of 2018. While the budget deficit increased by 52% to TL 72.6 billion in the same period, primary surplus slumped by 84.9% to TL 1.3 billion.

While exports inched up by 0.2% on an annual basis in December, imports declined by 28.3% and foreign trade deficit shrank by 71.1% year-over-year. The ratio of exports to imports, which was 60% in December 2017, reached 83.8% in December 2018.

According to 12-month cumulative data, the downtrend in foreign trade deficit is ongoing. In December, exports were registered as USD 168 million, and imports as USD 223 billion, whereas 12-month external trade deficit was USD 55 billion.

Current accounts, which had been producing a surplus on a monthly basis since August 2018, generated a deficit of USD 1.4 billion in December, which was a result of the loss of momentum in the improvement tendency of foreign trade balance and the relative decline in travel revenues due to seasonality effect as compared with the previous months.

# An Overview of the World and Turkish Economies in 2018 and 2019 Outlook

***Annual CPI declined to 20.3% in December, below the year-end projection of 20.8% in the New Economic Program and below 23.5% CBRT's estimate in its latest Inflation Report.***

Based on 12-month cumulative data, current deficit, at USD 27.6 billion, was down to its lowest since 2009. Current account balance (CAB) excluding net energy trade produced a surplus of USD 10.9 billion, whereas CAB excluding net energy and gold trade gave a USD 19.7 billion surplus.

Having adopted a downtrend after the apex it has reached in October, annual CPI declined to 20.3% in December, below the year-end projection of 20.8% in the New Economic Program and below 23.5% CBRT's estimate in its latest Inflation Report. Annual rise in domestic PPI was also decreased to 33.64% in December.

In its meeting held on December 13<sup>th</sup>, the CBRT kept the one-week repo bid rate, which is the policy rate, stable at 24%. In the memo published after the meeting, the CBRT noted that the stabilization process in the Turkish economy had gotten marked and stated that domestic demand slowed down due to tightened monetary policy, whereas external demand affected growth positively. Stating that the tight monetary stance would be preserved, the CBRT re-emphasized the possibility of additional monetary tightening in case of necessity.

## ***The Turkish Private Pension and Life Insurance Sectors***

The Turkish private pension and life insurance sectors represent a significant potential given the existing actualizations. Earlier Medium Term Programs, the New Economic Program announced in 2018 and Presidential Program for 2019 accord strategic importance to these sectors.

The Private Pension System, which was established to grow domestic and retirement-oriented long-term savings, carries on with its development with the contribution of the Auto Enrolment System that began to be implemented in 2017, under which gradual transitions of employees are in progress. At year-end 2018, over 12 million employees under the age of 45 employed in workplaces, public agencies and public economic enterprises with 10 and more employees were included in auto enrolment. The Auto Enrolment System reached nearly 5 million employees and TL 4.6 billion in total funds as at year-end 2018. The regulatory framework for restructuring the practice in a more sustainable format began to be published from December 2018. The relevant regulations are anticipated to continue during 2019 and to be completed by the end of the year.

***In the Voluntary PPS, total funds reached TL 87.9 billion while the number of participants came close to 6.9 million as at year-end 2018.***

The Private Pension System will keep expanding with the inclusion of another 2 million employees working at companies with 5-9 employees in 2019. In this context, implementations that will enhance customer experience and operational efficiency to be achieved through digitalization are considered as possibly telling factors in the successes of companies.

In the Private Pension System based on voluntary participation (Voluntary PPS), on the other hand, total funds reached TL 87.9 billion while the number of participants came close to 6.9 million as at year-end 2018. During 2018, the System attained 13% increase in total funds, while the number of participants did not increase. These results reveal that although the enforcement of auto enrolment positively affected total number of participants, it also led to deceleration in Voluntary PPS participation.

An important topic with respect to the flourishing of private pension in Turkey is the fact that employee termination benefit funds are being managed by private pension companies. The employee termination benefits reform addressed also in the New Economic Program is expected to play an important role for the national economy.

In 2018, the growth rate of especially credit-linked life insurance declined as compared with the previous years. The overall sector's cumulative premium production on life insurance picked up by 1% year-over-year and exceeded TL 6.8 billion in 2018. Term life insurance, on the other hand, made up 87% of total premium production. This ratio was 91% in the same period of 2017.

In short- and medium-term ahead of us, digital transformation is anticipated to take the foreground. The high level of digitalization capability of the financial services sector in our country is also considered as a major advantage for pension and insurance companies. As such, companies are anticipated to add momentum to their digitalization to decrease their customer retention and service costs, to increase operational efficiency and to enhance customer experience.

# Anadolu Hayat Emeklilik by Numbers

*Successful performance, sustainable profitability*

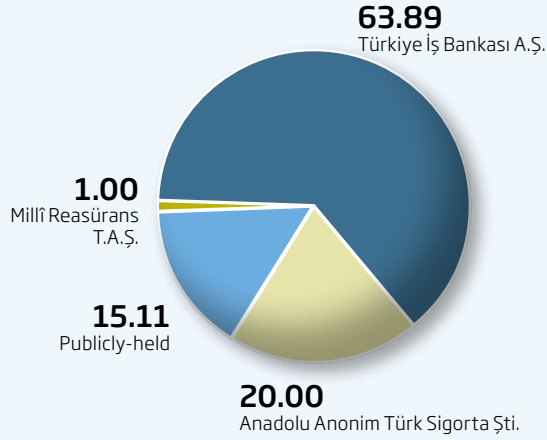
## Summary Financial Information

Financial Highlights (TL thousand)	2018	2017	Change (%)
Total Premium and Contribution Production <sup>(*)</sup>	2,019,010	2,208,463	-9
Mathematical Provisions	1,740,281	1,725,733	1
Pension Funds <sup>(**)</sup>	16,937,635	14,712,834	15
General Technical Profit	237,576	199,189	19
Total Assets	20,221,515	17,877,195	13
Paid-in Capital	430,000	430,000	-
Shareholders' Equity	940,618	926,560	2
Financial Income	133,742	124,324	8
Pretax Profit	322,207	279,810	15
Net Profit	253,600	224,703	13
Key Ratios	(%)	(%)	
Net Profit/Shareholders' Equity	27	25	
Premium and Contribution Production/Total Assets	10	12	
Shareholders' Equity/Total Assets	5	5	

<sup>(\*)</sup> Based on the data released by the Pension Monitoring Center (PMC) as of 28 December 2018. Total premium figures include gross written premiums of personal accident and life branch.

<sup>(\*\*)</sup> Including state contribution funds.

## Capital and Shareholder Structure



Shareholder	Share Amount (TL)	Share (%)
Türkiye İş Bankası A.Ş.*	274,742,830	63.89
Anadolu Anonim Türk Sigorta Şti.	86,000,000	20.00
Millî Reasürans T.A.Ş.	4,299,999	1.00
Publicly-held	64,957,171	15.11
Total	430,000,000	100.00

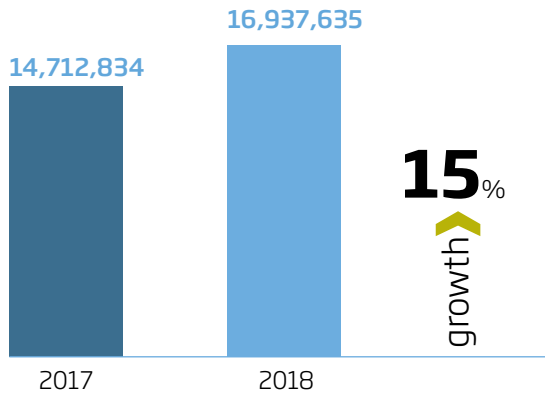
\* The ratio of publicly-held shares is 17%. As of 31 December 2018, Türkiye İş Bankası A.Ş., holds 1.89% of the publicly-held shares.

Out of 43,000,000,000 shares representing the capital in the amount of TL 430,000,000, 100,000,000 are Class A and the remaining 42,900,000,000 are Class B shares. As at the date of the balance sheet, all of Class A shares are held by the Company's shareholder, Türkiye İş Bankası A.Ş. (İşbank). Holders of Class A shares are not granted any privileges save for the nomination of the Board Directors. Seven members of the Board Directors are elected by the General Assembly from amongst candidates nominated by Class A shareholders, and four from amongst those nominated by Class B shareholders. The Company's articles of association do not allow creation of new Class A shares in capital increases.

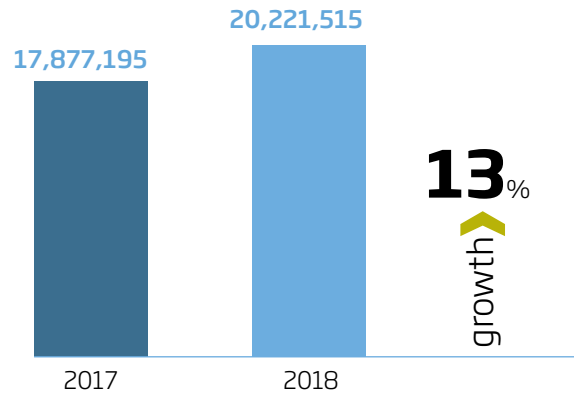
The Company did not repurchase any of its own shares in the reporting period. The Company has only one associate, İş Portföy Yönetimi A.Ş., in which it holds 20% share in capital. İş Portföy Yönetimi A.Ş. does not own any share in our Company. Shares held in the Company by the members of the Board of Directors and the Executive Committee are negligible.

There are no cross-shareholding relations between any shareholder and our Company.

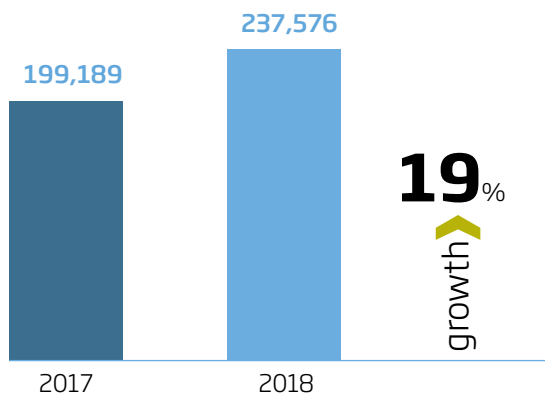
## Total Pension Funds (\*) (TL thousand)



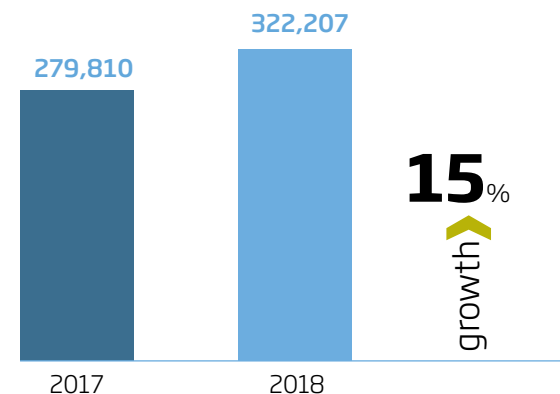
## Total Assets (TL thousand)



## General Technical Profit (TL thousand)



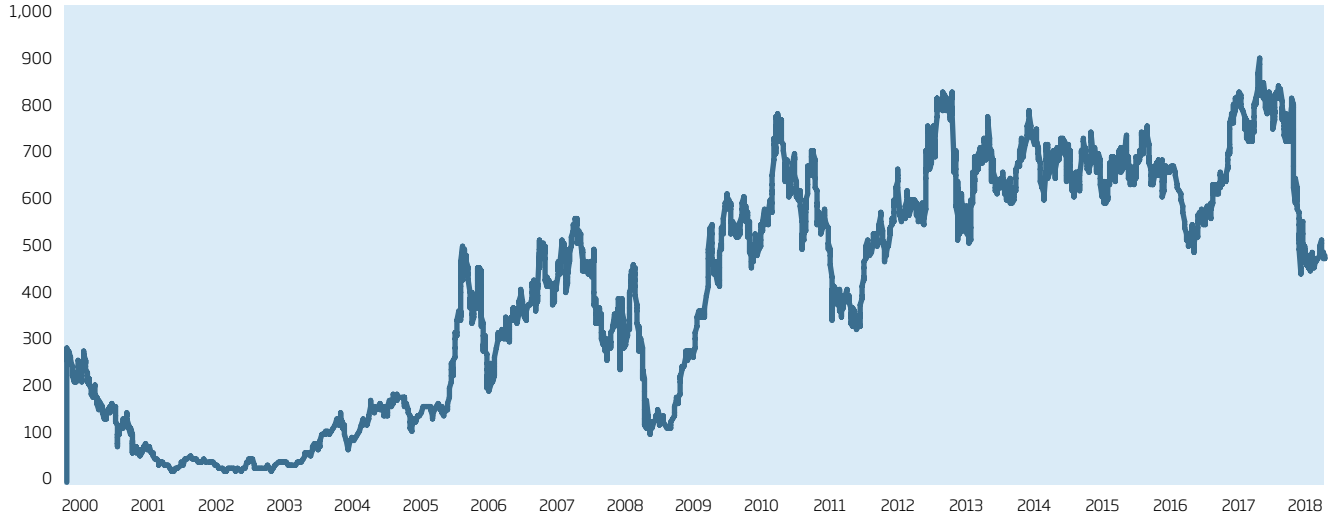
## Pretax Profit (TL thousand)



(\*) Including state contribution funds.

# Anadolu Hayat Emeklilik by Numbers

*Anadolu Hayat Emeklilik Market Capitalization (2000-2018, USD million)*



*Anadolu Hayat Emeklilik Market Capitalization (2000-2018, TL million)*



# Strategic Goals of Anadolu Hayat Emeklilik

*The aspects making Anadolu Hayat Emeklilik different and privileged are its know-how, competent human resource, robust financial structure, strong brand equity, extensive distribution network, and deep-rooted corporate culture.*

Anadolu Hayat Emeklilik pursues its operations in keeping with its vision to be Turkey's top and most preferred life insurance and pension company in all aspects and to take place among the world's leading companies in terms of quantity and quality where the degree of economic integration is constantly increasing. Being one of the strongest and most reliable companies in the sector, Anadolu Hayat Emeklilik further raises its goals by the day and makes optimum use of its know-how, experience and capital accumulation to secure sustainable profitable growth.

The aspects making Anadolu Hayat Emeklilik different and privileged are its know-how, competent human resource, robust financial structure, strong brand equity, extensive distribution network, and deep-rooted corporate culture. The Company uninterruptedly fulfills its mission of nurturing in people an awareness of the need to safeguard their future, offering financial solutions that respond to needs of individuals and organizations, enhance the quality of life and contributing to the development of the national economy by creating long-term stable funds.

The key priorities for the Company include cementing the leading position in the sector through innovative products and practices, ensuring effective product and service positioning in line with the needs of customer segments and sales channels, and reaching the highest level in customer experience and services with the target of operational excellence.

Initiatives and efforts are underway to realize digital transformation, which is the key to securing sustainable growth and efficiency in business processes. One of the main focal points is to carry out these initiatives with integrated, agile and solution-oriented systems.

In line with its sustainability strategy Anadolu Hayat Emeklilik carries on its activities within the context of "Anadolu Hayat Emeklilik Sustainability Management System" in order both to integrate sustainability into its business models and to make the sustainability concept an indispensable part of the corporate culture.

Ensuring constant development of the human resource that represents the most competitive and longest-lived asset and investing in qualified people are among the main strategic goals.

# 2018 Activities

An Overview of Anadolu  
Hayat Emeklilik's Position in  
the Industry and its Activities  
in 2018

Sustainability

Research and Development



*Neslihan Yazıcılar / Shots from Life as Seen by Women '18*





## *Digital solutions in customer experience*

Continuing to build on its digital channel management expertise and capability, Anadolu Hayat Emeklilik kept enriching these channels, and introducing projects designed to improve customer experience and enhance its service quality.

# An Overview of Anadolu Hayat Emeklilik's Position in the Industry and its Activities in 2018

*Anadolu Hayat Emeklilik pursues its operations with a customer-focus, offering digital solutions to its customers based on its innovative approach.*

## *An innovative approach to customer needs*

Anadolu Hayat Emeklilik pursues its operations with a customer-focus, offering digital solutions to its customers based on its innovative approach. The Company kept bringing need-based innovative products and services, and supporting these tasks with technological solutions in 2018.

Anadolu Hayat Emeklilik sustained its leadership in private pension, auto enrolment and life insurance funds combined on the back of its successful performance achieved in line with its strategy and policies in the reporting period. The Company preserved its no.1 spot with over 1.9 million contracts and certificates and more than TL 2.2 billion in state contribution funds in the Private Pension and Auto Enrolment Systems combined.

## *A year of achievements*

In 2018, Anadolu Hayat Emeklilik:

- Secured 12% increase in total funds in the private pension system, including state contributions, based on the Pension Monitoring Center (PMC) data of 28 December 2018,
- Reached TL 16,379 million in total pension assets under management (including state contributions) and 1,113,878 participants,
- Remained the sector's leader with 16% market share in the number of contracts and certificates,
- Ranks first among private equity pension companies with 587 thousand employees and TL 485 million in funds under management in the Auto Enrolment System according to PMC data of 28 December 2018,
- Achieved 9.4% market share on the basis of a premium production of TL 639 million in life insurance branch according to Insurance Information and Monitoring Center data of 31 December 2018,
- Produced TL 450 million premiums in term life insurance. The Company remained the sector's leader in terms of fund value held by life insurance policyholders, which exceeded TL 1.7 billion,
- Increased its total assets by 13% year-over-year and reached TL 20.2 billion as at year-end 2018,
- Once again manifested its ability to create sustainable and permanent value with a net profit of TL 254 million,
- Neutralized its 2017 carbon footprint, and thus, became a carbon neutral company also in 2018 within the scope of the Sustainability Management System, with the goals of measuring and minimizing the environmental impact of the Company's operations and raising awareness of the subject,
- Became a signatory of the Women's Empowerment Principles (WEPs), a joint initiative of UN Global Compact and UN Women,
- Carried on with customer base expansion, retention and deepening activities in all segments employing the right product and channel mix,
- Continued to upgrade the Mobile Branch in line with customer needs,
- Executed the processes of obtaining quotations and sending contracts in an automated approach through the digital solutions offered to auto enrolment customers,

- Unified service and operational units in a single center after the Customer Services Center started operations out of Kartal Manzara Adalar Office,
- Paid utmost attention to achieving full compliance with the corporate governance principles and regulatory requirements that define the framework of its operations, and kept carefully observing the transparency principle in all of its practices.

### **Marketing and Sales**

During 2018, Anadolu Hayat Emeklilik focused on securing high penetration in auto enrolment, efficient use of distribution channels for expanding the customer base, enhancing pre- and post-sales service quality, and improving customer experience.

Initiatives aimed at customer retention, as well as those at new customer acquisition, continued.

In the management of its pension funds, Anadolu Hayat Emeklilik maintains cooperation predominantly with İş Asset Management, as well as other leading asset management companies in the sector. Relevant work went on for simplifying pension fund components and providing the participants with a more transparent, understandable structure and four different "IQ Funds" were set up which measures customers' risks, and let them invest in the funds that best suit their respective risk profiles and expected returns.

### **A Good Future for Everyone through auto enrolment**

Marking the start of a new era in the national private pension sector and introduced in 2017, auto enrolment began enlarging the customer base of the Private Pension System, which fulfills Turkey's need for long-term funds, and this expansion continued also in 2018. In a repeat of last year's performance, Anadolu Hayat Emeklilik ranked at the top of the private pension companies backed with private capital in terms of total pension assets under management in auto enrolment.

Online Auto Enrolment, which allows easy execution of all steps from quotations to contracts, ensured cost and time saving for companies. In 2019, Anadolu Hayat Emeklilik will continue to offer fast solutions to organizations and employees via Online Auto Enrolment.

### **Automated transactions through payroll integration**

Integration-related work carried out in cooperation with the leading HR and payroll application software companies alleviated the operational workload falling on the companies in the Auto Enrolment System. Transactions such as account opening of employees, viewing the current status of employees' pension accounts, changing status of the accounts, and collection settlement can be performed easily and quickly.

Being the all-around pioneering company of the industry with its product, service and infrastructure competencies,

Anadolu Hayat Emeklilik will continue to serve as the guide in regard to auto enrolment as well.

### **Solutions focused on customer experience**

With the target of providing the highest level of customer experience, Anadolu Hayat Emeklilik delivers all of its products and services along with personalized solutions tailored to customers' expectations.

In the private pension branch, Anadolu Hayat Emeklilik offers services with a rich product portfolio covering pension plans and private pension funds with different content and fees, and encompassing various alternatives that respond to the investment and risk expectations of participants.

In line with the needs of private pension participants, the services of contribution payment guarantee for housewives, as well as social security advisory, emergency ambulance, and healthcare advisory to all customers are offered.

Within the scope of auto enrolment, discounted and free-of-charge services continued to be offered to employees of organizations in various topics, including legal consultancy, check-up and psychological advisory.

In the life insurance branch, premiums were revised in credit-linked and stand-alone life insurance products in line with the needs.

Education Insurance policy was put on sale, which enables an uninterrupted education life for children.

As part of product initiatives targeting different customer segments, "Farmers' Retirement Plan" was introduced for participants mostly living in rural areas and making their living on agricultural activities.

In keeping with the vision set out under the "Excellence in Customer Experience Project", work was carried out actively on all channels, primarily on digital ones, with the aim of optimizing customer experience at all touchpoints and operational processes.

The efficiency and capacity of the distant sales channel were increased, and new customer acquisition and cross-selling activities were carried out using channel-specific products.

"Brand Personality Project" was carried out to uniform the language used in all touchpoints with customers and to ensure effective communication.

The efficiency and capacity of the distant sales channel were increased, and new customer acquisition and cross-selling activities were carried out using channel-specific products.

Personalized offers continued to be made in inbound calls and through the IVR system.

Within the scope of Key Account Management, quality of services offered to key customers has been increased based on one-on-one service notion.

# An Overview of Anadolu Hayat Emeklilik's Position in the Industry and its Activities in 2018

***One of the most preferred employers in the sector for its corporate qualities, brand equity and innovative HR practices, Anadolu Hayat Emeklilik always makes a difference with the value attached to its employees, and the training and career opportunities offered.***

To measure satisfaction with the Company's products and services, customer satisfaction questionnaires continued to be administered to cover sample customer groups divided according to segments, and deliverables from the questionnaire were evaluated, upon which actions were taken to enhance the level of customer satisfaction and improve customer experience.

## ***Campaigns supporting customer relations***

Campaigns backing effective customer relationship initiatives that were conducted for increasing customer retention and depth served as a powerful tool for strengthening the cooperation among distribution channels and for achieving sales targets, and played an important role in helping Anadolu Hayat Emeklilik consolidate its leadership in the sector.

Campaigns were organized, which were aimed at the introduction of digital media, increasing its use and boosting the sales of segment-based products and stand-alone life insurance products.

## ***Customer Services***

### ***Digital approach to customer services***

Nowadays, the fast evolution of customer expectations and usage habits in connection with the advancements in technology lead to constantly increased use of digital channel in the insurance industry, and render innovative solutions directed at customers indispensable. Based on this awareness and consciousness, Anadolu Hayat Emeklilik formulated digital technology with a customer-focus and carries on with its activities with the objective of delivering a superior customer experience accessible any time, anywhere.

Continuing to build on its digital channel management expertise and capability, Anadolu Hayat Emeklilik kept enriching these channels, and introducing projects designed to improve customer experience and enhance its service quality in 2018.

### ***AHE Mobile Branch- Retirement in the pocket***

Giving weight to investments in technology, Anadolu Hayat Emeklilik gives the customers access to information about private pension, auto enrolment and life insurance products any time anywhere through AHE Mobile application.

Using AHE Mobile and the Internet Branch, Anadolu Hayat Emeklilik customers are able to instantly view their private pension, auto enrolment, life and personal accident insurance contract details, the accumulated funds, state contributions, their coverage, payments and fund performances, and perform their transactions securely.

During 2018, AHE Mobile and Internet Branch were visited by 414 thousand and 827 thousand customers of Anadolu Hayat Emeklilik respectively.

### ***Steadily increasing efficiency in customer relations***

In an effort to boost service level, speed, and increase productivity, work continued on upgrading and configuring the IVR flow of the Call Center. The outbound calls and inbound calls teams were expanded, thereby achieving growth in the volume and diversity of the calls handled. During 2018, the Call Center responded to more than 6 million calls and placed more than 1.5 million outbound calls. A total of 2,334,246 transactions were executed within the scope of customer operations during the reporting period.

## **Distribution Channels**

### *High level customer reach enabled through effective distribution channel management*

The nationwide distribution channel structure is a building block of Anadolu Hayat Emeklilik's sales and distribution strategy focused on efficiency and productivity. The Company ensures an extensive customer reach via the diverse channels listed below:

- district sales offices in İstanbul (3), Ankara (2), İzmir, Adana, Bursa, Antalya, Trabzon and Kocaeli, and a branch in the Turkish Republic of Northern Cyprus,
- direct sales force,
- bank branches that serve as the Company's agencies,
- private agencies network, and
- alternative distribution channels.

### *Pioneering company in bancassurance*

Having one of the most extensive distribution channels in the bancassurance channel, Anadolu Hayat Emeklilik continues to make a difference with this strength and competence.

Anadolu Hayat Emeklilik sustained its synergetic collaboration with its main business partner İşbank throughout 2018, enjoying an unrivaled competitive edge with respect to multi-channel use thanks to more than 1,330 branches of the Bank, cutting-edge technology and alternative distribution channels.

Delivering its products to a large audience through this extensive network, Anadolu Hayat Emeklilik realized 91% of its annual new business figure in private pension branch and 98% of the term life insurance premium production via the bancassurance channel in 2018.

### *Future Planning Specialists: A direct sales force of 503 people across Turkey*

Anadolu Hayat Emeklilik preserved its top position in the number of contracts in the Private Pension System in 2018.

One of the key factors underlying this achievement was the direct sales force of 503 individuals that serve as a bridge between the customers and the Company.

The so-called Future Planning Specialists, the direct sales force offers service in İşbank's branches that are present in each city in Turkey. Optimally representing the Anadolu Hayat Emeklilik's capability in providing solutions by its performance in the marketing of private pension and life insurance products, the sales team was responsible for 83% of the private pension products sold in 2018.

## **Extensive and deep-rooted agency network**

Anadolu Hayat Emeklilik works with approximately 250 agents countrywide, a network that embodies a harmonious blend of various business models and combines this mosaic with a solid tradition and corporate structure. Representing the Company's oldest distribution channel, this strong agency network displayed a successful sales performance also in 2018, despite the distribution channels that are diversified owing to the advancing technology. During the reporting period, the agency network was responsible for 22% of total contribution and premium collections in endowment and private pension products.

### *Private Pension Intermediaries*

Agencies and sales representatives offering service as intermediaries in the Private Pension System are required to pass the e-BEAS (Electronic Private Pension Intermediaries Exam).

Once again, Anadolu Hayat Emeklilik made sure that all of its private pension intermediary candidates across all distribution channels took the e-BEAS in 2018. The number of the Company's private pension intermediaries reached 3,255 people by the end of 2018.

## **Human Resources**

### *The power behind success: Competent employees*

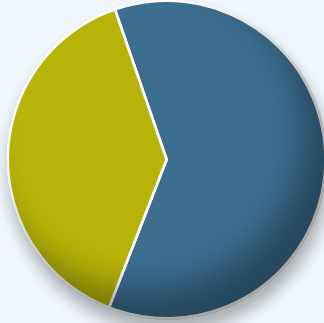
Behind the success attained by Anadolu Hayat Emeklilik is its highly knowledgeable, creative and dynamic people that share common values and are capable of reflecting the deep-rooted corporate culture in their activities and approach to service.

The total number of Anadolu Hayat Emeklilik employees including the direct sales team was 1,064 as at year-end 2018. Boasting a young team, 64% of the Company's human resource consists of employees in the 18-34 age interval.

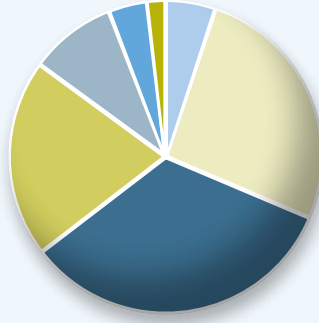
One of the most preferred employers in the sector for its corporate qualities, brand equity and innovative HR practices, Anadolu Hayat Emeklilik always makes a difference with the value attached to its employees, and the training and career opportunities offered.

Anadolu Hayat Emeklilik supports its employees' professional and personal development, and gives them the opportunity to keep abreast of new practices, helps them acquire new perspectives, and further raises the bar in services rendered to policyholders through training programs aligned with their career plans. Within the scope of the training programs focused mostly on the Private Pension System, and professional and personal development, the Company employees received 38,604 hours of training in total during the reporting period.

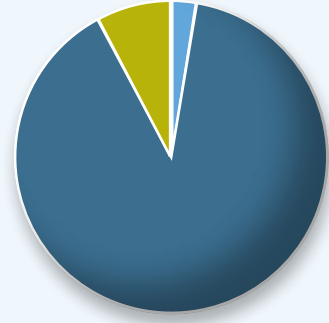
# An Overview of Anadolu Hayat Emeklilik's Position in the Industry and its Activities in 2018



Gender Breakdown	person	%
Female	651	61
Male	413	39



Age	person	%
18-24	55	5
25-29	279	26
30-34	353	33
35-39	218	20
40-44	96	9
45-49	42	4
50 and above	21	2



Education	person	%
Elementary, secondary	4	0
High school	28	3
University	949	89
Masters and above	83	8

"Management Skills Training" for managers and management trainees continued in 2018 within the frame of the education collaboration agreement with İstanbul Bilgi University. 363 managers and management trainees in total, including sales managers, attend these training programs.

Aiming to give the employees a more pleasant and productive working environment, Anadolu Hayat Emeklilik administers "Employee Satisfaction Questionnaires" and "Internal Customer Satisfaction Questionnaires", and uses the feedback from these questionnaires as input for remarkable initiatives that will lead to transformation.

## Communication

### Corporate social responsibility projects

Heeding the role of women in economic and social development, and constantly keeping women's empowerment in its focus, Anadolu Hayat Emeklilik successfully executes its long-lived social responsibility projects that support women.

### Shots from Life as Seen by Women Photography Contest

Aiming to contribute to the social and cultural development of the Turkish women, "Shots from Life as Seen by Women" photography contest offers them a platform where they can freely express themselves.

The twelfth edition of the photography contest "Shots from Life as Seen by Women" was held in 2018 under the auspices of the Photographic Arts Federation of Turkey. Having set its theme as "About Life" and open to all amateur and professional women photographers, the contest is the one and only photography contest organized exclusively for women. Since its debut, more than 15 thousand women submitted over 62 thousand photographs.

Selected photos are exhibited in İstanbul and various other cities, and collected in a special catalogue each year.

### Leading communication that steers the industry

Below are the highlights of 2018 communication activities of Anadolu Hayat Emeklilik, which approaches these activities with a sense of responsibility and on the axis of long-term plans with the objective of instilling an awareness of secure future across Turkey:

- The advertising film themed "Saving is a good idea" produced for the Youth Retirement Plan was broadcasted on digital media and printed media movie theaters, on various radio stations and outdoor media.
- Communication activities were carried out making more intensive use of local media in order to promote the Farmers' Retirement Plan.

- As part of promotional activities for “Investment Insurance for Children” product, the Company co-developed materials with İşbank, including digital media banners, mailing, and content viewing in cinemas and social media.
- An informative video and advertisement were prepared for IQ funds, which are the new additions to Pension Funds, and published on digital media, in national newspapers and sector magazines.
- “Anadolu Hayat Emeklilik Blog” remained active in 2018, which covers posts under the categories Culture/Arts, About Life, Must-See Places and Career.
- Campaigns which were aiming to increase interaction on social media were carried.
- Commercials continued to be screened at Cinemaximum movie theaters and campaign posters were set up in foyers.
- To announce that Youth Pension Plan has reached 100,000 participants, a press conference was held.
- SEO (search engine optimization) actions were continued to ensure that the corporate website takes place in the top places within search engine results, as well as SEM (search engine marketing) initiatives aimed at creating sales leads via the website.
- Internal communication activities were carried on within the frame of different events in an effort to promote internal communication and corporate awareness.



**First Prize - Oya Akkul** Rope Maker Child

- Giving the Company employees the chance to express the way they see life and seeking to promote internal communication, “Shots from Life as Seen by Employees” photography contest was held for the 12<sup>th</sup> time.

**Awards: Dedicated efforts get rewarded**

The activities Anadolu Hayat Emeklilik carries out with an innovative, technology- and customer-focused approach are recognized by its customers and eminent organizations. The awards granted as a result of the trust held by its customers and the devoted and hard work of its employees add to the strength of Anadolu Hayat Emeklilik.

The mission Anadolu Hayat Emeklilik assumes towards its stakeholders and the society at large was once again endorsed with the following awards received in 2018:

- Anadolu Hayat Emeklilik was again named the best in the sector for the successful campaigns conducted on all social media networks and particularly on Facebook, Twitter, Instagram and YouTube at the Social Media Awards Turkey, where campaigns centered on the social media compete,
- Was named the best-in-class private pension company in customer experience at A.L.F.A. Awards co-organized by Marketing Türkiye and Akademetre,
- Received the “Model Insurer” award in the “Legacy and Ecosystem Transformation” category at the Model Insurer Awards 2018 with Phoenix, its Basic Insurance Transformation project, by Celent, a global advisory firm in the area of financial services.



**Second Prize - Gülseren Sarıgül** Window



**Third Prize - Filiz Gürsu** Mirror

# Sustainability

Anadolu Hayat Emeklilik pioneers the sector with respect to “Sustainable Future” with its products and its social responsibility initiatives, while serving sustainable development with the target of rendering the living standards captured during the productive period of individuals.

The activities associated with the implementation of the Sustainability Management System that was launched in cooperation with Escarus - TSKB Sustainability Consultancy Inc. continued during 2018.

Within the scope of the Carbon Footprint Management Project, the carbon footprint resulting from 2017 operations was calculated to encompass the entire Company, after which the corresponding quantity of carbon credit was supplied and financial support was extended to renewable energy projects. As such, the Company became carbon neutral once again in 2018. Efforts to neutralize carbon footprint will be continued in the years ahead.

The Sustainability Committee that was set up to ensure effective implementation of the Sustainability Policy and related procedures, carried on with its activities intensively in 2018.

Various activities on sustainability were carried out involving employees including e-learning programs, conversation sessions with experts, and employee questionnaire.

Having affiliated with UNEP-FI, the United Nations Environment Program - Finance Initiative in 2017, Anadolu Hayat Emeklilik is the one and only private pension and life insurance company from Turkey included in this global alliance. This affiliation allows information exchange with companies undertaking similar efforts along their sustainability journeys, and discussions about creation of new products and potential benefits that can be contributed to insurance activities from a sustainability perspective.

Regarding sustainability as an integral part of its operations in order to contribute to social development and to leave a more livable world to future generations, Anadolu Hayat Emeklilik will keep realizing projects embedding sustainability in all its processes based on its slogan “A Good Future for Everyone”.

## ***Women’s Empowerment Principles (WEPs) were signed.***

A joint initiative of UN Global Compact and UN Women, Women’s Empowerment Principles (WEPs) platform offers important considerations to guide the private sector on how to ensure gender equality in workplaces, marketplaces and communities. Having joined the platform by signing the CEO Statement of Support on 5 November 2018, Anadolu Hayat Emeklilik exhibited its commitment to incorporate and implement the seven principles mentioned below and aimed at establishing company policies that support women’s empowerment in business and social life within all its business processes.

1. Establish high-level corporate leadership for gender equality
2. Treat all women and men fairly at work – respect and support human rights and nondiscrimination.
3. Ensure the health, safety and well-being of all women and men workers.
4. Promote education, training and professional development for women.
5. Implement enterprise development, supply chain and marketing practices that empower women.
6. Promote equality through community initiatives and advocacy.
7. Measure and publicly report on progress to achieve gender equality.



# Research and Development

*Effectively utilizing digitalization in every aspect of its activities, Anadolu Hayat Emeklilik is carrying on in 2018 with its projects to offer personalized, consistent and pleasant customer experience, as well as to ensure operational excellence.*

Keeping customer satisfaction in the foreground at all times, Anadolu Hayat Emeklilik continued with its projects to enhance the experience rendered to its customers through all channels and to switch to a dynamic structure that makes the evolving customer expectations the focal point of all its processes. While concentrating on optimizing processes within the frame of Operational Excellence Project, the Company brought the activities for revamping its website, Internet Branch and Mobile Branch to the phase of completion with digitalization projects executed under the "Customer Experience Program" roof. Aimed at ensuring the use of a common corporate language at all touchpoints with the customers, the Brand Personality Project reached its final stage. Work was started to implement the Brand Personality Guide at all touchpoints.

The Chatbot (AHE Assistant) aiming to offer instant and quick support to customers using the artificial intelligence technology, will be launched in the first half of 2019.

Related work continued in relation to the robotic fund advisor (Roboadvisor) that will automatically invest the accumulations of customers in funds to be determined according to their risk tendencies on account of customers.

A pioneer in using new technology, Anadolu Hayat Emeklilik began employing robotic process automation, since it allows quick performance of high number of recurrent operational

transactions with a low error margin. Robotic process automation is planned to be implemented in other suitable processes.

Phoenix, the Basic Insurance Transformation Project of Anadolu Hayat Emeklilik, was given the "Model Insurer" award in the "Legacy and Ecosystem Transformation" category at the Model Insurer Awards 2018 organized by Celent, a global advisory firm in the area of financial services. After the transformation journey in private pension branch that made up the first phase was completed in 2017, transformation of life insurance branch, i.e. the second phase, began, and work continued at full speed.

Efforts were carried on within the scope of the project for Alignment with the Personal Data Protection Law, under which relevant information was provided to customers and progress was achieved in data anonymization and data masking.

# Corporate Governance

Organization Chart

Board Directors

Declarations of Independence by Independent Members of the Board of Directors

Outside Positions Held by the Board Directors and Executives

Senior Management

İşbank

Human Resources Policy

Dividend Payment Policy

Changes in the Legislation during the Fiscal Year

Other Material Disclosures Concerning the Reporting Period

Transactions Executed with the Risk Group in Which the Company Is Included

An Assessment of Independent Audit, Internal Control System and Internal Audit Activities by the Board of Directors

The Independent Auditor's Report Related to Annual Report

Policies About Corporate Governance

Statement of Compliance with Corporate Governance Principles

Corporate Governance Compliance Report

Corporate Governance Information Form

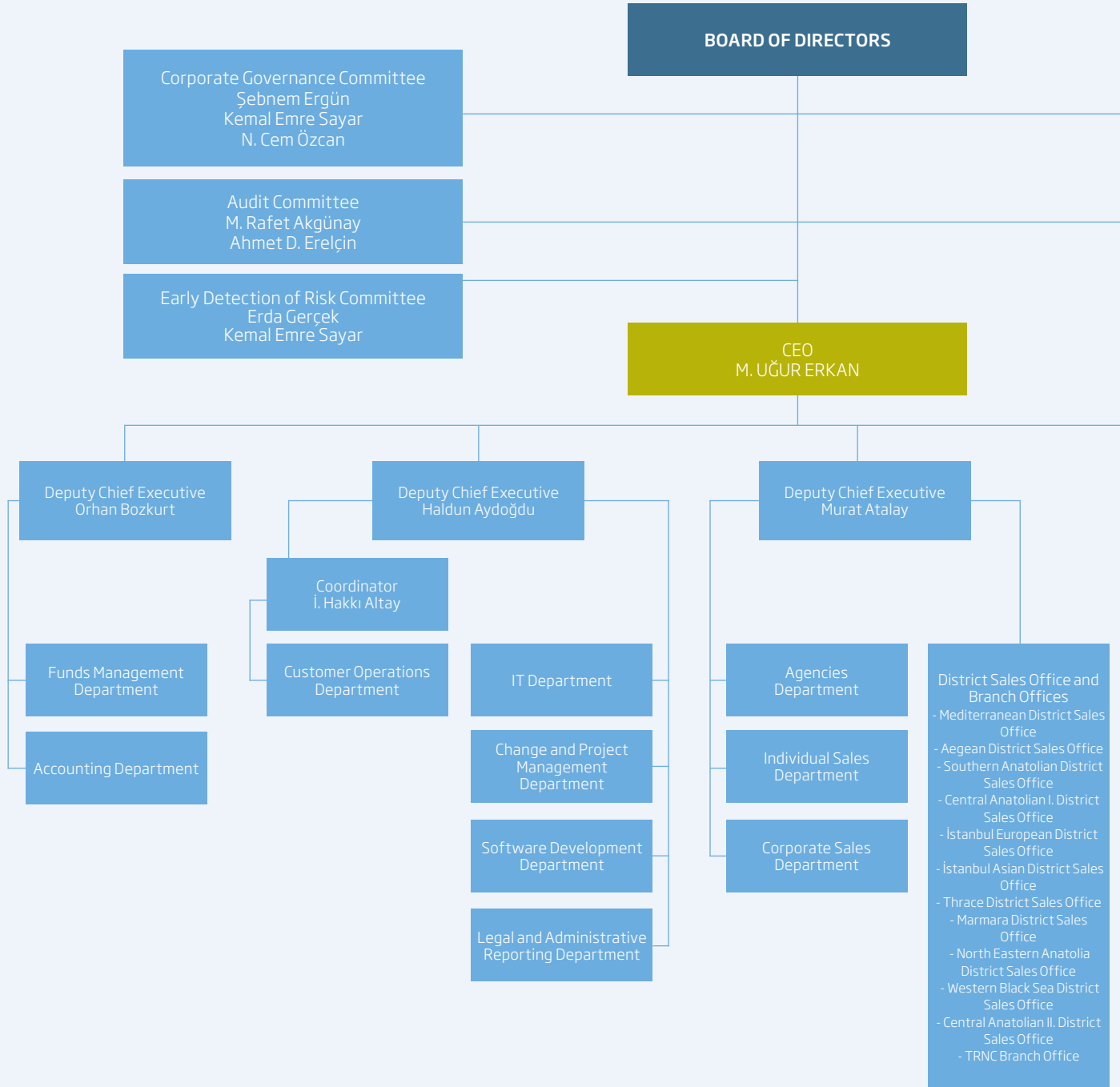
Additional Information About Corporate Governance

*Oya Akkul / Shots from Life as Seen by Women '18*



While fostering its deep-rooted corporate heritage and robust financial structure through innovative practices and investments, Anadolu Hayat Emeklilik continues to adhere to its sustainable profitable growth strategy and creating added value for the national economy through long-term funds.

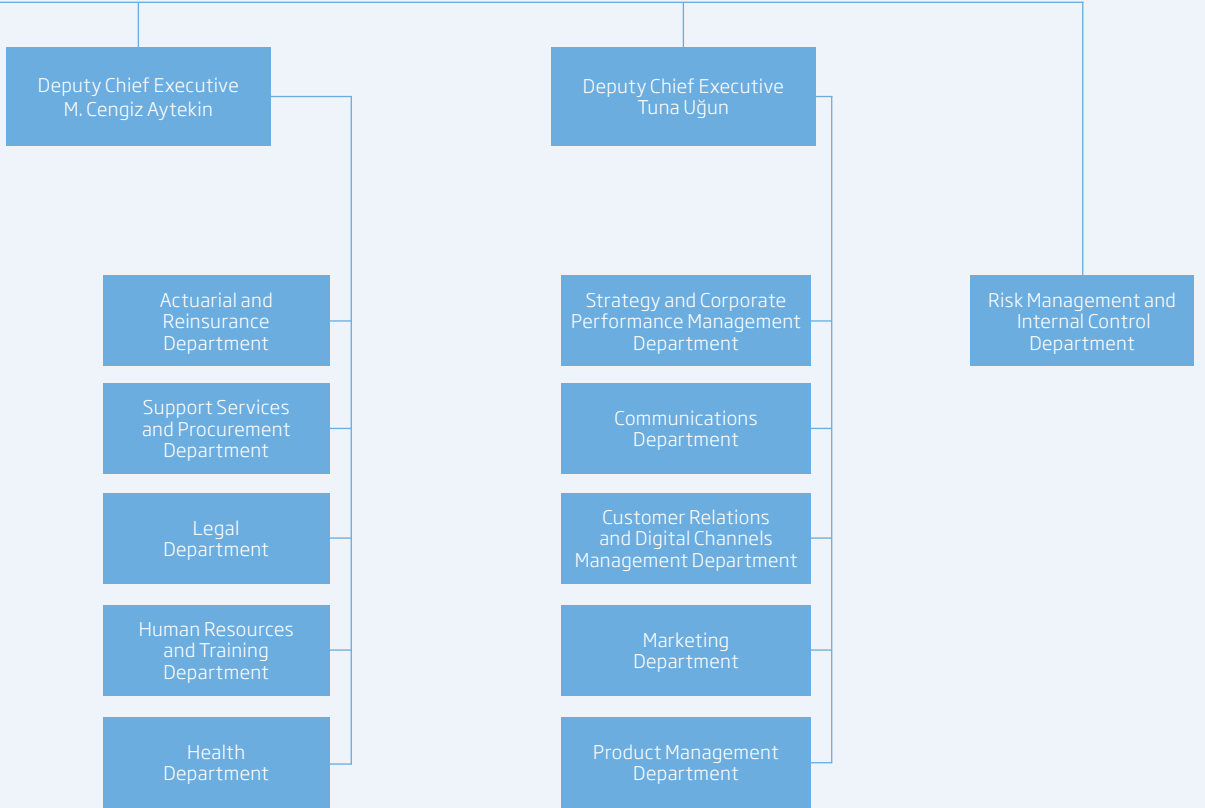
# Organization Chart



\* The Investor Relations Unit reports to Mr. Tuna Uğun, Deputy CEO, effective 19 January 2015.

SECRETARIAT TO THE BOARD OF DIRECTORS

BOARD OF INTERNAL AUDIT  
M. Selahattin Bayraktarođlu



# Board Directors



**Mahmut Magemizoğlu**  
*Chairman of the Board of Directors*

Mahmut Magemizoğlu graduated from Middle East Technical University Faculty of Economics and Administrative Sciences with a degree in Business Administration. He also received a master's degree in Investment Analysis at the University of Stirling (UK). Mr. Magemizoğlu has started his career at İşbank in 1982 as an Assistant Inspector, where he held various positions until 1999 and worked as the Head of the Subsidiaries Department from 1999 until 2005. After serving as İşbank's Deputy Chief Executive between 2005 and 2016 and as Senior Deputy Chief Executive between 2016 and 2018, Mr. Magemizoğlu retired in September 2018. Holding the position of the Chairman of the Board of Directors at Anadolu Hayat Emeklilik since 2009, Mr. Magemizoğlu also serves as the Chairman of the Board of Directors at Milli Reasürans T.A.Ş. and a member of the Board of Directors at Türkiye Şişe ve Cam Fabrikaları A.Ş.



**Hasan Koçhan**  
*Vice Chairman of the Board of Directors*

Hasan Koçhan graduated from Ankara Academy of Economic and Commercial Sciences, Banking Insurance Trade Institution of Higher Education, Banking Department. Beginning his career at İşbank as an Officer in the Maçka/ Trabzon Branch in 1984, Mr. Koçhan was appointed to Bayburt Branch as an Assistant Section Head and served in the same position at Yomra/Trabzon, Bulancak/Giresun and Trabzon Branches. He served as a Sub-Manager and Assistant Manager at the Trabzon Branch. He was appointed as a Branch Manager to Park/ Trabzon, Ordu, Gaziantep and İzmit/Kocaeli Branches. He was elected to İşbank's Board of Directors on 3 November 2008, 31 March 2011 and 28 March 2014. He served as Member of the Credit Committee from 30 May 2011, and retired when he was a member of İşbank's Board of Directors on 31 March 2017. He has been elected a Board Director of Anadolu Hayat Emeklilik on 28 April 2017.



**M. Uğur Erkan**  
*Director & CEO*

M. Uğur Erkan holds a degree in economics from the Faculty of Economic and Administrative Sciences at the Middle East Technical University. He started his career in 1986 as an assistant inspector trainee on the Board of Inspectors of İşbank. He worked as an assistant manager in the Bank's Information Processing Department in 1994, and assistant manager in the Software Development Department from 1995 to 1998, when he was appointed as group head in the same department. Brought to the position of Deputy CEO of Anadolu Hayat Emeklilik on 14 July 2003, Mr. Erkan has been appointed as the CEO of Anadolu Hayat Emeklilik effective 25 July 2014.



**Şebnem Ergün, Attorney at Law and Mediator**  
*Director (Independent)*

Şebnem Ergün received her law degree in 1986 at Ankara University Faculty of Law. After completing her law internship, she started her professional carrier as an Assistant Legal Expert at the Capital Markets Board of Turkey (CMB) in 1988. Later she was promoted to legal expert and senior legal expert posts, respectively and also served as the Deputy Head of the Corporate Finance Department for three years. After her retirement from the CMB in 2008, she started to provide services on her specialized areas such as Capital Markets Law, Corporate Law, M&A and Corporate Finance to publicly traded companies/holdings, companies who intend to go public, Capital Market Institutions, individual and institutional investors as a Legal Consultant and Attorney-at-Law. She was registered in the mediators list of the Ministry of Justice in 2017. She has Advanced Capital Markets Activities License, Corporate Governance Rating License, Real Estate Appraiser License, Derivatives License and Credit Rating License. She has served as a board member of Turkish Capital Markets Association for two periods. She is a member of the Advisory Board of Istanbul Arbitration Center and an independent board member of Gimat Real Estate Investment Company Inc. She has been elected a Board Director of Anadolu Hayat Emeklilik on 26 March 2018.



**Dr. Ahmet D. Erelçin**  
*Director (Independent)*

Dr. Erelçin received his B.A. degree in Business Administration at the University of Istanbul, M.Sc. degree in Accounting & Finance at LSE and his Ph.D. in Business & Economics at Lehigh University. Having 28 years of experience in Turkish Capital Markets, Dr. Erelçin started his career in banking at İktisat Bankası. Dr. Erelçin later worked at Treasury, Investment Banking and Asset Management departments of Garanti Bankası, Interbank and Finansbank. After serving as Demir Yatırım General Manager, Dr. Erelçin was appointed as the General Manager of HSBC Investments in 2000 and served as a member of the Executive Committee of HSBC Turkey in charge of its Brokerage and Asset Management subsidiaries. In 2008, Dr. Erelçin established the Turkish desk of HSBC Principal Investments and invested in Turkish companies utilizing HSBC's equity. During this period, Dr. Erelçin represented HSBC at the boards of its portfolio companies, Havaş and TGS. After ending his active professional career in banking, Dr. Erelçin started lecturing in finance courses at the Graduate Business Schools of Koç and Özyeğin Universities. Dr. Erelçin sits at the Board of Directors of Darüşşafaka Society and its various commissions. He has been elected a Board Director of Anadolu Hayat Emeklilik on 26 March 2018.



**Erda Gerçek**  
*Director (Independent)*

Erda Gerçek holds a degree in economics from Boğaziçi University. Erda Gerçek started his career in the Treasury Department of Citicorp Zurich in 1989, where he later managed the principal-guaranteed products from Swiss and UK pension funds. In 1991, he set up the Global Emerging Markets division at the same group and also worked as Latin America and EMEA strategist. He undertook two secondments to the Hong Kong office as the group's Far East strategist and Chief Investment Officer and was in charge of the Asia Pacific region. In addition to managing the global funds of Citi Asset Management (CAM), he was also the portfolio manager of Korea, Thailand, Greece, Portugal and Turkey in the same period. In 2004, he set up the Group's Hedge Funds. In tandem with his strategist role, he assumed the responsibility for portfolio management, managing and marketing Long-Short Market Neutral and 130-30 products. Within the Citigroup, he gave courses to employees of market and economy regulators and especially central banks of various countries. He also worked as trainer in the group's Management Trainee program. Erda Gerçek currently offers training programs in strategy and global markets in and out of Turkey, provides consultancy services, and teaches in the graduate programs of various universities in Turkey. He has been elected a Board Director of Anadolu Hayat Emeklilik on 24 March 2014.

# Board Directors



**Dr. M. Rafet Akgünay**  
*Director (Independent)*

Dr. Rafet Akgünay holds a degree in public administration from the Faculty of Economic and Administrative Sciences at the Middle East Technical University. After completing a master's degree in the USA, he received a doctorate degree from the Department of International Relations at the Middle East Technical University. He started his professional life as a junior career officer in the Department of Cyprus and Greece Affairs at the Ministry of Foreign Affairs in 1977. He worked in various postings in Nicosia, Tel Aviv and Athens under the Ministry of Foreign Affairs between 1980 and 1985. He then worked as Section Head, Department of International Security Affairs of the Ministry (1985-1987), Faculty Advisor and Senior Turkish Representative in the NATO Defense College (1987-1991), Division Head of Military Affairs, Department of International Security Affairs of the Ministry of Foreign Affairs, Counselor and Deputy Chief of Mission in the Turkish Embassy in Washington DC (1993-1997), Deputy Director General of the Directorate General of Policy Planning under the Ministry of Foreign Affairs (1997-1998), Chief of Staff to the President of the Republic of Turkey (1998-2000), Turkish Ambassador in Beijing (2000-2004), and Chief Foreign Policy Advisor to the Prime Minister and Deputy Undersecretary for Multilateral Political Affairs and International Political Organizations (2005-2008). He held the position of Special Envoy for Countering Terrorism in 2007 and 2008. Following his posting as the Turkish Ambassador in Ottawa from 2008 until 2012, he voluntarily retired. Ambassador (R) Dr. Akgünay works as Advisor to the President and Faculty Member at the Middle East Technical University Northern Cyprus Campus and also serves on the Consultative Council to the President of the Turkish Republic of Northern Cyprus, which was formed to assist the 3<sup>rd</sup> President of the TRNC in the negotiations. Dr. Akgünay has been elected a Board Director of Anadolu Hayat Emeklilik on 24 March 2014.



**Mehmet Celayir**  
*Director*

Mehmet Celayir graduated from İstanbul University with a B.A. degree in International Relations at İstanbul University in 1992. His banking career started in 1996 at İşbank by joining Elaziğ Branch team. After working at various junior and managerial positions at İşbank Mr. Celayir was promoted to the post of Diyarbakır Regional Director of the SME Loans Underwriting Division. In 2013, he was assigned as the Manager of Mersin Commercial Branch until he became the Division Head of the Commercial Banking Sales Division at the Headquarters in 2017. He has been elected a Board Director of Anadolu Hayat Emeklilik on 26 March 2018.



**Serdar Yılmaz**  
*Director*

Serdar Yılmaz received his bachelor's degree in electrical and electronics engineering from the Middle East Technical University in 1995 and his master's degree in 1998. He got an MBA from Bilgi University in 2014. After starting his career as a developer in İşbank's Software Development Department in 1995, he worked as an Application Architect and Project Manager at Softtech from 2004 to 2008. In 2008, he was assigned as an Assistant Manager to IT Architecture and Security Division of İşbank, where he became a Unit Manager in 2009. He functioned as IT Architecture Director until 2012, when he became IT Architecture and Data Management Director. Serving as Data Management Division Head since 30 January 2015, Mr. Yılmaz has been elected a Board Director of Anadolu Hayat Emeklilik on 26 March 2015.





**Kemal Emre Sayar**  
*Director*

Kemal Emre Sayar received his bachelor's degree in industrial engineering from the Middle East Technical University. He then got an MS in Information Technologies in Management from Sabancı University and an MA in Economics and Finance from Boğaziçi University. He started his career as an assistant inspector on İşbank's Board of Auditors in 1999, where he subsequently held managerial positions in various units of the Bank. Currently he serves as a Unit Manager in the Subsidiaries Department of İşbank. Having held seats in the boards of directors of various group companies, Mr. Sayar has been elected a Board Director of Anadolu Hayat Emeklilik on 27 November 2015.



**Hüseyin Emre Yılmaz**  
*Director*

Hüseyin Emre Yılmaz graduated from the Middle East Technical University, Department of Political Science and Public Administration in 1995, and completed the MBA program at the University of Amsterdam in 2013. Having started his career as an assistant inspector on İşbank's Board of Inspectors, Mr. Yılmaz became Keçiören Branch Manager in 2005, Amsterdam Branch Manager in 2006, Cross-Border Banking Unit Manager in 2011, and Bayrampaşa Branch Manager in 2014. Currently serving as Division Head of the Retail Banking Sales Division of İşbank, he has been elected a Board Director of Anadolu Hayat Emeklilik on 12 June 2017.

# Declarations of Independence by Independent Members of the Board of Directors

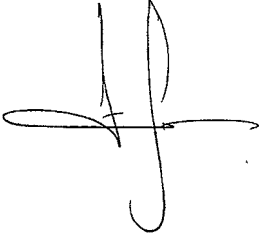
İstanbul, 21 February 2018

To: Anadolu Hayat Emeklilik A.Ş.

Corporate Governance Committee

I hereby declare that I satisfy the criteria of independence pursuant to applicable legislation within the framework of the criteria covered in the Communiqué on the Determination and Implementation of Corporate Governance Principles, and submit my candidacy as an independent member of the Board of Directors for your consideration at the General Assembly to be convened in March 2017.

Yours sincerely,



Erda Gerçek

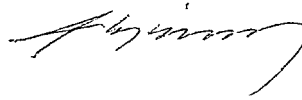
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Yours sincerely,



Dr. Merih Rafet Akgünay

İstanbul, 21 February 2018

To: Anadolu Hayat Emeklilik A.Ş.

Corporate Governance Committee

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Yours sincerely,



Şebnem Ergün, Attorney-at-Law & Mediator

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Yours sincerely,



Dr. Ahmet D. Erelçin

# Outside Positions Held by the Board Directors and Executives

Name	Position in the Company	Outside Positions Held
Mahmut Magemizoğlu	Chairman of the Board of Directors	<ul style="list-style-type: none"> <li>Chairman of the Board of Directors at Milli Re</li> <li>Member of the Board of Directors at Türkiye Şişe ve Cam Fabrikaları A.Ş.</li> </ul>
Hasan Koçhan	Vice Chairman of the Board of Directors	<ul style="list-style-type: none"> <li>Retired</li> </ul>
Mehmet Uğur Erkan	Board Director and CEO	<ul style="list-style-type: none"> <li>Member of the Board of Directors at the Pension Monitoring Center</li> <li>Member of the Life and Pension Management Committee at the Insurance Association of Turkey</li> <li>Member of the Management Committee at the Insurance Information and Monitoring Center</li> </ul>
Şebnem Ergün	Board Director	<ul style="list-style-type: none"> <li>Founder Attorney-at-Law/Mediator at ERGÜN Law Office</li> <li>Advisory Board Member at İstanbul Arbitration Center</li> <li>Independent Member of the Board of Directors at Gimat GYO A.Ş.</li> </ul>
Dr. Ahmet Derviş Erelçin	Board Director	<ul style="list-style-type: none"> <li>Member of the Board of Directors at Darüşşafaka Society</li> <li>Lecturer in the Graduate School of Business / Finance at Koç University</li> <li>Lecturer in the Graduate School of Business / Finance at Özyeğin University</li> </ul>
Erda Gerçek	Independent Board Director	<ul style="list-style-type: none"> <li>Executive at Thales Training and Consultancy</li> <li>Faculty Member at Koç University</li> </ul>
Dr. Merih Rafet Akgünay	Independent Board Director	<ul style="list-style-type: none"> <li>Adviser to the President and Faculty</li> <li>Member at Middle East Technical University TRNC Campus</li> </ul>
Mehmet Celayir	Board Director	<ul style="list-style-type: none"> <li>Division Head at İşbank</li> </ul>
Serdar Yılmaz	Board Director	<ul style="list-style-type: none"> <li>Division Head at İşbank</li> </ul>
Kemal Emre Sayar	Board Director	<ul style="list-style-type: none"> <li>Unit Manager at İşbank</li> <li>Member of the Board of Directors at Anadolu Sigorta</li> <li>Member of the Board of Directors at Milli Re</li> <li>Member of the Board of Directors Topkapı Yatırım Holding A.Ş.</li> <li>Member of the Board of Directors Batı Karadeniz Elektrik Dağıtım ve Ticaret A.Ş.</li> </ul>
Hüseyin Emre Yılmaz	Board Director	<ul style="list-style-type: none"> <li>Division Head at İşbank</li> </ul>
Mustafa Cengiz Aytekin	Deputy Chief Executive Officer	<ul style="list-style-type: none"> <li>Member of the Insurance Law Association of Turkey</li> <li>Legal Committee Vice Chairman at the Insurance Association of Turkey</li> </ul>

# Senior Management

## Executive Board



**Mehmet Uğur Erkan**  
*Board Director and CEO*

He holds a degree in economics from the Faculty of Economic and Administrative Sciences at the Middle East Technical University. He started his career in 1986 as an assistant inspector trainee on the Board of Inspectors of İşbank. He worked as an assistant manager in the Bank's Information Processing Department in 1994, and assistant manager in the Software Development Department from 1995 to 1998, when he was appointed as group head in the same department. Brought to the position of Deputy CEO of Anadolu Hayat Emeklilik on 14 July 2003, Mr. Erkan has been appointed as the CEO of Anadolu Hayat Emeklilik effective 25 July 2014.



**Orhan Bozkurt**  
*Deputy Chief Executive Officer*

He is a graduate of Galatasaray School of Economics and Business Administration of İstanbul Academy of Economic and Commercial Sciences. He started working as an Assistant Inspector at Anadolu Sigorta in 1982. Mr. Bozkurt has been serving as a Deputy Chief Executive Officer at Anadolu Hayat Emeklilik since 12 June 2007.



**Haldun Aydoğdu**  
*Deputy Chief Executive Officer*

He holds a degree in electrical and electronics engineering from the Middle East Technical University. He started working as a Software Specialist at İşbank in 1995, where he functioned as the Software Team Leader (1999-2003), Project Leader (2003-2006), assistant manager in the Operational Solutions Division (2007-2010), and Head of the Micro Services Development Division (2010-2011). He joined Anadolu Hayat Emeklilik as Coordinator on 1 July 2011. Mr. Aydoğdu has been serving as a Deputy Chief Executive Officer since 1 February 2013.

## Coordinator



**İsmail Hakkı Altay**  
*Coordinator*

He got his degree in economics from the Economic and Administrative Sciences Department at Hacettepe University. He began his career as an assistant inspector at Anadolu Hayat Emeklilik on 4 August 1997. He was appointed as inspector (grade 2) at Marmara District Office on 5 April 2004 and as Assistant Manager at the same branch on 1 April 2006. Having been assigned to the Customer Relations and Operations Department on 1 May 2007 and as Manager on 1 April 2009, Mr. Altay has been serving as Coordinator since 9 October 2013.

\* Represents the situation effective 1 June 2018. Our Coordinator Ms. Fatma Demet Işıksaçan resigned from her duty as of 31 May 2018.



**Murat Atalay**  
*Deputy Chief Executive Officer*

Ankara. He holds a degree in statistics from the Faculty of Science at Hacettepe University. He joined İşbank in 1996 as an assistant specialist and functioned as a specialist and manager in various Branch and Head Office divisions. He was a Board Director representing İşbank at Anadolu Hayat Emeklilik from 24 May 2011 until 31 October 2014. Serving as the Head of Retail Banking Marketing Division of İşbank since 2011, Mr. Atalay has been appointed as Deputy Chief Executive Officer of Anadolu Hayat Emeklilik on 1 November 2014.



**Tuna Uğun**  
*Deputy Chief Executive Officer*

He graduated from the Economics Department (in English) at Marmara University. He joined Anadolu Hayat Emeklilik in 1994 as a fund management specialist trainee in the Pension Accounting and Finance Department, where he was promoted to II. manager in the Funds Management Department in 2000. Having started to work in the Private Pension Department, he rose to the position of assistant manager and manager in the same department in 2004 and 2007, respectively. Having served as the Marketing Manager between 2008-2014, Mr. Tuna Uğun has been appointed to the position of Deputy Chief Executive on 29 December 2014.



**Mustafa Cengiz Aytekin**  
*Deputy Chief Executive Officer*

He holds a degree in law from İstanbul University. He joined Anadolu Hayat Emeklilik as a lawyer in 1995. He was promoted to the position of Assistant Legal Counsel in 1999, Legal Counsel in 2004, and Chief Legal Counsel in 2014. Mr. M. Cengiz Aytekin has been appointed as Deputy Chief Executive Officer on 29 December 2014.

## Managers Responsible for Internal Systems

**Mehmet Selahattin Bayraktaroğlu**  
*Head of the Board of Internal Audit*

He holds a degree in Public Administration from the Middle East Technical University, Faculty of Economic and Administrative Sciences. He started working as an Assistant Internal Auditor at Anadolu Hayat Sigorta in 1994. At the İstanbul District Office 2, he functioned as an Assistant Manager between 2001-2006 and then as a Manager from 2006 onwards. Mr. Bayraktaroğlu has been appointed as the Head of the Board of Internal Audit on 12 June 2007, a position he still holds.

**Nilgün Kılıçuzar**  
*Risk Management and Internal Control Department*

She holds a degree in Business Administration from the Middle East Technical University, Faculty of Economic and Administrative Sciences. She started her career at Anadolu Hayat Sigorta as an Assistant Specialist in 1990. After functioning as a Specialist and a Manager in various divisions, Ms. Kılıçuzar has been serving as a Manager at the Risk Management and Internal Control Department since 2011. She also serves as a member of the Anti-Money Laundering/Combating the Financing of Terrorism Committee of the Insurance Association of Turkey.

İşbank, the first national bank of Turkish Republic, was founded on 26 August 1924 at the initiative of Atatürk, consequent to the decisions made in the First Economy Congress in İzmir. İşbank, which has taken a leading stance at every stage of economic and commercial life, assumed various roles in a number of fields, mainly in industry and trade, and made significant contributions through 94 years since its foundation.

As the largest private bank of Turkey in terms of total assets, loans, deposits and shareholders' equity, İşbank provides its customers quick access to financial services through its extensive branch network and alternative distribution channels.

İşbank's superior scale and its competence of service delivery are defined by its excellent and extensive network that consists of:

- 24,570 employees
- 1,333 domestic and 22 international branches
- 6,560 ATMs

Having pioneered the establishment and growth of many new industries in the country with its corporate identity championing innovation in every aspect, İşbank controls a portfolio of equity stakes in leading companies that are active in a wide range of endeavors.

The financial participations operating in a variety of business lines from investment banking to portfolio management and from leasing to private pension make İşbank unique.

Having crowned its trusted company image with its achievements in 2018, İşbank continued to build on product and service diversity offered through alternative distribution channels, and to consistently augment its transaction volumes.

As of 2018 year-end, 31.44% of İşbank's shares are on free float and they are publicly traded on Borsa İstanbul.

# Changes in the Legislation during the Fiscal Year

## Law

- Law no. 7103 Amending Tax Laws and Some Laws and Statutory Decrees has been published in the Official Gazette dated 27 March 2018. The Law set out the state contribution in the amount of TL 1,000 paid to participants by the Institution in the Auto Enrolment System and extension of the withdrawal period up to six months in auto enrolment.

## Regulation

- The Regulation Amending the Regulation on State Contributions in the Private Pension System has been published in the Official Gazette dated 5 December 2018. The Regulation set out the revised practices concerning the initial state contribution, state contribution and additional state contribution paid within the scope of auto enrolment and the matters related to securities in which state contributions will be invested.
- The Regulation Amending the Private Pension System Regulation has been published in the Official Gazette dated 27 December 2018. The Regulation set out the operational processes such as participation in the private pension system, transfer of accumulated funds, exiting the system, and exercising the right of retirement, right of withdrawal and unclaimed monies by right holders under private pension contracts.
- The Regulation Amending the Regulation on the Principles and Procedures of Automatic Enrolment of Employees in a Pension Plan Arranged by their Employers has been published in the Official Gazette dated 27 December 2018. The regulation set out the matters related to automatic re-inclusion of participants that opted out of the system and auto enrolment processes.

## Circular

- The Circular Amending the Private Pension System Circular has been published on 4 December 2018. Provisions concerning the standard fund was obliterated from the Circular and incorporated in the Pension Mutual Funds Guide.
- The Circular Amending the Private Pension System Circular (2018/7) has been published on 27 December 2018. The circular set out the principles for business partnerships to be established by companies within the frame of the contracts to be instituted for auto inclusion of employees in a pension plan and abolished the provisions in the circular governing re-inclusion of employees in the system.

## Communiqué

- Communiqué on the Procedures and Principles regarding Application to Data Controller has been published in the Official Gazette dated 10 March 2018. The Communiqué set out the principles and procedures concerning application to data controllers, and the fees to be charged in case the transaction entails a separate cost.
- Communiqué on the Procedures and Principles to be Complied with During the Fulfillment of the Obligation to Provide Information has been published in the Official Gazette dated 10 March 2018. The Communiqué set out the principles and procedures for the obligation to provide information by data controllers or individuals authorized thereby pursuant to Article 10 of the Personal Data Protection Law.

## Sector Announcement

- Sector Announcement Amending the Sector Announcement Regarding Auto Enrolment Implementation Principles in the Private Pension System (2016/30) has been published on 4 December 2018. The Sector Announcement set out that the articles concerning portfolio limitations for initial funds and the standard fund offered within the frame of auto enrolment be incorporated in the Pension Mutual Funds Guide and be obliterated from the related Sector Announcement. Furthermore, the provision prohibiting more than forty percent of total net asset value of a pension mutual fund offered by a company to be managed by the same company has been abolished.

# Other Material Disclosures Concerning the Reporting Period

## *Disclosures on the Special Audit and Public Audit Conducted During the Reporting Period*

During 2017, T.R. Prime Ministry Undersecretariat of Treasury Insurance Supervision Board conducted a process audit on PPS state contribution transactions and an Auto Enrolment Process Audit. Under the PPS state contribution audit, the practices, processes and transactions in relation to the Company's state contribution payments were examined within the scope of the Regulation on State Contributions in the Private Pension System. Under the Auto Enrolment Process Audit, the Company's practices, processes and transactions in relation to the auto enrolment system were reviewed with respect to their alignment with the system.

The semi-annual independent audits of the Company were performed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

## *Changes to the Articles of Association During the Reporting Period*

None

## *Major Lawsuits Brought against the Company*

There are no major lawsuits brought against the Company during 2018, which might have a potential impact on the Company's financial standing and activities.

## *Penalties and Sanctions against the Company and Board Directors on account of Practices Contradicting with the Provisions of Legislation*

There were no penalties and sanctions of material nature imposed on account of practices contradicting with the provisions of legislation in 2018.

## *Grants and Donations, Expenses Incurred within the Frame of Social Responsibility during the Reporting Period*

In 2018, the Company's grants and donations totaled TL 860 to foundations extending support to education.

## *Information on General Assembly*

All of the resolutions adopted at the Ordinary General Assembly meeting held on 26 March 2018 have been realized.

## *Rights Provided to Board Directors and Senior Executives*

Financial rights and other benefits provided to the Board Directors and senior executives during 2018 are presented below.

### *Financial Rights*

In the fiscal year ended 31 December 2018, wages and similar benefits provided to the chairman and the members of the Board of Directors amounted to TL 1,674,440 and to senior executives such as the CEO and Deputy Chief Executive Officers amounted to TL 4,729,562.

### *Other Means*

Under other means including, among others, business trip expenses, entertainment expenses and insurance premium payments, the Company provided means in kind and in cash worth TL 17,130 to the Chairman and Board Directors, and TL 1,454,422 to senior executives such as the CEO and Deputy Chief Executive Officers.

In addition, an insurance coverage of TL 4,557,960 in total has been defined for senior executives within the frame of term life insurance.



# Transactions Executed with the Risk Group in Which the Company Is Included

During the reporting period, the Company collected TL 27,215,781 (31 December 2017: TL 24,445,898) employer contribution for private pension plans from related parties, and accrued TL 488,432 employer premium for life insurance (31 December 2017: TL 676,779). Other material transactions executed with related parties in the fiscal years that ended on 31 December 2018 and 31 December 2017 are presented below:

	31 December 2018 (TL)	31 December 2017 (TL)
Premiums written, ceded	2,062,570	1,253,605
<b>Premiums written, ceded</b>	<b>2,062,570</b>	<b>1,253,605</b>
Milli Reasürans TAŞ - commission income from reinsurers	428,043	197,281
<b>Commission income from reinsurers</b>	<b>428,043</b>	<b>197,281</b>
Türkiye İş Bankası AŞ - interest income from deposits	26,827,071	15,378,058
Türkiye İş Bankası AŞ - rent income	13,532	11,707
<b>Investment income</b>	<b>26,840,603</b>	<b>15,389,765</b>
İş Portföy Yönetimi AŞ - investment consultancy fee	1,578,429	545,832
İş Portföy Yönetimi A.Ş. - settlement and custody expense	-	848
İş Yatırım Menkul Değerler A.Ş. - settlement and custody expense	161	-
Türkiye İş Bankası AŞ - settlement and custody expense	13,127	21,710
<b>Investment expense</b>	<b>1,591,717</b>	<b>568,390</b>
Türkiye İş Bankası AŞ - commission of policy production	129,724,138	117,784,697
İş Portföy Yönetimi AŞ - portfolio management fee of pension funds	11,721,046	25,255,024
İş Merkezleri Yönetim ve İşletim A.Ş. - building administrative expense	4,761,520	4,072,499
İş Gayrimenkul Yatırım Ortaklığı AŞ - rent expense	7,165,701	5,315,029
İş-Net Elektronik Bilgi Üretim Dağ. Tic. ve İletişim A.Ş. - communication expense	1,549,714	1,236,218
Erişim Müşteri Hizmetleri A.Ş. - call center service expense	15,536,857	13,139,698
Softtech Yazılım Teknoloji Araştırma Geliştirme ve Pazarlama Ticaret A.Ş. - software support expense	51,273	99,250
Türkiye İş Bankası AŞ - commission of premium collection and banking services	1,156,304	1,073,092
Türkiye İş Bankası AŞ - fund operation service expense	2,244,531	1,565,093
Türkiye İş Bankası AŞ - rent expense	291,741	377,639
İş Portföy Yönetimi A.Ş. Birinci Gayrimenkul Yatırım Fonu - rent expense	371,679	-
Anadolu Anonim Türk Sigorta Şirketi - premium paid	4,015,374	4,130,362
Anadolu Anonim Türk Sigorta Şirketi - rent expense	283,995	244,682
<b>Other expenses</b>	<b>178,873,873</b>	<b>174,293,283</b>

# Transactions Executed with the Risk Group in Which the Company Is Included

The related party balances as at 31 December 2018 and 2017 are as follows:

	31 December 2018 (TL)	31 December 2017 (TL)
Türkiye İş Bankası A.Ş. - receivables from credit card collections	188,935,962	193,102,910
<b>Cash and cash equivalents</b>	<b>188,935,962</b>	<b>193,102,910</b>
Türkiye İş Bankası A.Ş. - bank deposits	137,493,170	220,572,922
<b>Cash at banks</b>	<b>137,493,170</b>	<b>220,572,922</b>
Anadolu Anonim Türk Sigorta Şirketi - premium receivable	25	-
<b>Payable from main operations</b>	<b>25</b>	<b>-</b>
Türkiye İş Bankası A.Ş. - commission payables	11,671,942	11,261,367
Milli Reasürans T.A.Ş. - premium payables	543,781	461,578
<b>Payable from main operations</b>	<b>12,215,723</b>	<b>11,722,945</b>
Türkiye İş Bankası A.Ş. - settlement and custody commission	-	5,010
Anadolu Anonim Türk Sigorta Şirketi - premium payables	137,069	57,577
<b>Payables to shareholders</b>	<b>137,069</b>	<b>62,587</b>
İş Portföy Yönetimi A.Ş.	2,597,677	7,857,440
İş Merkezleri Yönetim ve İşletim A.Ş.	306,778	193,147
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	128,938	-
İş-Net Elektronik Bilgi Üretim Dağ. Tic. ve İletişim A.Ş.	32,068	35,474
Erişim Müşteri Hizmetleri A.Ş.	1,366,737	1,108,045
Softtech Yazılım Teknoloji Araştırma Geliştirme ve Pazarlama Ticaret A.Ş.	3,815	-
<b>Other payables</b>	<b>4,436,013</b>	<b>9,194,106</b>

The conclusion of the Associated Company Report 2018, which is prepared pursuant to Article 199 of the Turkish Commercial Code no 6102, is copied below:

“Between our Company and our controlling shareholder İşbank or other Group Companies affiliated to İşbank, there is:

- No transfer of receivables, payables or assets,
- No legal transaction creating liability such as providing suretyship, guarantee or endorsement,
- No legal transaction that might result in transfer of profit.

All legal transactions with the controlling company and group companies affiliated thereto during the 2018 operating year have been carried out on an arm’s length basis, according to the terms and conditions known to us, and necessary counter-performances have been provided, and the Company did not register loss.”

# An Assessment of Independent Audit, Internal Control System and Internal Audit Activities by the Board of Directors

## *Independent Auditor*

Periodic financial reports are prepared within the framework of current laws and regulations and insurance accounting standards in such a way as to show the Company's true financial standing. Such reports are independently audited and publicly disclosed as prescribed by law.

The Company's independent auditor is rotated at regular intervals. In this respect, the Company abides by the provisions of the "Regulation on Independent Auditing in Insurance, Reinsurance and Pension Companies" dated 12 July 2008 and numbered 26934.

External audits at our Company are performed on an entirely independent basis and its external auditors operate completely within the framework of truthfulness, professional honesty, and candor and without any involvement in a conflict of interest whatsoever. No payments are made to any independent auditor in our employ other than such fees as are reasonable in light of existing market conditions.

The factors that strengthen the independence of firms from which we obtain independent auditing services are: the existence of an Audit Committee, the possession of an effective accounting and internal audit system, and adherence to rules of ethics that give importance to truthful public disclosure of company-related matters.

## *The Board of Internal Audit*

The Board of Internal Audit carries out its activities within the frame of the Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies that was published in the Official Gazette issue 26913 dated 21 June 2008. The Board reports directly to the Board of Directors and is organized independently in administrative terms.

The Internal Audit Plan and Schedule of the Board of Internal Audit is developed within the frame of the Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies, and enters into force upon its approval by the Board of Directors. In this context, the Board of Internal Audit reports on all Headquarters units, district sales offices and branches at least once a year, and on all agencies at least once in every three years. In addition to these auditing activities, investigations and reviews are conducted, as well as process audits.

In 2018, 22 headquarters units, 11 district sales offices and 1 branch adding up to 34 units in total were audited. In addition, 3 process audit and 2 investigation reports were issued. Auditing of agencies continued during 2018, and 117 agencies were audited in this frame. Reports resulting from audits have been submitted to the Board of Directors.

In 2018, the Board of Internal Audit was staffed by 9 inspectors and 5 assistant inspectors. To support their professional development and to expand their professional knowledge, the Company facilitated participation of the members of the Board of Internal Audit in various training programs. Revisions and updates are made as necessary to ensure alignment of the auditing activities and the resulting audit reports with the "International Standards for the Professional Practice of Internal Auditing" and current conditions.

The Board of Internal Audit has made it a mission to contribute value to the Company's activities, while increasing efficiency and productivity, as well as to provide independent and objective assurance to the Company's Senior Management that the Company's activities are carried out in accordance with the Law, other applicable legislation, internal strategies and policies. In addition, the Board carries on with its activities to train and gear up the managers for the Company in the long run through investments made into the human resource.

# An Assessment of Independent Audit, Internal Control System and Internal Audit Activities by the Board of Directors

## *Risk Management and Internal Control Department*

Risk Management and Internal Control Department conducts its activities within the frame of the "Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies" published in the Official Gazette issue 26913 dated 21 June 2008. The Department reports directly to the CEO.

It is intended to have a control system which enables due and effective management, mitigation and control of the risks involved in the Company's activities and which is structured to cover all operations of the Company. The system is designed to encompass the principles, standards, legislation, methods, procedures and guidelines that all employees at any level are responsible for fully, accurately and efficiently abiding by and implementing, as well as risk mitigating systems, facilities, mechanisms and all similar elements. In this framework, operational activities and risk elements at the Company are evaluated and priority is given to compliance efforts. New products and new implementations put on the market are reviewed, and subjected to risk assessments and compliance checks.

Efforts are spent to make sure that the internal control system that make up the control functions of the Company and encompasses all the units is kept in compliance with the legislation and standards, and efficient with respect to its structure and operation. The basic strategy turned towards these goals is to conduct internal control activities independently, productively and effectively based on a risk-focused approach and within the frame of applicable legislation and internationally accepted principles and standards.

The control system aimed at the activities carried out by the Company units basically consists of the following: compliance and conformity controls, tangible asset controls, review of adherence to limits set by the Company and tracking limit overruns, controls pertaining to the approval and authorization system, inquiry and reconciliation controls, controls for information and communication systems, controls for the financial reporting systems, and controls for communication channels.

Reports covering internal control activities and risk monitoring, assessment and management activities is submitted to the Board of Directors at regular intervals.

The Department had 7 members during 2018. The employees were provided with training opportunities to enhance their professional development and expand their knowledge.

# Independent Auditor's Report on the Annual Report of the Board of Directors



**Güney Bağımsız Denetim ve SMMM A.Ş.**  
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(Convenience translation of a report originally issued in Turkish)

To the Shareholders of Anadolu Hayat Emeklilik Anonim Şirketi

## 1) Opinion

We have audited the annual report of Anadolu Hayat Emeklilik Anonim Şirketi ("the Company") for the period of January 1 - December 31, 2018.

In our opinion, the consolidated and unconsolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Company are presented fairly and consistent, in all material respects, with the audited full set consolidated and unconsolidated financial statements and the information we obtained during the audit.

## 2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 3) Our Auditor's Opinion on the Full Set Financial Statements

We have expressed an unqualified opinion in our auditor's report dated January 31, 2019 on the full set consolidated and unconsolidated financial statements of the Company for the period of January 1 - December 31, 2018.

## 4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC"), the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB") and the Communiqué on Individual Retirement Saving and Investment System" ("Communiqué") issued on 7 August 2007 dated and 26606 numbered, the management of the Company is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated and unconsolidated financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

# Independent Auditor's Report on the Annual Report of the Board of Directors

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Company,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

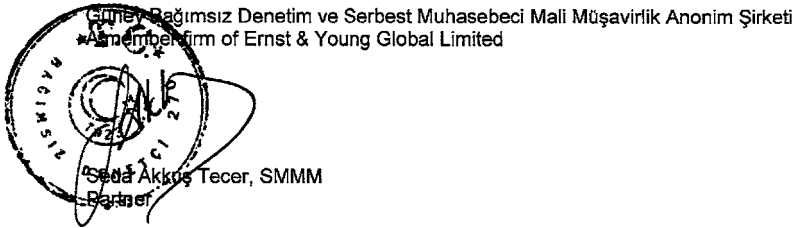
When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

## 5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Company's audited consolidated and unconsolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated and unconsolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated and unconsolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.



February 26, 2019

İstanbul, Turkey

# Policies About Corporate Governance

## DISCLOSURE POLICY

### Disclosure Policy General Framework:

Anadolu Hayat Emeklilik (the Company) satisfies all kinds of financial data and other disclosure and information provision requirements as stipulated by the Capital Market Legislation, the Turkish Commercial Code and other applicable legislation, and in particular by the Insurance Law, Private Pension Savings and Investment System Law and regulations issued thereunder. In doing that, the Company also takes into consideration the generally accepted accounting principles and corporate governance principles. Within this context, the Company pursues a detailed information and public disclosure policy.

The main purpose of the Disclosure Policy is to ensure that necessary information and disclosures apart from trade secrets are conveyed equally to shareholders, investors, employees, customers, creditors, reinsurers and other related parties in a manner that is timely, accurate, complete, intelligible, interpretable and easily accessible at low cost.

Our Company has embraced an active approach with respect to the adoption and implementation of Corporate Governance principles, and spends maximum effort to satisfy the requirements of applicable legislation and to implement international best practices in respect of public disclosure and information provision. The Company's Disclosure Policy that has been developed accordingly was prepared within the framework mentioned above, approved by the Board of Directors, and put into implementation.

For public disclosure purposes, our Company makes use of the Public Disclosure Platform (PDP), Central Registry Agency e-Company, Electronic General Meeting System (e-GEM), national/local newspapers, the Turkish Trade Registry Gazette (TTRG) and the Company's corporate website.

### Authority and Responsibility

The Disclosure Policy has been developed by the Board of Directors. At our Company, the Board of Directors has the authority and the responsibility for developing, monitoring, overseeing and enhancing the public disclosure and information policy. The Investor Relations Unit is assigned with the coordination of the disclosure function. The employees in the said unit perform these responsibilities in a coordinated fashion with the Audit Committee, Corporate Governance Committee and the Board of Directors.

### Public Disclosure Activities, Methods and Tools

The tools and methods employed for public disclosure within the frame of the Turkish Commercial Code, Insurance Legislation, Private Pension Legislation, Capital Markets Legislation and other applicable legislation are provided below:

- Quarterly financial statements, drawn up in accordance with the legislation published by the T.R. Prime Ministry Undersecretariat of Treasury and the Capital Markets Board of Turkey (CMB), the footnotes and explanations in

relation to relevant financial statements, and independent auditor's reports drawn up at mid-year and year-end are published within statutorily prescribed periods of time on the Public Disclosure Platform (PDP) and on the Company website. The related financial statements, along with a statement as to their accuracy and fairness, are signed by the members of the Audit Committee and the Company managers responsible for financial management and reporting. In press releases given in addition to the financial statements disclosed on a quarterly basis, the public is informed about the activities in the relevant period, the Company's position in the market, its overall financial performance and other material matters. Press releases, as well as related financial statements are published on the website. Our financial statements (Balance Sheet and Income Statement) are translated into English at quarterly intervals, and our annual report is translated into English on an annual basis, both of which are posted on the Company website.

- The Company makes notifications electronically to the T.R. Prime Ministry Undersecretariat of Treasury on behalf of the public authority on a monthly basis, and to the Insurance Association of Turkey on a quarterly basis.
- Material event disclosures required to be made under the CMB legislation are announced on PDP within due time. Material event disclosures are, in principle, signed by the managers responsible for financial management and reporting; however, they are also signed in exceptional cases by the managers in charge of the units concerned with a given topic before being submitted to related authorities. Material event disclosures are also announced on the Company website the day after the public disclosure at the latest.
- In order to guarantee the confidentiality of material events until their disclosure, individuals with access to inside information are informed about their responsibilities arising from the applicable legislation, and a confidentiality article is incorporated, as and when necessary, in contracts concluded with individuals and organizations which may have access to inside information by reason of providing a certain service to the Company. On the other hand, the Company meticulously observes its legal obligation for keeping the Company's and customers' secrets and for not divulging the same to legally and explicitly authorized authorities as per the Insurance Law no. 5684 and the Private Pension Savings and Investment System Law no. 4632. This obligation applies to the Company support services providers and their employees, as well as the Company's own employees.
- Relevant provisions of applicable legislation and the Articles of Association are adhered to in announcements and disclosures regarding amendments to the Articles of Association, General Assembly meetings, capital increases, dividend distribution, year-end financial statement and footnote notifications. Documents and

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information related to the General Assembly are conveyed to the shareholders also via the Electronic General Meeting System pursuant to the provisions of the Turkish Commercial Code.

- The Annual Report is prepared every year before the General Assembly Meeting in accordance with the requirements under applicable legislation, in a manner to cover the necessary information and explanations and made available for examination by shareholders, is published on PDP and the corporate website (in Turkish and English), and the hard copy report is available upon request from the Investor Relations Unit of our Company.
- Regular contacts and meetings with the media are not envisaged; statements are made via the press and visual media when deemed necessary or when requests from media representatives are to be responded. Press statements to the printed and visual media can be made by the Chairman of the Board, the CEO or his deputy and other officials to be deemed appropriate thereby.
- Company-related news featured in the press and media in Turkey are followed up via a professional media-monitoring agency. Within this framework, in case of a necessity to make a statement within the scope of the legislation governing public disclosure of material events, necessary information is gathered from the related units upon which relevant statement is made. When making a statement about news and rumors that are featured by the press/media and/or the Internet, but which do not give rise to the obligation to make a material event disclosure as per the applicable legislation, the method and content of the statement are determined in view of some factors including the nature of the news, the expanse of the audience reached by the press/media organ, and whether the news affects the Company's reputation. In cases when statements are made regarding such news and rumors, in the event that the content of the statement incorporates an element requiring a public disclosure, a material event disclosure is also made in line with the provisions of the applicable legislation relevant to the subject. The Company is entitled to take necessary legal action in the event that the news covered constitutes a crime according to Article 35 of the Insurance Law and Article 23 of the Private Pension Savings and Investment Law, both of which relate to protection of reputation.
- Information is communicated to shareholders and other related parties through teleconferences organized from time to time. These teleconferences are coordinated by the Investor Relations Unit.
- Through domestic and overseas investor meetings and roadshows, information is conveyed to shareholders and other related parties. The CEO, to the extent possible, managers responsible for financial management and reporting and Investor Relations Unit manager participate in these meetings and roadshows carried out by the

Investor Relations Unit. When deemed necessary, the contact teams mentioned above can be expanded further.

- Presentations and reports made available in investor conferences, roadshows and press meetings are posted under the Investor Relations sections on the Company's corporate website in order to provide equal information simultaneously to all market participants.
- The Investor Relations Unit provides relevant information and financial statements in particular to shareholders, domestic and foreign investors and institutions issuing research reports about our Company via email.
- Detailed information and data about the Company are posted under the Investor Relations tab on the corporate website at [anadoluhayat.com.tr](http://anadoluhayat.com.tr) in a format that is in accordance with the corporate governance profile. Relevant components are monitored and kept up-to-date by the Investor Relations Unit. The Investor Relations Unit handles the necessary coordination for responding to all kinds of questions directed by the shareholders and other related parties via electronic mail, post, phone, etc. as soon as possible.

## Other Notifications

Notifications other than the ones described above are publicly disclosed after being signed as appropriate according to the powers set forth in the Company's list of authorized signatures.

## Forward-Looking Evaluations

In case of public disclosure of forward-looking evaluations that may affect investors' decisions, the Board of Directors shall make a public disclosure upon approval of the CEO or the individuals authorized by the CEO through the Public Disclosure Platform, in the annual reports or employing other methods specified by the legislation. In case of significant differences between the matters disclosed to the public previously and the actualizations, disclosure shall be made if necessary under the applicable legislation.

## Identification of Individuals Having Administrative Responsibility

The criteria employed when identifying the individuals with administrative responsibility include the roles such individuals assume within the Company organization and the content of information such individuals have access to. Within this context, in addition to the members of the Board of Directors, the CEO, Deputy CEOs and Coordinators, the managers of the units having access to information about the entirety of the Company and units authorized to make administrative decisions with a macro influence upon various elements including composition of assets and liabilities, profit and loss, cash flow, strategic goals etc. have been identified as individuals with administrative responsibility. Anadolu Hayat Emeklilik A.Ş. Corporate Website ([anadoluhayat.com.tr](http://anadoluhayat.com.tr)) is actively and heavily used for information provision and public disclosure purposes. The



website covers the information and data as required by the Corporate Governance Principles and regulatory authorities. Care is taken to keep the website up-to-date at all times.

Pursuant to the provisions of the Turkish Commercial Code governing websites, the e-COMPANY platform, which is set up under the Central Registry Agency and which can be reached through the link under the "Information Society Services" tab on the Company website, is also used for communications with shareholders. The documents defined in the relevant legislation can be accessed through the said platform as well.

### **DIVIDEND PAYMENT POLICY**

The Company's dividend distribution principles applicable to shareholders and other persons participating in the profit are governed by the provisions of the Turkish Commercial Code, Capital Market legislation, other legislation governing our Company, and our articles of association.

The dividend payment proposals that the Board of Directors submits to the General Assembly of Shareholders are prepared in a manner to preserve the delicate balance between shareholders' expectations and the Company's need to grow, taking into consideration the future expectations regarding the Company's activities, capital adequacy targets and the conditions prevailing the capital markets, as well as the Company's profitability.

The Board of Directors has adopted a dividend payment policy that is based on proposing to the General Assembly of Shareholders that at least 30% of net distributable profit out as free shares of stock and/or in cash.

There are no preferred stocks in the Company's profit distribution.

There are no founder's shares nor is it a Company practice to give shares of profits to members of the Board of Directors.

As required by our articles of association, a maximum of 3% of the total amount remaining after the first dividend has been set aside is paid out to our employees as their share of the profits, subject to a cap of three monthly salaries. Cash dividend payouts are made until no later than the end of the second month following the date of the General Assembly Meeting in which the dividend distribution decision is adopted. Dividend distribution in the form of dematerialized shares takes place following legal permissions.

Advances on dividends may be paid subject to the principles and procedures set out in the Capital Market legislation.

### **REMUNERATION POLICY**

#### **1. The Purpose and Scope of the Policy**

The main purpose of Anadolu Hayat Emeklilik A.Ş. Remuneration Policy is to ensure that the Company's remuneration-related practices are planned, executed and managed in alignment with the applicable legislation, the scope of the Company's activities, its structure, strategies, long-term goals and risk management structures, in a

manner that precludes excessive risks and based on active risk management and so as to be linked to the performance of the Company and its employees.

The Policy covers the Company's managers and employees at all levels in respect of remuneration management.

#### **2. Basic Principles and Fundamentals Related to Remuneration**

The basic principle is to make sure that the remuneration to be paid to the Company's managers and employees at all levels is compatible with the Company's ethical values, internal balances, strategic goals, and the employees' performances, and must not be related solely to the Company's short-term performance.

Incentive payments are determined according to objective criteria without guaranteeing their amounts in advance and by taking also the long-term reflections of the tasks performed into consideration, and in a manner to positively impact the Company's corporate values.

Remunerations to be paid to the managers and employees of units within the scope of internal systems are determined in view of the related employees' performance in their respective functions, independently from the performance of the operational unit that they are auditing or overseeing or controlling.

Necessary action is taken in relation to the remunerations of those who are established to have jeopardized the Company's safe operation by reason of their activities or who are established to be responsible for the deterioration of the Company's financial structure.

Care is taken to make sure that neither the Remuneration Policy nor remuneration practices thereunder incorporate incentive systems that will injure the interests of shareholders, employees and/or customers.

#### **3. Duty and Responsibilities**

The Company's Board of Directors has the ultimate authority and responsibility for effective execution and management of the Company's remuneration practices within the frame of applicable legislation and this Policy. The Board of Directors assures the efficiency of the Policy by reviewing the same at least once a year.

Within the framework of the Policy, the Company's remuneration practices are monitored and audited by the Corporate Governance Committee under the Board of Directors on behalf of the Board of Directors. In addition, the said Committee communicates its assessments and suggestions to the Board of Directors.

Duties and activities related to the preparation, publication, updating, effective implementation and follow-up of the procedures for the Company's implementation principles and procedures related to remuneration within the frame of applicable legislation and this Policy are carried out, managed and coordinated by the Human Resources and Training Department. Other Departments of the Company

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and branches fulfill their duties within this scope in coordination with the Human Resources and Training Department as well.

## 4. Enforcement

This Policy enters into force as of 29 February 2012. Any amendments and updates to be subsequently made to the Policy in connection with the then-current conditions shall come into force upon the approval of the Board of Directors.

## HUMAN RESOURCES POLICY AND PRACTICES

Our Company defines and conducts its human resources policy in light of our country's social, cultural, and economic conditions and the following principles:

In recruitment, the Company espoused the principle that individuals are to be given equal opportunity under identical conditions. Hiring criteria are set forth in writing for each job position and are strictly complied with in practice.

Job descriptions and assignments and performance criteria are determined by the Company management and announced to employees.

When making training, assignment, and promotion decisions, particular care is taken to making use of objective data and to observing the Company's best interests, to the maximum extent possible.

Training plans are developed and training policies are formulated in an effort to help our employees improve their knowledge and skills.

Our Company's employees are members of the Labor Union of Bank-Finance and Insurance Companies. Any decisions or developments concerning them are communicated to the employees or their representatives, and the opinion of the said union is sought in such decisions.

The Company provides a working environment and working conditions that are safe and efforts are undertaken to improve these conditions depending on social and technological requirements.

Our employees are kept informed on decisions made or developments that occur concerning them.

Measures are taken to prevent discrimination among employees based on race, religion, language, or sex; create a working environment that is respectful of human rights; and prevent all physical, mental, and emotional abuse within the Company.

It is not deemed appropriate to appoint a representative to handle relations with our employees.

Succession planning is made to identify the new managers to be appointed in cases where it is predicted that changes in a managerial position will cause hitches in the management of the Company.

Launched for the purpose of increasing the efficiency of internal communication, the Company's corporate portal is used to share the current announcements, insurance and private pension legislation, and supplementary references with our employees.

Our union representative employees play an important role in the handling of relations between our Company and our employees. On the other hand, matters our employees wish to be covered in the collective agreement are gathered from all employees in writing, and considered during the agreement process.

No complaints have been received on account of discrimination among Company employees.

The provisions of the suggestion system regulation are applied to promote Company employees' creative ideas about the company activities and practices, collect and evaluate individual ideas, and to appreciate and reward those deemed successful.

The general principles and criteria of human resources practices, recognized by our Company are specified below.

## Hiring Practices

The general principles and criteria adhered to by Anadolu Hayat Emeklilik are:

- Be a citizen of Turkey.
- Be at least 18 and not more than 30 years of age.
- Have completed any active military service obligations if applicable or have obtained a deferment.
- Not have been deprived of their civil rights.
- Never have been convicted of any of the offenses specified in insurance and private pension system law, whether or not officially pardoned.
- Be healthy enough to work and travel anywhere in Turkey.
- For janitorial positions, hold at least a high-school diploma. For white-collar positions, be a graduate of at least a two-year vocational school as defined in the applicable legislation, or of four-year faculties.
- Be under no service obligation to any government agency or private concern.
- Successfully pass the qualifying examination and/or interview for the position being hired into.

## Job Applications

Whenever vacant positions are available, they are announced on the Company's internet website. Applications for such positions may be submitted by mail, by fax, in person, and from the website. All applications that are received are placed in a single pool. The Company's Human Resources and Training Department is responsible for receiving all job applications, conducting written and/or oral exams, announcing exam results, and all other recruitment-related matters.

### Progression

Advancement to positions in our Company's organizational structure (manager, assistant manager, 2<sup>nd</sup> manager, service chief, assistant service chief, clerk, specialist, assistant specialist, internal audit, and assistant internal audit) is governed by the Company's related bylaws. The following general principles apply to all advancements. To be promoted to a higher position:

- the employee must have served for the minimum periods of time specified by headquarters in his current position;
- the employee must have earned a good performance score substantiating his promotion;
- there must be a vacancy to which the employee can be promoted;
- the employee must have successfully completed whatever course, examination, thesis, project, or similar qualifying requirements that the Company requires for the position.

### Performance Management

Performance appraisal system is in place at the Company in order to measure the individual contribution of each employee in supporting the Company towards achievement of its corporate objectives. In this frame, all company employees are evaluated once a year.

The performance appraisal system aims to establish objective criteria for the employees' career progressions and to determine their training needs.

### Job Security

Job security for our employees is provided under a collective bargaining agreement arrangement between the Company and BASİSEN (Labor Union of Bank-Finance and Insurance Companies).

### Wage Policy

Employees' salaries are adjusted annually in accordance with current conditions and as specified in a collective bargaining agreement that is renewed every other year. Salaries and bonuses are paid on the last day of each month. In addition to salary and bonuses, personnel are entitled to a broad range of fringe benefits such as health insurance coverage, employer's contributions to the private pension system on the employee's behalf, personal life insurance, and company-provided transportation and lunchtime meals,

Anadolu Hayat Emeklilik A.Ş. personnel compensation policy has been developed based on Article 14 of the Labor Law no. 1475, Article 17 of the Labor Law no. 4857, and the collective bargaining agreement in force. Within this framework;

- Severance Pay is paid to employees with the tenure of service as stipulated in the Labor Law no. 1475, whose employment contract ends as a result of one of the cases

specified in the Law, taking into account the term of service, either to the employee himself/herself, or to his/ her legal heirs, in case of death;

- According to the collective bargaining agreement, the amount of the severance pay (which must not exceed the maximum amount in the Labor Law) is paid on the basis of 60 days for each full year that has passed if the employment contract ends due to disability, old age and entitlement to pension, or death, and on the basis of 45 days for each full year in case of entitlement otherwise.

- Based on Article 17 of the Labor Law no. 4857, the employee is notified that his/her employment contract will be terminated and he/she is either given leave for looking for another job in the number of days stipulated by the law depending on his/her tenure, or is paid a Notice Pay in cash, which will cover the period of time until the end of the notice period.

### Training

#### AHE Academy

The Company set up the AHE Academy in order to systematize the training and development activities directed towards our employees, by incorporating the cultural aspect as well. Through the AHE Academy, the Company invests in its human capital and aims to make the customer-focused culture permanent. Anadolu Hayat Emeklilik supports its employees' professional and personal development, offers various activities that are aligned with their career paths and aim to equip its employees so as to enable them to look from different perspectives.

#### Training Programs

Company employees are provided with in-house and extramural training opportunities to foster their professional and personal development. National and international resources are made use of for these training programs. When personnel are first hired, they are put through an orientation program and given training in basic insurance and private pension system issues. After this and for the rest of their careers, training is provided so that they have all the knowledge and skills they may need for whatever position they may be filling. The annual training programs are designed with the primary goal of building on employees' competencies and preparing them as necessary for their future positions.

# Statement of Compliance with Corporate Governance Principles

Our Company believes that compliance with corporate governance principles is at least as important as its financial performance and that such compliance is of great benefit from the standpoints both of the development of national and international capital markets and of the advancement of our own company's interests.

Pursuant to the Corporate Governance Communiqué no. II-17.1 published in the CMB Bulletin no. 2/49 dated 10 January 2019, Corporate Governance Compliance Report (CRF) and Corporate Governance Information Form (CGIF) were publicly disclosed three weeks before the date of the General Assembly meeting.

Under the said legislation, the CRF prepared to report the level of compliance with optional principles and the CGIF prepared to provide information about the existing corporate governance practices are presented in the following sections.

The letter "X" was used to indicate the Company's level of compliance in the Corporate Governance Compliance Report template, and necessary explanations were provided within the scope of Article 8 of the Corporate Governance Communiqué no. II-17.1 for all answers given, save for those answered as "Yes".

Pursuant to the principles that are not yet implemented by our Company as explained in the CRF and also hereinbelow, no conflicts of interest arose between the stakeholders to date. The Company management targets to work towards achieving maximum compliance with the principles that are not yet implemented, which situation is of an exceptional nature.

## **Compulsory Principles**

There are no principles that are not implemented by our Company, which are compulsory to be implemented under the Corporate Governance Communiqué no. II-17.1. (It is planned to incorporate the point that the remuneration to be paid to Board members in a given period is determined by a resolution of the General Assembly and that no other payments are made thereto also in the Compensation Policy within the scope of the Corporate Governance Principle no. 4.6.2).

## **Non-Compulsory Principles That are not Covered in the Corporate Governance Compliance Report**

In the context of Corporate Governance Principle no. 1.3.10, information is provided to shareholders during the General Assembly under a dedicated agenda item about the amounts and beneficiaries of all charitable donations and grants made during the reporting period. In addition, the maximum amount of charitable donations envisaged to be made in the current fiscal year is also laid down for the approval of the General Assembly of Shareholders. While we do not have a charitable donations policy approved by the General Assembly, these activities are carried out within the frame of the Charitable Donations and Grants Regulation that has been approved by the Board of Directors. The Company management is considering to develop the said Policy.

In the context of the Corporate Governance Principle no. 3.1.2, effective and speedy indemnification is available in the event of violation of the stakeholders' rights that are protected by the legislation and contracts. The Company takes the necessary steps for the use of mechanisms such as compensation provided to stakeholders in the applicable legislation. The corporate governance structure of the Company allows, and safeguards the right of, all stakeholders to convey their concerns regarding any illegal or unethical transaction to the Corporate Governance Committee or the Audit Committee. These matters are addressed in the section titled "Keeping Stakeholders Informed" of the annual report. Comprehensive information about the indemnification payments to be made to Company employees is provided on our corporate website, in the section titled "Human Resources Policies and Practices" of the annual report, and in the Collective Agreement. The Company management is considering to compile the relevant information under the heading "Indemnification Policy".

Our articles of association do not contain any provisions stipulating:

- Exercise of the request for appointment of a special auditor as an individual right (Article 1.2.1),
- Participation of stakeholders in the management of the Company (Article 3.2.1),
- Expansion of the scope of minority rights beyond the provisions of applicable legislation (Article 1.5.2)

Furthermore, minority rights are not represented on our Board of Directors.

# Corporate Governance Compliance Report

Corporate Governance Compliance Report	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS</b>						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X	-	-	-	-	
<b>1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION</b>						
1.2.1- Management did not enter into any transaction that would complicate the conduct of special audit.	X	-	-	-	-	
<b>1.3. GENERAL ASSEMBLY</b>						
1.3.2 -The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X	-	-	-	-	
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.	-	-	-	-	X	No such transactions took place in 2018.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X	-	-	-	-	
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X	-	-	-	-	
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	-	X	-	-	-	Announcements in relation to the General Shareholders' Meetings are made in accordance with regulatory requirements; in this context, no additional invitations are made. On the other hand, stakeholders may participate in the General Shareholders' Meetings without having the right to speak, provided that they inform the Company of their such desire prior to the meeting.
<b>1.4. VOTING RIGHTS</b>						
1.4.1-There is no restriction preventing shareholders from exercising their shareholder rights.	X	-	-	-	-	

# Corporate Governance Compliance Report

Corporate Governance Compliance Report	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.4.2-The company does not have shares that carry privileged voting rights.	X	-	-	-	-	
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.	X	-	-	-	-	
<b>1.5. MINORITY RIGHTS</b>						
1.5.1- The company pays maximum diligence to the exercise of minority rights.	X	-	-	-	-	
1.5.2-The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.	-	-	X	-	-	The Company pays maximum attention to ensure exercise of minority rights granted under the Turkish Commercial Code and the Capital Market Law, and no stipulations were incorporated in our articles of association due to the fact that the legal provisions governing this matter have been expanded.
<b>1.6. DIVIDEND RIGHT</b>						
1.6.1 -The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X	-	-	-	-	
1.6.2-The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X	-	-	-	-	
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	-	-	-	-	X	Profit distribution is carried out regularly within the scope of our Dividend Payment Policy.
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X	-	-	-	-	

Corporate Governance Compliance Report	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>1.7. TRANSFER OF SHARES</b>						
1.7.1 - There are no restrictions preventing shares from being transferred.	X	-	-	-	-	
<b>2.1. CORPORATE WEBSITE</b>						
2.1.1.-The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X	-	-	-	-	
2.1.2-The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X	-	-	-	-	
2.1.4 -The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	-	X	-	-	-	A substantial portion of the information available on our website is also presented in English so that international investors may make use of them. The disclosures in English may be given in the form of a summary that is accurate, complete, direct, intelligible, adequate and consistent with the Turkish original in an extent that will be sufficient to help the readers make their decisions based on them.
<b>2.2. ANNUAL REPORT</b>						
2.2.1-The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X	-	-	-	-	
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X	-	-	-	-	
<b>3.1. CORPORATION'S POLICY ON STAKEHOLDERS</b>						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X	-	-	-	-	
3.1.3-Policies or procedures addressing stakeholders' rights are published on the company's website.	X	-	-	-	-	
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X	-	-	-	-	

# Corporate Governance Compliance Report

Corporate Governance Compliance Report	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.1.5-The company addresses conflicts of interest among stakeholders in a balanced manner.	X	-	-	-	-	
<b>3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT</b>						
3.2.1-The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	-	X	-	-	-	The employees of our Company are members of the Bank, Finance and Insurance Workers Union. Decisions passed in relation to the employees or developments concerning them are notified to the employees or their representatives. The related union's opinions are sought for decisions of such nature. The Suggestion System Regulation targeting the company employees has been introduced as of 1 May 2006. Meetings are held with the sales force twice a year for sharing information and gathering their suggestions.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	-	X	-	-	-	Questionnaires are being administered among our customers and employees within the scope of our activities.
<b>3.3. HUMAN RESOURCES POLICY</b>						
3.3.1- The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X	-	-	-	-	
3.3.2-Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X	-	-	-	-	
3.3.4-Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X	-	-	-	-	
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X	-	-	-	-	



Corporate Governance Compliance Report	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X	-	-	-	-	
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X	-	-	-	-	
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X	-	-	-	-	
3.3.9 - A safe working environment for employees is maintained.	X	-	-	-	-	
<b>3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS</b>						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X	-	-	-	-	
3.4.2-Customers are notified of any delays in handling their requests.	X	-	-	-	-	
3.4.3 - The company complied with the quality standards with respect to its products and services.	X	-	-	-	-	
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X	-	-	-	-	
<b>3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY</b>						
3.5.1-The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X	-	-	-	-	
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X	-	-	-	-	
<b>4.1. ROLE OF THE BOARD OF DIRECTORS</b>						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X	-	-	-	-	

# Corporate Governance Compliance Report

Corporate Governance Compliance Report	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X	-	-	-	-	
<b>4.2. ACTIVITIES OF THE BOARD OF DIRECTORS</b>						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X	-	-	-	-	
4.2.2-Duties and authorities of the members of the board of directors are disclosed in the annual report.	X	-	-	-	-	
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X	-	-	-	-	
4.2.4-Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X	-	-	-	-	
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X	-	-	-	-	
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X	-	-	-	-	
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.	X	-	-	-	-	

Corporate Governance Compliance Report	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
<b>4.3. STRUCTURE OF THE BOARD OF DIRECTORS</b>						
4.3.9-The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.	-	-	X	-	-	While there is not a specific policy about this matter, one woman member served on our Board of Directors in the reporting period.
4.3.10-At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X	-	-	-	-	
<b>4.4. BOARD MEETING PROCEDURES</b>						
4.4.1-Each board member attended the majority of the board meetings in person.	X	-	-	-	-	
4.4.2-The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	-	X	-	-	-	Although there is no written regulation, information and documents related to the agenda are shared with all members reasonably in advance.
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	-	-	-	-	X	In principle, Board Directors take part in all meetings. Special care is taken to setting meeting dates that will allow all Board Directors to attend and to hold the meetings with all directors in attendance except in unforeseen exceptional cases. During the reporting period, there were no members who could not attend the meeting but submitted their opinions to the Board of Directors in writing.
4.4.4-Each member of the board has one vote.	X	-	-	-	-	
4.4.5-The board has a charter/written internal rules defining the meeting procedures of the board.	-	X	-	-	-	The meeting procedures of the Board of Directors are set out in detail in our articles of association. There is not a dedicated internal written regulation about this matter.
4.4.6-Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X	-	-	-	-	

# Corporate Governance Compliance Report

Corporate Governance Compliance Report	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.	-	X	-	-	-	There are no limits to external commitments of Board members. Outside positions held by Board members are stated in the General Shareholders' Meeting information document and in the annual reports.
<b>4.5. BOARD COMMITTEES</b>						
4.5.5-Board members serve in only one of the Board's committees.	-	X	-	-	-	As a matter of principle, Board Directors do not undertake roles in several committees. During the reporting period, one Board member served as a member on two committees.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X	-	-	-	-	
4.5.7-If external consultancy services are used, the independence of the provider is stated in the annual report.	-	-	-	-	X	In 2018, the Committees did not use any external consultancy service.
4.5.8-Minutes of all committee meetings are kept and reported to board members.	X	-	-	-	-	
<b>4.6. FINANCIAL RIGHTS</b>						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	-	X	-	-	-	The Company's short- and medium-term goals are discussed and determined by the Board of Directors, and the extent at which these goals are realized is monitored regularly. Other than that, the Board of Directors does not conduct a self-evaluation of its performance.

Corporate Governance Compliance Report	Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	X	-	-	-	-	
4.6.5-The individual remuneration of board members and executives is disclosed in the annual report.	-	X	-	-	-	The remunerations and benefits provided to the Board of Directors members and executives are disclosed cumulatively in the footnotes of our financial statements and in the annual report, which are publicly disclosed and also accessible on our website.

# Corporate Governance Information Form

## Corporate Governance Information Form (CGIF)

### 1. SHAREHOLDERS

#### 1.1. Facilitating the Exercise of Shareholders Rights

The number of investor meetings (conference, seminar/etc.) organised by the company during the year

In total, 31 investor presentations were made and 12 teleconferences were held in 2018.

#### 1.2. Right to Obtain and Examine Information

The number of special audit request(s)

None.

The number of special audit requests that were accepted at the General Shareholders' Meeting

None.

#### 1.3. General Assembly

Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)

<https://www.kap.org.tr/tr/Bildirim/670152>

Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time

They are not provided at the same time.

The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9

No transactions falling under the scope of Principle 1.3.9 took place.

The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)

Our Company did not engage in any transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1).

The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)

Our Company did not engage in any transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1).

The name of the section on the corporate website that demonstrates the donation policy of the company

We do not have a dedicated policy for charitable donations and grants. Such activities are carried out within the scope of internal guidelines.

The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved

None.

The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting

Articles 23 and 24 stipulate the attendance of our shareholders in the General Shareholders' Meetings.

Identified stakeholder groups that participated in the General Shareholders' Meeting, if any

In the Company's General Shareholders' Meeting for 2017, shares corresponding to TL 365,042,705.887 were represented in proxy and TL 34,769,643 were represented by the depositor out of the Company's total capital which consists of Group A shares with a nominal value of TL 1,000,000 and Group B shares with a nominal value of 398,812,348.887.

In addition, the majority of the Company's Board of Directors and Senior Management, part of our employees, and the Company's Independent Auditor were present in the meeting. For the List of Attendants at the General Shareholders' Meeting:

<https://www.anadoluhayat.com.tr/Documents/PDF%20Files/Yat%C4%B1r%C4%B1mc%C4%B1%20%C4%B0li%C5%9Fkileri/Genel%20Kurul/2017/HazirBulunanlarListesi.pdf>.

#### 1.4. Voting Rights

Whether the shares of the company have differential voting rights No

In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares. -

The percentage of ownership of the largest shareholder 63.89%

#### 1.5. Minority Rights

Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association No

If yes, specify the relevant provision of the articles of association. -

#### 1.6. Dividend Right

The name of the section on the corporate website that describes the dividend distribution policy Home Page / Investor Relations / Corporate Governance (<https://www.anadoluhayat.com.tr/yatirimci-iliskileri/kurumsal-yonetim/kar-dagitim-politikasi>)

Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend. Dividends are distributed regularly for each operating year in accordance with our Dividend Payment Policy.

PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends -

#### General Assembly Meetings

General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations received by the board of directors	The link to the related PDP general shareholder meeting notification
26/03/2018	0	93%		93%	Home Page / Investor Relations / General Assembly	During the General Assembly Meeting, none of our shareholders exercised their right to pose questions.	None	0	<a href="https://www.kap.org.tr/tr/Bildirim/675067">https://www.kap.org.tr/tr/Bildirim/675067</a>

# Corporate Governance Information Form

## 2. DISCLOSURE AND TRANSPARENCY

### 2.1. Corporate Website

Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Home Page / Investor Relations
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Home Page / Investor Relations / Corporate Information / Shareholding Structure
List of languages for which the website is available	Turkish and English

### 2.2. Annual Report

The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Corporate Governance / Outside Positions Held by the Board Directors and Executives / Declarations of Independence by Independent Members of the Board of Directors
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Risk Management / Active Committees and an Assessment by the Board of Directors
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Corporate Governance / Additional Information About Corporate Governance
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Corporate Governance / Changes in the Legislation during the Fiscal Year
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Corporate Governance / Other Material Disclosures Concerning the Reporting Period
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Our Company does not receive investment consulting or rating services. The services procured from portfolio management companies within the scope of our field of activity are governed by strict rules contained in the applicable legislation. (Corporate Governance / Additional Information about Corporate Governance / Keeping Stakeholders Informed)
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	No shareholder is involved in a cross-shareholding relationship with the Company. Presentation / Anadolu Hayat Emeklilik by Numbers / Capital and Shareholder Structure
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Corporate Governance / Policies about Corporate Governance / Human Resources Policy and Practices, Activities in 2018 / An Overview of Anadolu Hayat Emeklilik's Position in the Industry and its Activities in 2018 / Communication



### 3. STAKEHOLDERS

#### 3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Home Page / Human Resources / HR Practices / Remuneration Policy, Home Page / Investor Relations / Corporate Governance / Additional Information About Corporate Governance
The number of definitive convictions the company was subject to in relation to breach of employee rights	None.
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Our corporate governance structure provides the means to all stakeholders including employees and their representative bodies to communicate their concerns about any illegal or unethical practices to the Corporate Governance Committee and the Audit Committee, and safeguards their right to do so.
The contact detail of the company alert mechanism	yatirimciiliskileri@anadoluhayat.com.tr, investorrelations@anadoluhayat.com.tr

#### 3.2. Supporting the Participation of the Stakeholders in the Corporation's Management

Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	Corporate Governance / Additional Information About Corporate Governance / Stakeholders
Corporate bodies where employees are actually represented	Employees are not represented on any management body. However, internal practices are in place that encourage employee participation in management.

#### 3.3. Human Resources Policy

The role of the board on developing and ensuring that the company has a succession plan for the key management positions	Succession planning is made to identify the new managers to be appointed in cases where it is predicted that changes in a managerial position will cause hitches in the management of the Company. These plans basically identify employees who will be appointed to vacant key managerial positions, in the event such positions are vacated for various reasons, and ensure that such employees are trained and equipped so as to be able to satisfy the requirements of relevant positions. The Board of Directors has the authority and responsibility for identifying the administrators who will be appointed to key managerial positions.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	When hiring, it is a principle that individuals are to be given equal opportunity under identical conditions. Hiring criteria are set forth in writing for each job position and are strictly complied with in practice. Home Page / Human Resources / Human Resources Policy /HR Practices
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership programme
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Home Page / Human Resources / Human Resources Policy / HR Practices
The number of definitive convictions the company is subject to in relation to health and safety measures	None.

# Corporate Governance Information Form

## 3.5. Ethical Rules and Social Responsibility

The name of the section on the corporate website that demonstrates the code of ethics	Home Page / Investor Relations /Corporate Governance
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	In our corporate website information about any measures taken on environmental, social and corporate governance issues are given under "Social Responsibility" title (Home Page /About Us / Social Responsibility) and "Sustainability" title (Home Page /About Us / Sustainability).
Any measures combating any kind of corruption including embezzlement and bribery	Specified in our webpage (Home Page / About Us / Sustainability / Our Policies / Other Policies)

## 4. BOARD OF DIRECTORS-I

### 4.2. Activity of the Board of Directors

Date of the last board evaluation conducted	Our annual business programs that also incorporate our strategic goals are approved by the Board of Directors and performance results are regularly monitored on a monthly basis. Other than that, the Board of Directors does not carry out self-evaluation of its own performance.
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	The new Board of Directors elected at the Company's Ordinary General Shareholders' Meeting convened on 26 March 2018, the members have determined the distribution of tasks among themselves. Accordingly, it was unanimously voted to elect Mr. Mahmut Magemizoğlu as the Chairman and Mr. Hasan Koçhan as the Vice Chairman. In addition, M. Rafet Akgünay assumed the position of the Head of Audit Committee whereas Ahmet D. Erelçin became the member of that committee; Şebnem Ergün became the Head of the Corporate Governance Committee and Kemal Emre Sayar and N. Cem Özcan members of that committee; Erda Gerçek became Head of the Early Detection of Risk Committee and Kemal Emre Sayar members of that committee.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	41
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Corporate Governance / An Assessment of Independent Audit, Internal Control System and Internal Audit Activities by the Board of Directors
Name of the Chairman	Mahmut Magemizoğlu
Name of the CEO	M. Uğur Erkan
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	Chairman and CEO are not the same people.

Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital

Specified in the "Additional Information About Corporate Governance" section in the Annual Report. <https://www.kap.org.tr/tr/Bildirim/662885>

The name of the section on the corporate website that demonstrates current diversity policy targeting women directors

-

The number and ratio of female directors within the Board of Directors

1 director, the rate is 9%.

#### Board Members

Name-Surname	Whether Executive Director or Not	Independent Board Member or not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether the Director has at Least 5 Years' Experience on Audit, Accounting and/or Finance or not
Mahmut Magemizoğlu	Non-Executive	Dependent Member	19.06.2009	-			Yes
Hasan Koçhan	Non-Executive	Dependent Member	28.04.2017	-			Yes
Mehmet Uğur Erkan	Executive	Dependent Member	25.07.2014	-			Yes
Merih Rafet Akgünay	Non-Executive	Independent Member	24.03.2014	Specified in the Annual Report	Considered	No	Yes
Erda Gerçek	Non-Executive	Independent Member	24.03.2014	Specified in the Annual Report	Considered	No	Yes
Ahmet Derviş Erelçin	Non-Executive	Independent Member	26.03.2018	Specified in the Annual Report	Considered	No	Yes
Şebnem Ergün	Non-Executive	Independent Member	26.03.2018	Specified in the Annual Report	Considered	No	No
Hüseyin Emre Yılmaz	Non-Executive	Dependent Member	12.06.2017	-			Yes
Kemal Emre Sayar	Non-Executive	Dependent Member	27.11.2015	-			Yes
Serdar Yılmaz	Non-Executive	Dependent Member	26.03.2015	-			Yes
Mehmet Celayir	Non-Executive	Dependent Member	26.03.2018	-			Yes

# Corporate Governance Information Form

## 4. BOARD OF DIRECTORS-II

### 4.4. Meeting Procedures of the Board of Directors

Number of physical board meetings in the reporting period (meetings in person)	11
Director average attendance rate at board meetings	93%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	In 3-7 days
The name of the section on the corporate website that demonstrates information about the board charter	Home Page / Investor Relations / Corporate Information / Articles of Association
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	Although there are no set rules on non-independent Directors' undertaking other duties outside the Company, the Directors do not have any other duties apart from their natural duties in the entities they represent and from those in the establishments owned by the entities they represent. Yet, Board Directors devote sufficient amount of time for Company affairs, and exercise their powers prudently and within the frame of good faith, possessing all necessary knowledge to ensure full performance of the duty.

### 4.5. Board Committees

Page numbers or section names of the annual report where information about the board committees are presented	Risk Management / Active Committees and an Assessment by the Board of Directors
Link(s) to the PDP announcement(s) with the board committee charters	<a href="https://www.kap.org.tr/tr/Bildirim/367089">https://www.kap.org.tr/tr/Bildirim/367089</a>

### Composition of Board Committees-I

Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Audit Committee		M. Rafet Akgünay	Yes	Board member
Audit Committee		Ahmet D. Ereçin	No	Board member
Corporate Governance Committee		Şebnem Ergün	Yes	Board member
Corporate Governance Committee		Kemal Emre Sayar	No	Board member
Corporate Governance Committee		N. Cem Özcan	No	Not board member
Committee of Early Detection of Risk		Erda Gerçek	Yes	Board member
Committee of Early Detection of Risk		Kemal Emre Sayar	No	Board member

## 4. BOARD OF DIRECTORS-III

### 4.5. Board Committees-II

Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Risk Management / Active Committees and an Assessment by the Board of Directors
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Risk Management / Active Committees and an Assessment by the Board of Directors

Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Risk Management / Active Committees and an Assessment by the Board of Directors
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Risk Management / Active Committees and an Assessment by the Board of Directors
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Risk Management / Active Committees and an Assessment by the Board of Directors

#### 4.6. Financial Rights

Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Annual Report / Financial Position
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	Home Page / Investor Relations / Corporate Governance / Remuneration Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Corporate Governance / Other Material Disclosures Concerning the Reporting Period / Rights Provided to Board Directors and Senior Executives

#### Composition of Board Committees-II

<i>Names Of The Board Committees</i>	<i>Name of committees defined as "Other" in the first column</i>	<i>The Percentage Of Non-executive Directors</i>	<i>The Percentage Of Independent Directors In The Committee</i>	<i>The Number Of Meetings Held In Person</i>	<i>The Number Of Reports On Its Activities Submitted To The Board</i>
Audit Committee		100%	100%	5	5
Corporate Governance Committee		67%	33%	7	7
Committee of Early Detection of Risk		100%	50%	4	6

# Additional Information About Corporate Governance

## INVESTOR RELATIONS UNIT

The Investor Relations Unit in the Company was set up in 2014. The unit reports to Mr. Tuna Uğun, Deputy CEO, effective 19 January 2015.

In our Company, the functions of the Investor Relations Unit are mainly performed by the Accounting Department, whereas investor contacts are carried out together with the Funds Management Department.

Licenses held by the managers dealing with investor relations, and their contact information are presented below:

This unit plays an active part in the protection of shareholding rights and facilitates their exercise, mainly regarding the right to obtain and review information, and establishes the communication between the Board of Directors and shareholders.

Name-Surname	Position	Telephone	E-mail
Tuna Uğun	Deputy CEO	(+90 212) 317 70 05	yatirimciiliskileri@anadoluhayat.com.tr
N. Cem Özcan*	Manager (Investor Relations Unit Manager)	(+90 212) 317 71 04	yatirimciiliskileri@anadoluhayat.com.tr
C. Ozan Sezer**	Assistant Manager	(+90 212) 317 70 18	yatirimciiliskileri@anadoluhayat.com.tr

\*License Information: Capital Markets Activities Level 3 License and Corporate Governance Rating License

\*\*License Information: Capital Markets Activities Level 3 License, Corporate Governance Rating License, Credit Rating License, Derivatives License

The Unit presents the report produced by the Investor Relations Unit in relation to its activities to the Corporate Governance Committee and the Board of Directors. In essence, the Investor Relations Unit carries out the following tasks:

- Ensure that records pertaining to the correspondence between the investors and the Company, and other information and documents are maintained in a reliable, secure, and up-to-date manner
- Respond to the Company shareholders' written requests for Company-related information
- Prepare the documents related to the general assembly meetings that need to be made available for shareholders' information and review, and take necessary measures to ensure that general assembly meetings are conducted in accordance with the requirements of applicable legislation, the Company's articles of association and other internal regulations
- Oversee and monitor fulfillment of obligations arising from the capital market legislation, including any matter related to corporate governance and public disclosure.

Up-to-date information and disclosures that may have an effect on the exercise of shareholding rights are made available to investors on the Company website.

In 2018, all verbal information requests received from researchers and our investors in relation to our Company and/or publicly disclosed financial statement results were answered. Requests for meetings received during the reporting period from national and international investment companies were accepted and necessary information was provided. In total, 31 investor presentations were made and 12 teleconferences were held in 2018. In these meetings, presentations were made on our sector and our Company, and the investors' questions were answered.

23 queries and information requests received at the email accounts [yatirimciiliskileri@anadoluhayat.com.tr](mailto:yatirimciiliskileri@anadoluhayat.com.tr) and [investorrelations@anadoluhayat.com.tr](mailto:investorrelations@anadoluhayat.com.tr) that were set up for answering the questions of national and international investors have been responded to.

## VOTING RIGHTS AND MINORITY RIGHTS

According to our articles of association, each share of stock is entitled to one vote.

Our Company's capital is divided into Class A and Class B shares.

As of 31 December 2017, our Company's issued capital amounts to TL 430 million consisting of 100,000,000 Class A shares worth a total of TL 1 million and 42,900,000,000 Class B registered shares worth a total of TL 429 million. As required by our articles of association, seven of the members of the Board of Directors are elected from among nominees designated by Class A shareholders and four from among nominees designated by Class B shareholders.

Class A shares have no privileges other than the nomination privilege mentioned above. New Class A shares are not issued when share capital increases take place.

No shareholder is involved in a cross-shareholding relationship with the Company.

The Company pays maximum attention to ensure exercise of minority rights granted under the Turkish Commercial Code and the Capital Market Law, and no stipulations were incorporated in our articles of association due to the fact that the legal provisions governing this matter have been expanded.

Minority shareholding interests are not represented on the Board of Directors, which is formed at the discretion of our General Assembly.

There is no upper limit on the number of votes a shareholder may cast at a General Assembly.

Voting rights are acquired the moment the shares on which they are contingent are acquired. There are no rules stipulating that voting rights may be exercised only after a specific period of time has passed after shares are acquired.

Our articles of association contain no provisions preventing non-shareholders from voting in proxy.

Shareholders may exercise their voting rights personally at General Assemblies and may do so through any other party irrespective of the shareholder status of that party.

A non-corporate shareholder may only be represented by a single proxy at a General Assembly. If a corporate shareholder is represented by more than one individual at an assembly, only one of them may cast votes. The proxy statement must identify the individual who is authorized to cast votes.

All shareholders are treated equally, including minority and foreign shareholders.

## **STAKEHOLDERS**

### **KEEPING STAKEHOLDERS INFORMED**

Care is taken to keeping stakeholders -those who have an interest in our Company and include shareholders, employees, creditors, customers, suppliers, nongovernmental organizations, the government, and potential investors in our Company- informed on issues concerning our Company that are of interest to them in writing, to the extent possible. The Company's relationships with stakeholders are governed by written agreements as far as possible.

In situations where the rights of stakeholders are not governed by law or contract, the Company safeguards them within the framework of the rules of good faith, to the degree possible, and mindful of the Company's own reputation.

The corporate governance structure provides the means to all stakeholders including employees and their representative bodies to communicate their concerns about any illegal or unethical practices to the Corporate Governance Committee and the Audit Committee, and safeguards their right to do so.

The Company's quality policy pledges to offer and maintain quality products and services on the back of the teams enjoying expertise and experience, strong technological and financial infrastructure, constant development and improvement concept, combined with its experienced and extensive agency network.

The Company pays regard to ensuring continued quality and standards in service across all phases of its life insurance and private pension services. Customer demands are responded to quickly and policyholders are informed in case of any delays. It is of particular importance for the Company to

constantly upgrade the quality of service offered within the context of best service delivery to our customer portfolio.

Attention is paid to confidentiality of customers' and suppliers' information that is of trade secret nature.

### **STAKEHOLDER PARTICIPATION IN MANAGEMENT**

Our shareholders participate in the decision-making process in relation to Company management by way of voting in the General Assembly Meetings.

While the articles of association contain no provisions on stakeholder participation in the Company's management, the Company's internal regulations cover practices to this end.

The Suggestion System Regulation targeting the company employees has been introduced as of 1 May 2006. Suggestions for innovations and improvements are evaluated within the framework of this regulation and put into effect in the Company.

The Company meets with its sales organization twice a year at which time they are informed about the Company's activities, their suggestions are heard, and successful intermediaries are rewarded.

### **BOARD OF DIRECTORS**

#### **STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS**

The Company's Board of Directors is composed of eleven members so as to enable our Board Directors to work efficiently and constructively, make decisions swiftly and rationally, and organize the formation and activities of the committees efficiently.

Inasmuch as our Company has no ultimate non-corporate controlling shareholders, all of the Board Directors are assumed to be naturally able to act with independence and therefore, have the advantage of being able to act impartially in their decisions by holding the interests of the Company and of its stakeholders above everything else.

There are four independent members on the Board of Directors. The independent Board Directors have not served as members for more than six years in the past ten years. While the term of office for an independent Board Director is one year, they can be reelected upon being nominated.

The Corporate Governance Committee functioning as the Nomination Committee nominated four candidates for independent Board Director status, and the report on whether the candidates fulfill the criteria of independence has been presented to the Board of Directors on 23 February 2018.

Independent Board Directors fulfill the independence criteria published in the relevant legislation, and their declarations of independence have been duly received. No instances took place during the reporting period, which would compromise independence. If an instance compromising independence arises, then the independent Board Director shall present such change immediately to the Board of Directors to be disclosed to the public. In such a case, the Board Director

# Additional Information About Corporate Governance

who loses his independence shall resign as a matter of principle.

The General Assembly decision pertaining to the appointment of the independent Board Director has been disclosed on the corporate website.

Apart from the CEO, the Board of Directors consists of non-executive members. Chairman of the Board and CEO functions are carried out by different individuals.

Although there are no set rules on non-independent Directors' undertaking other duties outside the Company, the Directors do not have any other duties apart from their natural duties in the entities they represent and from those in the establishments owned by the entities they represent. Yet, Board Directors devote sufficient amount of time for Company affairs, and exercise their powers prudently and within the frame of good faith, possessing all necessary knowledge to ensure full performance of the duty.

Past experiences, and outside positions held, if any, of the independent Board Directors are disclosed in their résumés and presented on our website and in our annual report.

In the fulfillment of its decision-making functions, the Board of Directors' fundamental concerns are to:

- Maximize the Company's market value
- Ensure that the Company's activities are conducted in such a way as to secure long-term, stable gains for its shareholders
- Maintain the delicate balance between shareholders' expectations and the Company's need to grow.

The Board of Directors define the strategic goals of the Company, determines the human resources and financial resources the Company will need, and audits the management performance.

At the same time, the Board of Directors also oversees the compliance of the Company activities with the legislation, articles of association, internal regulations, and the policies formulated.

The Board of Directors plays a leading role in ensuring efficient communication between the Company and shareholders, and in the elimination and resolution of potential conflicts. To this end, the Board of Directors closely

cooperates with the Corporate Governance Committee and the Investor Relations Unit.

When choosing new members to fill vacancies on the Board attention is given to the following matters:

- Candidates are required to be present at general assemblies of shareholders at which Board elections are to be held.
- Shareholders are provided with complete information about candidates.
- Shareholders have the right to put questions to candidates.
- Attention is given to the conduct of regular Board meetings, which are held at least once a month.

Approval of the majority of independent Board Directors is sought for the Board of Directors decisions pertaining to the Company's transactions of a material nature with related parties and to furnishing guarantee, pledge and mortgage in favor of third parties. If majority of the independent Board Directors do not approve the transaction, this is publicly disclosed, providing adequate information on the transaction within the frame of public disclosure requirements, and the transaction is laid down for the approval of the General Assembly. The matter is decided in the said General Assembly meeting through voting where the parties to the transaction and their respective related parties may not cast votes, thus involving other shareholders in such decisions at the General Assembly. Meeting quorum shall not be sought for General Assembly meetings that will be held for circumstances specified in this article. Decisions are made with the simple majority of those eligible to vote. Board of Directors and General Assembly decisions passed in violation of the principles herein shall be null and void. The articles of association cover provisions governing these aspects.

There are no administrative or judicial sanctions imposed against the Company or the Board Directors.

There is one woman member on the Board of Directors.

The résumés of M. Rafet Akgünay and Ahmet D. Erelçin, the members of the Audit Committee, are incorporated in the Annual Report and these individuals possess adequate experience in finance.



Information about the members of the Board of Directors is presented below:

Name	Position	Name	Position	Name	Position	Name	Position
Mahmut Magemizođlu	Chairman	Middle East Technical University/Faculty of Administrative Sciences/ Business Administration	Türkiye İş Bankası A.Ş./ In-Group	Chief Advisor to the CEO	35	9 years 6 months	
Hasan Koçhan	Vice Chairman	Ankara Academy of Economic and Commercial Sciences / Banking Insurance Trade Institution of Higher Education / Banking Department	-	-	34	1 year 8 months	
M. Uđur Erkan	Director & CEO	Middle East Technical University/Faculty of Economic and Administrative Sciences/Economics	Anadolu Hayat Emeklilik A.Ş.	CEO	32	15 years 5 months	
Şebnem Ergün	Independent Director	Ankara University/Faculty of Law	Ergün Law Office/ Non Group	Lawyer / Mediator	31	9 months	
Ahmet D. Erelçin	Independent Director	İstanbul University/Faculty of Law	Koç University / Non Group	Banker/ Academician	33	9 months	
Dr. Merih Rafet Akgünay	Independent Director	Middle East Technical University/Faculty of Economic and Administrative Sciences/Public Administration	Middle East Technical University Northern Cyprus Campus/Non Group	Advisor to the President and Faculty Member	41	4 years 9 months	
Erda Gerçek	Independent Director	Boğaziçi University/ Department of Economics	Thales Training and Consultancy Company/ /Non Group	Director / Faculty Member	29	4 years 9 months	
Mehmet Celayir	Director	İstanbul University / Faculty of Economics / International Relations Department	Türkiye İş Bankası A.Ş./In-Group	Division Head	22	9 months	
H. Emre Yılmaz	Director	Middle East Technical University / Department of Political Science and Public Administration	Türkiye İş Bankası A.Ş./In-Group	Division Head	22	1 year 7 months	
Serdar Yılmaz	Director	Middle East Technical University /Faculty of Engineering/Electrical and Electronic Engineering	Türkiye İş Bankası A.Ş./In-Group	Division Head	23	3 years 9 months	
Kemal Emre Sayar	Director	Middle East Technical University / Faculty of Engineering / Industrial Engineering	Türkiye İş Bankası A.Ş./In-Group	Unit Manager	19	3 years 1 month	

# Additional Information About Corporate Governance

## **INFORMATION ON BOARD DIRECTORS WHO RESIGNED DURING THE REPORTING PERIOD**

None.

## **INFORMATION ON BOARD OF DIRECTORS MEETINGS**

During 2018, Anadolu Hayat Emeklilik Board of Directors held 11 meetings, 6 of which were convened with full participation of the members. In 5 other meetings, full participation could not be achieved due to justified excuses of the Board Directors. Out of these meetings that were held without full participation, and 4 were convened in the absence of one Director, 1 in the absence of four Directors.

## **OTHER INFORMATION**

During 2018, our Board Directors did not perform any transactions under the authorization received from the General Assembly so that they can perform the transactions specified under articles 395 and 396 of the Turkish Commercial Code.

## **OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS**

A draft of the agenda for a Board meeting is prepared by the CEO and finalized in line with the recommendations of the Chairman and other directors.

Special care is taken to setting meeting dates that will allow all Board Directors to attend and to hold the meetings with all directors in attendance except in unforeseen exceptional cases.

As a rule, at each regular meeting of the Board, the date of the next scheduled meeting is set and Members are subsequently reminded of this in writing.

Utmost care is paid to ensure that the information and documents pertaining to items on the Board's agenda are normally sent out to Members for them to examine at least seven days before the meeting date. In situations where this is not possible, every effort is made to ensure that all members are equally informed about the matters involved.

A secretariat has been set up that is responsible for executing the activities of the Board of Directors, keeping the Company's Directors informed, and for communicating with them.

A Board's first meeting is preferably held on the same day that it is elected into office.

At this first meeting, the Chairman and Deputy Chairman are elected, duties are assigned, and committees are formed.

The Board meets regularly at least once a month as previously scheduled and occasionally as circumstances warrant.

In principle, Board Directors take part in all meetings.

Each Board Director is entitled to a single vote. All directors' votes carry equal weight and no Director has a positive or negative veto power.

As stipulated in our articles of association, the Board convenes with a simple majority of its membership and decisions are passed by a simple majority of those present.

The Board convened 11 times during 2018

No Company Director cast a dissenting vote against any Board decision passed during 2018.

There were no related party transactions or transactions of material nature that have been laid down for the approval of our Independent Directors.

The Board of Directors establishes the internal control systems of the Company, after obtaining the opinions of the related Board of Directors committees, and annually reviews the efficiency of risk management and internal control systems.

The Company's Board Directors and executives are insured with a coverage of USD 75,000,000 per claim and annual total against the risk of loss they may cause to the Company due to their fault in the performance of their duties, within the scope of the liability insurance policy that names Türkiye İş Bankası A.Ş. and its subsidiaries (İşbank Group) as the Insured.

## **NUMBER, STRUCTURES AND INDEPENDENCE OF COMMITTEES WITHIN THE BOARD OF DIRECTORS**

There is an Audit Committee, a Corporate Governance Committee and Early Detection of Risk Committee in our Company.

Due to the structure of the Board of Directors, the Corporate Governance Committee also functions as the Nomination Committee and the Remuneration Committee.

There are two non-executive Board Directors in each one of the Committees. The Corporate Governance Committee consists of three members.

As a matter of principle, Board Directors do not undertake roles in several committees. Furthermore, as there are no ultimate non-corporate controlling shareholders in our Company, it is assumed that all of the Board Directors serving in committees are naturally able to act with independence and therefore, have the advantage of acting impartially in their decisions.

The Corporate Governance Committee is formed by the Board of Directors within the scope of corporate governance principles and firstly from amongst its own members. When necessary, specialist individuals who are not members of the Board of Directors may be assigned to the committee. The Chief Executive Officer does not take place in this committee. The Committee consists of a minimum of two members. The majority of the Committee members consist of non-executive Board Directors. The head of the Committee is elected from amongst independent Directors. While the term of office for the Corporate Governance Committee is, in essence, coeval with that of the Board of Directors; the Committee will remain in office until the completion of the predetermined adjustment process, when the Board

of Directors is succeeded. To the extent possible, the Committee meets consistently with the Board of Directors meetings. Committee decisions are adopted on the basis of the majority of votes cast.

Şebnem Ergün, Kemal Emre Sayar and N. Cem Özcan serve on the Corporate Governance Committee at the Company. The Committee head is Şebnem Ergün.

The Audit Committee is formed by the Board of Directors from amongst its members. The Committee must consist of at least two members. The majority of the Committee members must consist of non-executive Board Directors. The head of the Committee is elected from amongst independent Directors. The term of office for the Audit Committee is coeval with that of the Board of Directors. The Committee meets at least quarterly. Committee decisions are adopted on the basis of the majority of votes cast.

M. Rafet Akgünay serves as the head of the Audit Committee, and Ahmet D. Erelçin as its member.

The term of office of the Early Detection of Risk Committee is coeval with that of the Board of Directors. The Committee spends efforts to early detect the risks that might endanger the existence, progress and survival of the Company, to ensure implementation of necessary measures and remedies in relation to the identified risks, and to manage the risk. The Committee reviews the risk management systems at least on an annual basis. The Committee presents an assessment of the situation in its quarterly report to the Board of Directors, pointing at the perils, if any, and indicating the remedies.

Erda Gerçek serves as the head of the Early Detection of Risk Committee, and Kemal Emre Sayar as its member.

All of the members of the Audit Committee and the heads of other committees are elected from amongst independent Directors.

Our executive Directors and CEO do not serve on any committee.

The objectives, members, structures and activities of committees take place in the annual report.

## **FINANCIAL RIGHTS**

Aggregate of the salaries and similar benefits provided to the Company's Board Directors and senior executives are disclosed in the notes to the financial statements, which are publicly disclosed and are also accessible on our corporate website, and thereby, incorporated in our annual report.

Company directors receive no financial benefits other than the honorarium that is paid to them.

The amount to be paid as an honorarium is determined by shareholders at a general assembly.

The remuneration policy developed for the Company's managers and employees at any level is put into writing, presented to the shareholders for their information as a separate agenda item at the 2011 General Assembly. The said remuneration policy is published on the Company website.

Stock options or payment plans based on the Company's performance are not used in the remuneration of our Board Directors, including the independent Board Directors. Nonetheless, it is believed that the remuneration of independent Board Directors is at a level that will not prejudice their independence.

The Board Directors and executives with administrative responsibility have never utilized, directly or indirectly, cash or non-cash loans from the Company, nor did the Company lend money or give suretyship or provide any similar guarantee to any Board Director or executive with administrative responsibility. Therefore, the Company was not confronted with any conflict of interest that arose due to such reasons.

# Information on General Assembly

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

Ordinary General Assembly Agenda

2017 Profit Distribution Table

2018 Profit Distribution Proposal Table

*Ayşe Çalışkan / Shots from Life as Seen by Women '18*



*Having successfully completed its 2018 operations, Anadolu Hayat Emeklilik increased its net profit by 13% to TL 253.6 million.*

# 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



# Ordinary General Assembly Agenda

2018 Ordinary General Assembly Meeting Agenda

21 March 2019, Thursday

Oditoryum Binası İş Kuleleri 34330 Levent-Beşiktaş/İstanbul

10:00 am

Agenda:

1. Opening, electing a Presiding Board, and authorizing the Presiding Board to sign the minutes of the Ordinary General Assembly Meeting
2. Presentation and discussion on the Board of Directors' 2018 Annual Report, and presentation of the Statutory Auditors' report for 2018
3. Presentation, discussion and approval of the financial statements for 2018
4. Acquittal of the Company's Directors
5. Decision on distribution of profits
6. Election of the members of the Board of Directors and determination of their terms of office
7. Authorizing the Board Directors to carry out the transactions set out in Articles 395 and 396 of the Turkish Commercial Code
8. Determination of the remuneration of Board Directors
9. Designation of the independent audit firm
10. Presentation of information on grants and donations made during the reporting period
11. Approval of the limit for the donations and grants intended to be made during 2019.

# 2017 Profit Distribution Table

Anadolu Hayat Emeklilik A.Ş. 2017 Profit Distribution Table (TL)			
1-	Paid-in/Issued Capital		430,000,000
2-	General Legal Reserves (according to Legal Records)		126,944,038
	If there are privileges for distribution of profits according to the articles of association, information on such privileges		There are no privileges for distribution of profits
		Based on CMB (Consolidated)	Based on Legal Records (Unconsolidated)
3-	Profit for the Period (*)	287,198,810	285,309,693
4-	Taxes Payable (-)	(55,107,000)	(55,107,000)
5-	Net Profit for the Period (=)	232,091,810	230,202,693
6-	Losses in Prior Years (-)	-	-
7-	First Legal Reserves (-)	11,510,135	11,510,135
8-	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	220,581,675	218,692,558
9-	Donations during the Year (+)	4,331	
10-	Net Distributable Profit for the Period Including Donations	220,586,006	
11-	First Dividend to Shareholders		
	- Cash	44,117,201	
	- Bonus Shares	-	
	- Total	44,117,201	
12-	Dividends Distributed to Owners of Privileged Shares	-	
13-	Dividends Distributed to Board Members, employees, etc.	5,293,934	
14-	Dividends Distributed to Owners of Redeemed Shares	-	
15-	Second Dividend to Shareholders	125,882,799	
16-	Second Legal Reserves	15,379,393	
17-	Statutory Reserves	17,117,054	17,117,054
18-	Special Reserves	-	-
19-	Extraordinary Reserves (**)	12,791,294	10,902,177
20-	Other Resources to be Distributed	-	-

(\*) Pursuant to the Dividend Guide issued by the Capital Markets Board of Turkey (CMB) in January 2014, dividend distribution has been based on the consolidated profit figure. "Provision for Dividends to Personnel" in the amount of TL 5,500,000, which is set aside as per TAS 19, was added to the profit for the period as at 31 December 2017.

(\*\*) At the end of dividend distribution, the figure in the amount of TL 10,902,177 for extraordinary reserves based on CMB will be taken into account.

Information on Dividend Ratio						
Dividend Ratios Table						
Group	Total Dividends Distributed		Total Dividends Distributed / Net Distributable Profit for the Period	Total Dividends Distributed / Net Distributable Profit for the Period		
	Cash (TL)	Bonus (TL)	Rate (%)	Amount (TL)	Rate (%)	
A	336,046.51	-	0.15	0.3360465	33.60465	
NET (***) B	144,163,953.49	-	65.36	0.3360465	33.60465	
TOTAL	144,500,000.00	-	65.51	-	-	

Ratio of Dividends Distributed to Net Distributable Profit for the Period Including Donations	
Amount of Dividends Distributed to Shareholders (TL)	Ratio of Dividends Distributed to Shareholders to Net Distributable Profit for the Period Including Donations (%)
170,000,000.00	77.07%

(\*\*\*) 15% income tax deduction, which is applicable for full-fledged taxpayer enterprises for cash dividend payouts, will not be applied.

# 2018 Profit Distribution Proposal Table

Anadolu Hayat Emeklilik A.Ş. 2018 Profit Distribution Proposal Table (TL)			
1-	Paid-in/Issued Capital		430,000,000
2-	General Legal Reserves (according to Legal Records)		153,833,566
	If there are privileges for distribution of profits according to the articles of association, information on such privileges	Based on CMB (Consolidated)	Based on Legal Records (Unconsolidated)
3-	Profit for the Period <sup>(*)</sup>	329,470,182	328,407,251
4-	Taxes Payable (-)	(68,607,000)	(68,607,000)
5-	Net Profit for the Period (=)	260,863,182	259,800,251
6-	Losses in Prior Years (-)	-	-
7-	First Legal Reserves <sup>(†)</sup>	5,635,719	5,635,719
8-	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	255,227,463	254,164,532
9-	Donations during the Year (+)	860	
10-	Net Distributable Profit for the Period Including Donations	255,228,323	
11-	First Dividend to Shareholders		
	- Cash	51,045,665	
	- Bonus Shares	-	
	- Total	51,045,665	
12-	Dividends Distributed to Owners of Privileged Shares	-	
13-	Dividends Distributed to Board Members, employees, etc.	6,125,454	
14-	Dividends Distributed to Owners of Redeemed Shares	-	
15-	Second Dividend to Shareholders	78,954,335	
16-	Second Legal Reserves	11,462,545	
17-	Statutory Reserves	19,805,634	19,805,634
18-	Special Reserves	-	-
19-	Extraordinary Reserves <sup>(**)</sup>	87,833,830	86,770,899
20-	Other Resources to be Distributed	-	-

(\*) Pursuant to Article 13 of the Dividend Communiqué included in the CMB Weekly Bulletin 2014/2 and published in the Official Gazette dated 23 January 2014, dividend distribution was made based on the consolidated profit figure. Profit for the period for the year ended 31 December 2018 includes the provision for dividends to personnel in the amount of TL 6,200,000, which is set aside pursuant to TAS 19.

(†) Pursuant to Article 33/a of the Company's Articles of Association, first legal reserves can be set aside until 5% of the annual net profit reaches up to 20% of the issued capital. The said limit being reached, first legal reserves in the amount of TL 5,635,719 has been set aside.

(\*\*) As a result of dividend distribution, TL 86,770,899 has been taken into consideration as extraordinary reserves, which is calculated according to legal records.

Information on Dividend Ratio					
Dividend Ratios Table					
Group	Total Dividends Distributed		Total Dividends Distributed / Net Distributable Profit for the Period	Total Dividends Distributed / Net Distributable Profit for the Period	
	Cash (TL)	Bonus (TL)	Rate (%)	Amount (TL)	Rate (%)
A	256,976.74	-	0.10	0.2569768	25.69768
NET (****) B	110,243,023.26	-	43.19	0.2569768	25.69768
TOTAL	110,500,000.00	-	43.29	-	-

Ratio of Dividends Distributed to Net Distributable Profit for the Period Including Donations	
Amount of Dividends Distributed to Shareholders (TL)	Ratio of Dividends Distributed to Shareholders to Net Distributable Profit for the Period Including Donations (%)
130,000,000.00	50.93%

(\*\*\*\*) 15% income tax deduction, which is applicable for full-fledged taxpayer enterprises for cash dividend payouts, will not be applied.

# Financial Position

Information on Financial Structure

Assessment of Financial Standing, Profitability and Claims Payment Ability

5-Year Summary Financial Information Including the Reporting Period

*Goncagül Haklar / Shots from Life as Seen by Women '18*



***Anadolu Hayat Emeklilik  
reached a technical profit of  
TL 237.6 million in 2018, up 19%  
year-over-year.***

# Information on Financial Structure

With its capital backed by its strong shareholding structure since its foundation and its business philosophy focused on sustainable profitability in the branches in which it is active, Anadolu Hayat Emeklilik always succeeded in taking place among the industry's strongest companies with respect to financial structure.

A key indicator of a strong financial structure, the Capital Adequacy Statement is reported at regular intervals in line with the legal requirements, and as such, it is registered before the public authority that our Company possesses a capital in excess of the capital amount necessary to cover its liabilities.

Capital Adequacy Table presented hereinbelow show that the Company's shareholders' equity in 2018 is above the required shareholders' equity amounts.

<b>Capital Adequacy Table (31.12.2018) (*)</b>	
Required Capital for Asset Risks	231,533,824
Required Capital for Reinsurance Risks	1,612,489
Required Capital for Outstanding Claims	4,418,494
Required Capital for Underwriting Risks	29,974,380
Required Capital for Interest and FX Risks	641,906
<b>Total Required Capital</b>	<b>268,181,093</b>
<b>Current Capital (**)</b>	<b>968,342,236</b>
<b>Excessive Capital</b>	<b>700,161,143</b>

(\*) Capital Adequacy Table dated 31 December 2018 has not been submitted to the Undersecretariat of Treasury as of the date the annual report is released.

(\*\*) As per the legislation, equalization provision in the amount of TL 27,724,590 (31 December 2017: TL 22,043,278) was included in the equity capital.

## **An Assessment Regarding Operations of the Company's Segments**

Anadolu Hayat Emeklilik closed 2018 posting a technical profit of TL 237.6 million in life insurance, personal accident insurance and private pension branches in which it is active.

The distribution of balance sheet and income statement items according to branches was based on the distribution key that was set out in the "Circular on the Principles and Procedures for Keys Used in Financial Statements Drawn Up within the Frame of Uniform Chart of Accounts in Insurance" dated 4 January 2008 published by the Undersecretariat of Treasury.

The table below shows the contributions of the branches in which the Company is active to our financial structure with respect to asset sizes.

<b>31 December 2018 (TL)</b>	<b>Life</b>	<b>Private Pension</b>	<b>Personal Accident</b>	<b>Total</b>
Segment assets	2,377,905,967	17,798,788,288	44,820,438	20,221,514,693
<b>Total segment assets</b>	<b>2,377,905,967</b>	<b>17,798,788,288</b>	<b>44,820,438</b>	<b>20,221,514,693</b>
Segment liabilities	(2,340,210,700)	(17,837,335,103)	(43,968,890)	(20,221,514,693)
<b>Total segment liabilities</b>	<b>(2,340,210,700)</b>	<b>(17,837,335,103)</b>	<b>(43,968,890)</b>	<b>(20,221,514,693)</b>
<b>Other segment information</b>				
Depreciation and amortization	(9,568,782)	(12,575,431)	(180,359)	(22,324,572)

31 December 2018 (TL)	Life	Private Pension	Personal Accident	Total
<b>Continuing operations:</b>				
Technical income	1,004,266,003	369,185,665	603,996	1,374,055,664
Technical expense	(853,169,546)	(281,630,014)	(1,680,397)	(1,136,479,957)
Total of other income and expense	36,274,861	47,672,949	683,734	84,631,544
<b>Income before tax</b>	<b>187,371,318</b>	<b>135,228,600</b>	<b>(392,667)</b>	<b>322,207,251</b>
Income tax expense	-	-	-	(68,607,000)
<b>Net profit for the period</b>	<b>187,371,318</b>	<b>135,228,600</b>	<b>(392,667)</b>	<b>253,600,251</b>

### Financial Assets

Life insurance and private pension funds created before our Company are invested within the frame of processes, which are defined by the provisions of applicable legislation, and are constantly monitored by the public authorities. These invested funds are recognized in the balance sheet assets in line with the provisions of the International Accounting Standards, which we are obliged to comply with.

Our primary goal is to ensure maximization of benefits for our Company and for all our shareholders.

The Company manages financial assets into which the funds that belong to our Company and those into which life branch funds are invested. The Company's fund management principles are formulated in compliance with the requirements of effective cash and asset management. These assets are presented hereinbelow in order.

Financial Assets (TL)	Cost Value	Fair Value	Book Value
Financial Assets Held for Trading Purpose	54,241,423	55,437,380	55,437,380
Loans (receivables from reverse repo transactions)	47,200,000	47,231,715	47,231,715
Available-for-Sale Financial Assets	622,009,657	569,060,218	569,060,218
Total	723,451,080	671,729,313	671,729,313
Financial Investments with Risks on Saving Life Policyholders	1,775,814,424	1,662,767,119	1,662,767,119
Total	1,775,814,424	1,662,767,119	1,662,767,119

# Information on Financial Structure

In 2018, Private Pension funds, on the other hand, were managed by İş Asset Management, HSBC Asset Management, Ak Asset Management, Yapı Kredi Asset Management and TEB Asset Management, companies in line with the decisions passed by the relevant Fund Committees.

Private Pension Funds	Number	Amount (TL)
AH1 Bond Fund	40,533,267,485.50	2,322,069,827.71
AH2 Money Market Fund (*)	21,327,707,916.41	1,118,766,246.46
AH3 First Debt Instruments Fund (*)	16,591,145,296.56	1,216,744,822.61
AH4 Second Debt Instruments Fund (*)	10,052,648,933.72	603,762,094.96
AH5 Equity Fund	5,378,536,625.87	541,629,395.30
AH6 Developed Countries Flexible Fund (**)	7,303,911,899.88	461,446,546.01
AH8 Conservative Flexible Fund (*)	20,275,146,686.22	1,128,271,362.80
AH9 Balanced Flexible Fund (*)	27,975,847,381.21	1,809,785,542.94
AH0 Dynamic Flexible Fund (*)	9,632,969,756.81	942,200,771.91
AGE Participation Standard Fund	17,560,348,601.34	310,747,928.85
ABE BRIC Plus Fund	9,954,462,452.51	313,904,018.98
AHC Private Sector Debt Instruments Fund	25,387,278,568.77	503,252,023.07
AHL Aggressive Flexible Fund (*)	4,183,028,705.62	69,342,066.85
AET Contribution Fund	172,046,496,849.71	2,236,088,319.56
AER Participation Contribution Fund (*)	4,062,190,452.69	63,410,792.97
AEA Gold Fund	63,026,789,046.45	1,439,468,835.03
AG1 Group Bond Fund	3,514,838,687.57	199,305,412.94
AG2 Group Debt Instruments Fund (*)	954,428,564.27	52,149,022.32
AG3 Group Equity Fund	924,780,873.61	69,746,973.49
AG4 Grup Conservative Fund	2,643,813,957.95	151,035,803.79
HS1 Debt Instruments Fund (****)	8,088,824,492.85	302,117,594.81
AHB Second Equity Fund (*)	1,612,619,574.70	75,093,243.12
ATK Standard Fund	13,765,112,157.80	394,342,933.10
ATE İşbank Subsidiaries Index Fund	3,117,567,563.13	129,441,405.22
AO1 Initial Fund	5,725,401,825.47	74,968,411.50
AO2 Initial Participation Fund	4,128,566,576.47	51,586,439.37
AJA Auto Enrolment Aggressive Fund (***)	200,589,573.14	1,935,689.38
AJB Auto Enrolment Dynamic Fund (***)	256,637,276.80	2,698,540.97
AJC Auto Enrolment Balanced Fund (***)	251,810,369.81	2,791,821.57
AJF Auto Enrolment Conservative Fund (***)	119,769,742.17	1,369,926.31
AJG Auto Enrolment Aggressive Participation Fund (****)	83,550,828.75	791,309.90
AJH Auto Enrolment Dynamic Participation Fund (****)	118,289,991.32	1,221,462.45
AFH Auto Enrolment Standard Fund (****)	16,795,913,491.82	192,330,005.40
AFP Auto Enrolment Participation Standard Fund (***)	13,254,472,397.88	153,818,152.18

## Total

**16,937,634,743.83**

(\*) In accordance with the permission dated 15 December 2017 and numbered 13973 taken from the Capital Markets Board of Turkey, the business names of the funds were changed on 2 January 2018.

(\*\*) In accordance with the permission dated 18 December 2017 and numbered 14020 taken from the Capital Markets Board of Turkey, the business names of the funds were changed on 2 January 2018.

(\*\*\*) Funds were issued on 2 January 2018 in accordance with the permission of the Capital Markets Board of Turkey dated 21 August 2017 and numbered 9871 and also in accordance with the permission dated 22 November 2017 and numbered 13037.

(\*\*\*\*) In accordance with the permission dated 2 April 2018 and numbered 3736 taken from the Capital Markets Board of Turkey, the name of the fund was changed on 16 April 2018.



# Assessment of Financial Standing, Profitability and Claims Payment Ability

2018 has been a remarkable year that saw increased density in auto enrolment participations and significant levels reached in the number of participants. Having posted successful results in 2018, Anadolu Hayat Emeklilik was able to sustain its stable and profitable growth. The Company kept producing added value for the sector and the national economy thanks to its solid shareholding structure, robust financial structure and the corporate culture it possesses.

Remaining the sector's leader in total funds in the private pension and life insurance branches combined, Anadolu Hayat Emeklilik increased its total assets by 13%, its gross profit by 15% and its technical profit by 19% year-over-year as at year-end 2018.

## Asset Performance

The Company increased its total assets by 13% and reached an asset size of TL 20,222 million.

Within asset items, "Receivables from Main Operations" and "Financial Assets and Investments with Risks on Policyholders" items take the top places in terms of size. Financial investments with risks on policyholders, which make up 71% of the latter, refer to the amount of financial assets into which the policyholders' funds under the Company's management are invested.

Receivables from pension operations, which mostly refer to the total amount of accumulation in Private Pension Funds reached by the contributions deposited by our participants with the Company under the private pension system, grew 15% year-on and rose from TL 14,741 million to TL 16,967 million.

In 2018, private pension funds made up 91% of the total funds managed by our Company that were worth TL 18,707 million.

Taking place among our asset items, FX assets amounting to TL 790 million cover 100% of our existing FX liabilities.

## Liability Performance

In Anadolu Hayat Emeklilik's balance sheet, liabilities consist of payables due to pension operations by 85%, technical provisions by 9%, and shareholders' equity and other liability items by 6%.

Running in reciprocation with the receivables from pension operations under assets with respect to the private pension portfolio, the payables due to pension operations item registered 15% year-on growth, driven by the performance displayed in the valorization of savings of existing participants as well as in new productions.

As of 31 December 2018, the minimum amount of shareholders' equity necessary for the Company as calculated on the principles set by the Turkish Treasury was TL 268 million; the Company's equity capital as of the said date stood at TL 968 million, including the equalization provision. Carrying on its activities in life insurance and private pension branches as the sectoral leader, our Company has maintained its strong shareholders' equity ever since its foundation.

## Claims Payment Ability

Claims paid in life insurance branch by the Company in 2018 for policy maturity and death benefits totaled TL 200 million.

Our claim payments for policy maturity and death benefits consist of life insurance and accumulation-based products from the prior periods, and items related to our production covering both aspects.

The amount paid by the Company on accumulating products at the expiration of the insurance period was TL 138 million.

These disbursements are basically covered through disposal of marketable securities that belong to our policyholders and registered under the Company's assets.

Our claim payments for death benefits amounted to TL 62 million in 2018 with a rise of 19% year-on-year.

When our existing capital structure, shareholders' equity and profit generation potential are taken into consideration in addition to the above-mentioned matters, our Company's claims payment ability is regarded quite high.

# 5-Year Summary Financial Information Including the Reporting Period

## Financial Highlights and Key Ratios

Financial Highlights (TL thousand)	2014	2015	2016	2017	2018
Total Premium and Contribution Production*	1,529,967	1,736,762	1,859,336	2,208,463	2,019,010
Total Technical Profit	67,461	108,259	133,012	199,189	237,576
Total Assets	10,247,750	11,889,176	14,391,682	17,877,195	20,221,515
Nominal Capital	380,000	410,000	430,000	430,000	430,000
Shareholders' Equity	701,951	778,205	860,855	926,560	940,618
Financial Income	79,070	87,545	123,363	124,324	133,742
Pretax Profit	134,769	175,845	229,804	279,810	322,207
Net Profit	106,654	145,067	190,274	224,703	253,600

Key Ratios	(%)	(%)	(%)	(%)	(%)
Net Profit/Average Shareholders' Equity (ROAE)	16	20	23	25	27
Premium and Contribution Production/Total Assets	15	15	13	12	10
Shareholders' Equity/Total Assets	7	7	6	5	5

\* Total premium figures include gross written premiums of personal accident and life branch.

## Premium and Private Pension Contribution Production (TL thousand)

### Private Pension Contribution Production

2014	2015	Change (%)	2016	Change (%)	2017	Change (%)	2018	Change (%)
1,164,288	1,334,210	15	1,357,936	2	1,632,789	20	1,378,814	-16

### Life /Non-Life Premium Production

2014	2015	Change (%)	2016	Change (%)	2017	Change (%)	2018	Change (%)
365,679	402,552	10	501,400	25	575,673	15	640,196	11

### Premium and Private Pension Contribution Production

2014	2015	Change (%)	2016	Change (%)	2017	Change (%)	2018	Change (%)
1,529,967	1,736,762	14	1,859,336	7	2,208,463	19	2,019,010	-9

### Mathematical Reserves

2014	2015	Change (%)	2016	Change (%)	2017	Change (%)	2018	Change (%)
1,841,516	1,700,163	-8	1,682,434	-1	1,725,733	3	1,740,281	1

### Pension Funds

2014	2015	Change (%)	2016	Change (%)	2017	Change (%)	2018	Change (%)
7,384,777	8,933,550	21	11,359,421	27	14,712,834	30	16,937,635	15

### Policy Maturity and Death/Disability Benefit Payments (TL thousand)

#### Policy Maturity

2014	2015	Change (%)	2016	Change (%)	2017	Change (%)	2018	Change (%)
280,822	182,417	-35	120,607	-34	106,973	-11	137,738	29

#### Death/Disability Benefit Payments

2014	2015	Change (%)	2016	Change (%)	2017	Change (%)	2018	Change (%)
35,631	35,326	-1	49,942	41	52,255	5	62,340	19

#### Total

2014	2015	Change (%)	2016	Change (%)	2017	Change (%)	2018	Change (%)
316,453	217,743	-31	170,549	-22	159,228	-7	200,078	26

### Technical Results (TL thousand)

#### Life Insurance

2014	2015	Change (%)	2016	Change (%)	2017	Change (%)	2018	Change (%)
63,802	86,478	36	112,486	30	132,610	18	151,096	14

#### Non-Life Insurance

2014	2015	Change (%)	2016	Change (%)	2017	Change (%)	2018	Change (%)
-33	-240	(-)	-566	(-)	-546	-4	-1,076	97

#### Private Pension

2014	2015	Change (%)	2016	Change (%)	2017	Change (%)	2018	Change (%)
3,692	22,021	(+)	21,091	-4	67,125	218	87,556	30

#### Total Technical Profit

2014	2015	Change (%)	2016	Change (%)	2017	Change (%)	2018	Change (%)
67,461	108,259	60	133,011	23	199,189	50	237,576	19

#### Financial Income (TL thousand)

2014	2015	Change (%)	2016	Change (%)	2017	Change (%)	2018	Change (%)
79,070	87,545	11	123,363	41	124,324	1	133,742	8

#### Financial Expenses and Other Expenses

2014	2015	Change (%)	2016	Change (%)	2017	Change (%)	2018	Change (%)
-11,762	-19,958	70	-26,570	33	-43,704	64	-49,111	12

#### Pretax Profit

2014	2015	Change (%)	2016	Change (%)	2017	Change (%)	2018	Change (%)
134,769	175,845	30	229,804	31	279,810	22	322,207	15

#### Shareholders' Equity

2014	2015	Change (%)	2016	Change (%)	2017	Change (%)	2018	Change (%)
701,951	778,205	11	860,855	11	926,560	8	940,618	2

#### Total Assets

2014	2015	Change (%)	2016	Change (%)	2017	Change (%)	2018	Change (%)
10,247,750	11,889,176	16	14,391,682	21	17,877,195	24	20,221,515	13

# Risk Management

Active Committees and an Assessment by the Board of Directors

Risk Management Policies and an Assessment by the Board of Directors



*Buket Karayel / Shots from Life as Seen by Women '18*



*Anadolu Hayat Emeklilik oversees a system that ensures mitigation and control of its operations' risk exposure through their proper and efficient management.*

# Active Committees and an Assessment by the Board of Directors

Corporate Governance Committee, Audit Committee and Early Detection of Risk Committee have been set up to facilitate effective and transparent execution of the Board of Directors' duties and responsibilities, in alignment with the obligations imposed by applicable legislation.

Pursuant to Article 4.5.1 of the Communiqué Serial: IV No: 56 on Determination and Implementation of Corporate Governance Principles enforced upon its publication in the Official Gazette issue 28158 dated 30 December 2011, the Corporate Governance Committee, which has been set up based on the Board of Directors decision no 353/1 dated 14 March 2005, also functions as the Nomination Committee and the Remuneration Committee.

In the Board of Directors Meeting held on 23 June 2014, operating principles of the Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee, which have been identified within the scope of the Capital Markets Board of Turkey (CMB) Corporate Governance Communiqué no. II-17.1, have been defined and publicly disclosed.

Our committees carry out their activities in line with regulatory requirements, target to ensure that the Company's overall conduct and practices are executed in a fashion that is structured, efficient and transparent, keep the Board of Directors informed on material developments in a timely manner and as necessary, and observe strict harmony and coordination with the executive officers of the Company in their activities. Information on the objectives, members, structures and activities of the committees is presented below.

## **CORPORATE GOVERNANCE COMMITTEE**

### **Objectives**

To monitor the Company's compliance with corporate governance principles and to engage in activities and make recommendations to the Board of Directors to improve such compliance.

### **Members**

Şebnem Ergün, Attorney-at-Law & Mediator, Independent Director (Committee Head)

Kemal Emre Sayar, Director (Committee Member)

Necdet Cem Özcan (Committee Member)

### **Structure**

The Corporate Governance Committee will be formed of at least two members to be elected from among Board Directors and the Investor Relations Unit Manager.

The members will elect the head of the committee from among themselves. The head of the committee is elected from among independent Directors. Non-director individuals, who have expertise in their respective fields, can be members of the committee.

If the number of committee members elected from among Board Directors is two, then both of them must be non-executive directors; if such number is greater than two, then the majority of the members must be non-executive directors. The CEO may not serve on this committee.

The Investor Relations Department/Unit Manager must be a full-time employee of the Company and must be assigned as a member of the Corporate Governance Committee.

A member's term of office on the Corporate Governance Committee is terminated when his/her term of office on the Board of Directors expires.

### **Activities**

The committee performs the following duties and responsibilities with respect to corporate governance:

- The Corporate Governance Committee establishes whether the corporate governance principles are implemented in the Company, as well as the grounds for non-implementation, if applicable; identifies conflicts of interest, if any, arising from failure to fully comply with these principles, and presents proposals to the Board of Directors for the improvement of corporate governance practices;
- The committee oversees the activities of the Investor Relations Department. Within this context, the committee sets and regularly reviews the basic principles for the Company's communication with investors;
- The Corporate Governance Committee works in cooperation with the Investor Relations Department to present suggested improvements for ensuring efficient communication between the Company and shareholders, and elimination and resolution of potential conflicts to the Board of Directors.
- The committee reviews the Company's Corporate Governance Compliance Report before it is published within the Company's Annual Report, and presents its comments to the Board of Directors.

- The committee makes proposals and assessments regarding the determination or revision of the Company's disclosure policy, and presents the same to the Board of Directors. The committee reviews that the Disclosure Policy covers the minimum content as stipulated by the legislation with respect to the Company's communication with stakeholders, as well as the scope, quality, consistency and accuracy of documents, presentations and explanations prepared by the Company for informative purposes, and oversees that the same are developed in accordance with the Disclosure Policy;
- The committee carries out activities to ensure that the corporate governance culture is established within the Company, and is espoused by managers and employees working at any level. The committee follows up the developments related to corporate governance in and out of Turkey, and examines their possible implications for the Company.
- The duties and responsibilities of the Corporate Governance Committee with respect to nomination are presented below:
  - Creation of a transparent system regarding identification, assessment, and training of nominees eligible for the Board of Directors and managerial positions with administrative responsibility, and establishing the related policies and strategies;
  - Regular evaluation of the structure and efficiency of the Board of Directors and presentation of its suggestions for possible revisions to the Board of Directors;
  - The committee is charged with performing the duties set out in the legislation concerning the nomination of independent members to the Board of Directors, which are announced every year by the Board and which are compulsory to be implemented by the Group to which the Company is affiliated.
- The committee's duties and responsibilities with respect to remuneration are presented below:
- Setting and overseeing the principles, criteria and practices applicable for the remuneration of Board Directors and executives with administrative responsibility, taking into consideration the Company's long-term targets;
- Presenting its suggestions regarding the remuneration to be paid to Board Directors and executives with administrative responsibility, which will be determined in

view of the extent the remuneration criteria have been achieved;

- Developing suggestions and assessments for the formulation and revision of the Company's remuneration policy, which sets out the remuneration principles for the Board Directors and executives with administrative responsibility, and presenting its opinions to the Board of Directors. The Corporate Governance Committee shall fulfill other duties and responsibilities to be assigned to it by the Board of Directors in relation to its field of activity.

## **EARLY DETECTION OF RISK COMMITTEE**

### **Objectives**

To early detect the risks that might endanger the existence, progress and survival of the Company, implement necessary measures and remedies in relation to the identified risks, and manage the risk.

### **Members**

Erda Gerçek, Independent Director (Committee Head)

Kemal Emre Sayar, Director (Committee Member)

### **Structure**

The Early Detection of Risk Committee consists of a minimum of two members to be elected from among the Board Directors.

The members will elect the head of the committee from among themselves. The head of the committee is elected from among independent Directors. Non-director individuals, who have expertise in their respective fields, can be members of the committee.

If the committee is formed of two members, then both of them must be non-executive Directors; if such number is greater than two, then the majority of the members must be non-executive Directors. The CEO may not serve on this committee.

A member's term of office on the Early Detection of Risk Committee is terminated when his/her term of office on the Board of Directors expires.

### **Activities**

- The Early Detection of Risk Committee works to early detect the risks that might endanger the existence, progress and survival of the Company, to ensure necessary measures are adopted in relation to the identified risks, and to manage the risk.

# Active Committees and an Assessment by the Board of Directors

- The committee informs the Board of Directors of its suggestion and comments in writing regarding the creation and development of the Company's risk management system, which will be aimed at minimizing the impact of risks that might affect the shareholders in particular and all stakeholders in general.
- The committee reviews the Company's risk management systems at least on an annual basis.
- The Early Detection of Risk Committee oversees that risk management practices are carried out in accordance with the decisions of the Board of Directors and the committee;
- The committee reviews the determinations and assessments about risk management that will be incorporated in the Company's annual report.
- The Early Detection of Risk Committee shall fulfill other duties and responsibilities to be assigned to it by the Board of Directors in relation to its field of activity.

## AUDIT COMMITTEE

### Objectives

To monitor the operation and effectiveness of the Company's accounting system, public disclosure of financial information, and process of independent auditing.

### Members

Dr. M. Rafet Akgünay, Independent Director (Committee Head)

Dr. Ahmet D. Erelçin, Independent Director (Committee Member)

### Structure

The Audit Committee consists of a minimum of two members to be elected from among the Board Directors.

The members will elect the head of the committee from among themselves.

All members of the committee are elected from among independent Directors.

To the extent possible, at least one member of the Audit Committee should preferably have minimum five years of experience in audit/accounting and finance.

A member's term of office on the Audit Committee is terminated when his/her term of office on the Board of Directors expires.

### Activities

The duties and responsibilities of the Audit Committee are presented below:

- The Audit Committee oversees the operation and efficiency of the Company's accounting system, public disclosure of financial information, independent auditing, internal control and internal audit systems.
- The Audit Committee supervises the selection of the independent audit firm, preparation of independent audit contracts and initiation of the independent audit process, and every phase of the work carried out by the independent audit firm.
- The Audit Committee determines the independent audit firm from which the company will procure services and the services to be supplied therefrom, and submits the same for the approval of the Board of Directors.
- The Audit Committee establishes the methods and criteria for the handling and resolution of complaints received by the Company in relation to the Company's accounting, internal control and internal audit systems and its independent audit; and for addressing the Company employees' notifications about the Company's accounting and independent audit within the frame of confidentiality principle;
- The Audit Committee assesses the conformity of annual and interim financial statements to be publicly disclosed to the accounting principles pursued by the Company, as well as their accuracy and fairness, and reports its written assessments to the Board of Directors, by incorporating the opinions of the Company's responsible managers and of the independent audit firm.
- The Audit Committee shall fulfill other duties and responsibilities to be assigned to it by the Board of Directors in relation to its field of activity.
- During the period 1 January 2018-31 December 2018, the Audit Committee presented five notifications to the Board of Directors.



# Risk Management Policies and an Assessment by the Board of Directors

Risk management policies describe the key principles and norms related to the risk management system and processes. The requirements under the policy are set by the Board of Directors, the approval of which is required for any revisions. At a minimum, the risk management system and processes must be introduced and the risk limits set must be adhered to.

The Board of Directors is responsible for setting the risk management principles and norms that will be implemented across the Company; updating the risk policies in connection with the changes in the circumstances governing operations; establishing and operating effective risk management system and processes; monitoring the Company's risk level; establishing risk limits and checking actualizations versus these limits, and introducing necessary measures.

Risk limits that are set for the purpose of measuring, evaluating and monitoring the risk levels are enforced based on a Board of Directors decision as and when deemed necessary and important.

The key considerations in setting the risk limits are the risk measurement results and the Company's risk appetite.

Separate from risk limits, indicators of developments and occurrences that will negatively impact the risk level are detected and monitored as early warning signals.

## ***Risk Management Policies Implemented on the Basis of Types of Risks***

The Risk Management Policy is pivotal for supporting and developing the Company's corporate structure. The policy is, in essence, intended to set the key principles and norms related to the risk management system and processes; to introduce the risk management system and processes specified in the policy, and to achieve conformity with the risk limits set.

The activities falling under the Risk Management Policy are carried out within the framework set by the insurance and private pension legislation, and other legislation governing the Company. The Company's risk exposure is individually

monitored, assessed and controlled under the following categories: insurance underwriting and pension branch risk, credit risk, market risk, operational risk, assets and liabilities management risk, structural interest rate risk, liquidity risk, property investment risk, capital investment risk and reputation risk.

Risk Management and Internal Control Department is responsible for describing, measuring, analyzing, monitoring and reporting risks. Other responsibilities of the department include following up the developments in risk management, improving the methods employed, and submitting reports to the Board of Directors on required legal reporting, notification and follow-up activities. In addition, the department also acts as the Compliance Unit with regard to the enforcement of the Law no 5549 on Prevention of Laundering Proceeds from Crime and related regulations.

## ***Insurance Underwriting and Pension Branch Risk Policy***

Insurance underwriting and pension branch risk refers, with respect to the insurance branch, to the risk that might arise from failure to correctly and effectively employ the underwriting technique while providing coverage for probable incidents; and with respect to the private pension branch, to the risk of sustaining loss due to the generated revenues that fall short of the costs incurred.

In insurance and pension branch products, the basic principle is to establish the actuarial structure in line with technical profit forecasts within the frame of precautionary principle. Along this line, technical income and expenses for insurance and pension branches are set within the frame of the principles defined in insurance and private pension legislation, taking into consideration the Company's risk appetite.

The management of insurance underwriting risk is based on the principle of composing a low-risk portfolio of policyholders. To this end, the policyholder portfolio is effectively monitored. The Company's income and risk limits are regularly followed-up to determine whether they are at the level to cover the risk underwritten by the Company.

# Risk Management Policies and an Assessment by the Board of Directors

## **Assets and Liabilities Risk Policy**

Under the assets and liabilities risk that expresses all financial risks apart from the credit risk which stem from the Company's assets and liabilities, structural interest rate risk, liquidity risk, capital investment risk and real estate investment risk are considered.

In the composition of the Company's assets and liabilities, return on asset items and cost of liability items, cashing-in and reinvestment times are taken into account. The Company's needs, alternative borrowing sources, profitability of the lending and lending facilities are taken into account when identifying and utilizing the sources for funding assets.

The basic principle is to ensure that the transactions carried out in the money and capital markets are "well diversified" so as to avoid any concentration in any investment instrument, maturity, currency, interest type and other similar parameters and in view of the risk level created thereby.

When managing the liquidity risk, the Company composes its portfolio in a structure that is compatible with the functions of deriving profit on the portfolio and of market risk management. Hence, key considerations include the maturity distribution of the portfolio composed as such, its having a profit-focus while uncompromising from liquidity requirements, and the risk versus return balance.

Market risk limits are set by the Board of Directors in accordance with the Company's risk appetite. Adherence to limits is constantly monitored by the Risk Management and Internal Control Department and related executive units. In the event of limit overruns, the violation and the reasons therefor are reported to the Board of Directors, accompanied by the executive units' comments. Action to be taken in the event of a limit overrun is decided by the Board of Directors.

Careful consideration is given to the creditworthiness of those issuing financial instruments that pose a market risk. Basically, the issuer of the financial instrument should have been assigned an "investment grade" in terms of credit risk rating.

Within the frame of structural interest rate risk, the exposure stemming from the interest sensitivity of all of the Company's assets, liabilities, income and expenses are followed up separately from the interest risk that is addressed under the market risk.

Decisions on capital investments (new investments, increasing/decreasing the investment level or withdrawal from an investment) are made by the Company's Board of Directors. Capital investments are managed based on a portfolio approach, observing the balance between the risk undertaken and the return generated.

## **Credit Risk Policy**

Credit Risk refers to the probability of loss the Company might sustain due to the failure of indebted parties (agencies, reinsurers, etc.) to the Company to fulfill the contractual requirements and their failure to satisfy their obligations in part or in whole.

The basic principle is to manage counterparty transactions, which are of a nature to give rise to credit risk, so as not to create concentration, and in a well-diversified manner by keeping an eye on the risk level created. To this end, the credit risk exposure is monitored by way of various criteria including counterparty, collateral, sector, maturity and currency.

The minimum scope of the credit risk evaluation process covers monitoring, and reporting on, the risk levels of insurance brokers, reinsurers, companies in which shareholding stakes are acquired, and banks/financial institutions from which financial services are procured.

Early detection and definition of the issues are essential for effective credit risk management.

### **Operational Risk Policy**

Operational risk is the risk of loss that might result from inadequate or inoperational internal processes, people, systems or external factors. The basic principle is to consider operational risks with respect to their likelihood and the impact they would create in the event they occurred, and to take necessary countermeasures.

When managing operational risk, controls are designed to eliminate or mitigate the risk of sustaining loss due to the risk exposure of the activities. Risk Management and Internal Control Department monitors, and reports on, the efficiency and adequacy of the controls, as well as the enforcement of the action plans adopted.

### **Reputation Risk Policy**

Reputation risk refers to potential loss that may result from loss of confidence in the Company or injury to the Company's reputation stemming from the negative thoughts of various parties including current or potential customers, shareholders, competitors and regulatory authorities about the Company, or from regulatory non-compliance.

The principal elements of reputation risk (financial performance, service continuity, customer satisfaction, regulatory compliance, corporate culture and corporate governance understanding, organization and conduct, employee competence, etc.) are taken individually and as a whole. Appropriate systems and controls are created to efficiently manage the elements that constitute a risk.

### **Auditing of Risk Management System and Processes**

The risk management system and processes are audited by the Company's Board of Internal Audit. The Board of Directors determines the principles relating to execution of action plans for the conduct of the audit, the reporting of audit results, and remedy of errors and irregularities identified in the audits.

The Company's risk management and assessment process consists of providing information to the Board of Directors on topics such as:

- Adequacy of the Company's risk management system and processes,
- Compliance with limits,
- Accuracy and quality of the data used in the risk management process,
- Accuracy and quality of limit violation reports,
- Compliance with the policy and implementation procedures.

The process also includes laying down proposals regarding the possible measures that can be adopted, as well as reporting stages.

# Financial Reports and Other Matters

31 December 2018  
Unconsolidated Financial  
Statements Together with  
Independent Auditors' Report  
Thereon

Information on Consolidated  
Associate

31 December 2018 Consolidated  
Financial Statements Together  
with Independent Auditors'  
Report Thereon

Information for Investors

*Zeren Yasa / Shots from Life as Seen by Women '18*



*Having successfully completed its 2018 operations, Anadolu Hayat Emeklilik increased its total assets by 13% to TL 20,222 million.*

Anadolu Hayat Emeklilik Anonim Şirketi

## December 31, 2018 Unconsolidated Financial Statements Together With Independent Auditors' Review Report Thereon

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

January 31, 2019

## Independent Auditor's Report



**Güney Bağımsız Denetim ve  
SMMM A.Ş.**  
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İstanbul - Turkey

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ey.com  
Ticaret Sicil No: 479920  
Mersis No: 0-4350-3032-6000017

To the Shareholders of Anadolu Hayat Emeklilik Anonim Şirketi

### A) Report on the Audit of the Unconsolidated Financial Statements

#### 1) Opinion

We have audited the unconsolidated financial statements of Anadolu Hayat Emeklilik Anonim Şirketi (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2018, and the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2018, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Accounting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation".

#### 2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Independent Auditor's Report

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b>Estimates and assumptions used in calculation of insurance contract liabilities</b></p> <p>As of December 31, 2018, the Company has insurance liabilities of TL 1.899.412.052 representing 9% of the Company's total liabilities. The measurement of insurance contract liabilities involves judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term liabilities, including those for guarantees provided to policyholders.</p> <p>Liabilities related to life insurance group comprise of actuarial mathematical reserves which are calculated according to formulas and principles given in approved technical basis of tariffs and profit sharing reserves which consist of profit sharing calculated in previous years and a certain percentage of current year's income, determined in the approved profit sharing tariffs, including other beneficiaries for the contracts which the Company is liable to give profit sharing.</p> <p>Accounting policies and actuarial assumptions used for the mentioned insurance contract liabilities are explained in note 2 and 17. Given their magnitude in terms of financial statement and significant uncertainty of estimates containing, insurance contract liabilities has been considered as a key audit matter.</p>	<p>The audit procedures regarding the insurance contract liabilities were performed with the use of an actuarial auditor, who is part of our team, and together with manually calculated components of insurance contract liabilities, audit evidence about key controls over calculation methods used by Company's actuaries were obtained; reconciliation of input data related to the Company's insurance contract liabilities with system and other source data was tested; Tariffs and profit sharing reserves which are components of Life group insurance contract liabilities were tested on calculation data by using sampling method and compliance of the explanatory information regarding to insurance contract liabilities with the accounting and reporting regulations in force due to the insurance legislation was reviewed.</p>

#### 4) Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with Insurance Accounting and Financial Reporting Legislation and designing, implementing and maintaining internal systems relevant to the preparation and fair presentation of the unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



## 5) Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Independent Auditor's Report

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

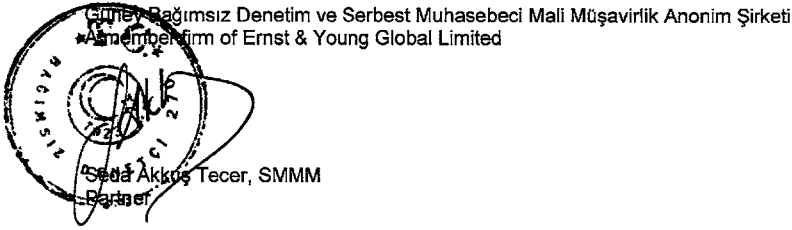
### B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on January 31, 2019.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2018 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.



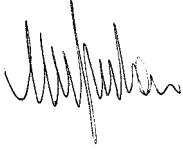
January 31, 2019

Istanbul, Türkiye

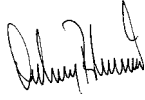
## Unconsolidated Financial Statements As At And For The Year Ended December 31, 2018

We confirm that the unconsolidated financial statements and related disclosures and footnotes as at December 31, 2018 which were prepared in accordance with the accounting principles and standards in force as per the regulations of T.C. Hazine ve Maliye Bakanlığı are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

Istanbul, January 31, 2019



M. Uğur Erkan  
Member of the Board of  
Directors / Chief Executive  
Officer



Orhan Bozkurt  
Vice Chief Executive  
Officer



N. Cem Özcan  
Accounting  
Manager



Devrim Alçın  
Actuary (Registration  
Number:39)

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Anadolu Hayat Emeklilik Anonim Şirketi  
**Unconsolidated Balance Sheet**  
**As At December 31, 2018**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

ASSETS			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>I- Current Assets</b>			
<b>A- Cash and Cash Equivalents</b>			
1- Cash	14	517,657,837	581,758,087
2- Cheques Received	14	1,002	5,654
3- Banks	14	-	-
4- Cheques Given and Payment Orders	14	320,570,433	385,859,525
5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	14	(16)	(24)
6- Other Cash and Cash Equivalents	14	197,086,418	195,892,932
		-	-
<b>B- Financial Assets and Financial Investments with Risks on Policyholders</b>			
1- Available-for-Sale Financial Assets	11	2,334,496,432	2,223,752,989
2- Held to Maturity Investments	11	573,585,026	591,320,170
3- Financial Assets Held for Trading	11	-	-
4- Loans and Receivables	11	55,437,380	62,317,618
5- Provision for Loans and Receivables	11	47,231,715	37,836,112
6- Financial Investments with Risks on Saving Life Policyholders	11	-	-
7- Company's Own Equity Shares	11	1,662,767,119	1,551,190,636
8- Diminution in Value of Financial Investments	11	-	-
		(4,524,808)	(18,911,547)
<b>C- Receivables from Main Operations</b>			
1- Receivables from Insurance Operations	12	17,057,549,365	14,809,280,499
2- Provision for Receivables from Insurance Operations	12	55,964,785	37,898,538
3- Receivables from Reinsurance Operations	12	(2,574)	(2,574)
4- Provision for Receivables from Reinsurance Operations	12	-	-
5- Cash Deposited to Insurance and Reinsurance Companies	12	-	-
6- Loans to the Policyholders	12	34,863,790	30,170,168
7- Provision for Loans to the Policyholders	12	-	-
8- Receivables from Individual Pension Operations	12	16,966,723,364	14,741,214,367
9- Doubtful Receivables from Main Operations	12	117,996	117,996
10- Provision for Doubtful Receivables from Main Operations	12	(117,996)	(117,996)
<b>D- Due from Related Parties</b>			
1- Due from Shareholders	12	12,549	1,567
2- Due from Associates	12	-	-
3- Due from Subsidiaries	12	-	-
4- Due from Joint Ventures	12	-	-
5- Due from Personnel	12	12,549	1,567
6- Due from Other Related Parties	12	-	-
7- Rediscount on Receivables from Related Parties	12	-	-
8- Doubtful Receivables from Related Parties	12	-	-
9- Provision for Doubtful Receivables from Related Parties	12	-	-
<b>E- Other Receivables</b>			
1- Finance Lease Receivables	12	50,363,825	19,352,221
2- Unearned Finance Lease Interest Income	12	-	-
3- Deposits and Guarantees Given	12	100,441	85,685
4- Other Miscellaneous Receivables	47	50,364,178	19,341,866
5- Rediscount on Other Miscellaneous Receivables	47	(100,794)	(75,330)
6- Other Doubtful Receivables	47	-	-
7- Provision for Other Doubtful Receivables	47	-	-
<b>F- Prepaid Expenses and Income Accruals</b>			
1- Deferred Commission Expense	4.2	36,252,496	39,071,002
2- Accrued Interest and Rent Income	4.2	23,411,109	26,432,495
3- Income Accruals	4.2	94,148	233,714
4- Other Prepaid Expenses	4.2	-	-
		12,747,239	12,404,793
<b>G- Other Current Assets</b>			
1- Stocks to be Used in the Following Months	4.2	22,128	21,210
2- Prepaid Taxes and Funds	4.2	-	-
3- Deferred Tax Assets	4.2	8,303	8,133
4- Job Advances	4.2	-	-
5- Advances Given to Personnel	4.2	13,825	13,077
6- Inventory Count Differences	4.2	-	-
7- Other Miscellaneous Current Assets	4.2	-	-
8- Provision for Other Current Assets	4.2	-	-
<b>I- Total Current Assets</b>		<b>19,996,354,632</b>	<b>17,673,237,575</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

# Anadolu Hayat Emeklilik Anonim Şirketi

## Unconsolidated Balance Sheet

### As At December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

ASSETS			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>II- Non-Current Assets</b>			
<b>A- Receivables from Main Operations</b>			
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Business		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
<b>B- Due from Related Parties</b>			
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
<b>C- Other Receivables</b>			
		231,161	485,339
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables		354,972	709,944
5- Rediscount on Other Miscellaneous Receivables		(123,811)	(224,605)
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
<b>D- Financial Assets</b>			
1- Investments in Equity Shares	9,45.d	12,762,193	12,762,193
2- Investments in Associates	9,45.d	12,762,193	12,762,193
3- Capital Commitments to Associates		-	-
4- Investments in Subsidiaries		-	-
5- Capital Commitments to Subsidiaries		-	-
6- Investments in Joint Ventures		-	-
7- Capital Commitments to Joint Ventures		-	-
8- Financial Assets and Financial Investments with Risks on Policyholders		-	-
9- Other Financial Assets		-	-
10- Impairment in Value of Financial Assets		-	-
<b>E- Tangible Assets</b>			
		183,963,677	160,222,265
1- Investment Properties	7	145,729,755	141,944,134
2- Impairment for Investment Properties		-	-
3- Owner Occupied Property	6	4,700,000	4,610,000
4- Machinery and Equipment	6	45,818,086	29,556,763
5- Furniture and Fixtures	6	5,807,620	3,741,718
6- Motor Vehicles	6	502,597	431,268
7- Other Tangible Assets (Including Leasehold Improvements)	6	12,371,453	3,850,717
8- Tangible Assets Acquired Through Finance Leases	6	533,750	533,750
9- Accumulated Depreciation	6	(31,499,584)	(24,446,085)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
<b>F- Intangible Assets</b>			
	8	27,541,661	28,011,790
1- Rights	8	83,364,583	69,128,445
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortisation (Depreciation)	8	(55,822,922)	(41,116,655)
7- Advances Paid for Intangible Assets		-	-
<b>G- Prepaid Expenses and Income Accruals</b>			
		661,369	2,476,061
1- Deferred Commission Expense		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses and Income Accruals		661,369	2,476,061
<b>H- Other Non-Current Assets</b>			
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets		-	-
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortisation on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
<b>II- Total Non-Current Assets</b>			
		225,160,061	203,957,648
<b>TOTAL ASSETS</b>			
		20,221,514,693	17,877,195,223

The accompanying notes are an integral part of these unconsolidated financial statements.

Anadolu Hayat Emeklilik Anonim Şirketi  
**Unconsolidated Balance Sheet**  
**As At December 31, 2018**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

LIABILITIES			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>III- Short-Term Liabilities</b>			
<b>A- Financial Liabilities</b>			
1- Borrowings from Financial Institutions	20	-	-
2- Finance Lease Liabilities		-	-
3- Deferred Leasing Costs		-	-
4- Current Portion of Long Term Debts		-	-
5- Principal Instalments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities	20	-	-
<b>B- Payables Arising from Main Operations</b>			
1- Payables Arising from Insurance Operations	19	17,277,943,412	14,982,910,289
2- Payables Arising from Reinsurance Operations	19	20,123,620	13,836,127
3- Cash Deposited by Insurance and Reinsurance Companies	19,10	4,054,710	1,648,069
4- Payables Arising from Individual Pension Business	19	17,250,229,880	14,964,479,508
5- Payables Arising from Other Main Operations		3,535,202	2,946,585
6- Discount on Payables from Other Main Operations		-	-
<b>C- Due to Related Parties</b>			
1- Due to Shareholders	19,45	131,097	57,577
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel	9	54,560	41,670
6- Due to Other Related Parties	19	94	68
<b>D- Other Payables</b>			
1- Deposits and Guarantees Received	19	19,247,308	22,985,648
2- Medical Treatment Payables to Social Security Institution	19	1,054,058	995,786
3- Other Miscellaneous Payables	19,47	18,193,250	21,989,862
4- Discount on Other Miscellaneous Payables		-	-
<b>E- Insurance Technical Provisions</b>			
1- Reserve for Unearned Premiums - Net	17	1,899,412,052	1,880,844,424
2- Reserve for Unexpired Risks - Net	17	40,711,220	45,766,580
3- Mathematical Provisions - Net	17	18,510	-
4- Provision for Outstanding Claims - Net	17	1,740,281,090	1,725,732,929
5- Provision for Outstanding Claims - Net	17	90,266,489	87,007,263
6- Provision for Bonus and Discounts - Net		410,153	294,374
7- Other Technical Provisions - Net	17	27,724,590	22,043,278
<b>F- Provisions for Taxes and Other Similar Obligations</b>			
1- Taxes and Funds Payable		34,212,244	19,540,559
2- Social Security Premiums Payable		11,559,320	6,154,582
3- Overdue, Deferred or By Instalment Taxes and Other Liabilities		2,626,675	2,054,778
4- Other Taxes and Similar Payables		-	-
5- Corporate Tax Payable	35	117	27
6- Prepaid Taxes and Other Liabilities Regarding Current Period Income	35	68,607,000	55,107,000
7- Provisions for Other Taxes and Similar Liabilities		(48,580,868)	(43,775,828)
<b>G- Provisions for Other Risks</b>			
1- Provision for Employee Termination Benefits	23	23,886,690	18,517,006
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	-	-
<b>H- Deferred Income and Expense Accruals</b>			
1- Deferred Commission Income	19	23,886,690	18,517,006
2- Expense Accruals	19	3,867,847	2,955,075
3- Other Deferred Income and Expense Accruals	19	238,053	155,766
<b>I- Other Short-Term Liabilities</b>			
1- Deferred Tax Liabilities		3,623,133	2,793,463
2- Inventory Count Differences		6,661	5,846
3- Other Various Short-Term Liabilities		-	-
<b>III - Total Short-Term Liabilities</b>		<b>19,258,755,304</b>	<b>16,927,852,316</b>

The accompanying notes are an integral part of these unconsolidated financial statements.



Anadolu Hayat Emeklilik Anonim Şirketi  
**Unconsolidated Balance Sheet**  
**As At December 31, 2018**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

LIABILITIES			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>IV- Long-Term Liabilities</b>			
<b>A- Financial Liabilities</b>			
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities		-	-
3- Deferred Leasing Costs		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
<b>B- Payables Arising from Main Operations</b>		-	-
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
<b>C- Due to Related Parties</b>		-	-
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>		-	-
1- Deposits and Guarantees Received		-	-
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables		-	-
<b>E-Insurance Technical Provisions</b>		-	-
1- Reserve for Unearned Premiums - Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Provisions - Net		-	-
<b>F-Other Liabilities and Relevant Accruals</b>		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Instalment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
<b>G- Provisions for Other Risks</b>		18,079,050	13,724,571
1- Provision for Employee Termination Benefits	22,23	18,079,050	13,724,571
2- Provision for Pension Fund Deficits		-	-
<b>H-Deferred Income and Expense Accruals</b>		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
<b>I- Other Long-Term Liabilities</b>	21	4,062,693	9,057,907
1- Deferred Tax Liabilities	21	4,062,693	9,057,907
2- Other Long-Term Liabilities		-	-
<b>IV- Total Long-Term Liabilities</b>		<b>22,141,743</b>	<b>22,782,478</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

Anadolu Hayat Emeklilik Anonim Şirketi  
**Unconsolidated Balance Sheet**  
**As At December 31, 2018**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

EQUITY			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>V- Equity</b>			
<b>A- Paid in Capital</b>			
1- (Nominal) Capital	2.13,15	430,000,000	430,000,000
2- Unpaid Capital	2.13,15	430,000,000	430,000,000
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences		-	-
5- Register in Progress Capital		-	-
<b>B- Capital Reserves</b>		<b>4,190,243</b>	-
1- Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Assets Sale That Will Be Transferred to Capital		4,190,243	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves		-	-
<b>C- Profit Reserves</b>		<b>158,875,141</b>	<b>172,957,445</b>
1- Legal Reserves	15	153,833,566	126,944,038
2- Statutory Reserves	15	32,870,889	15,753,835
3- Extraordinary Reserves	15	33,273,713	22,371,536
4- Special Funds		-	-
5- Revaluation of Financial Assets	15,16	(56,522,836)	9,546,468
6- Other Profit Reserves	15	(4,580,191)	(1,658,432)
<b>D- Retained Earnings</b>		<b>93,952,011</b>	<b>98,900,291</b>
1- Retained Earnings		93,952,011	98,900,291
<b>E- Accumulated Losses</b>		-	-
1- Accumulated Losses		-	-
<b>F- Net Profit for the Period</b>		<b>253,600,251</b>	<b>224,702,693</b>
1- Net Profit for the Period		253,600,251	224,702,693
2- Net Loss for the Period		-	-
3- Profit not Available for Distribution		-	-
<b>V- Total Equity</b>		<b>940,617,646</b>	<b>926,560,429</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>20,221,514,693</b>	<b>17,877,195,223</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

# Unconsolidated Statement of Income For the Year Ended December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>I-TECHNICAL SECTION</b>			
<b>A- Non-Life Technical Income</b>			
1- Earned Premiums (Net of Reinsurer Share)	5	603,996	668,113
1.1- Written Premiums (Net of Reinsurer Share)	24	576,224	643,045
1.1.1- Written Premiums, gross		982,911	925,330
1.1.2- Written Premiums, ceded	10	(406,687)	(282,285)
1.1.3- Premiums Transferred to Social Security Institutions		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		46,282	15,589
1.2.1- Reserve for Unearned Premiums, gross		(13,527)	12,022
1.2.2- Reserve for Unearned Premiums, ceded	10	59,809	3,567
1.2.3 - Reserve for Unearned Premiums, Social Security Institution Share		-	-
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		(18,510)	9,479
1.3.1- Reserve for Unexpired Risks, gross		(28,897)	11,455
1.3.2- Reserve for Unexpired Risks, ceded		10,387	(1,976)
2- Investment Income - Transferred from Non-Technical Section		-	-
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1- Other Technical Income, gross		-	-
3.2- Other Technical Income, ceded		-	-
4- Accrued Salvage and Subrogation Income		-	-
<b>B- Non-Life Technical Expense</b>	5	<b>(1,680,397)</b>	<b>(1,213,707)</b>
1- Incurred Losses (Net of Reinsurer Share)		(644,295)	(398,277)
1.1- Claims Paid (Net of Reinsurer Share)		(463,109)	(500,107)
1.1.1- Claims Paid, gross		(492,360)	(664,012)
1.1.2- Claims Paid, ceded	10	29,251	163,905
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		(181,186)	101,830
1.2.1- Change in Provisions for Outstanding Claims, gross		(196,574)	188,500
1.2.2- Change in Provisions for Outstanding Claims, ceded	10	15,388	(86,670)
2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward)		96	-
2.1- Provision for Bonus and Discounts, gross		(2,811)	(2,037)
2.2- Provision for Bonus and Discounts, ceded		2,907	2,037
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		(12,801)	(12,283)
4- Operating Expenses	32	(1,023,397)	(803,147)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
5.1- Change in Mathematical Provisions, gross		-	-
5.2 - Change in Mathematical Provisions, ceded		-	-
6- Change in Other Technical Provisions (Net of Reinsurer and Less the Amounts Carried Forward)		-	-
6.1- Change in Other Technical Provisions, gross		-	-
6.2- Change in Other Technical Provisions, ceded		-	-
<b>C- Net Technical Income-Non-Life (A - B)</b>		<b>(1,076,401)</b>	<b>(545,594)</b>
<b>D- Life Technical Income</b>			
1- Earned Premiums (Net of Reinsurer Share)	5	1,004,266,003	741,971,367
1.1- Written Premiums (Net of Reinsurer Share)	24	625,547,838	544,073,328
1.1.1- Written Premiums, gross		620,538,760	560,670,693
1.1.2- Written Premiums, ceded	10	639,213,082	574,747,973
1.1.2- Written Premiums, ceded	10	(18,674,322)	(14,077,280)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		5,009,078	(16,597,365)
1.2.1- Reserve for Unearned Premiums, gross		4,508,733	(16,952,528)
1.2.2- Reserve for Unearned Premiums, ceded	10	500,345	355,163
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Unexpired Risks, ceded		-	-
2- Investment Income	26	368,913,826	190,796,913
3- Unrealised Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		9,804,339	7,101,126
4.1- Other Technical Income, gross		9,804,339	7,101,126
4.2- Other Technical Income, ceded		-	-
5- Accrued Salvage Income		-	-

The accompanying notes are an integral part of these unconsolidated financial statements.

## Unconsolidated Statement of Income For the Year Ended December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>I-TECHNICAL SECTION</b>			
<b>E- Life Technical Expense</b>	<b>5</b>	<b>(853,169,546)</b>	<b>(609,361,173)</b>
1- Incurred Losses (Net of Reinsurer Share)		(491,124,632)	(403,401,308)
1.1- Claims Paid (Net of Reinsurer Share)		(477,667,863)	(395,009,732)
1.1.1- Claims Paid, gross		(483,292,332)	(401,052,249)
1.1.2- Claims Paid, ceded	10	5,624,469	6,042,517
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		(13,456,769)	(8,391,576)
1.2.1- Change in Provisions for Outstanding Claims, gross		(14,485,852)	(7,916,842)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10	1,029,083	(474,734)
2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward)		(115,875)	164,789
2.1- Provision for Bonus and Discounts, gross		(253,171)	207,650
2.2- Provision for Bonus and Discounts, ceded		137,296	(42,861)
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		(155,208,679)	(36,529,790)
3.1- Change in Life Mathematical Provisions, gross		(155,872,482)	(36,675,412)
3.1.1- Change in Actuarial Mathematical Provisions, gross		(104,111,695)	(12,184,777)
3.1.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders), gross		(51,760,787)	(24,490,635)
3.2- Change in Life Mathematical Provisions, ceded	10	663,803	145,622
3.2.1- Change in Actuarial Mathematical Provisions, ceded		663,803	145,622
3.2.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders), ceded		-	-
4- Change in Other Technical Provisions (Net of Reinsurer and Less the Amounts Carried Forward)		(5,668,511)	(5,815,644)
5- Operating Expenses	32	(201,051,849)	(163,779,220)
6- Investment Expenses		-	-
7- Unrealized Losses on Investments		-	-
8- Investment Income Transferred to the Non-Life Technical Section		-	-
<b>F- Net Technical Income- Life (D - E)</b>		<b>151,096,457</b>	<b>132,610,194</b>
<b>G- Pension Business Technical Income</b>	<b>5,25</b>	<b>369,185,665</b>	<b>300,557,250</b>
1- Fund Management Income	25	256,416,861	216,742,273
2- Management Fee	25	46,359,487	32,957,056
3- Entrance Fee Income	25	53,889,365	42,607,643
4- Management Expense Charge in case of Suspension	25	12,032,419	7,675,127
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	-
7- Other Technical Expense	25	487,533	575,151
<b>H- Pension Business Technical Expense</b>	<b>5</b>	<b>(281,630,014)</b>	<b>(233,432,598)</b>
1- Fund Management Expense		(23,567,612)	(31,082,195)
2- Decrease in Value of Capital Allowances Given as Advance		-	-
3- Operating Expenses	32	(237,971,704)	(187,910,279)
4- Other Technical Expenses		(16,912,050)	(13,271,344)
5- Fine Payments		(3,178,648)	(1,168,780)
<b>I- Net Technical Income - Pension Business (G - H)</b>		<b>87,555,651</b>	<b>67,124,652</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

## Unconsolidated Statement of Income For the Year Ended December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>II-NON-TECHNICAL SECTION</b>			
C- Net Technical Income - Non-Life (A-B)		(1,076,401)	(545,594)
F- Net Technical Income - Life (D-E)		151,096,457	132,610,194
I- Net Technical Income - Pension Business (G-H)		87,555,651	67,124,652
J- Total Net Technical Income (C+F+I)		237,575,707	199,189,252
<b>K- Investment Income</b>	<b>26</b>	<b>133,741,765</b>	<b>124,324,215</b>
1- Income from Financial Assets		95,694,121	72,195,653
2- Income from Disposal of Financial Assets		7,231,552	5,650,125
3- Valuation of Financial Assets		80,226	29,599,339
4- Foreign Exchange Gains	36	16,990,379	6,434,339
5- Income from Associates	26	4,187,774	2,895,798
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment	7,26	5,836,444	5,089,954
8- Income from Derivative Transactions		-	-
9- Other Investments	26	3,721,269	2,459,007
10- Income Transferred from Life Section		-	-
<b>L- Investment Expense</b>		<b>(35,465,758)</b>	<b>(26,127,788)</b>
1- Investment Management Expenses (inc. interest)		(3,872,203)	(2,229,571)
2- Diminution in Value of Investments	34	(339,051)	(2,000)
3- Loss from Disposal of Financial Assets		(22,189)	(949,592)
4- Investment Income Transferred to Non-Life Technical Section		-	-
5- Loss from Derivative Transactions		-	-
6- Foreign Exchange Losses	36	(8,907,743)	(2,196,351)
7- Depreciation and Amortisation Expenses	6,8	(22,324,572)	(20,750,274)
8- Other Investment Expenses		-	-
<b>M- Income and Expenses From Other and Extraordinary Operation</b>		<b>(13,644,463)</b>	<b>(17,575,986)</b>
1- Provisions	47	(3,655,127)	(6,659,218)
2- Rediscounts	47	75,330	47,520
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	21	(9,653,804)	(9,888,342)
6- Deferred Taxation (Deferred Tax Liabilities)		-	-
7- Other Income		239,080	4,471
8- Other Expenses and Losses		(649,942)	(1,080,417)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
<b>N- Net Profit for the Period</b>	<b>37</b>	<b>253,600,251</b>	<b>224,702,693</b>
1- Profit for the Period		322,207,251	279,809,693
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(68,607,000)	(55,107,000)
3- Net Profit for the Period	37	253,600,251	224,702,693
4- Monetary Gains and Losses		-	-

The accompanying notes are an integral part of these unconsolidated financial statements.

## Unconsolidated Statement of Changes in Equity For the Year Ended December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

Audited - Changes in Equity - December 31, 2017					
	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments
I - Balance at the end of the year period - December 31, 2016		430,000,000	-	26,974,478	-
II - Change in Accounting Standards		-	-	-	-
III - Restated balances (I+II) - January 1, 2017		430,000,000	-	26,974,478	-
A- Capital increase (A1+A2)		-	-	-	-
1- In cash		-	-	-	-
2- From reserves		-	-	-	-
B- Purchase of own shares		-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-
D- Change in the value of financial assets	15	-	-	(17,428,010)	-
E- Currency translation adjustments		-	-	-	-
F- Other gains or losses	15	-	-	-	-
G- Inflation adjustment differences		-	-	-	-
H- Net profit for the period		-	-	-	-
I - Dividends paid	38	-	-	-	-
J - Transfers from retained earnings	15	-	-	-	-
IV - Balance at the end of the period - December 31, 2017		430,000,000	-	9,546,468	-
Audited - Changes in Equity - December 31, 2018					
	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments
I - Balance at the end of the year period - December 31, 2017		430,000,000	-	9,546,468	-
II - Change in Accounting Standards		-	-	-	-
III - Restated balances (I+II) - January 1, 2018		430,000,000	-	9,546,468	-
A- Capital increase (A1+A2)		-	-	-	-
1- In cash		-	-	-	-
2- From reserves		-	-	-	-
B- Purchase of own shares		-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-
D- Change in the value of financial assets	15	-	-	(66,069,304)	-
E- Currency translation adjustments		-	-	-	-
F- Other gains or losses	15	-	-	-	-
G- Inflation adjustment differences		-	-	-	-
H- Net profit for the period		-	-	-	-
I - Dividends paid	38	-	-	-	-
J - Transfers from retained earnings	15	-	-	-	-
IV - Balance at the end of the period - December 31, 2018		430,000,000	-	(56,522,836)	-

The accompanying notes are an integral part of these unconsolidated financial statements.

	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Period	Retained Earnings	Total
	-	104,906,965	1,321,820	8,476,822	190,274,456	98,900,291	860,854,832
	-	-	-	-	-	-	-
	-	104,906,965	1,321,820	8,476,822	190,274,456	98,900,291	860,854,832
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	(1,645,576)	-	-	(1,645,576)
	-	-	-	-	-	-	(17,428,010)
	-	-	-	-	-	-	-
	-	-	-	-	4,540,000	-	4,540,000
	-	-	-	-	-	-	-
	-	-	-	-	224,702,693	-	224,702,693
	-	-	-	-	(144,463,510)	-	(144,463,510)
	-	22,037,073	14,432,015	13,881,858	(50,350,946)	-	-
	-	126,944,038	15,753,835	20,713,104	224,702,693	98,900,291	926,560,429
	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Period	Retained Earnings	Total
	-	126,944,038	15,753,835	20,713,104	224,702,693	98,900,291	926,560,429
	-	-	-	-	-	-	-
	-	126,944,038	15,753,835	20,713,104	224,702,693	98,900,291	926,560,429
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	(2,843,053)	-	-	(2,843,053)
	-	-	-	-	-	-	(66,069,304)
	-	-	-	-	-	-	-
	-	-	-	(78,706)	5,500,000	(758,037)	4,663,257
	-	-	-	-	-	-	-
	-	-	-	-	253,600,251	-	253,600,251
	-	-	-	-	(175,293,934)	-	(175,293,934)
	-	26,889,528	17,117,054	15,092,420	(54,908,759)	(4,190,243)	-
	-	153,833,566	32,870,889	32,883,765	253,600,251	93,952,011	940,617,646

## Unconsolidated Statement of Cash Flows For the Year Ended December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>A. Cash flows from operating activities</b>			
1. Cash provided from insurance activities		596,471,635	606,264,945
2. Cash provided from reinsurance activities		2,406,641	564,058
3. Cash provided from individual pension business		406,667,171	323,587,268
4. Cash used in insurance activities		(318,319,406)	(366,577,628)
5. Cash used in reinsurance activities		-	-
6. Cash used in individual pension business		(258,870,145)	(225,662,625)
7. Cash provided by / (used in) operating activities		428,355,896	338,176,018
8. Interest paid		-	-
9. Income taxes paid		(59,912,040)	(49,701,003)
10. Other cash inflows		51,139,352	44,052,898
11. Other cash outflows		(74,173,201)	(71,481,042)
12. Net cash provided by operating activities		345,410,007	261,046,871
<b>B. Cash flows from / (used in) investing activities</b>			
1. Proceeds from disposal of tangible assets		2,899,970	1,815,572
2. Acquisition of tangible assets	6,7,8	(41,868,135)	(17,529,384)
3. Acquisition of financial assets		(96,070,535)	(192,031,312)
4. Proceeds from disposal of financial assets		56,327,111	188,310,253
5. Interests received		215,317,385	150,171,407
6. Dividends received		10,744,802	8,843,774
7. Other cash inflows		41,254,359	38,501,262
8. Other cash outflows		(235,185,740)	(349,268,463)
9. Net cash used in investing activities		(46,580,783)	(171,186,891)
<b>C. Cash flows from / (used in) financing activities</b>			
1. Equity shares issued		-	-
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		-	-
4. Dividends paid	38	(175,293,934)	(144,463,510)
5. Other cash inflows		-	-
6. Other cash outflows		-	-
7. Net cash used in financing activities		(175,293,934)	(144,463,510)
<b>D. Effect of exchange rate fluctuations on cash and cash equivalents</b>			
<b>E. Net decrease in cash and cash equivalents</b>			
F. Cash and cash equivalents at the beginning of the period	14	214,555,740	269,159,270
G. Cash and cash equivalents at the end of the period	14	338,091,030	214,555,740

The accompanying notes are an integral part of these unconsolidated financial statements.



## Unconsolidated Statement of Profit Distribution For the Year Ended December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

	Note	Audited Current Period December 31, 2018 <sup>(**)</sup>	Audited Prior Period December 31, 2017
<b>I. DISTRIBUTION OF THE PERIOD PROFIT</b>			
1.1. PERIOD PROFIT <sup>(*)</sup>		329,470,182	287,198,810
1.2. TAXES AND DUTIES PAYABLE		(68,607,000)	(55,107,000)
1.2.1. Corporate Tax (Income Tax)		(68,607,000)	(55,107,000)
1.2.2. Income Tax Deductions		-	-
1.2.3. Other Taxes and Legal Duties		-	-
<b>A. CURRENT PERIOD PROFIT (1.1 - 1.2)</b>		<b>260,863,182</b>	<b>232,091,810</b>
1.3. ACCUMULATED LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVES (-) <sup>(**)</sup>		5,635,719	11,510,135
1.5. OTHER STATUTORY RESERVES (-)		-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5))]</b>		<b>255,227,463</b>	<b>220,581,675</b>
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(44,117,201)
1.6.1. To owners of ordinary shares		-	(44,117,201)
1.6.2. To owners of privileged shares		-	-
1.6.3. To owners of redeemed shares		-	-
1.6.4. To holders profit sharing bonds		-	-
1.6.5. To holders of profit and loss sharing certificates		-	-
1.7. DIVIDENDS TO PERSONNEL (-)		-	(5,293,934)
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9. DIVIDENDS TO FOUNDERS		-	-
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	(125,882,799)
1.10.1. To owners of ordinary shares		-	(125,882,799)
1.10.2. To owners of privileged shares		-	-
1.10.3. To owners of redeemed shares		-	-
1.10.4. To holders profit sharing bonds		-	-
1.10.5. To holders of profit and loss sharing certificates		-	-
1.11. SECOND LEGAL RESERVES (-)		-	(15,379,393)
1.12. STATUTORY RESERVES (-)		-	(17,117,054)
1.13. EXTRAORDINARY RESERVES		-	(12,791,294)
1.14. OTHER RESERVES		-	-
1.15. SPECIAL FUNDS		-	-
<b>II. DISTRIBUTION OF RESERVES</b>			
2.1. APPROPRIATED RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To owners of ordinary shares		-	-
2.3.2. To owners of privileged shares		-	-
2.3.3. To owners of redeemed shares		-	-
2.3.4. To holders of profit sharing bonds		-	-
2.3.5. To holders of profit and loss sharing certificates		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
<b>III. EARNINGS PER SHARE</b>			
3.1. TO OWNERS OF ORDINARY SHARES		0.59355	0.53975
3.2. TO OWNERS OF ORDINARY SHARES (%)		59.355	53.975
3.3. TO OWNERS OF PRIVILEGED SHARES		0.59355	0.53975
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		59.355	53.975
<b>IV. DIVIDEND PER SHARE</b>			
4.1. TO OWNERS OF ORDINARY SHARES		-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3. TO OWNERS OF PRIVILEGED SHARES		-	-
4.4. TO OWNERS OF PRIVILEGED SHARES (%)		-	-

(\*) Consolidated current year profit is used for profit distribution as per the "Profit Share Guidebook" issued by the Capital Markets Board on 23 January 2014 dated. Provision for dividend expense amounting to TL 6,200,000 is added to the profit for the year ended December 31, 2018.

(\*\*) The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. As a result of this limit, TL 5,635,719 was allocated as the first legal reserve.

(\*\*\*) As of the reporting date, the General Assembly Meeting has not been held; therefore, only distributable net profit is presented in the 2018 profit distribution table above.

The accompanying notes are an integral part of these unconsolidated financial statements.

# Notes to the Unconsolidated Financial Statements As at December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

## 1 General information

### 1.1 Name of the Company and the ultimate owner of the group

Anadolu Hayat Emeklilik Anonim Şirketi (the "Company") has been operating since May 31, 1990 and the shareholding structure of the Company is presented below. As at December 31, 2018, the shareholder having direct or indirect control over the shares of the Company is Türkiye İş Bankası AŞ ("İş Bankası") by 84.89% of the outstanding shares of the Company.

Name	December 31, 2018		December 31, 2017	
	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası AŞ <sup>(1)</sup>	274,742,830	63,89	274,742,663	63,89
Anadolu Anonim Türk Sigorta Şirketi	86,000,000	20,00	86,000,000	20,00
Milli Reasürans TAŞ	4,299,999	1,00	4,299,999	1,00
Publicly traded	64,957,171	15,11	64,957,338	15,11
<b>Paid in capital</b>	<b>430,000,000</b>	<b>100,00</b>	<b>430,000,000</b>	<b>100,00</b>

<sup>(1)</sup> The rate of publicly traded shares is 17%. As at December 31, 2018, Türkiye İş Bankası AŞ. owns the 1.89% of the publicly traded shares.

### 1.2 Domicile and the legal structure of the Company, country and the address of the registered office (address of the operating center if it is different from the registered office)

The Company was registered in Turkey and has the status of 'Incorporated Company' in accordance with the regulations of Turkish Commercial Code. The address of the Company's registered office is Meltem Sokak No: 10 İş Kuleleri Kule: 2 Kat: 16, Levent 34330 Beşiktaş/İstanbul.

### 1.3 Business of the Company

The activities of the Company involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal accident branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

As at December 31, 2018, the Company has 34 individual pension investment funds (December 31, 2017: 26).

### 1.4 Description of the main operations of the Company

The Company issues policies in insurance branches specified in the above note 1.3 - *Business of the Company* and contracts in individual pension business by conducting its operations in accordance with the Insurance Law No. 5684 (the "Insurance Law") issued on June 14, 2007 dated and 26552 numbered Official Gazette and Individual Pension Savings and Investment System Law No. 4632 (the "Individual Pension Law") and other communiqués and regulations in force issued by the Ministry of Treasury and Finance of the Turkish Republic (the "Ministry") based on the Insurance Law and the Individual Pension Law.

The Company's shares are listed on the Borsa İstanbul ("BIST"). In accordance with Article 136 (5) in Section VIII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting; therefore, the Company performs its operations accordingly.

## Notes to the Unconsolidated Financial Statements As at December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

### 1.5 The average number of the personnel during the period in consideration of their categories

The average number of the personnel during the period in consideration of their categories is as follows:

	December 31, 2018	December 31, 2017
Senior level managers	7	8
Directors	132	118
Officers	395	391
Contracted personnel	3	3
Sales personnel	499	502
Other	11	10
<b>Total</b>	<b>1,047</b>	<b>1,032</b>

### 1.6 Wages and similar benefits provided to the senior management

For the year ended as of December 31, 2018, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, and deputy general managers amounted to TL 6,404,002 (December 31, 2017: TL 5,854,792).

### 1.7 Explanation about the distribution of investment income and operating expenses (personnel expenses, administrative expenses, research and development expenses, marketing and selling expenses, and expenses for the services bought from third parties) in the financial statements

Procedures and principles related to keys used in the financial statements of the companies are determined in accordance with the January 4, 2008 dated and 2008/1 numbered "Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" issued by the Ministry. In accordance with the above mentioned Communiqué, known and exactly distinguishable operating expenses are directly recorded under life, non-life or individual pension segments. Other non-distinguishable expenses, which are not exactly distinguished, are distributed between insurance segments and individual pension segment in accordance with the number of policies and contracts at the end of last 3 years and arithmetic average of contribution premium and earned premium within the last 3 years in accordance with the August 9, 2010 dated and 2010/9 numbered "Amendments Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" issued by the Ministry. Amendment is effective from January 1, 2011. The portion of insurance segments calculated as described above is distributed between life and non-life branches in accordance with the average of 3 ratios calculated by dividing "number of the policies produced within the last three years", "gross premiums written within the last three years", and "number of the claims reported within the last three years" to the "total number of the policies", "total gross written premiums", and the "total number of the claims reported", respectively.

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section.

Income from the assets invested against mathematical and profit sharing provisions is recorded under technical section, remaining income is transferred to the non-technical section.

As at the reporting period, distribution of the operating expense between life, non-life and pension branches is presented in note 5 - *Segment distribution*.

### 1.8 Information on the financial statements as to whether they comprise an individual company or a group of companies

The accompanying financial statements comprise only the unconsolidated financial information of the Company. As further detailed in note 2.2 - *Consolidation*, the Company has prepared consolidated financial statements as at December 31, 2018, separately.

## Notes to the Unconsolidated Financial Statements As at December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

### 1.9 Name or other identity information about the reporting entity and the changes in this information after previous reporting period

Trade name of the Company	: Anadolu Hayat Emeklilik Anonim Şirketi
Registered address of the head office	: Meltem Sokak No:10 İş Kuleleri Kule:2 Kat:16 Levent 34330 Beşiktaş/İstanbul
The web page of the Company	: <a href="http://www.anadoluhayat.com.tr">www.anadoluhayat.com.tr</a>
E-mail address of the Company	: <a href="mailto:hizmet@anadoluhayat.com.tr">hizmet@anadoluhayat.com.tr</a>
Phone	: 0212 317 70 70
Fax	: 0212 317 70 77

There has been no change in the aforementioned information subsequent to the previous reporting period.

### 1.10 Events after the reporting period

Unconsolidated financial statements prepared for the year ended as of December 31, 2018 was approved by Board of Directors on January 31, 2019.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

#### 2.1.1 Information about the principles and the specific accounting policies used in the preparation of the financial statements

The Company maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") in accordance with the "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" as promulgated by the Ministry based on Article 18 of the Insurance Law.

In Article 4 of related communiqué; insurance contracts, subsidiaries, jointly controlled partnerships and subsidiaries consolidated financial statements and the accounting, financial statements and footnotes to be announced publicly relating to the regulation of procedures and principles determined by the Ministry stated that it would be issued with communiqué.

Comparative financial statements with prior period and other companies' financial statements provided that regulated to content and form of financial statements of companies which were published as "Communiqué on Presentation of Financial Statements" in Official Gazette April 18, 2008 dated and 26851 numbered.

#### 2.1.2 Other accounting policies appropriate for the understanding of the financial statements

##### Accounting in hyperinflationary countries

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on TAS 29 - *Financial Reporting in Hyperinflationary Economies* as at December 31, 2004. TAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting period, and that corresponding figures for previous years be restated in the same terms.

With respect to the April 4, 2005 dated and 19387 numbered declaration of the Ministry, the Company restated its financial statements as at December 31, 2004 and prepared opening financial statements of 2005 in accordance with the "Restatement of Financial Statements in Hyperinflationary Periods" of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Markets" published in the Official Gazette dated January 15, 2003 and numbered 25290. Inflation accounting is no longer applied starting from January 1, 2005, in accordance with the same declaration of the Ministry. Accordingly, as at December 31, 2018, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognised or recorded before January 1, 2005 are measured as restated to December 31, 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognised or recorded after January 1, 2005 are measured at their nominal costs or values.

## Notes to the Unconsolidated Financial Statements As at December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

### Other accounting policies

Information regarding to other accounting polices is explained above in the section of note 2.1.1 – *Information about the principles and the special accounting policies used in the preparation of the financial statements* and each on its own caption in following sections of this report.

#### 2.1.3 Functional and presentation currency

The Company's financial statements are presented in the currency of the primary economic environment in which the entity operates. The results and financial position of the Company are expressed in TL, which is the functional and presentation currency of the Company.

#### 2.1.4 Rounding level of the amounts presented in the financial statements

Financial information presented in TL has been rounded to the nearest TL values.

#### 2.1.5 Basis of measurement used in the preparation of the financial statements

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until December 31, 2004, except for the financial assets at fair value through profit or loss, available-for-sale financial assets, financial investments with risks on saving life policyholders classified as available-for-sale financial assets, derivative financial instruments, investment properties and owner occupied properties which are measured at their fair values unless reliable measures are available.

#### 2.1.6 Accounting policies, changes in accounting estimates and errors

Explanations regarding to the Company's accounting policies are presented in note 3 – Critical accounting estimates and judgements in applying accounting policies.

### 2.2 Consolidation

“Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual Pension Companies” issued by the Ministry in the December 31, 2008 dated and 27097 numbered Official Gazette, has been in force since March 31, 2009. Accordingly, consolidated financial statements are prepared using the equity method of accounting to consolidate the Company's associate; İş Portföy Yönetimi AŞ.

In the August 12, 2008 dated and 2008/36 numbered “Sector Announcement Related to the Accounting of Subsidiaries, Associates and Joint Ventures in the Stand Alone Financial Statements of Insurance, Reinsurance and Individual Pension Companies” of the Ministry, it is stated that although insurance, reinsurance and individual pension companies are exempted from *TAS 27 – Consolidated and Separate Financial Statements*, subsidiaries, associates and joint-ventures could be accounted in accordance with *TAS 39 – Financial Instruments: Recognition and Measurement* or at cost in accordance with the 37<sup>th</sup> paragraph of *TAS 27 – Consolidated and Separate Financial Statements*. Parallel to the related sector announcements mentioned above, as at the reporting period the Company has accounted for its associate at cost less impairment losses, if any.

### 2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

### 2.4 Foreign currency transactions

Transactions are recorded in TL, which is the Company's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the reporting period and foreign currency exchange differences are offset and all exchange differences are recognised in the statement of income.

## Notes to the Unconsolidated Financial Statements As at December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

Foreign currency exchange differences of unrecognised gains or losses arising from the difference between their fair value and the discounted values calculated per effective interest rate method of foreign currency available-for-sale financial assets are recorded in "Revaluation of financial assets" under equity and the realised gain or losses are recognised directly in the statement of income. Foreign currency exchange differences of unrecognised gains or losses arising from financial investments with risks on saving life policyholders classified as available-for-sale financial assets, 5% of the difference is recorded under equity and the remaining 95% belonging to policyholders is recorded as 'insurance technical provisions - life mathematical provisions'.

### 2.5 Tangible assets

Except owner occupied properties, tangible assets are recorded at their historical costs that have been adjusted according to the inflation rates until the end of December 31, 2004. There have been no other inflationary adjustments for these tangible assets for the following years and therefore they have been recorded at their costs indexed to the inflation rates for December 31, 2004. Tangible assets that have been purchased after January 1, 2005 have been recorded at their costs excluding their exchange rate differences and finance expenses less impairment losses if any.

The Company has changed historical cost basis method with revaluation method for owner occupied properties. Fair values of owner occupied properties have been reflected in the financial statements instead of historical cost values since the third quarter of 2015.

The fair values of owner occupied properties were provided by CMB licensed real estate companies. The fair values excluding the accumulated depreciation are reflected in the financial statements.

Increase arising from the revaluation of owner occupied properties is presented under the "other profit reserves" in equity excluding tax.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net carrying value and the proceeds from the disposal of related tangible assets and reflected to the statement of income of the related period.

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense.

There are no pledges, mortgages and other encumbrances on tangible fixed assets.

There are no changes in accounting estimates that have significant effect on the current period or that are expected to have significant effect on the following periods.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation rates and estimated useful lives are as follows:

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Buildings	50 years	2.00
Machinery and equipment	3-16 years	6.25-33.33
Fixtures and furniture	4-13 years	7.69-25.00
Vehicles	5 years	20.00
Other tangible assets (includes leasehold improvements)	5 years	20.00
Leased assets	4-15 years	6.66-25.00

### 2.6 Investment properties

Investment properties are held either to earn rentals and/or for capital appreciation or for both.

Investment properties are measured initially at cost including transaction costs and then measured at fair value. The change arising from fair value is recognised in the income statement.

## Notes to the Unconsolidated Financial Statements As at December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

The difference arising between sale prices and carrying value of an investment property is recognised in profit or loss.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

When the investment property recorded at fair value is reclassified as tangible assets, the fair value of the investment property at the reclassification date is accepted as historical cost value.

### 2.7 Intangible assets

The Company's intangible assets consist of computer software.

Intangible assets are recorded at cost in compliance with "TAS 38 - Accounting for intangible assets". The cost of the intangible assets purchased before December 31, 2004 are restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged on a straight-line basis over their estimated useful lives (3 years) over the cost of the asset.

Costs associated with developing or maintaining computer software programs are recognised as expense when incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Company and will probably provide more economic benefits than costs in one year are recognised as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

### 2.8 Financial assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Securities are recognised and derecognised at the date of settlement.

Financial assets are classified in four categories; as financial assets held for trading, available-for-sale financial assets, held to maturity financial assets, and loans and receivables.

*Financial assets at fair value through profit or loss* are presented as financial assets held for trading in the accompanying financial statements and trading securities and derivatives are included in this category. Financial assets at fair value through profit or loss measured at their fair values and gain/loss arising due to changes in the fair values of related financial assets are recorded in the statement of income. Interest income earned on trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses. Accounting policies of derivatives are detailed in note 2.10 - *Derivative financial instruments*.

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables those are not interest earning are measured by discounting of future cash flows less impairment losses, and interest earning loans and receivables are measured at amortised cost less impairment losses.

*Held to maturity financial assets* are the financial assets with fixed maturities and fixed or pre-determined payment schedules that the Company has the intent and ability to hold until maturity, excluding loans and receivables. Subsequent to initial recognition, held to maturity financial assets and loans and receivables are measured at amortised cost using effective interest rate method less impairment losses, if any.

*Available-for-sale financial assets* are the financial assets other than assets held for trading purposes, held-to-maturity financial assets and loans and receivables.

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Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognised gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under shareholders' equity. Upon disposal, the realised gain or losses are recognised directly in the statement of income.

The determination of fair values of financial instruments not traded in an active market is determined by using valuation techniques. Observable market prices of the quoted financial instruments which are similar in terms of interest, maturity and other conditions are used in determining the fair value.

*Associates* are classified as financial assets in the financial statements. Associates, traded in an active market or whose fair value can be reliably measured, are recorded at their fair values. Associates that are not traded in an active market and whose fair value cannot be reliably set are reflected in financial statements at their costs after deducting impairment losses, if any.

### Specific instruments

*Financial investments with risks on saving life policyholders* are the financial assets invested against the savings of the life policyholders. Financial investments with risks on saving life policyholders could be classified as financial assets held for trading purpose, available for sale financial assets or held to maturity investments by considering the benefits of the policyholders and measured in accordance with the principles as explained above.

When such investments are classified as available-for-sale financial assets, 5% of the difference between the fair values and amortised costs, calculated by using effective interest method, of the financial assets is recorded under equity and the remaining 95% belonging to policyholders is recorded as 'insurance technical provisions - life mathematical provisions'. As at December 31, 2018, 95% of the difference between fair values and amortised costs of those assets backing liabilities amounting to TL (144,313,308) (December 31, 2017: TL (3,652,790)) is recorded in life mathematical provisions.

*Receivables from individual pension operations* consist of 'capital advances given to pension investment funds', 'receivable from pension investment funds for fund management fees', 'entrance fee receivable from participants' and 'receivables from clearing house on behalf of the participants'.

'Receivable from pension investment funds for fund management fee' are the fees charged to the pension investment funds against for the administration of related pension investment funds which consist of fees which are not collected in the same day.

Capital advances given to pension investments funds during their establishment are recorded under 'capital advances given to pension investment funds'.

'Receivables from the clearing house on behalf of the participants' is the receivable from clearing house on fund basis against the collections of the participants. Same amount is also recorded as payables to participants for the funds sold against their collections under the 'payables arising from individual pension businesses'.

Loans to the policyholders are loans that are provided to the policyholders from saving component of the life insurance policies based on the fund amounts and fund unit prices. Valuation of the loans to the policyholders based on the fund amounts and fund unit prices as at the reporting date.

### Derecognition

A financial asset is derecognised when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realised, expire or are surrendered.



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### 2.9 Impairment on assets

#### Impairment on financial assets

Financial assets or group of financial assets are reviewed at each reporting period to determine whether there is objective evidence of impairment. If any such indication exists, the Company estimates the amount of impairment. Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to recognition. The losses expected to incur due to future events are not recognised even if the probability of loss is high.

Loans and receivables are presented net of specific allowances for uncollectability. Specific allowances are made against the carrying amounts of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts.

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans measured to fair value is calculated as the present value of the expected future cash flows discounted at the current market rate of interest.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the statement of operations. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

#### Impairment on tangible and intangible assets

On each reporting period, the Company evaluates whether there is an indication of impairment of fixed assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the "TAS 36 - Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

Rediscount and provision expenses of the period are detailed in Note 47.

### 2.10 Derivative financial instruments

As of the reporting date, the Company does not have any derivative financial instruments. Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 - *Financial Instruments: Recognition and measurement*.

Derivative financial instruments are initially recognised at their fair value. The receivables and liabilities arising from the derivative transactions are recognised under the off-balance sheet accounts through the contract amounts.

Derivative financial instruments are subsequently re-measured at fair value and positive fair value differences are presented either as "financial assets held for trading" and negative fair value differences are presented as "other financial liabilities" in the accompanying financial statements. All unrealised gains and losses on these instruments are included in the statement of income.

### 2.11 Offsetting of financial assets

Financial assets and liabilities are off-set and the net amount is presented in the balance sheet when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the Reporting Standards, or for gains and losses arising from a group of transactions resulting from the Company's similar activities like trading transactions.

### 2.12 Cash and cash equivalents

Cash and cash equivalents, which is a base for the preparation of the statement of cash flows includes cash on hand, other cash and cash equivalents, demand deposits and time deposits at banks having original maturity less than 3 months which are ready to be used by the Company or not blocked for any other purpose.

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### 2.13 Capital

The shareholding structure of the Company is presented in note 1.1 - *Name of the Company and the ultimate owner of the group*. As of December 31, 2018, the Company's issued capital is TL 430,000,000 (December 31, 2017: TL 430,000,000).

#### Sources of the capital increases during the period

None.

#### Privileges on common shares representing share capital

As at December 31, 2018, the share capital of the Company was amounted TL 430,000,000 (December 31, 2017: TL 430,000,000), divided into 43,000,000,000 shares (December 31, 2017: 43,000,000,000 shares) with each has a nominal value of TL 0.01. The Company's share capital was divided into groups comprised of 100,000,000 Group A shares having a nominal values of TL 1,000,000 for each and the rest of amount by Group B shares having a nominal values of TL 1,000,000 for each. Among eleven members of the Board of Directors, seven are elected among candidates nominated by Group A shareholders while four are elected among candidates nominated by Group B shareholders.

#### Registered capital system in the Company

The Company has accepted the registered capital system set out in accordance with the Law No: 2499 and applied the system as of June 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As at December 31, 2018, the registered capital of the Company is TL 900,000,000 (December 31, 2017: TL 900,000,000).

#### Repurchased own shares by the Company

None.

### 2.14 Insurance and investment contracts - classification

An insurance contract is a contract under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk covers all risk except for financial risks. All premiums have been received within the coverage of insurance contracts recognised as revenue under the account caption "written premiums".

Investment contracts are those contracts which transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

The Company mainly issues policies under personal accident, risk and saving life insurance branches and individual pension contracts.

Saving component of the life products can be measured separately by the Company. However, insurance and saving components are not separated due to accounting policy requirements specified to account all risks and rewards without considering the basis of measurement.

### 2.15 Insurance contracts and investment contracts with discretionary participation feature

Discretionary participation feature ("DPF") within insurance contracts and investment contracts is the right to have following benefits in addition to the guaranteed benefits.

(i) that are likely to comprise a significant portion of the total contractual benefits,

(ii) whose amount or timing is contractually at the discretion of the Issuer; and

(iii) that are contractually based on:

- (1) the performance of a specified pool of contracts or a specified type of contract;
- (2) realised and/or unrealised investments returns on a specified pool of assets held by the Issuer; or
- (3) the profit or loss of the Company, Fund or other entity that issues the contract.

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As at the reporting period, the Company does not have any insurance or investment contracts that contain a DPF.

### 2.16 Investment contracts without DPF

In the context of the saving life products, if the investment return, obtained from the savings of the policyholders which is invested by the Company results a lower yield rate than the technical interest rate, the Company compensates the difference; if investment return results higher yield than the guaranteed technical interest rate, the difference is distributed to the policyholders as profit sharing bonus. Due to contractual and competitive constraints in practice, the Company has classified these contracts as investment contracts without DPF.

For such products, investment income obtained from assets backing liabilities is recorded within income statement or equity in accordance with the accounting policies mentioned above; and whole contract is presented as a liability under life mathematical provisions.

### 2.17 Liabilities

*Financial liability* is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities of the Company are measured at their discounted values. A financial liability is derecognised when it is extinguished.

*Payables arising from individual pension business* consist of payables to participants, participants' temporary accounts, and payables to individual pension agencies. The payables to participants are the account in which the contribution of participants that transferred to investments on behalf of individual pension contract owners and income from these investments are recorded. The temporary account of participants includes the contributions of participants that have not yet been transferred to the investment. This account also includes the entrance fee deducted portion of the participants' fund amounts, obtained from the fund share sales occur in the case of system leaves. This account consists of the amounts of participants that will be transferred to other individual pension companies or participants' own accounts. Payables to individual pension agencies are Company's liabilities to individual pension agencies in return of their services.

### 2.18 Taxes

#### Corporate tax

Statutory income is subject to corporate tax at 20%. (However, according to the Provisional Article 10 added to the Corporate Tax Law, the corporate tax rate of 20% is calculated as 22% for the corporate earnings for the fiscal periods starting in the related year for the institutions whose special accounting periods are assigned to the taxation periods of 2018, 2019 and 2020 will be implemented. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. December 31, 2018 and 2017, the Company does not have any deductible tax losses.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25<sup>th</sup> of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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According to the "General Communiqué on Corporate Tax" promulgated in Official Gazette no 28178 dated January 19, 2012, fair value of derivative transactions and option premiums are accepted as income or expense in the corporate tax statement if those transactions are performed at Derivative Exchange Market and not if those transactions are performed with entities as previously.

### Deferred tax

In accordance with TAS 12 - *Income taxes*, deferred tax assets and liabilities are recognised on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

The deferred tax assets and liabilities are reported as net in the financial statements if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

In case where gains/losses resulting from the subsequent measurement of the assets are recognised in the statement of income, then the related current and/or deferred tax effects are also recognised in the statement of income. On the other hand, if such gains/losses are recognised as an item under equity, then the related current and/or deferred tax effects are also recognised directly in the equity.

### Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated November 18, 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

### 2.19 Employee benefits

#### Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at December 31, 2018 is TL 5,434.42 (December 31, 2017: TL 4,732.48).

The Company accounted for employee termination benefits using actuarial method in compliance with the TAS 19 - *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as at December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Discount rate	4.22%	4.40% - 4.75%
Expected rate of salary/limit increase	11.30%	7.30%

### Other benefits

The Company has provided for undiscounted short-term employee benefits earned during the period as per services rendered in compliance with TAS 19 in the accompanying financial statements.

### 2.20 Provisions

A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting period and, if material, such expenses are discounted to their

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present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Company to settle the liability, the related liability is considered as “contingent” and disclosed in the footnotes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Company discloses the contingent asset.

### 2.21 Revenue recognition

#### Written premiums and claims paid

Written premiums represent premiums on policies written during the period net of taxes, premiums of the cancelled policies which were produced in prior periods and premium ceded to reinsurance companies. Premiums ceded to reinsurance companies are accounted as “written premiums, ceded” in the profit or loss statement.

Claims are recognised as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at the reporting period and incurred but not reported claims. Reinsurer's shares of claims paid and outstanding claims provisions are off-set against these reserves.

#### Commission income and expense

As further disclosed in *Note 2.24*, commissions paid to the agencies related to the production of the insurance policies and the commissions received from the reinsurance firms related to the premiums ceded are recognised over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums for the policies produced before January 1, 2008 and recognising deferred commission income and deferred commission expense in the financial statements for the policies produced after January 1, 2008.

In compliance with the matching principle, the Company accrues the commissions of the intermediaries simultaneously on a policy basis, while accruing the receivables from the insureds.

Reinsurance commissions are accounted for based on reinsurer agreements. According to the Circular no: 2007/25 issued by the Ministry on December 28, 2007, starting from January 10, 2008, deferred reinsurance commissions are presented in “Deferred Income” account in the balance sheet.

#### Interest income and expense

Interest income and expense are recognised in the statement of income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

#### Trading income/expense

Trading income/expense includes gains and losses arising from disposals of financial assets held for trading purpose and available-for-sale financial assets. Trading income and trading expenses are recognised as “Income from disposal of financial assets” and “Loss from disposal of financial assets” in the accompanying unconsolidated financial statements.

#### Dividends

Dividend income is recognised when the Company's right to receive payment is ascertained.

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### Income from individual pension business

Fund management fee is recognised as income, charged to the pension investment funds against the hardware, software, personnel and accounting services provided, and fee is shared between the Company and the portfolio managers in accordance with the agreement signed between parties. Total of fund management fee charged to the pension investment funds is recognised as "Fund management income" under technical income and portion of the portfolio manager is recognised as "Fund management expense" under technical expenses.

According to the "Individual Pension System Communiqué" promulgated in Official Gazette no 29366 dated May 25, 2015 and within the changes enacted since January 1, 2016 total entrance fee and management fee that can be made in first 5 years of contract does not exceed 8,5% of gross minimum wage that is valid for the first 6 months of the relevant year. The management fees can be levied on contributions or pension investment funds of the participants and is recognised as "Management fee" under pension business technical income. Entrance fees are received by the Company from participants during the access into the system and for the opening of a new individual pension account or during first time at a different company if the pension contract is already concluded, the aforementioned income is recognised as "Entrance fee income" under pension business technical income.

If no payment is made within three months after the contribution paid at maturity date, case of suspension occurs and management expense is charged. The aforementioned expense is recognised as "Management expense charge in the case of suspension".

The difference in value of the pension investment fund shares, obtained due to capital advance on the date of establishment, to the date of selling of those shares to the participants is recorded in the income statement as "increase in value of capital allowances given as advances".

According to the amendments, promulgated in Official Gazette no 29812 dated August 25, 2016 and effective from January 1, 2017, made to the personal pension savings and investments system law, automatic enrolment to individual pension system that enables employees to be automatically included to an individual pension plan, has come into effect. According to the automatic enrolment system's regulations, maximum of 0,85% fund management fee could be applied to participants; entrance and management fees are not applied.

### 2.22 Leasing transactions

Tangible assets acquired by way of finance leasing are recognised in tangible assets and the obligations under finance leases arising from the lease contracts are presented under finance lease payables account in the financial statements. In the determination of the related assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through financial lease and in the expected future benefits, the leased assets are valued with net realisable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease.

### 2.23 Dividend distribution

In accordance with the Articles of Association of the Company, first dividend distribution is made from distributable profit based on the rates and amounts set out by the Capital Markets Board. In regards to the profit share distribution policy of the Company, two options are presented to the General Assembly; 30% of distributable profit at a minimum as bonus shares or in cash. Based on its articles of association, the Company makes at a maximum of 3% of profit share payments to its employees following the appropriation of first profit share, limited to a maximum of three-month salary.

Dividend payables are recognized as liability in the financial statements when they are announced.

### 2.24 Reserve for unearned premiums

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 26606 numbered and August 7, 2007 dated Official Gazette and put into effect starting from January 1,

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2008, the reserve for unearned premiums represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting period for all short-term insurance policies.

In the case of personal accident insurance, annual life insurance and life insurance which of the renewal date exceeds one year, reserve for unearned premiums is calculated for the portion of the remaining part which is left after deducting savings from gross premium written for the year. In accordance with the "Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" issued in 28356 numbered and July 17, 2012 dated Official Gazette and effective from June 30, 2012, reserve for unearned premiums is calculated from remaining amount of gross written premiums by deducting saving component and expenses related with saving component for life insurance and life insurance with saving components having longer than one year maturity. Insurance policies covering possibilities of life and death or both and personal accident, disability by illness and serious illness insurance policies are considered as life insurance policies and their premiums are classified as life insurance premiums.

According to the 2009/9 Numbered Circular Related to Application of Technical Reserves issued on March 27, 2009 reserve for unearned premiums is calculated by taking into account that all polices become active at 12:00 at noon and end at 12:00 at noon.

### 2.25 Reserve for unexpired risks

In accordance with the Communiqué on Technical Reserves, in each accounting period, the companies while providing reserve for unearned premiums should perform adequacy test covering the preceding 12 months in regard with the probability of future claims and compensations of the outstanding policies will arise in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/premium ratio.

Expected claim/premium ratio is calculated by dividing incurred losses (provision for outstanding claims, net at the end of the period + claims paid, net - provision for outstanding claims, net at the beginning of the period) to earned premiums (written premiums, net + reserve for unearned premiums, net at the beginning of the period - reserve for unearned premiums, net at the end of the period). In the calculation of earned premiums; deferred commission expenses paid to the agencies and deferred commission income received from the reinsurance firms which were netted off from reserve for unearned premiums both at the beginning of the period and at the end of the period are not taken into consideration.

In accordance with the "Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" issued in 28356 numbered and July 17, 2012 dated Official Gazette and effective from June 30, 2012, the test is performed on branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch. The difference between the gross amount and the net amount is considered as the reinsurer's share. The Ministry is authorised to change test methods and require additional reserve for unexpired risks on branch basis.

As at December 31, 2018, related test have resulted reserve for unexpired risks amounting to TL 18,510 (December 31, 2017: None).

### 2.26 Provision for outstanding claims

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Provision for outstanding claims represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting period as well as the corresponding handling costs.

Change in measurement of technical reserves became effective as at September 30, 2010 according to the Ministry Circular which were published as "Communiqué on Amendments to Communiqué on Technical Reserves" in Official Gazette dated July 28, 2010 and numbered 27655.

Following the changes made by the mentioned circular issued by the Ministry, the Circulars, that include explanations regarding accounting of income from salvage and subrogation and methodological changes on Actuarial Chain ladder method, numbered 2010/12, 2010/13, 2010/14 and the sector announcement numbered 2010/29 issued, which became

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effective as at December 31, 2010, in order to clarify uncertainties on measurement of technical reserves and accounting of income from salvage and subrogation.

Additional amendments effective from June 30, 2012 are issued in the "Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" in 28356 numbered and July 17, 2012 dated Official Gazette. Test IBNR method ceased in the calculation of provision for outstanding claims. In accordance with the previous communiqués and sector announcements companies should perform actuarial chain ladder method for the non-life insurance branches engaged more than five years and had sufficient data. Upon issuance the Circular on Outstanding Claims Reserve numbered 2014/16 issued by the Ministry, the Circulars numbered 2010/12, 2010/14 and 2010/16 are repealed. In accordance with the aforementioned Circular numbered 2014/16, IBNR calculation can be made with the other methods by the companies if the calculation method rests upon actuarial basis and amount obtained from this method is greater than the amount calculated by the Actuarial Chain Ladder Method. In this context, Company maintains to calculate IBNR amount according to the repealed Circulars numbered 2010/12 and 2010/14.

Claims incurred before the accounting periods but reported subsequent to those dates are accepted as incurred but not reported ("IBNR") claims. According to the "Communiqué on Provision for IBNR Claims in Life Branch" numbered 2010/14, IBNR calculation is changed. In accordance with the related regulations, last five or more than five years' weighted average calculated by dividing total gross amount of incurred but not reported claims to average annual guarantee of the related years. As of the current reporting period, IBNR is calculated by multiplying weighted average IBNR ratio by the average guarantee amount of last twelve months before reporting period. Accordingly, as at the reporting period, the Company has provided for IBNR, net off ceded amounting to TL 11,744,574 (December 31, 2017: TL 9,935,571).

According to the 7<sup>th</sup> article 6<sup>th</sup> sub clause of the "Circular on Change in Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested against Those Technical Reserves"; provision for the outstanding claims of the period cannot be less than the result of the actuarial chain ladder method determined by the Ministry. The Company has selected "Standard chain ladder method" for personal accident branch as stated in the "Communiqué on Technical Reserves and Circular on Actuarial Chain Ladder Method" dated 20 September 2010 and numbered 2010/12. Accordingly, as at the reporting period, the Company has provided for IBNR, net off ceded amounting to TL 38,833 (December 31, 2017: TL 18,704).

According to the Sector Announcement dated July 18, 2012 and numbered 2012/13 published by the Ministry, insurance, reinsurance and individual pension companies are required to perform adequacy test to assess the adequacy of provision for outstanding claims at the end of the each reporting period. Companies performed actuarial chain ladder method are not obliged to record additional provision for outstanding claims. As at December 31, 2018, this adequacy test has not resulted in additional provision for outstanding claims.

### 2.27 Mathematical provisions

In accordance with the Communiqué on Technical Reserves, companies operating in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal accident insurance contracts. Mathematical provisions are composed of actuarial mathematical provisions and profit sharing provisions. Actuarial mathematical provisions, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method). In life insurance where saving plan premiums are also generated, actuarial mathematical provisions consist of total saving plan portions of premiums. Provision for profit sharing consist of profit sharing calculated in previous years and a certain percentage of current year's income, determined in the approved profit sharing tariffs, obtained from the financial assets backing liabilities of the Company against the policyholders and other beneficiaries for the contracts which the Company is liable to give profit sharing. The valuation method used in calculation of the profit to be shared for saving life contracts is the same with the valuation basis of portfolio on which assets on which the Company invests the provisions allocated due to liabilities against the beneficiaries are included in the framework of basis defined in the note 2.8 - *Financial assets* above.



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### 2.28 Equalisation provision – Provision for bonus and discounts

According to “Communiqué on Technical Reserves”, companies should book equalisation provision for guarantees of loan and earthquakes in order to offset fluctuations in the rate of indemnification and to meet catastrophic risks in the accounting period.

In accordance with the Communiqué on Technical Reserves issued by the Ministry on March 27, 2009 numbered 2009/9, the insurance companies should recognise equalisation provision for disability and death occurred because of an earthquake and tariffs that include additional guarantee in life and casualty branches. With the circular released on July 28, 2010 and numbered 27655 “Circular on Change in Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves”, the calculation of equalisation provision is revised. In accordance with the Communiqué on Technical Reserves, the companies which give additional guarantee in life use their own statistical data for equalisation provision calculation. The companies not having sufficient data for calculation will accept 11% of death net premium (including damage payments) as earthquake premium and 12% of that amount is calculated as equalisation provision. In accordance with the Communiqué on Technical Reserves, booking provisions should continue until reaching 150% of the highest net premium amount of the last five financial years. Equalisation provisions amounting to TL 27,724,590 are presented under “other technical reserves” within short-term liabilities in the accompanying financial statements (December 31, 2017: TL 22,043,278).

In accordance with Regulation on Technical Reserves, insurance companies are required to account for the bonus or discounts provided to policyholders and beneficiaries in accordance with the current year technical income. As of December 31, 2018, the Company accounted for bonus provision amounting to TL 410,153 (December 31, 2017: TL 294,374).

### 2.29 Related parties

Parties are considered related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company and its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or any individual referred to in (d) or

(e) which significant voting power in such entity resides with directly or indirectly, or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business.

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### 2.30 Earnings per share

Earnings per share presented in the income statement is calculated by dividing the net profit into the weighted average number of the outstanding shares throughout the financial year. Companies in Turkey can increase their capital by distributing "bonus shares" to shareholders from the prior years' profit. Such "bonus share" distributions are considered as issued shares in the earnings per share calculations. Accordingly, weighted average number of equity shares used in the calculations is calculated by considering the retrospective effects of share distributions.

### 2.31 Events after the reporting period

"Events After the Reporting Period"; post-reporting date events that provide additional information about the Company's position at the reporting periods (adjusting events) are reflected in the unconsolidated financial statements. Post-reporting date events that are not adjusting events are disclosed in the notes when material.

### 2.32 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the unconsolidated financial statements as at December 31, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows:

#### TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018. The Company has postponed the transition to TFRS 15 on January 1, 2021 in accordance with the circular, dated October 23, 2018 and numbered 2018/4, "the Date of Transition to the TFRS 15 of Insurance and Pension Companies".

#### TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018. Because of the optional temporary exemption for insurance companies for applying TFRS 9 financial instruments until 2021, the Company continues fulfilling the necessities of TAS 39.

#### TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

a. give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and

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b. give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial instruments until 2021. The entities that defer the application of TFRS 9 Financial instruments will continue to apply the existing financial instruments Standard–TAS 39.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Company.

### TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. The interpretation did not have a significant impact on the financial position or performance of the Company.

### TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Company.

### TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Company.

### Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after 1 January 2018.

The amendments did not have a significant impact on the financial position or performance of the Company.

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the unconsolidated financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the unconsolidated financial statements and disclosures, when the new standards and interpretations become effective.

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### TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The amendment will not have a significant impact on the financial position or performance of the Company.

### Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

### TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Company will wait until the final amendment to assess the impacts of the changes.

### TFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "TAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

- (a) whether an entity considers uncertain tax treatments separately;
- (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an

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entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the interpretation recognised at the date of initial application.

The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

### Annual Improvements – 2015-2017 Cycle

In December 2017, the IASB announced *Annual Improvements to IFRS Standards 2015-2017 Cycle*, containing the following amendments to IFRSs:

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* – The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 *Income Taxes* – The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 *Borrowing Costs* – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The amendment will not have an impact on the balance sheet and equity of the Company.

### Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

On January 2018, the IASB published Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

### Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

The Company is in the process of assessing the impact of the amendments on financial position and performance of the Company.

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### iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

#### IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

#### Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

- The amendments:
- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

#### Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

### 3 Critical accounting estimates and judgments in applying accounting policies

The notes given in this section are provided in addition to the commentary on the management of insurance risk note 4.1 - *Management of insurance risk* and note 4.2 - *Financial risk management*.

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The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

*Note 4.1* - Management of insurance risk

*Note 4.2* - Financial risk management

*Note 10* - Reinsurance assets and liabilities

*Note 11* - Financial assets

*Note 12* - Loans and receivables

*Note 17* - Insurance contract liabilities and reinsurance assets

*Note 17* - Deferred commissions

*Note 19* - Trade and other payables, deferred income

*Note 21* - Deferred tax

*Note 23* - Other liabilities and provisions

### 4 Management of insurance and financial risk

#### 4.1 Management of insurance risk

##### Objective of managing risks arising from insurance contracts and policies used to minimise such risks:

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. In line with the nature of an insurance contract, as the risk is coincidental, the risk amount cannot be predictable.

Insurance risk represents the possibility of the non-coverage of the claims paid by the premiums collected.

As of December 31, 2018, the Company's life insurance claims/premiums ratio stands at 21%. Low claims/premiums ratio, which is calculated by the proportion of claims to risk premiums collected, indicates that the Company makes significant profit. The Company adopts central risk assessment policy. The Company applies this policy to the all marketing channels produced. In its life policy production, the Company has no sales channel with continuous risk exposure. The Company analyses its claims/premiums ratio periodically in order to identify its insurance risks.

As of December 31, 2018, the Company's personal accident insurance claims/premiums ratio is 68%. Since personal accident insurance portfolio has an insignificant share in the Company's general portfolio, this ratio would be low when no compensation is paid and this ratio would be high when compensation is paid.

Claims/premium ratio of the Company as of the financial statement periods is presented below:

	December 31, 2018	December 31, 2017
Life insurance	21%	19%
Personal accident	68%	91%

The Company shares its significant risks associated with natural disasters, such as; earthquake, terrorism or large-scale accidents, with reinsurers by entering into catastrophic excess of loss agreements.

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As at December 31, 2018 and 2017, risk portion transferred to reinsurers in terms of risk guarantee is presented as below:

	December 31, 2018	December 31, 2017
Death by natural cause	12%	10%
Death by accident	53%	41%
Disability by accident	56%	47%
Disability by illness	64%	63%

### Sensitivity to insurance risk

The Company's policy production strategy follows an effective risk management in the policy production process considering the nature, extent, and accurate distribution of the risk incurred.

Reinsurer agreements include claims surplus, excess of loss and quota reinsurances. In 2018, the Company retains the risk, stemming from insurance contracts, which varies with regards to provided coverage, product and portfolio and transfers the exceeding portion to reinsurers via reinsurance agreements. The limits regarding the maximum risk that can be retained by the Company is audited by the Ministry.

### Determination of insurance risk concentrations by management and the common characteristics of insurance risk concentrations (nature, location and currency)

The Company produces life and personal accident branch policies. The Company's gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarised as below:

Branches	December 31, 2018		
	Total gross risk liability <sup>(1)</sup>	Reinsurer's share of risk liability	The company's net claims liability
Life insurance	79,326,942,408	18,117,334,551	61,209,607,857
Personal accident	9,774,489,686	4,093,756,237	5,680,733,449
<b>Total</b>	<b>89,101,432,094</b>	<b>22,211,090,788</b>	<b>66,890,341,306</b>
Branches	December 31, 2017		
	Total gross risk liability <sup>(1)</sup>	Reinsurer's share of risk liability	The company's net claims liability
Life insurance	73,110,300,352	14,199,914,493	58,910,385,859
Personal accident	10,523,501,056	3,002,551,823	7,520,949,233
<b>Total</b>	<b>83,633,801,408</b>	<b>17,202,466,316</b>	<b>66,431,335,092</b>

<sup>(1)</sup> Represents the maximum insurance amount based on death by natural cause, death by accident, disability by accident and disability by illness.



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The Company issues insurance contracts mainly in Turkey. Gross and net insurance risk concentrations of the insurance contracts (after reinsurance) based on geographical regions are summarised as below:

Claims liability <sup>(1)</sup>	December 31, 2018		
	Total gross claims liability	Reinsurer's share of claims liability	Total net claims liability
Marmara Region	31,554,305	1,711,922	29,842,383
Central Anatolia Region	10,627,809	373,047	10,254,762
Aegean Region	11,940,652	272,911	11,667,741
Mediterranean Region	9,554,683	514,059	9,040,624
Black Sea Region	6,061,222	73,771	5,987,451
South-eastern Anatolia Region	3,582,898	536,242	3,046,656
Eastern Anatolia Region	2,616,937	53,415	2,563,522
Foreign countries (other)	6,084,144	4,199	6,079,945
<b>Total</b>	<b>82,022,650</b>	<b>3,539,566</b>	<b>78,483,084</b>

Claims liability <sup>(1)</sup>	December 31, 2017		
	Total gross claims liability	Reinsurer's share of claims liability	Total net claims liability
Marmara Region	31,323,914	705,056	30,618,858
Central Anatolia Region	11,769,193	564,256	11,204,937
Aegean Region	12,310,813	504,540	11,806,273
Mediterranean Region	8,369,251	189,958	8,179,293
Black Sea Region	5,999,374	89,330	5,910,044
South-eastern Anatolia Region	3,008,392	46,441	2,961,951
Eastern Anatolia Region	2,953,253	61,201	2,892,052
Foreign countries (other)	3,483,779	4,199	3,479,580
<b>Total</b>	<b>79,217,969</b>	<b>2,164,981</b>	<b>77,052,988</b>

(1) Total claims liability includes the actual estimated compensation amounts. IBNR provision and outstanding claims adequacy provision are not included in the calculation.

### Comparison of incurred claims with past estimations

Incurred claim development table is disclosed in note 17 - *Insurance liabilities and reinsurance assets*.

### Effects of the changes in assumptions used in the measurement of insurance assets and liabilities showing the effect of each change separately that has significant effect on financial statements

In the current period, there are no material changes in the assumptions of measurement of insurance assets and liabilities.

### 4.2 Financial risk management

This note presents information about the Company's exposure to each of the below risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Company's risk management program focuses on minimising the negative effects of the ambiguities in financial markets on the Company's financial statements. The Company is mostly exposed to interest risk and price risk in relation with financial investments, to credit risk in relation with insurance receivables and exchange rate risk due to policies and assets in foreign currencies.

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The risk is managed by a specific department which is in line with the approved policies by the Board of Directors. Several risk policies have been prepared by the Board of Directors in order to manage the exchange risk, interest risk, credit risk, using the derivative and non-derivative financial instruments risks.

### Credit risk

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. When the Company's field of activity and third party relations is considered, its credit risk is deemed to be relatively at minimum. The balance sheet items that the Company is exposed to credit risk are as follows:

- Cash at banks
- Other cash and cash equivalents
- Available for sale financial assets
- Financial assets held for trading
- Held-to-maturity financial assets
- Premium receivables from policyholders
- Receivables from intermediaries (agencies)
- Receivables from reinsurance companies related to claims paid and commissions accrued
- Reinsurance shares of insurance liabilities
- Due from related parties
- Other receivables

The review of the Company's third party relations are presented below.

*Reinsurers:* Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The Company works with international reinsurance companies with strong financial status. In this perspective, the level of risk exposure is also considered to be at minimum.

*Agencies:* Agencies working with the Company expose it to a limited level of credit risk. Since the Company's products are issued with long-term use, commissions given to agencies are also long term in nature; therefore, the Company has consistent payables to agencies.

*Policyholders:* Overdue premium receivables are not considered as a significant risk exposure to the Company because if the Company has unpaid premiums, all guarantees related to the insurance will be invalid.

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As at December 31, 2018 and 2017, the Company's credit risk exposure by types of financial instruments is as follows. Banks and other cash and cash equivalents are also included in the credit risk.

	Receivables <sup>(1)</sup>				Financial assets	Banks and other cash and cash equivalent assets
	Receivables from insurance activities		Other receivables			
	Related party	Third party	Related party	Third party		
<b>December 31, 2018</b>						
Maximum credit risk exposure as at the reporting period (A+B+C)	25	90,825,976	12,549	50,363,825	2,224,455,427	517,656,851
- Secured portion of maximum risk by guarantees, provisions, etc.	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	25	66,061,899	12,549	50,363,825	2,224,455,427	517,656,851
B. Net book value of past due but not impaired assets	-	24,764,077	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Gross book value	-	120,570	-	-	-	-
- Impairment	-	(120,570)	-	-	-	-
- Secured portion of net book value by guarantees, provisions, etc.	-	-	-	-	-	-
	Receivables <sup>(1)</sup>				Financial assets	Banks and other cash and cash equivalent assets
	Receivables from insurance activities		Receivables from insurance activities			
	Related party	Third party	Related party	Third party		
<b>December 31, 2017</b>						
Maximum credit risk exposure as at the reporting period (A+B+C)	-	68,066,132	1,567	19,352,221	2,079,044,988	581,752,457
- Secured portion of maximum risk by guarantees, provisions, etc.	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	-	55,784,024	1,567	19,352,221	2,079,044,988	581,752,457
B. Net book value of part due but not impaired assets	-	12,282,108	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Gross book value	-	120,570	-	-	-	-
- Impairment	-	(120,570)	-	-	-	-
- Secured portion of net book value by guarantees, provisions, etc.	-	-	-	-	-	-

<sup>(1)</sup> Receivables from individual pension activities are not included in the credit risk table since those receivables are followed both side of the balance sheet as asset and liability and they are held on behalf of participants by İstanbul Takas ve Saklama Bankası A.Ş. (the "İstanbul Settlement and Custody Bank Inc").

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### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the net funding obligations. Liquidity risk arises from the events trigger decreasing funds such as deterioration in the market conditions or downgrading of credit ratings. As at December 31, 2018 and 2017 maturity analyses of the Company's assets and liabilities are presented in the table below:

December 31, 2018	Without maturity	Up to 1 month	1 to 3 months
Cash and cash equivalents	25,977,467	265,472,528	226,207,842
Financial assets and investments with risks on policyholders	-	47,850,878	237,756,036
Receivables from main operations	-	4,815,190	9,157,280
Due from related parties	-	-	12,549
Other receivables	-	49,370,276	-
Prepaid expenses and income accruals, short term	-	-	-
Other current assets	-	-	-
Other receivables	-	-	-
Financial assets (Associates)	-	-	-
Tangible assets	-	-	-
Intangible assets	-	-	-
Prepaid expenses and income accruals, long term	-	-	-
Deferred tax assets	-	-	-
<b>Total assets</b>	<b>25,977,467</b>	<b>367,508,872</b>	<b>473,133,707</b>
Financial liabilities	-	-	-
Payables arising from main operations	-	24,918,717	-
Due to related parties	-	54,560	-
Other payables	-	10,256,568	-
Insurance technical provisions	-	-	-
Provisions for taxes and other similar obligations	-	14,185,995	-
Deferred income and expense accruals	-	-	-
Other short term liabilities	-	-	-
Provisions for other risks	-	1,400,000	-
Deferred tax liabilities	-	-	-
Shareholders' equity	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>50,815,840</b>	<b>-</b>
<b>Net liquidity surplus/(deficit)</b>	<b>25,977,467</b>	<b>316,693,032</b>	<b>473,133,707</b>

3 to 12 months	1 to 5 years	5 years and over	Unallocated	Total
-	-	-	-	517,657,837
68,674,224	939,637,685	847,890,213	192,687,396	2,334,496,432
16,918,948	-	-	17,026,657,947	17,057,549,365
-	-	-	-	12,549
-	-	-	993,549	50,363,825
-	-	-	36,252,496	36,252,496
-	-	-	22,128	22,128
231,161	-	-	-	231,161
-	-	-	12,762,193	12,762,193
-	-	-	183,963,677	183,963,677
-	-	-	27,541,661	27,541,661
-	-	-	661,369	661,369
-	-	-	-	-
<b>85,824,333</b>	<b>939,637,685</b>	<b>847,890,213</b>	<b>17,481,542,416</b>	<b>20,221,514,693</b>
-	-	-	-	-
4,054,710	-	-	17,248,969,985	17,277,943,412
131,097	-	-	94	185,751
-	-	-	8,990,740	19,247,308
-	-	-	1,899,412,052	1,899,412,052
-	-	-	20,026,249	34,212,244
-	-	-	3,867,847	3,867,847
-	-	-	-	-
12,800,000	-	18,079,050	9,686,690	41,965,740
-	-	-	4,062,693	4,062,693
-	-	-	940,617,646	940,617,646
<b>16,985,807</b>	-	<b>18,079,050</b>	<b>20,135,633,996</b>	<b>20,221,514,693</b>
<b>68,838,526</b>	<b>939,637,685</b>	<b>829,811,163</b>	<b>(2,654,091,580)</b>	-

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December 31, 2017	Without maturity	Up to 1 month	1 to 3 months	3 to 12 months
Cash and cash equivalents	18,662,808	268,602,921	294,492,358	-
Financial assets and investments with risks on policyholders		164,384,392	6,556,676	22,472,553
Receivables from main operations	-	3,920,427	7,515,084	14,178,346
Due from related parties	-	-	1,567	-
Other receivables	-	18,180,114	-	-
Prepaid expenses and income accruals, short term	-	-	-	-
Other current assets	-	-	-	-
Other receivables	-	-	-	485,339
Financial assets (Associates)	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Prepaid expenses and income accruals, long term	-	-	-	-
Deferred tax assets	-	-	-	-
<b>Total assets</b>	<b>18,662,808</b>	<b>455,087,854</b>	<b>308,565,685</b>	<b>37,136,238</b>
Financial liabilities	-	-	-	-
Payables arising from main operations	-	19,096,298	-	1,648,069
Due to related parties	-	41,670	-	57,577
Other payables	-	12,796,416	-	-
Insurance technical provisions	-	-	-	-
Provisions for taxes and other similar obligations	-	8,209,360	-	-
Deferred income and expense accruals	-	-	-	-
Other short term liabilities	-	-	-	-
Provisions for other risks	-	1,074,652	11,000,000	-
Deferred tax liabilities	-	-	-	-
Shareholders' equity	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>41,218,396</b>	<b>11,000,000</b>	<b>1,705,646</b>
<b>Net liquidity surplus/(deficit)</b>	<b>18,662,808</b>	<b>413,869,458</b>	<b>297,565,685</b>	<b>35,430,592</b>

1 to 5 years	5 years and over	Unallocated	Total
			581,758,087
869,709,905	923,912,457	236,717,006	2,223,752,989
-	-	14,783,666,642	14,809,280,499
-	-	-	1,567
-	-	1,172,107	19,352,221
-	-	39,071,002	39,071,002
-	-	21,210	21,210
-	-	-	485,339
-	-	12,762,193	12,762,193
-	-	160,222,265	160,222,265
-	-	28,011,790	28,011,790
-	-	2,476,061	2,476,061
-	-	-	-
869,709,905	923,912,457	15,264,120,276	17,877,195,223
-	-	-	-
-	-	14,962,165,922	14,982,910,289
-	-	68	99,315
-	-	10,189,232	22,985,648
-	-	1,880,844,424	1,880,844,424
-	-	11,331,199	19,540,559
-	-	2,955,075	2,955,075
-	-	-	-
-	13,724,571	6,442,354	32,241,577
-	-	9,057,907	9,057,907
-	-	926,560,429	926,560,429
-	13,724,571	17,809,546,610	17,877,195,223
869,709,905	910,187,886	(2,545,426,334)	-

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### Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

#### Foreign currency risk

The Company is exposed to foreign currency risk through insurance and reinsurance transactions in foreign currencies.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated by the Central Bank of the Republic of Turkey's (CBRT) spot purchase rates and the differences arising from foreign currency rates are recorded as foreign exchange gain or loss in the statement of operations.

Parallel to the general characteristic of Turkish insurance sector, the Company holds long position in terms of US Dollar and Euro.

The Company's exposure to foreign currency risk is as follows:

Foreign currency position table - December 31, 2018						
	Total TL (Functional currency)	US Dollar	Euro	GBP	CHF	JPY
1. Cash at banks	14,631,702	7,534,357	6,827,998	207,363	61,984	-
2. Financial assets and financial investments with risks on policyholders	765,132,465	594,527,085	148,409,850	22,195,530	-	-
3. Receivables from main operations	9,702,272	8,352,240	1,347,680	2,352	-	-
4. Reinsurance receivables	-	-	-	-	-	-
5. Rent receivables	-	-	-	-	-	-
6. Deposits given	57,870	57,870	-	-	-	-
<b>Foreign currency assets, current</b>	<b>789,524,309</b>	<b>610,471,552</b>	<b>156,585,528</b>	<b>22,405,245</b>	<b>61,984</b>	<b>-</b>
<b>7. Total assets</b>	<b>789,524,309</b>	<b>610,471,552</b>	<b>156,585,528</b>	<b>22,405,245</b>	<b>61,984</b>	<b>-</b>
8. Other miscellaneous payables	1,191,874	1,086,225	105,649	-	-	-
9. Payables to reinsurers	148,188	148,179	-	-	-	9
10. Agency guarantees	558,507	535,868	22,639	-	-	-
11. Technical provisions	779,066,993	609,344,926	148,483,130	21,229,712	309	8,916
<b>Foreign currency liabilities, short term</b>	<b>780,965,562</b>	<b>611,115,198</b>	<b>148,611,418</b>	<b>21,229,712</b>	<b>309</b>	<b>8,925</b>
<b>12. Total liabilities</b>	<b>780,965,562</b>	<b>611,115,198</b>	<b>148,611,418</b>	<b>21,229,712</b>	<b>309</b>	<b>8,925</b>
<b>Net financial position</b>	<b>8,558,747</b>	<b>(643,646)</b>	<b>7,974,110</b>	<b>1,175,533</b>	<b>61,675</b>	<b>(8,925)</b>
<b>Net long/(short) position on monetary items</b>	<b>8,500,877</b>	<b>(701,516)</b>	<b>7,974,110</b>	<b>1,175,533</b>	<b>61,675</b>	<b>(8,925)</b>

<sup>(1)</sup>The Company's foreign currency denominated financial assets and financial investments with risks on policyholders are measured at their fair values, technical provisions are measured at amortised cost in financial statements. In order to eliminate inconsistency between these interconnected asset and liability, the difference between fair value and amortised cost of financial assets which are classified as available for sale financial assets is added to technical provisions.



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Foreign currency position table - December 31, 2017						
	Total TL (Functional currency)	US Dollar	Euro	GBP	CHF	JPY
1. Cash at banks	4,432,590	1,395,980	2,958,995	62,759	14,856	-
2. Financial assets and financial investments with risks on policyholders	612,576,705	460,330,943	134,048,356	18,197,406	-	-
3. Receivables from main operations	2,038,456	1,766,757	265,432	6,267	-	-
4. Reinsurance receivables	-	-	-	-	-	-
5. Rent receivables	-	-	-	-	-	-
6. Deposits given	41,491	41,491	-	-	-	-
<b>Foreign currency assets, current</b>	<b>619,089,242</b>	<b>463,535,171</b>	<b>137,272,783</b>	<b>18,266,432</b>	<b>14,856</b>	<b>-</b>
<b>7. Total assets</b>	<b>619,089,242</b>	<b>463,535,171</b>	<b>137,272,783</b>	<b>18,266,432</b>	<b>14,856</b>	<b>-</b>
8. Other miscellaneous payables	3,342,594	3,165,446	118,721	-	58,427	-
9. Payables to reinsurers	726	-	-	716	-	10
10. Agency guarantees	488,815	453,761	35,054	-	-	-
11. Technical provisions	552,970,925	433,051,739	103,239,142	16,670,124	1,261	8,659
<b>Foreign currency liabilities, short term</b>	<b>556,803,060</b>	<b>436,670,946</b>	<b>103,392,917</b>	<b>16,670,840</b>	<b>59,688</b>	<b>8,669</b>
<b>12. Total liabilities</b>	<b>556,803,060</b>	<b>436,670,946</b>	<b>103,392,917</b>	<b>16,670,840</b>	<b>59,688</b>	<b>8,669</b>
<b>Net financial position</b>	<b>62,286,182</b>	<b>26,864,225</b>	<b>33,879,866</b>	<b>1,595,592</b>	<b>(44,832)</b>	<b>(8,669)</b>
<b>Net long/(short) position on monetary items</b>	<b>62,244,691</b>	<b>26,822,734</b>	<b>33,879,866</b>	<b>1,595,592</b>	<b>(44,832)</b>	<b>(8,669)</b>

Foreign currency transactions are recorded at exchange rates at the transaction dates and foreign currency denominated monetary items are evaluated by the Central Bank of the Republic of Turkey's spot purchase rates as at reporting dates.

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as at reporting periods are as follows:

December 31, 2018	US Dollar	Euro	GBP	CHF	JPY
Foreign currency rate used in translation of balance sheet items	5.2609	6.0280	6.6528	5.3352	0.0475
December 31, 2017	US Dollar	Euro	GBP	CHF	JPY
Foreign currency rate used in translation of balance sheet items	3.7719	4.5155	5.0803	3.8548	0.0334

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### Exposure to foreign currency risk

A 10 percent depreciation of the TL against the following currencies as at December 31, 2018 and 2017 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 10 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

Exchange rate sensitivity analysis table - December 31, 2018				
	Profit/loss		Equity <sup>(1)</sup>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>If USD value changes by 10% against TL:</b>				
1- Net US Dollar assets/liabilities	215,947	(215,947)	(64,365)	64,365
2- Hedged portion from US Dollar risk (-)	-	-	-	-
<b>3- Net effect of US Dollar (1+2)</b>	<b>215,947</b>	<b>(215,947)</b>	<b>(64,365)</b>	<b>64,365</b>
<b>If EUR value changes by 10% against TL:</b>				
4- Net Euro assets/liabilities	786,885	(786,885)	797,412	(797,412)
5- Hedged portion from Euro risk (-)	-	-	-	-
<b>6- Net effect of Euro (4+5)</b>	<b>786,885</b>	<b>(786,885)</b>	<b>797,412</b>	<b>(797,412)</b>
<b>If GBP value changes by 10% against TL:</b>				
7- Net GBP assets/liabilities	127,323	(127,323)	117,553	(117,553)
8- Hedged portion from GBP risk (-)	-	-	-	-
<b>9- Net effect of GBP (7+8)</b>	<b>127,323</b>	<b>(127,323)</b>	<b>117,553</b>	<b>(117,553)</b>
<b>If CHF value changes by 10% against TL:</b>				
10- Net CHF assets/liabilities	6,168	(6,168)	6,168	(6,168)
11- Hedged portion from CHF risk (-)	-	-	-	-
<b>12- Net effect of CHF (10+11)</b>	<b>6,168</b>	<b>(6,168)</b>	<b>6,168</b>	<b>(6,168)</b>
<b>If JPY value changes by 10% against TL:</b>				
13- Net JPY assets/liabilities	(893)	893	(893)	893
14- Hedged portion from JPY risk (-)	-	-	-	-
<b>15- Net effect of JPY (13+14)</b>	<b>(893)</b>	<b>893</b>	<b>(893)</b>	<b>893</b>
<b>Total (3+6+9+12+15)</b>	<b>1,135,430</b>	<b>(1,135,430)</b>	<b>855,875</b>	<b>(855,875)</b>

<sup>(1)</sup> Includes profit / loss effect.

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Exchange rate sensitivity analysis table - December 31, 2017				
	Profit/loss		Equity <sup>(1)</sup>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
If USD value changes by 10% against TL:				
1- Net US Dollar assets/liabilities	2,481,828	(2,481,828)	2,686,423	(2,686,423)
2- Hedged portion from US Dollar risk (-)	-	-	-	-
3- Net effect of US Dollar (1+2)	2,481,828	(2,481,828)	2,686,423	(2,686,423)
If EUR value changes by 10% against TL:				
4- Net Euro assets/liabilities	3,352,191	(3,352,191)	3,387,987	(3,387,987)
5- Hedged portion from Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	3,352,191	(3,352,191)	3,387,987	(3,387,987)
If GBP value changes by 10% against TL:				
7- Net GBP assets/liabilities	151,350	(151,350)	159,559	(159,559)
8- Hedged portion from GBP risk (-)	-	-	-	-
9- Net effect of GBP (7+8)	151,350	(151,350)	159,559	(159,559)
If CHF value changes by 10% against TL:				
10- Net CHF assets/liabilities	(4,483)	4,483	(4,483)	4,483
11- Hedged portion from CHF risk (-)	-	-	-	-
12- Net effect of CHF (10+11)	(4,483)	4,483	(4,483)	4,483
If JPY value changes by 10% against TL:				
13- Net JPY assets/liabilities	(867)	867	(867)	867
14- Hedged portion from JPY risk (-)	-	-	-	-
15- Net effect of JPY (13+14)	(867)	867	(867)	867
<b>Total (3+6+9+12+15)</b>	<b>5,980,019</b>	<b>(5,980,019)</b>	<b>6,228,619</b>	<b>(6,228,619)</b>

<sup>(1)</sup>Includes profit / loss effect.

### Interest risk

#### Exposure to interest risk

The changes in interest rate that arise fluctuations in prices of financial instruments lead to the necessity of overcoming interest rate risk. The Company's sensitivity for interest rate risk is related to the inconsistency of maturity of asset and liability items. The interest risk is managed by compensating the assets exposed to the interest fluctuations with the identical liabilities.

Financial instruments which are sensitive to the changes in interest rates are given in the table below:

	December 31, 2018	December 31, 2017
<b>Fixed rate financial instruments</b>		
Financial assets	1,783,043,917	1,742,083,510
Available-for-sale financial assets	1,735,812,202	1,704,247,398
Loans and receivables	47,231,715	37,836,112
Banks	532,349,987	493,750,627
<b>Variable rate financial instruments</b>		
Financial assets	121,009,082	118,404,194
Available-for-sale financial assets	121,009,082	118,404,194

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*Interest risk**Interest rate sensitivity of financial instruments*

As at December 31, 2018 and 2017, interest rate risk analysis of financial assets and financial liabilities are summarised in the table below:

December 31, 2018	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Non-interest bearing	Total
<i>Assets:</i>							
Cash and cash equivalents	265,472,528	226,207,842	-	-	-	25,977,467	517,657,837
Financial assets and investments with risks on policyholders	47,850,878	237,756,036	189,683,307	818,628,602	847,890,213	192,687,396	2,334,496,432
Receivables from main operations	4,815,190	9,157,280	16,918,948	-	-	17,026,657,947	17,057,549,365
Due from related parties	-	12,549	-	-	-	-	12,549
Other receivables	49,370,276	-	-	-	-	993,549	50,363,825
Prepaid expenses and income accruals, short term	-	-	-	-	-	36,252,496	36,252,496
Other current assets	-	-	-	-	-	22,128	22,128
Other current receivables	-	-	231,161	-	-	-	231,161
Financial assets (Associates)	-	-	-	-	-	12,762,193	12,762,193
Tangible assets	-	-	-	-	-	183,963,677	183,963,677
Intangible assets	-	-	-	-	-	27,541,661	27,541,661
Prepaid expenses and income accruals, long term	-	-	-	-	-	661,369	661,369
Deferred tax assets	-	-	-	-	-	-	-
<b>Total assets</b>	<b>367,508,872</b>	<b>473,133,707</b>	<b>206,833,416</b>	<b>818,628,602</b>	<b>847,890,213</b>	<b>17,507,519,883</b>	<b>20,221,514,693</b>
<i>Liabilities:</i>							
Financial liabilities	-	-	-	-	-	-	-
Payables arising from main operations	24,918,717	-	4,054,710	-	-	17,248,969,985	17,277,943,412
Due to related parties	54,560	-	131,097	-	-	94	185,751
Other liabilities	10,256,568	-	-	-	-	8,990,740	19,247,308
Insurance technical provisions	-	-	-	-	-	1,899,412,052	1,899,412,052
Provisions for taxes and other similar obligations	14,185,995	-	-	-	-	20,026,249	34,212,244
Deferred income and expense accruals	-	-	-	-	-	3,867,847	3,867,847
Other short term liabilities	-	-	-	-	-	-	-
Provisions for other risks	1,400,000	-	12,800,000	-	18,079,050	9,686,690	41,965,740
Deferred tax liabilities	-	-	-	-	-	4,062,693	4,062,693
Shareholders' equity	-	-	-	-	-	940,617,646	940,617,646
<b>Total liabilities and equity</b>	<b>50,815,840</b>	<b>-</b>	<b>16,985,807</b>	<b>-</b>	<b>18,079,050</b>	<b>20,135,633,996</b>	<b>20,221,514,693</b>
<b>Net position</b>	<b>316,693,032</b>	<b>473,133,707</b>	<b>189,847,609</b>	<b>818,628,602</b>	<b>829,811,163</b>	<b>(2,628,114,113)</b>	<b>-</b>

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December 31, 2017	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Non-interest bearing	Total
<i>Assets:</i>							
Cash and cash equivalents	268,602,921	294,492,358	-	-	-	18,662,808	581,758,087
Financial assets and investments with risks on policyholders	164,384,392	6,556,676	140,876,747	751,305,711	923,912,457	236,717,006	2,223,752,989
Receivables from main operations	3,920,427	7,515,084	14,178,346	-	-	14,783,666,642	14,809,280,499
Due from related parties	-	1,567	-	-	-	-	1,567
Other receivables	18,180,114	-	-	-	-	1,172,107	19,352,221
Prepaid expenses and income accruals, short term	-	-	-	-	-	39,071,002	39,071,002
Other current assets	-	-	-	-	-	21,210	21,210
Other current receivables	-	-	485,339	-	-	-	485,339
Financial assets (Associates)	-	-	-	-	-	12,762,193	12,762,193
Tangible assets	-	-	-	-	-	160,222,265	160,222,265
Intangible assets	-	-	-	-	-	28,011,790	28,011,790
Prepaid expenses and income accruals, long term	-	-	-	-	-	2,476,061	2,476,061
Deferred tax assets	-	-	-	-	-	-	-
<b>Total assets</b>	<b>455,087,854</b>	<b>308,565,685</b>	<b>155,540,432</b>	<b>751,305,711</b>	<b>923,912,457</b>	<b>15,282,783,084</b>	<b>17,877,195,223</b>
<i>Liabilities:</i>							
Financial liabilities	-	-	-	-	-	-	-
Payables arising from main operations	19,096,298	-	1,648,069	-	-	14,962,165,922	14,982,910,289
Due to related parties	41,670	-	57,577	-	-	68	99,315
Other liabilities	12,796,416	-	-	-	-	10,189,232	22,985,648
Insurance technical provisions	-	-	-	-	-	1,880,844,424	1,880,844,424
Provisions for taxes and other similar obligations	8,209,360	-	-	-	-	11,331,199	19,540,559
Deferred income and expense accruals	-	-	-	-	-	2,955,075	2,955,075
Other short term liabilities	-	-	-	-	-	-	-
Provisions for other risks	1,074,652	11,000,000	-	-	13,724,571	6,442,354	32,241,577
Deferred tax liabilities	-	-	-	-	-	9,057,907	9,057,907
Shareholders' equity	-	-	-	-	-	926,560,429	926,560,429
<b>Total liabilities and equity</b>	<b>41,218,396</b>	<b>11,000,000</b>	<b>1,705,646</b>	<b>-</b>	<b>13,724,571</b>	<b>17,809,546,610</b>	<b>17,877,195,223</b>
<b>Net position</b>	<b>413,869,458</b>	<b>297,565,685</b>	<b>153,834,786</b>	<b>751,305,711</b>	<b>910,187,886</b>	<b>(2,526,763,526)</b>	<b>-</b>

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Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income as at and for December 31, 2018 and 2017 of the floating rate non-trading financial assets and financial liabilities held at. Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at December 31, 2018 and 2017 for the effects of the assumed changes in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The table below demonstrating the effect of changes in interest rates on statement of income and equity excludes tax effects on related loss or income.

December 31, 2018	100 bp increase	100 bp decrease	500 bp increase	500 bp decrease
Company's own portfolio	(7,590,537)	7,891,428	(35,312,669)	42,963,542
<b>Total, net</b>	<b>(7,590,537)</b>	<b>7,891,428</b>	<b>(35,312,669)</b>	<b>42,963,542</b>
December 31, 2017	100 bp increase	100 bp decrease	500 bp increase	500 bp decrease
Company's own portfolio	(9,904,880)	10,342,995	(45,647,048)	56,726,619
<b>Total, net</b>	<b>(9,904,880)</b>	<b>10,342,995</b>	<b>(45,647,048)</b>	<b>56,726,619</b>

### Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where it exists, appropriate valuation methodologies.

The Company has classified its financial assets as held for trading purpose or available for sale. As at reporting period, available for sale financial assets and financial assets held for trading are measured at their fair values in the accompanying financial statements.

Management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying values.

### Classification relevant to fair value information

TFRS 7 - *Financial instruments: Disclosures* requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

If classification is available for usage, it necessitates the utilisation of observable market data.

## Notes to the Unconsolidated Financial Statements As at December 31, 2018

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The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
<i>Financial assets<sup>(1)</sup>:</i>				
Financial assets held for trading	55,437,380	-	-	55,437,380
Available for sale financial assets <sup>(2)</sup>	563,866,752	-	-	563,866,752
Financial investments with risks on policyholders classified as available for sale	1,396,131,158	-	-	1,396,131,158
Financial investments with risks on policyholders classified as for the purposes of purchase and sale	28,879,925	-	-	28,879,925
Receivables from individual pension business <sup>(3)</sup>	16,937,634,744	-	-	16,937,634,744
<b>Total financial assets</b>	<b>18,981,949,959</b>	<b>-</b>	<b>-</b>	<b>18,981,949,959</b>

*Financial liabilities:*

Investment contract liabilities - life mathematical provision for saving life policies	1,740,281,090	-	-	1,740,281,090
Payables arising from individual pension business <sup>(3)</sup>	16,937,634,744	-	-	16,937,634,744
<b>Total financial liabilities</b>	<b>18,677,915,834</b>	<b>-</b>	<b>-</b>	<b>18,677,915,834</b>

<sup>(1)</sup> As at December 31, 2018, time deposits in financial investments with risks on policyholders amounting to TL 237,756,035 is not provided in the table.<sup>(2)</sup> As at December 31, 2018, securities that are not publicly traded cost value TL 9,718,274 and TL 4,524,808 impairment amounting to TL 5,193,466 have been measured at cost and are excluded from the table.<sup>(3)</sup> Includes investments directed individual pension funds.

	December 31, 2017			Total
	Level 1	Level 2	Level 3	
<i>Financial assets:</i>				
Financial assets held for trading	62,317,618	-	-	62,317,618
Available for sale financial assets <sup>(1)</sup>	559,440,854	-	-	559,440,854
Financial investments with risks on policyholders classified as available for sale	1,392,236,705	-	-	1,392,236,705
Financial investments with risks on policyholders classified as for the purposes of purchase and sale	32,405,651	-	-	32,405,651
Receivables from individual pension business	14,712,834,341	-	-	14,712,834,341
<b>Total financial assets</b>	<b>16,759,235,169</b>	<b>-</b>	<b>-</b>	<b>16,759,235,169</b>

*Financial liabilities:*

Investment contract liabilities - life mathematical provision for saving life policies	1,725,732,929	-	-	1,725,732,929
Payables arising from individual pension business <sup>(2)</sup>	14,712,834,341	-	-	14,712,834,341
<b>Total financial liabilities</b>	<b>16,438,567,270</b>	<b>-</b>	<b>-</b>	<b>16,438,567,270</b>

<sup>(1)</sup> As at December 31, 2017, securities that are not publicly traded cost value TL 31,879,316 and TL (18,911,547) impairment amounting to TL 12,967,769 have been measured at cost and are excluded from the table.<sup>(2)</sup> Includes investments directed individual pension funds.

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(Currency: Turkish Lira (TL))

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### Equity share price risk

Equity share price risk is defined as the risk of decreasing the market price of equity shares as a result of a decline in index.

The effect of changes in fair values of the available-for-sale financial assets on equity that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows for the periods ended December 31, 2018 and 2017.

	Change of price	December 31, 2018	December 31, 2017
Market price of equity share	10%	10,317,663	12,902,597

The effect of changes in fair values of the financial assets held for trading on equity that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows as at December 31, 2018 and 2017.

	Change of price	December 31, 2018	December 31, 2017
Market price of equity share	10%	167,091	271,426

### Capital management

The aim of the Company's capital management is defined as to provide the continuity of profit-making company, to protect the benefits of the shareholders and institutional partners and also to conduct the most efficient capital structure in order to reduce the cost of capital.

The capital adequacy of the Company is calculated in accordance with the Decree "Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds" in all reporting periods. The Capital Adequacy calculated according to two methods are in line with the minimum requirements. The Company's recent capital adequacy table prepared as at the report date for June 30, 2018 is summarised below. As at June 30, 2018, the capital adequacy of the Company is TL 226,297,435 and TL 247,824,196; based on first and second method respectively. By the table below, it is observed that capital adequacy balances calculated by using first and second methods are less than the Company's capital as at June 30, 2018. The Company's capital calculated based on the regulation as at June 30, 2018 is TL 840,504,874. Consequently, the Company's capital is adequate.

Capital adequacy table		
	June 30, 2018	December 31, 2017
<b>First Method</b>		
Required capital for non-life branches	170,577	131,555
Required capital for life branch	149,226,431	158,366,259
Required capital for pension branch	76,900,427	73,564,172
<b>Required capital based on the first method</b>	<b>226,297,435</b>	<b>232,061,986</b>
<b>Second Method</b>		
Required capital for asset risk	210,642,177	211,610,132
Required capital for reinsurance risk	1,647,881	1,792,926
Required capital for outstanding claims risk	4,195,709	3,248,137
Required capital for underwriting risk	29,003,509	27,328,017
Required capital for interest rate and currency risk	2,334,920	4,671,463
<b>Required capital based on the second method</b>	<b>247,824,196</b>	<b>248,650,675</b>
<b>Required capital</b>	<b>247,824,196</b>	<b>248,650,675</b>
<b>Current capital<sup>(1)</sup></b>	<b>840,504,874</b>	<b>948,603,707</b>
<b>Excessive capital</b>	<b>592,680,678</b>	<b>699,953,032</b>

<sup>(1)</sup> According to legal regulations, equalisation provision of TL 25,065,728 (December 31, 2017: TL 22,043,278) have been included in the amount for equity.



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(Currency: Turkish Lira (TL))

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### 5 Segment reporting

Segmenting of balance sheet and income statement items is based on the distribution key described in Circular "Principles and Procedures of Distribution Keys Used in Financial Statements under the Insurance Uniformed Chart of Accounts" issued by the Ministry on January 4, 2008 and Circular "Amendments to Principles and Procedures of Distribution Keys Used in Financial Statements under the Insurance Uniformed Chart of Accounts" issued by the Ministry on August 9, 2010.

December 31, 2018	Life	Individual pension	Personal accident	Total
<i>Continuing operations:</i>				
Technical income	1,004,266,003	369,185,665	603,996	1,374,055,664
Technical expense	(853,169,546)	(281,630,014)	(1,680,397)	(1,136,479,957)
Total of other income and expense	36,274,861	47,672,949	683,734	84,631,544
<b>Income before tax</b>	<b>187,371,318</b>	<b>135,228,600</b>	<b>(392,667)</b>	<b>322,207,251</b>
Income tax expense	-	-	-	(68,607,000)
<b>Net profit for the period</b>	<b>187,371,318</b>	<b>135,228,600</b>	<b>(392,667)</b>	<b>253,600,251</b>
<hr/>				
December 31, 2018	Life	Individual pension	Personal accident	Total
Segment assets	2,377,905,967	17,798,788,288	44,820,438	20,221,514,693
<b>Total assets</b>	<b>2,377,905,967</b>	<b>17,798,788,288</b>	<b>44,820,438</b>	<b>20,221,514,693</b>
Segment liabilities	(2,340,210,700)	(17,837,335,103)	(43,968,890)	(20,221,514,693)
<b>Total liabilities</b>	<b>(2,340,210,700)</b>	<b>(17,837,335,103)</b>	<b>(43,968,890)</b>	<b>(20,221,514,693)</b>
<hr/>				
<i>Other segment information</i>				
Depreciation and amortisation	(9,568,782)	(12,575,431)	(180,359)	(22,324,572)
<hr/>				
December 31, 2017	Life	Individual pension	Personal accident	Total
<i>Continuing operations:</i>				
Technical income	741,971,367	300,557,250	668,113	1,043,196,730
Technical expense	(609,361,173)	(233,432,598)	(1,213,707)	(844,007,478)
Total of other income and expense	35,739,064	44,292,870	588,507	80,620,441
<b>Income before tax</b>	<b>168,349,258</b>	<b>111,417,522</b>	<b>42,913</b>	<b>279,809,693</b>
Income tax expense	-	-	-	(55,107,000)
<b>Net profit for the period</b>	<b>168,349,258</b>	<b>111,417,522</b>	<b>42,913</b>	<b>224,702,693</b>
<hr/>				
December 31, 2017	Life	Individual pension	Personal accident	Total
Segment assets	2,281,014,088	15,558,620,220	37,560,915	17,877,195,223
<b>Total assets</b>	<b>2,281,014,088</b>	<b>15,558,620,220</b>	<b>37,560,915</b>	<b>17,877,195,223</b>
Segment liabilities	(2,320,064,255)	(15,519,071,289)	(38,059,679)	(17,877,195,223)
<b>Total liabilities</b>	<b>(2,320,064,255)</b>	<b>(15,519,071,289)</b>	<b>(38,059,679)</b>	<b>(17,877,195,223)</b>
<hr/>				
<i>Other segment information</i>				
Depreciation and amortisation	(9,198,602)	(11,400,201)	(151,471)	(20,750,274)

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### 6 Tangible assets

Movement in tangible assets in the period from January 1 to December 31, 2018 is presented below:

	January 1, 2018	Additions	Increase in value	Disposals	December 31, 2018
<i>Cost:</i>					
Owner occupied land and buildings	4,610,000	-	90,000	-	4,700,000
Machinery and equipment	29,556,763	16,439,049	-	(177,726)	45,818,086
Vehicles	431,268	71,329	-	-	502,597
Furniture and fixtures (includes leased assets)	4,275,468	2,065,902	-	-	6,341,370
Leasehold improvements	3,850,717	9,055,717	-	(534,981)	12,371,453
	<b>42,724,216</b>	<b>27,631,997</b>	<b>90,000</b>	<b>(712,707)</b>	<b>69,733,506</b>
<i>Accumulated depreciation:</i>					
Owner occupied land and buildings	(30,953)	(8,221)	-	39,174	-
Machinery and equipment	(17,710,069)	(6,414,058)	-	101,258	(24,022,869)
Vehicles	(171,374)	(87,089)	-	-	(258,463)
Furniture and fixtures (includes leased assets)	(3,598,598)	(382,884)	-	-	(3,981,482)
Leasehold improvements	(2,935,091)	(726,053)	-	424,374	(3,236,770)
	<b>(24,446,085)</b>	<b>(7,618,305)</b>	<b>-</b>	<b>564,806</b>	<b>(31,499,584)</b>
<b>Carrying amounts</b>	<b>18,278,131</b>				<b>38,233,922</b>

Owner occupied properties are evaluated by revaluation method and subjected to valuation. Appraisal reports were provided by CMB licensed real estate appraisal company at the end of 2018. There is no pledge on the properties.

As of December 31, 2018, the fair values (excluding VAT) and net carrying values of owner occupied properties are presented below:

Owner occupied land and buildings	Appraisal value	Net carrying value (December 31, 2018)
Southern Anatolia district sales office / Adana	2,600,000	2,600,000
Land / İstanbul Kağıthane	2,100,000	2,100,000
<b>Total</b>	<b>4,700,000</b>	<b>4,700,000</b>

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### Fair value measurement

The fair values of owner occupied land and buildings were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as level 2.

Movement in tangible assets in the period from January 1 to December 31, 2017 is presented below:

	January 1, 2017	Additions	Increase in value	Disposals	December 31, 2017
<b>Cost:</b>					
Owner occupied land and buildings	4,610,000	-	-	-	4,610,000
Machinery and equipment	24,339,733	5,689,309	-	(472,279)	29,556,763
Vehicles	486,876	128,247	-	(183,855)	431,268
Furniture and fixtures (includes leased assets)	4,358,119	51,260	-	(133,911)	4,275,468
Leasehold improvements	3,637,120	467,455	-	(253,858)	3,850,717
	<b>37,431,848</b>	<b>6,336,271</b>	<b>-</b>	<b>(1,043,903)</b>	<b>42,724,216</b>
<b>Accumulated depreciation:</b>					
Owner occupied land and buildings	(17,687)	(13,266)	-	-	(30,953)
Machinery and equipment	(12,611,372)	(5,493,801)	-	395,104	(17,710,069)
Vehicles	(242,067)	(82,519)	-	153,212	(171,374)
Furniture and fixtures (includes leased assets)	(3,466,575)	(265,934)	-	133,911	(3,598,598)
Leasehold improvements	(2,749,384)	(439,565)	-	253,858	(2,935,091)
	<b>(19,087,085)</b>	<b>(6,295,085)</b>	<b>-</b>	<b>936,085</b>	<b>(24,446,085)</b>
<b>Carrying amounts</b>	<b>18,344,763</b>				<b>18,278,131</b>

### 7 Investment properties

Properties held either to earn rentals and/or for capital appreciation or for both are classified as investment properties.

Movement in investment properties in the period from January 1 to December 31, 2018 is presented below:

	January 1, 2018	Additions	Increase in value	Disposals	December 31, 2018
Land/ İstanbul Ömerli	56,944,134	-	4,375,000	(889,379)	60,429,755
Building/ İstanbul Gayrettepe	56,000,000	-	300,000	-	56,300,000
Building / Mersin	29,000,000	-	-	-	29,000,000
	<b>141,944,134</b>	<b>-</b>	<b>4,675,000</b>	<b>(889,379)</b>	<b>145,729,755</b>
<b>Carrying amounts</b>	<b>141,944,134</b>				<b>145,729,755</b>

Movement in investment properties in the period from January 1 to December 31, 2017 is presented below:

	January 1, 2017	Additions	Increase in value	Disposals	December 31, 2017
Land/ İstanbul Ömerli	63,120,511	-	(2,000)	(6,174,377)	56,944,134
Building/ İstanbul Gayrettepe	52,300,000	-	3,700,000	-	56,000,000
Building / Mersin	28,842,000	-	158,000	-	29,000,000
	<b>144,262,511</b>	<b>-</b>	<b>3,856,000</b>	<b>(6,174,377)</b>	<b>141,944,134</b>
<b>Carrying amounts</b>	<b>144,262,511</b>				<b>141,944,134</b>

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(Currency: Turkish Lira (TL))

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For the period ended December 31, 2018, the Company has rental income from investment properties amounting to TL 817,993 (December 31, 2017: TL 1,231,954), The Company has a gain from increase in value of investment properties amounting to TL 5,018,451 (December 31, 2017: TL 3,858,000). When the diminution in value of investment properties amounting to TL 343,451 recorded under "diminution in value of investments" account during the period is considered, the Company has a net gain from increase in value of investment properties amounting to TL 4,675,000. (December 31, 2017:3.856.000).

The appraisal values (excluding VAT) and net carrying values of investment properties are presented below. Appraisal reports were provided by CMB licensed real estate appraisal company at November 2018. There is no mortgage on the property in question.

Appraisal and net carrying value		
Investment land and buildings	Net carrying value (December 31, 2018)	Net carrying value (December 31, 2017)
Land/ İstanbul Ömerli	60,429,755	56,944,134
Building / İstanbul Gayrettepe	56,300,000	56,000,000
Building / Mersin	29,000,000	29,000,000
<b>Appraisal and net carrying value</b>	<b>145,729,755</b>	<b>141,944,134</b>

### Fair value measurement

The fair values of investment properties were determined by market comparison technique. The fair value measurement of investment properties is classified as level 2.

### 8 Intangible assets

Movement in intangible assets in the period from January 1 to December 31, 2018 is presented below:

	January 1, 2018	Additions	Transfers	December 31, 2018
<i>Cost:</i>				
Rights	69,128,445	14,236,138	-	83,364,583
	<b>69,128,445</b>	<b>14,236,138</b>	-	<b>83,364,583</b>
<i>Accumulated amortisation:</i>				
Rights	(41,116,655)	(14,706,267)	-	(55,822,922)
	<b>(41,116,655)</b>	<b>(14,706,267)</b>	-	<b>(55,822,922)</b>
<b>Carrying amounts</b>	<b>28,011,790</b>			<b>27,541,661</b>

Movements in intangible assets in the period from January 1 to December 31, 2017 is presented below:

	January 1, 2017	Additions	Transfers	December 31, 2017
<i>Cost:</i>				
Rights	44,936,482	11,114,501	13,077,462	69,128,445
Advances for intangible assets <sup>(1)</sup>	12,998,850	78,612	(13,077,462)	-
	<b>57,935,332</b>	<b>11,193,113</b>	-	<b>69,128,445</b>
<i>Accumulated amortisation:</i>				
Rights	(26,661,466)	(14,455,189)	-	(41,116,655)
	<b>(26,661,466)</b>	<b>(14,455,189)</b>	-	<b>(41,116,655)</b>
<b>Carrying amounts</b>	<b>31,273,866</b>			<b>28,011,790</b>

<sup>(1)</sup>As of 2017, the purchased software is put into practice, the amount (13,077,462) booked in advances for intangible assets has been transferred to rights account.

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### 9 Investments in associates

	December 31, 2018		December 31, 2017	
	Carrying value	Participation rate %	Carrying value	Participation rate %
İş Portföy Yönetimi AŞ	12,762,193	20,0%	12,762,193	20,0%
<b>Investments in associates, net</b>	<b>12,762,193</b>		<b>12,762,193</b>	

Associate	Total assets	Shareholders' equity	Retained earnings	Profit for the period	Audited or not	Period
İş Portföy Yönetimi AŞ	114,255,499	106,128,181	1,848,586	26,253,527	Audited	December 31, 2018

The Company has TL 4,187,774 of dividend income from associates.

### 10 Reinsurance assets and liabilities

Outstanding reinsurance assets and liabilities of the Company, as a ceding company in accordance with the existing reinsurance contracts are as follows:

Reinsurance assets	December 31, 2018	December 31, 2017
Life mathematical reserve, ceded (Note 17,15)	3,094,026	2,430,223
Provision for outstanding claims, ceded (Note 17,15)	4,375,778	3,331,307
Reserve for unearned premiums, ceded (Note 17,15)	2,991,581	2,431,427
Provision for bonus and discount, ceded (Note 17,15)	933,239	793,036
Reserve for unexpired risks, ceded (Note 17,15)	10,387	-
Other technical provision, ceded	803,664	649,983
Receivables from reinsurance companies	1,012,069	989,216
<b>Total</b>	<b>13,220,744</b>	<b>10,625,192</b>

There is not any impairment losses recognised for reinsurance assets.

Reinsurance liabilities	December 31, 2018	December 31, 2017
Payables to reinsurance companies	-	-
Current account of reinsurance companies (Note 19)	4,054,710	1,648,069
<b>Total</b>	<b>4,054,710</b>	<b>1,648,069</b>

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Gains and losses recognised in the statement of income in accordance with existing reinsurance contracts are as follows:

	December 31, 2018	December 31, 2017
<i>Life branch:</i>		
Premiums ceded during the period	(18,674,322)	(14,077,280)
Change in unearned premiums reserve, ceded	500,345	355,163
Commissions received from reinsurers <sup>(1)</sup>	5,082,540	3,723,903
Reinsurers share of claims paid	5,624,469	6,042,517
Change in outstanding claims, ceded	1,029,083	(474,734)
Change in provision for bonus and discount, ceded	137,296	(42,861)
Change in life mathematical reserve, ceded	663,803	145,622
	<b>(5,636,786)</b>	<b>(4,327,670)</b>
<i>Non-life branch:</i>		
Premiums ceded during the period	(406,687)	(282,285)
Change in unearned premiums reserve, ceded	59,809	3,567
Commissions received from reinsurers <sup>(1)</sup>	112,925	65,944
Reinsurers share of claims paid	29,251	163,905
Change in outstanding claims, ceded	15,388	(86,670)
Change in provision for bonus and discount, ceded	2,907	2,037
	<b>(186,407)</b>	<b>(133,502)</b>
<b>Total, net</b>	<b>(5,823,193)</b>	<b>(4,461,172)</b>

<sup>(1)</sup> Deferred commissions are excluded from commissions received from reinsurers.

### 11 Financial assets

As at December 31, 2018 and 2017, the Company's financial assets are detailed as follows:

Financial assets and financial investments with risk on policyholders	December 31, 2018	December 31, 2017
Available for sale financial assets, Company's own portfolio	573,585,026	591,320,170
Financial assets held for trading purpose	55,437,380	62,317,618
Loans and receivables	47,231,715	37,836,112
Financial investments with risks on saving life policyholders classified and held for trading purpose as available for sale	1,662,767,119	1,551,190,636
Impairment loss on financial assets	(4,524,808)	(18,911,547)
<b>Total</b>	<b>2,334,496,432</b>	<b>2,223,752,989</b>

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(Currency: Turkish Lira (TL))

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As at December 31, 2018 and 2017, the Company's financial assets held for trading are detailed as follows:

	December 31, 2018			
	Face value	Cost	Fair value	Carrying value
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares	582,437	1,205,770	1,670,912	1,670,912
Investment funds	16,240,978	53,035,653	53,766,468	53,766,468
<b>Total financial assets held for trading purpose - other</b>		<b>54,241,423</b>	<b>55,437,380</b>	<b>55,437,380</b>
<b>Total financial assets held for trading purpose</b>		<b>54,241,423</b>	<b>55,437,380</b>	<b>55,437,380</b>
	December 31, 2017			
	Face value	Cost	Fair value	Carrying value
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares	579,677	1,205,770	2,714,265	2,714,265
Investment funds	16,240,978	45,473,153	59,603,353	59,603,353
<b>Total financial assets held for trading purpose - other</b>		<b>46,678,923</b>	<b>62,317,618</b>	<b>62,317,618</b>
<b>Total financial assets held for trading purpose</b>		<b>46,678,923</b>	<b>62,317,618</b>	<b>62,317,618</b>

The Company's financial assets held for trading issued by the Company's related parties, are detailed as follows:

	December 31, 2018			
	Face value	Cost	Fair value	Carrying value
Investment funds	16,240,978	53,035,653	53,766,468	53,766,468
<b>Total</b>	<b>16,240,978</b>	<b>53,035,653</b>	<b>53,766,468</b>	<b>53,766,468</b>
	December 31, 2017			
	Face value	Cost	Fair value	Carrying value
Investment funds	16,240,978	45,473,153	59,603,353	59,603,353
<b>Total</b>	<b>16,240,978</b>	<b>45,473,153</b>	<b>59,603,353</b>	<b>59,603,353</b>

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As at December 31, 2018 and 2017, the Company's loans and receivables are detailed as follows:

	December 31, 2018		
	Cost	Fair value	Carrying value
Reverse repo transaction	47,200,000	47,231,715	47,231,715
Receivables from reverse repo	47,200,000	47,231,715	47,231,715
	December 31, 2017		
	Cost	Fair value	Carrying value
Reverse repo transaction	37,800,000	37,836,112	37,836,112
Receivables from reverse repo	37,800,000	37,836,112	37,836,112

As at December 31, 2018 and 2017, the Company's available for sale financial assets in its own portfolio are detailed as follows:

	December 31, 2018			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds	501,511,660	509,184,398	452,963,178	452,963,178
Eurobonds issued by the Turkish Government	1,500,000	7,767,456	7,726,947	7,726,947
<b>Total available for sale financial assets - debt instruments</b>	<b>503,011,660</b>	<b>516,951,854</b>	<b>460,690,125</b>	<b>460,690,125</b>
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares <sup>(1)</sup>		109,582,611	112,894,901	112,894,901
<b>Total available for sale financial assets - other</b>		<b>109,582,611</b>	<b>112,894,901</b>	<b>112,894,901</b>
<b>Total available for sale financial assets</b>		<b>626,534,465</b>	<b>573,585,026</b>	<b>573,585,026</b>
Impairment loss on available for sale equity shares		(4,524,808)	(4,524,808)	(4,524,808)
<b>Net available for sale financial assets</b>		<b>622,009,657</b>	<b>569,060,218</b>	<b>569,060,218</b>

<sup>(1)</sup> Financial assets of which the fair values are measured reliably are presented at their fair values, if not, presented at their costs.



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	December 31, 2017			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Private sector bonds and asset-backed securities	439,230,703	441,531,645	429,630,520	429,630,520
Government bonds	200,000	788,327	784,367	784,367
<b>Total available for sale financial assets - debt instruments</b>	<b>439,430,703</b>	<b>442,319,972</b>	<b>430,414,887</b>	<b>430,414,887</b>
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares <sup>(1)</sup>		131,743,653	160,905,283	160,905,283
<b>Total available for sale financial assets - other</b>		<b>131,743,653</b>	<b>160,905,283</b>	<b>160,905,283</b>
<b>Total available for sale financial assets</b>		<b>574,063,625</b>	<b>591,320,170</b>	<b>591,320,170</b>
<b>Impairment loss on available for sale equity shares</b>		<b>(18,911,547)</b>	<b>(18,911,547)</b>	<b>(18,911,547)</b>
<b>Net available for sale financial assets</b>		<b>555,152,078</b>	<b>572,408,623</b>	<b>572,408,623</b>

<sup>(1)</sup> Financial assets of which the fair values are measured reliably are presented at their fair values, if not, presented at their costs.

The Company has equity shares issued by the Company's related parties and classified as available for sale financial assets in its own portfolio with a cost amount of TL 108,617,575 and with a carrying value TL 111,156,935 (December 31, 2017: Equity shares with a cost amount of TL 130,778,617 and a carrying amount of TL 158,464,785).

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Financial investments with risks on saving life policyholders ("FIRSLP") as at December 31, 2018 and 2017 are detailed as follows:

	December 31, 2018			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds - TL	754,413,681	746,983,621	655,261,911	655,261,911
Eurobonds issued by the Turkish Government				
Investment funds	143,088,000	765,890,788	740,869,247	740,869,247
<b>Total available for sale financial assets - debt instruments</b>	<b>897,501,681</b>	<b>1,512,874,409</b>	<b>1,396,131,158</b>	<b>1,396,131,158</b>
Debt instruments for trading purposes				
Investment funds	486,159	26,159,153	28,879,925	28,879,925
<b>The sum of debt instruments classified as financial assets for trading purposes</b>	<b>486,159</b>	<b>26,159,153</b>	<b>28,879,925</b>	<b>28,879,925</b>
Time deposits	236,780,862	236,780,862	237,756,036	237,756,036
<b>Total time deposits</b>	<b>236,780,862</b>	<b>236,780,862</b>	<b>237,756,036</b>	<b>237,756,036</b>
<b>Financial investments with risks on saving life policyholders</b>				
		<b>1,775,814,424</b>	<b>1,662,767,119</b>	<b>1,662,767,119</b>
	December 31, 2017			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds - TL	845,439,072	841,119,017	802,345,558	802,345,558
Eurobonds issued by the Turkish Government				
Investment funds	135,388,000	525,389,773	589,891,147	589,891,147
<b>Total available for sale financial assets - debt instruments</b>	<b>980,827,072</b>	<b>1,366,508,790</b>	<b>1,392,236,705</b>	<b>1,392,236,705</b>
Debt instruments for trading purposes				
Investment funds	15,132,164	24,276,543	32,405,651	32,405,651
<b>The sum of debt instruments classified as financial assets for trading purposes</b>	<b>15,132,164</b>	<b>24,276,543</b>	<b>32,405,651</b>	<b>32,405,651</b>
Time deposits	119,456,055	119,456,055	126,548,280	126,548,280
<b>Total time deposits</b>	<b>119,456,055</b>	<b>119,456,055</b>	<b>126,548,280</b>	<b>126,548,280</b>
<b>Financial investments with risks on saving life policyholders</b>				
		<b>1,510,241,388</b>	<b>1,551,190,636</b>	<b>1,551,190,636</b>

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The financial assets issued by the Company's related parties and classified as FIRSLP are detailed as follows:

	December 31, 2018			
	Face value	Cost	Fair value	Carrying value
Investment funds	486,159	26,159,153	28,879,925	28,879,925
<b>Total investment funds</b>	<b>486,159</b>	<b>26,159,153</b>	<b>28,879,925</b>	<b>28,879,925</b>
	December 31, 2017			
	Face value	Cost	Fair value	Carrying value
Investment funds	15,132,164	24,276,543	32,405,651	32,405,651
<b>Total investment funds</b>	<b>15,132,164</b>	<b>24,276,543</b>	<b>32,405,651</b>	<b>32,405,651</b>

The Company has not any securities, other than issued shares in the current period, or any matured debt securities.

Value increases in financial assets for the last three years:

	December 31, 2018	December 31, 2017	December 31, 2016
<i>Current financial assets:</i>			
Available for sale financial assets, Company's own portfolio	(52,949,439)	17,256,545	40,827,550
Financial assets held for trading purpose	1,195,957	15,638,695	3,946,484
Loans and receivables	31,715	36,112	7,705
Financial investments with risks on saving life policyholders classified as available for sale	(113,047,305)	40,949,248	24,989,446
<b>Total</b>	<b>(164,769,072)</b>	<b>73,880,600</b>	<b>69,771,185</b>

Value increases reflect the difference between the carrying value and cost of the financial assets.

The Company has TL 4,524,808 of impairment loss arising from its available for sale investments in equity participations not having a quoted market price in an active market (December 31, 2017: TL 18,911,547).

The Company does not apply hedge accounting. Exchange rate differences arising from the payments of monetary items or different conversion rates used in the current period or at initial recognition are recognised in profit or loss.

Financial assets blocked in favour of the Ministry as a guarantee for the insurance activities are as follows:

	December 31, 2018			
	Face value	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders - debt securities	1,134,768,702	1,775,814,424	1,662,767,119	1,662,767,119
Available for sale financial assets	339,775,391	346,727,504	298,999,813	298,999,813
Time deposits	177,952,965	177,952,965	178,507,685	178,507,685
<b>Total</b>	<b>1,652,497,058</b>	<b>2,300,494,893</b>	<b>2,140,274,617</b>	<b>2,140,274,617</b>

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	December 31, 2017			
	Face value	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders - debt securities	1,115,415,291	1,510,241,388	1,551,190,636	1,551,190,636
Available for sale financial assets	240,910,000	242,387,538	232,041,644	232,041,644
Time deposits	156,947,363	156,947,363	160,089,678	160,089,678
<b>Total</b>	<b>1,513,272,654</b>	<b>1,909,576,289</b>	<b>1,943,321,958</b>	<b>1,943,321,958</b>

### 12 Loans and receivables

	December 31, 2018	December 31, 2017
Receivables from insurance operations	55,964,785	37,898,538
Provisions for receivables from insurance operations	(2,574)	(2,574)
Loans to the policyholders	34,863,790	30,170,168
Doubtful receivables from main operations and insurance operations	117,996	117,996
Provisions for doubtful receivables from main operations and insurance operations	(117,996)	(117,996)
Receivables from pension activities	16,966,723,364	14,741,214,367
<i>Net fund value of participants</i>	<i>16,937,634,744</i>	<i>14,712,834,341</i>
<i>Other</i>	<i>29,088,620</i>	<i>28,380,026</i>
<b>Total receivables from main operations</b>	<b>17,057,549,365</b>	<b>14,809,280,499</b>
Receivables from personnel	12,549	1,567
Other receivables	50,363,825	19,352,221
<b>Total</b>	<b>17,107,925,739</b>	<b>14,828,634,287</b>

The details of guarantees for the Company's receivables are presented below:

	December 31, 2018	December 31, 2017
Guarantees and commitments	4,503,696	4,475,958
Letters of guarantees	3,591,673	2,678,434
Real estate pledges	782,900	855,400
<b>Total</b>	<b>8,878,269</b>	<b>8,009,792</b>

	December 31, 2018	December 31, 2017
Provisions for doubtful receivables from main operations and insurance operations at the beginning of the period	117,996	117,996
Collections	-	-
Charge for the period	-	-
<b>Provisions for doubtful receivables from main operations and insurance operations at the end of the period</b>	<b>117,996</b>	<b>117,996</b>

#### Provision for both overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 117,996 (December 31, 2017: TL 117,996).

b) Provision for premium receivables (due): TL 2,574 (December 31, 2017: TL 2,574).

The Company provides provision for its doubtful receivables in the legal follow-up by considering the value and nature of the receivable.

The Company reflects its receivables from and payables to reinsurance and insurance companies by netting off on the entity basis.

The Company's receivables from and payables to shareholders, associates and subsidiaries are detailed in note 45 - *Related party transactions*.

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### 13 Derivative financial instruments

At the reporting period, the Company has not any derivative financial instruments.

### 14 Cash and cash equivalents

As at December 31, 2018 and 2017, cash and cash equivalents are as follows:

	December 31, 2018		December 31, 2017	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	1,002	5,654	5,654	8,370
Bank deposits	320,570,433	385,859,525	385,859,525	146,204,151
Bank guaranteed credit card receivables with maturities less than three months <sup>(1)</sup>	197,086,418	195,892,932	195,892,932	180,677,008
Cheques given and payment orders	(16)	(24)	(24)	(2,745)
<b>Cash and cash equivalents in the balance sheet</b>	<b>517,657,837</b>	<b>581,758,087</b>	<b>581,758,087</b>	<b>326,886,784</b>
Blocked amount <sup>(2)</sup> (Note 11)	(178,507,685)	(160,089,678)	(160,089,678)	(46,457,030)
Interest accruals on bank deposits	(1,059,122)	-	-	(1,095,326)
Term deposits with original maturities of longer than 3 months	-	(207,112,669)	(207,112,669)	(10,175,158)
<b>Cash and cash equivalents presented in the statement of cash flow</b>	<b>338,091,030</b>	<b>214,555,740</b>	<b>214,555,740</b>	<b>269,159,270</b>

<sup>(1)</sup> Bank guaranteed credit card receivables with maturities less than three months include credit card receivables from banks in relation to premium payments of policyholders.

<sup>(2)</sup> As at December 31, 2018, this amount regarding insurance operations is blocked in favour for the Ministry.

As at December 31, 2018 and 2017, bank deposits are further analysed as follows:

	December 31, 2018	December 31, 2017
Foreign currency denominated bank deposits		
- time deposits	-	-
- demand deposits	14,631,702	4,432,589
Bank deposits in TL		
- time deposits	294,593,951	367,202,347
- demand deposits	11,344,780	14,224,589
<b>Cash at banks</b>	<b>320,570,433</b>	<b>385,859,525</b>

As at December 31, 2018, TL time deposits have a maximum maturity of 56 days and their simple interest rates vary between 23.15% and 23.75%. The Company has not any foreign currency denominated bank deposits.

As at December 31, 2017, TL time deposits have a maximum maturity of 85 days and their simple interest rates vary between 13.70% and 15.00%. The Company has not any foreign currency denominated bank deposits.

### 15 Equity

#### Paid in capital

As at December 31, 2018, the authorised nominal share capital of the Company is TL 430,000,000 and the share capital of the Company consists of 43,000,000,000 issued shares with TL 0.01 nominal value each.

The Company's share capital is divided into group A and group B shares. Group A shares are represented by 100,000,000 of equity shares having a nominal amount of TL 0.01 each. Group B shares are represented by 42,900,000,000 shares having a nominal amount of TL 0.01 each and all shares are owned by Türkiye İş Bankası AŞ. Group A shareholders have no privileges except for the election of Board members. In accordance with the Articles of Association, new group A shares cannot be issued in capital increases.

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The Company has accepted the registered capital system set out in accordance with the Law No: 2499 and applied the system as of June 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As at December 31, 2018, the Company's registered capital is TL 900,000,000.

As at December 31, 2018, there are not any treasury shares held by the Company's associate; namely İş Portföy Yönetimi AŞ. There are not any treasury shares held by the Company itself.

### Profit on assets sale that will be transferred to capital

In accordance with tax legislation, 75% of profits from sales of participation shares and 50% of profits from sales of real estates included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years.

### Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The movement of legal reserves is as follows:

	December 31, 2018	December 31, 2017
Legal reserves at the beginning of the period	126,944,038	104,906,965
Transfer from profit	26,889,528	22,037,073
Legal reserves at the end of the period	153,833,566	126,944,038

### Extraordinary reserves

The movement of extraordinary reserves is presented below:

	December 31, 2018	December 31, 2017
Extraordinary reserves at the beginning of the period	22,371,536	8,489,678
Transfer from profit	10,902,177	13,881,858
Extraordinary reserves at the end of the period	33,273,713	22,371,536

### Statutory reserves

The movement of statutory reserves is presented below:

	December 31, 2018	December 31, 2017
Statutory reserves at the beginning of the period	15,753,835	1,321,820
Transfer from profit	17,117,054	14,432,015
Statutory reserves at the end of the period	32,870,889	15,753,835

### Other profit reserves

In accordance with the revision of TAS 19, the amount of actuarial gains and losses have been presented under the other profit reserves since December 31, 2013, which were previously shown under the income statement. As at December 31, 2018, actuarial loss amounting to TL (7,483,209) is presented under the other profit reserves (December 31, 2017: TL (4,640,156)). The difference arising from the owner occupied land and buildings at fair value amounting to TL 2,903,018 is also presented under the other profit reserves (December 31, 2017: TL 2,981,724).

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### Valuation of financial assets

Movement of fair value reserves of available for sale financial assets is presented below:

	January 1- December 31, 2018	January 1- December 31, 2017
Fair value reserves at the beginning of the period	9,546,468	26,974,478
<i>Changes during the period:</i>		
The effect of changes in foreign exchange rates on unrealised gains and losses, recognised due to change in the fair values of available for sale financial assets with risks on saving life policyholders	959,657	136,052
Change in unrealised gains and losses due to changes in the fair values of available for sale financial assets with risks on saving life policyholders	(174,856,640)	6,760,040
Change in unrealised gains and losses due to changes in the fair values of available for sale financial assets with risks on saving life policyholders, policyholders' portion	166,113,808	(6,422,038)
Change in unrealised gains and losses from available for sale financial assets, company's own portfolio	(75,714,205)	(9,616,149)
Deferred and corporate tax effect	15,204,830	1,602,613
<i>Disposals during the period:</i>		
Unrealised gains and losses transferred from equity to income statement due to disposal of available for sale financial assets with risks on saving life policyholders	7,111,762	(2,335,838)
Unrealised gains and losses transferred from equity to income statement due to disposal of available for sale financial assets with risks on saving life policyholders, policyholders' portion	(6,756,174)	2,219,046
Unrealised gains and losses transferred from equity to income statement due to disposal of available for sale financial assets, company's own portfolio	2,423,470	(840,129)
Deferred and corporate tax effect	(555,812)	191,384
<i>Amounts transferred to income statement due to bonus shares:</i>	-	(9,122,991)
Fair value reserves at the end of the period	(56,522,836)	9,546,468

### 16 Other reserves and equity component of DPF

Income and expense items that are directly accrued in equity as of the reporting period are as follows:

	December 31, 2018	December 31, 2017
Temporary differences arising from revaluation of financial assets	(79,195,823)	(10,056,796)
Permanent differences arising from revaluation of financial assets and actuarial gain and losses	(3,123,075)	11,467,979
The differences arising from revaluation of investment properties	3,326,525	3,136,525
Deferred tax effect	17,989,346	3,340,328
<b>Total</b>	<b>(61,103,027)</b>	<b>7,888,036</b>

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### 17 Insurance contract liabilities and reinsurance assets

17.1 Total amount of guarantee that should be placed by the Company for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets:

	December 31, 2018		December 31, 2017	
	Should be placed <sup>(2)</sup>	Placed <sup>(1)</sup>	Should be placed <sup>(2)</sup>	Placed <sup>(1)</sup>
<i>Life:</i>				
Financial assets <sup>(1)</sup>	1,886,367,251	2,079,159,144	1,738,455,463	1,798,808,627
<b>Total</b>	<b>1,886,367,251</b>	<b>2,079,159,144</b>	<b>1,738,455,463</b>	<b>1,798,808,627</b>
<i>Non-life:</i>				
Financial assets <sup>(1)</sup>	403,239	867,730	169,341	923,910
<b>Total</b>	<b>403,239</b>	<b>867,730</b>	<b>169,341</b>	<b>923,910</b>
<b>Total</b>	<b>1,886,770,490</b>	<b>2,080,026,874</b>	<b>1,738,624,804</b>	<b>1,799,732,537</b>

<sup>(1)</sup> As at December 31, 2018 and 2017, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey; if these prices are not available, they are measured with stock exchange values; investment fund participation certificates are measured using the daily prices in accordance with the 6<sup>th</sup> Article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Individual Pension Companies".

<sup>(2)</sup> According to 7<sup>th</sup> article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Individual Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Individual Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Ministry within two months. As at December 31, 2018 (December 31, 2017), minimum guarantee amount of June 30, 2018 (June 30, 2017) is shown as necessary guarantee amount; since, minimum guarantee amount as at June 30, 2018 (June 30, 2017) is based on June 30, 2018 (June 30, 2017) calculations.

As at December 31, 2018, TL 845,307,241 of government bonds (December 31, 2017: TL 938,959,054) and TL 789,575,987 of Eurobonds (December 31, 2017: TL 540,928,750) and TL 28,879,925 (December 31, 2017: TL 32,833,499) of investment funds and TL 416,263,721 of time deposits (December 31, 2017: TL 287,011,234) are placed as guarantee for the life and non-life branches.

### 17.2 Number of life insurance policies, additions, disposals in the current period, and current life policy holders and the related mathematical reserves

	December 31, 2018 <sup>(1)</sup>		December 31, 2017	
	Number of policies	Mathematical reserves	Number of policies	Mathematical reserves
Additions during the period	1,547,292	342,536,015	1,802,142	234,861,781
Disposals during the period	(1,762,771)	(186,663,533)	(1,689,083)	(198,186,369)
<b>Outstanding</b>	<b>2,318,813</b>	<b>1,887,688,424</b>	<b>2,534,292</b>	<b>1,731,815,942</b>

<sup>(1)</sup> The above table includes 51 of reactivated life insurance policies (December 31, 2017: 97 policies) and their corresponding mathematical reserves.

As explained in Note 2 - *Financial assets*, available for sale financial assets with risks on saving life policyholders are measured at fair value; 95% of the fair value and amortised cost difference amounting to TL (144,313,308) (December 31, 2017: TL (3,652,790)) is recognised under the life mathematical provisions.

TL 3,094,026 (December 31, 2017: TL 2,430,223) of reinsurer's share of life mathematical provisions is not offset against the mathematical provisions in the above table.

### 17.3 Guarantees given to non-life insurances based on branches:

	December 31, 2018	December 31, 2017
Guarantees given to death by accident	4,889,562,426	5,278,724,782
Guarantees given to disability by accident	4,884,927,260	5,244,776,274
<b>Total</b>	<b>9,774,489,686</b>	<b>10,523,501,056</b>



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### 17.4 Pension investment funds established by the Company and their unit prices:

As at December 31, 2018 and 2017, individual pension investment funds founded by the Company and their unit prices are as follows:

	December 31, 2018 Unit price	December 31, 2017 Unit price
AH1 Bond Fund	0.057288	0.055685
AH2 Money Market Fund (*)	0.052456	0.044186
AH3 First Debt Instruments Fund (*)	0.073337	0.057127
AH4 Second Debt Instruments Fund (*)	0.060060	0.04746
AH5 Equity Fund	0.100702	0.120616
AH6 Developed Countries Flexible Fund (**)	0.063178	0.053084
AH8 Conservative Flexible Fund (*)	0.055648	0.048444
AH9 Balanced Flexible Fund (*)	0.064691	0.060571
AH0 Dynamic Flexible Fund (*)	0.097810	0.090657
AGE Participation Standard Fund	0.017696	0.016101
ABE BRIC Plus Fund	0.031534	0.024687
AHC Private Sector Debt Instruments Fund	0.019823	0.017081
AHL Aggressive Flexible Fund (*)	0.016577	0.017188
AET Contribution Fund	0.012997	0.013244
AER Participation Contribution Fund (*)	0.015610	0.014128
AEA Gold Fund	0.022839	0.01664
AG1 Group Bond Fund	0.056704	0.053045
AG2 Group Debt Instruments Fund (*)	0.054639	0.041509
AG3 Group Equity Fund	0.075420	0.083336
AG4 Grup Conservative Fund	0.057128	0.04912
HS1 Debt Instruments Fund (****)	0.037350	0.035271
AHB Second Equity Fund (*)	0.046566	0.051342
ATK Standard Fund	0.028648	0.027288
ATE Isbank Subsidiaries Index Fund	0.041520	0.040837
AO1 Initial Fund	0.013094	0.011069
AO2 Initial Participation Fund	0.012495	0.010848
AJA Auto Enrolment Aggressive Fund (****)	0.009650	-
AJB Auto Enrolment Dynamic Fund (****)	0.010515	-
AJC Auto Enrolment Balanced Fund (****)	0.011087	-
AJF Auto Enrolment Conservative Fund (****)	0.011438	-
AJG Auto Enrolment Aggressive Participation Fund (****)	0.009471	-
AJH Auto Enrolment Dynamic Participation Fund (****)	0.010326	-
AFH Auto Enrolment Standard Fund (****)	0.011451	-
AFP Auto Enrolment Participation Standard Fund (****)	0.011605	-

(\*) In accordance with the permission dated December 15, 2017 and numbered 13973 taken from the Capital Markets Board of Turkey, the business names of the funds were changed on January 2, 2018.

(\*\*) In accordance with the permission dated December 18, 2017 and numbered 14020 taken from the Capital Markets Board of Turkey, the business names of the funds were changed on January 2, 2018.

(\*\*\*) Funds were issued on January 2, 2018 in accordance with the permission of the Capital Markets Board of Turkey dated August 21, 2017 and numbered 9871 and also in accordance with the permission dated November 22, 2017 and numbered 13037.

(\*\*\*\*) In accordance with the permission dated April 2, 2018 and numbered 3736 taken from the Capital Markets Board of Turkey, the name of the fund was changed on April 16, 2018.

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### 17.5 Number and amount of participation certificates in portfolio and circulation:

Number of participation documents in the portfolio and in circulation is such as follows as of December 31, 2018 and 2017:

	December 31, 2018		December 31, 2017	
	Participation certificates in circulation		Participation certificates in circulation	
	Number	Amount	Number	Amount
AH1 Bond Fund	40,533,267,485.50	2,322,069,827.71	47,451,547,719.69	2,642,339,434.77
AH2 Money Market Fund (*)	21,327,707,916.41	1,118,766,246.46	19,124,746,160.23	845,046,033.84
AH3 First Debt Instruments Fund (*)	16,591,145,296.56	1,216,744,822.61	15,337,625,085.33	876,192,508.25
AH4 Second Debt Instruments Fund (*)	10,052,648,933.72	603,762,094.96	7,743,121,916.75	367,488,566.17
AH5 Equity Fund	5,378,536,625.87	541,629,395.30	5,230,720,379.55	630,908,569.30
AH6 Developed Countries Flexible Fund (**)	7,303,911,899.88	461,446,546.01	6,500,255,537.71	345,059,564.96
AH8 Conservative Flexible Fund (*)	20,275,146,686.22	1,128,271,362.80	19,369,096,280.96	938,316,500.23
AH9 Balanced Flexible Fund (*)	27,975,847,381.21	1,809,785,542.94	31,171,867,476.41	1,888,111,184.91
AH0 Dynamic Flexible Fund (*)	9,632,969,756.81	942,200,771.91	10,499,122,090.66	951,818,911.37
AGE Participation Standard Fund	17,560,348,601.34	310,747,928.85	16,944,754,025.00	272,827,484.56
ABE BRIC Plus Fund	9,954,462,452.51	313,904,018.98	7,674,662,561.29	189,464,394.65
AHC Private Sector Debt Instruments Fund	25,387,278,568.77	503,252,023.07	21,637,766,751.78	369,594,693.89
AHL Aggressive Flexible Fund (*)	4,183,028,705.62	69,342,066.85	3,241,592,862.35	55,716,498.12
AET Contribution Fund	172,046,496,849.71	2,236,088,319.56	149,048,608,632.54	1,973,999,772.73
AER Participation Contribution Fund (*)	4,062,190,452.69	63,410,792.97	3,797,490,515.70	53,650,946.01
AEA Gold Fund	63,026,789,046.45	1,439,468,835.03	40,168,178,928.95	668,398,497.38
AG1 Group Bond Fund	3,514,838,687.57	199,305,412.94	5,108,259,025.94	270,967,600.03
AG2 Group Debt Instruments Fund (*)	954,428,564.27	52,149,022.32	1,045,012,320.05	43,377,416.39
AG3 Group Equity Fund	924,780,873.61	69,746,973.49	853,939,120.80	71,163,870.57
AG4 Grup Conservative Fund	2,643,813,957.95	151,035,803.79	3,260,188,942.85	160,140,480.87
HS1 Debt Instruments Fund (****)	8,088,824,492.85	302,117,594.81	10,043,953,912.84	354,260,298.46
AHB Second Equity Fund (*)	1,612,619,574.70	75,093,243.12	1,911,788,096.37	98,155,024.44
ATK Standard Fund	13,765,112,157.80	394,342,933.10	12,807,552,686.58	349,492,497.71
ATE Isbank Subsidiaries Index Fund	3,117,567,563.13	129,441,405.22	2,759,094,862.96	112,673,156.92
AO1 Initial Fund	5,725,401,825.47	74,968,411.50	9,350,961,699.16	103,505,795.05
AO2 Initial Participation Fund	4,128,566,576.47	51,586,439.37	7,389,808,175.94	80,164,639.09
AJA Auto Enrolment Aggressive Fund (****)	200,589,573.14	1,935,689.38	-	-
AJB Auto Enrolment Dynamic Fund (****)	256,637,276.80	2,698,540.97	-	-
AJC Auto Enrolment Balanced Fund (****)	251,810,369.81	2,791,821.57	-	-
AJF Auto Enrolment Conservative Fund (****)	119,769,742.17	1,369,926.31	-	-
AJG Auto Enrolment Aggressive Participation Fund (****)	83,550,828.75	791,309.90	-	-
AJH Auto Enrolment Dynamic Participation Fund (****)	118,289,991.32	1,221,462.45	-	-
AFH Auto Enrolment Standard Fund (****)	16,795,913,491.82	192,330,005.40	-	-
AFP Auto Enrolment Participation Standard Fund (****)	13,254,472,397.88	153,818,152.18	-	-
<b>Total</b>		<b>16,937,634,743.83</b>		<b>14,712,834,340.67</b>

(\*) In accordance with the permission dated December 15, 2017 and numbered 13973 taken from the Capital Markets Board of Turkey, the business names of the funds were changed on January 2, 2018.

(\*\*) In accordance with the permission dated December 18, 2017 and numbered 14020 taken from the Capital Markets Board of Turkey, the business names of the funds were changed on January 2, 2018.

(\*\*\*\*) Funds were issued on January 2, 2018 in accordance with the permission of the Capital Markets Board of Turkey dated August 21, 2017 and numbered 9871 and also in accordance with the permission dated November 22, 2017 and numbered 13037.

(\*\*\*\*\*) In accordance with the permission dated April 2, 2018 and numbered 3736 taken from the Capital Markets Board of Turkey, the name of the fund was changed on April 16, 2018.

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17.6 Portfolio amounts in terms of number of new participants left or cancelled participants and existing participants for individuals and groups:

	December 31, 2018			
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individuals	126,895	137,981	958,071	10,519,506,109
Group	465,531	202,150	961,424	4,118,629,522
<b>Total</b>	<b>592,426</b>	<b>340,131</b>	<b>1,919,495</b>	<b>14,638,135,631</b>

	December 31, 2017			
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individuals	131,532	101,992	969,157	9,226,238,083
Group	392,453	45,112	698,043	3,458,945,539
<b>Total</b>	<b>523,985</b>	<b>147,104</b>	<b>1,667,200</b>	<b>12,685,183,622</b>

**Additions:** The sum of the new contracts added in the period and their registered cumulative values as of the period end in addition with the number of the contracts that begin and finish in the same period.

**Left/cancellations:** The number of finalised contracts during the period and their values at their expiration dates.

**Outstanding:** The number of outstanding contracts and their values as of the period end.

Since retirement plan transfers between individual and group retirement plans occurs during the period, periodical changes should be followed by the total number and portfolio amount of policies. Also, when the contracts effective at the prior reporting period become a liability because of collection reversals in the current period or when the contracts effective at the prior reporting period become an asset, total numbers and portfolio values of these contracts are net off at the period end. Number and portfolio amount of individual and group policies presented in notes reflect the outstanding position of the Company as of the period-end.

Outstanding contracts have state contribution amounting to TL 2,299,499,113 in the state contribution funds as of the period end.

### 17.7 Valuation methods used in profit share calculation for saving life contracts with profit sharing:

Financial investments with risks on saving life policyholders are classified as "available-for-sale financial assets". These assets are measured in accordance with the principles specified in Note 2.8 *Financial Assets* and valuation differences are taken into account in the profit share calculation.

### 17.8 Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups:

	January 1 - December 31, 2018			January 1 - December 31, 2017		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	126,895	607,948,965	607,946,685	137,368	422,179,516	422,173,900
Group	465,531	248,924,874	248,924,517	386,617	422,752,603	422,752,165
<b>Total</b>	<b>592,426</b>	<b>856,873,839</b>	<b>856,871,202</b>	<b>523,985</b>	<b>844,932,119</b>	<b>844,926,065</b>

Contracts become effective in the current period and the total contracts become effective and ceased in the same period and contributions collected regarding these contracts and the investment oriented contributions have been specified. The collections made with credit cards with undue blockage terms are also added into gross and net contributions. Transfer amounts are not included in the current period numbers and balances. In addition, the Company has collected TL 73,561,552 as state contribution.

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17.9 Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the period:

	January 1 - December 31, 2018			January 1 - December 31, 2017		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	6,404	203,262,507	203,262,507	5,010	140,776,200	140,776,200
Group	76,020	38,417,809	38,417,809	6,113	96,066,600	96,066,600
<b>Total</b>	<b>82,424</b>	<b>241,680,316</b>	<b>241,680,316</b>	<b>11,123</b>	<b>236,842,800</b>	<b>236,842,800</b>

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from foundations and trusts during the period:

	January 1 - December 31, 2018			January 1 - December 31, 2017		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	-	-	-	-	-	-
Group	-	-	-	330	34,595,663	34,595,663
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>330</b>	<b>34,595,663</b>	<b>34,595,663</b>

In addition, the Company has transferred TL 29,698,152 as state contribution from other pension companies in the related period.

17.10 Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio to private pension portfolio during the period:

The legal permission of the transfer from life portfolio to private pension portfolio expired on October 7, 2006 and therefore, there is no transfer in the current and prior period.

17.11 Distribution of individual and group participants which were transferred to other insurance companies in terms of their numbers and gross and net contributions:

	January 1 - December 31, 2018			January 1 - December 31, 2017		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	137,981	2,206,238,790	2,119,286,823	101,992	1,391,852,090	1,336,876,441
Group	202,150	860,963,478	830,068,801	45,112	430,594,420	412,754,449
<b>Total</b>	<b>340,131</b>	<b>3,067,202,268</b>	<b>2,949,355,624</b>	<b>147,104</b>	<b>1,822,446,510</b>	<b>1,749,630,890</b>

Number of contracts indicates the number of disposals in the related period.

Gross contributions indicate the fund sales amount as a result of disposal.

Net contributions indicate the remaining amount paid to participant less any deductions (initiation fee and withholding) against the gross amount as a result of disposal.

In addition, Company's fund outflow is TL 419,682,740 as state contribution.

17.12 Distribution of new life insurance participants in terms of their numbers and first premium amounts for individuals and groups during the period:

	January 1 - December 31, 2018		January 1 - December 31, 2017	
	Number of contracts	First premium amounts (TL)	Number of contracts	First premium amounts (TL)
Individuals	114,192	130,282,225	127,244	65,666,150
Group	1,433,049	421,179,113	1,674,801	407,468,715
<b>Total<sup>(1)</sup></b>	<b>1,547,241</b>	<b>551,461,338</b>	<b>1,802,045</b>	<b>473,134,865</b>

<sup>(1)</sup> 51 (January 1 - December 31, 2017: 97) of reactivated contracts are not included in the current period additions.

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17.13 Distribution of left or cancelled life insurance participants in terms of their numbers and mathematical reserves for individuals and groups during the period:

	January 1 - December 31, 2018		January 1 - December 31, 2017	
	Number of contracts	Mathematical reserves (TL)	Number of contracts	Mathematical reserves (TL)
Individuals	143,246	99,438,505	72,016	116,120,678
Group	1,619,525	87,225,028	1,617,067	82,065,691
<b>Total</b>	<b>1,762,771</b>	<b>186,663,533</b>	<b>1,689,083</b>	<b>198,186,369</b>

17.14 Profit share distribution rate of life insurances as of December 31, 2018 and 2017

	December 31, 2018 (%)	December 31, 2017 (%)
TL	11.37	10.72
USD	6.48	6.50
EURO	5.27	6.04
GBP	6.83	6.57

17.15 Information on insurance contract balances in the financial statements

	December 31, 2018	December 31, 2017
Reserve for unearned premiums, gross	43,702,801	48,198,007
Reserve for unearned premiums, ceded (Note 10)	(2,991,581)	(2,431,427)
<b>Reserves for unearned premiums, net</b>	<b>40,711,220</b>	<b>45,766,580</b>
Provision for outstanding claims, gross	94,642,267	90,338,570
Provision for outstanding claims, ceded (Note 10)	(4,375,778)	(3,331,307)
<b>Provision for outstanding claims, net</b>	<b>90,266,489</b>	<b>87,007,263</b>
Life mathematical provisions, gross	1,743,375,116	1,728,163,152
Life mathematical provisions, ceded (Note 10)	(3,094,026)	(2,430,223)
<b>Life mathematical provisions, net</b>	<b>1,740,281,090</b>	<b>1,725,732,929</b>
Provision for bonus and discount, gross	1,343,392	1,087,409
Provision for bonus and discount, ceded (Note 10)	(933,239)	(793,035)
<b>Provision for bonus and discount, net</b>	<b>410,153</b>	<b>294,374</b>
Reserve for unexpired risks, gross	28,897	-
Reserve for unexpired risks, ceded (Note 10)	(10,387)	-
<b>Reserve for unexpired risks, net</b>	<b>18,510</b>	<b>-</b>
Equalisation provision, gross	28,528,254	22,693,261
Equalisation provision, ceded (Note 10)	(803,664)	(649,983)
<b>Equalisation provision, net</b>	<b>27,724,590</b>	<b>22,043,278</b>
<b>Total insurance technical provisions, net</b>	<b>1,899,412,052</b>	<b>1,880,844,424</b>

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### 17.16 Factors resulting from individual insurance policies which provide portfolio

Factors resulting from individual insurance policies which provide portfolio increase through the change in mathematical provisions for the periods January 1 - December 31, 2018 and January 1 - December 31, 2017 are as follows:

Mathematical provisions	December 31, 2018	December 31, 2017
New policies issued	88,097,476	24,821,197
Activated from reductions	1,463,538	1,138,034
Activated from cancellations	12,745	58,052
Contracts with increased capital	148,852,511	90,055,453
<b>Total increase in the portfolio</b>	<b>238,426,270</b>	<b>116,072,736</b>

Factors resulting from individual insurance policies which provide portfolio decrease through the change in mathematical provisions for the periods January 1 - December 31, 2018 and January 1 - December 31, 2017 are as follows:

Mathematical provisions	December 31, 2018	December 31, 2017
Terminations and cancellations (-)	-	-
Transformed to contracts without charge (-)	1,473,671	2,622,070
Insurances had capital decrease (-)	-	-
Withdrawals (-)	(65,979,373)	(63,110,306)
Ceased with risk formed (-)	(3,133,980)	(3,276,361)
Expirations (-)	(30,325,152)	(49,734,012)
<b>Total decrease in the portfolio</b>	<b>(97,964,834)</b>	<b>(113,498,609)</b>

Factors resulting from group insurance policies which provide portfolio increase through the change in mathematical reserves for the period January 1 - December 31, 2018 and January 1 - December 31, 2017 are as follows:

Mathematical provisions	December 31, 2018	December 31, 2017
New contracts	84,435,953	106,907,308
Activated from reductions	17,265	-
Activated from cancellations	41,230	4,190
Insurances had capital increase	17,444,587	8,919,061
<b>Total increase in the portfolio</b>	<b>101,939,035</b>	<b>115,830,559</b>

Factors resulting from group insurance policies which provide portfolio decrease through the change in mathematical reserves for the periods January 1 - December 31, 2018 and January 1 - December 31, 2017 are as follows:

Mathematical provisions	December 31, 2018	December 31, 2017
Terminations and cancellations (-)	(1,949)	-
Transformed to contracts without charge (-)	33,236	190,795
Insurances had capital decrease (-)	(76,773,368)	(63,583,201)
Withdrawals (-)	(5,177,723)	(9,407,643)
Ceased with risk formed (-)	(167,587)	(384,522)
Expirations (-)	(5,104,401)	(8,690,325)
<b>Total decrease in the portfolio</b>	<b>(87,191,792)</b>	<b>(81,874,896)</b>

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### 17.17 Gain/ losses resulted from reinsurance contracts and recognised in the income statement

Gain or losses resulted from reinsurance contracts and recognised in the income statement are disclosed in note 10 - *Reinsurance assets, liabilities*.

### 17.18 Incurred claim development table

Incurred claim development table presented below provided cumulative payments of claims according to claim year and following years:

Claim year	2013	2014	2015	2016	2017	2018	Total
Claim year	19,456,357	23,517,657	22,040,556	31,699,169	34,972,294	44,263,030	175,949,063
1 year later	9,690,943	10,486,387	13,972,576	14,179,090	15,320,118	-	63,649,114
2 years later	1,121,274	1,248,087	843,246	1,691,659	-	-	4,904,266
3 years later	543,988	469,328	734,373	-	-	-	1,747,689
4 years later	202,840	255,552	-	-	-	-	458,392
5 years later	75,722	-	-	-	-	-	75,722
Cumulative payments up to date	31,091,124	35,977,011	37,590,751	47,569,918	50,292,412	44,263,030	246,784,246
Payments for the period ended as of December 31, 2018 <sup>(1)</sup>	75,722	255,552	734,373	1,691,659	15,320,118	44,263,030	62,340,454

<sup>(1)</sup> The claims paid includes death-disability termination and personal accident branch gross payments.

### 17.19 Effects of changes in the assumptions used in the measurement of insurance assets and liabilities, showing the effects of each change that has significant effect on the financial statements separately

Effects of changes in the assumptions used in the measurement of insurance assets and liabilities are disclosed in note 4 - *Management of insurance risks*.

### 18 Investment contracts

None.

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### 19 Trade and other payables and deferred income

	December 31, 2018	December 31, 2017
Other financial liabilities	-	-
<b>Financial liabilities</b>	<b>-</b>	<b>-</b>
Payables from insurance operations	20,123,620	13,836,127
Cash deposited by insurance and reinsurance companies	4,054,710	1,648,069
Payables from pension activities	17,250,229,880	14,964,479,508
<i>Net fund value of participants</i>	<i>16,937,634,744</i>	<i>14,712,834,341</i>
<i>Other</i>	<i>312,595,136</i>	<i>251,645,167</i>
Other payables from main operations	3,535,202	2,946,585
<b>Total payables from main operations</b>	<b>17,277,943,412</b>	<b>14,982,910,289</b>
Due to shareholders	131,097	57,577
Due to personnel	54,560	41,670
Payables to other related parties	94	68
<b>Total payables to related parties</b>	<b>185,751</b>	<b>99,315</b>
Guarantees and deposits received	1,054,058	995,786
Other payables	18,193,250	21,989,862
<b>Total other payables</b>	<b>19,247,308</b>	<b>22,985,648</b>
Deferred commission income	238,053	155,766
Expense accruals	3,623,133	2,793,463
Other deferred income and expense accruals	6,661	5,846
<b>Total deferred income and expense accruals</b>	<b>3,867,847</b>	<b>2,955,075</b>
<b>Total</b>	<b>17,301,244,318</b>	<b>15,008,950,327</b>

### 20 Financial liabilities

The Company has no financial liabilities as at the reporting date (December 31, 2017: None).

### 21 Deferred tax

The Company recognises deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of December 31, 2018 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.



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Deferred tax (assets) / liabilities base:	December 31, 2018	December 31, 2017
Difference in valuation of financial assets	8,851,752	43,182,301
Provision for employee termination benefits and other wages	(30,879,050)	(24,724,571)
Provision for claims	(834,333)	(17,144,810)
Equalisation reserves / bonus and discount provision	(28,134,743)	(22,337,652)
The difference arising from revaluation of investment properties	64,053,149	61,890,458
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	16,447,444	10,156,855
Provision for unused vacation pay liability	(8,852,358)	(6,437,225)
<b>Total</b>	<b>20,651,861</b>	<b>44,585,356</b>

Deferred tax (assets) / liabilities:	December 31, 2018	December 31, 2017
Difference in valuation of financial assets	1,745,444	8,622,528
Provision for employee termination benefits and other wages	(6,457,120)	(5,184,128)
Provision for claim	(183,553)	(3,485,408)
Equalisation reserves / bonus and discount provision	(5,626,949)	(4,467,530)
The difference arising from revaluation of investment properties	13,402,701	12,935,087
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	3,129,689	2,053,548
Provision for unused vacation pay liability	(1,947,519)	(1,416,190)
<b>Total</b>	<b>4,062,693</b>	<b>9,057,907</b>

Movement of deferred tax assets / liabilities for the year ended as of December 31, 2018 and 2017 are given below:

Movement of deferred tax (assets) / liabilities:	December 31, 2018	December 31, 2017
Opening balance at January 1	9,057,907	1,461,964
Recognised in profit or loss	9,653,804	9,888,342
Recognised in equity	(14,649,018)	(2,292,399)
<b>Closing balance</b>	<b>4,062,693</b>	<b>9,057,907</b>

### 22 Retirement benefit obligations

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are entitled to retirement pay provisions subsequent to the completion of their retirement period by gaining a right to receive retirement payments in accordance with the amended Article 60 of the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on March 6, 1981 and August 25, 1999, respectively. Some transitional provisions related to pre-retirement service term was excluded from the law since the related law was amended as of May 23, 2002. The termination benefit to be paid is subject to upper limit of TL 5,434.42 as at December 31, 2018 (December 31, 2017: TL 4,732.48).

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at December 31, 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective reporting periods have been calculated assuming an annual inflation rate of 11.30% and a discount rate of 16.00%, resulting in a real discount rate of 4.22% (December 31, 2017: 7.30% - 6.31%, 12.40% - 10.99%, 4.75% - 4.40% respectively).

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As at 31 December 2018 the Company has actuarial gain or loss difference in the calculation of employee termination benefit amounting to TL 3,553,816 (December 31, 2017: TL 2,056,970).

Movement of provision for employee termination benefits during the period is presented below:

	December 31, 2018	December 31, 2017
Provision as at January 1	13,724,571	12,709,099
Interest cost	1,550,877	876,928
Service cost	1,651,955	1,246,262
Payments made during the year	(2,402,169)	(3,164,688)
Actuarial gain and losses	3,553,816	2,056,970
<b>Provision at the end of the period/year</b>	<b>18,079,050</b>	<b>13,724,571</b>

### 23 Other liabilities and provisions

As at December 31, 2018 and 2017; the details of the provisions for other risks are as follows:

	December 31, 2018	December 31, 2017
Provision for unused vacation pay liability	8,852,358	6,437,225
Dividend to personnel and salary provision	12,800,000	11,000,000
Provision for commissions to sales personnel	1,400,000	1,000,000
Provision for litigations	737,481	5,129
Provision for commissions and expenses	96,851	74,652
<b>Provisions for costs</b>	<b>23,886,690</b>	<b>18,517,006</b>
<b>Provision for employee termination benefits</b>	<b>18,079,050</b>	<b>13,724,571</b>
<b>Total provisions for other risks</b>	<b>41,965,740</b>	<b>32,241,577</b>

### 24 Net insurance premium revenue

	December 31, 2018	December 31, 2017
Non-life	576,224	643,045
Life	620,538,760	560,670,693
<b>Total</b>	<b>621,114,984</b>	<b>561,313,738</b>

### 25 Fee revenues

The details of fee revenues for the year ended as of December 31, 2018 and 2017 received from individual pension, life and non-life branches in accordance with TAS 18 are as follows:

	December 31, 2018	December 31, 2017
Fund management income	256,416,861	216,742,273
Administrative cost deductions	46,359,487	32,957,056
Entrance fee	53,889,365	42,607,643
Administrative cost deduction in the form of cessation	12,032,419	7,675,127
Other technical income	487,533	575,151
<b>Total</b>	<b>369,185,665</b>	<b>300,557,250</b>

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### 26 Investment income

	January 1 - December 31, 2018	January 1 - December 31, 2017
<i>Financial assets held-for-trading:</i>		
Valuation gain	(13,901,811)	20,717,034
Gain on sale	(3,839,161)	5,820,518
Interest income	-	-
Cash dividend income	197,174	176,640
<i>Financial assets available- for-sale:</i>		
Interest income	127,239,888	130,394,083
Valuation gain	257,951,200	81,043,502
Gain on sale	390,642	9,059,299
Cash dividend income	6,359,855	5,771,336
<i>Income from associates:</i>	4,187,774	2,895,798
<i>Investment properties:</i>		
Rent income	817,993	1,231,954
Valuation gain	5,018,451	3,858,000
<i>Other income<sup>(1)</sup>:</i>	118,233,586	54,152,964
<b>Total<sup>(2)</sup></b>	<b>502,655,591</b>	<b>315,121,128</b>

<sup>(1)</sup> Other income includes interest income from time deposits, income from derivative transactions, foreign exchange gains and etc.<sup>(2)</sup> TL 133,741,765 (December 31, 2017: TL 124,324,215) of investment income obtained from the Company's own portfolio and TL 368,913,826 (December 31, 2017: TL 190,796,913) of investment income obtained from policyholders' portfolio.

### 27 Net income accrual on financial assets

Net income accrual from the Company's own portfolio is as follows:

	January 1 - December 31, 2018	January 1 - December 31, 2017
<i>Available-for-sale financial assets:</i>		
Fair value differences recognized in equity	(65.005.103)	4.714.431
Fair value differences recognized in profit / loss	12.650.872	10.723.617
<b>Total</b>	<b>(52.354.231)</b>	<b>15.438.048</b>

### 28 Assets held at fair value through profit or loss

Net loss from assets held at fair value through profit or loss recognised in income statement as at December 31, 2018 is TL 17,543,798 (December 31, 2017: TL 26,714,192 net gain).

### 29 Insurance rights and claims

Details of insurance rights and claims are presented in statement of income.

### 30 Investment contract benefits

None.

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### 31 Other expenses

The allocation of the expenses with respect to their nature or function is presented in note 32 - *Operating expenses* below.

### 32 Operating expenses

For the year ended as of December 31, 2018 and 2017, the details of operating expenses are as follows:

	December 31, 2018	December 31, 2017
Production commission expenses	(186,601,830)	(141,881,048)
Employee benefit expenses	(135,947,830)	(113,255,019)
Administration expenses	(62,024,145)	(48,155,053)
Marketing and sales expenses	(28,678,470)	(28,519,840)
Outsourced benefits and services	(28,890,634)	(23,006,713)
Reinsurance commission income	5,113,178	3,824,472
Other expenses	(3,017,219)	(1,499,445)
<b>Total</b>	<b>(440,046,950)</b>	<b>(352,492,646)</b>

### 33 Employee benefit expenses

	December 31, 2018	December 31, 2017
Wages and salaries	135,947,830	113,255,019
Employee termination benefits	800,663	(1,041,498)
Provision for unused vacation	2,415,133	1,274,871
<b>Total</b>	<b>139,163,626</b>	<b>113,488,392</b>

### 34 Financial costs

The Company has no finance expense in the current period (December 31, 2017: None).

### 35 Income tax expense

	December 31, 2018	December 31, 2017
<i>Corporate tax liabilities:</i>		
Corporate tax provision	68,607,000	55,107,000
Less: Corporation taxes paid in advances during the period	(48,580,868)	(43,775,828)
<b>Total</b>	<b>20,026,132</b>	<b>11,331,172</b>

#### *Total tax expense recognised in profit or loss*

	December 31, 2018	December 31, 2017
Current tax expense	68,607,000	55,107,000
Deferred tax expense / (income)	9,653,804	9,888,342
<b>Total</b>	<b>78,260,804</b>	<b>64,995,342</b>

#### *Total tax expense recognised in equity*

	December 31, 2018	December 31, 2017
Change in fair value of available for sale financial assets	16,118,544	2,180,289
Actuarial gain and losses	1,870,802	1,160,039
<b>Total deferred tax expense recognised in equity</b>	<b>17,989,346</b>	<b>3,340,328</b>

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Reconciliation of the Company's taxation for the year period ended as of December 31, 2018 and 2017 are as follows:

	December 31, 2018		December 31, 2017	
Profit before tax	331.861.055	Tax rate (%)	289,698,035	Tax rate (%)
Taxes on income per statutory tax rate	(73,009,432)	(22.00)	(57,939,607)	(20.00)
Disallowable expenses	(22,747,907)	(6.85)	(12,150,279)	(4.19)
Effect of allowances	17,496,535	5.27	5,094,544	1.75
<b>Total tax expense recognised in profit or loss</b>	<b>(78,260,804)</b>	<b>(23.58)</b>	<b>(64,995,342)</b>	<b>(22.44)</b>

### 36 Net foreign exchange gains

	December 31, 2018	December 31, 2017
Foreign exchange gains	16,990,379	6,434,339
Foreign exchange losses	(8,907,743)	(2,196,351)
<b>Total</b>	<b>8,082,636</b>	<b>4,237,988</b>

### 37 Earnings per share

Earnings per share is calculated by dividing net profit for the period to the weighted average number of shares.

	December 31, 2018	December 31, 2017
<i>For a share having TRKr (Kuruş) 1 of nominal value:</i>		
Weighted average number of shares	43,000,000,000	43,000,000,000
Net profit for the period	253,600,251	224,702,693
Earnings per share (for 100 shares)	0.58977	0.52256

### 38 Dividends per share

The Company's dividend distribution in 2018 from the profit of 2017 is presented below.

	Group	Total cash dividend amount (TL)	Cash dividend corresponding to a share having TL 1 of nominal value	
			Amount (TL)	Rate (%)
	A	336,046.51	0.3360465	33.60465
	B	144,163,953.49	0.3360465	33.60465
<b>Gross</b>	<b>Total</b>	<b>144,500,000.00</b>		

The Company's dividend distribution in 2018 from the profit of 2017 is TL 170,000,000. Additionally, TL 5,293,934 of dividend is distributed to the personnel of the Company.

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### 39 Cash generated from operations

The cash flows from operating activities is presented in the accompanying statement of cash flows.

### 40 Convertible bonds

None.

### 41 Redeemable preference shares

None.

### 42 Risks

In the normal course of its operations, the Company is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Company are provided either under provision for outstanding claims or provisions for other risks in the accompanying financial statements.

As at December 31, 2018, there are 375 ongoing law suit filed against the Company and total amount of these suits are TL 8,738,649. TL 14,061,439 of provision (December 31, 2017: TL 9,264,106) including interest expense for ongoing law suits for which cash outflow is probable and measurable reliably is set by the Company in the financial statements, There are 88 ongoing law suits prosecuted by the Company against the third parties that have amounted TL 6,105,596, Subsequent to the reporting period, there is no expected amount of law suits to be prosecuted against the Company.

### 43 Commitments

Total amount of commitments that are not included in liabilities:

	December 31, 2018	December 31, 2017
Guarantees and commitments	2.861.406	1.776.206
<b>Guarantees and commitments</b>	<b>2.861.406</b>	<b>1.776.206</b>

The Company does not have finance lease liabilities as at the reporting period (December 31, 2017: None).

### 44 Business combinations

None.

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### 45 Related party transactions

a. Parent company's name and the ultimate owner of the group

The Company's parent is Türkiye İş Bankası AŞ with a 63.89% of share.

b. In accordance with the Company's activities, items of sub-classifications

The activities of the Company involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal accident branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

c. No expense is recognised in the related period for bad or doubtful debts in respect of the amounts owed by the shareholders, associates and subsidiaries.

d. Details of associates and subsidiaries having indirect capital and management relations with the Company; names, amounts and rates of participations in the associates and subsidiaries; profit/loss for the period presented in the recent financial statements of such participations; net profit/loss for the period and period covered by the financial statements; information about whether these financial statements are prepared in accordance with the CMB standards; information about whether these financial statements are audited; details of the audit opinion (if the report includes unqualified, adverse or qualified opinion):

	Carrying amount	Participation rate (%)	Reporting period	Profit before income tax	Net profit of the period	Financial statements base	Independent auditor's opinion
İş Portföy Yönetimi AŞ	12,762,193	20,0	December 31, 2018	33,715,476	26.253.527	SPK XI/29	Unqualified

e. Bonus shares obtained from associates or subsidiaries through internal resource capital increases

At the reporting date, the Company has obtained no bonus shares through capital increases in associates from profit or capital reserves.

f. No guarantees, commitments, guarantee letters, advances and endorsements given in favor of shareholders, associates and subsidiaries.

## Notes to the Unconsolidated Financial Statements As at December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

## g. Related party disclosures

The related party balances as at December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Türkiye İş Bankası AŞ - receivables from credit card collections	188,935,962	193,102,910
<b>Cash and cash equivalents</b>	<b>188,935,962</b>	<b>193,102,910</b>
Türkiye İş Bankası AŞ - bank deposits	137,493,170	220,572,922
<b>Cash at banks</b>	<b>137,493,170</b>	<b>220,572,922</b>
Anadolu Anonim Türk Sigorta Şirketi - premium receivable	25	-
<b>Payable from main operations</b>	<b>25</b>	<b>-</b>
Türkiye İş Bankası AŞ - commission payables	11,671,942	11,261,367
Milli Reasürans TAŞ - premium payables	543,781	461,578
<b>Payable from main operations</b>	<b>12,215,723</b>	<b>11,722,945</b>
Türkiye İş Bankası AŞ. - settlement and custody commission	-	5,010
Anadolu Anonim Türk Sigorta Şirketi - premium payables	137,069	57,577
<b>Payables to shareholders</b>	<b>137,069</b>	<b>62,587</b>
İş Portföy Yönetimi A.Ş.	2,597,677	7,857,440
İş Merkezleri Yönetim ve İşletim A.Ş.	306,778	193,147
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	128,938	-
İş-Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim A.Ş.	32,068	35,474
Erişim Müşteri Hizmetleri A.Ş.	1,366,737	1,108,045
Softtech Yazılım Teknoloji Araştırma Geliştirme ve Pazarlama Ticaret A.Ş.	3,815	-
<b>Other payables</b>	<b>4,436,013</b>	<b>9,194,106</b>

In the current period in amount of TL 27,215,781 individual retirement employer contributions (December 31, 2017: TL 24,445,898) have been collected from related parties, in amount of TL 488,432 life insurance employer premium was accrual (December 31, 2017: TL 676,779).



## Notes to the Unconsolidated Financial Statements As at December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

The details of revenues and expenses for the year ended as of December 31, 2018 and 2017 stems from related parties are as follows:

	December 31, 2018	December 31, 2017
Milli Reasürans TAŞ - premiums written, ceded	2,062,570	1,253,605
<b>Premiums written, ceded</b>	<b>2,062,570</b>	<b>1,253,605</b>
Milli Reasürans TAŞ - commission income from reinsurers	428,043	197,281
<b>Commission income from reinsurers</b>	<b>428,043</b>	<b>197,281</b>
Türkiye İş Bankası AŞ - interest income from deposits	26,827,071	15,378,058
Türkiye İş Bankası AŞ - rent income	13,532	11,707
<b>Investment income</b>	<b>26,840,603</b>	<b>15,389,765</b>
İş Portföy Yönetimi AŞ - investment consultancy fee	1,578,429	545,832
İş Portföy Yönetimi A.Ş. - settlement and custody expense	-	848
İş Yatırım Menkul Değerler A.Ş. - settlement and custody expense	161	-
Türkiye İş Bankası AŞ - settlement and custody expense	13,127	21,710
<b>Investment expense</b>	<b>1,591,717</b>	<b>568,390</b>
Türkiye İş Bankası AŞ - commission of policy production	129,724,138	117,784,697
İş Portföy Yönetimi AŞ - portfolio management fee of pension funds	11,721,046	25,255,024
İş Merkezleri Yönetim ve İşletim A.Ş. - building administrative expense	4,761,520	4,072,499
İş Gayrimenkul Yatırım Ortaklığı AŞ - rent expense	7,165,701	5,315,029
İş-Net Elektronik Bilgi Üretim Dağ. Tic. ve İletişim A.Ş. - communication expense	1,549,714	1,236,218
Erişim Müşteri Hizmetleri A.Ş. - call center service expense	15,536,857	13,139,698
Softtech Yazılım Teknoloji Araştırma Geliştirme ve Pazarlama Ticaret A.Ş. - software support expense	51,273	99,250
Türkiye İş Bankası AŞ - commission of premium collection and banking services	1,156,304	1,073,092
Türkiye İş Bankası AŞ - fund operation service expense	2,244,531	1,565,093
Türkiye İş Bankası AŞ - rent expense	291,741	377,639
İş Portföy Yönetimi A.Ş. Birinci Gayrimenkul Yatırım Fonu - rent expense	371,679	-
Anadolu Anonim Türk Sigorta Şirketi - premium paid	4,015,374	4,130,362
Anadolu Anonim Türk Sigorta Şirketi - rent expense	283,995	244,682
<b>Other expenses</b>	<b>178,873,873</b>	<b>174,293,283</b>

### 46 Events after the reporting period

Events after the reporting period are disclosed in note 1.10 - *events after the reporting period*.

## Notes to the Unconsolidated Financial Statements As at December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

### 47 Others

Items and amounts classified under the "other" account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

Items and amounts classified under the "other" account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet are as follows:

Current assets (Other receivables)	December 31, 2018	December 31, 2017
Securities reconciliation account	49,370,276	18,180,114
Other	993,902	1,161,752
<b>Total</b>	<b>50,364,178</b>	<b>19,341,866</b>
Short-term liabilities (Other miscellaneous payables)	December 31, 2018	December 31, 2017
Payable to suppliers	10,256,488	12,791,751
Suspense accounts	7,936,681	9,193,197
Securities reconciliation account	81	4,914
<b>Total</b>	<b>18,193,250</b>	<b>21,989,862</b>

Payables to employees and receivables from employees presented under accounts, "other receivables" and "other short or long term payables", and which have balance more than 1% of the total assets

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

None.

Real rights on immovable and their values

None.

Explanatory note for the amounts and nature of previous years' income and losses

None.

For the year ended as of December 31, 2018 and 2017, details of discount and provision expenses are as follows:

	December 31, 2018	December 31, 2017
Unused vacation pay liability	(2,415,133)	(1,274,871)
Provisions no longer required	2,651,078	2,145,444
Provision for employee termination benefits	(800,663)	1,041,498
Other provision expenses	(3,090,409)	(8,571,289)
<b>Provision expenses</b>	<b>(3,655,127)</b>	<b>(6,659,218)</b>
	December 31, 2018	December 31, 2017
Rediscount interest expense <sup>(1)</sup>	75,330	47,520
<b>Total rediscount</b>	<b>75,330</b>	<b>47,520</b>

<sup>(1)</sup> Rediscount interest income/expense arising from selling the shares of AVEA İletişim Hizmetleri A.Ş. by instalment.

## Anadolu Hayat Emeklilik Anonim Şirketi

### Information on Consolidated Associate

Pursuant to the "Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Private Pension Companies" ("Consolidation Circular") issued by the Turkish Treasury in the Official Gazette issue 27097 dated 31 December 2008, insurance, reinsurance and pension companies are obliged to publish consolidated financial statements besides unconsolidated financial statements.

Accordingly, our Company started drawing up consolidated financial statements as of 2010, taking into consideration the financial statements of İş Portföy Yönetimi A.Ş., which is the only associate of the Company, and using the equity method of accounting.

Founded in October 2000 as an associate of İşbank, İş Portföy Yönetimi A.Ş. offers asset management and investment advisory services to institutional investors.

General information on İş Portföy Yönetimi A.Ş. is presented in the below-given table.

Name	Carrying Value	Participation Rate (%)	Reporting Period	Profit for the Period before Tax	Net Profit for the Period	Financial Statements Base	Independent Auditor's Opinion
İş Portföy Yönetimi A.Ş.	12,762,193	20	31 December 2018	33,715,476	26,253,527	SPK XI/29	Unqualified

#### Unconsolidated/Consolidated Summary Financial Data (TL thousand):

Financial statement items that show a different value due to consolidation are presented below with their unconsolidated and consolidated values.

	Unconsolidated	Consolidated
Associates	12,762	21,226
Financial Income	133,742	134,805
Pretax Profit	322,207	323,270
Shareholders' Equity	940,618	949,081
Total Assets	20,221,515	20,229,978

Anadolu Hayat Emeklilik Anonim Şirketi

## December 31, 2018 Consolidated Financial Statements Together With Independent Auditors' Review Report Thereon

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in  
Turkish)

## Independent Auditor's Report



**Güney Bağımsız Denetim ve  
SMMM A.Ş.**  
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Ticaret Sicil No: 479920  
Mersis No: 0-4350-3032-6000017

To the Shareholders of Anadolu Hayat Emeklilik Anonim Şirketi

### A) Report on the Audit of the Consolidated Financial Statements

#### 1) Opinion

We have audited the consolidated financial statements of Anadolu Hayat Emeklilik Anonim Şirketi (the Company), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Accounting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation".

#### 2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Independent Auditor's Report

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b>Estimates and assumptions used in calculation of insurance contract liabilities</b></p> <p>As of December 31, 2018, the Company has insurance liabilities of TL 1.899.412.052 representing 9% of the Company's total liabilities. The measurement of insurance contract liabilities involves judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term liabilities, including those for guarantees provided to policyholders.</p> <p>Liabilities related to life insurance group comprise of actuarial mathematical reserves which are calculated according to formulas and principles given in approved technical basis of tariffs and profit sharing reserves which consist of profit sharing calculated in previous years and a certain percentage of current year's income, determined in the approved profit sharing tariffs, including other beneficiaries for the contracts which the Company is liable to give profit sharing.</p> <p>Accounting policies and actuarial assumptions used for the mentioned insurance contract liabilities are explained in note 2 and 17. Given their magnitude in terms of financial statement and significant uncertainty of estimates containing, insurance contract liabilities has been considered as a key audit matter.</p>	<p>The audit procedures regarding the insurance contract liabilities were performed with the use of an actuarial auditor, who is part of our team, and together with manually calculated components of insurance contract liabilities, audit evidence about key controls over calculation methods used by Company's actuaries were obtained; reconciliation of input data related to the Company's insurance contract liabilities with system and other source data was tested; Tariffs and profit sharing reserves which are components of Life group insurance contract liabilities were tested on calculation data by using sampling method and compliance of the explanatory information regarding to insurance contract liabilities with the accounting and reporting regulations in force due to the insurance legislation was reviewed.</p>

#### 4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Insurance Accounting and Financial Reporting Legislation and designing, implementing and maintaining internal systems relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## 5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Independent Auditor's Report

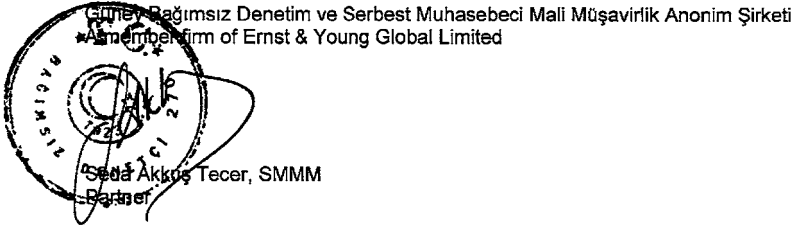
### B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on January 31, 2019.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2018 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.



January 31, 2019

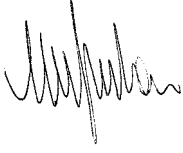
Istanbul, Türkiye



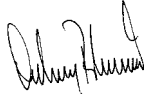
Anadolu Hayat Emeklilik Anonim Şirketi  
**Consolidated Financial Statements**  
**As At And For The Year Ended December 31, 2018**

We confirm that the consolidated financial statements and related disclosures and footnotes as at December 31, 2018 which were prepared in accordance with the accounting principles and standards in force as per the regulations of T.C. Hazine ve Maliye Bakanlığı are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

Istanbul, January 31, 2019



M. Uğur Erkan  
Member of the Board of  
Directors / Chief Executive  
Officer



Orhan Bozkurt  
Vice Chief Executive  
Officer



N. Cem Özcan  
Accounting  
Manager



Devrim Alçın  
Actuary (Registration  
Number:39)

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# Anadolu Hayat Emeklilik Anonim Şirketi

## Consolidated Balance Sheet

### As At December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

ASSETS			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>I- Current Assets</b>			
<b>A- Cash and Cash Equivalents</b>			
1- Cash	14	517,657,837	581,758,087
2- Cheques Received	14	1,002	5,654
3- Banks	14	-	-
4- Cheques Given and Payment Orders	14	320,570,433	385,859,525
5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	14	(16)	(24)
6- Other Cash and Cash Equivalents	14	197,086,418	195,892,932
<b>B- Financial Assets and Financial Investments with Risks on Policyholders</b>			
1- Available-for-Sale Financial Assets	11	2,334,496,432	2,223,752,989
2- Held to Maturity Investments	11	573,585,026	591,320,170
3- Financial Assets Held for Trading	11	-	-
4- Loans and Receivables	11	55,437,380	62,317,618
5- Provision for Loans and Receivables	11	47,231,715	37,836,112
6- Financial Investments with Risks on Saving Life Policyholders	11	-	-
7- Company's Own Equity Shares	11	1,662,767,119	1,551,190,636
8- Diminution in Value of Financial Investments	11	-	-
9- Diminution in Value of Financial Investments	11	(4,524,808)	(18,911,547)
<b>C- Receivables from Main Operations</b>			
1- Receivables from Insurance Operations	12	17,057,549,365	14,809,280,499
2- Provision for Receivables from Insurance Operations	12	55,964,785	37,898,538
3- Receivables from Reinsurance Operations	12	(2,574)	(2,574)
4- Provision for Receivables from Reinsurance Operations	12	-	-
5- Cash Deposited to Insurance and Reinsurance Companies	12	-	-
6- Loans to the Policyholders	12	-	-
7- Provision for Loans to the Policyholders	12	34,863,790	30,170,168
8- Receivables from Individual Pension Operations	12	16,966,723,364	14,741,214,367
9- Doubtful Receivables from Main Operations	12	117,996	117,996
10- Provision for Doubtful Receivables from Main Operations	12	(117,996)	(117,996)
<b>D- Due from Related Parties</b>			
1- Due from Shareholders	12	12,549	1,567
2- Due from Associates	12	-	-
3- Due from Subsidiaries	12	-	-
4- Due from Joint Ventures	12	-	-
5- Due from Personnel	12	-	-
6- Due from Other Related Parties	12	12,549	1,567
7- Rediscount on Receivables from Related Parties	12	-	-
8- Doubtful Receivables from Related Parties	12	-	-
9- Provision for Doubtful Receivables from Related Parties	12	-	-
<b>E- Other Receivables</b>			
1- Finance Lease Receivables	12	50,363,825	19,352,221
2- Unearned Finance Lease Interest Income	12	-	-
3- Deposits and Guarantees Given	12	-	-
4- Other Miscellaneous Receivables	47	100,441	85,685
5- Rediscount on Other Miscellaneous Receivables	47	50,364,178	19,341,866
6- Other Doubtful Receivables	47	(100,794)	(75,330)
7- Provision for Other Doubtful Receivables	47	-	-
<b>F- Prepaid Expenses and Income Accruals</b>			
1- Deferred Commission Expense	4.2	36,252,496	39,071,002
2- Accrued Interest and Rent Income	4.2	23,411,109	26,432,495
3- Income Accruals	4.2	94,148	233,714
4- Other Prepaid Expenses	4.2	-	-
<b>G- Other Current Assets</b>			
1- Stocks to be Used in the Following Months	4.2	12,747,239	12,404,793
2- Prepaid Taxes and Funds	4.2	22,128	21,210
3- Deferred Tax Assets	4.2	-	-
4- Job Advances	4.2	8,303	8,133
5- Advances Given to Personnel	4.2	13,825	13,077
6- Inventory Count Differences	4.2	-	-
7- Other Miscellaneous Current Assets	4.2	-	-
8- Provision for Other Current Assets	4.2	-	-
<b>I- Total Current Assets</b>			
		19,996,354,632	17,673,237,575

The accompanying notes are an integral part of these consolidated financial statements.

# Anadolu Hayat Emeklilik Anonim Şirketi

## Consolidated Balance Sheet

### As At December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

ASSETS			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>II- Non-Current Assets</b>			
<b>A- Receivables from Main Operations</b>			
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Business		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
<b>B- Due from Related Parties</b>			
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
<b>C- Other Receivables</b>			
		231,161	485,339
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables		354,972	709,944
5- Rediscount on Other Miscellaneous Receivables		(123,811)	(224,605)
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
<b>D- Financial Assets</b>			
1- Investments in Equity Shares	9,45.d	21,225,636	20,324,696
2- Investments in Associates	9,45.d	21,225,636	20,324,696
3- Capital Commitments to Associates		-	-
4- Investments in Subsidiaries		-	-
5- Capital Commitments to Subsidiaries		-	-
6- Investments in Joint Ventures		-	-
7- Capital Commitments to Joint Ventures		-	-
8- Financial Assets and Financial Investments with Risks on Policyholders		-	-
9- Other Financial Assets		-	-
10- Impairment in Value of Financial Assets		-	-
<b>E- Tangible Assets</b>			
		183,963,677	160,222,265
1- Investment Properties	7	145,729,755	141,944,134
2- Impairment for Investment Properties		-	-
3- Owner Occupied Property	6	4,700,000	4,610,000
4- Machinery and Equipment	6	45,818,086	29,556,763
5- Furniture and Fixtures	6	5,807,620	3,741,718
6- Motor Vehicles	6	502,597	431,268
7- Other Tangible Assets (Including Leasehold Improvements)	6	12,371,453	3,850,717
8- Tangible Assets Acquired Through Finance Leases	6	533,750	533,750
9- Accumulated Depreciation	6	(31,499,584)	(24,446,085)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
<b>F- Intangible Assets</b>			
	8	27,541,661	28,011,790
1- Rights	8	83,364,583	69,128,445
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortisation (Depreciation)	8	(55,822,922)	(41,116,655)
7- Advances Paid for Intangible Assets		-	-
<b>G- Prepaid Expenses and Income Accruals</b>			
		661,369	2,476,061
1- Deferred Commission Expense		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses and Income Accruals		661,369	2,476,061
<b>H- Other Non-Current Assets</b>			
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets		-	-
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortisation on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
<b>II- Total Non-Current Assets</b>		<b>233,623,504</b>	<b>211,520,151</b>
<b>TOTAL ASSETS</b>		<b>20,229,978,136</b>	<b>17,884,757,726</b>

The accompanying notes are an integral part of these consolidated financial statements.

Anadolu Hayat Emeklilik Anonim Şirketi  
**Consolidated Balance Sheet**  
**As At December 31, 2018**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

LIABILITIES			
III- Short-Term Liabilities	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>A- Financial Liabilities</b>	<b>20</b>	-	-
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities		-	-
3- Deferred Leasing Costs		-	-
4- Current Portion of Long Term Debts		-	-
5- Principal Instalments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities	20	-	-
<b>B- Payables Arising from Main Operations</b>	<b>19</b>	<b>17,277,943,412</b>	<b>14,982,910,289</b>
1- Payables Arising from Insurance Operations	19	20,123,620	13,836,127
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies	19,10	4,054,710	1,648,069
4- Payables Arising from Individual Pension Business	19	17,250,229,880	14,964,479,508
5- Payables Arising from Other Main Operations		3,535,202	2,946,585
6- Discount on Payables from Other Main Operations		-	-
<b>C- Due to Related Parties</b>	<b>19</b>	<b>185,751</b>	<b>99,315</b>
1- Due to Shareholders	19,45	131,097	57,577
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel	9	54,560	41,670
6- Due to Other Related Parties	19	94	68
<b>D- Other Payables</b>	<b>19</b>	<b>19,247,308</b>	<b>22,985,648</b>
1- Deposits and Guarantees Received	19	1,054,058	995,786
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables	19,47	18,193,250	21,989,862
4- Discount on Other Miscellaneous Payables		-	-
<b>E- Insurance Technical Provisions</b>	<b>17</b>	<b>1,899,412,052</b>	<b>1,880,844,424</b>
1- Reserve for Unearned Premiums - Net	17	40,711,220	45,766,580
2- Reserve for Unexpired Risks - Net		18,510	-
3- Mathematical Provisions - Net	17	1,740,281,090	1,725,732,929
4- Provision for Outstanding Claims - Net	17	90,266,489	87,007,263
5- Provision for Bonus and Discounts - Net		410,153	294,374
6- Other Technical Provisions - Net	17	27,724,590	22,043,278
<b>F- Provisions for Taxes and Other Similar Obligations</b>		<b>34,212,244</b>	<b>19,540,559</b>
1- Taxes and Funds Payable		11,559,320	6,154,582
2- Social Security Premiums Payable		2,626,675	2,054,778
3- Overdue, Deferred or By Instalment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		117	27
5- Corporate Tax Payable	35	68,607,000	55,107,000
6- Prepaid Taxes and Other Liabilities Regarding Current Period Income	35	(48,580,868)	(43,775,828)
7- Provisions for Other Taxes and Similar Liabilities		-	-
<b>G- Provisions for Other Risks</b>	<b>23</b>	<b>23,886,690</b>	<b>18,517,006</b>
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	23,886,690	18,517,006
<b>H- Deferred Income and Expense Accruals</b>	<b>19</b>	<b>3,867,847</b>	<b>2,955,075</b>
1- Deferred Commission Income	19	238,053	155,766
2- Expense Accruals	19	3,623,133	2,793,463
3- Other Deferred Income and Expense Accruals	19	6,661	5,846
<b>I- Other Short-Term Liabilities</b>		-	-
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short-Term Liabilities		-	-
<b>III - Total Short-Term Liabilities</b>		<b>19,258,755,304</b>	<b>16,927,852,316</b>

The accompanying notes are an integral part of these consolidated financial statements.

Anadolu Hayat Emeklilik Anonim Şirketi  
**Consolidated Balance Sheet**  
**As At December 31, 2018**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

LIABILITIES			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>IV- Long-Term Liabilities</b>			
<b>A- Financial Liabilities</b>			
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities		-	-
3- Deferred Leasing Costs		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
<b>B- Payables Arising from Main Operations</b>		-	-
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
<b>C- Due to Related Parties</b>		-	-
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>		-	-
1- Deposits and Guarantees Received		-	-
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables		-	-
<b>E-Insurance Technical Provisions</b>		-	-
1- Reserve for Unearned Premiums - Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Provisions - Net		-	-
<b>F-Other Liabilities and Relevant Accruals</b>		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Instalment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
<b>G- Provisions for Other Risks</b>		18,079,050	13,724,571
1- Provision for Employee Termination Benefits	22,23	18,079,050	13,724,571
2- Provision for Pension Fund Deficits		-	-
<b>H-Deferred Income and Expense Accruals</b>		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
<b>I- Other Long-Term Liabilities</b>		4,062,693	9,057,907
1- Deferred Tax Liabilities	21	4,062,693	9,057,907
2- Other Long-Term Liabilities		-	-
<b>IV- Total Long-Term Liabilities</b>		<b>22,141,743</b>	<b>22,782,478</b>

The accompanying notes are an integral part of these consolidated financial statements.

Anadolu Hayat Emeklilik Anonim Şirketi  
**Consolidated Balance Sheet**  
**As At December 31, 2018**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

EQUITY			
	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>V- Equity</b>			
<b>A- Paid in Capital</b>	2.13,15	430,000,000	430,000,000
1- (Nominal) Capital	2.13,15	430,000,000	430,000,000
2- Unpaid Capital		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences		-	-
5- Register in Progress Capital		-	-
<b>B- Capital Reserves</b>		<b>4,190,243</b>	-
1- Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Assets Sale That Will Be Transferred to Capital		4,190,243	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves		-	-
<b>C- Profit Reserves</b>		<b>161,480,354</b>	<b>175,125,944</b>
1- Legal Reserves	15	156,456,501	128,969,833
2- Statutory Reserves	15	32,870,889	15,753,835
3- Extraordinary Reserves	15	33,273,713	22,371,536
4- Special Funds		-	-
5- Revaluation of Financial Assets	15,16	(56,447,893)	9,775,232
6- Other Profit Reserves	15	(4,672,856)	(1,744,492)
<b>D- Retained Earnings</b>		<b>98,747,310</b>	<b>102,405,178</b>
1- Retained Earnings		98,747,310	102,405,178
<b>E- Accumulated Losses</b>		-	-
1- Accumulated Losses		-	-
<b>F- Net Profit for the Period</b>		<b>254,663,182</b>	<b>226,591,810</b>
1- Net Profit for the Period		254,663,182	226,591,810
2- Net Loss for the Period		-	-
3- Profit not Available for Distribution		-	-
<b>V- Total Equity</b>		<b>949,081,089</b>	<b>934,122,932</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>20,229,978,136</b>	<b>17,884,757,726</b>

The accompanying notes are an integral part of these consolidated financial statements.



# Consolidated Statement of Income

## For the Year Ended December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>I-TECHNICAL SECTION</b>			
<b>A- Non-Life Technical Income</b>			
1- Earned Premiums (Net of Reinsurer Share)	5	603,996	668,113
1.1- Written Premiums (Net of Reinsurer Share)	24	576,224	643,045
1.1.1- Written Premiums, gross		982,911	925,330
1.1.2- Written Premiums, ceded	10	(406,687)	(282,285)
1.1.3- Premiums Transferred to Social Security Institutions		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		46,282	15,589
1.2.1- Reserve for Unearned Premiums, gross		(13,527)	12,022
1.2.2- Reserve for Unearned Premiums, ceded	10	59,809	3,567
1.2.3 - Reserve for Unearned Premiums, Social Security Institution Share		-	-
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		(18,510)	9,479
1.3.1- Reserve for Unexpired Risks, gross		(28,897)	11,455
1.3.2- Reserve for Unexpired Risks, ceded		10,387	(1,976)
2- Investment Income - Transferred from Non-Technical Section		-	-
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1- Other Technical Income, gross		-	-
3.2- Other Technical Income, ceded		-	-
4- Accrued Salvage and Subrogation Income		-	-
<b>B- Non-Life Technical Expense</b>	5	<b>(1,680,397)</b>	<b>(1,213,707)</b>
1- Incurred Losses (Net of Reinsurer Share)		(644,295)	(398,277)
1.1- Claims Paid (Net of Reinsurer Share)		(463,109)	(500,107)
1.1.1- Claims Paid, gross		(492,360)	(664,012)
1.1.2- Claims Paid, ceded	10	29,251	163,905
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		(181,186)	101,830
1.2.1- Change in Provisions for Outstanding Claims, gross		(196,574)	188,500
1.2.2- Change in Provisions for Outstanding Claims, ceded	10	15,388	(86,670)
2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward)		96	-
2.1- Provision for Bonus and Discounts, gross		(2,811)	(2,037)
2.2- Provision for Bonus and Discounts, ceded		2,907	2,037
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		(12,801)	(12,283)
4- Operating Expenses	32	(1,023,397)	(803,147)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
5.1- Change in Mathematical Provisions, gross		-	-
5.2 - Change in Mathematical Provisions, ceded		-	-
6- Change in Other Technical Provisions (Net of Reinsurer and Less the Amounts Carried Forward)		-	-
6.1- Change in Other Technical Provisions, gross		-	-
6.2- Change in Other Technical Provisions, ceded		-	-
<b>C- Net Technical Income-Non-Life (A - B)</b>		<b>(1,076,401)</b>	<b>(545,594)</b>
<b>D- Life Technical Income</b>			
1- Earned Premiums (Net of Reinsurer Share)	5	1,004,266,003	741,971,367
1.1- Written Premiums (Net of Reinsurer Share)	24	625,547,838	544,073,328
1.1.1- Written Premiums, gross		639,213,082	574,747,973
1.1.2- Written Premiums, ceded	10	(18,674,322)	(14,077,280)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		5,009,078	(16,597,365)
1.2.1- Reserve for Unearned Premiums, gross		4,508,733	(16,952,528)
1.2.2- Reserve for Unearned Premiums, ceded	10	500,345	355,163
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Unexpired Risks, ceded		-	-
2- Investment Income	26	368,913,826	190,796,913
3- Unrealised Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		9,804,339	7,101,126
4.1- Other Technical Income, gross		9,804,339	7,101,126
4.2- Other Technical Income, ceded		-	-
5- Accrued Salvage Income		-	-

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statement of Income For the Year Ended December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>I-TECHNICAL SECTION</b>			
<b>E- Life Technical Expense</b>	<b>5</b>	<b>(853,169,546)</b>	<b>(609,361,173)</b>
1- Incurred Losses (Net of Reinsurer Share)		(491,124,632)	(403,401,308)
1.1- Claims Paid (Net of Reinsurer Share)		(477,667,863)	(395,009,732)
1.1.1- Claims Paid, gross		(483,292,332)	(401,052,249)
1.1.2- Claims Paid, ceded	10	5,624,469	6,042,517
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		(13,456,769)	(8,391,576)
1.2.1- Change in Provisions for Outstanding Claims, gross		(14,485,852)	(7,916,842)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10	1,029,083	(474,734)
2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward)		(115,875)	164,789
2.1- Provision for Bonus and Discounts, gross		(253,171)	207,650
2.2- Provision for Bonus and Discounts, ceded		137,296	(42,861)
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		(155,208,679)	(36,529,790)
3.1- Change in Life Mathematical Provisions, gross		(155,872,482)	(36,675,412)
3.1.1- Change in Actuarial Mathematical Provisions, gross		(104,111,695)	(12,184,777)
3.1.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders), gross		(51,760,787)	(24,490,635)
3.2- Change in Life Mathematical Provisions, ceded	10	663,803	145,622
3.2.1- Change in Actuarial Mathematical Provisions, ceded		663,803	145,622
3.2.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders), ceded		-	-
4- Change in Other Technical Provisions (Net of Reinsurer and Less the Amounts Carried Forward)		(5,668,511)	(5,815,644)
5- Operating Expenses	32	(201,051,849)	(163,779,220)
6- Investment Expenses		-	-
7- Unrealized Losses on Investments		-	-
8- Investment Income Transferred to the Non-Life Technical Section		-	-
<b>F- Net Technical Income- Life (D - E)</b>		<b>151,096,457</b>	<b>132,610,194</b>
<b>G- Pension Business Technical Income</b>	<b>5,25</b>	<b>369,185,665</b>	<b>300,557,250</b>
1- Fund Management Income	25	256,416,861	216,742,273
2- Management Fee	25	46,359,487	32,957,056
3- Entrance Fee Income	25	53,889,365	42,607,643
4- Management Expense Charge in case of Suspension	25	12,032,419	7,675,127
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	-
7- Other Technical Expense	25	487,533	575,151
<b>H- Pension Business Technical Expense</b>	<b>5</b>	<b>(281,630,014)</b>	<b>(233,432,598)</b>
1- Fund Management Expense		(23,567,612)	(31,082,195)
2- Decrease in Value of Capital Allowances Given as Advance		-	-
3- Operating Expenses	32	(237,971,704)	(187,910,279)
4- Other Technical Expenses		(16,912,050)	(13,271,344)
5- Fine Payments		(3,178,648)	(1,168,780)
<b>I- Net Technical Income - Pension Business (G - H)</b>		<b>87,555,651</b>	<b>67,124,652</b>

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statement of Income For the Year Ended December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>II-NON-TECHNICAL SECTION</b>			
C- Net Technical Income - Non-Life (A-B)		(1,076,401)	(545,594)
F- Net Technical Income - Life (D-E)		151,096,457	132,610,194
I- Net Technical Income - Pension Business (G-H)		87,555,651	67,124,652
J- Total Net Technical Income (C+F+I)		237,575,707	199,189,252
<b>K- Investment Income</b>	<b>26</b>	<b>134,804,696</b>	<b>126,213,332</b>
1- Income from Financial Assets		95,694,121	72,195,653
2- Income from Disposal of Financial Assets		7,231,552	5,650,125
3- Valuation of Financial Assets		80,226	29,599,339
4- Foreign Exchange Gains	36	16,990,379	6,434,339
5- Income from Associates	26	5,250,705	4,784,915
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment	7,26	5,836,444	5,089,954
8- Income from Derivative Transactions		-	-
9- Other Investments	26	3,721,269	2,459,007
10- Income Transferred from Life Section		-	-
<b>L- Investment Expense</b>		<b>(35,465,758)</b>	<b>(26,127,788)</b>
1- Investment Management Expenses (inc. interest)		(3,872,203)	(2,229,571)
2- Diminution in Value of Investments	34	(339,051)	(2,000)
3- Loss from Disposal of Financial Assets		(22,189)	(949,592)
4- Investment Income Transferred to Non-Life Technical Section		-	-
5- Loss from Derivative Transactions		-	-
6- Foreign Exchange Losses	36	(8,907,743)	(2,196,351)
7- Depreciation and Amortisation Expenses	6,8	(22,324,572)	(20,750,274)
8- Other Investment Expenses		-	-
<b>M- Income and Expenses From Other and Extraordinary Operation</b>		<b>(13,644,463)</b>	<b>(17,575,986)</b>
1- Provisions	47	(3,655,127)	(6,659,218)
2- Rediscounts	47	75,330	47,520
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	21	(9,653,804)	(9,888,342)
6- Deferred Taxation (Deferred Tax Liabilities)		-	-
7- Other Income		239,080	4,471
8- Other Expenses and Losses		(649,942)	(1,080,417)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
<b>N- Net Profit for the Period</b>	<b>37</b>	<b>254,663,182</b>	<b>226,591,810</b>
1- Profit for the Period		323,270,182	281,698,810
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(68,607,000)	(55,107,000)
3- Net Profit for the Period	37	254,663,182	226,591,810
4- Monetary Gains and Losses		-	-

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity For the Year Ended December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

Audited - Changes in Equity - December 31, 2017						
	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	
I - Balance at the end of the year period - December 31, 2016		430,000,000	-	27,264,010	-	
II - Change in Accounting Standards		-	-	-	-	
III - Restated balances (I+II) - January 1, 2017		430,000,000	-	27,264,010	-	
A- Capital increase (A1+A2)		-	-	-	-	
1- In cash		-	-	-	-	
2- From reserves		-	-	-	-	
B- Purchase of own shares		-	-	-	-	
C- Gains or losses that are not included in the statement of income		-	-	-	-	
D- Change in the value of financial assets	15	-	-	(17,488,778)	-	
E- Currency translation adjustments		-	-	-	-	
F- Other gains or losses	15	-	-	-	-	
G- Inflation adjustment differences		-	-	-	-	
H- Net profit for the period		-	-	-	-	
I - Dividends paid	38	-	-	-	-	
J - Transfers from retained earnings	15	-	-	-	-	
IV - Balance at the end of the period - December 31, 2017		430,000,000	-	9,775,232	-	
Audited - Changes in Equity - December 31, 2018						
	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	
I - Balance at the end of the year period - December 31, 2017		430,000,000	-	9,775,232	-	
II - Change in Accounting Standards		-	-	-	-	
III - Restated balances (I+II) - January 1, 2018		430,000,000	-	9,775,232	-	
A- Capital increase (A1+A2)		-	-	-	-	
1- In cash		-	-	-	-	
2- From reserves		-	-	-	-	
B- Purchase of own shares		-	-	-	-	
C- Gains or losses that are not included in the statement of income		-	-	-	-	
D- Change in the value of financial assets	15	-	-	(66,223,125)	-	
E- Currency translation adjustments		-	-	-	-	
F- Other gains or losses	15	-	-	-	-	
G- Inflation adjustment differences		-	-	-	-	
H- Net profit for the period		-	-	-	-	
I - Dividends paid	38	-	-	-	-	
J - Transfers from retained earnings	15	-	-	-	-	
IV - Balance at the end of the period - December 31, 2018		430,000,000	-	(56,447,893)	-	

The accompanying notes are an integral part of these consolidated financial statements.

	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Period	Retained Earnings	Total
	-	106,543,950	1,321,820	8,476,822	191,256,870	101,780,905	866,644,377
	-	-	-	-	-	-	-
	-	106,543,950	1,321,820	8,476,822	191,256,870	101,780,905	866,644,377
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	(1,731,636)	-	-	(1,731,636)
	-	-	-	-	-	-	(17,488,778)
	-	-	-	-	-	-	-
	-	-	-	-	3,946,396	624,273	4,570,669
	-	-	-	-	-	-	-
	-	-	-	-	226,591,810	-	226,591,810
	-	-	-	-	(144,463,510)	-	(144,463,510)
	-	22,425,883	14,432,015	13,881,858	(50,739,756)	-	-
	-	128,969,833	15,753,835	20,627,044	226,591,810	102,405,178	934,122,932
	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Period	Retained Earnings	Total
	-	128,969,833	15,753,835	20,627,044	226,591,810	102,405,178	934,122,932
	-	-	-	-	-	-	-
	-	128,969,833	15,753,835	20,627,044	226,591,810	102,405,178	934,122,932
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	(2,849,658)	-	-	(2,849,658)
	-	-	-	-	-	-	(66,223,125)
	-	-	-	-	-	-	-
	-	-	-	(78,706)	4,208,023	532,375	4,661,692
	-	-	-	-	-	-	-
	-	-	-	-	254,663,182	-	254,663,182
	-	-	-	-	(175,293,934)	-	(175,293,934)
	-	27,486,668	17,117,054	15,092,420	(55,505,899)	(4,190,243)	-
	-	156,456,501	32,870,889	32,791,100	254,663,182	98,747,310	949,081,089

## Consolidated Statement of Cash Flows For the Year Ended December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

	Note	Audited Current Period December 31, 2018	Audited Prior Period December 31, 2017
<b>A. Cash flows from operating activities</b>			
1. Cash provided from insurance activities		596,471,635	606,264,945
2. Cash provided from reinsurance activities		2,406,641	564,058
3. Cash provided from individual pension business		406,667,171	323,587,268
4. Cash used in insurance activities		(318,319,406)	(366,577,628)
5. Cash used in reinsurance activities		-	-
6. Cash used in individual pension business		(258,870,145)	(225,662,625)
7. Cash provided by / (used in) operating activities		428,355,896	338,176,018
8. Interest paid		-	-
9. Income taxes paid		(59,912,040)	(49,701,003)
10. Other cash inflows		51,139,352	44,052,898
11. Other cash outflows		(74,173,201)	(71,481,042)
12. Net cash provided by operating activities		345,410,007	261,046,871
<b>B. Cash flows from / (used in) investing activities</b>			
1. Proceeds from disposal of tangible assets		2,899,970	1,815,572
2. Acquisition of tangible assets	6,7.8	(41,868,135)	(17,529,384)
3. Acquisition of financial assets		(96,070,535)	(192,031,312)
4. Proceeds from disposal of financial assets		56,327,111	188,310,253
5. Interests received		215,317,385	150,171,407
6. Dividends received		10,744,802	8,843,774
7. Other cash inflows		41,254,359	38,501,262
8. Other cash outflows		(235,185,740)	(349,268,463)
9. Net cash used in investing activities		(46,580,783)	(171,186,891)
<b>C. Cash flows from / (used in) financing activities</b>			
1. Equity shares issued		-	-
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		-	-
4. Dividends paid	38	(175,293,934)	(144,463,510)
5. Other cash inflows		-	-
6. Other cash outflows		-	-
7. Net cash used in financing activities		(175,293,934)	(144,463,510)
<b>D. Effect of exchange rate fluctuations on cash and cash equivalents</b>			
<b>E. Net decrease in cash and cash equivalents</b>			
		123,535,290	(54,603,530)
<b>F. Cash and cash equivalents at the beginning of the period</b>			
	14	214,555,740	269,159,270
<b>G. Cash and cash equivalents at the end of the period</b>			
	14	338,091,030	214,555,740

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statement of Profit Distribution For the Year Ended December 31, 2018

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

	Note	Audited Current Period December 31, 2018 <sup>(***)</sup>	Audited Prior Period December 31, 2017
<b>I. DISTRIBUTION OF THE PERIOD PROFIT</b>			
1.1. PERIOD PROFIT <sup>(*)</sup>		329,470,182	287,198,810
1.2. TAXES AND DUTIES PAYABLE		(68,607,000)	(55,107,000)
1.2.1. Corporate Tax (Income Tax)		(68,607,000)	(55,107,000)
1.2.2. Income Tax Deductions		-	-
1.2.3. Other Taxes and Legal Duties		-	-
<b>A. CURRENT PERIOD PROFIT (1.1 - 1.2)</b>		<b>260,863,182</b>	<b>232,091,810</b>
1.3. ACCUMULATED LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVES (-) <sup>(**)</sup>		5,635,719	11,510,135
1.5. OTHER STATUTORY RESERVES (-)		-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5))]</b>		<b>255,227,463</b>	<b>220,581,675</b>
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(44,117,201)
1.6.1. To owners of ordinary shares		-	(44,117,201)
1.6.2. To owners of privileged shares		-	-
1.6.3. To owners of redeemed shares		-	-
1.6.4. To holders profit sharing bonds		-	-
1.6.5. To holders of profit and loss sharing certificates		-	-
1.7. DIVIDENDS TO PERSONNEL (-)		-	(5,293,934)
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9. DIVIDENDS TO FOUNDERS		-	-
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	(125,882,799)
1.10.1. To owners of ordinary shares		-	(125,882,799)
1.10.2. To owners of privileged shares		-	-
1.10.3. To owners of redeemed shares		-	-
1.10.4. To holders profit sharing bonds		-	-
1.10.5. To holders of profit and loss sharing certificates		-	-
1.11. SECOND LEGAL RESERVES (-)		-	(15,379,393)
1.12. STATUTORY RESERVES (-)		-	(17,117,054)
1.13. EXTRAORDINARY RESERVES		-	(12,791,294)
1.14. OTHER RESERVES		-	-
1.15. SPECIAL FUNDS		-	-
<b>II. DISTRIBUTION OF RESERVES</b>			
2.1. APPROPRIATED RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To owners of ordinary shares		-	-
2.3.2. To owners of privileged shares		-	-
2.3.3. To owners of redeemed shares		-	-
2.3.4. To holders of profit sharing bonds		-	-
2.3.5. To holders of profit and loss sharing certificates		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
<b>III. EARNINGS PER SHARE</b>			
3.1. TO OWNERS OF ORDINARY SHARES		0.59355	0.53975
3.2. TO OWNERS OF ORDINARY SHARES (%)		59.355	53.975
3.3. TO OWNERS OF PRIVILEGED SHARES		0.59355	0.53975
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		59.355	53.975
<b>IV. DIVIDEND PER SHARE</b>			
4.1. TO OWNERS OF ORDINARY SHARES		-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3. TO OWNERS OF PRIVILEGED SHARES		-	-
4.4. TO OWNERS OF PRIVILEGED SHARES (%)		-	-

<sup>(\*)</sup> Consolidated current year profit is used for profit distribution as per the "Profit Share Guidebook" issued by the Capital Markets Board on 23 January 2014 dated. Provision for dividend expense amounting to TL 6,200,000 is added to the profit for the year ended December 31, 2018.

<sup>(\*\*)</sup> The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. As a result of this limit, TL 5,635,719 was allocated as the first legal reserve.

<sup>(\*\*\*)</sup> As of the reporting date, the General Assembly Meeting has not been held; therefore, only distributable net profit is presented in the 2018 profit distribution table above.

The accompanying notes are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## As at December 31, 2018

Currency: Turkish Lira (TL)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

### 1 General information

#### 1.1 Name of the Company and the ultimate owner of the group

Anadolu Hayat Emeklilik Anonim Şirketi (the "Company") has been operating since May 31, 1990 and the shareholding structure of the Company is presented below. As at December 31, 2018, the shareholder having direct or indirect control over the shares of the Company is Türkiye İş Bankası AŞ ("İş Bankası") by 84.89% of the outstanding shares of the Company.

Name	December 31, 2018		December 31, 2017	
	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası AŞ <sup>(1)</sup>	274,742,830	63,89	274,742,663	63,89
Anadolu Anonim Türk Sigorta Şirketi	86,000,000	20,00	86,000,000	20,00
Milli Reasürans TAŞ	4,299,999	1,00	4,299,999	1,00
Publicly traded	64,957,171	15,11	64,957,338	15,11
<b>Paid in capital</b>	<b>430,000,000</b>	<b>100,00</b>	<b>430,000,000</b>	<b>100,00</b>

<sup>(1)</sup> The rate of publicly traded shares is 17%. As at December 31, 2018, Türkiye İş Bankası AŞ. owns the 1.89% of the publicly traded shares.

#### 1.2 Domicile and the legal structure of the Company, country and the address of the registered office (address of the operating center if it is different from the registered office)

The Company was registered in Turkey and has the status of 'Incorporated Company' in accordance with the regulations of Turkish Commercial Code. The address of the Company's registered office is Meltem Sokak No: 10 İş Kuleleri Kule: 2 Kat: 16, Levent 34330 Beşiktaş/İstanbul.

#### 1.3 Business of the Company

The activities of the Company involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal accident branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

As at December 31, 2018, the Company has 34 individual pension investment funds (December 31, 2017: 26).

#### 1.4 Description of the main operations of the Company

The Company issues policies in insurance branches specified in the above note 1.3 - *Business of the Company* and contracts in individual pension business by conducting its operations in accordance with the Insurance Law No. 5684 (the "Insurance Law") issued on June 14, 2007 dated and 26552 numbered Official Gazette and Individual Pension Savings and Investment System Law No. 4632 (the "Individual Pension Law") and other communiqués and regulations in force issued by the Ministry of Treasury and Finance of the Turkish Republic (the "Ministry") based on the Insurance Law and the Individual Pension Law.

The Company's shares are listed on the Borsa İstanbul ("BIST"). In accordance with Article 136 (5) in Section VIII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting; therefore, the Company performs its operations accordingly.



## Notes to the Consolidated Financial Statements As at December 31, 2018

Currency: Turkish Lira (TL)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

### 1.5 The average number of the personnel during the period in consideration of their categories

The average number of the personnel during the period in consideration of their categories is as follows:

	December 31, 2018	December 31, 2017
Senior level managers	7	8
Directors	132	118
Officers	395	391
Contracted personnel	3	3
Sales personnel	499	502
Other	11	10
<b>Total</b>	<b>1,047</b>	<b>1,032</b>

### 1.6 Wages and similar benefits provided to the senior management

For the year ended as of December 31, 2018, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, and deputy general managers amounted to TL 6,404,002 (December 31, 2017: TL 5,854,792).

### 1.7 Explanation about the distribution of investment income and operating expenses (personnel expenses, administrative expenses, research and development expenses, marketing and selling expenses, and expenses for the services bought from third parties) in the financial statements

Procedures and principles related to keys used in the financial statements of the companies are determined in accordance with the January 4, 2008 dated and 2008/1 numbered "Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" issued by the Ministry. In accordance with the above mentioned Communiqué, known and exactly distinguishable operating expenses are directly recorded under life, non-life or individual pension segments. Other non-distinguishable expenses, which are not exactly distinguished, are distributed between insurance segments and individual pension segment in accordance with the number of policies and contracts at the end of last 3 years and arithmetic average of contribution premium and earned premium within the last 3 years in accordance with the August 9, 2010 dated and 2010/9 numbered "Amendments Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" issued by the Ministry. Amendment is effective from January 1, 2011. The portion of insurance segments calculated as described above is distributed between life and non-life branches in accordance with the average of 3 ratios calculated by dividing "number of the policies produced within the last three years", "gross premiums written within the last three years", and "number of the claims reported within the last three years" to the "total number of the policies", "total gross written premiums", and the "total number of the claims reported", respectively.

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section.

Income from the assets invested against mathematical and profit sharing provisions is recorded under technical section, remaining income is transferred to the non-technical section.

As at the reporting period, distribution of the operating expense between life, non-life and pension branches is presented in note 5 - *Segment distribution*.

### 1.8 Information on the financial statements as to whether they comprise an individual company or a group of companies

The accompanying financial statements comprise only the consolidated financial information of the Company and information regarding the basis of consolidation has been detailed in note 2.2 - Consolidation.

## Notes to the Consolidated Financial Statements As at December 31, 2018

Currency: Turkish Lira (TL)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

In the capital's 20% share of the business portfolio of the company with the subsidiary in position management, Inc.'s (the "İş Portföy") as of the date of the financial statements December 31, 2018 prepared by the equity method have been consolidated. İş Portföy Registered with the Istanbul trade registry on October 23, 2000 and November 6, 2000, dated and published in the Turkish trade registry Gazette No. 5168 was established by the purpose, 3794, law and other relevant legislation in accordance with the provisions of capital market Law No. 2499 differs by the company specified in the articles of association of capital market activities. İş Portföy, capital market law and other relevant legislation under the provisions of a portfolio of capital market instruments, the portfolio management agreement with clients are managed by a trustee. Also within the scope of portfolio management business portfolio of domestic and foreign investment funds, investment companies and investment partnerships and similar initiatives with domestic and foreign private persons and legal entities in accordance with the provisions of the legislation of the portfolio also manages. In addition, İş Portföy, provides investment advisory services.

### 1.9 Name or other identity information about the reporting entity and the changes in this information after previous reporting period

Trade name of the Company	: Anadolu Hayat Emeklilik Anonim Şirketi
Registered address of the head office	: Meltem Sokak No:10 İş Kuleleri Kule:2 Kat:16 Levent 34330 Beşiktaş/İstanbul
The web page of the Company	: <a href="http://www.anadoluhayat.com.tr">www.anadoluhayat.com.tr</a>
E-mail address of the Company	: <a href="mailto:hizmet@anadoluhayat.com.tr">hizmet@anadoluhayat.com.tr</a>
Phone	: 0212 317 70 70
Fax	: 0212 317 70 77

There has been no change in the aforementioned information subsequent to the previous reporting period.

### 1.10 Events after the reporting period

Consolidated financial statements prepared for the year ended as of December 31, 2018 was approved by Board of Directors on January 31, 2019.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

#### 2.1.1 Information about the principles and the specific accounting policies used in the preparation of the financial statements

The Company maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") in accordance with the "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" as promulgated by the Ministry based on Article 18 of the Insurance Law.

In Article 4 of related communiqué; insurance contracts, subsidiaries, jointly controlled partnerships and subsidiaries consolidated financial statements and the accounting, financial statements and footnotes to be announced publicly relating to the regulation of procedures and principles determined by the Ministry stated that it would be issued with communiqué.

Comparative financial statements with prior period and other companies' financial statements provided that regulated to content and form of financial statements of companies which were published as "Communiqué on Presentation of Financial Statements" in Official Gazette April 18, 2008 dated and 26851 numbered.

#### 2.1.2 Other accounting policies appropriate for the understanding of the financial statements

##### Accounting in hyperinflationary countries

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on TAS 29 - *Financial Reporting in Hyperinflationary Economies* as at December 31, 2004. TAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting period, and that corresponding figures for previous years be restated in the same terms.

## Notes to the Consolidated Financial Statements As at December 31, 2018

Currency: Turkish Lira (TL)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

With respect to the April 4, 2005 dated and 19387 numbered declaration of the Ministry, the Company restated its financial statements as at December 31, 2004 and prepared opening financial statements of 2005 in accordance with the "Restatement of Financial Statements in Hyperinflationary Periods" of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Markets" published in the Official Gazette dated January 15, 2003 and numbered 25290. Inflation accounting is no longer applied starting from January 1, 2005, in accordance with the same declaration of the Ministry. Accordingly, as at December 31, 2018, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognised or recorded before January 1, 2005 are measured as restated to December 31, 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognised or recorded after January 1, 2005 are measured at their nominal costs or values.

### Other accounting policies

Information regarding to other accounting policies is explained above in the section of note 2.1.1 - *Information about the principles and the special accounting policies used in the preparation of the financial statements* and each on its own caption in following sections of this report.

### 2.1.3 Functional and presentation currency

The Company's financial statements are presented in the currency of the primary economic environment in which the entity operates. The results and financial position of the Company are expressed in TL, which is the functional and presentation currency of the Company.

### 2.1.4 Rounding level of the amounts presented in the financial statements

Financial information presented in TL has been rounded to the nearest TL values.

### 2.1.5 Basis of measurement used in the preparation of the financial statements

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until December 31, 2004, except for the financial assets at fair value through profit or loss, available-for-sale financial assets, financial investments with risks on saving life policyholders classified as available-for-sale financial assets, derivative financial instruments, investment properties and owner occupied properties which are measured at their fair values unless reliable measures are available.

### 2.1.6 Accounting policies, changes in accounting estimates and errors

Explanations regarding to the Company's accounting policies are presented in note 3 - Critical accounting estimates and judgements in applying accounting policies.

## 2.2 Consolidation

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual Pension Companies" issued by the Ministry in the December 31, 2008 dated and 27097 numbered Official Gazette, has been in force since March 31, 2009. Accordingly, consolidated financial statements are prepared using the equity method of accounting to consolidate the Company's associate; İş Portföy Yönetimi AŞ.

Accordingly, consolidated financial statements are prepared using the equity method to consolidate the Company's associate; İş Portföy Yönetimi AŞ.

## 2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

## Notes to the Consolidated Financial Statements As at December 31, 2018

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### 2.4 Foreign currency transactions

Transactions are recorded in TL, which is the Company's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the reporting period and foreign currency exchange differences are offset and all exchange differences are recognised in the statement of income.

Foreign currency exchange differences of unrecognised gains or losses arising from the difference between their fair value and the discounted values calculated per effective interest rate method of foreign currency available-for-sale financial assets are recorded in "Revaluation of financial assets" under equity and the realised gain or losses are recognised directly in the statement of income. Foreign currency exchange differences of unrecognised gains or losses arising from financial investments with risks on saving life policyholders classified as available-for-sale financial assets, 5% of the difference is recorded under equity and the remaining 95% belonging to policyholders is recorded as 'insurance technical provisions - life mathematical provisions'.

### 2.5 Tangible assets

Except owner occupied properties, tangible assets are recorded at their historical costs that have been adjusted according to the inflation rates until the end of December 31, 2004. There have been no other inflationary adjustments for these tangible assets for the following years and therefore they have been recorded at their costs indexed to the inflation rates for December 31, 2004. Tangible assets that have been purchased after January 1, 2005 have been recorded at their costs excluding their exchange rate differences and finance expenses less impairment losses if any.

The Company has changed historical cost basis method with revaluation method for owner occupied properties. Fair values of owner occupied properties have been reflected in the financial statements instead of historical cost values since the third quarter of 2015.

The fair values of owner occupied properties were provided by CMB licensed real estate companies. The fair values excluding the accumulated depreciation are reflected in the financial statements.

Increase arising from the revaluation of owner occupied properties is presented under the "other profit reserves" in equity excluding tax.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net carrying value and the proceeds from the disposal of related tangible assets and reflected to the statement of income of the related period.

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense.

There are no pledges, mortgages and other encumbrances on tangible fixed assets.

There are no changes in accounting estimates that have significant effect on the current period or that are expected to have significant effect on the following periods.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation rates and estimated useful lives are as follows:

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Buildings	50 years	2.00
Machinery and equipment	3-16 years	6.25-33.33
Fixtures and furniture	4-13 years	7.69-25.00
Vehicles	5 years	20.00
Other tangible assets (includes leasehold improvements)	5 years	20.00
Leased assets	4-15 years	6.66-25.00

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### 2.6 Investment properties

Investment properties are held either to earn rentals and/or for capital appreciation or for both.

Investment properties are measured initially at cost including transaction costs and then measured at fair value. The change arising from fair value is recognised in the income statement.

The difference arising between sale prices and carrying value of an investment property is recognised in profit or loss.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

When the investment property recorded at fair value is reclassified as tangible assets, the fair value of the investment property at the reclassification date is accepted as historical cost value.

### 2.7 Intangible assets

The Company's intangible assets consist of computer software.

Intangible assets are recorded at cost in compliance with "TAS 38 - Accounting for intangible assets". The cost of the intangible assets purchased before December 31, 2004 are restated from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged on a straight-line basis over their estimated useful lives (3 years) over the cost of the asset.

Costs associated with developing or maintaining computer software programs are recognised as expense when incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Company and will probably provide more economic benefits than costs in one year are recognised as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

### 2.8 Financial assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Securities are recognised and derecognised at the date of settlement.

Financial assets are classified in four categories; as financial assets held for trading, available-for-sale financial assets, held to maturity financial assets, and loans and receivables.

*Financial assets at fair value through profit or loss* are presented as financial assets held for trading in the accompanying financial statements and trading securities and derivatives are included in this category. Financial assets at fair value through profit or loss measured at their fair values and gain/loss arising due to changes in the fair values of related financial assets are recorded in the statement of income. Interest income earned on trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses. Accounting policies of derivatives are detailed in note 2.10 - *Derivative financial instruments*.

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables those are not interest earning are measured by discounting of future cash flows less impairment losses, and interest earning loans and receivables are measured at amortised cost less impairment losses.

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*Held to maturity financial assets* are the financial assets with fixed maturities and fixed or pre-determined payment schedules that the Company has the intent and ability to hold until maturity, excluding loans and receivables. Subsequent to initial recognition, held to maturity financial assets and loans and receivables are measured at amortised cost using effective interest rate method less impairment losses, if any.

*Available-for-sale financial assets* are the financial assets other than assets held for trading purposes, held-to-maturity financial assets and loans and receivables.

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Assets that are not traded in an active market are measured by valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognised gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under shareholders' equity. Upon disposal, the realised gain or losses are recognised directly in the statement of income.

The determination of fair values of financial instruments not traded in an active market is determined by using valuation techniques. Observable market prices of the quoted financial instruments which are similar in terms of interest, maturity and other conditions are used in determining the fair value.

*Associates* are classified as financial assets in the financial statements. Associates, traded in an active market or whose fair value can be reliably measured, are recorded at their fair values. Associates that are not traded in an active market and whose fair value cannot be reliably set are reflected in financial statements at their costs after deducting impairment losses, if any.

### Specific instruments

*Financial investments with risks on saving life policyholders* are the financial assets invested against the savings of the life policyholders. Financial investments with risks on saving life policyholders could be classified as financial assets held for trading purpose, available for sale financial assets or held to maturity investments by considering the benefits of the policyholders and measured in accordance with the principles as explained above.

When such investments are classified as available-for-sale financial assets, 5% of the difference between the fair values and amortised costs, calculated by using effective interest method, of the financial assets is recorded under equity and the remaining 95% belonging to policyholders is recorded as 'insurance technical provisions - life mathematical provisions'. As at December 31, 2018, 95% of the difference between fair values and amortised costs of those assets backing liabilities amounting to TL (144,313,308) (December 31, 2017: TL (3,652,790)) is recorded in life mathematical provisions.

*Receivables from individual pension operations* consist of 'capital advances given to pension investment funds', 'receivable from pension investment funds for fund management fees', 'entrance fee receivable from participants' and 'receivables from clearing house on behalf of the participants'.

'Receivable from pension investment funds for fund management fee' are the fees charged to the pension investment funds against for the administration of related pension investment funds which consist of fees which are not collected in the same day.

Capital advances given to pension investments funds during their establishment are recorded under 'capital advances given to pension investment funds'.

'Receivables from the clearing house on behalf of the participants' is the receivable from clearing house on fund basis against the collections of the participants. Same amount is also recorded as payables to participants for the funds sold against their collections under the 'payables arising from individual pension businesses'.

Loans to the policyholders are loans that are provided to the policyholders from saving component of the life insurance policies based on the fund amounts and fund unit prices. Valuation of the loans to the policyholders based on the fund amounts and fund unit prices as at the reporting date.

### Derecognition

A financial asset is derecognised when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realised, expire or are surrendered.

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### 2.9 Impairment on assets

#### Impairment on financial assets

Financial assets or group of financial assets are reviewed at each reporting period to determine whether there is objective evidence of impairment. If any such indication exists, the Company estimates the amount of impairment. Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to recognition. The losses expected to incur due to future events are not recognised even if the probability of loss is high.

Loans and receivables are presented net of specific allowances for uncollectability. Specific allowances are made against the carrying amounts of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts.

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans measured to fair value is calculated as the present value of the expected future cash flows discounted at the current market rate of interest.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the statement of operations. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

#### Impairment on tangible and intangible assets

On each reporting period, the Company evaluates whether there is an indication of impairment of fixed assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the "TAS 36 - Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

Rediscount and provision expenses of the period are detailed in Note 47.

### 2.10 Derivative financial instruments

As of the reporting date, the Company does not have any derivative financial instruments. Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 - *Financial Instruments: Recognition and measurement*.

Derivative financial instruments are initially recognised at their fair value. The receivables and liabilities arising from the derivative transactions are recognised under the off-balance sheet accounts through the contract amounts.

Derivative financial instruments are subsequently re-measured at fair value and positive fair value differences are presented either as "financial assets held for trading" and negative fair value differences are presented as "other financial liabilities" in the accompanying financial statements. All unrealised gains and losses on these instruments are included in the statement of income.

### 2.11 Offsetting of financial assets

Financial assets and liabilities are off-set and the net amount is presented in the balance sheet when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the Reporting Standards, or for gains and losses arising from a group of transactions resulting from the Company's similar activities like trading transactions.

### 2.12 Cash and cash equivalents

Cash and cash equivalents, which is a base for the preparation of the statement of cash flows includes cash on hand, other cash and cash equivalents, demand deposits and time deposits at banks having original maturity less than 3 months which are ready to be used by the Company or not blocked for any other purpose.

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### 2.13 Capital

The shareholding structure of the Company is presented in note 1.1 - *Name of the Company and the ultimate owner of the group*. As of December 31, 2018, the Company's issued capital is TL 430,000,000 (December 31, 2017: TL 430,000,000).

#### Sources of the capital increases during the period

None.

#### Privileges on common shares representing share capital

As at December 31, 2018, the share capital of the Company was amounted TL 430,000,000 (December 31, 2017: TL 430,000,000), divided into 43,000,000,000 shares (December 31, 2017: 43,000,000,000 shares) with each has a nominal value of TL 0.01. The Company's share capital was divided into groups comprised of 100,000,000 Group A shares having a nominal values of TL 1,000,000 for each and the rest of amount by Group B shares having a nominal values of TL 1,000,000 for each. Among eleven members of the Board of Directors, seven are elected among candidates nominated by Group A shareholders while four are elected among candidates nominated by Group B shareholders.

#### Registered capital system in the Company

The Company has accepted the registered capital system set out in accordance with the Law No: 2499 and applied the system as of June 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As at December 31, 2018, the registered capital of the Company is TL 900,000,000 (December 31, 2017: TL 900,000,000).

#### Repurchased own shares by the Company

None.

### 2.14 Insurance and investment contracts - classification

An insurance contract is a contract under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk covers all risk except for financial risks. All premiums have been received within the coverage of insurance contracts recognised as revenue under the account caption "written premiums".

Investment contracts are those contracts which transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

The Company mainly issues policies under personal accident, risk and saving life insurance branches and individual pension contracts.

Saving component of the life products can be measured separately by the Company. However, insurance and saving components are not separated due to accounting policy requirements specified to account all risks and rewards without considering the basis of measurement.

### 2.15 Insurance contracts and investment contracts with discretionary participation feature

Discretionary participation feature ("DPF") within insurance contracts and investment contracts is the right to have following benefits in addition to the guaranteed benefits.

- (i) that are likely to comprise a significant portion of the total contractual benefits,
- (ii) whose amount or timing is contractually at the discretion of the Issuer; and
- (iii) that are contractually based on:

- (1) the performance of a specified pool of contracts or a specified type of contract;
- (2) realised and/or unrealised investments returns on a specified pool of assets held by the Issuer; or
- (3) the profit or loss of the Company, Fund or other entity that issues the contract.

As at the reporting period, the Company does not have any insurance or investment contracts that contain a DPF.



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### 2.16 Investment contracts without DPF

In the context of the saving life products, if the investment return, obtained from the savings of the policyholders which is invested by the Company results a lower yield rate than the technical interest rate, the Company compensates the difference; if investment return results higher yield than the guaranteed technical interest rate, the difference is distributed to the policyholders as profit sharing bonus. Due to contractual and competitive constraints in practice, the Company has classified these contracts as investment contracts without DPF.

For such products, investment income obtained from assets backing liabilities is recorded within income statement or equity in accordance with the accounting policies mentioned above; and whole contract is presented as a liability under life mathematical provisions.

### 2.17 Liabilities

*Financial liability* is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities of the Company are measured at their discounted values. A financial liability is derecognised when it is extinguished.

*Payables arising from individual pension business* consist of payables to participants, participants' temporary accounts, and payables to individual pension agencies. The payables to participants are the account in which the contribution of participants that transferred to investments on behalf of individual pension contract owners and income from these investments are recorded. The temporary account of participants includes the contributions of participants that have not yet been transferred to the investment. This account also includes the entrance fee deducted portion of the participants' fund amounts, obtained from the fund share sales occur in the case of system leaves. This account consists of the amounts of participants that will be transferred to other individual pension companies or participants' own accounts. Payables to individual pension agencies are Company's liabilities to individual pension agencies in return of their services.

### 2.18 Taxes

#### Corporate tax

Statutory income is subject to corporate tax at 20%. (However, according to the Provisional Article 10 added to the Corporate Tax Law, the corporate tax rate of 20% is calculated as 22% for the corporate earnings for the fiscal periods starting in the related year for the institutions whose special accounting periods are assigned to the taxation periods of 2018, 2019 and 2020 will be implemented. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. December 31, 2018 and 2017, the Company does not have any deductible tax losses.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25<sup>th</sup> of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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According to the "General Communiqué on Corporate Tax" promulgated in Official Gazette no 28178 dated January 19, 2012, fair value of derivative transactions and option premiums are accepted as income or expense in the corporate tax statement if those transactions are performed at Derivative Exchange Market and not if those transactions are performed with entities as previously.

### Deferred tax

In accordance with TAS 12 - *Income taxes*, deferred tax assets and liabilities are recognised on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

The deferred tax assets and liabilities are reported as net in the financial statements if, and only if, the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

In case where gains/losses resulting from the subsequent measurement of the assets are recognised in the statement of income, then the related current and/or deferred tax effects are also recognised in the statement of income. On the other hand, if such gains/losses are recognised as an item under equity, then the related current and/or deferred tax effects are also recognised directly in the equity.

### Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated November 18, 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

### 2.19 Employee benefits

#### Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at December 31, 2018 is TL 5,434.42 (December 31, 2017: TL 4,732.48).

The Company accounted for employee termination benefits using actuarial method in compliance with the TAS 19 - *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as at December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Discount rate	4.22%	4.40% - 4.75%
Expected rate of salary/limit increase	11.30%	7.30%

#### Other benefits

The Company has provided for undiscounted short-term employee benefits earned during the period as per services rendered in compliance with TAS 19 in the accompanying financial statements.

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### 2.20 Provisions

A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting period and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Company to settle the liability, the related liability is considered as "contingent" and disclosed in the footnotes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Company discloses the contingent asset.

### 2.21 Revenue recognition

#### Written premiums and claims paid

Written premiums represent premiums on policies written during the period net of taxes, premiums of the cancelled policies which were produced in prior periods and premium ceded to reinsurance companies. Premiums ceded to reinsurance companies are accounted as "written premiums, ceded" in the profit or loss statement.

Claims are recognised as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at the reporting period and incurred but not reported claims. Reinsurer's shares of claims paid and outstanding claims provisions are off-set against these reserves.

#### Commission income and expense

As further disclosed in *Note 2.24*, commissions paid to the agencies related to the production of the insurance policies and the commissions received from the reinsurance firms related to the premiums ceded are recognised over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums for the policies produced before January 1, 2008 and recognising deferred commission income and deferred commission expense in the financial statements for the policies produced after January 1, 2008.

In compliance with the matching principle, the Company accrues the commissions of the intermediaries simultaneously on a policy basis, while accruing the receivables from the insureds.

Reinsurance commissions are accounted for based on reinsurer agreements. According to the Circular no: 2007/25 issued by the Ministry on December 28, 2007, starting from January 10, 2008, deferred reinsurance commissions are presented in "Deferred Income" account in the balance sheet.

#### Interest income and expense

Interest income and expense are recognised in the statement of income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

#### Trading income/expense

Trading income/expense includes gains and losses arising from disposals of financial assets held for trading purpose and available-for-sale financial assets. Trading income and trading expenses are recognised as "Income from disposal of financial assets" and "Loss from disposal of financial assets" in the accompanying consolidated financial statements.

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### Dividends

Dividend income is recognised when the Company's right to receive payment is ascertained.

### Income from individual pension business

Fund management fee is recognised as income, charged to the pension investment funds against the hardware, software, personnel and accounting services provided, and fee is shared between the Company and the portfolio managers in accordance with the agreement signed between parties. Total of fund management fee charged to the pension investment funds is recognised as "Fund management income" under technical income and portion of the portfolio manager is recognised as "Fund management expense" under technical expenses.

According to the "Individual Pension System Communiqué" promulgated in Official Gazette no 29366 dated May 25, 2015 and within the changes enacted since January 1, 2016 total entrance fee and management fee that can be made in first 5 years of contract does not exceed 8,5% of gross minimum wage that is valid for the first 6 months of the relevant year. The management fees can be levied on contributions or pension investment funds of the participants and is recognised as "Management fee" under pension business technical income. Entrance fees are received by the Company from participants during the access into the system and for the opening of a new individual pension account or during first time at a different company if the pension contract is already concluded, the aforementioned income is recognised as "Entrance fee income" under pension business technical income.

If no payment is made within three months after the contribution paid at maturity date, case of suspension occurs and management expense is charged. The aforementioned expense is recognised as "Management expense charge in the case of suspension".

The difference in value of the pension investment fund shares, obtained due to capital advance on the date of establishment, to the date of selling of those shares to the participants is recorded in the income statement as "increase in value of capital allowances given as advances".

According to the amendments, promulgated in Official Gazette no 29812 dated August 25, 2016 and effective from January 1, 2017, made to the personal pension savings and investments system law, automatic enrolment to individual pension system that enables employees to be automatically included to an individual pension plan, has come into effect. According to the automatic enrolment system's regulations, maximum of 0,85% fund management fee could be applied to participants; entrance and management fees are not applied.

### 2.22 Leasing transactions

Tangible assets acquired by way of finance leasing are recognised in tangible assets and the obligations under finance leases arising from the lease contracts are presented under finance lease payables account in the financial statements. In the determination of the related assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through financial lease and in the expected future benefits, the leased assets are valued with net realisable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease.

### 2.23 Dividend distribution

In accordance with the Articles of Association of the Company, first dividend distribution is made from distributable profit based on the rates and amounts set out by the Capital Markets Board. In regards to the profit share distribution policy of the Company, two options are presented to the General Assembly; 30% of distributable profit at a minimum as bonus shares or in cash. Based on its articles of association, the Company makes at a maximum of 3% of profit share payments to its employees following the appropriation of first profit share, limited to a maximum of three-month salary.

Dividend payables are recognized as liability in the financial statements when they are announced.

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### 2.24 Reserve for unearned premiums

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 26606 numbered and August 7, 2007 dated Official Gazette and put into effect starting from January 1, 2008, the reserve for unearned premiums represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting period for all short-term insurance policies.

In the case of personal accident insurance, annual life insurance and life insurance which of the renewal date exceeds one year, reserve for unearned premiums is calculated for the portion of the remaining part which is left after deducting savings from gross premium written for the year. In accordance with the "Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" issued in 28356 numbered and July 17, 2012 dated Official Gazette and effective from June 30, 2012, reserve for unearned premiums is calculated from remaining amount of gross written premiums by deducting saving component and expenses related with saving component for life insurance and life insurance with saving components having longer than one year maturity. Insurance policies covering possibilities of life and death or both and personal accident, disability by illness and serious illness insurance policies are considered as life insurance policies and their premiums are classified as life insurance premiums.

According to the 2009/9 Numbered Circular Related to Application of Technical Reserves issued on March 27, 2009 reserve for unearned premiums is calculated by taking into account that all policies become active at 12:00 at noon and end at 12:00 at noon.

### 2.25 Reserve for unexpired risks

In accordance with the Communiqué on Technical Reserves, in each accounting period, the companies while providing reserve for unearned premiums should perform adequacy test covering the preceding 12 months in regard with the probability of future claims and compensations of the outstanding policies will arise in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/premium ratio.

Expected claim/premium ratio is calculated by dividing incurred losses (provision for outstanding claims, net at the end of the period + claims paid, net - provision for outstanding claims, net at the beginning of the period) to earned premiums (written premiums, net + reserve for unearned premiums, net at the beginning of the period - reserve for unearned premiums, net at the end of the period). In the calculation of earned premiums; deferred commission expenses paid to the agencies and deferred commission income received from the reinsurance firms which were netted off from reserve for unearned premiums both at the beginning of the period and at the end of the period are not taken into consideration.

In accordance with the "Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" issued in 28356 numbered and July 17, 2012 dated Official Gazette and effective from June 30, 2012, the test is performed on branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch. The difference between the gross amount and the net amount is considered as the reinsurer's share. The Ministry is authorised to change test methods and require additional reserve for unexpired risks on branch basis.

As at December 31, 2018, related test have resulted reserve for unexpired risks amounting to TL 18,510 (December 31, 2017: None).

### 2.26 Provision for outstanding claims

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Provision for outstanding claims represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting period as well as the corresponding handling costs.

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Change in measurement of technical reserves became effective as at September 30, 2010 according to the Ministry Circular which were published as "Communiqué on Amendments to Communiqué on Technical Reserves" in Official Gazette dated July 28, 2010 and numbered 27655.

Following the changes made by the mentioned circular issued by the Ministry, the Circulars, that include explanations regarding accounting of income from salvage and subrogation and methodological changes on Actuarial Chain ladder method, numbered 2010/12, 2010/13, 2010/14 and the sector announcement numbered 2010/29 issued, which became effective as at December 31, 2010, in order to clarify uncertainties on measurement of technical reserves and accounting of income from salvage and subrogation.

Additional amendments effective from June 30, 2012 are issued in the "Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" in 28356 numbered and July 17, 2012 dated Official Gazette. Test IBNR method ceased in the calculation of provision for outstanding claims. In accordance with the previous communiqués and sector announcements companies should perform actuarial chain ladder method for the non-life insurance branches engaged more than five years and had sufficient data. Upon issuance the Circular on Outstanding Claims Reserve numbered 2014/16 issued by the Ministry, the Circulars numbered 2010/12, 2010/14 and 2010/16 are repealed. In accordance with the aforementioned Circular numbered 2014/16, IBNR calculation can be made with the other methods by the companies if the calculation method rests upon actuarial basis and amount obtained from this method is greater than the amount calculated by the Actuarial Chain Ladder Method. In this context, Company maintains to calculate IBNR amount according to the repealed Circulars numbered 2010/12 and 2010/14.

Claims incurred before the accounting periods but reported subsequent to those dates are accepted as incurred but not reported ("IBNR") claims. According to the "Communiqué on Provision for IBNR Claims in Life Branch" numbered 2010/14, IBNR calculation is changed. In accordance with the related regulations, last five or more than five years' weighted average calculated by dividing total gross amount of incurred but not reported claims to average annual guarantee of the related years. As of the current reporting period, IBNR is calculated by multiplying weighted average IBNR ratio by the average guarantee amount of last twelve months before reporting period. Accordingly, as at the reporting period, the Company has provided for IBNR, net off ceded amounting to TL 11,744,574 (December 31, 2017: TL 9,935,571).

According to the 7<sup>th</sup> article 6<sup>th</sup> sub clause of the "Circular on Change in Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested against Those Technical Reserves"; provision for the outstanding claims of the period cannot be less than the result of the actuarial chain ladder method determined by the Ministry. The Company has selected "Standard chain ladder method" for personal accident branch as stated in the "Communiqué on Technical Reserves and Circular on Actuarial Chain Ladder Method" dated 20 September 2010 and numbered 2010/12. Accordingly, as at the reporting period, the Company has provided for IBNR, net off ceded amounting to TL 38,833 (December 31, 2017: TL 18,704).

According to the Sector Announcement dated July 18, 2012 and numbered 2012/13 published by the Ministry, insurance, reinsurance and individual pension companies are required to perform adequacy test to assess the adequacy of provision for outstanding claims at the end of the each reporting period. Companies performed actuarial chain ladder method are not obliged to record additional provision for outstanding claims. As at December 31, 2018, this adequacy test has not resulted in additional provision for outstanding claims.

### 2.27 Mathematical provisions

In accordance with the Communiqué on Technical Reserves, companies operating in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal accident insurance contracts. Mathematical provisions are composed of actuarial mathematical provisions and profit sharing provisions. Actuarial mathematical provisions, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method). In life insurance where saving plan premiums are also generated, actuarial mathematical provisions consist of total saving plan portions of premiums. Provision for profit sharing consist of profit sharing calculated in previous years and a certain percentage of current year's income, determined in the approved profit sharing tariffs, obtained from the financial assets backing liabilities of the Company against the policyholders and other beneficiaries

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for the contracts which the Company is liable to give profit sharing. The valuation method used in calculation of the profit to be shared for saving life contracts is the same with the valuation basis of portfolio on which assets on which the Company invests the provisions allocated due to liabilities against the beneficiaries are included in the framework of basis defined in the note 2.8 - *Financial assets* above.

### 2.28 Equalisation provision - Provision for bonus and discounts

According to "Communiqué on Technical Reserves", companies should book equalisation provision for guarantees of loan and earthquakes in order to offset fluctuations in the rate of indemnification and to meet catastrophic risks in the accounting period.

In accordance with the Communiqué on Technical Reserves issued by the Ministry on March 27, 2009 numbered 2009/9, the insurance companies should recognise equalisation provision for disability and death occurred because of an earthquake and tariffs that include additional guarantee in life and casualty branches. With the circular released on July 28, 2010 and numbered 27655 "Circular on Change in Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves", the calculation of equalisation provision is revised. In accordance with the Communiqué on Technical Reserves, the companies which give additional guarantee in life use their own statistical data for equalisation provision calculation. The companies not having sufficient data for calculation will accept 11% of death net premium (including damage payments) as earthquake premium and 12% of that amount is calculated as equalisation provision. In accordance with the Communiqué on Technical Reserves, booking provisions should continue until reaching 150% of the highest net premium amount of the last five financial years. Equalisation provisions amounting to TL 27,724,590 are presented under "other technical reserves" within short-term liabilities in the accompanying financial statements (December 31, 2017: TL 22,043,278).

In accordance with Regulation on Technical Reserves, insurance companies are required to account for the bonus or discounts provided to policyholders and beneficiaries in accordance with the current year technical income. As of December 31, 2018, the Company accounted for bonus provision amounting to TL 410,153 (December 31, 2017: TL 294,374).

### 2.29 Related parties

Parties are considered related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company and its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or any individual referred to in (d) or (e) which significant voting power in such entity resides with directly or indirectly, or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business.

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### 2.30 Earnings per share

Earnings per share presented in the income statement is calculated by dividing the net profit into the weighted average number of the outstanding shares throughout the financial year. Companies in Turkey can increase their capital by distributing "bonus shares" to shareholders from the prior years' profit. Such "bonus share" distributions are considered as issued shares in the earnings per share calculations. Accordingly, weighted average number of equity shares used in the calculations is calculated by considering the retrospective effects of share distributions.

### 2.31 Events after the reporting period

"Events After the Reporting Period"; post-reporting date events that provide additional information about the Company's position at the reporting periods (adjusting events) are reflected in the consolidated financial statements. Post-reporting date events that are not adjusting events are disclosed in the notes when material.

### 2.32. The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows:

#### TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018. The Company has postponed the transition to TFRS 15 on January 1, 2021 in accordance with the circular, dated October 23, 2018 and numbered 2018/4, "the Date of Transition to the TFRS 15 of Insurance and Pension Companies".

#### TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018. Because of the optional temporary exemption for insurance companies for applying TFRS 9 financial instruments until 2021, the Company continues fulfilling the necessities of TAS 39.

#### TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

a. give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and



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b. give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial instruments until 2021. The entities that defer the application of TFRS 9 Financial instruments will continue to apply the existing financial instruments Standard–TAS 39.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Company.

### TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. The interpretation did not have a significant impact on the financial position or performance of the Company.

### TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Company.

### TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are applied for annual periods beginning on or after 1 January 2018. The amendments did not have a significant impact on the financial position or performance of the Company.

### Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are applied for annual periods beginning on or after 1 January 2018.

The amendments did not have a significant impact on the financial position or performance of the Company.

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

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### TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The amendment will not have a significant impact on the financial position or performance of the Company.

### Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

### TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Company will wait until the final amendment to assess the impacts of the changes.

### TFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "TAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

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An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the interpretation recognised at the date of initial application.

The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

### Annual Improvements – 2015-2017 Cycle

In December 2017, the IASB announced *Annual Improvements to IFRS Standards 2015-2017 Cycle*, containing the following amendments to IFRSs:

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* – The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 *Income Taxes* – The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 *Borrowing Costs* – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The amendment will not have an impact on the balance sheet and equity of the Company.

### Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

On January 2018, the IASB published Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

### Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The IASB issued minor amendments to IFRS 9 *Financial Instruments* to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

The Company is in the process of assessing the impact of the amendments on financial position and performance of the Company.

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### iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

#### IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

#### Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

- The amendments:
- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

#### Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

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### 3 Critical accounting estimates and judgments in applying accounting policies

The notes given in this section are provided in addition to the commentary on the management of insurance risk note 4.1 - *Management of insurance risk* and note 4.2 - *Financial risk management*.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 4.1 - Management of insurance risk

Note 4.2 - Financial risk management

Note 10 - Reinsurance assets and liabilities

Note 11 - Financial assets

Note 12 - Loans and receivables

Note 17 - Insurance contract liabilities and reinsurance assets

Note 17 - Deferred commissions

Note 19 - Trade and other payables, deferred income

Note 21 - Deferred tax

Note 23 - Other liabilities and provisions

### 4. Management of insurance and financial risk

#### 4.1 Management of insurance risk

##### Objective of managing risks arising from insurance contracts and policies used to minimise such risks:

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. In line with the nature of an insurance contract, as the risk is coincidental, the risk amount cannot be predictable.

Insurance risk represents the possibility of the non-coverage of the claims paid by the premiums collected.

As of December 31, 2018, the Company's life insurance claims/premiums ratio stands at 21%. Low claims/premiums ratio, which is calculated by the proportion of claims to risk premiums collected, indicates that the Company makes significant profit. The Company adopts central risk assessment policy. The Company applies this policy to the all marketing channels produced. In its life policy production, the Company has no sales channel with continuous risk exposure. The Company analyses its claims/premiums ratio periodically in order to identify its insurance risks.

As of December 31, 2018, the Company's personal accident insurance claims/premiums ratio is 68%. Since personal accident insurance portfolio has an insignificant share in the Company's general portfolio, this ratio would be low when no compensation is paid and this ratio would be high when compensation is paid.

Claims/premium ratio of the Company as of the financial statement periods is presented below:

	December 31, 2018	December 31, 2017
Life insurance	21%	19%
Personal accident	68%	91%

The Company shares its significant risks associated with natural disasters, such as; earthquake, terrorism or large-scale accidents, with reinsurers by entering into catastrophic excess of loss agreements.

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As at December 31, 2018 and 2017, risk portion transferred to reinsurers in terms of risk guarantee is presented as below:

	December 31, 2018	December 31, 2017
Death by natural cause	12%	10%
Death by accident	53%	41%
Disability by accident	56%	47%
Disability by illness	64%	63%

### Sensitivity to insurance risk

The Company's policy production strategy follows an effective risk management in the policy production process considering the nature, extent, and accurate distribution of the risk incurred.

Reinsurer agreements include claims surplus, excess of loss and quota reinsurances. In 2018, the Company retains the risk, stemming from insurance contracts, which varies with regards to provided coverage, product and portfolio and transfers the exceeding portion to reinsurers via reinsurance agreements. The limits regarding the maximum risk that can be retained by the Company is audited by the Ministry.

### Determination of insurance risk concentrations by management and the common characteristics of insurance risk concentrations (nature, location and currency)

The Company produces life and personal accident branch policies. The Company's gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarised as below:

Branches	December 31, 2018		
	Total gross risk liability <sup>(1)</sup>	Reinsurer's share of risk liability	The company's net claims liability
Life insurance	79,326,942,408	18,117,334,551	61,209,607,857
Personal accident	9,774,489,686	4,093,756,237	5,680,733,449
<b>Total</b>	<b>89,101,432,094</b>	<b>22,211,090,788</b>	<b>66,890,341,306</b>
Branches	December 31, 2017		
	Total gross risk liability <sup>(1)</sup>	Reinsurer's share of risk liability	The company's net claims liability
Life insurance	73,110,300,352	14,199,914,493	58,910,385,859
Personal accident	10,523,501,056	3,002,551,823	7,520,949,233
<b>Total</b>	<b>83,633,801,408</b>	<b>17,202,466,316</b>	<b>66,431,335,092</b>

<sup>(1)</sup> Represents the maximum insurance amount based on death by natural cause, death by accident, disability by accident and disability by illness.

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The Company issues insurance contracts mainly in Turkey. Gross and net insurance risk concentrations of the insurance contracts (after reinsurance) based on geographical regions are summarised as below:

Claims liability <sup>(1)</sup>	December 31, 2018		
	Total gross claims liability	Reinsurer's share of claims liability	Total net claims liability
Marmara Region	31,554,305	1,711,922	29,842,383
Central Anatolia Region	10,627,809	373,047	10,254,762
Aegean Region	11,940,652	272,911	11,667,741
Mediterranean Region	9,554,683	514,059	9,040,624
Black Sea Region	6,061,222	73,771	5,987,451
South-eastern Anatolia Region	3,582,898	536,242	3,046,656
Eastern Anatolia Region	2,616,937	53,415	2,563,522
Foreign countries (other)	6,084,144	4,199	6,079,945
<b>Total</b>	<b>82,022,650</b>	<b>3,539,566</b>	<b>78,483,084</b>

Claims liability <sup>(1)</sup>	December 31, 2017		
	Total gross claims liability	Reinsurer's share of claims liability	Total net claims liability
Marmara Region	31,323,914	705,056	30,618,858
Central Anatolia Region	11,769,193	564,256	11,204,937
Aegean Region	12,310,813	504,540	11,806,273
Mediterranean Region	8,369,251	189,958	8,179,293
Black Sea Region	5,999,374	89,330	5,910,044
South-eastern Anatolia Region	3,008,392	46,441	2,961,951
Eastern Anatolia Region	2,953,253	61,201	2,892,052
Foreign countries (other)	3,483,779	4,199	3,479,580
<b>Total</b>	<b>79,217,969</b>	<b>2,164,981</b>	<b>77,052,988</b>

(1) Total claims liability includes the actual estimated compensation amounts. IBNR provision and outstanding claims adequacy provision are not included in the calculation.

### Comparison of incurred claims with past estimations

Incurred claim development table is disclosed in note 17 - *Insurance liabilities and reinsurance assets*.

### Effects of the changes in assumptions used in the measurement of insurance assets and liabilities showing the effect of each change separately that has significant effect on financial statements

In the current period, there are no material changes in the assumptions of measurement of insurance assets and liabilities.

### 4.2 Financial risk management

This note presents information about the Company's exposure to each of the below risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Company's risk management program focuses on minimising the negative effects of the ambiguities in financial markets on the Company's financial statements. The Company is mostly exposed to interest risk and price risk in relation with financial investments, to credit risk in relation with insurance receivables and exchange rate risk due to policies and assets in foreign currencies.

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The risk is managed by a specific department which is in line with the approved policies by the Board of Directors. Several risk policies have been prepared by the Board of Directors in order to manage the exchange risk, interest risk, credit risk, using the derivative and non-derivative financial instruments risks.

### Credit risk

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. When the Company's field of activity and third party relations is considered, its credit risk is deemed to be relatively at minimum. The balance sheet items that the Company is exposed to credit risk are as follows:

- Cash at banks
- Other cash and cash equivalents
- Available for sale financial assets
- Financial assets held for trading
- Held-to-maturity financial assets
- Premium receivables from policyholders
- Receivables from intermediaries (agencies)
- Receivables from reinsurance companies related to claims paid and commissions accrued
- Reinsurance shares of insurance liabilities
- Due from related parties
- Other receivables

The review of the Company's third party relations are presented below.

*Reinsurers:* Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The Company works with international reinsurance companies with strong financial status. In this perspective, the level of risk exposure is also considered to be at minimum.

*Agencies:* Agencies working with the Company expose it to a limited level of credit risk. Since the Company's products are issued with long-term use, commissions given to agencies are also long term in nature; therefore, the Company has consistent payables to agencies.

*Policyholders:* Overdue premium receivables are not considered as a significant risk exposure to the Company because if the Company has unpaid premiums, all guarantees related to the insurance will be invalid.



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As at December 31, 2018 and 2017, the Company's credit risk exposure by types of financial instruments is as follows. Banks and other cash and cash equivalents are also included in the credit risk.

December 31, 2018	Receivables <sup>(1)</sup>				Financial assets	Banks and other cash and cash equivalent assets
	Receivables from insurance activities		Other receivables			
	Related party	Third party	Related party	Third party		
Maximum credit risk exposure as at the reporting period (A+B+C)	25	90,825,976	12,549	50,363,825	2,224,455,427	517,656,851
- Secured portion of maximum risk by guarantees, provisions, etc.	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	25	66,061,899	12,549	50,363,825	2,224,455,427	517,656,851
B. Net book value of past due but not impaired assets	-	24,764,077	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Gross book value	-	120,570	-	-	-	-
- Impairment	-	(120,570)	-	-	-	-
- Secured portion of net book value by guarantees, provisions, etc.	-	-	-	-	-	-

December 31, 2017	Receivables <sup>(1)</sup>				Financial assets	Banks and other cash and cash equivalent assets
	Receivables from insurance activities		Receivables from insurance activities			
	Related party	Third party	Related party	Third party		
Maximum credit risk exposure as at the reporting period (A+B+C)	-	68,066,132	1,567	19,352,221	2,079,044,988	581,752,457
- Secured portion of maximum risk by guarantees, provisions, etc.	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	-	55,784,024	1,567	19,352,221	2,079,044,988	581,752,457
B. Net book value of part due but not impaired assets	-	12,282,108	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Gross book value	-	120,570	-	-	-	-
- Impairment	-	(120,570)	-	-	-	-
- Secured portion of net book value by guarantees, provisions, etc.	-	-	-	-	-	-

<sup>(1)</sup> Receivables from individual pension activities are not included in the credit risk table since those receivables are followed both side of the balance sheet as asset and liability and they are held on behalf of participants by İstanbul Takas ve Saklama Bankası A.Ş. (the "İstanbul Settlement and Custody Bank Inc").

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### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the net funding obligations. Liquidity risk arises from the events trigger decreasing funds such as deterioration in the market conditions or downgrading of credit ratings. As at December 31, 2018 and 2017 maturity analyses of the Company's assets and liabilities are presented in the table below:

December 31, 2018	Without maturity	Up to 1 month	1 to 3 months
Cash and cash equivalents	25,977,467	265,472,528	226,207,842
Financial assets and investments with risks on policyholders	-	47,850,878	237,756,036
Receivables from main operations	-	4,815,190	9,157,280
Due from related parties	-	-	12,549
Other receivables	-	49,370,276	-
Prepaid expenses and income accruals, short term	-	-	-
Other current assets	-	-	-
Other receivables	-	-	-
Financial assets (Associates)	-	-	-
Tangible assets	-	-	-
Intangible assets	-	-	-
Prepaid expenses and income accruals, long term	-	-	-
Deferred tax assets	-	-	-
<b>Total assets</b>	<b>25,977,467</b>	<b>367,508,872</b>	<b>473,133,707</b>
Financial liabilities	-	-	-
Payables arising from main operations	-	24,918,717	-
Due to related parties	-	54,560	-
Other payables	-	10,256,568	-
Insurance technical provisions	-	-	-
Provisions for taxes and other similar obligations	-	14,185,995	-
Deferred income and expense accruals	-	-	-
Other short term liabilities	-	-	-
Provisions for other risks	-	1,400,000	-
Deferred tax liabilities	-	-	-
Shareholders' equity	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>50,815,840</b>	<b>-</b>
<b>Net liquidity surplus/(deficit)</b>	<b>25,977,467</b>	<b>316,693,032</b>	<b>473,133,707</b>

3 to 12 months	1 to 5 years	5 years and over	Unallocated	Total
-	-	-	-	517,657,837
68,674,224	939,637,685	847,890,213	192,687,396	2,334,496,432
16,918,948	-	-	17,026,657,947	17,057,549,365
-	-	-	-	12,549
-	-	-	993,549	50,363,825
-	-	-	36,252,496	36,252,496
-	-	-	22,128	22,128
231,161	-	-	-	231,161
-	-	-	21,225,636	21,225,636
-	-	-	183,963,677	183,963,677
-	-	-	27,541,661	27,541,661
-	-	-	661,369	661,369
-	-	-	-	-
85,824,333	939,637,685	847,890,213	17,490,005,859	20,229,978,136
-	-	-	-	-
4,054,710	-	-	17,248,969,985	17,277,943,412
131,097	-	-	94	185,751
-	-	-	8,990,740	19,247,308
-	-	-	1,899,412,052	1,899,412,052
-	-	-	20,026,249	34,212,244
-	-	-	3,867,847	3,867,847
-	-	-	-	-
12,800,000	-	18,079,050	9,686,690	41,965,740
-	-	-	4,062,693	4,062,693
-	-	-	949,081,089	949,081,089
16,985,807	-	18,079,050	20,144,097,439	20,229,978,136
68,838,526	939,637,685	829,811,163	(2,654,091,580)	-

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December 31, 2017	Without maturity	Up to 1 month	1 to 3 months
Cash and cash equivalents	18,662,808	268,602,921	294,492,358
Financial assets and investments with risks on policyholders		164,384,392	6,556,676
Receivables from main operations	-	3,920,427	7,515,084
Due from related parties	-	-	1,567
Other receivables	-	18,180,114	-
Prepaid expenses and income accruals, short term	-	-	-
Other current assets	-	-	-
Other receivables	-	-	-
Financial assets (Associates)	-	-	-
Tangible assets	-	-	-
Intangible assets	-	-	-
Prepaid expenses and income accruals, long term	-	-	-
Deferred tax assets	-	-	-
<b>Total assets</b>	<b>18,662,808</b>	<b>455,087,854</b>	<b>308,565,685</b>
Financial liabilities	-	-	-
Payables arising from main operations	-	19,096,298	-
Due to related parties	-	41,670	-
Other payables	-	12,796,416	-
Insurance technical provisions	-	-	-
Provisions for taxes and other similar obligations	-	8,209,360	-
Deferred income and expense accruals	-	-	-
Other short term liabilities	-	-	-
Provisions for other risks	-	1,074,652	11,000,000
Deferred tax liabilities	-	-	-
Shareholders' equity	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>41,218,396</b>	<b>11,000,000</b>
<b>Net liquidity surplus/(deficit)</b>	<b>18,662,808</b>	<b>413,869,458</b>	<b>297,565,685</b>

	3 to 12 months	1 to 5 years	5 years and over	Unallocated	Total
	-				581,758,087
	22,472,553	869,709,905	923,912,457	236,717,006	2,223,752,989
	14,178,346	-	-	14,783,666,642	14,809,280,499
	-	-	-	-	1,567
	-	-	-	1,172,107	19,352,221
	-	-	-	39,071,002	39,071,002
	-	-	-	21,210	21,210
	485,339	-	-	-	485,339
	-	-	-	20,324,696	20,324,696
	-	-	-	160,222,265	160,222,265
	-	-	-	28,011,790	28,011,790
	-	-	-	2,476,061	2,476,061
	-	-	-	-	-
	<b>37,136,238</b>	<b>869,709,905</b>	<b>923,912,457</b>	<b>15,271,682,779</b>	<b>17,884,757,726</b>
	-	-	-	-	-
	1,648,069	-	-	14,962,165,922	14,982,910,289
	57,577	-	-	68	99,315
	-	-	-	10,189,232	22,985,648
	-	-	-	1,880,844,424	1,880,844,424
	-	-	-	11,331,199	19,540,559
	-	-	-	2,955,075	2,955,075
	-	-	-	-	-
	-	-	13,724,571	6,442,354	32,241,577
	-	-	-	9,057,907	9,057,907
	-	-	-	934,122,932	934,122,932
	1,705,646	-	13,724,571	17,817,109,113	17,884,757,726
	<b>35,430,592</b>	<b>869,709,905</b>	<b>910,187,886</b>	<b>(2,545,426,334)</b>	<b>-</b>

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### Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

#### Foreign currency risk

The Company is exposed to foreign currency risk through insurance and reinsurance transactions in foreign currencies.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated by the Central Bank of the Republic of Turkey's (CBRT) spot purchase rates and the differences arising from foreign currency rates are recorded as foreign exchange gain or loss in the statement of operations.

Parallel to the general characteristic of Turkish insurance sector, the Company holds long position in terms of US Dollar and Euro.

The Company's exposure to foreign currency risk is as follows:

Foreign currency position table - December 31, 2018						
	Total TL (Functional currency)	US Dollar	Euro	GBP	CHF	JPY
1. Cash at banks	14,631,702	7,534,357	6,827,998	207,363	61,984	-
2. Financial assets and financial investments with risks on policyholders	765,132,465	594,527,085	148,409,850	22,195,530	-	-
3. Receivables from main operations	9,702,272	8,352,240	1,347,680	2,352	-	-
4. Reinsurance receivables	-	-	-	-	-	-
5. Rent receivables	-	-	-	-	-	-
6. Deposits given	57,870	57,870	-	-	-	-
<b>Foreign currency assets, current</b>	<b>789,524,309</b>	<b>610,471,552</b>	<b>156,585,528</b>	<b>22,405,245</b>	<b>61,984</b>	<b>-</b>
<b>7. Total assets</b>	<b>789,524,309</b>	<b>610,471,552</b>	<b>156,585,528</b>	<b>22,405,245</b>	<b>61,984</b>	<b>-</b>
8. Other miscellaneous payables	1,191,874	1,086,225	105,649	-	-	-
9. Payables to reinsurers	148,188	148,179	-	-	-	9
10. Agency guarantees	558,507	535,868	22,639	-	-	-
11. Technical provisions	779,066,993	609,344,926	148,483,130	21,229,712	309	8,916
<b>Foreign currency liabilities, short term</b>	<b>780,965,562</b>	<b>611,115,198</b>	<b>148,611,418</b>	<b>21,229,712</b>	<b>309</b>	<b>8,925</b>
<b>12. Total liabilities</b>	<b>780,965,562</b>	<b>611,115,198</b>	<b>148,611,418</b>	<b>21,229,712</b>	<b>309</b>	<b>8,925</b>
<b>Net financial position</b>	<b>8,558,747</b>	<b>(643,646)</b>	<b>7,974,110</b>	<b>1,175,533</b>	<b>61,675</b>	<b>(8,925)</b>
<b>Net long/(short) position on monetary items</b>	<b>8,500,877</b>	<b>(701,516)</b>	<b>7,974,110</b>	<b>1,175,533</b>	<b>61,675</b>	<b>(8,925)</b>

<sup>(1)</sup> The Company's foreign currency denominated financial assets and financial investments with risks on policyholders are measured at their fair values, technical provisions are measured at amortised cost in financial statements. In order to eliminate inconsistency between these interconnected asset and liability, the difference between fair value and amortised cost of financial assets which are classified as available for sale financial assets is added to technical provisions.

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Foreign currency position table - December 31, 2017						
	Total TL (Functional currency)	US Dollar	Euro	GBP	CHF	JPY
1. Cash at banks	4,432,590	1,395,980	2,958,995	62,759	14,856	-
2. Financial assets and financial investments with risks on policyholders	612,576,705	460,330,943	134,048,356	18,197,406	-	-
3. Receivables from main operations	2,038,456	1,766,757	265,432	6,267	-	-
4. Reinsurance receivables	-	-	-	-	-	-
5. Rent receivables	-	-	-	-	-	-
6. Deposits given	41,491	41,491	-	-	-	-
<b>Foreign currency assets, current</b>	<b>619,089,242</b>	<b>463,535,171</b>	<b>137,272,783</b>	<b>18,266,432</b>	<b>14,856</b>	<b>-</b>
<b>7. Total assets</b>	<b>619,089,242</b>	<b>463,535,171</b>	<b>137,272,783</b>	<b>18,266,432</b>	<b>14,856</b>	<b>-</b>
8. Other miscellaneous payables	3,342,594	3,165,446	118,721	-	58,427	-
9. Payables to reinsurers	726	-	-	716	-	10
10. Agency guarantees	488,815	453,761	35,054	-	-	-
11. Technical provisions	552,970,925	433,051,739	103,239,142	16,670,124	1,261	8,659
<b>Foreign currency liabilities, short term</b>	<b>556,803,060</b>	<b>436,670,946</b>	<b>103,392,917</b>	<b>16,670,840</b>	<b>59,688</b>	<b>8,669</b>
<b>12. Total liabilities</b>	<b>556,803,060</b>	<b>436,670,946</b>	<b>103,392,917</b>	<b>16,670,840</b>	<b>59,688</b>	<b>8,669</b>
<b>Net financial position</b>	<b>62,286,182</b>	<b>26,864,225</b>	<b>33,879,866</b>	<b>1,595,592</b>	<b>(44,832)</b>	<b>(8,669)</b>
<b>Net long/(short) position on monetary items</b>	<b>62,244,691</b>	<b>26,822,734</b>	<b>33,879,866</b>	<b>1,595,592</b>	<b>(44,832)</b>	<b>(8,669)</b>

Foreign currency transactions are recorded at exchange rates at the transaction dates and foreign currency denominated monetary items are evaluated by the Central Bank of the Republic of Turkey's spot purchase rates as at reporting dates.

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as at reporting periods are as follows:

December 31, 2018	US Dollar	Euro	GBP	CHF	JPY
Foreign currency rate used in translation of balance sheet items	5.2609	6.0280	6.6528	5.3352	0.0475
December 31, 2017	US Dollar	Euro	GBP	CHF	JPY
Foreign currency rate used in translation of balance sheet items	3.7719	4.5155	5.0803	3.8548	0.0334

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### Exposure to foreign currency risk

A 10 percent depreciation of the TL against the following currencies as at December 31, 2018 and 2017 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 10 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

Exchange rate sensitivity analysis table - December 31, 2018				
	Profit/loss		Equity <sup>(1)</sup>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
If USD value changes by 10% against TL:				
1- Net US Dollar assets/liabilities	215,947	(215,947)	(64,365)	64,365
2- Hedged portion from US Dollar risk (-)	-	-	-	-
<b>3- Net effect of US Dollar (1+2)</b>	<b>215,947</b>	<b>(215,947)</b>	<b>(64,365)</b>	<b>64,365</b>
If EUR value changes by 10% against TL:				
4- Net Euro assets/liabilities	786,885	(786,885)	797,412	(797,412)
5- Hedged portion from Euro risk (-)	-	-	-	-
<b>6- Net effect of Euro (4+5)</b>	<b>786,885</b>	<b>(786,885)</b>	<b>797,412</b>	<b>(797,412)</b>
If GBP value changes by 10% against TL:				
7- Net GBP assets/liabilities	127,323	(127,323)	117,553	(117,553)
8- Hedged portion from GBP risk (-)	-	-	-	-
<b>9- Net effect of GBP (7+8)</b>	<b>127,323</b>	<b>(127,323)</b>	<b>117,553</b>	<b>(117,553)</b>
If CHF value changes by 10% against TL:				
10- Net CHF assets/liabilities	6,168	(6,168)	6,168	(6,168)
11- Hedged portion from CHF risk (-)	-	-	-	-
<b>12- Net effect of CHF (10+11)</b>	<b>6,168</b>	<b>(6,168)</b>	<b>6,168</b>	<b>(6,168)</b>
If JPY value changes by 10% against TL:				
13- Net JPY assets/liabilities	(893)	893	(893)	893
14- Hedged portion from JPY risk (-)	-	-	-	-
<b>15- Net effect of JPY (13+14)</b>	<b>(893)</b>	<b>893</b>	<b>(893)</b>	<b>893</b>
<b>Total (3+6+9+12+15)</b>	<b>1,135,430</b>	<b>(1,135,430)</b>	<b>855,875</b>	<b>(855,875)</b>

<sup>(1)</sup> Includes profit / loss effect.



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Exchange rate sensitivity analysis table - December 31, 2017				
	Profit/loss		Equity <sup>(1)</sup>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
If USD value changes by 10% against TL:				
1- Net US Dollar assets/liabilities	2,481,828	(2,481,828)	2,686,423	(2,686,423)
2- Hedged portion from US Dollar risk (-)	-	-	-	-
<b>3- Net effect of US Dollar (1+2)</b>	<b>2,481,828</b>	<b>(2,481,828)</b>	<b>2,686,423</b>	<b>(2,686,423)</b>
If EUR value changes by 10% against TL:				
4- Net Euro assets/liabilities	3,352,191	(3,352,191)	3,387,987	(3,387,987)
5- Hedged portion from Euro risk (-)	-	-	-	-
<b>6- Net effect of Euro (4+5)</b>	<b>3,352,191</b>	<b>(3,352,191)</b>	<b>3,387,987</b>	<b>(3,387,987)</b>
If GBP value changes by 10% against TL:				
7- Net GBP assets/liabilities	151,350	(151,350)	159,559	(159,559)
8- Hedged portion from GBP risk (-)	-	-	-	-
<b>9- Net effect of GBP (7+8)</b>	<b>151,350</b>	<b>(151,350)</b>	<b>159,559</b>	<b>(159,559)</b>
If CHF value changes by 10% against TL:				
10- Net CHF assets/liabilities	(4,483)	4,483	(4,483)	4,483
11- Hedged portion from CHF risk (-)	-	-	-	-
<b>12- Net effect of CHF (10+11)</b>	<b>(4,483)</b>	<b>4,483</b>	<b>(4,483)</b>	<b>4,483</b>
If JPY value changes by 10% against TL:				
13- Net JPY assets/liabilities	(867)	867	(867)	867
14- Hedged portion from JPY risk (-)	-	-	-	-
<b>15- Net effect of JPY (13+14)</b>	<b>(867)</b>	<b>867</b>	<b>(867)</b>	<b>867</b>
<b>Total (3+6+9+12+15)</b>	<b>5,980,019</b>	<b>(5,980,019)</b>	<b>6,228,619</b>	<b>(6,228,619)</b>

<sup>(1)</sup>Includes profit / loss effect.**Interest risk****Exposure to interest risk**

The changes in interest rate that arise fluctuations in prices of financial instruments lead to the necessity of overcoming interest rate risk. The Company's sensitivity for interest rate risk is related to the inconsistency of maturity of asset and liability items. The interest risk is managed by compensating the assets exposed to the interest fluctuations with the identical liabilities.

Financial instruments which are sensitive to the changes in interest rates are given in the table below:

	December 31, 2018	December 31, 2017
<b>Fixed rate financial instruments</b>		
Financial assets	1,783,043,917	1,742,083,510
Available-for-sale financial assets	1,735,812,202	1,704,247,398
Loans and receivables	47,231,715	37,836,112
Banks	532,349,987	493,750,627
<b>Variable rate financial instruments</b>		
Financial assets	121,009,082	118,404,194
Available-for-sale financial assets	121,009,082	118,404,194

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### Interest risk

#### Interest rate sensitivity of financial instruments

As at December 31, 2018 and 2017, interest rate risk analysis of financial assets and financial liabilities are summarised in the table below:

December 31, 2018	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Non-interest bearing	Total
<b>Assets:</b>							
Cash and cash equivalents	265,472,528	226,207,842	-	-	-	25,977,467	517,657,837
Financial assets and investments with risks on policyholders	47,850,878	237,756,036	189,683,307	818,628,602	847,890,213	192,687,396	2,334,496,432
Receivables from main operations	4,815,190	9,157,280	16,918,948	-	-	17,026,657,947	17,057,549,365
Due from related parties	-	12,549	-	-	-	-	12,549
Other receivables	49,370,276	-	-	-	-	993,549	50,363,825
Prepaid expenses and income accruals, short term	-	-	-	-	-	36,252,496	36,252,496
Other current assets	-	-	-	-	-	22,128	22,128
Other current receivables	-	-	231,161	-	-	-	231,161
Financial assets (Associates)	-	-	-	-	-	21,225,636	21,225,636
Tangible assets	-	-	-	-	-	183,963,677	183,963,677
Intangible assets	-	-	-	-	-	27,541,661	27,541,661
Prepaid expenses and income accruals, long term	-	-	-	-	-	661,369	661,369
Deferred tax assets	-	-	-	-	-	-	-
<b>Total assets</b>	<b>367,508,872</b>	<b>473,133,707</b>	<b>206,833,416</b>	<b>818,628,602</b>	<b>847,890,213</b>	<b>17,515,983,326</b>	<b>20,229,978,136</b>
<b>Liabilities:</b>							
Financial liabilities	-	-	-	-	-	-	-
Payables arising from main operations	24,918,717	-	4,054,710	-	-	17,248,969,985	17,277,943,412
Due to related parties	54,560	-	131,097	-	-	94	185,751
Other liabilities	10,256,568	-	-	-	-	8,990,740	19,247,308
Insurance technical provisions	-	-	-	-	-	1,899,412,052	1,899,412,052
Provisions for taxes and other similar obligations	14,185,995	-	-	-	-	20,026,249	34,212,244
Deferred income and expense accruals	-	-	-	-	-	3,867,847	3,867,847
Other short term liabilities	-	-	-	-	-	-	-
Provisions for other risks	1,400,000	-	12,800,000	-	18,079,050	9,686,690	41,965,740
Deferred tax liabilities	-	-	-	-	-	4,062,693	4,062,693
Shareholders' equity	-	-	-	-	-	949,081,089	949,081,089
<b>Total liabilities and equity</b>	<b>50,815,840</b>	<b>-</b>	<b>16,985,807</b>	<b>-</b>	<b>18,079,050</b>	<b>20,144,097,439</b>	<b>20,229,978,136</b>
<b>Net position</b>	<b>316,693,032</b>	<b>473,133,707</b>	<b>189,847,609</b>	<b>818,628,602</b>	<b>829,811,163</b>	<b>(2,628,114,113)</b>	<b>-</b>

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December 31, 2017	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Non-interest bearing	Total
<i>Assets:</i>							
Cash and cash equivalents	268,602,921	294,492,358	-	-	-	18,662,808	581,758,087
Financial assets and investments with risks on policyholders	164,384,392	6,556,676	140,876,747	751,305,711	923,912,457	236,717,006	2,223,752,989
Receivables from main operations	3,920,427	7,515,084	14,178,346	-	-	14,783,666,642	14,809,280,499
Due from related parties	-	1,567	-	-	-	-	1,567
Other receivables	18,180,114	-	-	-	-	1,172,107	19,352,221
Prepaid expenses and income accruals, short term	-	-	-	-	-	39,071,002	39,071,002
Other current assets	-	-	-	-	-	21,210	21,210
Other current receivables	-	-	485,339	-	-	-	485,339
Financial assets (Associates)	-	-	-	-	-	20,324,696	20,324,696
Tangible assets	-	-	-	-	-	160,222,265	160,222,265
Intangible assets	-	-	-	-	-	28,011,790	28,011,790
Prepaid expenses and income accruals, long term	-	-	-	-	-	2,476,061	2,476,061
Deferred tax assets	-	-	-	-	-	-	-
<b>Total assets</b>	<b>455,087,854</b>	<b>308,565,685</b>	<b>155,540,432</b>	<b>751,305,711</b>	<b>923,912,457</b>	<b>15,290,345,587</b>	<b>17,884,757,726</b>
<i>Liabilities:</i>							
Financial liabilities	-	-	-	-	-	-	-
Payables arising from main operations	19,096,298	-	1,648,069	-	-	14,962,165,922	14,982,910,289
Due to related parties	41,670	-	57,577	-	-	68	99,315
Other liabilities	12,796,416	-	-	-	-	10,189,232	22,985,648
Insurance technical provisions	-	-	-	-	-	1,880,844,424	1,880,844,424
Provisions for taxes and other similar obligations	8,209,360	-	-	-	-	11,331,199	19,540,559
Deferred income and expense accruals	-	-	-	-	-	2,955,075	2,955,075
Other short term liabilities	-	-	-	-	-	-	-
Provisions for other risks	1,074,652	11,000,000	-	-	13,724,571	6,442,354	32,241,577
Deferred tax liabilities	-	-	-	-	-	9,057,907	9,057,907
Shareholders' equity	-	-	-	-	-	934,122,932	934,122,932
<b>Total liabilities and equity</b>	<b>41,218,396</b>	<b>11,000,000</b>	<b>1,705,646</b>	<b>-</b>	<b>13,724,571</b>	<b>17,817,109,113</b>	<b>17,884,757,726</b>
<b>Net position</b>	<b>413,869,458</b>	<b>297,565,685</b>	<b>153,834,786</b>	<b>751,305,711</b>	<b>910,187,886</b>	<b>(2,526,763,526)</b>	<b>-</b>

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Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income as at and for December 31, 2018 and 2017 of the floating rate non-trading financial assets and financial liabilities held at. Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at December 31, 2018 and 2017 for the effects of the assumed changes in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The table below demonstrating the effect of changes in interest rates on statement of income and equity excludes tax effects on related loss or income.

December 31, 2018	100 bp increase	100 bp decrease	500 bp increase	500 bp decrease
Company's own portfolio	(7,590,537)	7,891,428	(35,312,669)	42,963,542
<b>Total, net</b>	<b>(7,590,537)</b>	<b>7,891,428</b>	<b>(35,312,669)</b>	<b>42,963,542</b>
December 31, 2017	100 bp increase	100 bp decrease	500 bp increase	500 bp decrease
Company's own portfolio	(9,904,880)	10,342,995	(45,647,048)	56,726,619
<b>Total, net</b>	<b>(9,904,880)</b>	<b>10,342,995</b>	<b>(45,647,048)</b>	<b>56,726,619</b>

### Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where it exists, appropriate valuation methodologies.

The Company has classified its financial assets as held for trading purpose or available for sale. As at reporting period, available for sale financial assets and financial assets held for trading are measured at their fair values in the accompanying financial statements.

Management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying values.

### Classification relevant to fair value information

TFRS 7 - *Financial Instruments: Disclosures* requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

If classification is available for usage, it necessitates the utilisation of observable market data.

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The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
<i>Financial assets<sup>(1)</sup>:</i>				
Financial assets held for trading	55,437,380	-	-	55,437,380
Available for sale financial assets <sup>(2)</sup>	563,866,752	-	-	563,866,752
Financial investments with risks on policyholders classified as available for sale	1,396,131,158	-	-	1,396,131,158
Financial investments with risks on policyholders classified as for the purposes of purchase and sale	28,879,925	-	-	28,879,925
Receivables from individual pension business <sup>(3)</sup>	16,937,634,744	-	-	16,937,634,744
<b>Total financial assets</b>	<b>18,981,949,959</b>	<b>-</b>	<b>-</b>	<b>18,981,949,959</b>

*Financial liabilities:*

Investment contract liabilities - life mathematical provision for saving life policies	1,740,281,090	-	-	1,740,281,090
Payables arising from individual pension business <sup>(3)</sup>	16,937,634,744	-	-	16,937,634,744
<b>Total financial liabilities</b>	<b>18,677,915,834</b>	<b>-</b>	<b>-</b>	<b>18,677,915,834</b>

<sup>(1)</sup> As at December 31, 2018, time deposits in financial investments with risks on policyholders amounting to TL 237,756,035 is not provided in the table.<sup>(2)</sup> As at December 31, 2018, securities that are not publicly traded cost value TL 9,718,274 and TL 4,524,808 impairment amounting to TL 5,193,466 have been measured at cost and are excluded from the table.<sup>(3)</sup> Includes investments directed individual pension funds.

	December 31, 2017			Total
	Level 1	Level 2	Level 3	
<i>Financial assets:</i>				
Financial assets held for trading	62,317,618	-	-	62,317,618
Available for sale financial assets <sup>(1)</sup>	559,440,854	-	-	559,440,854
Financial investments with risks on policyholders classified as available for sale	1,392,236,705	-	-	1,392,236,705
Financial investments with risks on policyholders classified as for the purposes of purchase and sale	32,405,651	-	-	32,405,651
Receivables from individual pension business	14,712,834,341	-	-	14,712,834,341
<b>Total financial assets</b>	<b>16,759,235,169</b>	<b>-</b>	<b>-</b>	<b>16,759,235,169</b>
<i>Financial liabilities:</i>				
Investment contract liabilities - life mathematical provision for saving life policies	1,725,732,929	-	-	1,725,732,929
Payables arising from individual pension business <sup>(2)</sup>	14,712,834,341	-	-	14,712,834,341
<b>Total financial liabilities</b>	<b>16,438,567,270</b>	<b>-</b>	<b>-</b>	<b>16,438,567,270</b>

<sup>(1)</sup> As at December 31, 2017, securities that are not publicly traded cost value TL 31,879,316 and TL (18,911,547) impairment amounting to TL 12,967,769 have been measured at cost and are excluded from the table.<sup>(2)</sup> Includes investments directed individual pension funds.

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### Equity share price risk

Equity share price risk is defined as the risk of decreasing the market price of equity shares as a result of a decline in index.

The effect of changes in fair values of the available-for-sale financial assets on equity that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows for the periods ended December 31, 2018 and 2017.

	Change of price	December 31, 2018	December 31, 2017
Market price of equity share	10%	10,317,663	12,902,597

The effect of changes in fair values of the financial assets held for trading on equity that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows as at December 31, 2018 and 2017.

	Change of price	December 31, 2018	December 31, 2017
Market price of equity share	10%	167,091	271,426

### Capital management

The aim of the Company's capital management is defined as to provide the continuity of profit-making company, to protect the benefits of the shareholders and institutional partners and also to conduct the most efficient capital structure in order to reduce the cost of capital.

The capital adequacy of the Company is calculated in accordance with the Decree "Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds" in all reporting periods. The Capital Adequacy calculated according to two methods are in line with the minimum requirements. The Company's recent capital adequacy table prepared as at the report date for June 30, 2018 is summarised below. As at June 30, 2018, the capital adequacy of the Company is TL 226,297,435 and TL 247,824,196; based on first and second method respectively. By the table below, it is observed that capital adequacy balances calculated by using first and second methods are less than the Company's capital as at June 30, 2018. The Company's capital calculated based on the regulation as at June 30, 2018 is TL 840,504,874. Consequently, the Company's capital is adequate.

Capital adequacy table		
	June 30, 2018	December 31, 2017
<b>First Method</b>		
Required capital for non-life branches	170,577	131,555
Required capital for life branch	149,226,431	158,366,259
Required capital for pension branch	76,900,427	73,564,172
<b>Required capital based on the first method</b>	<b>226,297,435</b>	<b>232,061,986</b>
<b>Second Method</b>		
Required capital for asset risk	210,642,177	211,610,132
Required capital for reinsurance risk	1,647,881	1,792,926
Required capital for outstanding claims risk	4,195,709	3,248,137
Required capital for underwriting risk	29,003,509	27,328,017
Required capital for interest rate and currency risk	2,334,920	4,671,463
<b>Required capital based on the second method</b>	<b>247,824,196</b>	<b>248,650,675</b>
<b>Required capital</b>	<b>247,824,196</b>	<b>248,650,675</b>
<b>Current capital<sup>(1)</sup></b>	<b>840,504,874</b>	<b>948,603,707</b>
<b>Excessive capital</b>	<b>592,680,678</b>	<b>699,953,032</b>

(1) According to legal regulations, equalisation provision of TL 25,065,728 (December 31, 2017: TL 22,043,278) have been included in the amount for equity.

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### 5 Segment reporting

Segmenting of balance sheet and income statement items is based on the distribution key described in Circular "Principles and Procedures of Distribution Keys Used in Financial Statements under the Insurance Uniformed Chart of Accounts" issued by the Ministry on January 4, 2008 and Circular "Amendments to Principles and Procedures of Distribution Keys Used in Financial Statements under the Insurance Uniformed Chart of Accounts" issued by the Ministry on August 9, 2010.

December 31, 2018	Life	Individual pension	Personal accident	Total
<i>Continuing operations:</i>				
Technical income	1,004,266,003	369,185,665	603,996	1,374,055,664
Technical expense	(853,169,546)	(281,630,014)	(1,680,397)	(1,136,479,957)
Total of other income and expense	36,730,456	48,271,698	692,321	85,694,475
<b>Income before tax</b>	<b>187,826,913</b>	<b>135,827,349</b>	<b>(384,080)</b>	<b>323,270,182</b>
Income tax expense	-	-	-	(68,607,000)
<b>Net profit for the period</b>	<b>187,826,913</b>	<b>135,827,349</b>	<b>(384,080)</b>	<b>254,663,182</b>

December 31, 2018	Life	Individual pension	Personal accident	Total
Segment assets	2,381,533,576	17,803,555,746	44,888,814	20,229,978,136
<b>Total assets</b>	<b>2,381,533,576</b>	<b>17,803,555,746</b>	<b>44,888,814</b>	<b>20,229,978,136</b>
Segment liabilities	(2,343,838,309)	(17,842,102,560)	(44,037,267)	(20,229,978,136)
<b>Total liabilities</b>	<b>(2,343,838,309)</b>	<b>(17,842,102,560)</b>	<b>(44,037,267)</b>	<b>(20,229,978,136)</b>

#### Other segment information

Depreciation and amortisation	(9,568,782)	(12,575,431)	(180,359)	(22,324,572)
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December 31, 2017	Life	Individual pension	Personal accident	Total
<i>Continuing operations:</i>				
Technical income	741,971,367	300,557,250	668,113	1,043,196,730
Technical expense	(609,361,173)	(233,432,598)	(1,213,707)	(844,007,478)
Total of other income and expense	36,576,510	45,330,751	602,297	82,509,558
<b>Income before tax</b>	<b>169,186,704</b>	<b>112,455,403</b>	<b>56,703</b>	<b>281,698,810</b>
Income tax expense	-	-	-	(55,107,000)
<b>Net profit for the period</b>	<b>169,186,704</b>	<b>112,455,403</b>	<b>56,703</b>	<b>226,591,810</b>

December 31, 2017	Life	Individual pension	Personal accident	Total
Segment assets	2,284,366,547	15,562,775,059	37,616,120	17,884,757,726
<b>Total assets</b>	<b>2,284,366,547</b>	<b>15,562,775,059</b>	<b>37,616,120</b>	<b>17,884,757,726</b>
Segment liabilities	(2,323,416,714)	(15,523,226,128)	(38,114,884)	(17,884,757,726)
<b>Total liabilities</b>	<b>(2,323,416,714)</b>	<b>(15,523,226,128)</b>	<b>(38,114,884)</b>	<b>(17,884,757,726)</b>

#### Other segment information

Depreciation and amortisation	(9,198,602)	(11,400,201)	(151,471)	(20,750,274)
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### 6 Tangible assets

Movement in tangible assets in the period from January 1 to December 31, 2018 is presented below:

	January 1, 2018	Additions	Increase in value	Disposals	December 31, 2018
<i>Cost:</i>					
Owner occupied land and buildings	4,610,000	-	90,000	-	4,700,000
Machinery and equipment	29,556,763	16,439,049	-	(177,726)	45,818,086
Vehicles	431,268	71,329	-	-	502,597
Furniture and fixtures (includes leased assets)	4,275,468	2,065,902	-	-	6,341,370
Leasehold improvements	3,850,717	9,055,717	-	(534,981)	12,371,453
	<b>42,724,216</b>	<b>27,631,997</b>	<b>90,000</b>	<b>(712,707)</b>	<b>69,733,506</b>
<i>Accumulated depreciation:</i>					
Owner occupied land and buildings	(30,953)	(8,221)	-	39,174	-
Machinery and equipment	(17,710,069)	(6,414,058)	-	101,258	(24,022,869)
Vehicles	(171,374)	(87,089)	-	-	(258,463)
Furniture and fixtures (includes leased assets)	(3,598,598)	(382,884)	-	-	(3,981,482)
Leasehold improvements	(2,935,091)	(726,053)	-	424,374	(3,236,770)
	<b>(24,446,085)</b>	<b>(7,618,305)</b>	<b>-</b>	<b>564,806</b>	<b>(31,499,584)</b>
<b>Carrying amounts</b>	<b>18,278,131</b>				<b>38,233,922</b>

Owner occupied properties are evaluated by revaluation method and subjected to valuation. Appraisal reports were provided by CMB licensed real estate appraisal company at the end of 2018. There is no pledge on the properties.

As of December 31, 2018, the fair values (excluding VAT) and net carrying values of owner occupied properties are presented below:

<i>Owner occupied land and buildings</i>	Appraisal value	Net carrying value (December 31, 2018)
Southern Anatolia district sales office / Adana	2,600,000	2,600,000
Land / İstanbul Kağıthane	2,100,000	2,100,000
<b>Total</b>	<b>4,700,000</b>	<b>4,700,000</b>



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### Fair value measurement

The fair values of owner occupied land and buildings were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as level 2.

Movement in tangible assets in the period from January 1 to December 31, 2017 is presented below:

	January 1, 2017	Additions	Increase in value	Disposals	December 31, 2017
<i>Cost:</i>					
Owner occupied land and buildings	4,610,000	-	-	-	4,610,000
Machinery and equipment	24,339,733	5,689,309	-	(472,279)	29,556,763
Vehicles	486,876	128,247	-	(183,855)	431,268
Furniture and fixtures (includes leased assets)	4,358,119	51,260	-	(133,911)	4,275,468
Leasehold improvements	3,637,120	467,455	-	(253,858)	3,850,717
	<b>37,431,848</b>	<b>6,336,271</b>	<b>-</b>	<b>(1,043,903)</b>	<b>42,724,216</b>
<i>Accumulated depreciation:</i>					
Owner occupied land and buildings	(17,687)	(13,266)	-	-	(30,953)
Machinery and equipment	(12,611,372)	(5,493,801)	-	395,104	(17,710,069)
Vehicles	(242,067)	(82,519)	-	153,212	(171,374)
Furniture and fixtures (includes leased assets)	(3,466,575)	(265,934)	-	133,911	(3,598,598)
Leasehold improvements	(2,749,384)	(439,565)	-	253,858	(2,935,091)
	<b>(19,087,085)</b>	<b>(6,295,085)</b>	<b>-</b>	<b>936,085</b>	<b>(24,446,085)</b>
<b>Carrying amounts</b>	<b>18,344,763</b>				<b>18,278,131</b>

### 7 Investment properties

Properties held either to earn rentals and/or for capital appreciation or for both are classified as investment properties.

Movement in investment properties in the period from January 1 to December 31, 2018 is presented below:

	January 1, 2018	Additions	Increase in value	Disposals	December 31, 2018
Land/ İstanbul Ömerli	56,944,134	-	4,375,000	(889,379)	60,429,755
Building/ İstanbul Gayrettepe	56,000,000	-	300,000	-	56,300,000
Building / Mersin	29,000,000	-	-	-	29,000,000
	<b>141,944,134</b>	<b>-</b>	<b>4,675,000</b>	<b>(889,379)</b>	<b>145,729,755</b>
<b>Carrying amounts</b>	<b>141,944,134</b>				<b>145,729,755</b>

Movement in investment properties in the period from January 1 to December 31, 2017 is presented below:

	January 1, 2017	Additions	Increase in value	Disposals	December 31, 2017
Land/ İstanbul Ömerli	63,120,511	-	(2,000)	(6,174,377)	56,944,134
Building/ İstanbul Gayrettepe	52,300,000	-	3,700,000	-	56,000,000
Building / Mersin	28,842,000	-	158,000	-	29,000,000
	<b>144,262,511</b>	<b>-</b>	<b>3,856,000</b>	<b>(6,174,377)</b>	<b>141,944,134</b>
<b>Carrying amounts</b>	<b>144,262,511</b>				<b>141,944,134</b>

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For the period ended December 31, 2018, the Company has rental income from investment properties amounting to TL 817,993 (December 31, 2017: TL 1,231,954), The Company has a gain from increase in value of investment properties amounting to TL 5,018,451 (December 31, 2017: TL 3,858,000). When the diminution in value of investment properties amounting to TL 343,451 recorded under "diminution in value of investments" account during the period is considered, the Company has a net gain from increase in value of investment properties amounting to TL 4,675,000. (December 31, 2017:3.856.000).

The appraisal values (excluding VAT) and net carrying values of investment properties are presented below. Appraisal reports were provided by CMB licensed real estate appraisal company at November 2018. There is no mortgage on the property in question.

Investment land and buildings	Appraisal and net carrying value	
	Net carrying value (December 31, 2018)	Net carrying value (December 31, 2017)
Land/ İstanbul Ömerli	60,429,755	56,944,134
Building / İstanbul Gayrettepe	56,300,000	56,000,000
Building / Mersin	29,000,000	29,000,000
<b>Appraisal and net carrying value</b>	<b>145,729,755</b>	<b>141,944,134</b>

### Fair value measurement

The fair values of investment properties were determined by market comparison technique. The fair value measurement of investment properties is classified as level 2.

### 8 Intangible assets

Movement in intangible assets in the period from January 1 to December 31, 2018 is presented below:

	January 1, 2018	Additions	Transfers	December 31, 2018
<i>Cost:</i>				
Rights	69,128,445	14,236,138	-	83,364,583
	<b>69,128,445</b>	<b>14,236,138</b>	<b>-</b>	<b>83,364,583</b>
<i>Accumulated amortisation:</i>				
Rights	(41,116,655)	(14,706,267)	-	(55,822,922)
	<b>(41,116,655)</b>	<b>(14,706,267)</b>	<b>-</b>	<b>(55,822,922)</b>
<b>Carrying amounts</b>	<b>28,011,790</b>			<b>27,541,661</b>

Movements in intangible assets in the period from January 1 to December 31, 2017 is presented below:

	January 1, 2017	Additions	Transfers	December 31, 2017
<i>Cost:</i>				
Rights	44,936,482	11,114,501	13,077,462	69,128,445
Advances for intangible assets <sup>(1)</sup>	12,998,850	78,612	(13,077,462)	-
	<b>57,935,332</b>	<b>11,193,113</b>	<b>-</b>	<b>69,128,445</b>
<i>Accumulated amortisation:</i>				
Rights	(26,661,466)	(14,455,189)	-	(41,116,655)
	<b>(26,661,466)</b>	<b>(14,455,189)</b>	<b>-</b>	<b>(41,116,655)</b>
<b>Carrying amounts</b>	<b>31,273,866</b>			<b>28,011,790</b>

<sup>(1)</sup>As of 2017, the purchased software is put into practice, the amount (13,077,462) booked in advances for intangible assets has been transferred to rights account.

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### 9 Investments in associates

	December 31, 2018		December 31, 2017	
	Carrying value	Participation rate %	Carrying value	Participation rate %
İş Portföy Yönetimi AŞ	21,225,636	20,0%	20,324,696	20,0%
<b>Investments in associates, net</b>	<b>21,225,636</b>		<b>20,324,696</b>	

Associate	Total assets	Shareholders' equity	Retained earnings	Profit for the period	Audited or not	Period
İş Portföy Yönetimi AŞ	114,255,499	106,128,181	1,848,586	26,253,527	Audited	December 31, 2018

TL 5,250,705 of income is obtained from associates through equity accounted consolidation method (December 31, 2017: TL 4,784,915).

### 10 Reinsurance assets and liabilities

Outstanding reinsurance assets and liabilities of the Company, as a ceding company in accordance with the existing reinsurance contracts are as follows:

Reinsurance assets	December 31, 2018	December 31, 2017
Life mathematical reserve, ceded (Note 17,15)	3,094,026	2,430,223
Provision for outstanding claims, ceded (Note 17,15)	4,375,778	3,331,307
Reserve for unearned premiums, ceded (Note 17,15)	2,991,581	2,431,427
Provision for bonus and discount, ceded (Note 17,15)	933,239	793,036
Reserve for unexpired risks, ceded (Note 17,15)	10,387	-
Other technical provision, ceded	803,664	649,983
Receivables from reinsurance companies	1,012,069	989,216
<b>Total</b>	<b>13,220,744</b>	<b>10,625,192</b>

There is not any impairment losses recognised for reinsurance assets.

Reinsurance liabilities	December 31, 2018	December 31, 2017
Payables to reinsurance companies	-	-
Current account of reinsurance companies (Note 19)	4,054,710	1,648,069
<b>Total</b>	<b>4,054,710</b>	<b>1,648,069</b>

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Gains and losses recognised in the statement of income in accordance with existing reinsurance contracts are as follows:

	December 31, 2018	December 31, 2017
<i>Life branch:</i>		
Premiums ceded during the period	(18,674,322)	(14,077,280)
Change in unearned premiums reserve, ceded	500,345	355,163
Commissions received from reinsurers <sup>(1)</sup>	5,082,540	3,723,903
Reinsurers share of claims paid	5,624,469	6,042,517
Change in outstanding claims, ceded	1,029,083	(474,734)
Change in provision for bonus and discount, ceded	137,296	(42,861)
Change in life mathematical reserve, ceded	663,803	145,622
	<b>(5,636,786)</b>	<b>(4,327,670)</b>
<i>Non-life branch:</i>		
Premiums ceded during the period	(406,687)	(282,285)
Change in unearned premiums reserve, ceded	59,809	3,567
Commissions received from reinsurers <sup>(1)</sup>	112,925	65,944
Reinsurers share of claims paid	29,251	163,905
Change in outstanding claims, ceded	15,388	(86,670)
Change in provision for bonus and discount, ceded	2,907	2,037
	<b>(186,407)</b>	<b>(133,502)</b>
<b>Total, net</b>	<b>(5,823,193)</b>	<b>(4,461,172)</b>

<sup>(1)</sup> Deferred commissions are excluded from commissions received from reinsurers.

### 11 Financial assets

As at December 31, 2018 and 2017, the Company's financial assets are detailed as follows:

Financial assets and financial investments with risk on policyholders	December 31, 2018	December 31, 2017
Available for sale financial assets, Company's own portfolio	573,585,026	591,320,170
Financial assets held for trading purpose	55,437,380	62,317,618
Loans and receivables	47,231,715	37,836,112
Financial investments with risks on saving life policyholders classified and held for trading purpose as available for sale	1,662,767,119	1,551,190,636
Impairment loss on financial assets	(4,524,808)	(18,911,547)
<b>Total</b>	<b>2,334,496,432</b>	<b>2,223,752,989</b>

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As at December 31, 2018 and 2017, the Company's financial assets held for trading are detailed as follows:

	December 31, 2018			
	Face value	Cost	Fair value	Carrying value
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares	582,437	1,205,770	1,670,912	1,670,912
Investment funds	16,240,978	53,035,653	53,766,468	53,766,468
<b>Total financial assets held for trading purpose - other</b>		<b>54,241,423</b>	<b>55,437,380</b>	<b>55,437,380</b>
<b>Total financial assets held for trading purpose</b>		<b>54,241,423</b>	<b>55,437,380</b>	<b>55,437,380</b>
	December 31, 2017			
	Face value	Cost	Fair value	Carrying value
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares	579,677	1,205,770	2,714,265	2,714,265
Investment funds	16,240,978	45,473,153	59,603,353	59,603,353
<b>Total financial assets held for trading purpose - other</b>		<b>46,678,923</b>	<b>62,317,618</b>	<b>62,317,618</b>
<b>Total financial assets held for trading purpose</b>		<b>46,678,923</b>	<b>62,317,618</b>	<b>62,317,618</b>

The Company's financial assets held for trading issued by the Company's related parties, are detailed as follows:

	December 31, 2018			
	Face value	Cost	Fair value	Carrying value
Investment funds	16,240,978	53,035,653	53,766,468	53,766,468
<b>Total</b>	<b>16,240,978</b>	<b>53,035,653</b>	<b>53,766,468</b>	<b>53,766,468</b>
	December 31, 2017			
	Face value	Cost	Fair value	Carrying value
Investment funds	16,240,978	45,473,153	59,603,353	59,603,353
<b>Total</b>	<b>16,240,978</b>	<b>45,473,153</b>	<b>59,603,353</b>	<b>59,603,353</b>

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As at December 31, 2018 and 2017, the Company's loans and receivables are detailed as follows:

	December 31, 2018		
	Cost	Fair value	Carrying value
Reverse repo transaction	47,200,000	47,231,715	47,231,715
Receivables from reverse repo	47,200,000	47,231,715	47,231,715
	December 31, 2017		
	Cost	Fair value	Carrying value
Reverse repo transaction	37,800,000	37,836,112	37,836,112
Receivables from reverse repo	37,800,000	37,836,112	37,836,112

As at December 31, 2018 and 2017, the Company's available for sale financial assets in its own portfolio are detailed as follows:

	December 31, 2018			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds	501,511,660	509,184,398	452,963,178	452,963,178
Eurobonds issued by the Turkish Government	1,500,000	7,767,456	7,726,947	7,726,947
<b>Total available for sale financial assets - debt instruments</b>	<b>503,011,660</b>	<b>516,951,854</b>	<b>460,690,125</b>	<b>460,690,125</b>
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares <sup>(1)</sup>		109,582,611	112,894,901	112,894,901
<b>Total available for sale financial assets - other</b>		<b>109,582,611</b>	<b>112,894,901</b>	<b>112,894,901</b>
<b>Total available for sale financial assets</b>		<b>626,534,465</b>	<b>573,585,026</b>	<b>573,585,026</b>
Impairment loss on available for sale equity shares		(4,524,808)	(4,524,808)	(4,524,808)
<b>Net available for sale financial assets</b>		<b>622,009,657</b>	<b>569,060,218</b>	<b>569,060,218</b>

<sup>(1)</sup> Financial assets of which the fair values are measured reliably are presented at their fair values, if not, presented at their costs.

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	December 31, 2017			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Private sector bonds and asset-backed securities	439,230,703	441,531,645	429,630,520	429,630,520
Government bonds	200,000	788,327	784,367	784,367
<b>Total available for sale financial assets - debt instruments</b>	<b>439,430,703</b>	<b>442,319,972</b>	<b>430,414,887</b>	<b>430,414,887</b>
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares <sup>(1)</sup>		131,743,653	160,905,283	160,905,283
<b>Total available for sale financial assets - other</b>		<b>131,743,653</b>	<b>160,905,283</b>	<b>160,905,283</b>
<b>Total available for sale financial assets</b>		<b>574,063,625</b>	<b>591,320,170</b>	<b>591,320,170</b>
<b>Impairment loss on available for sale equity shares</b>		<b>(18,911,547)</b>	<b>(18,911,547)</b>	<b>(18,911,547)</b>
<b>Net available for sale financial assets</b>		<b>555,152,078</b>	<b>572,408,623</b>	<b>572,408,623</b>

<sup>(1)</sup> Financial assets of which the fair values are measured reliably are presented at their fair values, if not, presented at their costs.

The Company has equity shares issued by the Company's related parties and classified as available for sale financial assets in its own portfolio with a cost amount of TL 108,617,575 and with a carrying value TL 111,156,935 (December 31, 2017: Equity shares with a cost amount of TL 130,778,617 and a carrying amount of TL 158,464,785).

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Financial investments with risks on saving life policyholders ("FIRSLP") as at December 31, 2018 and 2017 are detailed as follows:

	December 31, 2018			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds - TL	754,413,681	746,983,621	655,261,911	655,261,911
Eurobonds issued by the Turkish Government				
Investment funds	143,088,000	765,890,788	740,869,247	740,869,247
<b>Total available for sale financial assets - debt instruments</b>	<b>897,501,681</b>	<b>1,512,874,409</b>	<b>1,396,131,158</b>	<b>1,396,131,158</b>
Debt instruments for trading purposes				
Investment funds	486,159	26,159,153	28,879,925	28,879,925
<b>The sum of debt instruments classified as financial assets for trading purposes</b>	<b>486,159</b>	<b>26,159,153</b>	<b>28,879,925</b>	<b>28,879,925</b>
Time deposits	236,780,862	236,780,862	237,756,036	237,756,036
<b>Total time deposits</b>	<b>236,780,862</b>	<b>236,780,862</b>	<b>237,756,036</b>	<b>237,756,036</b>
<b>Financial investments with risks on saving life policyholders</b>				
		<b>1,775,814,424</b>	<b>1,662,767,119</b>	<b>1,662,767,119</b>
	December 31, 2017			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds - TL	845,439,072	841,119,017	802,345,558	802,345,558
Eurobonds issued by the Turkish Government				
Investment funds	135,388,000	525,389,773	589,891,147	589,891,147
<b>Total available for sale financial assets - debt instruments</b>	<b>980,827,072</b>	<b>1,366,508,790</b>	<b>1,392,236,705</b>	<b>1,392,236,705</b>
Debt instruments for trading purposes				
Investment funds	15,132,164	24,276,543	32,405,651	32,405,651
<b>The sum of debt instruments classified as financial assets for trading purposes</b>	<b>15,132,164</b>	<b>24,276,543</b>	<b>32,405,651</b>	<b>32,405,651</b>
Time deposits	119,456,055	119,456,055	126,548,280	126,548,280
<b>Total time deposits</b>	<b>119,456,055</b>	<b>119,456,055</b>	<b>126,548,280</b>	<b>126,548,280</b>
<b>Financial investments with risks on saving life policyholders</b>				
		<b>1,510,241,388</b>	<b>1,551,190,636</b>	<b>1,551,190,636</b>



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The financial assets issued by the Company's related parties and classified as FIRSLP are detailed as follows:

	December 31, 2018			
	Face value	Cost	Fair value	Carrying value
Investment funds	486,159	26,159,153	28,879,925	28,879,925
<b>Total investment funds</b>	<b>486,159</b>	<b>26,159,153</b>	<b>28,879,925</b>	<b>28,879,925</b>
	December 31, 2017			
	Face value	Cost	Fair value	Carrying value
Investment funds	15,132,164	24,276,543	32,405,651	32,405,651
<b>Total investment funds</b>	<b>15,132,164</b>	<b>24,276,543</b>	<b>32,405,651</b>	<b>32,405,651</b>

The Company has not any securities, other than issued shares in the current period, or any matured debt securities.

Value increases in financial assets for the last three years:

	December 31, 2018	December 31, 2017	December 31, 2016
<i>Current financial assets:</i>			
Available for sale financial assets, Company's own portfolio	(52,949,439)	17,256,545	40,827,550
Financial assets held for trading purpose	1,195,957	15,638,695	3,946,484
Loans and receivables	31,715	36,112	7,705
Financial investments with risks on saving life policyholders classified as available for sale	(113,047,305)	40,949,248	24,989,446
<b>Total</b>	<b>(164,769,072)</b>	<b>73,880,600</b>	<b>69,771,185</b>

Value increases reflect the difference between the carrying value and cost of the financial assets.

The Company has TL 4,524,808 of impairment loss arising from its available for sale investments in equity participations not having a quoted market price in an active market (December 31, 2017: TL 18,911,547).

The Company does not apply hedge accounting. Exchange rate differences arising from the payments of monetary items or different conversion rates used in the current period or at initial recognition are recognised in profit or loss.

Financial assets blocked in favour of the Ministry as a guarantee for the insurance activities are as follows:

	December 31, 2018			
	Face value	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders - debt securities	1,134,768,702	1,775,814,424	1,662,767,119	1,662,767,119
Available for sale financial assets	339,775,391	346,727,504	298,999,813	298,999,813
Time deposits	177,952,965	177,952,965	178,507,685	178,507,685
<b>Total</b>	<b>1,652,497,058</b>	<b>2,300,494,893</b>	<b>2,140,274,617</b>	<b>2,140,274,617</b>

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	December 31, 2017			
	Face value	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders - debt securities	1,115,415,291	1,510,241,388	1,551,190,636	1,551,190,636
Available for sale financial assets	240,910,000	242,387,538	232,041,644	232,041,644
Time deposits	156,947,363	156,947,363	160,089,678	160,089,678
<b>Total</b>	<b>1,513,272,654</b>	<b>1,909,576,289</b>	<b>1,943,321,958</b>	<b>1,943,321,958</b>

### 12 Loans and receivables

	December 31, 2018	December 31, 2017
Receivables from insurance operations	55,964,785	37,898,538
Provisions for receivables from insurance operations	(2,574)	(2,574)
Loans to the policyholders	34,863,790	30,170,168
Doubtful receivables from main operations and insurance operations	117,996	117,996
Provisions for doubtful receivables from main operations and insurance operations	(117,996)	(117,996)
Receivables from pension activities	16,966,723,364	14,741,214,367
<i>Net fund value of participants</i>	<i>16,937,634,744</i>	<i>14,712,834,341</i>
<i>Other</i>	<i>29,088,620</i>	<i>28,380,026</i>
<b>Total receivables from main operations</b>	<b>17,057,549,365</b>	<b>14,809,280,499</b>
Receivables from personnel	12,549	1,567
Other receivables	50,363,825	19,352,221
<b>Total</b>	<b>17,107,925,739</b>	<b>14,828,634,287</b>

The details of guarantees for the Company's receivables are presented below:

	December 31, 2018	December 31, 2017
Guarantees and commitments	4,503,696	4,475,958
Letters of guarantees	3,591,673	2,678,434
Real estate pledges	782,900	855,400
<b>Total</b>	<b>8,878,269</b>	<b>8,009,792</b>

	December 31, 2018	December 31, 2017
Provisions for doubtful receivables from main operations and insurance operations at the beginning of the period	117,996	117,996
Collections	-	-
Charge for the period	-	-
<b>Provisions for doubtful receivables from main operations and insurance operations at the end of the period</b>	<b>117,996</b>	<b>117,996</b>

### Provision for both overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 117,996 (December 31, 2017: TL 117,996).

b) Provision for premium receivables (due): TL 2,574 (December 31, 2017: TL 2,574).

The Company provides provision for its doubtful receivables in the legal follow-up by considering the value and nature of the receivable.

The Company reflects its receivables from and payables to reinsurance and insurance companies by netting off on the entity basis.

The Company's receivables from and payables to shareholders, associates and subsidiaries are detailed in note 45 - *Related party transactions*.

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### 13 Derivative financial instruments

At the reporting period, the Company has not any derivative financial instruments.

### 14 Cash and cash equivalents

As at December 31, 2018 and 2017, cash and cash equivalents are as follows:

	December 31, 2018		December 31, 2017	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	1,002	5,654	5,654	8,370
Bank deposits	320,570,433	385,859,525	385,859,525	146,204,151
Bank guaranteed credit card receivables with maturities less than three months <sup>(1)</sup>	197,086,418	195,892,932	195,892,932	180,677,008
Cheques given and payment orders	(16)	(24)	(24)	(2,745)
<b>Cash and cash equivalents in the balance sheet</b>	<b>517,657,837</b>	<b>581,758,087</b>	<b>581,758,087</b>	<b>326,886,784</b>
Blocked amount <sup>(2)</sup> (Note 11)	(178,507,685)	(160,089,678)	(160,089,678)	(46,457,030)
Interest accruals on bank deposits	(1,059,122)	-	-	(1,095,326)
Term deposits with original maturities of longer than 3 months	-	(207,112,669)	(207,112,669)	(10,175,158)
<b>Cash and cash equivalents presented in the statement of cash flow</b>	<b>338,091,030</b>	<b>214,555,740</b>	<b>214,555,740</b>	<b>269,159,270</b>

<sup>(1)</sup> Bank guaranteed credit card receivables with maturities less than three months include credit card receivables from banks in relation to premium payments of policyholders.

<sup>(2)</sup> As at December 31, 2018, this amount regarding insurance operations is blocked in favour for the Ministry.

As at December 31, 2018 and 2017, bank deposits are further analysed as follows:

	December 31, 2018	December 31, 2017
Foreign currency denominated bank deposits		
- time deposits	-	-
- demand deposits	14,631,702	4,432,589
Bank deposits in TL		
- time deposits	294,593,951	367,202,347
- demand deposits	11,344,780	14,224,589
<b>Cash at banks</b>	<b>320,570,433</b>	<b>385,859,525</b>

As at December 31, 2018, TL time deposits have a maximum maturity of 56 days and their simple interest rates vary between 23.15% and 23.75%. The Company has not any foreign currency denominated bank deposits.

As at December 31, 2017, TL time deposits have a maximum maturity of 85 days and their simple interest rates vary between 13.70% and 15.00%. The Company has not any foreign currency denominated bank deposits.

### 15 Equity

#### Paid in capital

As at December 31, 2018, the authorised nominal share capital of the Company is TL 430,000,000 and the share capital of the Company consists of 43,000,000,000 issued shares with TL 0.01 nominal value each.

The Company's share capital is divided into group A and group B shares. Group A shares are represented by 100,000,000 of equity shares having a nominal amount of TL 0.01 each. Group B shares are represented by 42,900,000,000 shares having a nominal amount of TL 0.01 each and all shares are owned by Türkiye İş Bankası AŞ. Group A shareholders have no privileges

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except for the election of Board members. In accordance with the Articles of Association, new group A shares cannot be issued in capital increases.

The Company has accepted the registered capital system set out in accordance with the Law No: 2499 and applied the system as of June 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As at December 31, 2018, the Company's registered capital is TL 900,000,000.

As at December 31, 2018, there are not any treasury shares held by the Company's associate; namely İş Portföy Yönetimi AŞ. There are not any treasury shares held by the Company itself.

### Profit on assets sale that will be transferred to capital

In accordance with tax legislation, 75% of profits from sales of participation shares and 50% of profits from sales of real estates included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years.

### Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The movement of legal reserves is as follows:

	December 31, 2018	December 31, 2017
Legal reserves at the beginning of the period	128,969,833	106,543,950
Transfer from profit	26,889,528	22,425,883
Legal reserves at the end of the period	156,456,501	128,969,833

### Extraordinary reserves

The movement of extraordinary reserves is presented below:

	December 31, 2018	December 31, 2017
Extraordinary reserves at the beginning of the period	22,371,536	8,489,678
Transfer from profit	10,902,177	13,881,858
Extraordinary reserves at the end of the period	33,273,713	22,371,536

### Statutory reserves

The movement of statutory reserves is presented below:

	December 31, 2018	December 31, 2017
Statutory reserves at the beginning of the period	15,753,835	1,321,820
Transfer from profit	17,117,054	14,432,015
Statutory reserves at the end of the period	32,870,889	15,753,835

### Other profit reserves

In accordance with the revision of TAS 19, the amount of actuarial gains and losses have been presented under the other profit reserves since December 31, 2013, which were previously shown under the income statement. As at December 31, 2018, actuarial loss amounting to TL (7,483,209) is presented under the other profit reserves (December 31, 2017: TL (4,640,156)). The difference arising from the owner occupied land and buildings at fair value amounting to TL 2,903,018 is also presented under the other profit reserves (December 31, 2017: TL 2,981,724).

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### Valuation of financial assets

Movement of fair value reserves of available for sale financial assets is presented below:

	January 1- December 31, 2018	January 1- December 31, 2017
Fair value reserves at the beginning of the period	9,775,232	27,264,010
<i>Changes during the period:</i>		
The effect of changes in foreign exchange rates on unrealised gains and losses, recognised due to change in the fair values of available for sale financial assets with risks on saving life policyholders	959,657	136,052
Change in unrealised gains and losses due to changes in the fair values of available for sale financial assets with risks on saving life policyholders	(174,856,640)	6,760,040
Change in unrealised gains and losses due to changes in the fair values of available for sale financial assets with risks on saving life policyholders, policyholders' portion	166,113,808	(6,422,038)
Change in unrealised gains and losses from available for sale financial assets, company's own portfolio	(75,714,205)	(9,616,149)
Deferred and corporate tax effect	15,204,830	1,602,613
<i>Disposals during the period:</i>		
Unrealised gains and losses transferred from equity to income statement due to disposal of available for sale financial assets with risks on saving life policyholders	7,111,762	(2,335,838)
Unrealised gains and losses transferred from equity to income statement due to disposal of available for sale financial assets with risks on saving life policyholders, policyholders' portion	(6,756,174)	2,219,046
Unrealised gains and losses transferred from equity to income statement due to disposal of available for sale financial assets, company's own portfolio	2,423,470	(840,129)
Deferred and corporate tax effect	(555,812)	191,384
Amounts transferred to income statement due to bonus shares	-	(9,122,991)
Fair value changes in investments in associates	(153,821)	(60,768)
<b>Fair value reserves at the end of the period</b>	<b>(56,447,893)</b>	<b>9,775,232</b>

### 16 Other reserves and equity component of DPF

Income and expense items that are directly accrued in equity as of the reporting period are as follows:

	December 31, 2018	December 31, 2017
Temporary differences arising from revaluation of financial assets	(79,102,144)	(9,770,841)
Permanent differences arising from revaluation of financial assets and actuarial gain and losses	(3,238,906)	11,360,404
The differences arising from revaluation of investment properties	3,226,525	3,136,525
Deferred tax effect	17,993,776	3,304,652
<b>Total</b>	<b>(61,120,749)</b>	<b>8,030,740</b>

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### 17 Insurance contract liabilities and reinsurance assets

17.1 Total amount of guarantee that should be placed by the Company for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets:

	December 31, 2018		December 31, 2017	
	Should be placed <sup>(2)</sup>	Placed <sup>(1)</sup>	Should be placed <sup>(2)</sup>	Placed <sup>(1)</sup>
<i>Life:</i>				
Financial assets <sup>(1)</sup>	1,886,367,251	2,079,159,144	1,738,455,463	1,798,808,627
<b>Total</b>	<b>1,886,367,251</b>	<b>2,079,159,144</b>	<b>1,738,455,463</b>	<b>1,798,808,627</b>
<i>Non-life:</i>				
Financial assets <sup>(1)</sup>	403,239	867,730	169,341	923,910
<b>Total</b>	<b>403,239</b>	<b>867,730</b>	<b>169,341</b>	<b>923,910</b>
<b>Total</b>	<b>1,886,770,490</b>	<b>2,080,026,874</b>	<b>1,738,624,804</b>	<b>1,799,732,537</b>

<sup>(1)</sup> As at December 31, 2018 and 2017, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey; if these prices are not available, they are measured with stock exchange values; investment fund participation certificates are measured using the daily prices in accordance with the 6<sup>th</sup> Article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Individual Pension Companies".

<sup>(2)</sup> According to 7<sup>th</sup> article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Individual Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Individual Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Ministry within two months. As at December 31, 2018 (December 31, 2017), minimum guarantee amount of June 30, 2018 (June 30, 2017) is shown as necessary guarantee amount; since, minimum guarantee amount as at June 30, 2018 (June 30, 2017) is based on June 30, 2018 (June 30, 2017) calculations.

As at December 31, 2018, TL 845,307,241 of government bonds (December 31, 2017: TL 938,959,054) and TL 789,575,987 of Eurobonds (December 31, 2017: TL 540,928,750) and TL 28,879,925 (December 31, 2017: TL 32,833,499) of investment funds and TL 416,263,721 of time deposits (December 31, 2017: TL 287,011,234) are placed as guarantee for the life and non-life branches.

### 17.2 Number of life insurance policies, additions, disposals in the current period, and current life policy holders and the related mathematical reserves

	December 31, 2018 <sup>(1)</sup>		December 31, 2017	
	Number of policies	Mathematical reserves	Number of policies	Mathematical reserves
Additions during the period	1,547,292	342,536,015	1,802,142	234,861,781
Disposals during the period	(1,762,771)	(186,663,533)	(1,689,083)	(198,186,369)
<b>Outstanding</b>	<b>2,318,813</b>	<b>1,887,688,424</b>	<b>2,534,292</b>	<b>1,731,815,942</b>

<sup>(1)</sup> The above table includes 51 of reactivated life insurance policies (December 31, 2017: 97 policies) and their corresponding mathematical reserves.

As explained in Note 2 - *Financial assets*, available for sale financial assets with risks on saving life policyholders are measured at fair value; 95% of the fair value and amortised cost difference amounting to TL (144,313,308) (December 31, 2017: TL (3,652,790)) is recognised under the life mathematical provisions.

TL 3,094,026 (December 31, 2017: TL 2,430,223) of reinsurer's share of life mathematical provisions is not offset against the mathematical provisions in the above table.

### 17.3 Guarantees given to non-life insurances based on branches:

	December 31, 2018	December 31, 2017
Guarantees given to death by accident	4,889,562,426	5,278,724,782
Guarantees given to disability by accident	4,884,927,260	5,244,776,274
<b>Total</b>	<b>9,774,489,686</b>	<b>10,523,501,056</b>

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### 17.4 Pension investment funds established by the Company and their unit prices:

As at December 31, 2018 and 2017, individual pension investment funds founded by the Company and their unit prices are as follows:

	December 31, 2018	December 31, 2017
	Unit price	Unit price
AH1 Bond Fund	0.057288	0.055685
AH2 Money Market Fund (*)	0.052456	0.044186
AH3 First Debt Instruments Fund (*)	0.073337	0.057127
AH4 Second Debt Instruments Fund (*)	0.060060	0.04746
AH5 Equity Fund	0.100702	0.120616
AH6 Developed Countries Flexible Fund (**)	0.063178	0.053084
AH8 Conservative Flexible Fund (*)	0.055648	0.048444
AH9 Balanced Flexible Fund (*)	0.064691	0.060571
AH0 Dynamic Flexible Fund (*)	0.097810	0.090657
AGE Participation Standard Fund	0.017696	0.016101
ABE BRIC Plus Fund	0.031534	0.024687
AHC Private Sector Debt Instruments Fund	0.019823	0.017081
AHL Aggressive Flexible Fund (*)	0.016577	0.017188
AET Contribution Fund	0.012997	0.013244
AER Participation Contribution Fund (*)	0.015610	0.014128
AEA Gold Fund	0.022839	0.01664
AG1 Group Bond Fund	0.056704	0.053045
AG2 Group Debt Instruments Fund (*)	0.054639	0.041509
AG3 Group Equity Fund	0.075420	0.083336
AG4 Grup Conservative Fund	0.057128	0.04912
HS1 Debt Instruments Fund (****)	0.037350	0.035271
AHB Second Equity Fund (*)	0.046566	0.051342
ATK Standard Fund	0.028648	0.027288
ATE Isbank Subsidiaries Index Fund	0.041520	0.040837
AO1 Initial Fund	0.013094	0.011069
AO2 Initial Participation Fund	0.012495	0.010848
AJA Auto Enrolment Aggressive Fund (****)	0.009650	-
AJB Auto Enrolment Dynamic Fund (****)	0.010515	-
AJC Auto Enrolment Balanced Fund (****)	0.011087	-
AJF Auto Enrolment Conservative Fund (****)	0.011438	-
AJG Auto Enrolment Aggressive Participation Fund (****)	0.009471	-
AJH Auto Enrolment Dynamic Participation Fund (****)	0.010326	-
AFH Auto Enrolment Standard Fund (****)	0.011451	-
AFP Auto Enrolment Participation Standard Fund (****)	0.011605	-

(\*) In accordance with the permission dated December 15, 2017 and numbered 13973 taken from the Capital Markets Board of Turkey, the business names of the funds were changed on January 2, 2018.

(\*\*) In accordance with the permission dated December 18, 2017 and numbered 14020 taken from the Capital Markets Board of Turkey, the business names of the funds were changed on January 2, 2018.

(\*\*\*) Funds were issued on January 2, 2018 in accordance with the permission of the Capital Markets Board of Turkey dated August 21, 2017 and numbered 9871 and also in accordance with the permission dated November 22, 2017 and numbered 13037.

(\*\*\*\*) In accordance with the permission dated April 2, 2018 and numbered 3736 taken from the Capital Markets Board of Turkey, the name of the fund was changed on April 16, 2018.

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### 17.5 Number and amount of participation certificates in portfolio and circulation:

Number of participation documents in the portfolio and in circulation is such as follows as of December 31, 2018 and 2017:

	December 31, 2018		December 31, 2017	
	Participation certificates in circulation		Participation certificates in circulation	
	Number	Amount	Number	Amount
AH1 Bond Fund	40,533,267,485.50	2,322,069,827.71	47,451,547,719.69	2,642,339,434.77
AH2 Money Market Fund (*)	21,327,707,916.41	1,118,766,246.46	19,124,746,160.23	845,046,033.84
AH3 First Debt Instruments Fund (*)	16,591,145,296.56	1,216,744,822.61	15,337,625,085.33	876,192,508.25
AH4 Second Debt Instruments Fund (*)	10,052,648,933.72	603,762,094.96	7,743,121,916.75	367,488,566.17
AH5 Equity Fund	5,378,536,625.87	541,629,395.30	5,230,720,379.55	630,908,569.30
AH6 Developed Countries Flexible Fund (**)	7,303,911,899.88	461,446,546.01	6,500,255,537.71	345,059,564.96
AH8 Conservative Flexible Fund (*)	20,275,146,686.22	1,128,271,362.80	19,369,096,280.96	938,316,500.23
AH9 Balanced Flexible Fund (*)	27,975,847,381.21	1,809,785,542.94	31,171,867,476.41	1,888,111,184.91
AH0 Dynamic Flexible Fund (*)	9,632,969,756.81	942,200,771.91	10,499,122,090.66	951,818,911.37
AGE Participation Standard Fund	17,560,348,601.34	310,747,928.85	16,944,754,025.00	272,827,484.56
ABE BRIC Plus Fund	9,954,462,452.51	313,904,018.98	7,674,662,561.29	189,464,394.65
AHC Private Sector Debt Instruments Fund	25,387,278,568.77	503,252,023.07	21,637,766,751.78	369,594,693.89
AHL Aggressive Flexible Fund (*)	4,183,028,705.62	69,342,066.85	3,241,592,862.35	55,716,498.12
AET Contribution Fund	172,046,496,849.71	2,236,088,319.56	149,048,608,632.54	1,973,999,772.73
AER Participation Contribution Fund (*)	4,062,190,452.69	63,410,792.97	3,797,490,515.70	53,650,946.01
AEA Gold Fund	63,026,789,046.45	1,439,468,835.03	40,168,178,928.95	668,398,497.38
AG1 Group Bond Fund	3,514,838,687.57	199,305,412.94	5,108,259,025.94	270,967,600.03
AG2 Group Debt Instruments Fund (*)	954,428,564.27	52,149,022.32	1,045,012,320.05	43,377,416.39
AG3 Group Equity Fund	924,780,873.61	69,746,973.49	853,939,120.80	71,163,870.57
AG4 Grup Conservative Fund	2,643,813,957.95	151,035,803.79	3,260,188,942.85	160,140,480.87
HS1 Debt Instruments Fund (****)	8,088,824,492.85	302,117,594.81	10,043,953,912.84	354,260,298.46
AHB Second Equity Fund (*)	1,612,619,574.70	75,093,243.12	1,911,788,096.37	98,155,024.44
ATK Standard Fund	13,765,112,157.80	394,342,933.10	12,807,552,686.58	349,492,497.71
ATE Isbank Subsidiaries Index Fund	3,117,567,563.13	129,441,405.22	2,759,094,862.96	112,673,156.92
AO1 Initial Fund	5,725,401,825.47	74,968,411.50	9,350,961,699.16	103,505,795.05
AO2 Initial Participation Fund	4,128,566,576.47	51,586,439.37	7,389,808,175.94	80,164,639.09
AJA Auto Enrolment Aggressive Fund (***)	200,589,573.14	1,935,689.38	-	-
AJB Auto Enrolment Dynamic Fund (***)	256,637,276.80	2,698,540.97	-	-
AJC Auto Enrolment Balanced Fund (***)	251,810,369.81	2,791,821.57	-	-
AJF Auto Enrolment Conservative Fund (***)	119,769,742.17	1,369,926.31	-	-
AJG Auto Enrolment Aggressive Participation Fund (***)	83,550,828.75	791,309.90	-	-
AJH Auto Enrolment Dynamic Participation Fund (***)	118,289,991.32	1,221,462.45	-	-
AFH Auto Enrolment Standard Fund (***)	16,795,913,491.82	192,330,005.40	-	-
AFP Auto Enrolment Participation Standard Fund (***)	13,254,472,397.88	153,818,152.18	-	-
<b>Total</b>		<b>16,937,634,743.83</b>		<b>14,712,834,340.67</b>

(\*) In accordance with the permission dated December 15, 2017 and numbered 13973 taken from the Capital Markets Board of Turkey, the business names of the funds were changed on January 2, 2018.

(\*\*) In accordance with the permission dated December 18, 2017 and numbered 14020 taken from the Capital Markets Board of Turkey, the business names of the funds were changed on January 2, 2018.

(\*\*\*) Funds were issued on January 2, 2018 in accordance with the permission of the Capital Markets Board of Turkey dated August 21, 2017 and numbered 9871 and also in accordance with the permission dated November 22, 2017 and numbered 13037.

(\*\*\*\*) In accordance with the permission dated April 2, 2018 and numbered 3736 taken from the Capital Markets Board of Turkey, the name of the fund was changed on April 16, 2018.



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17.6 Portfolio amounts in terms of number of new participants left or cancelled participants and existing participants for individuals and groups:

	December 31, 2018			
	Additions during the period	Left/ cancellations during the period	Outstanding	Total amount
Individuals	126,895	137,981	958,071	10,519,506,109
Group	465,531	202,150	961,424	4,118,629,522
<b>Total</b>	<b>592,426</b>	<b>340,131</b>	<b>1,919,495</b>	<b>14,638,135,631</b>

	December 31, 2017			
	Additions during the period	Left/ cancellations during the period	Outstanding	Total amount
Individuals	131,532	101,992	969,157	9,226,238,083
Group	392,453	45,112	698,043	3,458,945,539
<b>Total</b>	<b>523,985</b>	<b>147,104</b>	<b>1,667,200</b>	<b>12,685,183,622</b>

**Additions:** The sum of the new contracts added in the period and their registered cumulative values as of the period end in addition with the number of the contracts that begin and finish in the same period.

**Left/cancellations:** The number of finalised contracts during the period and their values at their expiration dates.

**Outstanding:** The number of outstanding contracts and their values as of the period end.

Since retirement plan transfers between individual and group retirement plans occurs during the period, periodical changes should be followed by the total number and portfolio amount of policies. Also, when the contracts effective at the prior reporting period become a liability because of collection reversals in the current period or when the contracts effective at the prior reporting period become an asset, total numbers and portfolio values of these contracts are net off at the period end. Number and portfolio amount of individual and group policies presented in notes reflect the outstanding position of the Company as of the period-end.

Outstanding contracts have state contribution amounting to TL 2,299,499,113 in the state contribution funds as of the period end.

### 17.7. Valuation methods used in profit share calculation for saving life contracts with profit sharing:

Financial investments with risks on saving life policyholders are classified as "available-for-sale financial assets". These assets are measured in accordance with the principles specified in Note 2.8 *Financial Assets* and valuation differences are taken into account in the profit share calculation.

### 17.8 Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups:

	January 1 - December 31, 2018			January 1 - December 31, 2017		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	126,895	607,948,965	607,946,685	137,368	422,179,516	422,173,900
Group	465,531	248,924,874	248,924,517	386,617	422,752,603	422,752,165
<b>Total</b>	<b>592,426</b>	<b>856,873,839</b>	<b>856,871,202</b>	<b>523,985</b>	<b>844,932,119</b>	<b>844,926,065</b>

Contracts become effective in the current period and the total contracts become effective and ceased in the same period and contributions collected regarding these contracts and the investment oriented contributions have been specified. The collections made with credit cards with undue blockage terms are also added into gross and net contributions. Transfer amounts are not included in the current period numbers and balances. In addition, the Company has collected TL 73,561,552 as state contribution.

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17.9 Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the period:

	January 1 - December 31, 2018			January 1 - December 31, 2017		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	6,404	203,262,507	203,262,507	5,010	140,776,200	140,776,200
Group	76,020	38,417,809	38,417,809	6,113	96,066,600	96,066,600
<b>Total</b>	<b>82,424</b>	<b>241,680,316</b>	<b>241,680,316</b>	<b>11,123</b>	<b>236,842,800</b>	<b>236,842,800</b>

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from foundations and trusts during the period:

	January 1 - December 31, 2018			January 1 - December 31, 2017		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	-	-	-	-	-	-
Group	-	-	-	330	34,595,663	34,595,663
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>330</b>	<b>34,595,663</b>	<b>34,595,663</b>

In addition, the Company has transferred TL 29,698,152 as state contribution from other pension companies in the related period.

17.10 Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio to private pension portfolio during the period:

The legal permission of the transfer from life portfolio to private pension portfolio expired on October 7, 2006 and therefore, there is no transfer in the current and prior period.

17.11 Distribution of individual and group participants which were transferred to other insurance companies in terms of their numbers and gross and net contributions:

	January 1 - December 31, 2018			January 1 - December 31, 2017		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	137,981	2,206,238,790	2,119,286,823	101,992	1,391,852,090	1,336,876,441
Group	202,150	860,963,478	830,068,801	45,112	430,594,420	412,754,449
<b>Total</b>	<b>340,131</b>	<b>3,067,202,268</b>	<b>2,949,355,624</b>	<b>147,104</b>	<b>1,822,446,510</b>	<b>1,749,630,890</b>

Number of contracts indicates the number of disposals in the related period.

Gross contributions indicate the fund sales amount as a result of disposal.

Net contributions indicate the remaining amount paid to participant less any deductions (initiation fee and withholding) against the gross amount as a result of disposal.

In addition, Company's fund outflow is TL 419,682,740 as state contribution.

17.12 Distribution of new life insurance participants in terms of their numbers and first premium amounts for individuals and groups during the period:

	January 1 - December 31, 2018		January 1 - December 31, 2017	
	Number of contracts	First premium amounts (TL)	Number of contracts	First premium amounts (TL)
Individuals	114,192	130,282,225	127,244	65,666,150
Group	1,433,049	421,179,113	1,674,801	407,468,715
<b>Total<sup>(1)</sup></b>	<b>1,547,241</b>	<b>551,461,338</b>	<b>1,802,045</b>	<b>473,134,865</b>

<sup>(1)</sup> 51 (January 1 - December 31, 2017: 97) of reactivated contracts are not included in the current period additions.

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17.13 Distribution of left or cancelled life insurance participants in terms of their numbers and mathematical reserves for individuals and groups during the period:

	January 1 - December 31, 2018		January 1 - December 31, 2017	
	Number of contracts	Mathematical reserves (TL)	Number of contracts	Mathematical reserves (TL)
Individuals	143,246	99,438,505	72,016	116,120,678
Group	1,619,525	87,225,028	1,617,067	82,065,691
<b>Total</b>	<b>1,762,771</b>	<b>186,663,533</b>	<b>1,689,083</b>	<b>198,186,369</b>

17.14 Profit share distribution rate of life insurances as of December 31, 2018 and 2017

	December 31, 2018 (%)	December 31, 2017 (%)
TL	11.37	10.72
USD	6.48	6.50
EURO	5.27	6.04
GBP	6.83	6.57

17.15 Information on insurance contract balances in the financial statements

	December 31, 2018	December 31, 2017
Reserve for unearned premiums, gross	43,702,801	48,198,007
Reserve for unearned premiums, ceded (Note 10)	(2,991,581)	(2,431,427)
<b>Reserves for unearned premiums, net</b>	<b>40,711,220</b>	<b>45,766,580</b>
Provision for outstanding claims, gross	94,642,267	90,338,570
Provision for outstanding claims, ceded (Note 10)	(4,375,778)	(3,331,307)
<b>Provision for outstanding claims, net</b>	<b>90,266,489</b>	<b>87,007,263</b>
Life mathematical provisions, gross	1,743,375,116	1,728,163,152
Life mathematical provisions, ceded (Note 10)	(3,094,026)	(2,430,223)
<b>Life mathematical provisions, net</b>	<b>1,740,281,090</b>	<b>1,725,732,929</b>
Provision for bonus and discount, gross	1,343,392	1,087,409
Provision for bonus and discount, ceded (Note 10)	(933,239)	(793,035)
<b>Provision for bonus and discount, net</b>	<b>410,153</b>	<b>294,374</b>
Reserve for unexpired risks, gross	28,897	-
Reserve for unexpired risks, ceded (Note 10)	(10,387)	-
<b>Reserve for unexpired risks, net</b>	<b>18,510</b>	<b>-</b>
Equalisation provision, gross	28,528,254	22,693,261
Equalisation provision, ceded (Note 10)	(803,664)	(649,983)
<b>Equalisation provision, net</b>	<b>27,724,590</b>	<b>22,043,278</b>
<b>Total insurance technical provisions, net</b>	<b>1,899,412,052</b>	<b>1,880,844,424</b>

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### 17.16 Factors resulting from individual insurance policies which provide portfolio

Factors resulting from individual insurance policies which provide portfolio increase through the change in mathematical provisions for the periods January 1 - December 31, 2018 and January 1 - December 31, 2017 are as follows:

Mathematical provisions		
	December 31, 2018	December 31, 2017
New policies issued	88,097,476	24,821,197
Activated from reductions	1,463,538	1,138,034
Activated from cancellations	12,745	58,052
Contracts with increased capital	148,852,511	90,055,453
<b>Total increase in the portfolio</b>	<b>238,426,270</b>	<b>116,072,736</b>

Factors resulting from individual insurance policies which provide portfolio decrease through the change in mathematical provisions for the periods January 1 - December 31, 2018 and January 1 - December 31, 2017 are as follows:

Mathematical provisions		
	December 31, 2018	December 31, 2017
Terminations and cancellations (-)	-	-
Transformed to contracts without charge (-)	1,473,671	2,622,070
Insurances had capital decrease (-)	-	-
Withdrawals (-)	(65,979,373)	(63,110,306)
Ceased with risk formed (-)	(3,133,980)	(3,276,361)
Expirations (-)	(30,325,152)	(49,734,012)
<b>Total decrease in the portfolio</b>	<b>(97,964,834)</b>	<b>(113,498,609)</b>

Factors resulting from group insurance policies which provide portfolio increase through the change in mathematical reserves for the period January 1 - December 31, 2018 and January 1 - December 31, 2017 are as follows:

Mathematical provisions		
	December 31, 2018	December 31, 2017
New contracts	84,435,953	106,907,308
Activated from reductions	17,265	-
Activated from cancellations	41,230	4,190
Insurances had capital increase	17,444,587	8,919,061
<b>Total increase in the portfolio</b>	<b>101,939,035</b>	<b>115,830,559</b>

Factors resulting from group insurance policies which provide portfolio decrease through the change in mathematical reserves for the periods January 1 - December 31, 2018 and January 1 - December 31, 2017 are as follows:

Mathematical provisions		
	December 31, 2018	December 31, 2017
Terminations and cancellations (-)	(1,949)	-
Transformed to contracts without charge (-)	33,236	190,795
Insurances had capital decrease (-)	(76,773,368)	(63,583,201)
Withdrawals (-)	(5,177,723)	(9,407,643)
Ceased with risk formed (-)	(167,587)	(384,522)
Expirations (-)	(5,104,401)	(8,690,325)
<b>Total decrease in the portfolio</b>	<b>(87,191,792)</b>	<b>(81,874,896)</b>

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### 17.17 Gain/ losses resulted from reinsurance contracts and recognised in the income statement

Gain or losses resulted from reinsurance contracts and recognised in the income statement are disclosed in note 10 - *Reinsurance assets, liabilities*.

### 17.18 Incurred claim development table

Incurred claim development table presented below provided cumulative payments of claims according to claim year and following years:

Claim year	2013	2014	2015	2016	2017	2018	Total
Claim year	19,456,357	23,517,657	22,040,556	31,699,169	34,972,294	44,263,030	175,949,063
1 year later	9,690,943	10,486,387	13,972,576	14,179,090	15,320,118	-	63,649,114
2 years later	1,121,274	1,248,087	843,246	1,691,659	-	-	4,904,266
3 years later	543,988	469,328	734,373	-	-	-	1,747,689
4 years later	202,840	255,552	-	-	-	-	458,392
5 years later	75,722	-	-	-	-	-	75,722
Cumulative payments up to date	31,091,124	35,977,011	37,590,751	47,569,918	50,292,412	44,263,030	246,784,246
Payments for the period ended as of December 31, 2018 <sup>(1)</sup>	75,722	255,552	734,373	1,691,659	15,320,118	44,263,030	62,340,454

<sup>(1)</sup> The claims paid includes death-disability termination and personal accident branch gross payments.

### 17.19 Effects of changes in the assumptions used in the measurement of insurance assets and liabilities, showing the effects of each change that has significant effect on the financial statements separately

Effects of changes in the assumptions used in the measurement of insurance assets and liabilities are disclosed in note 4 - *Management of insurance risks*.

### 18 Investment contracts

None.

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### 19 Trade and other payables and deferred income

	December 31, 2018	December 31, 2017
Other financial liabilities	-	-
<b>Financial liabilities</b>	<b>-</b>	<b>-</b>
Payables from insurance operations	20,123,620	13,836,127
Cash deposited by insurance and reinsurance companies	4,054,710	1,648,069
Payables from pension activities	17,250,229,880	14,964,479,508
<i>Net fund value of participants</i>	<i>16,937,634,744</i>	<i>14,712,834,341</i>
<i>Other</i>	<i>312,595,136</i>	<i>251,645,167</i>
Other payables from main operations	3,535,202	2,946,585
<b>Total payables from main operations</b>	<b>17,277,943,412</b>	<b>14,982,910,289</b>
Due to shareholders	131,097	57,577
Due to personnel	54,560	41,670
Payables to other related parties	94	68
<b>Total payables to related parties</b>	<b>185,751</b>	<b>99,315</b>
Guarantees and deposits received	1,054,058	995,786
Other payables	18,193,250	21,989,862
<b>Total other payables</b>	<b>19,247,308</b>	<b>22,985,648</b>
Deferred commission income	238,053	155,766
Expense accruals	3,623,133	2,793,463
Other deferred income and expense accruals	6,661	5,846
<b>Total deferred income and expense accruals</b>	<b>3,867,847</b>	<b>2,955,075</b>
<b>Total</b>	<b>17,301,244,318</b>	<b>15,008,950,327</b>

### 20 Financial liabilities

The Company has no financial liabilities as at the reporting date (December 31, 2017: None).

### 21 Deferred tax

The Company recognises deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of December 31, 2018 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

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Deferred tax (assets) / liabilities base:	December 31, 2018	December 31, 2017
Difference in valuation of financial assets	8,851,752	43,182,301
Provision for employee termination benefits and other wages	(30,879,050)	(24,724,571)
Provision for claims	(834,333)	(17,144,810)
Equalisation reserves / bonus and discount provision	(28,134,743)	(22,337,652)
The difference arising from revaluation of investment properties	64,053,149	61,890,458
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	16,447,444	10,156,855
Provision for unused vacation pay liability	(8,852,358)	(6,437,225)
<b>Total</b>	<b>20,651,861</b>	<b>44,585,356</b>

Deferred tax (assets) / liabilities:	December 31, 2018	December 31, 2017
Difference in valuation of financial assets	1,745,444	8,622,528
Provision for employee termination benefits and other wages	(6,457,120)	(5,184,128)
Provision for claim	(183,553)	(3,485,408)
Equalisation reserves / bonus and discount provision	(5,626,949)	(4,467,530)
The difference arising from revaluation of investment properties	13,402,701	12,935,087
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	3,129,689	2,053,548
Provision for unused vacation pay liability	(1,947,519)	(1,416,190)
<b>Total</b>	<b>4,062,693</b>	<b>9,057,907</b>

Movement of deferred tax assets / liabilities for the year ended as of December 31, 2018 and 2017 are given below:

Movement of deferred tax (assets) / liabilities:	December 31, 2018	December 31, 2017
Opening balance at January 1	9,057,907	1,461,964
Recognised in profit or loss	9,653,804	9,888,342
Recognised in equity	(14,649,018)	(2,292,399)
<b>Closing balance</b>	<b>4,062,693</b>	<b>9,057,907</b>

### 22 Retirement benefit obligations

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are entitled to retirement pay provisions subsequent to the completion of their retirement period by gaining a right to receive retirement payments in accordance with the amended Article 60 of the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on March 6, 1981 and August 25, 1999, respectively. Some transitional provisions related to pre-retirement service term was excluded from the law since the related law was amended as of May 23, 2002. The termination benefit to be paid is subject to upper limit of TL 5,434.42 as at December 31, 2018 (December 31, 2017: TL 4,732.48).

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at December 31 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective reporting periods have been calculated assuming an annual inflation rate of 11.30% and a discount rate of 16.00%, resulting in a real discount rate of 4.22% (December 31, 2017: 7.30% - 6.31%, 12.40% - 10.99%, 4.75% - 4.40% respectively).

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As at 31 December 2018 the Company has actuarial gain or loss difference in the calculation of employee termination benefit amounting to TL 3,553,816 (December 31, 2017: TL 2,056,970).

Movement of provision for employee termination benefits during the period is presented below:

	December 31, 2018	December 31, 2017
Provision as at January 1	13,724,571	12,709,099
Interest cost	1,550,877	876,928
Service cost	1,651,955	1,246,262
Payments made during the year	(2,402,169)	(3,164,688)
Actuarial gain and losses	3,553,816	2,056,970
<b>Provision at the end of the period/year</b>	<b>18,079,050</b>	<b>13,724,571</b>

### 23 Other liabilities and provisions

As at December 31, 2018 and 2017; the details of the provisions for other risks are as follows:

	December 31, 2018	December 31, 2017
Provision for unused vacation pay liability	8,852,358	6,437,225
Dividend to personnel and salary provision	12,800,000	11,000,000
Provision for commissions to sales personnel	1,400,000	1,000,000
Provision for litigations	737,481	5,129
Provision for commissions and expenses	96,851	74,652
<b>Provisions for costs</b>	<b>23,886,690</b>	<b>18,517,006</b>
<b>Provision for employee termination benefits</b>	<b>18,079,050</b>	<b>13,724,571</b>
<b>Total provisions for other risks</b>	<b>41,965,740</b>	<b>32,241,577</b>

### 24 Net insurance premium revenue

	December 31, 2018	December 31, 2017
Non-life	576,224	643,045
Life	620,538,760	560,670,693
<b>Total</b>	<b>621,114,984</b>	<b>561,313,738</b>

### 25 Fee revenues

The details of fee revenues for the year ended as of December 31, 2018 and 2017 received from individual pension, life and non-life branches in accordance with TAS 18 are as follows:

	December 31, 2018	December 31, 2017
Fund management income	256,416,861	216,742,273
Administrative cost deductions	46,359,487	32,957,056
Entrance fee	53,889,365	42,607,643
Administrative cost deduction in the form of cessation	12,032,419	7,675,127
Other technical income	487,533	575,151
<b>Total</b>	<b>369,185,665</b>	<b>300,557,250</b>



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### 26 Investment income

	January 1 - December 31, 2018	January 1 - December 31, 2017
<i>Financial assets held-for-trading:</i>		
Valuation gain	(13,901,811)	20,717,034
Gain on sale	(3,839,161)	5,820,518
Interest income	-	-
Cash dividend income	197,174	176,640
<i>Financial assets available- for-sale:</i>		
Interest income	127,239,888	130,394,083
Valuation gain	257,951,200	81,043,502
Gain on sale	390,642	9,059,299
Cash dividend income	6,359,855	5,771,336
<i>Income from associates:</i>		
	5,250,705	4,784,915
<i>Investment properties:</i>		
Rent income	817,993	1,231,954
Valuation gain	5,018,451	3,858,000
<i>Other income<sup>(1)</sup>:</i>		
	118,233,586	54,152,964
<b>Total<sup>(2)</sup></b>	<b>503,718,522</b>	<b>317,010,245</b>

<sup>(1)</sup> Other income includes interest income from time deposits, income from derivative transactions, foreign exchange gains and etc.

<sup>(2)</sup> TL 134,804,696 (December 31, 2017: TL 126,213,332) of investment income obtained from the Company's own portfolio and TL 368,913,826 (December 31, 2017: TL 190,796,913) of investment income obtained from policyholders' portfolio.

### 27 Net income accrual on financial assets

Net income accrual from the Company's own portfolio is as follows:

	January 1 - December 31, 2018	January 1 - December 31, 2017
<i>Available-for-sale financial assets:</i>		
Fair value differences recognized in equity	(65.005.103)	4.714.431
Fair value differences recognized in profit / loss	12.650.872	10.723.617
<b>Total</b>	<b>(52.354.231)</b>	<b>15.438.048</b>

### 28 Assets held at fair value through profit or loss

Net loss from assets held at fair value through profit or loss recognised in income statement as at December 31, 2018 is TL 17,543,798 (December 31, 2017: TL 26,714,192 net gain).

### 29 Insurance rights and claims

Details of insurance rights and claims are presented in statement of income.

### 30 Investment contract benefits

None.

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### 31 Other expenses

The allocation of the expenses with respect to their nature or function is presented in note 32 - *Operating expenses* below.

### 32 Operating expenses

For the year ended as of December 31, 2018 and 2017, the details of operating expenses are as follows:

	December 31, 2018	December 31, 2017
Production commission expenses	(186,601,830)	(141,881,048)
Employee benefit expenses	(135,947,830)	(113,255,019)
Administration expenses	(62,024,145)	(48,155,053)
Marketing and sales expenses	(28,678,470)	(28,519,840)
Outsourced benefits and services	(28,890,634)	(23,006,713)
Reinsurance commission income	5,113,178	3,824,472
Other expenses	(3,017,219)	(1,499,445)
<b>Total</b>	<b>(440,046,950)</b>	<b>(352,492,646)</b>

### 33 Employee benefit expenses

	December 31, 2018	December 31, 2017
Wages and salaries	135,947,830	113,255,019
Employee termination benefits	800,663	(1,041,498)
Provision for unused vacation	2,415,133	1,274,871
<b>Total</b>	<b>139,163,626</b>	<b>113,488,392</b>

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### 34 Financial costs

The Company has no finance expense in the current period (December 31, 2017: None).

### 35 Income tax expense

	December 31, 2018	December 31, 2017
<i>Corporate tax liabilities:</i>		
Corporate tax provision	68,607,000	55,107,000
Less: Corporation taxes paid in advances during the period	(48,580,868)	(43,775,828)
<b>Total</b>	<b>20,026,132</b>	<b>11,331,172</b>

#### Total tax expense recognised in profit or loss

	December 31, 2018	December 31, 2017
Current tax expense	68,607,000	55,107,000
Deferred tax expense / (income)	9,653,804	9,888,342
<b>Total</b>	<b>78,260,804</b>	<b>64,995,342</b>

#### Total tax expense recognised in equity

	December 31, 2018	December 31, 2017
Change in fair value of available for sale financial assets	16,118,544	2,180,289
Actuarial gain and losses	1,870,802	1,160,039
<b>Total deferred tax expense recognised in equity</b>	<b>17,989,346</b>	<b>3,340,328</b>

Reconciliation of the Company's taxation for the year period ended as of December 31, 2018 and 2017 are as follows:

	December 31, 2018		December 31, 2017	
		Tax rate (%)		Tax rate (%)
Profit before tax	332,923,986		291,587,152	
Taxes on income per statutory tax rate	(73,243,277)	(22.00)	(58,317,430)	(20.00)
Disallowable expenses	(22,747,907)	(6.83)	(12,150,279)	(4.17)
Effect of allowances	17,730,380	5.32	5,472,367	1.88
<b>Total tax expense recognised in profit or loss</b>	<b>(78,260,804)</b>	<b>(23.51)</b>	<b>(64,995,342)</b>	<b>(22.29)</b>

## Notes to the Consolidated Financial Statements As at December 31, 2018

Currency: Turkish Lira (TL)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

### 36 Net foreign exchange gains

	December 31, 2018	December 31, 2017
Foreign exchange gains	16,990,379	6,434,339
Foreign exchange losses	(8,907,743)	(2,196,351)
<b>Total</b>	<b>8,082,636</b>	<b>4,237,988</b>

### 37 Earnings per share

Earnings per share is calculated by dividing net profit for the period to the weighted average number of shares.

	December 31, 2018	December 31, 2017
<i>For a share having TRKr (Kuruş) 1 of nominal value:</i>		
Weighted average number of shares	43,000,000,000	43,000,000,000
Net profit for the period	254,663,182	226,591,810
Earnings per share (for 100 shares)	0.59224	0.52696

### 38 Dividends per share

The Company's dividend distribution in 2018 from the profit of 2017 is presented below.

	Group	Total cash dividend amount (TL)	Cash dividend corresponding to a share having TL 1 of nominal value	
			Amount (TL)	Rate (%)
	A	336,046.51	0.3360465	33.60465
	B	144,163,953.49	0.3360465	33.60465
<b>Gross</b>	<b>Total</b>	<b>144,500,000.00</b>		

The Company's dividend distribution in 2018 from the profit of 2017 is TL 170,000,000. Additionally, TL 5,293,934 of dividend is distributed to the personnel of the Company.

### 39 Cash generated from operations

The cash flows from operating activities is presented in the accompanying statement of cash flows.

### 40 Convertible bonds

None.

### 41 Redeemable preference shares

None.

## Notes to the Consolidated Financial Statements As at December 31, 2018

Currency: Turkish Lira (TL)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

### 42 Risks

In the normal course of its operations, the Company is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Company are provided either under provision for outstanding claims or provisions for other risks in the accompanying financial statements.

As at December 31, 2018, there are 375 ongoing law suit filed against the Company and total amount of these suits are TL 8,738,649. TL 14,061,439 of provision (December 31, 2017: TL 9,264,106) including interest expense for ongoing law suits for which cash outflow is probable and measurable reliably is set by the Company in the financial statements, There are 88 ongoing law suits prosecuted by the Company against the third parties that have amounted TL 6,105,596, Subsequent to the reporting period, there is no expected amount of law suits to be prosecuted against the Company.

### 43 Commitments

Total amount of commitments that are not included in liabilities:

	December 31, 2018	December 31, 2017
Guarantees and commitments	2.861.406	1.776.206
<b>Guarantees and commitments</b>	<b>2.861.406</b>	<b>1.776.206</b>

The Company does not have finance lease liabilities as at the reporting period (December 31, 2017: None).

### 44 Business combinations

None.

### 45 Related party transactions

a. Parent company's name and the ultimate owner of the group

The Company's parent is Türkiye İş Bankası AŞ with a 63.89% of share.

b. In accordance with the Company's activities, items of sub-classifications

The activities of the Company involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal accident branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

c. No expense is recognised in the related period for bad or doubtful debts in respect of the amounts owed by the shareholders, associates and subsidiaries.

## Notes to the Consolidated Financial Statements As at December 31, 2018

Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

d. Details of associates and subsidiaries having indirect capital and management relations with the Company; names, amounts and rates of participations in the associates and subsidiaries; profit/loss for the period presented in the recent financial statements of such participations; net profit/loss for the period and period covered by the financial statements; information about whether these financial statements are prepared in accordance with the CMB standards; information about whether these financial statements are audited; details of the audit opinion (if the report includes unqualified, adverse or qualified opinion):

	Carrying amount	Participation rate (%)	Reporting period	Profit before income tax	Net profit of the period	Financial statements base	Independent auditor's opinion
İş Portföy Yönetimi AŞ	21,225,636	20,0	December 31, 2018	33,715,476	26,253,527	SPK XI/29	Unqualified

e. Bonus shares obtained from associates or subsidiaries through internal resource capital increases

At the reporting date, the Company has obtained no bonus shares through capital increases in associates from profit or capital reserves.

f. No guarantees, commitments, guarantee letters, advances and endorsements given in favor of shareholders, associates and subsidiaries.

g. Related party disclosures

The related party balances as at December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Türkiye İş Bankası AŞ - receivables from credit card collections	188,935,962	193,102,910
<b>Cash and cash equivalents</b>	<b>188,935,962</b>	<b>193,102,910</b>
Türkiye İş Bankası AŞ - bank deposits	137,493,170	220,572,922
<b>Cash at banks</b>	<b>137,493,170</b>	<b>220,572,922</b>
Anadolu Anonim Türk Sigorta Şirketi - premium receivable	25	-
<b>Payable from main operations</b>	<b>25</b>	<b>-</b>
Türkiye İş Bankası AŞ - commission payables	11,671,942	11,261,367
Milli Reasürans TAŞ - premium payables	543,781	461,578
<b>Payable from main operations</b>	<b>12,215,723</b>	<b>11,722,945</b>
Türkiye İş Bankası AŞ. - settlement and custody commission	-	5,010
Anadolu Anonim Türk Sigorta Şirketi - premium payables	137,069	57,577
<b>Payables to shareholders</b>	<b>137,069</b>	<b>62,587</b>
İş Portföy Yönetimi A.Ş.	2,597,677	7,857,440
İş Merkezleri Yönetim ve İşletim A.Ş.	306,778	193,147
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	128,938	-
İş-Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim A.Ş.	32,068	35,474
Erişim Müşteri Hizmetleri A.Ş.	1,366,737	1,108,045
Softtech Yazılım Teknoloji Araştırma Geliştirme ve Pazarlama Ticaret A.Ş.	3,815	-
<b>Other payables</b>	<b>4,436,013</b>	<b>9,194,106</b>

## Notes to the Consolidated Financial Statements As at December 31, 2018

Currency: Turkish Lira (TL)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

In the current period in amount of TL 27,215,781 individual retirement employer contributions (December 31, 2017: TL 24,445,898) have been collected from related parties, in amount of TL 488,432 life insurance employer premium was accrual (December 31, 2017: TL 676,779).

The details of revenues and expenses for the year ended as of December 31, 2018 and 2017 stems from related parties are as follows:

	December 31, 2018	December 31, 2017
Milli Reasürans TAŞ - premiums written, ceded	2,062,570	1,253,605
<b>Premiums written, ceded</b>	<b>2,062,570</b>	<b>1,253,605</b>
Milli Reasürans TAŞ - commission income from reinsurers	428,043	197,281
<b>Commission income from reinsurers</b>	<b>428,043</b>	<b>197,281</b>
Türkiye İş Bankası AŞ - interest income from deposits	26,827,071	15,378,058
Türkiye İş Bankası AŞ - rent income	13,532	11,707
<b>Investment income</b>	<b>26,840,603</b>	<b>15,389,765</b>
İş Portföy Yönetimi AŞ - investment consultancy fee	1,578,429	545,832
İş Portföy Yönetimi A.Ş. - settlement and custody expense	-	848
İş Yatırım Menkul Değerler A.Ş. - settlement and custody expense	161	-
Türkiye İş Bankası AŞ - settlement and custody expense	13,127	21,710
<b>Investment expense</b>	<b>1,591,717</b>	<b>568,390</b>
Türkiye İş Bankası AŞ - commission of policy production	129,724,138	117,784,697
İş Portföy Yönetimi AŞ - portfolio management fee of pension funds	11,721,046	25,255,024
İş Merkezleri Yönetim ve İşletim A.Ş. - building administrative expense	4,761,520	4,072,499
İş Gayrimenkul Yatırım Ortaklığı AŞ - rent expense	7,165,701	5,315,029
İş-Net Elektronik Bilgi Üretim Dağ. Tic. ve İletişim A.Ş. - communication expense	1,549,714	1,236,218
Erişim Müşteri Hizmetleri A.Ş. - call center service expense	15,536,857	13,139,698
Softtech Yazılım Teknoloji Araştırma Geliştirme ve Pazarlama Ticaret A.Ş. - software support expense	51,273	99,250
Türkiye İş Bankası AŞ - commission of premium collection and banking services	1,156,304	1,073,092
Türkiye İş Bankası AŞ - fund operation service expense	2,244,531	1,565,093
Türkiye İş Bankası AŞ - rent expense	291,741	377,639
İş Portföy Yönetimi A.Ş. Birinci Gayrimenkul Yatırım Fonu - rent expense	371,679	-
Anadolu Anonim Türk Sigorta Şirketi - premium paid	4,015,374	4,130,362
Anadolu Anonim Türk Sigorta Şirketi - rent expense	283,995	244,682
<b>Other expenses</b>	<b>178,873,873</b>	<b>174,293,283</b>

### 46 Events after the reporting period

Events after the reporting period are disclosed in note 1.10 - *events after the reporting period*.

## Notes to the Consolidated Financial Statements As at December 31, 2018

Currency: Turkish Lira (TL)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

### 47 Others

Items and amounts classified under the "other" account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

Items and amounts classified under the "other" account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet are as follows:

Current assets (Other receivables)	December 31, 2018	December 31, 2017
Securities reconciliation account	49,370,276	18,180,114
Other	993,902	1,161,752
<b>Total</b>	<b>50,364,178</b>	<b>19,341,866</b>

Short-term liabilities (Other miscellaneous payables)	December 31, 2018	December 31, 2017
Payable to suppliers	10,256,488	12,791,751
Suspense accounts	7,936,681	9,193,197
Securities reconciliation account	81	4,914
<b>Total</b>	<b>18,193,250</b>	<b>21,989,862</b>

Payables to employees and receivables from employees presented under accounts, "other receivables" and "other short or long term payables", and which have balance more than 1% of the total assets

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

None.

Real rights on immovable and their values

None.



## Notes to the Consolidated Financial Statements As at December 31, 2018

Currency: Turkish Lira (TL)

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

Explanatory note for the amounts and nature of previous years' income and losses

None.

For the year ended as of December 31, 2018 and 2017, details of discount and provision expenses are as follows:

	December 31, 2018	December 31, 2017
Unused vacation pay liability	(2,415,133)	(1,274,871)
Provisions no longer required	2,651,078	2,145,444
Provision for employee termination benefits	(800,663)	1,041,498
Other provision expenses	(3,090,409)	(8,571,289)
<b>Provision expenses</b>	<b>(3,655,127)</b>	<b>(6,659,218)</b>
	December 31, 2018	December 31, 2017
Rediscount interest expense <sup>(1)</sup>	75,330	47,520
<b>Total rediscount</b>	<b>75,330</b>	<b>47,520</b>

<sup>(1)</sup> Rediscount interest income/expense arising from selling the shares of AVEA İletişim Hizmetleri A.Ş. by instalment.

## Anadolu Hayat Emeklilik Anonim Şirketi

### Information for Investors

#### Stock Exchange

Anadolu Hayat Emeklilik A.Ş. stocks are traded on the BIST Stars Market of Borsa İstanbul under the symbol ANHYT.

Information about the Company's stocks is published on the economics pages of daily newspapers and on the internet portals of brokerage houses.

#### Investor Relations

Copies of Anadolu Hayat Emeklilik A.Ş.'s annual reports and other information about the Company may be obtained from the following address as well as from the corporate website located at [anadoluhayat.com.tr](http://anadoluhayat.com.tr) and from the Public Disclosure Platform (PDP).

#### Investor Relations Unit

Anadolu Hayat Emeklilik A.Ş.

Levent Mahallesi Meltem Sokak No: 10 İş Kuleleri Kule: 2 Kat: 19 34330 İstanbul

#### Annual General Assembly

Anadolu Hayat Emeklilik A.Ş.'s 2018 Annual General Assembly Meeting will be held on 21 March 2019 at 10:00 am at the address of Oditoryum Binası İş Kuleleri 34330 Levent/İstanbul.

#### Independent Auditor

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Maslak Mahallesi Eski Büyükdere Cad. Orjin Plaza No: 27

Kat: 2-3-4 Daire: 54-57-59 34485 Sarıyer / İstanbul - Türkiye

#### Tax Certification

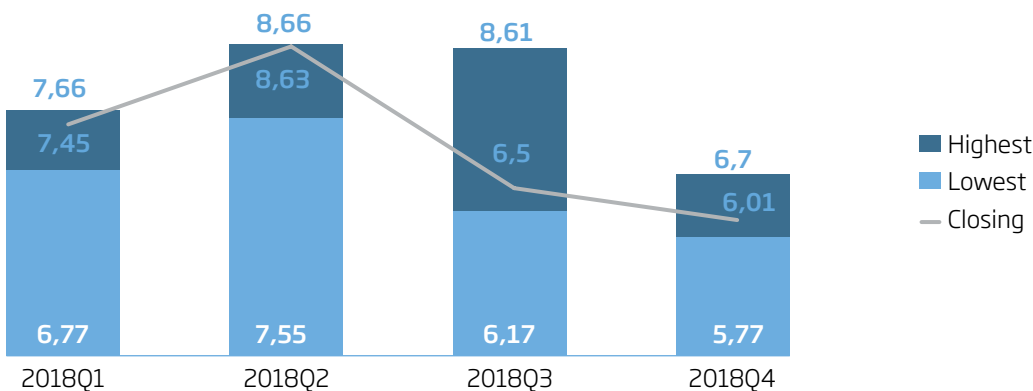
DRT Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.

Deloitte Value House

#### Anadolu Hayat Emeklilik Share Performance in 2018

As of 31 December 2018, the Company's nominal capital amounts to TL 430,000,000, consisting of fully-paid 43,000,000,000 shares each with a value of TL 0.01. 17% of the Company's shares are publicly held.

#### ANHYT's Performance in 2018 (TL)



# Directory

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