



# You matter, Because there is no other you

2019 Annual Report



**NN**

Hayat ve Emeklilik

**You Matter**



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# Our Corporate Policy

## Mission and Vision

We aim to provide our customers with an excellent experience that inspires them to recommend us to their family and friends over any other financial company. We offer value for money, as an integral part of this.

We understand that for our customers, money is usually a means to an end – life is about living. That's why we do our very best to help our customers achieve their dreams and overcome any adversity along the way. Through our retirement services, insurance, investments and banking products, we are committed to helping our customers secure their financial future. That is our purpose at NN. We aim to be a company that truly matters in the lives of our stakeholders.

## Our Values

As NN Hayat ve Emeklilik, we have three important values.

**Care, clear and commit.**

Our values show what we believe, we value, and we target. They unite and inspire us.

**Care** means our customers are the starting point of everything we do. We show respect to each other, and believe that working shoulder to shoulder will bring better results. We take the role we assumed in the society serious as we believe every person is important.

**Clear** means that we are clear, open and accessible. We listen with a real interest, and develop empathy.

**Commit** means we take the responsibility of what we do. We focus on our customers' long term objectives and results they will achieve by acting together as a whole.



# NN Group

NN Group is an international financial services company, active in 18 countries, with a strong presence in a number of European countries and Japan. With all its employees, the Group provides retirement services, pensions, insurance, investments and banking to approximately 17 million customers.

Founded in 1845, NN Group is a financial services company, active in several European countries and Japan. Over the past 175 years, we have been dedicated to meeting and exceeding our customers' expectations. Our purpose is to help people secure their financial futures. Through our products and services, we want to create value for our customers and other stakeholders.

18 country

A heritage  
175 years



15 K  
Employees



18 M  
Customers



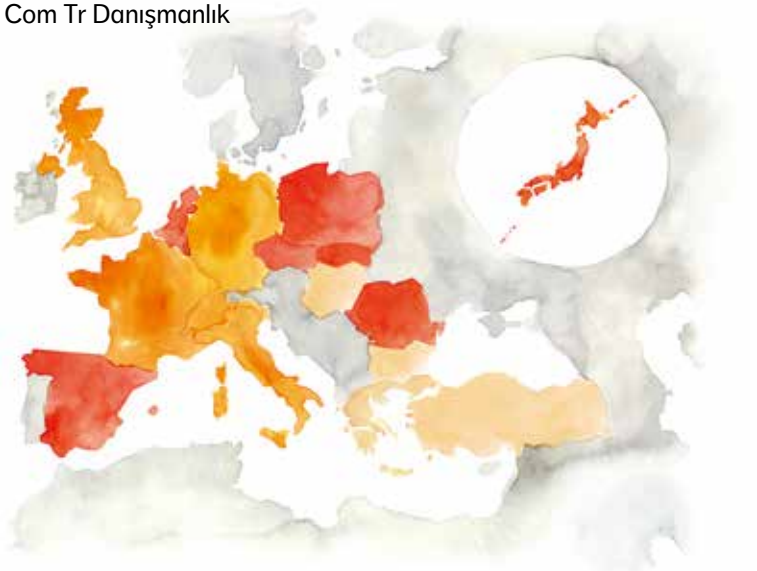
1845  
Year NN founded

# NN Hayat ve Emeklilik

NN Hayat ve Emeklilik is acting within the structure of NN Group, which is an insurance and investment management company with an existence in 18 countries mainly in Europe and 175 years established inheritance. The history of the company in Turkey started with ING Group's purchase of OYAK Emeklilik's 100% share on December 4, 2008.

After ING Group's decision to separate banking, insurance and investment operations, by February 16, 2015, the company has been conducting its operations under the name NN Hayat ve Emeklilik. The company aims to be closer to its customers by keeping its promise on unique customer experience, and to improve all its processes meet the customers' expectations faster.

NN Group' investments in Turkey are NN Hayat ve Emeklilik, Orange Sigorta Aracılık Hizmetleri A.Ş. (Sigorta Cini), and Konut Kredisi Com Tr Danışmanlık A.Ş. (Hesapkurdu.com).







# Shareholding Structure

Oyak Emeklilik Anonim Şirketi has been transferred to NN Continental Europe Holdings B.V. (prior title: ING Continental Europe Holdings B.V.) by diverging from Ordu Yardımlaşma Kurumu (Mutual Assistance Agency of the Army) with the completion of share selling procedures on **December 4, 2008** following the approval of the Undersecretariat of Treasury Directorate General of Insurance on **November 25, 2008**. During the Extraordinary General Assembly Meeting held on **January 26, 2009**, it's been resolved to change the trade title of the Company to ING Emeklilik Anonim Şirketi by amending the articles of association, and the relevant resolution and draft articles of association text have been registered on **January 27, 2009** according to the provisions of the Turkish Commercial Law

(TCL) No. 6762. Following the resolution to change the names of some group companies, which the Company is also a part of, the Company's trade name has changed into NN Hayat ve Emeklilik Anonim Şirketi with the resolution taken during the Extraordinary General Assembly Meeting held on **January 29, 2015**, and the relevant resolution and draft articles of association text have been registered on **January 30, 2015**. As of **June 30, 2016**, the capital group NN Continental Europe Holdings B.V. has direct control over the Company's capital.

Shareholder	No. of Shares	Share Amount (TRY)
NN Continental Europe Holdings B.V.	58.891.418	58.891.418

Paid-in Capital (TRY)	
December 31, 2019	December 31, 2018
58.891.418	39.541.418

	December 31, 2019	December 31, 2018
	Share amount TRY	Share amount TRY
NN Continental Europe Holdings B.V.	58.891.418	39.541.418

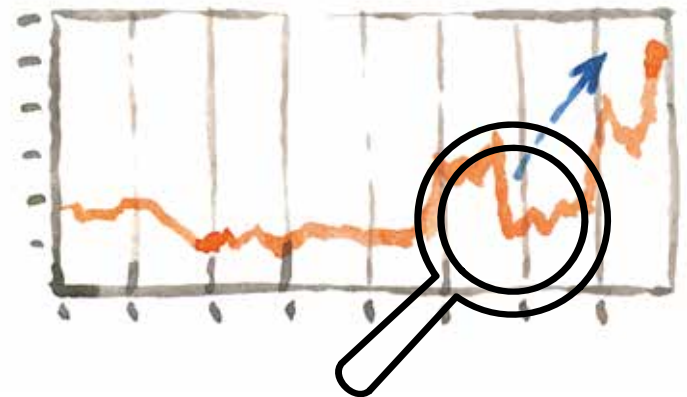
The Company's direct affiliates and shares are shown below.

Name	Share Rate
ÜNLEM SİGORTA ARACILIK HİZMETLERİ A.Ş.	50%
SİGORTAOFİSİ PLUS SİGORTA ARACILIK HİZMETLERİ A.Ş.	50%
MAKİNİST VİP SİGORTA ARACILIK HİZMETLERİ A.Ş.	50%

# Financial Indicators

Thousand TRY	2019	%Δ	2018	%Δ	2017
<b>Fund Size</b>	4.423.727	35%	3.282.056	11,92%	2.940.885
<b>Paid-in Capital</b>	60.051	47,54%	40.701	0,00%	40.701
<b>Shareholders' Equity</b>	106.738	17,83%	90.584	-24,48%	119.954
<b>Total Assets</b>	4.815.702	32,84%	3.625.141	10,78%	3.272.365
<b>Technical Income</b>	336.918	33,10%	253.132	-0,38%	254.097
<b>Balance of Technical Incomes and Expenses</b>	-15.989	-34,83%	-24.532	47,96%	-16.580
<b>Balance of Non-Operating Incomes and Expenses</b>	1.858	-61,59%	-4.837	-136,84%	13.132
<b>Profit/Loss Before Tax</b>	-17.847	-39,23%	-29.370	751,65%	-3.449

NN Hayat ve Emeklilik continued its operations actively in the pension sector that is growing rapidly in 2019. Its total equity capital reached to TRY 106.7 million in 2019. The total assets of the company reached to 4.8 billion TRY by December 31, 2019 with a 33% increase compared to the year 2018. By December 31, 2019, the share of the cash assets within the total assets was realized as 5%, the share of the receivables of the Private Pension System within the total assets as 93%.







# Message from the General Manager

Dear Stakeholders,

I am happy to inform you that all the NN Hayat ve Emeklilik has managed to realize all the financial indicators by exceeding the targeted values with the economic recovery seen in the second half of 2019, which the first half of the year has started slow with the effect of economic recession experienced in 2018 due to the exchange rate crisis in Turkey.

Declining trend in our sales compared to the pre-crisis period caused by the decrease in loan allocation due to the increased interest rates and the weakening of the people's purchasing power during the economic recession. Our sales have increased substantially during the second half of the year as a result of the improvement particularly in the interest rates and the inflation rate. Compared to 2018, life insurance sales increased by 45%, while our private pension sales increased by 30%. Considering the recession during the first half of the year, this increase in our sales performance is an indication of a significant success story in the second half of 2019.

The biggest factor playing a part in this success in our financial results is that we implemented different strategic priorities in the first and second half of the year based on the economic conjuncture. Throughout our recession period strategy, we focused on three important areas. These were customer retention activities, cost containment project, and the offering of defensive products to customers in the field. Within the scope of customer retention activities, we worked on controlling our customers' tendency towards withdrawals from the Private Pension System, which is the main saving product that comes to mind especially during the crisis period, and we managed to reduce the lapse rate from 26% to 22% compared to 2018. In addition to this, we performed well on increasing our fund size and increased it from TRY 3.3 billion to TRY 4.4 billion in 2019. Within the scope of cost reduction project, we mainly focused on automation and efficiency projects in IT area and actions to make efficient procurement processes to achieve significant savings throughout the company to be able to bring our expenditure level closer to our income level. Finally, we offered defensive products to our customers to ensure that they are less affected from this recession period and also launched new products and increased our product range to compensate our reduced sales capacity with these new products. In order to minimize losses from the depreciation of the Turkish Lira, we launched the gold fund in PPS. On the life insurance side, we brought the Unemployment Insurance rider to the foreground as an additional guarantee in Credit Life Insurances, while selling the inflation-protective Modular Life Insurance product.

In the second half of 2019, we followed a growth-oriented strategy and launched strategic projects with our main business partner, ING Bank. With the data analytics study we performed with the NN Group's Data Center in Prague and ING Bancassurance team, we focused on increasing efficiency in our telesales activities by completing propensity modeling on life products. In addition to this, we have launched a pilot project for the sale of Credit Life Insurance in Teknosa stores, ING Bank' largest business partner channel after PTT producing one third of their credit volume. Finally, we have completed the first phases of the development which is focused on digitalization of the sales and after-sales processes of our products in the seamless IT system integration project that we have been working on for two years. Regarding the sales performance of our other sales channels, our agency channel increased the private pension production by 40% compared to the previous year. In addition to this, 65% of the company's total net inflows, which is the most important source in increasing our fund size, were produced by our agency and business partnerships (JV) channels. Last year, we implemented paperless processes for the private pension product in our agency and JV channels to make sales processes more efficient. We have completed the necessary developments for paperless life insurance sales in 2019 and we will implement it next year.

Another of the most important developments of 2019 is that we started to operate in the Complementary Health Insurance business line. The strategic partnership we started with the Union of Chambers and Commodity Exchanges of Turkey (TOBB) has shaped our operation this field. Our product, which we designed specifically with Swiss RE within the scope of this partnership, will allow all members of TOBB, including the SMEs, to receive healthcare services in the comfort of a private hospital within the network of contracted hospitals. In addition to this, we actively started to offer individual Complementary Health Insurance to our customers through our other sales channels.

I would like to thank our esteemed colleagues who have played an active role in achieving this great success despite the difficult year and who have never compromised on their efforts. 2019 has been a year where the value of growth potential of the insurance and pension in Turkey has been understood once again. As the NN family, we will continue to invest in Turkey and to play an active role in the market.

Kind regards,





# Developments in the Sector in 2019

By year-end 2019, the total number of participants in the Individual Pension System exceeded 6,8 million, with a total amount of participants' funds more than TRY 119,1 billion. The number of participants decreased by 0,1% while the total assets under management increased by 34% compared to year-end 2018. The total contribution of the participants increased by 16% to TRY 67.8 billion.

According to Pension Monitoring Center (EGM) data dated 31.12.2019, NN Hayat ve Emeklilik had increased its:

- Total number of contracts and certificates to 304.147
- Number of participants to 256.102
- Total contributions to TRY 2.477.564.819
- The total assets under management to TRY 3.634.804.656 (excluding state contribution).

These figures indicate respective growth rates of 8.7% in total contributions and 34% in total fund size compared to year-end 2018. According to 2019 year-end market figures, NN Hayat ve Emeklilik's market shares are as follows:

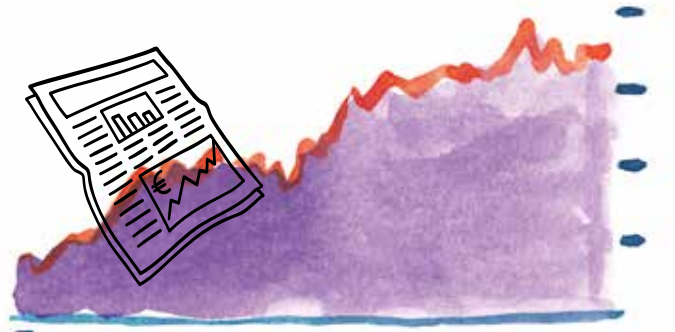
Market Shares	Criteria
3,7%	Number of participants
3,7%	Number of contracts and certificates
3,7%	Contribution
3,7%	Amount directed to investment
3,6%	Fund size

By year-end 2019, total number of participants who have joined the Private Pension System with Auto Enrollment and continue to stay in the system is 4,7 million, and the total fund amount of participants is TRY 4,68 billion. According to Pension Monitoring Center (EGM) data dated 31.12.2019, NN Hayat ve Emeklilik has:

- 165.765 participants
- A total contributions of TRY 82.682.929
- A fund size of TRY 98.255.822 for the employees.

In life insurances, the premium production in the sector in 2019 has increased by 64% compared to 2018, while NN Hayat ve Emeklilik's premium production has increased by 49%.

Sector Premium Production		
2019	12.113.245.629 TL	
2018	7.510.851.535 TL	
	NN Premium Production	Market Share
2019	256.013.014 TL	2,1%
2018	176.980.081 TL	2,3%



# Market Overview

## Turkish Economy

Economy in Turkey saw two seasons, Autumn and Summer, in 2019. The first half of 2019 is like Autumn, there was concern that escalated geo-political tensions with US and Russia, and macroeconomic balance fight could cause another turbulence. By the end of G20 summit in June, the second half of 2019 is like Summer. In the second half, geo-politic tensions eased and Turkey established a balance strategy in foreign relations especially with US and Russia. On the macroeconomic area, with the help of base effect and entering seasonal products into the market, food inflation showed normalization and by taking some measures related with currency operations USD/TRY volatility decreased. Normalizations in inflation and volatility of USD/TRY helped CBRT to cut rates quickly. Rate cuts revived the credit channels and so household consumption. On the other hand, from August meeting FED cut rates three times consecutively which support the global market sentiment.

After serious macroeconomic and geo-political imbalances, especially started on May 2018 and peaked on August 2018, in Turkey, economy suffered from high inflation caused by both supply shock in food sector, especially unprocessed fresh fruits and vegetables, and depreciation in TRY and suffered from recession between 18Q3 and 19Q1. This period is a typical stagflation. YoY shrinking in the economy continues from 18Q3 to 19Q2. In 19Q3, there are some signs and expectations that with the help of low base effect and developments in macro statistics stems from net export and tourism and a little bit consumption. In 19Q4, increasing effectiveness of monetary policy transition through rate cuts provided more loans to consumers which was the main driver of GDP growth. The authorities managed to somewhat stabilize the currency after currency turbulence in 2018, but this came at a high price, through interest rates, which increased to very high levels. As a result, the private sector started to deleverage, which is a necessary correction needed to correct the debt overhang.

After measures taken by both monetary authority and supervisory regulatory such as rising interest rates and opening swap mechanism in domestic market, foreign exchange volatility decreased. Therefore, pass through effect of depreciation in TRY vanished slowly. On the other hand, supply problems vanished and with the help of high base effect inflation started to decrease by October. 2019 YoY inflation actualized at 11.8%.

Normalizing in inflation and low interest rate environment in global economy, FED cut the policy rate three times after July 2019 and ECB cut the policy rate deeper in negative territory and started new QE, CBRT cut the policy rate 1200 bp. Reflection of macroeconomic balancing showed itself especially in yield curve and USD/TRY parity. 13 week annualized loan growth positive for both public and private banks which is a sign of getting strong in consumption.

By the way, on the geo-political side, Turkey and US relations fluctuated but both sides try not to break ties with other. Turkey and Russia relations, on the other hand, were more stable.

Stabilizing in macroeconomic and geo-political conditions helps CDS to decrease 282 in 2019.

Stabilization period and macroeconomic measures help to stabilize savings and to prevent panic movements of households who are looking for additional money in order to balance their consumption against decreased income.

### **Expectations for 2020 according to New Economy**

**Program: CPI ~8.5%; GDP ~5%.**

## Global Economy

In the first three quarters of the 2019, escalation in trade war between US and China put pressure on global growth. In the last quarter of the year, calming down in geo-political and trade tensions and FED rate cuts support market sentiment.

US economy dissociated from other developed economies. Strong job market and service sector provided moderate consumption demand and tariffs implemented on import from China provided net export contribution to GDP. On the other hand, FED's wait&see monetary policy could withstand until August FOMC meeting. Escalated trade war tensions and its effects on global economy pushed FED to consider financial stability. Thus, FED cut policy rate 3 times from August meeting consecutively. FED support and Phase 1 deal support the market sentiment in the second half of the year.

On the EU side, Brexit and macroeconomic concerns put pressure on market sentiment. Brexit period ended with a deal after replacement of Johnson with May.

Slowing in Chinese economy affected European economy through manufacturing. Monetary transmission mechanism did not work properly so inflation could not converge target in foreseeable time period.

## Local Financial Markets

In the first quarter of the year, BIST100 Index rose to ~106 K level. After escalation of local and global geo-political uncertainties, index decreased to 84k level which was the level seen in 2018. After this level, balancing in geo-political and macroeconomic conditions index again enforced the ~106k level which became an important resistance level for the equity market. Positive growth expectations and retreat in CDS level supported the sentiment and positive valuations for 2020 both for local companies and global markets helped to break the resistance level and index closed the year near 115 K. In 2019, total foreign buy in equity market was 421 mln USD while they sold 907 mln USD in 2018. Foreigners' share in stock market was ~60% at the end of 2019 and ~63% at the end of 2018.

In the bond market, by the stabilization of inflation and suitable global conjuncture CBRT cut rates 1200 bp totally in the second half of the market. After May 2019, bond yields came down and bond prices rose. Benchmark bond yield was 19,69% at the end of 2018 and 10,99% at the end of the 2019. However, there were no foreign demand to bond market. Foreigners were net seller both in 2018 and in 2019 by 906 mln USD and 3121 mln USD respectively. Therefore, we understood that demand came from local especially from mutual and pension funds.

In 2018, USD/TRY parity rose 39,5% and closed at 5,2840 in 2019, foreign exchange volatility decreased by the help of retreating in CDS and measures taken by authorities in FX market. Time weighted conditional variance of USD/TRY parity converged to unconditional variance. Therefore, USDTRY parity closed at 5,9491 in 2019.







# The Success Criteria for Pension Mutual Funds, Fund Performance and Fund Limitations

Fund Name	Fund Code	1-Year Return (%)	3-Year Return (%)	5-Year Return (%)
NN Hayat ve Emeklilik A.Ş Bonds and Bills PMF	IEG	26,3	46,4	69,5
NN Hayat ve Emeklilik A.Ş. Variable PMF	IEA	18,7	79,2	141,6
NN Hayat ve Emeklilik A.Ş Equity PMF	IEH	33,4	56,4	50,6
NN Hayat ve Emeklilik A.Ş. Composite PMF	IEK	33,3	57,9	71,0
NN Hayat ve Emeklilik A.Ş. Money Market PMF	IER	20,9	58,7	88,9
NN Hayat ve Emeklilik A.Ş. Balanced Variable PMF	IEE	23,8	53,0	74,6
NN Hayat ve Emeklilik A.Ş. Standard PMF	IEB	27,0	42,7	65,1
NN Hayat ve Emeklilik A.Ş. Dynamic Variable PMF	IEF	22,5	45,3	58,7
NN Hayat ve Emeklilik A.Ş. Contribution PMF	IGE	36,2	51,7	76,3
NN Hayat ve Emeklilik A.Ş. Initial Participation PMF	NHK	19,4	-	-
NN Hayat ve Emeklilik A.Ş. Initial PMF	NHB	20,0	-	-
NN Hayat Ve Emeklilik A.Ş. Gold PMF	NHA	30,4	-	-
NN Hayat Ve Emeklilik A.Ş. Qinvest Asset Man.Conservative Variable PMF	NHM	23,7	-	-
NN Hayat Ve Emeklilik A.Ş. Aggressive Variable PMF	NHN	29,9	-	-
NN Hayat ve Emeklilik A.Ş. AES Aggressive Variable PMF	NHG	28,6	-	-
NN Hayat ve Emeklilik A.Ş. AES Balanced Variable PMF	NHI	22,8	-	-
NN Hayat ve Emeklilik A.Ş. AES Dynamic Variable PMF	NHL	25,1	-	-
NN Hayat ve Emeklilik A.Ş. AES Dynamic Participation Variable PMF	NHH	27,5	-	-
NN Hayat ve Emeklilik A.Ş. AES Participation Standard PMF	NHR	23,8	-	-
NN Hayat ve Emeklilik A.Ş. AES Standard PMF	NHO	20,8	-	-
NN Hayat ve Emeklilik A.Ş AES Aggressive Participation Variable PMF	NHC	29,1	-	-
NN Hayat ve Emeklilik A.Ş AES Conservative Participation Variable PMF	NHF	22,1	-	-

## NN Hayat ve Emeklilik Bonds and Bills Pension Mutual Fund

Fund benchmarking criterion: 65% BIST-KYD DIBS 547-Day Index + 20% BIST-KYD ÖSBA Fixed Index + 10% BIST-KYD Repo (Gross) Index + 5% BIST-KYD 1-Month Deposit Index.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Public and Private Sector Bonds and Bills and Reverse Repo Related to Government Bonds and Bills	80	100
Public and Private Sector Foreign Bonds and Bills	0	20
Lease Certificates issued by the domestic public and private sector (TRY/Foreign Exchange)	0	20
Domestic Partnership Shares	0	10
Reverse Repo Transactions (Stock Exchange and Over the Counter)	0	10
Takasbank Monetary Market and Domestic Organized Monetary Market Transactions	0	10
Time Deposit and Participation Account (Foreign Exchange/TRY)	0	20
Gold and Precious Metals and Capital Market Instruments Based on These	0	20
Mutual Fund and Share	0	20
Real Estate Property Based Capital Market Instruments	0	20
Asset Based Securities	0	20
Revenue Sharing Certificates	0	20
Capital Market Instruments of Venture Capital Investment Trusts, Participation Shares issued by Venture Capital Mutual Funds	0	20
Broker and Partnership Warrants	0	15

## NN Hayat ve Emeklilik Variable Pension Mutual Funds

Fund benchmarking criterion: 30% BIST-KYD Eurobond USD (TRY) Index + 30% KYD Eurobond EUR (TRY) Index + 11% KYD DIBS 182- Day Index + 10% BIST-KYD Repo (Gross) Index + 10% BIST-KYD 1-Month Deposit USD Index + 9% BIST-KYD 1-Month Deposit EUR Index.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Government Securities	0	20
Government Foreign Bonds and Bills	40	75
Domestic Private Sector Bonds and Bills (*)	0	20
Private Sector Foreign Bonds and Bills	0	20
Reverse Repo (Stock Exchange and Over the Counter)	0	10
Takasbank Monetary Market and Domestic Organized Monetary Market Transactions	0	10
Time Deposit / Demand Deposit, Participation Account (Foreign Exchange/TRY)	0	25
Gold and Precious Metals and Capital Market Instruments Based on These	0	20
Real Estate Certificates	0	20
Asset Based Securities	0	20
Revenue Sharing Certificates	0	20
Mutual Funds Participation Shares, Venture Capital Mutual Fund Participation Shares and Venture Capital Mutual Fund Shares	0	20
Lease Certificates	0	20
Broker and Partnership Warrants	0	15

(\*) Fund may be included to portfolio provided that the private sector bonds and bills, which are not traded in the stock market, do not exceed 10% of the fund portfolio value.

## NN Hayat ve Emeklilik Equity Pension Mutual Fund

Fund benchmarking criterion: 90% BIST 100 Index + 10% BIST-KYD Repo (Gross) Index.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Domestic Partnership Shares	80	100
Government Securities	0	20
Government Foreign Bonds and Bills	0	20
Domestic Private Sector Bonds and Bills (*)	0	20
Reverse Repo Transactions (Stock Exchange and Over the Counter)	0	10
Takasbank Monetary Market and Domestic Organized Monetary Market Transactions	0	10
Time Deposit and Participation Account (Foreign Exchange/TRY)	0	20
Gold and Precious Metals and Capital Market Instruments Based on These	0	20
Mutual Fund and Share	0	20
Real Estate Property Based Capital Market Instruments	0	20
Foreign Exchange Indexed Domestic Bonds and Bills	0	20
Asset Based Securities	0	20
Revenue Sharing Certificates	0	20
Capital Market Instruments of Venture Capital Investment Trusts, Participation Shares issued by Venture Capital Mutual Funds	0	20
Broker and Partnership Warrants	0	15

(\*) Fund may be included to portfolio provided that the private sector bonds and bills, which are not traded in the stock market, do not exceed 10% of the fund portfolio value.



## NN Hayat ve Emeklilik Composite Pension Mutual Fund

Fund benchmarking criterion: 45% BIST 100 Index + 5% BIST-KYD DIBS Full Index + 10% BIST-KYD Repo (Gross) Index + 40% BIST-KYD DIBS 547-day Index.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Domestic Partnership Shares	30	60
Bonds and Bills	20	70
Domestic Private Sector Bonds and Bills (*)	0	20
Reverse Repo Transactions (Stock Exchange and Over the Counter)	0	10
Takasbank Monetary Market and Domestic Organized Monetary Market Transactions	0	10
Time Deposit and Participation Account (Foreign Exchange/TRY)	0	20
Gold and Precious Metals and Capital Market Instruments Based on These	0	20
Mutual Fund and Share	0	20
Real Estate Property Based Capital Market Instruments	0	20
Asset Based Securities	0	20
Revenue Sharing Certificates	0	20
Capital Market Instruments of Venture Capital Investment Trusts, Participation Shares issued by Venture Capital Mutual Funds	0	20
Broker and Partnership Warrants	0	15
Capital Market Instruments of Venture Capital Investment Trusts, Participation Shares issued by Venture Capital Mutual Funds	0	20
Broker and Partnership Warrants	0	15

## NN Hayat ve Emeklilik Balanced Variable Pension Mutual Fund

Fund's threshold value is 100% BIST-KYD Repo (Gross) Index.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Domestic Partnership Shares	0	100
Government Securities	0	100
Public and Private Sector Foreign Bonds and Bills (Eurobond)	0	30
Domestic Private Sector Bonds and Bills (*)	0	100
Reverse Repo Transactions (Stock Exchange and Over the Counter)	0	10
Takasbank Monetary Market and Domestic Organized Monetary Market Transactions	0	10
Time Deposit and Participation Account (Foreign Exchange/TRY)	0	25
Gold and Precious Metals and Capital Market Instruments Based on These	0	20
Mutual Fund and Share	0	20
Real Estate Property Based Capital Market Instruments	0	20
Foreign Exchange Indexed Domestic Bonds and Bills	0	20
Asset Based Securities	0	20
Revenue Sharing Certificates	0	20
Capital Market Instruments of Venture Capital Investment Trusts, Participation Shares issued by Venture Capital Mutual Funds	0	20
Broker and Partnership Warrants	0	15

(\*) Fund may be included to portfolio provided that the private sector bonds and bills, which are not traded in the stock market, do not exceed 10% of the fund portfolio value.

## NN Hayat ve Emeklilik Standard Pension Mutual Funds

Fund benchmarking criterion: 35% BIST-KYD DIBS 547-Day Index + 10% BIST-KYD 100 Income Index + 10% BIST-KYD 1-Month Deposit TRY Index.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Bonds and bills, revenue sharing certificates or leasing certificates in Turkish Lira issued by the Ministry	60	90
Bonds and bills issued by the banks or other issuers, which have an “investable” credit rating, provided that they are in Turkish Lira currency and traded in the stock exchange; lease certificates, securities with lien and asset guarantee, securities based on lien and asset, and promise contracts which the fund user is the banks or itself or its fund user has “investable” credit rating, provided that they are in Turkish Lira currency and traded in the stock exchange	0	30
Stocks in participation indexes that are calculated by BIST 100, BIST Sustainability Index, BIST Corporate Management Index and Borsa Istanbul A.Ş.	10	30
Time Deposit/ Participation Account in Turkish Lira (TRY)*	0	25
Reverse Repo, Takasbank Monetary Market and Domestic Organized Monetary Market Transactions	0	2

\* Amount to be evaluated in a single bank may not exceed 6% of the fund portfolio.

## NN Hayat ve Emeklilik Dynamic Variable Pension Mutual Fund

Fund's threshold value is 100% BIST-KYD Repo (Gross) Index.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Domestic Partnership Shares	0	100
Government Securities	0	100
Public and Private Sector Foreign Bonds and Bills (Eurobond)	0	30
Domestic Private Sector Bonds and Bills (*)	0	100
Reverse Repo Transactions (Stock Exchange and Over the Counter)	0	10
Takasbank Monetary Market and Domestic Organized Monetary Market Transactions	0	10
Time Deposit and Participation Account (Foreign Exchange/TRY)	0	25
Gold and Precious Metals and Capital Market Instruments Based on These	0	20
Mutual Fund and Share	0	20
Real Estate Property Based Capital Market Instruments	0	20
Foreign Exchange Indexed Domestic Bonds and Bills	0	20
Asset Based Securities	0	20
Revenue Sharing Certificates	0	20
Capital Market Instruments of Venture Capital Investment Trusts, Participation Shares issued by Venture Capital Mutual Funds	0	20
Broker and Partnership Warrants	0	15

(\*) Fund may be included to portfolio provided that the private sector bonds and bills, which are not traded in the stock market, do not exceed 10% of the fund portfolio value.

## NN Hayat ve Emeklilik Money Market Pension Mutual Fund

Fund benchmarking criterion: 35% BIST-KYD DIBS 91-Day Index + 60% BIST-KYD Repo (Gross) Index + 5% BIST-KYD 1-Month Deposit Index.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Government Securities	25	100
Domestic Private Sector Bonds and Bills (*)	0	75
Reverse Repo and Over the Counter Reverse Repo	0	75
Takasbank Monetary Market and Domestic Organized Monetary Market Transactions	0	75
Time Deposit and Participation Account (TRY)	0	25

(\*) Fund may be included to portfolio provided that the private sector bonds and bills, which are not traded in the stock market, do not exceed 10% of the fund portfolio value.

## NN Hayat ve Emeklilik Contribution Pension Mutual Fund

Fund benchmarking criterion: 80% BIST-KYD DIBS Long Index + 10% BIST-KYD 1-Month Deposit TRY Index + 10% BIST-100 Income Index.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Revenue sharing certificates or lease certificates in bonds and bills in Turkish Lira currency issued by the Ministry or Undersecretariat of Treasury's Asset Leasing Companies	70	90
Time Deposit or Participation Account in Turkish Lira	0	20
Bonds and bills issued by the banks in Turkish Lira currency for being traded in the stock exchange, lease certificates issued by asset leasing companies, which the resource establishment is the banks, guaranteed securities or securities based on asset or lien with an investable level rating given by the rating agencies accredited by the Capital Markets Board	0	15
Stocks in participation indexes that are calculated by BIST 100 Index, BIST Sustainability Index, BIST Corporate Index and Borsa Istanbul A.Ş.	10	15
Reverse repo carried out in BIST Repo-Reverse Repo Market, stock exchange and non-stock exchange promise contracts, and Takasbank and/or domestic monetary market transactions	0	5



## NN Hayat ve Emeklilik Gold Pension Mutual Fund

Fund benchmarking criterion: 95% BIST-KYD Gold Price Weighed Average Index,+ %5 BIST-KYD 1-Month Profit Share TRY Index.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Gold and Gold Based Capital Market Instruments	80	100
Other Precious Metals	0	20
Revenue Sharing Certificates + Lease Certificates in TRY/Foreign Exchange Issued by the Undersecretariat of Treasury	0	20
Participation Account (Foreign Exchange/TRY)	0	20
Gold Based Participation Accounts	0	20
Partnership Shares based on Participation Principles	0	20

# **NN Hayat ve Emeklilik** **Qinvest Portfolio Asset Man.Conservative Variable Pension** **Mutual Fund**

Fund's threshold value is 100% BIST-KYD Repo (Gross) Index.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Domestic Partnership Shares	0	100
Government Securities	0	100
Government Foreign Bonds and Bills	0	20
Domestic Private Sector Bonds and Bills (*)	0	100
Reverse Repo Transactions (Stock Exchange and Over the Counter)	0	10
Takasbank Monetary Market and Domestic Organized Monetary Market Transactions	0	10
Repo (Stock Exchange and Over the Counter)	0	10
Time Deposit and Participation Account (Foreign Exchange/TRY)	0	25
Gold and Precious Metals and Capital Market Instruments Based on These	0	20
Real Estate Certificates	0	20
Foreign Exchange Indexed Domestic Bonds and Bills	0	20
Asset Based Securities	0	20
Revenue Sharing Certificates	0	20
Mutual Funds Participation Shares, Venture Capital Mutual Fund Participation Shares and Venture Capital Mutual Fund Shares	0	20
Broker and Partnership Warrants	0	15

(\*) Fund may be included to portfolio provided that the private sector bonds and bills, which are not traded in the stock market, do not exceed 10% of the fund portfolio value.

## NN Hayat ve Emeklilik Aggressive Variable Pension Mutual Fund

Fund's threshold value is 100% BIST-KYD Repo (Gross) Index.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Domestic Partnership Shares	0	100
Government Securities	0	100
Government Foreign Bonds and Bills	0	20
Domestic Private Sector Bonds and Bills (*)	0	100
Reverse Repo Transactions (Stock Exchange and Over the Counter)	0	10
Takasbank Monetary Market and Domestic Organized Monetary Market Transactions	0	10
Repo (Stock Exchange and Over the Counter)	0	10
Time Deposit and Participation Account (Foreign Exchange/TRY)	0	25
Gold and Precious Metals and Capital Market Instruments Based on These	0	20
Real Estate Certificates	0	20
Foreign Exchange Indexed Domestic Bonds and Bills	0	20
Asset Based Securities	0	20
Revenue Sharing Certificates	0	20
Mutual Funds Participation Shares, Venture Capital Mutual Fund Participation Shares and Venture Capital Mutual Fund Shares	0	20
Broker and Partnership Warrants	0	15

(\*) Fund may be included to portfolio provided that the private sector bonds and bills, which are not traded in the stock market, do not exceed 10% of the fund portfolio value.

## NN Hayat ve Emeklilik Initial Participation Pension Mutual Fund

Fund benchmarking criterion: 60% BIST-KYD 1-Month Profit Share (TRY) Index + 40% BIST-KYD Public Lease Certificate Index.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Lease certificates with maximum 184-day maturity or maximum 184 days remaining to maturity date in Turkish Lira as traded in TRY participation accounts* and in the stock exchange where the fund users are the banks	60	100
Revenue sharing certificates and/or lease certificates issued in Turkish Lira by the Ministry with maximum 184-day maturity or maximum 184 days remaining to maturity date, securities based on lien and asset in securities with a lien and asset guarantee according to participation principles with maximum 184-day maturity or maximum 184 days remaining to maturity date	0	40
Promise contracts	0	10

\* Amount to be evaluated in a single bank, however may not exceed 35% of the fund portfolio.

## NN Hayat ve Emeklilik Initial Pension Mutual Fund

Fund benchmarking criterion: 20% BIST-KYD Repo (Gross) Index + 20% BIST-KYD DIBS 91-Day Index + 60% BIST-KYD 1-Month Deposit Index.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Time Deposit and/or Participation Account in Turkish Lira	60	80
Bonds and bills, revenue sharing certificates and/or lease certificates issued by the Ministry with maximum 184-day maturity and/or maximum 184 days remaining to maturity date	20	40
In reverse repo with maximum 184-day maturity	0	10
In Takasbank and/or domestic organized monetary market transactions, promise contracts with maximum 184-day maturity	0	10
In securities with lien and asset guarantee, securities based on lien and asset with maximum 184-day maturity and/or maximum 184 days remaining to maturity	0	20

\* For the relevant fund, the amount to be evaluated in a single bank, however, may not exceed 10% of the fund portfolio.

## NN Hayat ve Emeklilik AES Aggressive Variable Pension Mutual Fund

Fund's threshold value is 100% BIST-KYD 1-Month Deposit (TRY) Index + 3%.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Domestic Partnership Shares	0	100
Government Securities	0	100
Government Foreign Bonds and Bills	0	20
Domestic Private Sector Bonds and Bills	0	100
Domestic Private Sector Bonds and Bills (Over the Counter)	0	10
Reverse Repo Transactions	0	10
Reverse Repo Transactions (Over the Counter)	0	10
Takasbank Monetary Market and Domestic Organized Monetary Market Transactions	0	10
Time Deposit and Participation Account (Foreign Exchange/TRY)	0	25
Gold and Precious Metals and Capital Market Instruments Based on These	0	20
Mutual Fund and Share	0	20
Real Estate Certificates	0	20
Foreign Exchange Indexed Domestic Bonds and Bills	0	20
Asset Based Securities	0	20
Revenue Sharing Certificates	0	20
Capital Market Instruments of Venture Capital Investment Trusts, Venture Capital Mutual Funds Participation Shares	0	20
Warrants	0	15



## NN Hayat ve Emeklilik AES Balanced Variable Pension Mutual Fund

Fund's threshold value is 100% BIST-KYD 1-Month Deposit (TRY) Index + 1.5%

ASSET & TRANSACTION TYPE	Min. %	Max. %
Domestic Partnership Shares	0	100
Government Securities	0	100
Government Foreign Bonds and Bills	0	20
Domestic Private Sector Bonds and Bills	0	100
Domestic Private Sector Bonds and Bills (Over the Counter)	0	10
Reverse Repo Transactions	0	10
Reverse Repo Transactions (Over the Counter)	0	10
Takasbank Monetary Market and Domestic Organized Monetary Market Transactions	0	10
Time Deposit and Participation Account (Foreign Exchange/TRY)	0	25
Gold and Precious Metals and Capital Market Instruments Based on These	0	20
Mutual Fund and Participation Shares	0	20
Real Estate Certificates	0	20
Foreign Exchange Indexed Domestic Bonds and Bills	0	20
Asset Based Securities	0	20
Revenue Sharing Certificates	0	20
Capital Market Instruments of Venture Capital Investment Trusts, Venture Capital Mutual Funds Participation Shares	0	20
Warrants	0	15

## NN Hayat ve Emeklilik AES Dynamic Variable Pension Mutual Fund

Fund's threshold value is 100% BIST-KYD 1-Month Deposit (TRY) Index + 2%.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Domestic Partnership Shares	0	100
Government Securities	0	100
Government Foreign Bonds and Bills	0	20
Domestic Private Sector Bonds and Bills	0	100
Domestic Private Sector Bonds and Bills (Over the Counter)	0	10
Reverse Repo Transactions	0	10
Reverse Repo Transactions (Over the Counter)	0	10
Takasbank Monetary Market and Domestic Organized Monetary Market Transactions	0	10
Time Deposit and Participation Account (Foreign Exchange/TRY)	0	25
Gold and Precious Metals and Capital Market Instruments Based on These	0	20
Mutual Fund and Participation Shares	0	20
Real Estate Certificates	0	20
Foreign Exchange Indexed Domestic Bonds and Bills	0	20
Asset Based Securities	0	20
Revenue Sharing Certificates	0	20
Capital Market Instruments of Venture Capital Investment Trusts, Venture Capital Mutual Funds Participation Shares	0	20
Warrants	0	15

# **NN Hayat ve Emeklilik** **AES Dynamic Participation Variable Pension Mutual Fund**

Fund's threshold value is 100% BIST-KYD 1-Month Profit Share (TRY) Index + 2%.

<b>ASSET &amp; TRANSACTION TYPE</b>	<b>Min. %</b>	<b>Max. %</b>
Turkish Partnership Shares based on Participation Banking Principles	0	100
Foreign Partnership Shares based on Participation Banking Principles	0	40
Participation Accounts (TRY/Foreign Exchange)	0	25
Public Lease Certificates (TRY/Foreign Exchange)	0	100
Private Sector Lease Certificates (TRY/Foreign Exchange)	0	100
Foreign Lease Certificates (Foreign Exchange)	0	20
Gold and precious metals and capital market instruments based on these (TRY/Foreign Exchange)	0	50
ABS (Asset Based Securities) Based on Participation Banking Principles (TRY/Foreign Exchange)	0	20
Income-indexed certificates (TRY/Foreign Exchange)	0	20
Revenue sharing certificates (TRY/Foreign Exchange)	0	20
Mutual Fund Participation Shares Based on Participation Banking Principles, Foreign Mutual Fund Shares, Stock Exchange Mutual Fund Participation Shares, Real Estate Mutual Fund Participation Shares, Venture Capital Mutual Fund Participation Shares, and Foreign Partnership Shares	0	20
Non-interest based monetary and capital market instruments to be issued by Turkey Wealth Fund A.Ş. (TRY/Foreign Exchange)	0	10
Promise Contracts	0	10

## NN Hayat ve Emeklilik AES Participation Standard Pension Mutual Fund

Fund's threshold value is 100% BIST-KYD 1-Month Profit Share (TRY) Index + 1.5%.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Revenue sharing certificates or leasing certificates in Turkish Lira issued by the Undersecretariat of Treasury	50	90
Venture capital mutual fund participation shares, * real estate mutual fund participation shares, capital market instruments issued by Turkey Wealth Fund and/or by the companies established for investing in infrastructure projects, other capital market instruments considered as appropriate by the Undersecretariat of Treasury	10	50
Lease certificates issued by issuers, which the resource establishment is the banks, or by other issuers, where itself or the fund user has an investable level rating, provided that they are traded in TRY and in stock exchange; partnership shares in participation indexes calculated by Borsa Istanbul A.Ş.; gold and precious metals and capital market instruments based on these; mutual fund participation shares; stock exchange mutual fund participation shares and mutual fund shares; securities with lien and asset warranty; securities based on lien and asset; intermediary and partnership warrant; promise contracts; and other investment instruments considered as appropriate by the Undersecretariat of Treasury	0	30
Participation Account in Turkish Lira**	0	40

\* The amount directed for investment in venture capital investment fund participation shares may not be less than 1% of the total fund portfolio.

It is compulsory to meet this condition until 01.01.2019.

\*\* Minimum 10% of the fund amount directed to investment in participation account is evaluated in participation accounts with a maturity date of 6 months and higher. Amount to be evaluated in a single bank may not exceed 15% of the fund portfolio.

## NN Hayat ve Emeklilik AES Standard Pension Mutual Fund

Fund's threshold value is BIST-KYD 1-Month Profit Share (TRY) Index + 1.5%.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Bonds and bills, revenue sharing certificates or leasing certificates in Turkish Lira issued by the Undersecretariat of Treasury	50	90
Venture capital mutual fund participation shares, * real estate mutual fund participation shares, capital market instruments issued by Turkey Wealth Fund and/or by the companies established for investing in infrastructure projects, other capital market instruments considered as appropriate by the Undersecretariat of Treasury	10	50
Reverse repo; Takasbank monetary market and/or domestic organized monetary market transactions; bonds and bills issued by the banks or other issuers with an investable level rating provided that they are traded in TL and in stock exchange; lease certificates issued by issuers, which the resource establishment is the banks, or by other issuers, where itself or the fund user has an investable level rating, provided that they are traded in TL and in stock exchange; partnership shares in BIST 100 Index, BIST Sustainability Index and participation indexes calculated by Borsa Istanbul A.Ş.; gold and precious metals and capital market instruments based on these; mutual fund participation shares; stock exchange mutual fund participation shares; mutual fund shares; securities with lien and asset warranty; securities based on lien and asset; intermediary and partnership warrant; promise contracts; and other investment instruments considered as appropriate by the Undersecretariat of Treasury	0	30
Reverse repo, Takasbank monetary market and/or domestic organized monetary market transactions	0	2
Time Deposit/ Participation Account in Turkish Lira**	0	40

\* The amount directed for investment in venture capital investment fund participation shares may not be less than 1% of the total fund portfolio.

It is compulsory to meet this condition until 01.01.2019.

\*\* Minimum 10% of the fund amount directed to investment in time deposit/participation account is evaluated in deposit/participation accounts with a maturity date of 6 months and higher. Amount to be evaluated in a single bank may not exceed 6% of the fund portfolio.

## NN Hayat ve Emeklilik AES Aggressive Participation Variable Pension Mutual Fund

Fund's threshold value is 100% BIST-KYD 1-Month Profit Share (TRY) Index + 3%.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Turkish Partnership Shares based on Participation Banking Principles	0	100
Foreign Partnership Shares based on Participation Banking Principles	0	40
Participation Accounts (TRY/Foreign Exchange)	0	25
Public Lease Certificates (TRY/Foreign Exchange)	0	100
Private Sector Lease Certificates (TRY/Foreign Exchange)	0	100
Foreign Lease Certificates (Foreign Exchange)	0	20
Gold and precious metals and capital market instruments based on these (TRY/Foreign Exchange)	0	50
ABS (Asset Based Securities) Based on Participation Banking Principles (TRY/Foreign Exchange)	0	20
Income-indexed certificates (TRY/Foreign Exchange)	0	20
Revenue sharing certificates (TRY/Foreign Exchange)	0	20
Mutual Fund Participation Shares Based on Participation Banking Principles, Foreign Mutual Fund Shares, Stock Exchange Mutual Fund Participation Shares, Real Estate Mutual Fund Participation Shares, Venture Capital Mutual Fund Participation Shares, and Foreign Partnership Shares	0	20
Non-interest based monetary and capital market instruments to be issued by Turkey Wealth Fund (TRY/Foreign Exchange)	0	10
Promise Contracts	0	10



## NN Hayat ve Emeklilik AES Conservative Variable Pension Mutual Fund

Fund's threshold value is 100% BIST-KYD 1-Month Deposit (TRY) Index + 1%.

ASSET & TRANSACTION TYPE	Min. %	Max. %
Domestic Partnership Shares	0	100
Government Securities	0	100
Government Foreign Bonds and Bills	0	20
Domestic Private Sector Bonds and Bills	0	100
Domestic Private Sector Bonds and Bills (Over the Counter)	0	10
Reverse Repo Transactions	0	10
Reverse Repo Transactions (Over the Counter)	0	10
Takasbank Monetary Market and Domestic Organized Monetary Market Transactions	0	10
Time Deposit and Participation Account (Foreign Exchange/TRY)	0	25
Gold and Precious Metals and Capital Market Instruments Based on These	0	20
Mutual Fund and Participation Shares	0	20
Real Estate Certificates	0	20
Foreign Exchange Indexed Domestic Bonds and Bills	0	20
Asset Based Securities	0	20
Revenue Sharing Certificates	0	20
Capital Market Instruments of Venture Capital Investment Trusts, Venture Capital Mutual Funds Participation Shares	0	20
Warrants	0	15



# Activities of the Company and Important Progresses Related to the Activities

## Customer Contact Center - 444 1 666

Customer Contact Center continued to serve with its solution oriented approach to the customers in 2019. In addition to information, campaign and satisfaction calls to the customers, Telesales channel was launched to meet the insurance needs arising in line with the customer life cycle. This channel allowed insuring the existing customers, as well as reaching out to new customers.

Analyses related to increasing the performance in collection, upsell (increasing the contribution) and retention calls, which are existing business activities of the Customer Contact Center, were deepened, and the performance results increase through reporting, campaigns and trainings made a significant contribution to the company's revenues.

The basic principle of NN Hayat ve Emeklilik on customer complaints is based on informing the customer in writing or orally within two business days; and ensuring satisfaction by solving the complaints related to sales latest within five business days and the requests or complaints within seven business days. In 2019, the average time to resolve a request was 1 day.

In order to improve the service we provide to our customers based on NN's "Care, Clear and Commit" values, our operations in 2019 were carried out with a continuous development insight. Actions to solve the requests submitted by our customers through phone and digital channels at the first call have been increased, and actions to increase efficiency have been implemented. The significant increase in customer satisfaction and thus Net Promoter Score (NPS) compared to the previous year is an indicator of our increasing service quality.

## Operation

In line with the changing customer expectations and needs, efforts focusing on automation and efficiency continued in 2019 as in 2018 within the scope of the digital transformation program. In this context, endeavors were made for carrying out the issuance and renewal processes of life insurance branch in digital within the scope of paperless processes. Aiming to adapt to today's customer needs with its efficient, fast, easy and reliable digital processes by differentiating itself from the sector, NN

Hayat ve Emeklilik has implemented projects in line with its innovative vision in order to provide a more efficient experience also to the sales channels through effective workflow activities in operational processes. In the Private Pension branch, some of the operational processes have been fully automated to ensure internal efficiency.

Within the scope of claim assessment and payment operations, a support has been provided to our customers and their heirs in their hard times with a claim payment of TRY 65 million in 2019. In the field of assessing and finalizing the damages, it is aimed to improve the service period of our company above the general sector average, and it is ensured that the outstanding damages are followed up more effectively.

In the Complementary Health Insurance branch actively launched in 2019, our Company aimed to effectively complete all the infrastructure processes required for full automation in this new field of activity by designing the processes for quick implementation of direct customer communication, issuance and demand processes in order to provide an end-to-end digital customer experience. It has introduced a process building model aimed at accelerating the customer transactions with the entire medical institution network particularly for authorization assessment, patient acceptance and authorization conclusion stages.

## Marketing

### • Customer Experience

Aiming to ensure a sustainable growth to all its stakeholders by creating a value, NN Hayat ve Emeklilik builds its strategy on continuously improving the customer experience by offering products and services suitable to the needs of its customers with a transparent and clear approach, and designs the customer experience to offer the best solution to them by closely monitoring its customers.

With this vision digitalization was prioritized in 2019. The mobile app has been updated in order to ensure this. With our user-friendly mobile app, the use rate increased by 25%, and the transactions on mobile app increased by 15%.

In addition to this, "Fon Bilen" app has been launched in order to provide information to the customers on pension funds. Fon Bilen offers a fund package suitable to customer's risk appetite by reviewing the markets. It allows automatically changing the customers' fund distribution according to the fluctuations in the market.

Customer contact is highly valued in order to establish long terms relationships with our customers. We pay attention to improve their experiences and increase their loyalty by regularly sending customised information through e-mails, SMS, and calls. We provide information about the current situation both in writing and verbally to our customers on their anniversary. In possible withdrawing requests, we provide support to them for staying in the system by reminding them about the benefits of system.

The loyalty program offering many privileges and advantages continued according to the customer segment, from house assistance to check-up packages, airport transfers to car rentals, to increase the customer loyalty. Satisfaction rate of our customers using our loyalty program was 87% in 2019. The services will be expanded and continue to be offered to the customers in 2020.

## • Net Promoter Score

NN Hayat ve Emeklilik successfully continues to measure customer satisfaction and loyalty with "Net promoter Score" survey since 2010.

Customer experience is measured by surveys at different points of contact. Customers are asked about their satisfaction during the sales phase, at the online branch, at the call center and on anniversaries, and how much they recommend NN Hayat ve Emeklilik to their families and relatives is measured. After the survey, respondents are interviewed in order to resolve issues they are not satisfied with, and thus turn unhappy customers into happy customers (promoters) who are recommending NN Hayat ve Emeklilik to their friends / relatives. As a result of the surveys in all contact points, an increase of 11% is achieved in 2019 compared to 2018. As in 2019, this survey will continue also in 2020.

## • Corporate Communication and Digital Marketing

Throughout the year 2019, NN Hayat ve Emeklilik has continued its marketing activities with full pace with its motto "Önce Sen" (You Matter)" to increase its brand awareness. NN Hayat and Emeklilik uses an assuring and sincere language in its communications emphasizing that it aims to secure the future of its customers and their beloved ones.

Starting to operate under the name NN Hayat ve Emeklilik as of February 16, 2015, the company's brand recognition level is 31% by the year-end 2019.

In 2019, advertising activities continued at the most popular radio stations of Turkey and broadcasts were made both in terrestrial and online radios in order to increase the brand awareness level.

With the new communication strategy set in 2019, a new campaign was launched in October with the motto "You matter, because there is no other you". With this communication strategy, the motto "You matter" has been further strengthened. Until the end of the year, broadcasts on TV, radio, cinema and digital channels related to the campaign were made. The campaign reached 7,5 million access in TV and cinema, and 9,5 million in radio. In digital channels, there were 21 million views with 13 million unique accesses.

As one of the main sponsors of the CHRO Summit, one of the most important HR Summits in Turkey, in October 2019, we carried out advertising activities on life insurance and private pension. Two different sales organizations were organized for our agencies and business partners from our sales channels, and information was provided related to the company's strategy for 2019.

In 2019, 27 press releases were served and we attended to 9 TV programs. While TV advertising equivalent increased to TRY 612.023 in 2019, the company ranked 4th in the sector according to the number of news in the printed media.

With the "NN is Your Mobile, Here is Your Opportunity!" campaign throughout October, Cinemaximum cinema tickets for 2 people were given to the first 150 people from the PPS customers who entered most to the NN Hayat ve Emeklilik Senin Mobilin app with their ID no and mobile phone number during the month. A different advantage system was offered to customers with the announcement of Fon Bilen at the end of November. Customers were asked to become a member of Fon Bilen by completing the Risk Profile Survey and to approve the fund recommendations by Fon Bilen at certain times according to the market conditions.

## Product Development and Management

In 2019, NN Hayat ve Emeklilik launched projects aimed at supporting the customers in every phase of their lives. With the agile management approach adopted, it has offered fast products and quality services with solutions that care about the customers and meet their needs. Continuing its activities with a customer-oriented service approach, NN Hayat ve Emeklilik improved its product range and services in different segments covering the customer needs in 2019. It has also expanded its digitalization efforts and launched them.

Started its activities in the health insurance field in 2018, NN Hayat ve Emeklilik carried out many research and development activities in 2019 to spread Complementary Health products to wider audiences and laid the foundation for important business partnerships.



## Private Pension Products

Considering the needs of all distribution channels, a new pension plan was designed and offered for sale in 2019.

Attaching importance to accurate management of its customers' funds in highly volatile economic conditions in 2019, NN Hayat ve Emeklilik has provided systems where customers can obtain information about their funds and plans 24/7 and provided a high level management by closely following the fund performances of the existing plans, and offered its customers confidence, high returns, ease of use and a privileged service. The product diversity offered to the customers has increased with the recently launched plan. "Emekliliğim Güvende", "Emekliliğim Güvende VIP", "Mavi Yarınlr", "Mavi Yarınlr VIP", and "Alternatif Plan" individual pension schemes, created by taking customer satisfaction and needs into account, served to this purpose with higher yielding funds.

## Life and Personal Accident Products

NN Hayat ve Emeklilik analyzed customer needs in 2019 with the principle of delivering the products offered to its customers through the right distribution channel to the right customer, and aimed to support its customers in every stage of life by identifying the customer expectations and preferences. In this context, the company supported the customers with the right offers and recommendations, and has made investments to enrich its existing products and services. Being aware of the importance of digital transformation in the financial sector, NN Hayat ve Emeklilik accelerated its digitalization journey in order to increase customer experience and operational efficiency. A new dimension is added to online sales procedures in insurance business with the e-NN platform offering innovative and customer oriented solutions in digital. Thus, the company brought the insurance sales into digital media, and aimed offering an easier, faster and reliable service. In addition to this, in order to improve customer service levels and increase service efficiency, innovative products were designed for this channel in order to expand the use of the telesales channel and ensure its effectiveness. Enriched with additional services that provide protection against accidents and support the health of our customers with the "Turuncu Life" product securing our customers' accounts, the Personal Accident product is offered for sale through this channel. Life and personal accident products in NN Hayat ve Emeklilik's wide product portfolio range are as follows;

- Credit Life products designed specially for each bank channel portfolio,
- Personal Accident products created for the sales channel and covering the needs of customers with various additional benefits,
- Critical Illnesses products "Hastalıkta Sağlıkta" and "Hayata Tutun" enriched with the Additional Quick Diagnosis Service, a first and only in Turkey, by analyzing the customer needs,
- Critical Illnesses products "Hayata Sarıl" and "Sağlıklı Yaşa" designed specially for the channels,

- "Ailem Yanımda", a first and only in the market, offering a coverage against critical diseases both to the customers and their families by identifying the family based approaches of the customers,
- "Sağlıkla Kal", "Sağlıkla Kal Ekstra" and "Ucuz Atlat" offered in digital platform with various advantages such as free of charge ambulance, medical consultancy, check-up services,
- "İstediğin Hayat Sigortası" adopting a "Personal" approach and allowing the persons to create the flexible and modular they want according to their need with eight separate delivery options,
- "Turuncu Hayat" securing the accounts of ING customers,
- "Firma Esas Koruma" specially offered to ING's SME customers,
- "İyi Yaşa" offering a renewal and premium guarantee to the customers for minimum five years by targeting a long-term relationship with the company,
- "Eğitim Güvende" for the customers who want to secure the educational costs of their children or beloved one with additional İzotomi service, a first in the industry,
- "Ekstrem Güvende", started in ING channel in 2019, securing the credit card expenses in case of unemployment.

## Health Insurance Products

In 2018, NN Hayat ve Emeklilik started its operations with the Complementary Health Insurance (TSS) product included in the health branch. Offering "Desteğin Bizden Sigortası" and "Önce Sağlık" products in the Complementary Health Insurance field, NN Hayat ve Emeklilik continues to improve its portfolio.

## Information Technologies

### • Strategic Projects

In 2019, the company focused on projects which are the prioritized topics for the business units and which will provide a financial benefit. With these projects, the new product studies can be divided as process improvement, efficiency increase and digitalization projects. By taking a new approach to the reporting structure within the company, the entire report structure has been reviewed. The required dashboards have been turned into reports with detailed breakdown which the end user can prepare on their own.

The BPM (Business Process Management) platform was positioned in NN both to increase the efficiency and to move more processes to the software level in the future. Company also focused on paperless processes to facilitate the production process and to increase the efficiency. The production and renewal processes set by the business units in health and life products have been completely reorganized as paperless. With the increase in efficiency, the costs arising from the use of paper have been significantly reduced.

In the complementary health project, developments that offer sales with city based pricing have been implemented and a more stable environment has been ensured through system improvements.

### • Regulation Studies

In 2019, there have been regulatory changes in several topics, and therefore an agile team has been established that will focus solely on regulation. Business units and IT teams started operating the agile processes together. The teams started to perform the regulation changes and apply them to the system according to the given priorities.

### • New Integrations

Strategically real-time integrations are where NN Hayat ve Emeklilik is always strong. These integrations continued in 2019 and the items related to 2019 were completed within the scope of the ING Full Integration project.

System development and integrations of the ROP product were realized and real-time production was made through Burgan Bank.





# The Assent for the Annual Report





## CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Shareholders of NN Hayat ve Emeklilik Anonim Şirketi

### Opinion

We have audited the annual report of NN Hayat ve Emeklilik Anonim Şirketi (the "Company") for the period between 1 January 2019 and 31 December 2019, since we have audited the complete set financial statements for this period.

In our opinion, the financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent, in all material respects, with the audited complete set of financial statements and information obtained during the audit and provides a fair presentation.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA") and the insurance legislation. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Annual Report* section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Auditor's Opinion on Complete Set of Financial Statements

We have expressed an unqualified opinion on the complete set of financial statements of the Company for the period between 1 January 2019 and 31 December 2019 on 13 March 2020.

### **Board of Directors' Responsibility for the Annual Report**

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Regulation On Financial Structures Of Insurance, Reinsurance And Pension Companies ("the Communiqué) published in the Official Journal dated 7 August 2007 and No. 26606, the Company's management is responsible for the following regarding the annual report:

a) The Company's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.

b) The Company's management prepares its annual report in such a way that it reflects the operations of the year and the financial position of the Company accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Company's financial statements. The annual report shall also clearly indicate the details about the Company's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.

c) The annual report also includes the matters below:

- Significant events occurred in the Company after the reporting period,
- The Company's research and development activities.
- Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

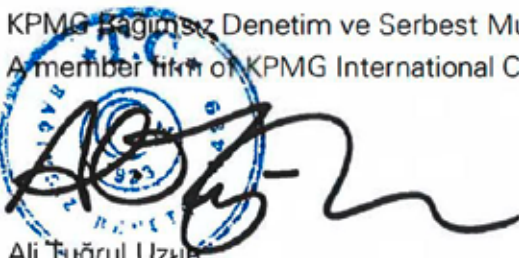
When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

### **Auditor's Responsibility for the Audit of the Annual Report**

Our objective is to express an opinion on whether the financial information included in the annual report in accordance with the TCC and the Communiqué and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent with the audited financial statements of the Company and the information obtained during the audit and give a true and fair view and form a report that includes this opinion.

We conducted our audit in accordance with Standards on Auditing issued by POA and the insurance legislation. These standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company are consistent with the financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of KPMG International Cooperative



Ali Tuğrul Uzun  
Engagement Partner

13 March 2020  
Istanbul, Turkey



# Information on the Management

### Board of Directors

#### **John Thomas McCarthy**

##### **Chairman of the Board of Directors**

John Thomas McCarthy has bachelor's degree in German and Economy from Tufts University, and master's degree in Germanistic from Ebenhard Karls University and Tufts University, and master's degree in Finance from Babson College. McCarthy has worked as the General Manager in State Street Bank GmbH from 1971 to 1975. After that, he worked as the Vice President and Senior Vice President in New York, London and Bahrain in American Express Bank Ltd. from 1976 to 1998. He worked as the Vice General Manager in Koç-American Bank A.T. from 1989 to 1990. He worked as the General Manager in ING Bank N.V. from 1991 to 2007. He continues working as the Chairman of Board of Directors in ING Bank A.Ş. since 2008.

#### **Marius Daniel Popescu**

##### **Board of Directors Vice Chairman - CEO**

After graduating from Business Administration - Economics Department of The Bucharest University of Economics, Popescu has received his MBA degree in 2001 from Saint Mary's University. Popescu has completed the Harvard Business School General Management Program in 2012. Marius Popescu has started his business career as a Financial Analyst in General Motors at Canada in 2001. He joined NN as Investment Manager at NN Romania in 2005. He continued his career as CEO in NNIP Romania and then as CFO, CSO and CEO in NN Romania. Popescu continues as the the Board of Directors Vice Chairman and CEO of NN Hayat ve Emeklilik Turkey as of April 1, 2017.

#### **Hüseyin Kerem Özdağ**

##### **Board of Directors Member - Chief Financial Officer**

After graduating from Department of Statistics of Hacettepe University in 1998, Hüseyin Kerem Özdağ has started his business career as Assistant Actuary in T.R. Undersecretariat of Treasury Insurance Audit Committee during the same year, and continued as insurance audit actuary. H. Kerem Özdağ received his master degree from the Actuary Department of Boston University during this period and after acting as the Actuary Manager in Ernst&Young and Sampo Japan Turkey, he acted as the Assistant Secretary General in the Insurance Association of Turkey. Özdağ served as the Chief Risk Officer of NN Hayat ve Emeklilik Turkey from October 2017 to July 2019, and continues as Board of Directors Member and Chief Financial Officer as of August 1, 2019..

#### **Mustafa Ali SU**

##### **Board Member**

Mustafa Ali Su has graduated from the Department of Business Administration of Administrative Sciences Faculty in the Middle East Technical University. Started his career as an Intern Assistant Inspector in the Inspection Committee of Türkiye İş Bankası A.Ş. in 1976, Mustafa Ali Su has appointed as Assistant Inspector in 1977, Inspector in 1982, Assistant Manager of Organization Directorate in 1986, IT Group Manager in 1988, Credit Cards Manager in 1990, and Organization Manager in 1992. He was put in charge with the new Head Office Construction Project of Türkiye İş Bankası A.Ş. as of September 1996, and has been appointed as the General Manager of Anadolu Hayat Emeklilik A.Ş. on 26.04.2001. Mustafa Ali Su continued at this position until 31.01.2006, and then appointed as the General Manager of Anadolu Sigorta on 01.02.2006.

Su acted as the Chairman of the Insurance Association of Turkey from 11.04.2011 to 20.09.2012 and after he retired on 02.04.2012 as the Vice General Manager of Türkiye İş Bankası, he acted as a Member of the Board of Directors of BAYEK A.Ş. in 2012, and Vice Chairman of the Board of Directors of SFS Yazılım A.Ş. and as Deloitte's Senior Consultant in 2013 and 2014. In addition to acting as an Board Member in NN Hayat ve Emeklilik A.Ş., Mustafa Ali Su also acts as the Chairman of the Board of Directors of PORTAS Eğitim ve Danışmanlık A.Ş. he founded.

#### **Attila Bela Bosnyak**

##### **Board Member and Head of International Finance**

Resigning of Johannes Hendrikus Van Barneveld was approved on 27.11.2017, and Attila Bosnyak is appointed as an Board Member. Started his business career in 1996 at ABN Ambro Life Insurance, Attila Bosnyak has then worked as the Head of Finance Office and then Chief Financial Officer in Aviva Hungary, worked in the financial reporting and planning of Czechia, Hungary, Romania and Slovakia of the same company, and also managed the internal audit, compliance and risk audit departments. Then, Bosnyak has managed the financial planning and budgeting activities of the entire region at Aviva Europe Regional Office. Continuing his career as the General Manager of Consequit Group in Hungary, Bosnyak acts as the Head of International Finance in NN Group since July 2015, and continues as an Board Member of our Company since 01.12.2017.

## Senior Management

### **Marius Daniel Popescu**

#### **Board of Directors Vice Chairman - CEO**

His resume is available in the Board of Directors section.

### **Hüseyin Kerem Özdağ**

#### **Board of Directors Member and Chief Financial Officer**

His resume is available in the Board of Directors section.

### **Didem Özsoy Dirican**

#### **Chief Commercial Officer**

Didem Özsoy Dirican has graduated from Bilkent University Department of Economics in 1997, and MBA program of Yeditepe University in 2004. Dirican has started her business career as Cash Management - Marketing Specialist in Körfezbank in 1998, and then took place in the merger project of Körfezbank and Garanti Bank in the same position at Osmanlı Bankası. Following the merger, Didem Özsoy Dirican has acted as Assistant Marketing Manager under Cash Management Department of Garanti Bank, and then acted as Marketing Unit Manager in Ak Emeklilik, Integration Project Coordinator under Integration Program Center, Unit Manager under Marketing / Product Management and Coordination, and Unit Manager under Bancassurance / Business and Sales Development Department in Avivas. Dirican has acted as Strategy and Business Development Manager in the Bancassurance Department of NN Hayat ve Emeklilik in May 2013 and then Business Partnerships Management Manager under Sales Department, and acts as the Chief Sales Office since August 2017. As of March 2019, Didem Özsoy Dirican has also assumed the Marketing function in addition to her current position, and continues as Chief Commercial Officer.

### **Egemen Hepeyiler**

#### **Head of Risk and Actuary Department, MT Member**

After graduating from the Actuary Sciences Department of Hacettepe University in 2008, Egemen Hepeyiler started his career the same year as Actuary Officer in Vakıf Emeklilik A.Ş. Egemen Hepeyiler served as Product Development Specialist in AvivaSa Emeklilik from 2009 to 2011, as a Product Development Specialist in Allianz Emeklilik ve Hayat A.Ş. from 2011 to 2012, and as Senior Actuary Consultant from 2012 to 2016 in the same company. Egemen Hepeyiler received his master's degree from the Financial Economy Department of Doğuş University in 2016, started to serve as Senior Actuary Specialist in NN Hayat ve Emeklilik A.Ş. in April 2016, and continued as Actuary Manager in January 2018. He continues as the Head of Risk and Actuary Department of NN Hayat ve Emeklilik as of August 2019.

### **Hong-Wha Ling**

#### **Chief Human Resources Officer**

Graduated from the Avans Hogeschool Business Administration Department in 2003, Hong-Wha Ling's career started as HR Project Director in Douwe Egbers Coffee Systems in the same year. Ling joined ING Bank in 2006 and continued his career in

Recruitment Officer position, and then appointed as the HR Project Director in NN Insurance Romania in 2007. After acting as Remuneration Senior Executive in NN Insurance Romania from 2008 to 2010, he continued with the same title at NN Group International Insurance from 2011 to 2016. Ling acted as Senior Human Resources Executive responsible for NN Group Headquarters and CIO functions from 2016 to 2018, and continues as Chief Human Resources Officer in NN Hayat ve Emeklilik since 01.10.2018.

### **Metin Gül**

#### **Chief Operation and Information Technologies Officer**

Metin Gül has started his career in 1994 as Oracle ERP Consultant in the USA, and has acted as Senior Consultant and Manager related to technology in Sapient Corporation, AmerisourceBergen and FedEx until 2008. He led the works regarding system integration, transformation of current infrastructures, operation management, generating customer oriented solutions, improvement of sales processes, and efficiency for the companies operating in finance, production, energy and pharmaceutical industries. Metin Gül has continued his career in Turkey starting from 2008 and respectively acted as IT Manager responsible for EMEA Region in Diversy, and as CIO in Metlife. Metin Gül has joined NN Hayat ve Emeklilik in September 2014, and continues to work for the company as Chief Operation and IT Officer since 2015. Metin Gül has graduated from Computer Engineering in Curtin Technology University in Australia.

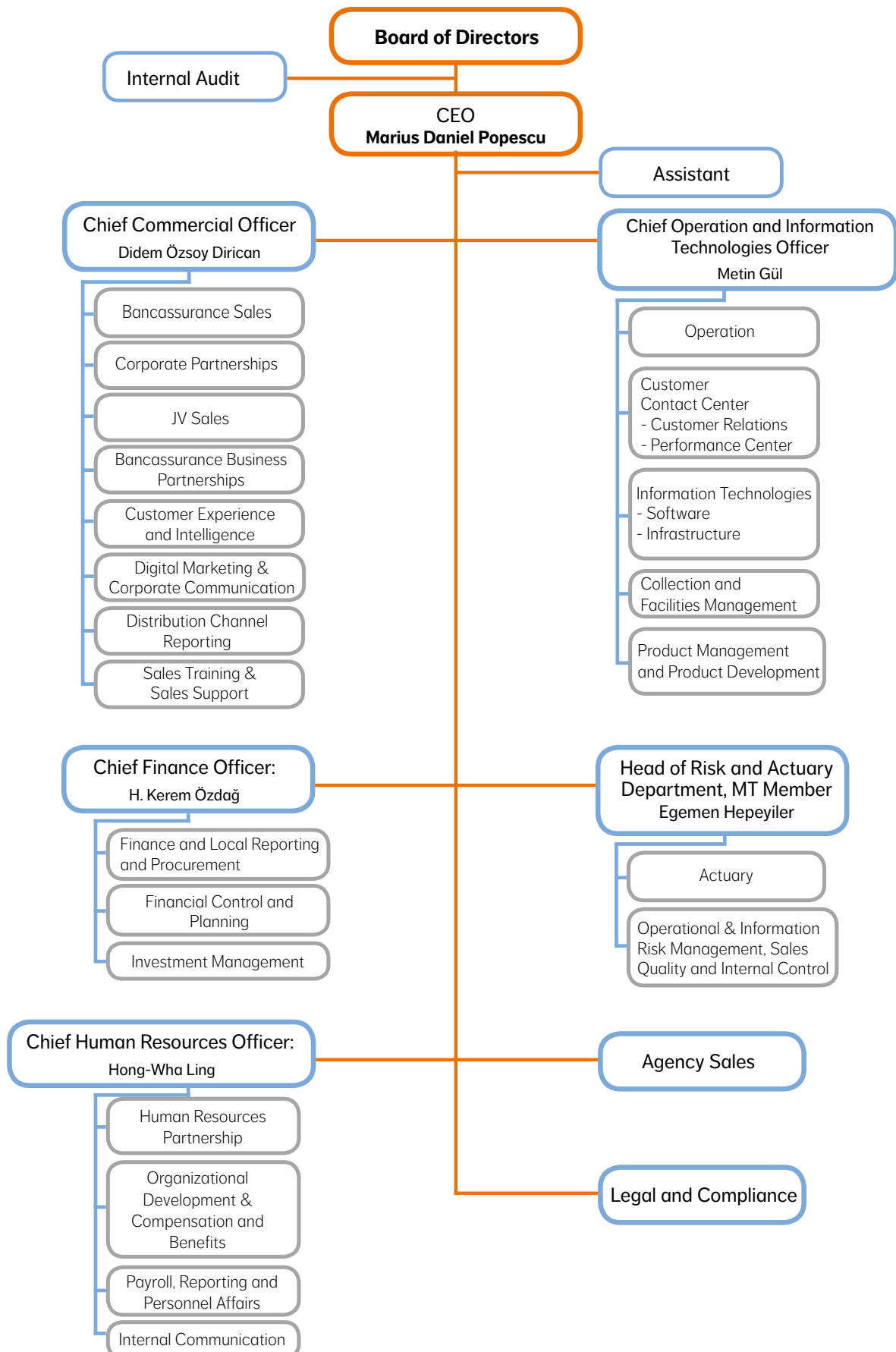


# Information on the Attendance of the Members of the Board of Directors to the Meetings within the Financial Year

Board Meeting Dates	Resolution No.	No. of Participants
17.01.2019	1	4
31.01.2019	1,2,3,4	4
15.03.2019	5,6,7,8,9,10,11,12	3,4
25.03.2019	13,14,15	5
29.03.2019	16,17,18,19	4,5
01.04.2019	20	5
24.04.2019	21,22	4
25.04.2019	23,24	4
13.05.2019	25	4
28.05.2019	26,27,28	4
14.06.2019	29	4
26.06.2019	30	4
01.07.2019	31	4
10.07.2019	32	4
31.07.2019	33,34	4
09.08.2019	35,36	3,4
02.09.2019	37,38,39	3,4
07.10.2019	40,41	4
14.10.2019	42,43	4
01.11.2019	44,45,46,47	4
12.11.2019	48	4
09.12.2019	49	4



# Organization Chart



# Human Resources Strategy and Activities

NN Hayat ve Emeklilik predicates human and trust in all the works done. Taking the people's financial responsibility is a subject we take seriously besides acting in coherence and mastership, by our professional attitude, we gain and keep the trust of our partners, that is to say our customers, workers, shareholders, business partners and the society in general, who have a particular importance in our company's success.

Our values "Care, clear, commit" not only form our managerial strategy, but also our HR strategy and enliven in each of our daily works.

## Care

We care about our employees' personal lives and their improvement, we value their ideas and their contribution. For this reason, we give our employees opportunity to improve themselves and provide an inspiring, healthy workplace environment. Indicators of "we care" are our sector-leading HR practices of "home office", and "flexible working hours". Everyone contributing to the company's strategy is appreciated. By being aware that on-the-job training is the most effective method for personal development, opportunities such as professional rotation, internal promotion, additional roles, project based job opportunities and international assignments are provided.

Every December 18 is celebrated as "Your Day" each year. NN Hayat ve Emeklilik employees have a half-day off and spare time with their families and friends.

## Clear

We communicate cautiously and honestly; we mean what we say and we say what we mean. We promote a culture that can be accessed easily and in which everybody is cautious and sensitive. We believe that listening with a great care and empathizing will solve any problem we face. With regards to wage setting, our transparent communication about our wages and vested benefits policy that is established accordingly with the best practices in the market enables us to build the justice understanding, for which we make efforts to reach.

## Commit

We act in coherence and accordingly with all current legislations, regulations, internal policies and regulations. Not only the professionals who aims at developing together with our company, but we are also in search of employing people who are in an effort for taking the responsibilities of their steps while we are keeping our promises. This also means doing business while always thinking of the future.

As in 2017 and 2018, NN Hayat ve Emeklilik has received the Top Employer award in 2019 for its Talent Management, Labor Planning, Learning and Development, Performance Management, Leadership Development, Career and Succession Management, Compensation and Benefits, and Company Culture practices at international standards.





# Financial Rights Granted to the Board of Directors and Management Team

Total of wages and other benefits given to the Board of Directors and Management Team for the accounting period ended on December 31, 2019 is TRY 8.377.546,00 (December 31, 2018: TRY 6.544.040,00).

Financial Rights Granted to the Board of Directors and Management Team;

- a) Total sum of the attendance fee, salary, bonuses, gratuities, dividend etc. financial, TRY 5.924.123,00
- b) The total sum of the allowances, transportation, accommodation and representation expenses and in kind and cash opportunities, insurances and similar assurances is TRY 2.453.423,00.



# Summary Board Report Presented to the General Assembly

We would like to express our gratitude to all of you for your attendance to the General Assembly Meeting convened for reviewing and taking resolutions regarding the accounts and operating results of the operating period of 2019.

Our company has continued its growth strategy this year by investing in multi-channel distribution and developing new life insurance and individual pension products. Participants benefited from the opportunity to arrange a new individual pension scheme, which provides state contributions at 25% of their investments.

As of the end of 2019, NN Hayat ve Emeklilik's paid-in capital was registered as TRY 58,891,418. Our fund size has increased by 34,8% to TRY 4.423 million.

Our company closed the year 2019 with the targeted sales and profitability level. In addition to this, the number of our employees is 303 as of 31.12.2019. We would like to thank you again for your confidence in the General Assembly and wish that our company, which has started with 175 years of experience as one of the biggest international financial organizations with the name of NN, will continue successfully in 2020.

Sincerely yours,

Board of Directors



# 2019 Activity Period Evaluation and Assent of the Internal Audit Unit

The internal audit activities are carried out by the Internal Audit Department on an independent and unbiased basis in order to ensure the compliance with the current laws and other regulations; strategies, policies and objectives of the Company and the rules of the insurance business as well as the efficiency and adequacy of the internal control and risk management systems. Furthermore, the important aims of Internal Audit Department are to support the Company to attain its objectives and to create value added opinions and suggestions.

In terms of organizational structure, the Internal Audit Department reports to the Board of Directors of the Company. Internal Audit Department is also a member of Corporate Audit Services (CAS), an independent audit unit within NN Group in which the activities are performed according to the standards of the Institute of Internal Auditors (IIA).

Internal Audit Department issued eight audit reports in 2019.

- Internal audit activities cover the following matters by including the activities of all departments of the Company, the regional directorates, subsidiaries and the agencies into the scope:
- Examining the compliance of all activities of the Company with the legislations and the internal policies and the procedures of the Company,
- Offering assurance in terms of the effective and adequate risk management and internal control activities,
- Examining the accuracy and the reliability of financial and administrative information,
- Inspecting the economic and efficient utilization of the resources of the Company,
- Ensuring that the activities and the programs are in line with the objectives and the targets set by the Company and monitoring whether the activities are carried out in the way that they were planned.

The activities of Internal Audit Department are performed through the following methods:

- Obtaining the relevant information and analyzing them with objective principles,
- Reporting in clear and comprehensible ways and conveying to the relevant authorities directly,
- Obtaining the action plans of the Management pursuant to these reports,
- Checking whether the issues set forth in the audit reports are corrected or not, and whether the warning notes issued are taken into account during the continuation of the activities.

## Assent

Reports regarding the Internal Audit activities are submitted to the Board of Directors, and the efforts to improve the measures and processes regarding their contents are carried out within the knowledge and approval of the Board of Directors.

In addition to this, developments arising related to the periodic reports are submitted to the knowledge and therefore monitoring of the Board of Directors.

The Board of Directors is of the opinion that the Internal Audit activity, which is a part of the internal systems, is carried out in compliance with the legislation in order to minimize errors and abuses, to ensure efficiency in transactions and security within the scope of systematic framework established in accordance with the legislation.



# Agenda for the 2019 Ordinary General Assembly

- 1) Opening and establishing the meeting committee,
- 2) Granting power to the meeting committee for signing the meeting minutes and documents on behalf of the General Assembly,
- 3) Reading and discussing the annual report of the Board of Directors,
- 4) Reading, discussing and approving the Independent Auditor Report,
- 5) Reviewing, discussing and approving the balance sheet and income/loss statement, and discussing the profit distribution,
- 6) Releasing of the Board of Directors,
- 7) Submitting the appointment to the vacant Board membership office to the approval of the General Assembly,
- 8) Electing the members of Board of Directors and determining their office term,
- 9) Discussing the salaries of the members of Board of Directors,
- 10) Releasing of the Independent Auditor, electing an Independent Auditor
- 11) Wishes and requests
- 12) Closing

## Information Regarding the Extraordinary General Assembly in 2019

At the Extraordinary General Assembly held on 27.12.2019, the retained losses were set off with the other capital reserves, and the Company's principal capital was increased by TRY 19.300.000 to TRY 58.891.418.

# Summary Financial Data for the 5 Year Period Including the Report Period

Thousand TRY	2019	2018	2017	2016	2015
Fund Size	4.423.727	3.282.056	2.940.885	2.342.107	1.943.390
Paid-in Capital	60.051	40.701	40.701	40.601	89.401
Shareholders' Equity	106.738	90.584	119.954	105.115	105.191
Total Assets	4.815.702	3.625.141	3.272.365	2.614.442	2.194.442
Technical Income	336.918	253.132	254.097	186.928	137.378
Balance of Technical Incomes and Expenses	-15.989	-24.532	- 16.580	- 25.040	- 49.633
Balance of Non-Operating Incomes and Expenses	-1.858	-4.837	13.132	8.887	7.896
Profit/Loss Before Tax	-17.847	-29.370	- 3.449	- 16.153	- 41.738

## Information on the Financial Structure

NN Hayat ve Emeklilik continued its operations actively in the pension sector that is growing rapidly in 2019. Its total equity capital reached to TRY 106.7 million in 2019. The total assets of the company reached to TRY 4.8 billion by December 31, 2019 with a 33% increase compared to the year 2018. By December 31, 2019, the share of the cash assets within the total assets was realized as 5%, the share of the receivables of the Private Pension System within the total assets as 93%.

# Information on the Applied Risk Policies Based on the Risk Type

Activities related to internal system functions created in accordance with the legislation within the company are carried out in compliance with the legislation for ensuring the effectiveness and efficiency of the company's operations, minimizing errors and abuses, and security. Forward-looking risks in sales, productivity, income generation capacity and similar matters are evaluated and managed under three separate categories including strategic, financial and non-financial risks set within the framework of the Company's risk management policies.

Company started using "Effective Control System", which is also launched in the NN Group and all companies in order to achieve the business goals, to improve the performance under the changing business and operation conditions, to manage the risks at acceptable levels, and to support correct decision and management processes. NN Group has granted the responsibility to operate this system to the company's Board of Directors. All the risks that the company will encounter are listed in the "Risk Classifications" document issued by the NN Group and compulsory statements identifying the risk appetite for such risk types have been created. The risk report regarding whether the company operates according to these statements is prepared quarterly under the responsibility of the CEO, and the report's content and risk level are assessed by the independent support functions (Operational Risk Management and Compliance) within the company.

Risks encountered by the company are divided into three groups according to their risk classifications including high level strategic risks, financial risks, and non-financial risks.

## Strategic Risks

Strategic risks that the Company may encounter are divided into two groups:

1.Recently developed risks: These are the risks related to the uncertainties that may cause a threat related to the Company's field of operation and may be encountered in the future due to external factors. Technological developments or sector changes are considered under this group.

2.Strategic risks: These are the risks arising from taking wrong business decisions, insufficient implementation of the decisions or failure in adapting the Company to the changes in the work environment.

These risks are managed according to the risk statement called "Strategic Challenges". Accordingly, we manage our business by observing the interests of all stakeholders and running a risk-reward analysis to achieve our strategic goals.

Situations beyond this statement are considered outside the risk appetite, and the required risk reduction actions.

## Financial Risks

Financial risks that the Company may encounter are divided into three groups:

1.Market risks: These are the risks arising from the fluctuations in the financial markets.

2.Risk related to failure of the counterparty to fulfill their liabilities: These are the risks related to failure of fulfilling the contractual liabilities.

3.Non-market risks: These are divided into two as insurance and business risk. They contain the financial risks related to the company's products.

These risks are managed according to the risk statement called "Sound Balance Sheet". Accordingly, we want to avoid increasing the shareholders' equity as a result of a low probability incident, and we do not want to be a company which has to sell its assets when there is a restlessness in the markets. Situations beyond this statement are considered outside the risk appetite, and the required risk reduction actions.

## Non-Financial Risks

Non-financial risks of the company include the risks related to the persons, insufficient or unsuccessful internal processes (information technologies and communication systems and/or external incidents). Non-financial risks are divided into five groups:

- Corporate behaviors
- Employee behaviors
- Conformity to customers
- Business operations risk
- Business continuity risk

These risks are managed according to the risk statement called "Sound Business Performance". Accordingly, we do our business by prioritizing the values of NN, and we act fairly to our customers. We aim avoiding person and process mistakes in our operation and to reduce the impacts of any mistake. Situations beyond this statement are considered outside the risk appetite, and the required risk reduction actions.

## Risk Management

Risk management function established by NN Hayat ve Emeklilik is based on "Three Lines of Defense" and is as follows:

**First Line of Defense:** It is consisted of the General Manager and Chief Officers, who are the decision-makers related to the risks affecting the performance, sales, operation, investment and business goals.

**Second Line of Defense:** It is the independent support and test functions focusing on insurance, market, operation, legal and compliance risks.

**Third Line of Defense:** It is the Internal Audit department. This department provides assurance about the effectiveness of the first and second lines of defense including the administration, risk management quality and internal control quality.

Second line of defense is responsible for:

- Locally adapting all the risk procedures of the NN Group and checking their compliance,
- Establishing the risk management strategy of the company and ensuring that it is applied in the entire company,
- Auditing the company's risk management operation and control systems,
- Reporting the processes and internal controls related to the company's risks,
- Taking risk management decisions related to the matters that may have an impact on the company's financial results or reputation without limiting the responsibilities of the Board Members.

Second line of defense is consisted of Operational Risk and Information Risk Management, Internal Control and Compliance functions.

#### **Operational Risk and Information Risk Management, Internal Control:**

Operational Risk and IT Risk Management is a department reporting to the Chief Risk Officer, and its reports and activities are audited and assessed by the NN Group. Department is responsible for running the tests related to the financial risks, as well as the non-financial operational, physical security, business continuity and information security risks, recommending the actions required for reducing these risks, and monitoring these actions. Internal control function is responsible for monitoring, inspecting and controlling secure performance of all the activities of the company, and submitting the reports related to its findings to the relevant units.

Physical security covers compliance of workspaces of the Headquarters, Regional Sales Offices and Affiliates to the security standards and occupational safety principles, preparation of emergency actions plans and reports, holding physical security committee meetings, and covering the training needs of the personnel in charge. Business Continuity Management reviews existing crisis plans and critical processes, and defines how NN Hayat ve Emeklilik will continue with its critical operations in case of any crisis. Extensive tests are performed based on crisis scenarios with the aim of to be prepared for crisis situations and determine the deficiencies, thus, it is aimed that the Company is prepared for every type of emergency situations.

#### **Legal and Compliance:**

Compliance Department reports to the General Manager and its reports and activities are audited and assessed by NN Group.

Compliance Department monitors the corporate behaviors, employee behaviors and conformity of products to the customers, and is responsible for identifying the risks in compliance with the company values, procedures, laws and other regulations, recommending the actions required for reducing these risks, and monitoring these actions. The NN Group, which the company is a part of, has many policies on compliance issues that are applicable to all companies. These are:

Codes of Conduct  
Insider Policy  
Outside Positions and Interests Procedure  
Whistleblower Procedure  
Gift, Entertainment and Business Meal Standard

In this context, in order to effectively manage the risks related to compliance, the department creates a strong compliance awareness in the company to manage the risks through a strict cooperation with relevant executives, in line with the legal liabilities, and according to the NN Group's policies.

#### **Risk Committees and Meetings:**

**Non-Financial Risks Committee:** It is convened monthly, and risk-sensitive matters such as financial and/or reputational risks encountered by the company during the relevant period, reported cases, monitoring of risk reduction actions etc. are reported.

**Product Risk Committee:** Assesses and decides on matters including the current and planned products to meet customer requirements, profitability analysis, revenue generation, sales, etc.

**Complaint, Misconduct and Investigation Committee:** It is convened monthly, discusses the misconduct cases encountered by the company during the relevant period, assesses the channel based complaints, decides on unsolved complaints, and plans the relevant actions.  
**System Integration Risk Analysis Meeting:** It is held every three-year period to identify the changes in the operation of the business unit's supply chain, processes or assets, to analyze the risks that may occur at the risk levels of their potential changes or trends, and to set up risk management priorities appropriately.

**High Level Risk Assessment Meeting:** It is convened annually by the senior management of the company where the company's present and future risks are discussed, and the decisions are followed by the senior management.

**Detailed Risk Assessment Meeting:** These are the meetings held annually for misconduct assessment, business continuity assessment and physical security assessment, as well as risk assessments related to the projects to take place during the year. They are held with the participation of relevant department managers, and the decisions taken are monitored by the relevant persons.

High Level Risk Assessment Meetings and Detailed Risk Assessment Meetings mostly focus on operation risk that provides input to the Strategic Risk Assessments.



# The Works on Anti-Money Laundering and Combating the Financing of Terrorism

In accordance with the MASAK Regulations and the NN Group's Compliance Policies, an Anti-Money Laundering Reporting Compliance Officer is appointed to the company.

Furthermore, Procedures for Customer Identification and Customer Acceptance Procedure, Customer Name/Surname Scanning, Alarm Management and Suspicious Transaction Notification, Customer Risk Matrix, Guidance on Preventing the Laundering of Crime Revenues and Financing of Terrorism are effective.

Control activities were carried out carefully by prioritizing the liabilities regarding the prevention of laundering proceeds of crime and financing of terrorism. It is continued to monitor the suspicious transactions regularly with the early warning system.

Awareness Trainings also continued in 2019 and were provided to the employees and agencies through face-to-face trainings and online trainings.







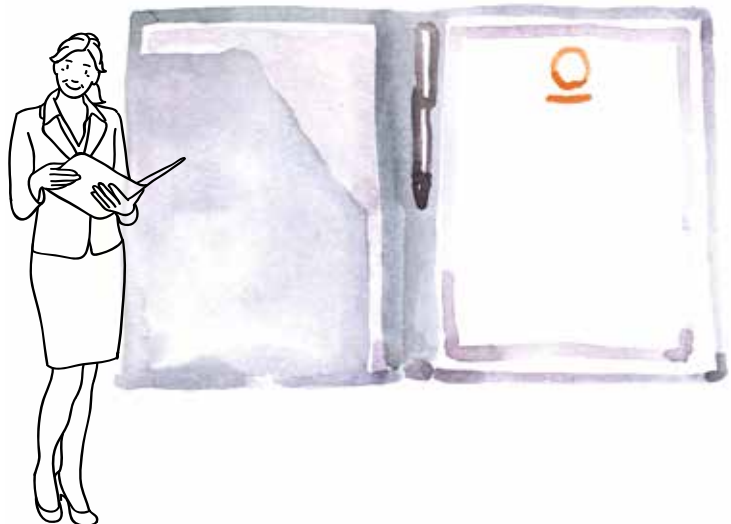
# Affiliation Report

## Affiliation Report

Conclusion section of the Affiliation Report prepared within the scope of Article 199 of the Turkish Commercial Law is as follows;

The transactions carried out by the parent company or affiliated companies under the group of companies are ordinary business operations and there are no transactions carried out for the benefit of the parent company or any affiliated company with or without the direction of the parent company or any measure taken or avoided to be taken within this scope.

No counteract was required as no legal transaction was carried out in this context and there has been no loss incurred due to taking or avoiding to take any measure.



# The Independent Audit Report and the Financial Statements





KPMG Bağımsız Denetim ve  
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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NN Hayat ve Emeklilik Anonim Şirketi

### A) Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying balance sheet of NN Hayat ve Emeklilik Anonim Şirketi ("the Company") as at 31 December 2019 and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year ended in accordance with the accounting principles and standards in force as per the insurance legislation and that are not regulated by them for "Insurance Accounting and Financial Reporting Legislation" including Turkish Financial Reporting Standards ("TFRS").

#### *Basis for Opinion*

We conducted our audit in accordance with the accounting principles and standards in force as per the insurance legislation and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### Key Audit Matters

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

Accounting policies for recognition of insurance technical reserves and estimations and assumptions used in calculation of insurance technical reserves please refer to footnote 2.27 and 17.

Key Audit Matter	How our audit addressed the key audit matter
<p>As of 31 December 2019, the Company's total technical reserves amounting to TL 119.521.129 and constitute 30 percent of total liabilities without pension funds.</p> <p>The company provides provisions for outstanding claims amounting to TL, net 26.505.741.</p> <p>There are also incurred but not reported provisions ("IBNR") amounting to TL, net 7.145.250 in the provision for outstanding claims for possible future claims.</p> <p>The Management used actuarial assumptions and estimations for calculating the outstanding claims reserve with the involvement of registered actuary of Company.</p> <p>Due to the nature of the technical reserves calculations which has uncertainty estimations and management judgments, this matter is determined to be a key audit matter.</p>	<p>Our auditing procedures for the matter are given –as below:</p> <p>We evaluated the assumptions and estimations of the company's outstanding claims provision calculations with the involvement of actuarial specialists.</p> <p>In this context, we evaluated the actual outstanding claims internal controls and effectiveness of the process with the involvement of our IT specialist. We chose samples and tested by obtaining supported documents of the actual outstanding claims we controlled .</p> <p>The lawsuit files of the outstanding claims are controlled by obtaining letter of confirmation from company lawyer.</p> <p>We controlled the mathematical accuracy of the calculations and average file and opening amounts which are determined by company with the involvement of our actuarial specialists. We evaluated mathematical accuracy of technical reserves for each product.</p> <p>We recalculated the technical reserves and controlled the analyzes accuracy of the past experience of the company and legislation.</p> <p>Additionally, we evaluated the adequacy of financial statement disclosures, relating to the technical reserves.</p>



### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles and standards in force as per the insurance legislation and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the 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 the accounting principles and standards, in force as per the insurance legislation and standards on auditing issued by the CMB and Standards on Auditing issued by POA. Misstatements can arise from fraud or error. They 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 financial statements.

As part of an audit in accordance with the accounting principles and standards, in force as per the insurance legislation and the standards on auditing issued by the CMB and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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) Other Legal and Regulatory Requirements**

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2019, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of KPMG International Cooperative



Ali Tuğrul Uzun  
Engagement Partner

13 March 2020  
İstanbul, Turkey

#### **Additional paragraph for convenience translation to English:**

As explained in Note 2.1.1. the accompanying interim financial statements are not intended to present the financial position and results of operations of the Company in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey

**NN****Hayat ve Emeklilik**

**NN HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ**  
**FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019**

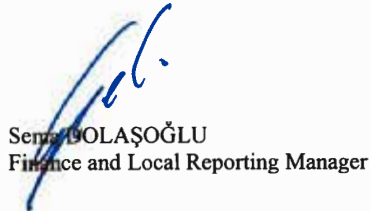
We confirm that financial statements and related disclosures and footnotes as at 31 December 2019 which were prepared in accordance with the accounting principles and standards in force as per the regulations of T.C. Başbakanlık Hazine ve Maliye Bakanlığı are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company .  
İstanbul , 13 March 2020



Didem ÖZSOY DİRCAN  
Interim CEO



Hüseyin Kerem ÖZDAĞ  
CFO



Serra DOLAŞOĞLU  
Finance and Local Reporting Manager



Utku BİRDAL  
Actuary Registry No: 117

NN Hayat ve Emeklilik A.Ş. Genel Müdürlük - Maslak Mah. Sümer Sok. Maslak Office Building No:4/92 34485 Sarıyer / İstanbul  
T: 0 212 334 05 00 (pbx) F: 0 212 346 38 25 E: info@nnhayatemeklilik.com.tr www.nnhayatemeklilik.com.tr  
Müşteri İletişim Merkezi: 444 1 666

**Balance Sheet As at 31 December 2019**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 2.1.1

<b>ASSETS</b>			
<b>I- Current Assets</b>	<b>Notes</b>	<b>Audited Current Period 31 December 2019</b>	<b>Audited Prior Period 31 December 2018</b>
<b>A- Cash and Cash Equivalents</b>	<b>14</b>	<b>217.708.671</b>	<b>204.715.929</b>
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	165.855.850	139.177.197
4- Cheques Given and Payment Orders		-	-
5- Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	14	51.852.821	65.538.732
6- Other Cash and Cash Equivalents		-	-
<b>B- Financial Assets and Financial Investments with Risks on Policyholders</b>	<b>11</b>	<b>292.303</b>	<b>292.303</b>
1- Available-for-Sale Financial Assets	11	292.303	292.303
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading		-	-
4- Loans and Receivables		-	-
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Saving Life Policyholders		-	-
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments		-	-
<b>C- Receivables from Main Operations</b>	<b>12</b>	<b>64.803.753</b>	<b>53.494.600</b>
1- Receivables from Insurance Operations	12	8.829.658	5.515.474
2- Provision for Receivables from Insurance Operations	12	(742.335)	(787.919)
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited to Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Operations	12,18	56.716.430	48.767.045
9- Doubtful Receivables from Main Operations	12	10.810.540	6.836.340
10- Provision for Doubtful Receivables from Main Operations	12	(10.810.540)	(6.836.340)
<b>D- Due from Related Parties</b>	<b>12,45</b>	<b>11.428.573</b>	<b>14.080.492</b>
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures	12,45	11.428.573	14.080.492
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		-	-

**Balance Sheet As at 31 December 2019**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 2.1.1

<b>E- Other Receivables</b>	<b>47</b>	<b>1.194.655</b>	<b>1.310.941</b>
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given	47	93.164	59.014
4- Other Miscellaneous Receivables	47	1.101.491	1.251.927
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
<b>F- Prepaid Expenses and Income Accruals</b>		<b>31.926.192</b>	<b>24.532.720</b>
1- Deferred Acquisition Costs	17	9.600.704	8.571.215
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses	12	22.325.488	15.961.505
<b>G- Other Current Assets</b>	<b>12</b>	<b>2.668.772</b>	<b>3.974.155</b>
1- Stocks to be Used in the Following Months		-	-
2- Prepaid Taxes and Funds	12,19	2.535.546	3.631.117
3- Deferred Tax Assets		-	-
4- Job Advances	12	92.416	19.069
5- Advances Given to Personnel		-	-
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets	12	40.810	323.969
8- Provision for Other Current Assets		-	-
<b>I- Total Current Assets</b>		<b>330.022.919</b>	<b>302.401.140</b>

The accompanying notes are an integral part of these financial statements.

**Balance Sheet As at 31 December 2019**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 2.1.1

ASSETS			
II- Non-Current Assets	Notes	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
<b>A- Receivables from Main Operations</b>	<b>12,18</b>	<b>4.423.727.445</b>	<b>3.282.056.487</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	12,18	4.423.727.445	3.282.056.487
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
<b>B- Due from Related Parties</b>		<b>-</b>	<b>-</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>		<b>-</b>	<b>-</b>
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables		-	-
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
<b>D- Financial Assets</b>	<b>9</b>	<b>925.000</b>	<b>925.000</b>
1- Investments in Equity Shares		-	-
2- Investments in Associates		-	-
3- Capital Commitments to Associates		-	-
4- Investments in Subsidiaries		-	-
5- Capital Commitments to Subsidiaries		-	-
6- Investments in Joint Ventures	9	925.000	925.000
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		-	-

The accompanying notes are an integral part of these financial statements.

**Balance Sheet As at 31 December 2019**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 2.1.1

<b>E- Tangible Assets</b>	<b>6</b>	<b>27.417.033</b>	<b>9.951.360</b>
1- Investment Property		-	-
2- Impairment on Investment Property		-	-
3- Owner Occupied Property		-	-
4- Machinery and Equipments	6	6.518.786	5.413.774
5- Furniture and Fixtures	6	3.640.168	3.165.789
6- Motor Vehicles	6	60.470	60.470
7- Other Tangible Assets (Including Leasehold Improvements)	6	7.810.670	7.776.359
8- Tangible Assets Acquired Through Finance Leases		24.718.977	-
9- Accumulated Depreciation	6	(15.332.038)	(6.465.032)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
<b>F- Intangible Assets</b>	<b>8</b>	<b>27.299.823</b>	<b>24.149.337</b>
1- Rights	8	56.204.466	46.008.838
422.079		-	-
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortization	8	(28.904.643)	(21.859.501)
8- Advances Paid for Intangible Assets		-	-
<b>G-Prepaid Expenses and Income Accruals</b>		<b>-</b>	<b>-</b>
1- Deferred Acquisition Costs		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses		-	-
<b>H-Other Non-Current Assets</b>	<b>21</b>	<b>6.309.587</b>	<b>5.657.543</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	21	6.309.587	5.657.543
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortization on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
<b>II- Total Non-Current Assets</b>		<b>4.485.678.888</b>	<b>3.322.739.727</b>
<b>TOTAL ASSETS</b>		<b>4.815.701.807</b>	<b>3.625.140.867</b>

The accompanying notes are an integral part of these financial statements.



**Balance Sheet As at 31 December 2019**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 2.1.1

LIABILITIES			
	Notes	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
<b>III- Short-Term Liabilities</b>			
<b>A- Financial Liabilities</b>	<b>20</b>	<b>5.788.277</b>	<b>-</b>
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables	20	6.345.369	-
3- Deferred Leasing Costs	20	(557.455)	-
4- Current Portion of Long-Term Debts		-	-
5- Principal Installments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities	20	363	-
<b>B- Payables Arising from Main Operations</b>	<b>19</b>	<b>72.134.437</b>	<b>83.262.726</b>
1- Payables Arising from Insurance Operations	19	5.751.315	3.069.845
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business	18,19	66.383.122	80.192.881
5- Payables Arising from Other Main Operations		-	-
6- Discount on Payables from Other Main Operations		-	-
<b>C-Due to Related Parties</b>	<b>19,45</b>	<b>3.498.217</b>	<b>2.553.546</b>
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures	19,45	1.471.116	1.087.843
5- Due to Personnel	19,45	18.737	7.589
6- Due to Other Related Parties	19,45	2.008.364	1.458.114
<b>D- Other Payables</b>	<b>19,47</b>	<b>6.616.476</b>	<b>7.740.361</b>
1- Deposits and Guarantees Received		-	-
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables	19,47	6.616.476	7.740.361
4- Discount on Other Miscellaneous Payables		-	-
<b>E-Insurance Technical Provisions</b>	<b>17</b>	<b>48.500.994</b>	<b>44.689.771</b>
1- Reserve for Unearned Premiums - Net	17	21.995.253	20.046.299
2- Reserve for Unexpired Risks- Net		-	-
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net	17	26.505.741	24.643.472
5- Provision for Bonus and Discounts – Net		-	-
6- Provision for Investment Risk for Life Insurance Policyholders – Net		-	-
7- Other Technical Provisions – Net		-	-
<b>F- Provisions for Taxes and Other Similar Obligations</b>		<b>4.088.644</b>	<b>4.013.848</b>
1- Taxes and Funds Payable	19	3.119.275	3.045.400

The accompanying notes are an integral part of these financial statements.

**Balance Sheet As at 31 December 2019**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 2.1.1

2- Social Security Premiums Payable		969.369	968.448
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		-	-
5- Corporate Tax Payable		-	-
6- Prepaid Taxes and Other Liabilities Regarding Current Period Profit		-	-
7- Provisions for Other Taxes and Similar Liabilities		-	-
<b>G- Provisions for Other Risks</b>	<b>19,23</b>	<b>56.336.016</b>	<b>49.304.861</b>
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	19,23	56.336.016	49.304.861
<b>H- Deferred Income and Expense Accruals</b>		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
<b>I- Other Short-Term Liabilities</b>	<b>19</b>	<b>805.973</b>	<b>1.550.506</b>
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short Term Liabilities	19	805.973	1.550.506
<b>III – Total Short-Term Liabilities</b>		<b>197.769.034</b>	<b>193.115.619</b>

The accompanying notes are an integral part of these financial statements.

**Balance Sheet As at 31 December 2019**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 2.1.1

LIABILITIES			
IV- Long-Term Liabilities	Notes	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
<b>A- Financial Liabilities</b>	20	12.273.117	-
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables	20	12.730.717	-
3- Deferred Leasing Costs	20	(457.600)	-
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>	18,19	4.423.727.445	3.282.056.487
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	18,19	4.423.727.445	3.282.056.487
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>	19	2.544.494	1.535.727
1- Deposits and Guarantees Received		2.544.494	1.535.727
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables		-	-
<b>E-Insurance Technical Provisions</b>	17	71.020.135	56.339.695
1- Reserve for Unearned Premiums - Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Life Mathematical Provisions - Net	17	56.311.683	45.159.758
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Investment Risk for Life Insurance Policyholders - Net		-	-
7- Other Technical Provisions - Net	17	14.708.452	11.179.937

The accompanying notes are an integral part of these financial statements.

**Balance Sheet As at 31 December 2019**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 2.1.1

<b>F-Other Liabilities and Relevant Accruals</b>		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
<b>G- Provisions for Other Risks</b>	<b>19,23</b>	<b>1.629.887</b>	<b>1.508.916</b>
1- Provisions for Employment Termination Benefits	19,23	1.629.887	1.508.916
2- Provisions for Employee Pension Funds Deficits		-	-
<b>H-Deferred Income and Expense Accruals</b>		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
<b>I- Other Long-Term Liabilities</b>		-	-
1- Deferred Tax Liabilities		-	-
2- Other Long-Term Liabilities		-	-
<b>IV- Total Long-Term Liabilities</b>		<b>4.511.195.078</b>	<b>3.341.440.825</b>

The accompanying notes are an integral part of these financial statements.

**Balance Sheet As at 31 December 2019**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 2.1.1

EQUITY			
V- Equity	Notes	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
<b>A- Paid in Capital</b>		<b>60.051.190</b>	<b>40.701.190</b>
1- (Nominal) Capital	2.13,15	58.891.418	39.541.418
2- Unpaid Capital		-	-
3- Positive Capital Restatement Differences	15	1.159.772	1.159.772
4- Negative Capital Restatement Differences		-	-
5- Unregistered Capital		-	-
<b>B- Capital Reserves</b>	<b>15</b>	<b>64.533.233</b>	<b>278.138.185</b>
1- Share Premium		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Asset Sales That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves	15	64.533.233	278.138.185
<b>C- Profit Reserves</b>		<b>-</b>	<b>-</b>
1- Legal Reserves		-	-
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Funds		-	-
5- Revaluation of Financial Assets		-	-
6- Other Profit Reserves		-	-
<b>D- Retained Earnings</b>		<b>-</b>	<b>-</b>
1- Retained Earnings		-	-
<b>E- Accumulated Losses</b>		<b>-</b>	<b>(198.885.182)</b>
1- Accumulated Losses		-	(198.885.182)
<b>F-Net Profit/(Loss) for the Period</b>		<b>(17.846.728)</b>	<b>(29.369.770)</b>
1- Net Profit for the Year		-	-
2- Net Loss for the Year		(17.846.728)	(29.369.770)
3- Net Profit for the Period not Subject to Distribution		-	-
<b>V- Total Equity</b>		<b>106.737.695</b>	<b>90.584.423</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4.815.701.807</b>	<b>3.625.140.867</b>

**Balance Sheet As at 31 December 2019**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 2.1.1

TECHNICAL SECTION	Notes	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2019
<b>A- Non-Life Technical Income</b>	<b>5</b>	<b>23.257.865</b>	<b>26.060.452</b>
1- Earned Premiums (Net of Reinsurer Share)	17	18.474.093	23.515.652
1.1- Written Premiums (Net of Reinsurer Share)	17	19.573.408	16.450.862
1.1.1- Written Premiums. gross	17	21.806.441	17.222.372
1.1.2- Written Premiums. ceded	17	(2.233.033)	(771.510)
1.1.3- Written Premiums. SSI share		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(1,099,315)	7,064,790
1.2.1- Reserve for Unearned Premiums. gross	17	(1.886.440)	7.293.672
1.2.2- Reserve for Unearned Premiums. ceded	17	787.125	(228.882)
1.2.3- Reserve for Unearned Premiums. SSI share		-	-
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 - Transferred from Non-Technical Section	1.7	4.783.772	2.544.800
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>	<b>5</b>	<b>(18.667.501)</b>	<b>(18.369.604)</b>
1- Incurred Losses (Net of Reinsurer Share)	17	(2.227.509)	(1.660.117)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(1.268.327)	(1.067.937)
1.1.1- Claims Paid. gross	17	(2.174.435)	(1.648.747)
1.1.2- Claims Paid. ceded	17	906.108	580.810
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(959.182)	(592.180)
1.2.1- Change in Provisions for Outstanding Claims. gross	17	(1.503.285)	(701.864)
1.2.2- Change in Provisions for Outstanding Claims. ceded	17	544.103	109.684
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts. gross		-	-
2.2- Provision for Bonus and Discounts. ceded		-	-
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(377,024)	(353,591)
4- Operating Expenses	32	(16,062,968)	(16,355,896)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
5.1- Mathematical Provisions		-	-
5.2- Mathematical Provisions. ceded		-	-
6- Other Technical Expense		-	-
6.1- Other Technical Expense. gross		-	-
6.2- Other Technical Expense. ceded		-	-
<b>C- Net Technical Income-Non-Life (A – B)</b>		<b>4,590,364</b>	<b>7,690,848</b>

The accompanying notes are an integral part of these financial statements.



**Balance Sheet As at 31 December 2019**

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 2.1.1

<b>D- Life Technical Income</b>	<b>5</b>	<b>232,927,528</b>	<b>156,958,637</b>
1- Earned Premiums (Net of Reinsurer Share)	17	232,683,010	156,508,253
1.1- Written Premiums (Net of Reinsurer Share)	17	233,532,649	156,003,487
1.1.1- Written Premiums. gross	17	237,899,936	159,757,709
1.1.2- Written Premiums. ceded	10,17	(4,367,287)	(3,754,222)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(849,639)	504,767
1.2.1- Reserve for Unearned Premiums. gross	17	(1,277,272)	691,742
1.2.2- Reserve for Unearned Premiums. ceded	17	427,633	(186,975)
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		-	-
3- Unrealized Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)	47	244,518	450,383
4.1- Other Technical Income. gross	47	244,518	450,383
4.2- Other Technical Income. ceded		-	-
5- Accrued Salvage and Subrogation Income		-	-

## Statement of Income As at 31 December 2019

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 2.1.1

I-TECHNICAL SECTION	Notes	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
<b>E- Life Technical Expense</b>	<b>5</b>	<b>(224.324.668)</b>	<b>(167.849.167)</b>
1- Incurred Losses (Net of Reinsurer Share)	17	(63.446.519)	(44.734.998)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(62.543.432)	(40.507.361)
1.1.1- Claims Paid. gross	17	(63.679.898)	(41.623.269)
1.1.2- Claims Paid. ceded	17	1.136.466	1.115.908
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(903.087)	(4.227.637)
1.2.1- Change in Provisions for Outstanding Claims. gross	17	(1.333.534)	(4.258.896)
1.2.2- Change in Provisions for Outstanding Claims. ceded	17	430.447	31.259
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts. gross		-	-
2.2- Provision for Bonus and Discounts. ceded		-	-
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(11.151.925)	(716.392)
3.1- Change in Life Mathematical Provisions. gross	17	(11.218.114)	(865.896)
3.2- Change in Life Mathematical Provisions. ceded	17	66.189	149.504
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(3.151.491)	(1.990.379)
5- Operating Expenses	32	(146.574.733)	(120.407.398)
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>5</b>	<b>8,602,860</b>	<b>(10,890,530)</b>
<b>G- Pension Business Technical Income</b>		<b>80,733,082</b>	<b>70,112,433</b>
1- Fund Management Income		55,965,856	50,443,721
2- Management Fee		16,097,827	11,405,475
3- Entrance Fee Income	25	8,275,775	7,491,965
4- Management Expense Charge in case of Suspension		393,624	771,272
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	-
7- Other Technical Expense		-	-
<b>H- Pension Business Technical Expense</b>	<b>5</b>	<b>(109,914,859)</b>	<b>(91,445,127)</b>
1- Fund Management Expense		(5,097,202)	(6,376,677)
2- Decrease in Value of Capital Allowances Given as Advance		-	-
3- Operating Expenses	32	(101,608,188)	(82,265,193)
4- Other Technical Expenses		(3,133,345)	(2,742,826)
5- Penalty Payment		(76,124)	(60,431)
<b>I- Net Technical Income - Pension Business (G – H)</b>		<b>(29,181,777)</b>	<b>(21,332,694)</b>

The accompanying notes are an integral part of these financial statements.

## Statement of Income As at 31 December 2019

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 2.1.1

I-TECHNICAL SECTION	Notes	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
<b>C- Net Technical Income – Non-Life (A-B)</b>		<b>4.590.364</b>	<b>7.690.848</b>
<b>F- Net Technical Income – Life (D-E)</b>		<b>8.602.859</b>	<b>(10.890.530)</b>
<b>I - Net Technical Income – Pension Business (G-H)</b>		<b>(29.181.777)</b>	<b>(21.332.694)</b>
<b>J- Total Net Technical Income (C+F+I)</b>		<b>(15.988.554)</b>	<b>(24.532.377)</b>
<b>K- Investment Income</b>		<b>32.524.896</b>	<b>34.817.074</b>
1- Income from Financial Assets	4.2	17.264.238	21.267.049
2- Income from Disposal of Financial Assets		-	-
3- Valuation of Financial Assets		-	-
4- Foreign Exchange Gains	4.2	15.260.658	13.550.025
5- Income from Associates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment		-	-
8- Income from Derivative Transactions		-	-
9- Other Investments		-	-
10- Income Transferred from Life Section		-	-
<b>L- Investment Expense</b>		<b>(31,752,086)</b>	<b>(18,212,145)</b>
1- Investment Management Expenses (inc. interest)		-	-
2- Diminution in Value of Investments		-	-
3- Loss from Disposal of Financial Assets		-	-
4- Investment Income Transferred to Non-Life Technical Section	1.7	(4,783,772)	(2,544,800)
5- Loss from Derivative Transactions		-	-
6- Foreign Exchange Losses	4.2	(10,223,959)	(5,178,424)
7- Depreciation and Amortization Expenses	6,8	(16,000,522)	(8,875,421)
8- Other Investment Expenses	47	(743,833)	(1,613,500)
<b>M- Income and Expenses From Other and Extraordinary Operations</b>		<b>(2,630,984)</b>	<b>(21,442,322)</b>
1- Provisions	47	(2,243,217)	(1,856,030)
2- Rediscounts		-	-
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	21,35	652,044	-
6- Deferred Taxation (Deferred Tax Liabilities)	21,35	-	(337,034)
7- Other Income		(18,235)	34,165
8- Other Expenses and Losses	47	(1,026,326)	(19,309,451)
9- Prior Year's Income		4,750	26,028
10- Prior Year's Expenses and Losses		-	-
<b>N- Net Profit for the Year</b>		<b>(17,846,728)</b>	<b>(29,369,770)</b>
1- Profit for the Year		(17,846,728)	(29,369,770)
2- Corporate Tax Provision and Other Fiscal Liabilities		-	-
3- Net Profit for the Year		(17,846,728)	(29,369,770)
4- Monetary Gains and Losses		-	-

The accompanying notes are an integral part of these financial statements.

## Statement of Income As at 31 December 2019

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 2.1.1

	Notes	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
<b>A. Cash flows from operating activities</b>			
1. Cash provided from insurance activities		277.358.527	181.760.806
2. Cash provided from reinsurance activities		-	-
3. Cash provided from individual pension business		87.909.451	104.254.610
4. Cash used in insurance activities		(256.453.905)	(233.097.250)
5. Cash used in reinsurance activities		-	-
6. Cash used in individual pension business		(135.185.714)	(123.508.576)
<b>7. Cash provided by operating activities</b>		<b>(26.371.641)</b>	<b>(70.590.410)</b>
8. Interest paid			
9. Income taxes paid	19	(2.535.546)	(3.631.117)
10. Other cash inflows		12.695.183	22.896.590
11. Other cash outflows		(8.548.703)	(6.323.131)
<b>12. Net cash provided by operating activities</b>		<b>(24.760.707)</b>	<b>(57.648.068)</b>
<b>B. Cash flows from investing activities</b>			
1. Proceeds from disposal of tangible assets		-	-
2. Acquisition of tangible assets	6,8	(13.450.976)	(21.617.635)
3. Acquisition of financial assets		-	-
4. Proceeds from disposal of financial assets		-	-
5. Interests received		17.264.238	26.445.472
6. Dividends received		-	-
7. Other cash inflows		-	-
8. Other cash outflows		-	-
<b>9. Net cash provided by investing activities</b>		<b>3.813.262</b>	<b>4.827.837</b>
<b>C. Cash flows from financing activities</b>			
1. Equity shares issued		34,000,000	-
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		(4,634,022)	-
4. Dividends paid		-	-
5. Other cash inflows		-	-
6. Other cash outflows		-	-
<b>7. Net cash provided by financing activities</b>		<b>29,365,978</b>	<b>-</b>
<b>D. Effect of currency differences on cash and cash equivalents</b>		<b>5,036,698</b>	<b>8,371,603</b>
<b>E. Net increase/(decrease) in cash and cash equivalents</b>		<b>13,455,231</b>	<b>(44,448,628)</b>
<b>F. Cash and cash equivalents at the beginning of the year</b>	<b>14</b>	<b>121,790,722</b>	<b>166,239,351</b>
<b>G. Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>135,245,953</b>	<b>121,790,723</b>

The accompanying notes are an integral part of these financial statements.

## Statement of Changes in Equity As at 31 December 2019

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 2.11

Audited Statement of Changes in Equity - 31 December 2019												
	Notes	Paid-in Capital	Own Shares of the Company	Value increase in Financial Assets	Inflation Adjustments	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Net Profit / (Loss) for the Year	Retained Earnings	Total
I - Balance at the end of the previous year – 1 January 2019	15	39,541,418	-	-	1,159,772	-	-	-	278,138,185	(29,369,770)	(198,885,182)	90,584,423
A- Capital increase		19,350,000	-	-	-	-	-	-	14,650,000	-	-	34,000,000
1- In cash		19,350,000	-	-	-	-	-	-	14,650,000	-	-	34,000,000
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		-	-	-	-	-	-	-	-	-	-	-
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the year		-	-	-	-	-	-	-	-	(17,846,728)	-	(17,846,728)
I – Other reserves and transfers from retained earnings		-	-	-	-	-	-	-	(228,254,952)	29,369,770	198,885,182	-
J- Dividends paid		-	-	-	-	-	-	-	-	-	-	-
II - Balance at the end of the year – 31 December 2019	15	58,891,418	-	-	1,159,772	-	-	-	64,533,233	(17,846,728)	-	106,737,695

Audited Statement of Changes in Equity - 31 December 2018												
	Notes	Paid-in Capital	Own Shares of the Company	Value increase in Financial Assets	Inflation Adjustments	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Net Profit / (Loss) for the Year	Retained Earnings	Total
I - Balance at the end of the previous year – 1 January 2019	15	39,541,418	-	-	1,159,772	-	-	-	278,138,185	(3,448,572)	(195,436,610)	119,954,193
A- Capital Increase		-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-	-	-	-
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the year		-	-	-	-	-	-	-	-	(29,369,770)	-	(29,369,770)
I – Other reserves and transfers from retained earnings		-	-	-	-	-	-	-	-	3,448,572	(3,448,572)	-
J- Dividends paid		-	-	-	-	-	-	-	-	-	-	-
II - Balance at the end of the year – 31 December 2019	15	39,541,418	-	-	1,159,772	-	-	-	278,138,185	(29,369,770)	(198,885,182)	90,584,423

The accompanying notes are an integral part of these financial statements.

## Statement of Income As at 31 December 2019

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Note 2.1.1

	Notes	Audited Current Period 31 December 2019	Audited Current Period 31 December 2018
<b>I. DISTRIBUTION OF THE PROFIT FOR THE YEAR</b>			
1.1. CURRENT PERIOD PROFIT/(LOSS)		(18,498,772)	(29,032,736)
1.2. TAXES AND DUTIES PAYABLE	35	652,044	(337,034)
1.2.1. Corporate Tax (Income Tax)		-	-
1.2.2. Income Tax Deductions		-	-
1.2.3. Other Taxes and Legal Duties	35	652,044	(337,034)
<b>A. CURRENT PERIOD PROFIT/(LOSS) (1.1 – 1.2)</b>		<b>(17,846,728)</b>	<b>(29,369,770)</b>
1.3. ACCUMULATED LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVES		-	-
1.5. COMPULSORY LEGAL FUNDS TO BE RETAINED IN THE COMPANY (-)		-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [ (A - (1.3 + 1.4 + 1.5) ]</b>		<b>-</b>	<b>-</b>
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1. To owners of ordinary shares		-	-
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 (-)		-	-
1.8. DIVIDENDS TO FOUNDERS (-)		-	-
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.10.1. To owners of ordinary shares		-	-
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 (-)		-	-
1.12. STATUTORY RESERVES(-)		-	-
1.13. EXTRAORDINARY RESERVES		-	-
1.14. OTHER RESERVES		-	-
1.15. SPECIAL FUNDS		-	-
<b>II. DISTRIBUTION OF RESERVES</b>		<b>-</b>	<b>-</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 owners of Profit and Loss Participation Certificates		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-

The accompanying notes are an integral part of these financial statements.



**Statement of Income As at 31 December 2019**

(Currency: Turkish Lira (TL))

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<b>III. EARNINGS PER SHARE</b>		-	-
3.1. TO OWNERS OF ORDINARY SHARES		-	-
3.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
3.3. TO OWNERS OF PRIVILEGED SHARES		-	-
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		-	-
<b>IV. DIVIDEND PER SHARE</b>		-	-
4.1. TO OWNERS OF ORDINARY SHARES		-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3. TO THE PRIVILEGED SHAREHOLDERS		-	-
4.4. TO THE PRIVILEGED SHAREHOLDERS ( % )		-	-

# Notes to the Financial Statements

## As at 31 December 2019

(Currency: Turkish Lira (TL))

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### 1 General information

#### 1.1 Name of the Company and the ultimate parent of the group

On 4 December 2008, Oyak Emeklilik A.Ş. was transferred to ING Continental Europe Holdings B.V. as a main shareholder has 99% (new title is NN Continental Europe Holdings B.V.) by diverging from Ordu Yardımlaşma Kurumu with approval of The ministry of Treasury and Finance of Turkey – Directorate of Insurance “(Treasury)” on November 25, 2008. The commercial title of the Company was decided to be changed as ING Emeklilik A.Ş. with an amendment on the main agreement at the Ordinary General Meeting dated January 26, 2009. The related decision and the amendment were registered on 27 January 2009 in conformity with Turkish Commercial Code (“TCC”) numbered 6762. The company and other ING Group companies has amended corporate name and replace ING with NN. Therefore, The Company has been amended as NN Hayat ve Emeklilik Anonim Şirketi (“The Company”) with Extraordinary General Assembly Meeting dated 29 January 2015. The Board of Decision and text of amendment to the main contract are registered officially on 30 January 2015 in accordance with the TCC.

As at 31 December 2019, the Company is owned by NN Continental Europe Holdings B.V., which has a single shareholding and is directly dominated by its capital. The distribution of the Company’s nominal capital at 31 December 2019 is shown in the note 2.13.

#### 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 operates in Maslak Mh. Sümer Sok. Maslak Office Building No:4/92 34485, Sarıyer, İstanbul and is a joint stock company in accordance with the regulations of TCC.

#### 1.3 Business of the Company

The Company’s main operations are insurance and reinsurance activities on private pension, personal accident and life insurance and other related activities. The Company is regulated under Private Pension, Saving and Investment System Law No. 4632 for its private pension operations, and under Insurance Law No. 5684 for life and personal accident insurance operations.

22 pension funds were established by the Company as at 31 December 2019 (31 December 2018: 25 pensions).

The Company operated in private pension activities since 24 February 2010, on that date, the Company had obtained license to operate in the insurance activities from the Treasury. The operations have started on 10 March 2010 through ING Bank A.Ş. by providing credit policies for loan customers. As of 16 August 2010, the Company has also started personal accident insurance.

#### 1.4 Description of the main operations of the Company

Principles of the activities for private pension plans are regulated according to Private Pension, Saving and Investment System Law No. 4632, and those for life and personal accident insurance operations are regulated according to Insurance Law No.5684 and the related pronouncements in support of this Law.

#### 1.5 Average number of employees by categories

The average number of employee during the period in terms of categories is as follows:

	31 December 2019	31 December 2018
Executive management	267	7
Management	30	31
Specialist	6	291
Other	-	1
<b>Total(*)</b>	<b>303</b>	<b>330</b>

(\*) Employees terminated from Company in december, members of the board of directors and trainee employees are not included to employee number of Company as at 31 December 2019.

#### 1.6 Wages and other benefits given to executive management

For the year then ended 31 December 2019, salaries and similar benefits provided to the top management amounted to 8.377.546 TL (31 December 2018: 6.544.040 TL).

**Notes to the Financial Statements****As at 31 December 2019**

(Currency: Turkish Lira (TL))

**1.7 Criteria used in the distribution of investment income and underwriting expenses (personnel, administration, research and development, marketing, selling, and other underwriting expenses) in the financial statements**

As at 31 December 2019 the Company distributes its administrative expenses, research and development expenses, marketing and sales expenses, outsourced benefits and services and other operating expenses between the non life, life and private pension branches according to the distribution key published on 9 August 2010 by the Treasury. The expenses allocated directly are recorded as an expense for the related branch. The expenses that are not allocated are distributed to branches with calculation of expense rate according to (a) and (d) subclause of the third article of the circular numbered 2010/9 published by the Treasury.

**1.8 Stand-alone or consolidated financial statements**

The attached financial statements include only financial information about NN Hayat ve Emeklilik A.Ş.

**1.9 Name of the reporting company or other information and the changes occurred since previous balance sheet date**

Trade name of the company	: NN Hayat ve Emeklilik Anonim Şirketi
Registered address of the head office	: Maslak Mahallesi Sümer Sok. Maslak Office Building No :4/92 Sarıyer , İstanbul
Web page address	: <a href="http://www.nnhayatemeklilik.com.tr">www.nnhayatemeklilik.com.tr</a>

The company changed its address after the previous reporting period. The address of the Company at the end of the previous reporting period is as follows:

Address of the Company's Head Office Building	: Maslak Mh Ahi Evran Cd. Olive Plaza No:11 Sarıyer / İstanbul
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**1.10 Events after the reporting period**

Events after the reporting period includes all events between the end of the reporting period and the date of authorization for the issuance of financial statements, even if any announcement of profit or other selected financial information has arisen after disclosure to the public.

The Company adjusts the amounts recognized in the financial statements in accordance with this new situation in the case of events that need to be adjusted subsequent to the reporting period.

Explanations related to subsequent events are disclosed in Note 46 – Events after the reporting period.

**2 Summary of significant accounting policies****2.1 Basis of preparation****2.1.1 Information about the basis and special 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 Financial Reporting Standards ("TFRS") for the matters not regulated by the insurance legislation, and within the framework of "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies", the Article 18 of Insurance Law, and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") as promulgated by the The ministry of Treasury and Finance of Turkey in accordance with the current regulations.

Treasury stated that TFRS 4 "Insurance contracts" standard has been enacted as of 25 March 2006 and that the second part of the project on insurance contracts of the International Accounting Standards Board has not yet been completed and therefore it will not be applied at this stage. In accordance with the "Regulation on Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to be Invested These Provisions" ("Technical Reserves Regulation") published after the Official Gazette dated July 2010 and entered into force as of 30 September 2010 A number of circulars and sectoral announcements with statements and regulations were published. The accounting policies applied in this regulation, circular and sectoral announcements and regulations are summarized in their own chapters in the following sections.

"Communiqué Related to the Presentation of Financial Statements" issued by the Turkish Treasury in the 18 April 2008 dated and 26851 numbered Official Gazette and "Sector Announcement Related to New Account Numbers and Presentation of Financial Statements" dated 31 May 2012, regulates the formation and content of financial statements to ensure the comparability of financial statements with previous periods' financial statements and other companies' financial statements.

**Notes to the Financial Statements****As at 31 December 2019**

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**Additional paragraph for convenience translation to English**

The differences between the accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries other than Turkey and IFRS.

**2.1.2 Other related accounting policies relevant for 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 31 December 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 date, and that corresponding figures for previous years be restated in the same terms.

In accordance with the declaration of the The ministry of Treasury and Finance of Turkey with the article dated 4 April 2005 and numbered 19387, inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the The ministry of Treasury and Finance of Turkey. Therefore, the non-monetary assets and liabilities and capital items included in shareholders' equity are demonstrated restating the entries until 31 December 2004 in the accompanying financial statements as of 31 December 2004 and the subsequent entries are presented with their nominal values.

**Other accounting policies**

Information regarding other accounting policies is disclosed above in Note 2.1.1 – Information about the principles and the special accounting policies used in the preparation of the financial statements and each under its own caption in the following sections of this report.

**2.1.3 Functional and reporting currency**

The accompanying financial statements are presented in TL, which is the Company's functional currency.

**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 31 December 2004, except for available-for-sale financial assets.

**2.1.6 Changes in accounting policies**

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the last annual financial statements.

The Company has initially adopted TFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Company's financial statements;

TFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied TFRS 16 using the modified retrospective approach which means initial right of use equals to initial financial lease liability. The details of the changes in accounting policies are disclosed below;

**a-) Definition of a lease**

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under TFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to TFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under TFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

**Notes to the Financial Statements****As at 31 December 2019**

(Currency: Turkish Lira (TL))

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

**b-) As a lessee**

The Company leases land and buildings, vehicles and IT equipments.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under TFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of assets which are lower than materiality under TFRS 16. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The carrying amounts of right-of-use assets are as below;

TL	Tangible assets
Balance at 1 January 2019	22.767.948
Balance at 31 December 2019	18.313.090

The Company presents lease liabilities in “Financial Liabilities (Note 20)” in the statement of financial position.

**i. Significant accounting policies**

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company’s accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. As of 1 January 2019, incremental borrowing rate used by the Company for TL lease liabilities reflected through statement of financial position is 23.5%, for USD and EUR liabilities %2.76

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

**ii. Transition**

At transition, for leases classified as operating leases under TAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted using the alternative borrowing interest rate on the first application date. Right-of-use assets are measured at either:

- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
- The Company used the following practical expedients when applying TFRS 16 to leases previously classified as operating leases under TAS 17.
- As of 1 January 2019, applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

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– Within the scope of the definition of non-cancellable rental period within TFRS 16, there is no reasonable certainty as to whether the option of terminating the lease of any building rented by the Company will be used. For this reason, considering the non-cancellation periods rather than the contract periods, all building contracts become less than 1 year and are excluded from the scope of the standard.

– Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

**c-) Impact on financial statements****i. Impacts on transition**

The impact on transition is summarized below.

TL	1 January 2019
Right-of-use assets presented in tangible assets	22.767.948
Lease liabilities	22.767.948

TL	1 January 2019
Operating lease commitment as explained in the financial statements of December 31, 2018	24.247.112
Rental leases discounted using alternative borrowing interest rate of January 1, 2019	22.767.948

**ii. Impacts for the period**

As a result of initial measurement of TFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised TL 18.313.090 of right-of-use assets and TL 18.061.031 lease liabilities as at 31 December 2019.

Also in relation to those leases under TFRS 16, the Company has recognised depreciation and interest costs, instead of operating lease expense. As at 31 December 2019, the Company recognised TL 6.405.887 depreciation charges and TL 4.706.917 interest costs from these leases.

**2.1.7 Changes in accounting estimates**

The Company remeasured the operational efficiency of the exclusivity contract made within the scope of bankassurance and made changes regarding the expected lifetime of the related intangible asset item. Amortization of the relevant intangible fixed asset item which the management previously subjected to straight-line depreciation by determining five years of service life, by the production amount method (in line with the budget ratio calculated by proportioning the realized premium production to the committed premium production). The related amendment is also explained in the note 8 Intangible assets.

**2.2 Consolidation**

“Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies” issued by the The ministry of Treasury and Finance of Turkey in the Official Gazette dated 31 December 2008 and numbered 27097 (“the Circular for Consolidation”) requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from 31 March 2009.

Under Turkish Treasury’s Sector Announcement dated 12 August 2008 and no 2008/36 regarding Charging of Insurance and Reinsurance, and Pension Companies’ Investments in Subsidiaries, Jointly Controlled Partnerships and Participations to Individual Financial Statements and Consolidated Financial Statements Communiqué dated 31 December 2008; it is ruled that mentioned partnership can be excluded from the scope of consolidation by considering the principle of materiality in case total assets of subsidiary, jointly controlled partnership or participation is less than 1% of the total assets of the parent company and in case the total partnership shares of subsidiaries, participations and jointly controlled partnerships which are under this limit do not exceed 5% of the total assets of parent company.

In the 12 August 2008 dated and 2008/37 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 Turkish Treasury, it is stated that while individual financial statements are being prepared, investments in subsidiaries and affiliates could be accounted in accordance with 10 th paragraph of TAS 27 – Individual Financial Statements cost method, equity method or TAS 39 – Financial Instruments: Recognition and Measurement

Explanations related to the investments of the Company are presented in Note 9 - Investments in Associates In accordance of the Circular of Consolidation, due to total assets of the Company’s related parties are less than one percent from the Company’s total assets, they have not been consolidated in financial statements of the Company’s as at 31 December 2019 and 31 December 2018, they are recognized with their cost values.



**Notes to the Financial Statements****As at 31 December 2019**

(Currency: Turkish Lira (TL))

**2.3 Segment reporting**

A segment is a divisible part of the Company related to the production of products or services (business segments) or the economic environment in which the risks and benefits produced by products and services can be distinguished from other departments (geographical section). Because of the main geographical area where the Company operates is Turkey, reporting is not presented according to geographical segment. Reporting is presented according to the area of activity in Note 5.

**2.4 Transactions in foreign currencies**

The results and financial position of the Company are expressed in TL, which is the functional currency of the Company. In preparing the financial statements of the Company, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies or foreign currency indexed monetary assets and liabilities are retranslated into Turkish Lira at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated to Turkish Lira at the rates prevailing on the date when the fair value was determined.

**2.5 Property and equipment**

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is recognized 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.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Property and equipment are depreciated with useful lives stated below:

<b>Property and equipment</b>	<b>Useful life</b>	<b>Depreciation rate (%)</b>
Machinery and equipment	5-10	10-20
Vehicles	10	10
Fixtures	5-10	10-20
Leasehold improvements	5-10	10-20

**2.6 Investment properties**

The buildings of the Company held for the purpose of receiving rent or an increase in value or both instead of being used in the operations of the Company or being sold within the normal business course are classified as investment properties. The investment properties are carried at initial acquisition cost by adding transaction costs. As at 31 December 2019 the Company has no investment properties. (31 December 2018: None).

**2.7 Intangible assets**

Intangible assets are recorded at cost in compliance with "TAS 38 – Accounting for Intangible Assets".

Intangible assets acquired

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives (5 years). Estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred from the date of acquisition to the date to bring the specific software in use. These costs are amortized over their estimated useful lives (5 years).

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Costs associated with developing or maintaining computer software programmes are recognized as expense as 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 for more than one year are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs, which are considered to be fixed assets, are amortized over their useful lives (not exceeding 3 years).

#### Bankassurance agreement

Bankassurance agreement comprises from the contract assets related to the bankassurance network received exclusively. They are recorded over their acquisition costs and are subjected to depreciation over their estimated useful lives by the straight-line method or production amount method. In case of impairment, the registered value of intangible assets is adjusted to its recoverable value.

### 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 favorable to the entity.

Financial assets are classified in four categories; financial assets held for trading, available-for-sale financial assets, held to maturity investments, and loans and receivables.

Financial assets held for trading purpose are measured at their fair values and gain or loss arising due to changes in the fair values of related financial assets are recorded in profit or loss. Interest income earned on held for 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.

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 amortized cost less impairment losses.

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 using 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. Unrecognized gains or losses derived from the difference between their fair values and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under shareholders' equity. Upon disposal, the realized gain or losses are recognized directly in profit or loss.

Purchase and sale transactions of marketable securities are accounted on delivery date.

Related Parties, classified as available-for-sale financial assets in the financial statements, which are traded in an active market or whose fair value can be reliably measured, are recorded at fair value. Associates which are not traded in an active market and whose fair value can not be reliably set are reflected in the financial statements at their costs after deducting impairment losses, if any.

#### Special instruments

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.

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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 business'.

### Derecognition

A financial asset is derecognized when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realized, expire or are surrendered.

## 2.9 Impairment on assets

### Impairment on financial assets

Financial assets or group of financial assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the Company estimates the amount of impairment. A financial asset is impaired 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 be incurred due to future events are not recognized even if the probability of loss is high.

Loans and receivables are presented net of specific allowances for uncollectibility. 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 recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

### Impairment on tangible and intangible assets

On each reporting date, the Company evaluates whether there is an indication of impairment of tangible and intangible 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 disclosed in Note 47 – Other.

## 2.10 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 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.

As of 31 December 2019 the Company has no derivative financial instruments (31 December 2018: None).

## 2.11 Offsetting of financial assets

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize 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 similar transactions included in the Company's trading activities.

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### 2.12 Cash and cash equivalents

Cash and cash equivalents, which is the basis for the preparation of the statement of cash flows includes cash on hand, cheques received, other cash and cash equivalents, demand deposits and time deposits at banks having an original maturity less than 3 months which are ready to be used by the Company or not blocked for any other purpose.

### 2.13 Share capital

As of 31 December 2019 the Company's nominal capital is TL 39.541.418 and is formed by 39.541.418 shares with a par value of TL 1 (one) per share (As of 31 December 2018, the Company's nominal capital is TL 39.441.418 and is formed by 39.441.418 shares with a par value of TL 1 (one) per share).

Adı	31 December 2019		31 December 2018	
	Nominal Value of the Shares (TL)	Percentage (%)	Nominal Value of the Shares (TL)	Percentage (%)
NN Continental Europe Holdings B.V.	58.891.418	100.00	39.541.418	100.00
<b>Paid-in Capital</b>	<b>58.891.418</b>	<b>100.00</b>	<b>39.541.418</b>	<b>100.00</b>

#### Sources of the capital increases during the period

The Company's main shareholder, NN Continental Europe Holdings BV paid 14.700.000 TL to the Company's accounts for capital increase on May 21, 2019. 14.650.000 TL of the amount has been recorded as emission premium and 50.000 TL as capital. The capital increase was registered on 5 July 2019 and published in the Trade Registry Gazette No. 9874 dated 23 July 2019.

The Company's main partner, NN Continental Europe Holdings BV, paid 19,300,000 TL to the Company's accounts on 30 October 2019 for capital increase. The amount has been recorded as a capital increase and was registered on 30 December 2019 and published in the Trade Registry Gazette numbered 9987 on 6 January 2020.

#### Privileges on common shares representing share capital

None.

#### Registered capital system in the Company

None.

#### 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 accepting to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk covers all risks except for financial risks. All premiums have been received within the coverage of insurance contracts recognized as revenue under the account of written premiums.

Investment contracts are those contracts which transfer financial risk without 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.

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#### Risk policies

##### *Fixed-term Life Insurance*

Fixed-term life insurance provides guarantee against the risks that the policyholder may encounter within the pre-defined time limits. This insurance covers all risks that the policyholder can be exposed to by providing natural death coverage along with the additional coverage such as accidental death, disability, critical disease, accidental death in public transportation during the policy term. Fixed-term life insurance contracts do not provide surrender and policy loan rights, does not have any paid up value, and can be issued for groups and individuals. The age limit is generally between 18 and 65 years of age and premium amount varies according to the risk assessment based on age, sex and health risk assessment. Premium payment terms may vary according to the product types.

##### *Credit protection insurance*

Credit Protection Insurance is an insurance that provides guarantee against the risks that the policyholder may encounter (the risks related with the death, disability, involuntary unemployment, temporary disability for service and daily hospital coverage) throughout the period the credit is used. These products are marketed in order to service the credit debt in case of the realization of the risk in the period of the credit. Therefore, the debtor and the family of the credit holder are financially protected. Credit Protection Insurance products are risk products that do not have any paid up value and are sold only death coverage (credit life) or death coverage along with additional coverage of disability, involuntary unemployment, temporary disability for service and daily hospital coverage (payment protection). The age limit is between 18 and 69 (the period and age cannot exceed 75) premium amount changes according to the risk assessment based on age, sex and health risk assessment. Insurance guarantees can be arranged as fixed or diminishing and premium payments are made in the first year of the insurance.

##### *Personal accident insurance*

Personal accident insurance provides guarantee against the risks that the policyholder may encounter within the pre-defined time limits. This insurance covers all risks that the policyholder can be exposed to by providing accidental death coverage along with the additional coverage such as accidental death by traffic, accidental death in during occupation and accidental death in public transportation during the policy term. Personal accident insurance can be issued for individuals. The age limit is generally between 18 and 65 years of age and premium amount does not vary according to the risk assessment based on age, sex and health risk assessment. Premium payment terms may vary according to the product types.

##### *Health Insurance Products*

The Company operates in the market with the supplementary health insurance product, which is individual and individual based on the health branch. The objective of the product is to provide assurance to the insured within the scope of ya Inpatient and Outpatient "and" Inpatient "treatment expenses. The premiums vary depending on the age and location of the insured. Premium payment terms may vary depending on the product.

#### Individual pension contracts

The total amount of pension investment funds established by the Company within the private pension system including the participants' investments are accounted for as gross amounts within the financial statements under due from private pension fund operations and payables from private pension operations.

As of 31 December 2019, the Company has 22 pension funds (31 December 2018: 22).

Private pension system receivables consist of capital advances made to pension investment funds, receivables from funds for fund operating deductions and receivables from Takasbank, the custodian. Fund operating deductions account comprises of daily deductions made by the Company for the expenses arising from fund management services that have not been collected on the same day. Advances allocated to pension investment funds established by the Company are recorded as capital advances made to pension investment funds.

In addition to payables to participants' account mentioned in the paragraph above, private pension system payables also include payables to private pension intermediaries and temporary participants' accounts. Temporary participants account includes the contributions from pension investment fund participants that have not been invested yet by the Company. This account also includes the proceeds from the sale of participation shares less entrance fee deduction and similar charges, if any, in case the participant leaves the system or transfers his/her saving to other private pension companies.

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Fund management charge, which is charged in return for the fund management services, representation and other services provided to pension funds, is recorded as income in the Company's accounts and is shared between the Company and the funds' portfolio manager according to the ratios specified in the agreement signed between the parties. The total charge is recorded to the Company's technical income as fund management revenue and the part of charge which belongs to the funds' portfolio manager thereof, is recorded in the Company's technical expense accounts.

Decision taken relatively with government contribution to individual retirement system has been published in Official Gazette dated 29 December 2012 and will be effective in 1 January 2013. In accordance with this law, 25% of contributions paid to individual pension account on behalf of participant excluding payments (providing limited with 25% of annual minimum wage) by employer is transferred to participants as state subsidy. In this concept, the Company went public offering on NN Hayat ve Emeklilik Supplementary pension funds dated 30 April 2014 in order to evaluate state subsidies in 2013.

### Reinsurance agreements

Reinsurance agreements are the agreements that agreed by the Company and Reinsurance Company for the loss which may occur in one or more insurance agreement signed by the Company, and those meet all conditions to be classified as insurance contract and those whose costs are paid. The Company transfers partly the risks taken such as death, disability, involuntary unemployment, temporary capacity, insurance of daily hospital benefits, accidental death/ disability, critical illness, accidental death in public transportation to reinsurance companies. The Company has reinsurance agreements for the life policies differentiated on product basis which are generally surplus, quota share/surplus and excess of loss structured. As for the catastrophic claims, the Company adopted a structure with TL 60.000.000 capacity. (31 December 2018: 60.000.000)

### 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) realized and/or unrealized 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 date, the Company does not have any insurance or investment contracts.

### 2.16 Investment contracts without DPF

None (31 December 2018: None).

### 2.17 Liabilities

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset another entity, Financial liabilities of the Company are measured at their discounted values, A financial liability is derecognized when it is extinguished.

Payables from individual pension business consist of payables to participants, participants' temporary accounts and payables to individual pension agencies.

The temporary account of participants includes the contributions of participants that have not yet been transferred to investment. This account also includes the entrance fee deducted portion of the participants' fund amounts, resulting from fund share sales upon the participant's leaving the system or transferring funds to other individual pension companies.



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### 2.18 Taxes

#### Corporate tax

Corporate income is subject to corporate tax at 20% in Turkey to be effective from January 1, 2006. However, according to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 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 retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

Advance taxes are calculated and paid at valid corporate tax rate 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 Turkish Tax Legislation, tax losses can be carried forward to offset against future taxable income for up to five years. As at 31 December 2019, company has an amount of TL 49.583.953 deductible tax losses (31 December 2018: TL 84.078.137)

The company aims to increase profitability in terms of premium production, market share and targets, and aims to use the current financial loss in a taxable manner.

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 25th 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.

#### Deferred tax

Deferred tax assets and liabilities are recognized according to TAS 12 – Income Taxes standard, using the balance sheet method, 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.

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 offset 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.

If transactions and events are recorded in the statement of operations, then the related tax effects are also recognized in the statement of operations. However, if transactions and events are recorded directly in the shareholders' equity, the related tax effects are also recognized directly in the shareholders' 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 18 November 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.

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**2.19 Employee termination 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 31 December 2018 is TL 6.380 (31 December 2018: TL 5.434).

The Company reserved for employee severance indemnities 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 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Net Discount Rate	%3.95	%5.02
Expected Rate of Salary/Limit Increase	%7-%8	%14-%15
Estimated voluntarily leave rate	%13.37	%15.51

**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 date 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 notes 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 recognized in financial statements since this may result in the recognition of income that may never be realized. 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 recognized 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**

Written premiums represent premiums on policies written during the year, net of cancellations. Premium income is recognized in the financial statements on accrual basis by providing unearned premium reserve.

**Received and paid commissions**

Received and paid commissions are comprised of commissions paid related to the written premiums and commission received related to the ceded premiums to reinsurance companies and are accounted under technical income/expense accounts of life and non-life underwriting expenses in the income statement. Paid and received commissions are accounted under underwriting expenses as net in the income statement and deferred expenses and deferred income in the balance sheet on accrual basis.

**Interest income and expense**

Interest income and expense are recognized 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.

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### 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 recognized as "Income from disposal of financial assets" and "Loss from disposal of financial assets" in the accompanying financial statements.

Dividend is recognized as income when the right of collection is obtained.

### Income from pension business

Fund management fee is recognized 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 manager in accordance with the agreement signed between parties. Total of fund management fee charged to the pension investment funds is recognized as "Fund management income" under technical income and portion of the portfolio manager is recognized as "Fund management expense" under technical expenses.

Management fee is levied on contributions of the participants recognized as income under "Fund management income".

Entrance fees are received by the Company from participants during entry into the system and for the opening of a new individual pension account. In the outstanding individual pension contracts of the Company, significant portion of the entrance fees is deferred to the end of the contract. The deferred and contingent entrance fees are not recognized as income. 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 statement of income as "increase in value of capital allowances given as advances".

### 2.22 Financial lease transactions

As of 31 December 2019, the Company has no leasing transactions (31 December 2018: None).

### 2.23 Dividend distribution

As of 31 December 2019, the Company has no dividend distribution (31 December 2018: None).

### 2.24 Reserve for unearned premiums

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, unearned premium reserve that is accrued premiums without any commission or other discount as gross daily basis consists of overhanging part of the next fiscal year or fiscal period.

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 period. 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 Communiqué on Technical Reserves, during the calculation of reserve for unearned premiums, starting date and end date of insurance policy is taken into consideration as half day. According to the Communiqué on Technical Reserves, for the calculation of unearned premium reserves of foreign currency indexed insurance agreements, foreign currency selling exchange rates announced by Central Bank of the Republic of Turkey will be considered, unless there is a specified exchange rate in the agreement. As of 31 December 2019, the Company has an amount of TL 21.995.253 reserve for unearned premiums. (31 December 2018: TL 20.046.299)

### 2.25 Deferred commission expense and income

In accordance with the 5. Article of "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", the commissions paid to intermediaries provided that productions incurred, commissions received from the premium ceded, the prepaid amounts of non-proportional reinsurance agreements and the corresponding future term(s) of variable costs and supporting services related to preparation of tariffs and insurance contracts for the production and sale recognized under deferred income and expenses and other related accounts. Gains and losses from aforementioned items recognized as net at deferred income and losses account on the balance sheet and at operation expenses on the statement of income, respectively (Note 17). Income and expenses from private pension agreements (including commissions) are disclosed in Notes 2.21.

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#### 2.26 Reserve for unexpired risks

In accordance with the Communiqué on Technical Reserves, while providing reserve for unearned premiums. in each accounting period. the companies should perform adequacy test covering the preceding 12 months due to the probability that future claims and compensations of the outstanding policies may be 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.

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 main branch is added to the reserves of that branch. As at 31 December 2019 and 2018, related tests have not resulted in any inadequacy regarding reserve for unexpired risks.

An accordance with the Treasury's circular dated 20 September 2010 and numbered 2010/12, the provision for outstanding claims of the previous period is also provided as provision for outstanding claims calculated by the new method and used as provision for outstanding claims, in order to prevent misleading effects of the calculation of outstanding claims provision. The amount calculated according to the new method is taken into consideration.

#### 2.27 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 date as well as the corresponding handling costs. Incurred but not reported claims ("IBNR") are also provided.

Change in measurement of technical reserves became effective as at 30 September 2010 according to the Turkish Treasury Circular which were published as "Communiqué on Amendments to Communiqué on Technical Reserves" in Official Gazette dated 28 July 2010 and numbered 27655.

Communiqué on technical reserves and circulars issued by Turkish Treasury brings essential changes into effect on measurement of technical reserves and accounting of income from salvage and subrogation. In summary, it is aimed to align Communiqué on Technical Reserves with methodological changes on Actuarial Chain ladder method, to include matters which were declared before through circulars and sector announcements to the communiqué. The Turkish Treasury issued the Circulars numbered 2010/12, 2010/13, 2010/14 and the sector announcement numbered 2010/29 which became effective as at 31 December 2010 in order to clarify uncertainties on measurement of technical reserves and accounting of income from salvage and subrogation.

Additional amendments effective from 30 June 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 17 July 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 Turkish Treasury, 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.

In this context, The Company has provided a net outstanding claims provision amounting to TL 26.505.741 in the financial statements related to the realized but not reported claims (31 December 2018: TL 24.643.472).

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#### 2.28 Life mathematical and profit share reserves

Mathematical reserves consist of actuarial mathematical reserves and profit share reserves, share of policyholders, determined from the income generated from mathematical reserves directed towards investment, that are calculated separately for each effective policy, in accordance with the technical principles in the tariffs and which are explained in clauses (i) and (ii) below.

i) Actuarial mathematical reserve is the difference between the premiums received for the risks assumed and cash value of liabilities to policyholders and beneficiaries. Actuarial mathematical reserves are provided for life insurance having more than one year of maturity, based on the formulas and elements of technical principles. Actuarial mathematical reserves are calculated on a prospective method by determining the difference between the cash value of the insurer's future liabilities and the present value of future premiums to be paid by the policyholder. However, the sum of actuarial mathematical reserves calculated either based on the retrospective method (calculation of difference between the final value of premiums paid and the final value of the risks assumed) or based on the generally accepted methods by the The ministry of Treasury and Finance of Turkey cannot be less than this amount. When the actuarial mathematical reserves are presented as negative, this value is deemed to be nil. In life insurance policies where accumulated premiums are collected, actuarial mathematical reserve includes the sum of accumulated portion of premiums. Actuarial mathematical reserves can be measured on an accrual or collection basis depending on the technical characteristics of the tariffs.

ii) Profit share reserves consist of the income obtained from assets in relation to reserves provided for the obligations for the policyholders and beneficiaries in contracts for which the Company has committed to distribute profit shares; the guaranteed portion, not to exceed the technical interest income calculated based on the profit share distribution system prescribed in the approved technical principles of profit share and prior years' accumulated profit share reserves. The Company has no policy which includes profit share.

#### 2.29 Equalization reserve

According to the Decree of Technical Provisions of Insurance and Reinsurance Companies and Pension Funds and Assets Held For Such Provisions, insurance companies are required to provide equalization reserve in their financial statements for earthquake and credit coverage in order to balance the fluctuations in the claim ratios and to meet the catastrophic risks in the subsequent periods.

Based on the explanation numbered 2009/9 regarding "Application of Regulation on the Technical Reserves", starting from January 1, 2009, the life and pension companies are required to record an equalization reserve for the insurance contracts including earthquake and credit coverage in life and accident branches. In addition, the calculation technique of the equalization reserves restated by the The ministry of Treasury and Finance of Turkey by Regulation numbered "Regulation for the Amendment on Regulations about Technical Reserves and Assets for Investing Reserves of Insurance, Reinsurance and Pension Funds Companies" 27655 and dated 28 July 2010.

According to the related Regulation's Article No.9 and fifth paragraph entitled as "Equalization Reserves", Insurance companies can use their own statistical data for calculation of the equalization reserves amount for the life policies that have guaranty of death, but if the entity that has not own statistical data, has to made provisions as equalization reserve via considering 11% of the amount of life indemnity (also include costs share) as earthquake premium and 12% of the same amount as equalization reserve.

As of 31 December 2019, the Company made provision for life branch amounting TL 12.945.440 (31 December 2018: TL 9.738.223) (Note 17). In Personal Accident Insurance branch, for the policies started a new sale and for the policies covering the earthquake risk stated in the section 6, article (f) of the Personal Accident Insurance General Terms, equalization reserve is calculated by taking into consideration 12% of earthquake premiums stated in the technical tariff. The Company has made an equalization reserve provision TL 2.227.500 as at 31 December 2019 (31 December 2018: TL 1.832.448) (Note 17).

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### 2.30 Related parties

For the purpose of the financial statements, the party is deemed to be related to the Company in the presence of one of the following criteria:

(a) The party in question, either directly or indirectly through one or more intermediaries:

- controlling the entity, controlling it by the entity or being under common control with the entity (including parent companies, subsidiaries and affiliates in the same business);
- The proportion of the company that has significant impact on the company or
- Have joint control over the company;

(b) the party is a subsidiary of the Company;

(c) the party has a business partnership in which the Company is a joint venture;

(d) the party is a member of the key management personnel of the Company or its parent company;

(e) the party is a close family member of any individual referred to in (a) or (d);

(f) the Party; controlled, jointly controlled or under significant influence, or an entity in which any individual referred to in (d) or (e) has significant voting rights, directly or indirectly;

(g) The entity has a benefit plan that is provided to an employee of an entity or an entity that is a related party of the entity after the employee has left the company.

Transactions with related parties are transfers between related parties regardless of whether the resources, services or obligations are a consideration.

Due to ordinary activities, some business relations can be entered into with related parties.

### 2.31 Earnings per share

Earnings per share are determined by dividing the net income by the weighted average number of shares outstanding during the year attributable to the shareholders of the Company. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares issued are regarded as issued shares.

### 2.32 Events after the reporting period

Post-balance sheet events that provide additional information about the Company's position at the reporting dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

### 2.33 Standards and interpretations issued but not yet effective

**Standards published as of December 31, 2019 but not yet in force and not implemented early**

**Standards issued but not yet effective and not early adopted**

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted are as follows.

#### The revised Conceptual Framework (updated)

The revised Conceptual Framework issued on 28 March 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.



**Amendments to TFRS 4: Applying TFRS 9 Financial Instruments with TFRS 4 Insurance Contracts**

TFRS 4 has been amended by POA to reduce the impact of the differing effective dates of the new insurance contracts standard and TFRS 9. These amendments to TFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying TFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognized in profit or loss under TFRS 9 and those that would have been reported under TAS 39; or ii) an optional temporary exemption from applying TFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2022. These companies will be permitted to continue to apply existing requirements for financial instruments in TAS 39.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 4.

**TFRS 17 –Insurance Contracts**

On 16 February 2019, POA issued TFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. TFRS 17 replaces TFRS 4, which was brought in as an interim Standard in 2004. TFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. TFRS 17 solves the comparison problems created by TFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. TFRS 17 has an effective date of January 1, 2022 but companies can apply it earlier.

The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 17.

**TFRS 9 Financial Instruments (2017 Version)**

TFRS 9, the latest version has been published in January 2017 by POA, replaces the existing guidance in TAS 39 Financial Instruments Recognition and Measurement. TFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. The company has made preliminary evaluations regarding the financial assets and liabilities mentioned above in case of applying TFRS 9 and does not expect to have a significant impact on its financial statements. The International Accounting Standards Board has decided to apply TFRS 9 together with TFRS 17 on January 1, 2022. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to TFRS 9.

**TFRS 15 Revenue from Contracts with Customers**

As issued in September 2016 by Turkish Public Oversight Authority ("POA"), the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. In accordance with the letter submitted by Turkey Insurance Association dated 7 May 2018 and numbered 2018-354, the request of postponement of implementation of TFRS 15 in line with TFRS 17 and TFRS 9 transition is evaluated positively by the Republic of Turkey Ministry of Treasury and Finance and the announcement about the issue will be made with the circular after official approval. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 15.

**Amendments to TAS 1 and TAS 8 - Definition of Material**

In June 7, 2019, POA issued Definition of Material (Amendments to TAS 1 and TAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in TFRS Standards. The amended "definition of material" was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after January 1, 2020 with earlier application permitted.

The Company does not expect that application of these amendments to TAS 1 and TAS 8 will have significant impact on its financial statements.

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### Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

Interest Rate Benchmark Reform, which amended TFRS 9, TAS 39 and TFRS 7 issued in December 14, 2019 by POA. In 2018, International Accounting Standards Committee has determined issues about international incremental borrowing rate which will be deal after the change and before the change and classified these issues as before and after the change issues.

IASB considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements as a priority in the first phase of the project:

- The highly probable requirement;
- Prospective assessments;
- Retrospective assessment; and
- Separately identifiable risk components.

All other hedge accounting requirements remain unchanged. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

Those amendments are prospectively effective for annual periods beginning on or after January 1, 2020 with earlier application permitted.

### 3 Critical Accounting estimates and judgements in applying accounting policies

The notes given in this section are provided to addition/supplement 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 recognized 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 recognized in the financial statements are described in the following notes:

Note 4.1	–	Management of insurance risk
Note 4.2	–	Financial risk management
Note 6	–	Tangible assets
Note 8	–	Intangible assets
Note 10	–	Reinsurance assets/liabilities
Note 11	–	Financial assets
Note 12	–	Loans and receivables
Note 14	–	Loans and receivables
Note 17	–	Insurance liabilities and reinsurance assets
Note 17	–	Deferred acquisition costs
Note 18	–	Investment contract liabilities
Note 18	–	Receivables from individual pension operations
Note 19	–	Trade and other payables, deferred income
Note 21	–	Deferred income taxes
Note 23	–	Provisions for other liabilities and charges

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**4 Management of insurance and financial risk****4.1 Management of insurance risk****Insurance risk**

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of the insurance contracts, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The Company determines its insurance underwriting strategy based on the type of insurance risk accepted and the claims incurred.

The Company's pricing mainly depends on statistical analysis and outputs from historical data and/or on some mortality tables assumed to be best fit for the related product. The Company manages the aforementioned risks by its overall underwriting strategy and via reinsurance agreements. In risk acceptance policies of life and personal accident branches, the following components are considered:

- In individual insurance, health declarations and reports under consideration of policyholder's age and insurance coverage.
- In group insurance, the number of person in group and health declarations and reports depending policyholder's compulsory or facultative.
- In pricing, the information about charging sur-premium based on the health condition of the policyholder's, addition of condition to be added to the contract or the deduction or the rejection of the coverage.
- In high coverage, in additions to the health documents, the documents about the financial position of the insured.

Numbers and amounts of collateral types given by the company are presented table below. The Company management believes that there is a sufficient distribution in numbers and amounts.

	31 December 2019		31 December 2018	
	Coverage Amount (TL)	Number	Coverage Amount (TL)	Number
Disability due to accident	11.872.063.619	391.706	11,229,566,485	459,692
Death	9.827.012.843	567.561	8,216,033,158	597,634
Death due to accident	6.655.914.905	68.248	5,751,045,522	85,640
Critical illness	1.872.571.610	11.990	1,516,876,538	15,981
Illness resulting disability	1.241.656.222	12.302	520,922,126	5,193
Accident (public transit)	158.339.881	105.424	138,267,995	72,231
Unemployment	62.820.746	113.598	65,410,998	132,852
Life events	20.103.300	192	41,000,550	263
Emergency Health and Daily Hospital	7.307.500	866	10,227,500	1,255
Positive Life Events	958.000	1.916	237,000	474
Temporary Disability due to accident	693.113	3.530	96,038	531

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The Company is subject to the following risks in relation to the pricing of policies:

### Mortality risk

The Company is subject to mortality risk if the actual death claims are higher than expected death rates in the mortality tables used for pricing of the policies. The Company uses the appropriate mortality table for each product. The Company uses the CSO 80 or CSO 2001 mortality tables while pricing the life insurance agreements.

### Technical interest rate risk

The company has no saving life products (31 December 2018: None).

### Reinsurance companies

Reinsurance companies, providing reinsurance protection against life insurance and other additional risks are the most important service providers for the Company. Financial strength, long-term relationship approach, competitive prices, capacity provided for facultative and un-proportional (catastrophic) reinsurance contracts, opportunities and information provided in risk assessment process, product development, trainings, information about new developments in the sector and etc. are decisive criteria for the relationship with reinsurers.

Recent ratings of these reinsurance companies given by international institutions are as follows:

Reinsurer	Grade	Rating Company	Main Shareholder	Center of operations	Direct/Indirect Ownership
Inter Partner Assistance	AA-	S & P	AXA	Belçika	None
BNP Paribas Cardif Hayat Sigorta A.Ş.	Yoktur	S & P	BNP Paribas Cardif	Fransa	None
Swiss Re	AA-	S & P	Münchener Rückvers.	İsviçre	None
Munich Re	AA-	S & P	Münchener Rückvers.	Almanya	None
NN Re	A	S & P	NN Group	Hollanda	Same Group
RGA	AA-	S & P	Reinsurance Group of America	Amerika	None

## 4.2 Management of financial risk

### Introduction and overview

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 Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors monitors the effectiveness of the risk management system through the internal audit department.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

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### Operational risk management

Definition and measurement of operational risks, identification and application of risk policies and application procedures, establishing, application, follow up and reporting of adequate controls to decrease the risk level are maintained via Risk Management Process set up by the Company. It is aimed that the Company adds value to participants, shareholders and employees through the control of the risks faced, decreasing the losses and maintaining risk sensitive profitability analysis by establishing a strong risk management system.

Goals of the Operational Risk Function:

- Increasing the awareness for operational risk,
- Working with the management and maintaining their operations in line with the risk appetite of the executive management,
- Development of early warning system,
- Following the actions decreasing the risks and ensuring that the additional precautions to be taken,
- Thus, ultimately operational risk cost to be reduced.

Risk Management Process consists of the following stages:

- Defining of risks,
- Measurement and rating of the risks,
- Identification of risk appetite,
- Follow up and control of the risks,
- Reporting

Operational risk categories are as follows:

- Operational risk categories are as follows:
- Control Risk,
- Unauthorised Activity Risk,
- Processing Risk,
- Employment Practice & Workplace Security Risk,
- Personal & Physical Security Risk,
- Information (Technology) Risk,
- Business Continuity Risk,
- Compliance Risk,
- Fraud Risk,
- Operational Risk Management Process is still in progress covering all of the Company operations and departments related to this defined risks.

### Internal control

The ministry of Treasury and Finance of Turkey was published a regulation in the Official Gazette dated June 21, 2008, numbered 26913 for internal system of Insurance and Reinsurance and Pension Companies. The related regulation covers insurance and reinsurance companies established in Turkey, the organization of foreign insurance and reinsurance companies in Turkey and pension companies. The purpose of the regulation is to regulate the procedures and principles regarding the internal control, internal audit and risk management systems of the insurance and reinsurance companies and pension companies and their operation.

On July 2013, the Company has started to work on the establishment of Internal Control Department in order to protect company assets, carry out operations effectively and efficiently in accordance with Law and related other regulations, intercorporate policies, rules and insurance usages, and to provide accessiblensness of the information on time. On November 2013, studies have finalized and Internal Control Department has started its controls actively. The regulation on the functioning of the department has been published in the Company on 19 December 2013, On 10 August 2015, Operational and Information Risk Management & Internal Control functions are merged under a single department and continues its activities.

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### 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. The balance sheet items that the Company is exposed to credit risk are as follows:

- cash at bank
- other cash and cash equivalents (except for cash on hand)
- available-for-sale 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

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 policyholders. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of the reinsurance contract.

Net carrying value of the assets that are exposed to credit risk is shown in the table below:

	31 December 2019	31 December 2018
Cash and cash equivalents (Note 14)	217.708.671	204,715,929
Receivables from main operations (Note 12)(*)	64.803.753	14,080,492
Due from related parties (Note 12)	11.428.573	53,494,600
Prepaid taxes and funds (Note 12)	2.535.546	3,631,117
Reinsurer share in provision for outstanding claims (Note 10). (Note 17)	1.775.873	801,323
Other receivables (Note 12)	1.327.881	1,653,979
<b>Total</b>	<b>299.580.297</b>	<b>278,377,440</b>

(\*) 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.

In Financial Assets, 292.303 TL share of Emeklilik Gözetim Merkezi A.Ş. is not included. (31 December 2018: 292.303 TL).

As at 31 December 2019 and 2018, the aging of the receivables from main operations is as follows:

	31 December 2019		31 December 2018	
	Gross Amount	Provision	Gross Amount	Provision
Not past due	64.803.753	-	53,494,600	-
Past due 0-30 days	338.357	(338.357)	4,662	(4,662)
Past due 31-60 days	28.209	(28.209)	16,350	(16,350)
Past due 61-180 days	11.186.309	(11.186.309)	7,603,247	(7,603,247)
<b>Total</b>	<b>76.356.628</b>	<b>(11.552.875)</b>	<b>61,118,859</b>	<b>(7,624,259)</b>



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The movement of the provision for receivables from insurance operations is as follows:

	31 December 2019	31 December 2018
Provision for receivables from insurance operations at the beginning of the period	7.624.259	5,937,045
Collections during the period	1.685.399	(168,817)
Impairment losses incurred during the period	2.243.217	1,856,030
<b>Provision for receivables from insurance operations at the end of the period</b>	<b>11.552.875</b>	<b>7,624,259</b>

The Company cancels any life premiums that are accrued but not collected within a certain period of time, and deducts them from the premium income and from the receivables from insurance activities.

## Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments.

## Management of the Liquidity Risk

The Company considers the maturity match between assets and liabilities for the purpose of avoiding liquidity risk and ensures that it will always have sufficient liquidity to meet its liabilities when due.

The following table provides an analysis of monetary assets and monetary liabilities of the Company into relevant maturity groupings based on the remaining periods to maturity:

31 December 2019	Carrying Value	Up to 3 month	3 months to 1 year	1 year to 5 years	Over 5 years
Receivables from main operations	4.488.531.198	40.692.447	9.806.650	14.304.656	4.423.727.445
Cash and cash equivalents	217.708.671	217.708.671	-	-	-
Due from related parties	11.428.573	719.530	2.091.763	8.617.280	-
Other receivables	1.194.655	1.194.655	-	-	-
Financial investments	292.303	-	-	-	292.303
<b>Total monetary assets</b>	<b>4.719.155.400</b>	<b>260.315.303</b>	<b>11.898.413</b>	<b>22.921.936</b>	<b>4.424.019.748</b>
Payables arising from main operations	4.495.861.882	72.134.437	-	-	4.423.727.445
Provisions for other risks	57.965.903	-	57.965.903	-	-
Life mathematical provisions	56.311.683	85.324	2.293.409	48.769.357	5.163.593
Insurance technical provisions (*)	26.505.741	26.505.741	-	-	-
Financial liabilities	18.061.394	1.736.483	4.051.794	12.273.117	-
Other liabilities	9.160.970	9.160.970	-	-	-
Provisions for taxes and other similar obligations	4.088.644	4.088.644	-	-	-
<b>Total monetary liabilities</b>	<b>4.671.454.434</b>	<b>117.209.816</b>	<b>64.311.106</b>	<b>61.042.474</b>	<b>4.428.891.038</b>

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31 December 2018	Carrying Value	Up to 3 month	3 months to 1 year	1 year to 5 years	Over 5 years
Receivables from main operations	3.335.551.087	40.489.233	7.624.778	5.380.589	3.282.056.487
Cash and cash equivalents	204.715.929	204.715.929	-	-	-
Due from related parties	14.080.492	405.408	1.216.223	12.458.861	-
Other receivables	1.310.941	1.310.941	-	-	-
Financial investments	292.303	-	-	-	292.303
<b>Total monetary assets</b>	<b>3.555.950.752</b>	<b>246.921.511</b>	<b>8.841.001</b>	<b>17.839.450</b>	<b>3.282.348.790</b>
Payables arising from main operations	3.365.319.213	83.262.726	-	-	3.282.056.487
Provisions for other risks	50.813.777	-	50.813.777	-	-
Life mathematical provisions	45.159.758	103.087	2.130.226	39.764.763	3.161.682
Insurance technical provisions (*)	24.643.472	24.643.472	-	-	-
Life mathematical provisions	9.276.088	9.276.088	-	-	-
Other liabilities	4.013.848	4.013.848	-	-	-
Provisions for taxes and other similar obligations	2.553.546	2.553.546	-	-	-
<b>Total monetary liabilities</b>	<b>3.501.779.702</b>	<b>123.852.767</b>	<b>52.944.003</b>	<b>39.764.763</b>	<b>3.285.218.169</b>

(\*) Provision for all outstanding claims has been subjected to maturity distribution taking into account the estimated payment dates and all outstanding claims provision has been presented in short-term liabilities in the accompanying tables.

### Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, credit spreads, real estate fair values and general commodity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to identify potential risks and to measure, monitoring and reporting market risk exposures within acceptable parameters, while optimizing the risk appetite of the Company's return on risk.

### Currency risk

Foreign exchange gains and losses due to foreign currency denominated transactions are recognized in the statement of income. Monetary assets and liabilities denominated in foreign currencies are measured at the exchange rates ("TL") ruling at the reporting date with the resulting exchange differences recognized in the statement of income as foreign exchange gains or losses.

The company carries closed position in US Dollar and Euro currencies parallel to the general characteristics of the Turkish insurance sector.

The Company's exposure to foreign currency risk is as follows:

31 December 2019	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	31.560.377	187.638	-	31.748.015
<b>Total assets in foreign currency</b>	<b>31.560.377</b>	<b>187.638</b>	<b>-</b>	<b>31.748.015</b>
Due to related parties	-	1.987.916	-	1.987.916
Payables from main operations	1.748.054	58.224	-	1.806.278
<b>Total liabilities in foreign currency</b>	<b>1.748.054</b>	<b>2.046.140</b>	<b>-</b>	<b>3.794.194</b>
<b>Balance sheet position</b>	<b>29.812.323</b>	<b>(1.858.502)</b>	<b>-</b>	<b>27.953.821</b>

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31 December 2018	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	8.589.863	228.987	-	8.818.850
<b>Total assets in foreign currency</b>	<b>8.589.863</b>	<b>228.987</b>	<b>-</b>	<b>8.818.850</b>
Due to related parties	-	1.923.972	-	1.923.972
Payables from main operations	1.715.046	1.047.686	-	2.762.732
<b>Total liabilities in foreign currency</b>	<b>1.715.046</b>	<b>2.971.658</b>	<b>-</b>	<b>4.686.704</b>
<b>Balance sheet position</b>	<b>6.874.817</b>	<b>(2.742.672)</b>	<b>-</b>	<b>4.132.146</b>

TL equivalents of the related monetary amounts denominated in foreign currencies are presented in the above table.

Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the buying exchange rates announced by Central Bank of the Republic of the Turkey ("CBRT") ruling at 31 December 2019.

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as at 31 December 2019 and 31 December 2018 are as follows:

	US Dollar	Euro
31 December 2019	5.9402	6.6506
31 December 2018	5.2609	6.0280

## Exposure to currency risk

A 10 percent devaluation of the TL against the following currencies as at 31 December 2019 and 31 December 2018 would have increased 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. A 10 percent appreciation of the TL against the following currencies. the effect will be in opposite direction.

	31 December 2019		31 December 2018	
	Profit or loss	Equity(*)	Profit or loss	Equity(*)
US Dollar	2.981.232	2.981.232	687,482	(687,482)
Euro	(185.850)	(185.850)	(274,267)	274,267
<b>Total, net</b>	<b>2.795.382</b>	<b>2.795.382</b>	<b>413,215</b>	<b>(413,215)</b>

(\*) Equity effect also includes profit or loss effect of 10% devaluation of TL against related currencies.

## Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. The principle risk to trading portfolios are exposed is the risk of fluctuations in the fair values of financial instruments because of a change in market interest rate. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands.

As at the reporting date, the interest rate profile of the Company's interest earning financial assets and interest bearing financial liabilities are detailed below:

	31 December 2019	31 December 2018
<b>Financial asset:</b>		
Financial assets with fixed interest rates:	157.508.663	131,331,289
Cash at banks (Note 14)		

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### Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where they exist, appropriate valuation methodologies. The Company has classified its marketable securities as available-for-sale, and financial investments with risks on life insurance policyholders as available-for-sale. Available-for-sale financial assets are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying financial statements.

Company management estimates that the fair value and carrying value of the other financial asset and liabilities are not significantly different.

### Classification relevant to fair value information

TFRS 7 – Financial Instruments: Disclosures requires the measurements of fair value of financial instruments to be classified in a hierarchy that reflects the significance of the valuation inputs used. This classification prioritises observable data, using market data obtained from independent sources, in preference to unobservable data that relies, for example on the use of predictions and assumptions about market prices by the Company. This sort of categorization generally results in the classifications below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by the The ministry of Treasury and Finance of Turkey;
- To safeguard the Company's ability to continue as a going concern so that it can continue

With respect to the 23 August 2015 dated and 29454 numbered "Communiqué Related to Capital Adequacy Measurement and Evaluation of Insurance, Reinsurance and Individual Pension Companies" issued by the The ministry of Treasury and Finance of Turkey, the equity amount of the Company for 31 December 2019 is TL 120.521.149 (31 December 2018: TL 100.839.360 ). The Company's shareholders equity is greater than required capital at a minimum TL 23.456.192 (31 December 2018: greater TL 28.014.356 ).

### Gains and losses arising from financial assets

Gains and losses recognized in the statement of income:	31 December 2019	31 December 2018
Interest income from bank deposits	17.264.238	21,267,049
Foreign exchange gains	15.260.658	13,550,025
<b>Investment income</b>	<b>32.524.896</b>	<b>34,817,074</b>
Foreign exchange losses	10.223.959	5,178,424
Debt instrument sale loss	743.833	1,613,500
<b>Investment expense</b>	<b>10.967.792</b>	<b>6,791,924</b>
<b>Financial gains and losses recognized in the statement of income, net</b>	<b>21.557.104</b>	<b>28,025,150</b>

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## 5 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

## Geographical segment reporting

The main geographical segment the Company operates in is Turkey, so the Company does not disclose geographical segment reporting.

## Business segment

1 January – 31 December 2019	Life	Non-Life	Pension	Other/ Retained	Total
<b>Continued operations</b>					
Technical Revenue	232.927.528	23.257.865	80.733.082	-	<b>336.918.475</b>
Technical Expense	(224.324.668)	(18.667.501)	(109.914.859)	-	<b>(352.907.028)</b>
Total of other revenue and expense	-	-	-	(1.858.175)	<b>(1.858.175)</b>
<b>Profit from continued operations</b>	<b>8.602.860</b>	<b>4.590.364</b>	<b>(29.181.777)</b>	<b>(1.858.175)</b>	<b>(17.846.728)</b>
<b>Profit before tax</b>	<b>8.602.860</b>	<b>4.590.364</b>	<b>(29.181.777)</b>	<b>(1.858.175)</b>	<b>(17.846.728)</b>
Provision for corporate tax	-	-	-	-	-
<b>Net Profit (or Losses) for the Year</b>	<b>8.602.860</b>	<b>4.590.364</b>	<b>(29.181.777)</b>	<b>(1.858.175)</b>	<b>(17.846.728)</b>
<b>Other Segments:</b>					
Depreciation Expenses (Note 6)	-	-	-	-	<b>8.955.170</b>
Accumulated depletion (Note 8)	-	-	-	-	<b>7.045.352</b>

1 January – 31 December 2018	Life	Non-Life	Pension	Other/ Retained	Total
<b>Continued operations</b>					
Technical Revenue	156.958.636	26.060.452	70.112.433	-	<b>253.131.521</b>
Technical Expense	(167.849.169)	(18.369.604)	(91.445.126)	-	<b>(277.663.899)</b>
Total of other revenue and expense	-	-	-	(4.837.392)	<b>(4.837.392)</b>
<b>Profit from continued operations</b>	<b>(10.890.533)</b>	<b>7.690.848</b>	<b>(21.332.693)</b>	<b>(4.837.392)</b>	<b>(29.369.770)</b>
<b>Profit before tax</b>	<b>(10.890.533)</b>	<b>7.690.848</b>	<b>(21.332.693)</b>	<b>(4.837.392)</b>	<b>(29.369.770)</b>
Provision for corporate tax	-	-	-	-	-
<b>Net Profit (or Losses) for the Year</b>	<b>(10.890.553)</b>	<b>7.690.848</b>	<b>(21.332.693)</b>	<b>(4.837.392)</b>	<b>(29.369.770)</b>
<b>Other Segments:</b>					
Depreciation Expenses (Note 6)	-	-	-	-	<b>1.766.563</b>
Accumulated depletion (Note 8)	-	-	-	-	<b>7.108.858</b>

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<b>31 December 2019</b>					
Available-for-sale financial assets	-	-	292.303	-	<b>292.303</b>
Receivables from main operations	8.829.658	-	4.480.443.875	-	<b>4.489.273.533</b>
Tangible and intangible assets	-	-	-	54.716.856	<b>54.716.856</b>
Deferred commission expenses	4.683.310	4.917.394	-	-	<b>9.600.704</b>
Other assets	-	-	-	261.818.411	<b>261.818.411</b>
<b>Total assets</b>	<b>13.512.968</b>	<b>4.917.394</b>	<b>4.480.736.178</b>	<b>316.535.267</b>	<b>4,815,701,807</b>
Provisions for insurance contract	107.346.994	12.174.135	-	-	<b>119.521.129</b>
Other liabilities	5.751.315	-	4.490.110.567	93.581.101	<b>4.589.442.983</b>
Equity	-	-	-	106.737.695	<b>106.737.695</b>
<b>Total liabilities</b>	<b>113.098.309</b>	<b>12.174.135</b>	<b>4.490.110.567</b>	<b>200.318.796</b>	<b>4,815,701,807</b>
<b>31 December 2018</b>					
Available-for-sale financial assets	-	-	292.303	-	<b>292.303</b>
Receivables from main operations	5.515.474	-	3.330.823.532	-	<b>3.336.339.006</b>
Tangible and intangible assets	-	-	-	34.100.696	<b>34.100.696</b>
Deferred commission expenses	4.289.172	4.282.103	-	-	<b>8.571.275</b>
Other assets	-	-	-	245.837.587	<b>245.837.587</b>
<b>Total assets</b>	<b>9.804.646</b>	<b>4.282.103</b>	<b>3.331.115.835</b>	<b>279.938.283</b>	<b>3.625.140.867</b>
Provisions for insurance contract	90.639.688	10.389.777	-	-	<b>101.029.465</b>
Other liabilities	3.069.845	-	3.362.249.368	68.207.766	<b>3.433.526.979</b>
Equity	-	-	-	90.584.423	<b>90.584.423</b>
<b>Total liabilities</b>	<b>93.709.533</b>	<b>10.389.777</b>	<b>3.362.249.368</b>	<b>158.792.189</b>	<b>3.625.140.867</b>



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### 6 Tangible assets

Movements in tangible assets in the period from 1 January to 31 December 2019 are presented below:

	1 January 2019	Additions	Disposals	31 December 2019
<b>Cost:</b>				
Vehicles	60.470	-	-	60.470
Machinery and equipment	5.413.774	1.126.937	(21.925)	6.518.786
Furniture and fixtures	3.165.789	589.079	(114.700)	3.640.168
Leasehold improvements	7.776.359	34.311	-	7.810.670
Righ of Use-Asstes (*)	-	24.718.977	-	24.718.977
	<b>16.416.392</b>	<b>26.469.304</b>	<b>(136.625)</b>	<b>42.749.071</b>
<b>Accumulated depreciation:</b>				
Vehicles	(42.329)	(6.047)	-	(48.376)
Machinery and equipment	(3.665.448)	(681.374)	16.439	(4.330.383)
Furniture and fixtures	(2.084.384)	(410.090)	71.725	(2.422.749)
Leasehold improvements	(672.871)	(1.451.772)	-	(2.124.643)
Righ of Use Asstes (*)	-	(6.405.887)	-	(6.405.887)
	<b>(6.465.032)</b>	<b>(8.955.170)</b>	<b>88.164</b>	<b>(15.332.038)</b>
<b>Net book value</b>	<b>9.951.360</b>			<b>27.417.033</b>

(\*)As of 31 December 2019, right-of-use assets comprises from lease payments which has been accounted in accordance with TFRS 16. For additional explanation please see Note 20.

Movements in tangible assets in the period from 1 January to 31 December 2018 are presented below:

	1 January 2018	Additions	Disposals	31 December 2018
<b>Cost:</b>				
Vehicles	60.470	-	-	60.470
Machinery and equipment	4.948.515	477.019	(11.760)	5.413.774
Furniture and fixtures	3.867.265	590.319	(1.291.795)	3.165.789
Leasehold improvements	4.695.098	7.214.917	(4.133.656)	7.776.359
	<b>13.571.348</b>	<b>8.282.255</b>	<b>(5.437.211)</b>	<b>16.416.392</b>
<b>Accumulated depreciation:</b>				
Vehicles	(36.282)	(6.047)	-	(42.329)
Machinery and equipment	(2.960.486)	(713.590)	8.628	(3.665.448)
Furniture and fixtures	(2.764.216)	(473.829)	1.153.661	(2.084.384)
Leasehold improvements	(3.249.347)	(573.097)	3.149.573	(672.871)
	<b>(9.010.331)</b>	<b>(1.766.563)</b>	<b>4.311.862</b>	<b>(6.465.032)</b>
<b>Net book value</b>	<b>4.561.017</b>	<b>6.515.692</b>	<b>(1.125.349)</b>	<b>9.951.360</b>

There is no mortgages over tangible assets as of 31 December 2019 and 31 December 2018.

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#### 7 Investment properties

There is no investment property as of 31 December 2019 and 31 December 2018.

#### 8 Intangible assets

Movements in intangible assets in the period between 1 January and 31 December 2019 are presented below:

	1 January 2019	Addition	Disposal	Transfers	31 December 2019
<b>Cost:</b>					
Rights	46.008.838	11.700.649	(2.776)	(1.502.245)	56.204.466
	<b>46.008.838</b>	<b>11.700.649</b>	<b>(2.776)</b>	<b>(1.502.245)</b>	<b>56.204.466</b>
<b>Accumulated amortization:</b>					
Rights	(21.859.501)	(7.045.352)	210	-	(28.904.643)
	<b>(21.859.501)</b>	<b>(7.045.352)</b>	<b>210</b>	<b>-</b>	<b>(28.904.643)</b>
<b>Net book value</b>	<b>24.149.337</b>				<b>27.299.823</b>

There is a change in the depreciation calculation method for the Burganbank Exclusivity Agreement in the rights item in the current period. While the linear depreciation method was used in the previous periods for the exclusivity agreement, the amount of production is subjected to depreciation by the current period method (in line with the budget ratio calculated by proportioning the realized premium production to the committed premium production).

(\*) At the date of March 27, 2017, Company signed an exclusivity agreement with Alternatifbank A.Ş. for distribution of NN Hayat ve Emeklilik A.Ş.'s products. With this contract, the Company has an exclusive right of 7.000.000 TL for the distribution of the products specified in the contract for 5 years from the date of signature.

As of March 23, 2017, the exclusivity right has been classified under the "Rights" account item under "Intangible assets". In the impairment study carried out as of December 31, 2019, the net present value of the cash flows to be obtained from the products the Company aims to sell through bancassurance agreements has been recalculated taking into account the economic conjuncture and the Company strategy. As a result of the calculation, the Company has decided to reflect the impairment amounting to TL 1.502.245 within the scope of this exclusive agreement.

Movements in intangible assets in the period between 1 January and 31 December 2018 are presented below:

	1 January 2018	Addition	Disposal	Provision for Impairment (*)	31 December 2018
<b>Cost:</b>					
Rights	33.135.956	13.335.381	(462.500)	-	46.008.838
	<b>33.135.956</b>	<b>13.335.381</b>	<b>(462.500)</b>	<b>-</b>	<b>46.008.838</b>
<b>Accumulated amortization:</b>					
Rights	(14,750,643)	(7,108,858)	-	-	(21,859,501)
	<b>(14,750,643)</b>	<b>(7,108,858)</b>	<b>-</b>	<b>-</b>	<b>(21,859,501)</b>
<b>Net book value</b>	<b>18.385.313</b>			<b>-</b>	<b>24.149.337</b>

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## 9 Investments in associates

Breakdown of associates and subsidiaries having indirect capital and management relations with the Company, names of associates and participation in associates and subsidiaries and their rates and amounts. the profit or loss for the period in the latest financial statements of such associates and subsidiaries, net period profit or loss and the period of these financial statements. whether it has been subject to independent audit and independent audit report as positive, including negative and that are regulated are related in any type of conditional in the table below:

31 December 2019							
	(%)	Cost	Book value	Statement period	Total asset (Non-audited)	Total liability (non-audited)	Net Sale (non-audited)
Sigorta Ofisi Plus Sigorta Aracılık Hizm. A.Ş. (*)	50	362.500	362.500	31.12.2019	990.733	739.744	4.683.677
Makinist VIP Sigorta Aracılık Hizmetleri A.Ş.	50	300.000	300.000	31.12.2019	2.811.610	2.811.610	8.448.838
ÜnlemSigorta Aracılık Hizmetleri A.Ş.	50	262.500	262.500	31.12.2019	3.636.018	1.645.515	12.882.689
		<b>925.000</b>	<b>925.000</b>				
31 December 2018							
	(%)	Cost	Book value	Statement period	Total asset (Non-audited)	Total liability (non-audited)	Net Sale (non-audited)
SigortaOfisi Plus Aracılık Hizmetleri A.Ş.	50	362.500	362.500	31.12.2019	990.733	739.744	4.683.677
Makinist Vip Sigorta Aracılık Hizmetleri A.Ş.	50	300.000	300.000	31.12.2019	2.811.610	2.811.610	8.448.838
ÜnlemSigorta Aracılık Hizmetleri A.Ş.	50	262.500	262.500	31.12.2019	3.636.018	1.645.515	12.882.689
		<b>925.000</b>	<b>925.000</b>				

## 10 Reinsurance assets and liabilities

As at 31 December 2019 and 31 December 2018, outstanding reinsurance assets and liabilities of the Company. As a ceding company. In accordance with existing reinsurance contracts are as follows:

Reinsurance assets	31 December 2019	31 December 2018
Receivables from reinsurers (Note 12)	3.918.532	696,912
Reserve for unearned premiums, ceded (Note 17)	2.366.659	1,151,901
Provision for outstanding claims, ceded (Not 4.2). (Not 17)	1.775.873	801,323
Share of reinsurers in the equalization reserve (Not 17)	464.488	390,734
Share of reinsurers in the life mathematical provision (Not 17)	413.009	3,852,343
<b>Total</b>	<b>8.938.561</b>	<b>6,893,213</b>

As at 31 December 2019 and 31 December 2018, the Company has no impairment losses recognized for reinsurance assets.

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Gains and losses recognized in the statement of income in accordance with existing reinsurance contracts are as follows:

	31 December 2019	31 December 2018
Premiums ceded during the period (Note 17)	(6.600.320)	(4,525,732)
Reserve for unearned premiums, ceded at the beginning of the period (Note 17)	(1.151.901)	(1,567,759)
Reserve for unearned premiums, ceded at the end of the period (Note 17)	2.366.659	1,151,901
<b>Premiums earned, ceded</b> (Note 17)	<b>(5.385.562)</b>	<b>(4,941,590)</b>
Claims paid, ceded during the period (Note 17)	2.042.574	1,696,717
Provision for outstanding claims, ceded at the beginning of the period (Note 17)	(801.323)	(660,380)
Provision for outstanding claims, ceded at the end of the period (Note 17)	1.775.873	801,323
<b>Claims incurred, ceded</b> (Note 17)	<b>3.017.124</b>	<b>1,837,660</b>
<b>Total, net</b>	<b>(2.368.438)</b>	<b>(3.103.930)</b>

### 11 Financial assets

As at 31 December 2019 and 31 December 2018, the Company's financial assets are detailed as follows:

	31 December 2019	31 December 2018
Available-for-sale financial assets	292.303	292.303
<b>Total</b>	<b>292.303</b>	<b>292.303</b>

As at 31 December 2019 and 31 December 2018, the Company's financial assets available-for-sale are detailed as follows:

	31 December 2019			
	Nominal value	Cost	Fair value	Carrying value
Emeklilik Gözetim Merkezi A.Ş. (*)	252.081	252.081	292.303	292.303
<b>Total available-for-sale financial assets</b>	<b>252.081</b>	<b>252.081</b>	<b>292.303</b>	<b>292.303</b>

	31 December 2018			
	Nominal value	Cost	Fair value	Carrying value
Emeklilik Gözetim Merkezi A.Ş. (*)	252.081	252.081	292.303	292.303
<b>Total available-for-sale financial assets</b>	<b>252.081</b>	<b>252.081</b>	<b>292.303</b>	<b>292.303</b>

(\*) There is no share price of this financial asset and the accompanying financial statements are presented with the indexed cost value as of 31 December 2004 under inflation accounting.

As at 31 December 2019 and 31 December 2018, the Company has no marketable securities to be held until maturity.

There is no financial asset held by the Company issued by the related parties.

There are no securities that are issued by the Company during the period or which are previously issued and which are amortized during the period.

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Excluding bank deposits movements of the financial assets portfolios during the period are as follows:

	31 December 2019	31 December 2018
<b>Balance at the beginning of the period(*)</b>	<b>292,303</b>	<b>292,303</b>
Acquisitions during the period	-	-
Disposals (either sold or settled)	-	-
Change in the fair value of financial assets (Note 4.2)	-	-
<b>Balance at the ending of the period</b>	<b>292,303</b>	<b>292,303</b>

## 12 Loans and receivables

	31 December 2019	31 December 2018
Receivables from main operations (Note 4.2)	4.488.531.198	3,335,551,087
Due from related parties (Note 4.2), (Note 45)	11.428.573	14,080,492
Prepaid taxes and funds (Note 4.2)	2.535.546	3,361,117
Other receivables (Note 4.2)	1.327.881	1,653,979
<b>Total</b>	<b>4.503.823.198</b>	<b>3,354,646,675</b>
Short-term receivables	80.095.753	72.860.188
Middle and long-term receivables	4.423.727.445	3.282.056.487
<b>Total</b>	<b>4.503.823.198</b>	<b>3.354.916.675</b>

As at 31 December 2019 and 31 December 2018, receivables from main operations are detailed as follows:

	31 December 2019	31 December 2018
Receivables from policyholders and agencies	4.818.562	4.818.562
Receivables from reinsurance companies (Note 10)	696.912	696.912
Provisions for premium receivables	(787.919)	(787.919)
<b>Total receivables from main operations, net</b>	<b>4.727.555</b>	<b>4.727.555</b>
Receivables from individual pension operations (Note 18)	4.480.443.875	3.330.823.532
Doubtful receivables from main operations (Not 4.2)	11.552.875	7.624.259
Provisions for receivables from insurance and pension operations (Not 4.2)	(11.552.875)	(7.624.259)
<b>Receivables from main operations, net</b>	<b>4.480.443.875</b>	<b>3.330.823.532</b>

As at 31 December 2019 and 31 December 2018, mortgages and collaterals obtained for receivables are disclosed as follows.

	31 December 2019	31 December 2018
Real estate pledges	2.157.000	827,000
Letters of guarantees	2.893.500	1,721,750
Cash collaterals	632.700	580,550
Other	2.309.612	1,402,355
<b>Total</b>	<b>7.992.812</b>	<b>4,531,655</b>

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### Doubtful provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 10.810.540 (31 December 2018: TL 6.836.340).

The related party transactions of the Company are presented in Note 45 – Related party transactions in detail.

The receivables and payables denominated in foreign currencies and detailed analyses of foreign currency balances are presented in Note 4.2 – Financial risk management.

As of 31 December 2019 and 31 December 2018, details of other prepaid expenses are as follows:

	31 December 2019	31 December 2018
Bank exclusivity expenses	16.081.276	12.186.826
IT expenses	5.453.258	2.523.735
Other prepaid expenses	790.954	1.250.944
<b>Total</b>	<b>22.325.488</b>	<b>15.961.505</b>

### 13 Derivative financial instruments

As at 31 December 2019 and 31 December 2018, there is no derivative financial instruments.

### 14 Cash and cash equivalents

As at 31 December 2019 and 31 December 2018, cash and cash equivalents are as follows:

	31 December 2019		31 December 2018	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Bank deposits	165.855.850	139.177.197	139,177,197	172,103,410
Bank guaranteed credit card receivables with maturity less than three months	51.852.821	65.538.732	65,538,732	54,580,137
<b>Cash and cash equivalents in the balance sheet</b>	<b>217.708.671</b>	<b>204.715.929</b>	<b>204,715,929</b>	<b>226,683,547</b>
Blocked amounts	(81.942.882)	(81.264.467)	(81.264.467)	(59.554.533)
Interest accruals on bank deposits	(519.836)	(1.660.740)	(1.660.740)	(889.663)
<b>Cash and cash equivalents presented in the statement of cash flows</b>	<b>135.245.953</b>	<b>121.790.722</b>	<b>121.790.723</b>	<b>166.239.351</b>

As at 31 December 2019 and 31 December 2018, bank deposits are further analyzed as follows:

	31 December 2019	31 December 2018
Foreign currency denominated bank deposits	<b>31.748.015</b>	<b>10.479.590</b>
- time deposits	31.748.015	8.818.850
- demand deposits	-	1.660.740
Bank deposits in Turkish Lira	<b>134.107.835</b>	<b>128.697.607</b>
- time deposits	125.760.648	122.512.439
- demand deposits	8.347.187	6.185.168
<b>Cash at banks</b>	<b>165.855.850</b>	<b>139.177.197</b>

As at 31 December 2019, the Company has a blocked bank deposit amount of TL 81.942.882 on behalf of The ministry of Treasury and Finance of Turkey (31 December 2018: 81.264.467 TL) (Note 17).

Interest rate for TL time deposits is between %9,5- %11,85 (31 December 2018: %20- %24). for foreign currency time deposits %1- %1,25. (31 December 2018: %0.05- %2,25).



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**15 Equity****Paid in Capital**

As of 31 December 2019, the Company's nominal capital is TL 58.891.418 and is formed by 58.891.418 shares with a par value of TL 1 (one) per share. There are no any privileged shares of the Company (31 December 2018: 39.541.418 TL).

The Company's main shareholder, NN Continental Europe Holdings B paid 14.700.000 TL to the Company's accounts for capital increase on May 21, 2019. 14.650.000 TL of the amount has been recorded as emission premium and 50.000 TL as capital. The capital increase was registered on 5 July 2019 and published in the Trade Registry Gazette No. 9874 dated 23 July 2019.

The Company's main shareholder, NN Continental Europe Holdings BV, paid TL 19.300.000 to the Company's accounts on 30 October 2019 for capital increase. The amount was registered as a capital increase and was registered on 30 December 2019 and published in the Trade Registry Gazette numbered 9987 on 6 January 2020.

As of 31 December 2019, NN Continental Europe Holdings B.V., which controls directly or indirectly on NN Hayat ve Emeklilik Şirketi ("the Company") share capital, has %100 share.

There are no any treasury shares held by the Company itself or by its subsidiaries or associates.

There are no any treasury shares issued which will be subject to sale in accordance with forward transactions and contracts.

**Other legal reserves**

As at 31 December 2019 and 31 December 2018, details of other equity reserves are presented below:

	31 December 2019	31 December 2018
Emission premium	278,138,185	278,138,185
Emission Premium addition	14,650,000	-
Offsetting last year's losses	(228,254,952)	-
<b>Other equity reserves</b>	<b>64,533,233</b>	<b>278,138,185</b>

**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.

As at 31 December 2019 and 31 December 2018, as the Company has no net profit for the period. there are no related capital reserves.

**Extraordinary Reserves**

As at 31 December 2019 and 31 December 2018, the Company has no extraordinary reserves.

**Retained earnings**

As of 31 December 2019, the Company has no retained earnings. (31 December 2018: TL 198.885.182)

**16 Other provisions and capital component of discretionary participation**

As at 31 December 2019, there are no other reserves presented under equity except for the fair value reserves of available-for-sale financial assets which is presented as "revaluation of financial assets" in the accompanying financial statements. Movement of fair value reserves of available-for-sale financial assets and their related tax effects are presented in Note 15 – Equity.

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### 17 Insurance liabilities and reinsurance assets

The basic assumption used in estimation of the outstanding claims provision is the Company's past experience of claims development. Sensitivity of estimations caused by legal changes and other ambiguities in the process of estimation is not measurable. The Company makes calculation of the related insurance technical provisions accordance with the Insurance Legislation and reflects them into financial statements as mentioned in 2 – Summary of significant accounting policies.

As at 31 December 2019 and 31 December 2018, provisions for technical reserves of the Company are disclosed as follows:

	31 December 2019	31 December 2018
Reserve for unearned premiums, gross	24,361,912	21,198,200
Reserve for unearned premiums, ceded (Note 10)	(2,366,659)	(1,151,901)
<b>Reserves for unearned premiums, net</b>	<b>21,995,253</b>	<b>20,046,299</b>
Provision for outstanding claims, gross	28,281,614	25,444,795
Provision for outstanding claims, ceded (Note 10)	(1,775,873)	(801,323)
<b>Provision for outstanding claims, net</b>	<b>26,505,741</b>	<b>24,643,472</b>
Life mathematical provisions, gross	60,230,215	49,012,101
Life mathematical provisions, ceded	(3,918,532)	(3,852,343)
<b>Life mathematical provisions, net</b>	<b>56,311,683</b>	<b>45,159,758</b>
Equalization reserve, gross	15,172,940	11,570,671
Equalization reserve, ceded	(464,488)	(390,734)
<b>Equalization reserv, net</b>	<b>14,708,452</b>	<b>11,179,937</b>
<b>Total insurance technical provisions, net</b>	<b>119,521,129</b>	<b>101,029,465</b>
Short-term	48,500,994	44,689,771
Medium and long-term	71,020,135	56,339,695
<b>Total insurance technical provisions, net</b>	<b>119,521,129</b>	<b>101,029,465</b>

As at 31 December 2019 and 31 December 2018, movements of the insurance liabilities and related reinsurance assets are presented below:

Reserve for unearned premiums	31 December 2019		
	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the period	21.198.200	(1.151.901)	20.046.299
Premium written during the period	259.706.377	(6.600.320)	253.106.057
Premiums earned during the period	(256.542.665)	5.385.562	(251.157.103)
<b>Reserve for unearned premiums at the end of the period</b>	<b>24.361.912</b>	<b>(2.366.659)</b>	<b>21.995.253</b>

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Reserve for unearned premiums	31 December 2018		
	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the period	29.183.614	(1.567.759)	27.615.855
Premium written during the period	176.980.081	(4.525.732)	172.454.349
Premiums earned during the period	(184.965.495)	4.941.590	(180.023.905)
<b>Reserve for unearned premiums at the end of the period</b>	<b>21.198.200</b>	<b>(1.151.901)</b>	<b>20.046.299</b>

Provision for outstanding claims	31 December 2019		
	Gross	Ceded	Net
Provision for outstanding claims at the beginning of the period	25.444.795	(801.323)	24.643.472
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	68.691.152	(3.017.124)	65.674.028
Claims paid during the period	(65.854.333)	2.042.574	(63.811.759)
<b>Provision for outstanding claims at the end of the period</b>	<b>28.281.614</b>	<b>(1.775.873)</b>	<b>26.505.741</b>

Provision for outstanding claims	31 December 2018		
	Gross	Ceded	Net
Provision for outstanding claims at the beginning of the period	20.484.035	(660.380)	19.823.655
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	48.232.776	(1.837.661)	46.395.115
Claims paid during the period	(43.272.016)	1.696.718	(41.575.298)
<b>Provision for outstanding claims at the end of the period</b>	<b>25.444.795</b>	<b>(801.323)</b>	<b>24.643.472</b>

### Claim development tables

The basic assumption used in the estimation of provisions for outstanding claims is the Company's past experience on claim developments. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc. is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent financial statements.

Development of insurance liabilities enables to measure the performance of the Company in estimation of its ultimate claim losses. The amounts presented on the top of the below tables show the changes in estimations of the Company for the claims in subsequent years after accident years. The amounts presented on the below of the below tables give the reconciliation of total liabilities with provision for outstanding claims presented in the accompanying financial statements.

## 31 Aralık 2019 Tarihi İtibarıyla Hazırlanan Finansal Tablolara İlişkin Dipnotlar

(Para birimi: Türk Lirası (TL) olarak ifade edilmiştir.)

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31 December 2019										
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Accident year	157,466	555,121	488,904	858,486	1,057,230	1,870,350	1,290,713	1,991,592	5,469,148	13,739,010
1 year later	-	46,965	57,083	465,195	198,393	411,139	197,488	786,094	1,639,851	3,802,208
2 years later	-	-	4,970	205,297	100,002	265,315	391,691	363,562	838,659	2,169,496
3 years later	-	-	-	7,830	105,444	42,324	521,593	230,612	77,317	985,120
4 years later	-	-	-	-	-	20,040	55,358	109,303	50,638	235,339
5 years later	-	-	-	-	-	112,305	-	21,353	880	134,538
6 years later	-	-	-	-	-	-	23,721	35,252	430	59,403
7 years later	-	-	-	-	-	-	-	11,250	-	11,250
8 years later	-	-	-	-	-	-	-	-	-	-
Provision from claim development tables										21,136,364
Incurred but not reported (IBNR), claims										7,145,250
Total gross outstanding claim provision presented in the financial statements at the end of the period										
28,281,614										
31 December 2018										
Accident year	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Accident year	288,014	585,257	596,357	1,152,241	1,292,253	2,097,882	1,373,823	4,388,072		11,773,900
1 year later	-	80,390	168,584	518,694	291,317	454,332	199,819	1,264,377		2,977,514
2 years later	-	-	52,310	210,357	106,976	321,003	384,937	612,693		1,688,095
3 years later	-	-	-	7,830	159,681	48,946	494,369	256,932		967,757
4 years later	-	-	-	-	4,549	66,351	112,769	193,932		377,601
5 years later	-	-	-	-	-	103,868	-	19,918		123,786
6 years later	-	-	-	-	-	-	-	32,461		32,461
7 years later	-	-	-	-	-	-	-	27,000		27,000
Provision from claim development tables										17,968,114
Incurred but not reported (IBNR), claims										7,476,681
Total gross outstanding claim provision presented in the financial statements at the end of the period										
25,444,795										

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**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**

	31 December 2019		31 December 2018	
	Should be placed <sup>(*)</sup>	Placed <sup>(*)</sup>	Should be placed <sup>(*)</sup>	Placed <sup>(*)</sup>
Life:				
Bank deposits (Note 14)	82.271.111	78.321.479	70.154.902	57.659.955
<b>Total</b>	<b>82.271.111</b>	<b>78.321.479</b>	<b>70.154.902</b>	<b>57.659.955</b>
Non Life:				
Bank deposits (Note 14)	2.716.711	3.621.403	2.362.261	1.894.578
<b>Total</b>	<b>2.716.711</b>	<b>3.621.403</b>	<b>2.362.261</b>	<b>1.894.578</b>
<b>Total</b>	<b>84.987.821</b>	<b>81.942.882</b>	<b>72.517.163</b>	<b>59.554.533</b>

(\*) According to the 6th article of the “Communiqué Relating to Financial Structure of Insurance, Reinsurance and Individual Pension Companies” which regulates financial assets, includes government bonds and treasury bills; valuation of financial assets is performed according to 31 December 2019 and 2018 promulgated daily prices of the Central Bank of the Republic of Turkey.

(\*\*) According to the 7th article of the “Communiqué Relating to Financial Structure of Insurance, Reinsurance and Individual Pension Companies” which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period should be established as a guarantee in two months following the calculation period. According to the “Communiqué Relating 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 period and must send the capital adequacy tables to the Turkish Treasury within two months. The company has increased total blocked balance to 81.942.882 (31 December 2018: TL 82.841.358) The Company completed the amount to be established on February 25, 2020 with an additional term deposit block of TL 4.500.000 on the amount of collateral that needs to be established, with a total surplus of TL 1.455.061.

**Company’s number of life insurance policies, additions, disposals during the year and the related mathematical reserves**

	31 December 2019		31 December 2018	
	Number of policyholders	Life mathematical provisions	Number of policyholders	Life mathematical provisions
Beginning of period	673.041	49.012.101	835,445	48,146,205
Additions during the period	449.424	55.410.222	499,596	41,750,559
Disposals during the period	(503.182)	(44.192.108)	(662,000)	(40,884,663)
Current	<b>619.283</b>	<b>60.230.215</b>	<b>673,041</b>	<b>49,012,101</b>

**Distribution of mathematical reserves for life insurance policyholders who left the Company’s portfolio as individual or group during the period**

	31 December 2019			31 December 2018		
	Number of Contracts	Gross Premium	Net premium	Number of contracts	Gross premium	Net premium
Individual	94.784	45.397.210	43.363.273	110.639	40.800.584	39.156.310
Group	354.640	242.410.866	237.374.581	388.957	183.664.234	179.097.814
<b>Total</b>	<b>449.424</b>	<b>287.808.076</b>	<b>280.737.854</b>	<b>499.596</b>	<b>224.464.818</b>	<b>218.254.124</b>

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### Distribution of mathematical reserves for life insurance policyholders who left the Company's portfolio as individual or group during the period

	31 December 2019				31 December 2018			
	Number of contracts	Gross premium	Net premium	Mathematical reserves	Number of contracts	Gross premium	Net premium	Mathematical reserves
Individual	8.405.753	8.033.761	106.154	386.319	167.324	8.528.839	8.159.298	241.569
Group	27.454.768	25.693.813	397.028	43.805.789	494.676	44.696.756	42.974.192	40.643.094
<b>Total</b>	<b>35.860.521</b>	<b>33.727.574</b>	<b>503.182</b>	<b>44.192.108</b>	<b>662.000</b>	<b>53.225.595</b>	<b>51.133.490</b>	<b>40.884.663</b>

### Deferred commission expenses

Unrecognized portion of commissions paid to the intermediaries in relation to the policies produced are capitalized under the account "deferred acquisition expenses" in the accompanying financial statements.

As at 31 December 2019 and 31 December 2018, deferred acquisition expenses are presented below:

	31 December 2019	31 December 2018
Deferred commission expenses	9.600.704	8.571.215
<b>Deferred acquisition expenses</b>	<b>9.600.704</b>	<b>8.571.215</b>

As at 31 December 2019 and 31 December 2018, the movements of deferred commission expenses are presented below:

	31 December 2019	31 December 2018
Deferred commission expenses at the beginning of the period	8.571.215	11.395.530
Commissions accrued during the period	(145.377.870)	(112.080.934)
Commissions expensed during the period (Note 32)	146.407.359	109.256.619
<b>Deferred commission expenses at the end of the period</b>	<b>9.600.704</b>	<b>8.571.215</b>

## 18 Investment contract liabilities

### Individual pension business

The details of receivables and payables from individual pension business as at 31 December 2019 and 31 December 2018 are presented below:

	31 December 2019	31 December 2018
Receivables from clearing house on behalf of the participants	4.423.727.445	3,282,056,487
Receivables from participants and agencies	41.700.154	31,452,371
Sale orders	5.286.002	13,150,890
Receivables from participants (fund management)	9.730.274	4,163,784
<b>Receivables from individual pension operations, net (Note 12)</b>	<b>4.480.443.875</b>	<b>3,330,823,532</b>
	<b>31 December 2019</b>	<b>31 December 2018</b>
Payables to clearing house	4.423.727.445	3.282.056.487
Payables to participants	51.742.139	63.380.059
Participants temporary account	9.593.341	14.299.338
Payables to clearing house	3.526.636	1.821.427
Payables to regulatory organization	1.521.006	308.807
Payables to portfolio management company	-	383.250
<b>Individual pension business liabilities, net (Note 19)</b>	<b>4.490.110.567</b>	<b>3.362.249.368</b>



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As at 31 December 2019 and 31 December 2018, individual pension investment funds founded by the Company and their unit prices are as follow:

Fund Name	31 December 2019 Unit prices	31 December 2018 Unit prices
Para Piyasası Emeklilik Yatırım Fonu	0.065273	0.053970
OKS Katılım Standart Emeklilik Yatırım Fonu	0.014036	0.011341
Agresif Değişken Emeklilik Yatırım Fonu	0.012997	0.010004
Altın Emeklilik Yatırım Fonu	0.018717	0.014350
Başlangıç Emeklilik Yatırım Fonu	0.015672	0.013060
Başlangıç Katılım Emeklilik Yatırım Fonu	0.015177	0.012715
Değişken Emeklilik Yatırım Fonu	0.056248	0.047370
Dengeli Emeklilik Yatırım Fonu	0.069436	0.056104
Dinamik Emeklilik Yatırım Fonu	0.036427	0.029733
Hisse Senedi Emeklilik Yatırım Fonu	0.120652	0.090433
Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	0.067741	0.053645
Karma Emeklilik Yatırım Fonu	0.117572	0.088226
Katkı Emeklilik Yatırım Fonu	0.019673	0.014444
OKS Standart Emeklilik Yatırım Fonu	0.013303	0.011016
Kamu Borçlanma Araçları Standart Emeklilik Yatırım Fonu	0.047143	0.037126
OKS Agresif Değişken Emeklilik Yatırım Fonu	0.011727	0.009117
OKS Agresif Katılım Değişken Emeklilik Yatırım Fonu	0.013589	0.010526
OKS Dengeli Değişken Emeklilik Yatırım Fonu	0.013160	0.010718
OKS Dinamik Değişken Emeklilik Yatırım Fonu	0.012861	0.010279
OKS Dinamik Katılım Değişken Emeklilik Yatırım Fonu	0.013522	0.010602
OKS Temkinli Değişken Emeklilik Yatırım Fonu	0.013704	0.011223
Qinvest Portföy Temkinli Değişken Emeklilik Yatırım Fonu	0.015057	0.012169

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As at 31 December 2019 and 31 December 2018, the number and amount of participation shares in the portfolio and in circulation are follow:

Fund name	31 December 2019			
	Participation certificates in circulation		Participation certificates in portfolio	
	Number	Amount	Number	Amount
Para Piyasası E.Y.F	10.514.265.129	686.302.194	189.485.734.871	12.368.302.372
Oks Katılım Standart E.Y.F	2.979.312.721	41.819.083	97.020.687.279	1.361.782.367
Agresif Değişken E.Y.F	1.218.932.193	15.842.541	98.781.067.807	1.283.857.538
Altın E.Y.F	41.441.345.073	775.671.266	58.558.654.927	1.096.042.344
Başlangıç E.Y.F	805.536.703	12.624.508	999.194.463.297	15.659.375.629
Başlangıç Katılım E.Y.F	504.940.937	7.663.716	999.495.059.063	15.169.336.511
Değişken E.Y.F	4.601.518.757	311.709.747	20.398.481.243	1.381.813.518
Dengeli E.Y.F	13.188.018.055	741.798.579	186.811.981.945	10.507.800.360
Dinamik E.Y.F	5.045.260.606	350.323.859	94.954.739.394	6.593.277.285
Hisse Senedi E.Y.F	2.411.336.040	87.836.799	197.588.663.960	7.197.562.262
Kamu Borçlanma Araçları E.Y.F	1.074.749.226	129.670.371	198.925.250.774	24.000.729.356
Karma E.Y.F	2.073.075.315	243.736.306	197.926.924.685	23.270.664.389
Katkı E.Y.F	32.904.596.282	647.344.877	967.095.403.718	19.025.667.877
OKS Standart E.Y.F	5.956.195.374	79.232.905	94.043.804.626	1.251.064.733
Kamu Borçlanma Araçları Standart E.Y.F	5.070.217.920	239.025.429	194.929.782.080	9.189.574.717
OKS Agresif Değişken E.Y.F	59.077.017	692.802	99.940.922.983	1.172.007.204
OKS Agresif Katılım Değişken E.Y.F	28.594.005	388.573	99.971.405.995	1.358.511.436
OKS Dengeli Değişken E.Y.F	48.670.978	640.509	99.951.329.022	1.315.359.490
OKS Dinamik Değişken E.Y.F	63.332.374	814.495	99.936.667.626	1.285.285.482
OKS Dinamik Katılım Değişken E.Y.F	32.377.001	437.794	99.967.622.999	1.351.762.198
OKS Temkinli Değişken E.Y.F	43.216.328	592.224	99.956.783.672	1.369.807.763
Qinvest Portföy Temkinli Değişken E.Y.F	3.291.377.154	49.558.869	96.708.622.846	1.456.141.734
<b>Toplam</b>		<b>4.423.727.445</b>		<b>158.665.726.565</b>

Fund name	31 December 2018			
	Participation certificates in circulation		Participation certificates in portfolio	
	Number	Amount	Number	Amount
Para Piyasası E.Y.F	10.673.055.972	576.026.169	189.326.944.027	10.217.975.169
Oks Katılım Standart E.Y.F	2.349.806.933	26.649.057	97.650.193.067	1.107.450.840
Agresif Değişken E.Y.F	1.325.097.317	13.256.347	98.674.902.682	987.143.726
Altın E.Y.F	16.709.707.058	239.782.579	83.290.292.942	1.195.215.704
Başlangıç E.Y.F	1.123.511.504	14.673.275	998.876.488.495	13.045.326.940
Başlangıç Katılım E.Y.F	816.412.640	10.380.314	999.183.587.360	12.704.619.313
Değişken E.Y.F	5.671.366.553	304.238.253	188.201.878.175	8.915.122.969
Dengeli E.Y.F	11.798.121.824	558.881.761	93.635.981.179	5.253.353.088
Dinamik E.Y.F	6.364.018.821	357.044.470	196.900.964.476	5.854.456.377
Hisse Senedi E.Y.F	3.099.035.524	92.143.768	198.663.207.595	17.965.709.852
Kamu Borçlanma Araçları E.Y.F	1.336.792.405	120.889.916	19.328.633.447	1.036.884.541
Karma E.Y.F	2.737.793.863	241.544.222	197.262.206.136	17.403.655.399

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Katkı E.Y.F	29.321.223.482	423.512.396	970.678.776.518	14.020.484.248
OKS Standart E.Y.F	4.126.225.224	45.455.129	95.873.774.775	1.056.145.503
Kamu Borçlanma Araçları Standart E.Y.F	6.198.339.424	230.118.080	193.801.660.576	7.195.080.451
OKS Agresif Değişken E.Y.F	23.322.208	212.624	99.976.677.792	911.487.371
OKS Agresif Katılım Değişken E.Y.F	9.237.779	97.238	99.990.762.220	1.052.502.763
OKS Dengeli Değişken E.Y.F	23.499.011	251.870	99.976.500.989	1.071.548.138
OKS Dinamik Değişken E.Y.F	25.964.956	266.888	99.974.035.044	1.027.633.106
OKS Dinamik Katılım Değişken E.Y.F	10.413.355	110.402	99.989.586.645	1.060.089.598
OKS Temkinli Değişken E.Y.F	14.328.143	160.779	99.985.671.857	1.122.139.195
Qinvest Portföy Temkinli Değişken E.Y.F	2.166.210.828	26.360.950	97.833.789.171	1.190.539.380
<b>Toplam</b>		<b>3.282.056.487</b>		<b>125.394.563.671</b>

## Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups

	31 December 2019			31 December 2018		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	38.701	395.798.521	392.645.344	32.075	270.447.060	268.462.174
Group	109.716	83.039.163	83.034.747	156.610	130.386.543	130.382.533
<b>Total</b>	<b>148.417</b>	<b>478.837.684</b>	<b>475.680.091</b>	<b>188.685</b>	<b>400.833.603</b>	<b>398.844.707</b>

## 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

	31 December 2019			31 December 2018		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	5.613	242.895.446	242.787.746	5.056	171.327.527	171.274.605
Group	4.628	9.889.139	9.889.139	19.578	25.276.867	25.276.596
<b>Total</b>	<b>10.241</b>	<b>252.784.585</b>	<b>252.676.885</b>	<b>24.634</b>	<b>196.604.394</b>	<b>196.551.201</b>

## Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio during the period

None (31 December 2018: None).

## Number of units and individual/group allocation of gross/net contribution amounts of the individual pension participants that left the Company and transferred to another company or that left the Company but did not transfer to another company

	31 December 2019			31 December 2018		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	34.395	638.065.221	615.058.757	35.953	623.499.187	602.839.789
Group	74.398	149.179.780	205.657.628	127.450	143.073.233	255.154.313
<b>Total</b>	<b>108.793</b>	<b>787.245.001</b>	<b>820.716.384</b>	<b>163.403</b>	<b>766.572.420</b>	<b>827.994.102</b>

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### 19 Trade and other payables, deferred income

	31 December 2019	31 December 2018
Payables from pension operations	4.490.110.567	3.362.249.368
Other miscellaneous payables and liabilities	73.721.123	4.013.848
Payables from insurance operations	5.751.315	2.553.546
Provisions for taxes and other similar obligations	4.088.644	3.069.845
Due to related parties (Note 45)	3.498.217	61.640.371
<b>Total</b>	<b>4.577.169.866</b>	<b>3.433.526.978</b>
Short-term	149.268.040	148.425.847
Medium and long term	4.427.901.826	3.285.101.130
<b>Total</b>	<b>4.577.169.866</b>	<b>3.433.526.977</b>

As at 31 December 2019 and 31 December 2018, other various payables consist of payables to vendors. Short/long term deferred income and expense accruals consist of deferred commission income.

Payables arising from insurance operations of the Company as at 31 December 2019 and 31 December 2018 are detailed below:

	31 December 2019	31 December 2018
Payables to agencies	2.880.679	158,490
Payables to reinsurers	2.015.169	2,302,604
Payables to policyholders	855.467	608,751
<b>Total payables arising from insurance operations</b>	<b>5.751.315</b>	<b>3,069,845</b>

Corporate tax provision and prepaid taxes are disclosed below:

	31 December 2019	31 December 2018
Corporate tax	-	-
Prepaid taxes during the period	(2.535.546)	(3,631,117)
<b>Corporate tax payable/(Prepaid corporate tax), net</b>	<b>(2.535.546)</b>	<b>(3,631,117)</b>

**Total amount of investment incentives which will be benefited in current and forthcoming periods**

None.

### 20 Financial liabilities

TFRS 16 "Leases" has been issued by POA at 16 April 2018 and the Company has initially adopted TFRS 16 Leases from 1 January 2019. The Company presents lease liabilities under Other Financial Liabilities. The Company has no financial liabilities as at 31 December 2019 apart from lease liabilities.

As of 31 December 2019, the company has TL 18,061,031 financial liabilities under TFRS 16 Leases standard.

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## 21 Deferred taxes

As of 31 December 2019, the Company has total TL 49.583.953 (31 December 2018: TL 84.078.137) carry forward losses and the Company has not accounted deferred tax asset for these losses in the financial statements as of 31 December 2019 with taking into account of future taxable profit expectations. As of 31 December 2019 unaccounted deferred tax is TL 9.916.791 TL (31 December 2018: TL 16.815.627).

As at 31 December 2019 and 31 December 2018, the details of unused carry forward losses and expiry dates are as follows:

Expiry date	31 December 2019	31 December 2018
2018	-	16.161.176
2019	14.954.352	33.287.360
2020	20.189.442	20.189.442
2021	14.440.159	14.440.159
2022	-	-
	<b>49.583.953</b>	<b>84.078.137</b>

As at 31 December 2019 and December 2018, the detailed analysis of the items for deferred tax assets and liabilities are as follow:

	31 December 2019	31 December 2018
	assets/(liabilities)	assets/(liabilities)
Carry forward losses	9.916.791	16.815.627
Expense accruals	4.949.350	4.985.204
Provision for equisation reserve	3.034.588	2.314.134
Provision for unused vacation	325.977	301.783
Intangible asset impairment provision	433.184	455.528
Provision for employee termination benefits	330.494	-
IFRS 16 temporary differences	112.746	-
Other temporary differences	(8.347)	(21.746)
Tangible and intangible assets	(2.868.405)	(2.377.360)
<b>Deferred tax assets, net</b>	<b>16.226.378</b>	<b>22.473.170</b>
Unrecorded deferred tax asset	(9.916.791)	(16.815.627)
<b>Unrecorded deferred tax asset, net</b>	<b>6.309.587</b>	<b>5.657.543</b>

As the tax rate of 22% entered into force with the "Law on Amendments to Certain Tax Laws and Certain Other Laws" numbered 7061, 22% of the temporary differences that are likely to be recovered in 2018, 2019 and 2020 when preparing the 31 December 2019 financial statements in deferred tax calculations and for the portion exceeding three years, 20 percent is used.

For the years ended 31 December 2019 and 31 December 2018, the movement of deferred tax assets/(liabilities) are as follows:

	31 December 2019	31 December 2018
Opening balance	5.657.543	5.994.577
Charged to income statement	652.044	(337.034)
	<b>6.309.587</b>	<b>5.657.543</b>

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#### 22 Retirement benefit obligations

None (31 December 2018 None).

#### 23 Provision for other liabilities and charges

As at 31 December 2019 and 31 December 2018, the details of the provisions for other risks are as follows:

	31 December 2019	31 December 2018
Provision for commissions expense	35.991.705	31.397.946
Provision for invoice expense	7.491.055	5.995.460
Provision for premium expense	6.999.996	5.233.081
Provisions for lawsuits	3.814.940	4.200.123
Provision for vacations	1.969.016	2.070.582
Provision for other expenses	69.304	407.669
<b>Total</b>	<b>56.336.016</b>	<b>49.304.861</b>

Movements of provision for employee termination benefits during the period are presented below:

	31 December 2019	31 December 2018
Provision for unused vacation at the beginning of the period	1.508.916	1,369,015
Interest cost	317.904	355,952
Service cost	346.889	388,405
Payments during the period	(543.822)	(604,456)
<b>Provision for unused vacation at the end of the period</b>	<b>1.629.887</b>	<b>1,508,916</b>

Movements of provision for employee termination benefits during the period are presented below:

	31 December 2019	31 December 2018
Employee termination benefits at the beginning of the period	2.070.582	2.041.667
Payments during the period	-	(264.974)
Provisions during the period	(101.566)	293.889
<b>Provision for employee termination benefits at the end of the period</b>	<b>1.969.016</b>	<b>2.070.582</b>

#### 24 Net insurance Premium revenue

Net insurance premium revenue is presented in detail in the accompanying statement of income as life and non-life branches.

#### 25 Fee revenues

Fee revenues consist of fees received from individual pension investment funds and individual pension participants and expenses charged to the life insurance policyholders.

The details of fees from individual pension investment funds and individual pension participants are presented in the accompanying statement of income. For the year ended 31 December 2019, entrance fees charged to life insurance policyholders amounts to 8.275.775 TL (31 December 2018: 7.491.965 TL).



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**26 Investment income**

Presented in Note 4.2 – Financial Risk Management.

**27 Net realized gains and financial assets**

Presented in Note 4.2 - Financial Risk Management.

**28 Net fair value gains on assets at fair value through profit or loss**

Presented in Note 4.2 – Financial Risk Management.

**29 Insurance rights and claims**

	31 December 2019	31 December 2018
Claims paid, net off ceded	63.811.759	41,575,300
Change in life mathematical provisions	11.151.925	4,819,817
Change in equalization reserve	3.528.515	(7,569,556)
Change in reserve for unearned premium, net off ceded	1.948.954	2,343,970
Change in provision for outstanding claims, net off ceded	1.862.269	716,392
<b>Total recognized in the statement of income</b>	<b>82.303.422</b>	<b>41,885,923</b>

**30 Investment contract benefits**

None.

**31 Other expenses**

The allocation of the expenses with respect to their nature or function is presented in Note 32- Expenses by Nature below.

**32 Expenses by nature**

For the years ended 31 December 2019 and 2018, expenses by nature are disclosed as follow:

	31 December 2019			
	Life	Non-Life	Pension	Total
Acquisition commission expenses (Note 17)	88.437.580	8.761.639	49.208.140	146.407.359
Employee benefit expenses (Note 33)	36.170.077	4.046.554	31.313.453	71.530.083
Management expenses	9.423.364	1.469.824	8.479.060	19.372.250
Expenses for services received	8.815.559	1.197.968	7.534.363	17.547.890
Marketing and sales expenses	4.724.332	586.983	5.073.172	10.384.486
Commission income from reinsurers	(1.390.318)	-	-	(1.390.318)
Deferred acquisition expenses	394.139	-	-	394.139
<b>Total</b>	<b>146.574.733</b>	<b>16.062.968</b>	<b>101.608.188</b>	<b>264.245.889</b>

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	31 December 2018			
	Life	Non-Life	Pension	Total
Acquisition commission expenses (Note 17)	64.708.113	12.682.572	31.865.934	109.256.619
Employee benefit expenses (Note 33)	33.754.032	3.567.418	28.350.110	65.671.560
Management expenses	12.528.987	1.141.374	10.765.424	24.435.785
Expenses for services received	6.844.370	1.025.503	6.264.304	14.134.177
Marketing and sales expenses	4.177.995	530.954	5.019.421	9.728.370
Commission income from reinsurers	(1.345.411)	-	-	(1.345.411)
Deferred acquisition expenses	(260.688)	(2.591.925)	-	(2.852.613)
<b>Total</b>	<b>120.407.398</b>	<b>16.355.896</b>	<b>82.265.193</b>	<b>219.028.487</b>

### 33 Employee benefit expenses

For the years ended 31 December 2019 and 2018, the details of employee benefit expenses are as follows:

	31 December 2019			
	Life	Non-Life	Pension	Total
Wages and salaries	18.652.293	2.457.121	16.000.450	37.109.865
Other benefits	11.067.850	739.766	9.783.132	21.590.746
Bonus, premium and commissions	3.292.061	432.859	2.819.100	6.544.020
Employer's share in social security premiums	2.567.770	341.787	2.209.360	5.118.917
Employee termination benefits and unused vacation expenses	590.103	75.021	501.411	1.166.535
<b>Total</b>	<b>36.170.077</b>	<b>4.046.554</b>	<b>31.313.453</b>	<b>71.530.083</b>

	31 December 2018			
	Life	Non-Life	Pension	Total
Wages and salaries	16.682.105	2.131.086	14.187.413	33.000.604
Other benefits	10.857.555	640.050	8.869.146	20.366.751
Bonus, premium and commissions	3.038.760	389.122	2.586.884	6.014.766
Employer's share in social security premiums	2.682.065	343.316	2.283.963	5.309.344
Employee termination benefits and unused vacation expenses	493.547	63.844	422.704	980.095
<b>Total</b>	<b>33.754.032</b>	<b>3.567.418</b>	<b>28.350.110</b>	<b>65.671.560</b>

### 34 Financial costs

Finance costs are presented in Note 4.2 – Financial Risk Management above. There are no finance costs classified in production costs or capitalized on tangible assets. All financial costs are directly recognized as expense in the statement of income.

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**35 Income taxes**

Income tax expense in the accompanying financial statements is as follows:

	31 December 2019	31 December 2018
<b>Provision for corporate tax:</b>		
Provision for corporate taxes	-	-
<b>Deferred taxes:</b>		
Arising from origination (+)/ reversal (-) of taxable temporary differences		
total income tax expense recognized in profit or loss	652.044	(337,034)
<b>Total income tax expense recognized in profit or loss</b>	<b>652.044</b>	<b>(337,034)</b>

As at 31 December 2019 and 31 December 2018, a reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate is as follows:

	31 December 2019		31 December 2018	
<b>Loss before tax</b>	<b>(18,498,772)</b>	<b>Tax rate (%)</b>	<b>(29,032,736)</b>	<b>Tax rate (%)</b>
Income tax provision by legal tax rate	4.069.730	(22.00)	6,387,202	(22.00)
Deduction effect of carry forward losses which hasn't been subject for deferred tax at previous period	(3.666.602)	19.82	(5,619,396)	19.36
Non-deductible expenses	(1.055.172)	(5.70)	(430,772)	1.48
<b>Total tax income recognized in income statement</b>	<b>(652.044)</b>	<b>3.52</b>	<b>337,034</b>	<b>(1.16)</b>

**36 Net foreign exchange gains**

Presented in Note 4.2 – Financial Risk Management above.

**37 Earnings per share**

The Companies whose equity shares are not traded on the stock exchange are not obliged to present earnings per share according to TAS 33 "Earnings Per Share". Because the Company's shares are not publicly traded, earnings per share is not disclosed in the accompanying financial statements (31 December 2018: None).

**38 Dividends per share**

The company has net loss amounting to TL 17.846.728 in accordance with applicable accounting standards (31 December 2018: 29.369.770). There is no profit distribution due to loss in current period.

**39 Cash generated from operations**

The cash flows from operating activities are presented in the accompanying statement of cash flows.

**40 Convertible bonds**

None (31 December 2018: None).

**41 Redeemable preference shares**

None (31 December 2018: None).

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### 42 Contingencies

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.

	31 December 2019	31 December 2018
Outstanding claims lawsuits against the Company	9.489.658	9.340.795
Other lawsuits against the Company	2.104.691	1.274.064
Personnel lawsuits against the Company	1.683.829	2.900.686
Premium return lawsuits against the Company	26.420	25.372
<b>Total</b>	<b>13.304.598</b>	<b>13.540.917</b>

### 43 Commitments

The details of the guarantees that are given by the Company for the operations in the non-life branches are presented in Note 17.

The future aggregate minimum lease payments under operating leases for properties rented for use of head office and regional offices and motor vehicles rented for sales and marketing departments are as follows:

	31 December 2019	31 December 2018
<b>US Dollar commitments</b>		
Less than 1 year	1.556.035	738.999
More than 1 year less than 5 years	-	2.658.370
More than 5 years	-	-
<b>EUR commitments</b>		
Less than 1 year	-	428.010
More than 1 year less than 5 years	-	377.606
More than 5 years	-	-
<b>TL commitments</b>		
Less than 1 year	446.856	-
More than 1 year less than 5 years	-	-
More than 5 years	-	-
<b>Total of minimum rent payments</b>	<b>2.002.892</b>	<b>4.202.985</b>

### 44 Business combinations

None (31 December 2018: None).

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### 45 Related party transactions

The main shareholder of NN Hayat ve Emeklilik A.Ş. ("the Company") is NN Continental Europe Holdings BV, which holds 100% of the issued capital of the Company, And the groups to which they are affiliated and the associates and subsidiaries of these groups are defined as related parties for these financial statements.

As at 31 December 2019 and 31 December 2018 the related parties and their related transactions are as follows:

	31 December 2019	31 December 2018
Ünlem Sigorta Aracılık Hizmetleri A.Ş.	5.766.248	7.345.987
Sigortaofisi Plus Sigorta Aracılık Hizmetleri A.Ş.	3.020.603	3.024.836
Makinist Vip Sigorta Aracılık Hizmetleri A.Ş.	2.641.722	3.709.669
<b>Due from Related Parties</b>	<b>11.428.573</b>	<b>14.080.492</b>
NN Continental Europe Holdings B.V.	1.828.861	1,392,904
Ünlem Sigorta Aracılık Hizmetleri A.Ş.	680.127	418,118
Makinist Vip Sigorta Aracılık Hizmetleri A.Ş.	516.084	485,597
Sigortaofisi Plus Sigorta Aracılık Hizmetleri A.Ş.	274.907	184,126
NN MANAGEMENT	104.507	-
NN LEASE	50.887	41,105
NN RAS KFT.	24.107	24,107
Due to Personnel	18.737	7,589
<b>Due to Related Parties</b>	<b>3.498.217</b>	<b>2,553,546</b>
NN Continental Europe Holdings B.V.	9.764.961	11.560.998
NN Management	4.193.541	2.582.016
NN Lease	988.116	1.051.827
NN RAS	418.528	266.195
<b>Service expenses</b>	<b>15.365.146</b>	<b>15.461.036</b>

No guarantees were received for receivables from related parties.

There is no provision for doubtful receivables due to shareholders and subsidiaries and their debts.

There are no liabilities given to shareholders and subsidiaries such as guarantee, commitment, warrant, advance, revenue.

### 46 Events after the reporting period

None.

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### 47 Other

Description and amounts of the items which are higher than 5% of the total assets in the balance sheet or higher than 20% of the total amount of the group including the items phrased with “other” in the accompanying financial statements

Other receivables	31 December 2019	31 December 2018
Deposits and guarantees given	93.164	59,014
Other miscellaneous receivables (*)	1.101.491	1,251,927
<b>Total</b>	<b>1.194.655</b>	<b>1,310,941</b>

(\*) Cash collaterals given for claims

Other liabilities	31 December 2019	31 December 2018
Payables to vendors	6.616.476	7,740,361
<b>Total</b>	<b>6.616.476</b>	<b>7,740,361</b>

Other Extraordinary Expense and Losses	31 December 2019	31 December 2018
Tax and administrative fines	93.311	78.767
Fixed asset sales losses	5.873	1.120.751
Sales channel debt provisions	-	17.794.101
Other	16.169	315.832
<b>Total</b>	<b>115.353</b>	<b>19.309.451</b>

(\*) Cash collaterals given for claims

Life Technical Income	31 December 2019	31 December 2018
Other Gross Technical Income (*)	244.518	450,383
	<b>244.518</b>	<b>450,383</b>

(\*) This is the reflected cost related to the compensation paid to a Sales channel

“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 period ended 31 December 2019 and 31 December 2018, details of the resdicount and provision expenses are as follows:

	31 December 2019	31 December 2018
Provision for doubtful receivables	3.928.616	1.687.214
ABank exclusivity agreement impairment provision	1.502.245	-
Provision for employee termination	120.971	139.901
Provision for unused vacation	(101.566)	28.915
Other (provision no longer required)	(3.207.049)	-
<b>Provisions account</b>	<b>2.243.217</b>	<b>1.856.030</b>



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**NN**

Hayat ve Emeklilik