



NN is with you, your future is safe

2017 Annual Report



NN

Hayat ve Emeklilik



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Our Corporate Policy

Mission and Vision

As NN Hayat ve Emeklilik, we aim our customers to have an excellent experience, so that they would recommend us to their families and friends rather than other financial institutions. Meeting their expectations and needs are an integral part of this experience.

We know that money is mainly an instrument for our customers to achieve a target; because life means living it fully. Therefore, we are doing our best for our customers to make their dream come true and to overcome any obstacle they might encounter. We devote ourselves to help our customers in securing their financial future with our pension services and insurance products.

Our Values

As NN Hayat ve Emeklilik, we have 3 important values.

These values are: **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 insurance and investment management company acting in 18 countries in many European countries and Japan. It provides pension, insurance, investment and banking services to more than 17 million customers by its 15.000 employees worldwide.

Nationale-Nederlanden, ING Insurance Europe, ING Life Japan and ING Investment Management companies constituting ING Group's insurance and investment management lines of business have been gathered under the roof of NN Group NV by 1 March, 2014. As an insurance and investment management company, NN Group has a strong stand in other European countries and Japan for life insurance and pension products besides its leader position for life and non-life insurance products in Netherlands.

NN Group's shares are being listed on Euronext Amsterdam stock exchange on July 2, 2014 with NN stock exchange code, and NN Group has started to operate as an independent company. On April 14, 2016, ING has decided to sell its remaining shares in NN Group. As of December 27, 2016, an agreement has been concluded on merging NN Group's operations in Netherlands and Delta Lloyd Board of Directors' operations in Belgium, and the process of taking Delta Lloyd has been completed on April 12, 2017.

18 countries

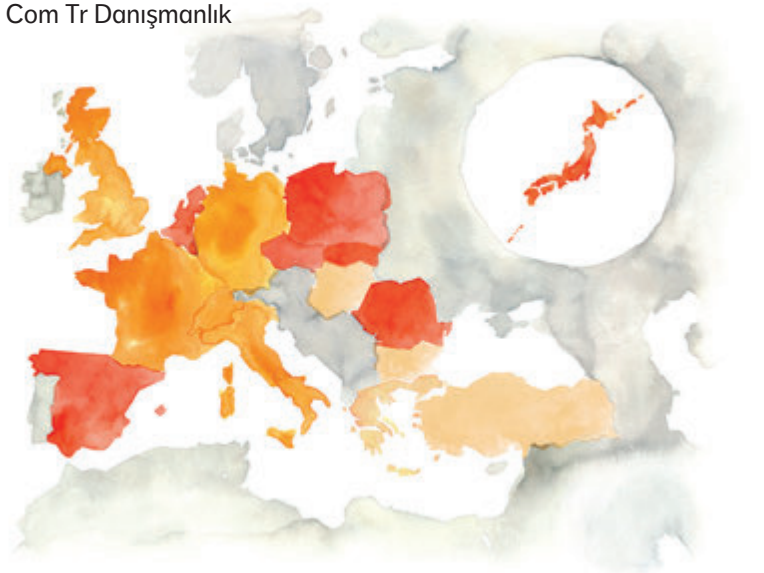
A heritage over 170 years

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 a long-standing heritage of more than 170 years and an existence in 18 countries mainly in Europe. The history of the company in Turkey started with ING Group's acquisition of OYAK Emeklilik's 100% share on December 4, 2008.

After ING Group's decision to separate banking, insurance and investment operations, by 16 February 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 to meet the customers' expectations faster.

NN Group's 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 was transferred to NN Continental Europe Holdings B.V. (prior title: NN 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 Ordinary General Assembly Meeting held on **January 26, 2009**, it was 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 were

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 was also a part of, the Company's trade name was changed into NN Hayat ve Emeklilik Anonim Şirketi with the resolution taken during the Ordinary General Assembly Meeting held on **January 29, 2015**, and the relevant resolution and draft articles of association text were registered on **January 30, 2015**. As of **December 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 (Nominal TL)
NN Continental Europe Holdings B.V.	39.541.418	39.541.418

Paid-in Capital (TL)	
31.Dec. 2017	31.Dec. 2016
39.541.418	39.441.418

	31.Dec.2017	31.Dec.2016
	Share Amount TL	Share Amount TL
NN Continental Europe Holdings B.V.	39.541.418	39.441.418

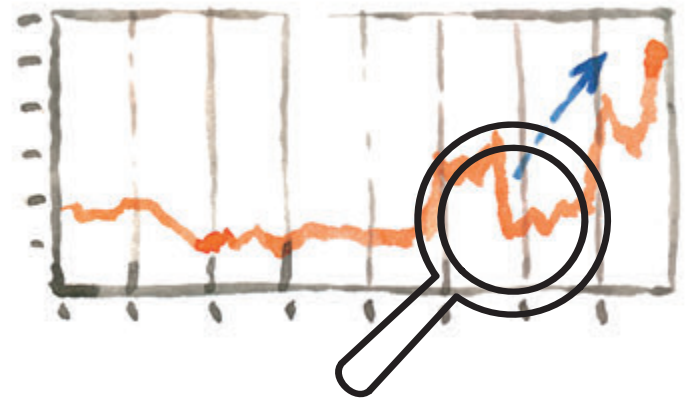
The Company's direct affiliates and shares are shown below.

Name	Share Rate
ÜNLEM SİGORTA ARACILIK HİZMETLERİ A.Ş.	50%
DSM EXTRA SİGORTA ARACILIK HİZMETLERİ A.Ş.	50%
SİGORTAOFİSİ PLUS SİGORTA ARACILIK HİZMETLERİ A.Ş.	100%
MAKİNİST VİP SİGORTA ARACILIK HİZMETLERİ A.Ş.	50%

Financial Indicators

Thousand TL	2017	Δ%	2016	Δ%	2015
Fund Size	2.940.885	25,57%	2.342.107	20,52%	1.943.390
Paid-in Capital	40.701	0,25%	40.601	- 54,59%	89.401
Shareholders' Equity	119.954	14,12%	105.115	- 0,07%	105.191
Total Assets	3.272.365	25,16%	2.614.442	19,14%	2.194.442
Technical Income	254.097	35,93%	186.928	36,07%	137.378
Balance of Technical Incomes and Expenses	- 16.580	- 33,78%	- 25.040	- 49,55%	- 49.633
Balance of Non-Operating Incomes and Expenses	13.132	47,76%	8.887	12,55%	7.896
Profit/Loss Before Tax	- 3.449	- 78,65%	- 16.153	- 61,30%	- 41.738

NN Hayat ve Emeklilik continued its operations actively in the pension sector that is growing rapidly in 2017. Its total equity capital reached to **119.9** million TL in 2017. The total assets of the company reached to **3,3** billion TL by **December 31, 2017** with **25%** increase compared to the year 2016. As of **December 31, 2017**, the share of the cash assets within the total assets was realized as **6,9%**, the share of the receivables of the Private Pension System within the total assets as **89,9%**.





Message of the General Manager

Dear stakeholders,

As NN Hayat ve Emeklilik, we came to the end of a good year with full of positive changes and challenges.

Besides focusing on our main strategy pillars of growing life insurance business, longer durations in pensions and maintaining reliable process, we had a successful year on building strategic partnerships and growing at Auto-Enrolment business.

Our performance in life insurance is accelerated and we produced **50%** more GWP compared to the previous year. We signed 5 years of exclusive distribution partnership agreement with Alternatif Bank, completed our system integration and launched Credit Life and stand-alone life products which will support our ambition at growing in life insurance. In addition, repricing of PTT channel Credit Life and SME Term Life products promoted our life sales in ING Bank channel. Redesign of renewal process for stand-alone life products increased the persistency of life policies and also increased our GWP production.

In our pension business, Auto Enrolment was our main focus in 2017. We enrolled more than **350.000** customers to the system however, common with the market trend, we were also negatively affected by the high cool off rates. In the coming periods, we will focus on improving performance in this area. To ensure longer durations in private pension business, we have launched additional pension funds to be able to present the diversified options to the customers. Especially we launched the gold fund which is in demand at the market that will make our brand preferred next to the competitors. Most importantly, our lapse rates are improved compared to the last year and also compared to the market average and we observed a significant increase in our profit margins.

This year, we had achieved very good progress in improving reliable processes and digitalization initiative. By shifting to the "Paperless after sales process" we not only improved productivity but also customer satisfaction. The increases in 5 different customer touch points is a proof that overall customer satisfaction and positive perception of NN's services have improved. Also a remarkable increase is observed in our brand awareness compared to previous year due to the advertising campaign during the auto-enrolment tranches.

The last but not least improvement is the strategic partnership with Hesapkurdu.com, the leading online loan aggregator for mortgages and consumer loans in the Turkish market. NN Group has acquired **18%** stake of Hesapkurdu.com and this investment fits NN Group's strategy to collaborate with partners that complement our existing business to provide better customer experience. This partnership will also enable NN Hayat ve Emeklilik to have presence on online platforms and help us to differentiate ourselves from the competitors in the market.

I want to thank all our colleagues for their great contribution, hard work and commitment to our company and its success. I sincerely believe that we will deliver many great achievements in 2018. I would also like to thank our business partners and clients for choosing us for being together as NN family.

Kind regards,
Marius Popescu



Developments in the Market in 2017

By year-end 2017, the total number of participants in the Private Pension System exceeded 6,9 million, and total net asset value of funds is nearly 67,6 billion TL. The number of participants increased by 4% while the total assets under management climbed 27% compared to year-end 2016. The total contribution of the participants increased by 18% to 52,5 billion TL.

According to Pension Monitoring Center (EGM) data dated December 29, 2017, NN Hayat ve Emeklilik increased its:

- Total number of contracts and certificates to 310.862
- Number of participants to 267.313
- Total contribution amount to 1.922.669.866 TL
- The total assets under management to (excluding state contribution) 2.518.587.111 TL

These figures indicate respective growth rates of 14% in total contribution amount and 22% in total fund size compared to year-end 2016. According to 2017 year-end market figures, NN Hayat ve Emeklilik's market shares are as follows:

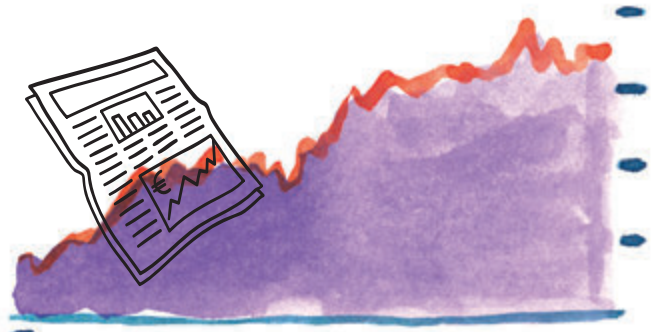
Market Shares	Criteria
3,8%	Number of participants
3,8%	Number of contracts and certificates
3,7%	Contribution
3,7%	Amount directed to investment
3,7%	Fund size

By year-end 2017, total number of participants who joined the Private Pension System with Auto-Enrolment and continue to stay in the system is 3,4 million, and the total fund amount of participants is 1,86 billion TL. According to Pension Monitoring Center (EGM) data dated December 29, 2017, NN Hayat ve Emeklilik has:

- Number of participants 134.915
- Total contribution 47.952.272 TL
- Fund amount of the employees 49.482.936 TL

In life insurance, the premium production in the sector in 2017 increased by 36% compared to 2016, while NN Hayat ve Emeklilik's premium production increased by 46%.

Sector Premium Production		
2017	7.345.231.535 TL	
2016	5.420.076.150 TL	
	NN Premium Production	Market Share
2017	210.152.408 TL	2,9%
2016	142.590.004 TL	2,7%



Market Overview

Turkish Economy

2017 was a year where risks related to economy, politics and security were in the forefront in the entire world, and FED's process related to interest rate hike continued to negatively affect the economies of developing countries. Problems in the Middle East can be listed on top of the events affecting the global agenda in 2017. 3 times interest hike by FED during the year, tax incentives provided to various sectors, liquidity provided by the Credit Guarantee Fund and downgrading of Turkey's investment credit rating by Fitch, are the important factors that affected the Turkish economy. Decisions taken by the USA, one of the leading actors of the global economy, on foreign politics and economy, EU's growth rate, effects of Brexit, domestic politics, state of emergency, 2019 elections, relationships with Syria, EU and the USA, significant fluctuations in exchange rates and interest levels will appear as the factors affecting the Turkish economy and the markets in 2018.

Turkish economy displayed a strong growth with 5% during the first quarter of 2017 with the effect of financial incentives implemented for reviving the economy, macro-prudential policies, credits provided by the Credit Guarantee Fund and positive foreign conjuncture. The economy accelerated and grew by 11,1% particularly with the low base effect of the previous year, recovery in tourism, and the contribution of construction industry and service industry during the third quarter. In this context, the growth forecasts were revised as 6% - 6,5% for 2017. Policies supporting the domestic demand and economy during 2017 were the driving force for the economic growth.

Incentives on employment and strong growth performance during the first three quarters had positive reflection on the labor market. Unemployment rates started to decrease with the significant increase in the labor force participation, particularly during the second quarter. Realized as 12% in December 2016, seasonally adjusted unemployment rate regressed to 9,9% as of December 2017, and the unemployment rate realized as 10,4% in 2017 with the effect of employment programs and incentives. Turkey became one of the countries with highest employment increase recently in the world. With the annual average employment increase rate of 3,4% in 2007-2017 period, Turkey is the country with highest increase among the OECD countries. Although all the economy supporting practices create a pressure on the central administration budget in 2017, it's been estimated that the rate of central administration budget deficit to

GDP, which was 1,1% in 2016, will realize as 2% in 2017 and 1,9% in 2018. Realized as 28,1% in 2016, the rate of debt stock defined by the EU to GDP will be 28,5% in 2017 and 2018.

According to TurkStat data, Turkey's export increased to US\$ 13 billion 878 million and import increased to US\$ 23 billion 84 million, by 8,6% and 25,4% respectively, in December 2017 compared to the prior year period. The foreign trade deficit increased by 63,5% to US\$ 9 billion 206 million in December. The current accounts deficit in 2017 is around US\$ 7 billion 700 million in December, while the 12-month deficit realized as US\$ 47 billion 100 million. The rate of current accounts deficit to GDP, which was 3,8% in 2016, is estimated to be 5,5% and 4,5%, respectively, in 2017 and 2018 according to Medium Term Plan estimations.

CPI had an upward trend in 2017 in general and while it realized as 8,5% in 2016. Food prices, accumulated and delayed effects of high value loss of TL and the high rate of increase in import prices have been effective in the CPI increase in 2017, and the annual increase rate has realized as 11,9%.

The Central Bank of Republic of Turkey (TCMB) applied a tight monetary policy since the beginning of the year due to the high progress in inflation and the fluctuations in the financial markets. Due to the excessive activity in exchange rate since January 2017, delayed effect of developments in exchange rate and volatility in food prices and with the projection that significant increase in inflation would continue in medium term, the Monetary Policy Committee has taken steps on tightening the policy as a reaction to the deterioration in inflation outlook. In this context, at high band of margin funding, a total interest hike of 275 points was made during the meetings in 2017. Within the scope of funding Late Liquidity Window, the lending interest rate increased to 12,75%. It was emphasized that the tight monetary policy will continue until a significant improvement is available in the inflation outlook in 2018.

Domestic Financial Markets

Monetary policies of FED and ECB and the exiting process of the UK from European Union were the primary global uncertainties affecting the domestic financial markets in 2017. In addition to this, the domestic geopolitical developments and foreign politics also negatively affected the financial markets. Year 2017 was a period where the global risk appetite was relatively strong. The normalizing

progress of FED's policies and the expectation that monetary tightening will spread over a longer term have been dominant in the market. On the other hand, the risk premiums decreased and the volatility in financial markets reduced with the increase in global growth forecasts and decrease in the uncertainties related to monetary policies.

There was a positive atmosphere in the domestic financial markets since the beginning of 2017. Losses during the last quarter of 2016 were compensated in the growth atmosphere reinforced with the effect of macro policies supporting the financial system, fiscal policy and credit incentives. Portfolio entries increased in the debt instrument and stock markets, and the stock exchange indices scaled up. Istanbul Stock Exchange closed the year 2017 with an increase of 47,60%.

Exchange rate volatility of currencies of the developing countries decreased with the increase in global risk appetite. With the help of tight monetary policy applied in the exchange market since January, Turkish Lira had a more moderate progress and lost a value of 7,18% against the US Dollar compared to 2016.

Short term interest rates in Turkey increased with the effect of FED's monetary policy decisions and TC Central Bank's monetary tightening decision in January 2017, and were dissociated upwards from the developing countries. 2-year benchmark bond interest rate, which was 9,9% in average during the last quarter of 2016, closed the year 2017 at 13,72% level.

The fact that FED will continue with interest hike in 2018 following the last interest hike in December 2017 and the upward movement of the bond interests in the entire world will continue to apply a pressure on the developing markets. In addition to this, the political and economic developments in the neighbours of Turkey and the extension of state of emergency will continue to be influential on the economy in 2018. The growth rate particularly in China and other developing countries, commodity prices and progress of exchange rates will be the determinant in both economy and financial markets in 2018.





The Success Criteria for Pension Mutual Funds and Fund Performance

Fund Name	Fund Code	NN (%) 30.12.2016 29.12.2017	NN (%) 31.12.2014 29.12.2017	NN (%) 31.12.2012 29.12.2017
NN Hayat ve Emeklilik Stock PMF	IEH	39,8	34,6	57,2
NN Hayat ve Emeklilik Composite PMF	IEK	24,5	34,9	56,5
NN Hayat ve Emeklilik Dynamic Variable PMF	IEF	23,4	34,7	55,3
NN Hayat ve Emeklilik Balanced Variable PMF	IEE	18,2	34,9	53,6
NN Hayat ve Emeklilik Variable PMF	IEA	14,9	54,9	84,0
NN Hayat ve Emeklilik Contribution PMF	IGE	11,4	29,4	-
NN Hayat ve Emeklilik Money Market PMF	IER	11,1	32,2	51,3
NN Hayat ve Emeklilik Government Bonds and Bills PMF	IEG	8,1	25,2	39,2
NN Hayat ve Emeklilik Government Bonds and Bills Standard PMF	IEB	7,9	24,9	39,5
NN Hayat ve Emeklilik Aggressive Variable PMF	NHN*	-	-	-
NN Hayat ve Emeklilik Qinvest A.M Conservative Variable PMF	NHM*	-	-	-
NN Hayat ve Emeklilik Gold PMF	NHA*	-	-	-
NN Hayat ve Emeklilik Initial PMF	NHB*	-	-	-
NN Hayat ve Emeklilik Initial Participation PMF	NHK*	-	-	-

(*) As the first prices of the funds were created in 2017, the returns for 1, 3 and 5 years cannot be shown.

NN Hayat ve Emeklilik Stock 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 Operations (Stock Exchange and Over the Counter)	0	10
Takasbank Money Market and Domestic Organized Money Market Operations	0	10
Time Deposit and Participation Account (Foreign Exchange/TL)	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

Repo can be made in the stock exchange and over the counter for up to 10% of the current market value of monetary and capital market instruments that might be subject to repo operation in the fund portfolio.

(*) 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 Operations (Stock Exchange and Over the Counter)	0	10
Takasbank Money Market and Domestic Organized Money Market Operations	0	10
Time Deposit and Participation Account (Foreign Exchange/TL)	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

Repo can be made in the stock exchange and over the counter for up to 10% of the current market value of monetary and capital market instruments that might be subject to repo operation in the fund portfolio.

(*) 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 Dynamic Variable Pension Mutual Fund

Fund benchmarking criterion: 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	30
Domestic Private Sector Bonds and Bills (*)	0	100
Reverse Repo Operations (Stock Exchange and Over the Counter)	0	10
Takasbank Money Market and Domestic Organized Money Market Operations	0	10
Time Deposit and Participation Account (Foreign Exchange/TL)	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

Repo can be made in the stock exchange and over the counter for up to 10% of the current market value of monetary and capital market instruments that might be subject to repo operation in the fund portfolio.

(*) 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 Balanced Variable Pension Mutual Fund

Fund benchmarking criterion: 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 Operations (Stock Exchange and Over the Counter)	0	10
Takasbank Money Market and Domestic Organized Money Market Operations	0	10
Time Deposit and Participation Account (Foreign Exchange/TL)	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

Repo can be made in the stock exchange and over the counter for up to 10% of the current market value of monetary and capital market instruments that might be subject to repo operation in the fund portfolio.

(*) 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 Variable Pension Mutual Fund

Fund benchmarking criterion: 30% BIST-KYD Eurobond USD (TL) Index + 30% BIST-KYD Eurobond EUR (TL) 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 Money Market and Domestic Organized Money Market Operations	0	10
Time Deposit / Demand Deposit, Participation Account (Foreign Exchange/TL)	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 Fund Investment Fund Participation Shares and Venture Fund Investment Trust Shares	0	20
Lease Certificates	0	20
Broker and Partnership Warrants	0	15

Repo can be made in the stock exchange and over the counter for up to 10% of the current market value of monetary and capital market instruments that might be subject to repo operation in the fund portfolio.

(*) 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: 85% BIST-KYD DIBS Long Term Index + 10% BIST-KYD 1-Month Deposit TL Index + 5% BIST-100 Index.

ASSET & TRANSACTION TYPE	Min. %	Max. %
TL Bonds and Bills, Revenue Sharing Certificates and Lease Certificates Issued by the Undersecretariat of Treasury or Undersecretariat of Treasury's Asset Leasing Companies	75	100
TL Time Deposit, Participation Account, Bonds and Bills Issued by the Banks Provided That They Are Listed in the Stock Exchange or Lease Certificates Issued by Asset Leasing Companies Which the Resource Establishment is the Banks	0	15
Partnership Shares in BIST 100 Index	0	15
BIST Reverse Repo, Takasbank Money Market and Domestic Organized Money Market Operations	0	1

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	0	100
Domestic Private Sector Bonds and Bills (*)	0	100
Reverse Repo and Over the Counter Reverse Repo	0	100
Takasbank Money Market and Domestic Organized Money Market Operations	0	100
Time Deposit and Participation Account (TL)	0	25

Repo can be made in the stock exchange and over the counter for up to 10% of the current market value of monetary and capital market instruments that might be subject to repo operation in the fund portfolio.

(*) 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 Government Bonds and Bills Pension Mutual Fund

Fund benchmarking criterion: 90% BIST-KYD DIBS 547-Day Index + 5% BIST-KYD DIBS Full Index + 5% BIST-KYD Repo (Gross) Index.

VARLIK ve İŞLEM TÜRÜ	Min. %	Max. %
Government Domestic Bonds and Bills + Reverse Repo Related to Government Bonds and Bills	80	100
Government Foreign Bonds and Bills	0	20
Domestic Partnership Shares	0	10
Domestic Private Sector Bonds and Bills (*)	0	20
Reverse Repo Operations (Stock Exchange and Over the Counter)	0	10
Takasbank Money Market and Domestic Organized Money Market Operations	0	10
Time Deposit and Participation Account (Foreign Exchange/TL)	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

Repo can be made in the stock exchange and over the counter for up to 10% of the current market value of monetary and capital market instruments that might be subject to repo operation in the fund portfolio.

(*) 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 Government Bonds and Bills Standard Pension Mutual Fund

Fund benchmarking criterion: 85% BIST-KYD DIBS 547-Day Index + 10% BIST 100 Index + 5% BIST-KYD DIBS Full Index.

ASSET & TRANSACTION TYPE	Min. %	Max. %
TL Bonds and Bills Issued by the Undersecretariat of Treasury and Reverse Repo Related to Government Bonds and Bills	80	100
Revenue Sharing Certificates	0	20
TL lease certificates for trading in stock exchange which the resource establishment is the banks or which are issued by other issuers where itself or the fund user has "investable" credit rating	0	20
Partnership Shares in BIST-100 and BIST Participation Index	0	20
Reverse Repo, Takasbank Money Market and Domestic Organized Money Market Operations	0	2
Time Deposit and Participation Account (TL)	0	20
TL bonds and bills for trading in stock exchange which are issued by the banks or other issuers where itself or the fund user has "investable" credit rating	0	20

Repo can be made in the stock exchange and over the counter for up to 10% of the current market value of monetary and capital market instruments that might be subject to repo operation in the fund portfolio.

NN Hayat ve Emeklilik Aggressive Variable Pension Mutual Fund

Fund benchmarking criterion: 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 Operations (Stock Exchange and Over the Counter)	0	10
Takasbank Money Market and Domestic Organized Money Market Operations	0	10
Repo (Stock Exchange and Over the Counter)	0	10
Time Deposit and Participation Account (Foreign Exchange/TL)	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 Fund Investment Fund Participation Shares and Venture Fund Investment Trust 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 Qinvest A.M Conservative Variable Pension Mutual Fund

Fund benchmarking criterion: 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 Operations (Stock Exchange and Over the Counter)	0	10
Takasbank Money Market and Domestic Organized Money Market Operations	0	10
Repo (Stock Exchange and Over the Counter)	0	10
Time Deposit and Participation Account (Foreign Exchange/TL)	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 Fund Investment Fund Participation Shares and Venture Fund Investment Trust 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 Gold Pension Mutual Fund

Fund benchmarking criterion: 95% BIST-KYD Gold Price Weighed Average Index + %5 BIST-KYD 1-Month Profit Share TL 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 TL/Foreign Exchange Issued by the Undersecretariat of Treasury	0	20
Participation Account (Foreign Exchange/TL)	0	20
Gold Based Participation Accounts	0	20
Partnership Shares based on Participation Principles	0	20

NN Hayat ve Emeklilik Initial Pension Mutual Fund

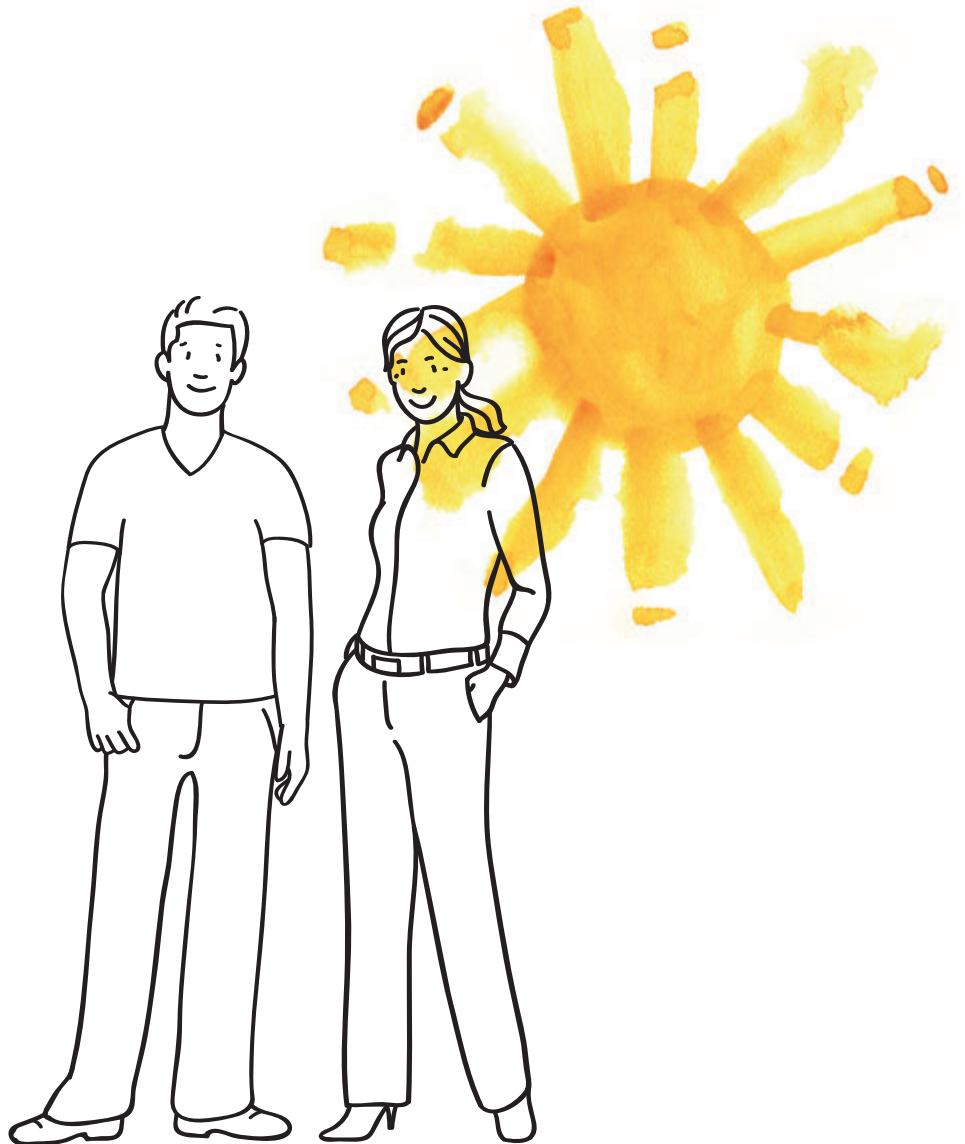
Fund benchmarking criterion: 20% BIST-KYD Repo (Gross) Index + 20% BIST-KYD DIBS 91-Day Index + 60% BIST-KYD 1-Month Deposit Index.

ASSET & TRANSACTION TYPE	Min. %	Max. %
TL deposit or participation account	60	60
Bonds and bills, revenue sharing certificates or lease certificates issued by the Undersecretariat with 184-day maturity and/or minimum 184 days remaining to maturity date	20	40
Reverse Repo	0	10
Takasbank Money Market and Domestic Organized Money Market Operations	0	10

NN Hayat ve Emeklilik Initial Participation Pension Mutual Fund

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

ASSET & TRANSACTION TYPE	Min. %	Max. %
TL participation account* and lease certificates traded in the stock exchange, issued by asset leasing companies, which the resource establishment is the banks, with minimum 184-day maturity or minimum 184 days remaining to maturity date	60	100
TL revenue sharing certificates or lease certificates issued by the Undersecretariat with 184-day maturity and/or minimum 184 days remaining to maturity date	0	40
Promise Contracts	0	10







Activities of the Company and Important Progresses Related to the Activities

Customer Communication Center - 444 1 666

In 2017, the Customer Communication Center continued to respond to the requests of private pension and insurance customers conducted via telephone or digital channels, to carry out information, campaign and satisfaction calls to the customers, and to take actions increasing the quality and performance of all these activities. In line with this, it has been focused on three main topics:

- **OTOBES Customer Hotline** has been established as of **January 1, 2017** to offer services to the participants who were included to the Auto Enrolment System. Both a team consisted of expert customer representatives has been established and **IVR system** allowing self-service has been put into use for the Hotline. Customers were able to carry out their transactions directly **7/24** with the IVR system.
- Process improvement actions were implemented for increasing the customer satisfaction and thus **Customer Net Promoter Score (NPS)**. In addition to the technical improvements related to this, supportive trainings were organized in order to continuously increase the service quality and to ensure the development of expert customer representatives, and the performance management system has been redesigned to support the customer oriented approaches.
- In order to increase the performance in business operations for raising the company's revenues, analyses were made related to collection, upsell and retention, and reporting, training and campaign plans for increasing the team performance were implemented.

Customer Satisfaction and Complaint Handling Policy

Customer complaints are submitted to the Customer Communication Center directly through telephone, sales channels, legal authorities or other channels. NN Hayat ve Emeklilik's basic principle on customer complaints is that the customer is informed in writing or orally within 2 business days and that the non-sales complaints are

resolved within 5 business days and the sales complaints are resolved within 7 business days.

In 2017, the average resolution period was 1 day.

Operation

Auto Enrolment System has been implemented as of January 1, 2017, and NN Hayat ve Emeklilik's processes have been restructured in various platforms in line with the needs and requests of employers and employees. Digitalization actions were taken by ensuring speed and efficiency in the process, and it's aimed to increase the customer satisfaction with the processes ensuring instant feedback and conveniently resolving the requests.

Functions of CRM, Individual Customer Login and Corporate Customer Login platforms have been enriched, and functions, where customers can respond to their requests by themselves, have been added to the relevant platforms. Through the Employer Hotline, answers and information were provided to the employers. For the employees who want to contact NN Hayat ve Emeklilik through the Customer Communication Center, functions in the IVR system have been diversified within the scope of the possible questions and needs of the employees.

NN Hayat ve Emeklilik aimed to establish end-to-end digital solutions within the scope of the Auto Enrolment System, and took the actions for paperless transactions in the entire customer experience journey from the inclusion of employers to the Auto Enrolment System to the exit/ withdrawal process of the employees. A first-hand enrolment process has been designed on the website of NN Hayat ve Emeklilik for the employers to create a contract for their scope, and all the information which the employers want to obtain related to their employees is available on the Corporate Portal. All the information related to the certificate is simultaneously provided to the employees through Individual Customer Login. Within the scope of after-sales services, employees are able to submit their fund type investment preference and/or withdrawal requests to NN Hayat ve Emeklilik with interactive short message (SMS).

In 2017, submission of contract with secure electronic communications tools, the first phase of Paperless Pension project in issuing the Private Pension System contracts, has been put into use within the scope of digital processes. Based on customer's preference, the contracts are submitted by e-mail to the customers who want to receive their PPS contract by e-mail. Product and legislation compliance projects carried out by all the units within the scope of Agile working methodology have been implemented with the central objective of designing fast, simple and easy processes.

Marketing

. Customer Experience

NN Hayat ve Emeklilik aims to ensure a sustainable growth to all its stakeholders by creating a value, and 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. The company designs the customer experience in order to offer the best solution to the customers by closely monitoring them. In 2017, NN Hayat ve Emeklilik has prioritized its projects with this vision, and reviewed its communication and processes first at all the points where the customer is contacted. Each development being made within the processes was measured by user tests and the company endeavored to offer the most appropriate applications to the customers. In order to increase the customer experience and efficiency, to ensure improvement in operational processes and to identify new development areas, actions were determined by reviewing the processes of the customers, who bought life product, in addition to the private pension processes, and all contact points were reviewed. Taking the customer needs and user experiences into account, systematic developments continued on enriching the online and mobile branch, which allows customers to access to information related to their products at any time and any place and to carry out their transactions easily. Focus groups were organized and satisfaction calls were made to increase the customer satisfaction and better understand their expectations. In addition to this, fund seminars were organized and monthly fund bulletin has been improved in order to ensure that the customers receive information on pension funds.

A loyalty program offering many privileges and advantages was offered based on the customer segment, from house assistance to check-up packages, from airport transfers to car rentals, to increase the customer loyalty. The services will be expanded and continue to be offered to the customers in 2018.

. Net Promoter Score

NN Hayat ve Emeklilik has been successfully implementing the "Net Promoter Score", a Customer Satisfaction Survey, since 2010 to measure customer loyalty.

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 (detractor) into happy customers (promoters) who are recommending NN Hayat ve Emeklilik to their friends / relatives. As in 2017, this survey will continue also in 2018.

. Corporate Communication and Digital Marketing

Throughout the year 2017, 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 ve 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. In addition to this, with the communications on Auto Enrolment, the company has positioned itself as an "experienced" and "fast" solution partner facilitating the lives of employers.

The company which is continuing its operations as NN Hayat ve Emeklilik since February 16, 2015, has increased its brand awareness, which was 0%, to 29% by the end of 2017 with an increasing trend every year.

Corporate Communication

Auto Enrolment ad campaign broadcasted on TV throughout January 2017 aimed to answer the question "Why NN for Auto Enrolment?", and underlined that the company is "fast" and "experienced" by revealing its expertise in this field.

The company aimed to meet with decision-makers in Auto Enrolment at various platforms and to communicate them face to face. The company attended to the Management Center Turkey, one of the most important HR summits of Turkey, in February 2017. It provided information about Auto Enrolment through the meetings held with organizations such as Turkish Hoteliers Federation, Expert Accountants' Association of Turkey, Turkish Chamber of Shipping, Çorlu Organized Industry etc. In 2017, Auto Enrolment radio spots were broadcasted on local and national radio channels in March, May and June, which had critical importance for Auto Enrolment. The company worked for taking place effectively in the printed press, and ranked in top four every month according to the number of news compared to its competitors.

. Digital Marketing

NN Hayat ve Emeklilik continued its presence in the digital marketing channels more dynamically in 2017. Both branding and performance marketing efforts intensively continued throughout the year. According to the segmentations based on the target group, it focused on personalized

communication and increased its sales conversion rates by using the digital platforms as an online application channel.

NN Hayat ve Emeklilik expanded the number of target groups which were reached through the digital video communications in the technology and advertisement world which is increasingly accelerating and where trends are changing continuously. It localized two global campaigns managed by the NN Group, and continued with its posts in YouTube and Facebook channels.

Product Development and Management

NN Hayat ve Emeklilik continued to add new products to its product portfolio in 2017 according to the needs of its customers and distribution channels. Using the Agile project management approach while designing the new products, NN Hayat ve Emeklilik continued to operate with a customer oriented and transparent insight which covers all the relevant stakeholders.

Private Pension Products

NN Hayat ve Emeklilik increased the types of funds provided to the customers in different risk groups by adding new funds to the private pension scheme in 2017. In this context, in addition to adding Gold Fund to the schemes, new funds were also added to the schemes in Auto Enrolment System.

Alternatif Pension Plan was designed and put on the market for the customer portfolio of Alternatif Bank within the scope of the exclusivity agreement signed with the bank. In addition to this, utilizing its expertise on private pension, NN Hayat ve Emeklilik continued to prepare and put on the market the products specific to the companies which want to join NN Hayat ve Emeklilik's Auto Enrolment System.

Life and Personal Accident Products

NN Hayat ve Emeklilik develops new products and services meeting the needs of both the existing customers and potential customers. Acting with the principle to offer the right product to the right customer through the right distribution channel, in 2017, NN Hayat ve Emeklilik has made significant investments on market research in order to analyze the needs of potential customers. In addition to this, several products, which are related to or not related to loans, have been positioned in this channel as a result of the exclusivity agreement signed with Alternatif Bank. As a result of these surveys, the following products are available in the rich portfolio of life products of NN Hayat ve Emeklilik;

- Credit life products covering risks such as death, disability, unemployment etc. designed specifically for each bank channel portfolio,
- Personal accident products which were designed for the

sales channel and covering the needs of our customers with various additional benefits,

- "**Hastalıkta Sağlıkta**" and "**Hayata Tutun**"; critical illness products which are enriched by adding "**Additional Rapid Diagnosis Service**", a first and only in Turkey, were designed by analyzing the customer needs,
- "**Hayata Sarıl**"; critical illness product was designed specifically for Alternatif Bank channel,
- "**Ailem Yanımda**"; a first and only in the sector, offers a coverage against critical illness both to our customers and their families by identifying the family based approaches of the customers,
- "**Eğitim Güvende**"; for customers who want to secure the educational costs of their children or beloved one with additional isotomy service, unique service in the sector,
- "**Turuncu Hayat**"; secures the accounts of ING Bank customers,
- "**İyi Yaşa**"; offers renewal and premium guarantee for minimum 5 years by aiming long term relationship with our customers,
- "**Firma Esas Koruma**"; is for ING Bank's SME customers.

NN Hayat ve Emeklilik will design products and services that will make a difference in the sector also in 2018.

Information Technologies

Information Technologies Department continued its developments with ING Bank through the Agile methodology in 2017 and focused on the integrations with the new banks. In addition to these efforts, implementation of new funds was executed and also worked with a wide scope in other projects which had a strategic importance. It also continued with the improvements in the system infrastructure in order to enable the business units to carry out their processes more healthily and to provide better services to their customers.

• Auto Enrolment Improvements

New funds were created within the scope of the Auto Enrolment System that came into force as of January 1, 2017, and the developments and implementations in system infrastructure, which were started in 2016, continued. In addition to main systems, implementation was made in Customer Portal, IVR, CRM, Online Branch and legal forms during the creation of funds for Auto Enrolment. Regulation changes made for the Auto Enrolment were also adapted to the system during the year.

Within the scope of the project, web service integrations between payroll companies and NN Hayat ve Emeklilik were made as well.

• Systematic Developments

Projects for both company's profitability and regulation were implemented within the scope of the developments for ING Bank throughout the year. Collection automation and renewals, which were previously started in this

context, was completed and an increase in collection rates was provided. For the life products, an integration was made directly to ING Bank's end user screens with ING Bank's xNext application for three individual products produced over the Sales Portal. Both process improvements and commission structure changes were made for the ING Bank commission process. Risk items identified by the ING Bank team were also finished within the given time schedule, and the risks were eliminated. The agreement was signed with Alternatif Bank, the integration project was implemented immediately and a real time web service integration for credit life product was completed after the works carried out with the Agile methodology. In addition to this, system development was made for Alternatif Bank channel related to the free life insurance and pension sales through the Sales Portal. Developments for regulation, audit and iRisk items were completed with the improvements made on the main life system. With the improvements related to regulation and iRisk items in pension system, the first phase of critical Auto Enrolment transfer process and Paperless Pension production project were completed. New funds were designed for being offered to the participants within the scope of the Private Pension System. Accordingly, development and improvement regarding the new funds were made in all auxiliary systems. Life forms were reviewed and required revisions were made within the scope of the Personal Data Protection (PDP) Law. Developments were also implemented in the Sales Portal process of PDP compliance. Within the scope of moving the pension application infrastructure to a technologically better platform, a benchmarking and evaluation took place with an alternative application. The integration process with pension system was restructured with the migration to a new version of fund accounting software used for fund management. A process inventory was taken during 2017 for the improvement works to take place in the coming days within the scope of credit card security standards.

• Data Warehouse and Business Intelligence Structure

Employee performance was increased and the efficiency expected from the project has been achieved with the Data Warehouse and Business Intelligence programs implemented for better responding to the needs of the company's employees.

Some important processes, which were manually handled to date, were automated, and an increase in efficiency was achieved on the end user side. New reporting options were added and flexibility of end users was increased by taking the developing and changing needs into account.

• Office 365 migration

Office 365 migration of all employees were completed successfully in 2017, and the same e-mail structure with the other NN countries started to be used.

With the system allowing all employees of the NN Group to access to e-mail details and calendars, the e-mail capacity

was increased to 100 GB, and a cloud service, which a backup is available with unlimited archiving, was implemented. And LYNC (Skype for Business) provided the opportunity to contact NN employees in all business units.

• Processes and Organization

Agile methodology has been applied on all bank and product projects during 2017. Alternatif Bank project, including system integration with NN during 2017, was carried out with the same methodology and delivered successfully in a timely manner. The agile work team was established to manage Information Technologies processes more effectively in cooperation with ING Bank, many projects were implemented in a timely and efficient manner.

• Sparklab

NN Hayat ve Emeklilik established the Sparklab Innovation Department in February 2017 in order to follow changing human behaviors more closely with new generation technologies and rapidly reflect these changes to the insurance market. The department is working under the roof of NN Group and it is the continuation of the Sparklab project. It aims to create future insurance and asset management company today by working with the Fintechs (Finance Technology) companies that are located under the insurance market.

Sparklab carried out a Fintech partnership project for the first time in Turkey in 2017. NN Group made a new investment in Turkey in addition to NN Hayat ve Emeklilik and Orange Sigorta Aracılık Hizmetleri A.Ş. (Sigorta Cini) and acquired 18% share of Konut Kredisi Com Tr Danışmanlık Anonim Şirketi (Hesapkurdu.com) which is Turkey's leading loan comparison platform. Through this strategic partnership, NN Hayat ve Emeklilik has long-term exclusivity in sales to be made via Konut Kredisi Com Tr Danışmanlık Anonim Şirketi (Hesapkurdu.com).

Sparklab aimed to make life easier for decision makers of the Auto Enrolment System, which came into force as a new period of Private Pensions System in 2017. Within this scope, Sparklab carried out NN Extra Digital Ad Sharing Platform in order to create customer experience without signature by providing completely online sales process.

The Sparklab team, working with its design-oriented thinking model works by learning from different sources and tests the projects faster in a flexible environment. It aims to scale the potential projects according to success of the prototype versions of the projects.



2018 Sector Forecasts

Company Forecasts

In 2017, NN Hayat ve Emeklilik continued to give priority to strategic issues that would bring success to the next level. In the life insurance area, 50% growth was achieved compared to last year, and significant progress was provided in establishing long-term relationships with private pension customers, and operational processes began to be digitalized. The company focused on growing in Auto Enrolment and establishing strategic partnerships. The company plans to continue to grow in the same areas in 2018, as well as to launch innovative project and business models that will allow it to differentiate from its competitors in the market. In this context, 2018 will be a year in which the company will target niche customer segments, expand to different sales platforms, simplify and digitalize operational and customer processes. In addition to the innovative ideas, the company will also prioritize its efforts to establish new business partnerships with new banks and to provide new agents to the agency distribution channel network, focusing on expanding existing distribution channels.

2017 was a year where the company expanded its distribution channels and invested in this area. Exclusive distribution channel agreement was signed by a new bank and also a strategic partnership with a Turkey's leading online loan aggregator and comparison web site was made. This strategic partnership will help the company to have a presence on online platforms and reach to a larger customer base. In 2017, existing products in bank channels were also re-priced and credit related life insurance products were introduced to the SME customers. During the year 2017, the company focused on effective marketing activities in the first phases of Auto Enrolment and continued to prioritize the creation of processes in accordance with the legislation and the provision of the highest quality service to customers while adding more than 350.000 customers to the system. In 2018, the company will continue to focus on offering different experiences to the customers by growing in life insurance, establishing long-term relationships in pension and continuing to digitalize operational processes as well as reaching innovative distribution channels and experimenting with new product and business models that are not available in the sector.

Sector Forecasts

The Private Pension progresses in 2017 were realized at the level of "Most Likely Expectations" stated in the 2017 sectoral expectations section of the Private Pension Progress Report 2016 published by the Pension Monitoring Center, and as of the end of 2017 the size of funds in the

sector was 67,6 billion TL and the number of participants was 6,9 million.

At the beginning of 2017, Auto Enrolment System was launched. In this context, the application, which allows individuals who are under 45 years old and who work in private or public sectors to be automatically included in the system by the companies they work for, started in the companies with 100 or more employees. Companies with 10 to 100 employees will be gradually included to the system in 2018. Together with these new participating companies, it is predicted that about 4,5 million participants will be entering the system in 2018. The deduction made by the participants with the Auto Enrolment contract is limited by the fund management fee, and the fee difference between the companies is minimized. For this reason, pension companies, who want to come to the forefront in the sector, will make a difference with both the value-adding approach and the after-sales services.

With the decrease in the profitability ratio provided by private pension to the companies due to limitations on management fees and entrance fees in 2016, the life and pension companies continued to focus on life insurance also in 2017. It is foreseen that the production in 2018 will be formed in the context of sales of credit life insurance which are recommended by the banks for securing the customer risks in loan sales. In addition to this, if the population dynamics and customer potential in the market are considered, there is a significant growth potential with innovative products and channels in other life branches. According to the Turkish Insurance Association's (TSB) Turkish Insurance and Private Pension Sector Vision, Goals and Expectations for the Year 2023 Report, the life branch is expected to increase to 10 billion TL with "normal growth" trend and to 16 billion TL with "accelerated growth" trend in the "protection" life insurance branches other than the credit life insurance.

The Assent for the Annual Report





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CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

Report on the Audit of Board of Directors' Annual Report Based on Standards on Auditing

To the Board of Directors of NN Hayat ve Emeklilik ve Hayat Anonim Şirketi

Opinion

We have audited the accompanying annual report of NN Hayat ve Emeklilik ve Hayat Anonim Şirketi ("the Company"), for the period 1 January 2017 to 31 December 2017.

In our opinion, the financial information included in the annual report and the analysis of the Board of Directors about the financial 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 1 January 2017 to 31 December 2017 on 12 March 2018.

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 meeting.
- b) The Company's management prepares its annual report in such a way that it presents accurately, completely, directly, true and fairly the flow of annual operations and financial position of the Company. In this report, the financial position of the Company is assessed in accordance with the Company's financial statements. The annual report shall also clearly state 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:
 - Significant events after the reporting period,
 - The Company's research and development activities.
 - Employee benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, cash and cash facilities, insurance and similar guarantees.

When preparing the annual report, the board of directors also consider the related regulations issued by the Ministry of Customs and 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 and analysis of the Board of Directors in relation to the financial 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 include this opinion in accordance with the TCC and the Communiqué.



We conducted our audit in accordance with Standards on Auditing issued by POA and the insurance legislation. Those standards are required that 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 for the financial 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 of KPMG International Cooperative



Funda Aslanoglu
Sorumlu Denetçi

12 Mart 2018
İstanbul, Türkiye

Information on the Management

Executive Board

John Thomas McCarthy **Chairman of the Executive Board**

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.

Frank Eijssink **CEO - General Manager** **Termination Date: 31.03.2017**

Frank Eijssink has graduated from the Applied Physics Department of Eindhoven Technology University in 1997, and from the Management Sciences and Industrial Engineering Department of the same university in 1998. Eijssink has started his career as a Business Analyst in A. Kearney in 1998, and he quitted his job while he was a Manager in 2003. He worked as the Corporate Strategist in ING Corporate Strategy company between the years 2003-2006. Eijssink has assumed the position of Business Development Manager in ING Variable Annuities company in 2006 and continued at this position until he became the General Manager of ING Life Luxembourg in 2008. Eijssink continued at the General Manager position in Luxembourg until 2012, and continued his works within ING Insurance Europe and Investment Management/NN Group as the Financial Strategy Manager between the years 2012-2014. He continued his work life as the General Manager of NN Hayat ve Emeklilik from 2014 to 31.03.2017.

Marius Daniel Popescu **Executive Vice President - General Manager** **Appointment Date: 01.04.2017**

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 General Manager of NN Hayat ve Emeklilik Turkey as of April 1, 2017.

Emine Sebilcioğlu **Executive Board Member – Chief Financial and JV Channel Officer**

After graduated from Istanbul University Faculty of Business Administration in 1994, Sebilcioğlu started her career in the same year as a specialist in Guarantee and Business Consultancy in PwC Turkey, and quitted the company in 2002 while she was acting as the manager of the same department. She acted as the Chief Financial Officer of Fortis Yatırım Menkul Değerler A.Ş. responsible for accounting, budgeting, financial reporting, compliance, risk control and internal control departments from 2002 to March 2007, and then served as the Vice President of Operation Department at the same company until 2008. Sebilcioğlu acted as the Vice General Manager of the same company from August 2008 to February 2009, and worked as a Member of the Board of Directors from February 2009 to November 2009. She joined BNP Paribas Investment Partner in November 2009 as Chief Tax, Structuring and Affiliate Officer, and continued at the same position until March 2011. In addition to acting as the CEO, she also worked as Chief Financial Officer of BNP Paribas Cardif Emeklilik A.Ş., BNP Paribas Cardif Hayat A.Ş. and BNP Paribas Cardif Sigorta A.Ş. from March 2011 to November 2013. As of November 2013, Sebilcioğlu is working as Chief Finance Officer at NN Hayat ve Emeklilik and in addition to her responsibility, Sebilcioğlu has undertaken the management of the Joint Venture sales channel as of July 2017.

Edwin Smaal **Executive Board Member**

Since December 2015, Edwin Smaal is responsible for the development and implementation of NN Insurance company's business strategy in all countries that NN Group operates in, except Netherlands. He acted as Chief Marketing Officer in NN Bank from 2013 to 2015. Smaal is appointed as the Executive Board Member of NN Hayat ve Emeklilik as of 29.12.2016.

Duncan James Russell**Executive Board Member****Termination Date: 27.11.2017**

Since 2013, Duncan James Russell has taken on high level assignments; he has taken parts in every critical point from strategy to finance, from purchasing to company audit within the Group with his analytical thinking systematic. Before joining to NN Group, he had a similar position in ING Group, and he led the organization as the General Manager and the President of European Insurance Research JP Morgan. Making a distinguished name for himself with his international achievements, Russel studied economy and history. His duty ended on 27.11.2017.

Mustafa Ali SU**Executive Board Member**

Mustafa Ali Su has graduated from the Department of Business Administration of Administrative Sciences Faculty in the Middle East Technical University. He 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 Executive Board Member, 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**Executive Board Member and Head of International Finance Appointment Date: 27.11.2017**

Resigning of Johannes Hendrikus Van Barneveld was approved on 27.11.2017, and Attila Bosnyak is appointed as an Executive 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 Executive Board Member of our Company since 01.12.2017.

Senior Management

Marius Daniel Popescu**Executive Vice President and General Manager**

His resume is available in the Executive Board section.

Emine Sebilcioğlu**Executive Board Member and Chief Financial and JV Channel Officer**

Her resume is available in the Executive Board section.

Adrian Lupescu**Chief Risk Officer****Termination Date: 31.08.2017**

He graduated from Economy Department of Bucharest University of Economic Studies in 1999, Adrian Lupescu has received his Actuary Techniques degree from Oxford Actuary Institute and continued with his MBA in Warwick University at the UK. Lupescu has started his professional career in 1999 as an actuary in ING Insurance Romania, and he was assigned to Middle East Regional Office of ING Insurance where he acted as an actuary from 2003 to 2005. After being appointed as Actuary Manager to ING Insurance Romania in 2005, Adrian Lupescu continued with this position until 2006. Adrian Lupescu has acted as Deputy Chief Risk Officer in ING Insurance Romania until 2009, and as Chief Risk Officer from 2009 to 2011 and as Chief Financial Officer from 2011 to 2014.

He worked in ING Insurance Romania until 2014, Adrian Lupescu continued as the Chief Risk Officer at NN Hayat ve Emeklilik, and his term of office has ended as of 31.08.2017.

Alper Erdinç**Chief Sales and Bancassurance Officer****Termination Date: 01.06.2017**

After graduating from the Statistics Department of Middle East Technical University, H. Alper Erdinç started his career in Garanti Sigorta in 1999, and took various roles and responsibilities in Marketing, Corporate Business and Performance Development Department. Erdinç was appointed as Marketing and Business Development Manager in TEB Sigorta in 2005, and continued acting in this position until 2008. After Zürich Financial Services acquired TEB Sigorta, Erdinç acted as Chief Marketing Officer in Zurich Sigorta and led the brand's launching process. H. Alper Erdinç has joined BNP Paribas Cardif Emeklilik A.Ş. in 2011 and acted as Chief Bancassurance Officer until 2013. H. Alper Erdinç has completed several leadership and management programs during his professional career, acted as Chief Sales and Bancassurance Officer in NN Hayat ve Emeklilik A.Ş. since February 2015 and his term of office ended as of 01.06.2017.

Beste Yıldız**Chief Marketing Officer****Appointment Date: 01.01.2017**

After graduating from the Department of Business Administration of Boğaziçi University, Yıldız started her career as a Market Research Specialist in Bileşim

International in 1999. Beste Yıldız worked as Senior Account Executive in ACNielsen from 2001 to 2006, Business Development Manager from 2006 to 2009 and Customer Experience Unit Manager from 2009 to 2014 in AvivaSA Emeklilik ve Hayat. After joining NN Hayat ve Emeklilik, Yıldız worked as Customer Experience, Corporate Communication and Customer Intelligence Manager starting from June 2014, and still working as the Chief Marketing Officer since January 2017.

Didem Özsoy Dirican
Chief Sales Officer

Appointment Date: 01.08.2017

Didem Özsoy Dirican graduated from Bilkent University Department of Economics in 1997, and MBA program of Yeditepe University in 2004. Dirican 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 worked 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 AvivaSA. Dirican was assigned 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 has been working as the Chief Sales Office since August 2017.

Hüseyin Kerem Özdağ
Chief Risk Officer

Appointment Date: 02.10.2017

After graduating from Department of Statistics of Hacettepe University in 1998, Hüseyin Kerem Özdağ started his business career as Assistant Actuary in T.R. Undersecretariat of Treasury Insurance Audit Committee in 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 worked as the Actuary Manager in Ernst&Young and Sompo Japan Turkey, he became the Assistant Secretary General in the Insurance Association of Turkey. Özdağ works as the Chief Risk Officer of NN Hayat ve Emeklilik Turkey as of October 2017.

Meliha Yardım
Human Resources Director

Appointment Date: 01.01.2017

Meliha Yardım graduated from Industrial Engineering Department of Boğaziçi University in 2008, and started her career the same year as HR Manager in HSBC Bank. Yardım worked as a Consultant in Hay Group in 2012. Starting from November 2012, Meliha Yardım worked as, respectively, HR Business Partner, HR Specialization Center Manager and HR Manager in NN Hayat ve Emeklilik, and continues as the HR Director as of January 2017.

Metin Gül

Chief Operation and Information Technologies Officer

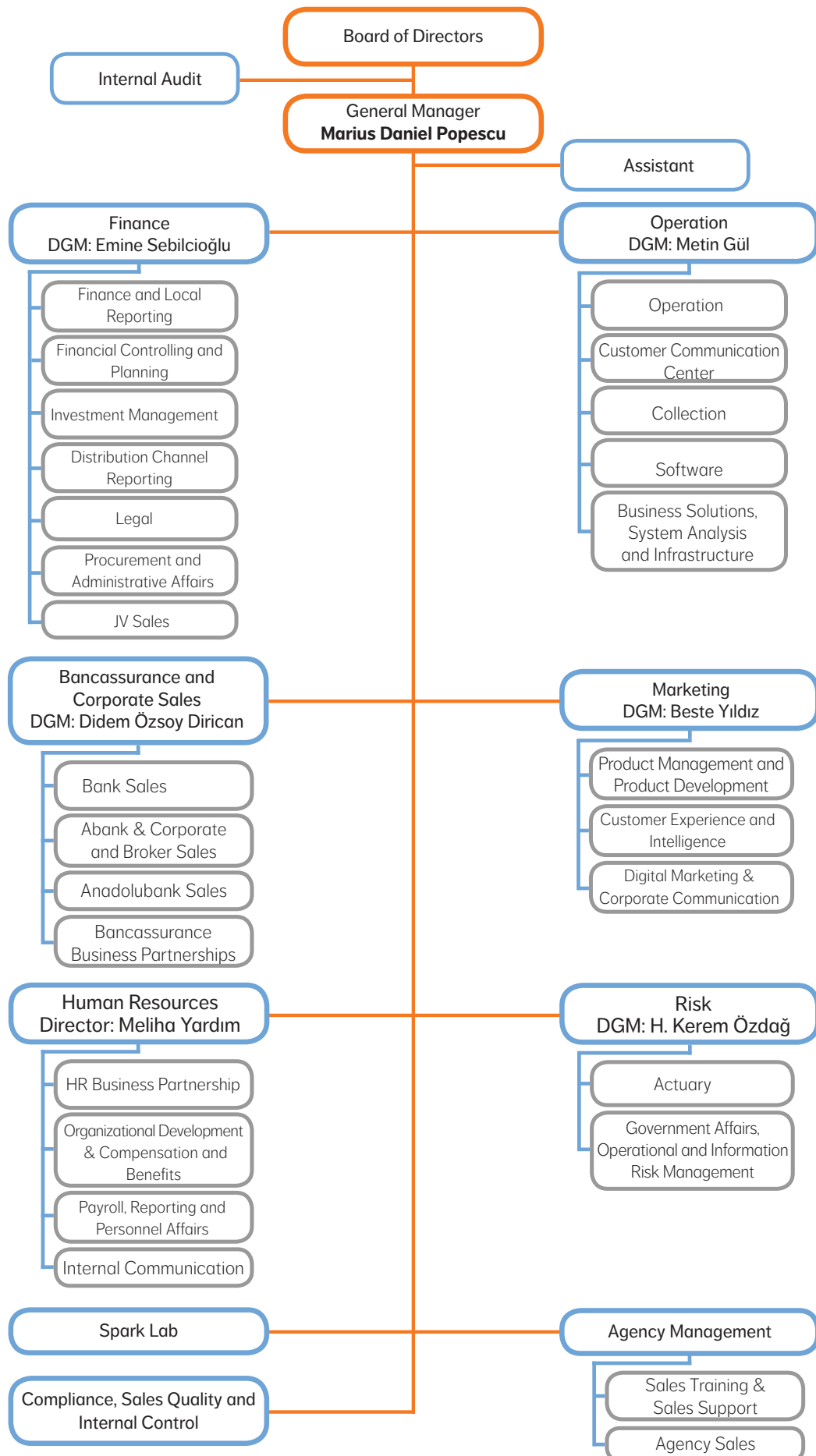
Metin Gül started his career in 1994 as Oracle ERP Consultant in the USA, and worked as Senior Consultant and Manager related to technology in Sapient Corporation, AmerisourceBergen and FedEx until 2008. He led the works regarding system integration, transformation of current infrastructures, operation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



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

Executive Board Meeting Dates	Decision No.	No. of Participations
23.02.2017	1	4
02.03.2017	2	4
07.03.2017	3, 4, 5	4
10.03.2017	6	4
17.03.2017	7, 8	4
20.03.2017	9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19	4
21.03.2017	20	4
27.03.2017	21, 22, 23, 24, 25	4
27.03.2017	26	5
05.04.2017	27, 28, 29, 30	4
27.04.2017	31	4
05.05.2017	32	4
12.05.2017	33, 34	4
22.05.2017	35	4
29.05.2017	36	4
02.06.2017	37	4
06.06.2017	38, 39	4
12.06.2017	40, 41, 42	4
06.07.2017	43	4
01.08.2017	44	4
15.08.2017	45, 46, 47, 48	4
21.08.2017	49	4
08.09.2017	50, 51, 52, 53	4
11.09.2017	54, 55	4
13.09.2017	56, 57	4
02.10.2017	58	4
01.11.2017	59, 60	4
27.11.2017	61, 62, 63	4
05.12.2017	64	4
19.12.2017	65, 66	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, employees, 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", "autonomy hours" and "flexible working hours". Everyone contributing to the company's strategy is appreciated. By being aware that on-the-job learning is the most effective method of personal improvement, we can count occupational rotation, internal promotion, additional roles and project based job opportunities as examples that we provide along with in-class training which has become traditional as Campus Days.

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 aim at developing together with our company, but we are also in search of employing people who are in a struggle for taking the responsibilities of their steps while we are keeping our promises. This also means doing business while always thinking of the future.

In 2017, NN Hayat ve Emeklilik has received the Top Employer award for its Talent Management, Labor Planning, Training and Development, Performance Management, Leadership Development, Career and Backup Management, Remuneration and Benefits, and Company Culture practices at international standards.



Financial Rights Granted to the Board of Directors and Management Team

Financial rights granted to the members of executive board and senior executives in 2017 are summarized as follows:

These are attendance fees, salaries, premiums, bonuses, allowances, travel, accommodation and representation expenses, insurances and similar coverages.

Total amount of attendance fees, salaries, premiums, bonuses is 4.670.706,33 TL, total amount of allowances, travel, accommodation and representation expenses, insurances and similar coverages is 389.492.67 TL.

Corporate Social Responsibility Projects

Project expenses related to the donations and aids during 2017 are as follows:

1. A donation of 10.000 TL was made for the Mehmetçik Foundation.
2. Within the scope of the September project carried out with the Spastic Children's Foundation of Turkey throughout September, 80 NN Hayat ve Emeklilik employees walked for the children with Cerebral Palsy and collected a donation of 8.198 TL through the social media. NN Hayat ve Emeklilik also donated a further 10.000 TL, thus total 18.198 TL was donated within the scope of the project.

Investments of the Company

In 2017, NN Group added a new one to its investments in Turkey in addition to NN Hayat ve Emeklilik and Orange Sigorta Aracılık Hizmetleri A.Ş. (Sigorta Cini) and acquired 18% share of Konut Kredisi Com Tr Danışmanlık Anonim Şirketi (Hesapkurdu.com) which is Turkey's leading loan comparison platform.

This strategic partnership provides NN Hayat ve Emeklilik long-term exclusivity in sales to be made via Konut Kredisi Com Tr Danışmanlık Anonim Şirketi (Hesapkurdu.com). This investment is a part of NN Group's strategy of collaborating with business partners to complement their current business area in order to provide better customer experience. This partnership will strengthen the presence of NN Hayat ve Emeklilik on online platforms and differentiate the company from its competitors in the market.



Summary Executive Board Report Presented to the General Assembly

Dear Shareholders,

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 2017.

Our company 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 2017, NN Hayat ve Emeklilik's paid-in capital was registered as 39.441.418 TL. Our fund size increased by 26% to 2.940 million TL.

Our company completed the year in accordance with the capital and profit/loss plan set out at the beginning of 2017. In addition to this, the number of our employees reached to 324 including our field team. We would like to thank you again for your confidence in the General Assembly and wish that our company, which has started with an experience of more than 170 years as one of the biggest international financial organizations with the name of NN, will continue successfully in 2018.

Sincerely yours,

Board of Directors

Internal Audit Activities Assessment for 2017 performed by Internal Audit Department

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) which is an independent audit unit within NN group in which the activities are performed according to the standards of the Institute of Internal Auditors (IIA).

The Internal Audit Department issued 8 audit reports in 2017. Two follow up memos were also issued in 2017 in order to assess the effectiveness of the activities performed by the Operational Risk Management Department during the closure of audit findings.

Internal audit activities cover the following matters by including the activities of all departments of the Company, the regional directorates 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.



Agenda for the 2017 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, discussing and approving 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) Acquittance of the Board of Directors,
- 7) Acquittance of the Independent Auditor,
- 8) Discussing the election of the members of Board of Directors, and determining their office term,
- 9) Discussing and determining the salaries of the members of Board of Directors,
- 10) Selecting the new independent auditor,
- 11) Adding additional items, if available, to the agenda and discussing these items,
- 12) Wishes and requests,
- 13) Closing.

Information Regarding the Extraordinary General Assembly in 2017

- 1) Company's Ordinary General Assembly was held on 18.05.2017 according to the agenda, and no additional item was added to the agenda.
- 2) A resolution related to the attendance fee for the Board of Directors was taken during the Extraordinary General Assembly Meeting held on 07.06.2017.
- 3) With the Extraordinary General Assembly held on 20.12.2017, Article 6 "Capital" of the Articles of Association has been amended pursuant to the Turkish Commercial Law no. 6102, and the company's registered capital has been increased by 100.000 TL to 39.541.418 TL through premium on issued shares where 18.188.185 TL in total is the premium on issued shares.

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

Thousand TL	2017	2016	2015	2014	2013
Fund Size	2.940.885	2.342.107	1.943.390	1.767.132	1.390.851
Paid-in Capital	40.701	40.601	89.401	40.201	54.801
Shareholders' Equity	119.954	105.115	105.191	13.164	33.476
Total Assets	3.272.365	2.614.442	2.194.442	1.911.821	1.550.466
Technical Income	254.097	186.928	137.378	118.775	94.820
Balance of Technical Incomes and Expenses	- 16.580	- 25.040	- 49.633	- 63.324	- 60.794
Balance of Non-Operating Incomes and Expenses	13.132	8.887	7.896	- 17.713	- 10.793
Profit/Loss Before Tax	- 3.449	- 16.153	- 41.738	- 80.960	- 71.587

Information on the Financial Structure

NN Hayat ve Emeklilik continued its operations actively in the pension sector that is growing rapidly in 2017. Its total equity capital reached to 119.9 million TL in 2017. The total assets of the company reached to 3,3 billion TL by December 31, 2017 with a 25,2% increase compared to the year 2016. By December 31, 2017, the share of the cash assets within the total assets was realized as 6,9%, the share of the receivables of the Private Pension System within the total assets as 89,9% Net loss has decreased by 79% in 2017.

Information on the Applied Risk Policies Based on the Risk Type

Financial Risks

The company faces the financial risks below.

Liquidity risk - The risk of being obliged to sell illiquid assets with a loss because of not having enough liquid assets for a definite time. The precautions to be taken are doing liquidity planning and having the minimum amount of investment in liquid assets.

Exchange Risk - The risk of damage to assets and liabilities resulting from fluctuations in the value of foreign exchange in the future. Measures that can be taken are to use the Hedging Method by taking position in the spot or derivative market against the national currency in the exchange rate corresponding to the related obligation.

Interest risk - The risk created by change in interest rates and thus the change in market value of the liabilities. The precautions to be taken are within the frame of the best realization possible for the time correspondence of asset/liability.

Stock risk - The risk created by the variability in stock market and thus the fluctuations in the stock funds. There is no precaution that can be taken in this situation (for ex.: hedging) because the customers invest in stocks using their own money. When there is a decrease in the value of stock funds, the company's effect is secondary in the context of methods like taking less portfolio management commission fee.

Credit risk - The risk of the decrease in the ratings of holdings/bonds within the company's portfolio. The precaution that can be taken is to buy the bonds over a certain degree through a platform with available capacity within the frame of an open and selective investment policy.

Non-Financial Risks:

- a) Business Risk
- b) Market Risk
- c) Reputation Risk
- d) Compliance Risk
- e) Operational Risk

By the Operational Risk and Compliance Risk Management Process constituted in the company, defining and measuring the operational and compliance risks, identifying and applying risk policies and application methods, implementation, executing, monitoring and reporting the necessary controls in order to mitigate the risks are performed. The definition of the operational risk: "The risk for the Company to suffer a loss directly or indirectly because of business processes, human resources and inadequacy or failure of the systems or external factors".

By forming a powerful risk management system, it is aimed to control the company's risks and minimize the losses on the one hand, adding value to the participants, the shareholders, distribution channels and the employees on the other. The Risk Governance Framework of NN Hayat ve Emeklilik is based on the "Three Line of Defense" concept and is as follows:

1ST LINE OF DEFENSE 2ND LINE OF DEFENSE 3RD LINE OF DEFENSE

Business Units	Compliance & ORM	Audit
•First degree executives are responsible for the management of operational risk and compliance risk during the routine work flows.	• The Risk Function supports the management in determining the risk appetite, strategies and policies. • It questions the accuracy and effectiveness of actions plans regarding risk definitions, risk reports and risk mitigation.	• It carries out financial, operational, compliance and risk management audits. • It provides an independent and objective assurance regarding the effectiveness of internal controls and risk management.

Operational risk categories are as follows:

- 1) Control and Process Risk
- 2) Unauthorized Activity Risk
- 3) Employment Practices Risk
- 4) Business Continuity and Security Risk
- 5) Information (Technologies) Risk
- 6) Compliance Risk
- 7) Fraud Risk

The main targets of the risk management system realized as to include all of the Company's activities and departments and directed towards that predefined risk types;

Increasing the operational risk awareness, ensuring to continue activities within the risk appetite of NN Group and the top management by working with the executives, developing early warning systems, ensuring additional precautions to be taken by monitoring the activities for mitigating the risks. Thus, it is eventually aimed to lower the cost of operational risk.

As one of the main committees for early identification of risk and taking action against it, the Financial Risk Committee, which also includes the senior management, is held at least twice a year. The company's existing financial assets, risks and market effects are assessed and decisions are taken. The Non-Financial Risk Committee is held monthly, and reports risk sensitive matters such as risks faced by the company in relation to its financial and/or reputation risks, reported cases, critical risk indicator results, tracking of risk mitigating actions etc. during the relevant period. The Product Risk Committee assesses and decides on matters including the current and planned products to meet customer requirements, profitability analysis, revenue generation, sales, etc.

A High Level Risk Assessment Meeting is held 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.

As a part of the Operational Risk Management; Physical Security Management, Business Continuity Management and Information Security Risk Management works are executed in the Company. Physical Security Management includes compliance of the working areas of the Head Office, Regional Offices and Affiliates to the security standards and the occupational health and safety principles, preparation of emergency action plans, execution of the physical security committee meetings and training to the relevant employees. 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.

Compliance Risk

Compliance Risk is an Operational Risk Category considered separately due to its importance, and is located under the second line of defense. Compliance Department reports to the General Manager, and its reports and activities are audited and assessed by NN Group.

Compliance risk is the risk of failure to comply with the company's values, procedures, legislation and other regulations, and standards related to the financial services of the company. The company attaches great importance to the management of the Compliance Risk, knowing that customer trust is a vital issue in the active financial services sector.

Compliance Risk Management works on the following:

- Compliance with laws and other applicable regulations,
- Compliance with codes of conduct,
- Compliance with values of the company and NN Group,
- Compliance applicable compliance policies and relevant internal procedure and regulations of NN Group and the company.

The NN Group, which the company is a part of, has many policies on compliance issues that are applicable to all companies. Some of these are:

- Codes of Conduct
- Insider Policy
- Senior Management's Positions and Benefits Outside the Company Policy
- Whistleblower Procedure
- Gift, Entertainment and Business Meal Standard

In this context, in order to effectively manage both the operational risks and the compliance risks in close cooperation with the relevant executives in accordance with the legal obligations and in order to manage the risks within the NN Group's policies and to establish a strong Compliance Risk Management Awareness in the company:

- Annual reminder compliance trainings
- Inspections related to compliance issues
- Periodical assessment of company's compliance risk
- Recommending and monitoring the actions required for mitigating the company's compliance risk.

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. Financial Economic Crimes Policy Compliance Project is also among the projects completed in 2010. Procedures for Customer Identification and Customer Acceptance Procedure, Name 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. An early warning system has been developed for monitoring the suspicious transactions. Awareness Trainings also continued in 2017 and were electronically provided to the employees.





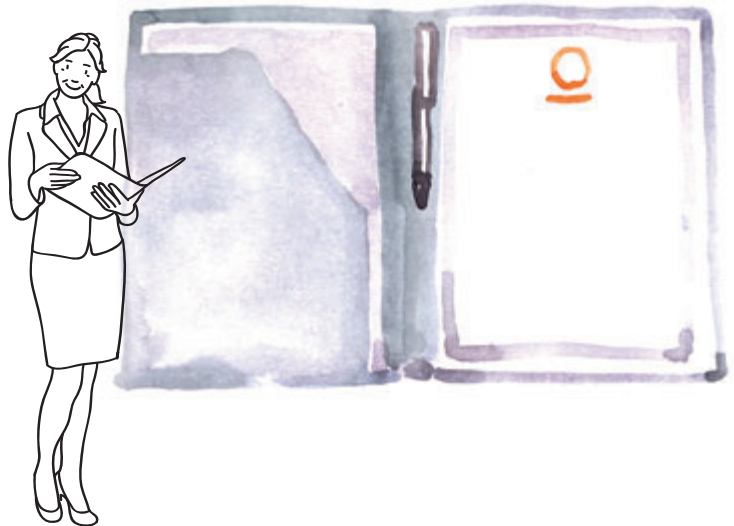
Affiliation Report

Affiliation Report

Conclusion part of the Affiliation Report within the scope of article 199 of the Turkish Commercial code is a below;

The transactions carried out by the parent company or affiliated companies under the group of companies are ordinary business operations and there is no transactions carried out for the benefit of the parent company or any affiliated company with our 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





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INDEPENDENT AUDITOR'S REPORT

To the Board of Director 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 2017 and the 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 2017, 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 Turkey Accounting Standards.

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.

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.

B) Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2017, 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 of KPMG International Cooperative



Funda Aslanbolu, SMMM
Partner

12 March 2018
İstanbul, Turkey

**NN**

Hayat ve Emeklilik

NN HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ
FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

We confirm that financial statements and related disclosures and footnotes as at 31 December 2017 which were prepared in accordance with the accounting principles and standards in force as per the regulations of T.C. Başbakanlık Hazine Müsteşarlığı are in compliance with the “Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies” and the financial records of our Company.

Istanbul, 12 March 2018

Marius Popescu
CEO

Emine Sebilcioğlu
CFO

Sema Dolasoğlu
Finance and Local Reporting Manager

Utku Birdal
Actuary Registry No:117

Balance Sheet As at 31 December 2017

(Currency: Turkish Lira (TL))

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

ASSETS			
I- Current Assets	Notes	Audited Current Period 31 December 2017	Audited Prior Period 31 December 2016
A- Cash and Cash Equivalents	14	226,683,547	199,206,462
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	172,103,410	154,713,424
4- Cheques Given and Payment Orders		-	-
5- Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	14	54,580,137	44,493,038
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments with Risks on Policyholders	11	292,303	263,222
1- Available-for-Sale Financial Assets	11	292,303	263,222
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		-	-
C- Receivables from Main Operations	12	21,937,743	18,076,374
1- Receivables from Insurance Operations	12	4,334,853	3,569,391
2- Provision for Receivables from Insurance Operations	12	(875,252)	(931,741)
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	18,478,142	15,438,724
9- Doubtful Receivables from Main Operations	12	5,061,793	6,454,482
10- Provision for Doubtful Receivables from Main Operations	12	(5,061,793)	(6,454,482)
D- Due from Related Parties	12,45	29,022,691	22,039,276
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures	12,45	29,022,691	22,039,276
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 2017

(Currency: Turkish Lira (TL))

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

E- Other Receivables	47	327,834	280,705
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given	47	54,844	135,726
4- Other Miscellaneous Receivables	47	272,990	144,979
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
F- Prepaid Expenses and Income Accruals		19,828,101	8,745,350
1- Deferred Acquisition Costs	17	11,395,530	7,066,745
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses		8,432,571	1,678,605
G- Other Current Assets	12	2,746,617	2,042,676
1- Stocks to be Used in the Following Months		-	-
2- Prepaid Taxes and Funds	12,19	2,477,991	1,758,764
3- Deferred Tax Assets		-	-
4- Job Advances	12	23,780	42,605
5- Advances Given to Personnel		-	-
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets	12	244,846	241,307
8- Provision for Other Current Assets		-	-
I- Total Current Assets		300,838,836	250,654,065

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

Balance Sheet As at 31 December 2017

(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 2017	Audited Prior Period 31 December 2016
A- Receivables from Main Operations	12,18	2,940,885,033	2,342,106,532
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	2,940,885,033	2,342,106,532
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties		-	-
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		-	-
C- Other Receivables		-	-
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		-	-
D- Financial Assets	9	1,700,000	1,337,501
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	1,700,000	1,337,501
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 2017

(Currency: Turkish Lira (TL))

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

E- Tangible Assets	6	4,561,017	5,236,059
1- Investment Property		-	-
2- Impairment on Investment Property		-	-
3- Owner Occupied Property		-	-
4- Machinery and Equipments	6	4,948,515	6,841,875
5- Furniture and Fixtures	6	3,867,265	4,819,529
6- Motor Vehicles	6	60,470	60,470
7- Other Tangible Assets (Including Leasehold Improvements)	6	4,695,098	4,802,974
8- Tangible Assets Acquired Through Finance Leases		-	-
9- Accumulated Depreciation	6	(9,010,331)	(11,288,789)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets	8	18,385,313	10,507,926
1- Rights	8	33,135,956	20,232,938
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortization	8	(14,750,643)	(9,725,012)
8- Advances Paid for Intangible Assets		-	-
G-Prepaid Expenses and Income Accruals		-	-
1- Deferred Acquisition Costs		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses		-	-
H-Other Non-Current Assets	21	5,994,577	4,599,765
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	5,994,577	4,599,765
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortization on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
II- Total Non-Current Assets		2,971,525,940	2,363,787,783
TOTAL ASSETS		3,272,364,776	2,614,441,848

Balance Sheet As at 31 December 2017

(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 2017	Audited Prior Period 31 December 2016
III- Short-Term Liabilities			
A- Financial Liabilities	20	29,186	5,658
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Leasing Costs		-	-
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	29,186	5,658
B- Payables Arising from Main Operations	19	65,254,605	54,583,561
1- Payables Arising from Insurance Operations	19	2,176,378	2,570,430
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business	18,19	63,078,227	52,013,131
5- Payables Arising from Other Main Operations		-	-
6- Discount on Payables from Other Main Operations		-	-
C-Due to Related Parties	19,45	2,423,543	924,112
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures	19,45	1,250,814	248,647
5- Due to Personnel	19,45	25,391	463,077
6- Due to Other Related Parties	19,45	1,147,338	212,388
D- Other Payables	19,47	3,660,449	3,935,000
1- Deposits and Guarantees Received		-	-
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables	19,47	3,660,449	3,935,000
4- Discount on Other Miscellaneous Payables		-	-
E-Insurance Technical Provisions	17	47,439,510	31,045,329
1- Reserve for Unearned Premiums - Net	17	27,615,855	16,861,731
2- Reserve for Unexpired Risks- Net		-	-
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net	17	19,823,655	14,183,598
5- Provision for Bonus and Discounts – Net		-	-
6- Other Technical Provisions – Net		-	-

Balance Sheet As at 31 December 2017

(Currency: Turkish Lira (TL))

Convenience Translation of Financial Statements
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Originally Issued in Turkish, See Note 2.1.1

F- Provisions for Taxes and Other Similar Obligations	19	3,312,220	2,276,932
1- Taxes and Funds Payable		2,485,293	1,568,229
2- Social Security Premiums Payable		826,927	708,703
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		-	-
G- Provisions for Other Risks	19,23	32,621,874	30,254,881
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	19,23	32,621,874	30,254,881
H- Deferred Income and Expense Accruals	19	-	134,271
1- Deferred Commission Income	19	-	134,271
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Short-Term Liabilities	19	1,265,685	1,474,292
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short Term Liabilities	19	1,265,685	1,474,292
III – Total Short-Term Liabilities		156,007,072	124,634,036

Balance Sheet As at 31 December 2017

(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 2017	Audited Prior Period 31 December 2016
IV- Long-Term Liabilities			
A- Financial Liabilities		-	-
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Leasing Costs		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations	18,19	2,940,885,033	2,342,106,532
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	2,940,885,033	2,342,106,532
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
C- Due to Related Parties		-	-
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		-	-
D- Other Payables	19	870,130	680,784
1- Deposits and Guarantees Received		870,130	680,784
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables		-	-
E-Insurance Technical Provisions	17	53,279,333	40,826,262
1- Reserve for Unearned Premiums - Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Life Mathematical Provisions - Net	17	44,443,366	34,898,873
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Provisions - Net	17	8,835,967	5,927,389

Balance Sheet As at 31 December 2017

(Currency: Turkish Lira (TL))

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

F-Other Liabilities and Relevant Accruals		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	19,23	1,369,015	1,079,654
1- Provisions for Employment Termination Benefits	19,23	1,369,015	1,079,654
2- Provisions for Employee Pension Funds Deficits		-	-
H-Deferred Income and Expense Accruals		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Long-Term Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Other Long-Term Liabilities		-	-
IV- Total Long-Term Liabilities		2,996,403,511	2,384,693,232

Balance Sheet As at 31 December 2017

(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 2017	Audited Prior Period 31 December 2016
A- Paid in Capital		40,701,190	40,601,190
1- (Nominal) Capital	2.13,15	39,541,418	39,441,418
2- Unpaid Capital		-	-
3- Positive Capital Restatement Differences	15	1,159,772	1,159,772
4- Negative Capital Restatement Differences		-	-
5- Unregistered Capital		-	-
B- Capital Reserves	15	278,138,185	259,950,000
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	278,138,185	259,950,000
C- Profit Reserves		-	-
1- Legal Reserves		-	-
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Funds		-	-
5- Revaluation of Financial Assets		-	-
6- Other Profit Reserves		-	-
D- Retained Earnings		-	-
1- Retained Earnings		-	-
E- Accumulated Losses		(195,436,610)	(179,283,884)
1- Accumulated Losses		(195,436,610)	(179,283,884)
F-Net Profit/(Loss) for the Period		(3,448,572)	(16,152,726)
1- Net Profit for the Year		-	-
2- Net Loss for the Year		(3,448,572)	(16,152,726)
3- Net Profit for the Period not Subject to Distribution		-	-
V- Total Equity		119,954,193	105,114,580
Total Equity and Liabilities		3,272,364,776	2,614,441,848

Statement of Income As at 31 December 2017

(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 2017	Audited Prior Period 31 December 2016
A- Non-Life Technical Income		16,483,564	11,520,055
1- Earned Premiums (Net of Reinsurer Share)		14,302,490	10,576,761
1.1- Written Premiums (Net of Reinsurer Share)	17	24,683,466	11,523,331
1.1.1- Written Premiums, gross	17	27,080,694	11,817,527
1.1.2- Written Premiums, ceded	17	(2,397,228)	(294,196)
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	(10,380,976)	(946,570)
1.2.1- Reserve for Unearned Premiums, gross	17	(10,885,377)	(877,781)
1.2.2- Reserve for Unearned Premiums, ceded	17	504,401	(68,789)
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		2,181,074	943,294
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- Non-Life Technical Expense		(13,592,838)	(11,274,644)
1- Incurred Losses (Net of Reinsurer Share)	17	(1,368,029)	(1,170,704)
1.1- Claims Paid (Net of Reinsurer Share)	17	(954,089)	(776,353)
1.1.1- Claims Paid, gross	17	(1,041,144)	(827,664)
1.1.2- Claims Paid, ceded	17	87,055	51,311
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17	(413,940)	(394,351)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(350,386)	(386,257)
1.2.2- Change in Provisions for Outstanding Claims, ceded	17	(63,554)	(8,094)
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	(568,516)	(259,131)
4- Operating Expenses	32	(11,656,293)	(9,844,809)
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		-	-

Statement of Income As at 31 December 2017

(Currency: Turkish Lira (TL))

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

C- Net Technical Income-Non-Life (A – B)		2,890,726	245,411
D- Life Technical Income		179,753,942	126,754,800
1- Earned Premiums (Net of Reinsurer Share)		179,495,231	126,754,800
1.1- Written Premiums (Net of Reinsurer Share)	17	179,868,379	127,613,458
1.1.1- Written Premiums, gross	17	183,071,714	131,772,477
1.1.2- Written Premiums, ceded	10,17	(3,203,335)	(4,159,019)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17	(373,148)	(858,658)
1.2.1- Reserve for Unearned Premiums, gross	17	(9,700)	(842,145)
1.2.2- Reserve for Unearned Premiums, ceded	17	(363,448)	(16,513)
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)		258,711	-
4.1- Other Technical Income, gross		258,711	-
4.2- Other Technical Income, ceded		-	-
5- Accrued Salvage and Subrogation Income		-	-

Statement of Income As at 31 December 2017

(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 2017	Audited Prior Period 31 December 2016
E- Life Technical Expense		(179,659,248)	(130,553,372)
1- Incurred Losses (Net of Reinsurer Share)	17	(45,240,808)	(25,835,253)
1.1- Claims Paid (Net of Reinsurer Share)	17	(40,014,691)	(28,538,288)
1.1.1- Claims Paid, gross	17	(40,698,478)	(28,782,700)
1.1.2- Claims Paid, ceded	17	683,787	244,412
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17	(5,226,117)	2,703,035
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(5,482,419)	2,715,403
1.2.2- Change in Provisions for Outstanding Claims, ceded	17	256,302	(12,368)
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	(9,544,493)	(4,601,980)
3.1- Change in Life Mathematical Provisions, gross	17	(11,857,537)	(5,434,826)
3.2- Change in Life Mathematical Provisions, ceded	17	2,313,044	832,846
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	17	(2,340,062)	(1,308,346)
5- Operating Expenses	32	(122,533,885)	(98,807,793)
6- Investment Expenses		-	-
7- Unrealized Losses on Investments		-	-
8- Investment Income Transferred to the Non-Life Technical Section		-	-
F- Net Technical Income- Life (D – E)		94,694	(3,798,572)
G- Pension Business Technical Income		60,040,358	48,653,115
1- Fund Management Income		44,635,461	36,852,765
2- Management Fee		8,055,042	5,033,911
3- Entrance Fee Income	25	6,493,598	5,651,472
4- Management Expense Charge in case of Suspension		854,124	1,114,967
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	-
7- Other Technical Expense		2,133	-
H- Pension Business Technical Expense		(77,424,922)	(70,139,599)
1- Fund Management Expense		(7,920,965)	(6,787,668)
2- Decrease in Value of Capital Allowances Given as Advance		(281)	-
3- Operating Expenses	32	(67,014,380)	(61,482,284)
4- Other Technical Expenses		(2,353,061)	(1,717,592)
5- Penalty Payment		(136,235)	(152,055)
I- Net Technical Income - Pension Business (G – H)		(17,384,564)	(21,486,484)

Statement of Income As at 31 December 2017

(Currency: Turkish Lira (TL))

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

I-NON-TECHNICAL SECTION	Notes	Audited Current Period 31 December 2017	Audited Prior Period 31 December 2016
C- Net Technical Income – Non-Life (A-B)		2,890,726	245,411
F- Net Technical Income – Life (D-E)		94,694	(3,798,572)
I - Net Technical Income – Pension Business (G-H)		(17,384,564)	(21,486,484)
J- Total Net Technical Income (C+F+I)		(14,399,144)	(25,039,645)
K- Investment Income		22,004,794	17,707,469
1- Income from Financial Assets	4.2	16,497,420	12,485,632
2- Income from Disposal of Financial Assets		-	-
3- Valuation of Financial Assets	4.2	-	473,250
4- Foreign Exchange Gains	4.2	5,507,374	4,748,587
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		-	-
L- Investment Expense		(13,447,995)	(7,662,213)
1- Investment Management Expenses (inc. interest)		-	-
2- Diminution in Value of Investments		-	-
3- Loss from Disposal of Financial Assets	4.2	-	(999,935)
4- Investment Income Transferred to Non-Life Technical Section		(2,181,074)	(943,295)
5- Loss from Derivative Transactions		-	-
6- Foreign Exchange Losses	4.2	(4,167,888)	(684,567)
7- Depreciation and Amortization Expenses	6, 8	(7,099,033)	(5,034,416)
8- Other Investment Expenses		-	-
M- Income and Expenses From Other and Extraordinary Operations		2,393,773	(1,158,337)
1- Provisions	47	1,344,889	(2,459,658)
2- Rediscounts		-	-
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	21, 35	1,394,812	1,731,319
6- Deferred Taxation (Deferred Tax Liabilities)			
7- Other Income		362,723	-
8- Other Expenses and Losses		(708,651)	(429,998)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
N- Net Profit for the Year		(3,448,572)	(16,152,726)
1- Profit for the Year		(3,448,572)	(16,152,726)
2- Corporate Tax Provision and Other Fiscal Liabilities		-	-
3- Net Profit for the Year		(3,448,572)	(16,152,726)
4- Monetary Gains and Losses		-	-

Statement of Cash Flows As at 31 December 2017

(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 2017	Audited Prior Period 31 December 2016
A. Cash flows from operating activities			
1. Cash provided from insurance activities		222,903,685	134,478,780
2. Cash provided from reinsurance activities		-	-
3. Cash provided from individual pension business		73,433,093	64,788,496
4. Cash used in insurance activities		(214,398,285)	(144,177,034)
5. Cash used in reinsurance activities		-	-
6. Cash used in individual pension business		(88,840,444)	(96,945,812)
7. Cash provided by operating activities		(6,901,951)	(41,855,570)
8. Interest paid		-	-
9. Income taxes paid		(719,227)	(2,140)
10. Other cash inflows		5,006,390	15,913,110
11. Other cash outflows		(2,608,291)	(6,290,684)
12. Net cash provided by operating activities		(5,223,079)	(32,235,284)
B. Cash flows from investing activities			
1. Proceeds from disposal of tangible assets			
2. Acquisition of tangible assets	6,8	(14,321,078)	(4,817,257)
3. Acquisition of financial assets		-	-
4. Proceeds from disposal of financial assets		-	11,951,488
5. Interests received		20,665,307	17,167,820
6. Dividends received		-	-
7. Other cash inflows		-	-
8. Other cash outflows		-	-
9. Net cash provided by investing activities		6,344,229	24,302,051
C. Cash flows from financing activities			
1. Equity shares issued	2.13	100,000	100,000
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		-	-
4. Dividends paid		-	-
5. Other cash inflows	2.13	18,188,185	15,400,000
6. Other cash outflows		-	-
7. Net cash provided by financing activities		18,288,185	15,500,000
D. Effect of currency differences on cash and cash equivalents		1,339,486	4,064,020
E. Net increase/(decrease) in cash and cash equivalents		20,748,821	11,630,787
F. Cash and cash equivalents at the beginning of the year	14	145,490,530	133,859,743
G. Cash and cash equivalents at the end of the year	14	166,239,351	145,490,530

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

Audited Statement of Changes in Equity - 31 December 2016												
	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 – 31 January 2016	15	88,241,418	-	(576,556)	1,159,772	-	-	-	195,650,000	(41,737,501)	(137,546,383)	105,190,750
A- Capital increase	15	100,000	-	-	-	-	-	-	15,400,000	-	-	15,500,000
1- In cash		100,000	-	-	-	-	-	-	15,400,000	-	-	15,500,000
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		-	-	576,556	-	-	-	-	-	-	-	576,556
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the year		-	-	-	-	-	-	-	-	(16,152,726)	-	(16,152,726)
I – Other reserves and transfers from retained earnings		(48,900,000)	-	-	-	-	-	-	48,900,000	41,737,501	(41,737,501)	-
J- Dividends paid		-	-	-	-	-	-	-	-	-	-	-
II - Balance at the end of the year – 31 December 2016	15	39,441,418	-	-	1,159,772	-	-	-	259,950,000	(16,152,726)	(179,283,884)	105,114,580

Audited Statement of Changes in Equity - 31 December 2017												
	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 – 31 January 2017	15	39,441,418	-	-	1,159,772	-	-	-	259,950,000	(16,152,726)	(179,283,884)	105,114,580
A- Capital increase	15	100,000	-	-	-	-	-	-	18,188,185	-	-	18,188,185
1- In cash		100,000	-	-	-	-	-	-	18,188,185	-	-	18,188,185
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		-	-	-	-	-	-	-	-	(3,448,572)	-	(3,448,572)
I – Other reserves and transfers from retained earnings		-	-	-	-	-	-	-	-	16,152,726	(16,152,726)	-
J- Dividends paid		-	-	-	-	-	-	-	-	-	-	-
II - Balance at the end of the year – 31 December 2017	15	39,541,418	-	-	1,159,772	-	-	-	278,138,185	(3,448,572)	(195,436,610)	119,954,193

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

Statement of Profit Distribution As at 31 December 2017

(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 2017	Audited Prior Period 31 December 2016
I. DISTRIBUTION OF THE PROFIT FOR THE YEAR			
1.1. CURRENT PERIOD PROFIT/(LOSS)		(4,843,384)	(17,884,045)
1.2. AXES AND DUTIES PAYABLE		1,394,319	1,731,319
1.2.1. Corporate Tax (Income Tax)		-	-
1.2.2. Income Tax Deductions		-	-
1.2.3. Other Taxes and Legal Duties		1,394,319	1,731,319
A. CURRENT PERIOD PROFIT/(LOSS) (1.1 – 1.2)		(3,448,572)	(16,152,726)
1.3. ACCUMULATED LOSSES (-)		(195,436,610)	(179,283,884)
1.4. FIRST LEGAL RESERVES (-)		-	-
1.5. OTHER STATUTORY RESERVES (-)		-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5)]		-	-
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. LEGAL RESERVES (-)		-	-
1.12. STATUTORY RESERVES(-)		-	-
1.13. EXTRAORDINARY RESERVES		-	-
1.14. OTHER RESERVES		-	-
1.15. SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES		-	-
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 Profit Distribution As at 31 December 2017

(Currency: Turkish Lira (TL))

Convenience Translation of
Financial Statements and Related

Disclosures and Footnotes

Originally Issued in Turkish, See Note 2.1.1

III. EARNINGS PER SHARE		-	-
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 (%)		-	-
IV. DIVIDEND PER SHARE		-	-
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 2017

(Currency: Turkish Lira (TL))

1 General information

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

On 4 November 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 Undersecretariat of Turkish Treasury – 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.

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. Ahi Evran Cd. Olive Plaza No:11 Kat 1-2-3-4, 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.

25 pension funds were established by the Company as at 31 December 2017 (31 December 2016: 11 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 2017	31 December 2016
Executive management	7	6
Management	29	30
Specialist	299	279
Other	5	3
Total	340	318

1.6 Wages and other benefits given to executive management

For the year then ended 31 December 2017, salaries and similar benefits provided to the top management amounted to TL 5,599,485 (31 December 2016: TL 5,060,199).

Notes to the Financial Statements As at 31 December 2017

(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 2017 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 Ahi Evran Caddesi Olive Plaza No: 11 Sarıyer, İstanbul
Web page address	: www.nnhayatemeklilik.com.tr

The information presented above has not changed since the end of the reporting period.

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 Accounting Standards ("TAS"), 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 Undersecretariat of Treasury 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 2017

(Currency: Turkish Lira (TL))

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 Undersecretariat of Treasury 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 Undersecretariat of Treasury. 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

There is no change or mistake in accounting policies in the current period. The clarification of accounting policies has been given in 3 - Significant accounting estimates and decisions note.

2.1.7 Changes in accounting estimates

There is no change or mistake in accounting policies in the current period. The clarification of accounting policies has been given in 3 - Significant accounting estimates and decisions note.

2.2 Consolidation

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by the Undersecretariat of Treasury 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.

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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

The Company established six joint ventures by the name of EMK Sigorta Hizmetleri A.Ş.(EMK) in 2011 and by the name of DSM-Extra Sigorta Aracılık Hizmetleri A.Ş.(Extra), Ünlem Sigorta Aracılık Hizmetleri A.Ş.(Ünlem), PNG Sigorta Aracılık Hizmetleri A.Ş.(PNG), Leo Sigorta Aracılık Hizmetleri A.Ş.(Leo) ve Trias Sigorta Aracılık Hizmetleri A.Ş.(Trias) in 2012. The Company has become %100 shareholder of EMK Sigorta Aracılık Hizmetleri A.Ş.(EMK) in 2014. In May 2015, the Company had transferred its %50 shares of Trias Sigorta and %50 shares of Leo Sigorta. In August 2015, the Company had transferred its %50 shares of EMK Sigorta Aracılık Hizmetleri to Sigorta Ofisi Aracılık Hizmetleri A.Ş and as of September 2017, the company has become 100% shareholder.

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 2017 and 31 December 2016, they are recognized with their cost values.

2.3 Segment reporting

There is no business division or geographical division that is brought about by the Company's operations.

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:

Property and equipment	Useful life	Depreciation rate (%)
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 2017 the Company has no investment properties. (31 December 2016: None).

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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).

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).

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

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against for the administration of related pension investment funds which consist of fees which are not collected in the same day.

Capital advances given to pension investments funds during their establishment are recorded under 'capital advances given to pension investment funds'.

'Receivables from the clearing house on behalf of the participants' is the receivable from clearing house on fund basis against the collections of the participants. Same amount is also recorded as payables to participants for the funds sold against their collections under the 'payables arising from individual pension 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 2017, the Company has no derivative financial instruments (31 December 2016: 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.

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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.

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 2017, 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 2016, 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 2017		31 December 2016	
	Nominal Value of the Shares (TL)	Percentage (%)	Nominal Value of the Shares (TL)	Percentage (%)
NN Continental Europe Holdings B.V.	39,541,418	100.00	39,441,418	100.00
Paid-in Capital	39,541,418	100.00	39,441,418	100.00

Sources of the capital increases during the period

In accordance with the Annual General Assembly Meeting held on 20 December 2017, the Company's main shareholder NN Continental Europe Holdings BV has raised cash premium of TL 100,000 in cash and TL 18,188,185 as an emission premium. The capital increase decision was published in the Trade Registry Gazette dated 28 December 2017.

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.

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

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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.

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 2017, the Company has 25 pension funds (31 December 2016: 11).

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.

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.

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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 2016: 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 2016: 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.

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 2017, Company has an amount of TL 112,175,118 deductible tax losses (31 December 2016: TL 102, 480,104)

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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.

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 2017 is TL 4,732 (31 December 2016: TL 4,297).

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 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Net Discount Rate	%4.69	%4.13
Expected Rate of Salary/Limit Increase	%6.00 / %7.00	%9.25 / %7.75
Estimated voluntarily leave rate	%1.25 – %20	%1.25 – %15

Other benefits

The Company has provided for undiscounted short-term employee benefits earned during the period as per services rendered in compliance with TAS 19 in the accompanying financial statements.

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2.20 Provisions

A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting 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.

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

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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 Leasing transactions

As of 31 December 2017, the Company has no leasing transactions (31 December 2016: None).

2.23 Dividend distribution

As of 31 December 2017, the Company has no dividend distribution (31 December 2016: 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.

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.

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 2017 and 2016, 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.

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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.

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 Undersecretariat 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.

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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 Undersecretariat of Treasury 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 2017, the Company made provision for life branch amounting TL 7,701,088 (31 December 2016: TL 5,313,403) (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 1,458,850 as at 31 December 2017 (31 December 2016: TL 866,980) (Note 17).

2.30 Related parties

For the purpose of the accompanying financial statements, shareholders, key management and members of board of directors together with their families and companies controlled by or affiliated with them, and associated companies are considered and referred to as 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 New standards and interpretations not yet adopted

Standards issued but not yet effective and not early adopted

New standards, interpretations and amendments to existing standards are not effective at reporting date but earlier application is permitted; however the Company has not early adopted are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 issued in May 2014 replaces existing IFRS 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 companies expect to be entitled, rather than fair value and new guidance have been introduced on separating performance obligations for goods and services in a contract and recognition of revenue over time. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of TFRS 15.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 "Financial Instruments: Recognition and Measurement". It also carries forward the guidance on recognition, classification, measurement and derecognition of financial instruments from IAS 39 to IFRS 9. The last version of IFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of

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IFRS 9. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company has performed an initial assessment on these financial assets and liabilities and does not expect that there will be a significant impact on its financial statements resulting from the application of IFRS 9.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Company will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 4 has been amended by IASB to reduce the impact of the differing effective dates of the new insurance contracts standard and IFRS 9. These amendments to IFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying IFRS 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 recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39; or ii) an optional temporary exemption from applying IFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2021. These companies will be permitted to continue to apply existing requirements for financial instruments in IAS 39. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IFRS 4

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 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. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 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. IFRS 17 solves the comparison problems created by IFRS 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. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 17.

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) and management of financial risk (Note 4.2).

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.

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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	–	Management of financial risk
Note 10	–	Reinsurance assets/liabilities
Note 12	–	Loans and receivables
Note 17	–	Insurance liabilities and reinsurance assets
Note 18	–	Investment contract liabilities
Note 19	–	Trade and other liabilities, deferred income
Note 21	–	Deferred income taxes

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 2017		31 December 2016	
	Coverage Amount (TL)	Number	Coverage Amount (TL)	Number
Disability due to accident	14,621,749,633	530,981	9,940,379,934	409,757
Death	9,618,675,036	697,463	10,790,532,035	541,757
Death due to accident	8,863,925,744	156,948	5,773,149,637	136,397
Critical illness	1,331,300,887	15,193	993,890,586	16,520
Illness resulting disability	426,715,058	5,200	492,213,388	7,039
Accident (public transit)	164,135,922	83,712	51,376,966	42,795
Unemployment	53,053,124	123,235	26,476,422	84,626
Life events	28,301,300	174	570,000	3
Emergency Health and Daily Hospital	5,820,000	599	5,092,500	542

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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 2016: 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	Belgium	None
BNPP Cardif Hayat Sigorta A.Ş.	***	S & P	BNPP CARDIF	France	None
Munich Re	AA-	S & P	Münchener Rückvers.	Germany	None
NN Re	A-	S & P	NN Group	Holland	Depends on the same group
RGA	AA-	S & P	Reinsurance Group of America	U.S.A	None

*** There is no credit rating.

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.

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

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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:

- 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

Undersecretariat of Treasury 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 accessiblens 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.

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

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- 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 2017	31 December 2016
Cash and cash equivalents (Note 14)	226,683,547	199,206,462
Due from related parties (Note 12)	29,022,691	22,039,276
Receivables from main operations (Note 12)(*)	21,937,743	18,076,374
Prepaid taxes and funds (Note 12)	2,477,991	1,758,764
Reinsurer share in provision for outstanding claims (Note 10), (Note 17)	660,380	467,632
Other receivables (Note 12)	596,460	564,617
Total	281,378,812	242,113,125

(*) 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 2016: 263,222 TL).

As at 31 December 2017 and 2016, the aging of the receivables from main operations is as follows:

	31 December 2017		31 December 2016	
	Gross Amount	Provision	Gross Amount	Provision
Not past due	21,937,743	-	18,076,374	-
Past due 0-30 days	58,807	(58,807)	216,319	(216,319)
Past due 31-60 days	17,850	(17,850)	18,035	(18,035)
Past due 61-180 days	5,860,388	(5,860,388)	7,151,869	(7,151,869)
Total	27,874,788	(5,937,045)	25,462,597	(7,386,223)

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

	31 December 2017	31 December 2016
Provision for receivables from insurance operations at the beginning of the period	7,386,223	6,516,217
Collections during the period	(4,154,228)	(507,391)
Impairment losses incurred during the period	2,705,050	1,377,397
Provision for receivables from insurance operations at the end of the period	5,937,045	7,386,223

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.

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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 2017	Carrying Value	Up to 3 month	3 months to 1 year	1 year to 5 years	Over 5 years
Cash and cash equivalents	226,683,547	226,683,547	-	-	-
Financial investments	292,303	-	-	-	292,303
Receivables from main operations	2,962,822,776	13,861,031	2,685,550	5,391,162	2,940,885,033
Due from related parties	29,022,691	582,154	1,692,393	26,748,144	-
Other receivables	327,834	327,834	-	-	-
Total monetary assets	3,219,149,151	241,454,566	4,377,943	32,139,306	2,941,177,336
Payables arising from main operations	3,006,139,638	65,254,605	-	-	2,940,885,033
Other liabilities	4,530,579	4,530,579	-	-	-
Due to related parties	2,423,543	2,423,543	-	-	-
Insurance technical provisions (*)	19,823,655	19,823,655	-	-	-
Life mathematical provisions	44,443,366	138,187	2,021,432	38,645,399	3,638,348
Provisions for taxes and other similar obligations	3,312,220	3,312,220	-	-	-
Provisions for other risks	33,990,889	-	32,621,874	1,369,015	-
Total monetary liabilities	3,114,663,890	95,482,789	34,643,306	40,014,414	2,944,523,381

31 December 2016	Defter değeri	3 aya kadar	3 ay – 1 yıl	1 yıl – 5 yıl	5 yıldan uzun
Cash and cash equivalents	199,206,462	199,206,462	-	-	-
Financial investments	263,222	-	-	-	263,222
Receivables from main operations	2,360,182,907	14,247,594	1,592,010	2,236,771	2,342,106,532
Due from related parties	22,039,276	491,588	16,130,834	5,416,854	-
Other receivables	280,705	280,705	-	-	-
Total monetary assets	2,581,972,572	214,226,349	17,722,844	7,653,625	2,342,369,754
Payables arising from main operations	2,396,690,093	54,583,561	-	-	2,342,106,532
Other liabilities	4,615,784	3,935,000	-	680,784	-
Due to related parties	924,112	924,112	-	-	-
Insurance technical provisions (*)	14,183,598	14,183,598	-	-	-
Life mathematical provisions	34,898,873	225,589	2,570,098	27,981,818	4,121,368
Provisions for taxes and other similar obligations	2,276,932	2,276,932	-	-	-
Provisions for other risks	30,254,881	3,570,891	17,833,544	8,850,446	-
Total monetary liabilities	2,483,844,273	79,699,683	20,403,642	37,513,048	2,346,227,900

(*) 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.

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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 2017	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	17,654,234	17,604,865	-	35,259,099
Total assets in foreign currency	17,654,234	17,604,865	-	35,259,099
Due to related parties	747,964	351,487		1,099,451
Payables from main operations	-	1,161,798	-	1,161,798
Total liabilities in foreign currency	747,964	1,513,285	-	2,261,249
Balance sheet position	16,906,270	16,091,580	-	32,997,850

31 December 2016	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	5,900,486	3,114,716	-	9,015,202
Total assets in foreign currency	5,900,486	3,114,716	-	9,015,202
Deposits and guarantees	75,047	-	-	75,047
Debt provisions	-	208,575	-	208,575
Total liabilities in foreign currency	75,047	208,575	-	283,622
Balance sheet position	5,825,439	2,906,141	-	8,731,580

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 2017.

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as at 31 December 2017 and 31 December 2016 are as follows:

	US Dollar	Euro
31 December 2017	3,7719	4,5155
31 December 2016	3,5192	3,7099

Exposure to currency risk

A 10 percent devaluation of the TL against the following currencies as at 31 December 2017 and 31 December 2016 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.

Notes to the Financial Statements**As at 31 December 2017**

(Currency: Turkish Lira (TL))

	31 December 2017		31 December 2016	
	Profit or loss	Equity(*)	Profit or loss	Equity(*)
US Dollar	1,690,627	1,690,627	582,544	582,544
Euro	1,609,158	1,609,158	290,614	290,614
Total, net	3,299,785	3,299,785	873,158	873,158

(*) 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 2017	31 December 2016
Financial asset:		
Financial assets with fixed interest rates:	160,836,218	145,962,080
Cash at banks (Note 14)		

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 Undersecretariat of Treasury;
- 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 Undersecretariat of Treasury, the equity amount of the Company for 31 December 2017 is TL 127,090,160 (31 December 2016: TL 109,704,468). The Company's shareholders equity is greater than required capital at a minimum TL 66,298,411 (31 December 2016: greater TL 65,573,489).

Notes to the Financial Statements

As at 31 December 2017

(Currency: Turkish Lira (TL))

Gains and losses arising from financial assets

Gains and losses recognized in the statement of income:	31 December 2017	31 December 2016
Interest income from debt securities classified as available-for-sale financial assets	-	473,250
Interest income from bank deposits	16,497,420	12,485,632
Foreign exchange gains	5,507,374	4,748,587
Investment income	22,004,794	17,707,469
Foreign exchange losses	4,167,888	684,567
Debt instrument sale loss	-	999,935
Investment expense	4,167,888	1,684,502
Financial gains and losses recognized in the statement of income, net	17,836,906	16,022,967

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 2017	Life	Non-Life	Pension	Other/ Retained	Total
Continued operations					
Technical Revenue	179,753,942	14,302,490	60,040,357	-	254,096,790
Technical Expense	(179,659,248)	(13,592,838)	(77,424,922)	-	(270,677,008)
Total of other revenue and expense	-	-	-	13,131,645	13,131,645
Profit from continued operations	94,694	709,652	(17,384,565)	13,131,645	(3,448,573)
Profit before tax	94,694	709,652	(17,384,565)	13,131,645	(3,448,573)
Provision for corporate tax	-	-	-	-	-
Net Profit (or Losses) for the Year	94,694	709,652	(17,384,565)	13,131,645	(3,448,573)
Other Segments:					
Depreciation Expenses (Note 6)	-	-	-	-	2,031,062
Accumulated depletion (Note 8)	-	-	-	-	5,067,971

Notes to the Financial Statements

As at 31 December 2017

(Currency: Turkish Lira (TL))

31 December 2017

Available-for-sale financial assets	-	-	292,303	-	292,303
Receivables from main operations	4,334,853	-	2,959,363,175	-	2,963,698,029
Tangible and intangible assets	-	-	-	22,946,330	22,946,330
Deferred commission expenses	4,549,857	6,845,673	-	-	11,395,530
Other assets	-	-	-	274,032,585	274,032,585
Total assets	8,884,710	6,845,673	2,959,655,478	296,978,915	3,272,364,777

Provisions for insurance contract	80,357,702	20,361,140	-	-	100,718,842
Other liabilities	2,176,378	-	3,003,963,261	45,552,103	3,051,691,741
Equity	-	-	-	119,954,192	119,954,192
Total liabilities	82,534,080	20,361,140	3,003,963,261	165,506,295	3,272,364,775

1 January – 31 December 2016	Life	Non-Life	Pension	Other/ Retained	Total
Continued operations					
Technical Revenue	126,754,800	10,576,766	48,595,801	-	185,927,367
Technical Expense	(88,600,226)	(5,837,843)	(26,457,496)	-	(120,895,564)
Total of other revenue and expense	-	-	-	(81,249,819)	(81,249,819)
Profit from continued operations	38,154,574	4,738,923	22,138,305	(81,249,819)	(16,218,016)
Profit before tax	38,154,574	4,738,923	22,138,305	(81,249,819)	(16,218,016)
Provision for corporate tax	-	-	-	-	-
Net Profit (or Losses) for the Year	38,154,574	4,738,923	22,138,305	(81,249,819)	(16,218,016)

Other Segments:

Depreciation Expenses (Note 6)	-	-	-	-	2,170,324
Accumulated depletion (Note 8)	-	-	-	-	2,864,092

31 December 2016

Available-for-sale financial assets	-	-	263,222	-	263,222
Receivables from main operations	3,569,391	-	2,357,545,256	-	2,361,114,647
Tangible and intangible assets	-	-	-	15,743,985	15,743,985
Deferred commission expenses	4,573,646	2,493,097	-	-	7,066,743
Other assets	-	-	-	230,253,250	230,253,250
Total assets	8,143,037	2,493,097	2,357,808,478	245,997,235	2,614,441,847

Provisions for insurance contract	62,873,884	8,997,706	-	-	71,871,590
Other liabilities	2,570,430	-	2,394,119,663	40,765,584	2,437,455,677
Equity	-	-	-	105,114,580	105,114,580
Total liabilities	65,444,314	8,997,706	2,394,119,663	145,880,164	2,614,441,847

Notes to the Financial Statements

As at 31 December 2017

(Currency: Turkish Lira (TL))

6 Tangible assets

Movements in tangible assets in the period from 1 January to 31 December 2017 are presented below:

	1 January 2017	Additions	Disposals	Transfers	31 December 2017
Cost:					
Vehicles	60,470	-	-	-	60,470
Machinery and equipment	6,841,875	1,236,931	(3,130,291)	-	4,948,515
Furniture and fixtures	4,819,529	102,877	(1,055,141)	-	3,867,265
Leasehold improvements	4,802,974	35,911	(143,787)	-	4,695,098
	16,524,848	1,375,719	(4,329,219)		13,571,348
Accumulated depreciation:					
Vehicles	(30,235)	(6,047)	-	-	(36,282)
Machinery and equipment	(5,314,779)	(769,894)	3,124,187	-	(2,960,486)
Furniture and fixtures	(3,197,726)	(608,035)	1,041,545	-	(2,764,216)
Leasehold improvements	(2,746,049)	(647,085)	143,787	-	(3,249,347)
	(11,288,789)	(2,031,061)	4,309,529	-	(9,010,331)
Net book value	5,236,059	(655,342)	(19,699)	-	4,561,017

Movements in tangible assets in the period from 1 January to 31 December 2016 are presented below:

	1 January 2017	Additions	Disposals	Transfers	31 December 2017
Cost:					
Vehicles	60,470	-	-	-	60,470
Machinery and equipment	6,621,424	220,451	-	-	6,841,875
Furniture and fixtures	4,627,479	192,050	-	-	4,819,529
Leasehold improvements	4,767,350	35,624	-	-	4,802,974
	16,076,723	448,125	-	-	16,524,848
Accumulated depreciation:					
Vehicles	(24,188)	(6,047)	-	-	(30,235)
Machinery and equipment	(4,485,537)	(829,242)	-	-	(5,314,779)
Furniture and fixtures	(2,532,505)	(665,221)	-	-	(3,197,726)
Leasehold improvements	(2,076,235)	(669,814)	-	-	(2,746,049)
	(9,118,465)	(2,170,324)	-	-	(11,288,789)
Net book value	6,958,258	(1,722,199)	-	-	5,236,059

There is not any change in depreciation method in the current period.

There is no mortgages over tangible assets as of 31 December 2017 and 31 December 2016.

7 Investment properties

There is no investment property as of 31 December 2017 and 31 December 2016.

Notes to the Financial Statements

As at 31 December 2017

(Currency: Turkish Lira (TL))

8 Intangible assets

Movements in intangible assets in the period between 1 January and 31 December 2017 are presented below:

	1 January 2017	Addition	Disposal	Transfers	31 December 2017
Cost:					
Rights	20,232,938	12,945,359	(42,341)	-	33,135,956
	20,232,938	12,945,359	(42,341)	-	33,135,956
Accumulated amortization:					
Rights	(9,725,012)	(5,067,972)	42,341	-	(14,750,643)
	(9,725,012)	(5,067,972)	42,341	-	(14,750,643)
Net book value	10,507,926	7,877,387	-	-	18,385,313

Movements in intangible assets in the period between 1 January and 31 December 2016 are presented below:

	1 January 2016	Addition	Disposal	Transfers	31 December 2016
Cost:					
Rights	14,949,306	4,369,132	-	914,500	20,232,938
Advances for intangible assets	914,500	-	-	(914,500)	-
	15,863,806	4,369,132	-	-	20,232,938
Accumulated amortization:					
Rights	(6,860,920)	(2,864,092)	-	-	(9,725,012)
	(6,860,920)	(2,864,092)	-	-	(9,725,012)
Net book value	9,002,886	1,505,040	-	-	10,507,926

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 2017								
	(%)	Cost	Book value	Statement period	Total asset (Non-audited)	Total liability (non-audited)	Net Sale (non-audited)	Independent audit
SigortaOfisi Plus Aracılık Hizmetleri A.Ş.	100	725,000	725,000	31.12.2017	471,491	79,548	2,104,450	Non-audited
Makinist VIP Sigorta Aracılık Hizmetleri A.Ş.	50	300,000	300,000	31.12.2017	1,387,889	2,032,917	2,956,952	Non-audited
DSM-Extra Sigorta Aracılık Hizmetleri A.Ş.	50	412,500	412,500	31.12.2017	3,549,345	6,458,223	5,570,933	Non-audited
ÜnlemSigorta Aracılık Hizmetleri A.Ş.	50	262,500	262,500	31.12.2017	1,082,895	2,045,992	4,375,160	Non-audited
		1,700,000	1,700,000					

Notes to the Financial Statements

As at 31 December 2017

(Currency: Turkish Lira (TL))

31 December 2016								
	(%)	Cost	Book value	Statement period	Total asset (Non-audited)	Total liability (non-audited)	Net Sale (non-audited)	Independent audit
SigortaOfisi Plus Aracılık Hizmetleri A.Ş.	50	362,501	362,501	31.12.2016	1,199,898	2,641,698	2,312,747	Non-audited
Makinist Vip Sigorta Aracılık Hizmetleri A.Ş.	50	300,000	300,000	31.12.2016	1,185,967	2,236,810	1,051,703	Non-audited
DSM-Extra Sigorta Aracılık Hizmetleri A.Ş.	50	412,500	412,500	31.12.2016	2,379,486	9,662,937	2,102,614	Non-audited
ÜnlemSigorta Aracılık Hizmetleri A.Ş.	50	262,500	262,500	31.12.2016	1,609,564	3,104,497	4,156,263	Non-audited
		1,337,501	1,337,501					

10 Reinsurance assets and liabilities

As at 31 December 2017 and 31 December 2016, 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 2017	31 December 2016
Receivables from reinsurers (Note 12)	82,321	42,373
Reserve for unearned premiums, ceded (Note 17)	1,567,759	1,426,806
Provision for outstanding claims, ceded (Not 4.2), (Not 17)	660,380	467,632
Share of reinsurers in the equalization reserve (Not 17)	323,971	252,994
Share of reinsurers in the life mathematical provision (Not 17)	3,702,839	1,389,795
Total	6,337,270	3,579,600

As at 31 December 2017 and 31 December 2016, the Company has no impairment losses recognized for reinsurance assets.

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

	31 December 2017	31 December 2016
Premiums ceded during the period (Note 17)	(5,600,563)	(4,453,215)
Reserve for unearned premiums, ceded at the beginning of the period (Note 17)	(1,426,806)	(1,512,109)
Reserve for unearned premiums, ceded at the end of the period (Note 17)	1,567,759	1,426,806
Premiums earned, ceded (Note 17)	(5,459,610)	(4,538,518)
Claims paid, ceded during the period (Note 17)	770,842	295,723
Provision for outstanding claims, ceded at the beginning of the period (Note 17)	(467,632)	488,095
Provision for outstanding claims, ceded at the end of the period (Note 17)	660,380	(467,632)
Claims incurred, ceded (Note 17)	963,590	316,186

Notes to the Financial Statements

As at 31 December 2017

(Currency: Turkish Lira (TL))

Total, net	(4,496,020)	(4,222,332)
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11 Financial assets

As at 31 December 2017 and 31 December 2016, the Company's financial assets are detailed as follows:

	31 December 2017	31 December 2016
Available-for-sale financial assets	292,303	263,222
Total	292,303	263,222

As at 31 December 2017 and 31 December 2016, the Company's financial assets available-for-sale are detailed as follows:

	31 December 2017			
	Nominal value	Cost	Fair value	Carrying value
Emeklilik Gözetim Merkezi A.Ş. (*)	252,081	252,081	292,303	292,303
Total available-for-sale financial assets	252,081	252,081	292,303	292,303

	31 Aralık 2016			
	Nominal value	Cost	Fair value	Carrying value
Emeklilik Gözetim Merkezi A.Ş. (*)	223,000	223,000	263,222	263,222
Total available-for-sale financial assets	223,000	223,000	263,222	263,222

(*) 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 2017 and 31 December 2016, 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.

Value increases in financial assets for the last 3 years (including tax effects):

Year	Change in value increase/(decrease)	Total increase/ (decrease) in value
31 December 2017	-	-
31 December 2016	576,556	-
31 December 2015	(235,897)	(576,556)

Notes to the Financial Statements

As at 31 December 2017

(Currency: Turkish Lira (TL))

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

	31 Aralık 2017
Balance at the beginning of the period(*)	263,222
Acquisitions during the period	29,081
Disposals (either sold or settled)	-
Change in the fair value of financial assets (Note 4.2)	-
Balance at the ending of the period	292,303
(*) Cost price is accounted.	
	31 Aralık 2016
Balance at the beginning of the period	12,214,710
Unrealized exchange differences on financial assets	-
Disposals (either sold or settled)	(11,951,488)
Change in the fair value of financial assets (Note 4.2)	-
Balance at the ending of the period	263,222

(*) All prices consists of sales.

12 Loans and receivables

	31 December 2017	31 December 2016
Receivables from main operations (Note 4.2)	2,962,822,776	2,360,182,906
Due from related parties (Note 4.2), (Note 45)	29,022,691	22,039,276
Prepaid taxes and funds (Note 4.2)	2,477,991	1,758,764
Other receivables (Note 4.2)	596,460	564,617
Total	2,994,919,918	2,384,545,563
Short-term receivables	54,034,885	42,439,031
Middle and long-term receivables	2,940,885,033	2,342,106,532
Total	2,994,919,918	2,384,545,563

As at 31 December 2017 and 31 December 2016, receivables from main operations are detailed as follows:

	31 December 2017	31 December 2016
Receivables from policyholders and agencies	4,252,532	3,527,018
Receivables from reinsurance companies (Note 10)	82,321	42,373
Total receivables from main operations, net	4,334,853	3,569,391
Receivables from individual pension operations (Note 18)	2,959,363,175	2,357,545,256
Doubtful receivables from main operations (Not 4.2)	5,937,045	7,386,223
Provisions for receivables from insurance and pension operations (Not 4.2)	(5,937,045)	(7,386,223)
Receivables from main operations, net	2,959,363,175	2,357,545,256

Notes to the Financial Statements

As at 31 December 2017

(Currency: Turkish Lira (TL))

As at 31 December 2017 and 31 December 2016, mortgages and collaterals obtained for receivables are disclosed as follows.

	31 Aralık 2017	31 Aralık 2016
Real estate pledges	727,000	827,000
Letters of guarantees	546,900	464,500
Cash collaterals	456,144	501,156
Other	884,867	1,428,517
Total	2,614,911	3,221,173

Doubtful provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 5,061,793 (31 December 2016: TL 6,454,482).

b) Provision for premium receivables (due): 875,252 (31 December 2016: 931,741).

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.

13 Derivative financial instruments

As at 31 December 2017 and 31 December 2016, there is no derivative financial instruments.

14 Cash and cash equivalents

As at 31 December 2017 and 31 December 2016, cash and cash equivalents are as follows:

	31 December 2017		31 December 2016	
	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	172,103,410	154,713,424	154,713,424	145,428,154
Bank guaranteed credit card receivables with maturity less than three months	54,580,137	44,493,038	44,493,038	36,709,930
Cash and cash equivalents in the balance sheet	226,683,547	199,206,462	199,206,462	182,138,084
Blocked amounts	(59,554,533)	(52,881,994)	(52,881,994)	(47,738,692)
Interest accruals on bank deposits	(889,663)	(833,938)	(833,938)	(539,649)
Cash and cash equivalents presented in the statement of cash flows	166,239,351	145,490,530	145,490,530	133,859,743

Notes to the Financial Statements

As at 31 December 2017

(Currency: Turkish Lira (TL))

As at 31 December 2017 and 31 December 2016, bank deposits are further analyzed as follows:

	31 December 2017	31 December 2016
Foreign currency denominated bank deposits		
- time deposits	35,259,099	8,735,826
- demand deposits	-	279,376
Bank deposits in Turkish Lira		
- time deposits	125,577,119	137,226,254
- demand deposits	11,267,192	8,471,968
Cash at banks	172,103,410	154,713,424

As at 31 December 2017, the Company has a blocked bank deposit amount of TL 59,554,533 on behalf of Undersecretariat of Treasury (31 December 2016: 52,881,994 TL) (Note 17).

Interest rate for TL time deposits is between 8.30% - 15.10% (31 December 2016: 8.75%- 11.65%), for foreign currency time deposits 0.10% - 3.95%. (31 December 2016: 0.06%-3.30%).

15 Equity

Paid in Capital

As of 31 December 2017, 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. There are no any privileged shares of the Company (31 December 2016: 39,441,418 TL).

As of 31 December 2017, 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 2017 and 31 December 2016, details of other equity reserves are presented below:

	31 December 2017	31 December 2016
Emission premium	278,138,185	259,950,000
Other equity reserves	278,138,185	259,950,000

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 2017 and 31 December 2016, as the Company has no net profit for the period, there are no related capital reserves.

Extraordinary Reserves

As at 31 December 2017 and 31 December 2016, the Company has no extraordinary reserves.

Retained earnings

As of 31 December 2017, there are Retained Earnings amounting to TL 195,436,610 in the financial statements. (31 December 2016: TL 179,283,884)

Notes to the Financial Statements

As at 31 December 2017

(Currency: Turkish Lira (TL))

16 Other provisions and capital component of discretionary participation

As at 31 December 2017, 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.

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 2017 and 31 December 2016, provisions for technical reserves of the Company are disclosed as follows:

	31 December 2017	31 December 2016
Reserve for unearned premiums, gross	29,183,614	18,288,537
Reserve for unearned premiums, ceded (Note 10)	(1,567,759)	(1,426,806)
Reserves for unearned premiums, net	27,615,855	16,861,731
Provision for outstanding claims, gross	20,484,035	14,651,230
Provision for outstanding claims, ceded (Note 10)	(660,380)	(467,632)
Provision for outstanding claims, net	19,823,655	14,183,598
Life mathematical provisions, gross	48,146,205	36,288,668
Life mathematical provisions, ceded	(3,702,839)	(1,389,795)
Life mathematical provisions, net	44,443,366	34,898,873
Equalization reserve, gross	9,159,938	6,180,383
Equalization reserve, ceded	(323,971)	(252,994)
Equalization reserve, net	8,835,967	5,927,389
Total insurance technical provisions, net	100,718,843	71,871,591
Short-term	47,439,510	31,045,329
Medium and long-term	53,279,333	40,826,262
Total insurance technical provisions, net	100,718,843	71,871,591

As at 31 December 2017 and 31 December 2016, movements of the insurance liabilities and related reinsurance assets are presented below:

Reserve for unearned premiums	31 December 2017		
	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the period	18,288,537	(1,426,806)	16,861,731
Premium written during the period	210,152,408	(5,600,563)	204,551,845
Premiums earned during the period	(199,257,331)	5,459,610	(193,797,721)
Reserve for unearned premiums at the end of the period	29,183,614	(1,567,759)	27,615,855

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Reserve for unearned premiums	31 Aralık 2016		
	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the period	16,568,612	(1,512,108)	15,056,504
Premium written during the period	143,590,004	(4,453,215)	139,136,789
Premiums earned during the period	(141,870,079)	4,538,518	(137,331,561)
Reserve for unearned premiums at the end of the period	18,288,537	(1,426,806)	16,861,731

Provision for outstanding claims	31 Aralık 2017		
	Gross	Ceded	Net
Provision for outstanding claims at the beginning of the period	14,651,230	(467,632)	14,183,598
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	47,572,427	(963,590)	46,608,837
Claims paid during the period	(41,739,622)	770,842	(40,968,780)
Provision for outstanding claims at the end of the period	20,484,035	(660,380)	19,823,655

Provision for outstanding claims	31 Aralık 2016		
	Gross	Ceded	Net
Provision for outstanding claims at the beginning of the period	16,980,376	(488,094)	16,492,282
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	27,281,217	(275,260)	27,005,957
Claims paid during the period	(29,610,364)	295,723	(29,314,641)
Provision for outstanding claims at the end of the period	14,651,230	(467,632)	14,183,598

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.

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31 December 2017									
Accident year	Before 2011	2011	2012	2013	2014	2015	2016	2017	Total
Accident year	-	337,450	496,925	542,598	1,085,630	1,181,563	2,352,997	4,349,315	10,346,478
1 year later	-	-	115,770	136,009	456,785	350,491	509,354	879,526	2,447,935
2 years later	-	-	-	56,647	238,474	142,985	321,253	677,279	1,436,638
3 years later	-	-	-	-	14,998	144,117	87,212	535,307	781,634
4 years later	-	-	-	-	-	4,704	67,184	388,855	460,743
5 years later	-	-	-	-	-	-	96,127	-	96,127
6 years later	-	-	-	-	-	-	-	5,574	5,574
Provision from claim development tables									15,575,129
Incurred but not reported (IBNR), claims									4,908,905
Total gross outstanding claim provision presented in the financial statements at the end of the period									20,484,035

31 December 2016									
Accident year	Before 2011	2011	2012	2013	2014	2015	2016	2017	Total
Accident year	-	329,203	565,006	585,024	1,417,790	1,501,253	2,967,066	7,365,342	7,365,342
1 year later	-	-	182,052	142,295	491,637	546,047	969,040	2,331,071	2,331,071
2 years later	-	-	-	54,646	329,133	274,542	678,957	1,337,278	1,337,278
3 years later	-	-	-	-	46,673	228,964	351,868	627,505	627,505
4 years later	-	-	-	-	-	13,720	144,022	157,742	157,742
5 years later	-	-	-	-	-	-	54,276	54,276	54,276
Provision from claim development tables									11,873,214
Incurred but not reported (IBNR), claims									2,778,016
Total gross outstanding claim provision presented in the financial statements at the end of the period									14,651,230

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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 2017		31 December 2016	
	Should be placed ^(*)	Placed ^(*)	Should be placed ^(*)	Placed ^(*)
Life:				
Bank deposits (Note 14)	60,004,047	58,165,734	45,624,001	51,351,300
Total	60,004,047	58,165,734	45,624,001	51,351,300
Non Life:				
Bank deposits (Note 14)	2,611,252	1,900,410	1,210,667	1,530,694
Total	2,611,252	1,900,410	1,210,667	1,530,694
Total	62,615,299	60,066,144	46,834,668	52,881,994

^(*) 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 2017 and 2016 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 63,556,144 (31 December 2016: TL 52,881,994) by blocking additional bank deposit TL 1,000,000 for non-life branch and TL 2,500,000 for life branch in 19 February 2018.

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

	31 December 2017		31 December 2016	
	Number of policyholders	Life mathematical provisions	Number of policyholders	Life mathematical provisions
Beginning of period	890,161	36,288,668	865,658	30,853,842
Additions during the period	638,278	55,563,539	541,631	37,620,797
Disposals during the period	(692,994)	(43,706,002)	(517,128)	(32,185,971)
Current	835,445	48,146,205	890,161	36,288,668

Distribution of new life insurance policyholders in terms of numbers and gross and net premiums as individual or group during the period

	31 December 2017			31 December 2016		
	Number of Contracts	Gross Premium	Net Premium	Number of Contracts	Gross Premium	Net Premium
Individual	182,673	45,566,103	43,283,436	174,057	31,989,813	29,619,055
Group	455,605	205,606,274	199,648,845	367,574	130,300,898	128,334,615
Total	638,278	251,172,377	242,932,281	541,631	162,290,711	157,953,670

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(Currency: Turkish Lira (TL))

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

	31 December 2017				31 December 2016			
	Number of contracts	Gross premium	Net premium	Mathematical reserves	Number of contracts	Gross premium	Net premium	Mathematical reserves
Individual	184,885	7,018,920	6,645,932	117,092	201,670	4,806,366	4,322,568	132,671
Group	508,109	40,383,707	39,140,506	43,588,910	315,458	20,292,297	19,949,256	32,053,300
Total	692,994	47,402,627	45,786,438	43,706,002	517,128	25,098,663	24,271,824	32,185,971

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 2017 and 31 December 2016, deferred acquisition expenses are presented below:

	31 December 2017	31 December 2016
Deferred commission expenses	11,395,530	7,066,745
Deferred acquisition expenses	11,395,530	7,066,745

As at 31 December 2017 and 31 December 2016, the movements of deferred commission expenses are presented below:

	31 December 2017	31 December 2016
Deferred commission expenses at the beginning of the period	7,066,745	6,354,323
Commissions accrued during the period	(107,504,911)	(81,430,162)
Commissions expensed during the period (Note 32)	111,833,696	82,142,584
Deferred commission expenses at the end of the period	11,395,530	7,066,745

18 Investment contract liabilities

Individual pension business

The details of receivables and payables from individual pension business as at 31 December 2017 and 31 December 2016 are presented below:

	31 December 2017	31 December 2016
Receivables from clearing house on behalf of the participants	2,940,885,033	2,342,106,532
Receivables from participants and agencies	10,591,296	6,926,348
Sale orders	4,214,436	5,197,003
Receivables from participants (fund management)	3,672,410	3,315,373
Receivables from individual pension operations, net (Note 12)	2,959,363,175	2,357,545,256

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	31 December 2017	31 December 2016
Payables to clearing house	2,940,885,033	2,342,106,532
Payables to participants	54,496,937	40,983,767
Participants temporary account	4,878,681	5,552,130
Payables to clearing house	2,610,271	4,559,580
Payables to pension monitoring center	-	105,115
Payables to regulatory organization	402,656	233,697
Payables to portfolio management company	689,682	578,842
Individual pension business liabilities, net (Note 19)	3,003,963,260	2,394,119,663

As at 31 December 2017 and 31 December 2016, individual pension investment funds founded by the Company and their unit prices are as follow:

Fund name	31 December 2017 Unit prices	31 December 2016 Unit prices
Gelir Amaçlı Kamu Borçlanma Araçları E.Y.F.	0.050033	0,046284
Gelir Amaçlı Esnek E.Y.F.	0.036080	0,031392
Büyüme Amaçlı Karma E.Y.F.	0.092710	0,074467
Büyüme Amaçlı Hisse Senedi E.Y.F.	0.107797	0,077135
Likit Esnek E.Y.F.	0.045697	0,041140
Esnek E.Y.F.	0.053637	0,045388
Kamu Borçlanma Araçları Standart E.Y.F.	0.035663	0,033045
Büyüme Amaçlı Esnek E.Y.F.	0.030930	0,025070
Katkı E.Y.F.	0.014442	0,012967
Başlangıç E.Y.F.	0.011072	-
Başlangıç Katkı E.Y.F.	0.010938	-
Agresif Değişken E.Y.F.	0.010737	-
Altın E.Y.F.	0.010600	-
QInvest Portföy Temkinli Değişken E.Y.F.	0.010235	-

As at 31 December 2017 and 31 December 2016, the number and amount of participation shares in the portfolio and in circulation are follow:

Fund name	31 December 2017			
	Participation certificates in circulation		Participation certificates in portfolio	
	Number	Amount	Number	Amount
Gelir Amaçlı Kamu Borçlanma Araçları E.Y.F.	7,564,229,183	378,459,278	17,435,770,817	872,359,771
Gelir Amaçlı Esnek E.Y.F.(Değişken E.Y.F.)	11,617,048,621	419,139,167	188,382,951,379	6,796,792,869
Büyüme Amaçlı Karma E.Y.F.	3,488,880,542	323,455,251	196,511,119,458	18,218,609,850
Büyüme Amaçlı Hisse Senedi E.Y.F.	1,326,207,569	142,961,693	198,673,792,431	21,416,513,006
Likit Esnek E.Y.F.	9,397,112,600	429,415,157	190,602,887,400	8,709,884,863
Esnek E.Y.F.	7,525,593,075	403,649,563	92,474,406,925	4,960,041,497
Kamu Borçlanma Araçları Standart E.Y.F.	7,688,352,862	274,189,498	192,311,647,138	6,858,404,509
Büyüme Amaçlı Esnek E.Y.F.	3,356,378,556	103,813,024	196,643,621,444	6,082,200,979
Katkı E.Y.F.	25,969,856,826	375,060,917	974,030,143,174	14,067,102,520
Başlangıç E.Y.F.	2,581,332,047	28,579,666	997,418,667,953	11,043,094,035

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Fund name	31 December 2017			
	Participation certificates in circulation		Participation certificates in portfolio	
	Number	Amount	Number	Amount
Başlangıç Katılım E.Y.F.	1,910,991,716	20,903,186	998,089,008,284	10,917,494,044
Agresif Değişken E.Y.F.	500,412,054	5,373,074	99,499,587,946	1,068,356,906
Altın E.Y.F.	2,946,342,204	31,231,703	97,053,657,796	1,028,784,452
QInvest portföy temkinli değişken E.Y.F.	454,681,812	4,653,856	99,545,318,188	1,018,887,598
Katılım katkı E.Y.F.	-	-	1,000,000,000,000	-
Katılım standart E.Y.F.	-	-	100,000,000,000	-
Altın E.Y.F.	-	-	100,000,000,000	-
Değişken E.Y.F.	-	-	100,000,000,000	-
OKS agresif katılım değişken E.Y.F.	-	-	100,000,000,000	-
OKS temkinli değişken E.Y.F.	-	-	100,000,000,000	-
OKS agresif değişken E.Y.F.	-	-	100,000,000,000	-
OKS dinamik katılım değişken E.Y.F.	-	-	100,000,000,000	-
OKS dengeli değişken E.Y.F.	-	-	100,000,000,000	-
Agresif değişken E.Y.F.	-	-	100,000,000,000	-
OKS dinamik değişken E.Y.F.	-	-	100,000,000,000	-
Total		2,940,885,033		113,058,526,899

	31 December 2016			
	Participation certificates in circulation		Participation certificates in portfolio	
	Number	Amount	Number	Amount
Gelir Amaçlı Kamu Borçlanma Araçları E.Y.F.	8,032,716,419	371,782,741	16,967,283,581	785,313,753
Gelir Amaçlı Esnek E.Y.F.	8,125,537,448	255,077,383	191,874,462,552	6,023,323,128
Büyüme Amaçlı Karma E.Y.F.	3,584,812,379	266,951,188	196,415,187,621	14,626,449,777
Büyüme Amaçlı Hisse Senedi E.Y.F.	1,602,830,449	123,634,554	397,169,551	30,635,673
Likit Esnek E.Y.F.	8,662,573,887	356,378,158	1,337,426,113	55,021,710
Esnek E.Y.F.	7,766,650,677	352,510,251	92,233,349,323	4,186,287,259
Kamu Borçlanma Araçları Standart E.Y.F.	7,763,513,842	256,544,813	192,236,486,158	6,352,454,685
Büyüme Amaçlı Esnek E.Y.F.	3,204,292,488	80,333,162	196,795,707,512	4,933,668,387
Katkı E.Y.F.	21,507,871,370	278,894,282	978,492,128,630	12,688,107,433
Başlangıç E.Y.F.	-	-	1,000,000,000,000	-
Başlangıç Katkı E.Y.F.	-	-	1,000,000,000,000	-
Total		2,342,106,532		49,681,261,805

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

	31 December 2017			31 December 2016		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	36,589	243,318,742	241,543,502	4,487	5,936,176	5,909,949
Group	167,009	187,636,337	187,632,542	30,653	149,780,592	148,542,685
Total	203,598	430,955,079	429,176,044	35,140	155,716,768	154,452,634

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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 2017			31 December 2016		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	6,381	166,135,428	166,055,092	3,964	85,716,229	85,688,655
Group	3,895	5,358,167	5,358,168	92	1,015,518	1,015,495
Total	10,276	171,493,595	171,413,260	4,056	86,731,747	86,704,150

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 2016: 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 2017			31 December 2016		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	31,703	444,127,267	429,026,210	24,618	290,851,432	281,944,765
Group	33,460	77,735,676	92,947,236	6,292	42,311,933	41,395,282
Total	65,163	521,862,943	521,973,446	30,910	333,163,365	323,340,047

19 Trade and other payables, deferred income

	31 December 2017	31 December 2016
Payables from pension operations	3,003,963,260	2,394,119,663
Provisions for taxes and other similar obligations	3,312,220	2,276,932
Due to related parties (Note 45)	2,423,543	924,112
Payables from insurance operations	2,176,378	2,570,430
Short/long term deferred income and expense accruals	-	134,271
Other miscellaneous payables and liabilities	39,787,153	37,424,611
Total	3,051,662,554	2,437,450,019
Short-term	108,538,376	93,448,778
Medium and long term	2,943,124,178	2,344,001,241
Total	3,051,662,554	2,437,450,019

As at 31 December 2017 and 31 December 2016, 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 2017 and 31 December 2016 are detailed below:

	31 December 2017	31 December 2016
Payables to reinsurers	429,120	923,651
Payables to agencies	839,956	1,106,191
Payables to policyholders	907,302	540,588
Total payables arising from insurance operations	2,176,378	2,570,430

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(Currency: Turkish Lira (TL))

Corporate tax provision and prepaid taxes are disclosed below:

	31 December 2017	31 December 2016
Corporate tax	-	-
Prepaid taxes during the period	(2,477,991)	(1,758,764)
Corporate tax payable/(Prepaid corporate tax), net	(2,477,991)	(1,758,764)

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

None.

20 Financial liabilities

As of 31 December 2017, the Company's financial liabilities consist of TL 29,186 credit card loans. (31 December 2016: TL 5,658).

21 Deferred taxes

As of 31 December 2017, the Company has total TL 112,175,118 (31 December 2016: TL 102,480,104) carry forward losses and the Company has not accounted deferred tax asset for these losses in the financial statements as of 31 December 2017 with taking into account of future taxable profit expectations. As of 31 December 2017 unaccounted deferred tax is TL 22,435,024 TL (31 December 2016: TL 20,496,021).

As at 31 December 2017 and 31 December 2016, the details of unused carry forward losses and expiry dates are as follows:

Expiry date	31 December 2017	31 December 2016
2017	12,314,825	12,314,825
2018	31,943,332	31,943,333
2019	33,287,360	33,287,360
2020	20,189,442	20,189,442
2021	14,440,159	4,745,144
	112,175,118	102,480,104

As at 31 December 2017 and 2016, the detailed analysis of the items for deferred tax assets and liabilities are as follow:

	31 December 2017	31 December 2016
	Deferred tax	Deferred tax
	assets/(liabilities)	assets/(liabilities)
Carry forward losses	22,435,024	20,496,021
Provision for employee termination benefits	273,803	215,931
Provision for unused vacation	449,167	270,348
Expense accruals	6,727,646	5,780,628
Tangible and intangible assets	(1,969,760)	(1,417,162)
Other temporary differences	(1,318,267)	(1,486,056)
Provision for offset	1,831,988	1,236,076
Deferred tax assets, net	28,429,601	25,095,786
Unrecorded deferred tax asset	(22,435,024)	(20,496,021)
Unrecorded deferred tax asset, net	5,994,577	4,599,765

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 2017 financial statements in deferred tax calculations and for the portion exceeding three years, 20 percent is used.

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For the years ended 31 December 2017 and 31 December 2016, the movement of deferred tax assets/(liabilities) are as follows:

	31 December 2017	31 December 2016
Opening balance	4,599,765	2,856,804
Charged to income statement	1,394,812	1,731,319
Charged to equity	-	11,642
	5,994,577	4,599,765

22 Retirement benefit obligations

None (31 December 2016: None).

23 Provision for other liabilities and charges

As at 31 December 2017 and 31 December 2016, the details of the provisions for other risks are as follows:

	31 December 2017	31 December 2016
Provision for commissions expense	18,996,705	17,520,153
Provision for premium expense	5,018,993	5,010,668
Provision for invoice expense	3,630,144	3,494,032
Provisions for lawsuits	2,546,100	2,488,038
Provision for vacations	2,041,667	1,351,740
Provision for other expenses	388,265	390,250
Total	32,621,874	30,254,881

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

	31 December 2017	31 December 2016
Provision for unused vacation at the beginning of the period	1,079,654	776,347
Interest cost	363,499	285,320
Service cost	342,578	329,692
Payments during the period	(416,716)	(311,705)
Provision for unused vacation at the end of the period	1,369,015	1,079,654

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

	31 December 2017	31 December 2016
Employee termination benefits at the beginning of the period	1,351,740	988,015
Payments during the period	(85,302)	(101,469)
Provisions during the period	775,229	465,194
Provision for employee termination benefits at the end of the period	2,041,667	1,351,740

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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 2017, entrance fees charged to life insurance policyholders amounts to 6,493,598 TL

(31 December 2016: 5,651,472 TL).

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 2017	31 December 2016
Claims paid, net off ceded	40,968,780	29,314,641
Change in provision for outstanding claims, net off ceded	5,640,057	(2,308,684)
Change in reserve for unearned premium, net off ceded	10,754,124	1,805,228
Change in equalization reserve	2,908,578	1,567,477
Change in life mathematical provisions	9,544,493	4,601,980
Total recognized in the statement of income	69,816,032	34,980,642

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.

Notes to the Financial Statements

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(Currency: Turkish Lira (TL))

32 Expenses by nature

For the years ended 31 December 2017 and 2016, expenses by nature are disclosed as follow:

	31 December 2017			Total
	Life	Non-Life	Pension	
Acquisition commission expenses (Note17)	77,274,472	11,506,274	23,052,951	111,833,696
Employee benefit expenses (Note 33)	27,339,606	3,056,271	25,994,693	56,390,570
Commission income from reinsurers	(144,333)	(670,152)	-	(814,485)
Management expenses	7,295,030	760,727	7,831,356	15,887,113
Marketing and sales expenses	3,909,498	495,926	4,175,768	8,581,193
Expenses for services received	6,835,823	859,823	5,959,612	13,655,258
Deferred acquisition expenses	23,789	(4,352,576)	-	(4,328,787)
Total	122,533,885	11,656,293	67,014,380	201,204,558

	31 December 2016			Total
	Life	Non-Life	Pension	
Acquisition commission expenses (Note17)	57,944,952	4,958,077	19,239,555	82,142,584
Employee benefit expenses (Note 33)	21,830,212	2,552,474	24,841,783	49,224,469
Commission income from reinsurers	(580,064)	(99,624)	-	(679,688)
Management expenses	6,459,260	1,084,383	6,187,670	13,731,313
Marketing and sales expenses	8,247,334	1,221,681	7,521,387	16,990,402
Expenses for services received	5,416,341	578,263	3,691,889	9,686,493
Deferred acquisition expenses	(510,242)	(450,445)	-	(960,687)
Total	98,807,793	9,844,809	61,482,284	170,134,886

33 Employee benefit expenses

For the years ended 31 December 2017 and 2016, the details of employee benefit expenses are as follows:

	31 December 2017			Total
	Life	Non-Life	Pension	
Wages and salaries	14,205,018	1,788,522	12,426,432	28,419,971
Employer's share in social security premiums	2,296,030	288,627	2,005,632	4,590,289
Bonus, premium and commissions	2,654,723	334,651	2,323,415	5,312,789
Employee termination benefits and unused vacation expenses	150,677	19,356	132,142	302,175
Other benefits	8,033,158	625,115	9,107,072	17,765,346
Total	27,339,606	3,056,271	25,994,693	56,390,570

Notes to the Financial Statements

As at 31 December 2017

(Currency: Turkish Lira (TL))

	31 December 2016			
	Life	Non-Life	Pension	Total
Wages and salaries	11,304,340	1,464,925	11,767,772	24,536,806
Employer's share in social security premiums	1,796,370	232,797	1,870,402	3,899,569
Bonus, premium and commissions	2,007,879	260,206	2,090,627	4,358,712
Employee termination benefits and unused vacation expenses	225,533	29,227	234,828	489,588
Other benefits	6,496,321	565,319	8,878,154	15,939,794
Total	21,830,212	2,552,474	24,841,783	49,224,469

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.

35 Income taxes

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

	31 December 2017	31 December 2016
Provision for corporate tax:		
Provision for corporate taxes	-	-
Deferred taxes:		
Arising from origination (+)/ reversal (-) of taxable temporary differences		
total income tax expense recognized in profit or loss	(1,394,812)	(1,731,319)
Total income tax expense recognized in profit or loss	(1,394,812)	(1,731,319)

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 for the years ended 31 December 2017 and 31 December 2016 is as follows:

	1 January - 31 December 2017		1 January - 31 December 2016	
	(4,843,384)	Tax rate (%)	17,884,045	Tax rate (%)
Loss before tax				
Income tax provision by legal tax rate	968,677	(20.00)	3,576,809	(20.00)
Current year losses for which no deferred tax is recognised	-	-	(949,029)	5.31
Change in tax rate	(353,526)	7.3	-	-
Previous years tax base change effect	(1,939,003)	40.03	(963,622)	5.39
Other	(70,960)	1.47	67,161	(0.380)
Total tax income recognized in income statement	(1,394,812)	28.8	(1,731,319)	(9.68)

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 2016: None).

Notes to the Financial Statements**As at 31 December 2017**

(Currency: Turkish Lira (TL))

38 Dividends per share

The company has net loss amounting to TL 3,448,572 in accordance with applicable accounting standards (31 December 2016: 16,152,726). 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 2016: None).

41 Redeemable preference shares

None (31 December 2016: None).

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 2017	31 December 2016
Outstanding claims lawsuits against the Company	7,083,580	4,807,674
Personnel lawsuits against the Company	1,800,322	1,746,948
Premium return lawsuits against the Company	127,018	107,001
Other lawsuits against the Company	618,760	634,089
Total	9,629,680	7,295,712

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:

TL commitments	31 December 2017	31 December 2016
Less than 1 year	-	-
More than 1 year less than 5 years	632,586	500,724
More than 5 years	-	-
Total of minimum rent payments	632,586	500,724

US Dollar commitments	31 December 2017	31 December 2016
Less than 1 year	-	-
More than 1 year less than 5 years	261,950	261,950
More than 5 years	-	-
Total of minimum rent payments	261,950	261,950

Notes to the Financial Statements

As at 31 December 2017

(Currency: Turkish Lira (TL))

44 Business combinations

None (31 December 2016: None).

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 2017 and 31 December 2016, the related parties and their related transactions are as follows:

	31 December 2017	31 December 2016
Extra Sigorta Aracılık Hizmetleri A.Ş.	14,602,174	10,252,078
Ünlem Sigorta Aracılık Hizmetleri A.Ş.	6,337,556	4,875,329
Sigortaofisi Plus Sigorta Aracılık Hizmetleri A.Ş.	5,044,652	4,473,543
Makinist Vip Sigorta Aracılık Hizmetleri A.Ş.	3,038,309	2,438,326
Due from Related Parties	29,022,691	22,039,276
NN Continental Europe Holdings B.V.	1,147,338	-
Ünlem Sigorta Aracılık Hizmetleri A.Ş.	527,431	109,135
Extra Sigorta Aracılık Hizmetleri A.Ş.	454,417	40,240
Makinist Vip Sigorta Aracılık Hizmetleri A.Ş.	180,956	88,380
Sigortaofisi Plus Sigorta Aracılık Hizmetleri A.Ş.	88,010	10,892
Personele borçlar	25,391	463,077
NN Management Services, S.R.O.	-	190,933
NN Ras	-	21,455
Due to Related Parties	2,423,543	924,112
NN Continental Europe Holdings B.V.	9,994,383	9,788,306
NN Management	2,176,917	2,899,657
NN RAS	167,411	143,886
NN Lease	67,120	-
NN Zivotni Pojtitstovna N.V.	-	9,153
Service expenses	12,405,831	12,841,002

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

At 26 January 2018, the Company transferred 50% share of Sigortaofisi Plus Sigorta Aracılık Hizmetleri A.Ş. (previous commercial title EMK Sigorta Aracılık Hizmetleri A.Ş.) to a third party corporation free of charge.

Even though the Company's share is 50% in subsidiary that mentioned above, it has been resolved to give multiple voting rights for NN Hayat ve Emeklilik A.Ş. as a group shareholder with change in the Articles of Association and there will be 2 members as representative of a group shareholders in board of directors. Therefore, NN Hayat ve Emeklilik A.Ş. has a control power over management of the entity and leading their policies.

Notes to the Financial Statements

As at 31 December 2017

(Currency: Turkish Lira (TL))

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 2017	31 December 2016
Deposits and guarantees given	54,844	135,726
Other miscellaneous receivables	272,990	144,979
	327,834	280,705

Other liabilities	31 December 2017	31 December 2016
Payables to vendors	3,660,449	3,935,000
	3,660,449	3,935,000

“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 2017 and 31 December 2016, details of the resdicount and provision expenses are as follows:

	31 December 2017	31 December 2016
Provision for unused vacation	689,927	363,725
Provision for employee termination	289,361	303,307
Other (provision no longer required)	(874,999)	271,646
Provision for doubtful receivables	(1,449,178)	876,006
Provision for agent commission expense	-	644,974
Provisions account	(1,344,889)	2,459,658

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