

Risk Management Policy

The risk management policies of Türkiye Hayat Emeklilik are subject to regular review in line with market conditions.

The risks that are assessed in the risk management process are as follows:

Underwriting Risk

These are the risks deriving from signed insurance contracts, and they can be illustrated by concentrations resulting from failure to select the insured risks in a healthy manner, failure to set the insurance premiums at a level sufficient to cover future damages, and failure to distribute risks.

When preparing tariffs and determining individual pricing, market conditions, reinsurance agreements, turnover, profitability, and targets for sustainable growth are all taken into consideration.

Each year, technical service directorates determine and update which risks to be covered under which circumstances at the agency, regional directorate and head office levels by utilizing the reinsurance treaties and past claims experiences within the framework of risk acceptance principles. Application principles booklet that includes the underwriting principles and also defines how and to whom insurance products may or may not be sold under which circumstances is distributed to sales channels each year for information purposes.

The determination of retention ratios by branches and conditions of treaties to be purchased is carried out by the Reinsurance and Special Risks Directorate and Senior Management. This decision-making process takes into account various factors, including

the Company's customer portfolio, past claims data, projected business volume for the upcoming year, equity structure, and prevailing market conditions. Risks that are not included in reinsurance treaties, surpass the terms and capacities of the treaty, or disrupt the Company's treaty balance are provided assurance by making use of domestic and international optional reinsurance support.

Credit Risk

Credit risk refers to the probability of nonfulfillment of liabilities towards the Company by the parties having a significant relationship with the Company. The Company's primary sources of credit risks include reinsurance transactions and outstanding premium receivables from agencies. The Company follows up receivables arising from insurance operations within the frame of collection policies, and limits them via coverage policies established. When considering reinsurers, the "List of Reinsurance Companies Satisfying Financial and Technical Criteria" established by the T.R. Ministry of Treasury and Finance is taken into account, along with the credit ratings of reinsurers, and the Company closely monitors how market conditions may affect these ratings.

Market Risk

The consideration of potential losses in the values of the instruments held in the Company's portfolio due to changes in interest rates and exchange rates falls under the purview of market risk. The monitoring of these risks is conducted through the preparation of reports for foreign exchange positions and securities.

Liquidity Risk

Liquidity risk is a potential threat that the Company will be unable to fulfill its due liabilities. This risk arises from the inability to sell and liquidate assets, particularly when cash is required. When the terms of assets are longer than the terms of liabilities, liquidity risk increases.

The cash flow of the Company is monitored on daily, weekly and monthly basis, and assets and liabilities are managed by tracking maturity mismatches and foreign currency positions via the balance sheet.

Operational Risks

It is the risk of direct or indirect loss caused by inadequate or unsuccessful internal processes, employees, or systems, or by external events.

With the prepared procedures, the practices that must be followed in the Company's activities and processes have been documented, and the job descriptions of the employees involved in the processes have been formalized. The Board of Directors, General Manager, and Assistant General Managers define the authorizations of business units and users, as well as the approval mechanisms to be implemented in processes, within the scope of written guidelines and procedures.