



# Corporate profile

- Anadolu Hayat Emeklilik, a subsidiary of İşbank, was founded in 1990 as Turkey's first life insurance company.
- As the country's leading life insurer, Anadolu Hayat Emeklilik was also one of the founders of the private pension system that was launched in Turkey in the last quarter of 2003. On October 27th of the same year, the Company began offering its first private pension products to customers.
- After restructuring itself to comply with the requirements of the private pension system, Anadolu Hayat Emeklilik immediately began putting its leadership and customer-focused approach to service in life insurance to work in the business of private pensions.

## In 2003 Anadolu Hayat Emeklilik

TL  
422  
Trillion

**total premium  
production**

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- Premium production up 68% year-on.
- First private pension contract signed on 27 October 2003.
- Agent network reaches 429.

- Headquartered in İstanbul, Anadolu Hayat Emeklilik operates through six regional offices (two in İstanbul and one each in Ankara, Adana, Bursa, and İzmir), a branch in the Turkish Republic of Northern Cyprus, and a direct marketing team as well as 849 branches of its parent, İşbank, and 429 agents located all over Turkey in order to provide customers with high-quality and high value-added products and services.

- Anadolu Hayat Emeklilik is the first and only private pension company publicly-traded in Turkey. The Company's shares are traded on the İstanbul Stock Exchange's National Market under the code name ANHYT.

Anadolu Hayat Emeklilik is a company which embodies the absolute best in modern private pension and life insurance products, whose corporate culture is strong, and which is committed to maintaining its acknowledged reputation as the best service provider in the insurance industry.

TL  
**41.4**  
Trillion

**technical  
profit**

TL  
**1,465**  
Trillion

**total  
assets**

- Direct marketing team reaches 187.
- Customer Relations Unit responds to nearly 130,000 calls in one year.
- Training activities for a total of 3,400 participants.
- [www.anadoluhayat.com.tr](http://www.anadoluhayat.com.tr) web site renovated.

# Our strategy

Anadolu Hayat Emeklilik's corporate strategy may be summed up as follows:

**Contributing to stable growth in private pensions, life and health insurance industries by ensuring product diversity capable of satisfying customers' needs and demands.**

Increasing its market share by combining its success in offering innovative products and creating value with an extensive service network.

**As part of the private pension system, providing its customers with financial security and enable them to save up for their retirement by taking advantage of its experience and effectiveness in the industry to achieve superior performance in the management of pension funds.**

Maintaining a level of profitability that is sustainable and above the market average.

Experience and effectiveness in the industry

# Our mission

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

Financial solutions that enhances the quality of people's life

# Our vision

To be the leading company in Turkey in all aspects of financial planning concerning the future of Turkey and the Turkish people.

# Financial highlights

	2003 TL Billion	2003 USD Thousand	2002 TL Billion	2002 USD Thousand
Total Premium Production*	422,206	282,778	251,690	167,143
Life	340,598	228,120	188,519	125,192
Health	81,608	54,658	63,171	41,951
Total Technical Profit*	41,395	27,725	46,263	30,722
Total Assets	1,464,506	1,049,197	1,015,265	621,147
Paid-in Capital	65,000	46,567	65,000	39,767
Shareholders' Equity	124,632	89,288	84,438	51,660
Financial Income*	75,470	50,547	40,585	26,952
Profit Before Tax*	72,883	48,814	57,070	37,899
USD/TL (year end)		1,395,835		1,634,501
* USD/TL (average)		1,493,067		1,505,839

## Selected ratios

	2003	2002
Technical Profit/Premium Production	10.09%	18.38%
Profit Before Tax/Total Assets	4.98%	5.62%
Profit Before Tax/Shareholders' Equity	58.48%	67.59%
Premium Production/Total Assets	28.83%	24.79%
Shareholders' Equity/Total Assets	8.51%	8.32%

# General Manager's message



**Mustafa Su**  
General Manager

The private pension system that we have all expended so much effort to set up and for which we have been conscientiously readying ourselves for such a long time, finally became operational on 27 October 2003 and six companies, Anadolu Hayat Emeklilik being one of them, began offering private pension products.



Distinguished shareholders, customers, and employees of Anadolu Hayat Emeklilik:

**2003 was both a successful and an important year for Anadolu Hayat Emeklilik.**

In this year's annual report we will be again presenting you with detailed information about our financial and operational results. In this year's message, I especially want to touch upon the business of private pensions and the importance of the year 2003 for our country, sector, and Company, followed by my thoughts about the future.

#### **The private pension system**

2003 was witness to an important new beginning for us all. The private pension system that we have all expended so much effort to set up and for which we have been conscientiously readying ourselves for such a long time, finally became operational on 27 October 2003 and six companies, Anadolu Hayat Emeklilik being one of them, began offering private pension products.

As we are engaged in the insurance business, we have examined the private pension systems of other countries throughout our professional career. We never cease to be amazed by the tremendous financial power that these systems represent in their economies and by the security that they imply for people's futures. We firmly believed in the need to set up a system like this in Turkey and was determined to be a part of the effort.

In that respect, 2003 was a watershed year for Turkey. It is my earnest wish and belief that our new private pension system will be beneficial for us all.

#### **Our responsibility**

As we approached the year 2000, Turkey's financial sector began sending out signals of impending changes. Nearly two decades of chronic high inflation had debilitated the economy to such a degree that the ensuing economic crisis caused losses for every segment of society from households to businessmen and from small and medium-sized companies to the insurance industry of which we are a part. That crisis resulted in a severe contraction in macroeconomic activity.

The outcome of this process was that crucial questions began to be asked about the concept of transparency, particularly in the structure of the financial system, and radical steps were taken in the direction of achieving a sustainable economic balance. Another important development that was concurrent with this was the passage of a law that made it possible to set up a private pension system.

It is common knowledge that the most serious and chronic problems faced by the social security system in our country stem from the system's actuarial and structural shortcomings. Indeed, social security reform has been on the agenda of every government elected in recent years. In that respect, the private pension system which represents one of the most important steps taken towards the rehabilitation of that system has been specifically designed to complement the existing social security system in our country.

We number among the founders and service providers of a system that is of direct concern to people's futures and was inaugurated at a time when public confidence in the financial system had been seriously impaired as a result of the economic crises. It is essential that in the conduct of our business we pay the utmost attention to the issues of:

- **thoroughness**
- **fairness**
- **ethical principles.**

Transparency to public view and accountability to each and every one of our participants are two other vital elements of the responsibility that we bear.

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Yet another important matter that we must always keep in mind is the tremendous potential of the private pension system. We foresee that in the medium term, the private pension system will become one of the most important cornerstones of our country's financial sector.

#### Guaranteeing the future

A private pension is one of the most important assets that a person can own to guarantee his future. This fact in turn makes it necessary for us to think on a long-term basis and to invest the funds entrusted to us correctly and insightfully so that they continue to generate satisfactory returns in the future.

The objective of the private pension system is to make it possible for people to enjoy during retirement years, the same standard of living that they are accustomed to while actively working. This goal is the most fundamental promise of the private pension system and of private pension products. The ability to think on a long-term basis and achieving the right balance among product/risk/return is critically important for ensuring the sustainability of a private pension system.

By their very nature, private pension products provide the basis for a partnership that will extend over many years. A private pension contract is not a term insurance policy: it encompasses a period of time that is supposed to last until the person retires. This is why private pension contracts are not alternatives to life insurance policies, as many people seem to think; they complement them. Everyone who is interested in guaranteeing his future is also going to be interested in private pension products. These individuals will choose plans that best suit their needs and expectations as a way of alleviating their concerns about the future and of ensuring that they can enjoy their current standard of living during their golden years as well.

#### Anadolu Hayat Emeklilik

As we said last year, we are a company that strives continuously to create "a better future" for all its stakeholders. We have accomplished much already in this direction but we also know that we need to work even harder and do even more in the future.

Thanks to the continuous efforts and preparations that we have been making for such a long time, we are now positioned as one of the strongest and the best service providers in the business of private pensions. Our team, our technological infrastructure, the pension plans that we have designed, and most important of all the high added value inherent in our trademark have resulted in increasing number of people choosing us as their solution partner since the private pension system was launched on 27 October 2003.

Anadolu Hayat Emeklilik's goal is to achieve solid growth and be the market leader in the business of private pensions just as it is in life insurance. We have set for ourselves a target of controlling at least a 20% share of the private pension market in the near future.

#### Performance

2003 was a year of successful financial and operational results.

Anadolu Hayat Emeklilik continued to perform successfully as the leader of the life insurance industry in all its financial and operational parameters, particularly in premium production. In 2003 our Company generated TL 340.6 trillion as premium income in life insurance, an 81% year-on increase over the previous year's figure of TL 188.5 trillion and continued its leadership by increasing its market share from 28% to 33%.

This tremendous increase in premium production was 63 points higher than the posted 18.4% rate of consumer price index in 2003.

We are a company that strives continuously to create "a better future" for all its stakeholders.

The year-on increase in premiums on new life insurance policies issued in 2003 was 211%. Total premium production in all branches including health in 2003 amounted to TL 422.2 trillion.

In 2003, Anadolu Hayat Emeklilik generated a profit of TL 72.8 trillion and the increase in the profit per share was 75.8%. We are proud of the picture that emerges from this brief summary and we owe it all to the dedicated efforts of the Anadolu Hayat Emeklilik team.

#### Looking ahead

The future is full of new prospects and opportunities. As change continues to dominate national and international markets, Anadolu Hayat Emeklilik will continue to manage change and create added value.

The quantitative results achieved in the first few months since the launching of the private pension system are encouraging both for our country and for our Company. The interest that people are showing in the private pension system at a time when our national economy has only recently emerged from crisis is the proof of a potentially huge target market.

As I noted above, providing the security for the future imposes an important professional responsibility on us. We are under an obligation to treat everyone who chooses to work with us fairly and to give them the best service. Thanks to the great strength that is derived from its membership in the İşbank family as well as to its own unrivaled corporate competencies, Anadolu Hayat Emeklilik continues to fulfill these heavy responsibilities with ever-increasing performance.

As a result of this process, the security that we provide for each of our participants' futures will be stronger, our Company's profitability will be greater, and the gains for Turkey will be better.

Anadolu Hayat Emeklilik will continue to grow and strengthen its position as the sector's leader.

2004 will be a year of low inflation and a year in which the country's insurance and new private pension system will be put to an important test. Our Company is determined to serve more customers even more effectively while never sacrificing anything of its service quality and low cost base.

I have full faith that we will achieve all the corporate goals that we have set for ourselves in 2004 and the years that follow. I am equally sure that each of our Company's employees will continue to fulfill his duties both as an individual and as a member of our team.

In closing, we extend our thanks to our customers, our employees, our agents and our shareholders of more than 50,000, foremost of which is our parent company İşbank.

Best regards,



**Mustafa Su**  
General Manager

Anadolu Hayat  
Emeklilik will  
continue to grow  
and strengthen its  
position as the  
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# Macroeconomic developments in 2003



Efforts to ensure sustained economic growth continued throughout 2003.

The country's chronically high inflation decreased and headed quickly for the single-digit range. Most of the parameters of economic performance, particularly consolidated budget and foreign trade, were in accordance with the program targets.

- The policy of covered inflation targeting that was introduced in 2002 continued to be successfully implemented in 2003. By means of floating exchange rates, the Central Bank employed short-term interest rates as its basic policy instrument in combating inflation. An intensive effort was made in order to satisfy monetary performance criteria and achieve targeted indicators within the framework of the program implemented with the IMF.
- The intervention in Iraq in the first quarter of 2003 resulted in market volatilities and increased costs that led to some deviations from consumer price inflation targets.
- This extraordinary period however did not last long and inflation resumed in line with projections continued to decline.
- The factors that contributed to the decline in inflation particularly in June were the appreciation of the Turkish lira against major foreign currencies, a decline in real wages, lower costs resulting from increases in productivity, an observed slowdown in food and agricultural commodity prices, public-sector pricing in line with inflation targets, and a lack of any serious pressure from domestic demand.
- On the investment front, there appears to have been an increase in total fixed capital investments during the first half of 2003 that originated in the private sector. Public-sector investments on the other hand remained low because of tight fiscal policies.
- GNP growth, which was 7.8% in 2002, amounted to 5.9% in 2003.
- One of the fundamental objectives of the program was to reduce real interest rates to manageable levels and ensure the long-term sustainability of public debt. With inflation dropping even below the target of 20%, CPI and WPI were 18.4% and 13.9% respectively; and the borrowing interest rates reduced in both nominal and real terms.
- After the economic crisis, Turkey's stock market remained flat for the last two years. This situation changed in the last quarter of 2003. In response to favorable economic performance and lower rates of real interest in the market for government bonds and treasury bills, funds that had been flowing into capital markets returned to the stock exchange and the ISE indices began to rise. The National-100 index, which started 2003 at 10,369.90, closed it at 18,625.02 with a rise of 79.6%.

With inflation dropped even below the targets, CPI and WPI were 18.4% and 13.9% respectively.

# The private pension system

The private pension system is a special system that allows individuals to save regularly during their earning years and build up assets by means of these savings being invested so that they will have a dependable source of income when they retire.

**16 May 2000...** The Private Pension Savings and Investment System Act is submitted to the Presidency of the Grand National Assembly of Turkey.

**28 March 2001...** The Private Pension Savings and Investment System Act, improved in line with the views and recommendations of the Ministry of Finance, the Ministry of Labor and Social Security, the Undersecretariat of Treasury, and the Capital Market Board is passed by Parliament as a part of social security reform.

**7 April 2001...** The Private Pension Savings and Investment System Act is published in issue 24366 of the Official Gazette.

**7 October 2001...** The Private Pension Savings and Investment System Act officially goes into effect.

**28 February 2002...** "Regulations Concerning the Foundation and Operating Principles of Private Pension Companies" published in issue 24681 of the Official Gazette sets out the general rules governing the operation of the system including principles and procedures concerning the foundation of pension companies, the commencement of their operations, their licensing, merger and assignments.

**27 October 2003...** The private pension system becomes operational.

Between October 27th and December 15th of the same year, eleven companies were licensed and began selling private pension products.

### The private pension system in brief

The private pension system is a special system that makes it possible to

- Improve the level of affluence of people in their retirement years by providing them with a second source of income.
- Create new business and employment opportunities through the system's generation of resources for infrastructure and long-term investments.
- Expand the scope of social security while reducing the burden that social security imposes on the public sector.
- Create long-term funding for the financial sector allowing it to function more soundly while also contributing to its stable growth.
- Reduce market volatility and speculation through corporate investment strategies.
- Deepen the country's capital markets.

### EGM (Pension Monitoring Center)

EGM (Pension Monitoring Center) was founded on 10 July 2003 pursuant to the Private Pension Savings and Investment System Act and the assignment and authorization of the Prime Ministry Undersecretariat of Treasury in accordance with the legislation.

EGM is responsible for ensuring that the private pension system in Turkey operates securely and effectively and, for the purpose of protecting the rights and interests of the participants in the system, developing and maintaining a database that will assist public authorities (the Undersecretariat of Treasury and the Capital Market Board specifically) in making decisions and also for being a source of reliable information for the public.

EGM's shareholders are the Undersecretariat of Treasury with class A shares and 11 companies licensed to operate in the system with equal class B shares.

### Private Pension System: Initial performance results

The number of participants of the system that has become operational on 27 October 2003 reached 15,245 people as of 31 December 2003.

As the number of participants in the system increases, the total pool of funds available for investment in the system is also increasing. The amount of funds reached TL 5.7 trillion as of 31 December 2003.

The view of companies in the sector is that the pension funds will grow to USD 2.5 billion within five years' time and reach USD 10 billion within a decade.

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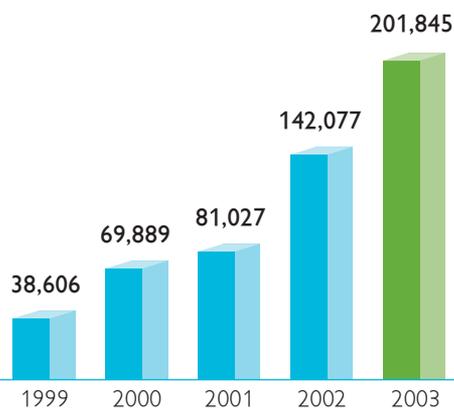
# Life insurance in 2003



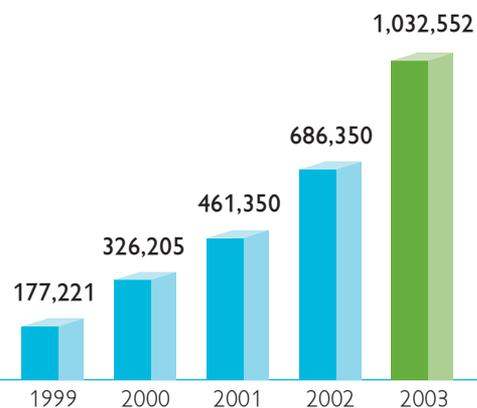
The total premium production of life insurance companies reached TL 1,032,552 billion by an 50.44% year-on increase in 2003.

- The life insurance industry is important to a national economy because of its ability to generate long-term funding. As in previous years, life insurance in 2003 was once again an important source of insurance companies' premium production.
- Mathematical and profit share reserves in the life insurance branch continued to grow. These reserves, which represent policyholders' savings, increased 39% in 2003 year-on and amounted to TL 3,022,563 billion.
- Life insurance companies' technical profits also increased 42% year-on in 2003 and amounted to TL 201,845 billion.

**Technical profit (TL Billion)**



**Total premium production (TL Billion)**



Source: Association of the Insurance and Reinsurance Companies of Turkey

# Anadolu Hayat Emeklilik: review and strategies



• Anadolu Hayat Emeklilik's goal is to carry on its undisputed leadership in the life insurance industry into performance and success in the newly-launched business of private pensions as well.

• **By means of the transformation projects that it has been carrying out for the last two years, Anadolu Hayat Emeklilik has developed and implemented a corporate strategy and business plan to accomplish this goal.**

• Anadolu Hayat Emeklilik is licensed in compliance with the requirements of the legislation. The Company set up its private pension department in 2003, completed its reorganization as required, and carried out designing private pension products.

• **Anadolu Hayat Emeklilik has set its targets on providing more private pension and life insurance products to more people. The synergy and extensive service network arising from its cooperation with İşbank and agents will play an important role in achieving this goal as the Company's plain and effective organizational structure.**

• The Company continued to develop its relationships with its agents during 2003. These relationships, which are based on mutual communication and productivity, remained highly beneficial for all concerned.

• **As part of the restructuring activities, intensive training programs were organized in which company and İşbank employees as well as agents took part. Participants received professional training programs on such issues as the private pension system, products and services, and business strategies.**

• Customer satisfaction is a matter of the utmost importance for Anadolu Hayat Emeklilik. The Company puts the complete satisfaction of all its policyholders and participants ahead of everything else and focuses on the customer in all its corporate decisions and practices.

• **Anadolu Hayat Emeklilik successfully defended its leading position in life insurance in 2003 while also increasing its market share from 28% to 33%.**

• Anadolu Hayat Emeklilik considers that the implementation of Corporate Governance Principles is at least as important as its financial performance as a company. The Company sees these principles not only as being of great benefit to the development of both national and international capital markets but also as being in its best interests.

• **Anadolu Hayat Emeklilik believes that, to the best of its ability, it is already in compliance with most of these corporate governance principles. The remaining principles which are exceptional in their nature and which to date have never been the cause of any conflict of interests are sought to be implemented systematically under a certain plan.**

Anadolu Hayat Emeklilik has the competence to defend and build upon its existing competitive strength and contribute to the growth and development of its sector as well by creating added value in 2004 and thereafter.

Anadolu Hayat Emeklilik, has set its targets on providing more private pension and life insurance products to more people.

**Private pensions: A new business line that we have been preparing for a long time**

Anadolu Hayat Emeklilik is justifiably proud to be one of the first service providers active in the private pension system when it officially became operational on 27 October 2003.

Anadolu Hayat Emeklilik applied to the Undersecretariat of Treasury on 25 April 2002 to transform itself into a pension company. The Undersecretariat granted its preliminary authorization on 17 January 2003. Our Company applied for the operating license that is required by law on 30 April 2003. This license was granted on 7 July 2003 after the Undersecretariat of Treasury had completed its review of Anadolu Hayat Emeklilik and determined that the Company was in compliance with laws and regulations.

On 14 July 2003 Anadolu Hayat Emeklilik applied to the Capital Markets Board of Turkey (CMB) to set up the 9 different pension funds on which its private pension plans would be based. CMB authorized the establishment of these funds on 1 August 2003. Having received the licenses needed to set up the funds, the Company focused its attention on developing the pension plans that it would be offering to its participants in the private pension system. 55 different pension plans were prepared (Future Pension Plan, Standard Pension Plans for Groups (53), Transfer Plan).

**The Private Pension Business Development Project**

During 2003, Anadolu Hayat Emeklilik developed its business plan and financial model in accordance with its Private Pension Business Development Project in which processes were designed for each stage from the beginning of an agreement with a customer to the customer leaving the system. In the same context, the data processing infrastructure was also designed and product development activities were carried out.

The approach that was taken in the course of product design activities was considering the needs of the targeted customer segment and its priorities with respect to the features of pension products. As a result of this approach, particular attention was given to developing products that incorporated pension fund options that spanned all types of securities and risk/return categories.

Development of the Company's technological infrastructure included designing and testing of application software, designing and developing the private pension web site, designing the interactive voice response system, and complying with the data integration requirements of other organizations such as EGM and ISE Settlement and Custody Bank. Similarly, the task of installing the infrastructure needed to integrate with the pension fund operator, İşbank and other delivery channels was also successfully completed on schedule.

As of the date on which the system became operational, the Private Pension Department began providing support services in the form of accepting applications, drawing up agreements, making collections and payments, customer-related services, daily reports, sales and operational support for İşbank branches and for agents, designing new documents, updating the web site, and on other issues whenever needed by marketing, communication, or data processing departments.

The approach that was taken in the course of product design activities was considering the needs of the targeted customer segment and its priorities with respect to the features of pension products.

### Extensive and intensive marketing activities

Marketing activities are vitally important for Anadolu Hayat Emeklilik.

The Company's marketing and service network consists of a direct marketing team of 187 people, 849 İşbank branches, and 429 agents. In addition to its marketing and service network, Anadolu Hayat Emeklilik also makes use of the internet as an alternative delivery channel in order to reach new customers and serve existing ones.

2003 was a year of intensive marketing activities. Anadolu Hayat Emeklilik continued to market life insurance products throughout the year.

Although private pension products could not be sold before 27 October 2003, initial promotional and marketing activities began in August and gained pace in September. In this process, face-to-face meetings and presentations were used to reach potential corporate customers who were identified on the basis of our existing agency channels and incoming requests as well as by the Marketing Department. Promotional stands were also set up at potential corporate customers' premises through which access to as many individuals as possible was gained.

İşbank and its equities stand for a tremendous target audience for private pension products. Considering this as a crucial fact, Anadolu Hayat Emeklilik prepared a group pension plan specially designed for the employees of İşbank and its equities. Promotional activities were carried out at 23 companies resulting in 914 contracts being signed.

### Direct Marketing Team

The Direct Marketing Team, which commenced marketing and sales activities in the first quarter of 2002 with just 17 people, grew rapidly in size in response to the successes that were achieved and it reached 187 in number by the end of 2003.

Anadolu Hayat Emeklilik attaches great importance to direct sales due to its key role in making individuals and organizations aware of private pension products and as a way of achieving significant increases in quantity and volume. The Direct Marketing Team's activities and sales are tracked regularly on a weekly and monthly basis, performance is measured, and the successful team members are rewarded with incentives.

### Developments in bancassurance

849 İşbank branches located all over Turkey offer life insurance and private pension products as agents of Anadolu Hayat Emeklilik.

This synergic and intensive cooperation represents one of the most successful examples of bancassurance in our country. The cooperation between our Company and the Bank continued to grow in 2003 with a 30.1% share of our Company's initial premium production in profit sharing life insurance policies.

İşbank branches also engaged in two life insurance campaigns (1 November 2002-30 June 2003 and 1 July 2003-31 December 2003) and one private pension campaign (27 October 2003-7 November 2003). This cooperative effort was encouraged through awards in recognition of individual branches' success.

Anadolu Hayat Emeklilik will continue to cooperate closely with İşbank branches in the new business of private pension products.

#### Customer satisfaction oriented service approach

Customer satisfaction is the core of Anadolu Hayat Emeklilik's service philosophy.

Anadolu Hayat Emeklilik gives special importance to reach sustainable customer satisfaction in all its product sales activities. The Company regards the customer as the focal point of all its corporate decisions and actions. At every stage of the service process from product design to the ways in which products are presented, the Company regards of the needs and demands of the customer as it seeks to maintain a customer portfolio of satisfied policyholders. This approach also defines the way that Anadolu Hayat Emeklilik perceives its customers.

The Customer Relations Unit plays an important role in achieving continuous customer satisfaction. In 2003, the unit responded to nearly 130,000 phone calls of which 121,775 were concerned with life insurance products and 6,167 with private pension system issues. This unit is also responsible for contacting policyholders whose premium payments are in default, whose policies are about to expire or have expired, and who make payments with credit cards. The effectiveness and speed with which the unit responds and redirects customer queries contribute significantly towards increasing customer satisfaction.

The Customer Relations Unit also engages in sales-oriented telemarketing activities. Requests that are received over the internet are also responded by telephone and transformed into a policy.

Anadolu Hayat Emeklilik focuses on increasing usage of its call center and the internet in its efforts to build upon customer relations and make sales.

#### Agent-related activities

As of year-end 2003 Anadolu Hayat Emeklilik was working with 429 agents. This figure represents a year-on net increase of 9%.

2003 was a year in which our agents made a significant contribution to our premium production. After 2001 and 2002, two difficult years due to Turkey's economic crisis, our agents achieved a high degree of performance in sales of profit sharing life insurance policies. A total of TL 20.5 trillion in initial premium production was generated in 2003 through sales made by agents and İşbank branches.

Anadolu Hayat Emeklilik continues to develop its agent relationships on the basis of the principle of mutual benefit and respect. With the agent classification system that was introduced in 2002, agents were ranked "A", "B1", "B2", "C", or "D" according to such criteria as initial premium production, unit sales, and renewal rates.

The new agency categorization system that became operational in 2003 encourages agents to be more productive by focusing on such criteria as monthly premium production, policy unit goals, and renewal rates.

Some activities, such as vehicles with the Company logo and training, were aimed at increasing agents' motivation. It was observed that these activities had a positive impact on premium productions immediately.

Agents' capability of representation and level of knowledge are two issues on which Anadolu Hayat Emeklilik is particularly meticulous. An agent must feel that he is a member of a team, he must be able to put the Anadolu Hayat Emeklilik trademark in the best way, and must be thoroughly familiar with current information about the Company's products and services.

#### Improving synergies with agents

Anadolu Hayat Emeklilik continued with its efforts to improve agents' effectiveness and service quality. The Company's training portal (@gitim), a first in our industry, became operational and is providing distance-learning opportunities for agents and sales representatives. Another component of this synergy-enhancement effort was the introduction of Anadolu Hayat Emeklilik's "premium-offer application" program, which allows agents to view the status of their portfolios over the internet in real time.

A project aimed at enabling agents to increase their conversion rates will be fully in place by the end of 2004. When it becomes operational, this system will allow all agents to monitor their own portfolios online over the internet and to spot policyholders immediately whose premium payments are in default so that they can be contacted. Agents will be able to reach this and similar information through the portal located at destek.anadoluhayat.com.tr. It is expected that this system will produce significant increases in Anadolu Hayat Emeklilik's premium receipts as well as in agent's commission earnings.

Anadolu Hayat Emeklilik is determined to deepen its relationships with agents based on mutual productivity and loyalty and to reach increasingly more customers through its agents. The Company believes that its agents will be playing an important role in the sale of its newly introduced private pension products as well. Anadolu Hayat Emeklilik has set for itself the goal of having at least 50% of the premium production generated by agents coming from the business of private pensions.

#### The importance of R&D

Development of new products and services with the awareness of each of its customers having different needs and expectations is a business principle of Anadolu Hayat Emeklilik. 2003 was first and foremost a year in which private pension products and operations had to be planned and implemented. Investments were also made in technology in order to strengthen the Company's service platform. Alternatives were investigated and solutions were chosen that would maximize benefit. In business applications, the goal was to achieve perfection through ongoing development while improvements aimed at increasing productivity and lowering costs were introduced.

Customer satisfaction is the core of Anadolu Hayat Emeklilik's service philosophy.

Market research studies were carried out to identify potential customers and design new products. On the basis of the studies' findings, products and strategies were identified.

Another project that was completed under the heading of R&D last year was an overhaul of the Anadolu Hayat Emeklilik web site.

#### Investment in human resources = Investment in the corporate future

Anadolu Hayat Emeklilik is a company that invests continuously in its human resources and, consequently, in its corporate future as well. Experienced, creative, and dedicated employees have always been the architects of Anadolu Hayat Emeklilik's success.

Anadolu Hayat Emeklilik offers, every employee who contributes to its corporate success, systematic career and development opportunities designed with their futures in mind. In this way the Company continuously motivates and supports its human resources.

As a result of the private pension activities launched in 2003 and the operational restructuring that they entailed, the total number of Anadolu Hayat Emeklilik employees (including the members of the Direct Marketing Team) increased 10% year-on and reached 485. This expansion in the staff included the addition of 12 newly-hired assistant specialists and 88 members to the Direct Marketing Team. During the year, Anadolu Hayat Emeklilik also began working with 26 independent pension advisers.

#### Human resources training programs for sustainable quality

Training is the foundation on which Anadolu Hayat Emeklilik's human resources policies are erected. Through its training activities, the Company believes that it will

- **Improve the knowledge and skills of its existing human resources,**
- Develop and maintain a "mosaic" of employees who are intimately familiar with its corporate culture and group structure and who have learned about the insurance practices within the Company,
- **Create added value for different segments of society as well as for the economy as a whole.**

A total of 3,400 participants attended in in-house training programs held at Anadolu Hayat Emeklilik during 2003. Per-capita training time was 5 days a year.

Majority of these training activities, which also included life insurance and health insurance training, consisted of programs dealing with issues related to the private pension system and its products.

Experienced,  
creative, and  
dedicated  
employees have  
always been the  
architects of  
Anadolu Hayat  
Emeklilik's success.

## Thanks

Our thanks go out to all our employees for their growing contributions to and dedicated efforts on behalf of our Company.

We owe the sustainable quality of our service and our assurance of success in the future to the contributions, skills, and loyalty of our employees.

## The importance of correct and pervasive communication

Anadolu Hayat Emeklilik continues with its ongoing efforts to communicate clearly and effectively with the audiences that it serves and cooperates.

Since the day it was founded, the Company has adhered to a strategy of correct and widespread communication and it remains in constant touch not just with its customers but with the general public as well.

Anadolu Hayat Emeklilik's advertising and public relations activities continued intensively during 2003, the most important of which are summarized below.

- **The change in the Company's legal name was announced with a brief television and newspaper ad campaign in April.**

- In May and June a television campaign aimed at informing the public about the private pension system was conducted. This campaign was supported with radio spots as well.

- **In July a "teaser" TV ad campaign was conducted.**

- After the system officially became operational in October, advertising and public relations activities were expanded to all means of media. Announcements that the private pension system had begun were placed in printed media. In December, an extensive advertising campaign was launched starring the popular singers Mazhar Alanson and Fuat Güner. The message of this campaign was the privileged status associated with joining the private pension system through Anadolu Hayat Emeklilik.

- **A song composed for the Company by Mazhar Alanson and Fuat Güner was used in advertisements and was also chosen as the Company song.**

- This campaign was also supported with outdoor, cinema, and internet ads and with stands set up in public venues such as shopping centers.

- **Anadolu Hayat Emeklilik sponsored a number of highly-regarded TV programs as a way of conveying its message to the public and increasing general knowledge about the private pension system.**

- Promotional activities related to health insurance also continued last year. Advertising campaigns were conducted in the printed media in April, May, and June.

# An analysis of 2003 operating results

## Premium production

### A) Life Insurance:

Total premium production generated in life insurance in 2003 amounted to TL 340,598 billion. This corresponds to a year-on increase of 81% and is 62.6 points above the same year's 18.4% rise in consumer prices and 31 points above the sector-wide average increase in premium production of 50%. On the basis of this performance, Anadolu Hayat Emeklilik's market share in life insurance rose from 27.5% in 2002 to 33% in 2003.

(TL Billion)	2000	2001	Change	2002	Change	2003	Change
Premium Production	99,552	110,768	11%	188,519	70%	340,598	81%

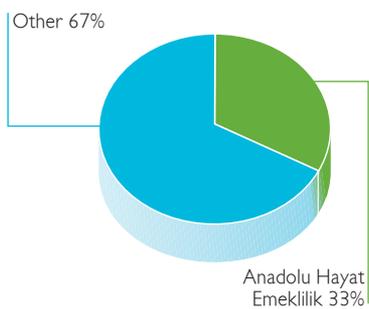
### Mathematical and Profit Sharing Provisions

These provisions, which represent our policyholders' savings, increased TL 309,308 billion or 39% in 2003 despite the Company's paying out TL 325 trillion for maturities, redemptions, and claims.

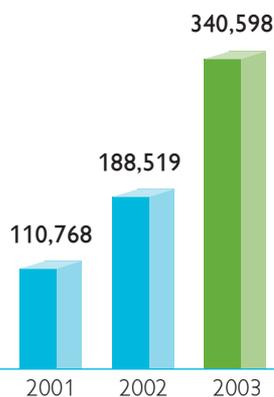
(TL Billion)	2000	2001	Change	2002	Change	2003	Change
Mathematical and Profit Sharing Provisions	465,055	600,927	29%	797,365	33%	1,106,673	39%

In 2003 the Company paid its policyholders a dividend of 47.12% on their Turkish lira savings. In the case of policies indexed to foreign currencies, the dividend rates were 10.18% (USD), 9.61% (EUR), and 10.49% (GBP).

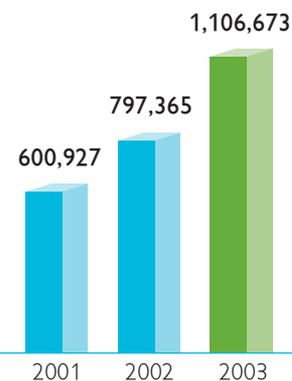
### Market Share (Life) (%)



### Premium Production (Life) (TL Billion)



### Mathematical and Profit Sharing Provisions (Life) (TL Billion)

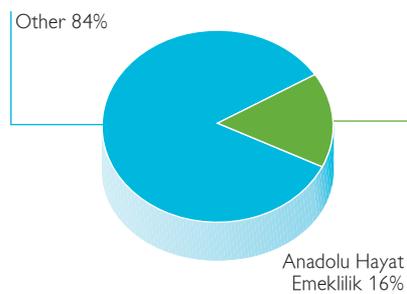


### B) Health Insurance:

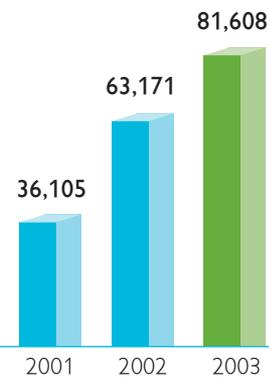
The Company has generated a total of TL 81,608 billion in premiums. The rising trend in health insurance continued in 2003. Anadolu Hayat Emeklilik's share of premium production in this branch was up a point from 15% to 16% last year.

(TL Billion)	2000	2001	Change	2002	Change	2003	Change
Premium Production	22,665	36,105	59%	63,171	75%	81,608	29%

### Market Share (Health) (%)



### Premium Production (Health) (TL Billion)



### C) Private Pensions:

In the two months between 27 October 2003 when the private pension system became operational and the end of the year, 3,114 individual retirement accounts were opened and a total of TL 1,347 billion in contributions was paid.

### D) Consolidated Premium Production:

Anadolu Hayat Emeklilik's total premium production on its life and health insurance policies amounted to TL 422,206 billion. This amounts to a year-on increase of 68%. The Company's performance increased its 6.8% share of the insurance industry's consolidated premium production in 2002 to 8.3% in 2003.

### Our market shares

Developments in Anadolu Hayat Emeklilik's market shares in individual branches and total sector performance over the years are shown in the table below.

Branches	2000	2001	2002	2003
Life	30%	24%	27%	33%
Health	12%	13%	15%	16%
Life + Health	24%	20%	23%	27%
Industry	6.9%	5.9%	6.8%	8.3%

### Technical Results

Developments in Anadolu Hayat Emeklilik's technical profitability over the last four years are shown in the table below.

#### Technical Profit

(TL Billion)	2000	2001	Change	2002	Change	2003	Change
Life	21,861	29,197	34%	37,487	28%	50,573	35%
Health	3,735	4,166	12%	8,776	111%	(7,977)	(191%)
Private Pensions	-	-	-	-	-	(1,200)	-
Total	25,596	33,363	30%	46,263	39%	41,396	(11%)

According to letter 75873 dated 26 November 2002 from the Undersecretariat of Treasury, in its financial statements for 1 January 2003-31 December 2003 Anadolu Hayat Emeklilik has set aside unearned premium provision in non-life insurance just as it does for its life insurance policies. This provision is calculated on the basis of the amount of premiums accrued on policies currently in effect (less commissions) that corresponds to the next year, prorated by number of days.

Prior to 2003, the rule was that if they were not set aside on an individual policy basis, provisions for current risk exposure in non-life insurance policies had to be set aside at the rate of at least 25% in shipping insurance and of at least 33.5% in other non-life branches. As required by subparagraph 3 of article 25 of the Insurance Accountancy Act (Statute 7397), these provisions were calculated on the basis of the amount of accrued premiums less the premiums applicable to policies that had been cancelled or matured.

The change in the rule embodied in the Undersecretariat of Treasury's letter had an adverse impact on the Company's technical profit in health insurance amounting to a shortfall of TL 11,653 billion. In the absence of this change, Anadolu Hayat Emeklilik's technical profit in health insurance would have been TL 3,676 billion and its overall technical profit would have been TL 53,049 billion.

### Total Claims Paid

The table below presents a comparison of the claims paid out by Anadolu Hayat Emeklilik with those of the sector as a whole.

#### Life

(TL Billion)	AHE Claims Paid*	Change	Industry Claims Paid	Change
2001	242,776	73%	449,516	87%
2002	282,728	16%	532,769	19%
2003	324,873	15%	629,185	18%

\* Covers death, disablement, matured policies and redemption.

#### Health

(TL Billion)	AHE Claims Paid*	Change	Industry Claims Paid	Change
2001	24,102	73%	180,408	49%
2002	38,222	59%	259,152	44%
2003	57,437	50%	353,523	36%

## Financial Results

### Financial Income:

The financial income booked by Anadolu Hayat Emeklilik in the most recent four years is shown below.

(TL Billion)	2000	2001	Change	2002	Change	2003	Change
Financial Income	12,406	27,494	122%	40,585	48%	75,470	86%

The improvement observed in the Company's financial income in recent years continued in 2003, with its financial income rising 86% year-on. This increase was achieved due to effective fund management and despite an economic environment in which interest rates fell quite rapidly.

### Profit Before Tax:

(TL Billion)	2000	2001	Change	2002	Change	2003	Change
Profit Before Tax	18,314	37,565	105%	57,070	52%	72,883	28%

The year-on increase in Anadolu Hayat Emeklilik's profit was 28%. However if the change in the rule governing unearned premium provision had not been made, the Company's pretax profit for the year would have been TL 84,536 billion instead of TL 72,883 billion.

### Shareholders' Equity:

The increase in the Company's shareholders' equity continued in 2003.

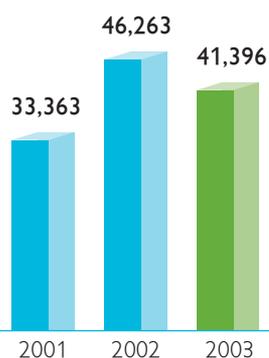
At the annual general meeting held on 24 March 2004, Anadolu Hayat Emeklilik's shareholders voted to increase the Company's total equity 44% to TL 173,926 billion.

(TL Billion)	2000	2001	Change	2002	Change	2003	Change
Shareholders' Equity	47,807	74,080	55%	121,200	64%	173,926	44%

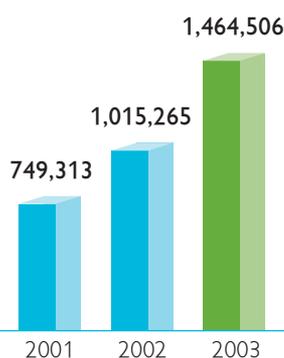
### Total Assets:

Anadolu Hayat Emeklilik's total assets rose 44% in 2003 to TL 1,464 trillion. This increase brings the Company's assets to about a billion US dollars.

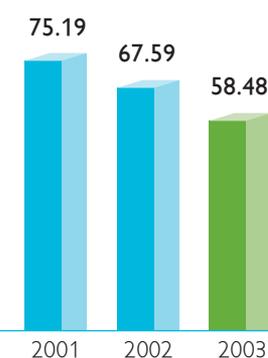
## Technical Profit (TL Billion)



## Total Assets (TL Billion)



## Profit Before Tax/ Shareholders' Equity (%)



# İşbank: Turkey's bank





A year after the foundation of the Republic of Turkey, President Mustafa Kemal Atatürk ordered the establishment of a bank that would provide the financing that was desperately needed to reconstruct a national economy that had been left in ruins by years of war and foreign invasion. Founded in 1924, İşbank's declared objectives were to assist in the development of the national economy as well as of a national banking system and to provide financing for industrial investment.

Today İşbank is justifiably proud to be one of only a handful of companies that were established during the early years of the republic and are still active today. The enthusiasm and dynamism that accompanied the Bank's birth still thrives. In addition to the continuous support that it has always given to real-sector investments and to the financing of domestic and foreign trade, İşbank has made enormous contributions to the development of the national economy over the years by providing financing for many major projects.

Through bank-owned subsidiaries that have played and continue to play leading roles in such sectors as glassmaking, metallurgy, petroleum product distribution, and telecommunications and thanks to its leading position among privately-owned banks in Turkey, the importance of İşbank to the Turkish economy when it was founded back in 1924 is undiminished.

Since the day it was founded, İşbank has been a publicly-held company, a fact that gives it a shareholding structure that is unique in our country. About 27% of İşbank's shares are held by more than 300,000 shareholders, the biggest of which are pension funds and foundations. İşbank's shares are traded on both the İstanbul and London stock exchanges.

As of year-end 2003, the Bank had total assets worth TL 31 quadrillion (USD 22.3 billion) while its shareholders' equity was worth TL 5.6 quadrillion. These numbers put İşbank in first place among Turkey's privately-owned banks. When the Bank's equity stakes are taken into account as well, İşbank ranks among the world's biggest companies.

İşbank has one of our country's most extensive service and access networks. As of year-end 2003, the Bank had a physical service network consisting of 849 branches and 2,343 ATMs as well as internet and telephone banking applications. The widespread reach provided by these delivery channels is what reinforces İşbank's identity summed up in the slogan "Turkey's bank".

Corporate values supported by a quality-in-service approach enhance customer, employee, and shareholder satisfaction and make İşbank the most trusted and most preferred bank by individuals and organizations in Turkey.

İşbank has one of  
our country's most  
extensive service  
and access  
networks.

# Board of Directors



- 1 **M. Sırrı Erkan** Chairman - since 09.06.2003  
(**A. Aykut Demiray** Chairman - until 09.06.2003)\*
- 2 **Salih Kurtuluş** Deputy Chairman
- 3 **Mustafa Su** Member
- 4 **Mehmet M. Esen** Member
- 5 **Burhanettin Kantar** Member
- 6 **Sedat A. Tosyalı** Member
- 7 **Ayça Çınar** Member
- 8 **A. Onur Özbilen** Member
- 9 **Hasan Budda** Member - since 20.06.2003  
(**Ömer Çelebi** Member - until 20.06.2003)\*
- 10 **İzlem Erdem** Auditor - since 09.06.2003  
(**Senar Akkuş** Auditor - until 09.06.2003)\*
- 11 **Hakan Aran** Auditor
- 12 **Tümay Oskay** Secretary to the Board



\* Not present in the photograph.

# Senior Management



**Mustafa Su** General Manager



**Afşin Oğuz** Assistant General Manager



**Uğur Erkan** Assistant General Manager



**Şükrü Muslu** Coordinator



**Orhan Bozkurt** Head of Board of Inspection

# Statutory Auditors' Report

## To the General Assembly of Anadolu Hayat Emeklilik A.Ş.;

Name of Partnership  
Headquarters  
Registered Capital  
Paid-in capital  
Principal Business Activity

Anadolu Hayat Emeklilik A.Ş.  
İstanbul  
TL 175,000,000,000,000.-  
TL 65,000,000,000,000.-  
Insurance

Names and terms of office of Statutory Auditors, their relation to the Company (employed/partners or not)

Hakan Aran  
İzlem Erdem  
Period of office is 1 year.  
The auditors are neither shareholders nor employees.

Number of meetings of the Board of Directors and Auditing Board attended

All meetings

Extend, scope and frequency of examinations of the Company's records and legal books of account, dates of examination and conclusions reached

There have been advisory consultations made regarding the accounting records on a continuous basis. The records of the year have been controlled in detail and necessary audits and controls were implemented as of the ending year balance sheet and income/loss statements.

Number and results of cash counts performed at the cashiers office pursuant to article 353:1-3 of the Turkish Commercial Code and resolutions that

The cash counts made on a quarterly basis and resolved the cash total was in accordance with the records.

Date of examinations conducted pursuant to article 353:1-4 of the Turkish Commercial Code and resolutions

The books of the Company have been examined regularly and the status of valuable documents were inspected was resolved that all are in compliance with the records.

Complaints and charges of fraud of which the Company was advised and actions taken against them

The Company was not advised of any complaints or any charges of fraud.

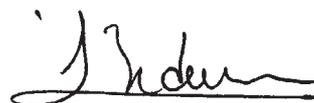
We have audited the financial statements and accounting data of Anadolu Hayat Emeklilik A.Ş. for the year ending December 31, 2003 according to the Turkish Commercial Code, the Company's Articles of Association and other regulations in compliance with generally accepted accounting principles. In our opinion the accompanying balance sheet and income statement reflect the results of this period fairly and accurately and the profit distribution proposal is in accordance with existing laws and the Company's Articles of Association.

We hereby submit the Balance Sheet and Income Statement for your approval and recommend that the Board of Directors be released from liability with regard to operations and accounts for the year 2003.

Denetçi  
Hakan Aran



Denetçi  
İzlem Erdem



# Profit Distribution and Other Information

## STATEMENT OF PROFIT DISTRIBUTION FOR THE GENERAL ASSEMBLY OF ANADOLU HAYAT EMEKLİLİK A.Ş.

Given at page 39.

EQUITY PARTICIPATIONS	Participation Amount (Milyon TL)	Participation Ratio (%)
İş Gayrimenkul Yatırım Ort. A.Ş.	3,205.384	1,36
TSKB Menkul Değerler A.Ş.	109.947	6,56
Yatırım Fin. Yat. Ort. A.Ş.	87.075	12,00
Bayındır Ted. Hizm. A.Ş.	2.211.407	8,41
Kastamonu Holding A.Ş.	1.000	0,05
Emeklilik Göz. Merk. A.Ş.	225.000	9,09
İş Net Elektronik Bilgi Ür. Dağ. Tic. ve İletişim Hizm. A.Ş.	240.000	2,00
İş-Tim Tel. Hiz. A.Ş.	1.362.500	0,25
İş Portföy Yönetimi A.Ş.	600.000	20,00
TSKB Yatırım Ort. A.Ş.	15.000	2,00
Trakya Yatırım Holding A.Ş.	1.000	0,00
Gothaer Anadolu Hayat Vers. Gmbh	-	50,00
TOTAL	8.058.313	

## ANADOLU HAYAT EMEKLİLİK A.Ş.

**Registered Capital** TL 175.000.000.000.000

**Paid-in Capital\*** TL 65.000.000.000.000

\* Anadolu Hayat Emeklilik A's issued capital was increased from TL 65 trillion to TL 100 trillion on 17 March 2004 with the addition of TL 35 trillion of which TL 20 trillion consisted of shares of stock representing the Company's retained profits in 2003 and TL 15 trillion was financed out of the Company's own resources. On 13 May 2004 the Company began issuing free shares to cover the first TL 20 trillion of the increase at the rate of 53.846% of each existing share.

## Shareholders Structure at the End of the Period

Shareholders	Share (%)	Share Amount (TL)
Türkiye İş Bankası A.Ş.	62	40.300.000.000.000
Anadolu Anonim Türk Sigorta Şirketi	20	13.000.000.000.000
Türk Dış Ticaret Bankası A.Ş.	1	650.000.000.000
Türkiye Şişe ve Cam Fabrikaları A.Ş.	1	650.000.000.000
Destek Reasürans T.A.Ş.	1	650.000.000.000
Publicly traded	15	9.750.000.000.000
<b>Total</b>	<b>100</b>	<b>65.000.000.000.000</b>

## Employees of ANADOLU HAYAT EMEKLİLİK A.Ş.

	31.12.2002	31.12.2003
Head Office	182	207
Regional Offices and Branches	72	71
Unionized Employees	11	16
<b>TOTAL</b>	<b>265</b>	<b>294</b>

## Shareholders' Information

### Stock Information

Anadolu Hayat Emeklilik A.Ş. stocks are listed on the İstanbul Stock Exchange (ISE) under the symbol "ANHYT". Stock prices are issued in daily newspapers.

### Investor Relations

Anadolu Hayat Emeklilik A.Ş.'s annual reports are available free of charge upon request to the following address:  
Anadolu Hayat Emeklilik A.Ş.  
Communication Department  
İş Kuleleri Kule 2 K: 18-21  
34340 4. Levent İstanbul

### Annual Meeting

The Annual Meeting of Shareholders of Anadolu Hayat Emeklilik A.Ş. was held on 24 March 2004 at the Headquarters of the Company.

### Auditors - Tax Consultant

DRT Denetim Revizyon Tasdik Yeminli Mali Müşavirlik A.Ş.  
Member Firm of Deloitte Touche Tohmatsu  
Yapı Kredi Plaza Büyükdere Caddesi B Blok Kat: 5  
34330 Levent İstanbul

1. We have audited the accompanying balance sheet of Anadolu Hayat Emeklilik A.Ş. (the "Company") as of 31 December 2003 and the related statement of income for the year then ended. These financial statements are the responsibility of the Company's management. As an independent auditor, our responsibility is to express an opinion on these financial statements based on our audits.
2. According to article 50(a) of Capital Market Law (VII.), insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision, accounting and financial reporting. Therefore, the attached financial statements have been prepared according to the prevailing Turkish Insurance Auditing Law No. 7397 applicable to Insurance and Reinsurance companies and Individual Retirement, Saving and Investment System Law No. 4632.
3. We conducted our audit in accordance with the Law No. 7397 of Turkish Insurance Auditing, the Law No. 4632 of Individual Retirement, Saving and Investment System and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
4. As explained in Notes 11 and 20, the equity shares that are recorded in equity participations as at 31 December 2003, are valued at market price. There is no recent independent valuation work for the participations that are not publicly traded. Therefore, an indication of a permanent diminution in value is not identified.
5. In our opinion, except for such adjustments as may be necessary in respect with the matter set out in paragraph 4 above, the financial statements referred to above present fairly, in all material respects, the financial position of Anadolu Hayat Emeklilik A.Ş. as of 31 December 2003, and the result of its operations in accordance with International Standards on Auditing, the Law No. 7397 of Turkish Insurance Auditing and the Law No. 4632 of Individual Retirement, Saving and Investment System.
6. Without further qualifying our opinion, we draw attention to the following:

Capital Markets Board ("SPK") published, Communiqué No: XI/20 "Communiqué on Preparation of Financial Statements in Hyperinflationary Periods" and Communiqué No: XI/21 "Communiqué on Consolidated Financial Statements and Accounting for Investments in Associates in Capital Markets" for financial statements to be prepared for periods beginning on or after 1 January 2003. According to the announcement numbered B.02.HM.O.GM.0.3.1.1-05425 dated 30 January 2004 sent by Undersecretariat of the Treasury to the Capital Markets Board, it is planned to adapt the insurance accounting system compatible with the International Financial Reporting Standards after 1st of January 2005. In order to avoid application differences and in order to provide consistent reporting among all insurance companies, the inflation accounting will be performed after 1st of January 2005. In this respect, accompanying financial statements do not include any inflation accounting during high inflationary periods and any adjustments relating accounting of consolidated financial statements and equity participations.

DRT DENETİM REVİZYON TASDİK  
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Member Firm of DELOITTE TOUCHE TOHMATSU

Partner  
Zeki Kurtçu



İstanbul, 9 March 2004

**ANADOLU HAYAT EMEKLİLİK A.Ş.**  
**BALANCE SHEET AS AT 31 DECEMBER 2003**

ASSETS	31 December	31 December	31 December	31 December	31 December	31 December
	2003	2003	2003	2002	2002	2002
	Non-Life	Life/Retirement	Total	Non-Life	Life	Total
	TL Million	TL Million	TL Million	TL Million	TL Million	TL Million
I. LIQUID ASSETS	268,979	62,111,129	62,380,108	932,931	8,094,836	9,027,767
a.Cash	307	5,935,844	5,936,151	735,509	2,324,383	3,059,892
b.Banks	268,672	56,175,285	56,443,957	197,422	5,770,453	5,967,875
II. MARKETABLE SECURITIES	15,423,114	1,240,734,780	1,256,157,894	9,722,878	875,265,863	884,988,741
Marketable Securities	15,423,114	1,243,726,246	1,259,149,360	9,722,878	875,564,227	885,287,105
Diminution in Value of Marketable Securities (-)	-	(2,991,466)	(2,991,466)	-	(298,364)	(298,364)
III. RECEIVABLES	32,672,240	22,678,790	55,351,030	26,840,643	25,934,606	52,775,249
a. Policyholders	32,083,075	21,826,169	53,909,244	26,632,853	25,196,804	51,829,657
Policyholders	33,306,814	21,826,169	55,132,983	27,332,727	25,196,804	52,529,531
Provision for Premium						
Receivable from Policyholders	(1,223,739)	-	(1,223,739)	(699,874)	-	(699,874)
b. Agents	-	72,346	72,346	-	60,775	60,775
Agents	-	72,346	72,346	-	60,775	60,775
Provision for Premium						
Receivable from Agents	-	-	-	-	-	-
c. Due from Insurance & Reinsurance Companies	589,165	118,217	707,382	207,790	84,939	292,729
d. Reserves Held with Insurance & Reinsurance Companies	-	-	-	-	-	-
d. Loans to Policyholders	-	520,078	520,078	-	475,118	475,118
e. Other Receivables	-	141,980	141,980	-	116,970	116,970
f. Receivables from Individual Retirement System	-	-	-	-	-	-
IV. RECEIVABLES UNDER LEGAL FOLLOW UP	-	3,967	3,967	-	3,967	3,967
Receivables Under Legal Follow up	-	34,712	34,712	-	34,712	34,712
Provisions for Receivables						
Under Legal Follow up (-)	-	(30,745)	(30,745)	-	(30,745)	(30,745)
V. INVESTMENTS	-	14,913,383	14,913,383	-	11,312,312	11,312,312
Investments	-	15,289,313	15,289,313	-	11,746,371	11,746,371
Diminution in Value of Investments (-)	-	(375,930)	(375,930)	-	(434,059)	(434,059)
Capital Commitments to Investments (-)	-	-	-	-	-	-
VI. FIXED ASSETS	26,462	33,972,633	33,999,095	48,893	27,204,391	27,253,284
Movables	26,462	1,548,871	1,575,333	48,893	1,086,030	1,134,923
Movables	184,199	3,888,620	4,072,819	143,515	2,653,614	2,797,129
Accumulated Depreciation						
on Movables (-)	(157,737)	(2,339,749)	(2,497,486)	(94,622)	(1,567,584)	(1,662,206)
Immovables	-	32,423,762	32,423,762	-	26,118,361	26,118,361
Immovables	-	34,057,397	34,057,397	-	27,423,118	27,423,118
Accumulated Depreciation						
on Immovables (-)	-	(1,633,635)	(1,633,635)	-	(1,304,757)	(1,304,757)
VII. OTHER ASSETS (Net)	-	41,700,770	41,700,770	-	29,904,140	29,904,140
TOTAL ASSETS	48,390,795	1,416,115,452	1,464,506,247	37,545,345	977,720,115	1,015,265,460

The attached notes form an integral part of these financial statements.

Translated into English from the Original Turkish Report

**ANADOLU HAYAT EMEKLİLİK A.Ş.**  
**BALANCE SHEET AS AT 31 DECEMBER 2003**

	31 December 2003 Non-Life TL Million	31 December 2003 Life/Retirement TL Million	31 December 2003 Total TL Million	31 December 2002 Non-Life TL Million	31 December 2002 Life TL Million	31 December 2002 Total TL Million
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
I. PAYABLES	2,009,804	3,085,987	5,095,791	2,919,504	21,778,183	24,697,687
a. Due to Insurance and Reinsurance Companies	366,864	21,599	388,463	16,232	16	16,248
b. Premium Reserves Held for Insurance and Reinsurance Companies"	1,187,672	-	1,187,672	1,466,059	-	1,466,059
c. Taxes and Dues Payable	31,133	591,528	622,661	41,841	376,576	418,417
d. Other Payables	424,135	2,039,656	2,463,791	1,395,372	21,401,591	22,796,963
e. Payables to Individual Retirement System	-	433,204	433,204	-	-	-
II. PROVISIONS	43,607,825	1,139,616,601	1,183,224,426	21,018,900	804,471,720	825,490,620
A. Technical Provisions	41,050,917	1,135,649,391	1,176,700,308	18,783,808	800,717,987	819,501,795
a. Unearned Premium Provision	34,117,226	3,856,751	37,973,977	16,312,781	2,513,282	18,826,063
Unearned Premium Provision Reinsurers Share (-)	40,424,653	3,856,751	44,281,404	21,162,278	2,513,282	23,675,560
Reinsurers Share (-)	(6,307,427)	-	(6,307,427)	(4,849,497)	-	(4,849,497)
b. Claim Provision	6,933,691	25,837,454	32,771,145	2,471,027	1,501,762	3,972,789
Claim Provision	8,402,265	25,872,558	34,274,823	3,608,514	1,596,511	5,205,025
Reinsurers Share (-)	(1,468,574)	(35,104)	(1,503,678)	(1,137,487)	(94,749)	(1,232,236)
c. Earthquake Loss Provision	-	-	-	-	-	-
d. Life Mathematical Provision	-	477,512,577	477,512,577	-	267,690,411	267,690,411
Life Mathematical Provision	-	477,524,974	477,524,974	-	267,705,868	267,705,868
Reinsurers Share (-)	-	(12,397)	(12,397)	-	(15,457)	(15,457)
f. Life Profit Sharing Provision	-	628,442,609	628,442,609	-	529,012,532	529,012,532
Life Profit Sharing Provision	-	629,147,720	629,147,720	-	529,658,890	529,658,890
Reinsurers Share (-)	-	(705,111)	(705,111)	-	(646,358)	(646,358)
B. Other Provisions	2,556,908	3,967,210	6,524,118	2,235,092	3,753,733	5,988,825
a. Retirement Pay Provision	427,000	2,874,000	3,301,000	294,000	2,426,170	2,720,170
b. Other Provisions	2,129,908	1,093,210	3,223,118	1,941,092	1,327,563	3,268,655
III. OTHER LIABILITIES	11,601,238	67,070,028	78,671,266	5,844,584	17,723,946	23,568,530
IV. TAX PROVISIONS	-	23,588,749	23,588,749	3,041,522	17,266,686	20,308,208
V. SHAREHOLDERS' EQUITY	-	124,632,174	124,632,174	-	84,438,251	84,438,251
a. Paid -in Capital	-	65,000,000	65,000,000	-	65,000,000	65,000,000
i. Nominal Capital	-	65,000,000	65,000,000	-	65,000,000	65,000,000
ii. Capital Commitments (-)	-	-	-	-	-	-
b. Legal Reserves	-	8,207,603	8,207,603	-	5,949,222	5,949,222
c. Extraordinary Loss Reserve	-	-	-	-	-	-
d. Other Reserves	-	3,780,856	3,780,856	-	1,033,724	1,033,724
e. Extraordinary Reserves	-	24,530,066	24,530,066	-	226,150	226,150
f. Revaluation Fund	-	23,113,649	23,113,649	-	12,229,155	12,229,155
g. Special Funds	-	-	-	-	-	-
h. Loss (-)	-	-	-	-	-	-
i. Period Loss	-	-	-	-	-	-
ii. Previous Years' Losses	-	-	-	-	-	-
V. PROFIT	(8,828,072)	58,121,913	49,293,841	4,720,835	32,041,329	36,762,164
a. Period profit	(8,828,072)	58,121,913	49,293,841	4,720,835	32,041,329	36,762,164
b. Previous Years' Profit	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>48,390,795</b>	<b>1,416,115,452</b>	<b>1,464,506,247</b>	<b>37,545,345</b>	<b>977,720,115</b>	<b>1,015,265,460</b>

The attached notes form an integral part of these financial statements.

# ANADOLU HAYAT EMEKLİLİK A.Ş.

## STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 Non-Life TL Million	2003 Life TL Million	2003 Pension TL Million	2003 Total TL Million	2002 Non-Life TL Million	2002 Life TL Million	2002 Total TL Million
I-TECHNICAL INCOME	121,900,080	1,520,072,522	1,598,669	1,643,571,271	92,088,271	1,133,506,893	1,225,595,164
A.Written Premium	81,608,185	340,598,169	-	422,206,354	63,170,980	188,519,152	251,690,132
B.Commissions Received	63,319	600,778	-	664,097	74,420	404,299	478,719
C.Reinsurers' Share in Claims Paid	13,497,501	284,428	-	13,781,929	12,028,036	254,231	12,282,267
D.Reversal of Technical Provisions (Net)	18,783,808	800,717,987	-	819,501,795	10,564,883	602,720,937	613,285,820
a. Unearned Premium Provision	16,312,781	2,513,282	-	18,826,063	9,124,288	1,045,621	10,169,909
b. Claims Provision	2,471,027	1,501,761	-	3,972,788	1,440,595	1,350,147	2,790,742
c. Life Mathematical Provision	-	267,690,412	-	267,690,412	-	184,962,130	184,962,130
d. Life Profit Sharing Provision	-	529,012,532	-	529,012,532	-	415,363,039	415,363,039
E.Reinsurers' Share in Technical Provision	7,776,001	752,612	-	8,528,613	5,986,984	756,563	6,743,547
a. Unearned Premium Provision	6,307,427	-	-	6,307,427	4,849,497	-	4,849,497
b. Claims Provision	1,468,574	35,104	-	1,503,678	1,137,487	94,749	1,232,236
c. Life Mathematical Provision	-	12,397	-	12,397	-	15,456	15,456
d. Life Profit Sharing Provision	-	705,111	-	705,111	-	646,358	646,358
F.Other Income	171,266	377,118,548	-	377,289,814	262,968	340,851,711	341,114,679
G.Individual Retirement Income	-	-	1,598,669	1,598,669	-	-	-
a. Fund Management Expense Deduction	-	-	150,699	150,699	-	-	-
b. Management Expense Deduction	-	-	37,544	37,544	-	-	-
c. Capital Advance Interest Income	-	-	732,250	732,250	-	-	-
d. Other Income	-	-	678,176	678,176	-	-	-
II-TECHNICAL EXPENSE	129,877,377	1,469,500,292	2,798,268	1,602,175,937	83,312,320	1,096,019,795	1,179,332,115
A.Ceded Premiums	14,552,143	1,216,637	-	15,768,780	14,476,110	856,863	15,332,973
B.Commissions Paid	7,474,730	15,854,778	-	23,329,508	5,008,050	8,113,726	13,121,776
C.Claims Paid	57,437,449	324,872,535	-	382,309,984	38,222,317	282,728,260	320,950,577
D.Technical Provisions	48,826,916	1,124,297,181	-	1,173,124,097	24,770,792	801,474,551	826,245,343
a. Unearned Premium Provision	40,424,653	3,856,751	-	44,281,404	21,162,278	2,513,282	23,675,560
b. Claims Provision	8,402,263	13,767,736	-	22,169,999	3,608,514	1,596,511	5,205,025
c. Life Mathematical Provision	-	477,524,974	-	477,524,974	-	267,705,868	267,705,868
d. Life Profit Sharing Provision	-	629,147,720	-	629,147,720	-	529,658,890	529,658,890
E.Other Expenses	1,586,139	3,259,161	-	4,845,300	835,051	2,846,395	3,681,446
F.Individual Retirement Expenses	-	-	2,798,268	2,798,268	-	-	-
a. Fund Management Expenses	-	-	37,097	37,097	-	-	-
b. Agency Commissions	-	-	159,925	159,925	-	-	-
c. Advertisement and Marketing Expenses	-	-	2,542,981	2,542,981	-	-	-
d. Other Expenses	0	0	58,265	58,265	0	0	0
III-TECHNICAL PROFIT / LOSS (I - II)	(7,977,297)	50,572,230	(1,199,599)	41,395,334	8,775,951	37,487,098	46,263,049
IV-OPERATING EXPENSES	6,550,563	36,731,041	-	43,281,604	4,942,986	24,760,738	29,703,724
A.Personnel Expenses	2,349,570	13,879,504	-	16,229,074	1,244,296	8,744,997	9,989,293
B.General Administrative Expenses	3,238,162	17,977,099	-	21,215,261	2,112,443	13,429,618	15,542,061
C.Taxes and Dues Expense	54,034	1,026,592	-	1,080,626	74,775	672,974	747,749
D.Depreciation Expense	63,115	868,865	-	931,980	57,096	581,971	639,067
E.Provision Expenses	845,682	911,922	-	1,757,604	1,454,376	1,056,426	2,510,802
F.Other Expenses	0	2,067,059	0	2,067,059	0	274,752	274,752
V-FINANCIAL INCOME	5,699,788	69,770,136	-	75,469,924	3,929,392	36,655,804	40,585,196
A.Interest Income	5,699,788	33,880,526	-	39,580,314	3,919,784	23,530,565	27,450,349
B.Profit Shares	-	897,019	-	897,019	0	311,979	311,979
C.Income from Sale of Assets	-	31,648,714	-	31,648,714	9,608	10,931,344	10,940,952
D.Rent Income	-	1,179,487	-	1,179,487	-	1,435,507	1,435,507
E.Foreign Exchange Gains	-	740,587	-	740,587	-	367,061	367,061
F.Other Income	0	1,423,803	0	1,423,803	-	79,348	79,348
VI-FINANCIAL EXPENSES	-	701,064	-	701,064	-	74,149	74,149
A.Interest Expenses	-	105,515	-	105,515	-	0	0
B.Loss on Sale of Assets	-	239,153	-	239,153	-	35,017	35,017
C.Foreign Exchange Losses	-	356,396	-	356,396	-	39,132	39,132
D.Provision Expenses	-	-	-	-	-	-	-
E.Other Expenses	0	0	0	0	0	0	0
VII- PERIOD PROFIT / LOSS (III+V-VI)	(8,828,072)	82,910,261	(1,199,599)	72,882,590	7,762,357	49,308,015	57,070,372
VIII- PROVISION FOR TAXES AND OTHER LEGAL LIABILITIES	0	23,588,749	0	23,588,749	3,041,522	17,266,686	20,308,208
IX- PERIOD PROFIT / LOSS (VII - VIII)	(8,828,072)	59,321,512	(1,199,599)	49,293,841	4,720,835	32,041,329	36,762,164

The attached notes form an integral part of these financial statements.

**ANADOLU HAYAT EMEKLİLİK A.Ş.****STATEMENT OF FUND FLOW FOR THE YEAR ENDED 31 DECEMBER 2003 (MILLION TL)**

	CURRENT YEAR 12/31/03	PRIOR YEAR 12/31/02
A - FUNDS CREATED	424,852,271	293,810,049
1- Funds from Operational Income	418,709,438	263,906,733
a) Operational Income	72,882,590	57,070,372
b) Depreciation (+)	931,980	639,067
c) Income That Does Not Provide Fund Inflow (+)	344,894,868	206,197,294
2- Increase in Short Term Loans	6,142,833	6,594,751
3- Increase in Capital (In Cash)	-	21,750,000
4- Decrease in Current Assets	-	1,558,565
5- Decrease in Fixed Assets	-	-
B - FUNDS USED	424,852,271	293,810,049
1- Taxes Paid	21,388,834	13,673,538
2- Dividends Paid	7,452,734	21,750,000
3- Increase in Current Assets	390,032,606	255,748,175
4- Increase in Fixed Assets (Excluding Revaluation)	5,978,097	2,638,336
CHANGES IN NET WORKING CAPITAL		
1- Increase in Net Working Capital	30,378,849	22,714,972

The attached notes form an integral part of these financial statements.

# ANADOLU HAYAT EMEKLİLİK A.Ş.

## STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2003 (TL MILLION)

	CURRENT YEAR 12/31/03	PRIOR YEAR 12/31/02
A- CASH AT THE BEGINNING OF THE YEAR	9,027,767	10,586,332
B- CASH INFLOWS DURING THE YEAR	966,420,732	656,760,435
1- Technical Income	434,076,599	249,184,997
a) Written Premium	422,206,354	251,690,132
b) Commissions Received	664,097	478,719
c) Reinsurers' Share in Claims Paid	13,781,929	12,282,267
d) Increase in Receivables (-)	(2,575,781)	(15,266,121)
2- Cash Obtained from Income and Profit Gained from Other Operations	454,358,407	381,699,875
a) Financial Income	75,469,924	40,585,196
b) Other Income	378,888,483	341,114,679
3- Cash Obtained From Increase in Capital	-	21,750,000
4- Other Cash Inflows	77,985,726	4,125,563
C- CASH OUTFLOWS DURING THE PERIOD	913,068,391	658,319,000
1- Technical Expense	440,511,392	343,332,830
a) Ceded Premiums	15,768,780	15,332,973
b) Commissions Paid	23,329,508	13,121,776
c) Claims Paid	382,309,984	320,950,577
d) Increase in Payables (-)	20,035,100	(5,433,429)
e) Depreciation (-)	(931,980)	(639,067)
2- Cash Outflow Due to Operating Expenses	44,208,666	29,797,753
a) Personnel Expenses	16,229,074	9,989,293
b) General Administrative Expenses	27,979,592	19,808,460
3- Cash Outflow Due to Expenses and Losses From Other Operations	(6,303,173)	3,755,597
4- Cash Outflow Due to Fixed Asset Investments	1,730,284	803,329
5- Increase in Marketable Securities	374,770,224	240,851,469
6- Taxes Paid	21,388,834	13,673,538
7- Dividends Paid	7,452,734	21,750,000
8- Other Cash Outflows	29,309,430	4,354,484
D- CASH AT THE END OF THE YEAR	62,380,108	9,027,767
E- INCREASE OR (DECREASE) IN CASH	53,352,341	(1,558,565)

The attached notes form an integral part of these financial statements.

# ANADOLU HAYAT EMEKLİK A.Ş.

## STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2003 (MILLION TL)

	CURRENT YEAR 12/31/03	PRIOR YEAR 12/31/02
A- Allocation of Period Profit		
1-Period Profit	72,882,590	57,070,372
2-Prior Years' Losses (-)	0	0
3-Taxes Payable	(23,588,749)	(20,308,208)
Corporate Tax	(23,588,749)	(20,308,208)
Income Tax	0	0
Other Taxes and Dues	0	0
4-First Legal Reserves	(2,464,692)	(1,838,108)
NET PERIOD PROFIT SUBJECT TO ALLOCATION	46,829,149	34,924,056
5-First Dividend to Shareholders	(20,000,000)	(6,997,821)
a) To Common Stock Owners	(20,000,000)	(6,997,821)
b) To Privileged Stock Owners	0	0
6-Dividends to the Personnel	(554,295)	(454,913)
7-Dividends to the Board of Directors	0	0
8-Second Dividend to Shareholders	0	0
a) To Common Stock Owners	0	0
b) To Privileged Stock Owners	0	0
9- Second Legal Reserves	0	(420,273)
10-Other Reserves	(2,627,485)	0
11-Special Legal Reserves	0	(2,747,132)
EXTRAORDINARY RESERVES	23,647,369	24,303,917
B- ALLOCATION OF RESERVES		
1-To Shareholders	0	0
To Common Stock Owners	0	0
To Privileged Stock Owners	0	0
2-To the Personnel	0	0
3-To the Board of Directors	0	0
C- EARNINGS PER SHARE (TL/%)		
1-To Common Stock Owners	758.37 TL / 75.84 %	565.57 TL / 56.56 %
2-To Privileged Stock Owners	758.37 TL / 75.84 %	565.57 TL / 56.56 %
D- DIVIDENDS PER SHARE (TL/%)		
1-To Common Stock Owners	308 TL / 30.8%	108 TL / 10.8%
2-To Privileged Stock Owners	308 TL / 30.8%	108 TL / 10.8%

The attached notes form an integral part of these financial statements.

**1. OPERATIONS OF THE COMPANY**

The operations of Anadolu Hayat Emeklilik A.Ş. (which was previously Anadolu Hayat A.Ş.) ("The Company") involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and sickness benefit branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

In accordance with the law No. 4632 of Individual Retirement, Saving and Investing System and related regulations, the main agreement of the Company has been amended by the Board of Directors' Meeting Minute dated 26 July 2002 numbered 270/2 and the name of the Company, which was previously "Anadolu Hayat A.Ş." has been changed to "Anadolu Hayat Emeklilik A.Ş." This amendment was declared in Official Gazette numbered 5762 dated 24 March 2003.

As of balance sheet date, there are nine Individual Retirement Investment Funds which were established by the Company.

**2. SHAREHOLDERS WITH A SHAREHOLDING OF 10% OR MORE**

The Company's nominal capital is TL 65,000,000 Million, which consists of 65,000,000,000 shares valued at 1,000 TL each, as of 31 December 2003. The shareholding structure of the Company is as follows:

	31 December 2003		31 December 2002	
	Nominal TL Million	%	Nominal TL Million	%
Türkiye İş Bankası A.Ş.	40,300,000	62	40,300,000	62
Anadolu Anonim Türk Sigorta Şirketi A.Ş.	13,000,000	20	13,000,000	20
Others	11,700,000	18	11,700,000	18
	65,000,000	100	65,000,000	100

15% of the shares is quoted in the stock exchange as of 31 December 2003 (31 December 2002: 15%)

**3. PREFERENCE SHARES**

The total 65,000,000,000 shares that represent TL 65,000,000 Million share capital consist of 1,000,000,000 shares of (A) Group and 64,000,000,000 shares of (B) Group. As of the balance sheet date all (A) Group shares belong to Türkiye İş Bankası A.Ş. (31 December 2002: The total 65,000,000,000 shares that represent TL 65,000,000 Million share capital consist of 1,000,000,000 shares of (A) Group and 64,000,000,000 shares of (B) Group. As of the balance sheet date all (A) Group shares belong to Türkiye İş Bankası A.Ş.)

(A) Group shares have no privilege except voting rights for the members of Board of the Directors. Additional (A) Group shares cannot be issued during any capital increase.

**4. REGISTERED CAPITAL LIMIT**

The Company accepted the registered capital system under the Law 2499 and on 15 June 2000, changed its system with the permission of Capital Markets Board numbered 67/1039. In 2003, the Company has increased the registered capital from TL 85,000,000 Million to TL 175,000,000 Million TL. As of balance sheet date, TL 175,000,000 Million registered capital of the Company has been divided into 175,000,000 shares each with a nominal value of TL 1000. (31 December 2002: TL 85,000,000 Million registered capital of the Company has been divided into 85,000,000,000 shares with the nominal value of TL 1,000 each).

**5. CAPITAL INCREASES DURING YEAR 2003 AND THE RESOURCES**

There is no capital increase in year 2003.

**6. MARKETABLE SECURITIES OTHER THAN ISSUED SHARES DURING THE YEAR**

There are not any marketable securities other than shares issued during the current year.

**ANADOLU HAYAT EMEKLİK A.Ş.**  
**31 DECEMBER 2003 NOTES TO THE BALANCE SHEET**

**7. MARKETABLE SECURITIES REPRESENTING MATURED DEBT**

There is not any debt securities matured during year 2003.

**8. MOVEMENTS OF TANGIBLE FIXED ASSETS DURING THE YEAR**

	31 December 2003 Million TL	31 December 2002 Million TL
a. Cost of purchased or acquired fixed assets	794,372	674,291
b. Cost of fixed assets sold	930,751	200,003
c. Revaluation increase in the current period	7,406,974	9,859,531
- For the cost of fixed assets (+)	8,046,346	10,688,693
- For the accumulated depreciation (-)	(639,372)	(829,162)

**9. CURRENT AND FUTURE INVESTMENT ALLOWANCES DEDUCTIBLE FROM THE TAX BASE**

There is no current or future investment allowances deductible from the tax base.

**10. BALANCES WITH SHAREHOLDERS, EQUITY PARTICIPATIONS AND SUBSIDIARIES**

**31 December 2003**

	Receivable		Payable	
	Trade (Million TL)	Non trade (Million TL)	Trade (Million TL)	Non trade (Million TL)
Shareholders	3,600	-	292,607	-
Equity Participations	-	-	5,285	88,000

**31 December 2002**

	Receivable		Payable	
	Trade (Million TL)	Non trade (Million TL)	Trade (Million TL)	Non trade (Million TL)
Shareholders	1,946	-	110,341	-
Equity Participations	-	-	-	88,000

**11. ACCOUNTING PRINCIPLES AND VALUATION METHODS**

**a. Accounting Principles**

Article 50 of the Capital Market Law states that insurance companies have to comply with their own specific laws and regulations in matters of supervision, accounting and financial reporting. The financial statements of the Company as of 31 December 2003 are prepared in accordance with the Law No. 7397 of Turkish Insurance Auditing and the Law No. 4632 of Individual Retirement, Saving and Investment System, according to the reporting format of the Capital Market Board since the Company is operating in the insurance sector.

**b. Technical Provisions**

The provision for unearned premium, life mathematical provision, outstanding loss provision and the reinsurer's share of these provisions are included in the financial statements in accordance with the principles mentioned below:

From 1 January 1999 on, for the life insurance policies, unearned premium provision is provided, over the net accrued premiums, on a daily basis, for the portion that corresponds to the period subsequent to the balance sheet date, both for annual and cumulative policies.

The unearned premium reserve is calculated for the year 2003 for non-life insurance policies on a daily basis based on net premiums accrued in accordance with the statement of Undersecretariat of Treasury numbered 75873 that became effective on 26 November 2002.

In the previous period, according to article 25 of the Insurance Auditing Law, 33.5% was used to calculate unearned premium provision for the non-life insurance policies. The effect of this change is explained in detail in note 14.

Outstanding loss provision and life outstanding indemnity provision are provided for the unpaid claims that are reported at the end of the period.

The life mathematical and profit share provisions are calculated according to the generally accepted actuarial calculations approved by Undersecretariat of the Treasury. According to life insurance regulations valid since 01.08.1997, for all policies, real ages are used for calculating profit shares, and shares are calculated on a daily basis.

#### c. Premium Income and Damages

Premium income represents written premiums on policies issued during the period and on accumulated life insurance policy installment payments issued during the previous years and from which reinsurers' shares are deducted.

In the health branch, premium income is accrued when the policy is issued.

Accrued premium is collected either fully or 20% in advance and the remaining balance is collected in 5 installments of equal amounts.

In the life branch, the premium income is accrued at installment dates. 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 the insured parties.

The Company allocates free provision for Agency Commissions based on insurance premiums accrued but not collected as at the balance sheet date to be in accordance with the matching principle of accounting and to net-off its receivables. The rate of provision for agency commissions for accrued but not collected premiums in the life branch is 5%, while it is zero for the non-life branches.

Claims are expensed as they are reported. Outstanding loss provisions are provided for the claims that are reported at the period end but not yet paid. The reinsurer shares of claims paid and outstanding loss provisions are presented separately.

#### d. Receivables from Policyholders and Agents

The Company has discounted receivables due over 3 months period using a discount rate of 48% based on Capital Market Board Standards.

#### e. Marketable Securities

Marketable securities, which consist of treasury bills, government bonds, equity shares, Eurobonds and retirement funds are accounted at their cost. In the balance sheet, the accrued income is included in marketable securities.

At the date of 31 December 2003, Company valued its marketable securities, represented in blocked, free and elementary portfolio, for lower of cost plus accrual calculated according to internal rate of return or market value.

Equity shares that are traded on the Istanbul Stock Exchange are valued at the arithmetic average of the daily weighted averages of the last five transaction days.

Eurobonds are valued by using the cost plus accrued interest based on straight-line method, since they are not traded on an active market.

Individual retirement investment funds have been valued by using unit fund prices as of 31 December 2003.

Accrued income on marketable securities and gain and loss on sale of marketable securities are included in the results of current year operations.

Starting from 1 January 2001, the Company has classified the equity shares which were initially recorded as marketable securities and were held by the Company for more than 2 years, to long-term investments. Since the Company investment is below 10%, they should be considered not as long-term investments; but, long-term investment securities. However the financial statements are in compliance with the Insurance Audit Law, this presentation was not applied. The Company has provided provisions for diminution in value for publicly traded long-term investments those are valued lower than their acquisition costs. The income

# ANADOLU HAYAT EMEKLİLİK A.Ş.

## 31 DECEMBER 2003 NOTES TO THE BALANCE SHEET

statement reflects the impact of these provisions. The long-term investments and the equity shares with market values exceeding acquisition costs have been recorded at market value. The resulting gain was not recorded in the income statement, but was shown in the other liabilities under the name of Marketable Securities Valuation Difference in the balance sheet. (Refer to Note 22, 26).

According to article 28 of the Corporate Tax Law numbered 5422, the TL 2,190,323 Million profit realized from the current-period sale of equity shares that are recorded as long-term investment securities may be added to capital. Therefore, the amount is recorded under revaluation fund in shareholders' equity to ensure that it is used during capital increase.

### f. Tangible Fixed Assets

The Company revalues its buildings (excluding land), fixtures and furniture that are subject to depreciation with the revaluation coefficient declared by the Ministry of Finance. The difference, which occurs as a result of the revaluation, is credited to the revaluation fund account, which can be added to the capital. The amount added to the revaluation fund is not taxable and the depreciation on the revalued fixed assets is deductible from the taxable profit.

According to article 28 of the Corporate Tax Law numbered 5422, the TL 1,730,046 Million profit realized from the sale of certain tangible assets in the current period can be added to the capital. Therefore, the amount is recorded as revaluation fund in shareholders' equity to ensure that it is used during capital increase.

Tangible fixed assets (excluding buildings) are depreciated on a straight-line method on their revalued amounts, according to the following rates in compliance with the tax laws:

	(%)
Buildings	2
Vehicles	20
Furniture, Fixtures & Equipment	6-20
Leasehold Improvements	20

### g. Assets and Liabilities in Foreign Currency

The foreign currencies denominated amounts are translated at the exchange rates as determined by the Central Bank at the balance sheet date. Foreign exchange gains and losses arising from the translation are presented in the current-year income statement.

### h. Retirement Pay Provision

Retirement pay provision is accounted in the financial statements for the potential future payments to be made to employees entitled in accordance with the Labor Law.

The amount of retirement pay provision as at 31 December 2003 is TL 3,301,000 Million. TL 1,389,950,000 of ceiling is used as basis for calculation (2002: TL 2,720,170 Million. A ceiling of TL 1,260,150,000 is used as basis for calculation).

### i. Tax

The Company is subject to Turkish corporation taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the year.

Corporation tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rates are as follows:

- In 2002 and prior years: 33%, being 30% corporate tax plus a 10% surcharge of funds contribution on corporate tax.
- In 2003: 30% (10% ratio of the funds contribution was abolished for 2003).
- In 2004: 33% (the corporate tax rate was increased from 30% to 33% by Law No. 5035 published in the Official Gazette on 2 January 2004).

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies that include dividends received to corporate income. The rate of income withholding tax is declared 10% starting from 24 April 2003. Starting from 1 January 2004 dividends to be distributed are not subject to income withholding taxes. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

## 12. EVENTS ARISING SUBSEQUENT TO THE BALANCE SHEET DATE

The retirement pay ceiling has been increased to TL 1,485,430,000 effective on 1 January 2004.

The outstanding lawsuits and/or potential lawsuits expected to arise after the balance sheet date against The Company amount to TL 15,389 Million.

In accordance with the Board of Directors Minute dated February 18, 2004 numbered 312/4 and in accord with the Individual Retirement Saving and Investing System Law, new health policy formation shall be ceased effective July 7, 2004 at the latest. Therefore, General Management is given the authority to negotiate with Anadolu Anonim Türk Sigorta A.Ş. for the transfer of health insurance activities.

## 13. CONTINGENCIES

As at balance sheet date, cases against the Company total approximately TL 539,885 Million and cases that the Company is pursuing against third parties total approximately TL 16,041,976 Million. The potential cases against the Company after 31 December 2003 total TL 15,389 Million.

Cases opened against third parties are mainly related with the return of "income withholding tax" and "tax surcharge" on 95% of the interest income on government bonds, treasury bills and deposits, all belonging to insured customers, which were deducted by the Central Bank or Ziraat Bankası, and were transferred to the Tax Office (As the date of 31 December 2003, the cases opened against the Company total approximately TL 337,728 Million. Cases opened against third parties total approximately TL 4,596,949 Million).

## 14. CHANGES IN ACCOUNTING ESTIMATES

The Company provided unearned premium provision for the year 2003 for non-life insurance policies on a daily basis based on net premiums accrued in accordance with the statement of Undersecretariat of Treasury numbered 75873 that became effective on 26 November 2002.

In the previous period, 33.5% is used to calculate unearned premium provision is calculated for the non-life insurance policies according to Insurance Auditing Law, article no 25. The effect of this change on financial statements for the current period is as follows:

In the current period, unearned premium provision for the year 2003 for non-life insurance policies on a daily basis is TL 40,424,653 Million; it would be TL 27,338,742 Million if the 33.5% basis was used. The change in accounting policies has a negative effect of TL 13,085,911 Million on period profit. The change has an effect on reinsurance share in unearned premium provision. Reinsurance share in unearned premium provision for the non-life branches amounts to TL 6,307,427 Million. This amount would be TL 4,874,968 Million if the 33.5% basis was used. This change in accounting policies has positive effect of TL 1,432,459 Million on period profit.

In summary, the change in accounting principles has a negative effect of TL 11,653,452 Million on period profit before tax.

In the prior periods, equity shares and long-term investments, which are recorded in the investments account, were valued at the lower of the acquisition cost and the market value. In the current period, The Company has provided provisions for diminution in value for publicly traded investments that are valued lower than their acquisition costs. The income statement reflects the impact of these provisions. The long-term investments and the equity shares with market values exceeding acquisition costs have been recorded at market value. The resulting gain (TL 4,611,191 Million in total) was not recorded in the income statement but was shown in the other liabilities under the name of Marketable Securities Valuation Difference account in the balance sheet. (Refer to Note 22, 26).

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31 DECEMBER 2003 NOTES TO THE BALANCE SHEET

15. MORTGAGES OR GUARANTEES ON ASSETS

31 December 2003

Type of the asset	Mortgage Amount TL Million	Amount of Guarantees TL Million
Treasury Bills	-	163,443,313
Government Bonds	-	893,761,875
Eurobond	-	37,140,472
		1,094,345,660

31 December 2002

Type of the asset	Mortgage Amount (TL Million)	Amount of Guarantees (TL Million)
Treasury Bills	-	259,259,010
Government Bonds	-	510,793,791
Eurobond	-	7,179,188
Reverse Repurchase Agreement	-	8,197,960
		785,429,949

The guarantee amount consists of marketable securities and bank deposits kept in the name of insures and calculated based on the specific regulations stated in the law.

16. INSURANCE ON ASSETS

31 December 2003

Type of Assets	Net Book Value (TL Million)	Insurance Coverage (TL Million)	Coverage Rate %
Tangible Fixed Assets	33,999,095	17,339,271	50.9

31 December 2002

Type of the asset	Net Book Value (TL Million)	Insurance Coverage (TL Million)	Coverage Rate %
Tangible Fixed Assets	27,253,284	10,689,127	39.2

The insurance value of the tangible fixed assets, represent the value of the building excluding land in immovable, and market value in movables.

17. GUARANTEES AND MORTGAGES RECEIVED

31 December 2003

Name of Client	Receivable Amount (TL Million)	Type of Mortgage and/or Guarantee	Mortgage and/or Guarantee Amount (TL Million)
Agents	72,346	Letters of Guarantee	168,973
		Mortgage on Immovable	12,400
		Treasury Bills	-
		Guarantees and Bails	148,313
Other	-	Letters of Guarantee	25,310
		Guarantees and Bails	40,652
			395,648

31 December 2002

Name of Client	Receivable Amount (TL Million)	Type of Mortgage and/or Guarantee	Mortgage and/or Guarantee Amount (TL Million)
Agents	60,775	Letters of Guarantee	125,830
		Mortgage on Immovables	12,400
		Treasury Bills	-
		Guarantees and Bails	114,917
Other	-	Letters of Guarantee	20,575
		Guarantees and Bails	39,402
			313,124

The guarantees and mortgages are received from the agencies at their initial registration, and are rolled-over as they mature.

**18. COMMITMENTS & CONTINGENT LIABILITIES**

Commitment Type	31 December 2003 Commitment Amount TL Million	31 December 2002 Commitment Amount TL Million
Letters of Guarantee	877,475	827,750
Leasing Contracts	486,666	466,907

**19. BLOCKED DEPOSITS AT BANKS**

As at 31 December 2003, the Company's blocked deposits at banks amounting to TL 12,396 Million (As at 31 December 2002, the Company has no blocked deposits at banks).

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20. COMPARISON OF THE BOOK VALUE, MARKET VALUE AND COST OF THE MARKETABLE SECURITIES

31 December 2003

	Book Value (*) (TL Million)	Cost (TL Million)	Market Value (TL Million)
<u>Blocked Portfolio</u>			
Treasury Bills	159,299,152	126,263,836	163,437,115
Government Bonds	861,200,826	751,357,383	889,325,387
Eurobond	37,140,472	37,364,716	37,140,472
Total Blocked Portfolio	1,057,640,450	914,985,935	1,089,902,974
<u>Elementary Portfolio</u>			
Government Bonds	15,423,113	11,635,948	16,675,597
Total Elementary Portfolio	15,423,113	11,635,948	16,675,597
<u>Free Portfolio</u>			
Treasury Bills	62,639,090	56,066,259	63,590,986
Government Bonds	112,198,650	101,668,224	115,758,348
Eurobond	909,664	1,024,060	909,664
Reverse Repurchase Agreement	1,437,626	1,436,678	1,437,626
Equity Share	1,054,179	983,130	1,054,179
Individual Retirement Funds	4,855,122	4,182,840	4,855,122
Total Free Portfolio	183,094,331	165,361,191	187,605,925
<b>Total Marketable Securities</b>	<b>1,256,157,894</b>	<b>1,091,983,074</b>	<b>1,294,184,496</b>
<u>Equity Participations</u>			
Traded in stock markets	10,008,657	5,423,840	10,008,657
Not traded in stock markets	4,904,726	5,254,280	4,904,725
<b>Total Equity Participations</b>	<b>14,913,383</b>	<b>10,678,120</b>	<b>14,913,382</b>

(\*) Book values also include the income accruals of the marketable securities, amounting to TL 164,174,820 Million.

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## 31 DECEMBER 2003 NOTES TO THE BALANCE SHEET

As of 31 December 2003, 95% of the income accruals of the securities in the blocked portfolio are allocated to the policyholders and 5% of it belongs to the Company.

### 31 December 2002

	Book Value (*) (TL Million)	Cost (TL Million)	Market Value (TL Million)
<u>Blocked Portfolio</u>			
Treasury Bills	242,102,986	194,057,930	249,306,129
Government Bonds	510,130,711	463,804,429	516,807,763
Reverse Repurchase Agreement	8,197,961	8,190,707	8,200,127
Eurobond	7,178,941	6,712,389	7,178,941
Total Blocked Portfolio	767,610,599	672,765,455	781,492,960
<u>Elementary Portfolio</u>			
Treasury Bills	9,722,878	7,885,082	10,004,901
Total Elementary Portfolio	9,722,878	7,885,082	10,004,901
<u>Free Portfolio</u>			
Treasury Bills	59,946,056	51,669,187	60,789,345
Government Bonds	39,605,539	34,431,186	39,981,987
Eurobond	1,057,005	1,034,810	1,057,005
Reverse Repurchase Agreement	5,662,607	5,655,976	5,662,607
Equity Share	1,384,057	1,663,117	1,384,057
Total Free Portfolio	107,655,264	94,454,276	108,875,001
Total Marketable Securities	884,988,741	775,104,813	900,372,862
<u>Equity Participations</u>			
Traded in Stock Markets	6,712,643	5,787,484	7,574,493
Not traded in Stock Markets	4,599,669	4,599,668	4,599,668
Total Equity Participations	11,312,312	10,387,152	12,174,161

(\*) Book values also include the income accruals of the marketable securities, amounting to TL 109,883,928 Million.

As of 31 December 2002, 95% of the income accruals of the securities in the blocked portfolio are allocated to the policyholders and 5% of it belongs to the Company.

### 21. SECURITIES ISSUED BY SHAREHOLDERS, AFFILIATES AND SUBSIDIARIES

As the date of balance sheet, there are no securities issued by shareholders, affiliates and subsidiaries.

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**31 DECEMBER 2003 NOTES TO THE BALANCE SHEET**

**22. DETAILS OF "OTHER" BALANCES IN FINANCIAL STATEMENTS**

Other assets, other payables and other liabilities, which are over 20% of their group or 5% of the total assets, are as follows:

<b>Other Assets</b>	<b>31 December 2003 (TL Million)</b>	<b>31 December 2002 (TL Million)</b>
Disputed Tax Receivables (*)	20,472,272	20,472,272
Taxes and Funds Deductible (**)	3,093,269	2,739,404
Stationery	104,097	91,203
Prepaid Corporate Tax	16,104,791	5,573,557
Leasehold Improvements	1,026,929	375,256
Other	899,412	652,448
<b>Total</b>	<b>41,700,770</b>	<b>29,904,140</b>

Other Payables		
Maturity Debts Payable (***)	-	12,478,656
Claims Payable (***)	-	6,083,873
Terminated Policy Payables (***)	-	1,727,600
Other	2,463,791	2,506,834
<b>Total</b>	<b>2,463,791</b>	<b>22,796,963</b>

<b>Other Liabilities</b>	<b>31 December 2003 (TL Million)</b>	<b>31 December 2002 (TL Million)</b>
Disputed Tax Receivables (*)	20,472,272	20,472,272
Deferred Income	232,059	1,540,347
Funds Generated from		
Reverse Repurchase Agreement (****)	49,393,107	-
Marketable Sec. Valuation of Diff (*****)	4,611,191	-
Interest and Rediscount Expenses	1,150,753	-
Other	3,245,088	1,555,911
<b>Total</b>	<b>79,104,470</b>	<b>23,568,530</b>

(\*) "Disputed tax receivables" in both other assets and other liabilities consist of withholding taxes paid on interest earned from government bonds in prior periods.

(\*\*) TL 1,569,530 Million of the taxes and dues receivable was occurred in 2002. The balance represents withholding tax on gain on investment of mathematical provisions. The cases that were opened by the company regarding uncollected withholding taxes paid in 2002 are still in process.

(\*\*\*) Matured payables, claims payables, terminated policy payables of the previous period were classified as outstanding loss provision in the current period.

(\*\*\*\*) As of balance sheet date, there is a reverse repurchase agreement with four days of maturity. (Refer to Note: 33)

(\*\*\*\*\*) Equity participations and shares that are publicly traded are valued at the market price and valuation differences occurred are recorded as marketable securities valuation difference in other liabilities and the balance is not reflected to the income statement.

**23. RECEIVABLE FROM AND PAYABLE TO PERSONNEL INCLUDED IN OTHER RECEIVABLES AND OTHER SHORT OR LONG TERM PAYABLES**

There are no receivables from or payables to personnel exceeding 1% of total assets.

**24. DOUBTFUL RECEIVABLES FROM SHAREHOLDERS, AFFILIATES OR SUBSIDIARIES**

There are no doubtful receivables from shareholders, affiliates or subsidiaries.

## 25. DOUBTFUL RECEIVABLES

According to the declaration of Undersecretariat of the Treasury, in the Official Gazette dated 26 November 1994 number 22153, "Regulation on Establishment and Operations of Insurance and Reinsurance Companies" is valid since 1 January 1995. According to the 27th clause of this regulation, the insurance companies are required to provide premium reserve for the entire amount of premium receivables that have matured two months before the balance sheet date.

The Company recorded provision for premium receivables of TL 1,223,739 (31 December 2002: 699,874) Million aged more than two months.

In addition to this, Tax Procedure Law, clause number 323 states that the Company has to provide doubtful receivable provision according to their nature and collectability, for the doubtful receivables that are not covered by the premium reserve; which is mentioned above. As of balance sheet date, the Company provided provision for doubtful receivables of TL 30,745 Million after netting off guarantees received.

## 26. EQUITY INVESTMENTS

## 31 December 2003

Equity Participations	Equity Participation TL Million	Equity %	Financial Statement date	Pre tax period Profit/ Loss	Net Period Profit/ Loss	Financial Statement Standards	Independent Auditors Report
İş G.Y.O A.Ş. (*)	4,138,151	1.36	30.06.03	17,090,012	17,090,012	SPK	Unqualified
TSKB Menk. Değ. A.Ş.	109,947	6.56	30.06.03	282,256	198,775	THP	Unqualified
Yatırım Fin. Yat. Ort. A.Ş.	127,739	12.00	30.06.03	92,268	92,268	SPK	Unqualified
Bayındır Ted. Hizm. A.Ş. (*)	2,211,407	8.41	30.06.03	(850,688)	(850,688)	THP	(**)
Kastamonu Holding A.Ş. (*)	1,000	0.05	(***)	(***)	(***)	(***)	(***)
Trakya Yat. Hold. A.Ş. (*)	1,000	0.00	(***)	(***)	(***)	(***)	(***)
Emeklilik Göz. Merk. A.Ş.	225,000	9.09	31.12.03	(107,530)	(107,530)	THP	(**)
İş Portföy Yönetimi A.Ş.	600,000	20.00	31.12.03	7,172,100	5,023,774	SPK	Unqualified
TSKB Yat. Ort. A.Ş. (*)	30,360	2.00	30.06.03	127,620	127,620	SPK	Unqualified
İş-Tim Tel. Hiz. A.Ş. (*)	1,362,500	0.25	(***)	(***)	(***)	(***)	(***)
İş Net E. B. Ü.D. T. ve İ. Hizm. A.Ş. (*)	240,000	2.00	31.12.03	947,190	644,692	THP	(**)
Gothaer Anadolu Hayat Vers. Gmbh (****)	-	50.00	(****)	-	-	-	-
<b>Total</b>	<b>9,047,104</b>						
Transfers from Marketable							
Securities	5,712,407						
Other	153,872						
<b>Total Investments</b>	<b>14,913,383</b>						

(\*) As at the balance sheet date, the Company's share in İş Gayrimenkul Yatırım Ortaklığı ve Proje Değerlendirme A.Ş., Bayındır Tedavi Hizmetleri A.Ş., Kastamonu Holding A.Ş., Trakya Yatırım Holding A.Ş., SYB Yatırım Ortaklığı A.Ş., İş Tim Telekomünikasyon Hizmetleri A.Ş., İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş. and the marketable securities that are reclassified to investments (Refer to Note 11), are lower than 10% and these companies are treated as marketable securities held. However since the financial statements are prepared according to the Insurance Auditing Law, this presentation is not applied.

(\*\*) Not audited as of 31 December 2003.

(\*\*\*) Unable to obtain the Company's financial statements as of 31 December 2003.

(\*\*\*\*) Gothaer Anadolu Hayat Vers. GmbH was abolished by the shareholders. As of the report date, the settlement process was still in progress. Attached financial statements include TL 349,555 Million (100%) of provision for the related investment provided by the Company.

Investments, amounting to TL 10,008,657 Million are publicly traded out of TL 14,913,383 Million of the above listed investments.

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**31 DECEMBER 2003 NOTES TO THE BALANCE SHEET**

**31 December 2002**

Equity Participations	Equity Participation TL Million	Equity %	Financial Statement date	Pre tax period Profit/ Loss	Net Period Profit/ Loss	Financial Statement Standards	Independent Auditors Report
İş G.Y.O A.Ş. (*)	3,205,384	1.36	31.12.02	30,671,858	30,671,858	SPK	Unqualified
TSKB Menk. Değer. A.Ş.	109,947	6.56	31.12.02	467,356	316,518	THP	(**)
Yatırım Fin. Yat. Ort. A.Ş.	87,075	12.00	31.12.02	150,077	150,077	SPK	Unqualified
Bayındır Ted. Hizm. A.Ş. (*)	2,211,407	8.41	31.12.02	(***)	(***)	(***)	(***)
Kastamonu Holding A.Ş. (*)	1,000	0.08	31.12.02	(***)	(***)	(***)	(***)
Trakya Yat. Hold. A.Ş. (*)	1,000	0.00	31.12.02	(***)	(***)	(***)	(***)
İş Portföy Yönetimi A.Ş.	200,000	20.00	31.12.02	2,963,124	1,987,078	SPK	(****)
SYB Yat. Ort. A.Ş. (*)	15,000	2.00	31.12.02	453,159	453,159	THP	(**)
İş-Tim Tel. Hiz. A.Ş. (*)	1,362,500	0.25	31.12.02	(***)	(***)	(***)	(***)
İş Net E. B. Ü.D. T. ve İ. Hizm. A.Ş. (*)	240,000	2.00	31.12.02	727,916	468,656	THP	(**)
Gothaer Anadolu Hayat Vers. Gmbh (*****)	349,555	50.00	31.12.02	(***)	(***)	(***)	(***)
<b>Total</b>	<b>7,782,868</b>						
Transfers from Marketable							
Securities	3,405,182						
Other	124,262						
<b>Total Investments</b>	<b>11,312,312</b>						

(\*) As at the balance sheet date, the Company's share in İş Gayrimenkul Yatırım Ortaklığı ve Proje Değerlendirme A.Ş., Bayındır Tedavi Hizmetleri A.Ş., Kastamonu Holding A.Ş., Trakya Yatırım Holding A.Ş., SYB Yatırım Ortaklığı A.Ş., İş Tim Telekomünikasyon Hizmetleri A.Ş., İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş. and the marketable securities that are reclassified to investments (Refer to Note 11), are lower than 10% and these companies are treated as marketable securities held. However since the financial statements are prepared according to the Insurance Auditing Law, this presentation is not applied.

(\*\*) Not audited as of 31 December 2002.

(\*\*\*) Unable to obtain the Company's financial statements as of 31 December 2002.

(\*\*\*\*) Unaudited financial statement data

(\*\*\*\*\*) Company's financial statements are prepared in accordance with German Generally Accepted Accounting Standards.

TL 6,712,643 Million of the Company's total TL 11,312,312 Million long-term investments are publicly traded.

From 1 January 2001 on, the Company has reclassified the equity shares, which were held for more than two years, to long-term investments, with their market value prevailing at the last valuation date. These shares should be considered as affiliates, since the ownership share of the Company is below 10%. The financial statements are in compliance with the Insurance Audit Law; thus this presentation is not applied.

Marketable securities reclassified to long-term investments in the current year are listed below:

Equity Participation	Cost (TL Million)	Market Price (TL Million)	Equity Participation (TL Million)	Valuation Increase (TL Million)	Valuation Decrease (TL Million)
Aygaz	64,969	191,600	191,600	126,631	-
Beko	30,228	143,202	143,202	112,974	-
Bosch Profilo	17,383	202,693	202,693	185,310	-
Doğan Holding	124,814	283,912	283,912	159,098	-
Ereğli Demir Çelik	65,221	805,060	805,060	739,839	-
Ford Otosan	47,929	365,240	365,240	317,311	-
Gima	54,294	27,920	27,920	-	26,375
Goodyear	25,676	271,360	271,360	245,684	-
İzocam	60,494	125,341	125,341	64,847	-
Koç Holding	51,799	644,695	644,695	592,896	-
Migros	33,945	194,356	194,356	160,411	-
Netaş	6,624	36,062	36,062	29,438	-
Sabancı Holding	101,927	370,477	370,477	268,550	-
T. Şişe Cam	186,728	405,300	405,300	218,572	-
Soda Sanayii	8,328	14,366	14,366	6,038	-
Trakya Cam	111,988	270,090	270,090	158,102	-
Turcas	36,529	92,345	92,345	55,816	-
TSKB	1,029,067	1,110,941	1,110,941	81,874	-
Türk Demir Döküm	53,243	152,252	152,252	99,009	-
Aktaş Elektrik	5,195	-	5,195	-	-
Total	2,116,381	5,707,212	5,712,407	3,622,400	26,375

## 27. BONUS SHARES RECEIVED FROM EQUITY PARTICIPATIONS AND SUBSIDIARIES DURING THE YEAR

The Company received TL 344,838 Million (2002: TL 428,897 Million) common stock from its subsidiaries and equity participations.

## 28. NON-CASH RIGHTS ON IMMOVABLES

There are no non-cash rights on immovable.

## 29. REVALUATION SURPLUS ARISING FROM REVALUATION OF TANGIBLE FIXED ASSETS

	31 December 2003 (28.5%) (TL Million)	31 December 2002 (59%) (TL Million)	31 December 2001 (53.2%) (TL Million)
Fixed Assets	8,046,346	10,688,693	6,331,416
Depreciation (-)	(639,372)	(829,162)	(485,018)
Revaluation (Net)	7,406,974	9,859,531	5,846,398

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30. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

31 December 2003

Foreign Currency Receivables	Currency Amount	Rate (31.12.2003)	Amount (TL Million)
Banks (DTH)			
USD	709,326	1,395,835	990,102
CHF	57,384	1,116,749	64,083
EUR	331,016	1,745,072	577,647
GBP	76,765	2,476,610	190,117
<b>Total</b>			<b>1,821,949</b>

Foreign Currency Payables

None

31 December 2002

Foreign Currency Receivables	Currency Amount	Rate (31.12.2002)	Amount (TL Million)
Banks (DTH)			
USD	243,280	1,634,501	397,641
CHF	30,155	1,169,633	35,270
EUR	30,853	1,703,477	52,557
GBP	23,683	2,618,888	62,023
<b>Total</b>			<b>547,491</b>

Foreign Currency Payables

None

31. GUARANTEES GIVEN ON BEHALF OF SHAREHOLDERS, EQUITY PARTICIPATIONS OR SUBSIDIARIES

There are no guarantees given on behalf of shareholders, equity participations or subsidiaries.

32. PERSONNEL STRUCTURE

	31 December 2003	31 December 2002
Senior Managers	5	4
Managers	57	48
Officers	195	183
Personnel with Contracts	16	11
Other	21	19
<b>Total</b>	<b>294</b>	<b>265</b>

**33. OTHER SIGNIFICANT MATTERS MATERIALLY AFFECTING THE FINANCIAL STATEMENTS**

As of balance sheet date, the Company has reverse repurchase agreement that has 4 days to maturity with Türkiye İş Bankası. Marketable securities that are subject to reverse repurchase agreement accounted in assets as marketable securities in the amount of TL 51,753,733 Million and in liabilities as funds provided from reverse repurchase agreement in the amount of TL 49,393,107 Million. The amount obtained with respect to reverse repurchase agreement in the amount of TL 49,393,107 Million is recorded in assets as time deposits included in bank balance.

## 1. Depreciation and amortization for the period is TL 931,980 (2002: 639,067) Million.

	31 December 2003 (TL Million)	31 December 2002 (TL Million)
a. Depreciation Expense		
aa. Depreciation	553,678	374,112
ab. Revaluation of Depreciation	118,829	135,581
b. Amortization	259,473	129,374

## 2. Provision and discount expense for the period:

	TL Million	TL Million
Tax Provision	23,588,749	20,308,208
Current Risk Provision	44,281,404	23,675,560
Outstanding Loss Provision	22,169,999	5,205,025
Life Mathematical Provision	477,524,974	267,705,868
Life Profit Sharing Provision	629,147,720	529,658,890
Expense Accruals on Marketable Securities	464,092	356,426
Retirement Pay Provision Expense	580,830	740,370
Provision for Premium Receivables	523,866	425,078
Discount Expense on Receivables Maturing over Three Months	188,816	988,928
	1,198,470,450	849,064,353

## 3. Finance expense of the period

In the current period, TL 105,515 Million of interest expense is realized due to reverse repurchase agreement of TL 49,393,107 Million.

## 4. Finance expenses related to shareholders, subsidiaries or equity participations

In the current period, TL 105,515 Million of interest expense is realized due to reverse repurchase agreement made with shareholders.

## 5. Sales to and purchases from shareholders, equity participations and subsidiaries are as follows:

## 31 December 2003

	Sales (Premium Received) TL Million	Purchases (Premium Paid) TL Million
<b>Shareholders &amp; Equity Participations</b>		
Destek Reasürans A.Ş. (*)	14,501	46,592
İş Net E.B.Ü.D. Tic. ve İlet. Hizm. A.Ş.	76,869	-
Anadolu Anonim Türk Sigorta Şirketi (*)	-	64,561
Türkiye Sınai ve Kalkınma Bankası A.Ş.	45,864	-
	137,234	111,153

(\*) TL 46,592 Million of purchase from Destek Reasürans A.Ş and TL 1,561 Million of sales to Anadolu Anonim Türk Sigorta Şirketi consists of ceded premiums ceded to reinsurers.

## 31 December 2002

	Sales (Premium Received) TL Million	Purchases (Premium Paid) TL Million
<b>Shareholders &amp; Equity Participations</b>		
Destek Reasürans A.Ş. (*)	12,585	32,112
İş Net E.B.Ü.D. Tic. ve İlet. Hizm. A.Ş.	67,181	-
Anadolu Anonim Türk Sigorta Şirketi (*)	52,897	31,526
Türkiye Sınai ve Kalkınma Bankası A.Ş.	50,662	-
	183,325	63,638

(\*) TL 32,112 Million of purchase from Destek Reasürans A.Ş and TL 31,526 Million of sales to Anadolu Anonim Türk Sigorta Şirketi consists of ceded premiums ceded to reinsurers.

6. The commission expenses paid to T. İş Bankası A.Ş., one of the shareholders, TL Million 5,445,809 (2002: TL 2,852,562 Million) consists of TL 3,352,191 Million (2002: TL 2,096,727 Million) commission expense paid for policy collection, TL 1,848,443 Million (2002: TL 755,835 Million) commissions expense paid to issue policies and TL 245,175 Million of claims paid through T. İş Bankası A.Ş.

7. Salaries and other benefits paid to senior management amounted to TL 1,150,841 (2002: 810,859) Million.

8. There are no changes in the depreciation calculation method in the period.

9. Inventory cost calculation system: The Company does not have inventories.

10. No inventory count is performed since the Company does not have any inventories. The Company has performed an inventory count only for stationery stock it owns.

11. There are no scrap or service sales of the Company.

12. The Company has no investment incentive related to its sales.

13. There are no income and profits or expense and losses relating to the previous period.

14. The profit distribution has not been finalized as of the report date, because the General Board Meeting has not yet been held. However; earnings per share is as follows:

	31 December 2003	31 December 2002
Period Profit	72,882,590	57,070,372
Corporate Tax Provision (-)	23,588,749	20,308,208
Profit After Tax	49,293,841	36,762,164
Earnings Per Share TL	758	566
Earnings Per Share %	75.8%	56.6%

#### 15. Changes in the amounts of goods and services production in the period for each main production group:

This note is not applicable for insurance companies.

#### 16. Changes in the sales amounts of goods and services in the period for each main sales group (Million TL):

		2003	2002	Change
Premiums Received (Gross)	Health	81,608,185	63,170,980	29%
	Life	340,598,169	188,519,152	81%
	Total	422,206,354	251,690,132	68%



