

Annual Report 2004



**ANADOLU HAYAT
EMEKLİLİK**



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Anadolu Hayat Emeklilik is a private pension and life insurance company which

- **provides contemporary and high-quality levels of service,**
- **has a strong and entrenched corporate culture and structure,**
- **strives to be the best service provider in the eyes of its customers and derives nourishment and strength from the deep roots of İşbank (Türkiye İş Bankası).**

Corporate Profile

- A subsidiary of İşbank, Anadolu Hayat Emeklilik was founded in 1990 as Turkey's first company specializing in life insurance products.
- As the leader of the Turkey's life insurance industry, Anadolu Hayat Emeklilik was among the constituents of the private pension system that was launched in the last quarter of 2003.
- According to year-end 2004 figures, the number of private pension system participants who had chosen Anadolu Hayat Emeklilik was 33,798. This performance puts the Company among the leaders of the private pension sector.
- As required by the legislation governing the private pension system, Anadolu Hayat Emeklilik restructured itself and in 2004 it transferred its health insurance portfolio to Anadolu Anonim Türk Sigorta Şirketi.
- Headquartered in İstanbul, Anadolu Hayat Emeklilik operates through its regional offices in İstanbul (2), Ankara, Adana, Bursa, and İzmir and a branch in the Turkish Republic of Northern Cyprus, a direct marketing team, 848 branches of İşbank and 431 agents to provide its customers with high-quality, high value-added products and services.
- Anadolu Hayat Emeklilik is the first and only private pension company in Turkey whose shares are publicly traded. The Company's stock is quoted on the İstanbul Stock Exchange under the symbol ANHYT.

TRY **410.6** million
Total premium production

TRY **31.4** million
Technical profit

TRY **1,675** million
Total assets

Our Strategy

Anadolu Hayat Emeklilik's corporate strategy:

- Contribute to the stable growth of the industry by developing and maintaining a diversity of products capable of responding to customers' needs and demands in life insurance and private pensions.
- Increase its market share by combining the success in offering innovative products and creating value through an extensive service network.
- Provide 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.
- Maintain a sustainable level of profitability that is above the market average.

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 eliminate people's doubts about the future and enhance the quality of their lives; and to contribute to the development of the national economy by creating long-term financial resources.

Our Vision

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

In 2004 Anadolu Hayat Emeklilik

- Defended its position as leader of the life branch with a 32% sectoral share in total premium production.
- Ranked second in private pension funds from the standpoint of assets under its management.
- Remained the leader of the industry in terms of total assets (taking into account liquid assets and real estate properties into account).

Principal Indicators

	2004 (TRY thousand)	2003 (TRY thousand)
Financial indicators		
Total premium and contribution production	410,559	422,206
Total technical profit	31,400	41,395
Total assets	1,675,443	1,464,506
Paid-in capital	100,000	65,000
Shareholders' equity	223,377	173,926
Net financial income	78,765	74,769
Pretax profit	59,461	72,883
Basic ratios		
Technical profit/Premium production	7.64%	9.80%
Pre-tax profit/Total assets	3.55%	4.98%
Pre-tax profit/Shareholders' equity	26.62%	41.90%
Premium production/Total assets	24.50%	28.83%
Shareholders' equity/Total assets	13.33%	11.88%



Mustafa Su
General manager

General Manager's Message

Esteemed shareholders, customers, and employees:

The most important items on our agenda in 2004 were:

- Increasing our market share in the private pension branch
- Maintaining our strong leadership in the life branch
- Increasing our technical and financial profit
- Transferring ownership of our health insurance portfolio as required by law.

Before sharing with you the successes that our Company achieved in the life insurance and private pension branches last year, I would like to touch briefly upon the economic situation in 2004 and also on number of matters of concern to our sector.

Economic development in 2004

2004 was a successful year for the Turkish economy, a year in which targets were satisfactorily met.

The year-on rise in wholesale prices was 13.8% while the increase in consumer prices was 9.3%. Not only were these both below the government targets set for 2004 they also represent the lowest rates of 12-month inflation experienced in Turkey in the last thirty years. The Turkish lira remained strong all year long, appreciating 6.8% against the US dollar and 2.5% against a basket of currencies. This contributed significantly to CPI performance as did the lack of any serious public-sector price hikes in the absence of any need for them. The country's exports reached the USD 63 billion level and it was also announced that economic growth, weighing in at 9.9%, was also higher than had been expected.

Macroeconomic conditions also remained on track in 2004 and this had a favorable impact on our industry, as indeed it did on most other sectors. A climate of economic confidence

made companies in general stronger while also increasing people's buying power. With less need to worry about the present and immediate future, there were also increased resources with which to take a longer-term view. The result was savings being channeled into life insurance and/or private pension funds by individuals for themselves and their families and by companies seeking to increase the security and motivation of their employees.

The private pension system

2004 was the first full year of operation for Turkey's recently launched private pension system (PPS).

According to figures published by the Pension System Monitoring and Reporting Center, the number of contracts entered into in the PPS had reached 334,557 as of 31 December 2004.

Looking back on 2004 however it is clear that private pension sales in the sector have lagged behind projections. There are two fundamental reasons for this. The first is that people are still not sufficiently familiar with the system-what it is for and how it works. The second is that most companies had already locked in their 2004 budgets by the time the system began working in late 2003, which significantly depressed group sales last year.

For the private pension sector in other words, 2004 was not so much a year of making sales as it was one of publicizing the new system. Feedback from our distribution channels clearly shows that much more time was spent on explaining the system as a whole than it was on promoting our Company's products and services.

Macroeconomic conditions also remained on their positive course in 2004 and this had a favorable impact on our industry, as indeed it did on most other sectors.



Group sales (especially group plans involving employer contributions) made up a lower than anticipated share of total sales in 2004. The inclusion of corporate players in the system as active contributors-which is to say, a proliferation of group pension plans-is what will give the system its upward momentum in the future. For now, the private pension system in Turkey is a pond; with employers' participation, it can turn into an ocean.

We may therefore regard 2004 as a kind of "warm-up year": both for the system and for ourselves. And when the two underlying reasons just referred to are taken into account, our own view is that the results achieved in the first full year of the system's operation are actually quite encouraging from the standpoint of what may be achieved in the future. When we look at the experience of other countries that have had private pension systems for a long time, we see that it took many years for the system and its products to gain widespread recognition and acceptance and for market shares to set.

Social security reform and the PPS

Another development that will add momentum to the growth and development of the private pension system in Turkey is the issue of social security, a high-priority item on the country's EU agenda. The accession of a country with a population the size of Turkey's will certainly exacerbate structural problems from the EU's point of view and for this reason, particular emphasis is given to the issue of social security in any discussion of the country's EU accession.

The most recent additions to the EU have been countries with relatively lower levels of income. The increased amounts of aid being directed to these countries are causing the union budget problems and posing economic difficulties.

Furthermore, with less money available for investment, there is a risk of higher unemployment which would, in turn, lead to greater amounts having to be paid as unemployment benefits. By all counts therefore, the EU is facing the prospect of huge rises in social security transfer payments.

Moreover Europe's population is aging. Even as things stand now, the social security entitlements being paid to the elderly are already straining the EU's resources. With the accession of a country with a population as large as Turkey's, the structural accommodation problems will certainly become even more serious. If nothing at all is done and our social security system is allowed to continue unchanged, it is projected that the accumulated financing deficit would reach USD 35.5 billion by 2010, USD 132.9 billion by 2030, and USD 313.6 billion by 2050. These numbers are why social security reform in our country is so vitally important.

The process of reforming Turkey's social security system, a matter that is high on the public agenda today, has begun in cooperation with the IMF, World Bank, and European Union and it will accelerate over the next few years. In addition to making existing social security institutions more effective and productive however, expanding the role of the private pension system will also be crucially important. Both public authorities and the private sector are under a heavy burden of responsibility to make the process of harmonizing Turkey's insurance industry with the EU as painless as possible. To reform the social security system and make it sustainable will require expanding the scope of those who are covered by the system, separating health coverage from retirement coverage, and making the private pension system more widespread.



General Manager's Message

Converting endowment life insurance policies to private pensions

The law governing Turkey's private pension system allows those who are covered by endowment life insurance policies to convert them into private pensions.

We are involved in an effort to help our more than 200,000 life policyholders consider this option and deciding what is in own their best interests. An individual analysis is carried out for each policyholder, who is then contacted and informed about his options. We believe that these conversions will continue at an increasingly greater pace as people become aware of the advantages. By law, policyholders must elect to convert their policies to the private pension system by October 2006.

The position of Anadolu Hayat Emeklilik in the private pension system

Anadolu Hayat Emeklilik has successfully completed its first full year of operation in the private pension system.

In the fourteen months between 27 October 2003 when the system became operational and 31 December 2004, private pension accounts were opened in the name of 33,798 participants and a total of TRY 43.7 million was collected in as contributions. We offer our customers thirteen different pension funds from which to choose. From the standpoint of the total amount of contribution directed to investment, Anadolu Hayat Emeklilik ranks second in the system.

Another matter that I should bring up is that Anadolu Hayat Emeklilik has begun to make employer's contributions to the private pension accounts of its own employees. We sincerely hope that this practice will serve as a model for other large companies. The more group pension contracts there are, the

faster the private pension system will grow and the more added value will be created.

The leader in life insurance

Anadolu Hayat Emeklilik ranked in first place in the life insurance industry in 2004. Our premium production in the life branch last year increased 12% and reached TRY 381.2 million. (TRY 340.6 million in 2003.) This increase was 2.7 points above the rise in the consumer price index. According to 2004 figures, our Company accounted for a 32% share of the sector's life insurance premium production, once again demonstrating its strength and reinforcing its leadership.

Underlying this success are the confidence and peace of mind that Anadolu Hayat Emeklilik gives its policyholders as well as its experience in the sector and the successful and dedicated efforts of its proficient employees.

Life insurance constitutes the backbone of Anadolu Hayat Emeklilik's business. In 2005 and the years that follow, we will continue giving as much importance to the life branch as we do to the private pension system.

Our financial performance

2004 was a successful year for our Company, both financially and operationally.

Our pretax profit last year was TRY 59.5 million according to the Company's historical-cost balance sheet and TRY 41.9 million according to its inflation-adjusted balance sheet. (The Company's taxes and dividend payments are based on the latter.) Profitability per share was 24.37%, with each share paying a dividend of TRY 0.00055.

In 2005, Anadolu Hayat Emeklilik's goals will be to maintain its position as leader of the life branch that it has held since it was founded will also becoming the leader of the private pension system as well.

Our mathematical reserves and our profit sharing provisions which are an expression of our policyholders' savings, increased 16% and reached TRY 1,298 million in 2004. These results mean that Anadolu Hayat Emeklilik by itself controls a 34.9% share of the market's mathematical reserves.

In 2004 our Company sold its health portfolio to Anadolu Sigorta, for which it received TRY 16.3 million in financial income. Our Company's total financial income in 2004 amounted to TRY 79.9 million.

Included in this annual report is our independent auditors' report in which you will find a detailed explanation of these financial results. Those results are the product of the dedicated, painstaking, and diligent efforts of Anadolu Hayat Emeklilik's employees.

The future

The economic developments that took place in 2004 are expected to continue in 2005. A positive economic outlook and enhanced purchasing power will make it possible for our customers to invest in their long-term futures without having to worry about what might happen tomorrow. At the same time, as more companies begin allocating budget resources for their employees' group pensions, that will not only nourish the growth of the private pension system but also increase our own Company's revenues.

Anadolu Hayat Emeklilik will continue to develop products and services in both the private pension and life branches in line with customers' needs. Our Company will not be satisfied just to offer its customers' security for the future: it intends to demonstrate the "Anadolu Hayat Emeklilik difference" by responding to all of their needs in this area.

In 2005, Anadolu Hayat Emeklilik's goals will be to maintain its position as leader of the life branch that it has held since it was founded while also becoming the leader of the private pension system as well. The responsibility we bear towards our shareholders and towards the people who have entrusted their futures to us demand that we do nothing less than this.

I have full faith that we shall reach all the corporate objectives that we have set for ourselves in 2005 and the years that follow. I also have no doubt but that our employees, who are so critically important to Anadolu Hayat Emeklilik's success, have both the determination and the ability to make each of those objectives a reality.

In closing I extend my thanks on behalf of our Company and the board to all our customers for entrusting their futures to us, to our employees for fulfilling all the requirements of the Company they represent, to our agents for bringing customer and company together, to İşbank for providing us with the full strength of its guidance as our principal shareholder, and to all our investors for having confidence in us.

Best regards,

Mustafa Su
General Manager

Developments in the Global and Turkish Economies in 2004 and the Outlook for 2005



GNP growth in 2004 was 9.9%. The year-on rises in consumer and wholesale prices were down to 9.32% and 13.84% respectively. Both numbers were below the government's targets for the year.

The Global Economy

Despite a 33% rise in oil prices in 2004, the global economy appears to have achieved a 5% rate of growth while the volume of world trade was up 7.2%. Both performances were higher than expected and are attributed to higher company profits and flourishing stock exchanges on the one hand and to greater consumption and investment expenditures on the other.

With the US announcing foreign trade and budget deficits larger than expected, the dollar fell against the euro, dropping

below the 1:1 parity mark. Even though the US Federal Reserve Bank raised its short-term interest rates in 25 basis-point increases from 1% to 2.25%, that was not enough to give the dollar the support it needed and the dollar remained weak against the euro all year long.

There were no changes in interest rates in the Euro zone in 2004 and no increases are expected in 2005 either, what with unemployment so high and domestic demand so weak. The dollar is not expected to appreciate against the euro in 2005 due to high oil prices and an expanding budget deficit.

The Turkish Economy

The Turkish economy demonstrated a successful performance in 2004.

The "implicit inflation targeting" policy that was launched in 2002 remained in effect during 2004 as well. The right conditions for changing over to an "explicit inflation targeting" were waited for and comprehensive structural reforms being undertaken in conjunction with monetary and fiscal policies were set in place with the objective of increasing public and market confidence so that inflation targets are achievable.

Resolute adherence to economic policies has begun to alter economic behavior in both the public and private sectors. Greater confidence in the economy and positive expectations about the future have removed worries about the sustainability of the national debt from its first-place position on the current agenda.

2005 will be a transition year in which the Turkish economy makes the changeover to "explicit inflation targeting", which is due to go into effect at the beginning of 2006. This system is expected to further increase confidence in the ability to achieve the ultimate goal of price stability.

The rise in consumer prices in 2004 was 9.32% while wholesale prices were up 13.84%. Both were below the government's declared targets. In the last two months of the year the Turkish lira appreciated 6.8% against the dollar and 2.5% against a basket of currencies while there were no significant adjustments in public-sector prices. Both developments were instrumental in slowing down the rise in the CPI and keeping inflation below the targets.

As a result of the process of economic recovery that had begun, The Treasury's international bond auctions in 2004 fetched the lowest borrowing costs in its history with the longest terms and greatest market demand. This improvement in the Treasury's borrowing position is confirmed by rating agencies and has had the effect of substantially reducing its interest burden in the course of the last two years.

The ratio of the stock of gross government debt to GDP, which was 80.2% in 2003, slipped to 78.4% as of end-2004. (According to Maastricht criteria, it is supposed to be less than 60%.)

GNP growth in 2004 was 9.9%. That is practically on-target (10%) for the year and this performance is widely regarded as being a very positive sign for the future.

The Outlook for 2005

- Imports are expected to be worth USD 104 billion and exports USD 71 billion. This implies a net current account deficit of about 10-11 billion dollars.
- An 8% target has been set for CPI rise.
- The non-interest public-sector surplus has been set at 6.5% of GNP.
- The public sector borrowing requirement is expected to be around 3.6% of GNP.

Over the next three years, an annual rate of economic growth of 5% is to be maintained. Inflation is to be further reduced to the 4% level by the end of 2007.



Total funds directed into investment amounted to TRY 276.3 million as of year-end 2004. Of the more than a third of a million contracts, 81.3% were individual and 18.7% were corporate.

Based on the principle of enabling people to receive extra income in their retirement years by directing their regular savings into productive investments, Turkey's private pension system completed its first full year of operation in 2004.

The number of companies active in the system in its first year was eleven. As of 31 December 2004, the number of pension contracts entered into was 334,557. The number of active participants was on the order of 314 thousand while their total contributions amounted to TRY 288 million.

Of these contributions, TRY 276.3 million had been directed into investment as of the same date. People in the 25-34 age group account for the biggest share (42%) of participants. Of the more than a third of a million contracts entered into by the eleven companies in the system, 81.3% were individual and 18.7% were corporate (group-based pension plans).

The Treasury has published a communique (Communique concerning the conversion of endowment life insurance policies held by pension companies to the private pension system) and other regulations concerning this issue. Under this

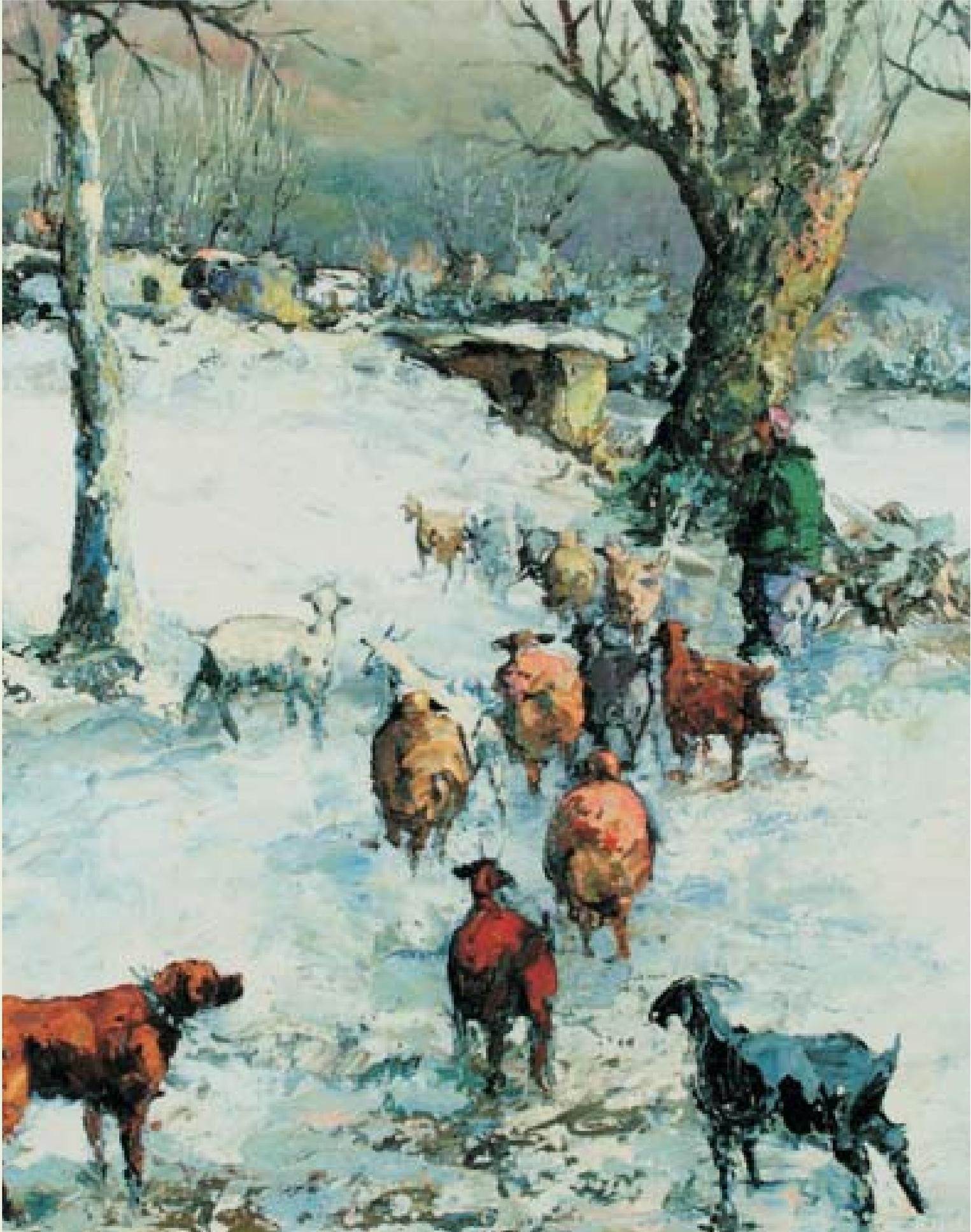
communique people who purchased endowment life insurance policies before 27 October 2003 (the date on which the first private pension plans were offered for sale) will be allowed to transfer their entitlements to the private pension system without having to pay the entry fee or incurring any expenses whatsoever on the conversion. The cutoff date for this conversion has been set as 7 October 2006. As of this writing, the rate of conversion was still rather low but it is expected to accelerate in 2005 and 2006.

In countries that have introduced them, private pension systems play an important role in economic growth and development. The generally held view is that Turkey's system will also experience long-term growth, accounting for an increasingly greater share of economic activities and having a leveraging effect. The private pension system in our country is subject to the oversight of both the Treasury and the Capital Markets Board.

Principal indicators concerning the development of Turkey's private pension system are shown in the table below.

Private Pension Contracts

	Number of Contracts	Number of Participants	Total Amount of Contributions Collected (TRY)	Total Funds Available for Investment (TRY)
> 31.12.2003	16,812	15,245	5,866,764	5,692,556
> 29.03.2004	73,181	71,015	28,549,515	27,051,764
> 28.06.2004	154,324	147,603	73,713,125	69,880,735
> 27.09.2004	233,199	223,576	146,374,034	139,468,037
> 31.12.2004	334,557	314,257	288,325,706	276,287,104



Twenty-seven insurance companies active in the life branch offered customers life insurance products and services and generated premiums in Turkey in 2004.

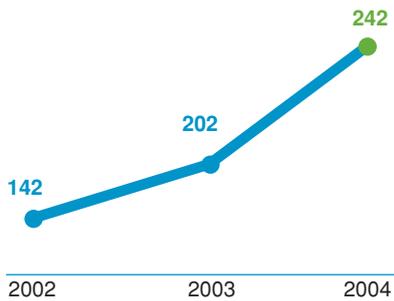
Twenty-seven insurance companies active in the life branch offered customers life insurance products and services and generated premiums in Turkey in 2004. Of these companies, ten are also members of the private pension system as well.

The year-on rise in life insurance premium production in 2004 was 19%. Twenty-seven companies generated premiums with a total TRY 1,223.9 million. Top ten firms' share of this total premium production is 88.7%. Life insurance accounted for an 18.5% share of total premium production in insurance industry last year.

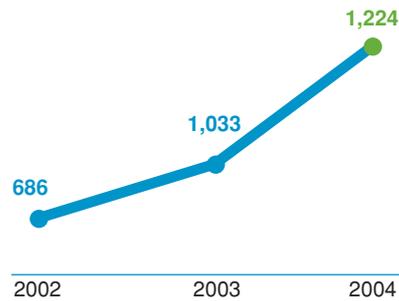
Since the year-on rises in wholesale and consumer prices were 13.8% and 9.3% respectively in 2004, the sector experienced real growth in its premium production.

An awareness of the role and importance of insurance has increased considerably in the public consciousness in recent years. This has brought with it greater expectations and demands among customers and, consequently, noticeable improvements in product and service quality. Furthermore the economic stability and sustainable economic growth that our country has been experiencing for the last three years has led to an higher per-capita income. The continuity of this situation will accelerate the improvements in life insurance industry and increase the premium production.

Technical Profit (TRY million)



Premium Production (TRY million)



Source: Association of the Insurance and Reinsurance Companies of Turkey
Undersecretariat of Treasury (2004)



Anadolu Hayat Emeklilik also continued its efforts to achieve its corporate objectives without letup during 2004. While maintaining its position as the leader of the life insurance branch, it also joined the ranks of the leading players in the new business of private pensions.

In 2004 Anadolu Hayat Emeklilik:

- Increased the number of its policyholders and participants.
- Carried out effective and extensive marketing activities to reach out to more customers and provide them with private pension and life insurance products.
- Continued to make use of İşbank's nationwide branch network as a highly effective delivery channel within bancassurance activities.
- Achieved a 12% year-on increase in its premium production.
- As required by the law governing the private pension system, put an end to its activities in the health branch and turned its health insurance portfolio over to Anadolu Sigorta.
- Further developed its agency relationships and introduced structural changes that make it possible for its agents to work more effectively and productively.
- As part of this restructuring, conducted intensive training activities for company and İşbank employees and for agents in order to increase sales and improve productivity.
- Abided strictly by its corporate governance principles and maintained continuous and transparent communication with all its stakeholders.

In keeping with its mission, Anadolu Hayat Emeklilik will continue to offer financial solutions that improve the quality of people's lives by guaranteeing their own futures and those of their loved-ones and to contribute to the sustainable growth of the Turkish economy by creating sources of long-term funding.

The first full year of operation in the business of private pensions

2004 was the first full year of operation for Turkey's private pension system.

Anadolu Hayat Emeklilik was one of the first companies to join the private pension system when it was officially launched on 27 October 2003. The Company is proud to have completed its first fully year of operation in the system with successful results.

Between 27 October 2003 when the system became operational and 31 December 2004, Anadolu Hayat Emeklilik signed contracts and opened private pension accounts in the name of 33,798 participants and collected a total of TRY 43.7 million as contributions. In terms of total number of contracts, the Company controls a 10.23% share of the sector. At the end of its first full year, Anadolu Hayat Emeklilik ranked fifth in the sector in terms of number of contracts and second in terms of fund size and contribution amount.

During the same period, the funds directed into investment on behalf of the participants with whom Anadolu Hayat Emeklilik had signed private pension contracts was TRY 43.1 million, which corresponds to a 15.57% share of the system's total. 83.87% of the Company's contracts were with individuals and 16.13% were for group pensions plans.

The law governing the private pension system in Turkey allows a participant in the system to transfer their account to another private pension company, albeit only once in any calendar year. Although more than a year has passed since the system was launched, the regulatory framework concerning this issue has not yet been announced. When it has been, Anadolu Hayat Emeklilik expects that it will be able to further increase its market share by attracting such transfers with the help of its wide and advantageous product portfolio. Another issue that the Company sees as having the potential to contribute positively to its market share is the mechanism of converting endowment life insurance policies to private pensions.

Anadolu Hayat Emeklilik's Private Pension Funds

Money Market Funds

- > AHE Cash Fund

Income Funds

- > AHE Bond Fund
- > AHE Eurobond Dollar Fund
- > AHE Eurobond Euro Fund
- > AHE Conservative Fund
- > AHE Group Conservative Fund
- > AHE Group Bond Fund
- > AHE Group Eurobond Fund

Growth Funds

- > AHE Equity Fund
- > AHE International Mixed Fund
- > AHE Aggressive Fund
- > AHE Group Equity Fund

Other Funds

- > AHE Balanced Fund

Anadolu Hayat Emeklilik: Review and Strategies

A range of pension funds and plans to suit every customer's needs

Anadolu Hayat Emeklilik has established nine different pension funds under the Capital Markets Board license that it received on 6 August 2003. During 2004, the products offered to customers were further diversified and the number of pension funds serving as the basis for its individual and group pension plans was increased to 13. The CMB license for the new group-based funds was received on 5 January 2004.

Anadolu Hayat Emeklilik seeks to create the most suitable conditions possible to guarantee the future well-being of its customers. The Company currently offers three individual and 117 standard group pension plans.

Anadolu Hayat Emeklilik's pension funds are managed in cooperation with İş Portföy Yönetimi, an İşbank subsidiary and also the leading asset management company in Turkey.

The persistent and undisputed leader in life insurance

Anadolu Hayat Emeklilik was founded in 1990 as Turkey's first company specializing in life insurance and since then it is the persistent leader of the life insurance industry. In 2004 the Company ranked first among all life insurers, generating 31% of life insurance premium production and controlling 36% of total funds of life policyholders.

The Company serves customers in the life branch with ten different insurance products. Anadolu Hayat Emeklilik life insurance products have been carefully designed to meet the needs of different customer groups. The Company's life insurance policies incorporate payment options of both TRY and indexed to foreign currency.

In addition to products that provide accumulation and coverage in the event of death or disability, there are products targeted at families such as Education Insurance for their children and annuities providing quarterly income.

A growing organization and intensifying marketing activities

Anadolu Hayat Emeklilik continued its intensive marketing activities in 2004. The Company markets its private pension products through its agents and İşbank branches as well as through its direct sales force that operates in the Bank's branches.

Anadolu Hayat Emeklilik is continuing to expand its direct sales force in order to increase its effectiveness in the private pension market while also adding still more impetus to its activities in the life branch as well. In 2004 the Company hired more than a hundred direct marketing personnel who have the educational backgrounds needed to be private pension brokers. The number of the direct sales force increased by 150% from 187 to nearly 300 last year.

Due to the need for a long-term relationship and communication between the Company and the customer, distributing the life insurance and private pension products by direct sales force has a knock-on effect, triggering new sales of other products.

The production of the direct sales force is monitored on a weekly, monthly, and semi-annual basis. Individual performance is measured and successful members are encouraged to strive harder by means of a reward system. Direct sales personnel that successfully satisfy specific criteria qualify for promotion. The direct sales force is divided up into individual teams, each of which has its own team leader.

Highly trained personnel and an agency network with a national reach make Anadolu Hayat Emeklilik the sector's most preferred service provider.

Products designed for companies

In the conduct of the Company's corporate marketing activities in 2004, special importance was given to promoting private pension system and products designed to address companies' needs. Visits were made to the corporate customers in the Company's portfolio as well as to potential customers and the private pension system and its products were publicized by means of meetings, presentations, and stands.

Anadolu Hayat Emeklilik also provided support for corporate marketing efforts by organizing meetings and presentations for brokers. Contacts were made with large numbers of companies to discuss private pensions with them in 2004. It was observed that sales of employer-contribution group pension plans were seriously hampered by unfamiliarity with the system and by the fact that most companies had made no budget appropriations for system-related outlays. Anadolu Hayat Emeklilik foresees that there will be a rapid increase in such plans beginning in 2005 as both stumbling-blocks are increasingly overcome.

At every stage of marketing such as product design, promotion, and operation, Anadolu Hayat Emeklilik is ever mindful of its customers' needs and demands. As of end-2004, the number of group pension contracts in its portfolio stood at 5,522.

Synergetic cooperation with İşbank

In the private pension and life insurance sectors, in order to reach potential customers, banks' extensive branch networks, technological infrastructure, and alternative distribution channels are vitally important.

Anadolu Hayat Emeklilik is one of the most extensive and successful implementers of bancassurance in Turkey thanks to the high level of cooperation that has been developed with İşbank, its principal shareholder. More than 800 İşbank branches located all over Turkey serve as Anadolu Hayat Emeklilik's agents.

The cooperation continued to grow and develop in 2004. Anadolu Hayat Emeklilik generates approximately 30% of its initial premium production on its endowment life insurance policies and about 60% of its private pension production through bank branches. Campaigns were conducted to increase sales through İşbank and to motivate bank employees to promote our Company's products. In addition, promotional and other activities were conducted all year long with İşbank to boost and encourage sales.

İşbank's huge service network is a natural and highly important avenue of growth for Anadolu Hayat Emeklilik. The Company is determined to further increase the breadth and depth of its ongoing cooperation with the Bank and to generate increasingly more premiums and contributions through this distribution channel.

Agents: Our traditional delivery channel

Agents play a crucially important role in the insurance industry. Distinguished by its intimate proximity to customers, a personal relationship, and personalized approach to service, the agency function is the traditional delivery channel of the insurance business.

Anadolu Hayat Emeklilik: Review and Strategies

Anadolu Hayat Emeklilik works with 431 agents. In 2004, these agents were responsible for a 69.7% share (worth TRL 12,567 billion) of our premium production in endowment life insurance policies and a 61% share (TRL 84,372 billion) of our annuity policies as well as 20% (6,705 contracts) of our private pension production. Based on the principles of mutual respect and productivity, the Company's relationships with its agents continued in full force during 2004 with intensive training activities for agents and programs designed to assist sales and boost motivation.

Agent visits and meetings also contributed significantly to agents' motivation.

Anadolu Hayat Emeklilik attaches great importance to agent training and devotes both time and resources to such activities. Under the heading of efforts to improve agents' effectiveness and service quality, in 2003 the Company launched its innovative internet training portal (Virtual Campus). The Company's agents made intensive use of Virtual Campus in 2004 and took part in activities to develop their professional knowledge.

Enabling agents to produce more

In 2004 Anadolu Hayat Emeklilik continued to improve and develop the infrastructure and applications needed so that its agents can be more effective and productive. Last year the Company completed its Agent Support Portal infrastructure project that allows all agents to view their own portfolios via the internet, identify customers who are not paying premiums or are paying them late and contact them more quickly in order to improve their conversion rate. Thanks in part to the Agent Support Portal, the average agent conversion rate was

78% last year and this had a positive impact on agents' commission earnings.

The "Premium-Proposal-Application" program introduced by Anadolu Hayat Emeklilik in 2004 under its project to establish real-time, effective communication with its agents proved to be very popular and was heavily used. This application allows agents to monitor their portfolios in real time via the internet. The Company's agent access their portfolios through www.destek.anadoluhayat.com.tr.

Anadolu Hayat Virtual Campus, another application that Anadolu Hayat Emeklilik has developed for its agents, allows agents to take part in training activities whenever and to whatever degree that they wish via the internet. Agents access the system by entering their username and password and select from among the menu of lessons on offer. Users have the option of following lessons with or without supporting visual materials and lesson notes are also accessible from within the system. What agents learn at the Visual Campus is given additional support in the form of subsequent classroom training that provides them with complete training service.

Anadolu Hayat Emeklilik is committed to deepening its traditional relationships with its agents and to reach out to increasingly more customers through its agents.

Anadolu Hayat Emeklilik products at HSBC Bank

Under an agency agreement between Anadolu Hayat Emeklilik and HSBC Bank that was signed on 14 January 2005, HSBC Bank has begun promoting and selling Anadolu Hayat Emeklilik life insurance policies and private pension plans to its own customers.

Giving special importance to the satisfaction of all its customers, Anadolu Hayat Emeklilik's business philosophy views the customer at the focal point of all corporate decisions and practices.

Underlying this cooperative effort is the goal of bringing as many people as possible into the private pension system which is vitally important for the economic and social future of our country.

Features that support products

Anadolu Hayat Emeklilik provides its private pension customers with a variety of features that support its products and are highly appreciated:

- Internet access to accounts and information
- Interactive voice response system
- POKart program
- SOS ambulance service
- Extensive list of subscribing health organizations.

A service approach focused on customer satisfaction

Anadolu Hayat Emeklilik attentively and carefully observes customer satisfaction at every stage of the service process.

In both life insurance and private pensions, a long-term relationship between customers and the service provider is fundamental. Recognizing this and acting accordingly makes customer satisfaction even more important and decisive.

Giving special importance to the satisfaction of all its customers, Anadolu Hayat Emeklilik's business philosophy views the customer at the focal point of all corporate decisions and practices. At every stage of marketing from product design to ways of presentation, the Company is ever mindful of its customers' needs and demands as it seeks to create and maintain a portfolio of satisfied, happy policyholders and participants.

Anadolu Hayat Emeklilik's call center plays an important role in achieving ongoing customer satisfaction. In 2004 the unit responded to 155,000 calls and nearly 7,000 e-mails. In addition to handling incoming calls, the unit also contacted customers who missed premium or contribution payments, whose coverage expired, or who paid using a credit card and took action as necessary.

Another important function of the call center is making sales over the telephone. Responding to requests made by phone or via the internet, the unit makes offers, carries out sales, and has policies issued. In 2004 the center sold nearly 150 life insurance policies and nearly 100 private pension contracts in this way. Information pertaining to 5,193 policyholders entitled to emergency assistance insurance was entered, coverage was provided with fees being paid by Anadolu Hayat Emeklilik, and cards were sent out.

R&D activities

Anadolu Hayat Emeklilik continued product and service development activities all year long and made such changes which were required by law or market conditions.

Investments were also made in technology during 2004 to develop the Company's infrastructure. Pre-investment alternatives were investigated and the solutions that offered optimum benefit were chosen.

Focusing on continuous development and perfection in applications, innovations were introduced to increase productivity and lower costs. Developments in the sector were monitored and information obtained as a result of research was made available for the use of the appropriate units of the Company.

Anadolu Hayat Emeklilik: Review and Strategies

Investment in human resources = Investment in our corporate future

Anadolu Hayat Emeklilik is a company that invests continuously in its human resources and thus in its corporate future.

Employees who are experienced, creative, and dedicated to their work are the true architects of Anadolu Hayat Emeklilik's success.

Anadolu Hayat Emeklilik provides every employee who contributes to its corporate success systematic career and personal development opportunities for their future and continuously motivates and supports its human resources.

As a result of the private pension activities that began in 2003 and the restructuring that was undertaken in line with them, the net increase in the number of Anadolu Hayat Emeklilik personnel (including the direct marketing team) was 1.1% and there were a total of 534 people on the payroll as of year-end 2004. Twenty-five newly hired employees began working for the Company as assistant specialists, assistant inspectors, and clerks. There were also 119 additions to the direct marketing team. Sixty-two people employed in the health branch were transferred to Anadolu Anonim Türk Sigorta along with the health portfolio.

Training for individual and corporate success

Training is one of the most important building-blocks of Anadolu Hayat Emeklilik's human resources policy. Anadolu Hayat Emeklilik believes that through training it will:

- Develop its own human resources
- Maintain an "employee mosaic" of people who are thoroughly

familiar with its corporate culture and with the group structure and who have learned the insurance business at the Company

- Create added value as much for different segments of society as for the economy as a whole.

A total of 2,058 people took part in the training programs conducted at Anadolu Hayat Emeklilik during 2004. The average training time per person was 3.47 days/year. Of this training, 25.1% was concerned with life insurance, 55.2% with the private pension system and its products, and 19.7% with sales, computer use, and similar personal training.

Thank you...

We thank the whole Anadolu Hayat Emeklilik team.

Thanks to their dedicated and painstaking efforts, our Company has maintained its leading position in the life branch while also achieving satisfactory year-end results in the newly-entered business of private pensions.

So long as all the members of our team believe in our Company, our business, and our vision, Anadolu Hayat Emeklilik will continue to create value for everyone and grow.

The importance of correct and extensive communication

Anadolu Hayat Emeklilik continues the communication activities that it carries out with the groups that it serves without interruption. Since the day it was founded, the Company has adhered to an effective and extensive communication strategy and has been as much in contact with all its stakeholders as with the customers that it serves.

Since the day it was founded, the Company has adhered to an effective and extensive communication strategy and has been as much in contact with all its stakeholders as with the customers that it serves.

Anadolu Hayat Emeklilik has been concentrating on promoting its new business line, private pension system, with the aim of having the biggest market share and being the leader in this system as it is already the case in life insurance.

At the outset, mass media was used intensively to explain Anadolu Hayat Emeklilik's difference in private pension system. In the course of time, instead of using mass media communication, the Company preferred using other communication channels such as stand activities, press releases etc.

The private pension system promotional campaign in which the Mazhar & Fuat duo starred continued until April 2004.

Anadolu Hayat Emeklilik also gives importance to promote its products according to specific target audiences.

Housewives: The pension plan (called "Full Security") which is specially designed for housewives incorporates additional advantages not found in the Company's standard plans. The campaign began in March and continued until the end of August.

Commercial vehicle drivers: The "POKART" campaign undertaken in cooperation with Petrol Ofisi chain of service stations was targeted at commercial vehicle drivers and also lasted from March to August.

Motorists: Targeted at motorists in general, "Extra Contribution Pension Plan" was launched in December in a campaign conducted jointly with Petrol Ofisi and İşbank.

In addition to these campaigns, Anadolu Hayat Emeklilik also continued to contribute to the promotion of private pension system and life insurance through special projects (sponsorships). In addition, the Company sponsored activities related to education and art.

During the year Anadolu Hayat Emeklilik conducted many meetings and travels for a variety of purposes such as assessing the year's results together with İşbank branches and personnel, celebrating its anniversary, and handing out awards. The press conference that the Company traditionally holds every year took place in Saklıköy, a resort on the Black Sea near İstanbul.

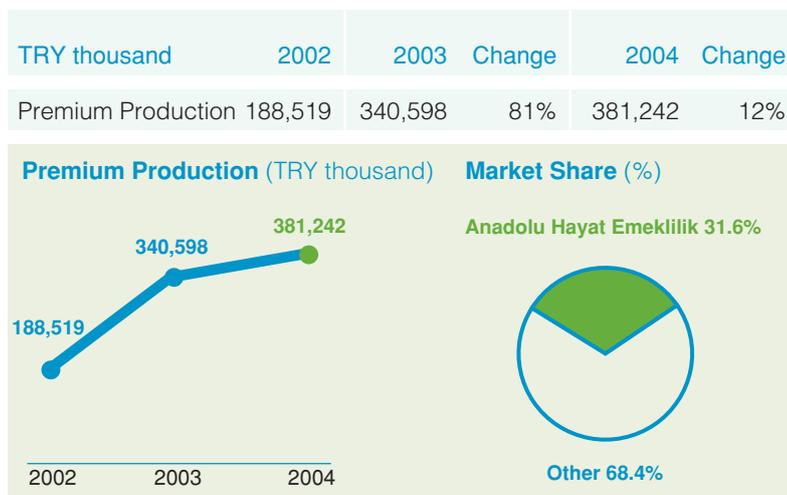
Analysis of 2004's Operational Results



Premium Production

a) Life insurance

Premium production in the life branch amounted to TRY 381,242,000 corresponding to a year-on-year rise of 12%. This is 2.7% points higher than the 9.3% rise in consumer prices last year. Anadolu Hayat Emeklilik's premium production accounted for a 31.6% of all life insurance premiums last year, a performance that once again made it the leader of the sector.



b) Private pensions

The private pension system commenced operation on 27 October 2003. As of 31 December 2004, 34,231 private pension accounts had been opened in the name of 33,798 participants and a total of TRY 43,718 thousand had been collected in as contributions.

c) Health insurance

The legal framework governing the private pension system prohibits service providers from engaging in insurance activities other than the private pension and life branches. For this reason, the Company ceased to write new health policies as of 1 April 2004 and on August 31st it transferred all its health policies together with all their rights and obligations to its sister company, Anadolu Sigorta.

In the eight months to end-August, the Company's premium production in the health branch amounted to TRY 29 million.

The value of the health portfolio was assessed by the Price Waterhouse Coopers consultancy. On the basis of its report, the portfolio's transfer value was TRY 16,250,000. This amount was booked by the Company as income for fiscal year 2004.

TRY thousand	2002	2003	Change	2003/3	2004/3	Change
Premium Production	62,733	81,219	29%	23,104	27,674	20%

Mathematical reserves and profit sharing provisions

The mathematical reserves and retained dividends that represent our policyholders' savings increased TRY 187,335,000 despite having to pay out TRY 432 million as compensation and redemptions and for maturing policies. This represents a year-on-year rise of 17%. According to end-2004 figures, Anadolu Hayat Emeklilik controlled a 35.6% share of the industry's aggregate mathematical reserves.

TRY thousand	2002	2003	Change	2004	Change
Mathematical Reserves and Profit Sharing Provisions	799,878	1,110,529	39%	1,297,864	17%

Income from Mathematical Reserves

In 2004, Anadolu Hayat Emeklilik earned TRY 332,581,000 on the funds entrusted to it by its policyholders. The policy dividends paid by the Company last year were 29.26% on Turkish lira policies, 9.26% on dollar-indexed policies, 7.90% on euro-indexed policies, and 9.13% on sterling-indexed policies.

Declines in interest rates in 2004 had an adverse impact on the Company's income from mathematical reserves.

TRY thousand	2002	2003	Change	2004	Change
Income from Mathematical Reserves	340,851	377,118	11%	332,581	(12%)

Total Claims Paid

Information about the compensation payments made by Anadolu Hayat Emeklilik last year is presented in the accompanying chart.

a) Life Branch:

TRY thousand	2002	2003	Change	2004	Change
Claims Paid	282,728	324,873	15%	431,967	33%

b) Health Branch:

TRY thousand	2002	2003	Change	2004*	Change
Claims Paid	38,163	57,366	50%	48,841	33%

* Due to the transfer of the health portfolio to Anadolu Sigorta as of August 2004, the table covers claims paid for the first 8 months of the year. The changes are also based on this fact.

Technical results

The technical results achieved in the most recent three years in each branch are presented in the accompanying chart.

90% (TRY 11,940,000) of the loss sustained in the private pension branch in 2004 was due to outlays made for advertising and promotion for that branch.

The coverage for current risks in the health branch was set as 33.5% of the premiums written in 2002. In 2003, it was determined on the basis of the portion of premium (pro-rated by number of days) extending into the subsequent year. This change in the rules resulted in a technical loss.

TRY thousand	2002	2003	Change	2004	Change
Life Branch Technical Profit	37,487	50,572	35%	51,408	2%
Private Pensions Technical Profit	-	(1,200)	-	(13,266)	-
Health Branch Technical Profit	8,776	(7,977)	(191%)	(6,742)	15%
TOTAL	46,263	41,395	(11%)	31,399	(24%)

Financial results

The financial results achieved by Anadolu Hayat Emeklilik in the most recent three years in each branch are presented in the accompanying chart.

Declines in interest rates in 2004 had an adverse impact on the Company's income and resulted in its being lower than had been expected. TRL 16,250 billion received for turning the health portfolio over to Anadolu Sigorta was booked as income for the year.

TRY thousand	2002	2003	Change	2004	Change
Financial Income	40,585	75,470	86%	79,961	6%

Pretax profit

The Company's pretax profit in each of the most recent three years in each branch is presented in the accompanying chart.

TRY thousand	2002	2003	Change	2004	Change
Pretax Profit	57,070	72,883	28%	59,461	(18%)

Shareholders' equity

The Company's shareholders' equity increased again last year.

In compliance with the dividend payment decision voted at the annual general meeting held on 29 March 2004, Anadolu Hayat Emeklilik's total shareholders' equity increased 28% year-on and reached TRY 223,377.

TRY thousand	2002	2003	Change	2004	Change
Shareholders' equity	121,200	173,926	44%	223,377	28%

Total assets

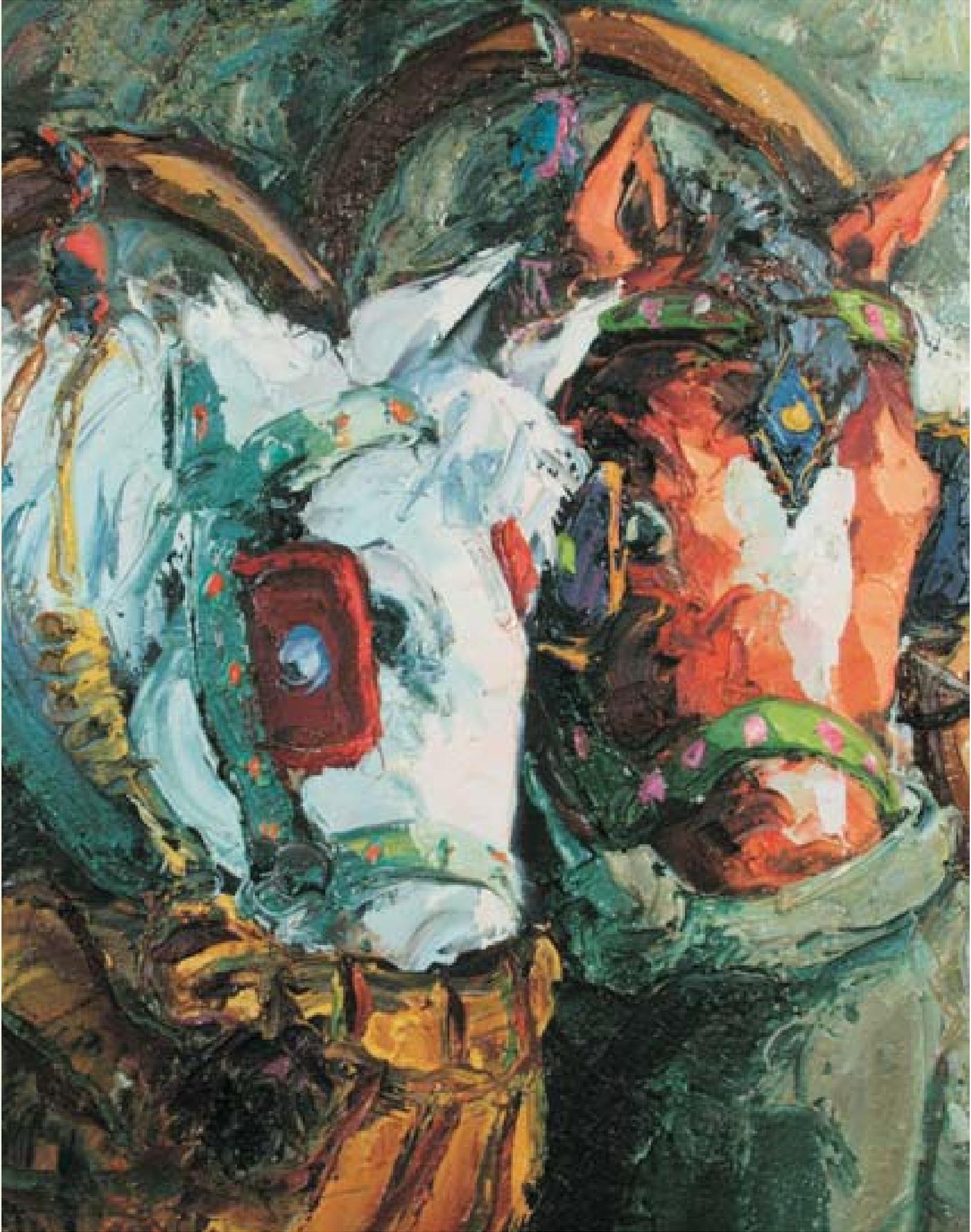
Anadolu Hayat Emeklilik's total assets were up 14% in 2004 and reached TRY 1,675,443,000 in value. This corresponds to nearly USD 1 billion.

TRY thousand	2002	2003	Change	2004	Change
Total Assets	1,015,265	1,464,506	44%	1,675,443	14%

Our market share

The Company's market shares in the life branch and total sector in each of the most recent three years are presented in the accompanying chart.

Branches	2002	2003	2004
Life	27%	33%	32%
Total Industry	5.1%	6.7%	5.6%



A powerful and deep-rooted identity summed up in the phrase “Turkey's bank” makes İşbank the bank that is the most trusted and preferred by individuals and organizations in Turkey.

İşbank (Türkiye İş Bankası) was founded in 1924 upon a directive by Mustafa Kemal Atatürk, the leader of the War of Independence and the first president of the newly-born Republic of Turkey, ordering the formation of a new bank that would participate in the reconstruction of the war-torn national economy and contribute to its development.

Founded with these ideas in mind, İşbank commenced operations in 1924, a year fraught with many hardships and difficulties for the newly-established Turkish Republic. İşbank's mission was defined as assisting both the banking system and the national economy in their growth and development and to provide financial resources for industrial investments.

İşbank is proud to be one of but a handful of national companies founded in the earliest years of the Republic that is still in operation. Today it still experiences all the excitement and dynamism it had the day it was born.

With an extensive national service network and solid capital base, the Bank provides uninterrupted support for real sector investments and domestic and foreign trade finance. It extends financing loans to major projects that contribute to national economic development while also offering financial products and services to millions of corporate and individual customers.

Since the day it was founded, İşbank has been a driving force of Turkey's economic development and today the Bank controls a rich portfolio of stakes in companies ranging from financial services to glass and from energy to telecommunications as well as in other industrial and services groups.

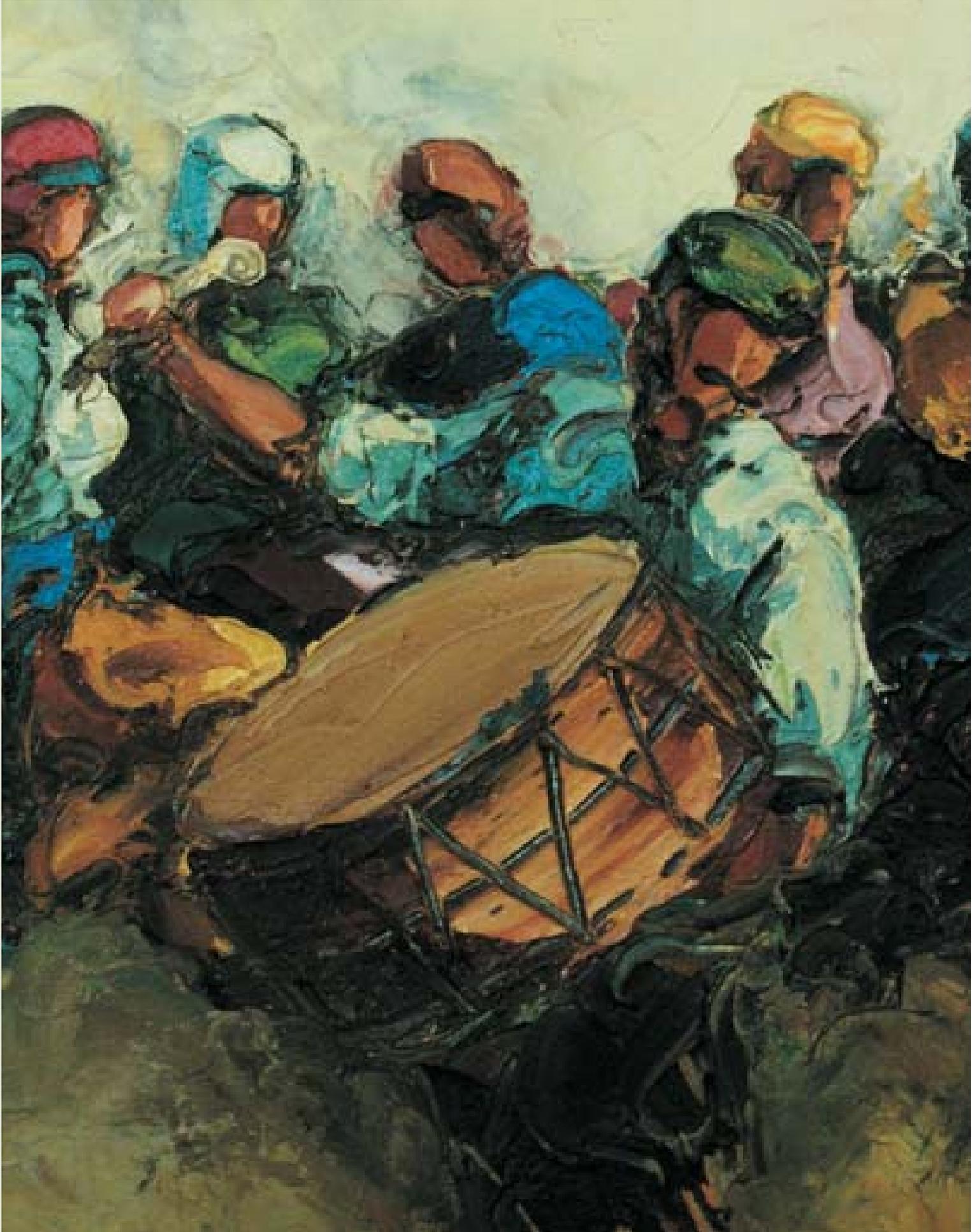
With one of the world's most advanced peer-to-peer and real-time service backbones, İşbank's service network has an extensive national reach consisting of 848 branches, 2,278 ATMs, 390 internet banking kiosks, and 107 automatic cash-deposit machines.

With shareholders' equity worth TRL 7,693,999 billion (USD 5,179 million), İşbank ranks first among all privately-owned banks in Turkey. When the Bank is considered together with its subsidiaries, it ranks among the world's biggest corporate groups.

İşbank has been a publicly traded company since the day it was founded and it has a shareholder structure that is unique in our country consisting of more than 300,000 Turkish and foreign shareholders, of which the Bank's pension fund foundations are the biggest. 28.49% of the Bank's shares are quoted on the İstanbul and London stock exchanges.

A powerful and deep-rooted identity summed up in the phrase “Turkey's bank” makes İşbank the bank that is the most trusted and preferred by individuals and organizations in Turkey.

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Standing (Left to right):

Burhanettin Kantar (Member)
Tümay Oskay (Secretary to the Board)
Onur Özbilen (Member)
Yusuf Ziya Toprak (Member)
Hakan Aran (Auditor)
Sedat Tosyalı (Member)
İzlem Erdem (Auditor)
Murat Ağılönü (Member)

Seated (Left to right):

Mustafa Su (Member and General Manager)
Ayça Çınar (Member)
Sırrı Erkan (Chairman)
Salih Kurtuluş (Deputy Chairman)





- 1 [Mustafa Su](#) General Manager
- 2 [Afşin Oğuz](#) Assistant General Manager
- 3 [Uğur Erkan](#) Assistant General Manager
- 4 [Şükrü Muslu](#) Coordinator
- 5 [Orhan Bozkurt](#) Head of Board of Inspection



INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

Translated into English from the Original Turkish Report

To the Board of Directors of
Anadolu Hayat Emeklilik A.Ş.
İstanbul

Tel: (212) 317 64 00 (Pbx)
Fax: (212) 317 64 64
www.deloitte.com.tr

ANADOLU HAYAT EMEKLİLİK A.Ş.
INDEPENDENT AUDITORS' REPORT
FOR THE PERIOD 1 JANUARY 2004 - 31 DECEMBER 2004

1. We have audited the accompanying balance sheet of Anadolu Hayat Emeklilik A.Ş. (the "Company") as of 31 December 2004 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 the 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 the 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 the 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 2004, are valued at the 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. Therefore, in the accompanying financial statements equity participations that do not have market value, are valued with acquisition cost.

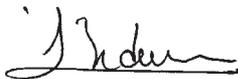
5. In our opinion, except for such adjustments as may be necessary in respect with the matter set out in paragraph 4 above, the financial statements referred to above present fairly, in all material respects, the financial position of Anadolu Hayat Emeklilik A.Ş. as of 31 December 2004, and the result 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:

The Capital Market 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 the Capital Market" for financial statements to be prepared for periods beginning on or after 1 January 2003. According to the announcement numbered B.02.HM.0.SGM.0.3.1.1-05425 and dated 30 January 2004 sent by the Undersecretariat of the Treasury to the Capital Market 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. However, law number 5024, which was published in the Official Gazette dated 30 December 2003 and numbered 25332, requires the application of inflation accounting on tax provision calculations that will be effective in 2004 and the following periods, in the case when the real inflation rate attains the limits stated at the law. Since it has attained these limits as of 31 December 2004, the Company calculated its tax liability based on the inflation adjusted records. 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 of DELOITTE TOUCHE TOHMATSU



Zeki Kurtçu
Partner

İstanbul, 11 March 2005

ANADOLU HAYAT EMEKLİLİK A.Ş.

BALANCE SHEET AS AT 31 DECEMBER 2004

	31 Dec 2004 Non-Life TRY	31 Dec 2004 Life/Retirement TRY	31 Dec 2004 Total TRY	31 Dec 2003 Non-Life TRY	31 Dec 2003 Life/Retirement TRY	31 Dec 2003 Total TRY
ASSETS						
I. LIQUID ASSETS	-	13,107,407	13,107,407	268,979	62,111,129	62,380,108
a. Cash		9,210,218	9,210,218	307	5,935,844	5,936,151
b. Banks		3,897,189	3,897,189	268,672	56,175,285	56,443,957
II. MARKETABLE SECURITIES	-	1,475,089,617	1,475,089,617	15,423,114	1,240,734,780	1,256,157,894
Marketable Securities		1,481,692,489	1,481,692,489	15,423,114	1,243,726,246	1,259,149,360
Diminution in Value of Marketable Securities (-)		(6,602,872)	(6,602,872)	-	(2,991,466)	(2,991,466)
III. RECEIVABLES	79,633	67,042,218	67,121,851	32,672,240	22,678,790	55,351,030
a. Policyholders	79,633	19,077,266	19,156,899	32,083,075	21,826,169	53,909,244
Policyholders	79,633	19,077,266	19,156,899	33,306,814	21,826,169	55,132,983
Provision for Premium Receivable from Policyholders	-	-	-	(1,223,739)	-	(1,223,739)
b. Agents	-	143,093	143,093	-	72,346	72,346
Agents	-	143,093	143,093	-	72,346	72,346
Provision for Premium Receivable from Agents (-)	-	-	-	-	-	-
c. Due from Insurance & Reinsurance Companies	-	61,355	61,355	589,165	118,217	707,382
d. Reserves Held with Insurance & Reinsurance Companies	-	-	-	-	-	-
e. Loans to Policyholders	-	524,671	524,671	-	520,078	520,078
f. Other Receivables	-	139,847	139,847	-	141,980	141,980
g. Receivables from Individual Retirement System	-	47,095,986	47,095,986	-	-	-
IV. RECEIVABLES UNDER LEGAL FOLLOW UP	-	3,728	3,728	-	3,967	3,967
Receivables Under Legal Follow up	-	34,472	34,472	-	34,712	34,712
Provisions for Receivables Under Legal Follow up (-)	-	(30,744)	(30,744)	-	(30,745)	(30,745)
V. INVESTMENTS	-	56,867,255	56,867,255	-	14,913,383	14,913,383
Investments	-	57,243,954	57,243,954	-	15,289,313	15,289,313
Diminution in Value of Investments (-)	-	(376,699)	(376,699)	-	(375,930)	(375,930)
Capital Commitments to Investments (-)	-	-	-	-	-	-
VI. FIXED ASSETS	-	33,054,734	33,054,734	26,462	33,972,633	33,999,095
Movables	-	1,394,765	1,394,765	26,462	1,548,871	1,575,333
Movables	-	4,148,655	4,148,655	184,199	3,888,620	4,072,819
Accumulated Depreciation on Movables (-)	-	(2,753,890)	(2,753,890)	(157,737)	(2,339,749)	(2,497,486)
Immovables	-	31,659,969	31,659,969	-	32,423,762	32,423,762
Immovables	-	33,260,845	33,260,845	-	34,057,397	34,057,397
Accumulated Depreciation on Immovables (-)	-	(1,600,876)	(1,600,876)	-	(1,633,635)	(1,633,635)
VII. OTHER ASSETS (Net)	-	30,198,165	30,198,165	-	41,700,770	41,700,770
TOTAL ASSETS	79,633	1,675,363,124	1,675,442,757	48,390,795	1,416,115,452	1,464,506,247

ANADOLU HAYAT EMEKLİLİK A.Ş.

BALANCE SHEET AS AT 31 DECEMBER 2004

	31 Dec 2004 Non-Life TRY	31 Dec 2004 Life/Retirement TRY	31 Dec 2004 Total TRY	31 Dec 2003 Non-Life TRY	31 Dec 2003 Life/Retirement TRY	31 Dec 2003 Total TRY
LIABILITIES AND SHAREHOLDERS' EQUITY						
I. PAYABLES	844	56,156,016	56,156,860	2,009,804	3,085,987	5,095,791
a. Due to Insurance and Reinsurance Companies	63	441,537	441,600	366,864	21,599	388,463
b. Premium Reserves Held for Insurance and Reinsurance Companies	-	-	-	1,187,672	-	1,187,672
c. Taxes and Dues Payable	-	1,590,124	1,590,124	31,133	591,528	622,661
d. Other Payables	781	4,237,659	4,238,440	424,135	2,039,656	2,463,791
e. Payables to Individual Retirement System	-	49,886,696	49,886,696	-	433,204	433,204
II. PROVISIONS	17,368	1,337,757,504	1,337,774,872	43,607,825	1,139,616,601	1,183,224,426
A. Technical Provisions	17,368	1,332,989,139	1,333,006,507	41,050,917	1,135,649,391	1,176,700,308
a. Unearned Premium Provision	-	4,167,957	4,167,957	34,117,226	3,856,751	37,973,977
Unearned Premium Provision	-	4,427,533	4,427,533	40,424,653	3,856,751	44,281,404
Reinsurers Share (-)	-	(259,576)	(259,576)	(6,307,427)	-	(6,307,427)
b. Claim Provision	17,368	35,831,534	35,848,902	6,933,691	25,837,454	32,771,145
Claim Provision	17,368	35,833,120	35,850,488	8,402,265	25,872,558	34,274,823
Reinsurers Share (-)	-	(1,586)	(1,586)	(1,468,574)	(35,104)	(1,503,678)
c. Earthquake Loss Provision	-	-	-	-	-	-
d. Life Mathematical Provision	-	650,612,608	650,612,608	-	477,512,577	477,512,577
Life Mathematical Provision	-	650,620,687	650,620,687	-	477,524,974	477,524,974
Reinsurers Share (-)	-	(8,079)	(8,079)	-	(12,397)	(12,397)
f. Life Profit Sharing Provision	-	642,377,040	642,377,040	-	628,442,609	628,442,609
Life Profit Sharing Provision	-	642,910,574	642,910,574	-	629,147,720	629,147,720
Reinsurers Share (-)	-	(533,534)	(533,534)	-	(705,111)	(705,111)
B. Other Provisions	-	4,768,365	4,768,365	2,556,908	3,967,210	6,524,118
a. Retirement Pay Provision	-	3,313,400	3,313,400	427,000	2,874,000	3,301,000
b. Other Provisions	-	1,454,965	1,454,965	2,129,908	1,093,210	3,223,118
III. OTHER LIABILITIES	-	40,773,143	40,773,143	11,601,238	67,070,028	78,671,266
IV. TAX PROVISIONS	-	17,360,629	17,360,629	-	23,588,749	23,588,749
V. SHAREHOLDERS' EQUITY	-	181,276,465	181,276,465	-	124,632,174	124,632,174
a. Paid-in Capital	-	100,000,000	100,000,000	-	65,000,000	65,000,000
i. Nominal Capital	-	100,000,000	100,000,000	-	65,000,000	65,000,000
ii. Capital Commitments (-)	-	-	-	-	-	-
b. Legal Reserves	-	10,672,295	10,672,295	-	8,207,603	8,207,603
c. Extraordinary Loss Reserve	-	-	-	-	-	-
d. Other Reserves	-	6,408,342	6,408,342	-	3,780,856	3,780,856
e. Extraordinary Reserves	-	48,177,435	48,177,435	-	24,530,066	24,530,066
f. Revaluation Fund	-	16,018,393	16,018,393	-	23,113,649	23,113,649
g. Special Funds	-	-	-	-	-	-
h. Loss (-)	-	-	-	-	-	-
i. Period Loss	-	-	-	-	-	-
ii. Previous Years' Losses	-	-	-	-	-	-
V. PROFIT	(635,717)	42,736,505	42,100,788	(8,828,072)	58,121,913	49,293,841
a. Period profit	(635,717)	42,736,505	42,100,788	(8,828,072)	58,121,913	49,293,841
b. Previous Years' Profit	-	-	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	(617,505)	1,676,060,262	1,675,442,757	48,390,795	1,416,115,452	1,464,506,247

ANADOLU HAYAT EMEKLİLİK A.Ş.

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 Non-Life TRY	2004 Life TRY	2004 Retirement TRY	2004 Total TRY	2003 Non-Life TRY	2003 Life TRY	2003 Retirement TRY	2003 Total TRY
I- TECHNICAL INCOME	81,527,363	1,827,353,583	1,403,695	1,910,284,641	121,900,080	1,520,072,522	1,598,669	1,643,571,271
A. Written Premium	29,316,779	381,241,949	-	410,558,728	81,608,185	340,598,169	-	422,206,354
B. Commissions Received	145,718	683,024	-	828,742	63,319	600,778	-	664,097
C. Reinsurers' Share in Claims Paid	7,080,635	461,339	-	7,541,974	13,497,501	284,428	-	13,781,929
D. Reversal of Technical Provisions (Net)	41,050,916	1,111,589,397	-	1,152,640,313	18,783,808	800,717,987	-	819,501,795
a. Unearned Premium Provision	34,117,225	3,856,751	-	37,973,976	16,312,781	2,513,282	-	18,826,063
b. Claims Provision	6,933,691	1,777,460	-	8,711,151	2,471,027	1,501,761	-	3,972,788
c. Life Mathematical Provision	0	477,512,577	-	477,512,577	-	267,690,412	-	267,690,412
d. Life Profit Sharing Provision	0	628,442,609	-	628,442,609	-	529,012,532	-	529,012,532
E. Reinsurers' Share in Technical Provision	3,795,486	796,950	-	4,592,436	7,776,001	752,612	-	8,528,613
a. Unearned Premium Provision	2,907,626	253,752	-	3,161,378	6,307,427	-	-	6,307,427
b. Claims Provision	887,860	1,585	-	889,445	1,468,574	35,104	-	1,503,678
c. Life Mathematical Provision	0	8,079	-	8,079	-	12,397	-	12,397
d. Life Profit Sharing Provision	0	533,534	-	533,534	-	705,111	-	705,111
F. Other Income	137,829	332,580,924	-	332,718,753	171,266	377,118,548	-	377,289,814
G. Individual Retirement Income	-	-	1,403,695	1,403,695	-	-	1,598,669	1,598,669
a. Fund Management Expense Deduction	-	-	379,135	379,135	-	-	150,699	150,699
b. Management Expense Deduction	-	-	633,655	633,655	-	-	37,544	37,544
c. Membership Starting Fee	-	-	112,301	112,301	-	-	-	-
d. Capital Advance Interest Income	-	-	249,982	249,982	-	-	732,250	732,250
e. Other Income	-	-	28,622	28,622	-	-	678,176	678,176
II- TECHNICAL EXPENSES	88,269,742	1,775,945,289	14,669,839	1,878,884,870	129,877,377	1,469,500,292	2,798,268	1,602,175,937
A. Ceded Premiums	8,879,430	1,484,919	-	10,364,349	14,552,143	1,216,637	-	15,768,780
B. Commissions Paid	3,930,767	16,335,721	-	20,266,488	7,474,730	15,854,778	-	23,329,508
C. Claims Paid	48,895,728	431,967,262	-	480,862,990	57,437,449	324,872,535	-	382,309,984
D. Technical Provisions	24,993,891	1,318,357,461	-	1,343,351,352	48,826,916	1,124,297,181	-	1,173,124,097
a. Unearned Premium Provision	18,569,513	4,332,925	-	22,902,438	40,424,653	3,856,751	-	44,281,404
b. Claims Provision	6,424,378	20,493,275	-	26,917,653	8,402,263	13,767,736	-	22,169,999
c. Life Mathematical Provision	0	650,620,687	-	650,620,687	-	477,524,974	-	477,524,974
d. Life Profit Sharing Provision	0	642,910,574	-	642,910,574	-	629,147,720	-	629,147,720
E. Other Expenses	1,569,926	7,799,926	-	9,369,852	1,586,139	3,259,161	-	4,845,300
F. Individual Retirement Expenses	-	-	14,669,839	14,669,839	-	-	2,798,268	2,798,268
a. Fund Management Expenses	-	-	91,004	91,004	-	-	37,097	37,097
b. Agency Commissions	-	-	1,966,731	1,966,731	-	-	159,925	159,925
c. Advertisement and Marketing Expenses	-	-	11,939,746	11,939,746	-	-	2,542,981	2,542,981
d. Other Expenses	-	-	672,358	672,358	-	-	58,265	58,265
III- TECHNICAL PROFIT / LOSS (I - II)	(6,742,379)	51,408,294	(13,266,144)	31,399,771	(7,977,297)	50,572,230	(1,199,599)	41,395,334
IV- OPERATING EXPENSES	1,473,964	49,229,422	-	50,703,386	6,550,563	36,731,041	-	43,281,604
A. Personnel Expenses	556,927	17,137,708	-	17,694,635	2,349,570	13,879,504	-	16,229,074
B. General Administrative Expenses	681,413	15,128,474	-	15,809,887	3,238,162	17,977,099	-	21,215,261
C. Taxes and Dues Expense	7,940	2,016,906	-	2,024,846	54,034	1,026,592	-	1,080,626
D. Depreciation Expense	21,020	925,681	-	946,701	63,115	868,865	-	931,980
E. Provision Expenses	206,664	767,376	-	974,040	845,682	911,922	-	1,757,604
F. Other Expenses	0	13,253,277	-	13,253,277	-	2,067,059	-	2,067,059
V- FINANCIAL INCOME	7,580,626	72,380,250	-	79,960,876	5,699,788	69,770,136	-	75,469,924
A. Interest Income	4,225,794	26,027,613	-	30,253,407	5,699,788	33,880,526	-	39,580,314
B. Profit Shares	0	724,135	-	724,135	-	897,019	-	897,019
C. Income from Sale of Assets	0	43,962,486	-	43,962,486	-	31,648,714	-	31,648,714
D. Rent Income	0	1,161,435	-	1,161,435	-	1,179,487	-	1,179,487
E. Foreign Exchange Gains	0	467,709	-	467,709	-	740,587	-	740,587
F. Other Income	3,354,832	36,872	-	3,391,704	-	1,423,803	-	1,423,803
VI- FINANCIAL EXPENSES	-	1,195,844	-	1,195,844	-	701,064	-	701,064
A. Interest Expenses	-	35,222	-	35,222	-	105,515	-	105,515
B. Loss on Sale of Assets	-	602,227	-	602,227	-	239,153	-	239,153
C. Foreign Exchange Losses	-	558,395	-	558,395	-	356,396	-	356,396
D. Provision Expenses	-	-	-	-	-	-	-	-
E. Other Expenses	-	-	-	-	-	-	-	-
VII- PERIOD PROFIT / LOSS (III-IV+V-VI)	(635,717)	73,363,278	(13,266,144)	59,461,417	(8,828,072)	82,910,261	(1,199,599)	72,882,590
VIII- PROVISION FOR TAXES AND OTHER LEGAL LIABILITIES	-	17,360,629	-	17,360,629	-	23,588,749	-	23,588,749
IX- PERIOD PROFIT / LOSS (VII - VIII)	(635,717)	56,002,649	(13,266,144)	42,100,788	(8,828,072)	59,321,512	(1,199,599)	49,293,841

ANADOLU HAYAT EMEKLİLİK A.Ş.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2004 (TRY)

	CURRENT YEAR	PRIOR YEAR
	31 DECEMBER 2004	31 DECEMBER 2003
A- CASH AT THE BEGINNING OF THE YEAR	62,380,108	9,027,767
B- CASH INFLOWS DURING THE PERIOD	890,507,540	966,420,732
1- Technical Income	407,158,862	434,076,599
a) Written Premium	410,558,728	422,206,354
b) Commissions Received	828,742	664,097
c) Reinsurers' Share in Claims Paid	7,541,974	13,781,929
d) Increase in Receivables (-)	(11,770,582)	(2,575,781)
2- Cash Obtained from Income and Profit Gained from Other Operations	414,083,324	454,358,407
a) Financial Income	79,960,876	75,469,924
b) Other Income	334,122,448	378,888,483
3- Cash Obtained From Increase in Capital	20,000,000	-
4- Other Cash Inflows	49,265,354	77,985,726
C- CASH OUTFLOWS DURING THE PERIOD	939,780,241	913,068,391
1- Technical Expense	459,486,057	440,511,392
a) Ceded Premiums	10,364,349	15,768,780
b) Commissions Paid	20,266,488	23,329,508
c) Claims Paid	480,862,990	382,309,984
d) Increase in Payables (-)	(51,061,069)	20,035,100
e) Depreciation (-)	(946,701)	(931,980)
2- Cash Outflow Due to Operating Expenses	50,434,293	44,208,666
a) Personnel Expenses	17,694,635	16,229,074
b) General Administrative Expenses	32,739,658	27,979,592
3- Cash Outflow Due to Expenses and Losses From Other Operations	55,047,939	(6,303,173)
4- Cash Outflow Due to Fixed Asset Investments	1,120,798	1,730,284
5- Increase in Marketable Securities	260,885,595	374,770,224
6- Taxes Paid	25,613,595	21,388,834
7- Dividends Paid	20,554,295	7,452,734
8- Other Cash Outflows	66,637,669	29,309,430
D- CASH AT THE END OF THE YEAR	13,107,407	62,380,108
E- INCREASE OR (DECREASE) IN CASH	(49,272,701)	53,352,341

ANADOLU HAYAT EMEKLİLİK A.Ş.
STATEMENT OF FUND FLOW FOR THE YEAR
ENDED 31 DECEMBER 2004 (TRY)

	CURRENT YEAR		PRIOR YEAR	
	31 DECEMBER 2004		31 DECEMBER 2003	
A - FUNDS CREATED		308,869,504		424,852,271
1- Funds from Operational Income	246,305,161		418,709,438	
a) Operational Income	59,461,417		72,882,590	
b) Depreciation (+)	946,701		931,980	
c) Income That Does Not Provide Fund Inflow (+)185,897,043			344,894,868	
2- Increase in Short Term Loans	42,564,343		6,142,833	
3- Increase in Capital (In Cash)	20,000,000		-	
4- Decrease in Current Assets	-		-	
5- Decrease in Fixed Assets	-		-	
B -FUNDS USED		308,869,504		424,852,271
1- Taxes Paid	25,613,595		21,388,834	
2- Dividends Paid	20,554,295		7,452,734	
3- Increase in Current Assets	219,320,106		390,032,606	
4- Increase in Fixed Assets (Excluding Revaluation)	43,381,508		5,978,097	
CHANGES IN NET WORKING CAPITAL				
1- Increase in Net Working Capital		15,634,780		30,378,849

ANADOLU HAYAT EMEKLİLİK A.Ş.
STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR
ENDED 31 DECEMBER 2004 TRY

	CURRENT YEAR	PRIOR YEAR
	31.12.2004	31.12.2003
A- Allocation of Period Profit		
1- Period Profit (*)	41,726,873	72,882,590
2- Prior Years' Losses (-)	-	-
3- Taxes Payable	(17,360,629)	(23,588,749)
Corporate Tax	(17,360,629)	(23,588,749)
Income Tax	-	-
Other Taxes and Dues	-	-
4- First Legal Reserves	(1,218,312)	(2,464,692)
NET PERIOD PROFIT SUBJECT TO ALLOCATION	23,147,932	46,829,149
5- First Dividend to Shareholders	(6,950,000)	(20,000,000)
a) To Common Stock Owners	(6,950,000)	(20,000,000)
b) To Privileged Stock Owners	-	-
6- Dividends to the Personnel	(485,938)	(554,295)
7- Dividends to the Board of Directors	-	-
8- Second Dividend to Shareholders	(3,550,000)	-
a) To Common Stock Owners	(3,550,000)	-
b) To Privileged Stock Owners	-	-
9- Second Legal Reserves	(98,594)	-
10-Other Reserves	(1,571,199)	(2,627,485)
11-Special Legal Reserves	-	-
12-Tax Deficit in 2003 Profit	(140,146)	-
EXTRAORDINARY RESERVES	10,352,055	23,647,369
B- ALLOCATION OF RESERVES		
1- To Shareholders	-	-
a) To Common Stock Owners	-	-
b) To Privileged Stock Owners	-	-
2- To the Personnel	-	-
3- To the Board of Directors	-	-
C- EARNINGS PER SHARE (TRY/%)		
1- To Common Stock Owners	0.24366 TRY / 24.37%	0.75837 TRY / 75.84%
2- To Privileged Stock Owners	0.24366 TRY / 24.37%	0.75837 TRY / 75.84%
D- DIVIDENDS PER SHARE (TRY/%)		
1- To Common Stock Owners	0.0695 TRY / 6.95%	0.308 TRY / 30.8%
2- To Privileged Stock Owners	0.0695 TRY / 6.95%	0.308 TRY / 30.8%

(*): Legal Profit at company's records (Refer to Statement of Income Notes No:14).

ANADOLU HAYAT EMEKLİLİK A.Ş.

31 DECEMBER 2004 NOTES TO THE BALANCE SHEET

1. OPERATIONS OF THE COMPANY

The operations of 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.

As of the balance sheet date, there are thirteen 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 TRY 100,000,000 which consists of 10,000,000,000 shares valued at YKr 1 each, as of 31 December 2004. The shareholding structure of the Company is as follows:

	31 December 2004		31 December 2003	
	Share Amount TRY	Share Rate %	Share Amount TRY	Share Rate %
Türkiye İş Bankası A.Ş.	62,000,000	62	40,300,000	62
Anadolu Anonim Türk Sigorta Şirketi	20,000,000	20	13,000,000	20
Others	18,000,000	18	11,700,000	18
	100,000,000		65,000,000	100

15% of the shares is quoted in the stock exchange as of 31 December 2004 (31 December 2003: 15%)

3. PREFERENCE SHARES

The total of 10,000,000,000 shares that represents TRY 100,000,000 share capital consist of 100,000,000 shares of (A) Group and 9,900,000,000 shares of (B) Group. As of the balance sheet date all (A) Group shares belong to Türkiye İş Bankası A.Ş. (31 December 2003: The total 6,500,000,000 shares that represent TRY 65,000,000 share capital consist of 100,000,000 shares of (A) Group and 6,400,000,000 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 increases.

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 the Capital Market Board numbered 67/1039. As of the balance sheet date, TRY 175,000,000 registered capital of the Company has been divided into 17,500,000,000 shares each with a nominal value of YKr 1. (31 December 2003: TRY 175,000,000 registered capital of the Company has been divided into 17,500,000,000 shares with the nominal value of YKr 1 each).

ANADOLU HAYAT EMEKLİLİK A.Ş.

31 DECEMBER 2004 NOTES TO THE BALANCE SHEET

5. CAPITAL INCREASES DURING YEAR 2004 AND THE RESOURCES

31 December 2004

Registration Date	Increased Amount TRY	As Equity Shares from the profit of 2003 TRY	From Revaluation Fund TRY	From Cost Revaluation Fund TRY	Gain on Sale of property and participation TRY
25.06.2004	35,000,000	20,000,000	10,903,669	175,962	3,920,369

31 December 2003

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.

7. MARKETABLE SECURITIES REPRESENTING MATURED DEBT

There is not any debt securities matured during year 2004.

8. MOVEMENTS OF TANGIBLE FIXED ASSETS DURING THE YEAR

	31 December 2004	31 December 2003
a. Cost of purchased or acquired fixed assets	479,578	794,372
b. Cost of fixed assets sold	1,200,294	930,751
c. Revaluation increase in the current period	-	7,406,974
- For the cost of fixed assets (+)	-	8,046,346
- For the accumulated depreciation (-)	-	(639,372)

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

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

ANADOLU HAYAT EMEKLİLİK A.Ş.

31 DECEMBER 2004 NOTES TO THE BALANCE SHEET

10. BALANCES WITH SHAREHOLDERS, EQUITY PARTICIPATIONS AND SUBSIDIARIES

31 December 2004

	Receivable		Payable	
	Trade	Non Trade	Trade	Non Trade
Shareholders	3,551	-	3,150,035	-
Equity Participations	-	-	29,815	-

Trade payables' TRY 2,750,570 amount is due to Anadolu Anonim Türk Sigorta Şirketi.

31 December 2003

	Receivable		Payable	
	Trade	Non Trade	Trade	Non Trade
Shareholders	3,600	-	292,607	-
Equity Participations	-	-	5,285	88,000

11. ACCOUNTING PRINCIPLES AND VALUATION METHODS

a. Accounting Principles

Article 50 of the 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 2004 are prepared in accordance with the Law No. 7397 of Turkish Insurance Auditing, according to the reporting format of the the Capital Market Board since the Company is operating in the insurance sector.

The Capital Market 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 the Capital Market" for financial statements to be prepared for the periods beginning on or after 1 January 2003. According to the announcement numbered B.02.HM.0.SGM.0.3.1.1-05425 and dated 30 January 2004 sent by the Undersecretariat of the the Treasury to the Capital Market 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. Therefore, the accompanying financial statements do not include the adjustments related to the accounting of consolidated financial statements and participations in hyperinflationary periods required by the Capital Market Law Legislation and the tax procedure law. However, having started for the application of this law regarding inflation accounting as of 30 June 2004 by the Company, only current year tax liability was calculated in accordance with the inflation adjusted records. (Note 11-h).

ANADOLU HAYAT EMEKLİK A.Ş.

31 DECEMBER 2004 NOTES TO THE BALANCE SHEET

New Turkish Lira:

A new law number 5083 on the Monetary Unit of the Republic of Turkey was enacted with effect from 1 January 2005, which deletes six zeroes from the former currency of the Turkish republic, the Turkish Lira ("TL"), to form a new currency the New Turkish Lira ("TRY"). Thus 1 TRY = 1,000,000 TL. The New Turkish Lira is divided into 100 New Turkish cents ("YKr"). As per the CMB decision MSD-10/832-43399 dated 1 December 2004, the financial statements to be publicly announced in 2005 should be prepared in TRY monetary unit including comparatives. Accordingly, the accompanying financial statements are presented in TRY.

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:

Current risks provision is calculated on day-basis in accordance with Insurance Auditing Law.

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.

An adjustment regulation has become effective regarding the regulation "Foundation and Operation Regulations for Insurance and Reinsurance Companies", and is published in the Official Gazette on 27 January 2004 numbered 25359. According to first article of the regulation Insurance and Reinsurance Companies have to allocate outstanding claims and provisions for the prices not reported but incurred with expected values of claims and damages which are accrued and determined on the account basis; however if the price of claims and damages were not paid actually or that amount was not calculated in the previous or current periods. The latest article published by the Turkish Treasury numbered B.02.1.HM.0.SGM.0.3.1.1-03821 and dated 18 January 2005 about this subject; the prices of incurred but not reported claims and damages that will take place in the financial statements as of 31 December 2004 shall be followed within the outstanding claims as a sub-account. According to same article again, it is stated that as of 31 December 2004 while accounting this provision the last three year's data will be taken into account and calculations will be done over the net conservation amount and on insurance branch basis after subtracting the proceeds such as recovery and residual value. It is stated that the weighted average of production of premiums and the prices of incurred but not reported claims and damages relating to the previous years will be taken into consideration when accounting the prices incurred but not reported claims and damages for the related year and the price of incurred but not reported claims and damages in the current year can be calculated by multiplying the previously calculated weighted average by the production of the current year's premium.

The amount of the price of incurred but not reported claims and damages within the outstanding claims provision in the accompanying financial statements which is explained above according to a detailed method and calculated as of 31 December 2004 by the Company is TRY 3,095,040.

Life mathematics and profit share provisions are allocated in accordance with the actuary calculations over the price list generally approved by the Turkish Treasury. In accordance with the Life Insurance Regulations enacted as of 01 August 1997, insurers' real ages have been used and daily profit share has been calculated in the accounting of profit share application for all policies.

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31 DECEMBER 2004 NOTES TO THE BALANCE SHEET

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 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.

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

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. However, agent commission provision is not accrued in the non-life branches, in life branch policy-basis commission amount, that needs to be paid if uncollected receivables are collected, is calculated.

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

d. 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 the marketable securities.

On 31 December 2004, the Company valued its marketable securities, represented in blocked, free and elementary portfolio, for lower of cost plus accrual calculated according to the internal rate of return or the market value.

Equity shares that are traded at Istanbul Stock Exchange are valued at the arithmetic average of the daily weighted averages of the last five transaction days right before 31 December 2004.

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

Investment funds and individual retirement investment funds have been valued by using unit fund prices as of 31 December 2004.

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

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31 DECEMBER 2004 NOTES TO THE BALANCE SHEET

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. This presentation could not be applied since the financial statements are in compliance with the Insurance Audit Law. The Company revalued its publicly traded long-term investments and the equity shares with arithmetic average of daily weighted average prices of the last five business days right before 31 December 2004, and resulting gain and loss was not recorded in the income statement.

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 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 or loss 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. However, resulting gain or loss are recorded under Ordinary Revenues and Incomes from other Operations and Ordinary Expenses and Losses from other Operations sections at Income on Marketable Security Sales and Loss on Marketable Security Sales accounts, respectively. (Balance sheet note 20, 26).

According to article 28 of the Corporate Tax Law numbered 5422, the TRY 2,945,726 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. The value of that account after inflation accounting applied in accordance with the articles of 5024 numbered law, is TRY 1,296,139.

e. Tangible Fixed Assets

The Company revalued its buildings (excluding land), fixtures and furniture that are subject to depreciation with the revaluation coefficient declared by the Ministry of Finance in previous years. However, according to the Tax Law number 5024, related to inflation accounting, that application has been ceased.

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	6-33
Leasehold Improvements	6-20

f. 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.

g. 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.

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31 DECEMBER 2004 NOTES TO THE BALANCE SHEET

The amount of retirement pay provision as of 31 December 2004 is TRY 3,313,400. TRY 1,574,74 of ceiling is used as basis for calculation (2003: TRY 3,059,000. A ceiling of TRY 1,389.95 is used as basis for calculation).

h. Tax

The Company is subject to the 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 2003: 30% (10% ratio of the funds contribution was abolished).
- 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 2005: 30%

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was increased from 25% to 30%, effective from 24 April 2003, and to 33% for 2004.

Losses can be carried forward for offsetting against future taxable income for up to 5 years. Losses cannot be carried back for offsetting against profits from previous periods.

In Turkey there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within 15 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Income withholding tax was also calculated in 2002 and prior years on various types of income and gains exempt from corporation tax, whether distributed or not. Such withholding tax has been removed in general. However, 19.8% withholding tax is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003.

Such allowances may be used to relieve corporation tax liability until the profits reach the calculated level of exemption. If companies fail to make a profit or incur losses, any allowance outstanding may be carried forward to following years so as to be deducted from taxable income of subsequent profitable years. Allowance carried forward to the following year is increased with the WPI of the previous year.

Inflation Adjusted Tax Calculation

For 2003 and previous years, taxable profits were calculated without any inflation adjustment to the statutory records, except that fixed assets and the related depreciation were revalued annually. Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds defined by the law. Since the actual rate of inflation meets the threshold for the period, the Company had applied inflation accounting to the statutory records and calculated the tax provision for the period accordingly. According to the announcement numbered B.02.HM.0.SGM.0.3.1.1-05425 dated 30 January 2004 sent by the Undersecretariat of the Treasury to the Capital Market Board, it is planned to adapt the insurance accounting system compatible with the International Financial Reporting

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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. Accompanying financial statements have inflation adjustments made in company legal records in accordance with Tax Procedure Law.

12. SUBSEQUENT EVENTS

The retirement pay ceiling has been increased to TRY 1,648.90 effective on 1 January 2005.

The outstanding lawsuits and/or potential lawsuits expected to arise after the balance sheet date against The Company amount to TRY 10,000.

13. CONTINGENCIES

As at balance sheet date, cases against the Company total approximately TRY 689,234 and cases that the Company is pursuing against third parties total approximately TRY 13,665,703. The potential cases against the Company after 31 December 2004 total TRY 10,000. 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 total amount of the cases opened against the Company approximately is TRY 539,885. The total amount of the cases opened against the third parties approximately is TRY 16,041,976).

14. CHANGES IN ACCOUNTING ESTIMATES

There are not any changes in accounting estimates as of the balance sheet date.

15. MORTGAGES OR GUARANTEES ON ASSETS

31 December 2004

Type of the asset	Mortgage Amount	Amount of Guarantees
Treasury Bills	-	1,238,650,795
Investment Fund	-	19,196,514
Eurobond	-	64,157,732
		1,322,005,041

31 December 2003

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

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.

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31 DECEMBER 2004 NOTES TO THE BALANCE SHEET

16. INSURANCE ON ASSETS

31 December 2004

Type of Assets	Net Book Value	Insurance Coverage	Coverage Rate %
Tangible Fixed Assets	33,054,734	24,611,087	74.5

31 December 2003

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

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 2004

Name of Client	Receivable Amount	Type of mortgage and/ or guarantee	Mortgage and/or Guarantee Amount
Agents	143,093	Letters of Guarantee	190,254
		Mortgage on Immovable	11,400
		Treasury Bills	-
		Guarantees and Bails	207,719
Other	-	Letters of Guarantee	3,510
		Guarantees and Bails	40,252
			453,135

31 December 2003

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

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 2004 Commitment Amount	31 December 2003 Commitment Amount
Letters of Guarantee	92,775	877,475
Leasing Contracts	51,755	486,666

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31 DECEMBER 2004 NOTES TO THE BALANCE SHEET

19. BLOCKED DEPOSITS AT BANKS

As at 31 December 2004, the Company's blocked deposits at banks amounting to TRY 26,455 (As at 31 December 2003, the Company's blocked deposits at banks amounting to TRY 12,396).

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

31 December 2004

	Book Value (*)	Cost	Market Value
Blocked Portfolio			
Treasury Bills	1,201,987,901	1,117,894,647	1,230,191,950
Eurobond	64,157,732	64,998,755	64,157,732
Investment Fund	19,196,514	17,126,602	19,196,514
Total Blocked Portfolio	1,285,342,147	1,200,020,004	1,313,546,196
Elementary Portfolio			
Government Bonds	31,748,015	26,122,793	31,948,270
Total Elementary Portfolio	31,748,015	26,122,793	31,948,270
Free Portfolio			
Treasury Bills	16,484,218	15,999,242	16,654,174
Government Bonds	126,262,577	120,245,592	128,974,834
Eurobond	881,610	1,021,886	881,610
Reverse Repurchase Agreement	5,306,391	5,303,969	5,306,391
Equity Share	8,839,310	8,483,745	8,839,310
Individual Retirement Funds	225,349	193,725	225,349
Total Free Portfolio	157,999,455	151,248,159	160,881,668
Total Marketable Securities	1,475,089,617	1,377,390,956	1,506,376,134
Equity Participations			
Traded in stock markets	49,528,230	34,246,304	49,528,230
Not traded in stock markets	7,339,025	7,688,581	7,339,025
Total Equity Participations	56,867,255	41,934,885	56,867,255

(*) Book values also include the income accruals of the marketable securities, amounting to TRY 97,698,661.

As of 31 December 2004, 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.

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31 DECEMBER 2004 NOTES TO THE BALANCE SHEET

31 December 2003

	Book Value (*)	Value	Market Value
Blocked Portfolio			
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
Elementary Portfolio			
Government Bonds	15,423,113	11,635,948	16,675,597
Total Elementary Portfolio	15,423,113	11,635,948	16,675,597
Free Portfolio			
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
Total Marketable Securities	1,256,157,894	1,091,983,074	1,294,184,496
Equity Participations			
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
Total Equity Participations	14,913,383	10,678,120	14,913,382

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

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.

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 2004 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:

Other Assets	31 December 2004	31 December 2003
Disputed Tax Receivables (*)	22,041,802	20,472,272
Taxes and Funds Deductible (**)	206,545	3,093,269
Stationery	115,058	104,097
Prepaid Corporate Tax	5,339,474	16,104,791
Leasehold Improvements	1,333,767	1,026,929
Other	1,161,519	899,412
Total	30,198,165	41,700,770

Other Payables		
Agents	1,313,357	1,877,849
Other	2,925,083	585,942
Total	4,238,440	2,463,791

Other Liabilities		
Disputed Tax Receivables (*)	22,041,802	20,472,272
Deferred Income	481,661	232,059
Funds Generated from Reverse Repurchase Agreement (***)	-	49,393,107
Marketable Sec. Valuation of Diff (****)	15,281,926	4,611,191
Interest and Rediscount Expenses	282,136	1,150,753
Other	2,685,618	3,245,088
Total	40,773,143	79,104,470

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

(**) Taxes and dues that are going to be offset, are in offsettable nature by the Company.

(***) (31 December 2003: As of balance sheet date, there is a reverse repurchase agreement with four days of maturity.).

(****) 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.

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31 DECEMBER 2004 NOTES TO THE BALANCE SHEET

24. DOUBTFUL RECEIVABLES FROM SHAREHOLDERS, AFFILIATES OR SUBSIDIARIES

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

25. DOUBTFUL RECEIVABLES RELATED TO DUE AND UNDUE RECEIVABLES

According to the declaration of the Undersecretariat of the Treasury, in the Official Gazette dated 26 December 1994 number 22153, "Regulation on Establishment and Operations of Insurance and Reinsurance Companies" has been 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 used to make allocations for life branch premium receivables that are due for more than two months (31 December 2003: TRY 1,223,739); since life branch was transferred to Anadolu Anonim Türk Sigorta Şirketi, no provision has been allocated in the current period.

In addition to this, in accordance with Tax Procedure Law, clause number 323, the Company allocates doubtful receivable provision according to their nature and collectability, for the doubtful receivables that are not covered by the premium reserve. As of balance sheet date, the Company provided provision for doubtful receivables of TRY 30,745 after netting off guarantees received for receivable of TRY 34,472 under administrative and legal conflict. (31 December 2003: TRY 30,745 provision was provided after netting off guarantees received for TRY 34,712 receivable under administrative and legal conflict).

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26. EQUITY INVESTMENTS

31 December 2004

Equity Participations	Equity Participation MTL	Equity %	Financial Statement Date	Pre tax Period Profit/ Loss	Net Profit/ Loss	Financial Statement Standards	Independent Auditors' Report
İş Gayr. Yat. Ort. A.Ş. (*)	44,682,306	7.15	31.12.2004	105,109,655	105,109,351	SPK XI-21	Unqualified
TSKB Menk. Değ. A.Ş. (*)	109,947	6.56	30.09.2004	152,844	94,127	IFRS	Qualified
Yatırım Fin. Yat. Ort. A.Ş.	611,280	12	31.12.2004	(13,387)	(13,387)	IFRS	Unqualified
Bayek Ted. Sağ. Hizm. ve İşl. A.Ş. (*)	3,612,219	9.94	31.12.2004	(6,341)	(6,341)	TTK	**
Kastamonu Holding A.Ş. (*)	1,000	0.06	31.12.2004	(29,606)	(29,606)	TTK	**
Trakya Yat. Hold. A.Ş. (*)	1,000	0.001	30.09.2004	124,483	80,373	TTK	**
Emeklilik Göz. Merk. A.Ş. (*)	225,000	9.09	31.12.2004	354,658	354,658	TTK	**
İş Portföy Yönetimi A.Ş.	600,000	20	31.12.2004	4,782,579	3,385,684	SPK XI-20	Unqualified
TSKB Yat. Ort. A.Ş. (*)	218,880	2	31.12.2004	361,089	361,089	SPK XI-20	Unqualified
TT&TİM İletişim Hiz. A.Ş. (*)	2,295,437	0.03	***	***	***	***	***
İş Net E. B. Ü. D. T. ve İ. Hiz. A.Ş. (*)	240,000	2	30.09.2004	509,648	509,648	TTK	**
Gothaer Anadolu Hayat Vers. GmbH (****)	-	50.00	-	-	-	-	-
Total	52,597,069						

Transfers from

Marketable Securities : 4,015,763

Other : 254,423

Total Investments : 56,867,255

(*) 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, this representation could not be applied since the financial statements are prepared according to the Insurance Auditing Law.

(**) Not audited as of 31 December 2004.

(***) Unable to obtain the Company's financial statements as of 31 December 2004.

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

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31 DECEMBER 2004 NOTES TO THE BALANCE SHEET

Investments, amounting to TRY 49,528,230 are publicly traded out of TRY 56,867,255 of the above listed investments.

31 December 2003

Equity Participations	Equity Participation MTL	Equity %	Financial Statement Date	Pre tax Period Profit/ Loss	Net 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
Bayek Ted. Sağlık Hizm. ve İşl. 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	0.001	(***)	(***)	(***)	(***)	(***)
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	(****)	-	-	-	-
Total	9,047,104						

Transfers from

Marketable Securities	:	5,712,407
Other	:	153,872
Total Investments	:	14,913,383

(*) 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, this representation could not be applied. since the financial statements are prepared according to the Insurance Auditing Law,

(**) 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. Accompanying financial statements include TL 349,555 million (100%) of provision for the related investment provided by the Company.

TRY 14,913,383 of the Company's total TRY 10,008,657 long-term investments are publicly traded.

ANADOLU HAYAT EMEKLİLİK A.Ş.

31 DECEMBER 2004 NOTES TO THE BALANCE SHEET

As of 1 January 2001, 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%. this representation could not be applied since the financial statements are prepared in compliance with the Insurance Audit Law;

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

Equity Participation	Cost	Market price	Equity Participation	Valuation Increase	Valuation Decrease
Aygaz	64,969	161,400	161,400	96,431	-
Bosch Profilo	17,059	308,370	308,370	291,311	-
Doğan Holding	138,468	348,378	348,378	209,910	-
Gima	60,961	39,013	39,013	-	21,948
Goodyear	2,568	28,724	28,724	26,156	-
Migros	48,606	264,875	264,875	216,270	-
T. Şişe Cam	259,622	835,853	835,853	576,230	-
Soda Sanayii	8,328	19,871	19,871	11,543	-
Trakya Cam	111,988	332,460	332,460	220,472	-
TSKB	1,282,938	1,676,819	1,676,819	393,881	-
Aktaş Elektrik	5,195	-	-	-	5,195
Total	2,044,742	4,015,763	4,015,763	2,042,204	27,143

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

The Company received TRY 4,537,949 (31 December 2003: TRY 344,838) common stock from its subsidiaries and equity participations as of 31 December 2004.

28. NON-CASH RIGHTS ON IMMOVABLES

There are no non-cash rights on immovable.

29. REVALUATION SURPLUS ARISING FROM REVALUATION OF TANGIBLE FIXED ASSETS IN THE LAST THREE YEARS

	31 December 2004 (-)	31 December 2003 (28.5%)	31 December 2002 (59%)
Fixed Assets	-	8,046,346	10,688,693
Depreciation (-)	-	(639,372)	(829,162)
Revaluation (Net)	-	7,406,974	9,859,531

ANADOLU HAYAT EMEKLİLİK A.Ş.

31 DECEMBER 2004 NOTES TO THE BALANCE SHEET

30. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

31 December 2004

Foreign Currency Receivables	Currency Amount	Rate (31 December 2004)	Amount
Banks (FX)			
USD	173,977	1.3421	233,494
CHF	87,662	1.1806	103,493
EUR	152,405	1.8268	278,414
GBP	127,322	2.5765	328,048
Total			943,449

Foreign Currency Payables

None.

31 December 2003

Foreign Currency Receivables	Currency Amount	Rate (31 December 2003)	Amount
Banks (FX)			
USD	709,326	1.395835	990,102
CHF	57,384	1.116749	64,083
EUR	331,016	1.745072	577,647
GBP	76,765	2.476610	190,117
Total			1,821,949

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 2004	31 December 2003
Senior Managers	5	5
Managers	51	57
Officers	161	195
Personnel with Contracts	7	16
Other	21	21
Total	245	294

ANADOLU HAYAT EMEKLİLİK A.Ş.

31 DECEMBER 2004 NOTES TO THE BALANCE SHEET

33.OTHER SIGNIFICANT MATTERS MATERIALLY AFFECTING THE FINANCIAL STATEMENTS

Based on the board of directors decree 17 February 2004 dated and 312/ 4 numbered, since new life policy production had been ended at the latest 7 July 2004 in accordance with the Individual Retirement Savings and Investment System Law, the Company as of 31 August 2004 has transferred its life insurance portfolio with all rights and liabilities to Anadolu Anonim Türk Sigorta Şirketi. While 31 August 2004 dated transferred balance sheet indicates an amount of TRY 16,402,213 loss, the value of the transferred portfolio amounts to TRY 16,250,000. The Company has not produced a new policy in that branch as of 31 March 2004. As of report date, transferring transactions are completed.

ANADOLU HAYAT EMEKLİLİK A.Ş.

31 DECEMBER 2004 NOTES TO THE STATEMENT OF INCOME

1. Depreciation and amortization for the period is TRY 946,701. (2003: TRY 931,980).

	31 December 2004	31 December 2003
a. Depreciation expense		
aa. Depreciation	609,808	553,678
ab. Revaluation of Depreciation	-	118,829
b. Amortization	336,893	259,473

2. Provision and discount expense for the period:

Tax provision	17,360,629	23,588,749
Current risk provision	22,902,438	44,281,404
Outstanding loss provision	26,917,653	22,169,999
Life mathematical provision	650,620,687	477,524,974
Life profit sharing provision	642,910,574	629,147,720
Expense accruals on marketable securities	327,976	464,092
Retirement pay provision expense	646,064	580,830
Provision for premium receivables	-	523,866
Discount expense on receivables maturing over three months.	-	188,816
	1,361,686,021	1,198,470,450

3. Finance expense of the period

In the current period, TRY 35,222 of interest expense is realized due to reverse repurchase agreement of TRY 49,393,107 as of 31 December 2003.

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

In the current period, TL 35,222 million of interest expense is realized due to reverse repurchase agreement made with shareholders mentioned above.

ANADOLU HAYAT EMEKLİLİK A.Ş.

31 DECEMBER 2004 NOTES TO THE STATEMENT OF INCOME

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

31 December 2004

	Sales (Premium Received)	Purchases (Premium Paid)
Shareholders & Equity participations		
Destek Reasürans A.Ş. (*)	17,432	53,321
İş Net E.B.Ü.D. Tic. ve İlet. Hizm. A.Ş.	58,264	-
Anadolu Anonim Türk Sigorta Şirketi (*)	761	81,973
Türkiye Sinai ve Kalkınma Bankası A.Ş.	40,067	-
	116,524	135,294

(*) TRY 53,321 of purchase from Destek Reasürans A.Ş and TRY 761 of sales to Anadolu Anonim Türk Sigorta Şirketi consists of ceded premiums ceded to reinsurers.

31 December 2003

	Sales (Premium Received)	Purchases (Premium Paid)
Shareholders & Equity participations		
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 Sinai ve Kalkınma Bankası A.Ş.	45,864	-
	137,234	111,153

(*) TRY 46,592 paid to Destek Reasürans A.Ş and TRY 1,561 paid to Anadolu Anonim Türk Sigorta Şirketi consists of ceded premiums to reinsurers.

6. The commission expenses paid to T. İş Bankası A.Ş., one of the shareholders, TRY 3,511,227 (31 December 2003: TRY 3,352,191) consists of TRY 2,939,631 (31 December 2003: TRY 1,848,443) commission expense paid for policy collection, TRY 6,462,882 (31 December 2003: 5,445,809 TRY) commissions expense paid to issue policies and TRY 12,024 of claims paid through T. İş Bankası A.Ş.

7. Salaries and other benefits paid to senior management amounted to TRY 1,449,973 (31 December 2003: TRY 1,150,841).

8. The current year depreciation expense was calculated in accordance with the Tax Procedure Law 333 numbered communiqué that is published after the adjustments made according to the law numbered 5024 .

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

10. No inventory count is performed since the Company has no inventories. The Company has performed an inventory count only for its stationery stock.

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

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

ANADOLU HAYAT EMEKLİLİK A.Ş.

31 DECEMBER 2004 NOTES TO THE STATEMENT OF INCOME

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

14. Earnings per share is as follows as of balance sheet date: (corresponds to the value of TRY 1 share)

	31 December 2004	31 December 2003
Period Profit	41,726,873	72,882,590
Corporate Tax Provision (-)	17,360,629	23,588,749
Profit After Tax	24,366,244	49,293,841
Earnings Per Share TRY	0.2437	0.758
Earnings Per Share %	24.37%	75.8%

With a decree of the Capital Market Board's dated 25 February 2005 and numbered 7/242, the issues about profit distribution as of the end of 2004 for partnerships which are subject to the Capital Board Law, are adjusted. In addition, insurance companies are subject to their own specific laws and regulations in matters of establishment, auditing, supervision, accounting and financial reporting, according to article 50(a) of the Capital Market Law (VII.). In this respect, as of 31 December 2004, Since the accompanying financial statements, which was prepared in accordance with the Turkish Insurance Auditing Law No. 7397 and Individual Retirement, Saving and Investment System Law No. 4632, has TRY 42,089,004 and at legal records the Company has TRY 24,366,244 net period profit, respectively. As explained in the decree mentioned above, profit distribution for 2004, the corresponding amounts from the legal records can be taken as a basis.

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 (TRY):

		31 December 2004	31 December 2003	Change
Premiums Received				
(Gross)	Health	29,316,779	81,608,185	(64.07%)
	Life	381,241,949	340,598,169	11.93%
Total		410,558,728	422,206,354	(2.75%)

Head Office

İş Kuleleri Kule 2 Kat: 16, 18, 19, 20
34330 4.Levent-İstanbul
Phone: (90212) 317 70 70
Fax: (90212) 317 70 77

İstanbul District Office 1

Setüstü, İnebolu Sokak
No: 45/2 Haktan İş Merkezi
34427 Kabataş-İstanbul
Phone: (90212) 244 76 00 pbx
Fax: (90212) 243 84 40

İstanbul District Office 2

Caferağa Mahallesi Neşet Ömer Sokak No: 4
Kat: 1 34710 Kadıköy-İstanbul
Phone: (90216) 330 94 84 pbx
Fax: (90216) 330 92 54

Central Anatolian District Office

Tunus Caddesi No: 46
06680 Kavaklıdere-Ankara
Phone: (90312) 468 62 82 pbx
Fax: (90312) 468 30 67

Southern Anatolian District Office

Kurtuluş Mahallesi Ziya Paşa Bulvarı
Tevfik Bey Apt. No: 33
01130 Seyhan-Adana
Phone: (90322) 458 30 70 pbx
Fax: (90322) 458 70 43

Marmara District Office

İnönü Caddesi No: 26/2
16230 Bursa
Phone: (90224) 223 71 35 / 223 73 57
Fax: (90224) 223 75 08

Aegean District Office

Kültür Mahallesi 1377 Sokak No: 1
Kültür İş Hanı D: 103
35210 Alsancak-İzmir
Phone: (90232) 465 07 19 pbx
Fax: (90232) 465 02 26

TRNC Branch Office

Osmanpaşa Caddesi Yağcıoğlu İşhanı No: 7/3
Köşklüçiftlik-Lefkoşa
Turkish Republic of Northern Cyprus
Phone: (90392) 227 01 27 / 227 04 08-09
Fax: (90392) 227 01 26

