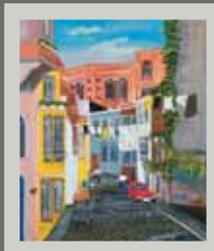


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Fishermen



Fener Orthodox Church



Urfa State Museum

The paintings shown in this year's annual report are by artist Uğural Gaffuroğlu and are from the Anadolu Hayat Emeklilik collection.

# Turkey's Leader in life insurance and private pensions

**TRY 692 Million**

Total Premium and Contribution Production

**TRY 1,831 Million**

Total Life and Private Pensions Funds

**TRY 2,268 Million**

Total Assets

**TRY 322 Million**

Shareholders' Equity

**189,567**

Private Pension System Participants

**751,487**

Life Insurance Policies



**ANADOLU HAYAT  
EMEKLİLİK**

# Corporate Profile

**A market leader in private pensions and life insurance, Anadolu Hayat Emeklilik was founded in 1990 as Turkey's first life insurance company.**

Anadolu Hayat Emeklilik is the first and the only private pension company in Turkey whose shares are publicly traded. Headquartered in İstanbul, the company operates through regional offices in İstanbul, Ankara, Adana, Bursa, and İzmir; a branch in the Turkish Republic of Northern Cyprus; a direct marketing team; a bank sales channel consisting of 892 İşbank, 193 HSBC, 162 TEB, and 68 Anadolubank branches; and 326 agents.

**The leader in private pensions and life insurance...**

Controlling the largest volume of funds in both life insurance and private pension system, Anadolu Hayat Emeklilik is the unchallenged leader of the life insurance sector and has also become the leader in private pension system in 2006. Life insurance and private pension funds under the company's management has exceeded TRY 1.8 billion and Anadolu Hayat Emeklilik's performance in 2006 has enabled the company to be the first in reaching a portfolio worth TRY 500 million in private pensions.

One of the founders of the private pension system, Anadolu Hayat Emeklilik increased its number of participants, funds under management and total invested amount far

beyond sector averages by the end of its third full year of operation. In 2006 the company increased its market share by a considerable amount to close the year as the sector's undisputed leader.

As of 2006 year end, Anadolu Hayat Emeklilik has gained an 18% share of the private pension system with 189,567 participants. The company's pension funds amounted to TRY 528 million and total invested amount reached TRY 468 million, providing the company a market share of 19%.

Transfer of accumulations life insurance policies to the pension system, which provided a significant increase in pension funds, ended in October 2006. The company acquired 32% market share in transfers, which corresponds to a pension fund portfolio of TRY 198 million.

Maintaining its record of being the undisputed leader in the life insurance sector since founded, the company generated premiums of TRY 340.5 million. This performance once again ensured market leadership with a 25% market share of the sector's total premium production.

The shares of Anadolu Hayat Emeklilik, a subsidiary of İşbank (Türkiye İş Bankası), are quoted on the İstanbul Stock Exchange National Market under the symbol ANHYT.

## Our Mission, Vision, and Corporate Strategy

### Our mission

To develop and to nurture in people an awareness of the need to safeguard their own futures and the futures of their loved ones; to offer financial solutions that ease 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 that are of concern to the future of Turkey and the Turkish people.

### Our corporate strategy

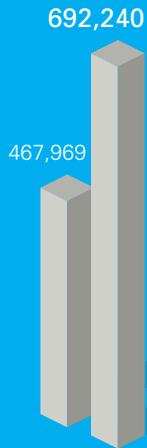
- Contribute to the stable growth of the industry by developing and maintaining a diverse range of products capable of satisfying customers' needs and demands in terms of life insurance and private pensions.
- Increase market share by combining the success in offering innovative products and creating value through an extensive service network.
- Provide customers with financial security and enable them to save up for their retirement by taking advantage of the company's 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.

## Principal Financial Indicators and Ratios

Financial Indicators (TRY 1,000)	2005	2006
Total Premium and Contribution Production	467,969	692,240
Total Technical Profit	5,278	(3,671)
Total Assets	2,028,207	2,267,789
Paid-in Capital	150,000	175,000
Shareholders' Equity	312,252	321,641
Financial Income	62,045	51,471
Pretax Profit	58,440	30,853

Basic Ratios	(%)	(%)
Pretax Profit/Total Assets	3	1
Pretax Profit/Shareholders' Equity	19	10
Premium and Contribution Production/Total Assets	23	31
Shareholders' Equity/Total Assets	15	14

Total Premium and Contribution Production (TRY 1,000)



2005 2006

Total Assets (TRY 1,000)



2005 2006

Shareholders' Equity (TRY 1,000)



2005 2006

Paid-in Capital (TRY 1,000)



2005 2006

## General Manager's Assessment of 2006



Esteemed shareholders, customers, and employees:

Anadolu Hayat Emeklilik successfully sustained its market presence in 2006 as a leading supplier of life insurance and private pension products and services in terms of the number of people served, the volumes it reached, its modern business practices and its customer-focused and efficient service approach.

Anadolu Hayat Emeklilik successfully sustained its market presence in 2006 as a leading supplier of life insurance and private pension products and services in terms of the number of people served, the volumes it reached, its modern business practices and its customer-focused and efficient service approach.

Our underlying business philosophy is to deliver perfection in service to shareholders, investors, and customers alike through corporate values which it forms acknowledging its rich history, a strong equity base, a transparent structure, an innovative and creative approach that concentrates on customer satisfaction, proficiency in making use of resources and technology to increase productivity, and an awareness of its social responsibilities.

Again this year, Anadolu Hayat Emeklilik successfully translated the knowledge and experience that made it the leader of the life insurance industry since its foundation as that industry's figurehead in terms of corporate culture and values of the İşbank Group into success in the private pension sector, widely regarded today as the most important support of all national social security systems.

#### **Developments on the economic front**

It is estimated that the world economy grew in the order of 5.1% in 2006. The biggest contributors to this favorable picture were lively economic activity in the Eurozone and in Japan. Also, the rather limited impact of a volatile financial market in the first half of the year on developing economies helped offset any fears that the US economy might go into recession, and ensured a 9% year-on growth in global trade.

In 2006 the US dollar depreciated against the euro. The EUR/USD exchange rate, which was 1.1840 at end-2005, increased to 1.32 over 12 months largely due to rises midyear.

Oil prices continued to rise in the first half-year, peaking at USD 78 a barrel in August. Thereafter they embarked upon a slow decline that picked up some speed in the last quarter, closing the year at the USD 61.30 a barrel level.

The Turkish economy grew 6% in 2006, registering its fifth consecutive year of uninterrupted growth, the driving force of which continued to be private sector consumption and investment.

**Depreciation in the value of the Turkish lira in the wake of financial market volatilities experienced in May combined with sustained lively domestic demand, intransigence in service prices, and rising trends in oil and commodity prices led the Central Bank of Turkey to raise its overnight borrowing rates as high as 17.50% up from 13.50% at the beginning of the year.**

On the inflation front, adverse developments both at home and abroad took their toll and the consumer price index rose 9.65%, almost double the government's announced target for the year.

In the 12 months to end-2006 the Turkish lira depreciated 5.2% against the US dollar and 16.9% against the euro.

The most disturbing economic development was the continued rise in the country's current account deficit, which reached USD 31.7 billion as of year-end 2006. On the other hand, the steady rise in foreign direct investment, which reached USD 19.2 billion last year was a positive development offset this deficit.

The İstanbul Stock Exchange's National-100 index, which began the year at 39,778, reached its highest level (47,728) in February. Subsequently, however, it remained volatile, buffeted by turbulence in international markets and by domestic and international political uncertainties. It closed the year down 2% overall.

#### **Continued growth in the PPS**

Increasingly seen by different segments of society as an alternative financial instrument and supported by the impact that government-provided tax advantages have on participants' savings, Turkey's private pension system (PPS) reached dimensions that were in excess of targets across the board in 2006.

As of 31 December 2006 and the end of its third full year of operation, there were 1,073,650 participants and 1,141,428 contracts in the system. Participants' total net asset value of funds amounted to TRY 2,815 million and total contributions directed into investment amounted to TRY 2,512 million.

As of the same date, 76% of the system's contracts were individual contracts and 24% were corporate. Going by the experience of the private pension

systems of other countries, corporate participation is the primary source of a system's growth and development. In Turkey, corporate participation in the system has been rather limited in the course of the first three years of its existence. The biggest reason for this is acknowledged to be the absence of a legal framework governing the period during which participants become entitled to the employer's share of contributions in group pension contracts. Other considerations that could spur corporate participation in the system greater than its currently low level would be the introduction of regulations allowing foundations and retirement funds to direct their resources into the national financial system and also greater tax breaks for both employees and employers who join the system.

The private pension system represents a source of funding that is not just important for the national economy but is also vital to the future of our country's social security system. For this reason, it should be our common objective to encourage the growth and development of the PPS and that means increasing corporate participation in it.

### The leader in both sectors

**25%** Anadolu Hayat Emeklilik's total life insurance premium production in 2006 came to TRY 340,536 thousand. This performance made it the undisputed leader of the sector with a 25% share of premium production. The first and only publicly held private pension company in Turkey, Anadolu Hayat Emeklilik enjoyed yet another first when the PPS funds under its management topped TRY 500 million as of end-November 2006. One of the first companies in Turkey's private pension system when it became active on 27 October 2003, Anadolu Hayat Emeklilik is also the largest company in terms of number of participants, assets under its management, and contributions directed into investment in addition to being overall market leader of Turkey's life insurance industry.

**19%** As of end-2006, Anadolu Hayat Emeklilik had opened 195,773 private pension accounts in the name of 189,567 participants and had collected TRY 281,822 thousand in contributions. This figure that does not include the value of endowment life insurance policy transfers. Company's assets under management which amounted to TRY 528 million, and the total contributions directed into investment that reached TRY 468 million. Both of these totals equate to market shares of 19%.

The cutoff date for transferring endowment life insurance policies into PPS contracts was October 2006. The leader in both life insurance premium production and net asset value of pension funds, Anadolu Hayat Emeklilik also registered inflows worth a total of TRY 198 million which corresponded to 32% of the sector's total.

### A profitable company

Anadolu Hayat Emeklilik registered a technical profit of TRY 17,768 million on its life insurance branch activities in 2006. The company expects to be moving into technical profitability in private pensions in the medium term.

Anadolu Hayat Emeklilik showed financial income worth TRY 51.5 million in 2006."

**Anadolu Hayat Emeklilik's pretax profit in 2006 amounted to TRY 30.9 million and its distributable (payable as dividends) profit was TRY 23.9 million. Of the latter amount, shareholders at the year's general meeting, voted to pay out a cash dividend of TRY 12 million (gross).**

The gross dividend paid on a single share of stock worth TRY 1.00 was TRY 0.068571.

### Correct strategies & strong performance

Anadolu Hayat Emeklilik owes its strong performance both to its business strategies and to the effectiveness of its process management.

- Delivery channels consisting of agents, bancassurance, and a direct sales team all function with high levels of productivity and effectiveness. Under the heading of "bancassurance", every İşbank branch acts as an agent of Anadolu Hayat Emeklilik in the marketing and sale of private pension products as do the branches of HSBC, TEB, and Anadolubank under strategic agreements.
- This strategic collaboration does not end with marketing and sales. In the management of private pension funds, the company has also begun working with sister company İş Asset Management and with HSBC's and TEB's asset management companies.
- Under the heading of a company customer-focused transformation project called "PUSULA", a platform is being put together that will change the center of Anadolu Hayat Emeklilik's service approach from being function-based into one that concentrates on sustainable customer satisfaction.

- Anadolu Hayat Emeklilik makes active use of alternative delivery channels such as a call center and an online branch to provide effective customer information, quality control, and sales and after-sale services.

- Especially mindful of effective risk management approaches and practices at all times, Anadolu Hayat Emeklilik assesses market risk on a daily basis, issues a quarterly "risk assessment report", and has created a powerful risk perception and analysis mechanism with which to channel the resources entrusted to it into sound and profitable investments.

### The outlook for 2007

2007 will be fraught with a large number of important political uncertainties and risks, not least of which are the election of a new president, general elections and the ongoing political developments in the Middle East. Furthermore if the impending slowdown in the US economy turns out to be more severe than expected, its repercussions could be felt globally. In view of the existing fragilities of the Turkish economy, particularly with respect to its current account deficit and to financial susceptibility to developments in global markets, it is likely that the country's financial sector will be cautious in terms of credit, liquidity, and interest rate risk management.

Assuming however that the process of economic growth that has been going on now without interruption for five years in Turkey is not seriously derailed, we foresee that the number of participants in the private pension system will reach 1.5 million in 2007 and that the total net assets value of pension funds will reach TRY 4.5 billion. In the case of life insurance, total premium production should reach TRY 1.5 billion on nearly 7.9 million policies.

Anadolu Hayat Emeklilik is also the largest company in terms of number of participants, assets under its management, and contributions directed into investment in addition to being overall market leader of Turkey's life insurance industry.

Paralleling these expectations, our company will be seeking to increase its market share, technical profitability, and shareholders' equity in real terms. As the only publicly-traded company in Turkey's private pension system, Anadolu Hayat Emeklilik's primary goals in the years ahead will be to strengthen its position among the leading capital market financial institutions while maintaining its leading position in life insurance and remaining the market leader in the private pension business.

Anadolu Hayat Emeklilik continues to develop its internal structures and functions within the framework of the corporate governance principles that it believes are at least as important as its financial performance. In 2006 the company launched a project in which it will be audited and rated for compliance with the corporate governance principles published by the Capital Markets Board. When that project is completed in 2007, our company will become the first life insurance and private pension company to be included in a new index specially created by the Istanbul Stock Exchange for this purpose.

In closing, I take this opportunity to thank all those whose support and contributions made these results possible: our founder İşbank and our other shareholders, our agents and employees, and our life insurance and private pension policyholders. It is to them that we owe our success.



Mete Uğurlu  
General Manager

# Developments in the World and Turkish Economies in 2006

## The world economy

It is estimated that the world economy grew strongly by about 5.1% in 2006. The biggest contributors to this were lively economic activity in the Eurozone and in Japan; the rather limited impact of financial market volatilities in the first half of the year on developing economies; and positive developments that eliminated any expectations that the US economy might go into recession.

Having raised interest rates repeatedly since June 2004, the US Federal Reserve Bank continued to do so in 2006 bringing its 4.25% short-term interest rate at end-2005 to 5.25% during the first six months of the year. Beginning in August, however, the Fed suspended these interest rate hikes as it began adhering to a more balanced policy in the face of an impending economic slowdown and inflationary risks. Although the Fed has let it be known that it could resume raising interest rates again at any time, forward markets think that it will actually be lowering them in 2007.

**The interest rate hikes that the European Central Bank (ECB) began in December 2005 continued in a series of stepwise movements in 2006 going from 2% to 3.5% by year-end. Even the Bank of Japan (BOJ) raised its nearly zero interest rate to a quarter of a point (0.25%) in July. In the face of the possibility that a slowdown in the US economy could have an adverse impact on global growth, both ECB and BOJ are likely to be very cautious about continuing to raise interest rates during 2007.**

In 2006 the US dollar depreciated against the euro. The EUR/USD exchange rate, which was 1.1840 at end-2005, rose to the 1.32 level in the next 12 months. This change in parity was due to several factors, chief among them being expectations that the US Federal Reserve had reached the end of its interest rate hikes, a narrower spread between US interest rates and those of other developed countries, and a change in the composition of some countries' international reserves in favor of the euro, the last being a trend that became particularly evident beginning in May.

On a global basis, growth remained strong in 2006 increasing the demand for oil and other commodities and consequently pushing up their prices as well. Oil prices were driven by more than demand, however, concerns over Iran's nuclear program and supply-related worries brought on by an

outbreak of hostilities between Israel and Lebanon among other things pushed the price of a barrel of oil up to USD 78 in August. Thereafter the price dropped and closed the year at the USD 61.30 a barrel level.

In response to figures announced for December 2006 and to a change in expectations about the probable (and positive) course of the US economy, the risk premiums on eurobonds issued by developing countries began to shrink.

## The Turkish economy

The Turkish economy grew 6% in real terms in 2006. The primary source of this growth was private sector consumption and investment outlays while the total contribution of the public side to growth contracted and such expenditures as there were went to consumption rather than to investment. Service and industrial sectors continued to perform strongly. Growth in the construction sector remained strong although it did slip to some extent. There was a net contraction in agriculture. While the monetary policy measures taken in the wake of volatilities experienced in financial markets in May did have an impact on the economy, it was with something of a delay and this respite combined with an acceleration in industrial output driven by the momentum in exports helped sustain overall growth.

Intransigence in service prices in the first four months of 2006 combined with raw material costs and high food prices to exert inflationary pressures that were worsened by the depreciation in the Turkish lira in May. The upshot of these movements was that consumer price inflation for the year was 9.7%, nearly double the government's 5% target. The rise in the benchmark producer price index was an even more disappointing 11.6%.

Overnight borrowing rates, which were at the 13.50% level at end-2005, fell to 13.25% by April. In the wake of financial market volatilities experienced in May and the ensuing depreciation in the Turkish lira, however, the Central Bank gradually raised its overnight rate to 17.50% in a series of steps in order to contend with lively domestic demand, service price intransigence, and rises in oil and commodity prices. A relative slowdown in domestic demand brought on by this rise in interest rates was abetted by a resurgence in the value of the Turkish lira and by a contraction in oil and commodity prices that began late in the

year on international markets and improved medium-term inflationary expectations. Nevertheless the Central Bank has announced that it will continue to maintain a cautious stance in order to be sure that its inflation target for 2007 is met.

Interest rates on government borrowing instruments remained volatile throughout 2006. This was caused as much by tensions on the domestic political front and by uncertainties provoked by impending general elections, as by developments in international markets. The benchmark interest rate, which was at the 13.9% level at the beginning of the year, slipped more than half a percentage point to 13.2% in March; but market volatilities in May and a resurgence in both overnight borrowing rates and inflation led the Treasury to push it up to the 20% level as of the end of June. At year-end, the compound yield on the most heavily traded government bonds on the secondary market was still a hefty 21.15%.

**Heightened risk perceptions in international markets, developments experienced on the inflation and current account deficit fronts, and the Central Bank's interest rate hikes and interventions in foreign exchange markets all shaped the course of exchange rate movements in 2006. Those movements seemed rather stable in the first five months of the year but the financial market turbulence in May knocked them off course and they remained volatile for the rest of the year. In the 12 months to end-2006, the Turkish lira depreciated 5.2% against the US dollar, 16.9% against the euro, and 10.8% against a basket consisting of USD 1.00+EUR 0.77. On a consumer price index basis, exchange rate index contracted more than ten points from 171.4 to 160.2.**

The İstanbul Stock Exchange's (ISE) National-100 index, which began the year at 39,778, reached its highest level (47,728) in February but subsequently followed a volatile course, especially in May and June, buffeted by turbulence in international markets and by domestic and international political uncertainties. Although the ISE index closed the year down 2% overall, the total market value of the shares traded on the exchange increased 5% on a Turkish lira basis.

## Expectations concerning the Turkish economy in 2007

The government's targets for 2007 are a 5% rate of real growth, a 4% rise in consumer prices, and a public-side non-interest surplus of 6.5% of GNP.

It also is expected that:

- Turkey will not turn away from its goal of full EU membership, recognizing that it is normal for problems to be encountered in every country's accession process.
- Relations with the IMF will continue even after the existing stand-by agreement runs out in May 2008 and the national budget will continue to yield a non-interest surplus.
- While there are likely to be significant uncertainties and risks on the political front involved in general elections and the election of a new president, such political tensions as may be experienced will not result in significant deviations from macroeconomic targets.
- The targeted level of growth will be achieved and the contraction in inflation will become particularly noticeable in the last quarter of the year.
- The Turkish Central Bank will continue to abide by policies consistent with its medium-term inflation targets.
- Capital will continue to flow strongly into developing markets even though it may diminish somewhat.
- The investment climate in Turkey will not be seriously impaired and long-term capital inflows will continue.
- The slowdown in the US economy will remain modest.

# Developments in Life Insurance and Private Pension System

## Developments in 2006

There were 21 companies in life insurance sector in 2006. Ten of those companies were also active in private pension system.

The private pension system, which commenced on October 27, 2003 with 11 pension companies present, gained momentum in its third full year of operation. Total funds under management reached TRY 2.8 billion, an increase of 130% for 2006. According to year end 2006 figures, the number of participants in the system increased by 400,954 while total contributions reached TRY 2,593 million, an increase of 132%.

On the life insurance side, total premium production in 2006 amounted to TRY 1,386 million, which corresponds to a year-on rise of 12% above the 2005 level of TRY 1,241 million. On the basis of these results, the top ten companies in the sector generated 89% of total premium production while the life sector contributed a 14% share of the insurance industry's overall premium production last year.

Policy owners were given the right to transfer their accumulations and acquired rights of endowment life insurance policies, arranged before the commencement of pension plans, to the private pension system from August 12, 2004 till October 7, 2006. Within this period, a total of TRY 615 million had been transferred. Increased interest in the private pension system and the transfer of accumulations from life insurance to the pension system are the two main reasons for the declining trend in life insurance premium production. The shift of long-term investment into the private pension system is another factor affecting endowment life insurance policies. On the other hand, there was an increase in premium production in life insurance policies associated with mortgage, which have developed in line with the recent economic stability and growth in Turkey.

According to the figures from the Pension Monitoring Center as of December 31, 2006, the system reached 1,073,650 participants with a total contribution of TRY 2,593 million and total invested amount of TRY 2,512 million. Total funds under management in the system amounted to TRY 2,815 million.

The share of group contracts among the total private pension contracts in the private pension system as of 2005 year-end and 2006 year-end was 25% and 24%, respectively.

## The outlook for 2007

Feasibility studies conducted at the beginning of the private pension system had estimated a market share of 20%. In 2005 the actual figure was 14% and with the successful performance, it has exceeded 18% in 2006. The company has set a target of at least 20% market share for 2007.

The primary expectation of the pension companies for the near term is the enforcement of the law concerning amendments to the Individual Pension Savings and Investment System Law, a topic on the agenda of the Grand National Assembly of Turkey. The enactment of the said law will introduce vesting, a practice giving entitlement to contributions paid by the employer on behalf of the employees, as well as legal arrangements concerning foundations and retirement funds. This is expected to give rise to an increase in the number of corporate plans and particularly pension plans in which contributions are paid by the employer that in turn will significantly contribute to the advancement of the system.

**The private pension system, which commenced on October 27, 2003 with 11 pension companies present, gained momentum in its third full year of operation.**

Corporate pension plan's lack of recognition as a means of employee loyalty, on the part of employers, and also the opinion that those plans can significantly add to their labor costs are among the foremost reasons cited why corporate plans have not developed as desired. The basic solution therefore would be to make the system mandatory providing that the savings put aside for retirement partially or totally directed to the private pension system.

**Another issue that is regarded as crucial to the system's development and is frequently brought up by pension companies is to increase the cap on contributions that can be claimed as tax-deductible expenses. This cap can be raised twofold by a decree of The Council of Ministers which will encourage participation in the system both by contributors and by employers who pay contributions on their behalf.**

In parallel with the banks' increasing volumes in retail loans and long-term mortgage loans, life insurance products for protection are anticipated to develop in 2007. It is also expected that medium and even small-sized banks will become active in life and pension products through either existing or new companies and that this will intensify competition in both sectors.

The draft insurance law that was submitted to parliament in 2006 is expected to pass in 2007. The stated objectives of this draft are; to contribute towards the growth and development of the insurance industry in Turkey by clarifying a large number issues and taking international developments into account as well, while also strengthening the financial structures of insurers and making it possible for them to provide a more effective service. The draft sets out new rules governing the formation, management, operations, and auditing of insurance and reinsurance companies. It also addresses such

issues as the transfer of ownership, merger, and liquidation of such companies and introduces a system of arbitration for the resolution of insurance-related disputes.

It is expected that foreign direct investment in Turkey, which has been gaining more and more momentum will continue to increase in the near term. Foreign companies are focusing on investment in the life insurance and private pension markets of developing countries. In Turkey, insurance and private pension sectors are regarded as having growth potential after the banking sector. In 2007, expected changes in companies active in insurance sector and in their shareholder structures through mergers and acquisitions will become significant.

Such mergers and acquisitions will lead to changes in the volume of funds under management and also market share rankings. As the system continues to mature, such developments will also heighten competition among its players. Every company will be striving to reach out to participants more directly in order to gain competitive advantage. Companies need to develop existing delivery channels to increase their productivity while creating new ones as well. Although companies appear to have been devoting most of their attention to delivery channels and to promotion so far, there has also been considerable development in infrastructure and practices in the three years since the system became operational. The ability to provide customers with the quality and continuity demanded by a long-term agreement, that a pension contract must inevitably have, will be the touchstone of a pension company's ultimate success.



In 2006 Anadolu Hayat Emeklilik:

- Continued to increase the number of its life insurance policy holders and private pension participants.
- Registered a 48% rate of year-on growth in its premium and contribution production.
- Registered growth rates of 93% in number of participants and 202% in assets under its management.
- Continued to market its products and services intensively.
- Made effective use of bancassurance as an alternative delivery channel through the nationwide network of its principal stockholder İşbank as well as through the branch networks of TEB, HSBC, and Anadolubank.
- Continued to effectively manage its customer relations and to further enhance service quality.
- Made important progress towards restructuring itself as a company that is even more customer-focused.
- Remained bound by its corporate governance principles and adhered to a policy of uninterrupted and transparent communication with all its stakeholders.

Anadolu Hayat Emeklilik continues without letup its efforts to:

- Provide people and their loved ones with a future that is secure and prosperous.
- Contribute to the growth and development of the national economy through the long-term resources that it creates.
- Be the leader of both of the insurance branches in which it is active.

## Anadolu Hayat Emeklilik Pension Funds

### Name

#### Money-market fund

- AHE Liquid Fund

#### Growth funds

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

#### Income funds

- AHE Bond Fund
- AHE Bond & Bill Fund
- AHE Orange Bond & Bill Fund
- AHE Eurobond Dollar Fund
- AHE Eurobond Euro Fund
- AHE Conservative Fund
- AHE Group Conservative Fund
- AHE Group Bond Fund
- AHE Group Eurobond Fund

#### Other funds

- AHE Balanced Fund
- AHE Orange Balanced Fund

Superior human resources, perfection in service infrastructure, a top-notch and extensive agency network, and the synergetic collaboration that has been developed with İşbank all provide Anadolu Hayat Emeklilik with the energy it needs on the journey to reach these goals.

### Pension plans and funds that address every customer's needs and wishes

Anadolu Hayat Emeklilik's portfolio of private pension products contains 124 pension plans (five individual and 119 group) with different content and fee structures that are specially designed to meet the particular needs of individual and corporate customers. A total of 17 pension funds managed by three different portfolio management companies provide a range of options capable of satisfying every preference.

This rich array of choices gives participants the flexibility to specify their individual preferences according to their own investment experience and risk versus return expectations.

In keeping with its strategy of working with Turkey's biggest and most experienced asset management companies in the management of its pension funds, Anadolu Hayat Emeklilik works with sister company İş Asset Management as well as with HSBC Asset Management and TEB Asset Management under cooperative agreements with all three.

### Asset Management Company Name

İş Asset Management

İş Asset Management  
HSBC Asset Management  
İş Asset Management  
İş Asset Management  
İş Asset Management

İş Asset Management  
HSBC Asset Management  
TEB Asset Management  
İş Asset Management  
İş Asset Management  
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İş Asset Management

İş Asset Management  
TEB Asset Management

### Expanding marketing and sales channels

The diversity and penetration of Anadolu Hayat Emeklilik's marketing and sales channels consisting of agents, bank branches, and a direct sales force are the company's most important competitive advantages. Protecting this competitive advantage, achieving maximum harmony among delivery channels, and continuously strengthening each channel are company's top priorities.

Undertaking the marketing and sale of life insurance products as well as of private pensions, the direct sales force located in İşbank branches sold almost 40% of new private pension plans in 2006. In addition to that, the direct sales force also handled transfers of endowment life insurance policies to private pension contracts worth a total of about TRY 53 million.

At the end of 2006, the direct sales staff had a very successful year with their workforce of 202 people operating in Turkey's 35 provinces.

### Working with HSBC, TEB, and Anadolubank

Under the heading of bancassurance activities in 2006, the collaboration with HSBC Bank under an agreement to market and sell Anadolu Hayat Emeklilik life and pension products through that bank's branches continued to thrive and produce good results. Sales began under the agency and cooperation agreement signed with TEB and a similar agreement was signed with Anadolubank to sell pension and life insurance products through its branches. Last year an agency agreement was signed with Turkish Industrial Development Bank (TSKB) as well.

**As a result of such productive collaborations, 25% of Anadolu Hayat Emeklilik's private pension production in 2006 took place through HSBC, TEB, and Anadolubank branches.**

### Increasing service efficiency and effectiveness through alternative sales channels

Both the AHE call center and the internet branch have become marketing, sales and customer relations channels whose strategic importance is growing steadily. The growth and development in these channels, which have a high-profile presence in marketing, pre and after-sale services and perception of quality are of significant importance to achieve sustainable customer satisfaction.

The Customer Relations Unit, which is responsible for managing the company's alternative delivery channels, responded to about 215,000 incoming calls and 13,000 e-mails during 2006. In addition to incoming calls the unit also contacted pension contract and life insurance policy holders to deal with any problems related to contribution and premium payments.

Another important function of the Customer Relations Unit is tele-marketing. Through this unit, Anadolu Hayat Emeklilik responds to claims received by telephone and internet, issues policies and contracts of related sales proposals.

### Conventional cooperation between İşbank & Anadolu Hayat Emeklilik

The cooperation between Anadolu Hayat Emeklilik and its parent company İşbank represents one of the most extensive, effective and successful examples of bancassurance in Turkey.

İşbank's extensive branch network, technological infrastructure, and alternative delivery channels have strategic importance for Anadolu Hayat Emeklilik reaching the potential customers and delivering widespread service. İşbank has approximately 900 branches located all over Turkey which serves as Anadolu Hayat Emeklilik agent.

Since the placement of agents at İşbank branches in 2005 which have been supported only by Direct Sales Force from 2002 to 2005, now that there is at least one AHE representative in each of the İşbank branches.

The cooperation with İşbank continued to grow in 2006 as well. Around 40% of Anadolu Hayat Emeklilik's endowment life insurance policy sales and around 62% of its new private pension sales were made through İşbank branches.

In order to motivate branch staff and to increase İşbank sales, campaigns were conducted, awards were given to the most successful branches and promotional activities were carried out all year long together with İşbank.

### High potential in the corporate market

Increased participation by corporations is crucial with regard to the development of the Private Pension System that has completed its third year of operation in 2006. Although the sector overall failed to capture the estimated activity in terms of corporate participations in the system and participations were predominantly on individual basis on the whole in 2006, international companies show growing interest in the system, and the number of local companies, which secure the futures of their employees through group plans under the Private Pension System, increase by the day.

Based on the Pension Monitoring Center (PMC) data, Anadolu Hayat Emeklilik grew its number of corporate contracts to 42,602 at year-end 2006 from 30,236 at year-end 2005, and the Company acquired 15% market share in this segment.

While the total amount of corporate contracts directed into investment in the sector reached TRY 525 million, Anadolu Hayat Emeklilik had a market share of 11.5% with TRY 60 million.

As a result of its ongoing efforts to satisfy different corporate customers' needs with a wide range of products, Anadolu Hayat Emeklilik continues to expand its corporate portfolio thanks to delivering high-quality pre-sales and after-sales service.

Seeking to be the leader of the corporate market segment as well, Anadolu Hayat Emeklilik targeted potential corporate through promotional activities in a variety of channels last year. The company continues to inform firms and their employees about the scope and benefits of group pension plans. Having carefully formulated marketing strategies aimed at adding new corporate customers to its portfolio, the company fully supports its sales team and it focuses on meeting all aspects of customers' needs and expectations.

The expected changes in the legal framework governing the vesting period during which participants become entitled to the employer's share of contributions in group pension contracts were not implemented in 2006. The absence of this legal safeguard is acknowledged to be an important reason why corporate participation in the private pension system has not been up to the expected level. Legally-prescribed vesting periods and the introduction of regulations allowing foundations and provident funds to transfer their accumulations to the PPS will be outstanding factors expanding the size of the corporate portfolio in the coming years. The pension companies' and existing/potential corporate customers' common expectation concerning the increase in tax advantages has been an ongoing issue since the system has come into operation.

**Promotional activities at corporate level have contributed significantly towards increasing the awareness of what is available. This will be of tremendous importance to the development of the corporate portfolio in the coming years.**

Furthermore, services provided to existing customers and efforts to develop these services have been influential in ensuring corporate customer loyalty since the PPS came into operation. In recognition of this fact, Anadolu Hayat Emeklilik's basic strategy is always to offer the best and fastest service both to its existing and potential customers.

### Agents' share of production is increasing

There were 326 agents working with Anadolu Hayat Emeklilik in 2006, 20 of which were new additions.

Agents represent an important distribution channel for Anadolu Hayat Emeklilik inasmuch as they generated 70% of the company's premiums on endowment life insurance policies last year. In the case of private pensions, agents were responsible for 55% of production, which performance includes the transfers of life insurance policies to private pension contracts.

### e-BEAS exam

Agents and sales representatives must successfully pass the "e-BEAS" (electronic private pension intermediary) qualification exam in order to work in the system.

As of 31 December 2006, there were 2,645 private pension intermediaries working for Anadolu Hayat Emeklilik, 890 of whom earned their permanent licenses during the year.

During 2006 Anadolu Hayat Emeklilik supported the participation of its employees in this qualification exam in every channel through which it was made available.

### Customer-focused transformation project

Recognizing that its continued growth and development are dependent on its customer and its quality-focused business strategies, Anadolu Hayat Emeklilik has launched an organizational and technological restructuring project aimed at increasing effectiveness and productivity in all its processes.

Called "PUSULA" ("Compass") and based on the principle of organizing all of the company's sales and service channels so that they are completely customer-focused, the customer-focused transformation project was conducted along five main fronts in 2006: "Management", "Organization", "Customers", "Information systems", and "Change management".

The "Internal Customer (Employee) Attitude Survey", one of the most important aspects of the "Management" front was completed with intense participation on the part of company employees and the members of the Direct Sales Team. The results of this survey provide insights as to how to create a more pleasant and happier work environment for Anadolu Hayat Emeklilik's "internal customers" while also improving both their effectiveness and productivity. Work is currently under way to make use of these results in shaping the company's work processes.

In order to make the company's organizational structure more effective, operational activities in headquarters units are being combined and brought together under a single structure. Work on this project will be ongoing in the years ahead.

### Skilled human resources at Anadolu Hayat Emeklilik

Anadolu Hayat Emeklilik's most important capital is its human resources. A team of people who are experienced, creative, and dynamic, who identify with a common corporate culture, and whose actions are guided by a shared vision is the most important factor underlying Anadolu Hayat Emeklilik's ongoing success. The company provides suitable working conditions and every possible training and career opportunity in order to develop its human resources and keep them strong.

At the end of 2006 Anadolu Hayat Emeklilik had 273 people on its payroll (excluding the sales team). The number of employees in the Direct Sales Team was 202 as of the same period.

Anadolu Hayat Emeklilik personnel as a whole are young and dynamic. As of the end of 2006, half of the company's employees were in the 25-34 age group.

The company once again continued its training program in 2006 without letup. PPS training was provided to a total of 1,705 people during the year. Total training time amounted to 2,364 hours with the average training time per person working out to 25.22 hours.

## Communication Endeavors and Social Responsibility Projects

Adhering to his belief in "sharing the gains of success," Anadolu Hayat Emeklilik continued in 2006 to lend its support to various social awareness projects.

Working in conjunction with ÇYDD (The Association to Support Contemporary Living) and dedicated to the aim of benefiting 500 girls who are unable for financial reasons to continue their schooling, Anadolu Hayat Emeklilik - Student Scholarship Support Program is continuing its endeavors to provide support to female students, beginning with their first year of high school and continuing on through their college years up to graduation. The 2006-2007 academic year marked the second year of this project.

The "Girls, the insurance of our future" a project that is also being supported by ÇYDD and by the Ministry of National Education, was first implemented in 2005-2006 academic year. The aim of this project is to attract successful, but financially deprived, female students to the insurance sector and to provide them with specialized training, know-how and skills while creating employment opportunities.

In addition to carrying out this project, in 2006 Anadolu Hayat Emeklilik also continued to provide financial support to the Turkish Educational Foundation and to the Banking, Trade and Law Research Institute and to basic education institutions across the country that are in need of financial support.

**In 2006 Anadolu Hayat Emeklilik substantially increased its promotional and public relation activities aimed at increasing public awareness of the sector, strengthening its image and prestige, and introducing the Private Pension System, the leading system in the sector.**

- The advertising campaign launched in November 2005, "Investment Tool for the Future: Life Insurance and the Private Pension System," continued throughout 2006. The campaign included ads on TV, in cinemas, on radio broadcasts and in the written media.

- A "call to action" campaign was launched to direct the target audience towards sales channels.

- Among continuing activities directed towards TV sponsorships and other promotional channels are: Sponsorship of TV sitcoms and dramatic series, banner and caption ads, credits on radio broadcasts, along with a system that began in 2004 consisting of Plazma TV broadcasts at various shopping centers.

- As the only company that provides a product uniquely designed for housewives in the sector Anadolu Hayat Emeklilik emphasize activities geared towards this target audience. Within this framework on special days such as Valentine's Day, International Women's Day and Mother's Day Anadolu Hayat Emeklilik broadcasts custom designed advertisements on various TV programs and within other promotional channels. In addition, Anadolu Hayat Emeklilik carry out a variety of other campaigns throughout the year that are directed towards the "Housewives Retirement Plan." In spring time Anadolu Hayat Emeklilik organized a competition titled, "Success Stories from Housewives."

- In an effort to promote the Private Retirement System and to ensure that the Private Retirement System is perceived by consumers as a requisite, eleven retirement companies have organized a platform and begun shared endeavors. Anadolu Hayat Emeklilik is playing an effective role in the activities of this platform.

- In addition to the above activities, Anadolu Hayat Emeklilik has organized a number of events for press conference and our partners directed at increasing the communication.



## Premium Production

### Life Insurance Premium and Private Pension Contribution Production (Total)

In 2006 Anadolu Hayat Emeklilik once again was the leader in the life insurance sector while also becoming the leader of the private pension system in terms of number of participants, total assets under management, and total contributions directed into investment.

The company's total production in 2006 amounted to TRY 692 million, which corresponds to a year-on rise of 48%.

### Premium and Contribution Production (TRY 1,000)

2004	2005	Change	2006	Change
426,179	467,969	10%	692,240	48%

#### Life insurance

Anadolu Hayat Emeklilik controlled a 24.6% share of total life insurance premium production in 2006 and once again was the leader in this sector.

### Premium Production (TRY 1,000)

2004	2005	Change	2006	Change
381,242	348,244	(9%)	340,536	(2%)

#### Private Pensions

Anadolu Hayat Emeklilik was one of the first to join the private pension system when it became operational on 27 October 2003. As of 31 December 2006, the company reached 195,733 private pension accounts in the name of 189,567 participants and had collected TRY 281,822 thousand in contributions.

The company's results in the private pension sector as of 31 December 2006 are shown below.

	Total Number of Participants	Sectoral Ranking	Market Share (%)
Anadolu Hayat Emeklilik A.Ş.	189,567	1	18
Total Sector	1,073,650	-	-

Performance for the Period (Total Number of Participants)	31.12.2005-31.12.2006 Period Increase (%)
Anadolu Hayat Emeklilik A.Ş.	93
Sector	60

TRY	Total Amount of Funds	Sectoral Ranking	Market Share (%)
Anadolu Hayat Emeklilik A.Ş.	528,147,292	1	19
Total Sector	2,814,938,925	-	-

Performance for the Period (Total Amount of Funds)	31.12.2005-31.12.2006 Period Increase (%)
Anadolu Hayat Emeklilik A.Ş.	202
Sector	130

TRY	Total Invested Amount	Sectoral Ranking	Market Share (%)
Anadolu Hayat Emeklilik A.Ş.	467,985,374	1	19
Total Sector	2,512,373,823	-	-

Performance for the Period (Total Invested Amount)	31.12.2005-31.12.2006 Period Increase (%)
Anadolu Hayat Emeklilik A.Ş.	207
Sector	133

## Mathematical Reserves and Dividend Reserves

There was a year-to-year decline in the amount of TRY 96,719 thousand in the mathematical reserves and dividend reserves making up the savings of its policyholders. At end-2006 the company controlled a 35% share of the entire sector's mathematical reserves.

### Mathematical and Dividend Reserves (TRY 1,000)

2004	2005	Change	2006	Change
1,297,865	1,400,150	8%	1,303,431	(7%)

In 2006, Anadolu Hayat Emeklilik was the leader of the private pension system in terms of total assets under management and total contributions directed into investment, with a market share of 19%.

### Income from Mathematical Reserves

In 2006, Anadolu Hayat Emeklilik earned TRY 212 million on the resources entrusted to it by its policyholders. The policy dividends paid by the company last year are shown in the accompanying chart.

Life Insurances	Dividend Payment (%)
TRY (Life Insurances)	16.33
TRY (Income Insurances)	16.19
USD (Life Insurances)	8.80
USD (Income Insurances)	8.74
EURO (Life Insurances)	6.59
EURO (Income Insurances)	6.49
GBP (Life Insurances)	8.16
GBP (Income Insurances)	8.10

### Policy Maturity and Death Benefit Payments

The accompanying chart shows policy maturity and death benefit payments made by Anadolu Hayat Emeklilik.

#### Policy Maturity (TRY 1,000)

2004	2005	Change	2006	Change
212,762	181,617	(15%)	200,620	10%

#### Death Benefit Payments (TRY 1,000)

2004	2005	Change	2006	Change
9,816	13,099	33%	14,214	9%

#### Total (TRY 1,000)

2004	2005	Change	2006	Change
222,578	194,716	(13%)	214,834	10%

### Technical Results

The accompanying chart shows Anadolu Hayat Emeklilik's technical profitability and the results it achieved in each sector.

#### Life (TRY 1,000)

2004	2005	Change	2006	Change
17,125	20,033	17%	17,768	(11%)

#### Private Pensions (TRY 1,000)

2004	2005	Change	2006	Change
(13,266)	(14,755)	-	(21,439)	-

#### Total (TRY 1,000)

2004	2005	Change	2006	Change
3,869	5,278	37%	(3,671)	-

### Financial Results

The accompanying chart shows the financial income received by Anadolu Hayat Emeklilik in the last three years.

#### Financial Income (TRY 1,000)

2004	2005	Change	2006	Change
79,979	62,045	(22%)	51,471	(17%)

The decline in the company's financial income in 2006 is the result of conversions of endowment life insurance policies into private pension contracts during the year.

#### Pretax Profit

The accompanying chart shows Anadolu Hayat Emeklilik's pretax profit in the last three years.

#### Pretax Profit (TRY 1,000)

2004	2005	Change	2006	Change
59,461	58,440	(2%)	30,853	(47%)

### Shareholders' Equity

The accompanying chart shows the steady growth in Anadolu Hayat Emeklilik's shareholders' equity over the last three years.

#### Shareholders' Equity (TRY 1,000)

2004	2005	Change	2006	Change
223,377	312,252	40%	321,641	3%

### Total Assets

The accompanying chart shows Anadolu Hayat Emeklilik's pretax profit in the last three years.

#### Total Assets (TRY 1,000)

2004	2005	Change	2006	Change
1,675,443	2,028,207	21%	2,267,789	12%

### Market Share

Information about Anadolu Hayat Emeklilik's market shares of premium and contribution production in the life insurance and private pension branches respectively during the last three years is shown in the accompanying chart.

#### Market Share (%)

Branches	2004	2005	2006
Life	32	28	25
Private Pensions	15	14	19

## Turkey's Biggest Bank

Founded in Ankara in 1924, İřbank has continuously contributed to the Turkish economy at an ever-increasing pace in the 82 years since its inception. As the author of numerous "firsts", İřbank is the acknowledged founder and symbol of modern banking in Turkey. Undertaking key roles at every stage of the cycle of economic and commercial activity, İřbank embraces every segment of society in keeping with its mission summed up in the expression "Turkey's Bank" and by doing so it has become the bank of every customer group.

İřbank today serves more than ten million customers in the retail, corporate, commercial, and SME segments. According to end-2006 figures, the bank's shareholders' equity was TRY 9.4 billion while its total assets were worth TRY 75.2 billion. These numbers make İřbank Turkey's leading bank.

İřbank's leadership is not limited to its national market. In Forbes magazine's list of the world's 2,000 largest publicly-held companies, İřbank ranks 319th and it numbers among the biggest banks in developing markets around the world. İřbank is also the only Turkish company in the top 500 of Forbes' list. According to a report based on end-2005 market values that was prepared by British-based Brand Finance for The Banker, İřbank is also the only Turkish bank included in that magazine's "Top 100 Brands in Banking" league table.

İřbank's service delivery network consists of:

- 18,729 employees
- 883 domestic and 11 international branches
- 2,834 Bankamatiks
- 911 Netmatiks
- 103 Kasamatiks

This extensive reach is what defines the bank's superior scale and gives İřbank the ability to provide perfect service. İřbank is a bank that is able to respond to every financial product or service need without exception. The bank's financial services subsidiaries, which are active in everything from

investment banking to portfolio management and from leasing to private pensions, make the bank's ability to supply banking products and services unchallenged.

In addition to having contributed to the growth and development of the financial services sector in Turkey ever since it was founded, İřbank has also pioneered the way in the establishment and growth of many new industries in the country. İřbank today controls a portfolio of equity stakes in leading companies that are active in a wide range of endeavors from glass to telecommunications.

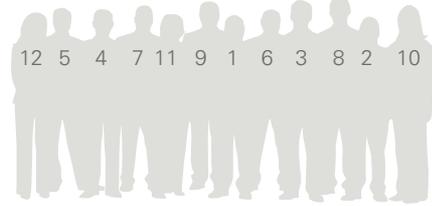
30.37% of İřbank's shares are publicly traded. The bank's stock is traded on the İstanbul Stock Exchange. It is also traded on the New York Stock Exchange as American depository receipts (ADR-144 A) issued by the Bank of New York and on the London Stock Exchange as global depository receipts (GDR-REG S).

Undertaking key roles at every stage of the cycle of economic and commercial activity, İřbank embraces every segment of society in keeping with its mission summed up in the expression "Turkey's Bank" and by doing so it has become the bank of every customer group.

## Board of Directors



M. Sırrı Erkan (1)	Chairman
Ahmet Yavuz (2)	Vice Chairman
Mete Uğurlu (3)	Director and General Manager (Starting from 31.01.2006)
Onur Ökten (4)	Director (Starting from 27.03.2006)
Emre Duranlı (5)	Director (Starting from 27.03.2006)
Aydın Süha Önder (6)	Director
K. Serdar Dişli (7)	Director (Starting from 07.09.2006)
Yalçın Sezen (8)	Director
Erdal İnceler (9)	Director (Starting from 30.01.2006)
İzlem Erdem (10)	Auditor
Hüray Böke (11)	Auditor (Starting from 27.03.2006)
Tümay Oskay (12)	Secretary of the Board



## Senior Management



Mete UĞURLU  
General Manager



M. Afşin OĞUZ  
Assistant General Manager



M. Uğur ERKAN  
Assistant General Manager



E. Murat YÜKSEL  
Assistant General Manager



O. Haluk SOLAK \*  
Assistant General Manager



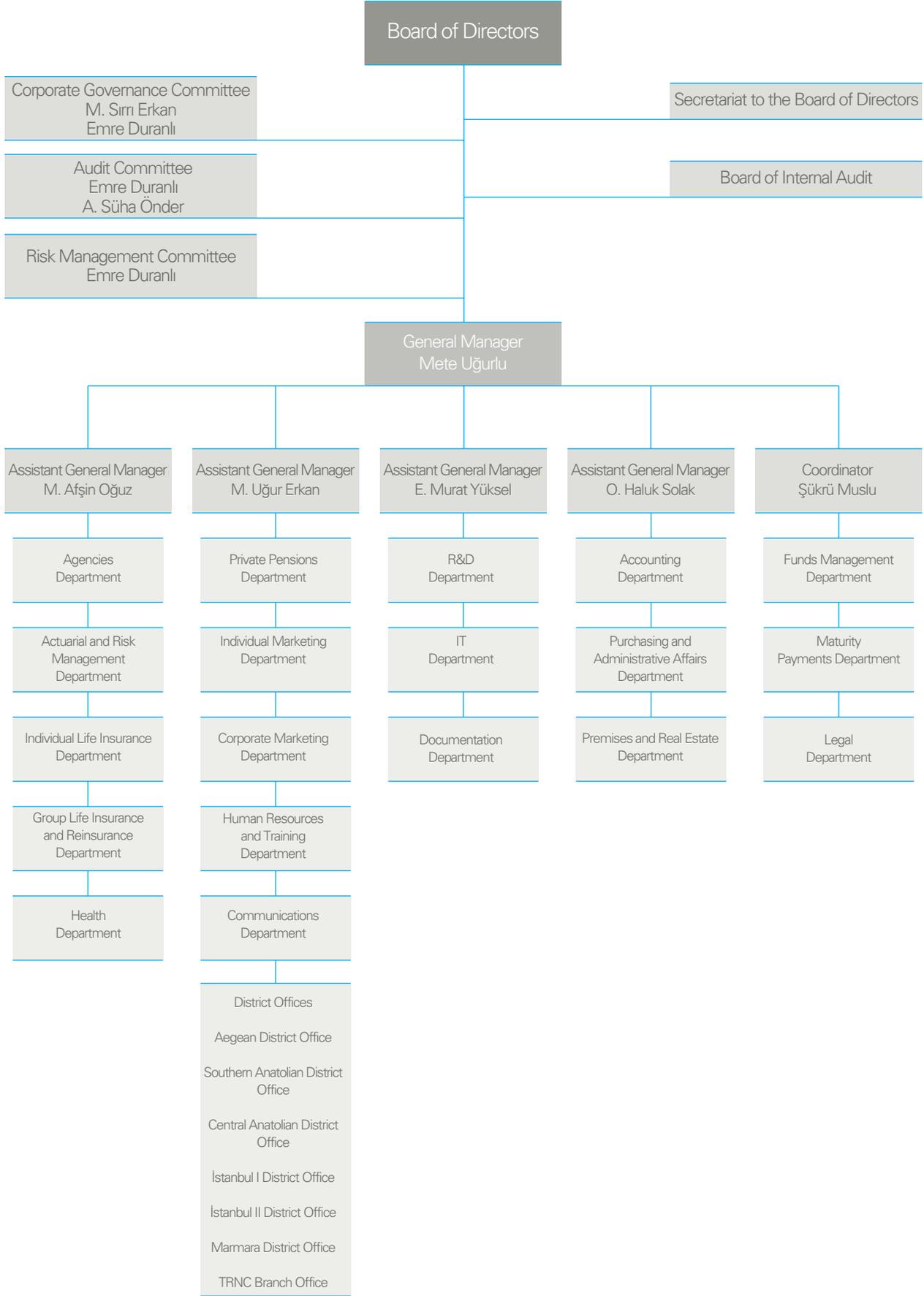
Şükrü MUSLU \*\*  
Coordinator



Orhan BOZKURT  
Head of Internal Audit Committee

\* Since 15.11.2006  
\*\* Retired on 20.04.2007

# Organization Chart



Anadolu Hayat Emeklilik A.Ş.  
Corporate Governance Practices

# Anadolu Hayat Emeklilik A.Ş.

## Committees That Have Been Set up at the Company

### Corporate Governance Committee

#### Objectives

To monitor the company's compliance with corporate governance principles and to engage in activities and make recommendations to the Board of Directors to improve such compliance.

#### Members

Sirri Erkan Chairman of the Board of Directors (Head)  
Emre Duranlı Director (Member) (Since 30 April 2007)

#### Structure

The Corporate Governance Committee is formed by the Board of Directors within the framework of corporate governance principles, with priority given to members selected from within its own body. When deemed to be necessary, individuals who are not company directors but who have expertise in particular matters may be given duties on the committee. No general manager may be a member of this committee.

The Corporate Governance Committee must consist of at least two members. Members may not hold executive positions in the company.

In principal, the term of office of the Corporate Governance Committee is coeval with that of the Board of Directors except that if any changes take place in the latter, the committee remains constituted until the completion of its existing term.

Insofar as is possible, the committee convenes in parallel with the Board of Directors. Committee decisions are taken by a majority vote. The committee's head keeps the Board of Directors informed about the committee's activities.

#### Activities

The principal activities of the Corporate Governance Committee consist of the following:

- Determines whether or not corporate governance principles are being complied with at the company and, if they are not being complied with, identifies the reasons why and also any conflicts of interest arising from less than full compliance; makes recommendations to the Board of Directors to improve corporate governance practices.
- Coordinates the activities of the Investor Relations Unit in its dealings with shareholders.
- Engages in activities to formulate a transparent system for the identification, evaluation, training, and rewarding of suitable candidates for seats on the Board of Directors and determines policies and strategies related to such matters.

# Anadolu Hayat Emeklilik A.Ş.

## Committees That Have Been Set up at the Company

- Develops recommendations concerning the number of board members and managers there should be (general managers, assistant general managers, managers, assistant managers; personnel such as consultants and others who are directly responsible to the chairman or general manager).
- Identifies approaches, principles, and practices on issues related to the performance evaluation, career planning, and rewarding of company directors and managers and monitors compliance with them.

### Audit Committee

#### Objectives

To monitor the operation and effectiveness of the company's accounting system, public disclosure of financial information, and independent auditing.

#### Members

Emre Duranlı	Director
Aydın Süha Önder	Director

#### Structure

The Audit Committee is formed by the Board of Directors within the framework of corporate governance principles from among members of its own body.

The Audit Committee must consist of at least two members. Members may not hold executive positions in the company. Two company officers designated by the Board of Directors are responsible for coordinating activities between the committee and the company.

The term of office of the Corporate Governance Committee is coeval with that of the Board of Directors. The committee meets at least once every three months. Committee decisions are taken by a majority vote.

The Board of Directors is kept regularly informed about the committee's activities.

#### Activities

The principal activities of the Audit Committee consist of the following:

- Checks periodic financial statements and footnotes that are to be published for compliance with the requirements of laws and regulations and with international accounting standards and reports its findings to the Board of Directors along with the opinions of the independent auditor.
- Takes measures as necessary to ensure that all internal and external auditing is conducted adequately and transparently.
- Monitors the functioning and effectiveness of the company's accounting system, of the public disclosure of financial information, of independent auditing, and of the company's internal control

# Anadolu Hayat Emeklilik A.Ş.

## Committees That Have Been Set up at the Company

system; monitors the selection of an independent auditor, the preparation of independent auditing agreements, the initiation of the independent auditing process, and all aspects of the activities of the independent auditor.

- After having determined that there is no issue impairing the independence of a potential independent auditor and so stated in a report, gives its preliminary approval for the selection of independent auditors and for the services to be obtained by the company from them and submits this recommendation and report to the Board of Directors.
- Examines and finalizes any complaints made to the company concerning its accounts, its internal control system, or its independent auditing; ensures that company employees examine such complaints within the framework of the principle of confidentiality.
- Monitors compliance with company policies and regulations governing conflicts of interest on the part of company directors, managers, and other employees and the abuse of insider information.

### Risk Management Committee

#### Objectives

To formulate and oversee a risk measurement, monitoring, assessment, and control system so as to ensure that the level of risk that the company is willing to accept in order to maintain its asset quality and achieve specific gains in return is in compliance with the limits specified by insurance laws and regulations and with the company's own risk tolerance. To monitor the company's risk exposure and report on it to senior management and to the Board of Directors independently of all executive functions.

#### Members

Emre Duranlı	Director (Head)
Harun Reşit Alpözgen	Actuarial and Risk Management Department (Member)
N. Cem Özcan	Accounting and Financial Affairs Department (Member)
Mine Kumcuoğlu	Funds Management Department (Member)
Ender Işık	Agencies Department (Member)
A. Neyir Can	Group Life and Reinsurance Department (Member)
M. Tolga Oskay	Actuarial and Risk Management Department (Member and secretary)

#### Structure

This committee reports directly to the Board of Directors through its head, who is a member of the board. The Actuarial and Risk Management Department provides the committee's secretarial functions.

## Anadolu Hayat Emeklilik A.Ş.

### Committees That Have Been Set up at the Company

The Risk Management Committee's membership consists of at least the following:

- A member of the Board of Directors (Committee Head)
- Actuarial and Risk Management Department Head
- Accounting and Financial Affairs Department Head
- Funds Management Department Head
- Agencies Department Head
- Reinsurance Department Head

Committee meetings are presided over by the member who is a company director and in his absence by whichever member is the most senior manager. The Risk Management Committee meets regularly at least once a month and may convene at any time that circumstances warrant. Committee decisions are taken by a majority vote.

Minutes are kept of meetings and these are presented to the Board of Directors by the director responsible for risk management functions.

#### Activities

The principal activities of the Risk Management Committee consist of the following:

- Formulates the risk management strategies and policies to which the company will adhere, submits them to the Board of Directors for its approval, and monitors compliance.
- Submits its views to the Board of Directors on updating risk policies in line with changes in business conditions and with the particulars of newly developed products and services.
- Monitors the process of identifying, defining, measuring, assessing, and managing risk.
- Monitors the validity and reliability of risk measurement activities and results.
- Checks all of the company's rules, work flows, and practices for compliance with risk management policies approved by the Board of Directors and reports any disparities to the board.
- Monitors actual compliance with the authority and risk limits assigned to executive units by the Board of Directors and reports any violations to the board.
- Within the framework of the authorities and limits granted to it by the Board of Directors, authorizes exceptional limit overruns in extraordinary circumstances when there are deemed to be opportunities to take advantage of favorable market conditions and such conditions make it essential to act quickly without complying with normal limit change procedures.
- Within the framework of the authorities and limits granted to it by the Board of Directors, takes measures to undo limit overruns in situations where executive units have exceeded their limits.
- Monitors and reports on compliance with limits arising from the requirements of laws and regulations.
- Carefully assesses and monitors all the risk factors that apply to the company; examines and reports on the probable course of events in light of different scenarios.

# Anadolu Hayat Emeklilik A.Ş.

## Assessment of the Operations of the Independent Auditor During the 2006 Reporting Year

### Independence of the independent (external) auditor

Periodic financial statements and their footnotes are prepared within the framework of current laws and regulations and insurance accounting standards in such a way as to show the company's true financial standing. Such statements and footnotes are independently audited and published as prescribed by law.

The company's independent auditor is rotated at regular intervals. An independent auditor is chosen to perform ongoing and/or special audits for no more than five consecutive fiscal years and at least two fiscal years must pass before a new ongoing and/or special audit agreement may be entered into with any previously employed independent auditor.

External audits at our company are performed on an entirely independent basis and its external auditors operate completely within the framework of truthfulness, professional honesty, and candor and without any involvement in a conflict of interest whatsoever. Our company's external auditors act with complete intellectual independence and are prohibited from engaging in any activities that might cause third parties to doubt their independence.

No payments are made to any independent auditor in our employ other than such fees as are reasonable in light of existing market conditions.

The factors that strengthen the independence of firms from which we obtain independent auditing services are: the existence of an Audit Committee, the possession of an effective accounting and internal audit system, and adherence to rules of ethics that give importance to truthful public disclosure of company-related matters.

The conduct of independent external audits at our company documents the truthfulness and honesty of our financial statements for the public at large and is perceived by our shareholders as a guarantee of their own interests. The independent opinion expressed by our external auditor increases the trustworthiness of our financial statements while also strengthening our company's corporate image. In line with its ethical values, our company adheres to the principle of keeping the public informed and achieving transparency in matters related to itself. By giving importance to the independence of its external auditors, the company earns the confidence of its investors and in this way seeks to be of service to the growth and development of the national economy by attracting new investors.



A. Süha Önder  
Director and Statutory Auditor



Emre Duranlı  
Director and Statutory Auditor

## Anadolu Hayat Emeklilik A.Ş.

### Assessment of the Board of Internal Audit's Activities in 2006

Pursuant to the "Circular concerning the internal audit systems of insurance and reinsurance companies" that went into effect under Treasury Undersecretariat resolution B.02.1.HM.0.SGM.0.3.1.1 dated 29 September 2004, it was decided to set up an internal audit unit that reports directly to the Board of Directors. This unit commenced duties as of 1 January 2005.

As of the beginning of 2005, the "inspection" activities previously carried out by the Board of Inspectors were carried out as "auditing" by the Board of Internal Audit in line with the newly introduced rules and with the requirements dictated by those rules. The Board of Internal Audit has every headquarters unit, regional department, branch, and liaison office audited at least once a year and every agency is audited at least once every three years. In addition, any agency whose share of total premium production is exceptionally high or whose collections are unusually low is also audited on location at least once a year. Regular audits are carried out under a program that is prepared by the Board of Internal Audit and is approved by the Board of Directors. In addition to these regular auditing functions, the Board of Internal Audit is also responsible for conducting investigations and examinations.

In 2006 the board audited 23 units (16 headquarters and 7 regional departments/branches) and issued 11 examination reports.

Agency audits were also carried out during 2006 as required by the "Circular concerning the internal audit systems of insurance and reinsurance companies". Under this program, 165 agencies were audited last year.

Reports of the findings of the Board of Internal Audit's audits, investigations, and examinations are submitted by the board to the Board of Directors. This makes it possible for the Board of Directors to keep close track of the activities of the Board of Internal Audit.

In 2006 the Board of Internal Audit was staffed by 12 internal auditors and assistant internal auditors. Seminars, meetings, and training programs were organized for board personnel to support their professional development and increase their professional knowledge.

Changes are being made in the company's auditing methodology and reporting procedures as needed to bring them into compliance with "international internal audit standards" and to make the more risk-based and capable of creating added value for the company.

Work began in 2006 on infrastructure that will make it possible for agencies to be centrally audited. In line with the experience gained from agency audits, centralized auditing of agencies will be strengthened and made more comprehensive. Another project now at the planning stage is to set up an early warning system that will accurately spot elements of risk where they exist and allow measures to be taken so as to prevent them from materializing.

## Anadolu Hayat Emeklilik A.Ş.

### Assessment of the Board of Internal Audit's Activities in 2006

The Board of Internal Audit makes every possible effort to ensure that all auditing activities that are carried out whether as part of the regular program or in addition to it are performed in such a way as to maximize the benefit to be derived from every audit that is undertaken.

Under a Board of Directors resolution passed on 31 May 2007, the activities of the Board of Internal Audit have been carried out as the "Board of Inspectors" since that date.



M. Sirri Erkan  
Chairman of the Board of Directors

## Anadolu Hayat Emeklilik A.Ş.

### Corporate Governance Committee's Assessment of the Members of the Board of Directors

All of the members of the Board of Directors other than the one who is company general manager are non-executive directors.

The positions of board chairman and general manager are held by different individuals.

Inasmuch as our company has no ultimate non-corporate controlling shareholders, it is believed that the members of the board are naturally able to act with complete independence and have the advantage of being able to act impartially in their decisions by holding the interests of the company and of its stakeholders above everything else.

The Board of Directors meets regularly as scheduled in advance and at least once a month. It may also convene at any time that circumstances may warrant without being bound by its schedule. The Board of Directors met twelve times during 2006. It is an accepted principle that company directors will attend every meeting.

Before the conclusion of a regular board meeting, the date of the next meeting is set. Written notifications of upcoming meetings are also sent out to members. Meeting dates are planned so as to make it possible for all members to be in attendance and board members are generally held with all members in attendance unless exceptional circumstances dictate otherwise.

Board meeting agendas are drafted by the general manager and finalized in line with the suggestions of the chairman and other members.

Information and documents pertaining to the issues on a board meeting's agenda are made available for members to study at least seven days in advance of the meeting date. In situations where this is not possible, every effort is made to ensure that each member has equal access to the same information.

Each member of the board has a single vote. No company director has a preferential voting right or the power to force a decision or cast a veto of any kind.

As specified in the company's articles of incorporation, the Board of Directors convenes with a simple majority of its membership and decisions are passed by a simple majority of those present.

## Anadolu Hayat Emeklilik A.Ş.

### Corporate Governance Committee's Assessment of the Members of the Board of Directors

Under the company's articles of incorporation the Board of Directors is empowered to:

- Establish and revoke agencies, branches, and representatives and determine the conditions thereof; act as a proxy, lead insurer, representative, or agency of other insurance and reinsurance companies; determine the working conditions of private pension intermediaries;
- Appoint and dismiss company general managers and other senior officers; appoint and dismiss pension fund boards and auditors within the framework of currently applicable laws and regulations;
- Determine the dates on which the company will begin or cease to engage in the business of private pensions and other insurance branches;
- Determine the principles of pension contracts, annuity contracts, portfolio management contracts, custodianship contracts, mutual fund bylaws, and insurance and reinsurance contracts;
- Enter into and terminate any and all manner of reinsurance agreements;
- With respect to the businesses of private pensions and insurance: establish companies and join companies that have been or will be established for such purposes;
- For the purpose of achieving the company's objectives and putting its capital and reserves to work: buy and sell any and all manner of stocks, bonds, and Treasury bills (except that this shall not be in the nature of portfolio management);
- For the purpose of achieving the company's objectives and putting its capital and reserves to work: buy, sell, and rent movable and immovable properties, have them built, establish and release pledges, mortgages, and any and all manner of real rights over them;
- Have recourse to settlements, acquittals, and arbitrations;
- Set up private pension funds.

In addition to these primary functions, taking the opinions and suggestions of executive organs and committees the Board of Directors is also empowered to fulfill such responsibilities as:

- Approving the company's annual budget and business plans;
- Having the company's annual reports prepared and finalizing them for submission to a general meeting;
- Ensuring that general meetings are held in accordance with the requirements of laws and regulations and of the company's articles of incorporation;
- Carrying out the decisions of general meetings;
- Approving managers' career plans and reward schemes;
- Specifying policies concerning relations with company shareholders, stakeholders, and the public at large;
- Specifying policies concerning public disclosures by the company;
- Specifying rules of ethics for the company and its employees;
- Specifying the working principles of company committees and ensure that committees function effectively and productively;
- Taking measures to ensure that the company's organizational structure is capable of responding to the conditions of the day;
- Examining the activities of any predecessor board of directors.

## Anadolu Hayat Emeklilik A.Ş.

### Corporate Governance Committee's Assessment of the Members of the Board of Directors

The company's board consists of nine members and this number makes it possible for the board's activities to be organized effectively.

Because they represent corporate entity shareholders, members of the Board of Directors are not required by law to be shareholders in the company on account of their duties as company directors.

The requirement of directors to entrust shares of stock to the company is fulfilled by the corporate entity shareholders that the directors represent.

No company director owns stock in the company.

While there are no specific rules governing directors' undertaking duties outside the company, no board members at this time have any duties outside the company other than the ones that are naturally incumbent upon them in the organizations that they represent on the board.

In the conduct of their decision-making duties, members of the Board of Directors are guided by the fundamental principles of:

- Increasing the market value of the company as much as possible
- Ensuring that the company's activities are carried out in such a way as to secure long-term, steady gains for our shareholders
- Maintaining a careful balance between shareholders' interests and the company's need to grow.

In the formation of the Board of Directors, particular attention is given to the following matters:

- Candidates should be present at the general meetings at which elections are to be held to fill seats on the board.
- Shareholders are provided with pertinent information about candidates.
- Shareholders are allowed to put questions to candidates.
- At general meetings, shareholders are informed about what duties candidates for seats on the board undertake on the boards of directors of other companies and whether or not the conduct of such duties on their part complies with our own company's own rules and regulations.

Newly-elected members of the Board of Directors are given an orientation program that includes at least the following:

- Visits to company units and a chance to meet with management personnel
- A chance to review the career backgrounds and performance evaluations of management personnel
- Details about the company's strategic goals and current standing and problems
- Information about the company's market share, financial structure, and performance indicators.

## Anadolu Hayat Emeklilik A.Ş.

### Corporate Governance Committee's Assessment of the Members of the Board of Directors

As required by laws and regulations, a company general manager must hold at least a bachelor's degree and have at least ten years' of experience in insurance or business administration.

At least a simple majority of the board's membership must possess the same qualifications required of general managers save for that of length of professional experience.

In addition to these qualifications, company directors must also possess:

- A satisfactory level of knowledge and skill on the subject of banking and insurance
- Skill in reading and analyzing financial statements and reports
- At least basic knowledge about the legal framework by which the company is governed as well as general market conditions
- The ability and the willingness to attend board meetings regularly during the term of office to which they are elected.

Company directors devote a sufficient amount of their time to the company's affairs and they exercise their authorities prudently and within the framework of the rules of good faith and they are fully possessed of all the knowledge needed to ensure they are able to completely fulfill their duties.

The Board of Directors has taken measures as necessary to prevent confidential information about the company and/or information that is in the nature of a trade secret from being divulged outside the company.



M. Sirri Erkan  
Chairman of the Board of Directors and Head of the  
Corporate Governance Committee

# Anadolu Hayat Emeklilik A.Ş.

## Anadolu Hayat Emeklilik Human Resources Policy

Our company defines and conducts its human resources policy in light of our country's social, cultural, and economic conditions and with the following objectives:

- Ensure that personnel are selected and assigned according to the nature of the work to be done and provide work opportunities to individuals who are innovative, creative, and capable of being team players and who can keep pace with the highly competitive nature of the insurance business.
- Employ only objective criteria in all training, appointment, and promotion decisions.
- Provide personnel with development and progression opportunities according to their abilities.
- Provide personnel with working conditions that are safe and appropriate to the task at hand.
- Be mindful of and protect the rights of personnel
- Take measures to prevent discrimination among employees based on race, religion, language, or sex; create a working environment that is respectful of human rights; and prevent all physical, mental, and emotional abuse within the company.
- Encourage employee success, provide training opportunities that increase employee knowledge and skills, and reward successful performance.
- Keep personnel informed about issues of concern to them
- Provide a working environment that enhances employees' desire to work and is conducive to social interaction.
- Maintain the company's position as the sector's leader with human capital that is sophisticated in outlook, successful, happy, continuously learning, developing, and committed to both job and company.
- Maintain human resources' satisfaction at the highest possible level in line with the company's goals and be the pension company that "qualified human resources most want to work for in the sector".

### Hiring practices

The general principles and criteria adhered to by Anadolu Hayat Emeklilik in all its hiring practices are summarized below. To be hired by the company, a person must:

- Be a citizen of Turkey.
- Be at least 18 and not more than 30 years of age.
- Have completed any active military service obligations if applicable or have obtained a deferment
- Not have been deprived of their civil rights.
- Never have been convicted of any of the offenses specified in insurance and private pension system law, whether or not officially pardoned.
- Be healthy enough to work and travel anywhere in Turkey.
- For service positions, hold at least a high-school diploma. For white collar positions, be a college graduate having completed at least a two-year professional program in insurance.
- Be under no service obligation to any government agency or private concern.
- Successfully pass the qualifying examination and/or interview for the position being hired into.

# Anadolu Hayat Emeklilik A.Ş.

## Anadolu Hayat Emeklilik Human Resources Policy

### Job applications

Since the day it was founded, it has been a fundamental tenet of Anadolu Hayat Emeklilik's human resources policy as a company to fill vacancies in management positions from within its own ranks. Because of this, the company only recruits personnel from outside for entry-level positions. Whenever openings in such positions are available, they are announced on the company's internet website and in newspapers. Applications for such positions may be submitted by mail, by fax, in person, and from the website. All applications that are received are placed in a single pool. The company's Human Resources and Training Department is responsible for receiving all job applications, conducting written and/or oral exams, announcing exam results, and all other recruitment-related matters.

### Progression

Advancement to positions in our company's organizational structure (manager, assistant manager, 2nd manager, service chief, assistant service chief, clerk, specialist, assistant specialist, internal auditor, and assistant internal auditor) is governed by the company's rules and regulations concerning employee progression. The following general principles apply to all advancements.

- To be promoted to a higher position, an employee must have served for the periods of time specified by headquarters and have fulfilled at least the minimum requirement for promotion in his current position.
- The employee must have a good record capable of supporting his promotion.
- There must be a vacancy to which the employee can be promoted.
- The employee must have successfully completed whatever course, examination, thesis, project, or similar qualifying requirements that the company makes for the position.

### Performance management

All company employees are evaluated once a year in line with specified performance criteria. The results of such evaluations are entered into an employee's record and are used to determine training needs and to define career paths.

### Job security

Job security for our employees is provided under a collective bargaining agreement between the company and BASİSEN (Banking Insurance Employees' Union).

### Compensation policy

Employees' salaries are adjusted annually in accordance with current conditions and as specified in a collective bargaining agreement that is renewed every other year. Salaries are paid in advance at the beginning of the month. In addition to their regular monthly salaries, employees receive an annual bonus equal to four monthly salaries and also receive an additional half-pay on religious holidays. In addition to

# Anadolu Hayat Emeklilik A.Ş.

## Anadolu Hayat Emeklilik Human Resources Policy

salary and bonuses, personnel are entitled to a broad range of fringe benefits such as health insurance coverage, health care assistance, employer's contributions to their private pension accounts, personal life insurance, and company-provided transportation and lunchtime meals.

### Training

Company employees are provided with in-house and extramural training opportunities to foster their professional and personal development as required by their positions and in line with their career paths.

As a company that fills management position vacancies from within its own ranks, special attention and importance are given to employee training. When personnel are first hired, they are put through an orientation program and given training in basic insurance and pension issues. After this and for the rest of their careers, their particular training needs at every stage are identified and training is provided so that they have all the knowledge and skills required for whatever position they may be filling.

Training for company employees is provided from two main sources:

- In-house training
- National and international training and seminar programs.

When preparing its annual training programs, the Human Resources and Training Department's primary goal is to develop employees' competencies in their current positions while also readying them for higher positions in the future.

### Motivation

The company has introduced an Employee Opinion Survey (Internal Customer Opinion Survey) whose aim is to increase employees' job motivation. The goal of this project is to increase company personnel productivity by carefully analyzing the results of the survey and using the findings to maximize employee motivation.

In 2006 a set of "Suggestion System Regulations" were put into effect that had been prepared to encourage employees to come up with creative ideas, provide an effective way to gather and evaluate such ideas, and to reward those whose ideas were considered to be useful.

The commemoration of the company's founding that is held every year once again took place in 2006 with employees from our headquarters and regional and branch units in attendance. All employees are encouraged to bring their families to this event, whose aim is to develop in-house communication and to inculcate a strong sense of team spirit.

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

### 1. Statement of compliance with corporate governance principles

Our company believes that compliance with corporate governance principles is at least as important as its financial performance and that such compliance is of great benefit from the standpoints both of the development of national and international capital markets and of the advancement of our own company's interests.

Our company seeks to achieve maximum compliance with these principles and engages in activities to do so.

At present our company's articles of incorporation contain no provisions governing:

- Requests to have a special auditor appointed being granted as an individual right
- The payment of advances on dividends
- The participation of stakeholders in company management
- Use of the cumulative voting system in the election of company directors
- Decisions of a highly important nature such as changes in shares or demergers that make significant modifications in the company's capital or management structures or assets; buying, selling, leasing, renting, donating, or contributing substantial amounts of assets and property; providing guarantees, surety, mortgages, and the like to third parties being taken at a general assembly of shareholders.

Minority interests are not represented on our Board of Directors.

Although there have never been any conflicts of interest among stakeholders over the limited number of corporate governance principles that have so far not been implemented, the company desires to have them implemented within the framework of a plan in the least amount of time possible.

A determination and assessment of the level of our company's compliance with corporate governance principles and opinions concerning the development of the level of compliance in terms of scope and nature are presented below.

### 2. Shareholder Relations Unit

A Shareholder Relations Unit has been set up at our company.

The personnel employed in this unit and their contact information are presented below.

Name	Telephone	E-mail
O. Haluk Solak	(0212) 317 70 75	haluksolak@anadoluhayat.com.tr
N. Cem Özcan	(0212) 317 71 04	cemozcan@anadoluhayat.com.tr
Alper Eşsizozğlu	(0212) 317 71 06	aessizozglu@anadoluhayat.com.tr

The head of the unit is O. Haluk Solak, who reports directly to the head of the Corporate Governance Committee.

The Shareholder Relations Unit is responsible for managing the exercise of shareholders' rights and for maintaining communication between shareholders and the Board of Directors.

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

The unit is to begin reporting its activities directly to the Board of Directors in the very near future.

The basic functions and duties of the Shareholder Relations Unit are the following:

- Ensure that records pertaining to shareholders are maintained in a reliable, secure, and up-to-date manner.
- Respond to shareholders' written requests for all information about the company except that which has not been publicly disclosed or is confidential and/or in the nature of a trade secret.
- Ensure that general assemblies of shareholders are conducted in accordance with the requirements of current laws and regulations and of the company's articles of incorporation and other bylaws.
- Prepare documents for the use of shareholders at general assemblies of shareholders.
- Record the results of voting at general assemblies of shareholders and ensure that such results are reported to shareholders.
- Supervise and follow up on all issues related to public disclosures as required by law and the company's public disclosure policy.

The unit received no written requests during the reporting period and all of the verbal requests for information were responded to.

### 3. Shareholders' exercise of their right to obtain information

All information requested by shareholders is provided except that which is in the nature of a trade secret or has not been publicly disclosed.

Shareholders' requests for information are dealt with by employees of the Shareholder Relations Unit and responded to within the framework of the company's public disclosure policy.

Information about developments that might affect shareholders' exercise of their rights is published on the company's corporate website at [www.anadoluhayat.com.tr](http://www.anadoluhayat.com.tr).

In accordance with legal regulations, minority shareholding interests do not have the right to demand that a general assembly of shareholders appoint a special auditor to examine specific concrete issues. No request was made of a general assembly by shareholders for the appointment of a special auditor in 2006.

A request to have a special auditor appointed is not an individual right provided for under the company's articles of incorporation. In view of the fact that the appointment of a special auditor at the demand of a general assembly of shareholders is a requirement of law and that a demand to appoint a special auditor is one of the exceptions to the principle of being bound by a general assembly of shareholders agenda and furthermore in view of the practical concerns involved in protecting the confidentiality of information which is in the nature of a trade secret or which has not yet been publicly disclosed, the inclusion of an individual right to demand the appointment of a special auditor in the articles of incorporation is an issue to which consideration will be given in light of future developments.

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

All information necessary for shareholders to satisfactorily exercise their rights is made available to them through our corporate website, annual reports, and special circumstance announcements as well as by responding to individual requests.

Shareholders' requests for information about the legal and/or commercial relationships between the company and private individuals and/or corporate entities that have a direct or indirect interest in the company's capital, management, or audit are responded to within the framework of our public disclosure policy.

For the purpose of increasing the ability of shareholders to have access to information, all information that may affect the exercise of their shareholder rights is provided in an electronic environment, in an up-to-date manner, and within the framework of the Public Disclosure Platform Project.

#### 4. Information about general assemblies of shareholders

Our company's ordinary general meeting for 2005 was held on 27 March 2006. Shareholders controlling TRY 127 million worth of shares corresponding to 85% of our company's TRY 150 million capitalization took part in this assembly.

On 7 September 2006 an extraordinary general meeting was held to approve the amendment in article 6 ("Capital") of the company's articles of incorporation in order to increase the company's registered capital ceiling from TRY 175,000,000.00 to TRY 300,000,000.00 and to bring the article into compliance with the provisions of Statute 5038 concerning the Monetary Unit of the Republic of Turkey and of Statute 5274 concerning the Amendment of the Turkish Commercial Code. This extraordinary general meeting was attended by shareholders representing 83% (TRY 145 million worth) of our company's TRY 175 million in paid-in capital.

No shareholders controlling minor stakes or members of the media attended either general meeting.

Announcements concerning the assembly and indicating its place, date, time, agenda, and specimen proxy statement were published at least two weeks before the assembly date in the Türkiye Ticaret Sicili Gazetesi, the newspapers Radikal and Referans, and in the ISE's bulletin.

Care will be given to ensure that this period of time is at least three weeks in the future.

Information about the assembly was also sent out by registered mail to holders of registered shares within the same time frame.

All shareholders are also able to directly access information about general assemblies on our company's corporate website at [www.anadoluhayat.com.tr](http://www.anadoluhayat.com.tr).

Entries in the shareholders' register are made by Board of Directors resolution. No period of time is stipulated during which such entries must be made in order to ensure that registered shareholders are able to attend general assemblies.

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

As of the date on which the announcement of the invitation to a general assembly of shareholders is made, copies of the annual report, financial statements and reports, dividend payment proposal, the agenda, other documents pertaining to the items on the agenda, the current text of the articles of incorporation, and, if the articles of incorporation are to be amended, the texts and justifications of the amendments are all made available for the inspection of shareholders at the company's headquarters and regional offices.

Since 2005, such information and documents have also been accessible on our corporate website at [www.anadoluhayat.com.tr](http://www.anadoluhayat.com.tr).

No shareholders exercised their right to ask questions at either the ordinary or the extraordinary general meetings held in 2006.

Shareholders at the ordinary general meeting unanimously passed motions to:

- Form the presiding committee
- Forego reading the annual report out loud on the grounds that it had previously been made available for the inspection of shareholders
- Read the statutory auditors' report in full and the independent auditors' report in summary
- Read the balance sheet and profit/loss statement in main outline
- Accept the Board of Directors' proposal concerning the distribution of profits as stipulated in the annual report
- Elect members to the Board of Directors
- Approve the selection of a director made by the board to fill a vacancy resulting from the resignation of a member during the year
- Elect the statutory auditors
- Determine the salaries to be paid to the company's directors and statutory auditors.

Shareholders at the extraordinary general meeting unanimously passed motions that had been made to:

- Form a presiding committee
- Approve the amendment in article 6 ("Capital") of the company's articles of incorporation in order to increase the company's registered capital ceiling to TRY 300,000,000.00 and to bring the article into compliance with the provisions of Statute 5038 concerning the Monetary Unit of the Republic of Turkey and of Statute 5274 concerning the Amendment of the Turkish Commercial Code.

According to the company's articles of incorporation, the Board of Directors is authorized to make decisions involving:

- The acquisition and disposal of subsidiaries and partnerships
- Matters of a highly important nature such as the acquisition, sale, and/or construction of real estate properties on the company's behalf.

The company's articles of incorporation contain no provisions requiring that decisions of a highly important nature such as demergers or share swaps that cause substantial changes in the company's capital, management structure, or property assets or buying, selling, leasing, renting, donating, or contributing substantial amounts of tangible/non-tangible assets or providing guarantees such as surety, mortgages, etc on behalf of outside parties be taken at a general assembly of shareholders.

The absence of such provisions in the articles of incorporation is thought to be justified on the grounds that their inclusion would reduce the effectiveness of management and seriously hamper the company's competitive strength and cause important opportunities to be missed and would therefore give rise to consequences that would not be in the best interests of the company or its stakeholders.

Maximum attention is given to strictly complying with at least the minimum requirements of law so as to facilitate participation in general assembly of shareholders. It is thought that company shareholders encounter no difficulties in participating in general assemblies and to date no complaint on this issue has ever been received from a shareholder.

In general assembly of shareholders announcements care is given to clearly state:

- The date and time
- The location
- The agenda
- Pertinent information about the items on the agenda
- If the agenda includes amendments to the articles of incorporation, the old and new texts of the amended articles that have been approved by authorities
- Who is summoning the assembly
- If another general assembly of shareholders is being called because a previous one was postponed for any reason, the reason for the postponement and the quorum that will be required at the new assembly
- If the announcement is for an annual assembly, where the annual report, financial statements, and other assembly-related documents are available for examination.

Before a general assembly of shareholders is held about changes in management or organizational activities that took place in the most recent fiscal year or are planned in future ones, information about such changes together with their justifications will be provided to shareholders.

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

At such meetings, the following information and documents will be made available for the examination of shareholders:

- Explanations concerning changes in the company's organizational structure and their justifications
- If one exists, a consultancy's report on the matter; otherwise a report on the subject prepared by the company itself
- If organizational changes are to be made in subsidiaries or affiliates, the annual reports, financial statements, and pro forma balance sheets for the three most recent fiscal years of all the companies affected by the organizational changes.

When preparing agendas for general assembly of shareholders, care is given to presenting each item to be voted on under a separate heading; to make the headings as clear and explicit as possible so as not to be interpreted in any other way; to refrain from including such legally prohibited items as "Other" or "Miscellaneous".

Specimen proxy statements for shareholders that wish to have themselves represented at meetings are published along with assembly announcements and are also made available for the information of shareholders in electronic format.

The principles and procedures that govern voting at the company's general assemblies of shareholders are presented below in main outline.

- Each share of stock is entitled to one vote.
- If a share of stock has more than one owner, only one of those owners or a proxy will cast the share's vote on behalf of them all.
- Shareholders may participate in general assemblies personally or may have themselves represented by a proxy.
- Voting at general assembly of shareholders is by an open show of hands. Recourse may be had to secret ballots upon the demand of shareholders representing at least one tenth of the capital present and voting.

The principles and procedures that govern voting at general assemblies of shareholders are also read out at the beginning of the assembly.

Issues that shareholders have told the Shareholder Relations Unit they wish to have included on assembly agendas will be given consideration by the Board of Directors when it prepares an assembly's agenda.

As required by law and our articles of incorporation, annual general assemblies of shareholders are held as soon as possible and within three months after the close of a fiscal year.

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

As required by our articles of incorporation, general assemblies of shareholders are held in the same locality as the company's headquarters and in such a way as to make it possible for all shareholders to attend.

The total number of votes and the special voting rights that may be exercised at a general assembly of shareholders are classified on the basis of shareholders and indicated in the attendance roster at the start of the assembly for the information of all shareholders.

News and analyses pertaining to disputed issues appearing in the media concerning the company are presented for the information of shareholders at general assemblies.

Questions that shareholders ask of company directors or statutory auditors are responded to provided that the answers are pertinent to the exercise of shareholder rights and do not fall within the scope of trade secrets.

The president of a general assembly of shareholders conducts the assembly effectively in such a way as to ensure that shareholders are able to exercise their rights.

In situations where a question raised by a shareholder at a general assembly cannot be addressed directly, is unrelated to the agenda, or is too complex to be responded to immediately, every effort will be made to provide a written response within one week's time at the latest.

The members of the Board of Directors, the company officers responsible for preparing the financial statements, and the statutory auditors as well as other involved parties take pains to be present at general assemblies of shareholders in order to provide information about issues of a special nature that are on the agenda.

Each item on the agenda of a general assembly of shareholders is voted on individually. To forestall any doubts about the results of voting, votes are counted and the results of the voting are announced to all shareholders before the assembly is adjourned.

The minutes of general assemblies of shareholders are always accessible in written or electronic format on our corporate website at [www.anadoluhayat.com.tr](http://www.anadoluhayat.com.tr).

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

### 5. Voting rights and minority rights

According to our articles of incorporation, each share of stock is entitled to one vote.

Our company's capital is divided into Class A and Class B shares.

As of this writing, our company's issued capital amounts to TRY 175 million consisting of 100,000,000 Class A shares worth a total of TRY 1,000,000 and 17,400,000,000 Class B registered shares worth a total of TRY 174 million.

As required by our articles of incorporation, six of the members of the Board of Directors are chosen from candidates put up by Class A shareholders and three are chosen from candidates put up by Class B shareholders.

According to our articles of incorporation, new Class A shares are not issued when share capital increases take place.

No shareholder is involved in a cross-shareholding relationship with the company.

In line with the wishes of our general assembly, there is no representation of minority shareholding interests on the Board of Directors.

The articles of incorporation contain no provisions governing the cumulative voting method.

There is no upper limit on the number of votes a shareholder may cast at a general assembly.

Voting rights are acquired the moment the shares on which they are contingent are acquired. There are no rules stipulating that voting rights may be exercised only after a specific period of time has passed after shares are acquired.

Our articles of incorporation contain no provisions preventing non-shareholders from acting as proxies for shareholders. Shareholders may exercise their voting rights personally at general assemblies and may do so through any other party irrespective of the shareholder status of that party.

A non-corporate shareholder may only be represented by a single proxy at general assemblies. If a corporate shareholder is represented by more than one individual at an assembly, only one of them may cast votes. The proxy statement must identify the individual who is authorized to cast votes.

### 6. Dividend payment policy and timing

According to our articles of incorporation, a portion of the company's distributable profit is paid out as a first dividend at rates and in amounts determined by the Capital Markets Board.

For 2006, the Capital Markets Board has specified that at least 20% of net income subject to profit must be paid out as a first dividend and that this first dividend may be paid in cash and/or as shares of stock at the option of the general assembly of shareholders.

The dividend payment proposals that the Board of Directors submits to the general assembly of shareholders are prepared according to a policy that

- a) avoids upsetting the delicate balance between shareholders' expectations and the company's need to grow and
- b) takes the company's profitability into account.

The Board of Directors has adopted a dividend payment policy that is based on proposing to the general assembly of shareholders that at least 30% of net income subject to profit be paid out as free shares of stock or in cash.

There are no preferred stocks in the company's profit distribution.

There are no founder's shares nor is it a company practice to give shares of profits to members of the Board of Directors.

As required by our articles of incorporation, a maximum of 3% of the total amount remaining after the first dividend has been set aside is paid out to our employees as their share of the profits, subject to a cap of three monthly salaries.

The company's dividends are paid within the legally prescribed periods of time.

The articles of incorporation contain no provisions governing the payment of advances on dividends.

There are no significant donations or grants in aid that the company made during the year or had planned to make as of year-end.

### 7. Transfer of shares

In our articles of incorporation there are no clauses that restrict transfer of shares.

All shareholders, including minority shareholding interests and foreign nationals are treated equally.

### 8. Company disclosure policy

#### General issues

Our company's disclosure policies are governed by the Turkish Commercial Code, Insurance Law, Private Pension Law, Capital Market Law, and the rules and regulations of the İstanbul Stock Exchange where its shares are traded. All financial information and other public statements and disclosures are also made in light of generally accepting accounting principles and corporate governance principles.

The basic objective of the company's disclosure policy is to ensure that all essential information and statements that are not in the nature of trade secrets are made available to shareholders, investors, employees, customers, and other interested parties in an equitable manner and in a way that is timely truthful, complete, intelligible, convenient and economical.

Our company takes a proactive approach on the subject of adopting and abiding by corporate governance principles and it makes a maximum effort to comply with the requirements of law and to adhere to best international practices on issues related to public disclosures and reporting. The Anadolu Hayat Emeklilik disclosure policy that was prepared within this framework has been approved and put into effect by the Board of Directors.

#### Authorities and responsibilities

The Board of Directors is responsible for formulating and developing the company's disclosure policy. Public disclosure policies are announced at meetings of the general assembly of shareholders and implemented by the Shareholder Relations Unit.

Company disclosure policies are implemented within a framework of continuous and close cooperation among the Board of Directors, managers responsible for financial management and reporting, and the employees of the Shareholder Relations Unit.

#### Public disclosure activities and the methods and vehicles used

The methods and vehicles used to make public disclosures within the framework of the Turkish Commercial Code, Insurance Law, Private Pension Law, Capital Market Law, and other laws, regulations, and administrative provisions are presented below.

- At three-month intervals, financial statements together with their footnotes and explanations that have been prepared in accordance with the rules laid down by the Undersecretariat of Treasury and by the Capital Markets Board (CMB) and the independent auditors report associated with them are submitted to the İstanbul Stock Exchange (ISE) and published on our company's corporate website within the legally prescribed period of time.

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Reporting to the Undersecretariat of Treasury and to the Association of Insurance and Reinsurance Companies of Turkey takes place at three-month intervals and is submitted in electronic format.

- Financial statements together with their footnotes and explanations that have been prepared in accordance with international financial reporting standards and the independent auditors report associated with them are published on our company's corporate website.
- Special circumstance announcements that must be made in accordance with CMB regulations are sent to ISE in due time. While special circumstance announcements are in principle signed by managers responsible for financial reporting, in exceptional cases, they may also be signed by the managers responsible for the units concerned before being sent to the authorities.
- In situations such as amendments to the articles of incorporation, general assemblies of shareholders, and share capital increases, announcements are made in the commercial registry gazette and in daily newspapers.
- An annual report incorporating all essential information is prepared in Turkish and English every year and made available for shareholders to examine and published on our website ([www.anadoluhayat.com.tr](http://www.anadoluhayat.com.tr)) before the general assembly of shareholders for the year is held. An electronic version of the annual report on CD may also be obtained from the Shareholder Relations Unit.
- The company does not hold press conferences etc on a regular basis. When need be or if it appears necessary to respond to requests from the press, public statements are made in writing and through the visual media. Written and visual media public statements may only be made by the company chairman, the general manager or the deputies or by other company officers designated by them.
- Information is supplied to shareholders and other interested parties through teleconferences that are held from time to time. These teleconferences are coordinated by the Shareholder Relations Unit.
- Information is supplied to shareholders and other interested parties through investor meetings and visits conducted in Turkey and abroad. To the degree possible, these road-shows are conducted by the Shareholder Relations Unit and they are taken part in by the general manager, by company officers responsible for financial management and reporting, and by employees of the Shareholder Relations Unit. In situations where it is deemed to be necessary, these contact teams may be further augmented.
- The Shareholder Relations Unit responds to e-mail requests for financial statements and other pertinent information made by shareholders, rating agencies, and organizations preparing research reports about the company.
- In the "Investor Relations" section of our website ([www.anadoluhayat.com.tr](http://www.anadoluhayat.com.tr)) there is detailed information and data about our company's corporate profile. The corporate website is managed and kept up to date by the Shareholder Relations Unit. All questions directed to the company by shareholders and other interested parties by e-mail, letter, telephone, etc are responded to as quickly as possible under the coordination of the Shareholder Relations Unit.

### Other disclosures

Disclosures other than the ones indicated above are made under the signature of company officers within the designated limits of their individual authorities.

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## Corporate Governance Principles Compliance Report

### The Anadolu Hayat Emeklilik corporate website ([www.anadoluhayat.com.tr](http://www.anadoluhayat.com.tr))

Our company makes active and intensive use of its corporate website in public disclosures and announcements. This website contains all the information and data required by corporate governance principles and regulatory authorities. The website also contains information about the company's shareholder structure, subsidiaries and affiliates, corporate structure, statement of compliance with corporate governance principles, agendas of general assemblies of shareholders, general assembly attendance rosters, and information and forms concerning participation in general assemblies. Also available on the website are the company's public disclosure policy, rules of ethics, and published special circumstance announcements. Care is continuously given to keep the corporate website up to date.

### 9. Special circumstance announcements

The company made 37 special circumstance announcements during 2006 as required by CMB regulations.

There were no special circumstance announcements that were not made in due time or for which either CMB or ISE demanded additional information.

N. Cem Özcan, an officer of the Shareholder Relations Unit, is responsible for overseeing and following up on all issues related to public disclosure. Investors, financial analysts, media representatives, etc in need of information about the company are directed to the Shareholder Relations Unit.

In addition the public is continuously kept informed and up to date:

- in line with the principle of transparency and in keeping with the accounting principles to which we adhere and with the truthful reporting of financial results
- on developments that might have an impact on the value of the company's capital market vehicles, without delay and within the periods of time prescribed by law
- on all essential information subject to the reservations provided for by laws and regulations in situations where a significant change takes place in the company's financial standing and/or its activities or where such a change is expected in the near future,
- on any changes or developments subsequently emerging with respect to public announcements that the company has already made.

### 10. Disclosure of ultimate non-corporate controlling shareholders

There are no ultimate non-corporate controlling shareholders in our company.

The current shareholder structure of our company is shown below.

Shareholder	Capital	
	TRY	%
Türkiye İş Bankası A.Ş.	108,500,000	62%
Anadolu Anonim Türk Sigorta Şti.	35,000,000	20%
Milli Reasürans T.A.Ş.	1,750,000	1%
Fortis Bank A.Ş.	1,750,000	1%
Others	28,000,000	16%
<b>Total</b>	<b>175,000,000</b>	<b>100%</b>

# Anadolu Hayat Emeklilik A.Ş.

## Corporate Governance Principles Compliance Report

### 11. Public disclosure of those who may have access to insider information

Every precaution has been taken to prevent the misuse of insider information. The managers and other individuals and organizations which provide us with service that might have access to information that could affect the value of our company's capital market vehicles are given below.

Employer	Name	Position
Türkiye İş Bankası A.Ş.	M. Sırrı Erkan	Chairman
Retired	Ahmet Yavuz	Deputy Chairman
Retired	Onur Ökten	Director
Türkiye İş Bankası A.Ş.	Emre Duranlı	Director
Türkiye İş Bankası A.Ş.	Aydın Süha Önder	Director
Türkiye İş Bankası A.Ş.	K. Serdar Dişli	Director
Türkiye İş Bankası A.Ş.	Yalçın Sezen	Director
Türkiye İş Bankası A.Ş.	Erdal İnceler	Director
Anadolu Hayat Emeklilik A.Ş.	Mete Uğurlu	Director and General Manager
Anadolu Hayat Emeklilik A.Ş.	Mustafa Su	Consultant
Türkiye İş Bankası A.Ş.	Hüray Böke	Statutory Auditor
Türkiye İş Bankası A.Ş.	İzlem Erdem	Statutory Auditor
Anadolu Hayat Emeklilik A.Ş.	M. Afşin Oğuz	Assistant General Manager
Anadolu Hayat Emeklilik A.Ş.	M. Uğur Erkan	Assistant General Manager
Anadolu Hayat Emeklilik A.Ş.	E. Murat Yüksel	Assistant General Manager
Anadolu Hayat Emeklilik A.Ş.	O. Haluk Solak	Assistant General Manager
Anadolu Hayat Emeklilik A.Ş.	Şükrü Muslu	Coordinator
Anadolu Hayat Emeklilik A.Ş.	Orhan Bozkurt	Head of Internal Audit Committee
Anadolu Hayat Emeklilik A.Ş.	M. Ender Işık	Agencies Manager
Anadolu Hayat Emeklilik A.Ş.	Harun R. Alpözgen	Actuarial and Risk Management Manager
Anadolu Hayat Emeklilik A.Ş.	Nilgün Kılıçuzar	R&D Assistant Manager
Anadolu Hayat Emeklilik A.Ş.	F. Nur Bağcılar	IT Manager
Anadolu Hayat Emeklilik A.Ş.	Tuna Uğun	Private Pensions Assistant Manager
Anadolu Hayat Emeklilik A.Ş.	Yaşar Kaval	Individual Life Insurance Manager
Anadolu Hayat Emeklilik A.Ş.	Mine Kumcuoğlu	Assistant Funds Management Manager
Anadolu Hayat Emeklilik A.Ş.	A.Neyir Can	Group Life Insurance and Reinsurance Manager
Anadolu Hayat Emeklilik A.Ş.	Cengiz Aytekin	Legal Consultant
Anadolu Hayat Emeklilik A.Ş.	Seval Akarçay	Corporate Marketing Manager
Anadolu Hayat Emeklilik A.Ş.	Betül Çiğir	Communications Consultant
Anadolu Hayat Emeklilik A.Ş.	Ufuk Seydi İşli	Assistant Human Resources and Training Manager

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Employer	Name	Position
Anadolu Hayat Emeklilik A.Ş.	N. Cem Özcan	Assistant Accounting Manager
Anadolu Hayat Emeklilik A.Ş.	Mehmet Kaygusuz	Assistant Accounting Manager
Anadolu Hayat Emeklilik A.Ş.	Yeşim Gönülden	Assistant Legal Consultant
Anadolu Hayat Emeklilik A.Ş.	Özlem Işık	Assistant Marketing Manager
Anadolu Hayat Emeklilik A.Ş.	Uğur Erdoğan	Maturity Payments Manager
DRT Denetim Revizyon Tasdik Yeminli Mali Müşavirlik A.Ş.		Independent Auditors
DRT Denetim Revizyon Tasdik Yeminli Mali Müşavirlik A.Ş.		Tax Audit and Full Certification

### 12. Keeping stakeholders informed

Care is given to keeping stakeholders—those who have an interest in our company and include shareholders, employees, creditors, customers, suppliers, a non-governmental organizations, the government, and potential investors in our company—informed on issues concerning our company that are of interest to them in writing. The company's relationships with stakeholders are governed by written agreements.

In situations where the rights of stakeholders are not governed by law or contract, the company safeguards them within the framework of the rules of good faith, to the degree possible, and mindful of the company's own reputation.

### 13. Stakeholder participation in management

Our company's articles of incorporation contain no provisions governing stakeholder participation in management.

Regulations governing suggestions made by company employees have been prepared. Employee suggestions for innovations and improvements will be evaluated within the framework of these regulations and put into effect in the company.

The company meets with its agents twice a year at which time they are informed about the company's activities, their suggestions are heard, and successful agents are rewarded.

### 14. Human resources policy

The principles of the human resources policy adopted by our company are set out below.

Job descriptions and assignments and performance criteria are determined by management and will be announced to employees.

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## Corporate Governance Principles Compliance Report

When hiring, it is a principle that individuals are to be given equal opportunity under identical conditions. Hiring criteria are set forth in writing for each job position and are strictly complied with in practice.

When making training, assignment, and promotion decisions, particular care is given to making use of objective criteria and to protecting the company's best interests.

Training plans are developed and implemented so as to enable our employees to improve their knowledge and skills.

Our company's employees are members of the Union of Bank and Insurance Workers.

A secure work environment and safe working conditions are provided by our company. Work is currently in progress to further improve these conditions in line with social and technological requirements.

Our employees are kept informed about any company decisions that are made and about developments that may be of concern to them.

Measures are taken to prevent discrimination among employees on the basis of race, religion, language, or sex; to ensure respect for human rights; and to protect employees against physical, mental, or emotional abuse in the workplace.

No representative has been appointed to conduct company-employee relations.

### 15. Relations with customers and suppliers

Our company's quality policy is a commitment to offer and ensure the continuity of high-quality products and services by deploying a staff of specialized and experienced people, strong technological and financial infrastructures, an approach that focuses on continuous development and improvement, and an experienced and extensive agency network.

Our company is mindful of the continuity of service quality and standards in all stages of life insurance and private pension products and services. Customers' wishes are quickly satisfied and customers are kept informed whenever delays may occur.

Care is given to protecting the integrity of customers' and suppliers' confidential information of which the company becomes aware.

### 16. Social responsibility

Mindful of the country's interests and in its awareness of its social responsibility, Anadolu Hayat Emeklilik has worked for the benefit of the life insurance industry and the private pension system in Turkey ever since the day the company was founded.

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## Corporate Governance Principles Compliance Report

### 17. Structure and formation of the Board of Directors; non-executive directors

The Board of Directors consists of non-executive members except general manager.

The positions of general manager and company chairman are held by different people.

As there are no ultimate non-corporate controlling shareholders in our company, it is thought that all the members of the Board of Directors are naturally able to act with complete independence and have the advantage of acting impartially in their decisions by holding the interests of the company and its stakeholders above everything else.

Information about the company's directors and general manager is presented below.

Name	Title	Educational background		Current employment status		Years of professional experience
		University	Faculty & department	Company	Position	
M. Sırrı Erkan	Chairman	Ankara University	Faculty of Political Science/International Economy	Türkiye İş Bankası A.Ş.	Assistant General Manager	27
Ahmet Yavuz	Deputy Chairman	İstanbul University	Academy of Economic and Administrative Sciences	Retired	-	36
Mete Uğurlu	Director/ General Manager	Middle East Technical University	Faculty of Administrative Sciences/Business Administration	Anadolu Hayat Emeklilik A.Ş.	General Manager	29
Emre Duranlı	Director	Hacettepe University	Faculty of Social and Administrative Sciences/Business Administration	Türkiye İş Bankası A.Ş.	Assistant Manager	11
Onur Ökten	Director	Adana Boys' High School	-	Retired	-	35
Yalçın Sezen	Director	Middle East Technical University	Faculty of Administrative Sciences/Public Administration	Türkiye İş Bankası A.Ş.	Section Manager	19
Aydın Süha Önder	Director	Middle East Technical University	Faculty of Administrative Sciences/Public Administration	Türkiye İş Bankası A.Ş.	Section Manager	21
K. Serdar Dişli	Director	Marmara University	Academy of Economic and Administrative Sciences (English)	Türkiye İş Bankası A.Ş.	Section Manager	18
Erdal İnceler	Director	Middle East Technical University	Faculty of Administrative Sciences/Economics	Türkiye İş Bankası A.Ş.	Group Manager	17

In the fulfillment of its decision-making functions, the Board of Directors' fundamental concerns are to:

- Maximize the company's market value
- Ensure that the company's activities are conducted in such a way as to secure long-term, stable gains for its shareholders
- Maintain the delicate balance between shareholders' expectations and the company's need to grow.

When choosing new members to fill vacancies on the board attention is given to the following matters.

- Candidates are required to be present at general assemblies of shareholders at which board elections are to be held.
- Shareholders are provided with complete information about candidates.
- Shareholders have the right to put questions to candidates.
- Candidates are required to inform shareholders about what, if any, seats they hold on the boards of other companies and state whether or not they will comply with company regulations about such matters.

Attention is given to the conduct of regular board meetings, which are held at least once a month.

Because they are the representatives of corporate shareholders, the law does not require the members of the Board of Directors to be shareholders in the company themselves.

For the same reason, the usual requirement of directors to entrust shares of stock to the company as guarantees are fulfilled by the corporate entities that board members represent.

No company director owns stock in the company.

Our company's articles of incorporation contain no provisions governing the use of the cumulative voting system in the election of members of the Board of Directors.

### 18. Qualifications of company directors

Because their qualifications are stipulated by law, our company's articles of incorporation contain no other provisions governing the minimum qualifications required to be elected to a seat on the board.

By law, the general managers of insurance companies must have at least four years of university education and at least ten years of experience in one or more of the disciplines of insurance, banking, economics, business administration, accounting, law, public finance, mathematics, statistics, or engineering. More than half of the directors of an insurance company must have at least four years of university education and have knowledge and experience in at least one of the same disciplines.

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## Corporate Governance Principles Compliance Report

All of the members of the board of directors have at least the following qualifications:

- A satisfactory level of knowledge and experience in banking and/or insurance
- Financial statement and report reading and analysis skills
- Basic knowledge about the legal framework governing our company and about the conditions of its market
- The willingness and ability to regularly take part in board meetings during their elected term of office.

Our board consists of nine members and this number makes it possible for the board's activities to be organized effectively.

A newly-elected member of the board takes part in an orientation program that includes:

- Becoming acquainted with company managers and visiting company units
- Reviewing company managers' backgrounds and performance evaluations
- Being familiarized with the company's strategic goals, current standing, and problems
- Examining the company's market share, financial structure, and performance indicators.

While there are no specific rules concerning board members' undertaking other duties outside the company, no company director has any duties other than the ones naturally incumbent upon them in the corporate entities they represent and in the organizations belonging to the corporate entities they represent.

### 19. Mission, vision, and strategic goals of the company

#### Our vision

To be the leading company in Turkey in all aspects of financial planning that are of concern to the future of Turkey and the Turkish people.

#### 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 strategic goals are determined by management taking into account competitive conditions, the overall economic situation, general expectations in national and international financial markets, and the company's medium and long-term objectives and presented to the Board of Directors for its approval.

These strategies and goals are debated thoroughly and comprehensively by the board.

Performance with respect to approved strategies and goals is regularly reviewed at monthly board meetings at which the company's activities, financial structure, and related issues are assessed and evaluated.

In order to effectively and continuously carry out its supervision and control functions, the Board of Directors in principle meets every month. At such meetings, consideration is given to the company's activities, the degree to which the approved annual budget and business targets are being achieved, the position of the company in its sector, its financial structure and performance standing, and the compliance of its reporting and activities comply with international standards.

### 20. Risk management and internal control mechanisms

Our company has an internal audit committee and a risk committee that report directly to the Board of Directors.

As part of a project to restructure the company's risk management system and processes, the name of the Actuarial Department was change to "Actuarial and Risk Management Department". In addition, a risk catalogue showing the risks to which the company is exposed on account of its practices, procedures, and work flows has been composed and risk policies have been approved by the Board of Directors and put into effect. The risks to which our company is exposed are reported in a "risk assessment report" that is prepared regularly by the Actuarial and Risk Management Department. Compliance with the market risk limits set by the Board of Directors is reported on a daily basis by the same department.

### 21. Authorities and responsibilities of company directors and executives

The authorities of the Board of Directors are set forth in the company's articles of incorporation, according to which the board is responsible, among other things, for:

- Entering into and terminating agency, branch, and representative agreements and determining their conditions
- Entering into proxy, coinsurance, representative, and agency agreements with other insurance and reinsurance companies
- Determining the dates on which the company will begin and cease to be active in private pensions and in different insurance branches
- Determining the terms of pension, insurance, and reinsurance contracts
- Entering into and terminating pension, insurance, and reinsurance contracts
- Establishing companies involved in private pensions and insurance; acquire stakes in existing companies or in companies that are to be set up
- Establishing private pension funds
- Entering into reconciliation, quittance, and arbitration agreements.
- To achieve the companies' aims and increase the value of its capital and reserves, buying, selling, constructing properties of any kind; borrowing against mortgages on the company's real estate properties and establishing and terminating any and all real rights over them.

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## Corporate Governance Principles Compliance Report

The Board of Directors exercises its authorities fully cognizant of all information needed to fulfill its duties, prudently, and within the framework of the rules of good faith.

As stipulated in our articles of incorporation, the general manager is responsible for the day-to-day conduct of the company's business within the framework of the principles and limits set by the Board of Directors.

Authorities concerning the conduct of the company's business are delegated to executive organs within the framework of the company's published powers of signature.

The sanctions that are to be imposed in the event of illegal or irregular acts on the part of employees are set forth in the collective bargaining agreement and in the personnel regulations approved and put into effect by the board.

The members of the board devote a sufficient amount of their time to the company's business.

The board has taken necessary precautions to ensure that information about the company that is not to be publicly disclosed or is in the nature of trade secrets is not divulged outside the company.

Periodic financial statements and the company's annual report are published with the board's approval.

In addition to its basic functions, the Board of Directors also takes the opinions and recommendations of executive organs and committees into account in the fulfillment of its responsibilities such as:

- Approving the company's annual budget and business plans
- Having the company's annual report prepared and finalizing it for presentation to the general assembly of shareholders
- Ensuring that general assemblies of shareholders are held in accordance with the requirements of law and the company's articles of incorporation
- Carrying out the decisions made at general assemblies of shareholders
- Checking significant expenditures that amount to more than 10% of the company's most recent balance sheet
- Approving manager career plans and reward programs
- Determining policies related to shareholders, stakeholders, and public relations
- Determining the company's public disclosure policy
- Determining company and employee rules of ethics
- Determining the working principles of committees and ensuring that committees are effective and productive in their work
- Taking measures to ensure that the company's organizational structure is able to respond to current needs
- Examining the activities of predecessor boards of directors.

### 22. Operating principles of the Board of Directors

A draft of the agenda for a board meeting is prepared by the general manager and finalized in line with the recommendations of the chairman and other directors.

The company's board convened twelve times during 2006.

Special care is given to setting meeting dates that will allow all board members to attend. Meetings are regularly held with all members in attendance except in unforeseen exceptional cases.

As a rule, at each regular meeting of the board, the date of the next scheduled meeting is set and members are subsequently reminded of this in writing.

A secretariat has been set up that is responsible for keeping the company's directors and statutory auditors informed and for communicating with them.

Dissenting votes at board meetings and the justifications for them are entered into the meeting's minutes and the statutory auditors are notified of this situation as well. No company director cast a dissenting vote at any board meeting in 2006.

All members of the Board of Directors take particular care to be present at meetings dealing with important issues related to the company's activities such as:

- Determining businesses that the company is to engage in and approving business and financial plans
- Summoning ordinary and extraordinary general assemblies of shareholders and taking care of matters related to their organization
- Finalizing the annual report that is to be submitted at a general assembly of shareholders
- Electing the chairman and deputy chairman and appointing new members
- Creating and terminating administrative units
- Appointing and dismissing general managers
- Setting up committees
- Approving mergers, demergers, and restructurings; selling all or any more than 10% of the company's non-current assets or undertaking investments amounting to more than 10% of them; approving expenditures amounting to more than 10% of the company's total assets
- Determining the company's dividend payment policy and how much of current profit is to be paid out as a dividend
- Increasing or reducing the company's capitalization.

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## Corporate Governance Principles Compliance Report

A board's first meeting is preferably held on the same day that it is elected into office.

At this first meeting, the chairman and deputy chairman are elected, duties are assigned, and committees are formed.

In principle, board members take part in all meetings.

The board meets regularly at least once a month as previously scheduled and occasionally as circumstances seem to warrant.

Information and documents pertaining to items on the board's agenda are normally sent out to members for them to examine at least one week before the meeting date. In situations where this is not possible, every effort is made to ensure that all members are equally informed about the matters involved.

Each board member is entitled to a single vote. All directors' votes carry equal weight and no director has a positive or negative veto power.

As stipulated in our articles of incorporation, the board convenes with a simple majority of its membership and decisions are passed by a simple majority of those present.

### **23. Prohibition on doing business or competing with the company**

Company directors engage in no activities which would be subject to any prohibition on doing business or competing with the company and which would therefore require them to obtain the prior permission of the shareholders at a general assembly.

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## Corporate Governance Principles Compliance Report

### 4. Rules of ethics and the principles of their implementation

Anadolu Hayat Emeklilik is a publicly-traded joint-stock company that is active in life insurance and private pensions. In achieving its productivity, profitability, and continuous growth targets, the company abides by all current laws and regulations and its actions are governed by a framework created from the corporate culture and business principles of the group of which it is a member and from the rules of ethics set forth below. Every company employee at every level is charged with abiding by these rules of ethics and complying with them in whatever new business or organizational structures may be developed. In general the company's activities are to be conducted in a manner that is in compliance with the law, honest, impartial, trustworthy, transparent, and socially responsible.

#### Compliance with laws

In all of the activities undertaken by company employees, full compliance with the legal framework by which the company is governed as well as with the company's own regulations is a requirement.

#### Social and corporate interests

Company employees are charged with being financially, physically, and intellectually mindful of the interests and reputation of the country, society, the sector, the corporate group, and the company at every stage and with giving maximum attention and care to take all necessary precautions to avoid harming social and corporate interests or to have such precautions taken.

#### Scope of the rules of ethics

Company employees are charged with abiding by the rules of ethics and with ensuring that they are abided by without exception. Neither the company nor any of its employees may breach these rules in any decision or action.

#### Maintenance of records and documents

In the maintenance of the company's financial and operational records and in its internal and external reporting, there is to be full compliance with the requirements of law and with the principles of accountability, certitude, and reconcilability.

### Relations with shareholders, employees, business partners, and suppliers

1. The company is obliged to provide all of its shareholders with all of the rights and benefits set forth in the company's articles of incorporation in the most correct, fastest, and most transparent way possible irrespective of the dimensions of shareholding interests.
2. The company is obliged to display an attitude that is fair, trustworthy, prudent, and responsible in its dealings with its policyholders, private pension holders, suppliers, competitors, and employees.
3. The company is respectful of its employees' personal rights and freedoms and recognizes that the individual talents and abilities of its employees are the key to its own success. For this reason, all employees are provided with full professional and technical training opportunities to advance themselves.
4. The company is obliged to take all possible measures to ensure that its employees are able to fulfill their duties and responsibilities with the highest commitment to service and in a workplace that is safe and healthy.
5. The company is obliged to take all necessary measures to prevent confidential information from being divulged illegitimately and to take all necessary action within the framework of these rules of ethics against those who do otherwise.
6. Neither the company nor its employees may divulge any confidential information about its shareholders, business partners, suppliers, employees, or customers unless required by law to do so nor may they make use of such information in such a way as to gain any advantage for themselves.
7. The company's employees are aware that in order to maximize their productivity, they must be mindful of harmonious workplace relations must develop their technical and professional skills, and must act within a framework of mutual respect, courtesy, and conscientiousness.
8. No company employee may accept any gift from any policyholder, private pension holder, supplier, or sales organization. The company's senior management is responsible for the identification and enforcement of guidelines governing the giving of gifts that are transparent and straightforward and also mindful of the company's interests.
9. The company's employees carefully examine complaints received from policyholders, private pension holders, agents, and other individuals and organizations and they deal with them as quickly as possible within the framework of the company's public disclosure policy.
10. The company's employees refrain from saying or doing anything that would create an unfavorable opinion about other companies in the sector and their employees.

### Corporate communication policy

1. The company's internal and external corporate communication policy is governed by and implemented within the framework of its rules of ethics.
2. The company acts out of an awareness of its social responsibilities in its sponsorships. Environmental awareness and social benefit are basic elements of the company's corporate communication policy.
3. The company never employs statements in its advertising or other corporate communications that are disparaging of other companies in the sector or of their products or services.

### 25. Number, structure, and independence of committees established by the Board of Directors

Our company has set up a committee responsible for audit and a committee responsible for corporate governance. Each committee consists of two non-executive directors.

Work is currently in progress on developing written principles governing the activities of existing committees and on setting up a strategic planning committee, a reconciliation committee, a human resources and merit award committee, and an ethics committee.

As there are no ultimate non-corporate controlling shareholders in our company, it is thought that all the members of the Board of Directors are naturally able to act with complete independence and have the advantage of acting impartially in their decisions by holding the interests of the company and its stakeholders above everything else.

### 26. Financial benefits provided to the Board of Directors

Company directors receive no financial benefits other than the honorarium that is paid to them.

The amount to be paid as an honorarium is determined by shareholders at a general assembly.

No company director is or has ever been the direct or indirect recipient of any cash loan or non-cash credit extended by the company.

# Anadolu Hayat Emeklilik A.Ş.

## Information about the Ordinary General Meeting

Pursuant to a Board of Directors decision dated 8 March 2007, the ordinary general meeting for 2006 was held at 2:00 pm on Wednesday, 28 March 2007, at the address of İş Kuleleri Kule: 1 Kat: 41 34330 Levent / İstanbul to discuss the items on the agenda shown below.

### AGENDA

1. Opening the meeting, electing a presiding committee, and authorizing the presiding committee to sign the minutes of the general meeting.
2. Reading and deliberating the 2006 reports by the Board of Directors, the statutory auditors, and the independent auditor.
3. Examining and approving the balance sheet and profit & loss statement for 2006.
4. Individually acquitting each of the company's directors and statutory auditors of their fiduciary responsibilities for the company's activities and transactions in 2006.
5. Deliberating and voting on the Board of Directors' proposal concerning manner and date of the distribution of 2006 profits.
6. Approving the appointments made during the year pursuant to article 315 of the Turkish Commercial Code and article 10 of the articles of incorporation to fill vacancies on the Board of Directors.
7. Electing the members of the Board of Directors and determining their terms of office.
8. Electing the statutory auditors.
9. Approving the monthly salaries to be paid to company directors and statutory auditors.
10. Petitions.

# Anadolu Hayat Emeklilik A.Ş.

## Statement of Profit Distribution for the Year

A- ALLOCATION OF PERIOD PROFIT	TRY	
	CURRENT YEAR 31.12.2006	PRIOR YEAR 31.12.2005
1- Period Profit	30,853,148	58,440,307
2- Prior Years' Losses(-)		(5,013,899)
3- Taxes Payable	(5,567,714)	(17,408,899)
Corporate Tax	(5,567,714)	(17,408,899)
Income Tax		
Other Taxes and Dues		
4- First Legal Reserves	(1,311,758)	(1,800,875)
<b>NET PERIOD PROFIT SUBJECT TO ALLOCATION</b>	<b>23,973,676</b>	<b>34,216,634</b>
5- First Dividend to Shareholders	(4,794,735)	(10,264,990)
A) To Common Stock Owners	(4,794,735)	(10,264,990)
B) To Privileged Stock Owners		
6- Dividend to Personnel	(575,368)	(718,549)
7- Dividend to The Board of Directors		
8- Second Dividend to Shareholders	(7,205,265)	(4,735,010)
A) To Common Stock Owners	(7,205,265)	(4,735,010)
B) To Privileged Stock Owners		
9- Second Legal Reserves	(382,537)	
10- Other Reserves	(1,860,357)	(2,323,310)
11- Special Legal Reserves		
<b>EXTRAORDINARY RESERVES</b>	<b>9,155,414</b>	<b>16,174,775</b>
<b>B- ALLOCATION OF RESERVES</b>		
1- To Shareholders		
A) To Common Stock Owners		
B) To Privileged Stock Owners		
2- To the Personnel		
3- To the Board of Directors		
<b>C- EARNINGS PER SHARE (TRY/%)</b>		
1- To Common Stock Owners	0.14 TRY/14.4488%	0.27 TRY/27.3542%
2- To Privileged Stock Owners		
<b>D- DIVIDENDS PER SHARE (TRY/%)</b>		
1- To Common Stock Owners	0.068571 TRY/6.8571%	0.033334 TRY/3.3334%
2- To Privileged Stock Owners	0.068571 TRY/6.8571%	0.033334 TRY/3.3334%

# Anadolu Hayat Emeklilik A.Ş.

## Statutory Auditors' Report

Name of Partnership	Anadolu Hayat Emeklilik A.Ş.
Headquarters Registered Capital	İstanbul TRY 300,000,000
Paid-in capital	TRY 175,000,000
Principal Business Activity	Insurance
Names and terms of office of Statutory Auditors, their relation to the Company (employed/partners or not)	İzlem Erdem Hüray Böke Period of office is 1 year.The auditors are neither shareholders nor employees.
Number of meetings of the Board of Directors and Auditing Board attended	All meetings
Extend, scope and frequency of examinations of the Company's records and legal books of account, dates of examination and conclusions reached	There have been advisory consultations made regarding the accounting records on a continuous basis. The records of the year have been controlled in detail and necessary audits and controls were implemented as of the ending year balance sheet and income/loss statements.
Number and results of cash counts performed at the cashiers office pursuant to article 353:1-3 of the Turkish Commercial Code and resolutions that	The cash counts made on a quarterly basis and resolved the cash total was in accordance with the records.
Date of examinations conducted pursuant to article 353:1-4 of the Turkish Commercial Code and resolutions	The books of the Company have been examined regularly and the status of valuable documents were inspected was resolved that all are in compliance with the records.
Complaints and charges of fraud of which the Company was advised and actions taken against them	The Company was not advised of any complaints or any charges of fraud.

We have audited the financial statements and accounting data of Anadolu Hayat Emeklilik A.Ş. for the year ending December 31, 2006 according to the Turkish Commercial Code, the Company's Articles of Association and other regulations in compliance with generally accepted accounting principles. In our opinion the accompanying balance sheet and income statement reflect the results of this period fairly and accurately and the profit distribution proposal is in accordance with existing laws and the Company's Articles of Association.

We hereby submit the Balance Sheet and Income Statement for your approval and recommend that the Board of Directors be released from liability with regard to operations and accounts for the year 2006.



Statutory Auditor  
İzlem Erdem



Statutory Auditor  
Hüray Böke

# Anadolu Hayat Emeklilik A.Ş.

## Information for Investors

### Stock Exchange

Anadolu Hayat Emeklilik A.Ş. stocks are traded on the İstanbul Stock Exchange (ISE) in the national market under the symbol ANHYT. Information about the Company's stocks is published on the economics pages of daily newspapers and on the internet portals of brokerage houses.

### Investor Relations

Copies of Anadolu Hayat Emeklilik A.Ş.'s annual reports and other information about the Company may be obtained from the following address as well as from the corporate website located at [www.anadoluhayat.com.tr](http://www.anadoluhayat.com.tr)

Anadolu Hayat Emeklilik A.Ş.  
İş Kuleleri Kule 2 Kat: 19 Levent İstanbul

### General Assembly of Shareholders

Anadolu Hayat Emeklilik A.Ş.'s General Assembly of Shareholders was held on 28 March 2007 at 14:00 hours at the address of İş Kuleleri, Kule 1, Kat 41, 34330 Levent İstanbul.

### Independent Auditor

DRT Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
Sun Plaza Dereboyu Sok. No: 24 34398 Maslak İstanbul

### Tax Certification

DRT Yeminli Mali Müşavirlik A.Ş.  
Sun Plaza Dereboyu Sok. No: 24 34398 Maslak İstanbul

### Anadolu Hayat Emeklilik Share Performance in 2006

According to its year-end balance sheet, Anadolu Hayat Emeklilik's capital amounts to TRY 175,000,000, which is divided into 17,500,000,000 shares. 16% of the Company's shares are publicly held.

The lowest price per share during the year was TRY 2.95 and the highest was TRY 6.16. The average trading price for the whole year was TRY 4.60. Share price quarterly lows and highs are presented below.

TRY	HIGHEST PRICE	LOWEST PRICE
01.01.2006-31.03.2006	6.16	4.00
01.04.2006-30.06.2006	5.65	2.95
01.07.2006-30.09.2006	4.83	3.17
01.10.2006-31.12.2006	5.44	4.21

# Anadolu Hayat Emeklilik A.Ş.

Independent Auditors' Report for the Period 1 January 2006 - 31 December 2006

CONVENIENCE TRANSLATION OF THE REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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

ANADOLU HAYAT EMEKLİLİK A.Ş.

INDEPENDENT AUDITORS' REPORT FOR THE PERIOD 1 JANUARY 2006 - 31 DECEMBER 2006

1. We have audited the accompanying financial statements of Anadolu Hayat Emeklilik A.Ş. (the "Company") as of 31 December 2006. 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 accompanying financial statements have been prepared according to the prevailing Turkish Insurance Auditing Law No. 7397 applicable to Insurance and Reinsurance companies and Individual Retirement, Saving and Investment System Law No. 4632 and principles stated in Note 11.
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 Independent 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. In our opinion the financial statements referred to above present fairly, the financial position of Anadolu Hayat Emeklilik A.Ş. as of 31 December 2006, and the result of its operations in accordance with the accounting principles and standards set out in regulations with the Law No. 7397 of Turkish Insurance Auditing and the Law No. 4632 of Individual Retirement, Saving and Investment System.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of DELOITTE TOUCHE TOHMATSU



Sibel TÜRKER  
Partner  
İstanbul, 8 March 2007

# Anadolu Hayat Emeklilik A.Ş.

## Detailed Balance Sheet

			TRY		
ASSETS					
I- Current Assets					
	Note	Current Period (31/12/2006)	Previous Period (31/12/2005)		
<b>A- Cash and Cash Equivalents</b>					
1- Cash		35,354,950	62,944,260		
2- Cheques Received		8,740	3,038		
3- Banks	Art.35	-	-		
4- Cheques Given and Payment Orders (-)		13,839,095	47,657,704		
5- Other Cash and Cash Equivalents		(40,341)	-		
<b>B- Financial Assets and Investments with Risks on Policy Holders</b>					
1- Securities Available for Sale	Art.25	21,547,456	15,283,518		
2- Securities Held to Maturity		1,560,721,969	1,627,285,607		
3- Securities Held for Trading	Art.25	175,419,500	119,522,397		
4- Loans		-	-		
5- Provision for Loans (-)		-	-		
6- Investments with Risks on Policy Holders	Art.25	1,311,002,156	1,418,591,528		
7- Equity Shares		-	-		
8- Diminution in Value of Financial Securities (-)		-	-		
<b>C- Receivables Arising from Operations</b>					
1- Receivables Arising from Insurance Operations		537,725,508	191,309,838		
2- Provision for Receivables from Insurance Operations (-)		10,483,779	15,512,045		
3- Receivables from Reinsurance Operations		(381,719)	(898,767)		
4- Provision for Receivables from Reinsurance Operations (-)		-	-		
5- Cash Deposited For Insurance & Reinsurance Companies		-	-		
6- Loans to Policyholders		-	2,082,495		
7- Provision for Loans to Policyholders (-)		-	-		
8- Receivables from Pension Operation		527,623,448	174,614,065		
9- Doubtful Receivables from Main Operations		87,506	81,800		
10- Provisions for Doubtful Receivables from Main Operations (-)	Art.30	(87,506)	(81,800)		
<b>D- Due from Related Parties</b>					
1- Due from Shareholders		97,603	102,702		
2- Due from Affiliates		-	-		
3- Due from Subsidiaries		-	-		
4- Due from Enterprises Subject to Joint Management		-	-		
5- Due from Personnel		97,603	102,702		
6- Due from Other Related Parties		-	-		
7- Discount on Receivables Due from Related Parties (-)		-	-		
8- Doubtful Receivables Due from Related Parties		-	-		
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-		
<b>E- Other Receivables</b>					
1- Leasing Receivables		15,278,816	23,210,132		
2- Unearned Leasing Interest Income (-)		-	-		
3- Guarantees Given		27,486	25,670		
4- Other Receivables	Art.27	15,251,330	23,184,462		
5- Discount on Other Receivables (-)		-	-		
6- Other Doubtful Receivables		-	-		
7- Provisions for Other Doubtful Receivables (-)		-	-		
<b>F- Prepaid Expenses and Income Accruals</b>					
1- Prepaid Expenses		198,704	89,220		
2- Accrued Interest and Rent Income		92,320	9,005		
3- Income Accruals		27,753	-		
<b>G- Other Current Assets</b>					
1- Inventories		78,631	80,215		
2- Prepaid Taxes and Funds		953,393	179,184		
3- Deferred Tax Assets		73,894	41,148		
4- Business Advances		876,914	135,326		
5- Advances Given to Personnel		-	-		
6- Stock Count Differences		2,585	2,710		
7- Other Current Assets		-	-		
8- Provision for Other Current Assets (-)		-	-		
<b>I- Total Current Assets</b>		<b>2,150,330,943</b>	<b>1,905,120,943</b>		

The enclosed disclosures are supplements to those financial statements.

# Anadolu Hayat Emeklilik A.Ş.

## Detailed Balance Sheet

			TRY	
ASSETS				
II- Non Current Assets				
	Note	Current Period (31/12/2006)	Previous Period (31/12/2005)	
<b>A- Receivables Arising from Operations</b>				
1- Receivables from Insurance Operations		-	-	
2- Provision for Receivables from Insurance Operations (-)		-	-	
3- Receivables from Reinsurance Operations		-	-	
4- Provision for Receivables from Reinsurance Operations (-)		-	-	
5- Cash Deposited for Insurance & Reinsurance Companies		-	-	
6- Loans to Policyholders		-	-	
7- Provision for Loans to Policyholders (-)		-	-	
8- Receivables from Pension Operations		-	-	
<b>B- Due from Related Parties</b>				
1- Due from Shareholders		-	-	
2- Due from Affiliates		-	-	
3- Due from Subsidiaries		-	-	
4- Due from Enterprises Subject to Joint Management		-	-	
5- Due from Personnel		-	-	
6- Due from Other Related Parties		-	-	
7- Discount on Receivables Due from Related Parties (-)		-	-	
8- Doubtful Receivables Due from Related Parties		-	-	
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-	
<b>C- Other Receivables</b>				
1- Leasing Receivables		-	-	
2- Unearned Leasing Interest Income (-)		-	-	
3- Guarantees Given		-	-	
4- Other Receivables		-	-	
5- Discount on Other Receivables (-)		-	-	
6- Other Doubtful Receivables		-	-	
7- Provisions for Other Doubtful Receivables (-)		-	-	
<b>D- Financial Assets</b>				
1- Investments In Associates	Art.25	93,487,947	99,643,806	
2- Affiliates	Art.25	74,626,364	77,550,702	
3- Capital Commitments to Affiliates (-)		25,870,672	25,066,189	
4- Subsidiaries		-	-	
5- Capital Commitments to Subsidiaries (-)		-	-	
6- Enterprises Subject to Joint Management		-	-	
7- Capital Commitments to Enterprises Subject to Joint Management (-)		-	-	
8- Financial Assets and Investments with Risks on Policy Holders		-	-	
9- Diminution in Value of Financial Assets (-)		(7,009,089)	(2,973,085)	
<b>E- Tangible Fixed Assets</b>				
1- Investment Properties		22,730,169	22,431,559	
2- Diminution in Value for Investment Properties (-)		26,121,414	26,132,924	
3- Owner Occupied Property		-	(782,202)	
4- Machinery and Equipments		1,535,699	1,535,699	
5- Furnitures and Fixtures		2,689,432	2,647,758	
6- Vehicles		1,370,184	1,117,277	
7- Other Tangible Assets (Including Leasehold Improvements)		897,801	844,420	
8- Leased Tangible Fixed Assets		686,126	593,801	
9- Accumulated Depreciation (-)		1,567,671	1,222,831	
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		(12,138,158)	(10,880,949)	
<b>F- Intangible Fixed Assets</b>				
1- Rights		1,239,459	1,010,391	
2- Goodwill		2,488,494	1,918,704	
3- Establishment Costs		-	-	
4- Research and Development Expenses		120,569	120,569	
6- Other Intangible Assets		-	-	
7- Accumulated Amortizations (-)		-	-	
8- Advances Regarding Intangible Assets		(1,369,604)	(1,028,882)	
<b>G- Prepaid Expenses and Income Accruals</b>				
1- Prepaid Expenses		-	-	
2- Income Accruals		-	-	
3- Other Prepaid Expenses and Income Accruals		-	-	
<b>H- Other Non Current Assets</b>				
1- Inventories		-	-	
2- Prepaid Taxes and Funds		-	-	
3- Deferred Tax Assets		-	-	
4- Other Non-current Assets		-	-	
5- Other Non-current Assets Amortization (-)		-	-	
6- Provision for Other Non-current Assets (-)		-	-	
<b>II- Total Non Current Assets</b>		<b>117,457,575</b>	<b>123,085,756</b>	

The enclosed disclosures are supplements to those financial statements.

# Anadolu Hayat Emeklilik A.Ş.

## Detailed Balance Sheet

		TRY	
LIABILITIES			
III- Short Term Liabilities			
	Note	Current Period (31/12/2006)	Previous Period (31/12/2005)
<b>A- Borrowings</b>		<b>144,721</b>	<b>163,873</b>
1- Loans to Financial Institutions		-	-
2- Leasing Payables		156,852	176,435
3- Deferred Leasing Costs (-)		(12,131)	(12,562)
4- Current Portion of Long Term Debts		-	-
5- Principal Installments and Interests on Issued Bonds		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences of Financial Assets Issued (-)		-	-
<b>B- Payables from Main Operations</b>		<b>545,270,358</b>	<b>184,927,203</b>
1- Payables Due to Insurance Operations		916,907	781,064
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		328,800	350,606
4- Payables Due to Pension Operations		544,024,651	183,795,533
5- Payables from Other Operations		-	-
<b>C- Due to Related Parties</b>		<b>15,199</b>	<b>3,951</b>
1- Due to Shareholders		15,199	3,560
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Enterprises Subject to Joint Management		-	-
5- Due to Personnel		-	391
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>		<b>18,258,281</b>	<b>32,290,508</b>
1- Guarantees and Deposits Received		107,108	80,742
2- Other Payables	Art.27	18,151,173	32,209,766
3- Discount on Other Payables (-)		-	-
<b>E- Insurance Technical Provisions</b>		<b>1,370,494,028</b>	<b>1,487,974,343</b>
1- Provisions for Unearned Premiums - Net		5,430,314	4,545,510
2- Unexpired Risk Reserves - Net		-	-
3- Life Mathematical Provisions - Net		1,319,477,724	1,443,180,083
4- Provision for Outstanding Claims - Net		45,585,990	40,248,750
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Policies Investment Risk of Which Belongs to Life Insurance Policyholders - Net		-	-
7- Other Technical Provisions - Net		-	-
<b>F- Taxes and Other Liabilities and Relevant Provisions</b>		<b>4,536,931</b>	<b>5,331,312</b>
1- Taxes and Dues Payable		1,572,836	898,150
2- Social Security Premiums Payable		436,341	215,143
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		9	-
5- Corporate Tax Payable		5,567,714	17,408,899
6- Prepaid Taxes and Other Liabilities Regarding Period Profit (-)		(3,039,969)	(13,190,880)
7- Provisions for Other Taxes and Liabilities		-	-
<b>G- Provisions for Other Risks</b>		<b>-</b>	<b>-</b>
1- Provision for Retirement Pay		-	-
2- Provisions for Costs		-	-
<b>H- Deferred Income and Expense Accruals</b>		<b>1,409,082</b>	<b>1,370,467</b>
1- Deferred Income		833,370	1,073,766
2- Expense Accruals		575,712	296,701
3- Other Deferred Income and Expense Accruals		-	-
<b>I- Other Short Term Liabilities</b>		<b>1,494,618</b>	<b>-</b>
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		26	-
3- Other Short Term Liabilities		1,494,592	-
<b>III - Total Short Term Liabilities</b>		<b>1,941,623,218</b>	<b>1,712,061,657</b>

The enclosed disclosures are supplements to those financial statements.

# Anadolu Hayat Emeklilik A.Ş.

## Detailed Balance Sheet

		TRY	
LIABILITIES			
IV- Long Term Liabilities			
	Note	Current Period (31/12/2006)	Previous Period (31/12/2005)
<b>A- Borrowings</b>			
1- Loans to Financial Institutions		-	-
2- Leasing Payables		-	-
3- Deferred Leasing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Value Differences of Financial Assets Issued (-)		-	-
7- Other Financial Liabilities		-	-
<b>B- Payables from Main Operations</b>			
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
<b>C- Due to Related Parties</b>			
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Enterprises Subject to Joint Management		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>			
1- Guarantees and Deposits Received		-	-
2- Other Payables		-	-
3- Discount on Other Payables (-)		-	-
<b>E- Insurance Technical Provisions</b>			
1- Provisions for Unearned Premiums - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Policies Investment Risk of Which Belongs to Life Insurance Policyholders - Net		-	-
7- Other Technical Provisions - Net		-	-
<b>F- Tax and Other Liabilities to be Paid and Relevant Provisions</b>			
1- Taxes and Dues Payable		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
<b>G- Provisions for Other Risks</b>			
1- Provision for Retirement Pay		4,524,700	3,893,083
2- Provisions for Employee Pension Fund Deficits		4,524,700	3,893,083
<b>H- Deferred Income and Expense Accruals</b>			
1- Deferred Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
<b>I- Other Short Term Liabilities</b>			
1- Deferred Tax Liability		-	-
3- Other Long Term Liabilities		-	-
<b>IV- Total Long Term Liabilities</b>		<b>4,524,700</b>	<b>3,893,083</b>

The enclosed disclosures are supplements to those financial statements.

# Anadolu Hayat Emeklilik A.Ş.

## Detailed Balance Sheet

SHAREHOLDERS' EQUITY			TRY
V- Shareholders' Equity	Note	Current Period (31/12/2006)	Previous Period (31/12/2005)
<b>A- Paid in Capital</b>		<b>175,000,000</b>	<b>155,559,582</b>
1- (Nominal) Capital	Art.2,5	175,000,000	150,000,000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		-	5,559,582
4- Negative Inflation Adjustment on Capital (-)		-	-
<b>B- Capital Reserves</b>		<b>125,910</b>	<b>1,716,457</b>
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital		125,910	1,716,457
4- Translation Reserves		-	-
5- Other Capital Reserves		-	-
<b>C- Profit Reserves</b>		<b>121,229,256</b>	<b>118,958,411</b>
1- Legal Reserves		34,696,300	32,895,425
2- Statutory Reserves		8,677,278	6,353,968
3- Extraordinary Reserves		47,352,535	38,901,721
4- Special Funds (Reserves)		-	-
5- Revaluation of Financial Assets		30,503,143	40,807,297
6- Other Profit Reserves		-	-
<b>D- Previous Years' Profits</b>		<b>-</b>	<b>-</b>
1- Previous Years' Profits		-	-
<b>E- Previous Years' Losses (-)</b>		<b>-</b>	<b>(5,013,899)</b>
1- Previous Years' Losses		-	(5,013,899)
<b>F- Net Profit of the Period</b>		<b>25,285,434</b>	<b>41,031,408</b>
1- Net Profit of the Period		25,285,434	41,031,408
2- Net Loss of the Period		-	-
<b>Total Shareholders' Equity</b>		<b>321,640,600</b>	<b>312,251,959</b>

The enclosed disclosures are supplements to those financial statements.

# Anadolu Hayat Emeklilik A.Ş.

## Detailed Income Statement

I-TECHNICAL DIVISION	Note	Current Period (31/12/2006)	TRY Previous Period (31/12/2005)
<b>A- Non-Life Technical Income</b>		<b>198,252</b>	<b>236,301</b>
1- Premiums (Net of Reinsurer Share)		197,632	236,189
1.1- Premiums		202,210	217,013
1.2- Change in Unearned Premium Provisions (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		(4,578)	19,176
1.3- Changes in Unexpired Risk Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
2- Investment Income Transferred from Non-Technical Divisions		620	112
3- Other Technical Income (Net of Reinsurer Share)		-	-
<b>B- Non-Life Technical Expense</b>		<b>(276,545)</b>	<b>(59,816)</b>
1- Claims Paid (Net of Reinsurer Share)		(264,033)	(43,577)
1.1- Claims Paid (Net of Reinsurer Share)		(153,264)	(47,944)
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(110,770)	4,367
2- Changes in Bonus and Discount Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
4- Operating Expenses (-)		(12,512)	(16,239)
<b>C- Non-Life Technical Profit (A - B)</b>		<b>(78,293)</b>	<b>176,485</b>
<b>D- Life Technical Income</b>		<b>550,060,730</b>	<b>616,886,016</b>
1- Premiums (Net of Reinsurer Share)		337,355,350	345,834,202
1.1- Premiums		338,235,576	346,018,287
1.2- Change in Unearned Premium Provisions (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		(880,226)	(184,085)
1.3- Changes in Unexpired Risk Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
2- Life Branch Investment Income		211,999,801	269,281,207
3- Accrued (Unrealized) Income from Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		705,579	1,770,607
<b>E- Life Technical Expense</b>		<b>(532,292,505)</b>	<b>(596,853,335)</b>
1- Claims Paid (Net of Reinsurer Share)		(586,930,056)	(445,547,035)
1.1-Claims Paid (Deducted from Reinsurer)		(587,126,808)	(448,273,126)
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		196,752	2,726,091
2- Changes in Bonus and Discount Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
3- Changes in Life Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		96,393,552	(106,653,487)
4- Changes in Reserves for Life Insurance Policies Including Investment Risk (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
6- Operating Expenses (-)		(41,756,001)	(44,652,813)
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Accrued (Unrealized) Losses from Investments (-)		-	-
9- Investment Income Transferred to Non-Technical Divisions (-)		-	-
<b>F- Life Technical Profit (D-E)</b>		<b>17,768,225</b>	<b>20,032,681</b>
<b>G- Individual Retirement Technical Income</b>		<b>17,655,201</b>	<b>5,853,977</b>
1- Fund Management Fee		8,260,865	2,486,873
2- Management Fee Deduction		5,303,338	2,318,621
3- Initial Contribution Fee		2,480,234	781,873
4- Management Fee Deduction in the Case of a Break (-)		1,523,649	215,723
5- Deduction from the Private Service Expense		-	-
6- Increase in Value of Allocated Capital Advances		39,299	37,954
7- Other Technical Income		47,816	12,933
<b>H- Individual Retirement Technical Expense</b>		<b>(39,094,321)</b>	<b>(20,608,666)</b>
1- Fund Management Expenses (-)		(1,986,113)	(596,843)
2- Decrease in Market Value of Capital Commitment Advances (-)		(39,138)	(25,080)
3- Operating Expenses (-)		(35,561,836)	(19,517,015)
4- Other Technical Expense (-)		(1,507,234)	(469,728)
<b>I- Individual Retirement Technical Profit (G - H)</b>		<b>(21,439,120)</b>	<b>(14,754,689)</b>

The enclosed disclosures are supplements to those financial statements.

# Anadolu Hayat Emeklilik A.Ş.

## Detailed Income Statement

II- NON TECHNICAL DIVISION	Note	Current	TRY
		Period (31/12/2006)	Previous Period (31/12/2005)
C- Non-Life Technical Profit		(78,293)	176,485
F- Life Technical Profit		17,768,225	20,032,681
I - Individual Retirement Technical Profit		(21,439,120)	(14,754,689)
J- Total Technical Profit (C + F + I)		(3,749,188)	5,454,477
K- Investment Income		51,470,719	62,044,641
1- Income from Financial Investment		11,338,351	5,634,817
2- Income from Sale of Financial Assets		21,958,066	35,580,270
3- Revaluation of Financial Assets		12,142,453	17,160,286
4- Foreign Exchange Gains		570,836	430,253
5- Dividend Income from Participations		2,866,777	651,386
6- Income from Affiliated Companies		-	-
7- Real Estate Income		1,869,441	2,116,582
8- Income from Derivative Products		225,271	197,053
9- Other Investments		499,420	273,572
10- Investment Income Transferred from Life Technical Division		104	422
L- Investment Expenses (-)		(11,642,782)	(6,472,214)
1- Investment Management Expenses (including interest) (-)		(2,173,098)	(1,836,429)
2- Valuation Allowance of Investments (-)		(1,935,337)	(825,142)
3- Losses On Sales of Investments (-)		(5,151,690)	(967,627)
4- Investment Income Transferred to Life Technical Division (-)		-	-
5- Losses from Derivative Products (-)		-	-
6- Foreign Exchange Losses (-)		(517,105)	(1,179,589)
7- Discount on Receivables Due from Related Parties (-)	Art.1	(1,730,034)	(1,663,427)
8- Other Investment Expenses (-)		(135,518)	-
M- Other Income and Expenses (+/-)		(5,225,603)	(2,586,597)
1- Reserves (Provisions) Account (+/-)	Art.2	(4,805,786)	(2,519,819)
2- Rediscount Account (+/-)		-	-
3- Mandatory Earthquake Insurance Account (+/-)		-	-
4- Monetary Gains Losses Account (+/-)		-	-
5- Deferred Tax Asset Accounts (+/-)		-	-
6- Discount on Other Receivables (-)		-	-
7- Other Income and Revenues		1,327	452,726
8- Other Expense and Losses (-)		(421,144)	(519,504)
9- Prior Period Income		-	-
10- Prior Period Losses (-)		-	-
N- Net Profit/(Loss)		25,285,434	41,031,408
1- Profit/(Loss) Before Tax		30,853,148	58,440,307
2- Tax Provision (-)	Art.2	(5,567,714)	(17,408,899)
3- Net Profit (Loss) After Tax		25,285,434	41,031,408
4- Inflation Adjustment Account		-	-

The enclosed disclosures are supplements to those financial statements.

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

## 1. OPERATIONS OF THE COMPANY

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

As of the balance sheet date, there are 17 Individual Retirement Investment Funds which were established by the Company. (31 December 2005: 15)

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

The nominal capital of the Company is TRY 175,000,000 at 31 December 2006 and consists of fully covered 17,500,000,000 shares with a value of YKr 1 each. The distribution of capital among shareholders is as follows:

### 31 December 2006

	Share Amount (TRY)	Share Rate %
Türkiye İş Bankası A.Ş.	108,500,000	62
Anadolu Anonim Türk Sigorta Şti.	35,000,000	20
Other	31,500,000	18
	<b>175,000,000</b>	<b>100</b>

16% of the shares is quoted in the stock exchange as of 31 December 2006. 1% increase in shares quoted in the stock exchange is a result of sale of T. Şişe Cam Fab. A.Ş.'s share in ISE in April 2006.

### 31 December 2005

	Share Amount (TRY)	Share Rate %
Türkiye İş Bankası A.Ş.	93,000,000	62
Anadolu Anonim Türk Sigorta Şti.	30,000,000	20
Other	27,000,000	18
	<b>150,000,000</b>	<b>100</b>

15% of the shares is quoted in the stock exchange as of 31 December 2005.

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

## 3. PREFERENCE SHARES

### 31 December 2006

The total of 17,500,000,000 shares that represents TRY 175,000,000 of share capital consists of 100,000,000 shares of (A) Group and 17,400,000,000 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 Directors. Additional (A) Group shares cannot be issued during any capital increases.

### 31 December 2005

The total of 150,000,000,000 shares that represents TRY 15,000,000 of share capital consists of 100,000,000 shares of (A) Group and 14,900,000,000 shares of (B) Group. As of the balance sheet date all (A) Group shares belong to Türkiye İş Bankası A.Ş.

## 4. REGISTERED CAPITAL LIMIT

### 31 December 2006

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 Markets Board numbered 67/1039.

As of the balance sheet date, the Company has TRY 300,000,000 registered capital.

TRY 175,000,000 of registered capital of the Company has been divided into 17,500,000,000 shares each with a nominal value of YKr 1.

With the resolution of the board of directors dated 30 January 2006 and requirements of Law 2499 of Capital Market Board, the ceiling of registered capital is increased from TRY 175,000,000 to TRY 300,000,000. The increase was approved by Capital Market Board in 10 April 2006 and Ministry of Industry and Trade in 17 April 2006. It was also approved by the General Assembly of the Company in 07 September 2006 and registry and announcement process have been finalized in 21 September 2006.

### 31 December 2005

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 Markets Board numbered 67/1039. TRY 175,000,000 of registered capital of the Company has been divided into 17,500,000,000 shares each with a nominal value of YKr 1.

## 5. CAPITAL INCREASES DURING YEAR AND THE RESOURCES

### 31 December 2006

The resolution of the board of directors dated 7 March 2006, numbered 390/5, indicates the capital increase from TRY 150,000,000 to TRY 175,000,000. The capital increase is registered in 24 July 2006. TRY 5,559,582 of this increase is transferred from the inflation adjustments to capital, TRY 1,716,457 is

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

from the income on sale of affiliates and immovables, TRY 7,723,961 is from the extraordinary reserves and TRY 10,000,000 is from the dividend payables from 2005 year profit.

## 31 December 2005

The resolution of the board of directors dated 14 March 2005, numbered 352/2, indicates the capital increase from TRY 100,000,000 to TRY 150,000,000. The capital increase is registered in 23.06.2005. TRY 43,054,731 of this increase is transferred from the inflation adjustments to capital, TRY 1,207,822 is from the income on sale of affiliates, TRY 88,317 is from the inflation adjustment to income from sale of affiliates, TRY 627,296 is from income on sale of immovables, TRY 21,834 is from the inflation adjustment on income on sale of immovables and TRY 5,000,000 is from the dividend payables from 2004 year profit.

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

There are no marketable securities other than shares issued during the current year.

## 7. ISSUED MARKETABLE SECURITIES REPRESENTING MATURED DEBT

There is no debt securities matured during year.

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

31 December 2006	(TRY)
a) Cost of purchased or acquired fixed assets:	926,240
b) Cost of fixed assets sold:	152,623
c) Revaluation of tangible fixed assets during the period:	-
d) The quality, total amount, beginning, ending dates and completeness degree of construction in progress:	-
31 December 2005	(TRY)
a) Cost of purchased or acquired fixed assets:	687,696
b) Cost of fixed assets sold:	3,196,037
c) Revaluation of tangible fixed assets during the period:	-
d) The quality, total amount, beginning, ending dates and completeness degree of construction in progress:	-

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

As of the balance sheet date, no investment allowances used or to be used for the future period.

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

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

### 31 December 2006

	Receivables (TRY)		Payables (TRY)	
	Trade	Non-Trade	Trade	Non-Trade
Shareholders (*)	-	13,793,523	15,199	-
Affiliates	405	-	-	-

### 31 December 2005

	Receivables (TRY)		Payables (TRY)	
	Trade	Non-Trade	Trade	Non-Trade
Shareholders (*)	-	46,679,822	3,560	-
Affiliates	212	-	-	-

(\*): All of the non-trade receivables from shareholders consist of bank accounts.

## 11. DEPRECIATION AND VALUATION METHODS FOR INVENTORY AND OTHER BALANCE SHEET ITEMS, CHANGES IN THESE AND OTHER ACCOUNTING PRINCIPLES, MONETARY EFFECTS ON THESE CHANGES AND POSSIBLE MATTERS THAT CAN CHANGE THE ASSUMPTION ON GOING CONCERN AND ACCRUAL BASIS ACCOUNTING OF THE COMPANY AND REASONS FOR THESE

### Accounting Principles

Article 50 (a) of the Capital Market Law (VII.) states that insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision, accounting and financial reporting. Therefore, the financial statements of the Company are prepared in accordance with the principles set out by the Turkish Treasury for Insurance and Reinsurance companies.

It is declared by the Turkish Treasury that insurance companies are subject to inflation accounting part of the Capital Markets Board (the "CMB") Communiqué No: 25 of Series XI, "Communiqué on The Accounting Standards in the Capital Market" published in the Official Gazette dated 25290 on 15 November 2003 with the articles dated 28 January 2004 and numbered 4787 and 4 April 2005 and numbered 19387; beginning from 1 January 2005.

### a. Preparation of Financial Statements in Hyperinflationary Periods

With respect to the declaration of the Turkish Treasury with the article dated 4 April 2005 and numbered 19387; financial statements as of 31 December 2004 are adjusted for the opening balances of 2005 in accordance with the inflation accounting part of the Capital Markets Board (the "CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated 15 November 2003 and numbered 25290. Inflation accounting is no longer applied in the year 2005, in accordance with the same declaration of the Turkish Treasury.

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

Restatement adjustments as of 31 December 2004 have been made according to the wholesale price index published by the State Institute of Statistics ("WPI").

## b. Financial Instruments

According to the declaration of the Turkish Treasury dated 3 March 2005 and numbered B.02.1.HM.0.SGM.0.3.1/15, the valuation and accounting of the assets and liabilities of the insurance companies should be performed in conjunction with the Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" of the CMB declared in the Official Gazette dated 15 November 2003 and numbered 25290 until a new regulation is made by the Turkish Treasury. Furthermore, without creating any possible oppositions against the rights and benefits of the policyholders, each of the financial instruments risk of which belongs to the policyholders should be classified as held to maturity investments, available for sale investments and held for trading investments and should be valued in accordance with the obligations of the CMB mentioned in the relevant communiqué.

It is also declared that, while recording the available for sale investments that belong to the policyholders, only the Company portion of any gains or losses result from the difference in the valuation methods between the market value and the internal rate of return should be recorded to equity.

Financial instruments, which consist of treasury bills, government bonds, equity shares, Eurobonds, private sector bonds, time deposits, investment funds and retirement funds are subject to a classification as available for sale, held to maturity, and held for sale financial instruments in accordance with the decisions of the Capital Markets Board (the "CMB") Communiqué No: 25 of Series XI, as of 31 December, 2006. In accordance with the 266th article of the same Communiqué, in determining the fair value of held for sale and available for sale financial instruments, the best purchase order is used.

### Financial instruments held for trading

Financial instruments held for trading are those acquired principally for the purpose of generating profit from short-term fluctuations in their price or dealer's margin. Subsequent to initial recognition, held for trading securities are valued at their fair values if reliably measured. Gains or losses on held for trading financial instruments are included in net profit or loss for the period in which they arise.

### Financial instruments available for sale

Financial instruments available for sale consist of financial assets that are not held to maturity nor held for trading. Subsequent to acquisition, available for sale financial instruments are valued at their fair values if reliably measured. Increase or decrease in amortised cost of the available for sale instruments is recognized in income statement; while unrealized gains or losses arising from the difference between fair value and the amortised cost, are recognized in shareholders' equity. When the available for sale financial instruments are sold, the value increase/decrease of these financial assets recognized in shareholder's equity are transferred to the income statement. For those financial instruments of which the fair value cannot be measured reliably, are measured at amortised cost using the effective interest rate.

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

## Financial instruments held to maturity

Held-to-maturity financial instruments are securities with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held to maturity financial instruments are measured at amortised cost using the effective interest rate method and valuation difference is recognised in the income statement.

## Financial Instruments of which risks are attributable to life insurance policy holders

These assets are classified as available for sale, held for trading and held to maturity financial instruments. Assets classified as available for sale are carried at their fair value, and 5% of the difference between the fair value and the discounted value is recognised under equity and 95% of which belongs to the insurees is recognised under Insurance Technical Provisions - Life Mathematical Provision account. Instruments that do not have fair values are carried at their amortised cost using the effective interest.

The Company has applied the above mentioned valuation methods for financial instruments starting from 1 January 2005.

## c. Equity Participations and Affiliates

Listed shares at Istanbul Stock Exchange ("ISE") which are followed up in the Equity Participations and Affiliates accounts are valued at their fair values and the difference between the indexed value and the fair value is recognized in equity.

Unlisted shares at ISE in the Equity Participations and Affiliates accounts are followed up with their inflation adjusted carrying amounts as of 31 December, 2004. Companies with recent independent valuation work are carried at their inflation adjusted carrying amounts as of 31 December 2004 less any allowance for impairment.

## d. Technical Provisions

Provision for unearned premiums, life mathematical provision, outstanding claims provision, the re-insurer's share of these provisions and are included in the financial statements in accordance with the principles mentioned below:

The provision for unearned premiums represents the amount of net premiums underwritten in the current period but corresponds to the period subsequent to the balance sheet date. The premiums subject to unearned premium provision are adjusted in accordance with the inflation accounting part of the Capital Markets Board (the "CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in the Capital Market" declared in the Official Gazette dated 15 November 2003 and numbered 25290 and the provision for unearned premiums are provided on a daily basis.

Provision for outstanding claims are provided for the claims reported at period end but not paid yet. Any difference regarding to the claim paid and provision provided is reflected to the records at the date that the payment done. Re-insurer share of these provisions are shown separately.

## Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

Regulation regarding the regulation related with the changes in the Foundation and Operation Principles of Insurance and Reinsurance Companies became operative after published in the Official Gazette dated 27 January 2004 numbered 25359. According to the first article of the regulation, insurance and reinsurance companies should provide provision for the claims accrued and determined but not yet paid in the previous or the current periods. If the Company was not able to determine this claim provision amount, the outstanding claim provision should be provided based on the estimated values of the incurred but not reported claims. By the last declaration of Turkish Treasury dated 18 January 2005 and numbered B.02.1.HM.0.SGM.0.3.1.1-03821, it is stated that incurred but not reported claims included in the financial statements as of the balance sheet date will be followed as a sub-account under outstanding claim provisions. The same declaration states that, this provision is calculated over the last 5 years' data as of 31 December 2006 (the last four years for 2005) and calculations will be made over net conservation amount and on insurance branch basis after subtracting the proceeds such as recovery and residual value. It is stated that while calculating the incurred but not reported claims, weighted averages of previous years' premium productions and relevant incurred but not reported claim amounts will be taken into consideration and the current year incurred but not reported claims will be found by multiplying the calculated weighted average and current year premium production.

The Company's incurred but not reported claims, included in the outstanding claim provisions in the accompanying financial statements and calculated according to the methods mentioned above, amounts to TRY 1,782,252. (31 December 2005: TRY 1,725,782)

Mathematical reserves which are calculated over life insurance policies for the compensations that the Company commits to pay in the future are calculated according to the generally accepted actuarial calculations approved by the under secretariat of the Treasury. Net revenue generated from those provisions by the investment activities are provided as life profit share provision to be distributed to the policyholders.

Loans to Insured (loan account) Account which has been shown within the Receivables from Operations in the previous period, are netted off at the current period from the Life Mathematical Reserves of the insured people.

### e. Premium Income and Claims

Premium income represents premiums on policies written during the year and the current year portion of the installments of the accumulating life insurance policies that are written in the previous years, deducted by the reinsurers' shares.

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

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

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

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 claims provision is provided for the claims that are reported at the period end but not yet paid and for the claims incurred but not yet reported. The reinsure shares of claims paid and outstanding claims provision are presented separately.

## f. Receivables from Policyholders and Agents

According to the 27th article of the Foundation and Operation Regulations for Insurance and Reinsurance Companies which was published in the Official Gazette dated 26 December 1994 and numbered 22153 by the order of the Turkish Treasury and become effective since 1 January 1995; insurance companies should provide provisions for due premiums which can not be collected in two months period.

The Company used to allocate allowance for the receivables that are more than 2 months.

Furthermore, the Company has provided provision for the doubtful receivables under legal and management follow up, but not included in the premium provision mentioned above. The amount of the doubtful receivables under legal and management follow up as of 31 December 2006 amounts to TRY 87,506 and it is fully provisioned. (The amount of the doubtful receivables under legal and management follow up as of 31 December 2005 amounts to TRY 81,800 and it is fully provisioned.)

The Company calculates its receivables and payables by netting off.

## g. Tangible Fixed Assets

Fixed assets are shown based on their indexed value from their purchase date until 31 December 2004. Fixed assets, except land which have unlimited lifetime will be amortized according to the percentages shown below from their indexed value based on the type of the asset and with prorate based amortization.

	(%)
Buildings	2
Vehicles	20
Furniture, Fixtures & Equipment	6-20
Machinery & Equipment	6-33
Intangible Fixed Assets	6-20

## h. Assets and Liabilities in Foreign Currency

The Company values its assets with the Central Bank of Turkey foreign exchange bid rate and its liabilities with the Central Bank of Turkey foreign exchange ask rate as at the balance sheet date. The exchange difference from these transactions is included in the income statement. The Company

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

revalues its premium receivables within the exchange rate on the policy beginning date and reflects the exchange rate difference to the financial statement when collection is made.

## i. Retirement Pay Provision

Retirement pay provision is accounted in the accompanying financial statements for the potential future payments to be made to employees entitled in accordance with the regulations of the CMB.

The amount of the retirement pay provision at the balance sheet date is TRY 4,524,700. The retirement pay provision paid by the company in 2006 is TRY 40,483, and the additional retirement pay provision accrued is TRY 631,617 (31 December 2005: the retirement pay provision was TRY 3,893,083, the company paid TRY 133,599. The additional retirement pay provision accrued is TRY 579,683.)

## j. Taxation

The Company is subject to corporate tax in Turkey. 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 rate in 2006 is 20%. (2005: 30%)

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was decreased to 20% for 2006 in the second quarter of 2006. The excess income tax paid of corporate income that was calculated at the rate of 30% during the first quarter will be deducted from tax returns in following periods.

With the condition of deducting from future years' taxable income, the losses can be carried over at most 5 years. However, the losses can not be deducted from previous years' profits.

In Turkey, there isn't any definite and rigid confirmation procedure regarding tax evaluations. The entities prepare their tax returns between the 1st and 25th of April that follows the end of the appropriate fiscal year. For the entities which have a special fiscal year, tax returns are prepared between the 1st and 25th of the forth month following the end of their fiscal year. Those tax returns and the journal entries which formed those tax returns can be changed within 5 years by the Tax Administration.

## Income Tax Withholding

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 15% in accordance with the decision of Council of Ministers dated 22 July 2006 and numbered 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

## Inflation adjusted legal 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 2005 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in IAS 29 "Financial Reporting in Hyperinflationary Economies". As inflation met certain thresholds as of 31 December 2004, the Company has adjusted its statutory financial statements as of 31 December 2004 in accordance with Law No. 5024 and inflation adjusted balances as at 31 December 2004 were taken as opening balances as of 1 January 2005. However, as inflation did not meet the required thresholds as at 31 December 2005 and 2006, no further inflation adjustment made to the Company's statutory financial statements in 2005 and 2006.

## k. Comparative Reporting and Reclassifications on the Previous Period Financial Statements

Certain reclassifications have been made to the prior year figures to comply with the current year presentation.

## 12. SUBSEQUENT EVENTS

None.

## 13. CONTINGENT ASSETS AND LIABILITIES

At the balance sheet date, the lawsuits filed against the Company is TRY 621,830. For those cases in question amounting to a total of TRY 121,294, an outstanding claims reserve in the amount of TRY 163,588 (31 December 2005: TRY 528,725) is accounted for on the enclosed financial statements.

A court case filed towards the third parties by the Company amounts to TRY 14,032,169 (December 31, 2005: TRY 528,725). There are no collusive actions taken after the 31 December 2006. 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 insurees, which were deducted by the Central Bank or Ziraat Bankası, and were transferred to the Tax Office.

## 14. MATERIAL CHANGES IN ACCOUNTING ESTIMATES ABOUT COMPANY'S GROSS PROFIT AND MONETARY EFFECTS OF THESE CHANGES

None.

## 15. GUARANTEES AND MORTGAGES ON ASSETS

Based on the Foundation and Operation Regulations of Insurance and Reinsurance Companies, total guarantee allocated in favor of the Turkish Treasury for the purpose of commitments due to insurance policies is TRY 1,340,215,477 and total guarantee liability is TRY 1,193,958,663.

In 31 December 2005, total guarantee allocated in favor of the Turkish Treasury for the purpose of commitments due to insurance policies is TRY 1,412,103,703 and total guarantee liability is TRY 1,225,116,401.

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

## 16. INSURANCE ON ASSETS

### 31 December 2006

Type of Asset	Net Book Value (TRY)	Insurance Coverage (TRY)	Coverage Rate (%)
Tangible Fixed Asset	22,730,169	16,396,540	72

Insurance values of tangible fixed assets comprise, the value of building on properties other than the land share and the fair value of the other real estates.

### 31 December 2005

Type of Asset	Net Book Value (TRY)	Insurance Coverage (TRY)	Coverage Rate (%)
Tangible Fixed Asset	22,431,559	22,887,519	102

## 17. GUARANTEES AND MORTGAGES RECEIVED

Details of the guarantees and mortgages received are shown below:

Type of Guarantee	31 December 2006 TRY	31 December 2005 TRY
Letters of Guarantee	597,435	505,026
Sureties	239,960	240,130
Real-estate Mortgage	7,900	11,400
<b>Total</b>	<b>845,295</b>	<b>756,556</b>

## 18. COMMITMENTS & CONTINGENT LIABILITIES

Commitment Type	31 December 2006 TRY	31 December 2005 TRY
Guarantees and Sureties	208,061	228,025

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

## 19. GUARANTEES FOUNDED AND THAT MUST BE FOUNDED FOR LIFE AND NON-LIFE INSURANCES BY THE COMPANY

### 31 December 2006

Branch	Required Blockage TRY	Current Blockage TRY
Life	1,193,921,103	1,340,088,363
Non-Life	37,560	127,114
<b>Total</b>	<b>1,193,958,663</b>	<b>1,340,215,477</b>

### 31 December 2005

Branch	Required Blockage TRY	Current Blockage TRY
Life	1,225,068,624	1,411,996,592
Non-Life	47,777	107,111
<b>Total</b>	<b>1,225,116,401</b>	<b>1,412,103,703</b>

## 20. COMPANY'S NUMBER OF LIFE INSURANCE POLICIES, ADDITIONS AND DISPOSALS DURING THE YEAR AND THE RELATED MATHEMATICAL RESERVES

### 31 December 2006

	Number	Mathematical Reserves TRY
31 December 2005	625,520	1,400,149,778
Additions	547,720	385,008,028
Disposals	(418,946)	(481,726,666)
31 December 2006	754,294	1,303,431,140

Reversed number of life insurance policies and the related mathematical reserves are included in the above mentioned table.

As detailed on the 11th disclosure, the financial assets that are classified within the available-for-sale category held by the life insurance policyholders are evaluated at their current value. TRY 16,288,140, which is 95% of the difference between the current value and the discounted value is recorded under the life mathematical reserves. This amount is shown on the above table.

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

Life mathematical reserves reinsurer proportion in the amount of TRY 181,557 is not included on the above table.

## 31 December 2005

	Number	Mathematical Reserves TRY
31 December 2004 – closing	609,725	1,293,531,261
Additions	351,005	470,562,733
Disposals	(335,210)	(363,944,216)
31 December 2005 – closing	625,520	1,400,149,778

The above table includes the cancelled amounts and mathematical reserves corresponding to those cancelled amounts.

## 21. GUARANTEE AMOUNTS GIVEN TO NON-LIFE INSURANCES ACCORDING TO BRANCHES

	31 December 2006 TRY	31 December 2005 TRY
Indemnity for deceased	505,297,650	665,463,309
Indemnity for disabled	505,097,650	666,199,309
<b>TOTAL</b>	<b>1,010,395,300</b>	<b>1,331,662,618</b>

## 22. PENSION FUNDS AND UNIT PRICES ESTABLISHED BY THE COMPANY

Name of the Fund	31 December 2006 Unit Price TRY	31 December 2005 Unit Price TRY
AH1 Bond Fund	0.020719	0.018766
AH2 Liquid Fund	0.016648	0.014542
AH3 Eurobond Dollar Fund	0.013300	0.012331
AH4 Eurobond Euro Fund	0.014008	0.011993
AH5 Equity Fund	0.031443	0.029235
AH6 International Mixed Fund	0.013141	0.011234
AH8 Conservative Fund	0.018972	0.016678
AH9 Balanced Fund	0.021595	0.019314
AH0 Aggressive Fund	0.027059	0.022405
AG1 Bond Fund	0.017112	0.015093
AG2 Eurobond Fund	0.011319	0.010947
AG3 Equity Fund	0.018300	0.017483
AG4 Flexible Fund	0.016447	0.014149
HS1 Bill-Bond Fund	0.013271	0.011488
AHB White Equity (*)	0.011458	0.009836
ATK Orange Bond Fund	0.010190	-
ATE Orange Balanced Fund	0.010139	-

(\*) HS2 Mix Fund (Dollar) pension fund has been changed to AHB White Equity pension fund on 1 September 2006 according to Capital Markets Board of Turkey.

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

## 23. PARTICIPATION CERTIFICATES IN PORTFOLIO AND IN CIRCULATION

31 December 2006

Participation Certificates in Portfolio (EYF)	Number	Amount TRY
ATK Orange Bond Fund	1,808,203,348	18,425,59
ATE Orange Balanced Fund	7,706,309,899	78,134,28
AH1 Bond Fund	16,307,035,841,399	337,865,475,60
AH2 Liquid Fund	544,865,821,994	9,070,926,20
AH3 Eurobond Dollar Fund	488,189,107,360	6,492,915,13
AH4 Eurobond Euro Fund	588,867,638,026	8,248,857,87
AH5 Equity Fund	704,135,341,536	22,140,127,55
AH6 International Mixed Fund	175,340,907,646	2,304,154,87
AH8 Conservative Fund	732,668,904,758	13,900,194,46
AH9 Balanced Fund	3,534,479,648,380	76,327,088,01
AH0 Aggressive Fund	858,928,437,215	23,241,744,58
AG1 Bond Fund	398,446,541,687	6,818,217,22
AG2 Eurobond Fund	7,412,100,364	83,897,56
AG3 Equity Fund	17,387,007,233	318,182,23
AG4 Flexible Fund	541,413,069,485	8,904,620,75
HS1 Bill-Bond Fund	845,479,075,960	11,220,352,82
AHB White Equity (*)	51,168,918,940	586,293,47
ATK Orange Bond Fund	7,729,827,884	78,766,95
ATE Orange Balanced Fund	2,133,687,590	21,633,46

(\*) HS2 Mixed Fund (FC) investment fund has been converted to AHB White Equity investment fund as of September 1, 2006 by the permission of Capital Market Board dated June 21, 2006.

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

## 31 December 2005

Participation Certificates in Portfolio (EYF)	Number	Amount TRY
AG2 Eurobond Fund	5,417,807,416	59,308,74
HS1 Bill-Bond Fund	2,448,441,212	28,127,69
HS2 Mixed Fund (FC)	17,985,687,597	176,907,22

## Participation Certificates in Circulation (EYF)

AH1 Bond Fund	5,755,830,135,752	108,013,908,33
AH2 Liquid Fund	359,041,400,961	5,221,180,05
AH3 Eurobond Dollar Fund	193,515,815,623	2,386,243,52
AH4 Eurobond Euro Fund	240,303,797,224	2,881,963,44
AH5 Equity Fund	398,785,957,476	11,658,507,47
AH6 International Mixed Fund	101,564,136,001	1,140,971,50
AH8 Conservative Fund	348,255,355,256	5,808,202,81
AH9 Balanced Fund	1,169,389,611,478	22,585,590,96
AH10 Aggressive Fund	339,603,552,235	7,608,817,59
AG1 Bond Fund	208,927,109,163	3,153,336,86
AG2 Eurobond Fund	1,350,929,082	14,789,03
AG3 Equity Fund	6,437,031,732	112,538,63
AG4 Flexible Fund	277,153,814,733	3,921,449,32
HS1 Bill-Bond Fund	7,551,558,788	86,752,31
HS2 Mixed Fund (FC)	2,014,312,403	19,812,78

## 24. NUMBER AND PORTFOLIO AMOUNTS OF INCOMING, DIVERGENT, CANCELLED AND EXISTING INDIVIDUAL AND GROUP RETIREMENT PROVISIONS IN THE CURRENT PERIOD

31 December 2006	Individual		Group	
	Number	Portfolio Amount TRY	Number	Portfolio Amount TRY
Additions	95,074	226,135,414	13,452	13,834,675
Disposals	7,376	22,205,854	2,054	2,544,050
Cancellations	-	-	-	-
Closing	161,221	457,886,801	43,630	70,349,976

31 December 2005	Individual		Group	
	Number	Portfolio Amount TRY	Number	Portfolio Amount TRY
Additions	61,949	67,012,573	9,209	8,353,500
Disposals	2,776	3,924,790	414	579,052
Cancellations	-	-	-	-
Closing	91,044	153,144,432	14,735	21,468,783

Additions: The sum of the new contracts added in the period and their registered cumulative values as of the period end in addition with the number of the contract begins and finishes in the same period.

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

Disposals: The number of the finalized contracts during the period and their values at their disbursement dates.

Closing: The number of standing contracts and their values as of the period end.

As a result of the changes that are subjected to alteration about the insurances of the individuals and groups, some osmosises caused and observations continued from the portfolio values. Besides, in the case where these insurance contracts, which were in effect as of the previous balance sheet date, became passive as a result of a reversal of collection arose during the period, number and portfolio amounts are net off at the end of the period. Number and portfolio amounts of the group and individual retirement provisions as stated in note 24 reflect the current position as of the period-end.

## 25. COMPARISON OF BOOK VALUE – MARKET VALUE – COST OF MARKETABLE SECURITIES

31 December 2006

### Equity Participations

Listed:	Cost Value TRY	Market Value TRY	Book Value TRY
Yatırım Fin. Yat. Ort. A.Ş.	1,481,509	1,032,000	1,032,000
<b>TOTAL</b>	<b>1,481,509</b>	<b>1,032,000</b>	<b>1,032,000</b>

Unlisted	Cost Value TRY	Book Value TRY
Avea İletişim Hizmetleri A.Ş.	4,341,721	1,368,636
Bayek Ted. Sağ. Hizm. ve İşl. A.Ş.	8,387,733	7,021,123
Camiş Menkul Değerler A.Ş.	2,457	2,457
Çayırova Cam Sanayi A.Ş.	5,769	5,769
Çelikort A.Ş.	322,828	322,828
Çuk. İnş. Mak. A.Ş.	11,631	11,631
Çuk. Mak. İmalat A.Ş.	684	684
Emeklilik Göz. Merk. A.Ş.	263,224	263,224
İş Koray Tur. Orm. Maden. İnş. Taah. Tic. A.Ş.	7,500,000	4,934,492
İş Net E.B.Ü.D.T. ve İ. Hiz. A.Ş.	557,817	453,931
İş Portföy Yönetimi A.Ş.	2,762,193	2,762,193
Kastamonu Holding A.Ş.	70,149	70,149
Merkez Pazarlama A.Ş.	68,284	68,284
Paşabahçe Cam San. A.Ş.	57,116	57,116
Trakya Yat. Hold. A.Ş.	3,592	3,592
Türk Ytong San. A.Ş.	138,605	138,605
Vatan Konserve San. ve Tic. A.Ş.	1,245	1,245
Yatırım Finansman Menkul Değerler A.Ş.	343,624	343,624
<b>TOTAL</b>	<b>24,838,672</b>	<b>17,829,583</b>

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

## LONG TERM SECURITIES

Listed:	Cost Value TRY	Market Value TRY	Book Value TRY
İş GYO A.Ş.	37,226,563	67,551,204	67,551,204
TSKB A.Ş.	6,610,225	6,841,160	6,841,160
TSKB Yatır. Ort. A.Ş.	323,171	234,000	234,000
<b>TOTAL</b>	<b>44,159,959</b>	<b>74,626,364</b>	<b>74,626,364</b>

## MARKETABLE SECURITIES

### FINANCIAL INSTRUMENTS OF WHICH RISKS ARE ATTRIBUTABLE TO LIFE INSURANCE POLICY HOLDERS

	Cost Value TRY	Market Value TRY	Book Value TRY
<b>Available for Sale</b>			
Government Bond	994,083,272	1,104,295,704	1,104,295,704
Eurobond	109,762,165	114,762,484	114,762,484
Private sector bond	1,387,345	1,389,071	1,389,071
Securities held to maturity			
Government Bond	86,187,103	91,662,542	90,554,897
<b>TOTAL</b>	<b>1,191,419,885</b>	<b>1,312,109,801</b>	<b>1,311,002,156</b>

## ELEMENTARY PORTFOLIO

	Cost Value TRY	Market Value TRY	Book Value TRY
<b>Available for Sale</b>			
Government Bond	50,301,436	56,021,385	56,021,385
<b>TOTAL</b>	<b>50,301,436</b>	<b>56,021,385</b>	<b>56,021,385</b>

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

## FREE PORTFOLIO

	Cost Value TRY	Market Value TRY	Book Value TRY
<b>Held for Trading</b>			
Government Bond	54,097,902	55,686,974	55,686,974
Reverse Repo	1,358,552	1,360,476	1,360,476
Equity Shares	13,588,241	13,664,122	13,664,122
Individual Retirement Pension Fund	94,145	96,560	96,560
Investment Fund	2,199,955	2,204,614	2,204,614
Transactions in VOB	1,129,294	1,287,567	1,287,567
<b>TOTAL</b>	<b>72,468,089</b>	<b>74,300,313</b>	<b>74,300,313</b>

	Cost Value TRY	Market Value TRY	Book Value TRY
<b>Available for Sale</b>			
Government Bond	103,251,661	116,701,872	116,701,872
Equity Shares	1,679,448	2,696,243	2,696,243
<b>TOTAL</b>	<b>104,931,109</b>	<b>119,398,115</b>	<b>119,398,115</b>
<b>TOTAL FREE PORTFOLIO</b>	<b>177,399,198</b>	<b>193,698,428</b>	<b>193,698,428</b>

## 31 December 2005

## SUBSIDIARIES

Listed	Inflation Indexed Cost Value TRY	Cost Value TRY	Book Value TRY
Yatırım Fin. Yat. Ort. A.Ş.	881,509	1,092,000	1,092,000
<b>TOTAL</b>	<b>881,509</b>	<b>1,092,000</b>	<b>1,092,000</b>

Unlisted:	Cost Value TRY	Book Value TRY
TSKB Menk. Değ. A.Ş.	479,142	479,142
Kastamonu Holding A.Ş.	70,149	70,149
Bayek Ted. Sağ. Hizm. ve İşl. A.Ş.	8,387,733	8,387,733
İş Net E.B.Ü.D.T. ve İ. Hiz. A.Ş.	557,817	557,817
Trakya Yat. Hold. A.Ş.	3,592	3,592
İş Portföy Yönetimi A.Ş.	1,762,193	1,762,193
Emeklilik Göz. Merk. A.Ş.	263,224	263,224
Avea İletişim Hizmetleri A.Ş.	4,341,721	1,368,636
Camiş Menkul Değerler A.Ş.	2,457	2,457
Çayırova Cam Sanayi A.Ş.	5,769	5,769
Çelikort A.Ş.	322,828	322,828
Çuk. Mak. İmalat A.Ş.	684	684
Çuk. İnş. Mak. A.Ş.	11,631	11,631
Paşabahçe Cam San. A.Ş.	57,116	57,116
Vatan Konserve San. ve Tic. A.Ş.	1,245	1,245
Türk Ytong San. A.Ş.	138,604	138,604

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

Merkez Pazarlama A.Ş.	68,284	68,284
İş Koray Tur.Orm. Maden. İnş. Tah. Tic. A.Ş.	7,500,000	7,500,000
<b>TOTAL</b>	<b>23,974,189</b>	<b>21,001,104</b>

## LONG TERM SECURITIES

Listed	Inflation Indexed Cost Value TRY	Cost Value TRY	Book Value TRY
TSKB Yatır. Ort. A.Ş.	155,771	391,200	391,200
İş Gayr. Yat. Ort. A.Ş.	37,226,563	68,958,520	68,958,520
Soda Sanayi A.Ş.	37,352	41,474	41,474
TSKB A.Ş.	6,100,512	8,159,508	8,159,508
<b>Total</b>	<b>43,520,198</b>	<b>77,550,702</b>	<b>77,550,702</b>

## MARKETABLE SECURITIES (RISKS ATTRIBUTABLE TO LIFE INSURANCE POLICY HOLDERS)

	Cost Value TRY	Market Value TRY	Book Value TRY
<b>Held for Trading</b>			
Investment Fund	43,410,271	61,782,173	61,782,173
<b>Available for Sale</b>			
Government Bond	1,065,397,788	1,165,917,752	1,165,917,752
Eurobond	86,035,007	83,641,593	83,641,593
Private Sector Bond	1,387,345	1,325,285	1,325,285
<b>Held to Maturity</b>			
Government Bond	97,955,859	114,477,241	105,924,725
<b>TOTAL</b>	<b>1,294,186,270</b>	<b>1,427,144,044</b>	<b>1,418,591,528</b>

## MARKETABLE SECURITIES (ELEMENTARY PORTFOLIO)

	Cost Value TRY	Market Value TRY	Book Value TRY
<b>Available for Sale</b>			
Government Bond	33,962,428	41,181,423	41,181,423
<b>TOTAL</b>	<b>33,962,428</b>	<b>41,181,423</b>	<b>41,181,423</b>

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

## MARKETABLE SECURITIES (FREE PORTFOLIO)

	Cost Value TRY	Market Value TRY	Book Value TRY
<b>Held for Trading</b>			
Treasury Bill	860,920	875,328	875,328
Government Bond	64,357,645	71,404,765	71,404,765
Reverse Repurchase Agreements	1,881,680	1,883,278	1,883,278
Equity Shares	10,857,380	12,792,717	12,792,717
Individual Retirement Pension Fund	270,126	264,345	264,345
Investment Fund	1,949,970	1,951,249	1,951,249
<b>Total</b>	<b>80,177,721</b>	<b>89,171,682</b>	<b>89,171,682</b>
<b>Available for Sale</b>			
Government Bond	64,626,518	75,863,385	75,863,385
Equity Shares	1,644,832	2,477,589	2,477,589
<b>Total</b>	<b>66,271,350</b>	<b>78,340,974</b>	<b>78,340,974</b>
<b>TOTAL</b>	<b>146,449,071</b>	<b>167,512,656</b>	<b>167,512,656</b>

## 26. SECURITIES ISSUED BY SHAREHOLDERS, AFFILIATES AND SUBSIDIARIES RECORDED IN MARKETABLE SECURITIES OR LONG TERM SECURITIES

As the date of balance sheet, there are no securities issued by shareholders, affiliates and subsidiaries, which are recorded in marketable securities or long term securities.

## 27. 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:

Current Receivables- Other Receivables	31 December 2006 TRY	31 December 2005 TRY
Disputed income tax of insured persons	13,329,318	22,041,802
Other	1,922,012	1,142,660
<b>Total</b>	<b>15,251,330</b>	<b>23,184,462</b>

Short Term Liabilities – Other Liabilities	31 December 2006 TRY	31 December 2005 TRY
Disputed income tax of insured persons	13,329,318	22,041,802
Payables Current Account	1,209,796	3,453,390
Other	3,612,059	6,714,574
<b>Total</b>	<b>18,151,173</b>	<b>32,209,766</b>

## Short Term Liabilities – Other Short Term Liabilities

In the report based on the examination made by Tax Inspectors Board of Republic of Turkey Ministry of Finance on Corporate Tax Declaration for the year 2001, it is stated to be a wrong application that

## Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

withholding tax, based on the mathematical provisions (Insuree Funds) and gains on assets purchased, is deducted from corporate tax base; and that the corporate tax paid for the year 2001 was deficient amounting TRY 1,494,592. As a result of the application to compromise on this matter, the meeting to compromise is decided to be made on 13 March 2007. A provision amounting TRY 1,494,592 has been provided in the accompanying financial statements related to this matter.

### **28. RECEIVABLE FROM AND PAYABLE TO PERSONNEL EXCEEDING 1% OF TOTAL ASSETS 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.

### **29. DOUBTFUL RECEIVABLES FROM SHAREHOLDERS, AFFILIATES OR SUBSIDIARIES**

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

### **30. DOUBTFUL RECEIVABLES FOR MATURED AND UNMATURED RECEIVABLES**

Company provides doubtful receivable provision for receivables that are under legal follow-up. As of the balance sheet date, the Company, after netting off guarantees received, provided provision amounting to TRY 87,506.

The Company recorded no provision for premium receivables aged more than two months.

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

## 31. EQUITY INVESTMENTS

31 December 2006

	Book Value	Equity Share	Financial Statement Date	Period Profit/(Loss) before tax (TRY)	Net Period Profit/(Loss) (TRY)	Financial Statement Standard	Independent Auditor's Opinion
	TRY	%	Date	(TRY)	(TRY)		
<b>Equity Participations:</b>							
Yatırım Finansman Menkul Değerler A.Ş.	343,624	0.68	31/12/2006	6,152,169	4,911,000	CMB XI-25	Unqualified
Yatırım Finansman Yatırım Ortaklığı A.Ş.	1,032,000	12.00	31/12/2006	173,719	173,719	CMB XI-25	Unqualified
Bayek Tedavi Sağlık Hizm. ve İşl. A.Ş.***	7,021,123	9.94	31/12/2006	(5,637,298)	(5,637,298)	TTK	*
Trakya Yatırım Holding A.Ş.	3,592	0.0007	30/09/2006	72,429	60,570	TTK	*
Emeklilik Gözetim Merkezi A.Ş.	263,224	9.09	30/09/2006	268,616	206,895	TTK	*
İş Portföy Yönetimi A.Ş.	2,762,193	20.00	30/09/2006	5,878,692	4,725,949	CMB XI-25	*
AVEA İletişim Hizmetleri A.Ş.****	1,368,636	0.03	**	**	**	**	**
İş Net E.B.Ü.D.T. ve İ. Hiz. A.Ş.*****	453,931	2.00	30/09/2006	(881,966)	(881,966)	TTK	*
İş Koray Turizm Ormançılık							
Madencilik İnş. Taah. ve Tic. A.Ş.*****	4,934,492	18.01	30/09/2006	(5,297,787)	(5,297,787)	TTK*	
Other	678,768						
<b>Total</b>	<b>18,861,583</b>						

(\*) Unaudited.

(\*\*) 31 December 2005 financial statements are not available.

(\*\*\*) At 31 December 2006 dated financial statements, TRY 1,366,610 provision is booked.

(\*\*\*\*) At 31 December 2006 dated financial statements, TRY 2,973,085 provision is booked.

(\*\*\*\*\*) At 31 December 2006 dated financial statements, TRY 103,886 provision is booked.

(\*\*\*\*\*\*) At 31 December 2006 dated financial statements, TRY 2,565,508 provision is booked

	Book Value	Equity Share	Financial Statement Date	Period Profit/(Loss) before tax (TRY)	Net Period Profit/(Loss) (TRY)	Financial Statement Standard	Independent Auditor's Opinion
	TRY	%	Date	(TRY)	(TRY)		
<b>Long Term Securities</b>							
İş GYO A.Ş.	67,551,204	7.11	31/12/2006	48,831,405	48,750,382	CMB XI-25	Unqualified
TSKB Yatırım Ortaklığı A.Ş.	234,000	1.73	31/12/2006	(54,214)	(54,214)	CMB XI-25	Unqualified
TSKB A.Ş.	6,841,160	0.89	31/12/2006	129,948,000	106,402,000	BRSA	Unqualified
<b>Total</b>	<b>74,626,364</b>						

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

31 December 2005

	Book Value	Equity Share	Financial Statement Date	Period Profit/ (Loss) before tax (TRY)	Net Period Profit/(Loss) (TRY)	Financial Statement Standard	Independent Auditor's Opinion
	TRY	%	Date	(TRY)	(TRY)		
<b>Equity Participations:</b>							
Independent Auditor's Opinion							
TSKB Menkul Değerler A.Ş.	479,142	6.56	31/12/2005	1,393,390	1,069,997	IFRS	Unqualified
Yatırım Finansman Yatırım Ortaklığı A.Ş.	1,092,000	12.00	31/12/2005	1,588,992	1,588,992	IFRS	Unqualified
Bayek Tedavi Sağlık Hizm. ve İşl. A.Ş.	8,387,733	9.94	30/09/2005	(3,480,216)	(3,480,216)	TTK	*
Trakya Yatırım Holding A.Ş.	3,592	0.0007	31/12/2005	186,960	130,766	TTK	*
Emeklilik Gözetim Merkezi A.Ş.	263,224	9.09	31/12/2005	380,759	302,860	TTK	*
İş Portföy Yönetimi A.Ş.	1,762,193	20.00	31/12/2005	7,188,096	5,092,366	CMB XI-25	Unqualified
AVEA İletişim Hizmetleri A.Ş.	1,368,636	0.03	**	**	**	**	**
İş Net E.B.Ü.D.T. ve İ. Hiz. A.Ş.	557,817	2.00	30/09/2005	(2,426,122)	(2,426,122)	TTK	*
İş Koray Turizm Ormancılık Madencilik İnş. Taah. ve Tic. A.Ş.	7,500,000	18.01	30/09/2005	(7,831,227)	(7,831,227)	TTK	*
Other	678,767						
<b>Total</b>	<b>22,093,104</b>						

(\*) Unaudited.

(\*\*) Financial statements dated 31.12.2005 can not be obtained.

	Book Value	Equity Share	Financial Statement Date	Period Profit/ (Loss) before tax (TRY)	Net Period Profit/(Loss) (TRY)	Financial Statement Standard	Independent Auditor's Opinion
	TRY	%	Date	(TRY)	(TRY)		
<b>Long Term Securities</b>							
İş Gayrimenkul Yat. Ort. A.Ş.	68,958,520	7.11	31/12/2005	34,105,056	34,094,657	IFRS	Unqualified
TSKB Yatırım Ortaklığı A.Ş.	391,200	2.00	31/12/2005	5,294,291	5,294,291	IFRS	Unqualified
T. Sınai Kalkınma Bank. A.Ş.	8,159,508	0.89	31/12/2005	125,515,000	100,025,000	BDDK	Unqualified
Soda Sanayi A.Ş.	41,474	0.01	30/09/2005	7,591,554	6,420,931	IFRS	*
<b>Total</b>	<b>77,550,702</b>						

\* Unaudited as of 30 September 2005.

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

## 32. BONUS SHARES OBTAINED FROM AFFILIATES AND SUBSIDIARIES DUE TO CAPITAL INCREASE FROM OWN RESOURCES

### 31 December 2006

The number of free charged shares because of the capital increase in the current year

Company Name	TRY
TSKB A.Ş.	509,713
TSKB Yat. Ort. A.Ş.	72,000
İş Portföy Yönetimi A.Ş.	1,000,000
<b>Total</b>	<b>1,581,713</b>

### 31 December 2005

The number of free charged shares because of the capital increase in the prior year

Company Name	TRY
İş Portföy Yönetimi A.Ş.	1,400,000
TSKB A.Ş.	512,196
TSKB Yat. Ort. A.Ş.	30,000
Çelikort A.Ş.	6,324
<b>Total</b>	<b>1,948,520</b>

## 33. NON-CASH RIGHTS ON IMMOVABLES

There are no non-cash rights on immovable.

## 34. INCREASE IN VALUE OF FINANCIAL ASSETS DURING THE LAST THREE YEARS

	31 December 2006 TRY	31 December 2005 TRY
Financial Assets Available for Sale	20,186,955	19,288,619
Financial Assets Held for Trading	1,832,224	8,993,961
Financial Instruments of Which Risks are Attributable to Life Insurance Policy Holders	119,582,270	124,405,258
Long Term Securities	30,466,404	34,030,504
Subsidiaries	(449,509)	210,491
<b>Total</b>	<b>171,615,344</b>	<b>186,928,833</b>

Only the last two years' value increase is reflected on the above table since the accounting for the financial instruments started on 1 January 2005.

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

## 35. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

### 31 December 2006

Foreign Currency Receivables	FC Amount	Rate (CB Effective Bid)	Amount (TRY)
Banks (FC):			
USD	51,340	1.40560	72,164
CHF	12,726	1.15030	14,638
EURO	61,622	1.85150	114,093
GBP	13,693	2.75690	37,750
<b>Total</b>			<b>238,645</b>

There are no foreign currency payables.

### 31 December 2005

Foreign Currency Receivables	FC Amount	Rate (CB Effective Bid)	Amount (TRY)
Banks (FC):			
USD	472,982	1.34180	634,647
CHF	85,463	1.01880	87,070
EURO	901,497	1.58750	1,431,126
GBP	217,159	2.31210	502,093
<b>Total</b>			<b>2,654,936</b>

There are no foreign currency payables.

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

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

## 37. AVERAGE PERSONNEL NUMBER THROUGH THE YEAR

	31 December 2006 Number	31 December 2005 Number
Senior Managers	7	6
Managers	53	54
Officers	187	165
Contractual Personnel	6	6
Other	20	21
<b>Total</b>	<b>273</b>	<b>252</b>

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Balance Sheet for the Year Ended 31 December 2006

## 38. VALUATION METHOD USED TO CALCULATE SHARE OF PROFIT FOR LIFE INSURANCES WITH SHARE OF PROFIT

Financial instruments are classified as ready for sale instruments, held to maturities and buying selling instruments.

These instruments are valued according to the 11th footnote written above. According to these financial basis, valuation differences that are written under the balance sheet and the income statement are considered under the valuation difference accounts.

## 39. REASON FOR CONTRACTING LONG-TERM AND SHORT-TERM BORROWING

There are no long-term and short-term borrowings in the current period.

## 40. OTHER SIGNIFICANT MATTERS MATERIALLY AFFECTING THE FINANCIAL STATEMENTS

### 31 December 2006

a) In accordance with the decision of the board of directors meeting held on 27 March 2006, the Company decided to net-off TRY 5,013,899 of previous years' losses arised due to the inflation adjustments as of 2005 year end, with the inflation adjustment on share capital.

b) Confirmations of reinsurer accounts can be completed in 2-3 months for quarter terms due to reinsurer transactions process in insurance sector. The confirmation of Company's reinsurer accounts has been completed for the term of the third quarter of year and no significant discrepancy has been determined. Therefore, reinsurer confirmation realized during the fourth quarter of the year ended 31 December 2006 will be completed after reconciliation with the third parties.

c) Since the insurance technical provisions can not be decomposed according to their maturities, for precautionary reasons they are classified as short term liabilities.

### 31 December 2005

a) In accordance with the decision of the board of directors meeting held on 29 March 2005, the Company decided to net-off TRY 71,473,181 of previous years' losses arised due to the inflation adjustments as of 2003 year end, with the inflation adjustment on share capital.

b) Confirmations of reinsurer accounts can be completed in 2-3 months for quarter terms due to reinsurer transactions process in insurance sector. The confirmation of Company's reinsurer accounts has been completed for the term of the third quarter of year and no significant discrepancy has been determined. Therefore, reinsurer confirmation realized during the fourth quarter of the year ended 31 December 2005 will be completed after reconciliation with the third parties.

c) Since the insurance technical provisions can not be decomposed according to their maturities, for precautionary reasons they are classified as short term liabilities.

## 41. RECOURSE RECEIVABLES FOLLOWED IN OFF BALANCE-SHEET ITEMS

None.

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Income Statement for the Year Ended 31 December 2006

## 1. All depreciation and amortization expenses of the current and prior period;

	1 January 2006- 31 December 2006 TRY	1 January 2005- 31 December 2005 TRY
a) Depreciation Expense	1,390,637	1,399,273
i. Normal Depreciation Expense	1,390,637	1,399,273
ii. Depreciation expenses due to revaluation	-	-
b) Amortization Expense	339,397	264,154
<b>Total</b>	<b>1,730,034</b>	<b>1,663,427</b>

## 2. Accrual and provision expenses for the year:

	1 January 2006- 31 December 2006 TRY	1 January 2005- 31 December 2005 TRY
Provision for diminution in value of participations	4,036,004	2,973,085
Provision reversed	(1,551,283)	(1,032,949)
Retirement pay provision	631,617	579,683
Other provisions	1,689,448	-
<b>Total provisions</b>	<b>4,805,786</b>	<b>2,519,819</b>
Tax provision expense	5,567,714	17,408,899
Provisions for unearned premiums	5,971,017	5,028,104
Provisions for outstanding claims	2,510,001	2,516,135
Life mathematical provisions	1,303,431,140	1,400,149,778
<b>Total</b>	<b>1,322,285,659</b>	<b>1,427,622,735</b>

## 3. Financing costs of the period:

None.

## 4. No portion of period's financing costs is related with shareholders, affiliates and subsidiaries.

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Income Statement for the Year Ended 31 December 2006

## 5. Transactions with shareholders, affiliates and subsidiaries in the current period:

### 1 January 2006 – 31 December 2006

	Premiums Received TRY	Premiums Paid TRY
<b>Shareholders</b>		
Anadolu Anonim Türk Sigorta Şti.	99,241	78,352
İş Net E.B.Ü.D. Tic. ve İlet. Hizm. A.Ş.	46,433	-
TSKB A.Ş.	23,170	-
<b>Total</b>	<b>168,844</b>	<b>78,352</b>

### 1 January 2005 – 31 December 2005

	Premiums Received TRY	Premiums Paid TRY
<b>Shareholders</b>		
İş Net E.B.Ü.D. Tic. ve İlet. Hizm. A.Ş.	46,654	-
Anadolu Anonim Türk Sigorta Şirketi	10,423	94,610
TSKB A.Ş.	66,464	-
<b>Total</b>	<b>123,541</b>	<b>94,610</b>

## 6. Rent, interest and similar other income or expense in the current period relating the shareholders, affiliates or subsidiaries:

	1 January 2006- 31 December 2006 TRY	1 January 2005- 31 December 2005 TRY
T. İş Bankası A.Ş. (Shareholder) (Commission expense paid for policy production)	9,917,754	5,352,995
T. İş Bankası A.Ş. (Shareholder) (Commission expenses paid for banking services)	2,903,579	2,710,880
İş GYO A.Ş. (Subsidiary) (Rent Payment)	1,825,824	1,725,168
İş Portföy Yönetimi A.Ş. (Affiliate) (Fund management commission expense)	2,394,875	1,194,503

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Income Statement for the Year Ended 31 December 2006

7. The total of salary and fringe benefits provided during the current period and prior period for the executives as follows:

	1 January 2006- 31 December 2006 TRY	1 January 2005- 31 December 2005 TRY
	1,970,805	1,646,070

8. Depreciations are calculated according to the partial method for all monetary and non monetary items over the restated values of all monetary items.

9. Criteria for the distribution of operational expenses:

The general administration, research and development, marketing, sales advertisement expenses are allocated to related branches, if practical. If the Company cannot determine the allocation of the expenses, they are allocated according to their quantity of life insurances and the quantity of individual retirement accounts.

10. Profit and loss & income and expenses in the previous period:

None.

11. Earnings per share as of the report date is as follows:

	1 January 2006- 31 December 2006 TRY	1 January 2005- 31 December 2005 TRY
Period Profit	30,853,148	58,440,307
Corporate Tax Provision (-)	(5,567,714)	(17,408,899)
Profit After Tax	25,285,434	41,031,408
Earnings Per Share	0.14	0.27

12. Distribution of new individual retirement participants and gross & net participation shares for individual and corporate clients in the current period:

1 January 2006 – 31 December 2006

	Unit	Participation Share (Gross) TRY	Participation Share (Net) TRY
Individual	95,074	229,306,817	226,920,778
Corporate	13,452	14,446,872	14,328,509
Total	108,526	243,753,689	241,249,287

The units of new agreements made in the current period, the agreements that has started and ended in the current period and the participation shares paid in the current period for those agreements and the portion of these participation shares that are used in investing activities are stated. The amounts that

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Income Statement for the Year Ended 31 December 2006

are collected by credit cards and which are not yet used in investing activities are also included into total of gross and net participation shares (into amount of portfolio in 24 numbered balance sheet foot note)

## 1 January 2005 – 31 December 2005

	Unit	Participation Share (Gross) TRY	Participation Share (Net) TRY
Individual	61,949	69,540,163	68,380,806
Corporate	9,209	8,091,024	8,031,978
<b>Total</b>	<b>71,158</b>	<b>77,631,187</b>	<b>76,412,784</b>

## 13. Distribution of new individual retirement participants and gross & net participation shares for individual and corporate clients that came from another insurance company in the current period:

### 1 January 2006 – 31 December 2006

	Unit	Participation Share (Gross) TRY	Participation Share (Net) TRY
Individual	1,471	6,280,073	6,280,073
Corporate	392	1,478,009	1,478,009
<b>Total</b>	<b>1,863</b>	<b>7,758,082</b>	<b>7,758,082</b>

### 1 January 2005 – 31 December 2005

	Unit	Participation Share (Gross) TRY	Participation Share (Net) TRY
Individual	336	1,064,486	1,254,375
Corporate	126	428,260	427,800
<b>Total</b>	<b>462</b>	<b>1,492,746</b>	<b>1,682,175</b>

## 14. Distribution of new individual retirement participants and gross & net participation shares for individual and corporate clients that were transferred from life insurance portfolio in the current period:

### 1 January 2006 – 31 December 2006

	Unit	Participation Share (Gross) TRY	Participation Share (Net) TRY
Individual	14,294	151,916,460	151,916,460
Corporate	58	1,148,610	1,148,610
<b>Total</b>	<b>14,352</b>	<b>153,065,070</b>	<b>153,065,070</b>

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Income Statement for the Year Ended 31 December 2006

## 1 January 2005 – 31 December 2005

	Unit	Participation Share (Gross) TRY	Participation Share (Net) TRY
Individual	3,640	36,300,909	36,300,826
Corporate	34	342,448	342,359
<b>Total</b>	<b>3,674</b>	<b>36,643,357</b>	<b>36,643,185</b>

15. Distribution of individual retirement participants and gross & net participation shares for individual and corporate clients that were left the Company or transferred to another insurance company in the current period:

## 1 January 2006 – 31 December 2006

Divergent	Unit	Participation Share (Gross) TRY	Participation Share (Net) TRY
Individual	7,376	22,205,855	17,879,393
Corporate	2,054	2,544,050	1,769,157
<b>Total</b>	<b>9,430</b>	<b>24,749,905</b>	<b>19,648,550</b>

Units: Units of participants that left the Company between 01 January 2006-31 December 2006.

Participation Share (Gross): Sales of the funds amount after the divergence.

Participation Share (Net): The remaining amount paid to the participant after certain features (entrance fee and withholding) are deducted from the Gross Amount.

## 1 January 2005 – 31 December 2005

Divergent	Unit	Participation Share (Gross) TRY	Participation Share (Net) TRY
Individual	2,776	3,924,329	2,826,713
Corporate	414	563,187	428,458
<b>Total</b>	<b>3,190</b>	<b>4,487,516</b>	<b>3,255,171</b>

16. Distribution of new life insurance policyholders in terms of numbers and gross & net premium as individual or group in the current period:

## 1 January 2006 – 31 December 2006

Units	Net Premium	TRY
Individual	498,452	130,047,119
Group	49,268	5,956,741
<b>Total</b>	<b>547,720</b>	<b>136,003,860</b>

# Anadolu Hayat Emeklilik A.Ş.

Notes to the Income Statement for the Year Ended 31 December 2006

## 1 January 2005 – 31 December 2005

Units	Net Premium	TRY
Individual	303,473	27,538,510
Group	47,532	3,435,408
<b>Total</b>	<b>351,005</b>	<b>30,973,918</b>

Units and amounts of "Income Policies" are excluded from the information above of 1 January 2005- 31 December 2005 period.

## 17. Distribution of mathematical reserves for life insurance policyholders which left the Company as individual or group in the current period:

### 1 January 2006 – 31 December 2006

Units	Mathematical Reserves	TRY
Individual	403,439	473,802,820
Group	15,507	7,923,846
<b>Total</b>	<b>418,946</b>	<b>481,726,666</b>

### 1 January 2005 – 31 December 2005

Units	Mathematical Reserves	TRY
Individual	323,662	359,008,235
Group	11,548	4,935,981
<b>Total</b>	<b>335,210</b>	<b>363,944,216</b>

## 18. Share profit distribution rate for life insurance policyholders is as follows in the current period:

Life Insurance	1 January 2006- 31 December 2006 Share Profit Distribution Rate (%)	1 January 2005- 31 December 2005 Share Profit Distribution Rate (%)
TRY (Life Insurance)	16.33	22.99
TRY (Income Policies)	16.19	20.13
USD (Life Insurance)	8.80	9.29
USD (Income Policies)	8.74	9.29
EURO (Life Insurance)	6.59	7.69
EURO (Income Policies)	6.49	7.69
GBP (Life Insurance)	8.16	9.28
GBP (Income Policies)	8.10	9.28

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Fomara Meydanı Mantıcı Cad. No: 21  
Ayıtı Plaza Kat: 1 Bursa  
Phone: (90 224) 223 71 35 / 223 73 57  
Fax: (90 224) 223 75 08

**Aegean District Office**

Atatürk Caddesi No: 92 Kat: 3  
35210 Konak-İzmir  
Phone: (90 232) 441 23 43  
Fax: (90 232) 441 82 92

**TRNC Branch Office**

Osmanpaşa Caddesi Yağcıoğlu İşhanı No: 7/3  
Köşklüçiftlik-Lefkoşa K.K.T.C.  
Phone: (90 392) 227 01 27 / 227 04 08-09  
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