

## 2003/06 Aksigorta Results Prepared in Accordance with IAS

On an inflation-adjusted basis pursuant to IAS, Aksigorta's net premium revenue reached TL 60,162 billion, and net income became TL 40,267 billion in the first half of 2003. Considering the technical income, a new system has been used in the calculation of reserves for unearned premiums since the beginning of 2003. Unearned premium reserves set aside for unexpired risks has been computed on daily pro-rata basis for the policies issued after January 1, 2003 and constant ratio method (25% for marine, 33.5% for the rest) for the policies issued before January 1, 2003.

### General Overview

Established in 1960 in İstanbul, Aksigorta is one of the leading companies in non-life insurance sector in Turkey with 9.9% market share at 2Q03 compared with 9.5 % at 2Q02 and 8.8% at YE02. The Company is the largest Turkish non-life insurance company based on equity as of the end of 2002. Certain shares of the Company are listed on the İstanbul Stock Exchange (ISE) since 1994. As of June 30, 2003, 42.6% of the Company's shares are traded at ISE. The Company has a wide network of distribution channels composed of 1,513 agents, of which 903 are independent and 610 are Akbank branch offices.

#### ▪ Financial Review

- The financial statements as of and for the year ended December 31, 2002 have been restated to conform to the application of International Financial Reporting Standard IAS 39 - Recognition and Measurement. The impact of arrangement related with unrealized gain (loss) as of December 31, 2002 amounting to TL 80,6 trillion has been recognized as a separate component of equity.
- According to the 2Q03 IAS results, net premium written has reached to TL 62,195 billion by an increase of 14.2% compared to the figures at 2Q02, and with the inclusion of net unearned premium, net premium revenue has become TL 60,162 billion.
- General and administrative expenses have been kept at almost the same level compared to the previous year thanks to a decrease in IT infrastructure needs and recruitment rate.
- The dividend income from the participations was TL 0.5 billion in 2002 when Akbank did not distribute any dividends, whereas it has reached to TL 40,891 billion in 2003 mainly due to the Akbank shares.
- Net income has reached to TL 40,267 billion as of June 30, 2003, by an increase of 172.5% from TL 14,778 billion at 2Q02.

#### ▪ Recent Developments & Ongoing Projects

In the framework of "Corporate Restructuring Project" being in operation since the beginning of 2003, marketing activities has been divided into "Commercial and Retail Clients" and "Corporate and Special Clients" sections while Claims and Collection departments were restructured to provide better and customer-focused service.

Company web-site, restructured and enriched with various tools, and the "Call Center" became operational in the second half of 2002. In the first half of 2003, these alternative distribution channels has proved their efficiency and quality in providing various services ranging from having quotations of various products to inquiring about loss file details and payment history.

Aksigorta and Akbank's joint project "Bank-Assurance" aims to increase share of the Akbank branches in total premium production through increasing the number of policies in the individual customer market, being a more profitable line. Four new products in fire and accident insurance branches have been launched in addition to the existing ones that are easy-to-sell and easy-to-write. All products are currently being utilised in all Akbank branch offices connected on-line to Aksigorta's headquarter.

Aksigorta also improves the existing conventional agent channel through bonus plans with predetermined objectives and by increasing the number of independent agents. With the recently introduced agent rating system, Aksigorta has started to reevaluate the agents in terms of many criteria including premium production, branch composition, collection abilities, technical profitability, loyalty, and realization of targets etc.

**BALANCE SHEET**

As at June 30, 2003

(Currency - In billions of Turkish Lira (TL) in equivalent purchasing power at June 30, 2003)

**ASSETS**

	June 30, 2003	Restated December 31, 2002
Cash and cash equivalents	39,939	55,872
Investments in securities	500,240	513,863
Premium receivables	104,043	89,704
Prepayments and other current assets	7,045	198
Investment in associate	7,996	5,335
Premises and equipment	38,929	39,474
Deferred tax assets		3,459
<b>Total Assets</b>	<b>698,192</b>	<b>707,906</b>

**LIABILITIES and EQUITY**

Due to insurance and reinsurance companies	21,720	18,438
Insurance technical reserves	95,802	91,168
Income taxes payable		5,352
Other payables and accrued liabilities	5,568	2,705
Provision for employee termination benefits	1,775	1,830
Deferred tax liabilities	702	
<b>Total Liabilities</b>	<b>125,567</b>	<b>119,493</b>
<b>Equity</b>		
Share Capital	178,981	178,981
Legal reserves and accumulated profits	355,251	328,850
Unrealized gain	38,393	80,583
<b>Total Equity</b>	<b>572,625</b>	<b>588,413</b>
<b>Total liabilities and equity</b>	<b>698,192</b>	<b>707,906</b>

**INCOME STATEMENT**

For the Period Ended June 30, 2003

(Currency - In billions of Turkish Lira (TL) in equivalent purchasing power at June 30, 2003)

	<b>June 30, 2003</b>	Restated June 30, 2002
<b>Income :</b>		
Net premium revenue	<b>60,162</b>	65,546
Commission income	<b>21,232</b>	24,918
Interest income - life	<b>7,346</b>	8,461
Interest income - general business	<b>12,235</b>	25,973
Dividend income	<b>40,891</b>	509
Foreign exchange gain, net	<b>699</b>	
Other income	<b>1,317</b>	
<b>Total Income</b>	<b>143,882</b>	125,407
<b>Expenses :</b>		
Net claims	<b>-42,772</b>	-35,873
Mathematical provision, net	<b>-1,534</b>	-3,188
Commission expense	<b>-20,061</b>	-19,150
Administrative and other expenses	<b>-9,699</b>	-11,087
Foreign exchange loss, net		-698
Other expenses	<b>-8,296</b>	-1,535
<b>Total expenses</b>	<b>-82,363</b>	-71,530
<b>Income before provision for taxes and monetary loss</b>	<b>61,519</b>	<b>53,877</b>
Provision for taxes	<b>-5,092</b>	-10,843
<b>Total liabilities and equity</b>	<b>56,427</b>	<b>43,035</b>
Monetary loss	<b>-16,161</b>	-28,257
<b>Net income</b>	<b>40,267</b>	<b>14,778</b>