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İş Investment has successfully completed its second year of operations as an independent entity in the Turkish financial and capital markets. Historically, this Company should be viewed as a restructuring since our foundations come from the first Capital Markets Department established in 1974 under the roof of İşbank, the

largest private bank in Turkey. Yet, the stand-alone strength and drive of İş Investment is obvious, while the advantages of our parentage and ties to İşbank lend power and scope to our endeavors. In June 1998, the initial paid-in capital of the Company was increased by 150% to TL 1.25 trillion, enabling us to expand activities, accessing and serving a broader, more diversified client base.

This has been a year of important investments for İş Investment. In order to upgrade the efficiency and the quality of our equity trading activities, in cooperation with İşbank, all orders received from clients via ATMs, interactive telephone networks or through Internet, are routed directly to İş Investment's order processing room. This allows us to execute all client orders

immediately during an ongoing trading session so that clients may have almost concurrent feedback as to the results of the transaction.

İş Investment was one of the architects of the highly successful public offering of the Turkish Treasury's İşbank shares in April 1998. These shares, amounting to 12.3% of the total shares of İşbank, were successfully sold for US\$ 650 million to both domestic and international investors in record time. Domestically, this was the largest Turkish based privatization and public offering ever achieved. On the global side, this transaction was one of the most important public offerings among all other emerging markets. İş Investment achieved the largest sale by placing 72% of the total domestic offering from among 28 brokerage houses that took part in this historic event.

Another of our accomplishments in 1998 was our admission in a consortium as an advisor to the Republic of Turkey for the privatization of Türk Telekom, jointly with prominent international investment banks: Merrill Lynch and ABN Amro-Rothschild. The project, which is expected to be developed to its final stages in 1999, will be another massive privatization and public offering coming from an emerging market. İş Investment is proud to put its endorsement on projects such as this together with

# a dedicated professionals.

world renowned investment banks. The presence of our name on such transactions has become a strong reference point for all related parties.

İş Investment manages a fund portfolio that is made up of close to 30% of all mutual funds in Turkey with a total net asset value of US\$ 350 million, as of December 1998. This is the largest portfolio ever managed by a Turkish financial institution.

A new Internet website has been established that contains all relevant information regarding services offered by İş Investment, as well as daily, weekly and monthly overviews and research reports pertinent to the ISE's performance, along with the latest updates on the Turkish economy.

The performance of the capital markets, domestically and internationally, has been inconsistent throughout 1998. Looking back on major international developments in 1998, it is easy to see the negative events that affected global and Turkish economies. The financial crisis that shook Russia in August 1998 has also negatively impacted on the ISE. Initially, as a result of this crisis, fluctuations both in the price and trading volume of ISE stocks occurred, followed by a sharp decline in the prices of quoted stocks by almost 50% in US dollar terms. Interest rates for T-bills followed a volatile course throughout the year but

even during these turbulent times the performance of İş Investment continued to improve such that total income increased to TL 3.7 trillion up from TL 1.8 trillion in 1997, representing an increase of 112%. Interest income also increased by 217% to TL 2.4 trillion.

In 1998, two new branches in Ankara and İzmir were opened to match growing business volume.

Although 1998 has been a rather turbulent year, İş Investment has been remarkably successful. This success was not achieved with ease but by hard work and dedication. For this reason I would like to take this opportunity to thank to our parent, İşbank for its consistent support at all times. Also, my special thanks go to our dedicated and loyal staff for the long hours they put in during this difficult period. With such efforts, it is no wonder that 1998 has become a milestone of success for our Company.

My special appreciation also goes to our customers and business partners.



Caner Çimenbiçer  
Chairman