

İş Investment co-managed Turkish Eurobond issue



İş Investment was the co-manager for the Turkish Eurobond issue on September 17, 2003, reaffirming its sound position in international capital markets and its extensive portfolio of local and international investors. This was the first time a domestic brokerage house took part in a global Turkish Eurobond issue.

►► Yusuf Ziya Toprak Chairman

At the onset of 2003, the uncertainty of a possible war in Iraq escalated concern about the future of global capital markets. However, with the military intervention lasting much shorter than anticipated, the strain on the markets eased and transaction volume returned to normal.

Aiming to soothe economic recession, developed countries continued to cut interest rates, which attracted many international investors to commodity markets and emerging country securities with higher returns. As a matter of record, in September, the Turkish Eurobond issue drew a great deal of interest and an unexpected level of international demand.

Persisting uncertainties prevented a rally in the Stock Exchange Index during the first six months of the year. However, as of the second half of the year, capital started pouring into the Stock Market. Public offerings became more attractive into 2004 - thanks to growing demand.

Regarding corporate finance, we continued to prepare for potential public offering projects in 2004 while also focusing on consultation. In 2003, we provided consultation services to the Privatization Administration for seven projects, one of which was initiated in 2003; the other six continued from 2002. Another important project in the year was the privatization of Tekel (Tobacco, Tobacco Products, Salt and Alcohol Operations General Directorate Inc.), where İş Investment acted as a consultant together with Citigroup.

While the tender regarding the tobacco section was cancelled because the offers submitted were deemed insufficient, the sale regarding the alcohol section was completed.

With declining interest rates in global markets, investors, who were seeking ways to diversify their risk, were offered new foreign investment instruments, in addition to Eurobonds issued by Turkish Treasury. Thanks to record-breaking issues in 2003, İş Investment's transaction volume rose to US\$ 400 million in G7 bonds - a six - fold increase. Emerging countries represented a total of US\$ 350 million of this amount.

One of the most significant developments in 2003 was the opening of our first overseas office in Almaty, Kazakhstan, in an effort to extend our expertise and know-how on

board of directors

Yusuf Ziya Toprak *Chairman*, Rıza İhsan Kutlusoy *Vice Chairman*, H. Ahmet Ergenekon *Member*,
A. Erdal Aral *Member*, Ufuk Ersoy *Member*, Oya Erkan *Member*, Banu Özyiğit *Auditor*, Ahmet Ergin *Auditor*



Yusuf Ziya Toprak



İlhami Koç, Ufuk Ersoy



Nuran Canitez, A. Erdal Aral



H. Ahmet Ergenekon, Rıza İhsan Kutlusoy



Burhanettin Kantar, Banu Özyiğit



Ahmet Ergin, Oya Erkan

international markets to countries in the region. Through this representative office, we will enable investors in Kazakhstan as well as individual and corporate investors in Azerbaijan, Uzbekistan, Kyrgyzstan and Turkmenistan to access all financial products in Turkey and international markets.

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The weekly bulletin, published by the Research Department since December 2002, was further improved, with regular English-language editions released from April. İş Investment now produces three periodicals (daily, weekly, monthly), which are sought after by local and international investors. In 2003, the Research Department began publishing intra-day quantitative reports to

match the requirements of internal units and investors.

According to Istanbul Stock Exchange (ISE) data, İş Investment was the leader in the ISE Stock Market in 2003 in terms of daily trading volume, ranking second in the ISE Bonds and Bills Market. Excluding transaction volume in mutual funds, the Company also achieved the largest transaction volume among all brokerage houses in the ISE Bonds and Bills Market. İş Investment was rated the top brokerage firm in the Best Turkish Companies of 2003 competition organized by the finance magazine, Capital.

As a result of favorable market developments, the asset size of İş Investment's B-Type Variable Fund reached TL 160 trillion by the end of the year, an increase of 389%. The amount held in the A-Type Variable Fund more than tripled to TL 11.5 trillion in the year. Both funds yielded returns in excess of their benchmark criteria in 2003. The A-Type Variable Fund was ranked eighth in size, with

a 3.37% market share, while the B-Type Variable Fund was ranked seventh with a 5.5% share. Assets managed under Private Portfolio Management increased by 135% in 2003.

After another successful year for İş Investment, on behalf of the Board of Directors, I would like to take this opportunity to thank our executives and employees who have performed with a great deal of self-sacrifice to preserve our leadership in the capital markets. I would also like to express my special gratitude to our parent organization, İşbank, for its unwavering support and encouragement as we accomplished our goal of developing capital markets. I would additionally like to extend my sincerest thanks to our clients and business partners for the trust and confidence they have placed in our Company.

Sincerely yours,
Yusuf Ziya Toprak
Chairman