

Confidence and optimism resulting from stability



İş Investment remains Turkey's leading investment and brokerage house. We maintained our top position among brokerage houses in 2005 in terms of transaction volume on the ISE's Stock Market and the Bonds and Bills Market.

After achieving the stability that had been desired for so many years, Turkey is rapidly improving its economy. The achievement of political stability in conjunction with economic stability is crucial for the monetary and capital markets in which we operate, because economic stability is impossible without political stability. Economic instability is tantamount to a derailing of the financial markets. In 2000 and 2001, our country suffered greatly from the crises brought about by this chain of events. Still, every cloud has a silver lining, and I believe all the economic heavy-weights and actors learned their lesson from the events which are still so fresh in our memories.

In 2005, there was a very optimistic atmosphere not only in our country but around the world. These optimistic expectations have continued into 2006. I do not expect any major fluctuation that could affect the markets in the foreseeable future. However, the souring relationship between the US and Iran did make itself felt in international platforms at the end of last year and should be monitored closely. A possible intervention would inevitably shake the markets. Turkey's gaping current account deficit is also a cause for concern. However, the Central Bank has the means to overcome any negative developments, at least in the short-term. Exports continue to break new records. A slowdown in this trend would be a natural



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development. What would be more dangerous would be a significant and abrupt slowdown in exports.

A glance at the markets shows us that the Turkish lira has strengthened against foreign currencies and that returns on lira denominated instruments have been outstripping those of foreign currencies. The Treasury continues to borrow both domestically and from abroad, but interest rates have fallen significantly. Accordingly, it appears that Turkish lira deposits and stocks will remain attractive investment alternatives for investors.

In the near future, I expect private sector companies to enter the capital markets as debtors by issuing bonds. The establishment of the Turkish Derivatives Exchange will not only expand the diversity of financial instruments available, but will also offer institutional players an opportunity to transact with more sophisticated products and increase profits. The introduction of a private pension system has served as a catalyst in raising the importance of the capital markets. In fact, all of these developments represent a return to normality that should have happened years ago.

İş Investment remained Turkey's leading investment and brokerage house in 2005, maintaining its leading position among brokerage houses in terms of transaction

volume on the ISE's Stock Market and the Bonds and Bills Market Outright Sales and Purchases Market. We are a founding member of the Turkish Derivatives Exchange, a brand new initiative in our country. İş Investment is currently playing a key role in the development of this exchange. With 25% of the transaction volume on the Turkish Derivatives Exchange, we have been by far and away the number one trader. We continue to work actively with other leading brokerage houses and corporate investors to promote the activities of this exchange. These developments should all be viewed as a result of İş Investment's devoted endeavors in the Turkish capital markets over the course of many years, and its goal of contributing to the development of these markets.

Corporate finance is one of İş Investment's core fields of operation and is directly related to the development of the capital markets. To date, İş Investment has not only conducted more public offerings than any other institution, it has also concluded the largest public offerings in Turkey. The VakıfBank public offering, concluded in 2005, was the largest to date, attracting US\$ 7.2 billion in demand note. Our unparalleled experience and know-how, as well as the breadth of our expertise and distribution channels were a major factor in this success. We also continue to play an active role in privatization projects. We

predict an increase in merger and acquisition activity, both in terms of numbers and size. İş Investment's involvement in a number of significant merger and acquisition projects has allowed it to prove its expertise in this area.

Having effectively brought its expertise and experience to international markets, it is now time for İş Investment to take its place as a global financial center. It is this goal which led us to not only open our Kazakhstan Office last year, but also to take another larger step and work on bringing the Maxis Securities brokerage house in London into operation this year. This company will be our door to Europe and the global markets.

İş Investment is rapidly moving toward becoming an institution which is a public fixture, like Türkiye İş Bankası, its major shareholder. İşbank, has never withheld its support from us and I would like to thank its valuable managers and employees, as well as all of our employees for their sacrificial work and our valuable customers and business partners for their trust.

Özcan Türkakin
Chairman of the Board