

“IS Investment maintained its leadership in the Turkish capital markets in 2008.”



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Dear Shareholders,

The turmoil that began in the US mortgage market in 2007 morphed into a full-blown global financial crisis in 2008 and led to a severe economic slump, starting initially in the developed countries then moving into emerging economies. Despite the simultaneous efforts of many countries to overcome the recession, as well as expansionary monetary and fiscal policies, it appears that the crisis will continue to top the world's agenda in 2009.

Although the Turkish economy is enjoying a period of relatively strong financial structure, it will inevitably be impacted by the global crisis. The decrease in international risk appetite will lead to reduced borrowing opportunities for the banking system and the private sector. In addition, European countries which absorb nearly 60% of Turkey's total exports are ready to slide into a major recession. The sharp drop in export demand also negatively impacts industrial production. In light of these developments, the most important threat to the Turkish economy in 2009 is the shrinking of borrowing channels, as well as the pending recessionary environment coming from the contraction in the European economy.

The measures implemented by the Central Bank of Turkey to enhance liquidity, such as the opening of the foreign exchange deposit market, reduction in reserve requirements and the lowering of overnight rates, have been effective in mitigating the severity of the slump. However, the major development that will establish permanent confidence in the markets is a new stand-by agreement with the International Monetary Fund that includes strong financial backing. Consequently, the large current account deficit and concerns over the management of the economy stand out as primary factors that will determine the course of the Turkish capital markets in 2009.

We are proud that 2008 was a year of innovation and success for us despite the negative developments in domestic and international markets. At the end of the year, IS Investment still continued as the market leader in equity and derivatives trading.

The Company is the Stock Market leader, with a TL 44 billion trading volume and a 6.61% market share. IS Investment ranks second among investment houses in the Bonds and Bills Market, with a trading volume of TL 16.6 billion and a market share of 14.09%. IS Investment has a trading volume of TL 56.9 billion and a market share of 13.68% on the

TurkDEX, where the Company is a founding partner and has been the market leader since its inception. IS Investment also ranks first in the ISE Turkish Eurobonds Market among investment houses with a market share of 6.43% and a trading volume of TL 3.3 billion. Furthermore, IS Investment was the most active participant in the ISE Settlement and Custody Bank Inc. (Takasbank) Securities L/B Market with a trading volume of TL 718.5 million and a market share of 27%.

To meet the demands of its growing client portfolio and healthy growth perspective, IS Investment opened its sixth branch in Yeşilköy during 2008, joining the Ankara and Izmir branches along with its Kalamış, Yeniköy and Akaretler branches in Istanbul.

IS Investment, an investment banking company, together with its subsidiaries specialized in various segments of the capital markets, owns 29% of IS Private Equity, 70% of IS Asset Management and 29.1% of IS Investment Trust. IS Investment increased the capital of Maxis Securities, its wholly-owned subsidiary based in London from GBP 2,000,000 to GBP 3,000,000. We see Maxis Securities as a major stride toward IS Investment's objective of enhancing its presence in the international capital markets.



Board of Directors: İbrahim Akar (Member), Turan Gökçen Bali (Independent Member), Güzide Meltem Kökden (Member), Emre Duranlı (Member), İzlem Erdem (Auditor), Özcan Türkakın (Chairman), Oğuz Dincer (Member), Serpil Kiliboz (Auditor)

- Members of the Board of Directors were elected at the Annual General Meeting of Shareholders on April 28, 2008 to serve until the next Annual General Meeting of Shareholders.
- Fatma Güliz Aykan resigned from the Board of Directors on August 26, 2008. Emre Duranlı was appointed member of the Board of Directors pursuant to the resolution of the Board of Directors dated September 17, 2008 to be presented for the approval of the next General Meeting of Shareholders, was elected to the Audit Committee on September 19, 2008.
- Members of the Board of Directors do not have any executive duties in IS Investment.

IS Investment assumes an innovative and pioneering role in the Turkish capital markets in addition to its leadership position. After the public offering of its first exchange-traded fund, IS Investment Dow Jones Turkey Equally Weighted 15 A Type ETF (ISDJE), in May 2007, IS Investment completed the public offering of its second ETF in July 2008 and IS Investment Arbitrage Hedge Fund, Turkey's first hedge fund, in November. Furthermore, our TradeMaster International product, developed for professional investors providing real-time trading on the primary equity and derivatives markets in the world, was met with great investor interest.

In 2008, IS Investment invited Professor Nouriel Roubini, respected throughout the world for his research in the field of international macroeconomics, to the "Wide-Angle" meeting which has been organized by the Company since 2003. During this meeting, Roubini shared his opinions on the latest developments in the United States as well as the impact of these developments on global markets.

IS Investment is the only Turkish investment house that trades on the ISE. It is also the only Turkish investment house assigned a credit

rating, which it received from Fitch Ratings in 2008. Fitch affirmed IS Investment's AAA(tur) long-term national credit rating with the "stable" outlook in January 2009.

We believe that IS Investment's strict adherence to corporate governance practices played a major role in these credit ratings. During this time of global turmoil, we have been more sensitive to informing our shareholders in an accurate, comprehensive and timely manner, as per the IS Investment Information Policy. The Company's Investor Relations Department sees good corporate governance practices as one of the most important elements of the sustainable growth approach.

Our consistent success in capital markets is also recognized by national and international publications. A clear proof of this is that IS Investment, for the second consecutive year, won the Best Equity House in Turkey award, among the most prestigious capital markets awards globally. It is handed out by Euromoney magazine, an influential and respected international finance publication. Moreover, IS Investment was deemed Turkey's Most Admired Investment House by Capital magazine this year.

As voiced by administrations throughout the world, 2009 will be a difficult year. During this period, only companies that have a solid, healthy structure and sustainable growth will be able to survive and prosper. IS Investment's business conduct built on openness, honesty, transparency and success is our greatest assurance in surviving this challenging period.

The strength of companies is determined primarily by the quality of their human resources. That is why IS Investment has a solid foundation based on its highly qualified, devoted and loyal human resources. I would like to take this opportunity to thank my colleagues for keeping IS Investment standing upright and successfully making it what it is today. I also thank our shareholders for their confidence and our stakeholders for their support.

Respectfully yours,

Özcan Türkakın
Chairman