

DECEMBER 2002

IS INVESTMENT 

# Annual Review

Investments are in  
safe, expert hands

Should we globalize?

The undisputed IPO leader

Is Investment Type-A Variable  
Fund is the leading mutual fund

Nobel winner Laureate  
Kahneman warns investors



32.13%\*

iş Investment's Type-A Variable Fund was the best performing mutual fund from January 1 to December 31, 2002\* yielding a maximum return of 32.13%.



\*According to data published in Capital Markets Board bulletins. The rate of return announced for the previous period is not an indication of the returns for future periods.

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## Should we globalize?

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*The word 'global' has recently gained wide circulation within the business community. As we know, the word itself has more than one meaning. The first definition refers to something concerning the entire world, i.e. the globe, while the second connotation refers to something concerning all features of a situation. So, what actually is this 'globalization' and is it something good or bad?*

*At one time, communications were carried out by a human postal carrier and later through telegraph and telephone systems. The concepts of time and place have been done away with now that communications are achieved through a network of computers. With the total elimination of the sense of time and place has come the phenomenon of globalization.*

*Thanks to lightning fast communications, we can instantaneously learn what our rivals are doing, find out about new financial products as soon as they emerge from the developed markets, or even when they are still in the process of development. We can carry out on-line transactions at the New York Stock Exchange and talk to our colleagues utilizing video-conferencing. We can even fly overnight and start the business day in New York City. With regard to globalization - so far, so good!*

*Globalization also brings with it the phenomenon of assimilation and greater uniformity. This is where we need to be cautious. Internet and television have become part of our private lives, shaping new trends and even ways of behavior. The young bubble gum-chewing Mongolian girls with skimpy T-shirts bearing brand logos and baring their belly buttons in the infinitely vast Gobi Desert are also the products of globalization. Imagine for a minute how similar our daily activities are to that of a businessman in the U.S., Thailand or China. Clearly, businessmen throughout the world consume as many antacid tablets as we do.*

*When the developed markets sneeze, the rest of us in the developing markets come down with the flu that confines us to our sickbeds. For example, when the economy in Argentina collapsed suddenly, ripples of concern reached as far as Turkey and the Turkish business community also shuddered. It is no longer possible to isolate oneself as a country, as a market, as a company or as an individual from the developments in the rest of the world.*

*Within the sphere of globalization, companies also become globalized. They merge without regard to the barriers posed by political borders or as big companies gobble up tiny ones. The world is rapidly heading toward a monopoly where good becomes better and bad gets worse. Let us think again - Is globalization good or evil?*

*To reach a consensus is not a simple matter. What is important is how we regard globalization and what type of globalization process we pursue. Adopting what is global by blending it with our own brand of culture, within the framework of our own ethics and business rules should not present any major problems. It is also good to pursue larger targets, i.e. global objectives; but it must be done prudently and in a calculated manner. It is also good to indulge in communications with those who are more adept than we are and not confine ourselves to our own little world.*

*What then are the risks associated with globalization?*

*We should avoid globalizing at the expense of sacrificing our character and culture. Likewise, we would be mistaken to try and emulate the actions of those we may perceive as more competent - solely for the sake of globalization. We shall indeed follow global trends and adopt the most recent developments while preserving our own culture. Provided we can stand up for those values and as long as we can produce technology and new products, we can take our place as individuals and institutions that set examples to be emulated within the process of globalization.*

*Provided that we place ourselves on a firm footing with the country's economy, who is afraid of globalization?*

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- Consultation services provided to the Privatization Administration
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İş Investment employees focus on high performance

- Confidence reflected to the investor
- New performance evaluation system
- Training as an indispensable activity
- Corporate communications training
- Professional training
- Participation in overseas programs

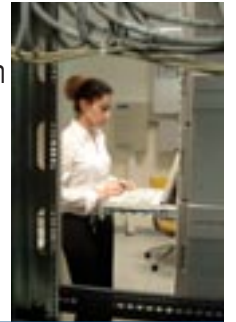


### Information Technology

Fast and accurate transactions through remote access

- On-line access to the markets
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## EXECUTIVE MANAGEMENT

İlhami Koç, General Manager

Nuran Canitez, Assistant General Manager

Yeşim Karayel, IPOs and Privatization - Manager

Efsane Çam, IPOs and Privatization - Assistant Manager

Ender Arslan, Strategic Planning and M&As - Manager

Serhat Gürleyen, CFA, Institutional Sales and Research - Manager

Çağlan Yazıcı, Institutional Sales - Assistant Manager

Yavuz Emre İyibilir, Research - Assistant Manager

Ufuk Ümit Onbaşı, Domestic Markets - Manager

Yiğit Arıkök, Domestic Markets - Assistant Manager

Murat Kural, Assistant General Manager

Ertuğ Yıldırımcan, Board of Internal Auditors - Director

Meltem Çitci, International Capital Markets - Manager

Banu Taşkın, Investment Advisory - Manager

Fatma Karabıyık, Operations - Manager

Metin Hertaşer, Operations - Assistant Manager

Arkın Şengönül, Information Technologies - Assistant Manager

Nuran Aydınöğlü, Brokerage - Assistant Manager

Bige Sarıkadılar, Corporate Communication - Assistant Manager

Zeynep Tekten, Human Resources - Assistant Manager

### branch managers

Yeşim Özden - Ankara Branch Merih Derinsu - İzmir Branch

Mert Erdoğmuş - Kalamış Branch

# financial highlights

## Financial Highlights

(TL billions)

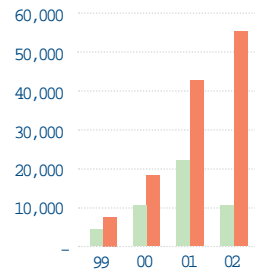
Major Balance Sheet Accounts	2000	2001	2002
Marketable Securities	15,648	35,420	13,780
Total Current Assets	48,124	69,959	24,370
Total Assets	49,753	86,729	64,782
Shareholders' Equity	18,561	42,847	55,599
Paid-in Capital	7,000	17,000	38,000

Major Income Statement Accounts	2000	2001	2002
Net Sales	6,890,296	8,351,002	5,712,145
Equities	2,068,704	1,856,781	1,976,104
Public Sector Bonds	3,362,129	2,526,948	1,047,820
Treasury Bills	1,438,230	3,889,520	2,672,505
Other Marketable Securities	6,107	60,897	124
Commission Income	7,923	14,619	8,082
Other Service Income	8,201	2,237	6,441
Cost of Sales	(6,870,035)	(8,311,110)	(5,679,300)
Operating Expenses	(11,745)	(21,235)	(17,079)
Trading Profit	8,516	18,657	15,765
Operating Profit	16,097	32,031	17,232
Profit before Taxes	16,377	34,245	17,257
Net Profit	10,790	22,088	10,561

### Net Profit and Shareholders' Equity

(TL billions)

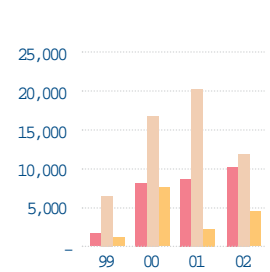
net profit  
shareholders' equity



### Transaction Volume

(TL billions)

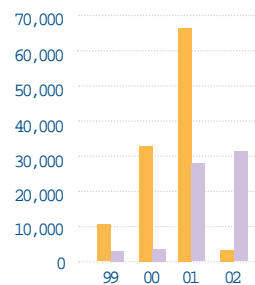
equity  
repo-reverse repo  
bonds-bills



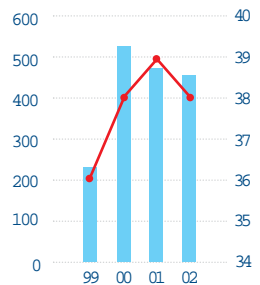
### Portfolio Sizes of Mutual Funds

(TL billions)

A-Type Variable Fund  
B-Type Variable Fund



### Number of Equity Investors (000) and Market Share (%)



## Product and Service Diversity

A pre-requisite for offering solutions that match investor expectations is the ability to provide a wide range of capital market services and investment instruments. İş Investment formulates the best mix from a host of alternatives most suitable to maintain the investor satisfaction at the highest level.

İş Investment is one of the few full-service investment houses offering a wide range of services from portfolio management, investment advisory, consultancy for IPOs and M&As to brokerage in domestic and international markets for trading equity and debt instruments derivatives, repo-reverse repo transactions.

İşbank's 837 branches throughout Turkey also function as İş Investment agencies. Considering the number of investment accounts at these branches, 38% of all individuals or institutions investing in Turkey's capital markets have access to the Stock Market through İş Investment.

Investment advisory services keep clients up-to-date on market developments by monitoring financial instruments and the



markets in which they are traded. The analysis, commentaries and advices produced by the Research Department play a primary role in the investors' decisions.

The volatile environment in the capital markets encouraged investors to move into

less risky instruments like T-bills and government bonds becoming the most preferred instruments in 2002, as was the case in 2001.

The two variable-return mutual funds in the product range are also popular with investors. In 2002, while İş Investment's Type-A Variable Fund was the best performing mutual fund among all Type-A funds in the market, yielding the maximum return of 32.13%, İş Investment's Type-B Variable Fund was in 13th place among Type-B Mutual Funds with a return of 50.90%.

With the Private Portfolio Management service developed by İş Investment in 2002, investors are provided a personalized portfolio tailored to their risk preferences and yield expectations.

Corporate finance services, on the other hand, include the execution of IPO and M&A schemes, strategic planning, financial consultation and the organization of venture capital deals. The largest corporate finance activity undertaken in 2002 was the sale of Petrol Ofisi shares belonging to the Privatization Administration through a public offering in which İş Investment acted as the Joint Global Coordinator with Deutsche Bank.

## Highlights...

### *Change of positions at İş Investment in 2002*

Özcan Türkakın, who served as General Manager of İş Investment since it was founded, was appointed Assistant General Manager of İşbank in March 2002.

In his place, the General Manager of İş Venture Capital, İlhami Koç, who also served as Assistant General Manager in previous years at İş Investment, was appointed General Manager of İş Investment.

### *The first multinational corporation to go public in 2003*



One of the key projects on İş Investment's agenda is the Coca-Cola IPO, which will be the first multinational company to be traded on the Istanbul Stock Exchange. The IPO of Coca-Cola İçecek A.Ş. is scheduled under the leadership of Citigroup and İş Investment.



### *"Private Portfolio Management" borne out of an "investor-centered and market-focused" approach*

Achieving the maximum yield in markets that are becoming ever more complex is a formidable challenge. İş Investment has developed services geared to the investor, seeking professional advice in areas that require special expertise. This, borne out of an approach toward an investor-centered and market-focused service, is Private Portfolio Management.

With regard to Private Portfolio Management, a variety of portfolio groups corresponding to investor risk preferences and yield expectations have been formed with separate comparison criteria for each group. Investors receiving this service choose the portfolio group that is the most suitable for their risk preferences and yield expectations and assign management of the portfolio to İş Investment. The portfolio manager's goal is to exceed the targeted comparison criteria. In 2002, all portfolios outperformed these criteria.

### *A brand new business area: Venture Capital*

İş Investment offers consultations to domestic and international corporations in search of venture capital funding. With a pioneering move in Turkey, İşbank and İş Investment founded the İş Venture Capital Investment Trust Inc. in October 2000 with a capital of TL 20 trillion. In 2002, İş Investment purchased İşbank's stake in this company and now owns 45% of the total shares of İş Venture Capital. İş Investment has been providing technical and management consultation services to İş Venture Capital since its establishment.



### *Petrol Ofisi goes public*

In 2002, shares of Petrol Ofisi held by the Privatization Administration were offered to the public. İş Investment and Deutsche Bank acted as joint global coordinators in the sale of the TL 50 trillion nominally valued shares, corresponding to 42.3% of the company's equity.

With an extensive station network throughout Turkey, Petrol Ofisi is Turkey's largest refined petroleum products storage, distribution and marketing company. The sale of Petrol Ofisi shares was the largest IPO since the economic crisis in Turkey. The consortium was comprised of 26 brokerage houses in which İş Investment and Deutsche Bank acted as joint global coordinators. Among the consortium members, only İş Investment was authorized to undertake both international and domestic sales and Deutsche Bank was solely authorized to sell internationally. Other consortium members were involved with domestic sales only.

The Petrol Ofisi public offering, which later performed positively in the secondary market, was completed in two phases; the pre-bookbuilding (February 27 - March 6) and the bookbuilding (March 13 - 15). On March 21, 2002, a total of US\$ 168.2 million was raised by this sale; US\$ 143.1 million was realized in Turkey and the remaining US\$ 25.1 was achieved in international markets. Thanks to the efforts of İş Investment and its agencies throughout the country, investor interest was substantial, with an equally impressive sales volume.



## *İzmir State Symphony Orchestra opens its stage for the season through the sponsorship of İş Investment*

Sponsoring the season's opening concert with Fazıl Say as soloist, İş Investment also celebrated the opening of its redecorated İzmir Branch with a pre-concert cocktail reception.

The İzmir State Symphony Orchestra opened the 2002-2003 concert season on October 7, 2002 with a concert at the İzmir International Fair Atlas Pavilion. The 200-piece orchestra was conducted by State Artist Rengim Gökmen. During

the concert, guests experienced a musical feast while enjoying the performance of the world famous Turkish pianist, Fazıl Say.

İş Investment's İzmir Branch continues to serve investors in the region with its experienced and client-focused staff primarily involved in portfolio management and investment advisory areas along with a wealth of expertise in capital markets.

*A pioneer and a leader in mutual funds:*

## *İş Investment*

Mutual funds enable small private investors to remain liquid and provide access to professional investment management. They also bring significant tax breaks and offer investors a choice of risk and return combinations. İş Investment, the leading institution in the Turkish capital markets, continues to break new ground in mutual fund management, aiming for high quality and high returns.

There are currently two different variable mutual funds developed and managed by İş Investment. In 2002, both funds realized returns in excess of their yield criteria.

At the end of the year, net assets of the İş Investment Type-A Mutual Fund, with at least 25% of its portfolio made up of equities of ISE-listed companies, stood at US\$ 2.4 million. The portfolio size of the İş Investment Type-B Mutual Fund, composed of fixed yield securities and money market instruments, has reached US\$ 21.6 million.

İş Investment's Type-A Mutual Fund was the leading mutual fund among all Type-A funds in the market, yielding the highest return of 32.13% between January 1, and December 31, 2002. İş Investment's



## *Brokerage services in international capital markets*

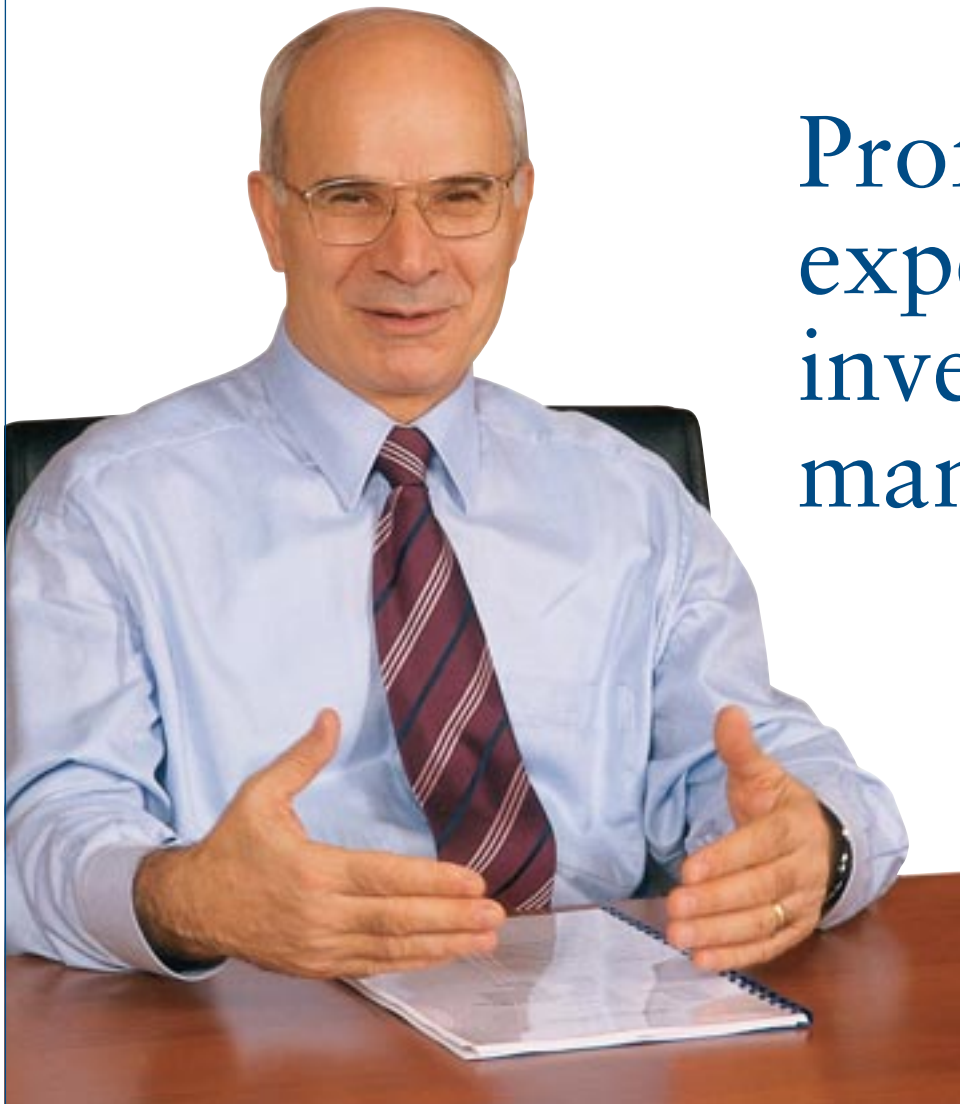
İş Investment has a wide range of counter-party relationships with brokerage houses and financial institutions throughout Europe, the Far East and the USA. It is one of the few brokerage houses in Turkey that offer services to its clients in US time zone for Latin American bonds, US debt instruments and equity market trading. İş Investment uses the latest technology for trading to enable timely order execution in international markets via electronic trading platforms with optimum brokerage commissions.

İş Investment, a member of International Securities Market Association (ISMA), has one of the most experienced international capital market teams of any brokerage house in Turkey. As a unique institution trading international capital market instruments for global investors, İş Investment offers a comprehensive array of investment alternatives with various risk and return profiles, according to investor preferences.



Type-B Mutual Fund was placed 13th among all Type-B funds with a return of 50.90%.\*

\* According to data published in Capital Markets Board bulletins. The rate of return announced for the previous period is not an indication of the returns for future periods.



# Professional expertise in investment management

In 2002, we developed and implemented an alternative investment product called private portfolio management.

## ►► Yusuf Ziya Toprak Chairman

The macro-economic achievements realized through the IMF supported economic program and the structural reforms passed through parliament generated a certain amount of optimism in the Turkish markets at the beginning of 2002. However, concerns surrounding the ailing health of the prime minister and the discord between coalition partners brought about early general elections, dispelling the optimistic outlook in the process.

The formation of a single party government following the elections enlivened the markets with the expectation of bringing long awaited political stability to the country. Coupled with positive expectations concerning Turkey's full accession to the EU,

the markets were buoyed on another wave of optimism. However, once the positive expectations arising from the Copenhagen summit were factored into prices, the markets were left with the uncertainty of the looming war in Iraq.

With the floating currency regime, FX-denominated investment instruments gained popularity in the Turkish markets. This trend increased domestic investors' demand for FX-denominated products and led to a significant rise in the transaction volume of eurobonds and the FX-denominated debt instruments issued by the Turkish Treasury.

The revised and IMF backed economic program put in place after the February 2001 crisis succeeded in pulling down inflation to the required level, despite the

difficult political atmosphere. The expectation that short-term interest rates would fall in parallel with inflation limited the real term high yields the investors were accustomed to on short-term investments. Moreover, long-term yields were volatile in reaction to the market's response to risk. Short-term fluctuations were observed in the Stock Market throughout the year and the ISE 100-Index closed the year with a 25% decrease.

The changes in market conditions have led investors to seek professional expertise for the management of their investments. In the face of this requirement, we developed and implemented an alternative product called Private Portfolio Management in 2002. The Private Portfolio Management offers professional investment management services tailored to the investors own risk-return



## board of directors

Yusuf Ziya Toprak *Chairman*, Rıza İhsan Kutlusoy *Vice Chairman*, H. Ahmet Ergenekon *Member*, A. Erdal Aral *Member*, Turgay Gümeli *Member*, Ufuk Ersoy *Member*, Oya Akıncı *Member*, Banu Ertürküner *Auditor*, Kaan Tokat *Auditor*



Yusuf Ziya Toprak



İlhami Koç, Ufuk Ersoy



Murat Kural, Nuran Canitez, Ahmet Ergenekon



Banu Ertürküner, Turgay Gümeli



Rıza İhsan Kutlusoy, Kaan Tokat



Oya Akıncı, Erdal Aral

profiles. This relatively new service in Turkish security markets is expected to comprise a substantial percentage of all managed assets in the near future.

In 2002, we restructured our Corporate Finance Department and reorganized it according to updated industrial segments present today. With the matrix organizational structure we have implemented, we believe we will now be able to produce corporate finance solutions that respond to more sophisticated requirements.

During the year, we acted as the joint global coordinator in the large scale international IPO of Petrol Ofisi. Also last year, we worked as the leader in two of the three private sector IPOs. We maintained our leading position in this area in a year when only a few IPOs were held due to difficult economic conditions.

In 2002, we preserved our second place position in the ISE Stock Market and increased our market share from 4.8% in 2001 to 4.9% in 2002. Meanwhile, our equity trading volume rose by 15.87% to US\$ 6.3 billion. İş Investment ranked third in the ISE Bonds and Bills Market among brokerage houses as far as transaction volume is concerned, reaching US\$ 2.9 billion.

In 2002, while the Type-A Variable Fund was the leading mutual fund among all Type-A funds in the marketplace yielding the highest return with 32%, İş Investment's Type-B Variable Fund ranked 13th with a return of 51%.

As we leave behind this year of difficulties for the country's economy and financial markets but one filled with success for İş

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

Sincerely yours,

Yusuf Ziya Toprak  
Chairman

# Growth and restructuring

## Restructuring

Following the economic crisis in 2001, the companies' financial requirements diversified and increased, depending on their industrial and commercial activities. Public offerings were replaced by M&As, strategic planning and financial consultancy. Following this trend, İş Investment's Corporate Finance Department was reorganized and a matrix organization based on industrial segments and solutions was developed. Within these new parameters, corporate finance services were structured with an industry-based focus.

### Industry segments established under the new matrix organization:

- Energy, construction and mining
- FMCG
- Information and communication technology
- Manufacturing and wholesale
- Financial institutions
- Healthcare, tourism and services

### Financial services offered to these segments:

- Public offerings
- Consulting services
- Brokerage activities



## İş investment provides All corporate finance services

İş Investment's Corporate Finance Department offers a wide spectrum of services including initial and secondary public offerings of public and private companies, public offering of various debt instruments, consultation services for mergers and acquisitions, private equity, venture capital projects, strategic planning and restructuring.

The team of specialists employed at the Corporate Finance Department is the most competent and experienced team in Turkey in their respective areas. The team is made up of 14 young professionals, averaging 29 years of age, able to offer all corporate finance services at high standards and to the depth of the most advanced capital market institutions. Eight of the team members have MBAs and one has a Ph.D. The team has an average of seven and senior staff members have over 15 years of business experience in corporate finance.

## İş investment's extensive and effective distribution network

İş Investment capitalizes on the unmatched distribution power of İşbank branch network across Turkey, with every branch functioning as an agent for the Company. In its capital market activities, especially in stock market transactions and public offerings, İş Investment can reach a wide customer base through the only integrated and fully automated securities distribution system in Turkey - İşbank's Investment Account System.

İşbank's Investment Account System allows investors to subscribe to public offering transactions directly through 837 İşbank branches and 2,388 İşbank ATMs throughout the country. Customers are also served via Internet, by telephone, the Call Center and Netmatik banking kiosks.

## Leading position in public offerings of privatization projects

İşbank and İş Investment took part in all public offering projects organized by the Privatization Administration to date. They were the lead company in 25 of the 28 projects undertaken by the Administration.

In 2002, the sale of Petrol Ofisi shares belonging to the Privatization Administration was the largest public

offering held that year. In this scheme, in which İş Investment and Deutsche Bank acted as joint global coordinators, US\$ 168.2 million was raised. Of the domestic demand, 22% was collected by İş Investment.

## financial consultancy provided to the privatization Administration

In many of the privatization projects accomplished in recent years, İş Investment provided consultancy services to the Privatization Administration and acted as a consultant in six other projects during 2002, in addition to its part in the public offering of Petrol Ofisi. The Privatization Administration invited bids for the sale of TAKSAN, İGSAŞ, TZDK and Gerede Çelik, however, the sales could not be realized.



## privatization through public offerings

Year	Offer Number	Public Offer Size (US\$ millions)
1988	1	13
1990	11	378
1991	10	172
1993	2	23
1994	1	332
1998	1	650
2000	1	872
2002	1	183
<b>Total</b>	<b>28</b>	<b>2,623</b>

## corporate finance services provided by iş investment

### Public Offerings

- Privatization through POs
- Private sector POs
- Corporate bonds POs
- Asset-backed securities

### Consultancy Services

- Privatization
- M&As
- Strategic and financial partnerships
- Private placements
- Debt restructuring
- Real estate investment trust
- Venture capital investment trust

### Brokerage Services

- Equity trading
- Dividend collections
- Stock certificate exchange
- Call of shares

In the privatization of Tekel (Tobacco, Tobacco Products, Salt and Alcohol Operations General Directorate Inc.) where Schroder Solomon Smith Barney acted as international consultants, İş Investment was appointed the domestic consultant. Strategies concerning the privatization and restructuring of Tekel are continuing.

## The undisputed leader of private sector public offering projects

İş Investment is the leading brokerage house in Turkey for international public

offerings, the driving force behind capital markets. Since its establishment, İş Investment has undertaken 40% of the US\$ 693 million worth of sales generated through public offering projects. İşbank and İş Investment have played a part in 57 of the 251 public offerings, which have so far been realized, as lead manager in 29 of these projects, as co-lead manager in 16 and as a consortium member in others.

In two of the three private sector public offering projects realized in 2002, İş Investment acted as the leading company

of the consortium, realizing US\$ 33 million in sales revenue. The Company generated a total of US\$ 201 million sales revenue from public offerings in 2002, including the public offering of Petrol Ofisi in which it was the lead manager.

The main factors in İş Investment's success were its extensive and effective distribution network, the quality of its after-sales consultation services, the experience of its corporate finance team and the successful work carried out by Research, Domestic Markets and Institutional Sales Departments.

Under current economic conditions, for private sector companies to issue debt instruments would not be feasible, and neither would be favorable for investors. Therefore debt instruments such as corporate bonds have not been offered to the markets. When conditions become more favorable, İş Investment will return to the bond issue market.

## unmatched experience and expertise in consultation services

İş Investment has provided consultation services unmatched in Turkey for mergers and acquisitions. The Company offers these services to over 20 companies operating in various sectors, helping them in their restructuring efforts and finding them strategic and financial partners. İş Investment also provides consultancy to its parent company İşbank, together with one of the world's leading companies in this area, Schroder Solomon Smith Barney.

A major project finalized by the Corporate Finance Department in 2002 was the acquisition by the Industrial Development Bank of Turkey (TSKB) of Industrial Investment Bank (SYB), both of which play a major role in the development of investment banking in Turkey. Another significant project in which the Company acted as consultant was realized in late 2002 with the merger of İş Doğan Petrol Yatırımları A.Ş. (İş Doğan Petroleum Investment Company) and Petrol Ofisi A.Ş.

### privatization consultation projects in 2002

Companies	Service Provided
TAKSAN (Taksan Machinery Tools Inc.)	Consultation-evaluation
İGSAŞ (Istanbul Fertilizer Industry Inc.)	Consultation-evaluation
TZDK (Turkish Agricultural Equipment Inc.)	Consultation-evaluation
Gerede Çelik (Gerede Steel Construction and Equipment Factory Industry and Trade Inc.)	Consultation-evaluation
Sümer Holding Inc. (17 companies)	Consultation-evaluation
Petrol Ofisi	Public offering
Tekel	Consultation

### private sector public offerings

Years	Sales Volume of Public Offering Projects İş Investment Took Part in		Total Public Offering Volume		Ratio of IPOs İş Investment Took Part in Total IPOs (%)
	Number of POs	US\$ millions	Number of POs	US\$ millions	
1997	4	232	29	420	55
1998	4	104	20	383	27
1999	2	57	10	91	63
2000	13	2,311	35	2,806	82
2001	0	0	0	0	0
2002	2	33	4	56	59
<b>Total</b>	<b>25</b>	<b>2,737</b>	<b>98</b>	<b>3,756</b>	<b>73</b>

### IPO transactions in 2002

Project	Role	Sales Volume (US\$ millions)	Sales Volume (TL billions)
Atakule Real Estate Investment Trust Inc.	Consortium Leader	18.8	25,357
Beşiktaş Football Investment Industry and Trade Inc.	Consortium Leader	14.0	18,773
Petrol Ofisi A.Ş.	Joint Global Coordinator	168,275	227,283
<b>Total</b>		<b>201,075</b>	<b>271,413</b>

# Accurate and timely information

Accurate and timely information is the basis of sound decisions in capital markets. The work of investment advisors, portfolio managers and corporate finance professionals are based on knowledge. İş Investment's Research Department is responsible for compiling, analyzing, producing and publishing information on capital markets.

## competent analysts

The Research Department is made up of eight analysts and three managers, averaging 30 years of age with an average of five years work experience. They are all university graduates with 35% holding MBA degrees. Two staff members hold Chartered Financial Analyst (CFA) qualification.

Analysts can access information sources relevant to not only domestic but also international money and capital markets. Domestic and international trends and

expectations are analyzed together with developments concerning various industries and companies to ensure more reliable and accurate results.

The analysis is published in both English and Turkish in the following reports -

- Daily Market Watch
- Week Ahead
- Monthly Analysis
- Company Analysis
- Industry Analysis
- Focal Point (brief reports on political, macro-economic and sector based developments)

The readership of these reports includes domestic, international, corporate and private investors. These reports are delivered to investors either directly or by their investment advisors as e-mails or in printed format.

## information is always within easy reach

İş Investment strives to produce accurate and reliable information and deliver it to investors in a most timely manner. As such, electronic distribution channels are utilized effectively.

All reports and commentary is accessible through

- The Company's website [www.isyatirim.com.tr](http://www.isyatirim.com.tr) and
- The İşbank finance portal [www.isteyatirim.com.tr](http://www.isteyatirim.com.tr)

Moreover, foreign clients can reach reports in English via the global data providers Bloomberg and Internet Securities Inc. (ISI).



"We have achieved the most comprehensive privatization schemes and the highest volume of privatization IPOs in Turkey."



## İlhami Koç

General Manager / İş Investment

*A graduate of Faculty of Political Science at Ankara University, İlhami Koç worked at İşbank from 1986 to 1996, before the establishment of İş Investment in 1997. While working as Assistant General Manager at İş Investment, he was appointed General Manager of İş Venture Capital Investment Trust Inc., within the İşbank Group in 2001. After the former General Manager, Özcan Türkakın, was appointed Assistant General Manager of İşbank, İlhami Koç returned to the Company as General Manager in March 2002.*

**Q:** *The number of IPOs seems to have decreased in recent years. Do you expect this trend to continue?*

**A:** Present economic conditions are not favorable for public offerings. This is not only true for Turkey but for other countries as well. I believe the situation might change in the second half of 2003. From the point of view of corporations, IPOs are not the only source of finance that investment banking has to offer. Other solutions are available from investment banking, particularly for corporations with financial difficulties.

**Q:** *Could you explain these solutions in detail?*

**A:** Let us first start with the aim of corporate finance. As other financial

institutions, including commercial banks, investment banks and brokerage houses try to channel savings into the economy. Investors in financial instruments are institutions and private individuals with excess funds at hand. These funds are handed over to companies in need of funds through organized markets by way of brokerage houses.

Companies in need of financing either sell their shares or issue debt instruments to obtain funds. The sale of shares as well as that of debt instruments through public offering is an area requiring expertise. The effects of long lasting high inflation and the associated environment of uncertainty have rendered the issue of company debt instruments (which are usually long-term) virtually impossible. Consequently, obtaining funds without

resorting to bank loans or the funds of the existing shareholders was only possible through the public offering of company shares. However, public offerings can lose their attractiveness due to economic problems, as has been the case in recent years.

We are all yearning for the economic environment where companies can obtain funds either by offering their shares or debt instruments to the public.

Mergers and acquisitions have also become a hot issue recently. Growth can take place organically or through a merger or acquisition. Companies that are not fed by fresh capital from their shareholders become targets for acquisitions. Companies that merge can expand their markets, increase their sale volume and open up to different corporate cultures.

Financial partnership is also a possibility. We can obtain funds not only from a strategic partnership, but also through 'private equity' that plans to continuously invest in the company.

**Q: When we take a look at the general global trends, we see companies opting to downsize or seeking expansion through mergers or acquisitions. What are the underlying reasons of these trends?**

A: You are right in your observation. Downsizing can be achieved through the sale of activities outside the core business or outsourcing certain routine operations. Outsourcing became an attractive solution for many companies who returned to their core businesses and sold off their affiliates working in different business lines in time - as such, they became smaller. This trend continues today to some extent. The aim of getting smaller is to be able to increase quality by focusing on a single area and eliminate unnecessary costs. This tendency results in companies becoming more effective in many areas and by outsourcing new areas of activity emerge. When we look at growth, the viewpoint can be a bit different. Rapid developments in the communication field in recent years have made the world a smaller place. Television, Internet and other forms of communication and transportation can create common preferences. In this case, companies can no longer confine themselves to certain regions. If you do not expand the distribution of your goods outside your country, it is possible that competitors can sell the same product at

cheaper prices in your country. This fact compels companies to grow and expand. Since it would take time for them to expand through their own means, some companies prefer mergers or acquisitions.

As an institution providing corporate finance services, we also have expertise in mergers and acquisitions. Our work on the merger of TSKB with SYB was the most comprehensive corporate finance scheme undertaken in Turkey so far.

As long as Turkish companies continue to open up to the outside world and as long as foreign companies continue to want to buy or merge with Turkish companies, it seems likely that we will be engaged in some more comprehensive work in this direction in the years ahead.

**Q: Does the work you do within the framework of privatization also cover corporate finance services?**

A: Yes. A typical privatization project in fact encompasses many of the corporate finance instruments. The company to be privatized first has to be brought to a state where it can be sold. This may entail enhancing said company's production and marketing effectiveness, turning the company into a profit making concern and increasing the effectiveness of its management. In the next stage, the company's market value is calculated and its privatization method (public offering, block sale etc.) is determined. In the final stage the organization and implementation of the public offering is carried out.

At İş Investment, we are proud to have concluded the public offering of Petrol Ofisi, which was the largest and most comprehensive privatization project undertaken in Turkey. This was a project matching corporate finance schemes undertaken in developed markets as regards both its scope and its volume.

**Q: As I understand, consultation takes up a substantial portion of corporate finance activities.**

A: Certainly. For instance, there are many things that need to be done for a company before its public offering can be accomplished. First, it must be determined whether the company can qualify for a public offering scheme. If the company in question is not ready for a public offering at the time, consultation services should be provided during the preparation phase. The company's shares should be evaluated after which the public offering can be undertaken. Consultation provided to companies is not limited to public offering projects. Carrying out the feasibility studies for new investments, developing strategic planning and providing management consultation during the implementation phase while providing guidance on where and how financing could be found when required are just some of the consultation areas for which we provide services.

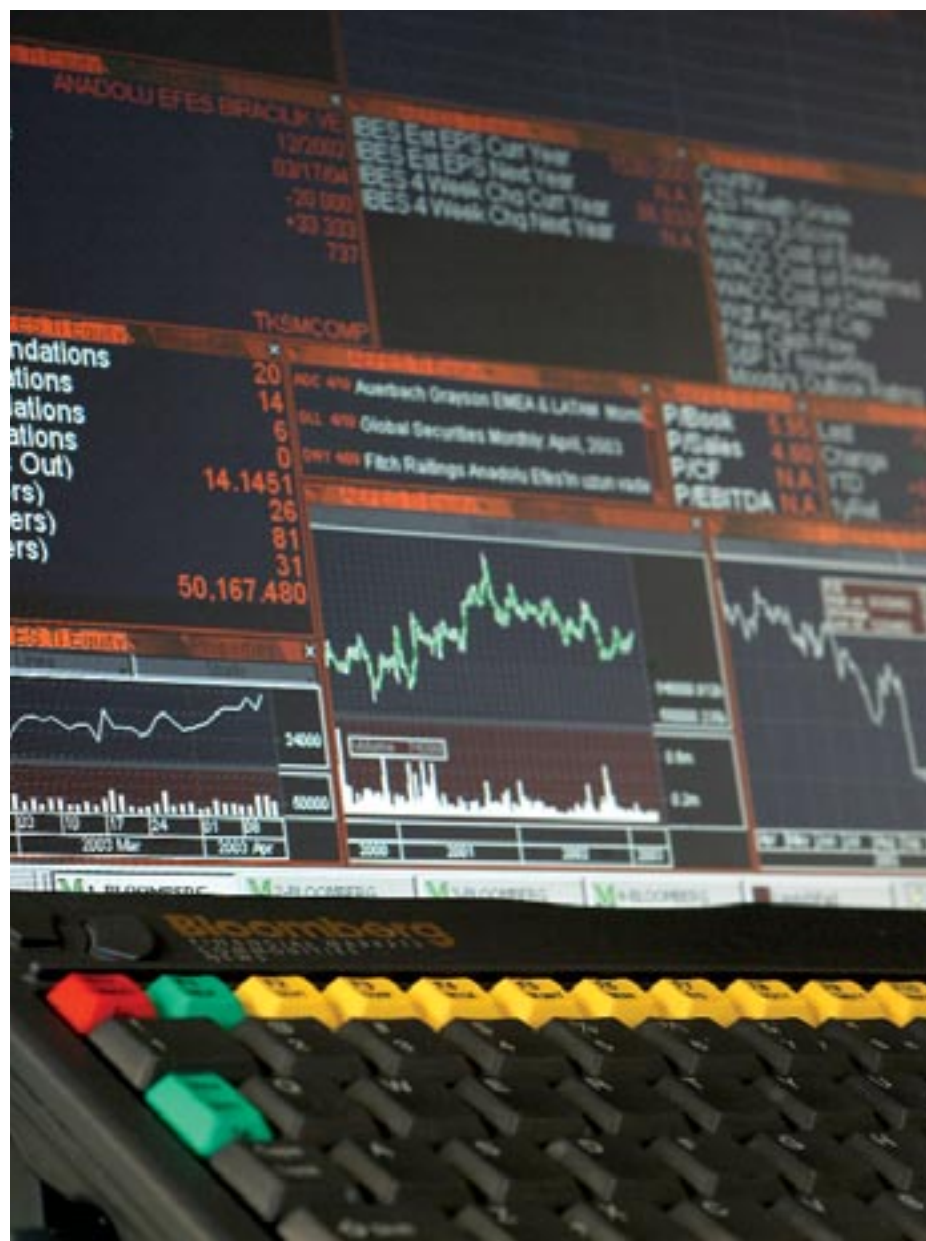
**Q: Thank you very much for the enlightening on your corporate finance activities.**

A: It was my pleasure.

As an institution providing corporate finance services we also have expertise with mergers and acquisitions. our work in the merger of TSKB (Industrial Development Bank of Turkey) with SYB (Industrial Investment Bank) was the most comprehensive corporate finance scheme undertaken in Turkey to date. As long as Turkish companies continue to open up to the outside world and as long as foreign companies continue to want to merge with or buy Turkish companies it seems likely that we will be engaged in more comprehensive work in this direction in the years ahead.

# Quality service with investor-focused team spirit

Through its emphasis on quality and product diversity, İŞ Investment has achieved its goals with a long-term client relations approach and preserved its strong position in the international markets.



## A year riddled with political uncertainty and volatility

In 2002, the agenda of international capital markets was dominated by slow economic growth, the first budget deficit for five years and the accounting scandals by top auditing firms in the USA.

Political upheaval and the elections in Brazil and Turkey were the main issues in emerging markets. Uncertainty concerning the politics in the first three quarters preceded the elections; it was a difficult time for the financial markets of both countries. However, attention turned to the prospect of war in neighboring Iraq and the initial actions of the incoming government in the last quarter of 2002. While Russia was one of the best performing markets, as oil prices rose on the back of war-related worries, Turkish markets exhibited strong performance in the last two months of the year, as investors were again reminded of Turkey's strategic importance and the Copenhagen Summit produced a new date for Turkey's EU accession negotiations for 2004 following the incoming AKP government's intensive efforts toward EU membership.

Investors in the international markets continued to hold liquid instruments



without risk, as in 2001. However, in the second half of the year investors turned to Turkish eurobonds while in other markets, Russian state or private company bills were the preferred investment instruments.

İş Investment, providing brokerage services in the international bond and stock markets for many years, continued to consolidate its position in the international arena with an ever expanding correspondent network, developed infrastructure, expanded client base and transaction volume. In 2002, İş Investment has widened its range of services provided to investors in other emerging markets.

Working with a wide range of counter-parties all across Europe, the Far East and the USA, İş Investment is one of the few investment houses in Turkey to offer services to its clients in USA time zones.

İş Investment uses the latest technology on the trading floor, enabling timely order execution and effective pricing in international markets through electronic trading platforms.

### **why international investors prefer iş investment?**

The volatile course of Turkish capital markets in 2002 led foreign investors

toward more stable markets and instruments. While Turkey strived to overcome its economic problems during the second half of the year, foreign investors, wary over the rising political uncertainty, lost confidence in the Turkish markets. Despite these volatile and adverse conditions, İş Investment achieved its objectives and maintained a strong position in the international markets through its long-term client relations approach.

This development was particularly prominent in equity brokerage transactions. Volume of equity trading executed on behalf of foreign institutional investors increased by 55% on a US dollar basis compared to the previous year.

The services provided by İş Investment to foreign investors are not restricted to equity brokerage. In 2002, a significant volume of Turkish lira-denominated bills and bonds were sold to foreign investors. With the help of its Research Department, İş Investment was able to increase its sales volume of Turkish Treasury instruments to foreign investors by 130% in US dollar terms. In repo transactions, another service provided to foreign investors, transaction volume fell because of market conditions.

İş Investment's investor-focused



**iş investment's  
investor-focused  
approach bore fruit  
even in a year as  
difficult as 2002.**

approach bore fruit even in a year as difficult as 2002. The International Sales Department continuously informed investors about market developments, conducted their transactions flawlessly and in a timely manner and consequently preserved its market position. By providing quality services with an investor-focused team spirit under all circumstances, İş Investment became a soughtafter business partner among the world's leading capital market participants.

#### **international instruments traded**

Fixed Income  
*Turkish Eurobonds*  
*Corporate Bonds*  
*Emerging Market Bonds*  
*G7 Country Bonds*  
Equity

#### **instruments traded on behalf of foreign investors**

Equity  
Repo  
Bonds

The 2002 Nobel Economy Prize winner Daniel Kahneman's advice to investors:

# "Adopt a wide angle view."



"Human beings that economists assume to be 'rational decision makers' are actually 'emotional' beings. Emotions weigh heavily in decisions taken at moments of uncertainty and risk."

Daniel Kahneman, 2002 Nobel prize winner in economy, visited Turkey as the guest of İŞ Investment. At a special meeting with investors, he shared his findings of psychological studies integrated with the discipline of economy and decision-making in the face of uncertainty.

Daniel Kahneman, Professor of Psychology, visited Turkey as İŞ Investment's special guest immediately following his receipt of The Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel. This prize was awarded for his work that challenged the established norms and value judgments concerning 'homo economicus.' Speaking at a seminar entitled the "Wide Angle" in Turkey, Kahneman met with media representatives the following day.

In a statement made at the same press conference, İlhami Koç, General Manager of İŞ Investment reported that İŞ Investment had launched many 'first ever' initiatives within the Company's mission which is "to contribute to the development of the country's economy and the development of its capital markets" and that the "Wide Angle" meeting was a continuation of those efforts.

Daniel Kahneman stated that the basic misconception in the established economic theory was that individuals are defined as rational beings that can access all of the information in the markets and can make decisions independent of emotional and instinctive factors. Emphasizing that the decision-making process is affected by prejudices stemming from past experiences, errors of perception and the senses, he pointed out that as well as the private individual investors, professional investors also occasionally fell into the traps of the mind.

Kahneman said that making bold assessments with excessive optimism, acting with too much self-confidence, failing to evaluate probabilities correctly, adopting a short-term approach and being unable to look from a wider perspective were other traps which investors could fall into. He focused on the following main points:

## A short-term approach and a narrow view leads to poor results

When making decisions, individuals act with a short-term outlook and a "win-lose" approach instead of trying to increase their wealth with a long-term outlook, which both avoids risk and makes do with short-term returns.

## institutional investors are luckier

Institutional investors have the ability to view incidents with a wider perspective and a long-term outlook compared to individual investors.

## overconfidence is dangerous

Although individuals act with overconfidence on many occasions, they forget that they can face unpleasant surprises at any time.

## A study conducted among 8,000 individual investors

In a study conducted in the United States covering 8,000 individual investors entailing the assessment of millions of transactions and other data, it was observed that equities that were sold off to make a short-term profit had a higher yield than those that were retained. According to the study, investors sold the equities as soon as they perceived they would get a return and had a tendency to hold on to the falling papers by not being able to face the short-term losses.

## women investors are more successful

The same study revealed that women were more successful as investors. This was because women bought and sold shares less frequently than men and they had less short-term movement in their transactions and as such, they retain their shares for a longer term and increase their returns.

## nobody is an exception

At the point of decision in the face of uncertainty, individuals and institutional investors alike may often get it wrong.



# Everyone will have an investment advisor in the near future

►► **Banu Taşkın**  
*Manager, Investment Advisory*

I would like to ask you to refresh your memories by going back only five years, to late 1997. It was the day the Thai government announced the closure of 56 of the 58 financial institutions in the country. This was the note of warning in what was to become the Asian crisis, which affected the whole world.

The crisis spread to the whole of Asia within a few months. People who walked in the streets of Thailand with the words "Formerly Rich" emblazoned on their T-shirts represented just a tiny fraction of those who were to lose their wealth. The crisis in time affected raw material prices; Russia was among the first to bear its share of the disaster as an economy dependent on raw materials. The dominoes started to fall - one after the other!

The recession in the Russian economy continued well into 1998 and the interest on ruble-denominated bonds surged from 20% to 70% to spur foreign investors. With the expectation that the IMF would help Russia, many banks and funds continued to play this game.

Things were too good to be true... borrowing at a 5% interest rate and investing in bonds with a 70% yield.

This situation was just too good to be true and ended with the Russian government's announcement of devaluation and consolidation at the same time on August 17, 1998.

Next to be hit by the crisis was Brazil. Financial institutions that sustained huge losses in Russia flocked to emerging market positions to be able to pay off their debts and the sale pressure experienced here affected Brazil, Korea, Egypt, Israel and Mexico.

I am going through this so as to illustrate that when you make an investment in today's world, it is not enough to know which country you are investing in and what investment instrument you are using. You face an intricate jigsaw puzzle and are asked to imagine the whole picture with just a few pieces.

Professor Murray Gell-Mann, a former Nobel Prize winner, believed that starting from the first

day of the earth's creation, ever more complex systems began evolving in parallel with the planet's physical, biological and human cultural evolution. He states that the process reached such a point where human beings are now faced with extremely complex political, economic and social problems. In an effort to solve these problems they must be divided into smaller segments. However in a non-linear system, when dividing these segments into smaller and smaller parts and analyzing each angle, the relationship between each part must be studied carefully before the entire system can be defined. He concludes by saying that a group of competent people would be needed to study the system as a whole pursuing an in-depth and professional approach.

Investment Advisory and Portfolio Management are both services that are extensively used in developed capital markets. It is difficult for everyone to follow all markets, perform analyses and undertake investment transactions; these services were created in order to meet this emerging requirement.

In today's most sophisticated investment environment the goal of the potential investor is obvious: he or she needs to make investments in line with his/her return and risk expectations. This requires close scrutiny of the markets and professionalism, hence the services of an advisor is required. Advisors form their comments based on reliable sources and provides guidance to investors. The investor makes his/her decisions in this direction and completes the transaction.

Professional advice is a requirement for the investor who is far-off from the capital markets. In the same way that we seek professional assistance when we become ill, it is equally as necessary to receive the assistance of professionals for our investments.

When Isaac Newton lost £ 20,000 on the stock exchange, he said:

"As I calculate the movement of beings, I cannot calculate the magnitude of human beings' folly..."

Many investors still believe that selecting the right stock at the right time is successful investing. It is tempting to try to time the market - to invest at the bottom and sell at the top. But timing the market correctly is difficult, risky and ultimately expensive.

Studies reveal that by missing a handful of the best days, you would have significantly reduced the total return on your portfolio to a great extent. The key to successful investing is developing a personalized investment strategy based on your goals and then implementing it with discipline over time.

## *Aim*

The investment objectives of every investor vary according to the portfolio, age, occupation and other factors unique to the investor. In time, these objectives may change, so the investor and the investment advisor must revisit the objectives and assess them periodically.

## *What is the probability of achieving the objective and the associated tolerable risk level?*

As an investor, your success in achieving your objective in a given time period and how much return you generate determines your next risk level. The extend of the risk that can be taken on board is one of the most important steps in determining the investment strategy.

## *Distribution of assets?*

"Don't put all your eggs in the same basket." It is appropriate to form a basket of different products rather than focus on a single investment instrument for risk distribution.

At İş Investment, we believe that we need to know the client to whom we will make an investment offer. Who is this client? What are his/her objectives, his/her time horizon, the revenue and liquidity requirement, tolerable risk level and tax situation?

Does the investor prefer risk or risk aversion in his/her investments? Investor behavior patterns are analyzed; investment instruments are also analyzed for risk and return. In addition, markets and expectations are evaluated within the institution and an institutional view is developed. The investment advisor filters down this institutional view in line with the analysis of the client's preferences and passes it on to the client.

Russ Alan Prince, in his book about investment advisory, states that;

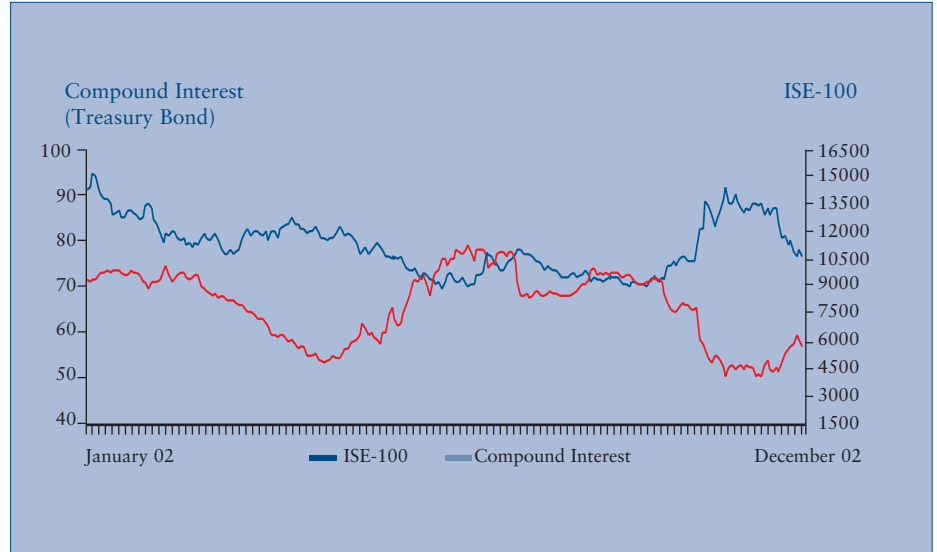
"An unsatisfied client naturally does not make a good reference. While 100 unsatisfied clients make 15 referrals, it is only possible to double this number by having 100 satisfied clients. But the really significant point is reached when these 100 clients are really very satisfied. Hundred very satisfied clients become references for an average of 66 new clients. A 66% growth rate within a year without active marketing is quite a good figure..."

Investment advisory is a new area in Turkey, the importance of which is gradually being appreciated. Soon people will have an advisor for their financial investments in much the same way as they have a dentist or a lawyer. As an institution that has adopted the development of capital markets as its vision, we have taken big steps to do this job in the best possible manner and to form a basis for the future and we will continue to do so.

# 4.9% market share in the ISE Stock Market

The year 2002 was full of political and economic uncertainties for Turkey. The country began the year in an optimistic mood with the expectation of a US\$ 10 billion financial package, which would have gone a long way to easing the financial deficit. However, concern raised by the imminent war in Iraq and the tension between the coalition partners within the Government troubled the markets. The Prime Minister's health problems and the discord within coalition deepened, leading to an early general election while the corporate scandals in the United States caused sharp fluctuations particularly in the stock market.

Last year the ISE-100 Index moved in a band of between 8,500-15,000, losing 25% in value in 2002 in terms of Turkish lira. Interest rates on T-bills varied between 46-77%. Interest rates



fell rapidly in the wake of general election, with real term returns dropping once again to the 20% level. FX markets also experienced fluctuations in response to these developments.

In such an investment environment, the foremost investment instruments recommended by İş Investment were the Treasury's Turkish lira-denominated bonds and bills. During the last quarter of the year, equities were also recommended. Although the recommendation was to invest in Turkish lira-denominated products, investors who preferred to hold their savings in FX were advised to invest in FX-denominated bonds issued by the Treasury and private companies. Investors willing to take more risk invested in the US and European stock markets with the gold mining stocks among the preferred instruments of investment.

### ISE Stock Market

In 2002, İş Investment maintained its position at second place on the ISE Stock Market, increasing its market share from 4.8% to 4.9% compared to

### Trading results (TL millions)

	2001	2002	Change (%)
ISE Stock Market	8,899,909,897	10,312,412,956	15.87
ISE Repo/Reverse Repo Market	20,037,138,000	11,981,331,000	(40.20)
ISE Bonds and Bills Market	2,096,242,901	4,688,526,009	123.66
Takasbank Money Market	2,864,846,000	2,619,625,000	(8.56)

### Portfolio sizes of mutual funds (TL millions)

	2001	2002	Change (%)
Type-A Variable Fund	61,927,181	3,190,000	(94.85)
Type-B Variable Fund	23,640,782	31,403,000	32.83

### Mutual funds yield performance (%)

	Benchmark	Yield	Benchmark	Yield
A	85	91	23	32
B	118	132	47	51

the previous year. In the Stock Market where substantial increases in the transaction volume were not registered as a result of the overall economic conditions, İş Investment realized US\$ 6.3 billion in transaction volume, representing an increase of 15.87%.

#### *ISE Bonds and Bills Market*

In 2002, İş Investment was ranked third among brokerage houses in the ISE Bonds and Bills Market with regard to transaction volume. Registering an increase of 12.4% over the previous year, İş Investment recorded US\$ 2.9 billion in transaction volume and a market share of 9.4%.

#### *ISE Bonds and Bills Market Repo-Reverse Repo Market*

In 2002, İş Investment ranked eighth among brokerage houses in the ISE Bonds and Bills Market Repo-Reverse Repo Market with US\$ 7.3 billion in transaction volume and a market share of 3.2%.



#### **INVESTMENT ADVISORY**

##### **Rapid growth of the investment advisory portfolio**

İş Investment's investment advisory services exceed traditional brokerage. Within the framework of these services, each client is assigned an investment advisor and investment decisions are taken in accordance with the principle developed by İş Investment, referred to as the 'Investor-Centered, Market-Focused Approach.' In line with this approach, the investor's risk/return analysis is initially formed, enabling the Company to determine the markets and investment instruments appropriate to each investor. Investment advisors evaluate research analyses, market expectations and recommendations and use these to develop investment recommendations. Among the investment instruments offered in line with these

recommendations are equities, T-bills, O/N repo, international securities, Type-A and Type-B mutual funds and eurobonds issued by the Turkish Treasury.

In 2002, the size of investment accounts receiving investment advisory services rose by 65%.

**in the stock market where substantial increases in transaction volume were not registered as a result of overall economic conditions, İş Investment realized us\$ 6.3 billion in transaction volume, representing an increase of 15.87%.**



within the framework of investment advisory services, each client is assigned an investment advisor and investment decisions are managed in accordance with the principle developed by İŞ Investment referred to as ‘investor-centered, market-focused approach.’

## PORTFOLIO MANAGEMENT

### portfolios reflecting investor preferences

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As part of its aim to develop new capital market products according to investor preferences and expectations, İŞ Investment launched the Private Portfolio Management service in the second half of 2002. Investors receiving this special service hand over responsibility to manage their portfolio entirely to İŞ Investment. Portfolio groups, developed in accordance with İŞ Investment’s investment principles, are determined from among those that will best meet the investors’ risk and expectations.

As a result of the new Private Portfolio Management services launched in the middle of the year, the value of the assets under management in these portfolios has reached unprecedented volumes far exceeding all initial expectations.

Despite the fact that this is a new implementation, product diversification was achieved rapidly and different portfolio groups catering to different risk-return expectations were introduced. In addition to existing groups, different portfolio groupings are expected as the product gains more popularity among the investors community.

## Research support for mutual funds

İş Investment Type-A Variable Fund yielded a return of 32.13%, the highest return of any variable fund. Meanwhile, the İş Investment Type-B Variable Fund had an annual yield of 50.90%.

Research support is the main factor contributing to this success. Investment strategies are determined at the weekly Investment Committee meetings held with the participation of portfolio managers, research analysts and the members of the executive management. In order to reach an optimum convergence of risk and return in the portfolios that are managed, analysis of various scenarios is carried out, every possible research source is referred to and the markets are monitored closely. This enables immediate response to changes taking place in the Turkish markets. With the synergy created through a professional approach, expertise and team spirit, İş Investment tries to provide service quality and returns beyond investor expectations.

## BRANCHES

### successful performance of branches

With the opening of the Ankara and İzmir branches in 1998 and the Kalamış branch in 2000, İş Investment's investment advisory and brokerage service capacity has increased addressing a broader private and corporate investor base with all kinds of capital market instruments.

Despite an overall declining trend in capital market trading in 2000, İş

Investment's Ankara, İzmir and Kalamış branches demonstrated a robust performance, as they did in previous years.

The Ankara and İzmir branches were relocated in 2002 to new offices equipped with fast and reliable technical infrastructure and decorated along the lines of İş Investment's corporate identity. The openings of both offices were celebrated with cocktail receptions. At the opening of the İzmir branch, İş Investment sponsored the season's opening concert by the İzmir State Symphony Orchestra with Fazıl Say as the soloist.



*with the synergy created through a professional approach, expertise and team spirit, iş investment tries to provide service quality and returns beyond investor expectations.*



# İş Investment employees are focused on high performance

## The confidence reflected to the investor

A vital requisite of success in capital markets is the presence of quality human resources. What differentiates İş Investment from other institutions is its human resources - people who love their profession, who are skilled in what they do, who are eager to advance in their careers and who have adopted the mission to develop capital markets. More importantly, the continuity of quality human resources is maintained despite constantly changing market conditions.

### İş Investment's Human Resources Policy

The key component of İş Investment's human resources policy is based on attracting the best people -

- With a strong educational background,
- Who have talent and vision,
- Who love their profession,
- Who can make use of opportunities provided for professional specialization,
- Who can adapt to a fast and developing organizational structure and,
- Who can convert individual success to one of team achievement, creating a workplace to maintain the development of these people.

In an environment where all employees are provided with equal career opportunities, İş Investment employees are focused on developing their competencies that result in high performance levels. The basic criterion for success is the satisfaction of the investor.

In terms of its workforce, İş Investment maintained its growth in 2002. From 176

A feature of İş Investment that differentiates it from other institutions is its human resources - people who love their profession, who are skilled in what they do, who are eager to advance in their careers and who have adopted the mission to develop capital markets.

people at the end of 2001, number of employees has reached 179 at the end of 2002. The average age of the Company's young staff is 30, while the majority of the employees are female and 87% are university graduates. Regarding their age and educational qualifications, the research and learning-oriented employees of İş Investment provide an added competitive edge and dynamism in its sector.

## The new performance evaluation system

The new performance evaluation system implemented in 2002 was designed with the expectations of İş Investment's young, well-educated and dynamic workforce in mind. This new system enables all employees to be evaluated on both clearly defined objectives and competencies. Employee performance is evaluated on the extent to which objectives are met. Also,

the employees' attitudes, behavior and personality traits displayed to achieve their objectives are placed under the magnifying glass. In evaluating competencies, more comprehensive and objective results are achieved through the implementation of what is called the "360 degrees" method.

In determining how to use performance evaluation data, personal development was given special emphasis. Thus, performance evaluation is not only used for compensation purposes but also for a fair promotion system and training-needs analysis.

## Training as an indispensable activity under any circumstances

Topping the list of the budget allocated for human resources at İş Investment is the expenses set aside for training. Training

### Number of staff

	2002	2001
Head Office	143	139
Branches	36	37
Total Staff	179	176

### Educational level of the staff

	%
Ph.D. and MBA Degrees	20
Bachelor Degrees	67
Other	13
Total	100



and education are basic requirements for the employees of İş Investment who desire to continuously develop their professional and personal competencies helping the Company to provide quality service and maintain its leadership in the sector.

When we look at the 2002 budget figures, training expenses have increased five-fold compared to 2001, while the number of personnel receiving training has doubled. In 2002, 599 employees received training; the average training hours per employee reached 65 hours in 2002.

### corporate communications training

One of the most important training programs offered in 2002 was the "corporate communication" course designed to equip employees with positive communication skills by enabling them to get to know themselves and their colleagues better. The program envisages

### participation in training programs

	2002	2001
Basic Training	345	51
Specialist Training	29	42
Management Development Training	28	27
Other	197	135
<b>Total</b>	<b>599</b>	<b>255</b>

the employees working in cooperation and unison toward common corporate goals.

### professional training

An important progress in 2002 was the emergence of licensing exams that employees working in capital markets have been obliged to attend in order to demonstrate their professional proficiency, knowledge and skills as per instructions issued by the Capital Markets Board.

During preparation for these certificate examinations, İş Investment supported its employees through training offered in this area. Every opportunity was created for

employees to ensure their success during licensing examinations through training programs developed in cooperation with professional institutions, universities and experts in the capital markets.

### participation in overseas programs

During the year, İş Investment employees were sent on training and licensing programs organized abroad to equip them with knowledge on an international scale in their respective areas of expertise. Moreover, in order for the employees to follow-up on developments in the sector, they participated in conferences and panel discussions held in Turkey.



# Fast and accurate transactions through remote access



In 2002, the IT audit of İŞ Investment was carried out by an independent company specializing in information technology applications.

## on-line access to the markets

Through the ISE remote access project launched in late 2001, İŞ Investment can now reach all ISE markets from its on-line office and conduct transactions; similar access is provided over the website. Investors can access equity prices via [www.isyatirim.com.tr](http://www.isyatirim.com.tr) with only a three minute delay. Investors can also monitor the value of their portfolio over this site and get a daily statement of their account.

## powerful IT infrastructure

Software used at İŞ Investment includes Windows 2000, Microsoft Office XP and Finbase while data services are obtained on a subscription basis from Reuters, Euroline, Foreks and Bloomberg.

Moreover, Reuters, Euroline and Foreks lines can be connected to investors' offices upon request.

## new projects

İŞ Investment continued its investments in IT in 2002 and upgraded the infrastructure at its Ankara and İzmir branches; backup data lines were installed. Thus, average "up-time" was realized at a rate of 99.991%. Also, the telephone system that permitted the Head Office to talk to remote branches on in-house extension numbers became operational.

The Centralized Fax System was extended throughout İŞ Investment enabling the sending of electronic faxes to investors of Investment Advisory Department. The coverage of the Disaster Recovery Center was expanded to 90% and while Remote Access Tokens with Security IDs for mobile users were launched, use of tokens was made mandatory for RAS users.

A co-location agreement was signed with İŞ-Net for group mail dispatches and the reporting performance was thus revised.

In 2002, the IT audit of İŞ Investment was carried out by an independent company specializing in information technology applications. IT infrastructure upgrades that were carried out in İŞ Investment were replicated in its affiliates and IT support was provided to these institutions.

investors can access equity prices over the website [www.isyatirim.com.tr](http://www.isyatirim.com.tr) with only a three minute delay.

iř YATIRIM MENKUL DEĐERLER A.ř.

# Financial Statements

for the Year Ended December 31, 2002

Translated into English from the Original Turkish Report

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## İŞ YATIRIM MENKUL DEĞERLER A.Ş.

### INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

1. We have examined the attached balance sheet of İş Yatırım Menkul Değerler A.Ş. ("the Company") as of December 31, 2002 and the related statement of income for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

2. In our opinion, the attached financial statements present fairly the financial position of the Company as at December 31, 2002 and the results of its operations for the year then ended, in conformity with legislation and generally accepted accounting principles applied on a consistent basis.

3. Additional paragraph for English translation:

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Turkey. The standards, procedures and practices to audit the accompanying financial statements are those generally accepted and applied in Turkey.

DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.

Member Firm of **DELOITTE TOUCHE TOHMATSU**

Hasan Kılıç  
Partner  
İstanbul, February 7, 2003

Balance Sheet as at December 31, 2002

(TL Million)

	CURRENT YEAR 31.12.2002		PREVIOUS YEAR 31.12.2001	
<b>ASSETS</b>				
<b>I- CURRENT ASSETS</b>		<b>24,370,379</b>		<b>69,958,785</b>
A- Liquid Assets		2,280,875		226,373
1- Cash	0		0	
2- Banks	2,280,875		226,373	
3- Other Liquid Assets	0		0	
B- Marketable Securities		13,780,660		35,419,817
1- Private Sector Shares	928,838		4,608,440	
2- Private Sector Bills and Bonds	0		359,790	
3- Treasury Bills and Bonds	13,006,535		30,602,955	
4- Other Marketable Securities	0		0	
5- Provision for Diminution in Value of Marketable Securities (-)	(154,713)		(151,368)	
C- Short-Term Trade Receivables		3,566,879		25,279,642
1- Trade Receivable	2,495,213		8,530,611	
2- Notes Receivable	0		0	
3- Deposits and Guarantees	0		0	
4- Other Short-Term Trade Receivables	1,071,666		16,749,031	
5- Discount on Receivables (-)	0		0	
6- Provision for Doubtful Receivables (-)	0		0	
D- Other Short-Term Receivables		665,580		614,522
1- Receivables from Shareholders	0		0	
2- Receivables from Equity Participations	0		0	
3- Receivables from Subsidiaries	0		0	
4- Other Short-Term Receivables	665,580		614,522	
5- Discount on Receivables (-)	0		0	
6- Provision for Doubtful Receivables (-)	0		0	
E- Inventories		0		0
F- Other Current Assets		4,076,385		8,418,431
<b>II- LONG-TERM ASSETS</b>		<b>40,411,450</b>		<b>16,769,960</b>
A- Long-Term Trade Receivables		0		0
B- Other Long-Term Receivables		75,715		75,635
1- Receivables from Shareholders	0		0	
2- Receivables from Equity Participations	0		0	
3- Receivables from Subsidiaries	0		0	
4- Other Long-Term Receivables	75,715		75,635	
5- Discount on Receivables (-)	0		0	
6- Provision for Doubtful Receivables (-)	0		0	
C- Long-Term Financial Assets		37,746,112		14,941,143
1- Investments Portfolio	16,435,283		13,722,726	
2- Provisions for Diminution in Value of Investments Portfolio (-)	0		0	
3- Associates	21,290,000		1,200,000	
4- Capital Commitments for Associates (-)	0		0	
5- Provision for Diminution in Value of Associates (-)	0		0	
6- Subsidiaries	0		0	
7- Capital Commitments for Subsidiaries (-)	0		0	
8- Provision for Diminution in Value of Subsidiaries (-)	0		0	
9- Other Long-Term Financial Assets	20,829		18,417	
10- Provisions for Diminution in Value of Other Long-Term Financial Assets (-)	0		0	
D- Tangible Fixed Assets		1,180,552		728,156
1- Land	0		0	
2- Land Improvements	0		0	
3- Buildings	0		0	
4- Machinery Plant, and Equipment	1,657,859		870,784	
5- Motor Vehicles	105,107		75,604	
6- Furniture and Fixtures	341,282		113,148	
7- Other Tangible Fixed Assets	0		0	
8- Accumulated Depreciation (-)	(923,696)		(331,380)	
9- Construction in Progress	0		0	
10- Order Advances Given	0		0	
E- Intangible Fixed Assets (Net)		1,409,071		1,025,026
1- Establishment Costs	0		0	
2- Rights	139,870		141,818	
3- Research and Development Costs	0		0	
4- Other Intangible Fixed Assets	1,269,201		883,208	
5- Advances Given	0		0	
F- Other Long-Term Assets		0		0
<b>TOTAL ASSETS</b>		<b>64,781,829</b>		<b>86,728,745</b>

	CURRENT YEAR		PREVIOUS YEAR	
	31.12.2002		31.12.2001	
<b>LIABILITIES</b>				
<b>I- SHORT-TERM LIABILITIES</b>		<b>8,663,878</b>		<b>43,498,477</b>
A- Financial Liabilities		0	5,207,844	5,207,844
1- Bank Loans	0		5,207,844	
2- Current Instalments and Interest of Long-Term Loans	0		0	0
3- Bond Principal and Interest	0		0	0
4- Bonds and Bills Issued	0		0	0
5- Other Financial Liabilities	0		0	0
B- Trade Payables		882,595	24,818,601	24,818,601
1- Suppliers	0		0	0
2- Notes Payable	0		0	0
3- Deposits & Guarantees Received	0		0	0
4- Other Trade Payables	882,595		24,818,601	
5- Discount on Payables (-)	0		0	0
C- Other Short-Term Liabilities		842,946	1,142,741	1,142,741
1- Payable to Shareholders	0		0	0
2- Payable to Equity Participations	0		0	0
3- Payable to Subsidiaries	0		0	0
4- Expense Accruals	0		0	0
5- Taxes and Dues Payable	330,404		252,715	252,715
6- Deferred Payables to Government Offices	0		0	0
7- Other Short-Term Payables	512,542		890,026	890,026
8- Discount on Notes Payables (-)	0		0	0
D- Order Advances Received		0		0
E- Provisions		6,938,337	12,329,291	12,329,291
1- Corporate Tax Payable	6,695,905		12,157,204	12,157,204
2- Other Provisions	242,432		172,087	172,087
<b>II- LONG-TERM LIABILITIES</b>		<b>518,472</b>		<b>383,329</b>
A- Financial Liabilities		0		0
B- Trade Payables		0		0
C- Other Long-Term Payables		0		0
D- Order Advances Received		0		0
E- Provisions		518,472	383,329	383,329
1- Retirement Pay Provision	518,472		368,994	368,994
2- Other Provisions	0		14,335	14,335
<b>III- SHAREHOLDERS' EQUITY</b>		<b>55,599,479</b>		<b>42,846,939</b>
A- Capital		38,000,000	17,000,000	17,000,000
B- Capital Commitments (-)		0	0	0
C- Premium in Excess of Participation		0	0	0
D- Revaluation Surplus		4,414,874	2,223,198	2,223,198
1- Revaluation of Tangible Fixed Assets	1,183,748		234,301	234,301
2- Revaluation of Equity Participations	0		0	0
3- Value Increase on Stock Exchange	3,231,126		1,988,897	1,988,897
E- Reserves		2,623,741	1,535,697	1,535,697
1- Legal Reserves	2,422,409		1,318,007	1,318,007
2- Statutory Reserves	0		0	0
3- Special Reserves	0		0	0
4- Extraordinary Reserves	201,332		217,690	217,690
5- Cost Increase Fund	0		0	0
6- Gain on Sale of Fixed Assets and Participations Which Will Be Incorporated as Capital	0		0	0
7- Prior Year Income	0		0	0
F- Net Profit For the Period		10,560,864	22,088,044	22,088,044
G- Loss For the Period (-)		0	0	0
H- Prior Periods' Losses (-)		0	0	0
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		<b>64,781,829</b>		<b>86,728,745</b>

Income Statement for the Year Ended December 31, 2002

(TL Million)

	CURRENT YEAR		PREVIOUS YEAR	
	31.12.2002		31.12.2001	
A- GROSS SALES		5,712,629,458		8,351,002,091
1- Sales of Share Certificates	1,976,103,685		1,856,780,774	
2- Sales of Private Sector Bonds	0		0	
3- Sales of Commercial Papers	0		0	
4- Sales of Other Private Sector Bonds	1,554,055		3,888,508	
5- Sales of Government Bonds	1,047,820,040		2,526,948,499	
6- Sales of Treasury Bills	2,672,504,834		3,889,519,799	
7- Sales of Other Public Sector Bonds	0		0	
8- Sales of Other Marketable Securities	123,721		57,008,873	
9- Brokerage Commission Income	8,082,180		14,618,838	
10- Other Services Given	6,440,943		2,236,800	
B- SALES DEDUCTIONS (-)		(484,244)		0
1- Sales Returns (-)	0		0	
2- Sales Discounts (-)	0		0	
3- Other Discounts (-)	(484,244)		0	
C- NET SALES		5,712,145,214		8,351,002,091
D- COST OF SALES (-)		(5,679,300,757)		(8,311,109,882)
<b>GROSS PROFIT OR LOSS</b>		<b>32,844,457</b>		<b>39,892,209</b>
E- OPERATING EXPENSES (-)		(17,079,345)		(21,235,237)
1- Research & Development Expenses (-)	0		0	
2- Marketing, Selling & Distribution Expenses (-)	(2,322,444)		(9,391,149)	
3- General Administrative Expenses (-)	(14,756,901)		(11,844,088)	
<b>PROFIT OR LOSS ON MAIN OPERATING ACTIVITIES</b>		<b>15,765,112</b>		<b>18,656,972</b>
F- OTHER OPERATING INCOME		6,580,212		16,642,378
1- Dividend Income from Affiliates	2,750		84,750	
2- Dividend Income from Subsidiaries	0		0	
3- Interest and Other Dividend Income	1,553,727		13,009,572	
4- Other Operating Income	5,023,735		3,548,056	
G- OTHER OPERATING EXPENSES (-)		(4,298,737)		(2,395,536)
H- FINANCIAL EXPENSES (-)		(814,246)		(872,814)
1- Short-Term Financial Expenses	(814,246)		(872,814)	
2- Long-Term Financial Expenses	0		0	
<b>OPERATING PROFIT OR LOSS</b>		<b>17,232,341</b>		<b>32,031,000</b>
I- EXTRAORDINARY INCOME AND PROFITS		24,428		2,214,248
1- Provisions Written off	0		0	
2- Previous Period Income and Profit	0		948	
3- Other Extraordinary Income and Profit	24,428		2,213,300	
J- EXTRAORDINARY EXPENSES AND LOSSES (-)		0		0
1- Idle Capacity Expenses and Losses	0		0	
2- Previous Period Expenses and Losses	0		0	
3- Other Extraordinary Expenses and Losses	0		0	
<b>PERIOD PROFIT OR LOSS</b>		<b>17,256,769</b>		<b>34,245,248</b>
K- TAXATION (-)		(6,695,905)		(12,157,204)
<b>NET PROFIT FOR THE PERIOD</b>		<b>10,560,864</b>		<b>22,088,044</b>

Cash Flows for the Year Ended December 31, 2002

(TL Million)

	CURRENT YEAR		PREVIOUS YEAR	
	31.12.2002		31.12.2001	
A- CASH AT THE BEGINNING OF THE PERIOD		226,373		1,789,031
B- CASH INFLOWS DURING THE PERIOD		5,765,600,827		8,379,623,981
1- Cash Inflows from Sales		5,733,891,414		8,352,250,743
a- Net Sales Income	5,712,145,214		8,351,002,091	
b- Decrease in Trade Receivables (Resulting from Sales)	21,746,200		1,248,652	
c- Increase in Trade Receivables (Resulting from Sales)	0		0	
2- Cash Inflows from Income and Profit from Other Operations		5,754,840		16,642,378
3- Cash Inflows from Extraordinary Income and Profits		24,428		2,214,248
4- Increase in Short-Term Liabilities (Non-Trade)		0		5,207,844
a- Marketable Security Issues	0		0	
b- Other Increases	0		5,207,844	
5- Increase in Long-Term Liabilities (Non-Trade)		0		0
6- Capital Increase in Cash		0		0
7- Other Cash Inflows		25,930,145		3,308,768
C- CASH OUTFLOWS DURING THE PERIOD		60,276,125		8,381,186,639
1- Cash Outflows Resulting from Costs		0		8,310,714,988
a- Cost of Sales	5,679,300,757		8,311,109,882	
b- Increase in Inventories	0		0	
c- Decrease in Payables (Trade)	23,969,443		0	
d- Increase in Payables (Trade)	0		(394,894)	
e- Expenses not Requiring Cash Outflow Such as Depreciation and Provisions (-)	0		0	
f- Decrease in Inventories	0		0	
2- Cash Outflows Related to Operating Expenses		15,309,168		20,635,542
a- Research and Development Expenses	0		0	
b- Marketing, Sales and Distribution Expenses	2,322,444		9,391,149	
c- General Administrative Expenses	14,756,901		11,844,088	
d- Expenses not Requiring Cash Outflow (-)	(1,770,177)		(599,695)	
3- Cash Outflows from Other Operating Expenses and Losses		2,972,173		2,395,536
a- Expenses and Losses on Other Operations	4,298,737		2,395,536	
b- Expenses and Losses not Requiring Cash Outflow (-)	(1,326,564)		0	
4- Cash Outflows from Financial Expenses		814,246		872,814
5- Cash Outflows from Extraordinary Expenses and Losses		0		0
6- Cash Outflows from Investments in Long-Term Assets		23,341,938		1,537,145
7- Principal Payment of Short-Term Borrowings		5,207,844		450,000
8- Principal Payment of Long-Term Borrowings		0		0
9- Taxes and Dues Paid		12,329,291		5,586,755
10- Dividends Paid		0		0
11- Other Cash Outflows		301,465		38,993,859
D- CASH AT THE END OF THE PERIOD (A+B-C)		2,280,875		226,373
E- CASH INCREASE OR (DECREASE)		2,054,502		(1,562,658)



Statement of Cost of Sales for the Year Ended December 31, 2002

(TL Million)

	CURRENT YEAR		PREVIOUS YEAR	
	31.12.2002		31.12.2001	
A- Shares; Cost of Sales		1,975,666,449		1,854,826,603
1- Opening Balance (+)	4,457,072		0	
2- Purchases (+)	1,972,133,400		1,859,283,675	
3- Closing Balance (-)	(924,023)		(4,457,072)	
B- Private Sector Bonds; Cost of Sales		0		0
1- Opening Balance (+)	0		0	
2- Purchases (+)	0		0	
3- Closing Balance (-)	0		0	
C- Commercial Papers; Cost of Sales		0		0
1- Opening Balance (+)	0		0	
2- Purchases (+)	0		0	
3- Closing Balance (-)	0		0	
D- Other Private Sector Bonds; Cost of Sales		1,552,371		3,888,508
1- Opening Balance (+)	359,790		0	
2- Purchases (+)	1,192,581		4,248,298	
3- Closing Balance (-)	0		(359,790)	
E- Government Bonds; Cost of Sales		2,518,366,103		2,515,417,899
1- Opening Balance (+)	33,251,352		4,957,837	
2- Purchases (+)	2,502,968,338		2,543,711,414	
3- Closing Balance (-)	(17,853,587)		(33,251,352)	
F- Treasury Bills; Cost of Sales		1,183,592,361		3,876,230,347
1- Opening Balance (+)	11,434,119		0	
2- Purchases (+)	1,179,977,712		3,887,664,466	
3- Closing Balance (-)	(7,819,470)		(11,434,119)	
G- Other Public Sector Bonds and Bills; Cost of Sales		0		0
1- Opening Balance (+)	0		0	
2- Purchases (+)	0		0	
3- Closing Balance (-)	0		0	
H- Other Marketable Securities; Cost of Sales		123,473		60,746,525
1- Opening Balance (+)	0		10,100,418	
2- Purchases (+)	123,473		50,646,107	
3- Closing Balance (-)	0		0	
I- Cost of Securities Sold		5,679,300,757		8,311,109,882
J- Cost of Services Sold		0		0
Cost of Sales (I+J)		5,679,300,757		8,311,109,882

**Notes to the Balance Sheet as at December 31, 2002**

**1. ACTIVITIES OF THE COMPANY**

İş Yatırım Menkul Değerler A.Ş. ("the Company") was registered with the İstanbul Trade Registry on December 18, 1996 and its foundation was published in the Turkish Trade Registry Gazette number 4193 on December 23, 1996. The Company deals with capital market activities in accordance with its Articles of Association and Capital Market Law number 2499 as modified by Law number 3794. In this respect, the Company obtained the establishment permission through the Capital Market Board at its meeting number 51-1515 dated December 5, 1996.

**2. SHAREHOLDERS WITH A SHAREHOLDING OF 10% OR MORE**

Name	Share Group	December 31, 2002		December 31, 2001	
		Percentage %	Amount TL Million	Percentage %	Amount TL Million
Türkiye İş Bankası A.Ş.	Group A	<1	150,000	<1	150,000
Türkiye İş Bankası A.Ş.	Group B	92	34,810,000	91	15,490,000
Other		8	3,040,000	8	1,360,000
		<b>100</b>	<b>38,000,000</b>	<b>100</b>	<b>17,000,000</b>

**3. SPECIAL RIGHTS GRANTED TO ISSUED SHARES**

The capital of the Company is TL 38,000,000,000,000 (Thirty eight trillion Turkish Lira). The capital consists of 38,000,000,000 (Thirty eight billion) shares of TL 1,000 (One thousand Turkish Lira) each. All the stocks are issued to name. TL 150 Billion of the shares is Group A and TL 37,850 Billion is Group B. According to the Articles of Association, additional Group A shares cannot be issued in new capital increases.

The members of the Board of Directors and the auditors are selected among the nominees determined by A Group shareholders.

**4. REGISTERED CAPITAL LIMIT**

The Company is not subject to the registered capital limit system.

**5. CAPITAL INCREASES DURING THE YEAR AND THE SOURCES**

The capital of the Company was fully paid in cash by the shareholders as at the balance sheet date. TL 21,000,000 Million increase in capital in 2002 has been incorporated from extraordinary reserves. The capital increase was registered with the Trade Registry as at May 21, 2002.

**6. SECURITIES OTHER THAN SHARES ISSUED DURING THE YEAR**

None. (December 31, 2001: None).

**7. DEBT SECURITIES MATURED DURING THE YEAR**

None. (December 31, 2001: None).

**8. MOVEMENTS OF FIXED ASSETS DURING THE YEAR**

a. Cost of acquired, built or purchased fixed assets is TL 440,076 Million (December 31, 2001: TL 1,537,475 Million). There are no assets acquired through financial leasing in 2002 (December 31, 2001: TL 1,011,995 Million). TL 15,448 Million (December 31, 2001: TL 1,202,703 Million) relating to prior years' leasing transactions is written as expense in the current period.

b. Cost of fixed assets scrapped or sold is TL 0 Million (December 31, 2001: TL 312 Million).

## Notes to the Balance Sheet as at December 31, 2002

c. Revaluation in the current period:

	2002	2001
	TL Million	TL Million
Cost of Assets (+)	1,225,640	261,106
Accumulated Depreciation (-)	(276,193)	(53,102)
	<b>949,447</b>	<b>208,004</b>

d. Construction in progress: None. (December 31, 2001: None).

### 9. CURRENT AND FUTURE INVESTMENT ALLOWANCES WHICH ARE DEDUCTIBLE FROM TAX BASE

There is no investment allowance applicable to the current or following periods as at the balance sheet date. (December 31, 2001: None)

### 10. BALANCES WITH SHAREHOLDERS, AFFILIATES AND SUBSIDIARIES

As of the balance sheet date, the Company has TL 48,058 Million demand deposit in local currency (December 31, 2001: TL 226,328 Million); TL 81,117 Million equivalent of 49,628 US\$ demand deposit; TL 20,073 Million equivalent of 11,784 Euro demand deposit and TL 2,000,000 Million time deposit, with its shareholder Türkiye İş Bankası A.Ş.

The Company did not have any receivable - payable balances with shareholders in the current period other than the above deposit. (December 31, 2001: None).

### 11. ACCOUNTING PRINCIPLES AND VALUATION METHODS

#### a. Accounting Principles

The Capital Market Board has published Decree No. XI/1 and other decrees, which amend or add to Decree No. XI/1. These decrees define the principles and rules related to the preparation and presentation of financial statements and reports (hereinafter referred to as "generally accepted accounting principles issued by the Capital Market Board") to be prepared by those companies subject to Capital Market Law.

#### b. Marketable Securities

Marketable securities are initially booked at cost. Government bonds and treasury bills are recorded at amortised cost based on internal rate of return.

In the previous year financial statements marketable securities were initially booked at cost. Government bonds and treasury bills traded on stock exchanges were valued at weighted average market prices as at the balance sheet date in the prior year financial statements; Government bonds and treasury bills traded on stock exchanges but not traded as at the balance sheet date were valued at weighted average market prices of the last transaction date. Valuation for Government bonds and treasury bills, which were not traded on a stock exchange, was made based on the prices announced by the Turkish Central Bank. Reverse repo transactions and placements at stock exchange money market were valued at cost plus accrued interest over the period to maturity.

Income accruals are shown under marketable securities account in the balance sheet, and "Income and Profit from Other Operations" in the statement of income.

Government bonds and treasury bills given as collateral or guarantee due to legal requirements are booked as "Long-Term Marketable Securities". Value increases resulting from year end valuations are recorded in the "Value Increase on Stock Exchange" under shareholder's equity in the balance sheet, and decreases are recorded in "Other Operating Expenses and Losses" in the income statement.

Equity shares traded on stock exchanges are valued at the average of the weighted average unit prices for the 5 days prior to the balance sheet date. The shares acquired in the last 5 working days prior to the balance sheet date are valued at the lower of cost or weighted average price on the balance sheet date. Foreign currency equity shares traded on stock exchange are valued at the unit prices for the last transaction date.

Investment fund certificates included in other marketable securities account in the balance sheet are valued at the related fund's announced purchase price on the balance sheet date.

#### c. Tangible Fixed Assets

The Company revalues machinery, plant and equipment, vehicles, furniture and fixtures in accordance with revaluation coefficients announced by the Ministry of Finance every year. Revaluation reserve is incorporated into shareholders' equity.

The Company depreciates its tangible fixed assets in accordance with the taxation legislation on a straight-line method using the depreciation rates below:

	2002	2001
	%	%
Machinery & Equipment	20	20
Vehicles	20	20
Fixture & Furniture	20	20
Leasehold Improvements/Right	10-20	10-20

#### d. Trade Receivables

Trade receivables are shown at their recorded values in the accounts and result from Company's marketable security trading and investments on behalf of its clients. These balances are not discounted on the basis that they are very short-term and arising from the settlement system.

#### e. Income and Expenses

The accrual basis of accounting is applied for the recognition of revenues and expenses. Accordingly, income is recognized on the date of realization of services.

#### f. Assets and Liabilities in Foreign Currency

Assets denominated in foreign currency are translated into Turkish Lira at buying exchange rates issued by the Turkish Central Bank at the balance sheet date. Liabilities denominated in foreign currency are translated into Turkish Lira at selling exchange rates issued by the Turkish Central Bank at the balance sheet date. Transactions in foreign currencies during the year are translated into Turkish Lira at the rates ruling on the transaction dates. Exchange gains and losses resulting from such transactions are included in the profit and loss accounts.

#### g. Retirement Pay Provision

The retirement pay provision for personnel present at December 31, 2002 who have accrued entitlement as at that date is calculated and recorded in the financial statements. The retirement pay provision is recorded into the general administration expenses.

#### h. Financial Leasing

The cost of assets acquired through financial leasing is written as expense as the rent invoices are received according to the payment schedule.

#### i. Tax

The Company is subject to Corporate Tax and Income Withholding Tax.

Turkish corporation tax is applied at the rate of 30% on taxable corporate income. A tax surcharge is additionally applied at the rate of 10% on the corporation tax amount. Taxable income is determined by adding non-deductible expenses and deducting non-taxable income such as dividend income and investment incentives.

In addition to corporation tax, income withholding tax is charged on profits after corporation tax, if dividends are distributed. Consequently, if profits are retained, companies' effective tax rate is 33%, and if profits are distributed, there are additional withholding taxes. The withholding rate is 5% for publicly traded and 15% for non-public companies. 18% withholding tax is applicable to income exempt from corporation tax, including investment incentive.

## Notes to the Balance Sheet as at December 31, 2002

The Company allocates required provisions for the estimated tax liability and for certain timing differences causing deferred taxes based on the results for the current year.

### 12. SUBSEQUENT EVENTS

Subsequent to the balance sheet date the ceiling for gross pay for the retirement pay provision limit has been increased to TL 1,323,950,000 as of January 1, 2003.

### 13. CONTINGENCIES

Letters of guarantee amounting to TL 19,680,036 Million are given to the Capital Market Board and İstanbul Stock Exchange ("İMKB") as a guarantee for underwriting operations and securities trading activities as of December 31, 2002 (December 31, 2001: TL 10,435,394 Million). In addition, a letter of guarantee amounting to TL 19,424 Million is given to the Privatization Administration (December 31, 2001: TL 300 Million).

### 14. CHANGES IN ACCOUNTING ESTIMATES

There are no changes in the accounting estimates. (December 31, 2001: None).

### 15. MORTGAGES OR PLEDGES ON ASSETS

There are no mortgages or pledges on assets as at December 31, 2002, but there are securities blocked as collateral to the following institutions.

	December 31, 2002			December 31, 2001		
	Nominal TL Million	Acquisition Cost TL Million	Carrying Value TL Million	Nominal TL Million	Acquisition Cost TL Million	Carrying Value TL Million
Central Bank						
(Open Market Operations)	5,700,000	4,380,268	4,787,195	2,550,000	1,958,578	2,472,480
İstanbul Stock Exchange	-	-	-	100,000	43,200	150,794
CMB	2,200,000	2,133,599	2,340,994	1,935,000	955,120	1,372,542
İMKB Takas ve Saklama Bankası A.Ş.						
(Stock Exchange Money Market)	8,701,720	6,690,289	9,307,094	14,233,900	8,776,930	9,726,910
	<b>16,601,720</b>	<b>13,204,156</b>	<b>16,435,283</b>	<b>18,818,900</b>	<b>11,733,828</b>	<b>13,722,726</b>

### 16. INSURANCE ON ASSETS

As of December 31, 2002, the insurance on assets is as follows:

	Net Book Value	Insurance Total	Coverage %
	TL Million	TL Million	
<b>2002</b>			
Machinery and Equipment	921,056	*	-
Motor Vehicles	34,454	154,100	447
Furniture and Fittings	225,042	*	-
Leased Assets	1,409,073	6,756,252	479
	Net Book Value	Insurance Total	Coverage %
	TL Million	TL Million	
<b>2001</b>			
Machinery and Equipment	611,664	*	-
Motor Vehicles	33,803	51,580	153
Furniture and Fittings	82,689	*	-
Leased Assets	1,011,995	3,975,848	392

\* Insurance amounts of Machinery and Equipment and Furniture and Fittings are shown in the insurance value of Leased Assets.

## 17. GUARANTEES AND MORTGAGES RECEIVED

As of December 31, 2002 there are no mortgages received. The estimated fair value of the marketable securities received from customers as guarantee amounted to TL 25,283,493 Million (December 31, 2001: TL 1,044,703 Million) with nominal value of TL 1,377,668 Million (December 31, 2001: TL 155,291 Million)

## 18. CONTINGENT LIABILITIES

Contingent liabilities are as follows:

	December 31, 2002	December 31, 2001
	TL Million	TL Million
Letters of Guarantee Given	19,699,460	10,435,694
Repo Commitments	13,527	826,232
Reverse Repo Commitments on Behalf of Customers	54,534,346	87,849,371
<b>Total</b>	<b>74,247,333</b>	<b>99,111,297</b>

## 19. BLOCKED DEPOSITS AT BANKS

None. (December 31, 2001: None).

## 20. MARKETABLE SECURITIES AND THEIR MARKET VALUES

The marketable securities in the Company's portfolio as of December 31, 2002 are as follows:

	Acquisition Cost	Carrying Value	Market Value
December 31, 2002	TL Million	TL Million	TL Million
Government Bonds (Portfolio)	8,955,517	9,380,065	9,417,395
Treasury Bills (Portfolio)	3,513,384	3,626,470	3,604,104
Equity Shares	924,023	774,125	774,125
<b>Total</b>	<b>13,392,924</b>	<b>13,780,660</b>	<b>13,795,624</b>

### December 31, 2001

Government Bonds (Portfolio)	25,089,536	25,998,267	25,998,267
Treasury Bills (Portfolio)	4,583,398	4,604,688	4,604,688
Private Sector Bonds	329,012	359,791	359,791
Equity Shares	4,608,440	4,457,071	4,457,071
<b>Total</b>	<b>34,610,386</b>	<b>35,419,817</b>	<b>35,419,817</b>

Nominal values of the foreign currency marketable securities in the portfolio total US\$ 1,035,000 (2001: US\$ 999,419).

The securities in the Company's long-term marketable securities account as of the balance sheet date are as follows:

	Acquisition Cost	Carrying Value	Market Value
December 31, 2002	TL Million	TL Million	TL Million
Government Bonds	8,898,070	11,729,009	11,812,380
Treasury Bills	4,306,086	4,706,274	4,815,216
<b>Total</b>	<b>13,204,156</b>	<b>16,435,283</b>	<b>16,627,596</b>

### December 31, 2001

Government Bonds	5,107,414	6,893,296	6,893,296
Treasury Bills	6,626,415	6,829,430	6,829,430
<b>Total</b>	<b>11,733,829</b>	<b>13,722,726</b>	<b>13,722,726</b>

**Notes to the Balance Sheet as at December 31, 2002**

**21. SECURITIES ISSUED BY SHAREHOLDERS, AFFILIATES AND SUBSIDIARIES**

As of December 31, 2002 there are no securities issued by shareholders, subsidiaries and affiliates. (December 31, 2001: TL 308,280 Million).

**22. DETAILS OF ACCOUNTS UNDER "OTHER" CAPTIONS IN THE FINANCIAL STATEMENTS WHICH EXCEED 20% OF THE TOTAL OF THE RELATED GROUP OR EXCEED 5% OF TOTAL ASSETS**

a) Other Short-Term Trade Receivables:

	December 31, 2002	December 31, 2001
	TL Million	TL Million
Receivable from Stock Exchange Money Market	1,071,666	16,749,031
	<b>1,071,666</b>	<b>16,749,031</b>

b) Other Short-Term Receivables:

	December 31, 2002	December 31, 2001
	TL Million	TL Million
Portfolio Management Income	165,744	-
Fund Management Commission Income Accrual	196,895	7,377
Advances Given	8,372	17,682
Equity Shares Commission Income Accrual	24,509	76,940
Equity Shares Transactions Income Accrual	4,036	328,708
Due From Personnel	266,024	183,815
	<b>665,580</b>	<b>614,522</b>

c) Other Current Assets:

	December 31, 2002	December 31, 2001
	TL Million	TL Million
Advance Tax	3,760,336	7,040,838
Prepaid Taxes and Funds	316,049	1,377,593
	<b>4,076,385</b>	<b>8,418,431</b>

TL 3,760,336 Million above represents advance taxes paid during 2002. TL 316,049 Million prepaid taxes and funds represent prepaid withholding taxes transferred to the following period for offset against next year taxes.

d) Other Long-Term Assets:

	December 31, 2002	December 31, 2001
	TL Million	TL Million
Prepaid Rent Expense	49,521	50,335
Prepaid Information Technology Expenses	26,194	25,300
	<b>75,715</b>	<b>75,635</b>

e) Other long-term financial assets consist of the equity shares comprising TL 9,162 Million investment in TSKB Menkul Değerler Yatırım A.Ş. (December 31, 2001: TL 6,750 Million) and TL 11,667 Million investment in Vadeli İşlemler Eğitim ve Danışmanlık A.Ş. as of December 31, 2002 (December 31, 2001: TL 11,667 Million).

f) Other Intangible Fixed Assets:

	December 31, 2002	December 31, 2001
	TL Million	TL Million
Leasehold Improvements	1,269,201	883,208
	<b>1,269,201</b>	<b>883,208</b>

g) Other trade payables consist of borrowings from İMKB Takas ve Saklama Bankası A.Ş. stock exchange money market operations on the Company's behalf, and customer accounts as of December 31, 2002. The breakdown of the other trade payables is as follows:

	December 31, 2002	December 31, 2001
	TL Million	TL Million
Customers	882,595	24,818,601
	<b>882,595</b>	<b>24,818,601</b>

h) Short-Term Other Liabilities:

	December 31, 2002	December 31, 2001
	TL Million	TL Million
Expense Accrual	387,869	359,549
Payables for Transactions for Registering Stock Exchange Markets	124,673	530,477
	<b>512,542</b>	<b>890,026</b>

i) Other Short-Term Payable and Expense Provisions:

	December 31, 2002	December 31, 2001
	TL Million	TL Million
Legal Case Expenses	155,739	-
Payables to the Civil Defence Fund	86,693	172,087
	<b>242,432</b>	<b>172,087</b>

i) Other Services Given:

	December 31, 2002	December 31, 2001
	TL Million	TL Million
Fund Management Income	2,761,659	2,109,127
Corporate Finance Income	3,619,003	-
Other	60,281	127,673
	<b>6,440,943</b>	<b>2,236,800</b>



Notes to the Balance Sheet as at December 31, 2002

j) Other Operating Income:

	December 31, 2002	December 31, 2001
	TL Million	TL Million
Foreign Currency Difference Income	2,696,610	1,612,850
Foreign Currency Marketable Securities Trading Income	509,886	723,829
Income Accruals on Marketable Securities and Deposits	834,072	955,828
Other	983,167	255,549
	<b>5,023,735</b>	<b>3,548,056</b>

k) Other Operating Expenses and Losses:

	December 31, 2002	December 31, 2001
	TL Million	TL Million
Losses on Sale of Foreign Currency Marketable Securities	201,577	756,208
Prior Year Income Accruals	948,569	511,703
Foreign Currency Differences	2,290,040	283,070
Provision for Diminution in Value of Equity Shares	154,713	151,368
Commissions Given to Agencies	197,269	171,459
Civil Defence Fund	86,693	172,087
Other	419,876	349,641
	<b>4,298,737</b>	<b>2,395,536</b>

l) Other Extraordinary Gains and Profits:

	December 31, 2002	December 31, 2001
	TL Million	TL Million
Penalty Interest on Stock Exchange Money Market Overdue Balances	24,428	2,213,300
	<b>24,428</b>	<b>2,213,300</b>

**23. RECEIVABLES FROM AND PAYABLES TO PERSONNEL INCLUDED IN OTHER RECEIVABLES AND OTHER SHORT OR LONG-TERM PAYABLES WHICH EXCEED 1% OF TOTAL ASSETS**

None. (December 31, 2001: None).

**24. DOUBTFUL RECEIVABLES RELATING TO SHAREHOLDERS, AFFILIATES AND SUBSIDIARIES**

There is no doubtful receivable relating to shareholders, affiliates or subsidiaries as of December 31, 2002 (December 31, 2001: None).

**25. DOUBTFUL RECEIVABLES RELATED WITH RECEIVABLES ALREADY DUE OR WILL BE DUE IN FUTURE**

None. (December 31, 2001: None).

## 26. DIRECT AND INDIRECT EQUITY INVESTMENTS

2002 Equity Investments	Equity		31.12.2002		Financial Statement	
	Amount	Inv. %	Income Before Tax	Net Income	Preparation Standard	Opinion of Auditors
Vadeli İşlem ve Opsiyon Borsası A.Ş.	90,000	6	184,012	123,089	CMB	**
İş Risk Sermayesi Yatırım Ortaklığı A.Ş.	21,000,000	45	20,907,184	20,907,184	CMB	Unqualified
İş Portföy Yönetimi A.Ş.	200,000	20	4,671,491	3,104,429	CMB	**
Vadeli İşlemler Eğitim ve Danışmanlık A.Ş.	11,667	1.69	10,361	10,361	*	*
TSKB Menkul Değerler Yatırım A.Ş.	9,162	0.005	467,356	316,518	CMB	**
<b>Total Equity Investments</b>	<b>21,310,829</b>					

\* As this equity investment is not subject to "Capital Market Board" regulations, financial statements in accordance with CMB standards could not be obtained

\*\* Amounts represented for this equity investment are taken from unaudited financial statements prepared in accordance with CMB standards.

2001 Equity Investments	Equity		31.12.2001		Financial Statement	
	Amount	Inv. %	Income Before Tax	Net Income	Preparation Standard	Opinion of Auditors
İş Risk Sermayesi Yatırım Ortaklığı A.Ş.	1,000,000	5	18,151,058	18,151,058	CMB	Unqualified
İş Portföy Yönetimi A.Ş.	200,000	20	2,953,124	1,963,981	CMB	Unqualified
Vadeli İşlemler Eğitim ve Danışmanlık A.Ş.	11,667	1.69	(183,218)	(183,218)	*	*
TSKB Menkul Değerler Yatırım A.Ş.	6,750	1	638,424	425,263	CMB	Unqualified
<b>Total Equity Investments</b>	<b>1,218,417</b>					

\* As this equity investment is not subject to "Capital Market Board" regulations, financial statements in accordance with CMB standards could not be obtained

\*\* Amounts represented for this equity investment are taken from unaudited financial statements prepared in accordance with CMB standards.

## 27. FREE SHARES ISSUED BY AFFILIATES AND SUBSIDIARIES

In the current year, TL 2,412 Million free shares were received from TSKB Menkul Değerler Yatırım A.Ş. (December 31, 2001: TL 2,250 Million).

## 28. NON-CASH RIGHTS ON PROPERTIES

There are no non-cash rights on properties as of December 31, 2002 (December 31, 2001: None).

## 29. REVALUATION SURPLUS ON TANGIBLE FIXED ASSETS

Tangible Fixed Assets	Revaluation	Surplus	(TL Million)
	2002	2001	2000
Machinery, Plant and Equipment	360,882	77,775	13,364
Motor Vehicles	18,685	16,989	2,900
Furniture & Fixtures	48,787	8,712	838
Leasehold Improvements	521,093	104,528	-
	<b>949,447</b>	<b>208,004</b>	<b>17,102</b>

## Notes to the Balance Sheet as at December 31, 2002

### 30. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of December 31, 2002, demand deposits of the company denominated in foreign currencies amounted to US\$ 49,628 equivalent of TL 81,117 Million and Euro 11,784 equivalent of TL 20,073 Million.

As of December 31, 2001, demand deposits of the company denominated in foreign currencies amounted to US\$ 128,409 equivalent of TL 184,854 Million and GBP 34 equivalent of TL 71 Million.

### 31. GUARANTEES GIVEN ON BEHALF OF SHAREHOLDERS, AFFILIATES AND SUBSIDIARIES

There are no guarantees given as of December 31, 2002 (December 31, 2001: None).

### 32. PERSONNEL STRUCTURE

The number of personnel as at December 31, 2002 is 177, of which details are given below: (December 31, 2001: 176).

	2002 Number	2001 Number
Executives	27	24
Managers	17	14
Specialists	84	93
Brokers	26	25
Administrative & Other	23	20
<b>Total</b>	<b>177</b>	<b>176</b>

### 33. OTHER SIGNIFICANT MATTERS AFFECTING THE FINANCIAL STATEMENTS

The table below represents a summary of underwriting transactions realized during the year 2002.

	Amount of Sales Realized by the Company		Total Issue	
	TL Million	Lot	TL Million	Lot
Beşiktaş Futbol Yatırımları A.Ş.	4,613,513	80,235	18,773,750	326,500
Atakule Gayrimenkul Yatırım Ortaklığı	2,441,879	2,123,373	25,357,500	22,050,000
Petrol Ofisi A.Ş.	36,460,384	1,411,135	174,783,401	6,500,000

The Company has realized no underwriting transactions during the year 2001.

The customer assets under custody as of the balance sheet date are as follows:

	2002 Nominal TL Million	2001 Nominal TL Million
	Shares	41,693,096
Government Bonds	211,926,027	238,263,494
Treasury Bills	306,887,601	164,421,093
Investment Fund Participation (units)	-	3,000,000

According to the Capital Market Board decision at meeting number 7/95 dated January 25, 2002, for stock broker-dealers, the commissions received from customers for share trading transactions realized through the secondary markets should not be less than 0.2% excluding taxes. However, stock broker-dealers are allowed to repay, at most, 35% of the commission revenues received each month from specified customers as "commissions refunded" to those customers.

**Notes to the Income Statement for the Year Ended December 31, 2002**

**1. The depreciation and the amortization charges for the period are TL 970,468 Million. (2001: TL 383,264 Million).**

	2002 TL Million	2001 TL Million
a. Depreciation Charges:		
aa. Normal Depreciation Charges	416,038	182,914
ab. Depreciation Expenses Resulting from Revaluation	176,278	28,993
b. Amortization Charges	378,152	171,357

**2. There is no discounting expense, but TL 228,097 Million provision charge (2001: TL 216,431 Million) for the current period.**

**3. The financial expenses for the period amounted to TL 814,246 Million (2001: TL 872,814 Million).**

	2002 TL Million	2001 TL Million
a. Included in Cost of Sales	-	-
b. Capitalized on Fixed Assets	-	-
c. Directly Recorded as Expense	814,246	872,814

**4. Financial expenses related to affiliates, subsidiaries and equity participations for the current period:**

There are TL 19,591 Million financial expenses related to the shareholder, T. İş Bankası A.Ş., for the current period. (2001: TL 27,690 Million).

**5. Sales and purchases from shareholders, affiliates and subsidiaries are as follows:**

2002

Company	Transaction	Purchases TL Million	Sales TL Million
Türkiye İş Bankası A.Ş.	Purchase of shares	1,711,000,187	1,706,373,817
İş Factoring Finansman Hizmetleri A.Ş.	Reverse Repo	26,038,390	26,074,854
İş Factoring Finansman Hizmetleri A.Ş.	Repo	479,160	480,101
İş Factoring Finansman Hizmetleri A.Ş.	Securities Trading	2,970,003	2,949,686
İş Factoring Finansman Hizmetleri A.Ş.	Interbank transactions	20,410,000	20,454,615
İş Genel Finansal Kiralama A.Ş.	Reverse Repo	944,041	945,576
İş Portföy Yönetimi A.Ş.	Rent Income	158,566	-

2001

Company	Transaction	Purchases TL Million	Sales TL Million
Türkiye İş Bankası A.Ş.	Purchase of shares	1,512,904,901	1,629,757,781
İş Factoring Finansman Hizmetleri A.Ş.	Repo	50,582,591	51,334,719
İş Factoring Finansman Hizmetleri A.Ş.	Reverse Repo	214,958,343	215,628,218
İş Genel Finansal Kiralama A.Ş.	Securities Trading	11,082,747	10,853,930
İş Genel Finansal Kiralama A.Ş.	Reverse Repo	406,771,014	408,231,548
İş Genel Finansal Kiralama A.Ş.	Repo	16,592,761	16,621,605
İş Genel Finansal Kiralama A.Ş.	Securities Trading	53,609,313	57,320,901
İş Portföy Yönetimi A.Ş.	Rent Income	139,198	-

**Notes to the Income Statement for the Year Ended December 31, 2002**

**6. Rents paid to shareholders, affiliates and subsidiaries are as follows:**

	2002	2001
	Rent Paid	Rent Paid
	TL Million	TL Million
2002		
İş Gayrimenkul Yatırım Ort. A.Ş.	1,482,961	1,124,704
İş Genel Finansal Kiralama A.Ş.	15,448	1,202,703
<b>Total</b>	<b>1,498,409</b>	<b>2,327,407</b>

The Company traces transactions of the customers of Türkiye İş Bankası A.Ş. ("İşbank") in the name of Türkiye İş Bankası A.Ş. account. Commission income from this account is TL 3,417,261 Million (2001: TL 3,142,662 Million).

**7. The total of salary and fringe benefits for executives is TL 1,671,152 Million in the current period (2001: TL 952,513 Million).**

**8. The amortization expense for the period did not increase or decrease due to changes in amortization calculation methods and alterations in these methods (2001: None).**

**9. The Company has no inventories as of December 31, 2002, hence, there is no inventory cost calculation system, but the company uses the weighted-average cost system to record marketable securities (2001: None).**

**10. No stock-take is performed, since the Company has no stocks as of December 31, 2002. The Company's marketable securities held on its own behalf and on behalf of clients are under the custody of İstanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası A.Ş., Clear Stream Bank Luxemburg, Prudential Financial and Morgan Stanley Dean Witter.**

**11. There is no service or by-product, or scrap sales exceeding 20% of sales (2001: None).**

**12. There are no subsidies relating to the 2002 sales of the Company (2001: None).**

**13. There are no Previous period income or loss in the income statement (2001: TL 948 Million).**

**14. Profit and dividend per preferred and common share:**

As of the date of this report, the Company's Board of Directors did not calculate profit per share and distribution figures for each class of shares relating to 2002 operations, since these will be discussed and approved at the General Assembly, and hence did not prepare a profit distribution table. Therefore, a profit distribution table is not presented in the accompanying financial statements.

2002:

TL 1,000 Nominal Value Profit per share (TL):  $\frac{\text{TL 10,560,864 Million}}{38,000,000,000 \text{ shares}} = 277.92 \quad 27.79\%$

Group	Number of Shares	Profit per Share (TL %)
Group A	150,000,000	277,92 27.79%
Group B	37,850,000,000	277,92 27.79%

2001:

TL 1,000 Nominal Value Profit per share (TL):  $\frac{\text{TL 22,088,044 Million}}{17,000,000,000 \text{ shares}} = 1,299.30 \quad 129.93\%$

Group	Number of Shares	Profit per Share (TL %)
Group A	150,000,000	1,299.30 129.93%
Group B	16,850,000,000	1,299.30 129.93%

**15. Changes in the Company's goods and services production quantities in the period: None.**

**16. Changes in the Company's goods and services sales quantities in the period: None.**

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