



1999  
annual report



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## The first steps in the capital markets

### Before the declaration of the Republic

- The first domestic debt instrument issued - KAİME
- The first joint stock company - ŞİRKET-İ HAYRİYE
- The first issue of an international debt instrument - 1847
- The first Stock Exchange - Mid-19th century

### After the declaration of the Republic

- First national bank - TÜRKİYE İŞ BANKASI (İŞBANK)
- First securities department within a bank by İŞBANK
- First private sector public offering in Turkey by İŞBANK
- First privatization scheme in Turkey by İŞBANK
- First electronic securities trading in Turkey by İŞBANK

## İş Investment in brief

İş Investment was incorporated at the end of 1996 as the investment banking arm of İşbank. Currently, the paid-in capital of the Company stands at TL 2.5 trillion (US\$ 4.6 million); shareholders include İşbank (92%), İş Factoring (3%), İş Leasing (3%), Camiș Sigorta (1%) and Camiș Menkul Değerler (1%).

İşbank, the largest private bank in Turkey, became the first bank to initiate an investment department in the domestic banking industry in 1974. Long before capital markets became active in Turkey, there was a Capital Markets Department at İşbank. Prior to the revitalization of the Istanbul Stock Exchange in 1985, this Department acted as a pioneer for many investment banking products as well as a market maker for the limited amount of Turkish equities in circulation during that period.

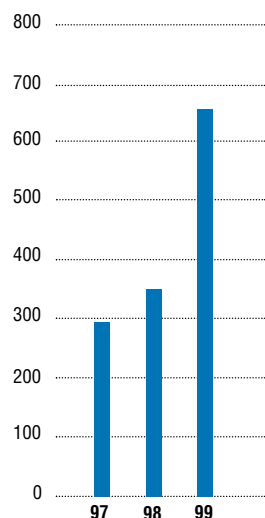
İş Investment functions as an investment bank providing all kinds of capital market transactions for its clientele as opposed to simply being a traditional brokerage house.

The activities of İş Investment include but are not limited to: IPOs, corporate finance, trading of all types of securities, portfolio management and investment advisory services. Institutional clientele and both large- and small-scale individual investors are defined as target clients. Domestic and international corporate clients and high networth individual clients are provided investment advisory services based on the research work conducted by the Company.

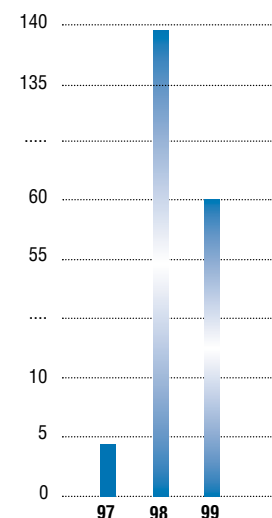
Small- and medium-scale clients of İş Investment may receive services from İşbank branches. All 850 branches of İşbank, located at industrial, commercial and residential centers throughout Turkey, act as agents for İş Investment. The Company takes full advantage of this vast distribution network that includes the branch offices, 1,920 ATMs, internet and interactive telephone systems. As a result of the efficient distribution network, technical capabilities and the quality of on-line trading, İşbank investment accounts gained the largest client base with 218,000 active equity accounts and representing 37% of all such accounts in the country. İş Investment has established a branch office in both Ankara and İzmir in 1999.

# financial highlights

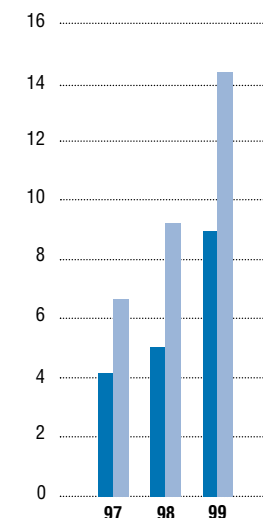
**Assets Under Management  
(US\$ million)**



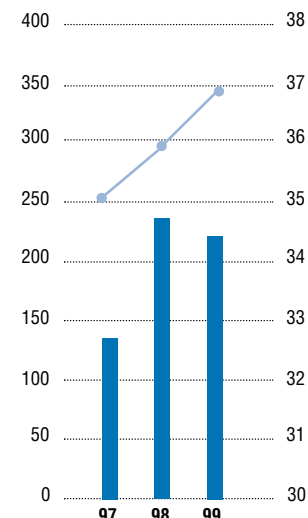
**IPOs-Shares Sold by İş Investment  
(US\$ million)**



**Net Profit and Shareholders' Equity  
(US\$ million)**



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



(TL billion)

**Major Balance Sheet Accounts**

	1997	1998	1999
Marketable Securities	2,960	2,706	8,677
Total Current Assets	3,228	5,527	13,694
Total Assets	3,252	5,577	13,816
Shareholders' Equity	1,363	2,920	7,816
Paid-in Capital	500	1,250	2,500

**Major Income Statement Accounts**

	1997	1998	1999
Net Sales	138,032	922,648	1,735,432
Stocks	-	114,986	446,407
Public Sector Bonds	27,833	39,738	635,511
Treasury Bills	109,201	756,869	649,870
Other Marketable Securities	354	1,052	621
Commission Income	511	578	1,856
Other Service Income	133	425	1,168
Operating Expenses	(305)	(925)	(4,322)
Trading Profit	491	1,078	3,471
Profit Before Taxes	1,119	1,854	7,325
Net Profit	857	1,553	4,892

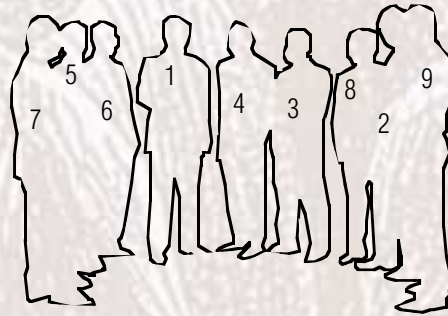
*board of directors*







- 1 Caner Çimenbiçer**  
*Chairman*
- 7 İbrahim Hızlıkan**  
*Vice Chairman*
- 5 Ufuk Ersoy**  
*Member*
- 4 Gürman Tevfik**  
*Member*
- 3 Nail Yağcı**  
*Member*
- 9 H. Ahmet Ergenekon**  
*Member*
- 2 Saim Saatçi**  
*Member*
- 8 İnci Yılmaz**  
*Auditor*
- 6 Kaan Tokat**  
*Auditor*



# *executive management*



**Özcan Türkakın**  
General Manager



**İlhami Koç**  
Assistant General Manager



**Nuran Canitez**  
Assistant General Manager



**Fatma Karabiyik**  
Manager - Operations



**Murat Kural**  
Manager - Corporate Finance



**Cemile Usta**  
Assistant Manager -  
Marketing and Sales



**Zeynep Tekten**  
Assistant Manager -  
Public Relations and Human  
Resources



**Yaşar Erdiñ**  
Advisor - Research



**Yeşim Karayel**  
Assistant Manager -  
Internal Auditing

*chairman's statement*





## WE PURSUE A CLIENT ORIENTED SERVICE APPROACH.

Despite the economic crisis which began in mid-1998, the long time passed to form the coalition government following the general elections in April and the two major earthquakes within three months that caused enormous loss of life and property in the country, the markets generally remained optimistic. In the last quarter of the year, equity transaction volume demonstrated an impressive increase, interest rates declined to their lowest levels in recent years and historically high records were set by the Istanbul Stock Exchange.

Political stability and the resulting optimistic expectations in the economy have been the driving force behind developments in the markets. Here in Turkey, the first quarter of 1999 was earmarked by expectations for a durable and stable political structure as the world economy tried to overcome the negative effects of the 1998 economic crisis. As we moved closer toward the general elections in April, the markets sensed this air of optimism and began to move forward. The government that came to power signed the stand-by agreement with the IMF, passed long-anticipated laws swiftly that would form the basis for social and economic reforms and decreased interest rates. Consequently, the ISE enjoyed the highest and most sustained index peak in its history.

Improvements in the overall economic picture of Turkey were brought about by a number of factors:

- \* The acceptance of Turkey as a candidate for full EU membership,
- \* The new monetary policy of the Turkish Central Bank,
- \* The stand-by agreement with the IMF including financial assistance and
- \* The consistency of the coalition government to provide solutions to macro-economic problems.

The results were a decrease in interest rates to their lowest levels in real terms and a large increase in the trading volume of equities. Thanks to the positively developing economic environment, İŞ Investment successfully realized İŞ Real Estate Investment Trust's public offering which constituted a landmark event for capital markets.

With its strong shareholder structure, wide distribution network, highly experienced human resources and client-oriented service approach, İŞ Investment succeeded in positioning itself as one of the market leaders right from its first year of operation. Aiming to provide the highest quality service and convenience to domestic clients, two branch offices have been added in 1999; one in İzmir and the other in Ankara.

Equity brokerage activities at İŞ Investment are geared toward both domestic and international investors. In 1999, İŞ Investment generated TL 1.9 trillion (US\$ 3.5 billion) in trading volume, ranking 10th among all the brokerage houses in Turkey and constituting 2.57% of the market's total turnover.

The fixed-income market is another area where İŞ Investment commands a leading position. In 1999, we ranked first among brokerage houses in the Bonds and Bills Market, with purchases and sales amounting to TL 1.2 quadrillion (US\$ 2.2 billion). In terms of repo transactions, we were placed second, with a record turnover of TL 6.6 quadrillion (US\$ 12.2 billion).

## İŞ INVESTMENT'S CLIENT PORTFOLIO EXHIBITED

İŞ Investment offers a comprehensive array of foreign securities with different risk and return profiles, according to investor preferences. In 1999, İŞ Investment was the most active domestic institution in the trading of FX-denominated securities with a transaction volume of approximately US\$ 1.0 billion.

In 1999, İŞ Investment was one of three Turkish institutions to become a member of ISMA - International Securities Market Association. Always aware of the importance of international institutional investors in Turkey, İŞ Investment has placed special emphasis on its marketing efforts that are customized to accommodate the needs of these clients. As a result, our client portfolio, which includes reputable fund managers and investment houses from developed countries, exhibited a substantial rate of growth in 1999; we plan to sustain this trend in 2000. The total domestic instrument sales volume to international investors increased nearly five-fold, from US\$ 104 million in 1998 to US\$ 567 million in 1999.

Following the decrease in interest rates, the preferences of the investors leaned toward equities and A-Type funds. Mutual funds under the management of İŞ Investment had a market share of 30% of the total mutual funds in Turkey and a total net asset value of US\$ 656 million as of the end of 1999. Among the 80 banks and brokerage houses presently managing mutual funds, İŞ Investment, by a large margin, ranks first in terms of market share and total net asset value.

The success of this ever-growing brokerage activity rests on the shoulders of our Research Department which consists of nine specialized company and industry analysts. The quality and the content of our research products have continually improved



and are prepared in both Turkish and English. These products continue receiving a warm welcome from domestic and international clients.

Due to unsuitable economic conditions, 1999 was not a good year for IPO activity; we led only two IPOs in 1999. We lead managed the İş Real Estate Investment Trust IPO, the largest activity of its kind in the domestic market after the privatization of İşbank in 1998. This public offering became the starting point for some practices such as registration via internet and gathering orders via facsimile.

Unfavorable conditions in both domestic and international capital markets continued into 1999; however, the performance of İş Investment demonstrated steady improvement. The total income of the Company increased to TL 10.1 trillion (US\$ 18.7 million), up from TL 3.7 trillion (US\$ 6.8 million) in 1998 and representing an increase of 174%. Interest income also increased by 104% to TL 5.0 trillion (US\$ 9.2 million). With its strong capital base and extensive capital market experience accumulated since 1974, İş Investment will extend its outstanding performance into the new millennium.

It is anticipated that the increasing trend of investments in domestic equities will continue into 2000 as well, provided there is no major deviation from the targets in the economic program. Thus, we hope that the number of equity issues will increase,

## A SUBSTANTIAL RATE OF GROWTH IN 1999.

new products such as private sector borrowing instruments will be introduced and the rapid growth of mutual funds will continue in the following year.

I feel indebted to the employees of İş Investment who have made steadfast efforts which have led to our success. I would be remiss if I did not also express my gratitude to our Board members for their continuous support. Additionally, I wish to thank our clients, both domestic and international, who have shown unswerving trust and confidence in our Company.



**Caner Çimenbiçer**  
Chairman

# *review of operations*

## **Corporate Finance**

Stagnation in the Turkish capital markets due to the global crisis which emerged in the second half of 1998 continued until the last quarter of 1999. At that time, a rapid improvement in equities revived the public offering market. In the last month of the year, the number of public offerings including the İŞ Real Estate Investment Trust IPO, one of the largest IPO schemes to date, totaled ten; up until that point only four had been offered in total. Total volume in equity sales through IPOs was realized at US\$ 83.8 million, of which US\$ 56.9 million was generated by the İŞ Real Estate Investment Trust issue.

**ONE OF THE MAJOR STRENGTHS OF İŞ INVESTMENT IN**



PRIVATIZATION HAS ALWAYS BEEN GIVEN  
PRIORITY AMONG THE CORPORATE FINANCE  
ACTIVITIES OF İŞ INVESTMENT.





FOUNDED IN 1851 DURING

**CAPITAL MARKET ACTIVITIES IS ITS WIDE CLIENT BASE.**



THE OTTOMAN EMPIRE,  
ŞİRKET-İ HAYRİYE BECAME  
THE FIRST JOINT STOCK  
COMPANY IN TURKEY. IT  
PROVIDED SERVICE TO  
COMMUTING PASSENGERS  
CROSSING THE BOSPHORUS  
ON PADDLE STEAMERS.

## review of operations *continued*

This public offering, handled by a consortium of 21 institutions under the leadership of İş Investment, was the largest domestic public offering after the İşbank Privatization Project. It was the starting point for some new practices in the marketplace such as the registration through internet and the gathering of orders via facsimile. Additionally, this transaction was the largest of its kind among real estate investment trusts and attained a share of 72% in terms of the value of shares sold in all public offerings during 1999.

Two private sector companies were provided service on valuation in addition to advisory work for public offering transactions. İş Investment provided service for capital increase and dividend payment transactions for 18 companies whose shares are publicly traded.



### Public Offering Schemes Handled in 1998 and 1999

Company	Role	1999 TL billion	1998 TL billion
İş Real Estate Investment Trust	Lead Manager	29,400,000	
Yatırım Finansman Investment Trust	Lead Manager	189,875	
Doğan Yayın Holding	Consortium Member		23,490,000
İdaş Tekstil	Consortium Member		650,000
İşbank SPO	Consortium Member		132,952,526*

\*İş Investment sold 72% of the shares.



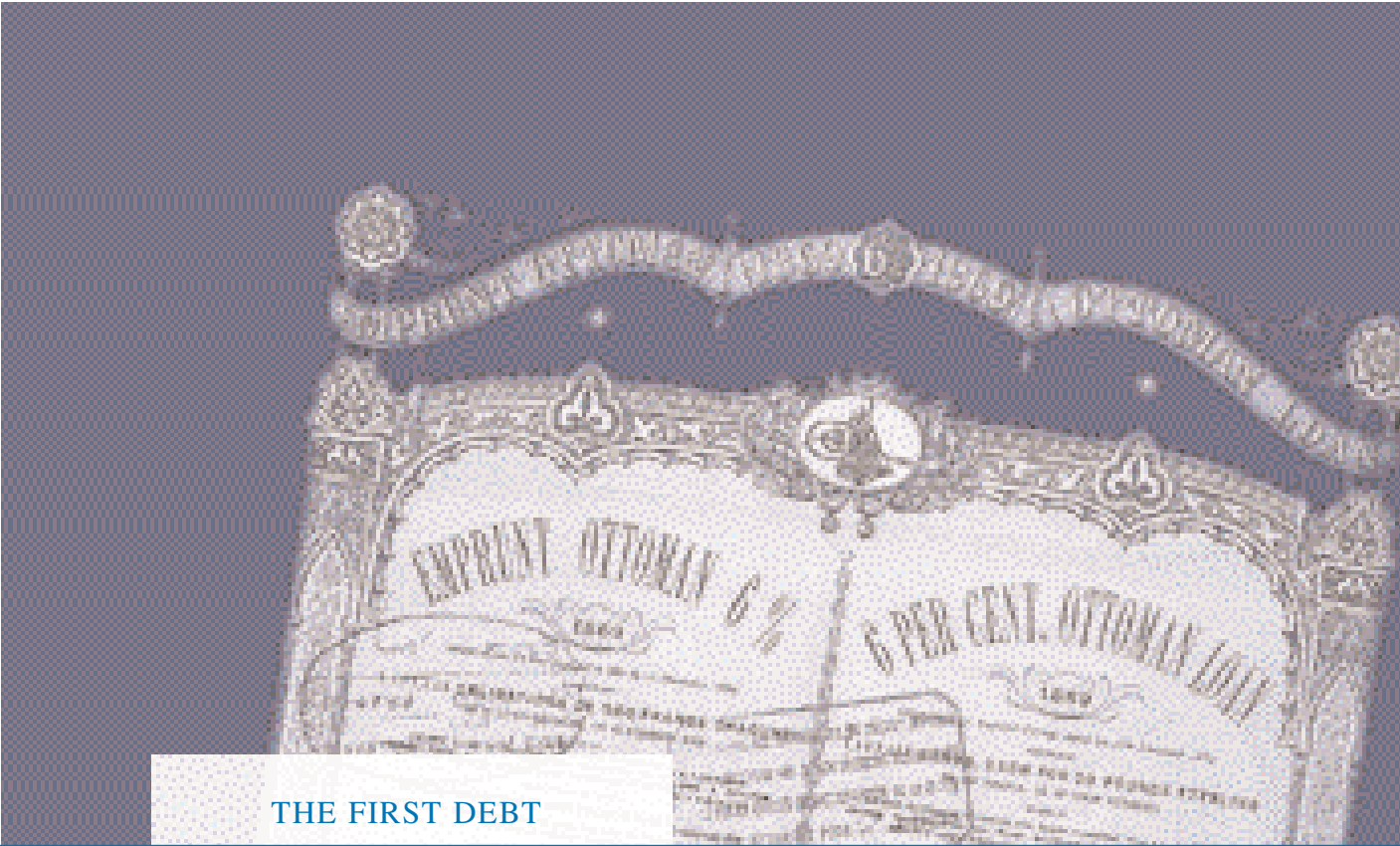
In 1998, a consortium comprising İş Investment, Merrill Lynch and ABN Amro Rothschild was appointed by the Turkish Republic to provide financial and related advisory services in the privatization of Turk Telekom. These services for the largest privatization project in Turkey continued all throughout 1999. A plan regarding the block sales of 20% of Turk Telekom stock was postponed since it was not possible to put into effect the new legislation much needed to fuel the privatization efforts in the country.

One of the major strengths of İş Investment in capital market activities, especially in stock market transactions and IPOs, has been its wide client base. Strong, widespread distribution channels consisting of 850 domestic İşbank branches and 10 İşbank GmbH branches in Europe have accelerated this process. The Company has access to the only integrated and fully automated securities distribution system in Turkey - İşbank's Investment Account System. This system allows clients to



access and implement transactions directly through ATMs, internet and interactive telephone connections. In addition, approximately 100 retail marketing staff members from İşbank played an active role in IPOs for the first time.

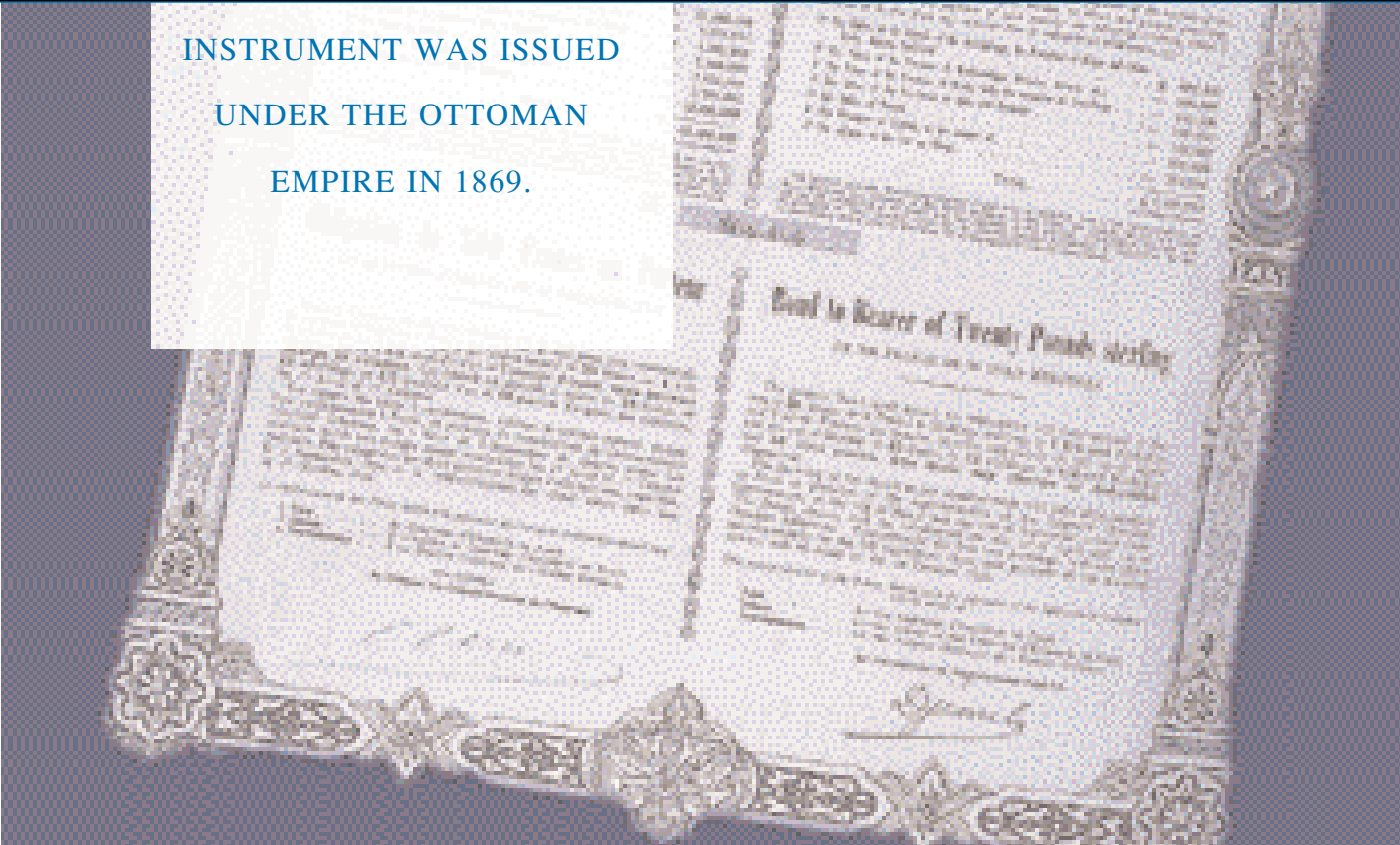
Another asset of the Department is the experience of its personnel in related fields. The Department is staffed by a total of nine analysts; six have university degrees in appropriate fields, two members hold MBA degrees and one member a Ph.D.



THE FIRST DEBT

# İŞ INVESTMENT'S STRENGTH IN THE STOCK MARKET

INSTRUMENT WAS ISSUED  
UNDER THE OTTOMAN  
EMPIRE IN 1869.



# *review of operations continued*

## **Capital Markets**

### **Equities**

Breaking 49 records in 1999 alone, the ISE-100 index increased by 485% in TL terms and 242% in US dollar terms, compared to a 25% loss in 1998 due to the Asian crisis. Thus, the total market value of the companies traded on the ISE increased to US\$ 113.4 billion from US\$ 34.4 billion. The change in the preferences of domestic investors played a more important role in this increase, rather than international funds. Investments in repo and T-bills lost their appeal due to taxes imposed on them as well as to changing economic expectations. Equities became the main target for personal savings especially following the announcement of the new monetary program by the Turkish Central Bank.

**IS DERIVED FROM ITS WIDE DISTRIBUTION NETWORK.**



THE STRENGTH OF İŞ INVESTMENT'S DOMESTIC EQUITY BROKERAGE ACTIVITIES IS DERIVED FROM THE CLOSE WATCH THE EQUITIES DEPARTMENT HAS ON THE MARKET, ITS SPEED IN ORDER EXECUTION AND ITS PRESENCE IN THE MARKET AT EVERY SECOND.

## *review of operations continued*

Adherence to trading ethics and a client-oriented approach since its foundation, coupled with its association with the reputation of İşbank has secured İş Investment a place among the market leaders in equities trading on the ISE. The equity trading volume that stood at TL 656.9 trillion in 1998 increased to TL 1.9 quadrillion in 1999. Its total market share rose from 1.82% in 1998 to 2.57% in 1999. Among 137 members of the ISE, the Company is ranked third in terms of the number of contracts and tenth in terms of total transactions volume.

İş Investment's strength in the stock market is derived from its wide distribution network. It serves the largest institutional and individual client portfolio in the country.



AS A RESULT OF THE EFFICIENT DISTRIBUTION NETWORK, TECHNICAL CAPABILITIES AND QUALITY OF INVESTMENT ADVISORY SERVICES, İŞ INVESTMENT, INCLUDING İŞBANK INVESTMENT ACCOUNTS, HAS GAINED THE LARGEST CLIENT BASE OF ALL BROKERAGE HOUSES WITH 218,000 ACTIVE EQUITY ACCOUNTS, REPRESENTING 37% OF ALL SUCH ACCOUNTS IN THE COUNTRY.



## Fixed Income

Debt instruments in Turkey are comprised mainly of bonds and bills, income-sharing certificates, FX-indexed bonds and CPI-indexed bonds issued by the Turkish Treasury. Even though fixed income markets are traditionally dominated by commercial banks, İř Investment has consistently been one of the leading brokerage houses in terms of fixed income securities and derivatives traded in the marketplace.

Investment advisory activities at İř Investment have paralleled the steady increase in the ISE's fixed income markets. Thus, the transaction volume of İř Investment on the ISE Bonds and Bills Market increased by 287% (TL 1.3 quadrillion)



over figures for the previous year. The Company ranked first in terms of trading volume among all brokerage houses and 16th among brokerage houses and ISE member banks.

Transaction volume for the ISE Repo-Reverse Repo Market increased by 439% (TL 6.6 quadrillion) over last year's totals. In this category, İř Investment ranked second among brokerage houses and 18th among brokerage houses and ISE member banks.

## *review of operations* continued

### **International Capital Markets**

The crisis within international financial markets slowly drew to an end in the first quarter of 1999 and capital flow from international markets began to trickle into the country as the first Turkish Eurobond offering was conducted in Turkey. In the second half of the year, favorable developments on the domestic political front, in the economy and the growing interest of international institutions such as the World Bank and the IMF helped boost Turkey's international rating. Along with the remarkable steps taken with regard to EU relationships, the attitude of international investors was positively affected.

## **İŞ INVESTMENT ACTS AS A BRIDGE BETWEEN**

Possessing the most experienced international capital markets team within a Turkish brokerage house, İş Investment is a unique institution that trades international capital market instruments for Turkish investors. İş Investment offers a comprehensive array of investment alternatives with different risk and return profiles, according to investor preferences. The instruments include, but are not limited to: FX repos, investment grade countries' domestic and international sovereign and corporate debt instruments and emerging countries' sovereign and corporate debt instruments issued in international markets, equities traded on international stock exchanges and derivative instruments.

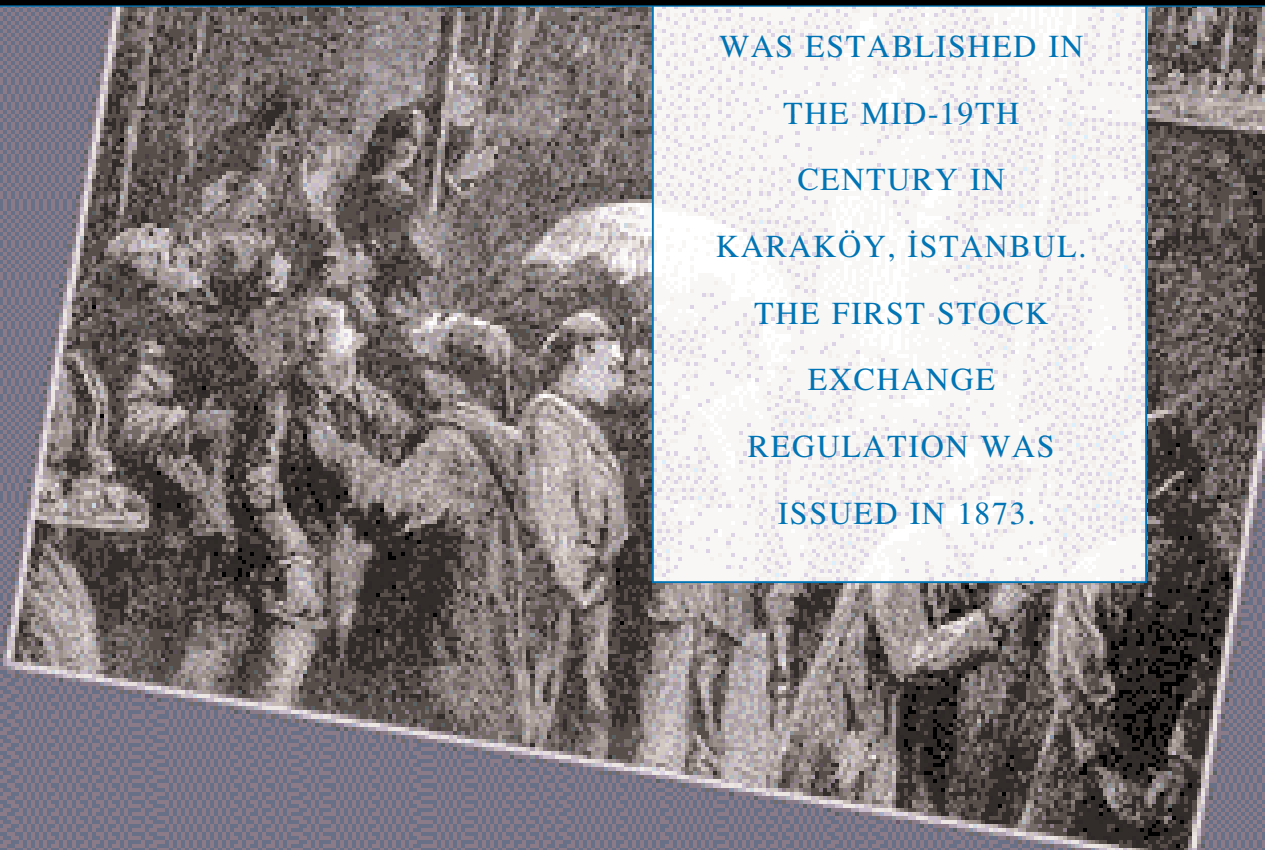
The strength of İş Investment is obvious especially in Eurobonds, issued by the Turkish Treasury; the trading volume of the bonds issued by Turkish companies such as Turkcell, Garanti Bank, Yapı Kredi Bank, Turkish Eximbank has mushroomed four-fold. The trading of bonds from some countries such as the USA and Germany and bonds issued by Brazil and Argentina in the international borrowing markets began in Turkey in 1999. For the first time in 1999, international equities were regarded as alternative investments where previously overseas mutual funds were the instruments of choice.

In 1999, İş Investment's transaction volume in international markets increased by 400% to US\$ 1 billion and the Company became the first Turkish brokerage house accepted as a member of ISMA- International Securities Market Association. The volume of foreign equity transactions has grown remarkably in line with the enlargement of İş Investment's client base.



THE FIRST STOCK  
EXCHANGE IN TURKEY

## DOMESTIC AND INTERNATIONAL MARKETS.



WAS ESTABLISHED IN  
THE MID-19TH  
CENTURY IN  
KARAKÖY, İSTANBUL.  
THE FIRST STOCK  
EXCHANGE  
REGULATION WAS  
ISSUED IN 1873.

## *review of operations continued*

### **Domestic Sales**

#### **Investment Advisory Services**

İş Investment offers investment advisory services through its full service brokerage accounts. The investment advisors keep the clients up-to-date about market developments, offer them a variety of alternatives according to their risk-return expectations and execute the decisions that are made.

## **THE MUTUAL FUNDS UNDER THE MANAGEMENT OF İŞ**



İŞBANK WAS THE FIRST FINANCIAL INSTITUTION IN TURKEY TO PIONEER THE LARGEST CLOSED-END EQUITY MUTUAL FUND. İŞ YATIRIM ORTAKLIĞI (İŞ INVESTMENT TRUST) WAS FOUNDED IN 1995 AND IS NOW THE LARGEST CLOSED-END MUTUAL FUND IN TURKEY REPRESENTING 28% OF THE MARKET AT THE END OF 1999. AS PART OF ITS ACTIVITIES UNDER INSTITUTIONAL PORTFOLIO MANAGEMENT, İŞ INVESTMENT ACTS AS THE INVESTMENT ADVISOR FOR THIS TRUST.



The product range offered to clients includes equities, T-bills, repo, international securities and A- and B-Type mutual funds. Following the decrease in the returns of the domestic market instruments in 1999, emphasis was placed on the marketing of international securities, thus providing alternatives to clients who prefer saving on a foreign currency basis.

In 1999, the number of clients receiving investment advisory services boosted and the portfolio volume grew from TL 8.5 trillion up to TL 91.7 trillion, as compared to the figures of the previous year.

## INVESTMENT HAVE A MARKET SHARE OF 32% IN TURKEY.

### **Intermediary Activities**

Intermediary activities for equity transactions are provided only through İşbank branches which also act as agencies. As a result of the efficient distribution network, technical capabilities and quality of on-line trading, İşbank Investment Accounts have gained the largest client base with 218,000 active equity accounts representing 37% of all such accounts in the country.

The orders from such accounts are collected through İşbank branches as well as the Bank's ATMs, internet and interactive telephone systems 24 hours a day, seven days a week. Within this framework, a total of 617,517 orders were transferred to the ISE system, 217,712 of which were buy orders and 399,805 were sell orders; the total transactions volume reached TL 362.4 trillion.



IN 1990, TÜRKİYE İŞ  
BANKASI PIONEERED

THE RESEARCH DEPARTMENT AT İŞ INVESTMENT COVERS ALL



THE FIRST MUTUAL  
FUND  
IN TURKEY.

## *review of operations* continued

### **International Sales**

By adopting a client-focused approach, dedicated investment advisors assist international institutional and individual clientele at all stages of the investment process. Exercising diligence and thoroughness in offering investment recommendations and/or investment actions, İş Investment provides guidance for regulatory issues such as taxation, settlement, custody and trading activities. These services are executed in a timely manner by client-directed orders with prompt updates always delivered to the clients utilizing state-of-the-art technology. İş Investment is a safe, capable and stable financial institution in Turkey and a strong partner in all kinds of capital market transactions.

The total domestic debt instrument sales volume to international investors increased nearly five-fold, from US\$ 104 million in 1998 to US\$ 567 million in 1999. On the equities side, transactions covering orders of foreign investors accounted for 3.83% of the Company's total equity trading volume in 1999.

**ISE-LISTED COMPANIES AND PROVIDES IN-DEPTH ANALYSIS.**

### **Asset Management**

The number of mutual funds grew remarkably in 1999. At the end of November 1998, there were 195 mutual funds whereas at the end of November 1999 this number had risen to 215. For the same period, the total portfolio size increased by 141.3% and reached TL 923.1 trillion, as compared to TL 382.5 trillion in the previous year. It was in the last month of 1999 that stock market investments staged the fastest growth following the decrease in interest rates.

By the year-end mutual funds managed by İş Investment had a market share of 30% of the total mutual funds in Turkey and a total net asset value of US\$ 656 million. This represents the largest mutual fund portfolio ever managed by a Turkish financial institution. Among the total 80 banks and brokerage houses presently managing mutual funds, İş Investment is the largest, by a significant margin, in terms of market share and total net asset value.

While managing the assets under mutual funds and portfolios, fund managers are primarily interested in financially strong companies with high growth potential. The Research Department supports investment decisions with in-depth fundamental analyses reflected in their company and industry reports and daily updates that are continuously available to fund managers.

## review of operations *continued*

Mutual Funds	Composition	Date of Establishment	Net Asset Value in US\$ millions as of 12/31/1999	Yield in 1999	Yield in 1998
İş Investment Type-A Variable Fund	E, B, N, R	5/12/1997	19.4	234.02	44.87
İş Investment Type-B Variable Fund	E, B, N, R	7/13/1999	5.4	52.03*	-
İşbank Type-B Liquid Fund	R, N	7/13/1987	289.0	97.18	93.87
İşbank Type-A Equity Fund	E, R	3/4/1989	5.0	287.26	(19.10)
İşbank Type-A Affiliated Companies Fund	E, R	10/9/1989	4.5	314.06	(11.46)
İşbank Type-B Variable Fund	E, B, N, R	1/17/1990	14.0	129.34	91.04
İşbank Type-B Foreign Securities Fund	FS	1/2/1992	3.3	79.21	61.54
İşbank Type-B Notes 'n Bonds Fund	B, N, R	6/4/1990	295.7	104.75	90.58
İşbank Type-A Variable Fund	E, B, N, R	4/14/1993	19.2	204.42	41.25

\* Between 7/13/1999 and 12/31/1999

E: Equity B: Bonds and bills N: Notes R: Repo FS: Foreign securities



Mutual funds provide access to professional investment management while demonstrating significant tax advantages for many clients. They offer investors a distinct risk and return composition with differing risk expectations. İş Investment sees mutual funds as an area in which expansion is extremely desirable and has plans to increase the asset sizes of existing mutual funds.

In addition to mutual funds, discretionary individual portfolio management service is provided to the clients and total volume in 1999 grew from TL 641 billion to TL 4.6 trillion (a 611% increase) as compared to figures of the previous year.

### Research

İş Investment is one of the few financial institutions in Turkey with a well-established mechanism to provide timely information to both its clientele and its fund managers. The Research Department employs nine full-time, highly educated research analysts, all of whom have been specifically trained to meet the requirements of the Company as well as domestic and international clientele. All are university graduates including one with a doctorate and two with MBA degrees from reputable universities.

The Research Department follows not only ISE-listed companies but also macro-economic developments. All research reports are published in Turkish and English and can easily be accessed at the designated website [www.isinvestment.com](http://www.isinvestment.com).



The Company uses electronic distribution means because they facilitate faster and more timely dissemination of information, reduce distribution costs and help build more library data.

The Research Department is planning to introduce a quarterly ISE National-30 Companies Report and a biannual ISE National-100 Companies Report in the year 2000.

### **Research Products from İş Investment**

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- Daily Outlook
- Weekly Bulletin
- Monthly Bulletin
- Company Reports
- Industry Reports



## **Information Technology**

Since information technology has become a most indispensable tool for investment activities, it has been assigned a high priority at İş Investment. Right from the very start, this task has been handled by the extensive and experienced IT Department of İşbank. Since 1998 however, a new Information Technology Department has been established within the Company.

One of the most important achievements of the IT Department in 1999 has been the design of an information-only website for İş Investment. With this website, prepared in Turkish and in English, the IT Department has created a flexible networking system where new users can be easily added.

The Department is planning to create a new telecommunications system and a new networking system in the year 2000. Plans are also in the works to create an interactive site on internet through which clients will be able to follow trends on the ISE simultaneously and to execute equity transactions remotely on the Company's website.

# review of operations *continued*

## Human Resources and Training

In 1999, İş Investment opened two new branch offices - one in İzmir and the other in Ankara. The number of employees increased from 102 to 130 by the end of year 1999. Of the present employees, 101 work at the Head Office and the balance are employed at the branches.

In today's fast changing, competitive business environment, bottom-line success is determined by human resource policies that are implemented in a consistent manner. İş Investment prides itself on the quality of its human resources. Employees holding a university degree make up 82% of the total staff and 63% are fluent in English. Approximately half of the staff has gained experience in the Capital Markets Department at İşbank. New recruits are chosen from among recent graduates, keeping the average age of the staff, including managerial levels, at below 30.

### Number of Staff

	1999	1998
Number of Staff	130	102
Head Office	103	102
Branches	27	-

### Educational Level of the Staff

	1999	Percentage in total	1998	Percentage in total
PhD and MBA Degrees	11	8.5	7	6.9
Bachelor Degrees	92	70.7	64	62.8
Two-Year College Degrees	4	3.0	3	2.9
High School Education	20	15.4	24	23.5
Primary School Education	3	2.3	4	3.9
Fluency in at least one foreign language	82	63.0	60	58.8
Fluency in two foreign languages	7	5.4	1	1.0

Training programs are usually provided by professional institutions and the Istanbul Stock Exchange. At times and when required, employees are sent to special training programs abroad. With the increase in the number of personnel, the number of training programs also rose in 1999.

All analysts are required to attend the ISE's training program which is a comprehensive program designed specifically to educate capital market experts. In addition, special training programs are organized to increase the skills of the employees. In 1999, ten technical training programs were offered to 41 staff members.

***İŞ YATIRIM MENKUL DEĞERLER A.Ş.***  
***FINANCIAL STATEMENTS***  
***FOR THE YEAR ENDED 31 DECEMBER 1999***



**İŞ YATIRIM MENKUL DEĞERLER A.Ş.****INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 1999**

We have examined the attached balance sheet of İş Yatırım Menkul Değerler A.Ş. "the Company" as of 31 December 1999 (pages 1 and 2) and the related statement of income for the year then ended (page 3). 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.

In our opinion, the attached financial statements present fairly the financial position of the Company as at 31 December 1999 and the results of its operations for the year then ended, in conformity with legislation and generally accepted accounting principles (see Balance Sheet Note 11) as published by the Turkish Capital Markets Board, applied on a consistent basis.

DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.

Member Firm of DELOITTE TOUCHE TOHMATSU

Anthony J. WILSON  
Partner

İstanbul, 21 January 2000

*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.*



**İŞ YATIRIM MENKUL DEĞERLER A.Ş.**  
**DETAILED BALANCE SHEETS**  
**AS OF 31 DECEMBER 1999 AND 1998**  
(TL MILLION)

ASSETS	31.12.1999	31.12.1998
<b>I- CURRENT ASSETS</b>	<b>13,673,967</b>	<b>5,526,531</b>
A- Liquid Assets	4,363,519	1,150
1- Cash	163	77
2- Banks	4,363,356	1,073
3- Other Liquid Assets	0	0
B- Marketable Securities	8,657,430	2,705,583
1- Share Certificates	378,942	0
2- Private Sector Bonds	0	0
3- Government Sector Bonds	7,100,412	2,705,583
4- Other Marketable Securities	1,200,319	0
5- Provision for Diminution in Value of Securities Portfolio (-)	(22,243)	0
C- Short-Term Trade Receivables	215,505	2,371,430
1- Trade Receivables	215,505	91,430
2- Notes Receivable	0	0
3- Deposits and Guarantees Given	0	0
4- Other Short-Term Trade Receivables	0	2,280,000
5- Discount on Receivables (-)	0	0
6- Provision for Doubtful Receivables (-)	0	0
D- Other Short-Term Receivables	54,680	74,873
1- From Shareholders	0	0
2- From Affiliates	0	0
3- From Subsidiaries	0	0
4- Other Short-Term Receivables	54,680	74,873
5- Discount on Receivables (-)	0	0
6- Provision for Doubtful Receivables (-)	0	0
E- Inventories	0	0
F- Other Current Assets	382,833	373,495
<b>II- LONG-TERM ASSETS</b>	<b>122,831</b>	<b>50,427</b>
A- Long-Term Trade Receivables	0	0
B- Other Long-Term Receivables	0	38,984
C- Long-Term Financial Assets	3,200	1,250
1- Long-Term Marketable Securities	0	0
2- Provisions for Long-Term Marketable Securities (-)	0	0
3- Affiliates	0	0
4- Capital Commitments for Affiliates (-)	0	0
5- Provision for Decrease in Value of Affiliates (-)	0	0
6- Subsidiaries	0	0
7- Capital Commitments for Subsidiaries (-)	0	0
8- Provision for Decrease in Value of Subsidiaries (-)	0	0
9- Other Long-Term Financial Assets	3,200	1,250
D- Tangible Fixed Assets	31,071	10,193
1- Land	0	0
2- Land Improvements	0	0
3- Buildings	0	0
4- Machinery and Equipment	34,200	7,108
5- Motor Vehicles	10,712	7,042
6- Furniture and Fixtures	1,884	247
7- Other Tangible Fixed Assets	0	0
8- Accumulated Depreciation (-)	(15,725)	(4,204)
9- Construction in Progress	0	0
10- Order Advances Given	0	0
E- Intangible Fixed Assets (Net)	0	0
F- Other Long-Term Assets	88,560	0
<b>TOTAL ASSETS</b>	<b>13,796,798</b>	<b>5,576,958</b>

The attached notes form an integral part of these financial statements.

**İŞ YATIRIM MENKUL DEĞERLER A.Ş.**  
**DETAILED BALANCE SHEETS**  
**AS OF 31 DECEMBER 1999 AND 1998**  
(TL MILLION)

LIABILITIES & SHAREHOLDERS' EQUITY	31.12.1999	31.12.1998
<b>I- SHORT-TERM LIABILITIES</b>	<b>5,983,624</b>	<b>2,639,214</b>
A- Bank Loans	0	0
1- Bank Loans	0	0
2- Current Instalments and Interest of Long-Term Loans	0	0
3- Bond Principal and Interest	0	0
4- Bonds and Bills Issued	0	0
5- Other Financial Liabilities	0	0
B- Trade Payables	3,279,000	2,280,722
1- Suppliers	0	0
2- Notes Payable	0	0
3- Deposits & Guarantees Received	0	0
4- Other Trade Payables	3,279,000	2,280,722
5- Discount on Payables (-)	0	0
C- Other Short-Term Liabilities	228,794	57,143
1- Payable To Shareholders	0	0
2- Payable To Affiliates	0	0
3- Payable To Subsidiaries	0	0
4- Accrued Expenses	0	0
5- Taxes and Other Deductions Payable	227,099	57,143
6- Deferred Payables to Government	0	0
7- Other Short-Term Liabilities	1,695	0
8- Discount of Payables (-)	0	0
D- Order Advances Received	0	0
E- Provisions	2,475,830	301,349
1- Tax Provisions	2,475,830	301,349
2- Other Payable and Expense Provisions	0	0
<b>II- LONG-TERM LIABILITIES</b>	<b>58,853</b>	<b>18,215</b>
A- Bank Loans	0	0
B- Trade Payables	0	0
C- Other Long-Term Payables	0	0
D- Order Advances Received	0	0
E- Provisions	58,853	18,215
1- Retirement Pay Provision	58,853	18,215
2- Other Payable and Expense Provisions	0	0
<b>III- SHAREHOLDERS' EQUITY</b>	<b>7,754,321</b>	<b>2,919,529</b>
A- Capital	2,500,000	1,250,000
B- Capital Commitments (-)	0	0
C- Share Premium	0	0
D- Revaluation Reserve	8,914	3,601
E- Reserves	415,928	112,784
1- Legal Reserves	133,889	56,232
2- Statutory Reserves	0	0
3- Special Reserves	0	0
4- Extraordinary Reserves	282,039	56,552
5- Cost Increase Fund	0	0
6- Fixed Assets and Participation Sales Income to be Incorporated as Capital	0	0
7- Prior Year Income	0	0
F- Net Income For the Period	4,829,479	1,553,144
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>13,796,798</b>	<b>5,576,958</b>

The attached notes form an integral part of these financial statements.

**İŞ YATIRIM MENKUL DEĞERLER A.Ş.**  
**DETAILED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED 31 DECEMBER 1999 AND 1998**  
(TL MILLION)

	31.12.1999	31.12.1998
A- GROSS SALES	1,736,432,176	922,647,756
1- Sales of Share Certificates	446,406,941	114,986,472
2- Sales of Private Sector Bonds	0	0
3- Sales of Commercial Papers	0	0
4- Sales of Other Private Sector Bonds	0	0
5- Sales of Government Bonds	635,510,957	39,737,643
6- Sales of Treasury Bills	649,869,891	765,868,967
7- Sales of Other Public Sector Bonds	0	0
8- Sales of Other Marketable Securities	1,620,692	1,051,698
9- Commission Income	1,855,962	578,171
10- Other Services Given	1,167,733	424,805
B- SALES DEDUCTIONS (-)	0	0
C- NET SALES	1,736,432,176	922,647,756
D- COST OF SALES (-)	(1,728,638,954)	(920,644,477)
<b>GROSS PROFIT</b>	<b>7,793,222</b>	<b>2,003,279</b>
E- OPERATING EXPENSES (-)	(4,470,547)	(924,890)
1- Research & Development Expenses (-)	0	0
2- Marketing, Selling & Distribution Expenses (-)	(263,475)	(78,848)
3- General Administrative Expenses (-)	(4,207,072)	(846,042)
<b>TRADING PROFIT</b>	<b>3,322,675</b>	<b>1,078,389</b>
F- INCOME & PROFIT FROM OTHER OPERATIONS	4,929,855	1,594,453
1- Dividend Income From Affiliates	776	222
2- Dividend Income From Subsidiaries	0	0
3- Interest and Other Dividend Income	3,162,699	624,483
4- Other Operating Income	1,766,380	969,748
G- OTHER OPERATING EXPENSES AND LOSSES (-)	(285,259)	(43,066)
H- FINANCIAL EXPENSES (-)	(766,966)	(855,922)
1- Short-Term Financial Expenses	(766,966)	(855,922)
2- Long-Term Financial Expenses	0	0
<b>OPERATING PROFIT</b>	<b>7,200,305</b>	<b>1,773,854</b>
I- EXTRAORDINARY INCOME AND PROFITS	105,004	80,639
1- Provisions Written off	0	80,639
2- Previous Period Income and Profit	105,004	0
3- Other Extraordinary Income and Profit	0	0
J- EXTRAORDINARY EXPENSES AND LOSSES (-)	(375,637)	0
1- Idle Capacity Expenses and Losses	0	0
2- Previous Period Expenses and Losses	(375,637)	0
3- Other Extraordinary Expenses and Losses	0	0
<b>INCOME FOR THE PERIOD</b>	<b>6,929,672</b>	<b>1,854,493</b>
K- TAXES PAYABLE AND OTHER STATUTORY OBLIGATIONS (-)	(2,100,193)	(301,349)
<b>NET INCOME FOR THE PERIOD</b>	<b>4,829,479</b>	<b>1,553,144</b>

The attached notes form an integral part of these financial statements.

**İŞ YATIRIM MENKUL DEĞERLER A.Ş.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED 31 DECEMBER 1999 AND 1998**  
(TL MILLION)

	31.12.1999	31.12.1998
A- CASH AT THE BEGINNING OF THE PERIOD	1,150	135
B- CASH INFLOW FOR THE PERIOD	1,743,814,804	922,436,797
1- Cash Inflows From Sales	1,738,588,101	920,539,880
a) Net Sales Income	1,736,432,176	922,647,756
b) Decrease in Trade Receivables (Resulting from Sales)	2,155,925	0
c) Increase in Trade Receivables (Resulting from Sales)	0	(2,107,876)
2- Cash Inflows from Income and Profit from Other Operations	4,929,855	1,594,453
3- Cash Inflows from Extraordinary Income and Profits	105,004	0
4- Increase in Short-Term Liabilities (Non-Trade)	0	0
a) Marketable Security Issues	0	0
b) Other Increases	0	0
5- Increase in Long-Term Liabilities (Non-Trade)	0	0
6- Capital Increase in Cash	0	0
7- Other Cash Inflows	191,844	302,464
C- CASH OUTFLOW FOR THE PERIOD	1,739,452,435	922,435,782
1- Cash Outflow Resulting from Costs	1,727,631,344	918,366,783
a) Cost of Sales	1,728,638,954	920,644,477
b) Increase in Inventories	0	0
c) Decrease in Payables (Trade)	0	5,907
d) Increase in Payables (Trade)	(998,278)	(2,280,722)
e) Expenses not Requiring Cash Outflow Such as Depreciation and Provisions (-)	(9,332)	(2,879)
f) Decrease in Inventories	0	0
2- Cash Outflow Related to Operating Expenses	4,429,909	906,675
a) Research and Development Expenses	0	0
b) Marketing, Sales and Distribution Expenses	263,475	78,848
c) General Administrative Expenses	4,207,072	846,042
d) Expenses not Requiring Cash Outflow (-)	(40,638)	(18,215)
3- Cash Outflow from Other Operating Expenses and Losses	285,259	43,066
a) Expenses and Losses on Other Operations	285,259	43,066
b) Expenses and Losses not Requiring Cash Outflow (-)	0	0
4- Cash Outflow from Financial Expenses	766,966	855,922
5- Cash Outflow from Extraordinary Expenses and Losses	0	0
6- Cash Outflow from Investments in Long-Term Assets	24,897	4,844
7- Principal Payment of Short-Term Debts	0	1,612,500
8- Principal Payment of Long-Term Debts	0	0
9- Taxes Paid	301,349	181,218
10- Dividends Paid	0	0
11- Other Cash Outflows	6,012,711	464,774
D- CASH AT THE END OF THE PERIOD	4,363,519	1,150
E- CASH INCREASE OR (DECREASE)	4,362,369	1,015

The attached notes form an integral part of these financial statements.

**İŞ YATIRIM MENKUL DEĞERLER A.Ş.**  
**STATEMENTS OF COST OF GOODS SOLD**  
**FOR THE YEARS ENDED 31 DECEMBER 1999 AND 1998**  
(TL MILLION)

	31.12.1999	31.12.1998
A- Shares; Cost of Sales	444,687,591	115,034,201
1- Opening Balance (+)	0	3,015
2- Purchases (+)	445,066,533	115,031,186
3- Closing Balance (-)	(378,942)	0
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	0	0
1- Opening Balance (+)	0	0
2- Purchases (+)	0	0
3- Closing Balance (-)	0	0
E- Government Bonds; Cost of Sales	634,184,088	85,559,286
1- Opening Balance (+)	2,578,271	823,892
2- Purchases (+)	638,706,229	87,313,665
3- Closing Balance (-)	(7,100,412)	(2,578,271)
F- Treasury Bills; Cost of Sales	648,367,275	719,152,265
1- Opening Balance (+)	127,312	1,685,157
2- Purchases (+)	648,239,963	717,594,420
3- Closing Balance (-)	0	(127,312)
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	1,400,000	898,725
1- Opening Balance (+)	0	448,553
2- Purchases (+)	2,600,319	450,172
3- Closing Balance (-)	(1,200,319)	0
I- Cost of Securities Sold	1,728,638,954	920,644,477
J- Cost of Services Sold	0	0
Cost of Sales (I+J)	<b>1,728,638,954</b>	<b>920,644,477</b>

The attached notes form an integral part of these financial statements.



**İŞ YATIRIM MENKUL DEĞERLER A.Ş.**  
**NOTES TO THE BALANCE SHEET**  
**AS AT 31 DECEMBER 1999**

**1. ACTIVITIES OF THE COMPANY**

İş Yatırım Menkul Değerler A.Ş. ("the Company") was registered with the İstanbul Trade Registry on 18 December 1996 and its foundation was announced in the Turkish Trade Registry Gazette number 4193 on 23 December 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 Markets Board at its meeting number 51-1515 dated 5 December 1996.

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

Name	Share Ratio %	Share Group	Share Quantity	Share Amount TL Million
Türkiye İş Bankası A.Ş.	6	(A)	150,000,000	150,000
Türkiye İş Bankası A.Ş.	86	(B)	2,150,000,000	2,150,000
Total	92		2,300,000,000	2,300,000

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

The capital of the Company is TL 2,500,000,000,000 (Twotrillionfivehundredbillion Turkish Lira). The capital consists of 2,500,000,000 (Twobillionfivehundredmillion) shares of TL 1,000 (One thousand Turkish Lira) each. All the stocks are issued to name. TL 150,000 Million of the shares is Group A and TL 2,350,000 Million is Group B. According to the Articles of Association, additional Group A shares cannot be issued in new capital increases.

**4. REGISTERED CAPITAL LIMIT**

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

**5. CAPITAL INCREASES DURING THE YEAR**

The capital of the Company was fully paid in cash by the shareholders as at the balance sheet date. TL 1,250,000 Million increase in capital in 1999 has been incorporated from extraordinary reserves.

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

None.

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

None.

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

a) Cost of acquired, built or purchased fixed assets is TL 24,898 Million. In addition, assets acquired through financial leasing amounted to TL 125,619 Million and TL 27,462 Million of this amount is written as expense in the current period.

b) Cost of fixed assets scrapped or sold : None

c) Revaluation in the current period :

	TL Million
Cost of Assets (+)	7,503
Accumulated Depreciation (-)	(2,190)
	<u>5,313</u>

d) Construction in progress: 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.

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

As of the balance sheet date, the Company has TL 1,045 Million demand 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.

**11. ACCOUNTING PRINCIPLES AND VALUATION METHODS**

**Accounting Principles**

The Capital Markets 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 Markets Board") to be prepared by those companies subject to Capital Market Law.

**a) Marketable Securities**

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

Government bonds and treasury bills are valued by applying the effective interest rate, which is determined by using the cost at the purchase date and the number of days to maturity. For the related government sector bonds, income is accrued for the period from acquisition date of securities to the balance sheet date. The accrued income is recorded to marketable securities in the balance sheet and other operating income in the statement of income.

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

**b) 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:

	%
Machinery & Equipment	20
Vehicles	20
Fixture & Furniture	20

**c) 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.

**d) 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.

**e) Retirement Pay Provision**

The retirement pay provision for personnel present at 31 December 1999 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.

**f) 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.

**g) Tax**

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

**12. SUBSEQUENT EVENTS**

Subsequent to the balance sheet date the retirement pay provision limit has been increased to TL 488,990,000.

**13. CONTINGENCIES**

The letters of guarantee amounting to TL 3,834,096 Million are given to Capital Markets Board and İstanbul Stock Exchange as a guarantee for underwriting operations and securities trading activities as of 31 December 1999.

**14. CHANGES IN ACCOUNTING ESTIMATES**

None.

**15. MORTGAGES OR PLEDGES ON ASSETS**

There are no mortgages or pledges on assets as at 31 December 1999, but Government Bonds with a cost of TL 199,882 Million and related accrued interest of TL 10,988 Million as at the balance sheet date, TL 210,870 Million in total (Nominal value: TL 180,000 Million) corresponding to the capital of TL 2,500,000 Million, are blocked at İMKB Takas ve Saklama Bankası A.Ş. ("Takasbank") as collateral on behalf of the Capital Markets Board ("CMB").

## 16. INSURANCE ON ASSETS

As of 31 December 1999, the insurance on assets is as follows:

	Book Value TL Million	Insurance Total TL Million	Coverage
Machinery and Equipment	24,508	-	-
Vehicles	5,178	7,200	139%
Properties	1,385	-	-
Leased Properties	125,619	79,069	63%

## 17. GUARANTEES AND MORTGAGES RECEIVED

As of 31 December 1999 there are no mortgages received. The estimated fair value of the marketable securities received from customers as guarantee amounted to TL 637,639 Million (nominal value TL 54,907 Million).

## 18. CONTINGENT LIABILITIES

Contingent liabilities as of 31 December 1999 are as follows:

	TL Million
Letters of Guarantee Given	3,834,096
Repo Commitments	586,980
Reverse Repo Commitments On Behalf of Customers	40,013,210

## 19. BLOCKED DEPOSITS AT BANKS

None.

## 20. MARKETABLE SECURITIES UNDER MARKET VALUE

The marketable securities in the Company's portfolio as of 31 December 1999 is as follows :

	Acquisition Cost TL Million	Amount TL Million
Equity Shares	378,942	356,700
Investment Funds	1,200,319	1,200,319

As of the balance sheet date, public sector securities of TL 7,100,412 Million in the portfolio have a cost value of TL 6,579,380 Million and the balance represents interest income accrual. Market value of the public sector securities in the portfolio as of the balance sheet date is approximately TL 7,078,935 Million. These marketable securities have nominal value of TL 5,637,679 Million. In addition, foreign currency marketable securities in the portfolio are totaling to US\$ 447,605.

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

There are no securities issued by shareholders, affiliates or subsidiaries in the Company's portfolio as of 31 December 1999.

## 22. DETAILS OF ACCOUNTS UNDER "OTHER" CAPTION IN THE FINANCIAL STATEMENTS WHICH EXCEED 20% OF THE TOTAL OF THE RELATING GROUP OR EXCEED 5% OF TOTAL ASSETS

### a) Other Short-Term Trade Receivables:

	TL Million
Advances Given to İş Yatırım- Type B Fund	46,974
Other Advances Given	7,706
	54,680

Advances were given to İş Yatırım- Type B Fund with respect to the notary expenses during the Fund's foundation.

### b) Other Current Assets:

	TL Million
Advance tax	380,061
Prepaid taxes and funds	2,772
	382,833

TL 380,061 Million above consisted of advance tax calculated as of 30 September 1999. Prepaid taxes and funds amounting to TL 2,772 Million comprised of the balance of deductible withholding tax carried forward to the subsequent period.

c) Other long-term receivables totalling to TL 88,560 Million consist of prepaid leasing amounts, which will be expensed in future periods and have therefore not yet been recorded as expenses.

d) Other long term financial assets consist of TL 3,200 Million and 1% participation in TSKB Menkul Değerler Yatırım A.Ş. as of 31 December 1999.

e) As indicated above, other trade payables consist of payables to the İMKB Takas ve Saklama Bankası A.Ş. Money Market on the Company's behalf, and customer accounts as of 31 December 1999. The breakdown of the other trade payables is as follows:

	TL Million
Money Market	3,274,475
Customers	4,525
	3,279,000

Money market balance above includes the accrued interest of TL 23,475 Million for the current period.

f) Other Services Given:

	TL Million
Consultancy Income	171,858
Investment Funds Portfolio Management Income	447,372
Fund Management Income	142,754
Corporate Finance Income	377,178
Other	28,571
	1,167,733

g) Other Operating Income:

	TL Million
Income Accruals on Marketable Securities and Deposits	1,123,296
Foreign Currency Marketable Securities Trading Income	443,141
Other	199,943
	1,766,380

h) Other Operating Expenses and Losses:

	TL Million
Commissions Given to Agencies	145,701
Losses on Sale of Foreign Currency Marketable Securities	94,144
Diminution in Value of Equity Shares	22,242
Other	23,172
	285,259

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

None.

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

There is no doubtful receivable relating to shareholders, affiliates or subsidiaries as of 31 December 1999.

**25. DOUBTFUL RECEIVABLES**

None.

**26. EQUITY INVESTMENTS**

	Shareholding %	Participation Total TL Million
TSKB Menkul Değerler Yatırım A.Ş.	1	3,200

As of the date of this report, the audited financial statements of TSKB Menkul Değerler Yatırım A.Ş. were not yet available. As per the unaudited financial statements not prepared in accordance with Capital Market Board standards, TSKB Menkul Değerler Yatırım A.Ş.'s profit before tax for the year ended 31 December 1999 is TL 285,610 Million.

**27. FREE SHARES ISSUED BY AFFILIATES AND SUBSIDIARIES**

None.

**28. NON CASH RIGHTS ON IMMOVABLES**

There are no non-cash rights on immovables as of 31 December 1999.

## 29. REVALUATION SURPLUS ON TANGIBLE FIXED ASSETS

Tangible Fixed Assets	Revaluation	Surplus	TL Million
	1997	1998	1999
Machinery, Plant and Equipment	-	825	2,718
Vehicles	-	2,722	2,508
Furniture & Fixture	-	54	87
	-	3,601	5,313

## 30. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

There are no assets and liabilities in foreign currencies as of 31 December 1999.

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

There are no guarantees given as of 31 December 1999.

## 32. PERSONNEL STRUCTURE

Number of personnel as at 31 December 1999 is 130 and details are given below:

	Number
Executives	11
Managers	13
Specialists	63
Brokers	4
Administrative & other	39
<b>TOTAL</b>	<b>130</b>

## 33. OTHER SIGNIFICANT MATTERS AFFECTING THE FINANCIAL STATEMENTS

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

Quoted Company	Amount of Sales Realized by the Company		Total Issue	
	Lot	TL Million	Lot	TL Million
Yatırım Finansman Ortaklığı A.Ş.	7,559	11,716	122,500	189,875
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	12,011,115	16,815,561	21,000,000	29,400,000

As of the balance sheet date, marketable securities under the Company's custody on behalf of customers are as follows:

	Nominal Amount TL Million
Shares	3,512,030
Government Bonds	66,577,011
Treasury Bills	8,193,350

In addition, there are 684,945,000 investment fund participation certificates under the Company's custody.

## İŞ YATIRIM MENKUL DEĞERLER A.Ş. NOTES TO THE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1999

1. The depreciation expenses and the amortization charges for the period are TL 11,521 Million.

	TL Million
a. Depreciation Expenses	
aa. Normal Depreciation Expenses	9,332
ab. Depreciation Expenses Resulting from Revaluation	2,189
b. Amortization Charges	-

2. There is no discounting expense, but retirement pay provision expense amounting to TL 40,638 Million for the current period.



3. The financial expenses for the period are TL 766,966 Million.

	TL Million
a. Included in Costs of Sales	-
b. Included in Fixed Asset Costs	-
c. Directly Recorded as Expense	766,966

4. Financial expenses related to affiliates, subsidiaries and equity participations for the current period:  
There are no financial expenses related to affiliates, subsidiaries or equity participations for the current period.

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

Company	Transaction	Purchases	Sales
		(Cost) TL Million	TL Million
Türkiye İş Bankası A.Ş.	Repo	2,311,900	2,319,154
Türkiye İş Bankası A.Ş.	Reverse Repo	5,810,150	5,824,124
Türkiye İş Bankası A.Ş.	Purchase of Shares	235,369,473	-
Türkiye İş Bankası A.Ş.	Sale of Shares	-	295,214,584
İş Factoring Finansman Hizmetleri A.Ş.	Reverse Repo	888	891
İş Factoring Finansman Hizmetleri A.Ş.	Purchase of Treasury Bills (nominal value)	156,000	99,778
İş Genel Finansal Kiralama A.Ş.	Repo	31,096,843	31,199,887
İş Genel Finansal Kiralama A.Ş.	Reverse Repo	117,476,882	17,853,557

6. Rent, insurance premium and similar items paid to shareholders, affiliates and subsidiaries are as follows:

	Rent Paid	Insurance Premium Paid
	TL Million	TL Million
Anadolu Anonim Türk Sigorta Şti.	-	2,982
İş Genel Finansal Kiralama A.Ş.	27,462	-
	27,462	2,982

The Company traces transactions of the customers of Türkiye İş Bankası A.Ş. ("İşbank") in the name of İşbank account. Commission income from this account is TL 548,082 Million.

7. The total of salary and fringe benefits for executives is TL 129,013 Million in the current period.
8. The amortization expense for the period did not increase or decrease due to changes in amortization calculation methods and alterations in these methods.
9. Company has no inventories as of 31 December 1999, hence, there is no inventory cost calculation system, but the Company uses the weighted-average cost system to value marketable securities.
10. No stock-take is performed, since the Company has no stocks as of 31 December 1999. The Company's marketable securities related with clients and its own assets are under the custody.
11. There is no service or by-product, or scrap sales exceeding 20% of sales.
12. There are no subsidies relating to the 1999 sales of the Company.
13. Previous period expenses totaling to TL 375,637 Million in the income statement consist of deferred tax liability computed on income accrual of marketable securities for the year 1998 and underaccrual of tax provision relating to 1998.

Previous period income amounting to TL 105,004 Million, is arising from advance tax and withholding tax receivable on marketable securities for the year 1998.

14. Profit and dividend per preferred and common stocks:

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 1999 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.

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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