

DECEMBER 2003

İŞ INVESTMENT 

Annual Review

İş Investment co-manager of the Turkish Eurobond issue

İş Investment - the leader in the ISE Stock Market

Prospects for 2004

İş Investment - selling the world's securities

Kazakhstan Almaty Representative Office opened

Privatization: Is it about sales or strategy?

What would have happened if the Marquis de Grouchy had stopped Blücher at Waterloo?

In 1815, Napoleon was defeated by the Duke of Wellington at the Battle of Waterloo - radically impacting the future of Europe. In his choice of leaders however, Napoleon's judgement was lacking; de Grouchy was a great General but he was out of his element as a Marshal. He showed little initiative and delayed his pursuit of the Prussians, giving them time to regroup. Without doubt, Napoleon was highly ambitious - if he had formulated strategies correctly, communicated clearly and received the right assistance, he could have won and the history of the world would have been set on a totally different path.





Having ambitious targets is not enough. Targets can only be reached with correct strategies, clear communication and the right assistance.

In the money and capital markets, strategies should be developed based on in-depth analysis and implemented with the utmost care. Experienced and competent İŞ Investment experts serve all areas of the investment universe, from public offerings, mergers and acquisitions to brokerage and investment advisory. Finding tailor-made solutions for financial requirements, adding value to investments and attaining specific client targets are all part of the job at İŞ Investment.

At İŞ Investment, you will have the pleasure of stepping into a prosperous future with a trustworthy strategic partner.

| INVESTMENT ADVISORY | PORTFOLIO MANAGEMENT | CORPORATE FINANCE |

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Undisputed leader in privatization and public offerings

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executive management

İlhami Koç, General Manager

Nuran Canitez, Assistant General Manager

Murat Kural, 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

Yiğit Arıkök, Domestic Markets - Assistant Manager

Meltem Çitci, International Capital Markets - Manager

Banu Taşkın, Investment Advisory - Manager

Ufuk Ümit Onbaşı, Assistant General Manager

Ertuğ Yıldırımcan, Board of Internal Auditors - Director

Fatma Ütül, Operations - Manager

Metin Hertaşer, Financial and Administrative Affairs - Assistant Manager

Arkin Şengönül, Information Technologies - Assistant Manager

Nuran Aydınoglu, Brokerage - Assistant Manager

Levent Tokgözoğlu, Regulation and Organization - 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 Erdoğan, Kalamış Branch

Cengiz Macun, Almaty, Kazakhstan Representative Office

Advanced technology is rapidly dominating all aspects of business as well as our everyday lives and even affairs of state. E-state is one of the most remarkable examples of this trend.

Technology not only makes business easier but also challenges existing business processes to their very foundations, changing old ways of conducting business. It radically impacts certain business traditions eventually enabling improved practicability.

The upshot of this is that everything changes or, more accurately, over time everything must change. As a general rule of nature, those that do not evolve are eliminated and those that adopt survive.

Just like technology, the economy and market conditions are also rapidly changing. While people lose interest in traditional products and certain standard brands like Oldsmobile and Polaroid fade away; some new ones are bought in.

Brands like these demonstrate that products do have life curves.

During the first half of the 1970s, the inflation rate in Turkey was around 10% - then considered high; we later saw triple-digit inflation.

Foreign businessmen and women pondered how it was possible to manage our companies in spite of such high inflation. Were we indeed successful or was inflation simply covering our mistakes?

I remember how a foreign consultant warned the partners of a newly founded financial company in 1990s. He said, "Gentlemen, do not expect this company to show a profit for at least two years. The first two years will be fully dedicated to establishment, organization and market penetration as well as continuous investment. It is only after this period that you can expect to earn a profit." This businessman was speaking from the perspective of the experience gained in his home country. At the end of the first six months, that same financial organization recorded a pre-tax profit, equal to capital invested by the partners. How did the company achieve such a result? By investing a major part of its capital in Treasury bills and maintaining open positions, of course. Now, was this achievement due to the brilliance of the company's management or was it just an obvious opportunity presented by market conditions?

Inflation rates are now falling, but we do not really know how to manage our companies in a regime of low inflation; inflation is no longer an instrument to disguise our mistakes.

Essentially, we now need to develop new business models to suit our companies. Instead of introspectively looking back to own history, there are good examples from which we can learn in foreign countries. These countries have succeeded in maintaining a non-inflationary environment for many years. We must be eager as individuals, companies and society to learn from these examples. Companies need to move forward and catch up with new market trends. Those that cannot adapt to these new circumstances are eventually doomed to failure. In light of these developments, it is clear that there are a number of mergers and acquisitions in the pipeline in many sectors.

Change is never easy and there are bitter pills to be swallowed. Engineering and managing change are new and important issues for us. As in behavior modification, cooperation with consultants offers a valuable source of support which may indeed mean the difference between survival and failure for a company.

Shall we or shall we not change? While resistance to change is part of human nature, this time it appears we should resist the urge to counteract it.

We'll either change or be changed.

To change or not to change: That is the question

financial highlights

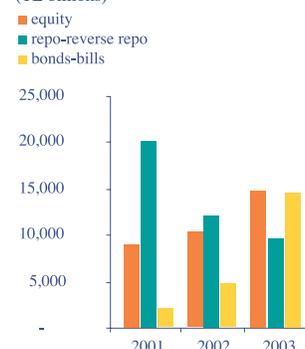
Summary Financial Statements

(TL billions)

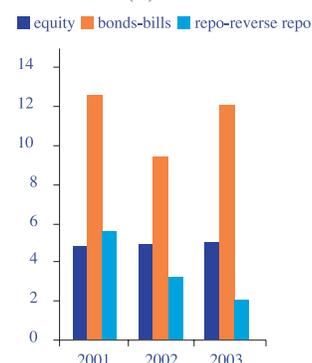
Major Balance Sheet Accounts	2001	2002	2003
Marketable Securities	35,420	13,780	10,351
Total Current Assets	69,959	24,370	38,398
Total Assets	86,729	64,782	83,756
Shareholders' Equity	42,847	55,599	69,391
Paid-in Capital	17,000	38,000	45,000

Major Income Statement Accounts	2001	2002	2003
Net Sales	8,351,002	5,712,145	10,037,384
Equities	1,856,781	1,976,103	3,358,682
Public Sector Bonds	2,530,837	1,049,374	5,088,889
Treasury Bills	3,889,519	2,672,505	1,573,936
Other Marketable Securities	57,009	124	17
Commission Income	14,618	8,082	12,171
Other Service Income	2,238	6,441	5,959
Sales Returns	0	(484)	(2,270)
Cost of Sales	(8,311,110)	(5,679,300)	(10,002,451)
Operating Expenses	(21,235)	(17,079)	(19,456)
Trading Profit	18,657	15,765	15,477
Operating Profit	32,031	17,232	21,202
Profit before Taxes	34,245	17,257	21,241
Net Profit	22,088	10,561	14,969

Transaction Volume (TL billions)



Market Share (%)



Product and Service Diversity

Apart from traditional trading brokerage, İş Investment provides tailor-made solutions for Investment Advisory and Private Portfolio Management services. The provision of personalized solutions requires specialization in all capital market activities with the ability to introduce investors to a variety of investment instruments.

İş Investment is one of the few full-service investment houses able to offer services ranging from asset management, investment advisory, IPO and M&A consultation to brokerage in domestic and international markets for trading equities, debt instruments and derivatives, as well as the handling of repo and reverse repo transactions.

Investment instruments offered to clients are classified into instruments traded on national markets and instruments traded on international markets. The first group consists of products appealing to investors who prefer TL-denominated instruments, including repo, T-bills, government bonds, stocks and mutual funds.

The latter group includes G7 country bonds and bills, corporate bonds, Eurobonds issued



by the Turkish Treasury and emerging country bonds and stocks traded on overseas markets, geared toward those who prefer FX-denominated instruments.

Selecting the optimum combination of investment instruments from a variety of choices, while striving to maintain the highest level of customer satisfaction, is an example of İş Investment's professional expertise. Investment decisions are made in accordance with the principle developed by İş Investment and referred to as the Investor-Centered, Market-Focused Approach.

This approach starts with an analysis of the investor's risk/return profile, enabling the Company to determine which markets and investment instruments are appropriate for each investor. Then an investment advisor is

assigned to the investor in accordance with the results of this analysis.

Investment advisors evaluate research analysis and comments from the Research Department as well as market expectations and recommendations issued by the Domestic and International Capital Markets Departments, using these to develop exclusive investment recommendations for their clients.

In 2003, investors were generally advised to opt for TL-denominated instruments, particularly T-bills. While T-bill interest rates fluctuated during the first half of the year due to the Iraq crisis, they fell rapidly in the second half, rewarding investors with high returns. In the second half of the year, investors were advised to increase the weight of stocks in their portfolios.

Declining interest rates in global markets have increased the attractiveness of G7 bonds; investors looking for ways of diversifying risk were offered new foreign investment instruments.

İş Investment's B-Type Variable Fund attracted many investors in 2003 and grew nearly five-fold to TL 160 trillion by year's end. The A-Type Variable Fund also benefited from the higher demand more than tripling its size to reach TL 11.5 trillion during the year. Both funds yielded returns above their benchmark criteria in 2003.



The launch of www.isinvestment.com

Recently, İş Investment launched its English-language website providing value added information with the magnitude of a portal and the appearance and logic of a corporate website.

From a corporate perspective, the website is characterized by its unique, innovative design, carrying the name İş Investment to the Internet, utilizing elements of corporate identity such as illustrations to reinforce

verbal messages and large visual elements that emphasize the well-established corporate structure.

As a portal, it differs from its counterparts in terms of technological background and content. With its infrastructure running on .Net technology, the website presents all of İş Investment's products and services in detail via interactive sub-menus and a rich variety of visual elements.

İş Investment's English-language website can be visited at www.isinvestment.com.

İş Investment - trading the world's investment instruments

İş Investment offers its clientele opportunities not only available within Turkey but also in global markets. Investors are able to carry out transactions in various markets worldwide any time of the day and participate in IPOs. In 2003, some İş Investment investors took part in the following bond issues:

Russia

The 2013-bond issue of Gazprom, one of the world's largest natural gas companies; the variable rate 2006-bond

issue of Sberbank, Russia's largest state-owned bank; the 2008-bond issue of Alrosa, Russia's second largest producer of precious metals and Gazprombank's 2008-bond issue.

Brazil

The Brazilian Treasury's 2007-, 2010- and 2011-bond issues.

Kazakhstan

The 2013-maturity bond issued by Kazkommerzbank, one of the largest banks in Kazakhstan.

China

The Chinese Treasury's 2009- and 2013-bond issues.

Representative Office opened in Kazakhstan

As part of the objective to extend its expertise and know-how of international markets to countries in the region, İş Investment opened its first overseas office in Almaty, Kazakhstan. İş Investment will be able to assist

investors in Kazakhstan as well as other international investors looking to invest in Kazakhstan and access investment instruments in Turkey and international markets. The Almaty Representative Office will oversee investments in Azerbaijan, Uzbekistan, Kyrgyzstan and Turkmenistan as well as Kazakhstan.

Change of Position

Ufuk Ümit Onbaşı, Domestic Markets Manager, has been appointed Assistant General Manager in charge of Domestic Markets, Investment Advisory, Portfolio Management, Sales-Marketing and the branches.

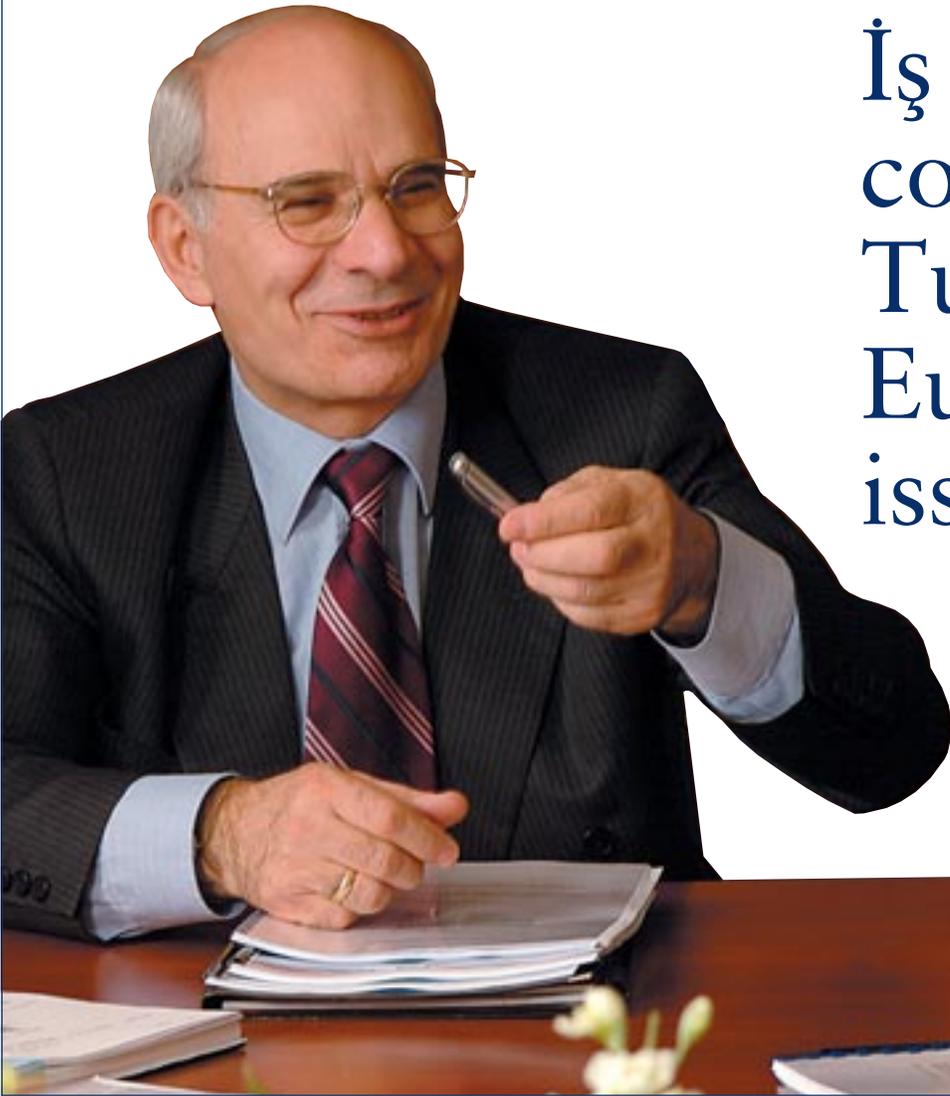


İş Investment - rated number one Brokerage Company

İş Investment received the highest honors in the Best Turkish Companies of 2003 competition organized by the finance magazine, Capital. Some 524 companies took part in the competition, with the involvement of 1,377 executives.



İş Investment co-managed Turkish Eurobond issue



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

►► Yusuf Ziya Toprak Chairman

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

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

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

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

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

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

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

board of directors

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



Yusuf Ziya Toprak



İlhami Koç, Ufuk Ersoy



Nuran Canitez, A. Erdal Aral



H. Ahmet Ergenekon, Rıza İhsan Kutlusoy



Burhanettin Kantar, Banu Özyiğit



Ahmet Ergin, Oya Erkan

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

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

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

match the requirements of internal units and investors.

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

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

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

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

Sincerely yours,
Yusuf Ziya Toprak
Chairman

Undisputed leader in privatization and public offerings

diversity in corporate finance products and services

İş Investment's Corporate Finance Department offers a broad 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.

In 2003, İş Investment rapidly increased the number of projects carried out within the scope of industrial segments specified within the matrix organization established in 2002.

The Corporate Finance Department employs the most competent and experienced team of specialists in Turkey. This team is made up of 18 young professionals, averaging 31 years of age, holding all the licenses required by the Capital Markets Board; ten members of the team have MBA degrees. The team has an average of seven years in work experience and senior staff members have

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 other services

Corporate finance products and services offered to these segments:

- Public offerings
- Consultation services
- Brokerage activities

over 17 years of business experience in corporate finance.

Leading position in IPOs

No new public offering on the privatization side

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

No public offerings were organized by the Privatization Administration in 2003.

However, İş Investment took part in the last public offering in 2002, of Petrol Ofisi shares owned by the Privatization Administration. With İş Investment and Deutsche Bank acting as joint global coordinators, 23% of the publicly offered shares, totaling US\$ 166.9 million and 32% of the domestic sales were realized by İş Investment.



İş Investment is willing to play an active role in future privatization projects through public offerings of shares held by the Privatization Administration.

undisputed leader of private sector public offering projects

İş Investment is the leading brokerage house in Turkey for stock public offerings, the basic financing instrument in capital markets.

Since its establishment, İş Investment has undertaken 73% of the US\$ 3,767 million worth of stock sales generated through public offering projects.

İş Investment was the leading company in two of the three private sector public offering projects realized in 2002. The

public offering projects of the privatization Administration

Year	Number of Public Offerings	Size of Public Offering (US\$ millions)
1988	1	13
1990	11	378
1991	10	172
1993	2	23
1994	1	332
1998	1	650
1999	1	16
2000	1	872
2002	1	144
2003	1	2
Total	30	2,602

achievements in 2002 regarding macroeconomic targets were developed further in 2003 and risk premiums fell on the heels of positive developments in the markets. The Turkish lira strengthened when foreign currency, previously kept "under the mattress" started flowing into government securities, evidence of the investors' confidence in the economic program. Public debt dynamics recovered as inflation and real interest rates decreased. Nevertheless, the ISE index remained flat in February amid fears of the impending war in Iraq, hindering the planned public offerings.

In 2003, the usual increase in demand and upward movement that normally follows a quiet summer did not materialize as anticipated, due to terrorist attacks on the 15th and 20th of November. As a result, there was no boom in the public offerings market. Only two public offerings were realized through outright sales in the Exchange, which returned a sales revenue of US\$ 11 million.

iş investment's success in the POAŞ public offering project

Distribution of Total Sales

İş Investment	23%
Other 26 Brokerage Houses	77%

Distribution of Domestic Sales

İş Investment	32%
Other 26 Brokerage Houses	68%

Distribution of Sales to Persons

İş Investment	33%
Other 26 Brokerage Houses	67%

privatization projects for which iş investment provided consultation in 2003

Companies

Taksan Machining Tools Industry and Trade Inc.
 Istanbul Fertilizers Industry Inc.
 Turkish Agricultural Equipment Institution Inc.
 Gerede Steel Construction and Equipment Factory Industry and Trade Inc.
 Sümer Holding Inc. (17 companies)
 Cyprus Turkish Airlines Ltd.
 Tekel (Turkish Monopolies)

İş Investment is planning to partake in public offerings of Coca Cola İçecek A.Ş., Desa Deri A.Ş. and İş Girişim Sermayesi A.Ş. all scheduled for the next year.

Backlog of private sector bonds waiting to be issued

There is a backlog of debt instruments, such as private sector bonds and commercial paper that for various reasons have not been issued. These instruments will come to the agenda again thanks to the changing economic conditions. The private sector bond market is expected to re-emerge soon, once conditions stabilize. However, bringing down the tax burden on such debt instruments is considered a pre-requisite.

İşbank was one of the most active financial institutions when this market was in its heyday. As long as economic conditions are suitable, consulting services will be offered to private sector companies to provide them with alternative financing facilities.

factors underlying success of public offerings

İş Investment's success in public offerings is based on the exceptional attention that İşbank, the Company's parent organization, pays to this issue. İş Investment can reach a wide customer base through İşbank's extensive and effective distribution network.

İşbank branches serve as İş Investment agencies with regard to certain capital market operations. İşbank's Investment Account System allows investors to utilize all capital market services and subscribe to public offering transactions directly through more than 800 İşbank branches, approximately 2,500 İşbank cash points, the Internet, via telephone, the Call Center and Netmatik banking kiosks.

Other factors aiding the success of public offering projects include large corporate portfolios, the extensive experience of the corporate finance team, high quality after-sales services as well as the brilliant efforts of the Research, Domestic Sales and Overseas Sales Departments.

consultation services expanded in scope

Financial Consultant to the Privatization Administration:

İş Investment has been providing consultation services to the Privatization Administration through a wide range of privatization projects throughout the last five years. Seven of these projects were realized in 2003; six were carry-overs from 2002. The other project is a new undertaking within the framework of a consulting tender.

Sale tenders for three of these projects were completed successfully; Taksan was sold for US\$ 10 million, İGDAŞ for US\$ 100.5 million and TZDK for US\$ 2.3 million. Moreover, Sümer Holding's Diyarbakır, Malatya and Adıyaman Cotton Knitwear facilities were sold for US\$ 2.13 million, US\$ 1.45 million and US\$ 1.45 million,

respectively, with İş Investment providing consulting services to Sümer Holding. Thus, İş Investment played a key role in raising a total of US\$ 117.83 million in privatization revenue through brokerage services.

In addition to these projects, İş Investment continues to prepare for the privatization of Tekel (Tobacco, Tobacco Products, Salt and Alcohol Operations General Directorate Inc.), where it is acting as a consultant together with Citigroup. In June 2003, a call for tender was announced regarding the stake sales in Tekel companies in the tobacco and alcoholic beverage sector. After a three-month period when investors were introduced to the tender process, investors submitted their final proposals in October. While the tender regarding the tobacco section was cancelled because the bids were deemed unsatisfactory, the sale of the alcoholic section to the Nürol-Limak-Özaltın-TÜTSAB consortium was approved by the High Commission of Privatization.

public offering projects of the privatization administration

Brokerage House	Number of PO Projects Realized
1. İş Investment	57
2. Brokerage House	27
3. Brokerage House	24
4. Brokerage House	21
5. Brokerage House	15
6. Brokerage House	10
7. Brokerage House	10

M&A Consulting:

With regard to mergers and acquisitions, İş Investment provided consultation services in more than ten projects during 2003. In three of these projects, İş Investment acted as the consultant for a foreign company.

Again, three of these projects were completed in 2003 while studies related to the others are ongoing.

Consultation Services for Restructuring and Strategic Business Planning:

İş Investment sets up teams, according to their sector of expertise, to provide the most appropriate outlook for holdings and group companies. A joint project team provides an objective outsider view in the new structure, so as to build the most suitable structures based on the future expectations.

Seven projects were completed to provide Consultation Services for Restructuring and Strategic Business Planning.

iş investment's share of public offering projects

Years	Revenue Raised in Public Offerings Undertaken by İş Investment		Total Revenue of Public Offerings		Share (%)
	Number	US\$ millions	Number	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	3	33	4	56	59
2003	0	0	2	11.2	0
Total	26	2,737	100	3,767.2	73

corporate finance services provided by iş investment

Public Offerings

- Privatization through public offerings
- Private sector public offerings
- Corporate bond public offerings
- Asset-backed securities

Consultation Services

- Privatization
- M&As
- Strategic and financial partnerships
- Private placements
- Strategic planning and business development
- Restructuring
- Venture capital investment trust

Brokerage Services

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

Value-added research activities



The Research Department produces the information required by investment advisors, portfolio managers as well as local and foreign investors in an accurate, reliable and timely fashion while establishing portfolio strategies.

corporate power

The power of İş Investment's Research Department is built upon its quality experts and the extensive activities of İş Investment and İşbank. The fact that İşbank has operations in all fields of financial markets while İş Investment is an active player in all fields of capital markets has enabled the Research Department to have a broader perspective and to obtain more detailed information. This corporate power also facilitates information exchange with other institutions and companies.

In 2003, an expert analyst and a quantitative researcher joined the research team, further underpinning the

strength of the Department. With the new team members, there are nine employees in the department with an average of six years work experience in the field.

research reports

During the year, investment advisors, portfolio managers as well as small investors were able to follow the busy political and economic agenda through 12 published monthly reports, 50 weekly reports and 248 daily bulletins, plus 44 Focal Points and 80 company reports. In addition to the monthly bulletins, İş Investment also printed a number of comprehensive company reports. These reports are emailed to almost 1,800 investors and can also be accessed through İş Investment's website, www.isyatirim.com.tr, İşbank's financial portal, www.isteyatirim.com.tr and various international data vendors (Bloomberg, Internet Securities, etc.).

more periodical publications

The weekly bulletin, published by the Research Department since December 2002, was further improved and the Department started releasing English-language editions in April. İş Investment now offers three periodical reports (daily, weekly, monthly). İş Investment's opinions published in monthly bulletins are evaluated in weekly Investment Committee meetings; it was decided that decisions reached will be communicated to employees and investors.

daily data-based reports

The Research Department releases reports following meetings held with the Domestic and International Sales-Marketing Departments, as well as quantitative reports in order to meet the requirements of the internal units and investors.

The quantitative reports covering four different areas are as follows:

- Three daily reports on the Turkish lira Bonds and Bills Market
- A total of four daily reports, two dedicated to the Eurobond Market
- One daily report on the Stock Market

goals and plans for 2004

Research products will be promoted in domestic and international media channels in 2004, contributing to the corporate prestige. Plans for 2004 include involvement of the Research Department in marketing activities to communicate their standpoints to investment advisors and investors, improving daily market reports issued especially for domestic investors and improving the interface with the real-life database interaction.

Moreover, with the inclusion of a new analyst to the research team, it will be possible to prepare more frequent, timely and comprehensive reports and to publish strategy reports related to stocks and fixed-income securities.

Privatization: Is it about sales or strategy?

“The basic objective in privatization is achieving national goals as well as providing the privatized organizations with strategic advantages, which can be attained via an increasing efficiency, technological progress and brand and image creation. whatever type of ownership is required to create such advantages, privatization must be used for building that structure.”



▶▶ Prof. Dr. Özer Ertuna

bring public companies, often acting as a burden on the economy, back to normal economic activity; today, profitable and efficient companies are sold to create economic resources.

strategic privatization

The basic objective in privatization is to achieve national goals and to provide the privatized organizations with strategic advantages, which can be attained through increased efficiency, technological progress and brand and image creation. Whatever type of ownership is required to create such advantages, privatization must be used for building that structure. The necessary structure for creating strategic advantage will also affect the format of the privatization. That is, through privatization, the company may be sold, in part or in full, to private persons, producers, consumers or a local/foreign company. The important point is to create strategic advantages.

strengths of private companies

Private companies need to operate efficiently, be innovative and continuously progress - the only way to serve their partners. Of equal importance is the "fear of going bankrupt." Unsuccessful companies will go bankrupt and successful ones will survive. This is the essence of development.

Two points need to be kept in mind when considering the nature of private

history of privatization

Throughout the 20th century, governments pursued various strategies in an effort to better serve their citizens. Following World War II, many companies and institutions were expropriated in several countries such as the UK to increase efficiency; after 1974, this trend moved toward privatization, starting with the initiation of Chile, in industrial fields and for essential goods and services. During the 1980s, privatization of previously nationalized industries was seen as a great success, especially in the UK and

privatization eventually spread globally. The year 1994 was marked by a significant event - the founding of the World Trade Organization (WTO), which lit the fuse for rapid globalization, carrying privatization to new heights. From that point, the purpose and format of privatization changed, with the aim of serving global companies. In other words, it was emphasized as a means of funding bottleneck economies. In some circumstances, as in the Mexican case, countries transfer ownership of public companies to redeem their debts. The purpose of privatization in the past was to

companies. First, it is necessary to allow unsuccessful private companies go bankrupt, as rescuing inefficient companies only breeds more inefficiency. Secondly, socially and economically essential business activities must not be in the hands of the private sector. Social security systems are a good example of such activities, where bankruptcy is intolerable due to the essential character of the business. Another important requisite of private companies is that they are managed by "accountable" executives, who are responsible to their shareholders in terms of earnings, to the state in various regards, to their customers, suppliers and related financial institutions.

weaknesses of private companies

The most vulnerable feature of private companies is their profit-focused nature. A company may prefer to replace a worker with a machine, which may be very profitable for the firm, but present a considerable loss for the national economy. The purpose, in terms of national economy, is that companies produce added value. The contribution of these companies to the economy is the sum of the wages, interest, taxes and profit. However, an increase in the profit of such a company does not necessarily translate into an increase in national income.

Likewise, national economies may require higher income and employment, and a fair income distribution. Driving private companies toward these targets requires a well practiced bonus system, which may be difficult and costly. Thus, it is inevitable that certain services shall be provided by public companies. It may be improper to let profit-oriented companies run services such as health and education. Privatization methods must be carefully selected in this regard.

strengths of public companies

Public companies may be used as tools of a strong growth model. Even in the face of unfavorable conditions, Turkey

managed to achieve remarkable growth with state-owned economic enterprises used within the market mechanism. Founded in the 1930s, Sümerbank and Etibank were the pioneers of growth. Sadly, as a result of erroneous privatization policies, these companies do not exist today. Public companies may act as mission-oriented organizations with regard to national goals. They may even be examples of strategic privatization in the new arena of globalization. In Turkey, certain public companies were privatized even before they completed their mission. EBK (Meat and Fish Products) and SEK (Dairy Products) are two examples of such companies.

weaknesses of public companies

Vulnerability to political intervention is the weak spot for public companies. As yet, no system to prevent such interventions has been developed. However, it is possible to produce systems to prevent political intervention with the facilities and creativity provided by communication technologies. Another weakness of public companies is that they are not "accountable" organizations. The buck should, in theory, stop with the politicians, but all too often they put the blame on public companies in an attempt to save their own positions.

privatization strategy

A successful privatization strategy is one which creates synergy from the strong sides of private and public companies, while eliminating weakness. The development of such strategies is so important that it should be on every country's agenda.

One question that must be resolved in this newly emerging order is how to create private, public and mission-oriented companies which serve the demands of the general public. Due to globalization, domestic and international income distribution has been failing and unemployment rising in both developed and developing countries. The world needs new and creative solutions; privatization as we know it, is far from being a solution.

conclusion

In contemporary Turkey, privatization is only considered as the sale of public companies to create financial resources needed for stability programs. However, privatization practices in other parts of the world demonstrate that such an approach is far from an ideal. A sound privatization strategy is one which is implemented to bring public institutions which present a drain on the economy, fail to operate efficiently and are at a disadvantage, back into the economy. Privatization should be perceived as an instrument to reinforce the economy. Trying to create resources by selling profitable companies is like 'selling the family silver.' In this new global order, Turkey must determine its mission correctly and specify its goals without resorting to current clichés. It must make prudent use of privatization in order to succeed, which is only possible through developing the models that combine the strengths and eliminate the weaknesses of public and private companies.

From Geniş Açık prepared by İş Investment and Capital magazine.

privatization is strategy implemented to bring public companies which are failing to operate efficiently, are presenting a drain on the national economy and are at a competitive disadvantage back into the economy. privatization should be perceived as an instrument to reinforce the economy.

Record-breaking transaction volume in Eurobonds

İş Investment's transaction volume in Turkish Eurobonds rose to US\$ 2 billion, double the previous year's level. Of this volume, US\$ 250 million came from new issues.

global capital markets in 2003

Global markets were driven by the FED's interest rate policy in 2003. While developed countries tried refreshing their economies through interest rate discounts, investors found the high-return emerging markets more attractive. In addition to rising commodity prices, basic economic indicators in emerging markets suggested brighter prospects ahead, also affirmed by a fund inflow of US\$ 187 billion - compared to US\$ 124 billion in 2002 - into emerging markets. The war in Iraq created some tension in the markets, but market confidence immediately recovered once the war came to an earlier than expected end. By the end of the year, emerging markets had recorded a 28% return, while the risk premium fell by 3.5 percentage points to just 418 basis points, its lowest level ever.

In Turkish Eurobond markets, the first months of the year were rather unstable amid the tension in relations with the USA. However, the falling inflation and interest rates in a background of improving economic conditions led to an appreciation in the Turkish lira, helping the Turkish Eurobond market to recover. These instruments began attracting foreign investors again when relations between the US and Turkey returned to normal. On the whole, Turkish Eurobonds ranked among the best-performing emerging market bonds in 2003.

The cost of borrowing fell considerably along with interest rate discounts in 2003. Thanks to the return of market confidence following the Iraq war, sovereign and corporate bond issues boomed with US\$ 100 billion raised through 220 transactions, breaking previous records. Of the transactions, 69 were sovereign issues, raising US\$ 45 billion, of which US\$ 5.2 billion was comprised of Turkish Treasury issues. The Treasury's last issue took place on September 17, 2003; with a January 15, 2014 maturity and 9.5% coupon, this issue could be considered one of the most successful realized during the year.

turkish eurobond issue co-managed by iş investment

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

foreign investors' perspectives on turkish capital markets in 2003

In 2003, after the considerable economic fluctuations of the previous year, markets achieved desired stability with a one-party government in office. In spite



of positive developments, the US military intervention in Iraq and the associated political tensions between Turkey and the US hurt the Turkish capital markets in the first half of the year. International investors turned to more secure investment areas, preferring commodity markets to shares, whose prices fell. In the second half of the year, international investors regained confidence in Turkish capital markets when inflation finally started to decrease primarily due to the fading repercussions of the Iraq war, the government's recovering relationship with the US and the implementation of sound financial policies.

A broad spectrum of international products

With interest rates in global markets falling, new foreign investment instruments were provided to investors seeking to diversify risk and increase their returns.

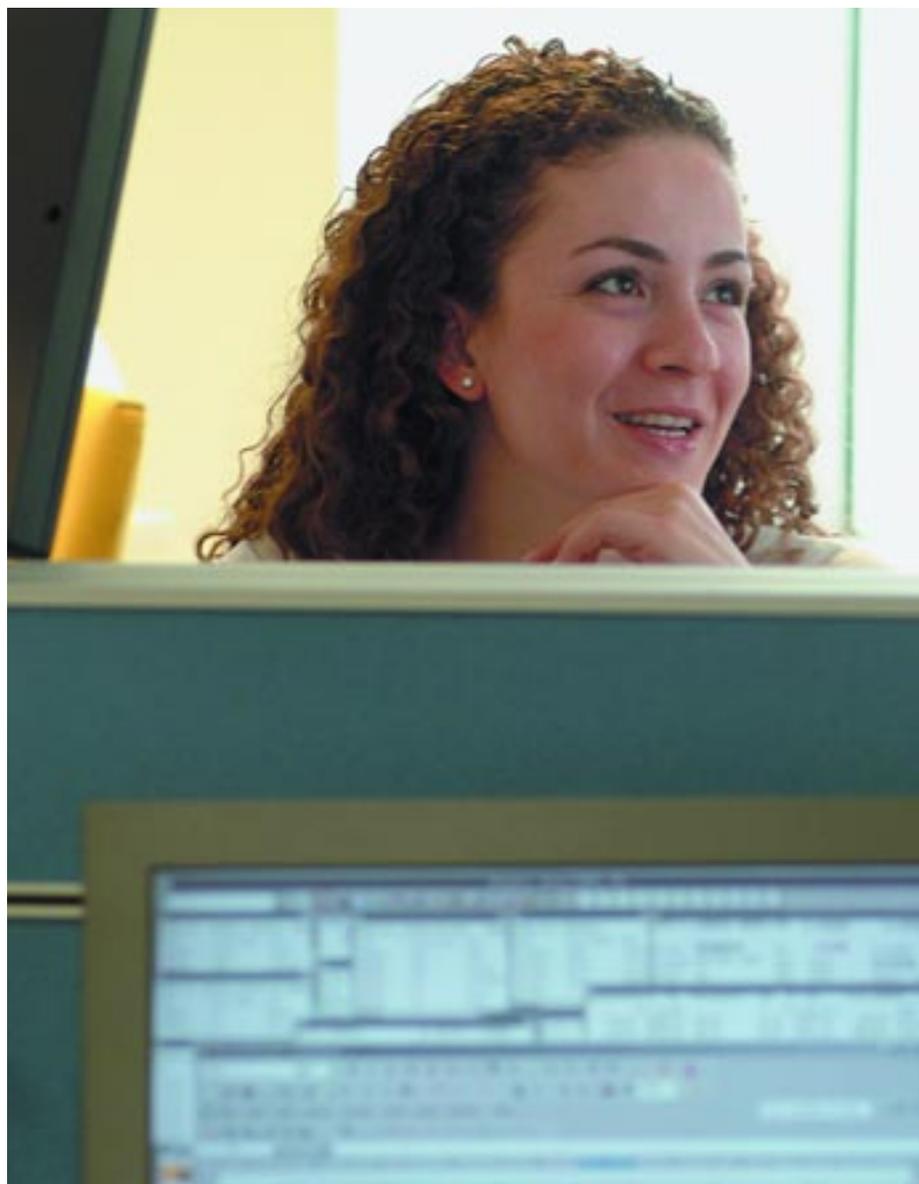
In 2003, investments in primary and secondary markets of emerging markets such as Brazil, Venezuela, Russia, Kazakhstan and Ukraine increased. İş Investment's transaction volume in emerging country markets climbed to US\$ 350 million, increasing six-fold compared to 2002.

İş Investment's transaction volume in Turkish Eurobonds, on the other hand, rose to US\$ 2 billion, doubling the previous year's level. New issues accounted for US\$ 250 million of this volume.

İş Investment's transaction volume of G7 bonds also increased in 2003 thanks to the record-breaking number of issues. From US\$ 30 million in 2002, this figure amounted to US\$ 400 million in 2003.

international investors' choice - iş investment

Concern in the first half of the year was reflected on the transactions of foreign corporate investors in the ISE. The Research Department had stated that



Turkey would not be severely affected by consequences of the Iraq war or the spat in relations with the US and that market confidence would be maintained. In the second half of the year, Turkish markets started attracting investor attention again.

In the first six months of 2003, average monthly net stock purchases by foreign investors stood at US\$ 7 million while in the second half, a transaction volume of US\$ 170 million was achieved due to falling interest rates.

In pursuit of a customer-focused approach, İş Investment has maintained its good reputation by providing timely

and accurate information to international investors in 2003.

Serving international investors with a team of experienced and service-focused professionals within the framework of long-term, sustainable growth and profit targets, İş Investment expanded its portfolio of foreign investors in 2003. The Company has achieved a significant competitive advantage thanks to its customer-centered approach, further reinforcing its reputation in the marketplace.

Another key to İş Investment's success in 2003 was that it did not ignore local elements, while offering its customers services at international standards.

"With risk in its rear view mirror, Turkey is heading into a new era of stability."



İlhami Koç

General Manager / İş Investment

General Manager of İş Investment since March 2002, İlhami Koç also is a Board Member of KOTEDER (the Association of Publicly Traded Companies) and KYD (Corporate Investment Managers Association). İş Investment is the only brokerage house acting as a founding partner of the Futures and Options Exchange (FAOE) established in July 2002. Having participated in its development since its inception, İlhami Koç is also a Board Member of the FAOE.

Q: What do you expect from 2004, in light of developments in 2003?

A: Instead of "white knuckle moments" we welcome a year of confidence thanks to political stability, an improving fiscal balance and for the first time for a quarter of a century, single digit inflation. The most important thing is that we have for the moment at least, consigned the doomsday scenario to the history books.

A politically stable Turkey, continually growing and steadily progressing toward the EU will be a very attractive market for foreign investors. I expect interest rates to fall and the stock market to

grow in popularity, in parallel with the fall of inflation.

I think such developments will also lead the way for large-scale public offerings. The corporate finance departments within investment banks will also be occupied with increasing strategic and financial partnerships, in addition to public offerings.

Q: This is a brand new era then.

A: Yes. In this era of new stability, we are particularly optimistic about the prospects for strong equity performance as well as high returns on longer-term government securities. We have begun at

A politically stable Turkey, continually growing and steadily progressing toward the EU will be a very attractive market for foreign investors. I expect interest rates to fall and the stock market to grow in popularity, in parallel with the fall of inflation.

last to move rapidly down the ladder of risk. This is no longer a 'white knuckle' economy.

Despite lingering tense moments during the first few months of 2003, the ISE 100 Index produced a US dollar-based return of 111%. On the fixed income side, Turkish lira bonds and Eurobonds delivered US dollar-based returns of 78% and 30%, respectively.

This occurred amid an economy that grew by 5%. While, we, at İş Investment forecast a healthy 5% growth in 2004, more importantly we see the dawn of an era of private sector-led, sustainable growth that will break the boom-and-bust curse that has bedeviled Turkey for the past quarter century. This is an assessment echoed by both the IMF and World Bank, whose own optimistic growth forecasts also take account of this structural change in Turkey's economy.

Q: What lies behind these positive developments?

A: Among emerging economies, Turkey has shown that sound growth is possible

with a stable government - even when raw material resources are lacking. This is telling us a lot about the strength of the Turkish private sector.

While Turkey's GDP of US\$ 235 billion now exceeds its pre-crisis level, the raw numbers themselves do not reveal the extent of the qualitative change. The critical factor is that the recovery of the GDP is almost entirely led by private sector growth, particularly in exports.

The current US\$ 16 billion stand-by agreement with the IMF expires this year. There may or may not be a new agreement with the IMF. What is more important is the sustainability of the self-control and discipline that these agreements impose. Until the end of next year, a critical decision will be made on Turkey's road to the EU. The framework of a new agreement with the IMF will be instrumental in shaping such developments.

One reason for our optimism is political stability, with a single-party government clearly in command of the economy after decades of fragile coalitions. This has enabled the government to target a primary budget surplus of 6.5% of GDP. It appears that this target is achievable. If so, Turkey will deliver one of the best performances in the emerging market universe.

Q: Was it also possible to achieve the same level of improvement in public finance?

A: The critical indicator here is the relationship of public debt to GDP. At one point in 2001, Turkey's debt exceeded its GDP. Currently, Turkey's debt is running at about 70% of its GDP; if real interest rates can be maintained at around 10%, Turkey will achieve the critical Maastricht criteria of 60% debt-to-GDP ratio in 2008.

The economic policy has started to reflect on inflation. Meeting EU standards will no longer be a dream as long as we remain resolute. The business sector still

has confidence in the government and the Central Bank and we expect the inflation target to be met in 2004.

Q: Trust in the Turkish lira is increasing day by day. What is your opinion about this rising confidence?

A: The success of such policies have in turn nurtured a "virtuous cycle" as Turks have pulled money back from abroad and from beneath mattresses in favor of Turkish lira accounts and government securities. As this reduces the government's cost of borrowing, stability takes root and the resulting confidence grows and further reinforces the trend of Turks' growing confidence in their currency. Aiding this trend has been the declining value of the US dollar, further encouraging Turks to rediscover the virtues of Turkish lira assets.

This cycle has led to an over-valuation of the Turkish lira of about 20%. At another time, this would have been worrisome for Turkey's exports. But three factors are propelling Turkey's export momentum; the competitive practices that Turkish firms painfully adopted in the crisis years, the dramatic fall in real pay between 2000 and 2002 and the dramatic strengthening of currency in the Eurozone, Turkey's main trading partner. Together, these factors combine to ensure that Turkish exports remain broadly competitive.

Q: How would you conclude your words?

A: Year 2004 will be a milestone in our history, a key step in terms of Western integration. If this step is positive, Turkey will be promoted to another league in only a few years.

This development will be reflected in money and capital markets; the initial effect of this being changes to the group of countries being quoted as a basis for comparison. Turkey, with a lower risk co-efficient, will be entitled to receive larger international funds at lower costs, meaning rapid growth and increasing welfare.

İş Investment ranked first in the Stock Market and second in the Bonds and Bills Market

While 2003 began with new found stability borne from the establishment a one-party government, the possibility of war in Iraq raised uncertainty in the money and capital markets in the second quarter. However, toward the middle of the year, these negative developments were offset by the expectation of credit from the USA and a sound relationship with the IMF. As the year-end approached, optimism took hold in the markets amid expectations that a solution to the longstanding Cyprus dilemma could at last be found within the framework of the Annan Plan and the positive news regarding Turkey's EU bid.

Conforming to the IMF-sponsored economic program, inflation tumbled to below even the Central Bank targets in 2003, indicating that single-digit inflation could be achieved in the coming years. The Turkish lira, after fluctuations during the year, actually strengthened in 2003 and Turkish lira investments thus earned higher returns than foreign exchange investments.

Starting the year at 50% bond interests, after having climbed to 75% with fluctuations due to the Iraq crisis, fell sharply to 25%, earning a significant return for investors. The repo market, on the other hand, generally remained in line with daily quotations. Rates in this market decreased gradually in parallel with the Central Bank's inflationary expectations and consequently became less attractive. The Stock Market, which fluctuated within a narrow band in the first half, rewarded investors with high returns thanks to an upward trend since August.



iş investment is the market leader

In 2003, İş Investment ranked first in the Stock Market and second in the Bonds and Bills Market in terms of transaction volume. If mutual fund transactions are excluded, İş Investment also succeeded in achieving the highest transaction volume among all brokerage houses in the ISE Bonds and Bills Market.

new products

The declining interest rates left T-bill investors looking for new products. To this end, İş Investment introduced synthetic products, combining multiple instruments and yielding higher returns. Therefore, investors had the chance to receive a higher return from their T-bills without raising their risk exposure.

INVESTMENT ADVISORY

Risk and return co-exist in financial markets. The longer the maturity of the instrument, the higher its return potential and risk. That is why there is no general formula or investment strategy to suit all investors. Success depends on whether or not the investment strategy matches the clients' unique needs, their risk-taking appetite and return expectations.

It is at this point where Investment Advisory comes in. At İş Investment, every investor is assigned an experienced investment advisor, who holds all the required licenses to work in this profession. Investment Advisors act in accordance with the principle developed by İş Investment, referred to as the 'Investor-Centered, Market-Focused Approach.'



Close monitoring of markets, and benefiting from the analysis, expectations and recommendations of the Research, International and Domestic Capital Market Departments, investment advisors select the best investment choices in line with the customers' risk/return profiles.

İş Investment continued to recommend Turkish lira instruments in 2003. T-bills were again the most attractive instruments for risk-averse investors. Particularly in the second half of the year, when interest rates rapidly climbed, the investors were repeatedly reminded of these recommendations. After interest rates fell, the advisors' choice, discounted bills, started to be replaced with variable rate bills.

İş Investment had initially projected that the ISE-100 index would reach

close monitoring of markets and benefiting from the analysis, expectations and recommendations of the research, international and domestic capital market departments, investment advisors select the best investment choices in line with the customers' risk/return profiles.

about 1.5 cents. The rapid decline in the index due to the Iraq conflict made shares looking very attractive. Investment Advisors recommended investors to increase their equity positions toward the end of the first half of the year.



The B-type variable fund, whose benchmark criterion was revised in the second half of 2003 in response to the positive developments in the markets, received a great deal of attention of investor interest, with the fund size growing nearly five-fold to TL 160 trillion.

Investor satisfaction is the primary success criterion in investment advisory services.

ASSET MANAGEMENT SERVICES

mutual funds

In 2003, demand for asset management services increased amid falling real interest rates and shrinking margins

while the mutual funds sector saw rapid growth.

İş Investment currently offers two types of variable mutual funds; A-Type (includes equity investments) and B-Type (fixed income investments). The B-Type Variable Fund, whose benchmark criterion was revised in the second half of 2003 in response to the positive developments in the markets, received a great deal of attention of investor interest, with the fund size growing nearly five-fold to TL 160 trillion. The A-Type Variable Fund also

benefited from the surging demand, tripling in size to TL 11.5 trillion. In terms of fund size, the A-Type Variable Fund ranked eighth, with a 3.37% market share and B-Type Variable Fund ranked seventh, with a 5.5% share among B-type funds.

Both funds yielded returns above benchmark criteria in 2003. Among similar types of funds, the return of B-Type Variable Fund ranked tenth and the return of A-Type Variable Fund ranked eighteenth.

in July 2003, İş Investment Trust Company was included among the institutional investors receiving asset management services. Having started the year with TL 61 trillion in assets, the size of İş Investment Trust Company assets grew to TL 88.5 trillion by the year end and yielded a return over the benchmark criterion.

private portfolio management

Private Portfolio Management is yet another portfolio management service provided by İş Investment. It aims to create portfolios that suit each investor's stated objective and risk/return profile. The benchmark criterion of each portfolio is specified in line with these parameters.

Demand for this service grew in 2003 while the number of investors doubled and the total portfolio grew by 135%.

In July 2003, İş Investment Trust Company was included among the institutional investors receiving asset management services. Having started the year with TL 61 trillion in assets, the size of İş Investment Trust Company assets grew to TL 88.5 trillion by the year end and yielded a return over the benchmark criterion.

İş Investment increased the total assets under its management in 2004, relying on the experience earned in investment management.



İş Investment's real capital: Human resources

İş Investment's real capital

The number of employees remained constant at 178 during 2003. Averaging 30 years of age, 88% of the Company's staff are university graduates; 66% hold graduate degrees and 22% have earned post-graduate diplomas. The Headquarters employs 143 people, with 36 employed at branch offices.

"quality" in human resources

A vital requisite of success in capital markets is the presence of quality human resources. This specific business requires employment of well-equipped personnel in terms of both knowledge and personal talent.

İş Investment's human resources policy is based on attracting the best people that are able to;

- Translate their strong educational background into competence,
- Produce and communicate information,
- Adapt to developments and innovations,
- Work under pressure,
- Convert individual success to one of team achievement and
- Love their profession - thereby creating a workplace that continually helps people develop their professional skills.

Training programs in 2003

<u>Types of Training</u>	<u>Number of participants</u>
Basic Training	182
Specialist Training	55
Management	
Development Training	25
Other	64
Total	326

A vital requisite for success in capital markets is the presence of quality human resources. This specific business requires employment of well-equipped personnel in terms of both knowledge and personal talent.

performance evaluation

One of the goals of the human resources policy is to harmonize strategic corporate targets with human resources targets. The added value created and the effort expended for the task is assessed via performance evaluation.

To this end, all employees are evaluated on clearly defined objectives and competencies. In evaluating competencies, the "360°" method is implemented.

Although performance evaluation is based upon various criteria, the basic criterion at İş Investment is customer satisfaction.

The result of performance evaluation is used as a basis in career planning and determining pay.

training programs

In 2003, a total of 326 training courses were given to employees; each received



an average 27 hours of training in 2003.

Licensing exams were also held in 2003; employees working in capital markets were obliged to attend in order to demonstrate their professional proficiency, knowledge and skills in line with the Capital Markets Board regulations. Attendance in these exams was high, with approximately 70% of

the specialist staff earning their competency licenses by the end of the year.

In 2003, a number of İş Investment employees participated in domestic conferences and panel discussions to follow-up on the most recent developments and innovations in investment banking. Moreover, some employees were sent on training and

licensing programs abroad, to add an international aspect to their areas of expertise.

Management Development Training, that is held every year in order to prepare management for advanced tasks, increase managerial effectiveness and improve skills in managing human resources, continued in 2003.



Futures market established

we believe index-based contracts will attract the interests of investors. with this derivative instrument, institutional investors like mutual funds and investment trust companies will be able to hedge their equity position risks.

Studies into the establishment of a futures market in Turkey started in the second half of 1990. The first example of such a market was founded within the Gold Exchange and the second was initiated within the ISE. In addition, the Futures and Options Exchange (FAOE) was founded on July 4, 2002 in an effort to establish an exchange solely focused on trading of derivative instruments. The FAOE, where İş Investment is a founding member, is expected to start operations in the second half of 2004 in Izmir.

The FAOE is seen as a major innovation in the capital markets with its products; it is expected to bring a new dimension to financial engineering. The FAOE management is structuring these products in such a way that they will meet the needs of both the financial and real sectors. This is also expected to attract various sectors to the Exchange.

The Futures and Options Exchange will initially start trading futures contracts, with options to follow. The first contracts are planned to be based on the ISE indices (ISE-30 and/or ISE-100), 91 and 365-day T-bill interest rates, US dollar, euro, wheat and cotton.

These contracts will be used in protecting investment portfolios against risk and speculation and in arbitrage operations.

The index-based contracts are expected to draw the most interest. Corporate

investors, especially mutual funds and investment trusts will be able to hedge their stock positions against risks. For example, A-Type mutual funds may be less affected by decreasing share prices. Furthermore, it will mark the start of a new area for small scale investors. Although the risk is high in such cases, the return is equally high. In Turkey, investors mainly profit from price increases; short sale opportunities are limited. Index-based futures transactions will allow investors make profit even in a bearish market.

Moreover, there will be arbitrage opportunities due to the price differences between spot markets and the futures market. Some investors may be particularly interested in arbitrage operations.

Futures for 91 and 365-day T-bills will allow investors to manage interest risk.

Wheat and cotton futures transactions will be particularly useful for producers, merchants and industrialists seeking to hedge against price fluctuations.

The volatile exchange rates pose a risk for those using foreign currency in their business. US dollar and euro-denominated futures transactions will especially allow exporters and importers to look ahead confidently in long-term planning and enable sound financial decisions. However, the market established within the ISE for



▶▶ *Hakan Yamaçoğuz*
Director, Domestic Markets

this purpose has not yet been able to attract adequate attention.

Another offshoot that can be expected from futures transactions is a range of new products created through such transactions. For example, we may see capital-guaranteed mutual funds in the near future. In other words, investors will be able to benefit from a product which secures their capital while also letting them enjoy the increases in stock prices.

With the options coming on stage, the number and use of new products will increase.

The essential function of exchanges is to provide liquidity and accurate pricing. Exchanges cannot operate in the absence of liquidity. Banks and brokerage houses have their work cut out in helping this new Exchange achieve the required level of liquidity. As a pioneering player in capital markets, İş Investment will also operate in futures markets, offering its customers high quality services.

iř yatırım menkul deęerler A.ř.

NON-INFLATION ADJUSTED FINANCIAL
STATEMENTS PREPARED IN ACCORDANCE
WITH CMB COMMUNIQUE NO XI/1 PER
STATUTORY ACCOUNTS FOR THE YEAR ENDED
31 DECEMBER 2003

(Translated into English from the Original Turkish Report)

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& Touche**

İŞ YATIRIM MENKUL DEĞERLER A.Ş.

INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

1. We have examined the attached balance sheet of İş Yatırım Menkul Değerler A.Ş. ("the Company") as of 31 December 2003 and the related statement of income for the year then ended prepared in accordance with the Capital Market Board ("CMB") Communiqué No: XI/1. 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 31 December 2003 and the results of its operations for the year then ended, in conformity with legislation and generally accepted accounting principles as set out in CMB Communiqué No: XI/1.

3. Without qualifying our opinion we draw your attention to the following:

The accompanying financial statements do not include the effects of inflation accounting adjustments required in hyperinflationary periods. The Company has also prepared inflation adjusted financial statements prepared in accordance with CMB Communiqué No: XI/20 "Communiqué on Inflation Accounting Principles Applied in Hyperinflationary Periods".

4. 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, 12 March 2004

BALANCE SHEET PREPARED IN ACCORDANCE WITH CMB COMMUNIQUE NO:XI/1

(TL MILLION)

	INDEPENDENTLY AUDITED CURRENT YEAR 31 DECEMBER 2003	INDEPENDENTLY AUDITED PREVIOUS YEAR 31 DECEMBER 2002
ASSETS		
I- CURRENT ASSETS	38,397,865	24,370,379
A- Liquid Assets	10,319,195	2,280,875
1- Cash	625	0
2- Banks	10,318,570	2,280,875
3- Other Liquid Assets	0	0
B- Marketable Securities	10,350,841	13,780,660
1- Private Sector Shares	3,601,275	928,838
2- Private Sector Bills and Bonds	0	0
3- Treasury Bills and Bonds	6,749,566	13,006,535
4- Other Marketable Securities	0	0
5- Provision for Diminution in Value of Marketable Securities (-)	0	(154,713)
C- Short-Term Trade Receivables	11,598,866	3,566,879
1- Trade Receivables	5,546,866	2,495,213
2- Notes Receivable	0	0
3- Deposits and Guarantees	0	0
4- Other Short-Term Trade Receivables	6,052,000	1,071,666
5- Discount on Receivables (-)	0	0
6- Provision for Doubtful Receivables (-)	0	0
D- Other Short-Term Receivables	2,193,083	665,580
1- Receivables from Shareholders	0	0
2- Receivables from Associates	0	0
3- Receivables from Subsidiaries	0	0
4- Other Short-Term Receivables	2,193,083	665,580
5- Discount on Receivables (-)	0	0
6- Provision for Doubtful Receivables (-)	0	0
E- Inventories	0	0
F- Other Current Assets	3,935,880	4,076,385
II- LONG-TERM ASSETS	45,358,090	40,411,450
A- Long-Term Trade Receivables	0	0
B- Other Long-Term Receivables	0	75,715
1- Receivables from Shareholders	0	0
2- Receivables from Associates	0	0
3- Receivables from Subsidiaries	0	0
4- Other Long-Term Receivables	0	75,715
5- Discount on Receivables (-)	0	0
6- Provision for Doubtful Receivables (-)	0	0
C- Long-Term Financial Assets	42,806,938	37,746,112
1- Investment Securities	13,853,414	16,435,283
2- Provisions for Diminution in Value of Investment Securities (-)	0	0
3- Associates	24,481,327	21,200,000
4- Capital Commitments for Associates (-)	0	0
5- Provision for Diminution in Value of Associates (-)	0	0
6- Subsidiaries	4,091,368	0
7- Capital Commitments for Subsidiaries (-)	0	0
8- Provision for Diminution in Value of Subsidiaries (-)	0	0
9- Other Long-Term Financial Assets	380,829	110,829
D- Tangible Fixed Assets	1,125,064	1,180,552
1- Land	0	0
2- Land Improvements	0	0
3- Buildings	0	0
4- Machinery, Plant and Equipment	2,271,809	1,657,859
5- Motor Vehicles	127,766	105,107
6- Furniture and Fixtures	452,417	341,282
7- Other Tangible Fixed Assets	0	0
8- Accumulated Depreciation (-)	(1,726,928)	(923,696)
9- Construction in Progress	0	0
10- Order Advances Given	0	0
E- Intangible Fixed Assets (Net)	1,426,088	1,409,071
1- Establishment Costs	0	0
2- Rights	96,374	139,870
3- Research and Development Costs	0	0
4- Other Intangible Fixed Assets	1,329,714	1,269,201
5- Advances Given	0	0
F- Other Long-Term Assets	0	0
TOTAL ASSETS	83,755,955	64,781,829

	INDEPENDENTLY AUDITED CURRENT YEAR 31 DECEMBER 2003	INDEPENDENTLY AUDITED PREVIOUS YEAR 31 DECEMBER 2002
LIABILITIES		
I- SHORT-TERM LIABILITIES	13,638,926	8,663,878
A- Financial Liabilities	0	0
B- Trade Payables	5,972,000	882,595
1- Suppliers	0	0
2- Notes Payable	0	0
3- Deposits & Guarantees Received	0	0
4- Other Trade Payables	5,972,000	882,595
5- Discount on Payables (-)	0	0
C- Other Short-Term Liabilities	1,134,396	842,946
1- Payable to Shareholders	0	0
2- Payable to Associates	0	0
3- Payable to Subsidiaries	0	0
4- Expense Accruals	0	0
5- Taxes and Dues Payable	640,136	330,404
6- Deferred Payables to Government Offices	0	0
7- Other Short-Term Payables	494,260	512,542
8- Discount on Notes Payables (-)	0	0
D- Order Advances Received	0	0
E- Provisions	6,532,530	6,938,337
1- Corporate Tax Payable	6,271,736	6,695,905
2- Other Provisions	260,794	242,432
II- LONG-TERM LIABILITIES	725,813	518,472
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	725,813	518,472
1- Retirement Pay Provision	725,813	518,472
2- Other Provisions	0	0
III- SHAREHOLDERS' EQUITY	69,391,216	55,599,479
A- Capital	45,000,000	38,000,000
B- Capital Commitments (-)	0	0
C- Premium in Excess of Par	0	0
D- Revaluation Surplus	5,137,050	4,414,874
1- Revaluation of Tangible Fixed Assets	1,881,927	1,183,748
2- Revaluation of Equity Investments	0	0
3- Value Increase on Stock Exchange	3,255,123	3,231,126
E- Reserves	4,284,606	2,623,741
1- Legal Reserves	3,289,582	2,422,409
2- Statutory Reserves	0	0
3- Special Reserves	0	0
4- Extraordinary Reserves	995,024	201,332
5- Cost Increase Fund	0	0
6- Gain on Sale of Fixed Assets and Participations Which Will Be Incorporated in Capital	0	0
F- Net Profit for the Period	14,969,560	10,560,864
G- Loss for the Period (-)	0	0
H- Prior Periods' Income/Losses (-)	0	0
TOTAL LIABILITIES&SHAREHOLDERS' EQUITY	83,755,955	64,781,829

INCOME STATEMENT PREPARED IN ACCORDANCE WITH CMB COMMUNIQUE NO:XI/1
(TL MILLION)

	INDEPENDENTLY AUDITED CURRENT YEAR 1 JANUARY - 31 DECEMBER 2003	INDEPENDENTLY AUDITED PREVIOUS YEAR 1 JANUARY - 31 DECEMBER 2002
A- GROSS SALES	10,039,655,267	5,712,629,458
1- Sales of Share Certificates	3,358,682,238	1,976,103,685
2- Sales of Private Sector Bonds	0	0
3- Sales of Commercial Papers	0	0
4- Sales of Other Private Sector Bonds	0	1,554,055
5- Sales of Government Bonds	5,088,889,457	1,047,820,040
6- Sales of Treasury Bills	1,573,935,654	2,672,504,834
7- Sales of Other Public Sector Bonds	0	0
8- Sales of Other Marketable Securities	17,842	123,721
9- Brokerage Commission Income	12,171,484	8,082,180
10- Other Services Given	5,958,592	6,440,943
B- SALES DEDUCTIONS (-)	(2,270,490)	(484,244)
1- Sales Returns (-)	0	0
2- Sales Discounts (-)	0	0
3- Other Discounts (-)	(2,270,490)	(484,244)
C- NET SALES	10,037,384,777	5,712,145,214
D- COST OF SALES (-)	(10,002,450,909)	(5,679,300,757)
GROSS PROFIT OR LOSS	34,933,868	32,844,457
E- OPERATING EXPENSES (-)	(19,456,820)	(17,079,345)
1- Research & Development Expenses (-)	0	0
2- Marketing, Selling & Distribution Expenses (-)	(3,055,136)	(2,322,444)
3- General Administrative Expenses (-)	(16,401,684)	(14,756,901)
PROFIT OR LOSS ON MAIN OPERATING ACTIVITIES	15,477,048	15,765,112
F- OTHER OPERATING INCOME	8,850,744	6,580,212
1- Dividend Income from Associates	734,458	2,750
2- Dividend Income from Subsidiaries	0	0
3- Interest and Other Dividend Income	2,233,237	1,553,727
4- Other Operating Income	5,883,049	5,023,735
G- OTHER OPERATING EXPENSES (-)	(2,836,938)	(4,298,737)
H- FINANCIAL EXPENSES (-)	(288,445)	(814,246)
1- Short-Term Financial Expenses	(288,445)	(814,246)
2- Long-Term Financial Expenses	0	0
OPERATING PROFIT OR LOSS	21,202,409	17,232,341
I- EXTRAORDINARY INCOME AND PROFITS	38,887	24,428
1- Provisions Written off	0	0
2- Previous Period Income and Profit	0	0
3- Other Extraordinary Income and Profit	38,887	24,428
J- EXTRAORDINARY EXPENSES AND LOSSES (-)	0	0
PERIOD PROFIT OR LOSS	21,241,296	17,256,769
K- TAXATION (-)	(6,271,736)	(6,695,905)
NET PROFIT FOR THE PERIOD	14,969,560	10,560,864

**CASH FLOWS PREPARED IN ACCORDANCE WITH CMB COMMUNIQUE NO:XI/1
(TL MILLION)**

	INDEPENDENTLY AUDITED CURRENT YEAR 1 JANUARY - 31 DECEMBER 2003		INDEPENDENTLY AUDITED PREVIOUS YEAR 1 JANUARY - 31 DECEMBER 2002	
A- CASH AT THE BEGINNING OF THE PERIOD		2,280,875		226,373
B- CASH INFLOWS DURING THE PERIOD		10,055,417,989		5,765,600,827
1- Cash Inflows from Sales	10,037,384,777	10,037,384,777	5,733,891,414	5,733,891,414
a) Net Sales Income	10,037,384,777		5,712,145,214	5,712,145,214
b) Decrease in Trade Receivables (Resulting from Sales)	0		21,746,200	21,746,200
c) Increase in Trade Receivables (Resulting from Sales) (-)	0		0	0
2- Cash Inflows from Other Operating Income		8,850,744		5,754,840
3- Cash Inflows from Extraordinary Income and Profits		38,887		24,428
4- Increase in Short-Term Liabilities (Non-Trade)		0		0
a) Security Issues	0		0	0
b) Other Increases	0		0	0
5- Increase in Long-Term Liabilities (Non-Trade)		0		0
6- Capital Increase in Cash		0		0
7- Other Cash Inflows		9,143,581		25,930,145
C- CASH OUTFLOWS DURING THE PERIOD		10,047,379,669		5,763,546,325
1- Cash Outflows Resulting from Costs	10,002,450,909	10,002,450,909	5,703,270,200	5,703,270,200
a) Cost of Sales	10,002,450,909		5,679,300,757	5,679,300,757
b) Increase in Inventories	0		0	0
c) Decrease in Payables (Trade)	0		23,969,443	23,969,443
d) Increase in Payables (Trade) (-)	0		0	0
e) Expenses not Requiring Cash Outflow Such as Depreciation and Provisions (-)	0		0	0
f) Decrease in Inventories (-)	0		0	0
2- Cash Outflows Related to Operating Expenses		18,059,863		15,309,168
a) Research and Development Expenses	0		0	0
b) Marketing, Sales and Distribution Expenses	3,055,136		2,322,444	2,322,444
c) General Administrative Expenses	16,401,684		14,756,901	14,756,901
d) Expenses not Requiring Cash Outflow (-)	(1,396,957)		(1,770,177)	(1,770,177)
3- Cash Outflows from Other Operating Expenses		2,836,938		2,972,173
a) Expenses and Losses on Other Operations	2,836,938		4,298,737	4,298,737
b) Expenses and Losses not Requiring Cash Outflow (-)	0		(1,326,564)	(1,326,564)
4- Cash Outflows from Financial Expenses		288,445		814,246
5- Cash Outflows from Extraordinary Expenses and Losses		0		0
6- Cash Outflows from Investments in Long-Term Assets		166,328		23,341,938
7- Principal Payment of Short-Term Borrowings		0		5,207,844
8- Principal Payment of Long-Term Borrowings		0		0
9- Taxes and Dues Paid		6,812,592		12,329,291
10- Dividends Paid		1,900,000		0
11- Other Cash Outflows		14,864,594		301,465
D- CASH AT THE END OF THE PERIOD (A+B-C)		10,319,195		2,280,875
E- CASH INCREASE OR (DECREASE)		8,038,320		2,054,502

STATEMENT OF COST OF SALES PREPARED IN ACCORDANCE WITH CMB COMMUNIQUE NO:XI/1
(TL MILLION)

	INDEPENDENTLY AUDITED CURRENT YEAR		INDEPENDENTLY AUDITED PREVIOUS YEAR	
	1 JANUARY - 31 DECEMBER 2003		1 JANUARY - 31 DECEMBER 2002	
A- Shares: Cost of Sales		3,354,637,462		1,975,666,449
1- Opening Balance (+)	924,023		4,457,072	
2- Purchases (+)	3,356,927,479		1,972,133,400	
3- Closing Balance (-)	(3,214,040)		(924,023)	
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		1,552,371
1- Opening Balance (+)	0		359,790	
2- Purchases (+)	0		1,192,581	
3- Closing Balance (-)	0		0	
E- Government Bonds: Cost of Sales		5,084,595,101		2,518,366,103
1- Opening Balance (+)	17,853,587		33,251,352	
2- Purchases (+)	5,078,077,204		2,502,968,338	
3- Closing Balance (-)	(11,335,690)		(17,853,587)	
F- Treasury Bills: Cost of Sales		1,563,200,525		1,183,592,361
1- Opening Balance (+)	7,819,470		11,434,119	
2- Purchases (+)	1,561,002,714		1,179,977,712	
3- Closing Balance (-)	(5,621,659)		(7,819,470)	
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		17,821		123,473
1- Opening Balance (+)	0		0	
2- Purchases (+)	17,821		123,473	
3- Closing Balance (-)	0		0	
I- Cost of Securities Sold		10,002,450,909		5,679,300,757
J- Cost of Services Sold		0		0
Cost of Sales (I+J)		10,002,450,909		5,679,300,757

NOTES TO THE BALANCE SHEET PREPARED IN ACCORDANCE WITH CMB COMMUNIQUE NO:XI/1 AS AT 31 DECEMBER 2003

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 published 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 Market Board at its meeting number 51-1515 dated 5 December 1996.

2. SHAREHOLDERS WITH A SHAREHOLDING OF 10% OR MORE

Name	Share Group	31 December 2003		31 December 2002	
		Share Percentage %	Amount TL Million	Share Percentage %	Amount TL Million
Türkiye İş Bankası A.Ş.	Group A	0.3	150,000	0.4	150,000
Türkiye İş Bankası A.Ş.	Group B	91.7	41,250,000	91.6	34,810,000
Other		8	3,600,000	8	3,040,000
		100	45,000,000	100	38,000,000

3. SPECIAL RIGHTS GRANTED TO ISSUED SHARES

The capital of the Company is TL 45,000,000,000,000 (Forty five trillion Turkish Lira). The capital consists of 45,000,000,000 (Forty five 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 44,850 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 statutory 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 7,000,000 Million increase in capital in 2003 has been incorporated from extraordinary reserves. The registration of the capital increase was published in the Trade Registry Gazette number 5788 on 30 April 2003.

6. SECURITIES OTHER THAN SHARES ISSUED DURING THE YEAR

None (2002: None).

7. DEBT SECURITIES MATURED DURING THE YEAR

The Company has not issued debt securities during the year (2002: None).

8. MOVEMENTS OF FIXED ASSETS DURING THE YEAR

a) Cost of acquired, built or purchased fixed assets is TL 166,328 Million (2002: TL 440,076 Million). There are no assets acquired through financial leasing in 2003 (2002: None). Invoices amounting to TL 1,508 Million (2002: TL 15,448 Million) are written as expense in the current period.

b) Cost of fixed assets scrapped or sold is TL 0 Million (2002: None).

c) Revaluation of tangible and intangible fixed assets in the current period:

	2003 TL Million	2002 TL Million
Cost of Assets (+)	1,087,103	1,225,640
Accumulated Depreciation (-)	(388,924)	(276,193)
	698,179	949,447

d) Construction in progress: None (2002: 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 (2002: None).

NOTES TO THE BALANCE SHEET PREPARED IN ACCORDANCE WITH CMB COMMUNIQUE NO XI/1 AS AT 31 DECEMBER 2003**10. BALANCES WITH SHAREHOLDERS, AFFILIATES AND SUBSIDIARIES**

As of the balance sheet date, the Company has TL 372,247 Million demand deposit (2002: TL 48,058 Million); TL 16,430 Million equivalent of US\$ 11,771 demand deposit and TL 9,900,000 Million time deposit bearing interest rates between 26% to 28%, with its shareholder Türkiye İş Bankası A.Ş.

The Company has commission receivables of TL 453,834 Million from İş Yatırım Ortaklığı A.Ş. and TL 830,488 Million from İş Yatırım Menkul Değerler A.Ş. Investment Funds in the current period other than the above deposits with its shareholders (2002: None).

11. ACCOUNTING PRINCIPLES AND VALUATION METHODS**a) Accounting Principles**

The Capital Market Board has published Communiques No: XI/1, XI/20, XI/21 and other Communiques, which amend or add to the above Communiques. These Communiques define the principles and rules related to the preparation, presentation and reporting of financial statements (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.

The accompanying financial statements do not include the effects of inflation accounting adjustments made in hyperinflationary periods. CMB published Communique No: XI/20 "Communique on the Preparation of Financial Statements in Hyperinflationary Periods", and Communique No: XI/21 "Communique on Consolidated Financial Statements and Accounting for Investments in Associates in Capital Markets" for financial statements to be prepared for periods beginning on or after 1 January 2003. The CMB declared that companies preparing their financial statements in accordance with Communiques No: XI/20 and XI/21 shall also prepare and publicly announce financial statements prepared in accordance with Communique No: XI/1 "Communique on the Financial Statements and Reporting on Capital Market Standards". Accordingly, the accompanying financial statements are prepared and announced in accordance with Communique No: XI/1.

The Company has also prepared inflation adjusted financial statements prepared in accordance with CMB Communique No: XI/20. Since the Company's shares are not publicly traded on the stock exchange as at the balance sheet date, it has no obligation to prepare its consolidated financial statements in accordance with Communique No: XI/21.

b) Marketable Securities

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

Reverse repo transactions and placements on the stock exchange money market are valued at cost plus accrued interest over the period to maturity.

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. 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 the stock exchange are valued at the unit prices for the last transaction date.

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

Government bonds and treasury bills given as collateral or guarantee due to legal requirements are booked as "Long-Term Investment 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" in the income statement.

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 fixed assets in accordance with the taxation legislation on a straight-line method using the depreciation rates below:

	2003 %	2002 %
Machinery & Equipment	20	20
Vehicles	20	20
Fixture & Furniture	20	20
Leasehold Improvements/Rights	10-20	10-20

d) Trade Receivables

Trade receivables are shown at their recorded values in the accounts and result from the Company's securities 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 Currencies

Assets denominated in foreign currencies are translated into Turkish Lira at buying exchange rates announced by the Turkish Central Bank at the balance sheet date. Liabilities denominated in foreign currencies are translated into Turkish Lira at selling exchange rates announced 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 31 December 2003 who have accrued entitlement as at that date is calculated and recorded in the financial statements. The retirement pay provision is included in the general administrative expenses.

h) Financial Leasing

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

i) Tax

Corporate Tax:

The Company is subject to Corporate Tax and Income Withholding Tax. The Company makes provision for the estimated tax liability based on the results for the current year.

Corporation tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rates of tax are as follows:

- In 2002 and prior years: 33%, being 30% corporate tax plus a 10% surcharge of funds contribution on corporate tax.
- In 2003: 30% (the funds contribution was abolished for 2003).
- In 2004: 33% (the corporate tax rate was increased from 30% to 33% by Law No. 5035 published in the Official Gazette on 2 January 2004).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was increased from 25% to 30%, effective from 24 April 2003, and to 33% for 2004.

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

In Turkey there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by 15 April in the next year following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. Commencing on 1 January 2004, funds surcharge will not be applied on the withholding taxes on dividends distributed. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Income withholding tax was also calculated in 2002 and prior years on various types of income and gains exempt from corporation tax, whether distributed or not. Such withholding tax has been removed in general. However, 19.8% withholding tax is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Such allowances may be used to relieve corporation tax liability until the profits reach the calculated level of exemption. If companies fail to make a profit or incur losses, any allowance outstanding may be carried forward to following years so as to be deducted from taxable income of subsequent profitable years.

NOTES TO THE BALANCE SHEET PREPARED IN ACCORDANCE WITH CMB COMMUNIQUE NO XI/1 AS AT 31 DECEMBER 2003

12. SUBSEQUENT EVENTS

- a) Subsequent to the balance sheet date the ceiling for gross pay for the retirement pay provision limit has been increased to TL 1,485,430,000 as of 1 January 2004.
- b) Effective from 1 January 2004, Law No. 5024 published in the Official Gazette number 25332 on 30 December 2003 requires the application of inflation accounting in Turkey in 2004 and future years while determining corporate and income tax bases in accordance with Tax Procedural Law, Income Tax Law and Corporation Tax Law. In accordance with the new principles for determining the taxable income, inflation accounting has to be applied on the 31 December 2003 opening financial statements as per Tax Procedural Law Transitional Article No:25.

13. CONTINGENCIES

Letters of guarantee amounting to TL 18,174,044 Million are given to the Capital Market Board and Istanbul Stock Exchange ("İMKB") (TL 3,517,776 Million and US\$ 10,500,000 with TL 14,656,268 Million equivalent) as a guarantee for underwriting operations and securities trading activities as of 31 December 2003 (2002: TL 19,680,036 Million). In addition, a letter of guarantee amounting to TL 16,631 Million (TL 300 Million and US\$ 11,700 with TL 16,331 Million equivalent) is given to the Privatization Administration (2002: TL 19,424 Million).

14. CHANGES IN ACCOUNTING ESTIMATES

There are no changes in the accounting estimates (2002: None).

15. MORTGAGES OR PLEDGES ON ASSETS

There are no mortgages or pledges on assets as at 31 December 2003, but there are securities blocked as collateral to the following institutions.

	31 December 2003			31 December 2002		
	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)	6,750,000	5,237,397	5,827,406	5,700,000	4,380,268	4,787,195
CMB	3,000,000	2,726,276	2,780,471	2,200,000	2,133,599	2,340,994
İMKB Takas ve Saklama Bankası A.Ş. (Stock Exchange Money Market)	8,920,000	2,634,618	5,245,536	8,701,720	6,690,289	9,307,094
	18,670,000	10,598,291	13,853,414	16,601,720	13,204,156	16,435,283

16. INSURANCE ON ASSETS

As of 31 December 2003, the insurance on assets is as follows:

2003	Net Book Value TL Million	Insurance Total TL Million	Coverage %
	Machinery and Equipment	888,130	*
Motor Vehicles	23,840	79,365	300
Furniture and Fittings	213,096	*	*
Leased Assets	1,329,815	5,769,720	433
Rights	96,375	*	*
2002	Net Book Value TL Million	Insurance Total TL Million	Coverage %
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

* 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 31 December 2003, there are no mortgages received (2002: None). The estimated fair value of the marketable securities received from customers as guarantee amounted to TL 15,049,423 Million (2002: TL 25,283,493 Million) with nominal value of TL 4,601,195 Million (2002: TL 1,377,668 Million).

18. CONTINGENT LIABILITIES

Contingent liabilities are as follows:

	31 December 2003 TL Million	31 December 2002 TL Million
Letters of Guarantee Given	18,190,675	19,699,460
Repo Commitments	21,843,057	13,527
Reverse Repo Commitments on Behalf of Customers	26,037,140	54,534,346
Total	66,070,872	74,247,333

19. BLOCKED DEPOSITS AT BANKS

None (2002: None).

20. MARKETABLE SECURITIES AND THEIR MARKET VALUES

The marketable securities in the Company's portfolio as of 31 December 2003 are as follows:

31 December 2003	Acquisition Cost TL Million	Carrying Value TL Million	Market Value TL Million
Government Bonds (Portfolio)	2,856,761	3,237,788	2,925,803
Treasury Bills (Portfolio)	3,320,292	3,335,834	3,385,996
Foreign Securities (Portfolio)	182,005	175,944	175,944
Equity Shares	3,214,040	3,601,275	3,643,174
Total	9,573,098	10,350,841	10,130,917

31 December 2002

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
Total	13,392,924	13,780,660	13,795,624

Nominal values of the foreign currency marketable securities in the portfolio total US\$ 12,000 and Euro 90,000 (2002: US\$ 1,035,000).

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

31 December 2003	Acquisition Cost TL Million	Carrying Value TL Million	Market Value TL Million
Government Bonds	8,296,924	11,476,721	12,051,269
Treasury Bills	2,301,367	2,376,693	2,412,493
Total	10,598,291	13,853,414	14,463,762

31 December 2002

Government Bonds	8,898,070	11,729,009	11,812,380
Treasury Bills	4,306,086	4,706,274	4,815,216
Total	13,204,156	16,435,283	16,627,596

21. SECURITIES ISSUED BY SHAREHOLDERS, AFFILIATES AND SUBSIDIARIES

31 December 2003	Number of Shares	Acquisition Cost TL Million	Carrying Value TL Million
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	313,500,000	288,155	574,018
T. İş Bankası A.Ş. (C)	1,536,960	7,990	7,990
Total	315,036,960	296,145	582,008

(2002: None)

NOTES TO THE BALANCE SHEET PREPARED IN ACCORDANCE WITH CMB COMMUNIQUE NO XI/1 AS AT 31 DECEMBER 2003

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:

	31 December 2003 TL Million	31 December 2002 TL Million
Receivable from Stock Exchange Money Market	6,052,000	1,071,666
	6,052,000	1,071,666

b) Other Short-Term Receivables:

	31 December 2003 TL Million	31 December 2002 TL Million
Fund Management Commission Income Accrual	1,284,321	165,744
Portfolio Management Income	88,789	196,895
Advances Given	49,147	8,372
Equity Shares Commission Income Accrual	120,525	24,509
Equity Shares Transactions Income Accrual	140,417	4,036
Due From Personnel	335,331	266,024
Interest Income Accruals	91,777	-
Short-Term Prepaid Expenses	82,776	-
	2,193,083	665,580

c) Other Current Assets:

	31 December 2003 TL Million	31 December 2002 TL Million
Advance Tax	3,877,023	3,760,336
Prepaid Taxes and Funds	58,857	316,049
	3,935,880	4,076,385

TL 3,877,023 Million above represents advance taxes paid during 2003 (2002: TL 3,760,336 Million). TL 58,857 Million prepaid taxes and funds represent prepaid withholding taxes transferred to the following period for offset against next year taxes (2002: TL 316,049 Million).

d) Other Long-Term Assets:

	31 December 2003 TL Million	31 December 2002 TL Million
Prepaid Rent Expense	-	49,521
Prepaid Information Technology Expenses	-	26,194
	-	75,715

e) Other Long-Term Financial Assets:

	31 December 2003 TL Million	31 December 2002 TL Million
TSKB Menkul Değerler Yatırım A.Ş.	9,162	9,162
Vadeli İşlemler Eğitim ve Danışmanlık A.Ş.	11,667	11,667
Vadeli İşlem ve Opsiyon Borsası A.Ş.	360,000	90,000
	380,829	110,829

f) Other Intangible Fixed Assets:

	31 December 2003 TL Million	31 December 2002 TL Million
Leasehold Improvements	1,329,714	1,269,201
	1,329,714	1,269,201

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 31 December 2003. As at the balance sheet date all of the money market transactions are done for customers.

	31 December 2003 TL Million	31 December 2002 TL Million
Customers	5,972,000	882,595
	5,972,000	882,595

h) Other Short-Term Payables:

	31 December 2003 TL Million	31 December 2002 TL Million
Expense Accruals	264,269	387,869
Registration Fees Payable to the Stock Exchange	229,991	124,673
	494,260	512,542

i) Other Short-Term Provisions:

	31 December 2003 TL Million	31 December 2002 TL Million
Legal Case Expenses	155,740	155,739
Payables to the Civil Defence Fund	105,054	86,693
	260,794	242,432

j) Other Services Given:

	31 December 2003 TL Million	31 December 2002 TL Million
Fund Management Income	4,156,280	2,761,659
Corporate Finance Income	513,952	3,619,003
Portfolio Management Commission Income	1,017,347	-
Other	271,013	60,281
	5,958,592	6,440,943

k) Other Operating Income:

	31 December 2003 TL Million	31 December 2002 TL Million
Foreign Currency Difference Income	543,361	2,696,610
Foreign Currency Marketable Securities Trading Income	3,657,834	509,886
Income Accruals on Marketable Securities and Deposits	1,402,001	834,072
Other	279,853	983,167
	5,883,049	5,023,735

l) Other Operating Expenses:

	31 December 2003 TL Million	31 December 2002 TL Million
Losses on Sale of Foreign Currency Marketable Securities	397,348	201,577
Prior Year Income Accruals	753,989	948,569
Foreign Currency Difference Expenses	545,941	2,290,040
Provision for Diminution in Value of Equity Shares	-	154,713
Commissions Given to Agencies	353,623	197,269
Civil Defence Fund	105,054	86,693
Other	680,983	419,876
	2,836,938	4,298,737

m) Other Extraordinary Income and Profits:

	31 December 2003 TL Million	31 December 2002 TL Million
Takasbank (settlement) Overdue Revenues	-	24,428
Other	38,887	-
	38,887	24,428

NOTES TO THE BALANCE SHEET PREPARED IN ACCORDANCE WITH CMB COMMUNIQUE NO XI/1 AS AT 31 DECEMBER 2003

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 (2002: None).

24. DOUBTFUL RECEIVABLES RELATING TO SHAREHOLDERS, ASSOCIATES AND SUBSIDIARIES

There is no doubtful receivable relating to shareholders, associates or subsidiaries as of 31 December 2003 (2002: None).

25. DOUBTFUL RECEIVABLES ALREADY DUE OR WILL BE DUE IN FUTURE

None (2002: None).

26. DIRECT AND INDIRECT EQUITY INVESTMENTS

2003 Associates, Subsidiaries and Other Long-Term Financial Assets	Investments TL Million	Inv. %	31.12.2003 Income Before Tax TL Million	31.12.2003 Net Income TL Million	Financial Statement Preparation Standard	Opinion of Auditors
Vadeli İşlem ve Opsiyon Borsası A.Ş.	360,000	6	*	*	*	*
İş Risk Sermayesi Yatırım Ortaklığı A.Ş.	21,000,000	45	13,316,975	13,316,975	CMB	Unqualified
İş Portföy Yönetimi A.Ş.	600,000	20	7,172,100	5,023,774	CMB	Unqualified
Vadeli İşlemler Eğitim ve Danışmanlık A.Ş.	11,667	1.69	*	*	*	*
TSKB Menkul Değerler Yatırım A.Ş.	9,162	0.55	*	*	CMB	*
İş Yatırım Ortaklığı	2,881,326	9.6	36,185,568	36,185,568	CMB	Unqualified
Camiş Menkul Değerler A.Ş.	4,091,368	99.8	(292,429)	(292,429)	CMB	Unqualified
Total Equity Investments	28,953,524					

2002 Associates, Subsidiaries and Other Long-Term Financial Assets	Investments TL Million	Inv. %	31.12.2002 Income Before Tax TL Million	31.12.2002 Net Income TL Million	Financial Statement Preparation Standard	Opinion of Auditors
Vadeli İşlem ve Opsiyon Borsası A.Ş.	90,000	6	*	*	*	*
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	*	*	*	*
TSKB Menkul Değerler Yatırım A.Ş.	9,162	0.005	467,356	316,518	CMB	**
Total Equity Investments	21,310,829					

* As of the date of this report this equity investment's financial statements in accordance with CMB Communique No:XI/1 could not yet 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 400,000 Million free shares were received from İş Portföy Yönetimi A.Ş. (2002: TL 2,412 Million from TSKB Menkul Değerler Yatırım A.Ş.).

28. NON-CASH RIGHTS ON PROPERTIES

There are no non-cash rights on properties as of 31 December 2003 (2002: None).

29. REVALUATION SURPLUS ON FIXED ASSETS

Tangible Fixed Assets	Revaluation Surplus (TL Million)		
	2003	2002	2001
Machinery, Plant & Equipment	262,501	360,882	77,775
Motor Vehicles	9,819	18,685	16,989
Furniture & Fixtures	64,137	48,787	8,712
Leasehold Improvements	361,722	521,093	104,528
	698,179	949,447	208,004

30. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of 31 December 2003, demand deposits of the Company denominated in foreign currencies amounted to US\$ 11,771 equivalent to TL 16,430 Million and Euro 16,634 equivalent to TL 29,028 Million.

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

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

There are no guarantees given as of 31 December 2003 (2002: None).

32. PERSONNEL STRUCTURE

The number of personnel as at 31 December 2003 is 178, of which details are given below: (2002: 177)

	2003 Number	2002 Number
Executives	32	27
Managers	17	17
Specialists	84	84
Brokers	23	26
Administrative & Other	22	23
Total	178	177

33. OTHER SIGNIFICANT MATTERS AFFECTING THE FINANCIAL STATEMENTS

During 2003 the Company did not realize any underwriting transactions.

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
Total	43,515,776	3,614,473	218,914,651	28,876,500

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

	2003 Nominal TL Million	2002 Nominal TL Million
Shares	88,696,184	41,693,096
Government Bonds	768,178,373	211,926,027
Treasury Bills	149,840,565	306,887,601
Investment Fund Participation (units)	3,000,000	-
Foreign Bonds	229	-

NOTES TO THE INCOME STATEMENT PREPARED IN ACCORDANCE WITH CMB COMMUNIQUE NO: XI/1 FOR THE YEAR ENDED 31 DECEMBER 2003

1. The depreciation and the amortization charges for the period are TL 1,291,903 Million (2002: TL 970,468 Million).

	2003 TL Million	2002 TL Million
a. Depreciation Charges:		
aa. Normal Depreciation Charges	557,855	416,038
ab. Depreciation Expenses Resulting from Revaluation	388,923	176,278
b. Amortization Charges	345,125	378,152

2. The provision expense for the current period includes TL 105,054 Million provision charge for payable to Civil Defence Fund and TL 241,988 Million retirement pay provision expenses (2002: TL 228,097 Million).

3. The financial expenses for the period amounted to TL 288,445 Million (2002: TL 814,246 Million).

	2003 TL Million	2002 TL Million
a. Included in Cost of Sales	-	-
b. Capitalized on Fixed Assets	-	-
c. Directly Recorded as Expense	288,445	814,246

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

There are TL 2,733 Million financial expenses related to the shareholder, T. İş Bankası A.Ş., for the current period (2002: TL 19,591 Million).

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

2003

Company	Transactions	Purchases TL Million	Sales TL Million
Türkiye İş Bankası A.Ş.	Purchase of shares	2,208,790,114	2,413,689,109
İş Factoring Finansman Hizmetleri A.Ş.	Reverse repo	95,803,308	95,932,138
İş Factoring Finansman Hizmetleri A.Ş.	Repo	35,241,189	35,275,201
İş Risk Sermayesi Yatırım Ortaklığı A.Ş.	Purchase of shares	4,366,177	4,107,094
İş Genel Finansal Kiralama A.Ş.	Reverse repo	475,933	476,319
İş Genel Finansal Kiralama A.Ş.	Repo	602	603
İş Genel Finansal Kiralama A.Ş.	Securities trading	12,958,034	6,753,646
İş Risk Sermayesi Yatırım Ortaklığı A.Ş.	Reverse repo	105,159,090	105,326,876
İş Risk Sermayesi Yatırım Ortaklığı A.Ş.	Repo	10,816,897	10,835,093
İş Yatırım Ortaklığı A.Ş.	Securities trading	137,796,919	134,865,048
İş Yatırım Ortaklığı A.Ş.	Interbank transact.	219,459,000	219,749,103

2002

Company	Transactions	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 transact.	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	-

Commissions received and paid to and from shareholders, affiliates and subsidiaries are as follows:

Company	2003 Commissions Received TL Million	2002 Commissions Paid TL Million
Türkiye İş Bankası A.Ş.	3,985,447	79,307
İş Risk Sermayesi Yatırım Ortaklığı A.Ş.	16,947	-
İş Yatırım Ortaklığı A.Ş. (*)	574,396	-
İş Yatırım Ortaklığı A.Ş. (**)	692,482	-
İş Factoring Finansman Hizmetleri A.Ş.	2,866	-
İş Genel Finansal Kiralama A.Ş.	3,124	-

(*) Commission income from securities transactions.

(**) Portfolio management commission income.

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

Company	2003 Rent Expense TL Million	2003 Rent Income TL Million	2002 Rent Expense TL Million	2002 Rent Income TL Million
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	1,394,621	-	1,482,961	-
İş Genel Finansal Kiralama A.Ş.	1,507	-	15,448	-
İş Portföy Yönetimi A.Ş.	-	62,382	-	158,566
Total	1,396,128	62,382	1,498,409	158,566

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 3,985,447 Million (2002: TL 3,417,261 Million).

7. **The total of salary and fringe benefits for executives is TL 2,200,875 Million in the current period (2002: TL 1,671,152 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 (2002: None).**
9. **The Company has no inventories as of 31 December 2003, hence, there is no inventory cost calculation system, but the Company uses the weighted-average cost system to record marketable securities (2002: None).**
10. **No stock-take is performed, since the Company has no stocks as of 31 December 2003. The Company's marketable securities held on its own behalf and on behalf of its customers are under the custody of İstanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası A.Ş., Clear Stream Bank Luxembourg, Prudential Financial and Morgan Stanley Dean Witter.**
11. **There is no service or by-product, or scrap sales exceeding 20% of sales (2002: None).**
12. **There are no subsidies relating to the 2003 sales of the Company (2002: None).**
13. **There is no previous period income or loss in the income statement (2002: None).**
14. **Profit and dividend per preferred and common share:**

The Company is subject to distribute the lower of net distributable income prepared in accordance with Communiqué No: XI/1 and Communiqué No: XI/20. According to Communiqué No: XI/20, "accumulated losses" arising from the initial application of the inflation accounting should be considered as a deduction item while determining the distributable profit. However, CMB decision dated 30 December 2003 number 1630 declared that "Accumulated losses" should be offset with the following components of shareholders' equity: current year income, if applicable, unappropriated prior year income, and remaining losses from extraordinary reserves, legal reserves and the incremental effect of the inflation adjustment to the components of shareholders' equity respectively.

The Company's net income for the period as per the accompanying financial statements prepared in accordance with Communiqué No: XI/1 is TL 14,969,560 Million whereas the net income for the period as per the financial statements prepared in accordance with Communiqué No: XI/20 is TL 10,044,092 Million. Since the Company's previous year losses on the financial statements prepared in accordance with Communiqué No: XI/20 are TL 33,206,212 Million, the Company has not prepared and presented a profit distribution table in the accompanying financial statements.

NOTES TO THE INCOME STATEMENT PREPARED IN ACCORDANCE WITH CMB COMMUNIQUE NO: XI/1 FOR THE YEAR ENDED 31 DECEMBER 2003

The earnings per share calculation below are based on the net income for the period as per the accompanying financial statements.

2003:

Profit per TL 1,000 Nominal Value share (TL): $\frac{\text{TL 14,969,560 Million}}{45,000,000,000 \text{ shares}} = 332.66$ 33.27%

<u>Group</u>	<u>Number of Shares</u>	<u>Profit per Share (TL)</u>	<u>(%)</u>
Group A	150,000,000	332.66	33.27
Group B	44,850,000,000	332.66	33.27

2002:

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

<u>Group</u>	<u>Number of Shares</u>	<u>Profit per Share (TL)</u>	<u>(%)</u>
Group A	150,000,000	277.92	27.79
Group B	37,850,000,000	277.92	27.79

15. Changes in the Company's goods and services production quantities in the period:

None (2002: None).

16. Changes in the Company's goods and services sales quantities in the period:

None (2002: None).

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What if the Trojans had not pulled the wooden horse into the city walls of Troy?

After the Achaeans had laid unsuccessful siege to Troy for ten years, they pretended to retreat, leaving a huge wooden horse at the gates of the city. Despite warnings, the Trojans interpreted this as a victory and moved the 'war trophy' inside the walls of Troy. As they celebrated late into the night, a large number of Achaean soldiers slipped silently out of their hiding place within the horse and attacked the unsuspecting Trojans - finally conquering Troy. The Trojan War marked the first time in history that a war between the East and the West took place. But what if the Trojans had not been satisfied with the departure of the Achaeans and could have seen the truth behind this deception? Surely, world history and perhaps the history of all civilization would have taken a different path.



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