



2012
Annual Report

Sustainable leadership
in capital markets...

Our corporate governance rating
has risen to 8.87

“Turkey’s Best Investment Bank” award

Our net profit is at a historically
highest level.

İSMEN generated a 35% yield
for its investors.

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IS Investment in Brief

Founded in 1996 by İşbank, IS Investment deploys a robust partnership structure and superior operational and financial performance to provide domestic and international individual and institutional investors in national and international markets with:

- Brokerage services
- Investment advisory services
- Portfolio management services
- Corporate finance services

The sector's biggest

As of end-2012, IS Investment was managing a portfolio whose total value of TL 13.1 billion represented 26% of its market. With the biggest corporate and individual client database in Turkey, IS Investment's total assets amounting to TL 4.2 billion correspond to more than one third of the sector's total assets.

An extensive service network

IS Investment has ten branches in Turkey: six in İstanbul (Akaretler, Kalamış, Levent, Maslak, Yeniköy, Yeşilköy) and one each in Ankara, İzmir, Bursa, and Adana. It also has two liaison offices: one in the Suadiye district of İstanbul and the other in Almaty, Kazakhstan's biggest city. More than 1,200 İşbank branches scattered across Turkey in the country's industry, trade, and population centers also serve as IS Investment agents. Wholly-owned subsidiaries in London (Maxis Securities) and Dubai (IS Investment Gulf) not only enhance the company's effectiveness in international markets but also give its investors access to an even broader range of financial products.

Consistent leadership

IS Investment has consistently been the transaction volume leader at the Borsa İstanbul Equity Market every year for the last decade as well as at the Turkish Derivatives Exchange in every year since its foundation in 2005.

Outperforming the BIST 100 Index by 98% for five years

The only representative of its sector to be included in the Borsa İstanbul National Index, IS Investment shares (traded under the ISMEN symbol), secured gains of 476% in the five years to end-2012, thereby outperforming the index by 98%.

"Turkey's Most Admired Brokerage House" for five years in a row

In the "Turkey's Most Admired Companies 2012" survey conducted by Capital, IS Investment once again ranked first in the "Brokerage Houses" category. "Turkey's Most Admired Companies" is a survey conducted annually by Capital, one of Turkey's leading business and finance magazines. In the 2012 poll to which 1,555 middle- and senior-management position decision-makers and opinion leaders responded, IS Investment emerged as the year's best brokerage house. This was the eighth time that IS Investment has received this accolade and the fifth year in a row that it did so.



"Turkey's Best Investment Bank" and "Turkey's Best Broker" for two years in a row

In the 2011 round of "Europe Banking Awards", the fourth in the series conducted annually by EMEA Finance, IS Investment ranked first in both the "Best Broker in Turkey" and the "Best Investment Bank in Turkey" categories, the latter for the second year in a row. The 2011 awards, in which the magazine recognized the leading banks and financial institutions in Central & Eastern Europe (CEE) and in the Commonwealth of Independent States (CIS), were handed out to their recipients at a ceremony held in London on 17 May 2012. IS Investment received the "Turkey's Best Investment Bank" and "Turkey's Best Broker" citations for its superior success in capital market services provided to clients in the areas of corporate finance, brokerage, investment advisory, and portfolio management.



ETİKA 2012 Turkey Ethics Awards

The winners of the first round of "Turkey Ethics Awards" (ETİKA 2012) received their awards at a ceremony held on the evening of 4 April 2013. ETİKA 2012 was the first in a series of annual awards that the Ethical Values Center Association plans to conduct in order to foster public awareness of ethics and to promote companies and managers who give importance to ethical values as role models for young people. IS Investment was one of the first companies in Turkey to receive this award.

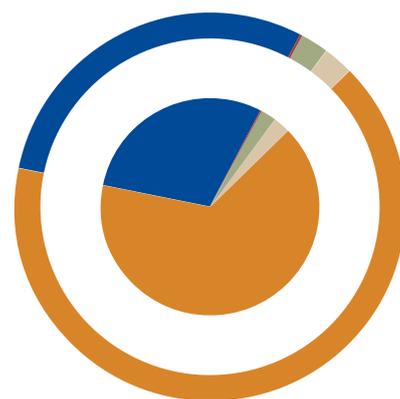


Key Financial Highlights

Shareholder Structure

- Free Float 29.32%*
- Camiř Yatırım Holding 0.17%
- İş Leasing 2.43%
- İş Factoring 2.43%
- Türkiye İş Bankası A.Ş. 65.65%

*Actual Circulation 28.4%

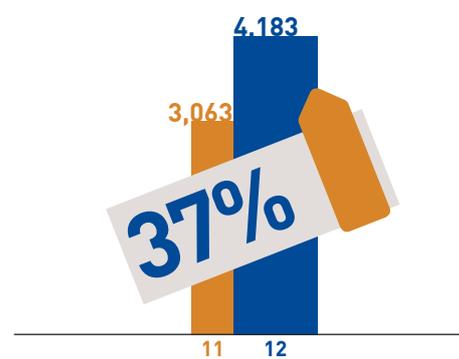


Summary Balance Sheet and Income Statement

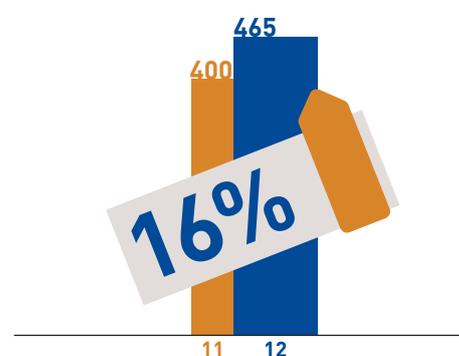
Summary Balance Sheet (TL Thousand)	31 December 2012	31 December 2011
Assets		
Current Assets	4,017,680	2,979,355
Fixed Assets	165,865	83,970
Total Assets	4,183,545	3,063,325
Liabilities		
Short-Term Liabilities	3,240,528	2,372,723
Long-Term Liabilities	72,286	3,081
Non-Controlling Interests	405,781	287,604
Shareholders' Equity	464,950	399,917
Total Liabilities	4,183,545	3,063,325
Summary Income Statement (TL Thousand)	1 January - 31 December 2012	1 January - 31 December 2011
Sales Revenue (Net)	134,373	55,924
Interest and Derivative Income from Operating Activities (Net)	47,829	47,130
Income from Services (Net)	102,688	106,487
Other Operating Income	27,038	21,128
Gross Profit	311,928	230,669
Operating Expenses	(193,528)	(153,234)
Other Income/Expenses	5,342	(999)
Operating Profit	123,742	76,436
Share in Net Profit/(Loss) of Investment Accounted for under Equity Method	5,358	(2,833)
Non-operating Financial Revenues/Expenses	20,517	26,623
Profit before Tax from Continuing Operations	149,617	100,226
Tax	(16,456)	(14,015)
Profit from Discontinuing Operations	4,202	(1,318)
Non-controlling Interests	68,625	32,490
Net Profit (Equity Holders of the Company)	68,738	52,403
Earnings per Share (TL)	0.2403	0.1832
Financial Ratios	31 December 2012	31 December 2011
Current Assets/Short-Term Liabilities	1.24	1.26
Liabilities/Shareholders' Equity	3.8	3.5
Return on Equity (%)	16	14

*Note: The financial statements and notes to the financial statements of IS Investment are available at www.isinvestment.com.

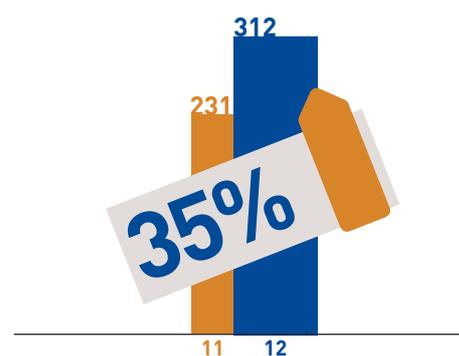
Total Assets (TL million)



Shareholders' Equity (TL million)



Gross Profit (TL million)



Corporate Values

Customer Orientation: To be close to our customers, to be able to make risk-return analysis correctly in compliance with their expectations, to be able to provide service at the necessary and desired quality with the aim of increasing the assets of our companies in line with this analysis.

Market Focusedness: To be able to create the highest possible added value for our corporation and investors in line with the developments taking place by instantly monitoring domestic and foreign capital markets.

Dynamism and Innovation: To constantly seek the better and the newer with an infinite energy for the continuous development of our products, services and values by staying loyal to our corporate policies and in the most appropriate way for market conditions with its human resource which is competent and expert in its field.

Confidentiality: To observe confidentiality principles within the scope of laws, our corporate policies and ethical values in subjects which qualify as inside information that might affect our share values and the identities and transactions of our customers.

Reputation: To continue to be the representative of the feelings of trust and success created by the brand "İş", which we proudly represent in capital markets.

Developing the Staff: To ensure the continuous training and development of our expert personnel that we have incorporated in compliance with our values with corporate social responsibility understanding; to apply a human resources policy within a comfortable, safe and certain career plan by providing equal rights to those who are under equal circumstances without discriminating on the basis of religion, language, race and sex.

Team Work: To bring productivity to the highest levels by creating a synergy that combines the division of labor and cooperation, efficient sharing and solidarity.

Respect for the Laws, Corporate Governance Principles and Ethical Values:

To be able to realize the best international application in terms of compliance with corporate governance principles with an effective risk management and internal control mechanism, a transparent governance to make the success in our financial performance and market sustainable in compliance with the laws and our ethical values.

Perfectionism: Being aware that anyone can be better by trying to be perfect all the time.

Objectivity and Impartiality: To ensure that our comments on the market are realized with an objective understanding by carrying out relations with the customer without allowing to any conflict of interest while fulfilling capital market activities, and informing our shareholders correctly, fully and timely.

Social Responsibility: While trying to fulfill our aims of growth and obtaining profit, to exert maximum effort so that mainly our employees, the environment and other internal and external factors provide maximum benefit.

Mission

- To provide all kinds of investment banking service under one roof
- To produce qualified information, to establish information-based strategies and to create value
- To be innovative in product and service development
- To lead the development of capital markets
- To follow technological developments and to apply thereof to activities
- To ensure customer satisfaction
- To increase the value created for shareholders

Vision

To be Turkey's and the region's most preferred, leader and reliable investment institution.



"the biggest"
in the industry
in terms of asset size

Interview with the Chairman

Powered by the favorable winds blowing through financial markets in 2012, IS Investment successfully implemented strategies capable of further strengthening its position in the markets in which it is active.

Would you evaluate the 2012 global and national economic environments for us in terms of their fundamental development and impact on financial markets?

The expansionist monetary policies which developed countries implemented to stimulate their economies in 2012 led to a surplus of global liquidity while also fueling a long-term upward trend in markets. These policies were adopted even by a number of developing countries which had been unable to achieve satisfactory growth in previous years, although they were somewhat more circumspect about it. The escalating euro-zone debt crisis, worries about America's "fiscal cliff", slowdowns in China and other emerging economies, and the trend towards higher commodity prices were among the principal risks that preoccupied most agendas.

Despite unrelieved recession in Europe, which is Turkey's biggest trading partner, our country is one of those that has been recovering the fastest in the aftermath of the global economic crisis. Nevertheless the knock-on effects of measures which policymakers took in their determination to rebalance growth put the squeeze on domestic demand in 2012. For Turkey, 2012 was a year in which the national economy achieved a controlled, "soft landing": significant improvements were made in the current balance and in inflation performance as compared with previous years however the 2.2% growth rate that was realized was lower than what had been expected.

Turkey's efforts to change over to a more balanced model that gives greater attention to external demand was viewed favorably by markets, with the result that the contraction in economic activity did not have an overtly adverse impact in financial markets.

In November Fitch raised Turkey's credit rating to investment-grade. That, combined with the US Federal Reserve's announcement towards the end of the year that its program of quantitative easing would continue, gave a substantial boost to Turkey's equity market.

In addition to witnessing such developments as these, 2012 was also a year in which significant progress was made in the regulatory and structural aspects of Turkey's capital markets. A new capital markets basic law went into effect on December 30th while the long-anticipated opening of a futures & options market at the Istanbul Stock Exchange (ISE) finally took place. Another very important undertaking last year was a project to transform the ISE into a joint-stock company and restructure its operations accordingly. This was done and ISE reopened in its new Borsa İstanbul (BIST) identity in April 2013.

What was IS Investment's performance like in 2012?

Powered by the favorable winds blowing through financial markets, IS Investment successfully implemented strategies capable of further strengthening its position in the markets in which it is active last year. IS Investment has consistently been the transaction volume leader at the BIST Equity Market every year for the last decade as well as at the Turkish Derivatives Exchange (TurkDEX) in every year since that exchange opened its doors eight years ago.

In a year in which stock exchanges throughout the world experienced contractions in their transaction volumes, the BIST Equity Market also saw its own trading shrink by 10% year-on. In 2012



İlhami Koç / Chairman

IS Investment nevertheless successfully maintained its leading position with a 7.6% market share worth TL 94.9 billion.

Over at TurkDEX, the futures & options (F&O) market where trading was down by 8% year-on in 2012, IS Investment increased its market share to 14.8% on trading worth a total of TL 119.5 billion. Equities-based futures & options contracts also began trading at BIST as of 21 December 2012. Having previously readied itself for this launch, IS Investment was one of the first players to join the new market and it quickly established itself as the transaction volume leader.

Total trading among brokerage houses at the BIST Debt Securities Market Outright Purchases and Sales Market amounted to TL 93.6 billion last year. By handling TL 11.6 billion worth of these trades, IS Investment increased its market share to 12.4% and boosted its position to third place among brokerage houses in terms of transaction volume.

Representing the biggest institutional and individual client database in Turkey, IS Investment's TL 13.1 billion worth of consolidated assets under management as of end-2012 corresponded to 26% of the total market. While the aggregate

value of all collective investment vehicle (fund) trading increased by 13% year-on, the biggest rise took place among pension funds, trading in which grew by 39% and amounted to TL 3.9 billion.

The only representative of its sector to be included in the Borsa İstanbul National, IS Investment shares (traded under the ISMEN symbol), secured gains of 35% in 2012 and of 476% in the five years since the beginning of 2009, thereby outperforming the index on the order of 98%.

The strength of IS Investment's financial structure was confirmed in December when Fitch Ratings upheld our company's previously-assigned "AAA" (outlook stable) long-term national rating.

How did this successful operational performance affect your financial performance?

In 2012 IS Investment increased its net profit by 31% to TL 68.7 million. This is the highest single-year profit announced by the company in its history. With this performance, IS Investment's average return on equity over the last six years works out to 18%. IS Investment's total assets increased by 37% year-on to TL 4.2

68.7

In 2012 IS Investment increased its net profit by 31% to TL 68.7 million and announced the highest single-year profit in its history as a company.

billion, a figure that corresponds to more than a third of the sector's aggregate assets. Equity was similarly up by 16% to TL 465 million. Both IS Investment's ability to generate income in different business lines and its active participation in domestic and international capital markets ensure the sustainability of its profitability.

2012 was a year in which Turkish companies had an especially strong presence in the eurobond market. What was your company's involvement in such trading?

In a year in which the Turkish Treasury borrowed USD 6 billion off international markets, the Turkish private sector as a whole tapped the same markets for something like USD 10 billion.

The growth in international borrowing by the Turkish private sector contributed favorably to IS Investment's total business volume. Our company served as a co-manager in two especially important deals during 2012: one was a USD 1 billion issue of the Treasury's first sukuk debentures (islamic bonds), which mature in 2018; the other was İşbank's issue of USD-denominated eurobonds, which mature in 2017.

As a company that pioneered leveraged trading in Turkey, what is your assessment of IS Investment's performance in this business line?

After IS Investment recently expanded its TradeMaster International (TMI) electronic trading platform to accommodate forex trading and began allowing investors to

use TradeMaster FX as a distinct product, there was a substantial increase in leveraged trading volumes and accounts. The introduction of mobile apps (iPhone and Android) compatible with the TMI platform also made it more accessible to investors and helped boost trading volumes.

According to the most recently announced figures, we were the market leader in leveraged FX trading with a 27% market share in the first nine months of 2012.

We have begun procuring Turkish and English language news services from Dow Jones in order to provide investors using this platform with a continuous stream of reliable information about market developments. We generate reports about currency markets and we make them available to investors through the same system, which is in service round-the-clock during weekdays.

The total number of our liquidity providers increased to 14 in 2012. The fact that IS Investment is working with fourteen of the top fifteen banks in Euromoney magazine's list gives our company a strong competitive edge from the standpoint of the quality, sustainability, and transparency of our liquidity.



Turkey's growth potential strongly supports not just company equity offerings but also other investment banking functions. Having been nourished especially by banks' issues in recent years, the market for private-sector debt also continued to grow rapidly in 2012. How did IS Investment do in that business line?

Debt instrument issuances amounted to TL 42.3 billion in value in 2012, a figure which corresponds to 2.3 times the last year's amount 88% of these issues took the form of public offerings with the remainder consisting of sales made directly to what are referred to as "qualified investors". Weighing in at TL 38.2 billion however, bank issues continued to make up the overwhelming (90%) majority of this market last year.

In 2012 IS Investment handled debt instrument issues worth a total of TL 9.1 billion in the conduct of 28 separate deals. The company remained the leader in public offerings with a 24% share of that market

There was remarkable development in the mergers & acquisitions market last year. What is your assessment of that business line?

The total value of mergers & acquisitions (M&A) deals taking place in 2012 amounted to USD 21.8 billion. While this corresponds to a year-on rise of 50%, nearly half (42% in fact) of that growth was nourished by government privatization auctions that were finalized last year.

The M&A market in Turkey is still one that attracts strong interest on the part of international investors: 75% of the total value of purchases in this market in 2012 were made by foreign investors. Looking at these deals on a sectoral basis we see that energy, fast-moving consumer goods, and finance were the biggest draws. Venture capital accounted for a 14% of the total transaction volume. The outlook for 2013 is that such interest will grow even stronger and that venture capital funds in particular will be directing their attention to Turkey.

The ability of the M&A market to repeat or exceed its 2012 performance in 2013 is largely dependent on the progress of the major privatization projects that are still in the pipeline. That said, it is expected that private-sector deals in this market will gain momentum and reach significant

dimensions especially in construction, submanufacturing, consumer goods, energy, and health care and services. Two new sectors that also look likely to experience significant M&A growth in the near term are e-commerce and education.

IS Investment completed seven M&A projects in 2012. The company is also involved as a consultant in a number of other such projects related to companies that are active in energy, automotive components, and consumer goods.

What are the things that most distinguish IS Investment in its sector?

I believe that we are distinguished by our professionalism, expertise, and outstanding ability to interpret available information and put it to work for the benefit of our clients, by our innovative approach and competency in supplying clients with integrated information and service that gives them the right guidance, and by our exceptionally effective use of technology.

IS Investment produces high-added value reports on economic issues, on fixed-income securities, and on equity markets. Our company produces regular reports concerning 80 or so firms that account for some 75% of BIST's market value and it makes "Buy/Sell/Hold" recommendations about them. From among the most attractive of companies for which we make "Buy" recommendations we create our "Top Recommendations" list, which outperformed the BIST 100 Index by 21% in 2012 and by 269% over the last eight years.

You put your research and effective use of information competencies to work in investment advisory too, don't you?

In line with the integrated service approach that I just mentioned, we provide our clients not just with traditional investment advisory but also with prime brokerage and wealth management products and services too.

IS Investment takes part in the formation of mutual funds with features capable of appealing to investors with a wide range of risk - return preferences. As of end-2012, IS Investment had set up thirteen such funds for private asset management companies.

8.87

The success of IS Investment's ongoing efforts to further improve its corporate governance practices was demonstrated once again in 2012 when its corporate governance rating was raised.

Our company's overall corporate governance rating was increased from 8.63 to 8.87.

Under the heading of our prime brokerage business line, we provide asset management companies with regular capital market instrument trading brokerage services along with support and research services in such areas as setting up mutual funds, investment advisory, technology, and risk management.

What can you tell us about the accolades that your successes have earned?

The validity of IS Investment's strategies and the success of its efforts have been repeatedly confirmed by awards and recognitions granted at both the national and the international levels. For the eighth time and the fifth consecutive year, IS Investment was chosen by Capital magazine as "Turkey's Most Admired Brokerage House" in 2012. In "Europe Banking Awards" conducted by EMEA Finance, IS Investment ranked first in both the "Best Broker in Turkey" and the "Best Investment Bank in Turkey" categories, the latter for the second year in a row. IS Investment is one of the winners in the first round of "Turkey Ethics Awards" (ETİKA 2012), Turkey's first business ethics award.



Erdal Aral / General Manager

Your company is a member of a group that represents a deep-rooted corporate culture. What can you tell us about IS Investment's stance in the area of corporate governance?

As a company whose management and governance attitudes and approaches in capital markets are informed by the deep-rooted corporate values and principles of the İşbank Group, we always abide by best practices whenever dealing with any issue and we are transparent and effective in our relations with shareholders and all other stakeholders.

The success of IS Investment's ongoing efforts to further improve its corporate governance practices was demonstrated once again in 2012 when its corporate governance rating was raised. After undergoing a review during the year, our company's overall corporate governance rating was increased from 8.63 to 8.87. Progress was made under every heading from "Shareholders" and "Public Disclosure & Transparency" to "Stakeholders" and "Board of Directors".

In line with resolutions passed at a meeting of our company's board held on 30 January 2013, General Manager İlhami Koç tendered his resignation, owing to duties that he will be undertaking at İşbank, and the company's deputy general manager, A. Erdal Aral, was appointed to replace him as general manager.

We were witness to a changing of the guard at IS Investment late in 2012. Is there anything you'd like to say about that?

When I was elected chairman of our company and turned the position of general manager which I had held with it for ten years over to my esteemed colleague A. Erdal Aral, I referred to it as the next leg of an ongoing relay race. I want to extend my thanks first to the Board of Directors, which always gave me the benefit of their support in my previous post and which encouraged and guided our management with decisions that befitted our company's reputation as a pioneer, and next to my colleagues, with whom we have created an excellent team. Firmly believing that Mr Aral will author great successes for us in his capacity as our new general manager, I also take this opportunity to offer him my very best wishes.

What clues do developments in the first quarter of 2013 give us about the period immediately ahead?

In an interim assessment of the economic outlook released on 28 March 2013, the OECD said that the global economic outlook was showing some improvement after having weakened in late 2012 and that activity was now picking up in many major economies. According to the report, the outlook in the first half of 2013 is that there will be a return to moderate growth in the United States and an acceleration from low levels in Japan but that any meaningful recovery in Europe is expected to take somewhat longer.

The direction which markets take in 2013 will be determined essentially by the impact which the ECB's and the Fed's expansionist monetary policies have on global growth, by the dimensions of Europe's liquidity crunch, and by the effects of the fiscal measures taken by the USA.

Another factor that will also be very influential in 2013 of course is the outcome of elections in Germany. Although it has been the target of substantial and occasionally severe criticism, Germany earned its standing as the most important player in 2012.

In Turkey itself, expectations that other rating agencies will follow Fitch's lead and also raise Turkey's country rating to "investment grade" could result in volatilities at the Borsa İstanbul. Our target index for the BIST Equities Market is 93,000. Efforts to maintain a domestic market growth environment in which current account deficit and inflation have been brought under control will continue to be priced by markets in 2013 as well.

Could you tell us briefly about IS Investment's goals and expectations for 2013?

IS Investment's basic goal in 2013 is to defend its position in capital market business lines where it is already the profitability leader while also boosting business volumes and stakeholder value-creation across the board. Our strategy is straightforward and clear: We will blend our expertise and competencies with our strong insight in order to maintain our reputation as a pioneering leader of our sector.

As I bring these remarks to a close, I thank all of my valued colleagues for having made it possible for IS Investment to gain strength and grow even in a year overshadowed by the global economic crisis such as 2012 was. I also owe a debt of thanks to all of our shareholders, clients, business partners, and other stakeholders for their generous support, faith, and confidence.

Economic Review

International investors spotting the current account-improvement and inflationary pressure-reduction opportunities inherent in a national economy which was headed for a soft landing and whose growth components were being brought into alignment poured more than USD 20 billion into Turkey's capital markets.

2012 was a year in which global growth continued to be weighed down by a variety of risks even as worries about the financial crisis subsided. The expansionist monetary policies which developed countries implemented to stimulate their economies led to a surplus of global liquidity while also fueling a long-running bull market.

In the wake of bold moves by European Central Bank (ECB) President Mario Draghi, the borrowing costs of highly-indebted euro-zone countries retreated to more reasonable levels. Nevertheless these efforts were not enough to pull the real economy out of recession.

Turkey is one of the countries recovering the fastest in the aftermath of the global crisis and it is doing so despite recession in Europe, the country's next-door neighbor and biggest trading partner. While increases in consumption fueled by a youthful population which is buoyant about the future and eager to spend and by low interest rates helped make Turkey's economy one of the fastest-growing of any OECD-member country in 2010 and 2011; 2012 was by contrast a year in which the economy came to rest in what was a controlled, soft landing. While economic growth was squeezed to just 2.2% by a Turkish lira whose value was kept in check by low interest rates and domestic demand was restrained by macroprudential measures, significant improvements were achieved in the country's current balance and inflation performance compared with previous years.

Turkey's efforts to replace its internal demand- and external saving-based growth model with a more balanced one

that also gives importance to external demand were greeted favorably by markets while neither the slowdown in economic activity nor the deterioration in companies' profitability seemed to cause the same markets very much discomfort.

International investors spotting the current account-improvement and inflationary pressure-reduction opportunities inherent in a national economy which was headed for a soft landing and whose growth components were being brought into alignment poured more than USD 20 billion into Turkey's capital markets. International investors' shares of the bond and equity markets rose from 17% and 62% to 26% and 66% respectively.

Posting a USD-based 61% return, MSCI's Turkey Index ranked first among that company's coverage of emerging market indexes, where the average return was only 15%. With a 16% USD-based yield (carry), the Turkish lira ranked second in the 2012 league table of the world's hottest currencies. The Turkish government bond index (GBI Turkey) rose by 27%, making it the third best performer among emerging-country bond markets, whose average return was 27%.

Will markets continue to rise? The answer to that question depends as much on economic policy choices and practices as it does on the state of the global economy.

We believe that the global economy will continue to support countries that nourish their growth largely through domestic demand and external financing such as Turkey does. Expansionist monetary policies will increase global liquidity and the appetite for risk and that in turn will make it even easier for Turkey to finance its growth. Turkey for its part needs to better diversify its export markets and products in order to mitigate at least some of the impact that recession in Europe is having on its export trade.

The slowdown in global growth and a rebalancing of the Chinese economy away from mainly investment-driven growth gives Turkey something of a cyclical respite on its two weakest fronts—the current account deficit and inflation—by restraining commodity prices. This situation also helps support authorities' macroprudential policies.

On the domestic side, we are confronted by an agenda that is heavily laden with politics. Between 2013 and 2015 Turkey will have to hold three major elections for new local governments, a new president, and a new parliament, in that order. With such elections looming, the government can naturally be expected to focus on policies that give priority to growth.

If these policies are implemented so as to maintain the external balance and to keep inflation on its downward trend—without causing serious budgetary harm of course—the Turkish economy could embark upon a new period characterized by a sustainable growth model. If this process is not well-managed however, we could easily return to the alternating cycles of rapid expansion and contraction of the sort that we experienced in the past.

The most recently announced foreign trade and inflation figures indicate that the Turkish economy's soft landing and rebalancing are moving along at full speed. Should this continue to be the case, there is a strong likelihood that a second credit rating boost in 2013 will elevate Turkey to an even higher ranking among "investment-grade" countries.

One of the most serious risks confronting the Turkish economy as this process unfolds will be that of hot money piling into the country as it flees additional fiscal tightening and monetary expansion policies elsewhere in the world.

Studies based on data from developed economies whose countries have risen to the "investment-grade" rank show that the local currency appreciates excessively, that both external borrowing and bank lending balloon, and that the current balance worsens.

The Turkish Central Bank's (TCMB) decision to cut interest rates and raise reserve requirements in January and February 2013 shows that the bank does not intend to allow hot money inflows either to cause excessive appreciation in the value of the Turkish lira or to fuel uncontrolled growth of the credit supply.

TCMB bases its judgments about the value of the Turkish lira on the level of "real" exchange rates, which are in turn based on consumer prices. The bank has signaled that if the real rate rise exceeds 120% of the CPI rise, it will have recourse to moderate reductions in short-term lending rates; but it has also warned that should the rate rise by 130%, it will respond by making use of "every means that is available" to it.

In the context of the economic climate outlined above, there are no significant changes in our views about markets

We remain positive about the long-term structural stability of the Turkish lira. Relatively high nominal interest rates together with possibly more credit rating boosts by Moody's and/or S&P in 2013 will drive appreciation in the Turkish lira. Nevertheless the appreciation in the Turkish lira will be much more restrained than was the case in previous years. Our opinion is that authorities will keep the year-on rise in the value of the lira to the 2-3% range out of concerns about Turkey's international-market competitive strength.

Although we are optimistic about the course of the Turkish lira however, we cannot be so sanguine about government debt securities. The rise in the global appetite for risk combined with inflows of hot money escaping developed-country fiscal tightening has already driven the real interest rates on government debt to below acceptable levels.

Current interest rate levels are not taking into account the possibility either of TCMB's tightening monetary policy should the economy rebound and inflation exceeds 5% or of rises in US bond interest rates. For this reason, we do not recommend buying medium- or long-term fixed-interest government bonds at this time. In a low-interest environment such as exists at this time, we recommend deposits to short-term investors, floating-rate corporate bonds to medium-term investors, and inflation-indexed bonds to long-term investors

We remain positive about the Borsa İstanbul Equity Market and we have raised our target value there to the 93,000 level. While prices at BIST may be depressed from time to time by developments in world markets, we believe such declines present buying opportunities in the case of companies in our "Top Recommendations" list, which outperformed the BIST 100 Index by 21% in 2012.

61%

Posting a USD-based 61% return, MSCI's Turkey Index ranked first among that company's coverage of emerging market indexes, where the average return was only 15%.



Turkish Capital Markets

Equities Market

By the last quarter of the year, Turkey's equity market had diverged significantly from global markets owing to expectations of a growth-component realignment and of additional credit rating rises.

An increasingly more serious liquidity crunch in Europe, a slowdown in US economic activity owing to fragile domestic demand, and slower growth in BRIC countries all weighed heavily on the Borsa İstanbul Equity Market as it embarked upon 2012. On the domestic front, TCMB's innovative use of the interest rate corridor as a new policy tool signaled that the Monetary Policy Committee intended—both proactively and reactively—to take whatever measures were needed to maintain financial stability.

Announcements by both the European Central Bank (ECB) and the US Federal Reserve Bank (Fed) at the beginning of the year that they intended to abide by their expansionist monetary policies at least until the end of 2014 impacted favorably on markets' risk perceptions. In the midst of such positive expectations, the BIST 100 Index began the new year with a surge.

The rises continued there as well as in world markets as positive macroeconomic data further whetted an already avid appetite for risk. Investors' enthusiasm was dampened however by Middle East tensions and overt hostilities which, by driving up oil prices, fueled worries that they would worsen the current account deficit in Turkey, where energy imports make up the biggest single item in the foreign trade deficit.

As the first quarter of the year drew to a close, the main concern on the global agenda was a slowdown in the Chinese economy. Fears that China might not be able to achieve the growth figures which the rest of the world desired of it provoked selling in markets around the world even as an easing of Middle Eastern tensions allowed oil prices to dip somewhat.

Talk of a "Grexit" scenario in which Greece is forced out of the euro zone as well

as weak macroeconomic data coming from both Asia and the USA caused the ratio of non-resident investor clearances in BIST 100 Index shares to the total number to dip as low as 61.8%. A new wave of buying was triggered however by decisions, taken in June by the European Stability Mechanism (ESM), that made it possible to buy troubled government bonds on the primary market.

Citing improvements in the country's public finances, Moody's boosted its rating on Turkish government bonds by one notch from Ba2 to Ba1 while retaining their positive outlook. This rise further increased markets' interest in the instruments.

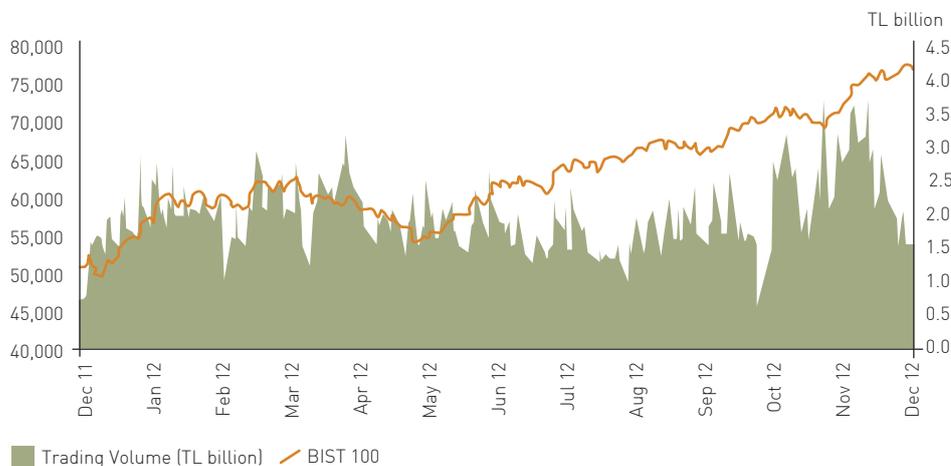
As we embarked upon the second half of the year, expectations that both the Fed and the ECB would undertake new rounds of quantitative easing impacted favorably on markets.

With other central banks and monetary authorities announcing their own quantitative easing programs and the Fed's and the ECB's bond purchases transcending market expectations, there were strong rises in global markets almost everywhere. Around this time the BIST 100 Index nudged the 68,000 threshold but poor national budget performance figures and news of the possibility of auctions of secondary government debt sparked profit-taking.

Notwithstanding occasional volatilities spawned by statements emerging from Germany from time to time vis-à-vis the European sovereign debt crisis, risk appetites continued to thrive as we entered the last quarter. Spain's and Italy's borrowing costs fell into the 5.0-5.5% range as markets put a price on expectations of ECB intervention to prevent either country from actually going under. By the last quarter of the year, Turkey's equity market had diverged significantly from global markets owing to expectations of growth component realignments and of additional credit rating rises.

In November Fitch raised Turkey's credit rating to investment-grade. That, combined with the Fed's announcement towards the end of the year that its program of quantitative easing would continue, gave a substantial boost to the

Performance of the BIST 100 Index and Daily Trading Volume - 2012



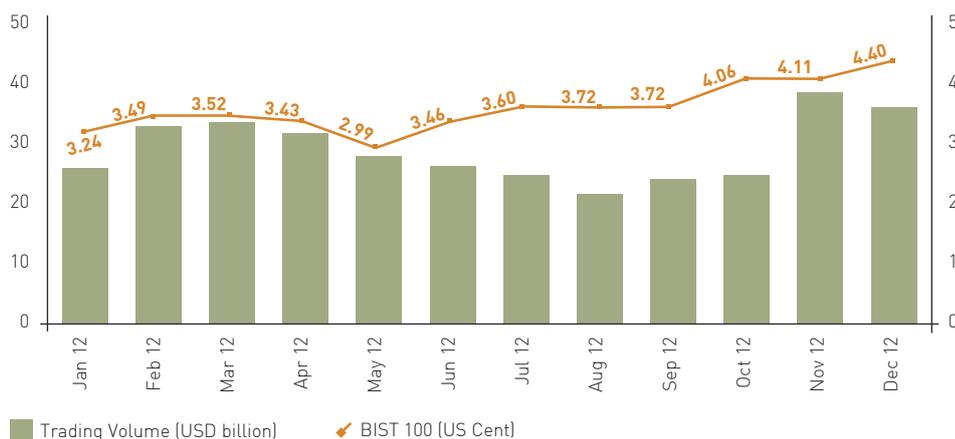
BIST 100 Index. Investors in the Borsa İstanbul Equity Market registered average gains on the order of 53% in 2012 while non-resident investor clearances there rose to 66% of the total.

The course that markets take in 2013 will be determined by the impact ECB and Fed expansionist monetary policies have on global growth, by the eventual dimensions of the European liquidity crunch, and by the consequences of fiscal measures in the United States.

Particularly close attention will be given to Spain's and Italy's borrowing costs and to Greece's progress with its fiscal reforms.

In Turkey itself, expectations that other rating agencies will follow Fitch's lead and raise Turkey's country rating to "investment grade" level could result in volatilities at Borsa İstanbul. Efforts to maintain a domestic market growth environment in which the current account deficit and inflation have been brought under control will continue to be priced by markets in 2013 as well.

Borsa İstanbul Equity Market Trading Volume (USD)



Borsa İstanbul Equity Market: Brokerage Houses Ranked By Trading Volume

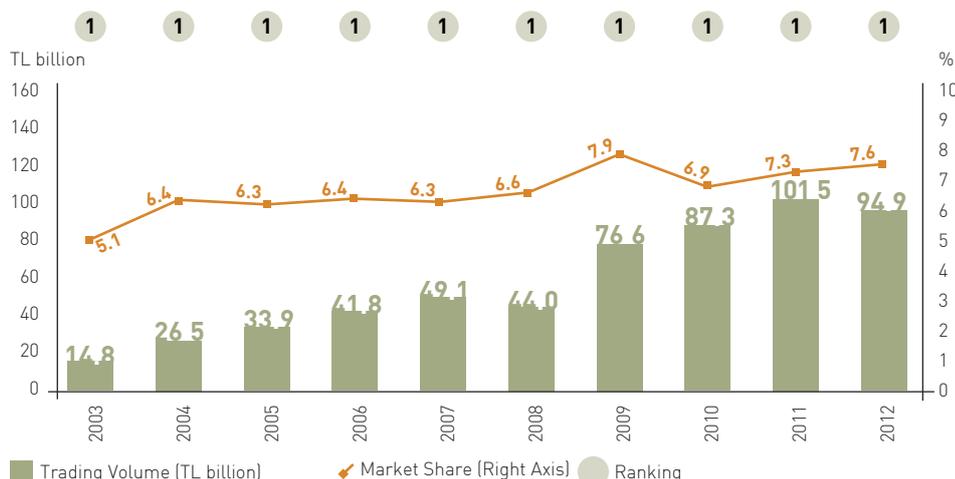
Brokerage House			Trading Volume (TL mn)		Change	% Market Share	
2011	2012		2011	2012	%	2011	2012
1	1	IS INVESTMENT	101,502	94,928	(6.5)	7.3	7.6
3	2	BROKERAGE HOUSE 1	78,728	86,974	10.5	5.7	7.0
2	3	BROKERAGE HOUSE 2	81,387	86,076	5.8	5.9	6.9
4	4	BROKERAGE HOUSE 3	52,325	55,832	6.7	3.8	4.5
5	5	BROKERAGE HOUSE 4	50,466	47,934	(5.0)	3.6	3.8
TOTAL TOP 5			364,408	371,744	2.0	26.7	29.8
TOTAL			1,390,675	1,246,570	(10.4)		

7.6%

IS Investment successfully defended its leading position in the Borsa İstanbul Equity Market in 2012.

IS Investment has maintained its reputation as the Borsa İstanbul Equity Market trading volume leader without interruption for ten years in a row. In 2012 the company successfully defended its leading position with a trading volume worth TL 94.9 billion and a market share of 7.6%.

IS Investment's Trading Volume and Market Share - Borsa İstanbul Equity Market



Turkish Capital Markets

Fixed-Income Securities Market

Markets were invigorated by credit rating boosts by Moody's in June and by Fitch in November but especially by the latter, which raised Turkey's country rating to "investment grade" for the first time in decades.

Turkish-lira compound interest rates completed the year at the 6.15% level in 2012.

Adverse developments in exchange rates and markets in general in late 2011 affected markets at the beginning of 2012.

The central bank's strategy of managing exchange rates and especially of using them as a benchmark for restraining inflation continued to exert downward pressure on interest rates.

Markets were invigorated by credit rating boosts by Moody's in June and by Fitch in November but especially by the latter, which raised Turkey's country rating to "investment grade" for the first time in decades. After June, TCMB significantly relaxed the policy of keeping interest rates under tight control that it had been adhering to in the first half of the year.

Disparate opinions held by Germany on the one hand and by most everyone else on the other as to problems not just with Greece but also with Spain and Italy as well as to the role which the ECB should play in dealing with those problems led to volatilities all year long. When the ECB made its intentions explicitly clear in the summer and with Germany's implicit support of them, the European Union gained some respite on the issue of dealing with sovereign debt even though the political disagreements over the matter were not fully resolved.

The impact of such developments on Turkey was marginal. Much more serious was the rise of tensions in the country's southeast as the violence of Syria's civil war spilled across the border and perceptions grew that Turkey was becoming involved in the fray. This engendered something of a premium risk in markets, especially on the exchange rate front.

The upshot of all of these developments is that Turkish-lira compound interest rates fell rapidly and completed the year at the 6.15% level in 2012. The compound rate on ten-year bonds also fell from around to 10% to as low as 6.60%.

Adhering to a variable course in the conduct of its monetary policy, TCMB lowered the upper band of its interest rate corridor from 12.50% to 9.0%. In addition to the funding which it provided to

5-Year Turkish CDS Premiums



Interest Rates in Turkey



- Borsa Istanbul Repo Market Weighted Average Daily Interest Rate
- Policy Rate (Weekly Repo Auction Interest Rate)
- TCMB Borrowing Interest Rate
- TCMB Lending Interest Rate

markets through its weekly repo auctions (which serve as the source of its policy rates), TCMB also made conjunctural adjustments in such funding through its adoption of "exceptional" vs "normal" day procedures.

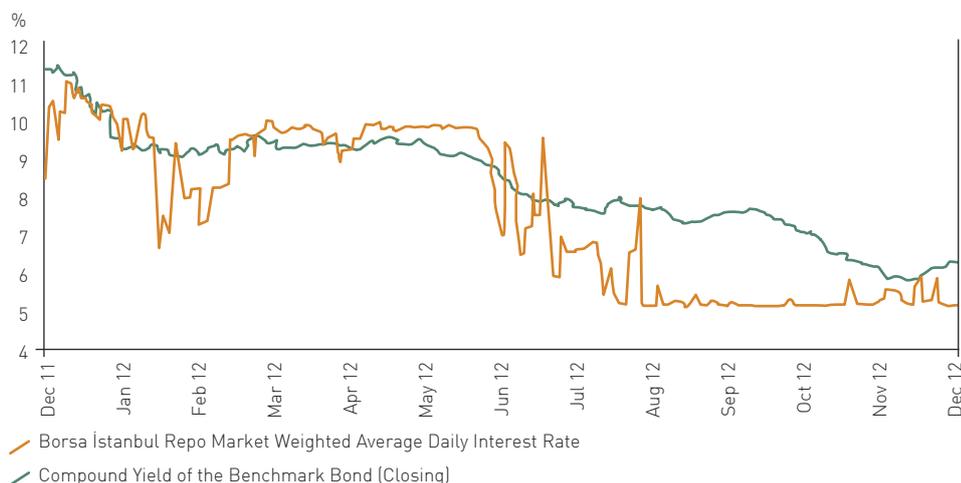
TCMB also supplied the market with Turkish lira liquidity by increasing the portions of banks' reserve requirements that it would allow to be maintained as foreign currencies and gold. Through its so-called "reserve option coefficient", the bank determined the percentage of reserve requirements which could be maintained with it as gold and/or foreign currencies instead of Turkish liras. Not only did this allow TCMB to manage liquidity indirectly but it also helped boost its own hard currency reserves as well. The bank's gold reserves rose from USD 11 billion to USD 20 billion in value in 2012 while its gross foreign currency reserves increased from USD 78 billion to USD 101 billion. TCMB's new interest rate policy was clearly better understood by markets in 2012.

The positive outlook of markets also made itself felt in CDS pricing with the result that CDS premiums in Turkey narrowed. Although there were some rises in early June that paralleled movements in global markets, Turkish CDS premiums diverged significantly from their peers particularly due to the boost in the country's credit

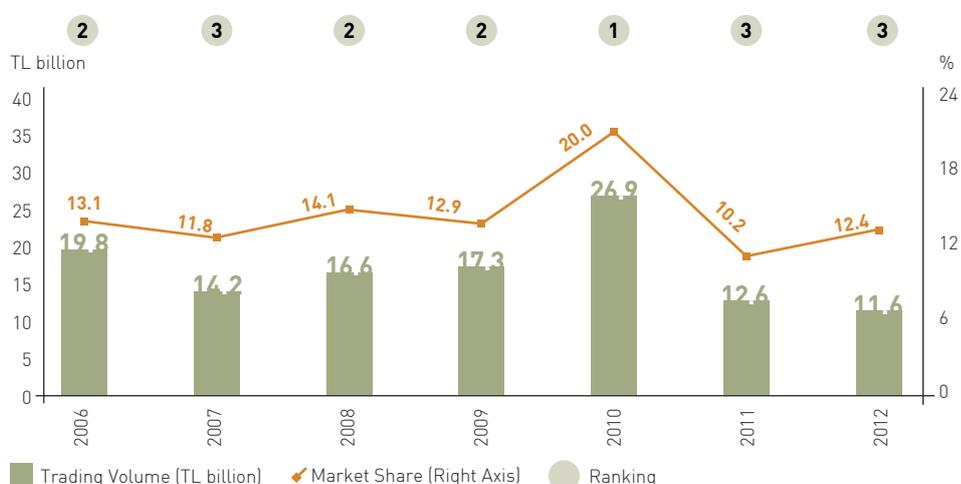
rating. Although five-year Turkish CDS premiums started out at 290 points at the beginning of 2012, they ended the year at around 128 points. During the same period, 10-year CDS premiums also fell from 320 points to around 180 points.

The currency basket initially contracted from 2.20 to below 2.00 but was eventually returned to the 2.04-2.09 band by Syria-related worries and TCMB's relaxation of its interest rate control. The USD/TL exchange rate slipped from 1.88 to 1.78 in the course of 2012.

Benchmark Yield and Borsa İstanbul Repo Market Weighted Average Daily Interest Rate



IS Investment's Market Share among Brokerage Houses - Borsa İstanbul Debt Securities Market - Outright Purchases and Sales



12.4%

In 2012 IS Investment ranked third among the brokerage houses operating in the Borsa İstanbul Debt Securities Outright Purchases and Sales Market, as measured by trading volume, and it also increased its market share.

Total trading by all brokerage houses operating in the Borsa İstanbul Debt Securities Outright Purchases and Sales Market was worth TL 93.6 billion, of which IS Investment handled TL 11.6 billion and thereby boosted its market share to 12.4%.

IS Investment's goal in 2013 is to further strengthen its position among the Borsa İstanbul Debt Securities Outright Purchases and Sales Market's top three players.

Borsa İstanbul Debt Securities Market: Brokerage Houses Ranked By Outright Purchases and Sales Market Trading Volumes

Brokerage Houses			Trading Volume (TL mn)		Change	% Market Share	
2011	2012		2011	2012	%	2011	2012
1	1	BROKERAGE HOUSE 1	24,074	21,820	(9.4)	19.5	23.3
2	2	BROKERAGE HOUSE 2	16,134	14,453	(10.4)	13.1	15.4
3	3	IS INVESTMENT	12,579	11,582	(7.9)	10.2	12.4
4	4	BROKERAGE HOUSE 3	12,562	9,552	(24.0)	10.2	10.2
8	5	BROKERAGE HOUSE 4	6,508	7,592	16.7	5.3	8.1
		TOTAL TOP 5	71,857	64,999	(9.5)	58.3	69.4
		TOTAL	123,251	93,632	(24.0)		

Derivatives Market

Equities-based futures & options contracts began trading as of 21 December 2012.

BIST 30 Index future contracts and TL/USD contracts accounted for the biggest share of TurkDEX trading in 2012.

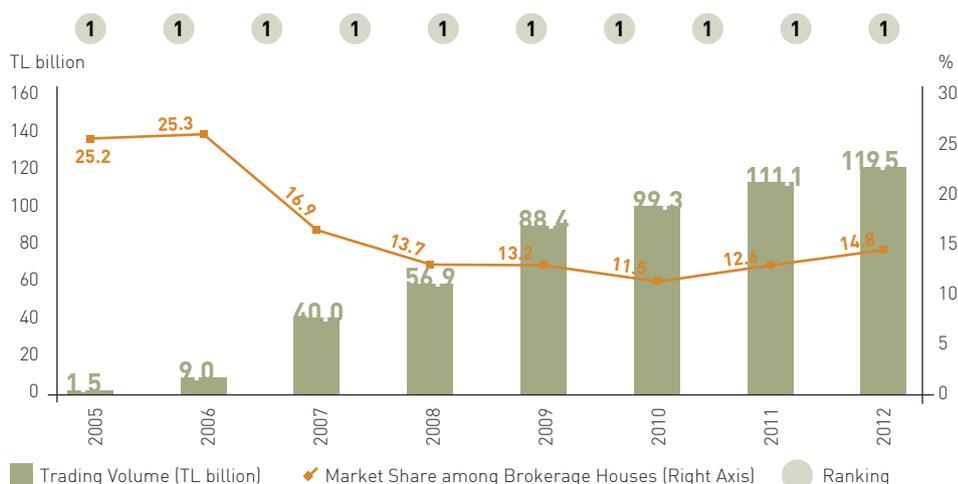
BIST 30 Index future contracts and TL/USD contracts accounted for the biggest share of trading TurkDEX, Turkey's futures and options exchange, in 2012.

In the first quarter of the year, BIST 30 Index contracts rose in parallel with the recovery in global markets and it reached as high as 81,000 from a base of 62,000. Although open positions in the index tumbled from 210,000 to as low as 140,000, they remained around 200,000 throughout the first nine months and peaked at 270,000 during the year.

While trading in FX contracts focused mainly on near-term TL/USD instruments, there was no significant change in the number of open position contracts. The number of open positions in the nearest-term USD contracts remained pretty much around 100,000 for quite some time though they did fall as low as 40,000 with the closing of positions at the end of the month of June.

The inauguration of leveraged FX trading did not appear to have any meaningful impact on the total volume of FX trading contracts. Indeed if anything, trading volumes in contracts were below expectations.

IS Investment's Trading Volume and Market Share - TurkDEX



TurkDEX Trading Volumes By Brokerage Houses

Brokerage Houses			Trading Volume (TL mn)		Change	% Market Share	
2011	2012		2011	2012	%	2011	2012
1	1	IS INVESTMENT	111,147	119,452	7.5	12.6	14.8
3	2	BROKERAGE HOUSE 1	53,347	73,091	37.0	6.1	9.0
2	3	BROKERAGE HOUSE 2	55,112	45,865	(16.8)	6.3	5.7
4	4	BROKERAGE HOUSE 3	37,132	42,256	13.8	4.2	5.2
19	5	BROKERAGE HOUSE 4	15,362	34,748	126.2	1.7	4.3
		TOTAL TOP 5	292,412	315,411	7.9	33.2	39.0
		TOTAL	879,599	807,865	(8.2)		

IS Investment maintained its leading position in derivatives trading in 2012. Total F&O trading in 2012 was worth TL 807.9 billion of which IS Investment improved its own market share to 14.8%. Last year the company handled TL 119.5 billion worth of such trades.

IS Investment continued to fulfill its duties as a market-maker in FX and gold contracts, a standing which it has enjoyed since 2009 and which it has augmented with the addition of new instruments. IS Investment is the only market-maker currently doing deals in five different contract pairs traded on this market: Gold/TL, USD/Gold (Ounce), TL/EUR, TL/USD, and EUR/USD.

Having originally issued index warrants in November 2010, IS Investment added USD/TL and Gold/TL instruments to the lineup in 2011. Last year the company further expanded the product line with the introduction of single-stock warrants. The company issued 126 of such warrants in 2012.

During the course of the year IS Investment's share of the market in warrant trading reached as high as the 40% range. It closed the year with a market share in the teens.

The most important event in derivatives trading in Turkey last year was the opening of an derivatives market at Borsa İstanbul.

Long-anticipated derivatives trading in equities-based contracts finally got under way at BIST on 21 December 2012.

Having previously readied itself for this launch, IS Investment was one of the first players to join the new market and the company quickly established itself as the trading volume leader.

IS Investment fully intends to defend its leading position in derivatives trading in 2013 as well.

2012 was a year in which countries' governments and central banks appeared to exert even greater influence over the course of the world economy.

In early 2012, the US Federal Reserve's announcement that its low-interest policy, which had been expected to end around the middle of 2013, would remain in effect at least until the end of 2014 was a clear signal that the bank intended to continue supporting the economy.

In the first half of the year, markets remained volatile as debates raged over a proposed new round of monetary expansion. With the interest rate on 10-year US bonds plummeting to record-breaking depths in 2011 and bottoming out at the lowest levels witnessed in sixty years, expectations grew that a third round of quantitative easing (QE3) was in the offing. In September, the Federal Open Market Committee (FOMC) announced its decision to continue keeping interest rates low until at least mid-2015 and to buy USD 40 billion worth of mortgage-backed securities every month.

Towards the end of the year, the Fed also announced that its loose monetary policy stance would be maintained until its 2.5% inflation and 6.5% unemployment targets had been met. (Some market pundits interpreted this announcement as meaning that the low-interest policy could be abandoned before 2015 if those targets were achieved.)

The European debt crisis was at the top of the agenda.

The European debt crisis continued to occupy everyone's agenda again in 2012.

With euro-area countries announcing record-breaking unemployment figures and a number of European countries and also Greek, Spanish, Italian, German, and British banks suffering credit rating cuts, there was every possible sign that the crisis was becoming deeper.

The ECB announced a second round of long-term refinancing operations (LTRO) through which it provided banks with liquidity while also restructuring Greece's debts, applying a "haircut" to part of them, and extending the maturities of the remainder from seven years to thirty. With political uncertainties in the wake of national elections and there apparently being very little prospect of

International Capital Markets

In 2012 the problems which had been plaguing Greece, Spain, and Italy for some time now began provoking worries about France and even about Germany.

actually undertaking the reforms needed to qualify for a bailout, debates resumed over whether or not Greece should leave the EU and the euro. So-called "Grexit" arguments were substantially put paid to by an ECB announcement of a new spate of bond-buying and by bank president Mario Draghi's "The euro is irreversible" declaration. The ECB also announced that countries with problems could start receiving assistance to deal with their difficulties as soon as they committed themselves to satisfying the prerequisites for such aid. For the rest of the year, discussions centered on whether or not Spain would apply for a bailout and how much longer its economy could survive without actually doing so.

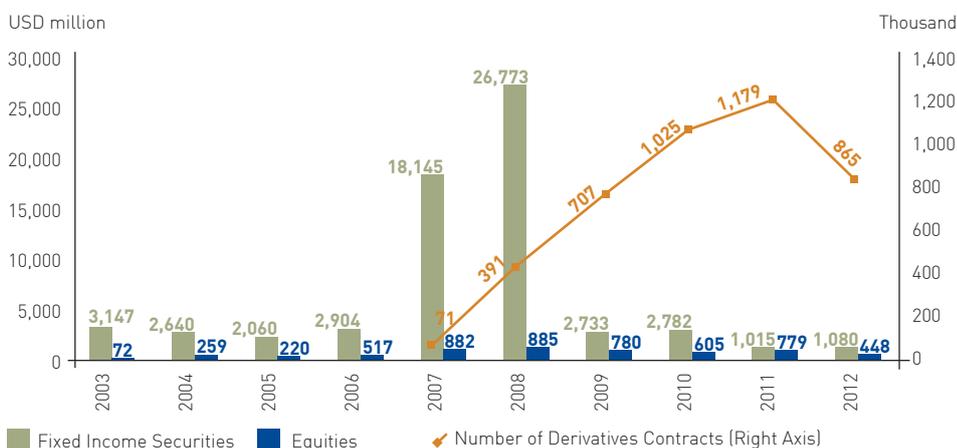
In 2012 the problems which had been plaguing Greece, Spain, and Italy for some time now began provoking worries about France and even about Germany.

The situation in Asia was not much brighter in 2012.

Disappointing export and growth figures coming out of China all year long fueled worries that the country which had been the engine of global economic growth for a decade might now be going into recession. With indexes performing badly throughout the year in China, there were signals that efforts were being made to rebalance the composition of the country's economic growth in order to focus more on domestic demand and consumption.

In Japan, very little progress was made in the first half of the year in dealing with such issues as a falling yen and deflation and in May Fitch announced that it had cut the country's credit rating from AA to A+. After his party's landslide victory in the 2012 general elections, Shinzo Abe's announcement that Japan might also have recourse to QE drove down the yen's value even further late in the year. Close attention will be given in 2013 to whatever the Bank of Japan decides to do and the effectiveness of whatever action it actually takes.

IS Investment's International Trading Volume



Foreign Equities

Failure to satisfactorily resolve crisis-related problems either in the United States or in Europe sparked unease everywhere but especially in European markets in 2012.

By performing much better than other markets and certainly better than world averages, Borsa Istanbul drew investors' attentions from alternative venues.

With the aid of share/option seminars, reports, and recommendations shaped by investors' interests and preferences, the demand for foreign equities is expected to grow in line with market conditions and global developments

Information- and trust-based one-on-one relations developed with investors through published reports, recommendations, market updates, and buy/sell suggestions give IS Investment a significant competitive advantage.

Foreign Fixed-Income Securities

Both private-sector and developing-country eurobonds made a good start in 2012, especially in the wake of ECB's long-term refinancing operations. ECB's "ready to do whatever it takes" pronouncement helped soothe the market's jitters about what might happen in Europe.

With tensions thus on the wane, interest rates on Spanish and Italian bonds, whose issuing countries are heavyweights in the EU economy, began falling in the second half of 2012 from their existing 7.58% and 6.45% levels to 4.88% and 3.97% respectively by the end of the year.

Meanwhile in the second half-year, an understanding was finally reached on issues related to Greece's bailout package. The demonstrated resolve of the ECB to address and deal with the EU's liquidity problems also helped mitigate the more medium-term risks besetting Europe.

In the United States, systematic efforts on the part of the Fed to resolve the country's economic problems and the bank's demonstrated commitment to keeping markets supplied with liquidity contributed

to a restoration of risk perceptions in international bond markets.

In China, new data signaling that the economy was on the mend helped capital markets assuage their concerns about the risks the country faced. As a result both of an abundance of liquidity and of improved risk perceptions, there was a significant increase in trading volumes, especially in the private-sector primary bond market.

Primary-market trading in eurobonds issued by companies with an "investment-grade" (IG) credit rating increased by 13% year-on-year in 2012 and reached USD 2.9 trillion in value.

The fixed coupon rate on private-sector IG corporate eurobonds fell to a historically low 3.63% in the last quarter of 2012.

Along with such developments, there was also resumed vigor in secondary-market eurobond trading as well.

2012 was a year in which the Turkish corporate eurobond market also grew.

The market for eurobonds issued by Turkish companies also grew strongly in 2012. In a year in which the Turkish Treasury tapped international markets for USD 6 billion all told, the aggregate value of Turkish private-sector corporate borrowing reached nearly USD 10 billion.

About USD 8.5 billion of that total was the result of issues just in the second half-year. (In the whole of 2011, the Turkish private sector borrowed just USD 3.3 billion off international markets.) The demand for Turkish government and corporate eurobonds became even stronger after Fitch raised Turkey's international credit rating to the investment-grade level.

The growth in Turkish private-sector international borrowing impacted favorably on IS Investment's secondary-market eurobond trading.

IS Investment acted as a co-manager in the Turkish Treasury's debut sukuk issue.

IS Investment acted as a co-manager in the Turkish Treasury's debut issue of sukuk (Sharia-compliant) bonds in a deal that involved USD 1 billion worth of instruments that fall due in 2018.

In its role as co-manager, IS Investment successfully solicited purchase offers for the issue through the bilateral relations which the company has been in the process of developing in the Middle East for several years now.

IS Investment also acted as co-manager in an İşbank issue of USD-denominated eurobonds that mature in 2017.

Emerging Market Bonds Performance (%)

Country	2011	2012
EMBI+	7.66	17.89
Ecuador	17.79	12.30
Turkey	[0.018]	26.98
Colombia	10.92	13.76
Brazil	11.43	13.64
Panama	13.72	12.98
Philippines	10.74	16.66
Mexico	11.52	12.03
Peru	13.55	18.81
South Africa	7.31	14.35

IS Investment acted as co-manager in two major bond issues during 2012:

- A USD 1 billion issue of the Turkish Treasury's first sukuk debentures, which mature in 2018.
- İşbank's issue of USD-denominated eurobonds, which mature in 2017.

International Derivatives Markets

IS Investment added options and CFDs to its TradeMaster International electronic trading platform.

In 2012, options and CFDs (contracts for difference) were added to IS Investment's TradeMaster International (TMI) electronic trading platform.

Deals involving index, commodity, and forex forward contracts traded on sixteen different exchanges around the world can be conducted through an investment advisor or by clients themselves by accessing the TMI platform.

Real-time price information received from exchanges allows investors not just to monitor market movements but also to affect their trades at the current price.

IS Investment witnessed significant growth in its international derivatives market monthly average trading volumes in a remarkably short time in 2012.

Having drawn the interest of investors in previous years as well, the options market was made much more attractive by the introduction of new TMI features. Because the contracts were added late in the year, there was no significant volume in CFD trading. However a variety of stock-, ETF-, index-, commodity-, and similarly-based contracts that are to be introduced in 2013 are expected to be among the most attention-getting products.

TradeMaster FX-supported growth in trading volumes and accounts.

Having originally been introduced at IS Investment in late 2008, London Metal Exchange (LME) trading grew in 2012 and attracted more interest among investors.

TradeMaster FX, the newest member of TMI, IS Investment's electronic trading platform, resulted in substantial increases in client trading volumes and accounts after being made accessible to investors.

That accessibility was further enhanced by the introduction of mobile apps (iPhone and Android) compatible with the TMI platform that also helped boost trading volumes.

According to the most recently published figures, IS Investment was the market leader with a 27% share of all leveraged FX trading in the first nine months of 2012. We fully intend to defend our leading position in such trading in 2013 as well.

We have begun procuring Turkish and English language news services from Dow Jones in order to provide investors using this platform with a continuous stream of reliable information about market developments. In addition, we generate reports about currency markets and make them available to investors through the same system. To be sure that the platform is functioning reliably and consistently, we have changed over to an operating system that is in service round-the-clock during weekdays.

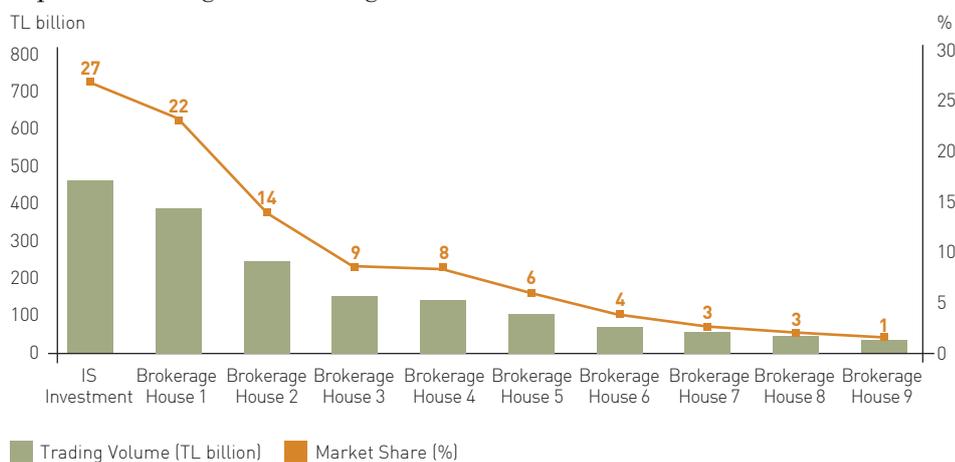
The total number of IS Investment's liquidity providers increased from 10 to 14 in 2012. The fact that our company is working with fourteen of the top fifteen banks in EuroMoney magazine's list gives it a strong competitive edge from the standpoint of the quality, sustainability, and transparency of its liquidity.

TradeMaster FX

TradeMaster FX is the newest member of TMI, IS Investment's electronic trading platform.

After being made accessible to investors, TradeMaster FX resulted in substantial increases in client trading volumes and accounts.

Top 10 in Leveraged FX Trading Volume - 2012/09 *



* Based on the most recent data published by TSPAKB (The Association of Capital Market Intermediary Institutions of Turkey)

Domestic Sales & Marketing

Websites promoting TradeMaster platforms were renovated in 2012.

Direct access to all TradeMaster platforms was made possible from www.trademaster.com.tr.

Clients' portfolios managed by Domestic Sales grew by an aggregate 31%.

Sales & Marketing worked in coordination with other units in the preparation of video-based reports that give investors more convenient access to the information that they need. The inclusion of these videos along with our other reports on our websites strengthened the flow of reliable and current information.

A successful year in marketing

Beset by financial market volatilities driven by the global crisis and suffering from the effects of worsening macroeconomic balances, 2012 was nevertheless a successful year for IS Investment in the conduct of its domestic marketing.

With the opening of IS Investment's new Adana branch in the first half-year, the company's marketing and sales activities in the region gained additional strength. New sources of funding were secured both by the acquisition of new active investors and by growing the existing assets of investors through insightful investment strategies. As a result of such efforts, clients' aggregated domestic sales portfolios grew by 31% in 2012 and reached TL 8.9 billion in value.

During 2012 IS Investment continued to make visits to clients located outside Istanbul. By personally contacting and calling on potential investors in many different parts of the country, the company further expanded its client base.

One of our goals for 2013 is to ensure that new sources of funding are sought out and drawn into the company. In order to take on still more new clients, we plan to continue with our nationwide marketing efforts by making visits to parts of the country where we do not yet have branches but where we believe there exists significant client potential.

Promotion of the TradeMaster platform increased the number of newly-acquired clients.

IS Investment's TradeMaster (TM) platform, which gives clients direct access to markets, was promoted more aggressively in 2012 both to better familiarize investors with it and to encourage its use among them.

As a result of such efforts, there was a significant increase in the number of investors making use of the platform.

Informational and content-related activities about the TM platform specifically and about IS Investment's FX trading products and services in general appeared in nationally circulating printed media such as the magazines *Ekonomist* and *Para*. "50 Frequently-Asked Questions About Forex & Leveraged Trading", a booklet published by IS Investment, attracted much attention and commendation.

We plan to continue making the TM platform even more effective and useful for clients in 2013.

A busy year in investment advisory services

Despite its international market problems and volatilities, 2012 was nevertheless a successful year from the standpoint of newly-launched projects and investment advisory services.

Besides traditional investment advisory services, IS Investment also continued to provide its clients with prime brokerage and wealth management products and services as well in 2012. Every possible effort was made to ensure that all the investment banking services provided to clients under the "Investment Advisory" heading were effective, incorporated risk vs return analyses compatible with clients' expectations, and were capable of generating added value that would give them a competitive advantage.

Number of IS Investment's Clients and Volume of Clients' Portfolios



Prime Brokerage

Under the heading of our prime brokerage business line, we provide asset management companies with regular capital market instrument trading brokerage services along with support and research services in setting up mutual funds and investment advisory as well as, on request, technology and risk management.

As a result of recent changes in Turkey's capital markets law, IS Investment is now able to provide portfolio custodianship services as well.

IS Investment takes part in the formation of mutual funds with features capable of appealing to investors with a wide range of risk vs return preferences.

Private asset management companies in Turkey operate under regulations originally published by the Capital Markets Board (SPK) in 2007. As of end-2012, IS Investment had set up thirteen such funds for private asset management companies.

99% of the requests received by IS Investment for debt securities whose public offerings were underwritten by the company were generated by the Domestic Sales unit.

Mutual Funds and Prime Brokerage Services in 2012

Name	Total Value (TL)
Ashmore IS Investment Type A Variable Equity (Equity Intensive) Fund	3,516,245
Ashmore IS Investment Multi Strategy Type B Variable Fund	10,608,902
Ashmore IS Investment Type B Liquid Fund	7,581,121
Libera Capital IS Investment "Dividend Yield Focused" Type A Variable Fund	2,172,267
Libera Capital IS Investment "Advantage" Type B Variable Fund	9,501,644
Libera Capital IS Investment "Likya" Type B Liquid Fund	8,908,098
IS Investment İstanbul Portföy SYF	25,794,922
İstanbul Portföy IS Investment Type B Short-Term Bond & Bill Fund	59,973,068
Notus Portfolio Management IS Investment Type B Variable Fund	33,199,846
Sardes Asset Management IS Investment "Yield" Type B Variable Fund	1,865,298
IS Investment Ark SYF	8,462,352
IS Investment Logos "Dynamic Distribution" SYF	20,647,761
IS Investment Arma Portföy "Directed" SYF	10,703,856
Total	202,935,380

13 mutual funds

As of end-2012, IS Investment had set up thirteen mutual funds for private asset management companies.



FOREIGN INSTITUTIONAL SALES

In 2012 the Borsa İstanbul Equity Market spent a great deal of its time fretting first over measures that might be taken to deal with a credit bubble and then over the impact that such measures might have on the banking industry. Thanks to low interest rates, healthy credit supply growth, and an apparently lessened likelihood of another global crisis, the market closed the year with a 61% rise on a USD basis, a performance that made it the second-best exchange in the world.

In the first of the two developments that attracted attention in 2012, the percentage of international-investor ownership in the market increased all year long at an almost constant rate and led to strong demand in secondary-market public offerings and equities sales towards year-end. This demand manifested itself as net purchases worth about TL 9.5 billion in all of 2012 while the percentage of international-investor ownership in the market went from around 62% to 66% during the same interval.

The second important development was Fitch's raising Turkey's credit rating to investment-grade towards the end of the year. In the wake of that announcement, there was an especially significant jump in the percentage of trades conducted by foreign investors.

After the strong performance and high returns witnessed in 2012, it would not be unusual for the market to get off to a slow start in 2013. However optimistic expectations of another investment-grade credit-rating boost, of growth, and of credit supply expansion could just as easily power an initial surge that might then segue into a year of considerable volatility. For this reason, only by seeing what happens in the first quarter can we make any valid assessments of the rest of the year.

It would not be surprising to see a year in which international investors do not expand their existing positions by very much relatively speaking—which is to say that they will have about a 15-20% share of total trading. Assuming that other conditions remain favorable as well, they are also likely to increase their overall ownership level to the 70% range.

Foreign Institutional Sales & Marketing

In the first of the two developments that attracted attention in 2012, the percentage of international-investor ownership in the market increased all year long at an almost constant rate and led to strong demand in secondary-market public offerings and equities sales towards year-end.

Another important event at Borsa İstanbul last year was the establishment of a futures & options market in which IS Investment plans to be an active player in 2013.

Equities

The most important development in the equity market was the significant contraction in trading volume.

Although there was some improvement towards year-end that was aided by the boost in Turkey's country rating, total trading in 2012 was down by 10% from what it had been in 2011. Notwithstanding this drop, the relative share of foreign institutional investors in the total did not change significantly.

Excluding trading by foreign institutional investors which have opened offices in Turkey, IS Investment controls an important share of a market in which there are more than 10 service providers.

Futures

IS Investment registered increases of 28% and 19% on a trading volume and contract number basis respectively.

Electronic Trading

Electronic trading volumes continues to grow in 2012.

Electronic trading witnessed growth both in the number of transactions and in their total volume.

28%

IS Investment registered increases of 28% and 19% on a trading volume and contract number basis respectively.



Investor Conferences

Investor conferences conducted in Bodrum (a prestigious international resort in Aegean Turkey), New York, and London served as venues for foreign fund managers and brokerage houses looking to invest in Turkey's stock market.

FOREIGN INSTITUTIONAL SALES: FIXED-INCOME SECURITIES AND STRUCTURED PRODUCTS

Turkish-lira Treasury bonds made up the biggest share of IS Investment's secondary-market trading in 2012.

In addition to seeking out new clients in 2012, IS Investment was also involved in Turkish lira and US dollar T-bill trading, Turkish lira and US dollar corporate bond trading, and Turkish lira corporate bond issuances. Turkish-lira Treasury bonds made up the biggest share of the company's secondary-market trading last year.

Turkish fixed-income securities performed rather well in 2012, especially when compared with those of other emerging markets.

Before reviewing developments in 2012, it is worth recalling briefly what happened in 2011. In the second half of that year, worries about the current account deficit prompted TCMB to begin cutting interest rates in July. When the Turkish lira's value began eroding seriously, the bank launched a number of tight-money policies in order to rein in inflation. The net effect of all this was to raise the benchmark bond yield rate to something over 11.60%. On top of a weak Turkish lira and high current account deficit, in the last quarter TCMB also unveiled a set of unconventional policies that were not fully understood by international investors at the time. Thus it was that in the six months to end-2011, international investors reduced their holdings of Turkish lira Treasury bonds by USD 4.4 billion in value. By far the biggest contributors to this decline were banks and hedge funds, which shed some USD 4.2 billion worth of the instruments, whereas long-term investors' holdings declined by only USD 0.2 billion. Having pulled out of Turkish T-bills, the same investors had recourse instead to Turkish assets whose index weightings were well below the norm.

In 2012 the situation completely reversed itself. Seeing commodity prices in decline and the global appetite for risk on the rise, TCMB began pulling down its effective funding cost and that in turn attracted the attentions of foreign investors.

Low variability in the Turkish lira, a reduction in the current account deficit without causing too much harm to economic growth, and expectations of another "investment-grade" rating combined to restore international investors' interest in Turkish fixed-income securities.

In 2012, banks and hedge funds increased their holdings of Turkish Treasury securities by USD 10.6 billion to USD 31.5 billion. Most of this growth in Turkish lira instruments held by foreign investors was fed out of the inventories of domestic banks. One outcome of this was that the bank-held share of Treasury debt fell from 57% to 48%.

Little interest shown in non-bank corporate bonds in Turkey

One observes that international investors in Turkey show much less interest in Turkish lira corporate bonds than they do in USD-denominated eurobonds. The biggest reason for this seems to be that Turkish lira corporate bonds are exposed to both credit risk and to exchange rate risk and the need to assess these two risks together involves a degree of investment decision coordination that is beyond many investors. For investors who are able to take on both types of risk, the factors that are of concern are issue dimensions, liquidity, and maturity length.

Many medium-sized fund managers are constrained by minimum investment thresholds on the order of USD 200-300 million. This is another reason why there is so little interest in non-bank corporate bonds in Turkey. Because international investors actually prefer longer maturities, they may not show much interest in an issue whose maturity they perceive as being too short, even if the asset's issue dimensions and yields are acceptable.

IS Investment continued to broker secondary-market trading in Turkish lira and US dollar corporate bonds.

\$31.5 billion

In 2012, banks and hedge funds increased their holdings of Turkish Treasury securities by USD 10.6 billion to USD 31.5 billion.

Asset Management

IS Investment single-handedly manages 26% of the funds market.

MUTUAL FUNDS

Limited growth was experienced in mutual funds in 2012.

Unlike their performance in 2011, mutual funds experienced nominal–albeit limited–growth in 2012. The benchmark bond rate, which was around 11.50% at the beginning of the year, fell by nearly 5.5 points in the ensuing months, which had a favorable impact on yields by generating capital gains. Meanwhile some fund owners converted their liquid (money-market) funds to short-term bond & bill funds, which are allowed to be more flexible in their structure. Such conversions contributed significantly to the growth in bond & bill funds, especially at the short-term end of the segment.

As had been expected, there was a huge, 71% reduction in capital-protected/ guaranteed funds in 2012. Among the reasons for this enormous contraction, particular mention should be made of performance weaknesses in fund redemptions and the lack of significant activity (and/or the absence of any reasonable expectation thereof) capable of attracting investor interest in the underlying assets.

Late in 2011 the Capital Markets Board introduced a cap on management fees that was differentiated according to fund type. Late in 2012 SPK redefined this cap as the maximum permissible ratio of a fund's total expenses to its total value. The effect of this was to set an upper limit on the total fees (including management fees) and expenses that a fund can charge.

Following the definition of a new "equity-intensive" type of mutual fund in 2011, rules governing their tax-related issues were announced in 2012. An equity-intensive mutual fund is one with a portfolio composition consisting of at least 75% company equities as determined on an average monthly basis. As for tax treatment, the trading gains earned on funds of this type are subject to a zero rate of withholding. In the period immediately ahead we may expect capital markets' agendas to be preoccupied by issues such as communiques and policy decisions published in the wake of Turkey's newly-passed Capital Markets Law and by the regulatory changes implementing them.

The mutual funds industry grew by just 1% and reached TL 30 billion in value in 2012.

The Leveraged Equity Hedge Fund created in 2011 was offered to qualified investors in 2012.

The Leveraged Equity Hedge Fund was set up in 2011 to invest mainly in equities in order to address different investment preferences. In 2012, shares in this fund were offered to qualified investors.

The IS Investment Dow Jones Turkey Equally Weighted 15 A Type Exchange Traded Fund (Equity Intensive Fund), one of IS Investment's "Type A" mutual funds, was converted into the IS Investment BIST 30 Type A Exchange Traded Fund (Equity Intensive Fund), which tracks the BIST 30 Index, one of the benchmarks of the Turkish equity market.

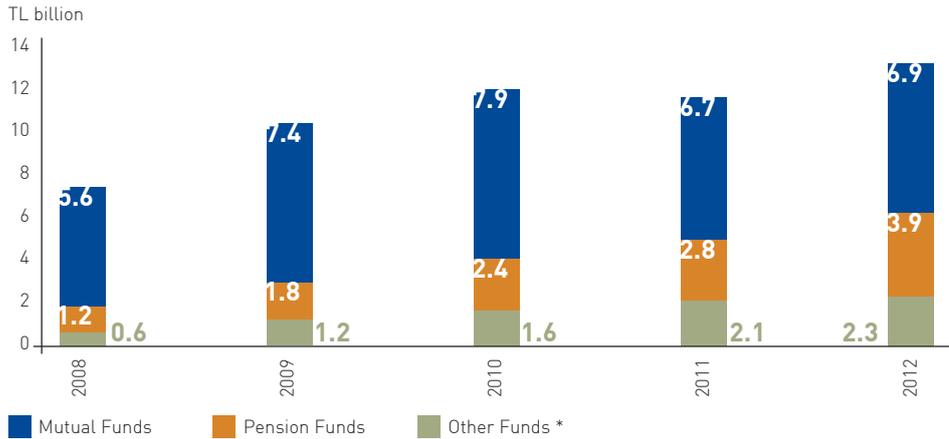
The IS Investment Dow Jones Turkey Equally Weighted 15 A Type Exchange Traded Fund (Equity Intensive Fund) and the IS Investment iBoxx Turkey Benchmark Bond Type B Exchange Traded Fund, two IS Investment exchange traded funds, achieved 99.77% and 99.37% correlation rates respectively with their tracking indexes.

The company's Type A Variable and Type B Short-Term Bond & Bill funds provided higher-than-benchmark returns.

The aggregate value of all of the mutual funds under IS Investment's management reached TL 13.1 billion in value as of end-2012, which corresponds to a year-on rise of 13%. TL 3.9 billion worth of that consisted of pension funds, whose own aggregate value increased by 39% during the same interval.

On 29 December 2012, the Treasury Undersecretariat published a set of regulations concerning the state contributions that are to be made to the Private Pension System. IS Investment believes that these rules will provide a substantial shot in the arm to growth in pension funds' assets.

Aggregate Value of Assets under Management



39%

The aggregate value of all of the mutual funds under IS Investment's management reached TL 13.1 billion in value as of end-2012, which corresponds to a year-on rise of 15%.

TL 3.9 billion worth of that consisted of pension funds, whose own aggregate value increased by 39% during the same interval.

*Includes private asset management portfolio, alternative investment products portfolio and SICAV funds.

Under the new rules and beginning on 1 January 2013, the state will contribute an additional amount equal to 25% (subject to a cap) of the amount that an individual pays into his own Private Pension System account; however the state's total contribution in any calendar year cannot exceed 25% of the gross amount that would be paid as the minimum wage during the same 12-month period.

According to the same regulations, at least 75% of these state contributions to the Private Pension System must be invested in Turkish-lira debt instruments, revenue-sharing certificates, and/or

leasing certificates issued by the Treasury Undersecretariat while the remaining (but not more than) 25% may be invested in:

- Turkish-lira bank deposits, participation accounts, bank-issued debt securities (provided they are traded on an exchange), or leasing certificates issued by asset leasing companies that originators are banks;
- In equities included in the BIST 100 Index or in other indexes as may be specified.



"Value"
created through
superior information

Corporate Finance

24%

The total value of all debt securities issued in Turkey on the primary market in 2012 amounted to TL 42.3 billion. This corresponds to 2.3 times the previous year's TL 18.5 billion.

In 2012 IS Investment brokered TL 9.1 billion worth of debt securities in 28 deals, thus maintaining its leading position in the public offerings market with a 24% market share.

PUBLIC OFFERINGS

Equity Offerings

In 2012 there were 16 private-sector IPOs in national markets other than the Emerging Companies Market. These offerings generated total proceeds amounting to TL 531.5 million. There was also Halkbank's secondary public offering that secured TL 4.5 billion in privatization revenues.

Setting aside the exceptional Halkbank privatization for the moment, the absolute number of public offerings in 2012 was bigger than it was in 2011 but the amounts involved in the equity offerings were insufficient to provide meaningful liquidity support.

The public offerings undertaken in 2012 were especially criticized by investors. The Association of Capital Market Intermediary Institutions of Turkey, an industry self-regulatory organization, began looking into new ways to deal with such problems.

IS Investment continues to involve itself in the types of public offering projects for which it is licensed. The company also continuously develops and submits proposals for such offerings to potential clients. It is thought that business conditions in 2013 may be such as to make it an active year for IS Investment in the public offerings business line.

Debt Security IPOs

The market for private-sector debt securities is growing rapidly.

Fueled especially by banks' issues in recent years, the market for private-sector debt securities continued to grow rapidly in 2012.

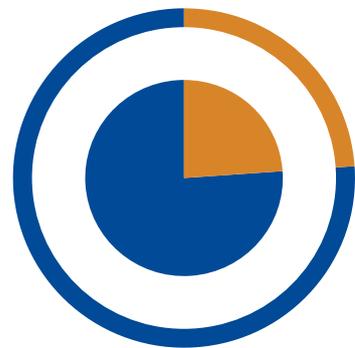
The total value of all debt securities issued in Turkey on the primary market in 2012 amounted to TL 42.3 billion. This corresponds to 2.3 times the previous year's TL 18.5 billion. Of the TL 42.3 billion total in 2012, TL 37.4 billion was made available to the public at large and the remaining TL 4.9 billion was sold to qualified investors.

Banks' issuances continued to overwhelmingly dominate this market: the TL 38.2 billion worth of debt issued by banks in 2012 corresponded to 90% of the total. In 2011 banks issued TL 17.5 billion worth of debt securities.

In 2012 IS Investment handled debt instrument issues worth a total of TL 9.1 billion in 28 separate deals. The company remained the leader in public offerings with a 24% share of that market.

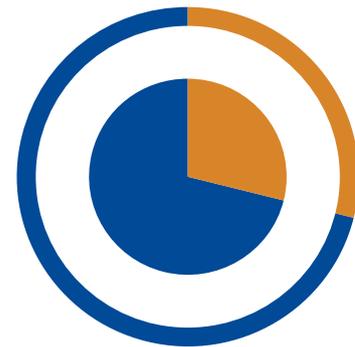
The great majority of the issues managed by IS Investment consisted of public offerings. Of the TL 9.1 billion total, TL 7.7 billion was accounted for by 14 separate projects undertaken for İşbank and the remaining TL 1.4 billion was generated by 14 projects for 9 different issuers. In aggregate, the offerings were oversubscribed 1.2 times. IS Investment's intention is to remain the leading source of publicly-offered private-sector debt securities in 2013 as well.

Private Sector Debt Security IPOs * - Market Share - 2012



IS Investment 24%
Others 76%

Private Sector Debt Security IPOs * - Market Share - 2011



IS Investment 29%
Others 71%

* Issues to qualified investors are excluded.

\$21.8 billion

USD 21.8 billion worth of M&A deals were conducted in Turkey in 2012.

MERGERS & ACQUISITIONS

A total of USD 21.8 billion worth of mergers & acquisitions (M&A) took place in Turkey in 2012, a performance that corresponds to a 50% rise over the previous year's USD 14.9 billion. 75% of the 2012 deals involved foreign investors while privatizations accounted for some 42% of the total value.

Of these deals, 27 were worth more than USD 100 million and those accounted for a 93% share of the total. Privatization project auctions that were speeded up and finalized in the last quarter especially helped boost the year's total.

It is apparent that the M&A market in Turkey is still one that attracts strong interest on the part of international investors. Looking at the deals on a sectoral basis, energy, fast-moving consumer goods (FMCG), and finance were the biggest draws.

Although the international investor base is still EU-centric, it is becoming more balanced as private equity funds based in Far Eastern and Middle Eastern countries along with US-based strategic firms have begun showing interest as well. What is apparent is that there is still a considerably wide gap between buyers' and sellers' expectations concerning a number of issues related to the valuation of deals being done in Turkey. An especially thorny problem is debt-based risks that could in future pose operational risks arising from currency positions: buyers would like to price these at a high discount whereas sellers would like to use a variety of instruments to deal with such issues and are otherwise unwilling to reduce or discount their asking price.

Among the projects on the 2013 horizon are the completion of electricity distribution company privatizations, new electrical power generation assets being put up for auction, requests for bids on the Milli Piyango (national lottery) and Spor Toto (football pools) privatizations, and completion of the Başkent Doğalgaz (Ankara natural gas distribution company) privatizations.

There was significant vigor in private equity deals in 2012.

Valued at about USD 3 billion, private equity deals accounted for a 14% share of all M&A activity in 2012. Among the more outstanding of these deals were the Koton and Pronet projects.

The substantial accumulation of cash resources which private equity funds apparently have been allocating for Turkey and its region suggests that our country is likely to be a focal point of these funds' attentions in 2013.

The ability of the M&A market to repeat or exceed its 2012 performance in 2013 is largely dependent on the progress of the major privatization projects that are still in the pipeline. When privatizations are factored out, it appears that the market for private-sector mergers & acquisitions could be worth as much as USD 10 billion or so. However when the privatization projects mentioned above are included,

their realization in 2013 could double that and thus the 2012 figure would be within reach.

Bigger prospects for growth in 2013 are seen as being likely in the construction and building materials industries, which are expected to be driven by rapid growth in consumer goods and by a surge in urban renewal projects. All told, it is thought that growth in the M&A market in 2013 will be concentrated in specific sectors whose business volumes are liable to be substantial.

As is usually the case, the sectors in which M&A deals are expected to increase are consumer goods, energy, and health care and services. Two new sectors that also look likely to experience significant M&A growth in the near term are e-commerce and education.

IS Investment completed seven M&A projects in 2012. The company is also involved as a consultant in a number of other such projects related to companies that are active in energy, automotive components, and consumer goods.

M&A Projects Completed by IS Investment in 2012

	Month	Buyer	Seller	USD Value	Our Role
1	October	İş Girişim	NumNum	15,168,539	Consultant to buyer
2	October	Yıldırım Holding	Gemport Liman İşletmeleri	NA	Consultant to seller
3	August	TAV	İş Girişim (HAVAŞ stake)	19,422,222	Consultant to seller
4	June	Toksöz Spor	İş Girişim	13,300,685	Consultant to buyer
5	June	Trakya Cam	Glasscorp Romania	NA	Consultant to buyer
6	March	-	SABMiller (BIST Lot Market sale)	1,900,000,000	Consultant to seller
7	February	Ode Yatırım	İş Girişim	10,500,000	Consultant to buyer

Research

IS Investment distinguishes itself by providing research support even to companies whose debt security issues it does not underwrite.

In 2012 IS Investment continued to produce high-added value reports on economic matters, on fixed-income securities, and on equity markets.

The company continued to generate regular reports concerning 80 or so companies that account for some 75% of the stock exchange's market value and it makes "Buy/Sell/Hold" recommendations about them.

From among the most attractive of companies for which it makes "Buy" recommendations IS Investment created its "Top Recommendations" list, which outperformed the BIST 100 Index by 21% in 2012 and by 269% over the last eight years.

Encouraged by an unusually-low interest rate environment, the market for non-bank corporate bonds has been growing rapidly. The regular reports that IS Investment publishes about 13 companies that account for close to 80% of that market give the company a strong competitive edge.

269%

From among the most attractive of companies for which we make "Buy" recommendations we create our "Top Recommendations" list, which outperformed the BIST 100 Index by 21% in 2012 and by 269% over the last eight years.

IS Investment distinguishes itself by providing research support even to companies whose debt security issues it does not underwrite.

Throughout 2012, IS Investment published comprehensive Turkish- and English-language reports intended for domestic and international institutional and qualified private investors dealing with economic issues and with equities and fixed-income securities strategies. It also conducted weekly strategy meetings and made visits to institutional investors and asset management companies.

The company continued to play an active role in international and national sales processes. Investor conferences conducted in Bodrum (a prestigious international resort in Aegean Turkey) as well as in New York and London served as venues at which to promote BIST-registered companies to potential foreign investors.

A series of IS Investment roadshows was also conducted with the aim of promoting BIST-quoted companies among potential international investors. The company's research and international sales teams

met with investors in continental Europe, the UK, and the USA during which presentations were made focusing on Turkey's macroeconomic, company, and fixed-income security outlooks and on strategies through which one might benefit from them. Meetings held in Istanbul also provided opportunities for Turkish institutional investors and companies to get together.

In 2013 IS Investment plans to have its research specialists call and visit institutional clients more frequently in order to strengthen the relations between them and its own analysts and to get a better understanding of clients' needs and wishes. This will involve not only roadshows and investor conferences but also visits made directly to institutional investors located in other countries.

Based on feedback received from clients, IS Investment also plans to increase the number of companies that it regularly monitors in 2013. Given the potentially volatile course that markets may be taking in the near term, it is felt that there will be an even bigger need for solid research and reporting on the equities and bonds fronts.

IS Investment's "Top Recommendations" List's Return in TL Basis vs BIST 100 Index Return - 2012



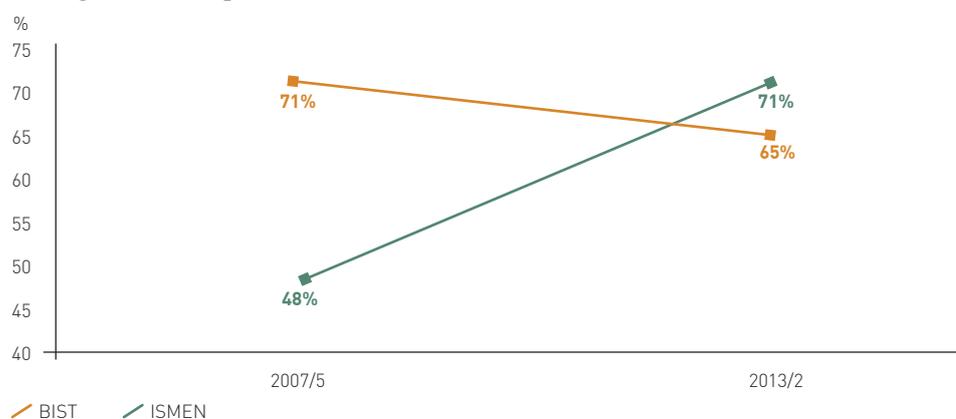
Investor Relations

AAA

ISMEN secured gains of 35% in 2012 and of 476% in the five years since the beginning of 2009, thereby outperforming the BIST 100 on the order of 98%.

Having raised Turkey's credit rating to "investment grade" in November, in December Fitch Ratings confirmed the "AAA" (outlook stable) long-term national rating that it had previously assigned to IS Investment.

Foreign Ownership



During 2012 meetings were held with local and foreign investors and a more proactive approach was taken on the matter of information disclosure. Within this framework, efforts continued to be made to attract the attention of investors domestic as well as international. The positive contribution that local investors were capable of making to ISMEN's performance especially during periods of market volatility was apparent.

Besides the qualified local investors with whom meetings were held during the year, meetings were also conducted with more than 20 asset management companies and many other institutional investors from Europe, the USA, South Africa, South Korea, Japan, and the Gulf. A positive atmosphere prevailed at such gatherings, which are thought to have contributed favorably to ISMEN's price performance.

ISMEN Price Performance - 2012



In January 2013, a roadshow mounted in the United States gave the company access to investors in and around the cities of New York and Boston. These meetings are thought to have been extremely productive. Additional roadshows this year are now being planned for Europe and elsewhere.

ISMEN embarked on 2012 with an opening (adjusted) price of TL 1.22. In the first nine months, the stock consistently outperformed the BIST 100 index by about 5%-10%. The upward trend that began in September and particularly the optimism engendered by Fitch's boosting Turkey's credit rating to "investment grade" subsided, with interest among financial companies beginning to shift to highly-liquid banks as markets began to recover. Despite this change in market focus however, ISMEN still generated a 35% yield for its investors in 2012 and, by having secured a total gain of 476% in the five years since the beginning of 2009, the stock outperformed the BIST 100 on the order of 98%.

IS Investment's full-disclosure approach heightens ISMEN's visibility as well as investor interest in the stock.

Under the heading of IS Investment Information Policy coordination, investor briefings were organized in 2012 and efforts continued to be made throughout the year to conduct relations with analysts, rating agencies, regulatory authorities, and other stakeholders. In this effort,

special attention was given to keeping shareholders and all other interested parties correctly and fully informed in a timely manner. In addition to such information-related activities, corporate governance practices coordination and public disclosure activities were carried out in compliance with applicable laws, regulations, and administrative provisions.

IS Investment's Corporate Governance Ratings

Main Heading	Previous (23.12.2011)	Updated (11.09.2012)
Shareholders	8.13	8.61
Public disclosure and transparency	9.12	9.28
	9.12	9.28
Stakeholders	8.24	8.43
Board of Directors	8.68	8.84
Total	8.63	8.87

Cash Dividends and Dividend Yields



IS Investment Commercial Paper Issues

	Series III	Series II	Series I
ISIN	TRFISMD91314	TRFISMD31310	TRFISMDE1214
Maturity date	2 September 2013	15 March 2013	9 October 2012
Opening date	7 March 2013	17 September 2012	13 April 2012
Quote date	8 March 2013	18 September 2012	16 April 2012
Bookbuilding	4-5 March 2013	12-13 September 2012	10-11 April 2012
Term	179 days	179 days	179 days
Total issue (TL)	115,000,000	100,000,000	100,000,000
Spread (in basis points)	80	90	70
Interest rate (simple)	6.23%	7.73%	10.30%
Interest rate (compound)	6.33%	7.88%	10.57%
Issue price (TL)	0.97035	0.96348	0.95192

Another priority for IS Investment in 2012 was to strengthen the investor relations of its market-quoted subsidiaries and thereby create group-wise synergies

To this end, particular attention was given during meetings to familiarizing investors with IS Private Equity (ISGSY) and with its activities and performance as a company. Such efforts paid off by significantly boosting ISGSY's price performance.

As a result of review meetings held with Fitch Ratings, the agency announced in August that it had confirmed

IS Investment's long-term national credit rating as "AAA" (outlook stable). After its revision of Turkey's credit rating to investment grade level in November, Fitch also reconfirmed IS Investment's "AAA" (outlook stable) rating once again.

Corporate governance rating upgrade

Efforts also continued in 2012 to improve corporate governance practices at IS Investment. As a result of reviews conducted during the year, IS Investment's overall corporate governance rating was raised from 8.63 to 8.87 points.

The new rating was publicly announced on 11 September 2012. A breakdown of IS Investment's corporate governance rating by main heading and a comparison with its previous ratings in each category are provided in the chart on the left-hand side.

IS Investment's shares continue to be included in the BIST Corporate Governance Index.

In 2012 a total of 1,532 material disclosures were sent by IS Investment to the Public Disclosure Platform (KAP) concerning matters related to its publicly-traded shares, commercial papers, exchange traded funds, and warrants.

Interest continued to increase in the teleconference investor presentations that IS Investment conducts at the culmination of each financial reporting cycle.

Such presentations are conducted on a quarterly basis with the aim of allowing investors to make informed judgments about IS Investment and its performance.

So as to ensure that information is made available to all investors simultaneously, the materials used in these teleconference presentations are published on IS Investment's website before the meetings actually take place.

Attention was given to ensuring that general meetings held in 2012 were conducted in compliance with the requirements of capital market laws and regulations, corporate governance principles, and company charters. Beginning in 2013, general meetings will simultaneously be accessible in electronic format. Online participants will be able to exercise all of the rights (expression of opinion, voting, etc) to which they are entitled as shareholders.

8.87

As a result of reviews conducted during the year, IS Investment's overall corporate governance rating was raised from 8.63 to 8.87 points.

Risk Management

During 2012 IS Investment continued to provide asset management companies with corporate risk management services on request.

A risk management culture that is integral to corporate governance

Risk management at IS Investment is carried out under the responsibility of the Board of Directors and independently of the company's business operations and units. Because IS Investment's risk management culture is an integral part of its corporate governance attitudes and

approaches, the Corporate Governance Committee was originally given responsibility for risk management. In 2012 that responsibility was transferred to a separately constituted Risk Committee so that risks might be managed more attentively.

The market risks to which the company is exposed are quantified on a day-to-day basis using the value-at-risk (VaR) methodology. The daily reports that are generated are disseminated among those concerned and are reviewed every month by the Risk Committee. Through this process, a risk-aware culture is fostered throughout the company while the appetite for risk is effectively managed.

Work was carried out to ensure that the pre-order collateral checks for clients accessing Borsa İstanbul Futures & Options Market through TradeMaster would be compatible with the CME SPAN system that BIST wants to use for calculating margin requirements. The margin calculation model that was developed as a result of these efforts went into use with the market commenced operation in December 2012.

During 2012 IS Investment continued to provide asset management companies with corporate risk management services on request. As part of this, financial risk measurements and analyses were conducted regularly in light of internationally accepted portfolio risk management principles; portfolio risk reports were prepared for investors; and mutual funds' and asset management companies' risk quantification reports were sent every week to those concerned.

Turkey's Risk Index - TRE & VIX - 2012



Some of the Changes Made in the Legal and Regulatory Framework in 2012.

A new Turkish Commercial Code went into effect on 1 July 2012 and was followed by a new capital markets law on 30 December 2012. These two laws introduce a number of innovative features which are believed to be of importance to shareholders and which have attracted considerable public attention.

Electronic General Meetings: The Electronic General Meeting System (e-GEM) provides an online virtual platform by means of which shareholders in a company may take part in normally-conducted general meetings in real time from wherever they may have internet access. E-GEM allows them to see and hear everything that transpires, to express their views, to advance and debate motions, and to cast votes like any other shareholder and exactly as if they were physically present at the meeting.

Shareholders' rights to demand a special audit: Every shareholder has the right to demand that a special audit be conducted if he deems it to be necessary for the exercise of his shareholder rights and, if he has previously exercised his rights of information access and/or examination, to have specific issues clarified by means of a special audit. Such demands must be made at a general meeting of the company. If a majority of the meeting rejects such a demand, then within three months' time shareholders controlling at least 10% (5% in publicly-traded joint-stock companies) of the company's stock or else shareholders controlling shares whose total nominal value is at least one million Turkish liras may petition a commercial court of the first instance in the place where the company's headquarters are located to have a special auditor appointed.

Right to Resign: A shareholder who has voted against "transactions of a material nature" at a general meeting and who enters his objections (his reasons for so voting) in the meeting's minutes may demand that he be allowed to sell his shares back to the company so that he may leave the company. Transactions which are deemed to be material are those involving such things as: the company's being a party to a merger or demerger; changing the company's incorporation type; winding up the company; transferring, leasing, or establishing real rights over all or a substantial portion of the company's assets; entirely or substantially changing the company's principal business activity; granting special rights or altering the nature or scope of existing special rights; delisting the company. Buyouts must be priced on the basis of the weighted-average price of the company's exchange-traded shares during the thirty days prior to the date on which the material transactions are publicly disclosed.

Squeeze-Out Minorities: In situations where the voting rights of shares in a publicly-traded company that are acquired through a takeover or in other ways (including shareholders acting in concert) reach or exceed a threshold specified by the Capital Markets Board, such a shareholder or shareholders acting in concert will acquire the right to buy the minority shareholders out of the company. In such cases the majority may demand of the company that the minority-held shares be stricken from the register and replaced with new shares that must be sold to the majority. In the exercise of this right, shares must be priced in the same way as when a shareholder demands to resign.

The importance of company policy in dividend payments: Publicly-traded companies may only distribute their profits in accordance with policies which are adopted at a general meeting and which comply with the requirements of law.

Agenda of the Ordinary General Meeting of Shareholders of IS Investment on April 30th, 2013

1. Opening, chairing the council and authorize the Board to sign the minutes of the meeting.
2. Reading and deliberation of the annual report, Statutory and Independent Auditors' reports of 2012.
3. Reading, deliberation and approval of the balance sheet and profit & loss statement of 2012.
4. Deliberation and decision on the profit distribution of 2012.
5. Approval of members assigned to the Board of Directors in 2012.
6. Presentation of information on Statutory Auditors assigned in 2012.
7. The individual acquittal of members of the Board of Directors and Statutory Auditors for their fiduciary responsibilities for 2012.
8. Election and determination of members Board of Directors and the membership period.
9. Determination of the fees to be paid to members of the Board of Directors.
10. Selection of the independent auditor.
11. Approval of amending the articles of association for articles 3, 6, 8, 9, 10, 11, 12, 13, 14, 16, 17, and 18 in compliance with the amendment draft.
12. Election of the additional two members of the Board of Directors according to the amended articles of association.
13. Approval of the Guideline for Working Principles of General Meeting.
14. Presentation of information on the grants and donations made in 2012 and determination of upper limit for donations will be made in 2013.
15. Petitions and suggestions.

IS Investment Dividend Distribution Proposal

As per the resolution of the Board of Directors, it was decided to propose to the Annual General Meeting of Shareholders;

The consolidated current period profit calculated according to legal records shall be divided as follows: TL 2,381,181.22 shall be paid as primary legal reserve, TL 13,271,943.96 shall be paid as first dividend, TL 6,748,056.04 shall be paid as second dividend; total TL 20,020,000.00 shall be paid as gross cash dividend to shareholders; TL 572,000.00 shall be reserved as secondary legal reserve; TL 24,650,443.16 registered in the legal records shall be reserved as extraordinary reserves.

It was also resolved to propose the distribution of the total cash dividend of TL 20,020,000.00 as described below, in accordance with the legal records in case the aforementioned dividend distribution proposal is accepted;

Shareholders who are full-fledged taxpayers corporations in Turkey and limited-taxpayer corporations obtaining dividends through an agency or permanent representative in Turkey shall be paid TL 0.07 gross = net dividend per share with a nominal value of TL 1.00 at the rate of 7.00 per cent; other shareholders shall be paid TL 0.07 gross and TL 0.0595 net dividend per share with a nominal value of TL 1.00 at the rate of 5.95 per cent and dividend distribution shall commence on Monday 6th of May 2013.

THE BOARD OF DIRECTORS OF
İŞ YATIRIM MENKUL DEĞERLER A.Ş.

IS Investment 2012 Dividend Distribution Table (TL)

1.	Paid-in / Issued Capital		286,000,000.00
2.	Total Legal Reserves (According to Legal Records)		15,764,479.51
	Information on privileges in dividend distribution, if any, in the Articles of Association:		None
		Based on CMB Regulations	Based on Legal Records
3.	Current Period Profit	86,763,436.00	63,086,883.05
4.	Taxes Payable (-)	(18,024,985.00)	(15,463,258.67)
5.	Net Current Period Profit	68,738,451.00	47,623,624.38
6.	Losses in Previous Years (-)	0.00	0.00
7.	Primary Legal Reserve (-)	(2,381,181.22)	(2,381,181.22)
8.	NET DISTRIBUTABLE CURRENT PERIOD PROFIT	66,357,269.78	45,242,443.16
9.	Donations Made during the Year	2,450.00	
10.	Donation-Added Net Distributable Current Period Profit on which First Dividend Is Calculated	66,359,719.78	
11.	First Dividend to Shareholders		
	- Cash	13,271,943.96	
	- Stock		
	- Total	13,271,943.96	
12.	Dividend Distributed to Owners of Privileged Shares	0.00	
13.	Dividend Distributed to Members of the Board of Directors, Employees, etc.	0.00	
14.	Dividend to Owners of Redeemed Shares	0.00	
15.	Second Dividend to Shareholders	6,748,056.04	
16.	Secondary Legal Reserves	572,000.00	
17.	Statutory Reserves	0.00	
18.	Special Reserves	0.00	
19.	EXTRAORDINARY RESERVES	45,765,269.78	24,650,443.16
20.	Other Distributable Resources		
	- Previous Year's Profit		
	- Extraordinary Reserves		
	- Other Distributable Reserves as per the Law and the Articles of Association		

INFORMATION ON DIVIDEND PAYMENT

	Total Cash Dividend Amount (TL)	Dividend per Share with a Nominal Value of TL 1	
		Amount (TL)	Rate (%)
Gross	20,020,000.00	0.07000	7.00000
Net	17,017,000.00	0.05950	5.95000

The Ratio of Dividend Distributed to the Donation-added Net Distributable Profit (%)

Dividend Distributed to Shareholders (TL)	The Ratio of Dividend Distributed to the Donation Added Net Distributable Profit (%)
20,020,000.00	30.17%

Amendment Draft of the Articles of Association

An application was submitted to the Capital Markets Board on 19 February 2013 to make the following amendment in our company's articles of association in order to bring the articles into compliance with the requirements of the Turkish Commercial Code (Statute 6102) and of the Capital Markets Law (Statute 6362) and to increase the company's authorized capital from the existing TL 300,000,000.00 to TL 600,000,000.00. (In issue 2013/9 dated 14 March 2013 of its weekly bulletin, the Capital Markets Board announced that this application to increase the company's authorized capital had been approved.)

Current Version	New Version
<p>PURPOSE AND SCOPE</p> <p>Article 3- The purpose of the Company is to carry out capital market activities in accordance with the provisions of the Capital Market Law 2499 as amended by the Law 3794, and of the other relevant legislation.</p> <p>I. The Company may perform the following activities and transactions with a view to accomplish the aforesaid purpose thereof.</p> <p>a) Purchasing and selling (trading) capital markets instruments within the framework of capital markets legislation for and on behalf of its own and for and on behalf of others;</p> <p>b) Provided that the conditions required within the framework of Capital Markets Law and regulations of Capital Markets Board are fulfilled, to perform the following;</p> <ul style="list-style-type: none"> • To intermediate to the sales via issuance and public offering of the capital market instruments to be registered to the Board; • To intermediate to the trading of previously issued capital market Instruments; • Trading of securities under repurchasing or resale warranties; • Investment consultancy; • Portfolio management; • Margin trading, short selling and securities lending; • Intermediation for trading of derivate instruments; • Portfolio operation, <p>c) to carry out stock exchange transactions upon subscribing to Securities Stock Exchanges;</p> <p>d) Performing custody services as defined in capital markets legislation;</p> <p>e) To collect and to pay the principal amounts, interests, dividends and the like income to be derived from capital market instruments and to exercise such rights as the acquisition of new shares and bonus shares and the rights to vote arising from the stocks held on behalf and on the account of the customers and on the basis of the powers delegated thereby;</p> <p>f) To establish and to manage investment funds;</p> <p>g) To issue capital markets instruments by means of authority of Board of Directors in accordance with the provisions of Turkish Commercial Code, Capital Markets Law and the relevant legislation;</p> <p>h) To participate in companies, which may be deemed to be required, provided that such participation is not contrary to capital market legislation, and that the last provision of Article 15 of the Capital Markets Law is reserved;</p>	<p>PURPOSE AND SCOPE</p> <p>Article 3- The purpose of the Company is to carry out capital market activities in accordance with the provisions of the Capital Markets Law and of the other relevant legislation.</p> <p>I. The Company may perform the following activities and transactions with a view to accomplish the aforesaid purpose thereof.</p> <p>a) Purchasing and selling (trading) capital markets instruments within the framework of capital markets legislation for and on behalf of its own and for and on behalf of others,</p> <p>b) Provided that the conditions required within the framework of Capital Markets Law and regulations of Capital Markets Board are fulfilled, to perform the following,</p> <ul style="list-style-type: none"> • To intermediate to the sales via issuance and public offering of the capital market instruments, • To intermediate to the trading of previously issued capital market Instruments, • Trading of securities under repurchasing or resale warranties, • Investment consultancy, • Portfolio management, • Margin trading, short selling and securities lending, • Intermediation for trading of derivate instruments; • Portfolio operation, <p>c) to carry out stock exchange transactions upon subscribing to Securities Stock Exchanges;</p> <p>d) Performing custody services as defined in Capital Markets Legislation,</p> <p>e) To collect and to pay the principal amounts, interests, dividends and the like income to be derived from capital market instruments and to exercise such rights as the acquisition of new shares and bonus shares and the rights to vote arising from shareholding, on behalf and on the account of the customers and on the basis of the powers delegated thereby,</p> <p>f) to carry out any and all transactions related to investment funds to the extent permitted by the Capital Markets Law,</p> <p>g) to issue debt securities and other capital markets instruments by means of authority of Board of Directors in accordance with the provisions of Turkish Commercial Code, Capital Markets Law and the relevant legislation,</p> <p>h) to participate in companies, which may be deemed to be required, provided that such participation is not contrary to Capital Markets Legislation,</p>

Current Version	New Version
<p>i) To carry out and to perform all other activities listed or to be listed among the intermediary institution activities in capital markets legislation;</p> <p>II. The Company may perform the following activities as necessitated by the foregoing:</p> <p>a) To acquire or to lease movable properties and real estate with a view to perform intermediary (brokerage) activities and to collect its receivables, and to sell such or to put such out to lease on the condition that such transactions shall not be for trading purposes, and that the amount thereof shall not exceed the amount required for the intermediary (brokerage) activities;</p> <p>b) To release announcements and commercial advertisements with a view to promote the activities of the company by means of the press, radio-television stations and by other means as permitted by the applicable legislations;</p> <p>c) To receive or grant loans, guarantees in kind and personal guarantees either against mortgages, pledges and other security guarantees or against no guarantees of any kind with a view to procure, collect and pay the rights and receivables or the liabilities and payables in relation to the purpose and scope thereof on the conditions that such act may not however lead to the lending of monies and reception of deposits in any case except for the cases permitted by the legislations; and to carry out registration, deregistration and all of the other related transactions at the land register, tax departments and the similar public and private entities in respect thereof;</p> <p>d) To borrow loans related with its activities, and to carry out and to perform any and all kinds of financial activities containing any undertaking or not, and to enter into and to execute agreements; and to receive and to obtain general banking services from the banks;</p> <p>e) Within the framework of and in accordance with the procedures and principles set out by Capital Market Legislation; provided that such donations and aids shall not contravene to the regulations in relation to transfer of concealed gains, and that the required material disclosures shall be announced, and that any donations granted within the year shall be submitted to the knowledge of the shareholders at the general assembly; to donate and to provide aids within the scope of social responsibility so as to not to disrupt and/or hinder the purpose and the scope of the Company;</p> <p>f) to enter into and to execute agreements with national and international companies and organizations, and to enter into and to execute know-how agreements with the same in relation to its purpose and scope.</p> <p>Apart from the above stated matters, resolution of the General Assembly shall be adopted in case it is wished to enter into any other works and activities which may be required or useful for the Company. In order for performance and implementation of such resolutions which are of a nature to amend the Articles of Association; authorizations shall be obtained from the Ministry of Customs and Commerce of the Republic of Turkey as well as the Capital Markets Board.</p> <p>While carrying out the above-mentioned matters, the Company shall fulfill the obligations of public disclosure in accordance with the Capital Markets Law and the relevant legislation in order to enable that the investors are informed thereto.</p>	<p>i) to carry out and to perform all other activities listed or to be listed among the intermediary institution activities in Capital Markets Legislation, including the ancillary services specified therein,</p> <p>II. The Company may perform the following activities as necessitated by the foregoing:</p> <p>a) To acquire or to lease movable properties and real estate with a view to perform intermediary (brokerage) activities and to collect its receivables, and to sell such or to put such out to lease on the condition that such transactions shall not be for trading purposes, and that the amount thereof shall not exceed the amount required for the intermediary (brokerage) activities;</p> <p>b) To release announcements and commercial advertisements with a view to promote the activities of the company by means of the press, radio-television stations and by other means as permitted by the applicable legislations;</p> <p>c) To receive or grant loans, guarantees in kind and personal guarantees either against mortgages, pledges and other security guarantees or against no guarantees of any kind with a view to procure, collect and pay the rights and receivables or the liabilities and payables in relation to the purpose and scope thereof on the conditions that such act may not however lead to the lending of monies and reception of deposits in any case except for the cases permitted by the legislations; and to carry out registration, deregistration and all of the other related transactions at the land register, tax departments and the similar public and private entities in respect thereof;</p> <p>d) To borrow loans related with its activities, and to carry out and to perform any and all kinds of financial activities containing any undertaking or not, and to enter into and to execute agreements; and to receive and to obtain general banking services from the banks;</p> <p>e) Within the framework of and in accordance with the procedures and principles set out by Capital Markets Legislation and within the maximum limit specified by the general assembly; provided that such donations and aids shall not contravene to the regulations in relation to transfer of concealed gains, and that the required material disclosures shall be announced, and that any donations granted within the year shall be submitted to the knowledge of the shareholders at the general assembly; to donate and to provide aids within the scope of social responsibility so as to not to disrupt and/or hinder the purpose and the scope of the Company;</p> <p>f) to enter into and to execute agreements with national and international companies and organizations, and to enter into and to execute know-how agreements with the same in relation to its purpose and scope.</p> <p>Apart from the above stated matters, resolution of the General Assembly shall be adopted in case it is wished to enter into any other works and activities which may be required or useful for the Company. In order for performance and implementation of such resolutions which are of a nature to amend the Articles of Association; authorizations shall be obtained from the Ministry of Customs and Commerce of the Republic of Turkey as well as the Capital Markets Board.</p> <p>While carrying out the above mentioned matters, the Company shall fulfill the obligations of public disclosure in accordance with the Capital Markets Law and the relevant legislation in order to enable that the investors are informed thereto.</p>

Amendment Draft of the Articles of Association

Current Version	New Version
<p>PRINCIPAL OFFICE AND SUB-OFFICES OF THE COMPANY</p> <p>Article 4 - The principal office of the Company is located in Istanbul. The address of the Company is Is Kuleleri Kule-2 Kat:12, 4. Levent Beşiktaş Istanbul. In the event of any changes to the address, the new address shall be had registered to the trade registry and be had declared by the Trade Registry Gazette of Turkey, and shall further be notified to the Ministry of Customs and Commerce of the Republic of Turkey, and to the Capital Markets Board. The Company's failure to have its new address registered within the due time even when it moves from its actual registered and declared address shall be considered as a cause for termination. The Company may establish branches, agencies and liaison offices either at home or abroad, upon the satisfaction of the requirements provided by the Capital Market Legislation.</p>	<p>PRINCIPAL OFFICE AND SUB-OFFICES OF THE COMPANY</p> <p>Article 4 - The principal office of the Company is located in Istanbul. The address of the Company is Is Kuleleri Kule-2 Kat:12, 4. Levent Beşiktaş Istanbul. In the cases of any changes to the address, the new address shall be had registered to the Trade Registry, and shall be declared through the Trade Registry Gazette of Turkey as well as the company's official website and shall further be notified to the Ministry of Customs and Commerce of the Republic of Turkey, and to the Capital Markets Board. The Company shall not be obliged to amend the Articles of Association solely for the purpose of changing its address, provided that the new address is located within the jurisdiction of the same trade registry office. However the Articles of Association is required to be amended in case the principal office of the Company is moved to another city. The Company may establish branches, agencies and liaison offices either at home or abroad, upon the satisfaction of the requirements provided by the Capital Markets Legislation.</p>
<p>CAPITAL AND TYPE OF STOCKS</p> <p>Article 6 - The Company has adopted registered capital system as per the provisions of the Capital Markets Law, and has started to implement the authorization, dated 24.12.2009, dated 37/1096, of the Capital Markets Board.</p> <p>The upper limit of registered capital of the Company amounts to TL 300,000,000.- (Three Hundred Million Turkish Liras), and the said capital has been divided into 300,000,000 (Three Hundred Million) shares each having a nominal value of TL 1 (One Turkish Liras).</p> <p>The authorization for the registered capital upper limit granted by the Capital Markets Board shall be valid and effective for the period between 2009-2013 (5 years). Even in the event that the upper limit of the registered capital, for which authorization has been granted, could not be achieved as of 2013, in order for the board of directors' adoption of a resolution for the increase of the capital after 2013, it shall be mandatory to obtain authorization for a further period from the general assembly by obtaining authorization from the Capital Markets Board for the previously authorized upper limit or for a further upper limit. In the event that such authorization could not be obtained, then the Company shall be deemed to have left the registered capital system.</p> <p>The issued capital of the Company amounts to TL 260,000,000 (Two Hundred Sixty Million Turkish Liras) which has been fully paid-up. The mentioned capital has been divided into 260,000,000 (Two Hundred Million) shares each having a value of TL 1.00- (One Turkish Liras). 150,000 (One Hundred Fifty Thousand) of those shares comprise of Group (A), and 259,850,000 (Two Hundred Fifty Nine Million Eight Hundred Fifty Thousand) of the same comprise of Group (B) shares.</p> <p>In case of capital increase, no Group (A) shares may be created, but Group (B) shares shall be issued to represent such increased capital.</p> <p>Group (A) shares are registered shares, and Group (B) shares are bearer shares.</p> <p>In respect of share transfers, no restriction shall be applicable in accordance with the provisions prescribed by the Capital Markets Legislation.</p> <p>In the event that preemptive rights have been exercised, then the remaining shares, or in the event that exercise of the preemptive rights are subject to any restriction, then all recently issues shares shall be offered to public pursuant to the communiqués of the Capital Markets Board, at market price, not to be less than the nominal value.</p>	<p>CAPITAL AND TYPE OF STOCKS</p> <p>Article 6 - The Company has adopted registered capital system as per the provisions of the Capital Markets Law, and has started to implement the authorization, dated 24.12.2009, dated 37/1096, of the Capital Markets Board.</p> <p>The upper limit of registered capital of the Company amounts to TL 600,000,000.- (Six Hundred Million Turkish Liras), and the said capital has been divided into 600,000,000 (Six Hundred Million) shares each having a nominal value of TL 1 (One Turkish Lira).</p> <p>The authorization for the registered capital upper limit granted by the Capital Markets Board shall be valid and effective for the period between 2013-2017 (5 years). Even in the event that the upper limit of the registered capital, for which authorization has been granted, could not be achieved as of 2017, in order for the board of directors' adoption of a resolution for the increase of the capital after 2017, it shall be mandatory to obtain authorization for a further period from the general assembly by obtaining authorization from the Capital Markets Board for the previously authorized upper limit or for a further upper limit. In the event that such authorization could not be obtained, then the Company shall be deemed to have left the registered capital system.</p> <p>The issued capital of the Company amounts to TL 286,000,000 (Two Hundred Eighty Six Million Turkish Liras) which has been fully paid-up. The mentioned capital has been divided into 286,000,000 (Two Hundred Eighty Six Million) shares each having a value of TL 1.00- (One Turkish Lira). 150,000 (One Hundred Fifty Thousand) of those shares comprise of Group (A), and 285,850,000 (Two Hundred Eighty Five Million Eight Hundred Fifty Thousand) of the same comprise of Group (B) shares.</p> <p>In case of capital increase, no Group (A) shares may be created, but Group (B) shares shall be issued to represent such increased capital.</p> <p>Group (A) shares are registered shares, and Group (B) shares are bearer shares.</p> <p>In respect of share transfers, no restriction shall be applicable in accordance with the provisions prescribed by the Capital Markets Legislation.</p> <p>Share transfers are subject to the provisions of the Turkish Commercial Code and Capital Markets Law.</p> <p>The provisions of the second sentence of the second paragraph of article 497 of the Turkish Commercial Code and of paragraph 3 thereof are hereby reserved.</p>

Current Version	New Version
<p>The Board of Directors shall be entitled to increase the issued capital by issuing new shares up to the registered upper limit of the capital, and to adopt resolutions in relation to limitation of right to purchase rights of the shareholders, as well as in relation to issuance of shares with premium and preferential shares, in accordance with the provisions of the Capital Markets Law.</p> <p>The shares representing the capital shall be monitored as registered.</p>	<p>The foregoing provisions shall apply to all shares including bearer shares which are monitored as registered.</p> <p>The provisions of article 379 et seq. of the Turkish Commercial Code and of the Capital Markets Law governing acquisition of own shares by the Company are hereby reserved.</p> <p>In the event that preemptive rights have been exercised, then the remaining shares, or in the event that exercise of the preemptive rights are subject to any restriction, then all recently issued shares shall be offered to public pursuant to the provisions of the Capital Markets Legislation, at market price, not to be less than the nominal value.</p> <p>The Board of Directors shall be entitled to increase the issued capital by issuing new shares up to the registered upper limit of the capital, in accordance with the provisions of the Capital Markets Law. Resolutions adopted by the Board of Directors regarding capital increases shall be announced to the public by virtue of material disclosures.</p> <p>Provisions of the Capital Markets Legislation governing requirements, authorizations, notifications and declarations pertaining to the transfer of shares as well as any and all rights associated therewith and to changes to the shareholding structure of the company are hereby reserved.</p> <p>The shares representing the capital shall be monitored as registered.</p>
<p>CAPITAL INCREASE, DECREASE AND PREEMPTIVE RIGHTS</p> <p>Article 8 – The capital of the Company may be increased or decreased when and if required, in accordance with Turkish Commercial Code and Capital Markets Board legislation.</p> <p>In the event that the capital is increased, the existing shareholders shall be entitled to exercise preemptive rights in relation to purchasing new shares at the portion of their shareholding with regards to the capital of the Company. The terms of exercise in relation to such preemptive rights shall be determined by the Board of Directors.</p>	<p>CAPITAL INCREASE, DECREASE AND PREEMPTIVE RIGHTS</p> <p>Article 8 – The capital of the Company may be increased or decreased when and if required, in accordance with the provisions of Turkish Commercial Code and Capital Markets Legislation.</p> <p>The capital of the Company may not be increased unless the shares are fully paid up in cash, save for increases funded through internal resources.</p> <p>In the event that the capital is increased, the existing shareholders shall be entitled to exercise preemptive rights in relation to purchasing new shares at the portion of their shareholding with regards to the capital of the Company. The terms of exercise in relation to such preemptive rights shall be determined by the Board of Directors.</p>
<p>BOARD OF DIRECTORS AND TERMS OF OFFICE</p> <p>Article 9 – Business and administration of the Company shall be carried out by the Board of Directors composing of 7 (seven) members elected by the General Assembly.</p> <p>Executive member may not serve as the Chairman of the Board of Directors.</p> <p>5 (five) members of the Board of Directors shall be elected among the nominees to be nominated by the majority of the Group A shares, and 2 (two) of the same shall be elected among the nominees to be nominated by the Group B shares.</p> <p>In the event that the majority of the Group A shares could not nominate any member for the Board of Directors, then such election shall be performed by the General Assembly in accordance with the general provisions.</p>	<p>BOARD OF DIRECTORS AND TERMS OF OFFICE</p> <p>Article 9 – The Company shall be represented and managed by a Board of Directors composing of 9 (nine) members, to be appointed by the General Assembly, under the provisions of the Turkish Commercial Code, among the persons who bear the qualifications specified in the relevant provisions of the Capital Markets Legislation.</p> <p>Legal persons may be elected as members of the Board of Directors. In that case, in addition to the legal person, who is appointed as a member of the Board of Directors, a real person materializing such legal person shall also be registered and declared. The recommendations to be made and the votes to be cast by such real person at Board of Directors' meetings shall be deemed to have been made and cast by that legal person. All responsibility thereto shall be borne by the legal person. The legal person is entitled to replace this real person any time by its unilateral will. In that case dismissal process is not required to be performed. The representative of legal person may not be elected as a member of the Board of Directors on behalf thereof.</p> <p>Executive member may not serve as the Chairman of the Board of Directors.</p>

Amendment Draft of the Articles of Association

Current Version	New Version
<p>It is mandatory that simple majority of the Members of the Board of Directors have graduated from a higher educational institute.</p> <p>The term of office of the Members of the Board of Directors shall be three years at most. Any Member of the Board of Directors, whose term of office has elapsed, may be re-elected to serve as a Member of the Board of Directors.</p> <p>General Assembly may replace the Members of the Board of Directors at any time it may wish, without being abided by the term of office of the same.</p> <p>Persons to be deemed to be appropriate may be elected by the Board of Directors to serve in order to replace any Member of the Board of Directors, who has deceased or resigned or who has been deprived of the capacity to act as a Member of the Board of Directors pursuant to Article 315 of Turkish Commercial Code. Such persons shall serve until the immediate meeting of the General Assembly. If agreed by the General Assembly, such persons shall complete the term of office of their predecessors.</p>	<p>6 (six) members of the Board of Directors shall be elected among the nominees to be nominated by the majority of the Group A shares, and 3 (three) of the same shall be elected among the nominees to be nominated by the Group B shares. A candidate named and nominated by certain classes of shares should absolutely be elected and appointed by the General Assembly in the absence of just grounds to the contrary.</p> <p>In the event that the majority of the Group A shares could not nominate any member for the Board of Directors, then such election shall be performed by the General Assembly in accordance with the general provisions.</p> <p>It is mandatory that simple majority of the Members of the Board of Directors have graduated from a higher educational institute. Provisions of Turkish Commercial Code and Capital Markets Legislation governing qualifications of the Board of Directors and responsibilities of the Members of the Board of Directors are hereby reserved.</p> <p>The term of office of the Members of the Board of Directors shall be one year at most. Any Member of the Board of Directors, whose term of office has elapsed, may be re-elected to serve as a Member of the Board of Directors.</p> <p>The General Assembly may at any time substitute and Member of the Board of Directors provided that an item to this end is included in the agenda, or in the presence of just cause even in the absence of any such item.</p> <p>Persons meeting the statutory requirements may be elected by the Board of Directors to serve in order to replace any Member of the Board of Directors, who has deceased or resigned or who has been deprived of the capacity to act as a Member of the Board of Directors pursuant to Article 363 of Turkish Commercial Code. Such persons shall serve until the immediate meeting of the General Assembly. If agreed by the General Assembly, such persons shall complete the term of office of their predecessors.</p>
<p>COMMITTEES AND UNITS REPORTING TO THE BOARD OF DIRECTORS</p> <p>Article 10- In order to ensure the smooth functioning and performance of its duties and responsibilities, the Board of Directors shall establish the Committees and Units, which are required to be established in accordance with the legislation, and which are deemed to be appropriate by it, and shall determine the number of the members of, and shall appoint such members of such committees and units.</p> <p>The Board of Directors may replace or dismiss the Members of the Committees and Units at any time it may wish.</p> <p>Committees shall convene upon the invitation of their chairmen, and shall adopt their resolutions in writing. The Secretary of the Board of Directors shall also act as the clerk of the same.</p>	<p>COMMITTEES AND UNITS REPORTING TO THE BOARD OF DIRECTORS</p> <p>Article 10- In order to ensure the smooth functioning and performance of its duties and responsibilities, the Board of Directors shall establish the Committees and Units, which are required to be established in accordance with Turkish Commercial Code and Capital Markets Legislation, and which are deemed to be appropriate by it, and shall determine the number of the members of, and shall appoint such members of such committees and units.</p> <p>The Board of Directors may replace or dismiss the Members of the Committees and Units at any time it may wish.</p>

Current Version**REPRESENTATION AND ENGAGEMENT OF THE COMPANY AND DIVISION OF LABOR AMONG THE MEMBERS OF THE BOARD OF DIRECTORS**

Article 11- The Company shall be managed and represented toward third parties by the Board of Directors. Any document to be issued and any contract or agreement to be executed by the Company shall be required to bear the signatures of those officials, who are authorized to represent and engage the company, under the Company's trade name for effectiveness.

The Board of Directors may delegate the managerial and representative duties and powers thereof to some managing directors, who shall be appointed amongst the members thereof, or to the managers, who are not necessarily required to be shareholders, either partially or wholly under the provisions of Article 319 of Turkish Commercial Code. In the cases, where the representative powers are delegated to the managing directors; at least one member of the Board of Directors shall also be empowered to represent the Company under the provisions of the 1st paragraph of Article 319 of Turkish Commercial Code.

The monthly wages and remunerations payable to the members of the Board of Directors shall be determined by the General Assembly.

New Version**REPRESENTATION AND ENGAGEMENT OF THE COMPANY AND DIVISION OF LABOR AMONG THE MEMBERS OF THE BOARD OF DIRECTORS**

Article 11- The Company shall be managed and represented toward third parties by the Board of Directors. Those persons who are authorized to sign for and on behalf of the Company and the procedures to be followed for exercising such signatory powers shall be determined by the Board of Directors in order for the representation of the Company and for the documents and agreements to be executed on behalf of the Company to be valid and engage the Company, the resolution adopted by the Board of Directors to this end shall be registered and declared. Any document to be issued and any contract or agreement to be executed by the Company shall be required to bear the signatures of those officials, who are authorized to represent and engage the company, under the Company's trade name for effectiveness. Those persons representing the Company on matters that are explicitly stated in the respective resolution adopted by the Board of Directors, may be authorized to represent the Company through their individual signature. The Company shall be represented and engaged through double signatures on matters apart from those stated in the respective resolution adopted by the Board of Directors.

Those persons who are authorized to represent the Company may not enter into business transactions outside the purpose and scope of the Company as described under article 3, or act in violation of the law. Otherwise the Company shall recourse to such persons in case the Company is held accountable for such business transactions or actions. In cases where third parties know or are in a position to know that the business transactions that is carried out is outside the purpose and scope of the Company, the Company shall not be bound by that transaction. Third parties engaging in business transactions with the Company on a continuous basis, receiving letters from the Company explaining the situation or warning the other party or notifying the resolutions adopted by the Company, and acknowledging the same may not claim to be acting in good faith.

Save for the non-assignable duties and powers as stipulated in article 375 of the Commercial Code, the Board of Directors may delegate representative powers thereof pursuant to the second paragraph under article 370 and any or all of its managerial duties pursuant to article 376, to a minimum of 2 managing directors. In that case the powers and responsibilities of each member who is appointed as a managing director must be defined clearly in a way to avoid any doubt.

The Board of Directors is entitled to delegate management of the Company to the General Manager, in part or in whole, by virtue of an internal directive, apart from the non-assignable duties and powers as stipulated in article 375 of the Commercial Code as well non-assignable duties and powers as stipulated in other articles thereof.

Managing directors, directors, general manager, assistant general managers and other executives as well as specialist staff must bear the qualifications stipulated in the relevant clauses of Capital Markets Legislation.

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<p>The Members of the Board of Directors may not obtain authorization from the General Assembly in order to be exempt from being prohibited to carry out transactions with the Company as well as prohibition of competition, basing on the Article 334 and the Article 335 of the Turkish Commercial Code.</p> <p>The shareholders representing at least 5% of the capital of the Company, and the beneficiaries defined within the Corporate Governance Principles announced to the public by the Capital Markets Board, may be invited to attend to any meeting of the Board of Directors, by forwarding their request thereto to the Chairman of the Board of Directors. In the event that the Chairman of the Board of Directors draws the conclusion that no immediate meeting is necessary, then s/he may bring such matter in relation to invitation to the agenda and discussion at the next meeting of the Board of Directors.</p>	<p>The monthly wages, premiums, bonuses and remunerations payable to the members of the Board of Directors shall be determined by the General Assembly.</p> <p>The Members of the Board of Directors may not obtain authorization from the General Assembly in order to be exempt from being prohibited to carry out transactions with the Company as well as prohibition of competition, basing on the Article 395 and the Article 396 of the Turkish Commercial Code. The relevant provisions of Capital Markets Legislation to this end are hereby reserved.</p> <p>The Board of Directors shall elect and appoint a Chairman and a Deputy Chairman each year. The Board of directors shall convene whenever the activities, affairs and transactions of the Company may require, upon the summons by the Chairman of the Board of Directors or by the Deputy Chairman. However, the Board should, in principle, convene at least once a month. Each Member of the board of directors may request the summons for a Board meeting in writing from the Chairman or, in the absence thereof, the Deputy Chairman. The Chairman or the Deputy chairman must endeavor their best efforts to fulfill the request by any Member of the Board of Directors for a Board meeting to be held, depending on the requirements and to the extent possible.</p> <p>The shareholders representing at least 5% of the capital of the Company, and the beneficiaries defined within the Corporate Governance Principles announced to the public by the Capital Markets Board, may be invited to attend to any meeting of the Board of Directors, by forwarding their request thereto to the Chairman of the Board of Directors. In the event that the Chairman of the Board of Directors draws the conclusion that no immediate meeting is necessary, then s/he may bring such matter in relation to invitation to the agenda and discussion at the next meeting of the Board of Directors.</p> <p>The date and agenda of the meeting of the Board of Directors shall be determined by the Chairman. Such duties shall be fulfilled by the Deputy Chairman in the absence of the Chairman. However, the date of the meeting may also be determined by virtue of a resolution to be adopted by the Board of Directors.</p> <p>Meetings of the Board of Directors must be held at the principal office of the Company. However the Board of Directors may resolve to convene elsewhere.</p> <p>Those who are entitled to attend the meetings of the Board of Directors of the Company, are entitled to attend such meetings on line pursuant to article 1527 of the Turkish Commercial Code. The Company may establish an Electronic Meeting System enabling those who are entitled to attend such meetings, to attend such meetings and to cast votes on line pursuant to the Communiqué on Board Meetings of Business Corporations to be Held On Line, Apart from General Assembly Meetings of Joint Stock Companies, or may procure services from systems established for such purpose. The Company must ensure that those who are entitled to attend such meetings are enabled to exercise the rights granted to them under the relevant legislation, within the framework stipulated in the above mentioned Communiqué, through the system established pursuant to this provision of the articles of association of the company or through the system to provide support services.</p>

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	<p>The Board of Directors shall convene upon attendance of the majority of the total number of board members and resolve with simple majority of members present at the meeting. In case of equality of votes, discussion of the respective item of the agenda shall be postponed to the next meeting. The respective proposal shall be deemed to have been rejected in case of equality at the second meeting. Board resolutions can also be adopted by obtaining written consent of the majority of all members as a minimum, for a proposal made to all Members of the Board of Directors, pursuant to paragraph 4 under article 390 of the Turkish Commercial Code.</p> <p>Board resolutions may be adopted on line and recorded with a secure digital signature and the fact that the resolution is maintained in electronic medium shall be noted in the book of resolutions and the number of the resolution adopted by the board shall be recorded accordingly.</p>
<p>AUDITORS, THEIR DUTIES AND INDEPENDENT AUDIT</p> <p>Article 12- The General Assembly shall elect 2 (two) Auditors either among the shareholders or non-shareholders, to serve for a period of 1 (one) year in maximum.</p> <p>All of the auditors shall be elected among the nominees to be nominated by the majority of the Group (A) shares.</p> <p>General Assembly may replace the Auditors at any time it may wish, without being abided by the term of office of the same.</p> <p>Any Auditor, whose term of office has expired, may be re-elected.</p> <p>In order to particularly examine and clarify a certain material case, the minority shareholders/shareholder representing at least 5% of the capital of the Company may ask for appointment of a Private Auditor. In the event that the request for appointment of the Private Auditor is rejected by the General Assembly, then the minority shareholders/shareholder representing at least 5% of the capital of the Company may request from the court to appoint a Private Auditor.</p> <p>The monthly remuneration of the Auditors shall be determined by the General Assembly.</p>	<p>INDEPENDENT AUDITORS, THEIR DUTIES AND SPECIAL AUDITS</p> <p>Article 12- The General Assembly shall appoint an independent auditing firm as the Auditor of the company every year. Following the election, the board of directors will have registered in the Trade Registry, the information on which auditor is commissioned with audits and announce the same through the company's official website along with the Trade Registry Gazette of Turkey containing the relevant text. Any auditor which has been appointed as the Company auditor for seven years during a period of ten years shall not be appointed again unless three years have elapsed since the last appointment.</p> <p>Dismissal of Independent auditors is subject to the provisions of the Turkish Commercial Code. The provisions of the 2nd paragraph of Article 399 of Turkish Trade Code are hereby reserved. The relevant provisions of Capital Markets Legislation are hereby reserved.</p> <p>General Assembly may replace the Independent Auditor at any time it may wish, without being abided by the term of office of the same.</p>
<p>GENERAL ASSEMBLY</p> <p>Article 13 - The following principles shall be applicable to the General Assembly meetings;</p> <p>a) Call for the Meeting: General Assembly Meetings shall convene in ordinary and extraordinary manners. The call for such meetings shall be subject to the relevant provisions of the Turkish Commercial Code.</p> <p>b) Time of the Meeting: The ordinary General Assembly shall be held for at least once a year within three months from the ending of each accounting year of the Company, while the extraordinary General Assembly shall be held wherever and whenever the affairs of the Company may require.</p>	<p>GENERAL ASSEMBLY</p> <p>Article 13- The following principles shall be applicable to the General Assembly meetings.</p> <p>a) Call for the Meeting: General Assembly Meetings shall convene in ordinary and extraordinary manners in accordance with the provisions of Turkish Commercial Code and Capital Markets Legislation. The calls for such meetings shall be subject to the provisions of article 414 of the Turkish Commercial Code. The relevant provisions of Capital Markets Legislation are hereby reserved. The General Assembly may be called for a meeting by the Board of Directors, even if the term of office thereof has elapsed. The provisions of articles 410, 411 and 412 of Turkish Commercial Code are hereby reserved.</p> <p>b) Time of the Meeting: Ordinary General Assembly shall convene within three months as of the end of the accounting year of the Company and Extraordinary General Assembly shall convene wherever and whenever the affairs of the Company so require or in cases where the causes specified in article 410 et seq. of the Turkish Commercial Code may arise.</p>

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<p>c) Voting and Appointment of Proxies: Each shareholder or each proxy attending any ordinary or extraordinary General Assembly Meetings shall have one vote per each share held or represented thereby. The shareholders may appoint other shareholders or any non-shareholder proxy to represent themselves during the General Assembly Meetings. Any proxy, who is also a shareholder, shall be entitled to the votes associated with the shares they represent as well as the shares they hold. The form of the powers of attorney shall be determined and announced by the Board of Directors provided that it shall comply with the capital market legislation.</p> <p>The shareholders/shareholder representing at least 5% of the capital may request from the Board of Directors in writing by specifying the requiring causes and the agenda thereto, to call the General Assembly to convene, or if the General Assembly is to be already convened, then they may request from the Board of Directors to bring the matters, for which they wish to have resolutions adopted, on to the agenda of the meeting. Compliance shall be ensured in relation to any amendments to be made at the capital market legislation regarding such matter.</p> <p>d) Discussions and Quorum for Resolution: The matters as per the provisions of Article 369 of Turkish Commercial Code shall be discussed and resolved during the General Assembly Meetings of the Company. The quorum for General Assembly Meetings and for the resolutions to be adopted shall be governed by the provisions of the Turkish Commercial Code as well as the Capital Market Law. In respect of the General Assembly meetings to be held in relation to the matters prescribed under the 2nd and the 3rd paragraphs of the Article 388 of the Turkish Commercial Code, the quorum for meeting specified under Article 372 of the Turkish Commercial Code shall prevail.</p>	<p>c) Voting and Appointment of Proxies: Each share with a nominal value of TL 1.- shall have one vote at Ordinary and Extraordinary General Assembly meeting and shareholders may exercise their rights of vote during General Assembly meetings in proportion to the overall nominal value of the shares held by them. Pursuant to article 434 of the Turkish Commercial Code. The provisions of the Capital Markets Legislation governing prohibition of the transfer of shares which are monitored as registered, limited to the date of the General Assembly meeting. The shareholders or their proxies present at the meetings shall have the right of one vote per share. The shareholders may be represented during the General Assembly meetings in accordance with the provisions of articles 427 to 431 of the Turkish Commercial Code. The provisions of Capital Markets Legislation governing voting by proxy at general assembly meetings of publicly held joint stock companies shall be observed. The shareholders may appoint other shareholders or any non-shareholder proxy to represent themselves during the General Assembly Meetings. Any proxy, who is also a shareholder, shall be entitled to the votes associated with the shares they represent as well as the shares they hold. Provisions of Capital Markets Legislation and Turkish Commercial Code governing voting at General Assembly meetings shall be observed.</p> <p>The shareholders/shareholder representing at least 5% of the capital may request from the Board of Directors in writing by specifying the requiring causes and the agenda thereto, to call the General Assembly to convene, or if the General Assembly is to be already convened, then they may request from the Board of Directors to bring the matters, for which they wish to have resolutions adopted, on to the agenda of the meeting. The provisions of Article 411 and 412 of Turkish Commercial Code are hereby reserved. Compliance shall be ensured in relation to any amendments to be made at the capital market legislation regarding such matter.</p> <p>d) Discussions and Quorum for Resolution: The matters as per the provisions of Article 409 of Turkish Commercial Code shall be discussed and resolved during the General Assembly Meetings of the Company. The matters of the dismissal from office of the members of the Board of Directors and the election of new members for the seats of such dismissed members are considered to be related to the agenda item, regarding the discussion of the year-end financial statements. Items which are not included in the agenda shall not be added to the agenda without prejudice to the provisions of article 438 of the Commercial Code. The quorum for General Assembly Meetings and for the resolutions to be adopted shall be governed by the provisions of the Turkish Commercial Code as well as the Capital Market Law. In respect of the General Assembly meetings to be held in relation to the matters prescribed under the 1st and the 3rd paragraphs of the Article 421 of the Turkish Commercial Code, the quorum for meeting specified under Article 418 of the Turkish Commercial Code shall prevail. The managing directors, if any and minimum one member of the Board of Directors and the Independent Auditor must be present at General Assembly meetings. The provisions of the 5th paragraph of Article 421 of Turkish Commercial Code are hereby reserved.</p>

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<p>e) Venue of the Meeting: General Assembly Meetings shall be held at the principal office or any other appropriate venue located within the same city as the principal office of the Company.</p> <p>f) Information shall be provided in relation to any donations and aids granted within the concerned fiscal year, at the General Assembly Meeting.</p> <p>g) Presence of the Commissioner of the Ministry of Customs and Commerce of the Republic of Turkey: The Commissioner of the Ministry of Customs and Commerce of the Republic of Turkey should essentially and necessarily attend and be present at any general assembly meeting either ordinary or extraordinary. The resolutions adopted at the General Assembly Meetings in the absence of a commissioner and the minutes of the meetings, which do not bear the signature of the commissioner, shall not be valid and effective.</p> <p>In respect of any and all kinds of matters regarding the General Assembly, the regulations, which are required to be adhered with regards to corporate governance of the Capital Market Legislation and the Capital Market Law, shall be complied with</p>	<p>The provisions of the Capital Markets Legislation governing prohibition of the transfer of shares which are monitored as registered, limited to the date of the General Assembly meeting.</p> <p>The General Assembly Meetings shall be chaired by the chairman of the Board of Directors. This duty shall be carried out by the Deputy Chairman in the absence of the Chairman. The member of the Board of Directors who is present at the meeting shall chair the meeting in the absence of both the Chairman and the Deputy Chairman. General Assembly meetings shall be chaired in accordance with the provisions of the "Internal Directive on General Assembly Meetings".</p> <p>e) Venue of the Meeting: General Assembly Meetings shall be held at the principal office or any other appropriate venue located within the same city as the principal office of the Company.</p> <p>Those who are entitled to attend the General Assembly meetings of the Company are entitled to attend such meetings on line pursuant to article 1527 of the Turkish Commercial Code. The Company may establish an Electronic General Assembly Meeting System enabling shareholders to attend General Assembly meetings, to state their opinions, to make proposals and to cast votes on line pursuant to the Regulation on General Assembly Meetings of Joint Stock Companies to be held On Line, or may procure services from systems established for such purpose. The Company must ensure shareholders and their representatives attending all General Assembly meetings are enabled to exercise the rights granted to them under the said Regulation through the system established pursuant to this provision of the articles of association of the company.</p> <p>f) Information shall be provided in relation to any donations and aids granted within the concerned fiscal year, at the General Assembly Meeting.</p> <p>g) Attendance of the Representative of the Ministry of Customs and Trade of the Republic of Turkey to General Assembly meetings: It is obligatory for the Representative of the Ministry of Customs and Trade of the Republic of Turkey to attend any general assembly meeting, either ordinary or extraordinary and to sign the minutes of the meeting together with the incumbents. The resolutions adopted at the General Assembly Meetings in the absence of the representative of the Ministry and the minutes of the meetings, which do not bear the signature of the representative of the Ministry shall not be valid and effective.</p> <p>In respect of any and all kinds of matters regarding the General Assembly, the regulations, which are required to be adhered with regards to corporate governance of the Capital Market Legislation and the Capital Market Law, shall be complied with.</p>

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<p>ANNOUNCEMENTS</p> <p>Article 14 - The announcements pertaining to the Company shall be made by a gazette published at the location, where the registered office of the Company is situated, at least 15 days in prior, provided that the provisions of paragraph 4 of Article 37 of the Turkish Commercial Code are reserved. Any announcement not made through a local gazette shall be made through a gazette distributed at the nearest location.</p> <p>However, the announcements in relation to call of the General Assembly to convene, shall be made in accordance with the relevant provisions of the Turkish Commercial Code, as well as the regulations which are required to be applied mandatorily in relation to corporate governance as prescribed by the Capital Markets Board.</p> <p>Any material disclosures to be disclosed as per the regulations of the Capital Markets Board, and any and all kinds of disclosure or announcement to be prescribed by the Capital markets Board or the Turkish Commercial Code, shall be made timely in accordance with the relevant legislations.</p>	<p>ANNOUNCEMENTS</p> <p>Article 14 - The announcement pertaining to registered matters related to the Company shall be made in the Turkish Trade Registry Gazette and all announcements that are required to be made by the Company pursuant to article 1524 of the Turkish Commercial Code shall be made on the company's official website.</p> <p>The announcements in relation to call of the General Assembly to convene, shall be made in accordance with the relevant provisions of the Turkish Commercial Code, as well as the provisions of the Capital Markets Legislation which are required to be applied mandatorily.</p> <p>The provisions of Article 198 of Turkish Trade Code are hereby reserved.</p> <p>The provisions of articles 474 and 532 shall be applicable for the announcements on capital decrease or liquidation..</p> <p>Provisions of the Capital Markets Legislation governing announcements are hereby reserved.</p> <p>Any material disclosures to be disclosed as per the regulations of the Capital Markets Board, and any and all kinds of disclosure or announcement to be prescribed by the Capital Markets Board or the Turkish Commercial Code, shall be made timely in accordance with the relevant legislations.</p>

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<p>DETERMINATION AND DISTRIBUTION OF THE PROFIT</p> <p>Article 16- The profit of the Company shall be determined in accordance with the Turkish Commercial Code, capital market legislation and generally accepted accounting principles.</p> <p>The remaining net profit shown on the balance sheet, remaining after the general expenses and the amounts required to be mandatorily paid and reserved by the Company such as various depreciation, and the taxes for which the Company is obliged to pay, are deducted from the revenue determined at the end of the accounting year, shall be distributed respectively as follows, upon deducting any accumulated losses;</p> <p>Primary Legal Reserve:</p> <p>a) 5% of the remaining amount shall be reserved as legal reserve.</p> <p>First Dividend:</p> <p>b) First dividend at the ratio and amount to be determined by the Capital Markets Board shall be reserved, on the basis of the amount to be found out by adding the amounts of any donation granted within the year, from the remaining amount.</p> <p>c) After the above-mentioned deductions have been made, the General Assembly shall be entitled to resolve to distribute the dividend to the Members of the Board of Directors, to the officers, employees, workers of the Company, and to foundations established for various purposes.</p> <p>Second Dividend:</p> <p>d) The General Assembly shall be entitled to distribute the portion, remaining after the amounts mentioned within the paragraphs a), b), and c) have been deducted, either in full or in portion as the second dividend, or to reserve the same as extraordinary contingency reserve.</p> <p>Secondary Legal Reserve:</p> <p>e) One tenth of the amount found out after the dividend at 5% of the paid-in capital has been deducted from the portion, which has been resolved to be distributed to the shareholders and to the other persons participating in the profit, shall be reserved as secondary legal reserve pursuant to the 3rd sub-paragraph of the 2nd paragraph of the Article 466 of the Turkish Commercial Code.</p> <p>f) Unless the legal reserves, which are required to be reserved in accordance with the provision of the law, and unless the first dividend specified for the shareholders within the Articles of Association has been distributed either in cash and/or in the form of shares; no resolution may be adopted to reserve any other legal reserves, transfer of profit to the following year and distribution of any dividends, as well as distribution of dividends to the Members of the Board of Directors, the officers, the employees, the workers of the Company, and to any foundations established for various purposes and to any other persons/organizations of similar nature.</p> <p>g) Dividend shall be distributed equally to all of the existing shares as of the accounting year, without taking into account the date of issuance and acquisition of such shares.</p>	<p>DETERMINATION AND DISTRIBUTION OF THE PROFIT</p> <p>Article 16- The profits of the Company shall be determined on the basis of the balance sheet of the company drawn up in accordance with Turkish Accounting Standards.</p> <p>The determined annual profit shall be distributed as follows;</p> <p>Primary Legal Reserve:</p> <p>a) Some 5% shall be reserved as the general legal reserve each year until achieving 20% of the paid capital of the Company.</p> <p>First Dividend:</p> <p>b) First dividend at the ratio and amount to be determined by the Capital Markets Board shall be reserved, on the basis of the amount to be found out by adding the amounts of any donation granted within the year, from the remaining amount.</p> <p>c) After the above-mentioned deductions have been made, the General Assembly shall be entitled to resolve to distribute the dividend to the Members of the Board of Directors, to the officers, employees, workers of the Company, and to foundations established for various purposes.</p> <p>Second Dividend:</p> <p>d) The General Assembly shall be entitled to distribute the portion, remaining after the amounts mentioned here above have been deducted, either in full or in portion as the second dividend, or to reserve the same as extraordinary contingency reserve.</p> <p>Secondary Legal Reserve:</p> <p>e) 10% of the total amount to be distributed to the persons to receive shares from the profit shall be added to the general legal reserve pursuant to sub-paragraph (c) under paragraph 2 of article 519 of the Turkish Commercial Code.</p> <p>The provisions of the 3rd paragraph of Article 519 of Turkish Trade Code are hereby reserved.</p> <p>f) The profit shares to be distributed to shareholders shall not be determined until the reserves that are required to be allocated pursuant to the law and the optional contingency reserves as stipulated in the Articles of Association are actually allocated.</p> <p>g) Dividend shall be distributed equally to all of the existing shares as of the date of distribution, without taking into account the date of issuance and acquisition of such shares.</p>

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<p>h) There is no privilege between the share groups with regards to dividend.</p> <p>Dividend Advance:</p> <p>Provided that it has been authorized by the General Assembly, and that it is appropriate and in accordance with the Article 15 of the Capital Market Law and the communiqués issued by the Capital Markets Board; the Board of Directors may distribute cash dividend advance over the profits shown on the financial statements drawn up as of periods of 3, 6, 9 months, having been subjected to limited independent audit, not be limited to the concerned year. The power to distribute dividend advance granted to the Board of Directors by the General Assembly, shall be limited for the year for which such power has been granted. Unless the dividend advances given for the previous year have been fully set-off, no resolution may be adopted to give any additional dividend advances or to distribute any dividends.</p> <p>Date of Distribution of Profit:</p> <p>The method and date of distribution of annual profit shall be determined by the General Assembly upon the proposal of the Board of Directors in line with the provisions of Turkish Commercial Code and Capital Markets Legislation. Any distributed profits may not be recalled.</p>	<p>h) There is no privilege between the share groups with regards to dividend.</p> <p>Optional contingency reserves to be allocated by the Company are subject to the provisions of article 521 of the Turkish Commercial Code.</p> <p>Dividend Advance:</p> <p>Provided that it has been authorized by the General Assembly, and that it is appropriate and in accordance with the relevant provisions of Capital Market Legislation; the Board of Directors may distribute cash dividend advance over the profits shown on interim financial statements having been subjected to independent audit, limited to the concerned year. The power to distribute dividend advance granted to the Board of Directors by the General Assembly, shall be limited for the year for which such power has been granted. Unless the dividend advances given for the previous year have been fully set-off, no resolution may be adopted to give any additional dividend advances or to distribute any dividends.</p> <p>Date of Distribution of Profit:</p> <p>The method and date of distribution of annual profit shall be determined by the General Assembly upon the proposal of the Board of Directors in line with the provisions of Turkish Commercial Code and Capital Markets Legislation. Any distributed profits may not be recalled. The provisions of Article 512 of Turkish Trade Code are hereby reserved.</p>
<p>FINANCIAL STATEMENTS, DOCUMENTS TO BE SUBMITTED TO THE CAPITAL MARKETS BOARD</p> <p>Article 17- The detailed and the summary balance sheets, profit and loss statements, the annual reports, the auditors' reports, the fund flow, cash flow, cost of sales and profit distribution statements of the Company shall be issued in accordance with the provisions of Turkish Commercial Code, the Capital Market Law and the other related statutory provisions. The said statements shall be submitted to the Capital Markets Board along with the signed minutes of the shareholders' assembly meeting, during which they are discussed, and be so disclosed to the public within a period of one month from the date of such shareholders' assembly meeting.</p>	<p>FINANCIAL STATEMENTS, DOCUMENTS TO BE SUBMITTED TO THE CAPITAL MARKETS BOARD</p> <p>Article 17- Financial statements, Annual Report of the Board of Directors, Auditors' Report and profit distribution proposals by the Board of Directors shall be submitted to the examination of the shareholders at the principal office and branches of the Company at least three weeks prior to the date of the General Assembly meeting.</p> <p>Financial Reports shall be drawn up and announced in accordance with the provisions of the Turkish Commercial Code, Capital Markets Law and the relevant legislation and submitted to relevant authorities.</p>

Current Version	New Version
<p>COMPLIANCE WITH THE PROVISIONS OF LAW AND CORPORATE GOVERNANCE PRINCIPLES</p> <p>Article 18- Any matter not provided herein shall be governed by the provisions of Turkish Commercial Code, the Capital Market Law and other legislations. Any provisions herein on contrary to the Turkish Commercial Code and the Capital Market Legislation shall not be applicable.</p> <p>In respect of the matters specified within these Articles of Association; the Corporate Governance Principles, which are prescribed to be adhered to by the Capital Markets Board, shall be observed. The transactions, which are performed not in compliance with the mandatory principles, and the board resolutions so adopted, shall be ineffective, and shall be deemed to be contrary to the Articles of Association.</p> <p>For the transactions, which are deemed to be of important nature in respect of implementation of the Corporate Governance Principles, and any and all kinds of related party transactions of the Company, and the transactions in relation to granting any guarantees, pledges and mortgages for the favor of any third persons, the regulations of the Capital Markets Board, the implementation of which are prescribed to be mandatory shall be adhered.</p> <p>The number and the qualifications of the independent members to hold office at the Board of Directors shall be determined in accordance with the regulations, the implementations of which are prescribed to be mandatory, in relation to corporate governance, of the Capital Markets Board.</p> <p>While establishing any committees and units to be formed up by the Board of Directors, the regulations, the implementations of which are prescribed to be mandatory, in relation to corporate governance, of the Capital Markets Board, shall be adhered and observed.</p>	<p>COMPLIANCE WITH THE PROVISIONS OF LAW AND CORPORATE GOVERNANCE PRINCIPLES</p> <p>Article 18- Any matter not provided herein shall be governed by the provisions of Turkish Commercial Code, the Capital Market Law and other legislations. Any provisions herein on contrary to the Turkish Commercial Code and the Capital Market Legislation shall not be applicable.</p> <p>In respect of the matters specified within these Articles of Association; the Corporate Governance Principles, which are prescribed to be adhered to by the Capital Markets Board, shall be observed. The transactions, which are performed not in compliance with the mandatory principles, and the board resolutions so adopted, shall be ineffective, and shall be deemed to be contrary to the Articles of Association.</p> <p>For related party transactions of the Company, which are deemed to be of important nature in respect of implementation of the Corporate Governance Principles, and the transactions in relation to granting any guarantees, pledges and mortgages for the favor of any third persons, the regulations of the Capital Markets Board, the implementation of which are prescribed to be mandatory shall be adhered.</p> <p>The number, qualifications and remuneration of the independent members to hold office at the Board of Directors shall be determined in accordance with the regulations, the implementation of which are prescribed to be mandatory, in relation to corporate governance, of the Capital Markets Board.</p> <p>While establishing any committees and units to be formed up by the Board of Directors, the regulations, the implementation of which are prescribed to be mandatory, in relation to corporate governance, of the Capital Markets Board, shall be adhered and observed.</p>

Corporate Governance Principles Compliance Report

Corporate Governance Compliance Statement

Increasing the quality and amount of international capital directed towards Turkey is of great importance for our developing economy. The global financial crisis, which started to make its effect felt especially from the third quarter of 2008 onwards, dragged the world economies to stagnation and led to a decrease in the desire to invest. This negative economic outlook revived the importance of good corporate governance applications for companies, investors and all relevant parties. A good corporate governance application was one of the most important indicators in terms of growth of companies and the sustainability of their activities in 2012 as well.

IS Investment, which is in the position of representative the understanding of corporateness which the emblem of "İş" has created in our society in the sector it operates in, is aware that good corporate governance applications can be possible with applications such as determination of the governance strategy, creating an effective risk management and internal control mechanism, determination of ethical rules, fulfilling investor relations activities and the liability of public disclosure in the required quality within the scope of Information Policy and carrying out Board activities in a transparent way. Within this framework, IS Investment carries out the rights and responsibilities between its employees, customers and all relevant parties –mainly its shareholders – and itself with the understanding of accountability, equality, transparency and responsibility – the universal elements of the understanding of corporate governance – and within the framework of an effective management and supervision. With this approach, in addition to compulsory regulations on corporate governance of the Capital Markets Board, IS Investment also complies with many principles which are not compulsory.

IS Investment, which carries out its activities in parallel with Turkish Commercial Code, Capital Market Law and relevant legislation and in compliance with the ethical values it has determined, believes that complying with Corporate Governance Principles is just as important as financial performance in providing long term added value to its investors.

As a result of reviews made by JCR Eurasia Rating in 2012, it was announced to the public on September 11, 2012 that our Company's corporate governance degree was raised from 8.63 to 8.87 in total score.

Distribution of our corporate governance rating in terms of main sections in comparison with the previous periods is as follows:

Main Sections	Previous Rating 23/12/2011	Revision
11/09/2012	8.13	8.61
Shareholders	8.13	8.61
Public Disclosure and Transparency	9.12	9.28
Stakeholders	8.24	8.43
Board of Directors	8.68	8.84
Overall	8.63	8.87

With this corporate governance rating obtained, IS Investment continues to be traded in BIST Corporate Governance Index within the scope of the Circular numbered 370 of Borsa Istanbul.

This Corporate Governance Compliance Report contains the information and parts announced in the Weekly Bulletin dated 12/02/2013 of the Capital Markets Board and also includes some additional details which are deemed appropriate to be announced by our Corporation.

PART I – SHAREHOLDERS

Investor Relations Department

With the aim of timely fulfilling the activities necessary for establishing relations with shareholders and stakeholders in a healthy way in addition to fulfilling public disclosure liability and information activities in the desired quality, IS Investment proved the importance it attaches to this issue by setting up Investor Relations Department before the realization of public offering transaction.

Investor Relations is a department which is responsible for giving information about the activity and financial performance of the company within the scope of capital market legislation and IS Investment Information Policy aimed at shareholders and all relevant parties; fulfilling the liability of public disclosure and in general, coordination of relations with shareholders and stakeholders. Investor Relations Department has been assigned with the coordination of IS Investment Information Policy which was approved by the Board of Directors and disclosed to the public.

The Department carried out mainly the activities given below within the last period:

- Ensuring that explanations and information which do not qualify as inside information are transmitted to shareholders and stakeholders in time, in a correct, complete, comprehensible, easy way and in a way accessible with the lowest cost as much as possible and under equal conditions and giving the necessary information so that the information transmitted can be interpreted correctly.
- Ensuring that all kinds of questions directed by shareholders and stakeholders are answered as soon as possible and correctly by establishing the necessary coordination; showing necessary care for protection of inside information in the information shared.
- Fulfilling the Company's liability of public disclosure about important developments which might affect the value of capital market instruments of the Company that are traded at the stock exchange within the scope of Capital Market Legislation and/or which might be effective in the investment decisions of investors.
- Overseeing that financial reports are prepared quarterly in compliance with capital market legislation and ensuring that they are announced to the public within the legal periods stipulated.
- Carrying out relations with current and potential investors.
- Overseeing that General Meetings are held in compliance with the legislation in effect, the articles of association and the Corporate Governance Principles published by the Capital Markets Board and that General Meeting results are maintained in a healthy way.
- Ensuring that "Investor Relations" sections with Turkish and English language options on the web site of the company are used actively in public disclosure; ensuring that material disclosures, informative presentations, relevant corporate details and in general, the information and data stipulated by regulatory authorities and Capital Markets Board Corporate Governance Principles are included in updated form.
- Observing the Corporate Governance Principles announced by the Capital Markets Board in activities of informing shareholders and stakeholders and public disclosure.
- Reporting to Corporate Governance Committee and the Board of Directors in periods of 6 and 12 months and in other periods deemed necessary about the activities of the Investor Relations Department.
- Monitoring share price performance and making suggestions for improving price performance.
- Preparing reports for the compliance of the Company with the "Corporate Governance Principles" published by the Capital Markets Board and making suggestions about this issue.

The Investor Relations Department has responded to information requests presented by telephone, e-mail or in face-to-face investor interviews in a detailed way within the scope of IS Investment Information Policy, has participated in meetings inland and abroad and has been organizing teleconferences since the day it was established. In certain periods, necessary answers were given to the questions directed by individual investors in relation to issues such as activity performance, interpretation of financial results, profit distribution policy, subsidiary performance and share certificate price performance. Domestic qualified and foreign institutional investors presented their questions mostly in the form of face-to-face meeting. As written request has not been presented to the department, no record is kept in terms of number.

It was announced to the public on 17.03.2009 that pursuant to the resolution of the Board of Directors dated 16.03.2009, Ozan Altan was appointed as Investor Relations Department Head and he was assigned in fulfilling the liabilities of IS Investment arising from capital market legislation and in ensuring coordination in corporate governance applications.

Corporate Governance Principles Compliance Report

Mert Erdoğan

Assistant General Manager

Level of Education: M.A.

Capital Markets Activity License Type: Advanced

T: +90 212- 350 24 12

F: +90 212- 350 20 01

e-mail: merdogmus@isyatirim.com.tr

Ozan Altan

Assistant Manager

Level of Education: M.A.

Capital Markets Activity License Type: Advanced - Derivative Instruments - Corporate Governance Rating Specialist

T: +90 212 -350 28 72

F: +90 212 -350 28 73

e-mail: oaltan@isyatirim.com.tr

Alper Alkan

Senior Associate

Level of Education: M.A.

Capital Markets Activity License Type: Advanced - Derivative Instruments - Corporate Governance Rating Specialist

T: +90 212 -350 25 22

F: +90 212 -350 25 23

e-mail: aalkan@isyatirim.com.tr

Use of Shareholders' Rights to Information

In IS Investment, all shareholders are treated equally. Investor Relations Department carries out activities with the aim of facilitating the protection and use of shareholding rights, primarily the right to information and the right of review.

Requests which are presented by investors were responded as soon as possible and in the most correct way within the scope of the "IS Investment Information Policy" which was disclosed to the public on our web site. The necessary care was shown so that the information used in the mentioned information does not qualify as inside information.

Electronic environment is used in an effective way in relation to developments which might affect the use of shareholding rights. Material disclosures and other notifications that are announced via the Public Disclosure Platform ("PDP") established within the body of Istanbul Stock Exchange are also transferred to the web site of IS Investment on the same day. Generally, changes which have occurred in the Company structure are immediately announced on our web site; investor presentations are updated quarterly. In addition to this information, IS Investment's share price performance and dividend distribution details are also presented for the information of investors on our web site. Moreover, information is also given about electronic general meeting principles and participation of shareholders in general meeting within the scope of the New Turkish Commercial Code.

Our investors have been informed via e-mail in relation to material disclosures and prominent issues in other notifications, and press bulletin has been sent to leading media organizations. In addition, as a member of the e-Corporate Governance and Investor Relations Portal that were established by the Central Registry Agency (MKK) in 2011, IS Investment actively used this platform as an information dissemination tool. As there is no application in our company which makes shareholders' right to information and right of review difficult, and activities are carried out to facilitate such rights.

Since the request to appoint special auditor is stated expressly in the new Turkish Commercial Code, the mentioned request has not been regulated in the Articles of Association. There was no special auditor appointment request within the period.

General Meeting Details

IS Investment held its Ordinary General Meeting for 2011 accounting period and General Meeting of Privileged Group (A) Shareholders on May 9, 2012. Invitation for the General Meetings were made by announcing thereof on Public Disclosure Platform (PDP) and on the Company's website on April 16, 2012; in domestic editions of the Dünya and Cumhuriyet daily newspapers on April 17, 2012; and on the copy of Turkish Trade Registry Gazette dated April 17, 2012 and numbered 8050, in compliance with the time indicated in Corporate Governance Principles and also by way of notifying the date and agenda for the meeting to holders of registered shares by letter. In addition to these, the mentioned invitation and relevant notifications were sent to our known foreign shareholders in English via e-mail.

The list of attendees revealed that out of the 260,000,000 shares representing TL 260,000,000 of the Company's share capital, a total of TL 200,297,574 of the share capital, 183,348,970 shares in person and 16,948,604 shares by proxy, were represented at the meeting; as a result, the meeting quorum as stipulated both in the related law and in the Articles of Association was fulfilled.

The list of attendees for the General Meeting of Privileged Group (A) Shareholders revealed that out of 150,000 shares representing TL 150,000 of Company's privileged Group (A) capital, 150,000 shares in person at a total of TL 150,000 shares were represented at the meeting; thus fulfilling the meeting quorum stipulated both in the related law and in the Articles of Association.

Pursuant to the permissions obtained from Capital Markets Board and Ministry of Customs and Trade, amendment of articles 1, 3, 4, 6, 9, 10, 13, 14, and 18 of the Articles of Association of the Company in compliance with the amendment draft was submitted for approval. The mentioned resolution was unanimously accepted in both meetings.

Invitation, agenda, power of attorney sample and minutes for General Meetings were published on the Public Disclosure Platform and they were continuously presented for the information of our shareholders and stakeholders on our Turkish and English website. In addition, CVs of persons nominated for Board membership and other relevant information were published on our website within one week following the general meeting invitation.

Care is shown so that our General Meetings are held in a way not leading to inequality among shareholders, with the aim of increasing the participation of shareholders, and ensuring the participation of shareholders with the least possible cost. Our General Meetings are held in Istanbul - the headquarters of the Company - as indicated in our articles of association; Istanbul is also the place where majority is located in terms of shareholding (on a proportional basis).

Care is shown so that the items on the agenda are transferred in an impartial and detailed way with a clear and comprehensible method by the meeting chairman in the General Meeting. Shareholders are given the opportunity to express their opinions and ask questions under equal terms. The meeting chairman ensures that every question asked by shareholders and not falling into the scope of commercial secret are answered directly in the general meeting. If the question asked is not related to the agenda or is too extensive to be answered immediately, the question asked shall be answered in writing by the Investor Relations Department within maximum 30 business days. Within this framework, Board Members, relevant senior executives and investor relations manager, authorized persons who have responsibility in preparation of financial statements and auditors shall be present at the general meeting to be able to make the necessary information and to answer the questions with respect to issues with priority.

The necessary amendment to Articles of Association has been made in relation to important transactions defined in Corporate Governance Principles.

Information was given in the general meeting about the donations and grants made within the period under a separate item of agenda. In the section of wishes and suggestions, which was also a separate item of agenda, no one spoke. Stakeholders such as independent auditors and rating surveyors participate in our General Meetings as observers.

Voting Rights and Minority Rights

There is no privilege in voting rights. However, Group A shareholders have privileges in the election of Board members. Five of the Board members are nominated by Group A shareholders and two of them are nominated by Group B shareholders.

Pursuant to new Turkish Commercial Code, the electronic general meeting system (e-GEM) will be applied to general meetings held after October 2012. Thus, shareholders may participate, vote electronically via e-GEM provided that they satisfy required conditions. Information document relating this issue is presented on the website.

There is not any company with which IS Investment has reciprocal participation relationship. Nomination to the Board has not been made by the minority.

Subsidiaries

Company	Paid-in Capital	Our Stake (%)
Maxis Securities Ltd.*	GBP 5,500,000	100.0
Is Investment Gulf Ltd.	USD 1,000,000	100.0
Camiş Online	TL 6,696,000	99.8
Efes NPL Asset Management	TL 10,000,000	74.0
IS Portfolio Management	TL 45,000,000	70.0
IS Private Equity	TL 57,960,000	29.0
IS Investment Trust	TL 160,559,284	27.9

* The paid-in capital was increased by GBP 1 million and GBP 1.5 million in November 2012 and in March 2013 respectively.

Corporate Governance Principles Compliance Report

Dividend Right, Dividend Distribution Policy and Dividend Distribution Time

There is no privileged share in terms of founder's share and receiving dividends.

IS Investment Dividend Distribution Policy was presented for the information of shareholders in the first General Meeting that was held as a publicly traded company on April 28, 2008. Our dividend distribution policy is also disclosed to the public on a continuous basis via our annual and interim activity reports on our Turkish and English websites (www.isyatirim.com.tr / www.isinvestment.com).

IS Investment has realized its dividend distribution every year in compliance with its dividend distribution policy since its public offering.

In article 16 of the Articles of Association, the principle of distributing first dividend from distributable profit at the rate and amount determined by the Capital Markets Board was adopted and also, the issue of distributing advanced dividends to shareholders has been included.

Our Board of Directors, which aims at providing high dividend yield for its shareholders as a publicly traded partnership in addition to increasing the field of activity and types of service, has adopted a dividend distribution policy based on the principle of proposing to the General Assembly the distribution of at least 30% of distributable profit in cash and/or as bonus share as of 2007 accounting period by taking following conditions into consideration, within the framework of relevant legislation;

- a) Not damaging the fragile balance between the expectations of our shareholders and our Company's growth,
- b) General profitability of our Company.

In case resolution for dividend distribution is taken by the General Assembly, care is shown so that payments are made as soon as possible, within the period stipulated in the relevant legislation.

If profit will not be distributed, the reason thereof and for which purpose the undistributed profit will be used shall be disclosed to the public.

Share Transfer

It has been decided in the Articles of Association that there is not any restriction in relation to share transfers within the terms stipulated by capital market legislation.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

Company Information Policy

IS Investment Information Policy was announced to the public via our website by being approved by the Board of Directors on May 17, 2007 before our shares started to be traded on the stock exchange; afterwards, it was made compliant with the principles indicated in the "Communiqué on the Principles for Public Disclosure of Material Events", Serial VIII, No: 54 of the Capital Markets Board which took effect on February 6, 2009.

IS Investment Information Policy was presented for the information of shareholders in the First General Assembly that was held after the public offering of our Company. The Information Policy was also included in annual and interim activity reports. The Information Policy is published on the Turkish and English websites of our company (www.isyatirim.com.tr / www.isinvestment.com) on a continuous basis.

In IS Investment, fulfilling the liability of public disclosure, observing, following and developing the Information Policy are under the authorization and responsibility of the Board of Directors. The authorized persons whose contact details were given under the title "Investor Relations Department" have been authorized for coordination of the Information Policy. These authorized persons fulfill their responsibilities in close cooperation with the Corporate Governance Committee and the Audit Committee.

General Framework of the Information Policy

IS Investment performs the disclosures and information related to developments which might affect the value of capital market instruments traded on a stock exchange and the investment decisions of investors, which do not qualify as inside information within the framework of primarily the Capital Market Law, Turkish Commercial Code and the relevant legislation, by observing Corporate Governance Principles.

IS Investment, which is in an active approach in terms of the adoption and application of corporate governance principles, exerts maximum effort in the realization of international best corporate governance applications in terms of public disclosure and information.

Full text of the Information Policy is published on the web site at the address of www.isyatirim.com.tr.

Company's Website and its Content

IS Investment has websites with Turkish and English content as www.isyatirim.com.tr and www.isinvestment.com respectively. Both of our websites are actively used in public disclosure and the information used on these sites is continuously updated. Such information is the same as the explanations made pursuant to the provisions of relevant legislations.

The following information which is also indicated in the relevant section of the CMB's Corporate Governance Principles is present under the titles of "Investor Relations" of our web sites with Turkish and English content:

Vision, Mission and Corporate Values	Risk Management
Trade Registry Information	Information Policy
Shareholding Structure & Subsidiaries	Investor Relations Contact Information
Articles of Association	Public Offering Prospectus and Circular
Board of Directors and Executives	Financial Statements and Independent Auditor's Reports
Independent Member - Declaration of Independence	Investor Presentations - Voice Recordings of Presentations
Organizational Structure	Annual Reports
Rating Reports	Invitation to General Meeting of Shareholders
Research Reports about IS Investment (ISMEN)	Agenda of the General Meeting of Shareholders
List of Analysts	Power of Attorney
Press Releases	Minutes of the General Meeting of Shareholders
Frequently Asked Questions	List of Attendees
RSS Feed	Stock Price Performance
Corporate Film (English)	Information on Privileged Shares
Feedback	Dividend Payments
Useful Links	Capital Increases
Corporate Governance Principles Compliance Report	Historical Price Data
IS Investment's Anti Money	Calculator
Laundering and Combating the Financing of Terrorism Policy	Material Event Disclosures
Dividend Policy	Contact Information
Code of Ethics	

Activity Report

Information listed in corporate governance principles is included in our activity reports.

Disclosure of Ultimate Controlling Individual Shareholder(s)

There is no real person ultimate controlling shareholder of IS Investment. The shareholding structure of IS Investment has been disclosed to the public; and it is presented for the information of shareholders and stakeholders on our web site.

Real and Legal Persons that Indirectly Own Share Capital as of the Latest Position

Business Title/Name Surname	Share in Capital (TL)	Share in Capital (%)
İşbank Members Supplemental Social Security and Solidarity Fund Foundation	76,468,279	26.74
Republican People's Party (CHP)	52,747,789	18.44
Total	129,216,068	45.18

PART III - STAKEHOLDERS

Informing Stakeholders

IS Investment ensures that stakeholders who cover extensive range from its employees to its potential investors, from analysts to media organizations are informed about issues which interest them as soon as possible and in the most correct way.

Material disclosures made via PDP about important developments regarding IS Investment are also transferred to our web sites with Turkish and English content in the same day and presented for the information of stakeholders. In addition, press bulletin is also sent to media organizations after material disclosures in the issues which are considered to draw the attention of the public.

Stakeholders are informed about company policies and business processes sufficiently, and also our stakeholders can transmit their complaints and suggestions to our company/managing bodies either via the direct communication channels included on our web site or the investment advisors allocated to our customers, or by any direct/indirect method which they might prefer. In addition, our ethical values and policies for prevention of laundering proceeds of crime and financing of terrorism are also published both on our website and our internal communication system in statutory form on a continuous basis.

Participation of Stakeholders in Management

It has been decided in the Articles of Association that stakeholders can call the Board of Directors to meeting by making request to the Chairman of the Board; in case that Chairman of the Board decides that it is not necessary to hold a meeting immediately, he/she can open the issue related to the meeting call for discussion in the next Board meeting. With this method, a mechanism, whereby stakeholders' important suggestions and complaints can be followed up, has been set up by the Board of Directors and the relevant committee. No request for meeting call has been transmitted to the Board of Directors during the period.

IS Investment provides an environment for its employees, which have a very important place among stakeholders group, whereby they can comfortably transmit their thoughts and suggestions about Company management either via Human Resources Department or directly via their own managers, together with the above-mentioned right.

Human Resources Policy

Human Resources Policy is disclosed to the public via the Company's web site and activity reports.

Commitment to ethical values, continuous development and customer-oriented approach values are adopted in Human Resources Policy of IS Investment. While recruitment policies are created and career planning is made, the principle of providing equal opportunity for people at equal circumstances is adopted. Promotion brings about wage rise together with authorization and responsibility. In order to pass to a higher position, it is essential to have the qualifications such as the knowledge and experience required by the job definition. The most important criterion in promotions is the performance of our employees.

Contributing to our employees' professional and personal developments and providing equal opportunities for employees in this field is our main training policy. In 2012, training rate per employee was 1.3 including internal trainings organized inland/abroad in parallel with our Company's managerial strategies with the aim of contributing to the employees' occupational and personal developments.

Job definitions and performance and rewarding criteria of employees are determined by managers and announced to employees. Our performance evaluation system is a mixed system in which objectives and competencies are evaluated together. Performance evaluation has been based on objective analyses and syntheses searching to what extent our employees comply with the requirements and qualifications of the job and aiming at detecting business success.

Job definitions regarding titles and activities and codes of practice regarding performance and rewarding criteria have been made in writing and announced to our employees.

Measures are taken so that discrimination in terms of religion, language, race and sex is not made among our employees, human rights are respected and employees are protected internal physically, mentally and emotionally against ill treatment. There is no complaint made by employees about these issues.

No special representative has been appointed to carry out relations with our employees. An environment for each of our employees to state their wishes, complaints and suggestions either via department managers or via Human Resources Department is present.

Salaries of employees are determined according to the conditions of the day by taking into account qualifications such as education level and experience, position and title and also Company's salary principles. Payments are made in cash to the employees' salary accounts at the end of each month.

IS Investment Remuneration Policy which is applied has been approved by the Board of Directors, and presented for the information of shareholders in the first General Meeting held.

General Framework of the Remuneration Policy

Fixed salaries are cash payments made in fixed amounts at certain periods of the year on a regular and continuous basis independent of performance. Such salaries are determined by taking the financial status of the Company into account and paid to all employees essentially according to merit, term of employment, title and the feature of the work carried out.

It is essential that fixed salaries to be given to Board members, senior management and employees are in compliance with the company's ethical values, internal balances and strategic objectives and they are not associated with short term performance.

Variable compensations are all kinds of cash and non-cash payments excluded by fixed salaries such as performance-based incentive payments and bonus payments. Performance-based compensations are only paid to certain employees by taking into consideration the Company's performance and the contribution of the relevant department and employee. Variable payments are determined in a way not to weaken the Company's equity capital by taking into account current and potential risks, capital and liquidity state and the probability and time of realization of incomes planned to be obtained in the future.

For variable payments, the Company's financial and activity performance is taken as basis. Performance-based incentive payments are announced to all employees by being determined in a clear, comprehensible, measurable way and according to objective conditions in a way to affect the Company's corporate values in a positive way, by also taking into account the maturity of the risks taken, without guaranteeing the amounts thereof beforehand; determined criteria are regularly reviewed. In case financial data such as profit and revenue are used in the creation of performance criteria, necessary measures are taken so that such data reflects the reality in terms of risks and costs.

Full text of the Remuneration Policy is published on our website at the address of www.isyatirim.com.tr.

Information on Relations with Customers and Suppliers

IS Investment provides capital market services to investors within the framework of ethical values and with an understanding of customer-based investment banking. Within this scope, it is aimed that the needs are determined by analyzing developing investor demands and changing market conditions, and that the products and services to provide for these needs in the best way are developed. Protection of customer confidential information within the framework of legislation is among our corporate values.

Relations with customers are carried out via investment advisors and the aim of investment advisors is to ensure that assets are allocated in the most appropriate investment tools according to customers' risk- return expectations. IS Investment's customers can transmit their all kinds of wishes and expectations to investment advisors assigned for them.

IS Investment does not have any supplier due to the qualification of its subject of activity.

Code of Ethics and Social Responsibility

With the aim of increasing social and economic benefit in carrying out capital market activities, protecting and improving the dignity of the brokerage profession and preventing unfair competition, in addition to legal and administrative regulations, IS Investment has presented its code of ethics created by the Board of Directors in parallel with the regulations of Association of Capital Market Intermediary Institutions of Turkey, for the information of its employees in writing.

Code of ethics of IS Investment has also been disclosed to the public via our web site within the framework of IS Investment Information Policy (www.isyatirim.com.tr).

İşbank, our founder and main shareholder which has been undertaking the leading role in the development of social life, as well as in economic development, since its foundation, continues its support for environmental, educational, cultural, artistic and other field activities with its rooted social responsibility understanding.

IS Investment, which is aware and conscious of its social responsibility against the society with all of its employees, objectives developing sustainable projects in compliance with ethical values and legal regulations in the subjects falling into its field of social responsibility. It can realize this objective via projects which it realizes directly by itself and/or by supporting projects developed by İşbank.

Apart from this, our Company donated TL 2,450 to TEMA (The Turkish Foundation for Combating Soil Erosion for Reforestation and the Protection of Natural Habitats) and TEV (Turkish Education Foundation) in 2012, as it was also presented for the information of the General Assembly.

In terms of activities of IS Investment, there is no contradiction to environmental legislation and no legal sanction has been incurred in this subject.

PART IV - BOARD OF DIRECTORS

Structure and Formation of the Board of Directors

Board of Directors carries out its activities in a transparent, accountable, fair and responsible manner. The task distribution made among the Board Members is presented for the information of our shareholders and stakeholders via PDP, our activity reports and our company's web site.

Board of Directors plays a leading role in protecting the effective communication between the company and the shareholders, removing and resolving the conflicts likely to occur and for this aim, coordinated Investor Relations activities via the Corporate Governance Committee.

Qualifications of Board Members

All of our Board Members are university graduates and experienced managers in their fields. In addition, it has been decided in the Articles of Association that member more than half of the Board members must be university graduates.

BOARD MEMBERS OF IS INVESTMENT



İlhami Koç*
Chairman of the Board

He graduated from Ankara University, Faculty of Political Sciences in 1986. In the same year, he started to work in İşbank Board of Internal Auditors. After taking part in internal audit and investigation activities, he was appointed to the Securities Department as Assistant Manager in October 1994. In 1997, he was appointed as Unit Manager in charge of Portfolio Management and International Capital Markets in IS Investment. In 1999, he was promoted to Assistant General Manager in the same corporation. During this duty, he was in charge of corporate finance, research, domestic and international capital markets. In 2001, he undertook the duty of General Manager of IS Private Equity. Approximately one year later, he was appointed to IS Investment as General Manager. On 30.01.2013, he left the duty of General Manager due to his duty in İşbank and on 31.01.2013 he was elected as Chairman of the Board of IS Investment. İlhami Koç is married, has one child and speaks English.



Güzide Meltem Kökden
Deputy Chair of the Board

She graduated from Ankara University, Faculty of Political Sciences, Department of International Relations in 1990. In 1994, she completed her graduate study in Ankara University, Department of European Communities Law. In 1991, she started to work as Investment Specialist in İşbank Retirement and Collateral Fund Foundation. Kökden, who worked as Investment Specialist in Securities Department between 1996 and 1999, served as Assistant Manager between 1999 and 2003 and as Unit Manager between 2003 and 2006. In 2006, she was appointed to Securities Department as Department Manager. Kökden, who has been a Board Member in IS Investment since 2006, was appointed as Deputy Chair of the Board in 2009. Meltem Kökden speaks English.



Feray Demir
Board Member

She graduated from Anadolu University, Department of Business Administration in 1987. In 1988, she started to work in İşbank Sefaköy Branch. In 1999, she was appointed to the Directorate of Commercial Loans as Assistant Manager. She worked as Assistant Manager in Corporate Marketing Department between 2003 and 2005 and as Güneşli Branch Manager between 2005 and 2007. Feray Demir, who was appointed to Commercial Banking Sales Department as Manager in 2007, currently carries out the duty of İşbank Istanbul Corporate Branch Manager. She has been also Board Member in IS Investment since 2010. Feray Demir speaks English.



Volkan Kublay**
Board Member

Volkan Kublay, who graduated from Marmara University, Faculty of Economics and Administrative Sciences, Department of Economics (English) in 1998, started his career in İşbank in 2000 as Intern Assistant Internal Auditor, and in 2008, he was appointed to the Subsidiaries Department as Assistant Manager. Mr. Kublay, who also has Board Membership duties in various group companies, was appointed as Subsidiaries Department Capital Markets Unit Manager in 2012, following his duty related to bank and finance subsidiaries. Kublay, who was appointed as Board Member of IS Investment in August 2012, is a member of Corporate Governance Committee and Risk Committee. Volkan Kublay speaks English.



Abdullah Akyüz
Independent Board Member

He graduated from Ankara University, Faculty of Political Sciences, Department of Economics and Finance in 1983. He completed his graduate study in University of California, Department of Economics in 1986. After his study, he started to work as Researcher in Capital Markets Board. Akyüz, who served as Assistant Manager and Manager in Istanbul Stock Exchange Bond and Bill Market, served as Board Member in Istanbul Stock Exchange Settlement and Custody Bank (Takasbank) between 1995 and 1998. He served as Istanbul Stock Exchange Vice Chairman between 1994 and 1998 and as TÜSİAD (Turkish Industrialists' and Businessmen's Association) Washington Representative between 1999 and 2011. Abdullah Akyüz, who has been serving as Independent Board Member in IS Investment since October 26, 2011, is a Member of the Audit Committee.



Behzat Yıldırım
Independent Board Member

He graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration in 1979. After his education, he started to work as internal auditor in Halkbank. He worked as manager in various positions in Dışbank between 1983 and 1991. Behzat Yıldırım, who worked as General Manager in charge of Turkish capital markets within the scope of investment banking activities in Genova between 1995 and 1998, worked as board member in various companies after this date. Behzat Yıldırım, who also served as advisor for various companies operating in the financial sector in addition to Board memberships, worked as part-time lecturer in a private university between 2001 and 2003. In 2009, Behzat Yıldırım became an advisor for a Basel-based investment fund. Behzat Yıldırım, who has been serving as Independent Board Member in IS Investment since May 9, 2012, is the Head of Audit Committee, Head of Corporate Governance Committee and Head of Risk Committee.



Işıl Dadaylı***
Board Member

Işıl Dadaylı, who graduated from Istanbul University, Faculty of Economics, Department of Economics (English) in 1991, started to work as Intern Assistant Specialist in İşbank Fund Management Directorate in the same year, and in 1995, she resigned from her duty at the bank and worked as Marketing Specialist in Reuters Enformasyon Ltd. Şti. for a period of two years. Dadaylı, who returned to her duty as Assistant Specialist in İşbank Fund Management Department in 1999, became Assistant Manager in the same Department in 2004. In 2007, she became Group Manager in Securities Department. After being appointed to Treasury Department as Unit Manager in 2008, she became İşbank Private Banking Marketing and Sales Department Manager in 2011. Işıl Dadaylı has one child and speaks English.

* Mr. İlhami Koç was elected to the Board and assigned to the Chair of the Board on 30 January 2013 instead of Mr. Özcan Türkakın who resigned due to his new role in TSKB.

** According to the resolution of the Board of Directors dated 15 August 2012, Mr. Volkan Kublay was assigned to the Board instead of Mr. Emre Duranlı who has resigned.

*** According to the resolution of the Board of Directors dated 1 April 2013, Ms. Işıl Dadaylı was assigned to the Board instead of Mr. Melih Murat Ertem who has resigned.

Corporate Governance Principles Compliance Report

Board Members of IS Investment

Name/ Surname	Title	Profession	Functions Performed in the Company in the Last Five Years	Functions Performed outside the Company as of the Latest Position	Share in the Company's Capital (%)	Share Group Represented	Whether or Not an Independent Board Member	Committee Memberships and Functions
İlhami Koç	Chairman	Finance	General Manager	İşbank Assistant General Manager	-	-	-	-
Güzide Meltem Kökden	Deputy Chair	Banker	Deputy Chair	İşbank Capital Markets Department - Department Manager	-	-	-	-
Feray Demir	Member	Banker	Board Member	İşbank Istanbul Corporate Branch Manager	-	-	-	-
İşıl Dadaylı	Member	Banker	-	İşbank Private Banking Marketing and Sales Department - Unit Manager	-	-	-	-
Volkan Kublay	Member	Banker	Board Member	İşbank Subsidiaries Department – Capital Markets Unit Manager	-	-	-	Member of the Corporate Governance and Risk Committee
Abdullah Akyüz	Member	Finance	Board Member	-	-	-	Independent Member	Member of the Audit Committee
Behzat Yıldırım	Member	Banker	Board Member	-	-	-	Independent Member	Chair of the Audit; Corporate Governance; and Risk Committee,
Tolga Achim Müller	Statutory Auditor	Banker	Statutory Auditor	İşbank Corporate Banking Marketing and Sales Department - Unit Manager	-	-	-	-
Cansel Nuray Aksoy	Statutory Auditor	Banker	-	İşbank Subsidiaries Department – Capital Markets Unit Assistant Manager	-	-	-	-

Board Members do not have executive functions in IS Investment. The General Manager is the head of execution.

As known, the qualifications required to be had by independent board members, have been determined in Corporate Governance Principles of the Capital Markets Board. Independence statements of IS Investment Independent Board Members are included on the company's web site and in annual activity reports.

It has been decided in the Articles of Association that the General Manager cannot be Chairman of the Board at the same time.

The subject of our Board Members' taking other duties outside IS Investment is subject to general provisions. However, it has been decided in the Articles of Association that Board members cannot obtain permission from the General Assembly for being exempted from prohibition of competition and making transaction with IS Investment.

DECLARATION OF INDEPENDENCE

To the Board of Directors of IS Investment:

By virtue of the fact that I was elected an "Independent Member" of the Board of Directors on October 26, 2011, pursuant to the Capital Markets Board Corporate Governance Principles, I hereby declare for the information of the Company's Board of Directors, shareholders and all related parties that:

- There has been no direct or indirect employment, capital or significant commercial relationship between IS Investment, any of its related parties or any legal entity with which shareholders who directly or indirectly hold 10% or more of IS Investment's share capital are associated in terms of management or capital and myself, my spouse and my blood relatives or my relatives by marriage up to the third degree in the last five years;
- I have not been elected to the Board on behalf of any share group
- I have not been employed in a company that performs auditing, rating or advisory services for IS Investment or that fully or partially administers IS Investment's business or organization under a contract, neither have I served as a Member of the Board of Directors of IS Investment, in the last five years;
- I have not been employed in the independent auditor nor in the independent auditing process of IS Investment in the last five years;
- I have not been a shareholder, employee or a Member of the Board of Directors of any company from which IS Investment procures a significant amount of products and services in the last five years;
- I, my spouse and my blood relatives or my relatives by marriage up to the third degree are not executives in IS Investment nor they are shareholders that have more than 5% stake or control the management in any case;
- Other than a member of the Board of Directors fee and remuneration, I do not earn any income from IS Investment and I am not a shareholder of IS Investment;

Respectfully yours,



Abdullah Akyüz

To the Board of Directors of IS Investment:

By virtue of the fact that I was elected an "Independent Member" of the Board of Directors on October 26, 2011, pursuant to the Capital Markets Board Corporate Governance Principles, I hereby declare for the information of the Company's Board of Directors, shareholders and all related parties that:

- There has been no direct or indirect employment, capital or significant commercial relationship between IS Investment, any of its related parties or any legal entity with which shareholders who directly or indirectly hold 10% or more of IS Investment's share capital are associated in terms of management or capital and myself, my spouse and my blood relatives or my relatives by marriage up to the third degree in the last five years;
- I have not been elected to the Board on behalf of any share group
- I have not been employed in a company that performs auditing, rating or advisory services for IS Investment or that fully or partially administers IS Investment's business or organization under a contract, neither have I served as a Member of the Board of Directors of IS Investment, in the last five years;
- I have not been employed in the independent auditor nor in the independent auditing process of IS Investment in the last five years;
- I have not been a shareholder, employee or a Member of the Board of Directors of any company from which IS Investment procures a significant amount of products and services in the last five years;
- I, my spouse and my blood relatives or my relatives by marriage up to the third degree are not executives in IS Investment nor they are shareholders that have more than 5% stake or control the management in any case;
- Other than a member of the Board of Directors fee and remuneration, I do not earn any income from IS Investment and I am not a shareholder of IS Investment;

Respectfully yours,



Behzat Yıldırım

Independence statements of Independent Board Members are published on our web site at the address of www.isyatirim.com.tr.

EXECUTIVES



A. Erdal Aral*
General Manager

In 1989, he graduated from Marmara University, Faculty of Economics and Administrative Sciences, Department of Economics (English) and completed his graduate study in International Banking in Loughborough University of Technology. He served in various positions within the body of İşbank where he started to work as Assistant Internal Auditor in 1989. He was appointed as Assistant Manager of Treasury Department in 1997; as Unit Manager in 2000; as Department Manager in 2002; Kozyatağı Corporate Branch Manager in 2008. On April 13, 2011, he became Assistant General Manager in İşbank. On January 30, 2013, he was appointed to IS Investment as General Manager. A. Erdal Aral is married, has one child and speaks English.



Murat Kural
Assistant General Manager

He obtained his bachelor degree from Istanbul Technical University, Department of Electronics and Communication Engineering in 1987 and his master's degree from Bilkent University Institute of Business Administration in 1989. He continued his duty which he started in Prime Ministry Directorate of Privatization Administration in 1990 until 1997 when he became the Head of Treasury. In the same year, he was transferred to World Bank with the duty of Advisor. In 1999, he joined the family of IS Investment as Corporate Finance Manager. He undersigned many public offering and privatization projects in this position. Since 2002, he has been serving as Assistant General Manager in charge of Public Offering and Mergers and Acquisitions. Murat Kural is married, has two children and speaks English and French.



Ufuk Ümit Onbaşı
Assistant General Manager

He graduated from Istanbul University, Faculty of Economics, Department of Economics (English) in 1991. In the same year, he started to work in İşbank Securities Department. He continued his career in the banking sector. With his expertise in the field of treasury, he started to work in IS Investment as Domestic Markets Manager in 2000. In 2003, he became Assistant General Manager in IS Investment. He currently serves in this position as in charge of Domestic Capital Markets, International Capital Markets, Quantitative Strategies and Arbitrage, Stock Market and Agency Services and Portfolio Management. Ufuk Ümit Onbaşı is married, has two children and speaks English.



Mert Erdoğan
Assistant General Manager

He obtained his bachelor degree from Istanbul University, Faculty of Business Administration in 1990 and his MBA degree from Bloomsburg University, Pennsylvania in 1993. He started his professional career in the same year in the finance sector. He joined the family of IS Investment in 2000. He took part in the foundation of Kalamış Branch - the Company's first branch in Istanbul. He was appointed as Assistant General Manager in 2006. He carries out this duty as in charge of Investment Advisory, Domestic Sale and Marketing and Investor Relations. Mert Erdoğan is married, has two children and knows English and German.



Funda Çağlan Mursaloğlu
Assistant General Manager

She obtained her bachelor degree from Boğaziçi University in 1996 and her master's degree from Yeditepe University in 1998. She started her professional career in the finance sector in 1996. In 1999, she joined the body of IS Investment as Foreign Institutional Sales Specialist. Mursaloğlu, who worked as in charge of foreign customers, enabled the formation of Foreign Institutional Sales Department and she was appointed to this Department as Manager in 2005. Since October 2007, she has been working as Assistant General Manager in charge of Foreign Institutional Sales and Marketing, Research, Corporate Communication and Coordination with International Organization. Funda Çağlan Mursaloğlu is married, has two children and speaks English.



Melih Murat Ertem **
Assistant General Manager

He graduated from Middle East Technical University, Department of Electric and Electronic Engineering in 1995. In 1996, he started to work in İşbank Information Processing Department. He served as Assistant Manager between 2005 and 2008 and as Unit Manager between 2008 and 2010 and then as Department Manager in Information Technologies Product and Service Management Department. In November 2012, he was appointed as Assistant General Manager in charge of Information Technologies, Software Development and System Analysis departments in IS Investment. Melih Murat Ertem speaks English.



Zeynep Yeşim Karayel***
Assistant General Manager

She graduated from Istanbul University, Faculty of Economics in 1984. She started to work in İşbank Intelligence Directorate in the same year. In 1993, she was appointed to the Securities Directorate as Assistant Specialist. In 1997, she was assigned as unit manager in IS Investment Corporate Finance Department. She was promoted to the position of Assistant Manager in 1999 and to Manager in 2002. Within this period, she was in charge of various privatization advisory and public offering projects. In March 2013, she was appointed as Assistant General Manager in charge of Operations, Financial and Administrative Affairs, Human Resources, Legislation and Compliance and Tax in IS Investment. Yeşim Karayel is married, has two children and speaks English.

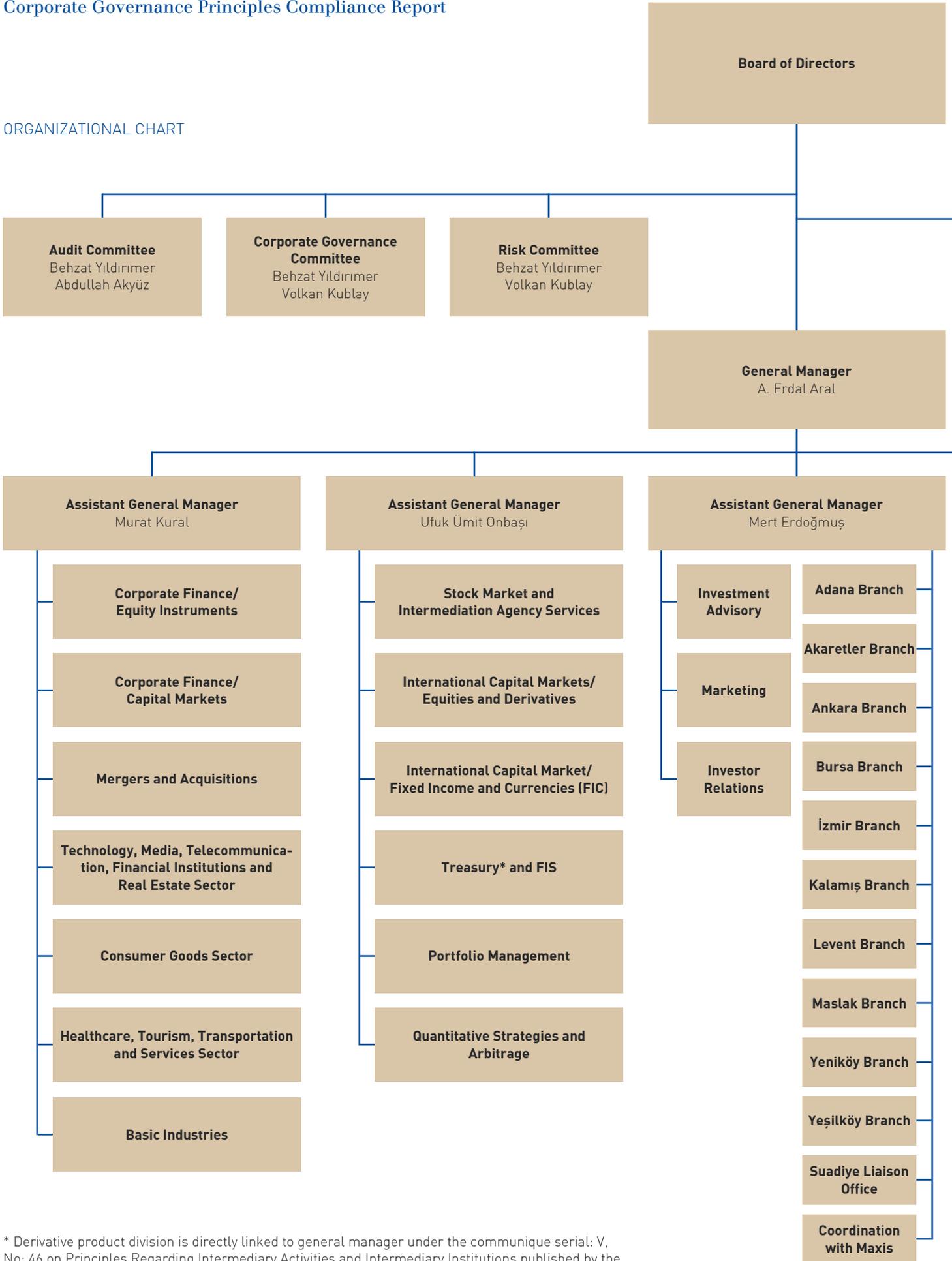
* According to the resolution of the Board of Directors dated 30 January 2013, Mr. A. Erdal Aral (deputy General Manager in İşbank) was assigned as the General Manager instead of Mr. İlhami Koç who has resigned due to his new role in İşbank.

** Mr. Melih Murat Ertem was assigned as Assistant General Manager on 1 November 2012, on the same day he resigned from the Board membership.

*** Ms. Z. Yeşim Karayel was assigned as Assistant General Manager on 20 March 2013 instead of Mr. Ertuğ Yıldırımcan who resigned due to retirement.

Corporate Governance Principles Compliance Report

ORGANIZATIONAL CHART



* Derivative product division is directly linked to general manager under the communique serial: V, No: 46 on Principles Regarding Intermediary Activities and Intermediary Institutions published by the capital market board of Turkey (CMB).

Chairman
İlhami Koç

Vice Chairman
G. Meltem Kökden

Members
Feray Demir
Volkan Kublay
Işıl Dadaylı
Özgür Temel
Abdullah Akyüz (Independent)
Behzat Yıldırım (Independent)

Statutory Auditors
Tolga Achim Müller
Cansel Nuray Aksoy

Risk Management

Board of Internal Auditors

Assistant General Manager
Funda Çağlan Mursaloğlu

Foreign Institutional Sales

**International Sales/
Fixed Income and Structured
Products Sales and Trading**

Research

Corporate Communications

**Coordination with Dubai and
Kazakhstan**

Assistant General Manager
Melih Murat Ertem

Information Technologies

Software Development

Project Management

Assistant General Manager
Zeynep Yeşim Karayel

Back Office Services

Financial Reporting

Compliance

Human Resources

Tax

Reporting

**Rapporteur
(Board of Directors)**

Corporate Governance Principles Compliance Report

Vision, Mission and Corporate Values and Strategic Objectives of the Company

Vision, Mission and Corporate Values of IS Investment has been approved by Board of Directors and disclosed to public on our web site.

Vision;

To be Turkey's and the region's most preferred, leader and reliable investment institution.

Mission;

- To provide all kinds of investment banking service under one roof
- To produce qualified information, to establish information-based strategies and to create value
- To be innovative in product and service development
- To lead the development of capital markets
- To follow technological developments and to apply thereof to activities
- To ensure customer satisfaction
- To increase the value created for shareholders

Corporate Values;

Customer Orientation: To be close to our customers, to be able to make risk-return analysis correctly in compliance with their expectations, to be able to provide service at the necessary and desired quality with the aim of increasing the assets of our companies in line with this analysis.

Market Focusedness: To be able to create the highest possible added value for our corporation and investors in line with the developments taking place by instantly monitoring domestic and foreign capital markets.

Dynamism and Innovation: To constantly seek the better and the newer with an infinite energy for the continuous development of our products, services and values by staying loyal to our corporate policies and in the most appropriate way for market conditions with its human resource which is competent and expert in its field.

Confidentiality: To observe confidentiality principles within the scope of laws, our corporate policies and ethical values in subjects which qualify as inside information that might affect our share values and the identities and transactions of our customers.

Reputation: To continue to be the representative of the feelings of trust and success created by the brand "İş", which we proudly represent in capital markets.

Develop the Staff: To ensure the continuous training and development of our expert personnel that we have incorporated in compliance with our values with corporate social responsibility understanding; to apply a human resources policy within a comfortable, safe and certain career plan by providing equal rights to those who are under equal circumstances without discriminating on the basis of religion, language, race and sex.

Team Work: To bring productivity to the highest levels by creating a synergy that combines the division of labor and cooperation, efficient sharing and solidarity.

Respect for the Laws, Corporate Governance Principles and Ethical Values: To be able to realize the best international application in terms of compliance with corporate governance principles with an effective risk management and internal control mechanism, a transparent governance to make the success in our financial performance and market sustainable in compliance with the laws and our ethical values.

Perfectionism: Being aware that anyone can be better by trying to be perfect all the time.

Objectivity and Impartiality: To ensure that our comments on the market are realized with an objective understanding by carrying out relations with the customer without allowing to any conflict of interest while fulfilling capital market activities, and informing our shareholders correctly, fully and timely.

Social Responsibility: While trying to fulfill our aims of growth and obtaining profit, to exert maximum effort so that mainly our employees, the environment and other internal and external factors provide maximum benefit.

Strategic Objectives

Strategic objectives which are prepared by Senior Management for activities of IS Investment are presented to the Board of Directors as a report. In such report, in addition to macroeconomic evaluations, the information and expectations about national and international markets are included. The strategic objectives which are determined within the framework of such information and expectations are approved by making the necessary evaluations after discussing performance of the previous period by the Board of Directors.

Risk Management and Internal Control Mechanism

Achieving success in line with the increasing needs of shareholders, legal regulators and customers in today's financial intermediation services is based on effective risk management. On the other hand, the line which forms effective risk management activities in the changing and developing risk management world is constantly increasing. In IS Investment, risk quantification and management activities have been integrated into main business lines. Risk Management, which was restructured in 2006 as Directorate, operates independently from executive units.

At the point of managing functional activities, IS Investment can encounter various integrated risk groups. Basically, proactive control and management activities aimed at the market, credit, liquidity and operational risk classes are carried out.

The full text of Risk Management Policy is published on the website at the address of www.isyatirim.com.tr.

An effective internal auditing system including internal control and internal audit activities has been established. The organization plan applied in IS Investment with the aim of carrying out all acts and transactions of IS Investment, including its off-center organizations, in compliance with management strategies and policies in a regular, efficient and effective way, within the framework of current legislation and rules, ensuring the integrity and reliability of account and record order and timely and correct accessibility of the information in the data system, prevention and detection of mistakes, frauds and irregularities, and all procedures and principles related thereto are monitored.

In addition, audits for compliance with the legislation and our policies are realized by the internal auditors according to the needs of management, independently of IS Investment's daily activities. Within this scope, an internal auditing system which covers all activities and units of IS Investment, mainly operation of the internal control system, ensuring that evaluation is made in relation to these areas and covering systematic auditing process whereby the evidences and findings used in evaluations are obtained as a result of reporting and review, has been established.

In addition to these, maximum effort is exerted in the subjects of reputation and reliability, customer satisfaction, compliance with corporate policies, liabilities arising from the legislation by all units, mainly the Legislation and Compliance Directorate for protection of the reputation of the corporation within the scope of reputation risk/legal risk management. There is not an important case filed against our Company or an important punishment given by public authorities.

Corporate Governance Principles Compliance Report

THE OPINION OF THE INDEPENDENT AUDITOR ON THE INTERNAL CONTROL SYSTEM

To the Board of Directors of IS Investment:

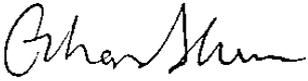
We have examined IS Investment's ("Company") internal control system for the fiscal year ended December 31, 2012 within the framework of the minimum requirements stipulated in Articles 10, 11 and 11/A of the Capital Markets Board's Communiqué Serial: V No.: 68 on the Principles regarding the Internal Auditing System to be Implemented by Brokerage Houses" ("Communiqué").

In our opinion, the internal control system of IS Investment meets the minimum requirements that are stipulated in Articles 10, 11 and 11/A of the Communiqué.

This opinion has exclusively been rendered for the information and use of the Capital Markets Board and the Board of Directors of the Company and may not be used for any other purpose.

Istanbul, March 25, 2013

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



Orhan Akova, CPA

Responsible Partner, Chief Auditor

THE OPINION OF THE AUDIT COMMITTEE ON THE INTERNAL CONTROL SYSTEM

Agenda: Financial Statements of December 31, 2012

1. No negative findings with regard to the operation or the effectiveness of IS Investment's accounting and internal control systems were encountered and we have arrived at the conclusion that the conduct was properly and duly engaged in.
2. We have reviewed the financial reports and financial statements for the period between January 1, 2012 and December 31, 2012 and, in consideration of the fact that no negative opinions have been communicated by the responsible managers of the Company with regard to the Company's accounting principles or the factuality and accuracy of these financial statements to be publicly disclosed, we have decided to submit the financial statements of the Company for the evaluation of the Board of Directors.



Abdullah Akyüz
Member



Behzat Yıldırım
Chairman

Corporate Governance Principles Compliance Report

Authorizations and Responsibilities of Board Members and Executives

As also mentioned in the Articles of Association of IS Investment, the management of IS Investment and its representation towards outside belongs to the Board of Directors. Board of Directors may wholly or partially transfer its duties and authorities related to management and representation to executive members it will elect among its members or to the managers who do not need to be shareholders, within the framework of Turkish Commercial Code.

The Board of Directors carries out its activities within the scope of Turkish Commercial Code, Capital Markets Board and the relevant legislation.

Operating Principles of the Board of Directors

The Board of Directors meets at least once a month; it may meet at more frequent intervals in necessary situations. The meeting agenda is determined upon suggestion of the General Manager and within the approval of Chairman of the Board, and a call for meeting is made by Chairman of the Board or by the Deputy thereof.

A shareholder/shareholders representing minimum 5% of IS Investment's capital and the stakeholders defined in the Corporate Governance Principles of the Capital Markets Board may call the Board of Directors to meeting by making a request to Chairman of the Board.

One Assistant General Manager has been assigned as "Rapporteur" for informing the Board Members and ensuring communication.

Weighted voting right and positive/negative veto right have not been given to Board Members during the meeting.

There is not any resolution which was reverted to general assembly due to relevant party or important transactions. Meeting minutes are kept in the form of voice records.

Operation principles of the Board of Directors which include information such as meeting and resolution quorums are published on the Company's website at the address of www.isyatirim.com.tr in detail.

Prohibition of Competition and Making Transactions with the Company

It has been decided in the Articles of Association that Board Members cannot obtain permission from the General Assembly to be exempted from the prohibition of competition and making transactions with IS Investment.

Number, Structure and Independence of the Committees Established in the Board of Directors

It has been decided in the Articles of Association that the committees and units which are deemed appropriate and which are deemed necessary by the legislation can be established with the aim of ensuring that the Board of Directors fulfills its duties and responsibilities in a healthy way, and Corporate Governance Principles of the Capital Markets Board shall be taken into account in the establishment of such committees and units.

Audit Committee, Corporate Governance Committee and Risk Committee serve in IS Investment. All members of the Audit Committee and the heads of Corporate Governance and Risk Committees are comprised of independent members. Duties of Nomination and Remuneration Committees have been given to the responsibility of the Corporate Governance Committee.

The Audit Committee meets at least four times a year, as at least once every three months. The Corporate Governance Committee meets at least twice a year as in mid-year and year-end. The Risk Committee meets at least once every two months. Committee results are recorded into minutes and presented to the Board of Directors.

The Rapporteur of the Board of Directors also carries out the committee activities.

Other committees structured under the chair of a responsible Board Member determined with Board resolution meet in all necessary situations.

The committees established within the body of the Board of Directors, the committee members and areas of duties of committees and their meeting frequency are disclosed to the public on the website at the address of www.isyatirim.com.tr.

It is stated in the Articles of Association that important transactions defined in the Corporate Governance Principles of the Capital Markets Board and the decision making process about subjects related to relevant parties shall be made in compliance with the corporate governance regulations of the Capital Markets Board.

Strategic Objectives of the Company

Strategic objectives of the company are determined by the Board of Directors by evaluating the results of the previous year and approving the objectives determined for the next year.

Financial Rights Provided for the Board of Directors

It is stated in the Articles of Association that monthly wages or attendance fees of Board Members shall be determined by the General Assembly.

According to the resolutions of the Ordinary General Meeting of our Company which was held on May 9, 2012, it was decided that monthly TL 6,000 gross salary shall be given to Board Members. Minutes of the Ordinary General Meeting was disclosed to the public both via material disclosure and via website of our Company. A performance-based rewarding system is not applied in determining the financial rights of Board Members.

There is not any transaction such as lending money, giving credit, pledging in each other's favor between IS Investment and Board members and executives.

Salaries and other benefits given to senior executives are shown collectively in the footnotes of consolidated financial statements which are disclosed to the public in quarterly periods.

THE SUBSIDIARY REPORT AND RELATED PARTY TRANSACTIONS

The related party transactions are presented in detail in the notes of consolidated financial statements and on the Company's website.

Subsidiary Report Conclusion

Business transactions, details presented in this report, took place in 1 January - 31 December 2012 between the Company and the main controlling shareholder İşbank and its affiliated group companies were transactions that were within the requirement of operating activities and they were carried out precedent values in the market. There were no transactions that incur losses nor there were unfavorable decisions taken between the Company and the controlling shareholder and its affiliated companies, inclined by the controlling shareholder.

Board of Directors

IS Investment

Consolidated Financial Statements as at and for the Year Ended 31 December 2012 with Independent Auditors' Report Thereon

(Convenience translation of independent auditors' report and consolidated interim financial statements originally issued in Turkish)

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**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 3
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
İnternet www.kpmg.com.tr

**Convenience Translation of the Independent Auditors' Report
Originally Prepared and Issued in Turkish (See Note 2.1)**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of İş Yatırım Menkul Değerler Anonim Şirketi,

Introduction

We have audited the accompanying consolidated statement of financial position of İş Yatırım Menkul Değerler Anonim Şirketi and its subsidiaries (together "the Group") as at 31 December 2012, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Group Management's Responsibility for the Financial Statements

The Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards promulgated by Capital Markets Board of Turkey ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the independent auditing standards promulgated by Capital Markets Board of Turkey. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of İş Yatırım Menkul Değerler Anonim Şirketi and its subsidiaries as at 31 December 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards promulgated by Capital Markets Board of Turkey (see Note 2).

İstanbul, 8 April 2013

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Orhan Akova, Certified Public Accountant

Partner

Additional paragraph for convenience translation to English:

As explained in Note 2.1, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

Consolidated Statement of Financial Position as at 31 December 2012

(Currency - Turkish Lira ("TL"))

		Audited	Audited
	Notes	31 December 2012	31 December 2011
ASSETS			
Current Assets			
		4.017.680.487	2.979.355.376
Cash and cash equivalents	6	2.218.493.526	1.776.419.835
Financial investments	7	661.599.124	505.385.176
Trade receivables	10	1.000.419.438	640.066.519
Other receivables	11	76.687.121	51.893.591
Inventories	13	41.242.332	260.478
Other current assets	26	19.162.142	5.329.777
Assets held for sale	20	76.804	-
Non-Current Assets			
		165.864.532	83.969.659
Other receivables	11	5.651.154	4.396.212
Financial investments	7	23.310.363	18.016.549
Investments in equity accounted investees	16	23.565.589	51.135.382
Tangible assets	18	20.335.162	8.738.453
Intangible assets	19	31.134.680	1.484.139
Goodwill	17	58.432.639	-
Deferred tax assets	33	3.171.493	191.918
Other non-current assets	26	263.452	7.006
TOTAL ASSETS		4.183.545.019	3.063.325.035

The accompanying notes are an integral part of these consolidated financial statements.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

Consolidated Statement of Financial Position as at 31 December 2012

(Currency - Turkish Lira ("TL"))

	Notes	Audited 31 December 2012	Audited 31 December 2011
LIABILITIES			
Current Liabilities			
		3.240.528.477	2.372.722.900
Financial liabilities	8	2.325.926.928	1.816.056.324
Other financial liabilities	9	56.528.240	38.803.614
Trade payables	10	829.259.161	501.849.008
Other payables	11	8.186.955	4.556.271
Current income tax liabilities	33	1.069.612	637.527
Provisions	22	1.400.823	670.397
Employee benefits	24	11.702.070	6.973.448
Other current liabilities	26	6.454.688	3.176.311
Non-Current Liabilities			
		72.285.822	3.080.895
Financial liabilities	8	58.250.673	118.763
Trade payables	10	2.798.531	82.554
Other payables	11	16.299	-
Employee benefits	24	4.894.497	2.262.602
Deferred tax liabilities	33	6.203.784	616.976
Other non-current liabilities	26	122.038	-
EQUITY			
Total equity attributable to equity holders of the Company			
		870.730.720	687.521.240
		464.949.945	399.917.152
Paid-in capital	27	286.000.000	260.000.000
Treasury shares		(3.677.432)	(4.890.131)
Share premium		1.302.324	1.302.324
Fair value reserve	27	5.060.605	941.499
Foreign currency translation differences		369.619	200.325
Cash flow hedging reserve		-	(35.563)
Restricted reserves	27	25.647.936	21.185.401
Other reserves		5.778.514	72.431
Retained earnings	27	75.729.928	68.737.637
Profit for the period		68.738.451	52.403.229
Non-controlling interests			
		405.780.775	287.604.088
TOTAL EQUITY AND LIABILITIES			
		4.183.545.019	3.063.325.035

The accompanying notes are an integral part of these consolidated financial statements.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries
Consolidated Statement of Income for the Year Ended 31 December 2012

(Currency - Turkish Lira ("TL"))

		Audited	Audited
	Notes	1 January - 31 December 2012	1 January - 31 December 2011
CONTINUING OPERATIONS			
Revenue	28	35.998.136.351	46.099.142.355
Cost of sales	28	(35.863.762.970)	(46.043.217.253)
Interest and derivative income from operating activities, net	28	47.828.561	47.129.598
Service income, net	28	102.688.205	106.486.654
Other operating income, net	28	27.038.280	21.127.531
		311.928.427	230.668.885
GROSS PROFIT			
Marketing, sales and distribution expenses	29	(32.599.690)	(27.257.493)
General administrative expenses	29	(157.844.824)	(123.659.948)
Research and development expenses	29	(3.083.465)	(2.315.752)
Other operating income	30	10.106.624	2.119.576
Other operating expenses	30	(4.764.756)	(3.118.891)
		123.742.316	76.436.377
OPERATING PROFIT			
Share of profit/loss of equity accounted investees, net of income tax	16	5.357.953	(2.833.365)
(Non-operating) Finance income	31	53.703.059	39.530.816
(Non-operating) Finance costs	32	(33.185.621)	(12.907.755)
		149.617.707	100.226.073
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS			
Income tax from continuing operations		(16.456.351)	(14.015.367)
- Current income tax expense	33	(18.024.985)	(12.210.953)
- Deferred tax income/(expense)	33	1.568.634	(1.804.414)
		133.161.356	86.210.706
PROFIT FROM CONTINUING OPERATIONS			
PROFIT FROM DISCONTINUED OPERATIONS	38	4.202.485	(1.317.377)
PROFIT FOR THE YEAR			
		137.363.841	84.893.329
Profit Attributable to:			
Non-controlling interests		68.625.390	32.490.100
Owners of the Company		68.738.451	52.403.229
		137.363.841	84.893.329
Earnings per share from continuing operations	34	0,2390	0,1846
Earnings per share from total operations	34	0,2403	0,1832

The accompanying notes are an integral part of these consolidated financial statements.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2012

(Currency - Turkish Lira ("TL"))

		Audited	Audited
	Notes	1 January - 31 December 2012	1 January - 31 December 2011
PROFIT FOR THE YEAR		137.363.841	84.893.329
Other comprehensive income/(expense):			
Net change in the fair value of available for sale financial assets		4.736.528	(3.098.279)
Cash flow hedging reserve		120.104	(126.150)
Change in currency translation reserve		832.677	(359.889)
Income tax on other comprehensive income	33	(236.826)	110.172
OTHER COMPREHENSIVE INCOME/(LOSS), (AFTER TAX)		5.452.483	(3.474.146)
TOTAL COMPREHENSIVE INCOME		142.816.324	81.419.183
Total comprehensive income attributable to:			
Non-controlling interests		69.753.911	31.287.320
Owners of the Company		73.062.413	50.131.863
		142.816.324	81.419.183

The accompanying notes are an integral part of these consolidated financial statements.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2012

(Currency - Turkish Lira ("TL"))

Attributable to equity holders of the Company

	Paid-in capital	Share premium	Treasury shares	Fair value reserve	Cash flow hedging reserve
Balance at 1 January 2012	260.000.000	1.302.324	(4.890.131)	941.499	(35.563)
<i>Total comprehensive income</i>					
Profit for the period	-	-	-	-	-
Change in fair value of available for sale financial assets, net	-	-	-	4.119.106	-
Cash flow hedging reserve, net	-	-	-	-	35.563
Foreign currency translation differences	-	-	-	-	-
Total comprehensive income	-	-	-	4.119.106	35.563
<i>Transactions with owners, recorded directly in equity</i>					
Transfers to retained earnings	-	-	-	-	-
Treasury shares	-	-	1.212.699	-	-
Transfers to reserves	-	-	-	-	-
Increase in non-controlling shares	-	-	-	-	-
Business combination	-	-	-	-	-
Increase in capital (Note 27)	26.000.000	-	-	-	-
Dividends paid (Note 27)	-	-	-	-	-
Balance at 31 December 2012	286.000.000	1.302.324	(3.677.432)	5.060.605	-

Attributable to equity holders of the Company

	Paid-in capital	Share premium	Treasury shares	Fair value reserve	Cash flow hedging reserve
Balance at 1 January 2011	200.000.000	1.302.324	-	3.617.067	(4.331)
<i>Total comprehensive income</i>					
Profit for the period	-	-	-	-	-
Change in fair value of available for sale financial assets, net	-	-	-	(2.675.568)	-
Cash flow hedging reserve, net	-	-	-	-	(31.232)
Foreign currency translation differences	-	-	-	-	-
Total comprehensive income	-	-	-	(2.675.568)	(31.232)
<i>Transactions with owners, recorded directly in equity</i>					
Transfers to retained earnings	-	-	-	-	-
Treasury shares	-	-	(4.890.131)	-	-
Transfers to reserves	-	-	-	-	-
Increase in capital (Note 27)	60.000.000	-	-	-	-
Dividends paid (Note 27)	-	-	-	-	-
Balance at 31 December 2011	260.000.000	1.302.324	(4.890.131)	941.499	(35.563)

The accompanying notes are an integral part of these consolidated financial statements.

Restricted reserves	Other reserves	Foreign currency translation differences	Profit for the period	Retained earnings	Total	Non controlling interests	Total equity
21.185.401	72.431	200.325	52.403.229	68.737.637	399.917.152	287.604.088	687.521.240
-	-	-	68.738.451	-	68.738.451	68.625.390	137.363.841
-	-	-	-	-	4.119.106	380.596	4.499.702
-	-	-	-	-	35.563	84.542	120.105
-	-	169.294	-	-	169.294	663.383	832.677
-	-	169.294	68.738.451	-	73.062.414	69.753.911	142.816.325
-	-	-	(52.403.229)	52.403.229	-	-	-
-	-	-	-	-	1.212.699	-	1.212.699
4.462.535	-	-	-	(4.462.535)	-	-	-
-	-	-	-	-	-	38.649.815	38.649.815
-	5.706.083	-	-	-	5.706.083	33.949.205	39.655.288
-	-	-	-	(26.000.000)	-	-	-
-	-	-	-	(14.948.403)	(14.948.403)	(24.176.244)	(39.124.647)
25.647.936	5.778.514	369.619	68.738.451	75.729.928	464.949.945	405.780.775	870.730.720
Restricted reserves	Other reserves	Foreign currency translation differences	Profit for the period	Retained earnings	Total	Non controlling interests	Total equity
15.730.958	72.431	(235.109)	64.163.502	90.028.578	374.675.420	275.346.631	650.022.051
-	-	-	52.403.229	-	52.403.229	32.490.100	84.893.329
-	-	-	-	-	(2.675.568)	(337.768)	(3.013.336)
-	-	-	-	-	(31.232)	(69.689)	(100.921)
-	-	435.434	-	-	435.434	(795.323)	(359.889)
-	-	435.434	52.403.229	-	50.131.863	31.287.320	81.419.183
-	-	-	(64.163.502)	64.163.502	-	-	-
-	-	-	-	-	(4.890.131)	-	(4.890.131)
5.454.443	-	-	-	(5.454.443)	-	-	-
-	-	-	-	(60.000.000)	-	-	-
-	-	-	-	(20.000.000)	(20.000.000)	(19.029.863)	(39.029.863)
21.185.401	72.431	200.325	52.403.229	68.737.637	399.917.152	287.604.088	687.521.240

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

Consolidated Statement of Cash Flows for the Year Ended 31 December 2012

(Currency - Turkish Lira ("TL"))

		Audited	Audited
		1 January - 31 December	1 January - 31 December
		2012	2011
Cash flows from operating activities	Notes		
Profit for the period		137.363.841	84.893.329
-Income tax expense	33	16.194.995	14.015.367
-Interest accruals on financial liabilities	8	(2.068.661)	10.817.999
-Income on sale of financial assets	28	(25.165.701)	(46.495.247)
-Income from business combination		(6.516.626)	-
-Impairment of goodwill		1.375.909	-
-Gain of sale on discontinued operations		(4.200.013)	-
-Interest accruals on cash and cash equivalents	6	(1.210.271)	(1.233.960)
-Other income and expense accruals	26	4.211.405	3.100.989
-Accruals on financial assets		(18.969.779)	25.704.332
-Accrued expenses/(income) on derivative transactions		9.623.910	(11.991.679)
-Provisions related to employee benefits (retirement pay provision)	24	1.738.424	286.589
-Provisions related to employee benefits (other)	24	4.595.534	1.592.050
-Dividend income	31	(4.086.795)	(3.316.846)
-Share of profit/(loss) of equity accounted investees	16	(5.357.953)	4.150.742
-Amortization of tangible assets	18	4.141.879	2.422.713
-Amortization of intangible assets	19	1.326.067	724.103
-Gain on sale of property, plant and equipment		(461.700)	5.363
-Other liabilities and expense accruals	22	730.426	71.959
		113.264.891	84.747.803
Changes In Trade receivables		(301.050.026)	(138.784.717)
Other receivables and current assets		(35.485.486)	(10.310.382)
Trade payables		286.837.238	596.744.073
Other payables and other current liabilities		(17.296.470)	(3.729.969)
		46.270.147	528.666.808
Taxes paid		(16.955.373)	(12.658.517)
Employee benefits paid	24	(469.382)	(600.031)
Net cash provided from/(used in) operating activities		28.845.392	515.408.260
Cash flows from investing activities			
Cash used from discontinued operations	38	(477.677)	-
Change in financial assets (net)		(146.794.525)	(48.453.052)
Formation of equity-accounted investee		-	(17.500.000)
Acquisition of subsidiary, net of cash acquired		(48.945.603)	-
Dividends received from associates		2.873.037	2.216.244
Dividends received from other equity investments		1.213.758	1.100.602
Acquisitions of tangible assets	18	(5.924.288)	(2.991.500)
Acquisitions of intangible assets	19	(976.180)	(779.457)
Changes in currency translation reserve		832.676	(435.434)
Proceeds on sale of tangible assets		1.189.138	2.646
Proceeds from sale of subsidiary	28	53.923.995	61.715.350
Net cash provided from/(used in) investing activities		(143.085.669)	(5.124.601)
Cash flows from financing activities			
Proceeds from borrowings		2.245.474.569	1.199.145.976
Repayment of borrowings		(1.834.384.557)	(1.499.924.175)
Cash provided from issue of commercial paper		173.922.933	-
Cash paid to financial bond		(86.814.330)	-
Change in other financial liabilities		17.724.626	32.336.220
Change in non controlling interests		78.305.103	-
Dividends paid			
- to owners of the Company		(14.948.403)	(20.000.000)
- to non-controlling interests		(24.176.244)	(19.029.863)
Net cash provided from/(used in) financing activities		555.103.697	(307.471.842)
Net change in cash and cash equivalents		440.863.420	202.811.817
Cash and cash equivalents at the beginning of the period		1.768.135.312	1.565.323.495
Cash and cash equivalents at the end of the period	6	2.208.998.732	1.768.135.312

The accompanying notes are an integral part of these consolidated financial statements.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements as at and for the Year Ended 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

The purpose of İş Yatırım Menkul Değerler Anonim Şirketi ("the Company") is to perform capital market activities in accordance with its Articles of Association and the Capital Markets Law. In this respect, the Company obtained the establishment permission through the Capital Markets Board's (the "CMB") meeting No: 51/1515 on 5 December 1996.

The Company is located in Turkey and the head quarter of the Company operates in below address. The contact information of the Company's head quarter and web site is stated below:

İş Kuleler Kule - 2 Kat 12, 4. Levent 34330, Beşiktaş/İstanbul/Türkiye
Telephone: + 90 (212) 350 20 00 Fax: + 90 (212) 350 20 01
<http://www.isyatirim.com.tr>

The Company is a Türkiye İş Bankası Group entity and Türkiye İş Bankası A.Ş. is the main shareholder with 65,65% shareholding. The equity shares of the Company are traded on the stock exchange.

As at 31 December 2012, the Company has 436 employees (31 December 2011: 409).

The details of the Company's subsidiaries and associates included in consolidation are as follows:

Subsidiaries:

Company	Place of incorporation	Business Activity
Camış Menkul Değerler A.Ş.	Istanbul	Securities brokerage
Efes Varlık Yönetim A.Ş.	Istanbul	Asset management
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Istanbul	Private equity
İş Portföy Yönetimi A.Ş.	Istanbul	Portfolio management
İş Yatırım Ortaklığı A.Ş.	Istanbul	Investment trust
Is Investments Gulf Ltd.	Dubai	Securities brokerage
Maxis Securities Ltd.	London	Securities brokerage
Nevotek Bilişim Ses ve İletişim Sistemleri Sanayi ve Ticaret A.Ş.	Istanbul	IT consultancy, audio technologies and telecommunication systems
Nevotek Intercorporation	USA	Audio technologies and telecommunication systems
Nevotek Middle East LLC	UAE	Audio technologies and telecommunication systems
Convera Systems FZ LLC	UAE	Sale services of software
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş.	Istanbul	Manufacturing and trading of medical equipments
Covision Medical Technologies Ltd.	London	Manufacturing and trading of medical equipments
Toksöz Spor Malzemeleri Ticaret A.Ş.	Istanbul	Trading of sport products
Ons Spor Malzemeleri Ticaret A.Ş.	Istanbul	Trading of sport products
Arena Su Sporları ve Tekstil Sanayi Ticaret A.Ş.	Istanbul	Trading of sport products
Sportive Spor Malzemeleri Ticaret A.Ş.	Istanbul	Trading of sport products
Tajmahal Spor Malzemeleri Ticaret A.Ş.	Istanbul	Trading of sport products
Numnum Yiyecek ve İçecek A.Ş.	Istanbul	Restaurant operations

The Company and its consolidated subsidiaries jointly controlled entities and associates are referred to as "the Group" in this report. The operations of the subsidiaries included in the consolidation are stated below:

Camış Menkul Değerler A.Ş.:

The purpose of this subsidiary is to perform capital market activities in accordance with its Articles of Association and Capital Markets Law and the related regulation. In this respect, the subsidiary is operating as a securities brokerage house in the capital market activities and established in 1984.

Efes Varlık Yönetim A.Ş.:

The subsidiary has been established on 8 February 2011. The purpose of the subsidiary is to buy and sell receivables and other assets of other financial institutions, participation banks and deposit banks.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements as at and for the Year Ended 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP *(continued)*

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. ("İş Girişim Sermayesi"):

The operations of this associate are mainly making long-term investments in entrepreneurships founded or to be found in Turkey with a development potential in need of capital.

Nevotek Bilişim Ses ve İletişim Sistemleri San. Tic. A.Ş., Nevotek Middle East FZ LLC, Nevotek Intercorporation, Convera Systems FZ LLC, Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş., Covision Medical Technologies Ltd., Toksöz Spor Malzemeleri Ticaret A.Ş., Ons Spor Malzemeleri Ticaret A.Ş., Arena Su Sporları ve Tekstil Sanayi Ticaret A.Ş., Sportive Spor Malzemeleri Ticaret A.Ş., Tajmahal Spor Malzemeleri Ticaret A.Ş., Numnum Yiyecek ve İçecek A.Ş. which are subsidiaries of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. are operating in information technology, communication systems, medical products, sport products and restaurant operations.

İş Portföy Yönetimi A.Ş.:

This subsidiary was registered with the Istanbul Trade Registry on 23 September 2000 and its foundation was published in the Trade Registry Gazette No: 5168 on 6 November 2000. Its purpose is to perform capital market activities in accordance with its Articles of Association and Capital Markets Law and the related regulation. This participation offers only portfolio management and investment advisory services within the context of capital market activities to institutional investors.

İş Yatırım Ortaklığı A.Ş.:

The purpose of this subsidiary is to perform capital market activities in accordance with Capital Markets Law and the related regulation. This subsidiary performs capital market activities and managing its own portfolio.

İs Investments Gulf Ltd.:

This subsidiary is established in Dubai in the United Arab Emirates to perform brokerage operations in the capital markets of the Gulf Area.

Maxis Securities Ltd.:

The subsidiary has been established with the official registration with "The Official Seal of the Registrar of Companies" on 8 August 2005 located on 7 Princes Street, London. The purpose of the subsidiary is to perform profitable operations in the international capital markets.

Associates and jointly controlled entities:

Associates and jointly controlled entities are the entities on which the Group has significant influence apart from subsidiaries. Significant influence is the participation power to govern the financial and operating policies of an entity without having individually or jointly control power. Investments in associates and jointly controlled entities are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. The details of Group's associates and jointly controlled entities as at 31 December 2012 are as follows:

Associate

Company Title	Nature of Operations	Main Business Area
Türkmed Diyaliz ve Böbrek Sağlığı Kurumları A.Ş. ("Türkmed")	Service	Investing in companies operating in dialysis sector, supplying personnel to these companies and other activities written in its main agreement.

Jointly controlled entity

Company Title	Nature of Operations	Main Business Area
Aras Kargo Yurt İçi Yurt Dışı Taşımacılık A.Ş. ("Aras Kargo")	Transportation	Local, global and transit transportation of individual and commercial commodities.

The shares of the associate and jointly controlled entity of the Group are not quoted on a stock exchange.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements as at and for the Year Ended 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of presentation

Financial reporting standards

The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code ("TCC"), the Capital Markets Board ("CMB") and tax legislation. Subsidiaries operating in foreign countries maintain their books of account in the currencies of those countries and prepare their statutory financial statements in accordance with the prevailing legislation in those countries.

CMB Communiqué Serial: XI, No: 29 "Communiqué on Financial Reporting Standards in Capital Markets" ("Communiqué Serial: XI, No: 29") provides principles and standards on the preparation and presentation of financial statements. The Communiqué is applicable commencing from the first interim financial statements prepared subsequent to 1 January 2008, and Communiqué Serial: XI, No: 25 "Communiqué on Capital Market Accounting Standards" ("Communiqué Serial: XI, No: 25") is annulled with this communiqué. As per this communiqué, the financial statements should be prepared in accordance with the International Financial Reporting Standards ("IAS/IFRS") as endorsed by the European Union ("EU"). However companies will apply IASs/IFRSs until the differences between the standards accepted by the European Union and the standards issued by International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"). In this respect, Turkish Accounting Standards ("TAS")/Turkish Financial Reporting Standards ("TFRS") issued by TASB that are not controversial to the adopted standards shall be taken as a basis in the application.

As the differences of the IAS/IFRS endorsed by European Union from the ones issued by the IASB have not been announced by TASB as at the date of preparation of these consolidated financial statements, the consolidated financial statements have been prepared with the framework of Communiqué XI, No:29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by CMB including the compulsory disclosures.

With the governing decree law numbered 660 published in the Official Gazette numbered 28103 on 2 November 2011, the establishment article of TASB stated in the 2499 numbered law with an additional article number one has been superseded and the Council of Ministers decided to establish Public Oversight Accounting and Auditing Standards Agency ("Oversight Agency"). In accordance with the transitional article No:1 of the governing decree law, until the date of the issuing of standards and regulations by Oversight Agency, the existing regulations will be applied. Accordingly, as of the reporting period, the Basis of Presentation has not been changed.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. Accordingly, TAS 29, "Financial Reporting in Hyperinflationary Economies" has not been applied in the consolidated financial statements for the accounting year commencing from 1 January 2005.

Approval of Financial Statements:

These consolidated financial statements have been approved for issue by the Board of Directors on 8 April 2013. The General Assembly and the related governmental institutions have the authority to revise the consolidated financial statements which were prepared in accordance with the statutory requirements.

Functional and Presentation Currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional and presentation currency of the Company.

Assumption of Going Concern

The consolidated financial statements of the Group are prepared on a going concern basis, which presumes the realization of assets and settlement of liabilities of the Company and its consolidated subsidiaries, jointly controlled entities and associates in the normal course of operations and in the foreseeable future.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

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(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Basis of Consolidation

Subsidiaries:

Subsidiaries are entities controlled by the Group, either directly or indirectly. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests in the net assets of the consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest share of changes in equity since the date of the combination. Even if the non-controlling interests result in a reverse balance, total comprehensive income is attributable to the equity holders of the Company and to the non-controlling interests.

The details of the Group's subsidiaries as at 31 December 2012 and 31 December 2011 are as follows:

Subsidiaries	Ownership as at 31 December 2012 (*)	Ownership as at 31 December 2011 (*)
Camiş Menkul Değerler A.Ş.	99,79%	99,79%
Efes Varlık Yönetim A.Ş.	89,00%	89,00%
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	30,49%	30,49%
İş Portföy Yönetimi A.Ş.	70,00%	70,00%
İş Yatırım Ortaklığı A.Ş.	37,39%	37,39%
Is Investments Gulf Ltd.	100,00%	100,00%
Maxis Securities Ltd.	100,00%	100,00%
Nevotek Bilişim Ses ve İletişim Sistemleri Sanayi ve Ticaret A.Ş. ("Nevotek") ⁽¹⁾	81,24%	85,24%
Nevotek Intercooperation ⁽¹⁾	81,24%	85,24%
Nevotek Middle East LLC ⁽¹⁾	81,24%	85,24%
Convera Systems FZ LLC ⁽¹⁾	81,24%	85,24%
Ortopro Tibbi Aletler Sanayi ve Ticaret A.Ş. ("Ortopro") ⁽²⁾	32,50%	31,00%
Covision Medical Technologies Ltd. ⁽²⁾	32,50%	31,00%
Toksöz Spor Malzemeleri Ticaret A.Ş. ("Toksöz Spor") ⁽³⁾	58,50%	-
Ons Spor Malzemeleri Ticaret A.Ş. ⁽³⁾	58,50%	-
Arena Su Sporları ve Tekstil Sanayi Ticaret A.Ş. ⁽³⁾	58,50%	-
Sportive Spor Malzemeleri Ticaret A.Ş. ⁽³⁾	58,50%	-
Tajmahal Spor Malzemeleri Ticaret A.Ş. ⁽³⁾	58,50%	-
Numnum Yiyecek ve İçecek A.Ş. ("Numnum") ⁽⁴⁾	61,66%	-

⁽¹⁾ The subsidiaries of İş Girişim Sermayesi are presented with İş Girişim Sermayesi's ownership percentages.

⁽¹⁾ Nevotek has transferred 4% of paid in capital that is equivalent of 169,98 number of shares to the other shareholders' of Nevotek within the protocol of premium and dividend tied to performance signed between İş Girişim and Nevotek, subsidiary of the Group at 20 March 2012. After the transfer İş Girişim's rate of owned shares has decreased from 85,24% to 81,24%.

⁽²⁾ The Group took over 1,5% bonus shares and İş Girişim's ownership in Ortopro increased to 32,5% based on Subscription and Stakeholders Engagement signed at 4 December 2007 with Ortopro Tibbi Aletler Sanayi ve Ticaret A.Ş. As of 5 March 2012 Erol Frik has become shareholder with holding 20% of the shares to Ortopro through capital increase by limiting existing shareholders' stock warrant. With this capital increase, İş Girişim's owned shares in Ortopro have been remained at the rate of 32,5% number of. İş Girişim's member of Board of Directors increased from 1 to 2. The Group has started to control more than half of shares of Group B. Therefore as of 31 December 2012 the Group, has included Ortopro in the financial statements through using full consolidation method instead of recognizing as associate and was accounted through using equity method in prior periods.

⁽³⁾ On 27 June 2012, İş Girişim signed a Subscription, Share Transfer and Stakeholders Engagement ("the Engagement") with Toksöz Spor's existing shareholders and Zafer Parlar for partnership of Toksöz Spor. Within the framework of the agreement, the engagement was determined as 58, 5% in return for TL 23.900.000 and acquisition was completed on 13 November 2012.

⁽⁴⁾ İş Girişim signed a Subscription, Share Transfer and Stakeholders Engagement ("the Engagement") on 19 October 2012 ("the agreement") with Numnum's existing shareholders for partnership of Numnum. In accordance with the engagement, the Company acquired 61,66% of Numnum in return for TL 27.000.000 and the acquisition was completed on 5 December 2012.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

Notes to the Consolidated Financial Statements as at and for the Year Ended 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

The accounting policies of subsidiaries are changed as necessary to align them with the policies adopted by the Group.

Associates and joint ventures:

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in associates and jointly controlled entities are accounted for using the equity method and are recognised initially at cost. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The details of the Group's associates are as follows:

Associates	Place of incorporation	Shareholding interest (%)		Business activity
		31 December 2012	31 December 2011	
Türkmed ⁽¹⁾	Turkey	25,78	25,78	Service
Ode ⁽²⁾	Turkey	-	17,24	Manufacturing
Havaş ⁽³⁾	Turkey	-	6,67	Service

(1) Total number of Türkmed's Board of Directors members is 4 and 1 member represents İş Girişim Sermayesi. Besides, İş Girişim Sermayesi has power to veto some decisions.

(2) The Group has sold all shares at the rate of 17,24% owned in Ode to Ode İzolasyon Sanayi Satış ve Pazarlama A.Ş. at 26 March 2012 for USD 10.500.000 (TL 18.813.900).

(3) The Group has sold all shares at the rate of 6,67% owned in Havaş to TAV Havalimanı Holding AŞ at 3 October 2012 for EUR 15.238.095 (TL 35.110.095).

Joint ventures	Place of incorporation	Shareholding interest (%)		Business activity
		31 December 2012	31 December 2011	
Aras Kargo ⁽¹⁾	Turkey	20,00	20,00	Service

(1) Aras Kargo is the Group's joint venture. Total number of Aras Kargo's Board of Directors members is 6 and 3 members represent İş Girişim Sermayesi. Important Board of Directors decisions are taken by affirmative votes of all members (2 people) representing İş Girişim Sermayesi. Based on the arrangements of the contracts signed by Aras Kargo's shareholders, İş Girişim Sermayesi has power to select and change 50% of total number of Board of Directors, rights to buy and transfer shares.

Goodwill:

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of associates is included in "associates" and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Transactions eliminated on consolidation:

Intragroup balances and transactions and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The equity and net income attributable to non-controlling interests are shown separately in the consolidated statement of financial position and consolidated income statement, respectively, except where the non-controlling, who are nominee shareholders, do not exercise their minority rights.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2.2. Changes in the Accounting Policies

Material changes in accounting policies are applied retrospectively and the prior year consolidated financial statements are restated. The Company has applied its accounting policies consistently with prior year.

2.3. Changes in the Accounting Estimates and Errors

If the application of changes in the accounting estimates affects the financial results of a specific period, the accounting estimate change is applied in that specific period, if they affect the financial results of current and following periods; the accounting policy estimate is applied prospectively in the period in which such change is made. The Group did not have any major changes in the accounting estimates during the current period. Significant accounting errors that are detected in the current period are applied retrospectively and prior year financial statements are restated accordingly.

2.4. Standards and interpretations that are not yet effective as at 31 December 2012

The Group applied all of the relevant and required standards and interpretations promulgated by TASB as at 31 December 2012.

Some new standards, amendments and interpretations to standards as at 31 December 2012 are not yet valid and were not applied in preparing these consolidated financial statements. Among these new standards, the following are expected to impact the Group's consolidated financial statements:

IFRS 10 *Consolidated Financial Statements* is replaced with IAS 27 (2007) and IAS Comment 12 Consolidated - special purpose entities and become effective for annual periods beginning on or after 1 January 2013.

IFRS 11 *Joint Arrangements* is replaced with IAS 31 and IAS Comment 12 Consolidated - special purpose entities and become effective for annual periods beginning on or after 1 January 2013.

IFRS 12 *Disclosure of Interests in Other Entities* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities and becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 *Fair Value Measurement* replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 *Separate Financial Statements* (2011) supersedes IAS 27 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 *Investments in Associates and Joint Ventures* (2011) supersedes IAS 28 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 9 *Financial Instruments* could change the classification and measurement of financial assets and becomes effective for annual periods beginning on or after 1 January 2015.

IAS 19 *Employee Benefits* (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. Changes that would be important to the financial statements of the Group are the removal of the corridor mechanism and the distinction between short-term and other long-term employee benefits to be made based on expected timing of settlement rather than employee entitlement. IAS 19 (2011) becomes effective for annual periods beginning on or after 1 January 2013. Early application is permitted.

IAS 32 *Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32)* clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted.

IFRS 7 *Disclosures, Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7)* introduces disclosures about the impact of netting arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. Based on the new disclosure requirements the Group will have to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set-off under master netting arrangements or similar arrangements.

The Group has not determined the potential impact on the implementation of these standards yet.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

2.5. Comparative Figures

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements.

As explained in Note 38, Ortopro, subsidiary of the Group, has sold Orsem Ortopedik Aletler ve Medikal Cihazlar Sanayi ve Ticaret A.Ş. ("Orsem") at 30 March 2012 and classified operations related to three-month period as discontinued operation in the statement of comprehensive income. The comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comprehensive year. In this context, the Group has classified the share of profit amounting to TL 1.317.377 from operations arising from the subsidiary of Ortopro named as Orsem from "Share of profit/(loss) of equity accounted investees" to "Profit from discontinued operation" as at 31 December 2011.

2.6. Summary of Significant Accounting Policies

Revenue:

The Group immediately recognizes gain on sale of marketable securities in its portfolio, when proceeds on such sale transactions are deemed to be collectable while dividend and similar type of revenue are recognized when proceeds on such sale transactions are deemed to be collectable at maturity.

Interest income and expenses

Interest income and expenses are recognized in the income statement on an accrual basis. Interest income include coupon payments on fixed income securities, interest income on the Stock Exchange Money Market transactions and reverse repurchase agreements and interest on guarantees given for futures transactions.

Service income

Revenue generated from service contract is recognized by reference to the stage of completion of the contractual obligation. In this respect, fees and commissions generated as a consequence of the completion of the service contract or service, mutual fund management fees, portfolio management commissions and agency commissions are recognized on an accrual basis.

Dividend income

Dividend revenue from equity shares is recognized when the shareholders' rights to receive payment have been established.

Private equity

Revenues are comprised of sale of subsidiary and/or associate, income from consultancy services provided to associates.

Revenues of the sale of non-controlling interests of the subsidiary without a change in control and/or associate are recognized when the sales are realized. Consultancy services given to associates are recognized at the date of the service rendered.

IT, audio and communication systems

Revenue is recognized on an accrual basis by the amount of excess of the fair value if it is probable that the future economic benefits of the revenue will flow to the Group.

The Group recognizes revenue when the Group has available contracts with clients, product or service is delivered, amount of revenue measured reliably, and it is probable that the Group will be receiving economical benefit.

The Group recognizes revenue for license and software solutions after the software is delivered and the service is started to be used by considering the conditions mentioned in the first paragraph.

Trading of Orthopedics, medical equipments and sport products

Revenues are calculated by received payments or fair value of payments which will be received. Estimated refunds, discounts, and provisions are deducted from the mentioned amount.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Food and beverage services revenue

Revenue is measured at fair values of the consideration received or receivable. Estimated discount is recognized as a reduction of revenue as the sales are granted.

Food and beverage revenues are recognized as the services are rendered. Revenues that are measured at fair values of the consideration received or receivable and after sale discounts and deductions.

Restaurant sponsorship revenue

Sponsorship revenues are earned as cash and non-cash benefits from sales of food suppliers and other suppliers' in respect of their marketing activities. Sponsorship revenues are recognized as the services are rendered related to sponsorship activities performed. Sponsorship revenue related with uncollected part of long term agreements are deferred until services are rendered. There are no deferred costs related to these revenues.

Restaurant commission revenue

Commission revenues are generated from franchising agreements that were made in order to lease registered trademarks and also restaurants' operating rights to third parties. Commission revenues include both franchise entrance fees and sale commission fees which is computed over the specified rate. Franchise entrance fees are recognized as revenue as a restaurant which is mentioned on the agreement start to operate. Sale commission fees are recognized as revenue when recovery of the consideration is probable and if the company believes that the payment amount is collectible and there is enough evidence that the amount of revenue can be measured.

Sport goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received and receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of the ownership have been transferred to customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

Inventories:

Inventories are measured at the lower of cost and net realizable value. Costs involved in inventories are comprised of direct material, direct labor used for bringing inventories to their existing condition if applicable and production overheads. Weighted average cost method is used in calculating cost of inventories. Net realizable value is estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Tangible assets:

Items of tangible assets of the Turkish entities purchased before 1 January 2005 are stated at cost adjusted for the effects of inflation during the hyperinflationary period lasted through 31 December 2004, and tangible assets purchased after 1 January 2005 are recorded at their historical costs less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation is recognized over the estimated useful lives of the related assets from the date of acquisition or the date of installation, on a straight-line basis.

Leasehold improvements are depreciated over the lower of the periods of the respective leases and useful lives, on a straight-line basis.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

The estimated useful lives for the current and comparative periods are as follows:

	Useful life
Machinery and equipment	3-15 years
Vehicles	5 years
Furniture and fixtures	5-10 years
Leasehold improvements	5-10 years
Other tangible assets	5-10 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Subsequent expenditure

Expenditure incurred to replace a component of an item of tangible assets that is accounted for separately, including major inspection and overhauls costs, are capitalized. Other subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognized in profit or loss as an expense as incurred.

Leasing Transactions:

Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the balance sheet as a finance lease obligation and interest payments are charged directly to profit or loss.

Operating lease

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Intangible Assets:

Intangible assets are comprised of trademarks and licenses and information technologies and computer software. Intangible assets are carried at restated cost for the effects of inflation in TL units current at 31 December 2004 for the intangible assets acquired before 1 January 2005, and intangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated amortization and impairment losses. Intangible assets are amortized on a straight-line basis over their estimated useful lives for a period not exceeding 5 years from the date of acquisition.

Trademarks and Licenses:

Acquired trademarks and licenses are shown at historical cost. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (not exceeding five years).

Computer Software:

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 - 5 years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding three years).

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Intangible Assets Acquired in a Business Combination:

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they meet the definition of an intangible asset and their fair value can be measured reliably. Cost of such intangible fixed assets is the fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible assets and use or sell it,
- The ability to use or sell the intangible asset,
- How the intangibles asset will generate probable future economic benefits,
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment of Assets:

Assets that have an indefinite useful life, like goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Assets Held for Sale:

Assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale or distribution. These assets can be an operating unit, sales groups or a separate tangible asset. Assets held for sale are expected to be sold in twelve months following the reporting period. The assets held for sale are measured at the lower of their carrying amount and fair value. In the condition that the carrying amount exceeds the fair value, the impairment is recognized as a loss in the related period's profit or loss.

Borrowing Costs:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Financial Instruments:

Financial Assets:

Financial investments, except financial assets classified at fair value through profit or loss and financial assets initially recognized at fair value, are recognized at fair value net of directly attributable transaction costs. Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: "financial assets at fair value through profit or loss ("FVTPL")", "held-to-maturity financial assets", "available-for-sale ("AFS") financial assets" and "loans and receivables".

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for financial assets other than those financial assets designated at FVTPL.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets at FVTPL unless they are designated as hedges. Assets in this category are classified as current assets.

Held-to-maturity financial assets

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

Available-for-sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value cannot be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated for in the fair value reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Repurchase and reverse repurchase agreements

Marketable securities sold as part of repurchase agreement commitments ("repo") are accounted for in the consolidated financial statements and liabilities to counterparties are presented as payables to customers. Marketable securities held as part of commitments to resale ("reverse repo") are accounted for as funds loaned under marketable securities reverse repurchase agreements and accounted for under cash and cash equivalents in the balance sheet. The difference between purchase and resale prices is accounted for as interest and amortized during the period of the agreement.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortized cost using the effective interest method less any impairment.

The Group extends loans to its customers for trading equity shares.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For loans and receivables carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Financial Liabilities:

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivative Financial Instruments:

As at statement of financial position date, the Group has derivative financial instrument transactions which predominantly consist of positions related to foreign currency forward contracts and equity index futures contracts. The Group uses foreign currency forward contracts and futures to hedge its risks associated with market fluctuations in connection with trading portfolio transactions. The Group participates in derivative transactions indexed to foreign currencies and securities, also performs brokerage activities relating to derivative transactions on behalf of its customers. As at statement of financial position date, transactions related to derivative financial instruments are entered into for trading purposes and measured at fair value. Interest and foreign currency gains and losses on these instruments are accounted for on an accrual basis in the statement of income.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognized. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

Business Combinations:

The acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition criteria under IFRS 3, "Business Combinations" are recognized at fair value at the date of acquisition, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of non-controlling interest's shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

In business combinations under common control, assets and liabilities subject to business combination are accounted for at carrying value in consolidated financial statements. Statements of income are consolidated starting from the beginning of the fiscal year in which the business combination is realized. Financial statements of previous fiscal years are restated in the same manner in order to maintain consistency and comparability. Any positive or negative goodwill arising from such business combination is not recognized in the consolidated financial statements. The residual balance calculated by netting off investment in subsidiary and the share acquired in subsidiary's equity is directly accounted for under equity as "effect of the business combinations in entities under common control" and presented in retained earnings.

Foreign Currency Transactions:

Transactions in foreign currencies have been translated into TL at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such transactions are included in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into TL at foreign exchange rates ruling at the dates the values were determined.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity under "Foreign Currency Translation Differences". Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed off.

Earnings per Share:

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares circulating during the year concerned.

In Turkey, companies can raise their share capital by distributing "Bonus Shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Events After the Reporting Period:

Events after the reporting period comprise any event between the statement of financial position date and the date of authorization of the financial statements for publication, even if any event after the balance sheet date occurred subsequent to an announcement on the Group's profit or following any financial information disclosed to public.

If there is evidence of such events as at the statement of financial position or if such events occur after the statement of financial position date and if adjustments are necessary, Group's financial statements are adjusted according to the new situation. The Group discloses the post-balance sheet events that are not adjusting events but material.

Provisions, Contingent Assets and Liabilities:

Provisions are recognized when the Group has a legal and constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are not recognized in the financial statements but disclosed in the notes if the possibility of any outflow is low. Contingent assets are not included in financial statements but explained in the notes if an inflow of economic benefits is probable.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Related Parties:

For the purpose of the accompanying financial statements, shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. There may be business transactions with related parties due to ordinary operations.

Segment Information:

The Group has five business segments determined by the management based on information available for the evaluation of performances and the allocation of resources. These segments are managed separately because they are affected by the economical conditions and geographical positions in terms of risks and returns.

Since the Group predominantly operates in Turkey and only in marketable securities sector, segment information in the accompanying financial statements are configured according to structure of the Group's operating entities as securities brokerage, investment trust, portfolio management, private equity and asset management (Note 5).

Income Tax:

Income tax expense comprises current and deferred tax. Current taxes on income comprise tax payable calculated based on the expected taxable income for the year using the tax rates existing at the balance sheet date and restatement of previous year tax payable. Income tax expense is recognized in the consolidated statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. Temporary differences are mainly aroused from accounting of income and expenses at different reporting periods according to taxation purposes and financial reporting purposes and differences in capitalization and depreciation computations related to tangible assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Employee Benefits/Retirement Pay Liability:

Reserve for retirement pay liability

In accordance with existing labor law in Turkey, the Company and its subsidiaries in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days' pay maximum full TL 3.033,98 as at 31 December 2012 (31 December 2011: TL 2.731,85) per year of employment at the rate of pay applicable at the date of retirement or termination. As disclosed in Note 24, the Group has used some actuarial assumptions while computing reserve for retirement pay. Reserve for retirement pay is computed and reflected in the consolidated financial statements on a current basis. The reserve has been calculated by estimating the present value of future probable obligation of the Company and its subsidiaries in Turkey arising from the retirement of the employees.

Defined contribution plans

The Company has started to pay private pension contribution for its employees since 2006. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss when they are due. The only obligation of the Group with respect to the retirement plan is to make the specified contributions.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

Statement of Cash Flows:

In the statement of cash flow, cash flows are classified according to operating, investment and finance activities.

Cash flows from operating activities reflect cash flows mainly generated from brokerage and portfolio management operations of the Group. Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group. Cash flows relating to finance activities express sources of financial activities and payment schedules of the Group.

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments whose maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Share Capital and Dividends:

Common shares are classified as equity. Dividends on common shares are reclassified as dividend payables by netting off from the retained earnings in the period in which they are approved and disclosed.

2.7. Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with Communiqué XI-29 requires management of Capital Markets Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The estimates are used particularly in the following notes:

Note 10 - Trade receivables and payables

Note 16 - Investments in equity accounted investees ^(*)

Note 17 - Goodwill

Note 18 - Tangible assets

Note 19 - Intangible assets

Note 22 - Provisions

Note 24 - Employee benefits

Note 33 - Tax assets and liabilities

Note 36 - Nature and level of risks related to financial instruments

Note 37 - Financial instruments

^(*) Estimated impairment of goodwill

According to accounting policies explained in note 2.1, the Group tests impairment of goodwill every year. Recoverable amount of cash generating units are specified according to value in use. These calculations require estimations.

3. BUSINESS COMBINATIONS

It was permitted that the Company to take over TSKB Yatırım Ortaklığı A.Ş. in accordance with the clause 451 of 6762 numbered Turkish Commercial Code and clauses 19 and 20 of 5520 numbered Corporate Tax Law with the resolution of Competition Board dated 29 March 2012 and numbered 12-14/417-BD and the resolution of Capital Markets Board of Turkey ("CMB") dated 10 May 2012 and numbered 15/547. In the General Assemblies of the companies dated 29 June 2012, merger was approved. Related resolutions and the merger agreement have been registered by Istanbul Trade Registry Office on 16 July 2012 and have been published in the Trade Registry Gazette numbered 8116, on dated 20 July 2012. As at this date, TSKB Yatırım Ortaklığı A.Ş. was dissolved and transferred to the İş Yatırım Ortaklığı A.Ş. together with all of its assets and liabilities. Due to the merger, issued shares amounting to TL 25.936.784 were registered by the Board with Certificate of Recognition of Capital Markets Board of Turkey numbered Y0188/547 and dated 30 July 2012 and the distribution process of İSYAT shares to TSKB Yatırım Ortaklığı A.Ş.'s shareholders under the terms of the Merger Agreement has been completed at 14 August 2012 by Central Securities Depository Agency ("CRA").

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3. BUSINESS COMBINATIONS *(continued)*

During 2012, the purchase of subsidiaries (Numnum and Toksöz Spor) and the change of non-controlling interest on Ortopro that are explained at Note 17, are recorded in accordance with "Business Combinations" IFRS 3.

4. JOINT VENTURES

Disclosed in Note 16.

5. SEGMENT REPORTING

Segments	Securities Brokerage	Investment Trust	Portfolio Management	Private Equity	Asset Management	Elimination adjustments	Total
	1 January- 31 December 2012	1 January- 31 December 2012	1 January- 31 December 2012	1 January- 31 December 2012	1 January- 31 December 2012	1 January- 31 December 2012	1 January- 31 December 2012
CONTINUING OPERATIONS							
Revenue	35.101.781.663	777.488.565	2.106.259	117.113.650	-	(353.786)	35.998.136.351
Cost of sales (-)	(35.084.439.381)	(716.527.931)	(2.525.104)	(55.484.171)	-	(4.786.383)	(35.863.762.970)
Interest and derivative income from operating activities (net)	66.393.498	(18.564.937)	-	-	-	-	47.828.561
Service income (net)	90.231.643	54.054	17.959.655	-	-	(5.557.147)	102.688.205
Other operating income (net)	27.515.454	-	-	-	-	(477.174)	27.038.280
GROSS PROFIT	201.482.877	42.449.751	17.540.810	61.629.479	-	(11.174.490)	311.928.427
Marketing, sales and distribution expenses (-)	(24.914.967)	(3.912.247)	(17.630)	(7.519.010)	(18.128)	3.782.292	(32.599.690)
General administrative expenses (-)	(120.110.616)	(1.834.834)	(12.593.761)	(19.118.165)	(5.978.817)	1.791.369	(157.844.824)
Research and development expenses (-)	-	-	-	(3.083.465)	-	-	(3.083.465)
Other operating income	1.568.266	-	8.871	8.636.949	815	(108.277)	10.106.624
Other operating expenses (-)	(1.019.942)	(63.347)	-	(3.728.511)	(44.718)	91.762	(4.764.756)
OPERATING PROFIT	57.005.618	36.639.323	4.938.290	36.817.277	(6.040.848)	(5.617.344)	123.742.316
Share of profit of equity accounted investees	-	-	-	5.357.953	-	-	5.357.953
(Non-operating) Finance income	26.296.351	10.887.529	7.050.663	12.652.660	9.837.213	(13.021.357)	53.703.059
(Non-operating) Finance costs (-)	(19.984.035)	-	(30.311)	(7.829.133)	(6.143.817)	801.675	(33.185.621)
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS	63.317.934	47.526.852	11.958.642	46.998.757	(2.347.452)	(17.837.026)	149.617.707
Income tax from continuing operations	(12.276.862)	-	(2.380.509)	84.020	(1.883.000)	-	(16.456.351)
- Current tax expenses	(15.463.259)	-	(2.538.886)	(22.840)	-	-	(18.024.985)
- Deferred tax income/(expense)	3.186.397	-	158.377	106.860	(1.883.000)	-	1.568.634
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	51.041.072	47.526.852	9.578.133	47.082.777	(4.230.452)	(17.837.026)	133.161.356
PROFIT FOR DISCONTINUED OPERATIONS	-	-	-	4.202.485	-	-	4.202.485
PROFIT/(LOSS) FOR THE PERIOD	51.041.072	47.526.852	9.578.133	51.285.262	(4.230.452)	(17.837.026)	137.363.841
Attributable to:							
Non-controlling interests	(1.901)	34.147.339	2.873.440	36.756.974	(655.720)	(4.494.742)	68.625.390
Equity Holders of the Company	51.042.973	13.379.513	6.704.693	14.528.288	(3.574.732)	(13.342.284)	68.738.451
	51.041.072	47.526.852	9.578.133	51.285.262	(4.230.452)	(17.837.026)	137.363.841

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5. SEGMENT REPORTING *(continued)*

Segments	Securities Brokerage	Investment Trust	Portfolio Management	Private Equity	Asset Management	Elimination adjustments	Total
	1 January- 31 December 2012	1 January- 31 December 2012	1 January- 31 December 2012	1 January- 31 December 2012	1 January- 31 December 2012	1 January- 31 December 2012	1 January- 31 December 2012
Other information							
Acquisition of tangible assets and intangible assets	1.758.773	111.455	1.774.051	2.847.820	408.369	-	6.900.468
Depreciation and amortization charges	(2.147.333)	(17.153)	(693.417)	(2.341.184)	(268.863)	-	(5.467.950)
Segments	Securities Brokerage	Investment Trust	Portfolio Management	Private Equity	Asset Management	Elimination adjustments	Total
Balance sheet information	31 December 2012	31 December 2012	31 December 2012	31 December 2012	31 December 2012	31 December 2012	31 December 2012
Assets	3.583.249.133	289.521.429	69.889.479	372.533.827	44.763.201	(176.412.050)	4.183.545.019
Cash and cash equivalents	2.136.198.005	706.804	36.399.401	40.802.761	4.590.587	[204.032]	2.218.493.526
Financial investments (current)	298.917.287	280.765.911	14.466.367	101.216.342	-	[33.766.783]	661.599.124
Trade receivables	927.176.554	1.905.883	4.242.194	55.194.978	38.185.249	[26.285.420]	1.000.419.438
Other receivables	81.344.440	6.006.941	4.443	773.117	214.061	[6.004.727]	82.338.275
Financial investments (non-current)	121.911.496	-	11.989.144	-	-	[110.590.277]	23.310.363
Investments in equity accounted investees	-	-	-	23.565.589	-	-	23.565.589
Other assets	17.701.351	135.890	2.787.930	150.981.040	1.773.304	439.189	173.818.704
Liabilities	3.191.337.942	1.113.190	2.049.450	121.682.992	40.464.653	(43.833.928)	3.312.814.299
Financial liabilities	2.303.530.676	-	-	71.657.991	38.037.003	[29.048.069]	2.384.177.601
Other financial liabilities	56.528.240	-	-	-	-	-	56.528.240
Trade payables	812.222.202	117.360	-	34.503.989	-	[14.785.859]	832.057.692
Other payables	5.842.695	69.761	250.261	1.946.176	94.361	-	8.203.254
Other liabilities	13.214.129	926.069	1.799.189	13.574.836	2.333.289	-	31.847.512
Net Assets	391.911.191	288.408.239	67.840.029	250.850.835	4.298.548	(132.578.122)	870.730.720

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5. SEGMENT REPORTING *(continued)*

Segments	Securities Brokerage	Investment Trust	Portfolio Management	Private Equity	Asset Management	Elimination adjustments	Total
	1 January-31 December 2011	1 January-31 December 2011	1 January-31 December 2011	1 January-31 December 2011	1 January-31 December 2011	1 January-31 December 2011	1 January-31 December 2011
CONTINUING OPERATIONS							
Revenue	45.327.557.709	689.553.900	3.589.049	77.886.496	-	555.201	46.099.142.355
Cost of sales (-)	(45.320.420.664)	(703.250.952)	(1.658.165)	(22.315.245)	-	4.427.773	(46.043.217.253)
Interest and derivative income from operating activities (net)	38.051.130	9.078.468	-	-	-	-	47.129.598
Service income (net)	92.835.086	81.276	17.237.488	-	-	(3.667.196)	106.486.654
Other operating income (net)	21.918.550	-	-	-	-	(791.019)	21.127.531
GROSS PROFIT	159.941.811	(4.537.308)	19.168.372	55.571.251	-	524.759	230.668.885
Marketing, sales and distribution expenses (-)	(24.452.890)	(3.063.229)	(31.634)	(2.946.396)	-	3.236.656	(27.257.493)
General administrative expenses (-)	(100.545.725)	(1.334.590)	(10.875.876)	(9.278.179)	(1.999.000)	373.422	(123.659.948)
Research and development expenses (-)	-	-	-	(2.315.752)	-	-	(2.315.752)
Other operating income	2.096.289	82	1.059	67.003	4.000	(48.857)	2.119.576
Other operating expenses (-)	(532.032)	(63.347)	-	(2.622.058)	-	98.546	(3.118.891)
OPERATING PROFIT	36.507.453	(8.998.392)	8.261.921	38.475.869	(1.995.000)	4.184.526	76.436.377
Share of profit of equity accounted investees	-	-	-	(2.833.365)	-	-	(2.833.365)
(Non-operating) Finance income	27.770.817	6.362.236	4.625.611	10.695.373	1.289.000	(11.212.221)	39.530.816
(Non-operating) Finance costs (-)	(8.019.720)	-	(1.139.108)	(3.152.030)	(597.000)	103	(12.907.755)
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS	56.258.550	(2.636.156)	11.748.424	43.185.847	(1.303.000)	(7.027.592)	100.226.073
Income tax from continuing operations	(11.340.253)	-	(2.355.038)	(124.316)	(168.000)	(27.760)	(14.015.367)
- Current tax expenses	(9.929.398)	-	(2.129.479)	(124.316)	-	(27.760)	(12.210.953)
- Deferred tax income/(expense)	(1.410.855)	-	(225.559)	-	(168.000)	-	(1.804.414)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	44.918.297	(2.636.156)	9.393.386	43.061.531	(1.471.000)	(7.055.352)	86.210.706
PROFIT FOR DISCONTINUED OPERATIONS	-	-	-	(1.317.377)	-	-	(1.317.377)
PROFIT/(LOSS) FOR THE PERIOD	44.918.297	(2.636.156)	9.393.386	41.744.154	(4.230.452)	(17.837.026)	84.893.329
Attributable to:							
Non-controlling interests	(1.724)	(1.752.167)	2.818.016	29.696.652	(228.005)	1.957.328	32.490.100
Equity Holders of the Company	44.920.021	(883.989)	6.575.370	12.047.502	(1.242.995)	(9.012.680)	52.403.229
	44.918.297	(2.636.156)	9.393.386	41.744.154	(1.471.000)	(7.055.352)	84.893.329

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5. SEGMENT REPORTING *(continued)*

Segments	Securities Brokerage 1 January- 31 December 2011	Investment Trust 1 January- 31 December 2011	Portfolio Management 1 January- 31 December 2011	Private Equity 1 January- 31 December 2011	Asset Management 1 January- 31 December 2011	Elimination adjustments 1 January- 31 December 2011	Total 1 January- 31 December 2011
Other information							
Acquisition of tangible assets and intangible assets	2.146.467	25.306	610.993	154.192	834.000	-	3.770.958
Depreciation and amortization charges	(2.393.156)	(8.991)	(457.762)	(184.905)	(102.002)	-	(3.146.816)
Segments	Securities Brokerage 31 December 2011	Investment Trust 31 December 2011	Portfolio Management 31 December 2011	Private Equity 31 December 2011	Asset Management 31 December 2011	Elimination adjustments 31 December 2011	Total 31 December 2011
Balance sheet information							
Assets	2.686.011.908	225.199.962	61.547.285	176.410.031	50.356.000	(136.200.151)	3.063.325.035
Cash and cash equivalents	1.716.750.516	861.184	13.048.050	40.159.085	5.601.000	-	1.776.419.835
Financial investments (current)	200.896.653	214.969.583	32.633.234	75.586.568	-	(18.700.862)	505.385.176
Trade receivables	585.252.051	183	4.112.926	7.772.978	43.727.000	(798.619)	640.066.519
Other receivables	56.331.915	9.327.956	1.348	27.765	-	(9.399.181)	56.289.803
Financial investments (non-current)	115.303.300	-	10.213.924	-	-	(107.500.675)	18.016.549
Investments in equity accounted investees	-	-	-	51.135.382	-	-	51.135.382
Other assets	11.477.473	41.056	1.537.803	1.728.253	1.028.000	199.186	16.011.771
Liabilities	2.336.032.693	1.422.390	1.858.848	4.860.664	41.827.000	(10.197.800)	2.375.803.795
Financial liabilities	1.772.741.269	-	-	1.909.818	41.524.000	-	1.816.175.087
Other financial liabilities	38.803.614	-	-	-	-	-	38.803.614
Trade payables	510.815.323	567.747	-	746.292	-	(10.197.800)	501.931.562
Other payables	3.849.220	13.253	198.910	422.888	72.000	-	4.556.271
Other liabilities	9.823.267	841.390	1.659.938	1.781.666	231.000	-	14.337.261
Net Assets	349.979.215	223.777.572	59.688.437	171.549.367	8.529.000	(126.002.351)	687.521.240

6. CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Cash	197.681	13.673
Cash in banks	2.203.441.866	1.768.836.380
<i>Demand deposits</i>	<i>18.355.501</i>	<i>8.314.174</i>
<i>Time deposits (with maturities three months or less)</i>	<i>2.185.086.365</i>	<i>1.760.522.206</i>
Type B mutual funds	4.630.339	5.912.915
Reverse repurchase agreements	10.145.933	1.656.867
Other cash equivalents	77.707	-
	2.218.493.526	1.776.419.835

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6. CASH AND CASH EQUIVALENTS *(continued)*

Maturities and interest rates of time deposits as at 31 December 2012 and 2011 are as follows:

31 December 2012				
	Interest Rate (%)	Maturity	Currency Type	Amount (TL)
Time deposit in FX	0,25 - 2,50	4/1/2013 - 28/2/2013	GBP	4.522.615
Time deposit in TL	5,00 - 9,15	2/1/2013 - 22/2/2013	TL	2.171.075.000
Interest accrual				9.488.750
				2.185.086.365
31 December 2011				
	Interest Rate (%)	Maturity	Currency Type	Amount (TL)
Time deposit in FX	4,30 - 5,75	3/1/2012 - 21/3/2012	USD	854.862.706
Time deposit in FX	4,70 - 5,80	10/1/2012 - 16/2/2012	EUR	847.680.906
Time deposit in TL	11,00 - 12,25	2/1/2012 - 2/2/2012	TL	49.695.000
Interest accrual				8.283.594
				1.760.522.206

Maturities and interest rates of reverse repurchase agreements as at 31 December 2012 and 2011 are as follows:

31 December 2012				
	Interest Rate (%)	Maturity	Cost	Carrying value
Reverse Repurchase Agreements	4,25 - 6,17	2/1/2013-3/1/2013	10.139.889	10.145.933
				10.145.933
31 December 2011				
	Interest Rate (%)	Maturity	Cost	Carrying value
Reverse Repurchase Agreements	9,00 - 11,00	2/1/2012	1.655.938	1.656.867
				1.656.867

Cash and cash equivalents in the Group's consolidated statement of cash flows for the periods ended 31 December 2012 and 2011 are presented by netting off interest accruals and time deposits with an original maturity more than three months from cash and cash equivalents:

	31 December 2012	31 December 2011
Cash and cash equivalents	2.218.493.526	1.776.419.835
Interest accruals	(9.494.794)	(8.284.523)
	2.208.998.732	1.768.135.312

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7. FINANCIAL INVESTMENTS

Current financial assets	31 December 2012	31 December 2011
Financial assets at fair value through profit or loss	661.599.124	481.809.219
Held to maturity financial assets	-	23.575.957
	661.599.124	505.385.176

Non-current financial assets	31 December 2012	31 December 2011
Available for sale financial assets	17.279.388	12.425.374
Held to maturity financial assets	6.030.975	5.591.175
	23.310.363	18.016.549

31 December 2012		
Financial assets at fair value through profit or loss	Cost	Carrying Value
Government bonds and treasury bills	210.887.976	261.938.039
Private sector bonds	225.258.584	193.073.129
Equity shares	170.770.908	172.894.893
Mutual funds	28.250.398	30.685.419
Income accruals of derivative instruments	-	3.007.644
	635.167.866	661.599.124

31 December 2011		
Financial assets at fair value through profit or loss	Cost	Carrying Value
Government bonds and treasury bills	206.167.848	205.854.377
Private sector bonds	109.267.442	107.779.308
Equity shares	99.805.115	79.921.200
Mutual funds	53.204.426	54.264.434
Income accruals of derivative instruments	13.500	20.731.845
Foreign currency securities	13.306.057	13.258.055
	481.764.388	481.809.219

Annual interest rate ranges of government bonds and treasury bills held for trading purposes as at 31 December 2012 are between 4,48% and 11,40% (31 December 2011: in-between 6,35% and 15,56%).

Marketable securities given as guarantees as at 31 December 2012 and 2011 are as follows:

31 December 2012			
Government bonds and Treasury bills given as guarantee	Cost	Fair Value	Carrying Value
Istanbul Settlement and Custody Bank	6.978.075	6.977.293	6.977.293
Guarantees given to customers (For securities lending activities)	483.916	483.862	483.862
Capital Markets Board	239.385	242.455	242.455
Turkish Derivatives Exchange	16.087	16.291	16.291
	7.717.463	7.719.901	7.719.901

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7. FINANCIAL INVESTMENTS *(continued)*

	31 December 2011		
Government bonds and Treasury bills given as guarantee	Cost	Fair Value	Carrying Value
Istanbul Settlement and Custody Bank.	462.756	634.612	634.612
Capital Markets Board	221.263	233.273	233.273
Turkish Derivatives Exchange	14.644	14.890	14.890
	698.663	882.775	882.775

The details of available for sale equity investments are as follows:

	31 December 2012	
Financial assets available for sale	Ownership Rate %	Carrying Value
Listed Entities		
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	1,13	13.511.495
Unlisted Entities		
Istanbul Settlement and Custody Bank	0,97	1.943.563
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	10,00	1.160.011
Turkish Derivatives Exchange	6,00	647.435
Yatırım Finansman Menkul Değ. A.Ş.	0,06	16.884
		17.279.388

	31 December 2011	
Financial assets available for sale	Ownership Rate %	Carrying Value
Listed Entities		
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	1,13	9.014.967
Unlisted Entities		
Istanbul Settlement and Custody Bank	0,97	1.943.563
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	10,00	800.000
Turkish Derivatives Exchange	6,00	647.435
Yatırım Finansman Menkul Değ. A.Ş.	0,06	16.884
Gelişen Bilgi Teknolojileri A.Ş.	5,00	2.525
		12.425.374

The Group has valued the equity shares of İş Gayrimenkul Yatırım Ortaklığı A.Ş. under securities available for sale with the market prices realized on the Istanbul Stock Exchange ('ISE'). As a result of this valuation, the Group has accounted for the valuation increase amounted to TL 4.496.528 (31 December 2011: valuation increase of TL 3.617.067) by netting-off the deferred tax liability amounted to TL 224.826 (31 December 2011: deferred tax asset of TL 27.397) due to this valuation increase under "Fair Value Reserve" under equity.

The Group has not classified any of its financial assets except financial assets held for trading, as financial assets at fair value through profit or loss.

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7. FINANCIAL INVESTMENTS *(continued)*

Unlisted Financial Assets Carried at Cost:

The above unquoted and unlisted available-for-sale equity investments amounting to TL 4.290.421 (31 December 2011: TL 3.132.934) whose fair value cannot be reliably measured as the estimated fair value ranges are wide and the probability of estimated values cannot be reasonably assessed are stated at cost less any impairment loss, if any.

The details of the Group's government bonds classified as held to maturity financial assets as at 31 December 2012 and 2011 are as follows:

31 December 2012			
Held to maturity financial assets	Cost	Fair Value	Carrying Value
Government bonds	4.964.623	7.298.734	6.030.975
	4.964.623	7.298.734	6.030.975
31 December 2011			
Held to maturity financial assets	Cost	Fair Value	Carrying Value
Government bonds	22.812.999	29.890.456	29.167.132
	22.812.999	29.890.456	29.167.132

As at 31 December 2012, the maturity of TL 5.000.000 nominal value of held to maturity financial assets is 1 April 2020 (As at 31 December 2011, the maturity of TL 5.000.000 nominal value of held to maturity financial assets is 1 April 2020, the maturity of TL 15.601.258 nominal value of held to maturity financial assets is 15 February 2012).

8. FINANCIAL LIABILITIES

Financial liabilities	31 December 2012	31 December 2011
Payables to Stock Exchange Money Market	1.867.653.000	1.544.802.000
Short-term bank borrowings	359.954.568	255.968.503
Funds from commercial paper	87.108.603	-
Long-term bank borrowings	49.944.840	118.763
Interest accruals on bank borrowings	7.688.932	4.631.293
Interest accruals on payables to Stock Exchange Money Markets	5.292.953	10.419.253
Long-term leasing payables	2.782.131	-
Short-term leasing payables	2.104.134	-
Short-term factoring payables	1.648.440	235.275
	2.384.177.601	1.816.175.087

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8. FINANCIAL LIABILITIES *(continued)*

As at 31 December 2012 and 31 December 2011, interest rates and maturities of short-term bank borrowings are as follows:

31 December 2012					
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Principal	409.899.408	TL	5,40 - 16,50	2/1/2013-29/6/2020	409.899.408
Interest accrual	7.688.932	TL			7.688.932
	417.588.340				417.588.340

31 December 2011					
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Principal	256.087.266	TL	9,10 - 17,00	2/1/2012 - 1/7/2014	256.087.266
Interest accrual	4.631.293	TL			4.631.293
	260.718.559				260.718.559

As at 31 December 2012, interest rates and maturities of payables to Stock Exchange Money Market are as follows:

31 December 2012					
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Principal	1.867.653.000	TL	5,30- 6,60	2/1/2013 - 5/2/2013	1.867.653.000
Interest accrual	5.292.953	TL			5.292.953
	1.872.945.953				1.872.945.953

As at 31 December 2011, interest rates and maturities of payables to Stock Exchange Money Market are as follows:

31 December 2011					
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Principal	1.544.802.000	TL	10,00- 11,90	2/1/2012 - 5/3/2012	1.544.802.000
Interest accrual	10.419.253	TL			10.419.253
	1.555.221.253				1.555.221.253

Details of leasing payables are as follows:

	31 December 2012	
	Future minimum lease payments	Present value of minimum lease payments
0-1 year	2.497.084	2.104.134
1-2 years	2.089.421	1.617.838
2-5 years	1.553.617	1.164.294
Future financial expenses	(1.253.856)	-
Present value of leasing liabilities	4.886.266	4.886.266
Debts payable within 12 months (presented in short term liabilities)		(2.104.134)
Debts payable after 12 months		2.782.132

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8. FINANCIAL LIABILITIES *(continued)*

The Group purchases tool sets and production machines for its orthopedics, medical and surgical operations and furniture and fixtures for its restaurant operations through leasing.

As at contract date the interest rates related to financial lease transactions are fixed for the whole leasing period.

Average yearly effective interest rate for contracts in Euro is 11.22%, for contracts in US Dollar is 8.05%, for contracts in TL is 14.50%-26.2%.

The finance lease liabilities to İş Finansal Kiralama A.Ş. is TL 1.936.527, of which interest rate is between 8.05% and 14.5%.

The Group's factoring payables amount to TL 1.648.440 (31 December 2011: TL 235.275), interest rate is between 13,00%-18,50% (31 December 2011: 17,00%).

9. OTHER FINANCIAL LIABILITIES

	31 December 2012	31 December 2011
Expense accruals on derivative transactions	3.754.156	32.293.694
Liabilities from short selling transactions ^(*)	52.774.084	6.509.920
	56.528.240	38.803.614

^(*)As of 31 December 2012 liabilities from short selling transactions comprised of amounting TL 6.548.855 (nominal value) (31 December 2011: TL 1.158.953 nominal value).

10. TRADE RECEIVABLES AND PAYABLES

Current trade receivables	31 December 2012	31 December 2011
Receivables from clearing houses on derivative transactions	330.376.672	241.989.401
Receivables from customers	319.735.012	173.694.235
Receivables from credit customers	202.905.303	145.039.270
Receivables from clearing houses ^(*)	100.909.329	30.698.491
Purchase of nonperforming loans	38.185.249	43.727.000
Due from related parties (Note 35)	6.754.701	4.093.175
Commission and fund management fee receivables	722.974	705.694
Other trade receivables	830.198	119.253
	1.000.419.438	640.066.519

^(*)As of 31 December 2012 receivables from clearing houses comprised of guarantees from Forex operations amounting TL 58.943.125 (31 December 2011: TL 7.296.901).

As at 31 December 2012, the Group's subsidiary has reviewed its all receivables individually and provided allowance amounting to TL 3.149.477 for the receivables not in legal proceedings, however for which their collectibility becomes doubtful and it is not certain whether they become worthless or not. (31 December 2011: TL 1.340.089).

Non-performing loans purchased amounting to TL 38.185.249 comprised of the loans purchased from the domestic banks by Efes Varlık Yönetim A.Ş which is the subsidiary of the Group. As of 31 December 2012 provision is amounted TL 35.547 provided for the purchased non-performing loans (31 December 2011: None).

As at 31 December 2012, the average interest rates applied to customers on margin trading are 8,97% (31 December 2011: 16,69%).

As at 31 December 2012, the Group holds the equity shares of the listed entities as collaterals received in relation to receivables from customers on margin trading with an amount of TL 331.025.961 (31 December 2011: TL 251.795.296).

As at 31 December 2012, the Group holds letters of guarantee with an amount of TL 59.961.850 in relation to the derivative transactions of its customers (31 December 2011: TL 70.290.313).

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10. TRADE RECEIVABLES AND PAYABLES *(continued)*

Other current trade payables	31 December 2012	31 December 2011
Payables to customers ^(*)	436.749.078	246.922.365
Payables to clearing houses on derivative transactions	325.371.806	226.281.815
Payables to clearing houses	52.258.630	25.538.700
Due to related parties (Note 35)	886.265	828.362
Trade payables	10.819.809	-
Other trade payables	3.173.573	2.277.766
	829.259.161	501.849.008

(*) As of December 2012 payables to customers comprised of payables to customers from Forex operations amounting TL 58.943.125 (31 December 2011: TL 7.296.901).

Other non-current trade payables	31 December 2012	31 December 2011
Trade payables	1.798.522	-
Due to related parties (Note 35)	1.000.009	-
Other trade payables	-	82.554
	2.798.531	82.554

11. OTHER RECEIVABLES AND PAYABLES

Other current receivables	31 December 2012	31 December 2011
Deposits and guarantees given	46.771.040	25.539.103
Collaterals given to Turkish Derivatives Exchange	28.798.513	25.921.332
Due from related parties (non-trading) (Note 35)	9.864	24.828
Other receivables	1.107.704	408.328
	76.687.121	51.893.591

Other non-current receivables	31 December 2012	31 December 2011
Deposits and guarantees given	5.651.154	4.396.212
	5.651.154	4.396.212

Other current payables	31 December 2012	31 December 2011
Taxes and fund payables	5.701.003	3.373.044
Social security premiums payable	1.541.773	986.386
Due to related parties (non-trading) (Note 35)	226.876	118.244
Other payables	717.303	78.597
	8.186.955	4.556.271

Other non-current payables	31 December 2012	31 December 2011
Other payables	16.299	-
	16.299	-

12. RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

Since the Group operates in finance sector, this account item has not been used.

13. INVENTORIES

Inventories	31 December 2012	31 December 2011
Trading goods	41.242.332	260.478
	41.242.332	260.478

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14. BIOLOGICAL ASSETS

None (31 December 2011: None).

15. ASSETS RELATED TO ONGOING CONSTRUCTION CONTRACTS

None (31 December 2011: None).

16. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

As at 31 December 2012, the details of the Group's associates and joint ventures are as follows:

	Shareholding interest (%)		Main business area
	31 December 2012	31 December 2011	
Türkmed	25,78	25,78	Service
Aras Kargo	20,00	20,00	Service
Ode ⁽¹⁾	-	17,24	Manufacturing
Ortopro	-	31,00	Manufacturing -Commerce
Havaş ⁽²⁾	-	6,67	Service

(1) On 26 March 2012, the Group has sold all shares owned in Ode İzolasyon Sanayi Satış ve Pazarlama A.Ş. for USD 10.500.000 (TL18.813.900). The Group recognized gain on this sale amounting to TL 13.217.194 as profit from these sales.

(2) On 3 October 2012, all shares of the Group owned in associate Havaş were sold to TAV Havalimanları Holding A.Ş. for Euro 15.238.095 (TL 35.110.095). The Group recognized gain on this sale amounting to TL 11.948.507 as profit from these sales.

Summary financial information of the Group's associates is as follows:

	31 December 2012	31 December 2011
Total assets	273.894.810	1.044.553.858
Total liabilities	(253.011.082)	(678.687.892)
Net assets	20.883.728	365.865.966
The Group's share in associates' net assets	4.363.651	26.861.048
Goodwill in equity accounted investees	19.201.938	24.274.334
Investments in equity accounted investees	23.565.589	51.135.382

	1 January - 31 December 2012	1 January - 31 December 2011
Revenue	846.601.821	1.160.509.217
Profit/(Loss) for the year	42.525.746	(32.153.094)
The Group's share in the profit/(loss) of associates ^{(1) (2)}	5.357.953	(2.833.365)

Goodwill

Associates and joint ventures	31 December 2012	31 December 2011
Türkmed	1.616.818	1.616.818
Allowance for impairment loss on Türkmed's goodwill	(1.616.818)	-
Ortopro	-	3.455.578
Aras Kargo	19.201.938	19.201.938
	19.201.938	24.274.334

The Group has calculated recoverable amount by using discounted cash flow method and computed average value received with multiplier obtained by division of the value of companies that have similar business activities to net sales or to net profit before tax interest and amortization. The Group annually assesses to determine whether goodwill is impaired or not at the year ends. As of 31 December 2012, the Group has not concluded impairment on goodwill for Aras Kargo and recognized impairment for goodwill amounting to TL 1.616.818 for Türkmed.

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17. GOODWILL

As of 31 December 2012 goodwill details are as follow:

Associates	Goodwill	
	31 December 2012	31 December 2011
Ortopro	9.206.499	-
Toksöz Spor	22.354.606	-
Numnum	26.871.534	-
	58.432.639	-

Ortopro

As of 5 March 2012, Erol Frik has become shareholder with holding 20% of the shares through transferring USD 4.5 million to Ortopro through capital increase by limiting existing shareholders' stock warrant. Simultaneously with capital increase, İş Girişim has purchased bonus share at the rate of 6,5% from Tolga Yalçınkaya, shareholder of Ortopro, and İş Girişim's owned shares in Ortopro have been maintained at the rate of 32,5%. İş Girişim's claim of appointment for Board of Director increased from 1 to 2 and İş Girişim has started to control more than half of the shares owned by Group B through capital increase. Therefore as of 31 December 2012, Ortopro has been included in financial statements with using full consolidation method and non-controlling interests are disclosed in the financial statements whereas in the previous periods it was accounted as equity accounted investee. Transaction of obtaining control is recognized in accordance with IFRS 3 "Business combinations".

In accordance with provisions of 'IFRS 3: Business Combinations', the Group obtained a valuation report for the purpose of measuring the fair value of Ortopro's identifiable assets and liabilities and determining fair value of the equity interest from an independent valuation company as of the acquisition date. The valuation report has been prepared through considering audited financial statements as of 31 December 2011 since the effects of the operations are insignificant between the acquisition date of Ortopro is recognized and 31 December 2011.

Hence, as of acquisition date by the Group, fair value of the previously obtained equity interest is calculated. The difference between fair value and carrying value of the shares of the participation amounting to TL 6.516.626 is recognized as revenue arising from business combinations in "Other Operating Income" in the statement of comprehensive income and the difference between fair value of the net assets of Ortopro and fair value of the equity interest amounting to TL 9.206.499 is recognized as goodwill. Distribution network and licenses arising from acquisition are recognized at fair value determined by independent valuation experts.

As of acquisition date, fair value of the identifiable assets and liabilities are presented as follows:

Ortopro	31 December 2011	
	Carrying Value	Fair Value
Cash and cash equivalents	1.675.829	1.675.829
Trade and other receivables	27.051.998	27.051.998
Inventories	12.420.333	12.420.333
Other assets	2.430.662	2.430.662
Deferred tax asset	1.290.717	716.117
Property and equipment	5.978.910	5.978.910
Intangible assets ⁽¹⁾	232.425	3.105.425
Financial liabilities	(21.193.465)	(21.193.465)
Trade payables	(26.921.832)	(26.921.832)
Other liabilities	(1.725.538)	(1.725.538)
Total net assets	1.240.039	3.538.439

⁽¹⁾ Includes fair value of distribution network and licenses amounting TL 2.873.000.

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17. GOODWILL *(continued)*

Fair value of equity interest	10.356.492
Non-controlling interests	2.388.446
Total net identifiable assets	(3.538.439)
Goodwill	9.206.499
Fair value of equity interest	10.356.492
Carrying value of Ortopro as of 31 December 2011	(3.839.866)
Income from business combinations (Note 30)	6.516.626

Toksöz Spor

The Group acquired the shares of Toksöz Spor composed of 8.775.585 units, with a nominal amount of TL 8.775.585 which corresponds to 58,5% of the Toksöz's share, with a payment of TL 23.900.000 on 13 November 2012.

In accordance with provisions of IFRS 3 "Business Combinations", the Group obtained a valuation report to determine the fair value of Toksöz's assets and liabilities from an independent firm as of the date of acquisition. Due to immaterial impact of operations between acquisition date and 31 October 2012, the valuation was based on the audited financial statements of Toksöz as of 31 October 2012.

As of acquisition date of Toksöz's, difference between the fair value of its net assets and consideration paid was recognized as goodwill.

As of acquisition date of Toksöz the fair value of identifiable assets and assumed liabilities are given below.

	13 November 2012	
	Carrying Value	Fair Value
Toksöz Spor		
Cash and cash equivalents	954.397	954.397
Trade and other receivables	46.169.396	46.169.396
Inventories	31.404.368	31.404.368
Other assets	2.252.124	2.252.124
Deferred tax asset	812.739	812.739
Property and equipment	3.728.629	3.728.629
Intangible assets ⁽¹⁾	91.889	12.361.889
Financial liabilities	(49.127.475)	(49.127.475)
Trade payables	(27.413.600)	(27.413.600)
Other liabilities	(16.046.768)	(16.046.768)
Deferred tax liabilities	-	(2.454.000)
Total net assets	(7.174.301)	2.641.699

⁽¹⁾ Includes the fair values of trade mark, exclusivity agreement and leasing agreements amounting TL 12.270.000.

Consideration paid	23.900.000
Total net identifiable assets	(2.641.699)
Non-controlling interests	1.096.305
Goodwill	22.354.606

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17. GOODWILL *(continued)*

Numnum

The Group has purchased 59,459 shares with a nominal value of TL 59.459 from Mehmet Gürs representing 19,244% of Numnum's pre- investment share capital amount of TL 308.975 by making a total payment of TL 4.000.000, of which TL 3.000.000 is paid in cash and TL 1.000.000 in installments. 246,881 shares of Numnum having the total nominal value of TL 246.881 have been acquired as a result of the General Assembly decision dated 5 December 2012 with regard to injection of the net fund amount of TL 973.926 to the share capital and accordingly distribution of 973,926 issued shares to company shareholders without consideration in accordance with related laws and regulations. Through restricting Numnum's current shareholders pre-emptive rights for purchasing new shares in the meantime; 1,666,481 shares with the total nominal value of TL 1.666.481 and representing 61,66% of the post-investment share capital of TL 2.702.500 have been acquired in return of TL 23.000.000 thereof TL 1.419.599 and TL 21.580.401 were transferred to the share capital and share certificate issuance premium account, respectively.

In accordance with provisions of IFRS 3 "Business Combinations", the Group received a valuation report for the determination of fair value of Numnum's identifiable assets and assumed liabilities from an independent firm as of the acquisition date. Due to the immaterial impact of operations between the acquisition date and 31 December 2012 the valuation was based on audited financial statements of Numnum as of 31 December 2012. As of the acquisition date of Numnum the difference between the fair value of net assets are recognized as goodwill.

Numnum	5 December 2012	
	Carrying Value	Fair Value
Liquid assets	-	-
Trade and other receivables	141.056	141.056
Inventories	536.728	536.728
Other assets	803.081	803.081
Deferred tax asset	296.595	296.595
Property and equipment	1.865.294	1.865.294
Intangible assets ^(*)	71.805	14.661.805
Financial liabilities	(8.884.941)	(8.884.941)
Trade payables	(3.580.524)	(3.580.524)
Other liabilities	(2.712.762)	(2.712.762)
Deferred tax liabilities	-	(2.918.000)
Total net assets	(11.463.668)	208.332

(*) Includes the fair value of the licenses and leasing agreements amounting TL 14.590.000

Consideration paid in cash	26.000.000
Consideration payable to shareholders (Note 35)	1.000.000
Total net identifiable assets	(208.332)
Non-controlling interests	79.866
Goodwill	26.871.534

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18. TANGIBLE ASSETS

Acquisition cost	Machinery and Equipment	Vehicles	Furniture and Fixtures	Other	Leasehold Improvement	Total
Opening balances at 1 January 2012	8.036.040	383.101	5.737.661	4.142.750	10.044.124	28.343.676
Foreign currency translation differences	-	-	(6.205)	-	(28.740)	(34.945)
Business combinations (Note 17)	208.900	1.251.576	16.255.708	484.892	6.934.604	25.135.680
Disposal due to discontinued operations (Note 38)	(8.595)	(132.575)	(2.981.878)	(73.257)	(96.780)	(3.293.085)
Additions	435.874	200.601	2.756.365	-	2.531.448	5.924.288
Disposal	(9.178)	(795.653)	(488.847)	(202.994)	(280.350)	(1.777.022)
Closing balances at 31 December 2012	8.663.041	907.050	21.272.804	4.351.391	19.104.306	54.298.592

Accumulated depreciation

Opening balances at 1 January 2012	(5.828.892)	(205.586)	(3.772.148)	(4.139.765)	(5.658.832)	(19.605.223)
Foreign currency translation differences	-	-	2.536	-	8.113	10.649
Business combinations (Note 17)	(84.744)	(552.518)	(9.249.183)	(281.703)	(3.394.699)	(13.562.847)
Disposal due to discontinued operations (Note 38)	8.595	39.322	2.086.191	73.257	78.921	2.286.286
Charge for the period	(748.993)	(103.745)	(1.652.279)	(3.041)	(1.633.821)	(4.141.879)
Disposal	-	376.209	412.643	-	260.732	1.049.584
Closing balance, 31 December 2012	(6.654.034)	(446.318)	(12.172.240)	(4.351.252)	(10.339.586)	(33.963.430)

Carrying value as at 31 December 2011 **2.207.148** **177.515** **1.965.513** **2.985** **4.385.292** **8.738.453**

Carrying value as at 31 December 2012 **2.009.007** **460.732** **9.100.564** **139** **8.764.720** **20.335.162**

Acquisition cost	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Leasehold improvements	Total
Opening balances at 1 January 2011	7.070.459	303.610	4.935.579	4.142.750	8.756.987	25.209.385
Foreign currency translation differences	-	-	91.715	-	70.936	162.651
Additions	967.753	79.491	728.055	-	1.216.201	2.991.500
Disposal	(2.172)	-	(17.688)	-	-	(19.860)
Closing balance, 31 December 2011	8.036.040	383.101	5.737.661	4.142.750	10.044.124	28.343.676

Accumulated depreciation

Opening balances at 1 January 2011	(5.065.020)	(144.393)	(3.063.965)	(4.136.512)	(4.687.564)	(17.097.454)
Foreign currency translation differences	-	-	(66.761)	-	(30.146)	(96.907)
Charge for the period	(766.044)	(61.193)	(651.101)	(3.253)	(941.122)	(2.422.713)
Disposal	2.172	-	9.679	-	-	11.851
Closing balance, 31 December 2011	(5.828.892)	(205.586)	(3.772.148)	(4.139.765)	(5.658.832)	(19.605.223)

Carrying value as at 31 December 2010 **2.005.439** **159.217** **1.871.614** **6.238** **4.069.423** **8.111.931**

Carrying value as at 31 December 2011 **2.207.148** **177.515** **1.965.513** **2.985** **4.385.292** **8.738.453**

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19. INTANGIBLE ASSETS

Acquisition cost	Patent, License, Leasing Agreements	Computer software and licenses	Total
Opening balance, 1 January 2012	-	6.869.426	6.869.426
Exchange differences	-	(9.567)	(9.567)
Business Combinations (Note 17)	29.733.000	870.565	30.603.565
Disposal due to discontinued operations (Note 38)	-	(350.182)	(350.182)
Additions	-	976.180	976.180
Closing balance, 31 December 2012	29.733.000	8.356.422	38.089.422
Accumulated amortization			
Opening balance, 1 January 2012	-	(5.385.287)	(5.385.287)
Exchange differences	-	8.424	8.424
Business Combinations (Note 17)	-	(474.446)	(474.446)
Disposal due to discontinued operations (Note 38)	-	222.634	222.634
Charge for the period	(574.600)	(751.467)	(1.326.067)
Closing balance, 31 December 2012	(574.600)	(6.380.142)	(6.954.742)
Carrying value as at 31 December 2011	-	1.484.139	1.484.139
Carrying value as at 31 December 2012	29.158.400	1.976.280	31.134.680

Acquisition cost	Computer software and licenses	Total
Opening balance, 1 January 2011	5.980.653	5.980.653
Exchange differences	109.316	109.316
Additions	779.457	779.457
Closing balance, 31 December 2011	6.869.426	6.869.426
Accumulated amortization		
Opening balance, 1 January 2011	(4.572.664)	(4.572.664)
Exchange differences	(88.520)	(88.520)
Charge for the period	(724.103)	(724.103)
Closing balance, 31 December 2011	(5.385.287)	(5.385.287)
Carrying value as at 31 December 2010	1.407.989	1.407.989
Carrying value as at 31 December 2011	1.484.139	1.484.139

20. TANGIBLE ASSETS HELD FOR SALE

As of 31 December 2012 the Group has assets held for sale amounting to TL 76.804 (31 December 2011: None).

21. GOVERNMENT INCENTIVES AND GRANTS

None (31 December 2011: None).

22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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Current provisions	31 December 2012	31 December 2011
Tax penalty provision ⁽¹⁾	1.332.503	664.506
Legal claims	23.000	-
Other liabilities and expense accruals	45.320	5.891
	1.400.823	670.397

⁽¹⁾ Based on the amendments to Article 29/t of Expense Taxes Law numbered 6802 in respect to Article 32/8 of Law numbered 5838, the effective date of exemption in regards to Banking and Insurance Transactions Tax ("BITT") levied on transactions performed in capital markets for investment trusts is 1 March 2009. In this respect, the subsidiary has provided a BITT provision amounting to TL 727.853 (31 December 2011: TL 664.506) regarding to 2008 and January - March 2009 transactions based on the best estimates and accounted for the additional charge of this provision for the current period amounting to TL 604.650 under other operating expenses.

	1 January- 31 December 2012			
	Legal claims	Tax penalty Provision	Other	Total
Opening balance	-	664.506	5.891	670.397
Charge for the period	23.000	667.997	45.320	736.317
Payments	-	-	(5.891)	(5.891)
Closing balance	23.000	1.332.503	45.320	1.400.823

	1 January- 31 December 2011			
	Legal claims	Tax penalty Provision	Other	Total
Opening balance	13.335	601.162	13.396	627.893
Charge for the period	-	63.344	8.615	71.959
Payments	(13.335)	-	(16.120)	(29.455)
Closing balance	-	664.506	5.891	670.397

Details of the nominal amounts of government bonds and treasury bills, equity shares, Eurobonds and mutual funds belonging to customers and held for custody purposes are as follows:

	31 December 2012	31 December 2011
Government bonds and Treasury bills (customer portfolio)	951.495.540	982.612.112
Eurobond	252.433.523	244.059.863
Equity shares	4.842.311.492	4.573.167.710
Mutual funds - units	41.240.525.466	25.034.840.995

As at 31 December 2012 and 2011, letters of guarantee and promissory notes given by the Group are as follows:

	31 December 2012	31 December 2011
Istanbul Settlement and Custody Bank	2.482.841.664	2.210.018.530
Istanbul Stock Exchange	56.825.689	56.388.000
Capital Markets Board	12.703.552	12.703.552
Turkish Derivatives Exchange	23.010.000	4.010.000
Others	59.799.492	44.635.590
	2.635.180.397	2.327.755.672

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22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES *(continued)*

As at 31 December 2012, letters of guarantee and promissory notes amounting to TL 2.635.180.397 given by the Group contains USD 22.251.958 that equals to TL 39.601.340, EUR 152.861 that equals to TL 359.483, GBP 5.000.000 that equals to TL 14.366.500 (31 December 2011: USD 13.000.000 that equals to TL 24.555.700, GBP 5.000.000 that equals to TL 14.585.000).

The Group has given securities amounting to TL 28.415.707 as guarantee as at 31 December 2012 (31 December 2011: The Group has given securities amounting to TL 7.982.298 as guarantee against the securities borrowed).

The Company and its subsidiaries operating in Turkey with activities in securities brokerage and portfolio management maintain their capitals in accordance and in compliance with the Capital Markets Board Communiqué Serial: V, No: 34 "Principles of Capital and Capital Adequacy of Brokerage Houses" ("Communiqué Serial: V, No: 34"). The Group is in compliance with the capital adequacy requirements as at 31 December 2012 and 2011.

Guarantee-Pledge-Mortgage

Guarantee/pledge/mortgage ("GPM") position of the Group as at 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Guarantees/Pledges/Mortgages given by the Company		
A. GPM given on behalf of its own legal entity Total GPM	2.559.142.038	2.272.147.883
GPM	2.559.142.038	2.272.147.883
Financial investments	-	-
B. GPM given on behalf of consolidated subsidiaries	37.475.300	39.140.700
GPM	37.475.300	39.140.700
Financial investments	-	-
C. Total amount of GPM given on behalf of other third parties' debt	-	-
D. Other GPM	-	-
i. Total amount of GPM given on behalf of the Parent	-	-
ii. Total amount of GPM given on behalf of other	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-
TOTAL	2.596.617.338	2.311.288.583

As of 31 December 2012, GPM, amounting to TL 37.475.300 given for fully consolidated subsidiaries, contains USD 13.000.000 that equals to TL 23.108.800 and GBP 5.000.000 that equals to TL 14.366.500 (31 December 2011: USD 13.000.000 that equals to TL 24.555.700, GBP 5.000.000 that equals to TL 14.585.000).

Proportion of GPM to the Group's equity as at 31 December 2012 is 298% (31 December 2011: 336%).

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23. COMMITMENTS

Derivative commitments and option agreements of the Group as at 31 December 2012 and 2011 are as follows:

Derivatives instrument description	31 December 2012					
	SHORT POSITION			LONG POSITION		
	Notional Amount	Notional Amount (TL)	Fair Value (TL)	Notional Amount	Notional Amount (TL)	Fair Value (TL)
Foreign currency based						
Option agreements	2.236.985.850	458.637.737	(1.041.737)	2.277.028.250	462.140.210	545.176
Forward and Swap agreements	6.361.527.171	2.528.404.364	665.384	5.569.188.857	2.528.100.856	(742.207)
Futures agreements	9.982.000	17.800.173	37.803	17.501.770	19.326.018	5.523
Index based						
Option agreements	3.452.600	16.017.750	(37.978)	3.507.000	16.031.738	19.832
Forward and Swap agreements	-	-	-	-	-	-
Futures agreements	8.482	78.204.557	(791.155)	1.941	12.446.659	(79.381)
Other	1.171.636	1.173.043	154.982	-	-	-

Derivatives instrument description	31 December 2011					
	SHORT POSITION			LONG POSITION		
	Notional Amount	Notional Amount (TL)	Fair Value (TL)	Notional Amount	Notional Amount (TL)	Fair Value (TL)
Foreign currency based						
Option agreements	750.642.000	293.510.414	95.811	458.419.150	296.849.340	(55.446)
Forward and Swap agreements	986.776.740	1.920.775.092	12.001.384	161.158.396	174.459.030	(306.754)
Futures agreements	5.093.637	9.621.370	127.293	6.598.000	14.427.863	198.735
Index based						
Option agreements	-	-	-	-	-	-
Futures agreements	-	-	-	3.000.000	7.331.400	20.342
Forward and Swap agreements	11.545	73.106.084	585.544	885	8.905.318	60.203
Other	2.743.647	1.532.743	(2.333.253)	30.000	13.500	900

24. PROVISIONS RELATED TO EMPLOYEE BENEFITS

Short-term employee benefits:

	31 December 2012	31 December 2011
Unused vacation pay liability and other premium provision	11.702.070	6.973.448

In accordance with the existing social legislation in Turkey, the Group is required to make payments for unused vacation days when the personnel leave the company. Vacation pay liability is the undiscounted amount calculated over the unused vacation days of the employees.

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24. PROVISIONS RELATED TO EMPLOYEE BENEFITS *(continued)*

Long-term employee benefits:

	31 December 2012	31 December 2011
Employee severance pay liability	4.603.972	1.838.989
Bonus reserve for employees	290.525	423.613
Total	4.894.497	2.262.602

Under the Turkish Labor Law, the Group is required to pay employment termination benefits to each entitled employee to receive such benefits.

The applicable retirement pay provision ceiling as at 31 December 2012 is TL 3.034 for the calculation of employment termination benefits (31 December 2011: TL 2.731). The retirement pay provision ceiling is revised semi-annually, and TL 3.034, which is effective from 1 January 2013, is taken into consideration in the calculation of provision for employment termination benefits (31 December 2011; The retirement pay provision ceiling effective from 1 January 2012 amounts to TL 2.731)

The liability is not funded, as there is no funding requirement. Provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the Group's obligation under the defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2012, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. The provision at the respective balance sheet date has been calculated assuming an annual inflation rate of 4,15% (31 December 2011: 5,10%) and a discount rate of 7,00% (31 December 2011: 10,00%) resulting in a real discount rate of approximately 2,74% (31 December 2011: 4,66%) The anticipated rate of forfeitures is also considered.

	31 December 2012	31 December 2011
Opening balance, 1 January	1.838.989	1.752.430
Business combination	1.482.417	-
Disposal due to discontinued operations	(8.160)	-
Business combination	21.684	-
Service cost	807.591	146.265
Interest cost	294.100	139.967
Payments made during the year	(469.382)	(200.030)
Actuarial difference	636.733	357
Balance at the end of the year	4.603.972	1.838.989

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25. RETIREMENT BENEFITS

Beginning from 2006, the Group has started to contribute certain amount of private pension payments for its employees. As at 31 December 2012, total contributions paid in current period amount to TL 405.456 whereas it is TL 1.390.732 cumulatively (Contributions paid as at 31 December 2011 is TL 324.242 and cumulative payment is TL 985.276).

26. OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2012	31 December 2011
Prepaid taxes and funds	7.087.215	2.120.651
Income accruals	4.252.560	-
Deferred VAT	3.517.737	542.040
Prepaid expenses	2.168.541	1.659.625
Advances given for purchases	1.093.577	222.557
Business advances	412.104	247.762
Personnel advances	97.941	20.480
Other	532.467	516.662
	19.162.142	5.329.777

Other non-current assets	31 December 2012	31 December 2011
Prepaid expenses	263.452	7.006
	263.452	7.006

Other current liabilities	31 December 2012	31 December 2011
Expense accruals	3.142.144	3.100.989
Advances received	1.853.156	28.098
Deferred Income	759.531	-
Other	699.857	47.224
	6.454.688	3.176.311

Other non-current liabilities	31 December 2012	31 December 2011
Deferred Income	122.038	-
	122.038	-

As at 31 December 2012, the amount of TL 104.544 (31 December 2011: TL 75.957) of prepaid expenses in other current assets refers to the services to be rendered from related parties and the amount of TL 59.253 of expense accruals (31 December 2011: 26.144) refers to the services to be rendered from related parties.

27. EQUITY

a. Capital

The capital structure of the Company as at 31 December 2012 and 2011 are as follows:

Shareholder	31 December 2012		31 December 2011	
	Share (%)	Amount	Share (%)	Amount
T. İş Bankası A.Ş. (Group A)	0,05	150.000	0,06	150.000
T. İş Bankası A.Ş. (Group B)	65,60	187.617.643	65,59	170.547.856
Publicly traded (Group B)	29,31	83.831.912	29,31	76.210.828
Other (Group B)	5,04	14.400.445	5,04	13.091.316
Total	100,00	286.000.000	100,00	260.000.000

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27. EQUITY (continued)

By the decision of the Board of Directors dated 17 May 2012 and registered on 11 June 2012, the share capital of the Company was increased by TL 26.000.000 to TL 286.000.000. The increase was provided through from extraordinary reserves under retained earnings

The authorized share capital ceiling of the Company is TL 300.000.000 and paid-in capital of the Company is TL 286.000.000 (31 December 2011: 260.000.000 TL). The capital consists of 286.000.000 (two hundred eighty six million) shares having a nominal value of TL 1 (TL one) each (31 December 2011: 260.000.000). TL 150.000 of the shares is Group A (31 December 2011: 150.000 TL), and TL 285.850.000 is Group B shares (31 December 2011: 259.850.000 TL). According to the Articles of Association, additional Group A shares cannot be issued during new capital increases. Five members of the Board of Directors out of seven are elected among the nominees determined by Group A shareholders and two members by Group B shareholders.

b. Fair Value Reserve

	1 January- 31 December 2012	1 January- 31 December 2011
Opening Balance	941.499	3.617.067
Increase in value of assets available for sale	4.119.106	[2.675.568]
Closing Balance	5.060.605	941.499

Fair Value Reserve:

Fair value reserve arises from the measurement of available-for-sale financial assets at their fair value. In case of disposal of assets carried at fair value, the cumulative gain or loss related to that assets previously recognized in equity is included in the profit or loss for the period. Gains and losses arising from changes in fair value are recognized directly in equity, until the asset is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period.

c. Restricted Reserves

	31 December 2012	31 December 2011
Legal reserves	25.557.171	21.094.636
Statutory reserves	2.168	2.168
Gains on sale of properties and equity participations to be transferred to capital	88.597	88.597
Total	25.647.936	21.185.401

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code, are not distributable to shareholders. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

d. Retained earnings

The retained earnings and extraordinary reserves disclosed in retained earnings on the consolidated financial statements of the Group as at 31 December 2012 and 2011 are as follows

	31 December 2012	31 December 2011
Extraordinary reserves	24.069.313	21.036.704
Extraordinary reserves (belongs to consolidated subsidiaries and associates)	25.740.991	25.442.700
Retained earnings	25.919.624	22.258.233
Total	75.729.928	68.737.637

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27. EQUITY (continued)

Profit Distribution:

Non-public companies have to pay their dividend in accordance with capital market regulations;

In accordance with the Capital Markets Board's (the "CMB") Decree issued as at 27 January 2010, in relation to the profit distribution of earnings derived from the operations in 2009, minimum profit distribution is not required for listed companies (31 December 2008: 20%) and accordingly, profit distribution should be made based on the requirements set out in the CMB's Communiqué Serial: IV, No: 27 "Principles of Advance Dividend Distribution of Companies that are subject to the Capital Markets Board Regulations", terms of articles of association and profit distribution policies publicly disclosed by the companies.

Furthermore, based on the aforementioned decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extent that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Serial: XI, No: 29.

At the Ordinary General Assembly of Shareholders held on 9 May 2012, the Company has decided a dividend distribution amounting to TL 15.080.000 from the Company's TL 52.403.229 distributable income after appropriated the first legal reserves. Dividend was paid on 14 May 2012.

e. Other Reserves

Other reserves comprised of profit or loss related with the sale of shares while retaining control and increase in share capital (non-reciprocal capital contributions made by a parent or NCI to non-wholly owned subsidiary) after obtained control of a subsidiary which changes its ownership interest in that subsidiary without losing control by buying shares from the non-controlling interest at the beginning of the period. The effects of these transactions on the non-controlling interests in the accompanying consolidated financial statements are allocated to proportionally to non-controlling interest and classified as 'non-controlling interests'.

	1 January- 31 December 2012	1 January- 31 December 2011
Opening Balance	72.431	72.431
Capital increase of subsidiary	848.181	-
Increase in share premium of subsidiaries	4.857.902	-
Closing Balance	5.778.514	72.431

f. Change in non controlling interests

Shares of net assets of the subsidiaries that are directly or indirectly not under control of the equity holders of the Company are classified as "non-controlling interests" in the statement of financial position.

	1 January- 31 December 2012	1 January- 31 December 2011
Beginning balance	287.604.088	275.346.631
Change in non-controlling interests	38.649.815	-
Business combination	3.564.617	-
Capital increase of subsidiaries	3.740.942	-
Increase in share premium of subsidiaries	26.643.646	-
Profit for the period attributable portion of non-controlling interests	68.625.390	32.490.100
Increase in value of available for sale assets	380.596	(337.768)
Cash flow hedging reserve, net	84.542	(69.689)
Foreign currency translation differences	663.383	(795.323)
Dividend paid	(24.176.244)	(19.029.863)
Closing Balance	405.780.775	287.604.088

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28. REVENUE AND COST OF SALES

	1 January- 31 December 2012	1 January- 31 December 2011
Sales Revenue		
Sales of government bonds	14.208.513.446	28.841.243.160
Sales of private sector bonds	10.543.181.284	9.366.978.882
Sales of equity shares	10.444.331.748	6.674.441.804
Sales of warrants	370.812.711	205.179.826
Sales of mutual funds	307.711.005	913.304.594
Sales of equity accounted investees	53.923.995	61.715.350
Sales of treasury bills	18.188.782	22.034.094
Other	51.473.380	14.244.645
Total	35.998.136.351	46.099.142.355
Cost of sales		
Purchase of government bonds	(14.186.833.333)	(28.838.455.799)
Purchase of private sector bonds	(10.534.818.121)	(9.359.155.974)
Purchase of equity shares	(10.414.644.721)	(6.694.109.453)
Purchase of warrants	(367.228.469)	(196.502.676)
Purchase of mutual funds	(287.182.009)	(913.991.492)
Purchase of treasury bills	(17.673.341)	(22.026.606)
Purchase of equity accounted investees	(28.758.294)	(15.220.104)
Depreciation and amortization	(434.619)	-
Other	(26.190.063)	(3.755.149)
Total	(35.863.762.970)	(46.043.217.253)
Interest and derivative income from operating activities (net)		
Derivative income/(expenses) (net)	84.336.796	106.222.395
Interest income/(expenses) (net)	114.337.522	84.382.982
Leveraged foreign exchange transaction income/(expense) (net)	26.528.312	4.474.944
Interest on Stock Exchange Money Market transactions	(161.968.839)	(134.846.425)
Interest expenses on bank loans	(15.405.230)	(13.104.298)
Total	47.828.561	47.129.598
Service income		
Commission income on trading of equity shares	35.871.941	44.193.204
Commission income on trading of derivative transactions	30.415.112	29.707.894
Portfolio management fees	24.078.422	24.044.079
Corporate finance income	11.746.278	7.287.074
Commission income on trading of debt securities	1.077.084	481.767
Loaned securities transactions income	458.270	608.623
Other commissions and income	1.330.678	978.230
Commission income on trading of repurchase agreements and reverse repurchase agreements	701.169	395.736
Commission income on trading of mutual funds	14.439	182.602
Deductions from service income		
Commission reimbursements to customers	(1.716.594)	(557.199)
Commissions paid to agencies	(1.288.594)	(835.356)
Service income (net)	102.688.205	106.486.654
Interest income from customers	26.059.565	20.655.446
Other operating income	978.715	472.085
Other operating income (net)	27.038.280	21.127.531

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29. MARKETING, SALES AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	1 January- 31 December 2012	1 January- 31 December 2011
Research and development expenses	(3.083.465)	(2.315.752)
Marketing, sales and distribution expenses	(32.599.690)	(27.257.493)
General administrative expenses	(157.844.824)	(123.659.948)
	(193.527.979)	(153.233.193)
Research and development expenses		
Personnel expenses	(2.657.906)	(1.975.194)
Transportation expenses	(205.357)	(199.914)
Redemption expenses	(25.468)	(85.195)
Other expenses	(194.734)	(55.449)
	(3.083.465)	(2.315.752)
Marketing, sales and distribution expenses		
Foreign marketable securities transaction fees	(9.364.779)	(10.405.434)
Derivative instrument transaction fees	(5.679.253)	(5.118.175)
Custody expenses	(5.243.493)	(4.245.477)
Equity shares transaction and registration fees	(2.160.980)	(2.321.018)
Personnel expenses	(3.374.869)	(1.172.042)
Publication and advertisement expenses	(848.214)	(1.055.239)
Fixed income securities transaction and registration fees	(542.599)	(722.678)
Marketable securities brokerage commission expenses	(456.616)	(497.422)
Transportation expenses	(536.164)	(292.014)
Securities lending commission expenses	(113.006)	(76.305)
Portfolio management commission expenses	(8.034)	(49.182)
Depreciation and amortization expenses	(673.378)	-
Other marketing, selling and distribution expenses	(3.598.305)	(1.302.507)
	(32.599.690)	(27.257.493)
General administrative expenses		
Personnel expenses	(87.150.604)	(70.113.176)
Communication expenses	(13.397.309)	(10.265.965)
Taxes and dues	(9.700.951)	(9.315.916)
Rent expenses	(9.624.348)	(7.384.022)
Outsourcing expenses	(9.540.406)	(6.896.235)
Operating expenses	(5.759.229)	(5.515.892)
Publication and advertisement expenses	(4.412.996)	(4.177.498)
Depreciation and amortization charges	(4.334.481)	(3.061.621)
Transportation expenses	(2.976.368)	(2.632.387)
Board of Directors attendance fees	(2.029.186)	(1.789.643)
Retirement pay provision	(1.618.066)	(317.143)
Other general administrative expenses	(7.300.880)	(2.190.450)
	(157.844.824)	(123.659.948)
Total operating expenses	(193.527.979)	(153.233.193)

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30. OTHER OPERATING INCOME/(EXPENSE)

Other operating income	1 January - 31 December 2012	1 January - 31 December 2011
Business combination (Note 17)	6.516.626	-
Gain on sale of tangible asset	461.700	-
Commission income from cash and marketable securities transactions	401.287	352.960
Reversals of provisions	29.894	-
Other	2.697.117	1.766.616
Total	10.106.624	2.119.576
Other operating expenses	1 January - 31 December 2012	1 January - 31 December 2011
Goodwill impairment loss (Note 17)	(1.616.818)	-
Paid commission and charges	(796.657)	-
Write-off expenses	(785.215)	(1.245.459)
Provisions for doubtful trade receivables	(741.703)	(1.340.089)
Other	(821.363)	(533.343)
Total	(4.764.756)	(3.118.891)

31. NON-OPERATING FINANCE INCOME

	1 January - 31 December 2012	1 January - 31 December 2011
Interest income on	39.711.970	24.262.785
<i>Receivables on asset management</i>	9.360.569	-
<i>Government bonds and Treasury bills</i>	9.368.623	10.709.640
<i>Time deposits</i>	9.111.015	6.397.489
<i>Private sector bonds</i>	11.458.395	6.194.115
<i>Foreign marketable securities</i>	413.368	961.541
Foreign currency gains	4.711.126	7.605.304
Dividend income from associates	4.086.795	3.316.846
Interest income on guarantees	3.908.545	2.729.460
Reverse repo interest income	726.738	719.914
Other financial income	557.885	896.507
Total	53.703.059	39.530.816

32. NON-OPERATING FINANCE EXPENSES

	1 January - 31 December 2012	1 January - 31 December 2011
Interest expenses on	(14.197.798)	(2.321.881)
<i>Bank borrowings</i>	(13.432.092)	(1.605.075)
<i>Istanbul Stock Exchange money market borrowings</i>	(765.706)	(716.806)
Commission expenses on letters of guarantee	(8.008.476)	(4.765.006)
Interest expense on commercial paper	(6.609.631)	-
Foreign currency losses	(4.037.223)	(2.539.543)
Repo interest expenses	-	(1.136.190)
Other financial expenses	(332.493)	(2.145.135)
Total	(33.185.621)	(12.907.755)

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33. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

As at 31 December 2012, the Company is subject to corporation tax at 20% except for domestic subsidiaries that are İş Girişim and İş Yatırım Ortaklığı and including foreign subsidiary, Maxis Securities Ltd. The corporate tax rate, accordance with the tax laws, added not accepted of disallowable expenses to the income tax reductions, as a result of tax exemptions and reductions in the tax laws, is subject to tax bases. If the profit is not distributed, is not paid any other tax.

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law, which was published in the Official Gazette dated 21 June 2006 and numbered 26805, with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing sets details about implementation of transfer pricing provisions which became effective on 1 January 2007 and are parallel to principles of the OECD (Organization for Economic Cooperation and Development).

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

The companies are responsible for filling a form of transfer pricing which is contained in the annual corporate tax return. In this form, the amounts which is related companies within the relevant accounting period and the amounts of all transactions made with the transfer pricing methods related to these transactions is stated.

There is no reconciliation of payable taxes in Turkey with the tax authority is not an implementation. The corporate tax returns are given to depending on tax office until the night of 25th day in the fourth month which is following the close of the accounting period. Nevertheless, the tax authorities review the accounting reports for five years and may change the tax amounts if errors are detected

Nevotek, the subsidiary of the Group, is subject to current income and corporate income tax in Turkey. However, according to provisional second article of Law 4691 Technology Development Zones and Law 5035, gains from software and R&D activities in technology development zones of income and corporate income tax payers operating in that zone are exempted from income and corporate taxes until 31 December 2013. Also, researchers, programmers and R&D personnel working in these regions, and related fees are exempted from all taxes until 31 December 2013. On 12 March 2011, in accordance with the Law No 6170 Amendments to the Technology Development Zones Law, the date has been extended until 31 December 2023. No tax liability has been recognized in the accompanying financial statements relating to Nevotek since it does have any tax liability estimation from activities other than software and R&D activities.

Taxation for Investment Trusts:

In accordance with the Clause (1) (d) in Article 5 of the Corporate Tax Law No: 5520 and dated 21 June 2006 in effect from 1 January 2006, portfolio management income of the securities investment funds and trusts in Turkey is exempt from tax. This exemption is also applied to the advance corporate tax

Based on the Clause (3) in Article 15 of the same law, 15% withholding tax is applied on the portfolio management income of the securities investment funds and trusts in Turkey, which is exempt from tax, whether it is distributed or not. In accordance with the Clause (4) of the same article, the Council of Ministers is authorized to reduce this withholding rate to 0% or to increase it up to the corporate tax rate and differentiate the related withholding rate according to the fund and trust types or the nature and composition of the assets in their portfolio within the related limits.

In accordance with the Law No: 5527 and the Provisional Article 67 the Clause (1) which were introduced in the Income Tax Law No: 193 with the Law No: 5281 to be applied from 1 January 2006 to 31 December 2015 effective from 1 January 2006, 15%, 10% and 0% withholding tax is applied for securities mutual funds' and trusts' purchase and sale income from securities and other capital market instruments and periodical returns through banks and brokerage companies for the periods of 1 January 2006 - 22 July 2006, 23 July 2006 - 30 September 2006 and subsequent to 1 October 2006, respectively.

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33. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) *(continued)*

As per the Clause (8) of the Provisional Article 67, 15% withholding tax is applied on the securities investment funds established in accordance with the Capital Markets Law (including funds traded on stock exchange, mortgage finance funds and asset finance funds) and securities investment trusts' portfolio income that is exempt from corporate tax, whether distributed or not. There is no further withholding tax for the related income under the Article 94. Upon the decision made by the Council of Ministers numbered 2006/10731 and dated 22 July 2006, the related withholding tax rate was applied as 10% for the period 23 July 2006 - 30 September 2006 and 0% subsequent to 1 October 2006.

Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes 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. This rate was increased from 10% to 15% effective from 23 July 2006 with the decision made by the Council of Ministers numbered 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Current income tax payable	31 December 2012	31 December 2011
Current tax liability	18.024.985	12.210.953
Prepaid taxes and funds	(16.955.373)	(11.573.426)
	1.069.612	637.527

Tax expense	1 January - 31 December 2012	1 January - 31 December 2011
Current tax expense	(18.024.985)	(12.210.953)
Deferred tax income/(expense)	1.568.634	(1.804.414)
Total taxation expense	(16.456.351)	(14.015.367)
Tax expense from continuing operations	(16.456.351)	(14.015.367)
Tax expense from discontinued operations	261.356	-
	(16.194.995)	(14.015.367)

Income tax recognized directly in equity	1 January - 31 December 2012	1 January - 31 December 2011
Valuation of available-for-sale financial assets	236.826	84.942
Cash flow hedging reserve	-	25.230
	236.826	110.172

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon the temporary differences between its financial statements as reported in accordance with TFRS and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

20% of tax is applied in the calculation of deferred tax assets and liabilities (2011: 20%).

Since companies in Turkey cannot file a consolidated tax return, subsidiaries having deferred tax assets cannot be offset against subsidiaries having deferred tax liabilities and the net deferred tax position of each entity is disclosed separately.

	31 December 2012	31 December 2011
Deferred tax assets	3.171.493	191.918
Deferred tax liabilities	(6.203.784)	(616.976)
Deferred tax assets/(liabilities) (net)	(3.032.291)	(425.058)

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33. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (continued)

Temporary differences subject to deferred tax	31 December 2012	31 December 2011
Income accruals on derivative transactions, net	(955.188)	11.755.338
Useful life differences on tangible and intangible assets	33.502.838	2.044.860
Fair value reserve on financial assets	35.420	848.930
Subsidiary valuation differences	(5.523.355)	(5.523.355)
Retirement pay provision	(4.044.609)	(1.397.336)
Employee benefits	(9.410.858)	(4.500.000)
Valuation of marketable securities	5.094.616	(4.547.792)
Accrued expenses	(6.628.380)	(61.182)
Total	12.070.484	(1.380.537)
Statutory losses carried forward	(1.024.975)	-
General Total	11.045.509	(1.380.537)

Deferred tax assets/(liabilities)	31 December 2012	31 December 2011
Income accruals on derivative transactions, net	191.038	(2.351.068)
Useful life differences on tangible and intangible assets	(6.700.568)	(408.972)
Fair value reserve on financial assets	(1.771)	(42.447)
Subsidiary valuation differences	276.168	276.168
Retirement pay provision	808.922	279.467
Employee benefits	1.882.172	900.000
Valuation of marketable securities	(1.018.923)	909.558
Accrued expenses	1.325.676	12.236
Statutory losses carried forward	204.995	-
Deferred tax assets/(liabilities), net	(3.032.291)	(425.058)

(*) The Article 5 of first clause's (e) sub-paragraph of the Corporate Tax Law regulates the tax exclusions regarding the income arising from the sales of participating shares. According to the Corporate Tax Law, 75% of the capital gains arising from the sale of participating shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the asset. Therefore, the deferred tax is calculated over 5% as an effective tax rate instead of 20% for the temporary differences regarding the participation shares, when the provisions of the tax exclusion are used.

Movement of deferred tax assets/(liabilities)	31 December 2012	31 December 2011
Opening balance, 1 January	(425.058)	1.269.184
Business combination (Note 17)	(3.546.550)	-
Deferred tax income/(expense) (*)	1.829.990	(1.804.414)
Disposal due to discontinued operations (Note 38)	(653.847)	-
Deferred tax income/(expense) recorded in equity	(236.826)	110.172
Closing balance	(3.032.291)	(425.058)

(*) As of 31 December 2012 deferred tax income/(expense) amounting TL 261.356 is reclassified to discontinued operations in the income statement (31 December 2011: None).

Tax legislation in Turkey does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, are calculated on a separate-entity basis. Deferred tax assets are recognized when it is probable that the tax benefit will be utilized in the future. Deferred tax asset is written off to the extent that it could not be realized. In this respect, deferred tax assets calculated by Camiş Menkul Değerler A.Ş. ("Camiş") and Ortopro amounting to TL 602.191 and TL 768.356 respectively, have not been recognized in the accompanying consolidated financial statements.

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33. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (continued)

Total tax charge for the period can be reconciled to the accounting profit as follows:

Reconciliation of tax provision	1 January- 31 December 2012		1 January- 31 December 2011	
Profit from operating activities	149.617.707		98.908.696	
Profit from discontinued operations	3.941.129		(1.138.521)	
Taxable profit	153.558.836		97.770.175	
Income tax using the Company's domestic tax rate	20,00%	(30.711.767)	20,00%	(19.554.035)
Tax exempt income	(12,91%)	19.831.520	(7,79%)	7.618.759
Disallowable expenses	0,68%	(1.043.485)	1,69%	(1.652.798)
Dividend and other tax exempt income	(0,39%)	599.134	(0,36%)	355.091
Unrecognized temporary differences	0,59%	(909.421)	-	-
Unrecognized timing differences	2,46%	(3.770.842)	1,00%	(975.304)
Other	0,12%	(190.134)	(0,20%)	192.920
Tax expense	29,87%	(16.194.995)	23,49%	(14.015.367)

34. EARNINGS PER SHARE

As at 31 December 2012 and 2011, the Company's weighted average number of shares and computation of earnings per share are as follows:

Earnings per share	1 January - 31 December 2012	1 January - 31 December 2011
Average number of shares in circulation throughout the period (total) ⁽¹⁾	286.000.000	286.000.000
Profit for the period attributable to owners of the Company	68.342.273	52.785.358
Earnings per share from continuing operations	0,2390	0,1846
Average number of shares in circulation throughout the period (total) ⁽¹⁾	286.000.000	286.000.000
Total comprehensive income attributable to owners of the Company	68.738.451	52.403.229
Earnings per share from total comprehensive income	0,2403	0,1832

⁽¹⁾ The capital increase was provided from extraordinary reserves under retained earnings; therefore, the increase in number of shares is also reflected to prior year calculation of earnings per share.

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35. RELATED PARTY TRANSACTIONS

The immediate parent and ultimate controlling party of the Group is Türkiye İş Bankası A.Ş. incorporated in Turkey. Transactions between the Company and its subsidiaries, which are the related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The details of transactions between the Group and other related parties are disclosed below.

Bank balances with İş Bankası	31 December 2012	31 December 2011
Demand deposits	10.415.182	2.127.881
Time deposits	563.134.808	555.978.317
	573.549.990	558.106.198

Borrowings from İş Bankası	31 December 2012	31 December 2011
Borrowings	59.160.165	131.001.420
	59.160.165	131.001.420

Marketable securities issued by the related parties in the Group's financial assets at fair value through profit or loss: mutual funds with a nominal value of TL 731.187.655 and with a fair value of TL 30.685.419; equity shares with a nominal value of TL 22.682.549 and with a fair value of TL 48.334.284 ; marketable securities with fixed income with a nominal value of TL 52.117.872 and with a fair value of TL 51.128.357 (31 December 2011: mutual funds with a nominal value of TL 2.004.412.486 and with a fair value of TL 54.264.251; equity shares with a nominal value of TL 23.168.571 and with a fair value of TL 31.950.080; marketable securities with fixed income with a nominal value of TL 23.723.888 and with a fair value of TL 22.959.996)

Due from/to related parties	31 December 2012			
	Receivables		Payables	
	Trading	Non-Trading	Trading	Non-Trading
İş Merkezleri Yönetim ve İşletim A.Ş.	-	3.427	1.689	136.896
T. İş Bankası A.Ş.	403.415	-	83.033	18.730
T. İş Bankası A.Ş. (Foreign investment funds)	203.820	-	-	-
T. İş Bankası A.Ş. (Mutual fund commissions).	709	-	-	-
Turkish Derivatives Exchange	-	-	568.876	-
T. Şişe ve Cam Fabrikaları A.Ş.	1.204	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	461	29.226	-	2.694
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	-	-	5.588
Anadolu Anonim Türk Sigorta Şirketi	-	75.318	2.222	82.761
Anadolu Hayat Emeklilik A.Ş.	3.560.677	-	-	-
Mehmet Gürs	-	-	1.000.000	-
ATT Technology Management BV	-	-	120.044	-
Şişecam Sigorta ve Aracılık Hizmetleri A.Ş.	-	-	-	2.542
Trakya Cam Sanayi A.Ş.	99.303	-	-	-
Nemtaş Nemrut Liman İşletmeleri A.Ş.	2.478.000	-	-	-
Türkmed	7.080	-	-	-
Istanbul Settlement and Custody Bank	-	-	85.155	-
Anadolu Cam Sanayi A.Ş.	32	-	-	-
Yatırım Finansman Menkul Değerler A.Ş.	-	-	25.246	-
Aras Kargo Yurtiçi Yurtdışı Taşımacılık A.Ş.	-	-	-	1.601
Other	-	6.437	9	35.317
	6.754.701	114.408	1.886.274	286.129

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35. RELATED PARTY TRANSACTIONS *(continued)*

The amount of TL 104.544 of non-trading receivables from related parties refers to prepaid expenses presented in other current assets in Note 26. The amount of TL 59.253 non-trading payables from related parties refers to expense accruals presented in other current liabilities in Note 26.

Due from/to related parties	31 December 2011			
	Receivables		Payables	
	Trading	Non-Trading	Trading	Non-Trading
İş Merkezleri Yönetim ve İşletim A.Ş.	-	3.059	570	39.309
T. İş Bankası A.Ş.	871.759	-	75.429	8.925
T. İş Bankası A.Ş. (Foreign investment funds)	193.045	-	-	-
T. İş Bankası A.Ş. (Mutual fund commissions)	16.000	-	-	-
Turkish Derivatives Exchange	-	-	387.719	-
T. Şişe ve Cam Fabrikaları A.Ş.	6.423	-	-	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	11.144	-	156
Anadolu Anonim Türk Sigorta Şirketi	195.000	75.957	1.902	79.271
Anadolu Hayat Emeklilik A.Ş.	2.542.356	-	274.991	-
Milli Reasürans T.A.Ş.	171.392	-	-	-
Şişecam Sigorta ve Aracılık Hizmetleri A.Ş.	-	-	-	2.531
İş Finansal Kiralama A.Ş.	27.731	-	-	-
Camış Madencilik A.Ş.	184	-	-	-
Istanbul Settlement and Custody Bank	-	-	87.751	-
Ode	12.390	-	-	-
Ortopro	49.701	2.360	-	-
Türkmed	7.080	-	-	-
Aras Kargo Yurtiçi Yurtdışı Taşımacılık A.Ş.	-	-	-	1.925
Soda Sanayii A.Ş.	49	-	-	-
Other	65	8.265	-	12.271
	4.093.175	100.785	828.362	144.388

The amount of TL 75.957 of non-trading receivables from related parties refers to prepaid expenses presented in other current assets in Note 26. The amount of TL 26.144 non-trading payables from related parties refers to expense accruals presented in other current liabilities in Note 26.

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35. RELATED PARTY TRANSACTIONS *(continued)*

1 January - 31 December 2012

	Fee and brokerage commission income	Interest income on time deposits	Dividend receive	Advisory income	Other
T. İş Bankası A.Ş.	17.972.597	36.704.426	35.830	-	193.005
Anadolu Hayat Emeklilik A.Ş.	12.282.341	-	17.607	-	-
Anadolu Anonim Türk Sigorta Şirketi	511.279	-	-	-	-
Milli Reasürans T.A.Ş.	495.089	-	-	-	-
T. İş Bankası A.Ş. (Foreign investment funds)	814.146	-	-	-	-
T. İş Bankası A.Ş. (Mutual fund commissions)	11.376	-	-	-	-
T. Şişe ve Cam Fabrikaları A.Ş.	16.039	-	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	23.653	-	449.653	-	-
Anadolu Cam Sanayi A.Ş.	70.240	-	-	-	-
Trakya Cam Sanayi A.Ş.	147.148	-	-	-	-
Turkish Derivatives Exchange	52.193	-	94.071	-	-
T. Şişecam Fab. A.Ş. Ve İştirakleri Sos. Güv. ve Bilimsel Araş. Vakfı	20.230	-	-	-	-
Aras Kargo Yurtiçi Yurtdışı Taşımacılık A.Ş.	218.640	-	-	-	-
Soda Sanayi A.Ş.	12.000	-	-	-	-
TSKB	-	-	15.722	-	-
Nemtaş	6.049	-	-	2.100.000	-
İş Finansal Kiralama A.Ş.	673.816	-	-	-	-
Yatırım Finansman Menkul Değerler A.Ş.	4.780	-	-	-	-
Istanbul Settlement and Custody Bank	-	-	269.554	-	-
Türkmed Diyaliz ve Böbrek Sağlık Kurumları A.Ş.	24.000	-	-	-	-
Other	27.261	-	-	-	-
	33.382.877	36.704.426	882.437	2.100.000	193.005

Interest income on time deposits amounting TL 31.323.883 is represented in interest income and derivative income from operating activities (net).

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35. RELATED PARTY TRANSACTIONS *(continued)*

1 January - 31 December 2011

Related party transactions (revenues)	Fee and brokerage commission income	Interest income on time deposits	Dividend received	Other
T. İş Bankası A.Ş.	25.099.504	31.796.606	20.841	493.054
Anadolu Hayat Emeklilik A.Ş.	9.727.175	-	-	-
Anadolu Anonim Türk Sigorta Şirketi	623.405	-	-	-
Milli Reasürans T.A.Ş.	781.319	-	-	-
T. İş Bankası A.Ş. (Foreign investment funds)	875.658	-	-	-
T. İş Bankası A.Ş. (Mutual fund commissions)	161.963	-	-	-
T. Şişe ve Cam Fabrikaları A.Ş.	12.621	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	33.362	-	337.241	-
Anadolu Cam Sanayi A.Ş.	62.164	-	-	-
Trakya Cam Sanayi A.Ş.	60.720	-	-	-
Probil Bilgi İşlem Destek Danışmanlık A.Ş.	427	-	-	-
Turkish Derivatives Exchange	47.300	-	131.813	-
T. Şişecam Fab. A.Ş. Ve İştirakleri Sos. Güv. ve Bilimsel Araş. Vakfı	6.545	-	-	-
İş Net Elektronik Bilgi Üretim A.Ş.	9.107	-	-	-
Çayırova Cam Sanayi A.Ş.	701	-	-	-
Soda Sanayi A.Ş.	12.198	-	-	-
Camiş Yatırım Holding A.Ş.	7.122	-	-	-
Nemtaş	7.122	-	-	-
İş Finansal Kiralama A.Ş.	40.335	-	-	-
Yatırım Finansman Menkul Değerler A.Ş.	4.617	-	-	-
Istanbul Settlement and Custody Bank	-	-	212.831	-
Ode Yatırım Sanayi ve Ticaret A.Ş.	18.000	-	-	-
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş.	62.904	-	-	-
Türkmed Diyaliz ve Böbrek Sağlık Kurumları A.Ş.	24.000	-	-	-
Dr. F. Frik İlaç A.Ş.	117.757	-	-	-
Other	22.634	-	-	-
	37.818.660	31.796.606	702.726	493.054

Interest income on time deposits amounting TL 27.192.508 is represented in interest income and derivative income from operating activities (net).

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35. RELATED PARTY TRANSACTIONS *(continued)*

1 January - 31 December 2012

Related party transactions (expenses)	Letters of guarantee commission expenses	Custody commission expense	Interest on borrowings	Other interest expenses
T. İş Bankası A.Ş.	92.923	-	797.621	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-
Anadolu Anonim Türk Sigorta Şirketi	-	-	-	-
İş Faktoring Finansman Hizmetleri A.Ş.	-	-	-	42.019
Anadolu Hayat Emeklilik A.Ş.	-	-	-	1.356
İş Finansal Kiralama A.Ş.	-	-	-	-
Şişecam Sigorta ve Aracılık Hizmetleri A.Ş.	-	-	-	-
Aras Kargo Yurtiçi Yurtdışı Taşımacılık A. Ş.	-	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-
TT&TİM İletişim Hizmetleri A.Ş.	-	-	-	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	-	-	-
Istanbul Settlement and Custody Bank	-	1.090.086	10.312.595	-
Türkiye İş Bankası A.Ş. Mensupları Emekli Sandığı Vakfı	-	-	-	-
Meg Elektrik Elektronik Bilgi ve İletişim Sistemleri	-	-	-	-
Turkish Derivatives Exchange	-	-	-	-
SoftTech Yazılım Tekn. Araş. Gel. ve Paz. Tic. A.Ş.	-	-	-	-
ATT Technology Management BV	-	-	-	-
Milli Reasürans T.A.Ş.	-	-	-	79.828
Yatırım Finansman Menkul Değerler A.Ş.	-	-	-	-
TSKB	-	-	-	-
TSKB Gayrimenkul	-	-	-	-
Paşabahçe Mağazaları A.Ş.	-	-	-	-
	92.923	1.090.086	11.110.216	123.203

Interest on borrowings amounting TL 10.312.595 is represented in interest income and derivative income from operating activities (net).

1 January - 31 December 2011

Related party transactions (expenses)	Letters of guarantee commission expenses	Custody commission expense	Interest on borrowing	Other interest expenses
T. İş Bankası A.Ş.	36.898	-	1.782.032	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-
İş Faktoring Finansman Hizmetleri A.Ş.	-	-	-	24.011
Anadolu Anonim Türk Sigorta Şirketi	-	-	-	-
Anadolu Hayat Emeklilik A.Ş.	-	-	-	14.143
Miltaş Turizm İnşaat Ticaret A.Ş.	-	-	-	130.919
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-
TT&TİM İletişim Hizmetleri A.Ş.	-	-	-	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	-	-	-
Probil Bilgi İşlem Destek Danışmanlık A.Ş.	-	-	-	-
Istanbul Settlement and Custody Bank	-	954.155	537.368	-
Türkiye İş Bankası A.Ş. Mensupları Emekli Sandığı Vakfı	-	-	-	-
Meg Elektrik Elektronik Bilgi ve İletişim Sistemleri	-	-	-	-
Turkish Derivatives Exchange	-	-	-	-
SoftTech Yazılım Tekn. Araş. Gel. ve Paz. Tic. A.Ş.	-	-	-	-
ATT Technology Management BV	-	-	-	-
Paşabahçe Mağazaları A.Ş.	-	-	-	-
	36.898	954.155	2.319.400	169.073

Interest on borrowings amounting TL 537.368 is represented in interest income and derivative income from operating activities (net).

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Transaction commission expenses	Personnel insurance contribution	Office insurance	Rent expenses	Administrative expenses	Technical service and consultancy expenses
1.652.993	-	-	218.577	16.538	-
-	-	64.008	4.919.293	17.719	-
-	1.156.119	92.988	-	-	-
-	-	-	-	-	-
-	451.405	-	-	-	-
-	-	-	-	356.978	-
-	-	78.361	-	-	-
-	-	-	-	1.478	-
-	-	-	-	2.524.133	-
-	-	-	-	-	12.844
-	-	-	-	-	181.519
3.118.608	-	-	-	-	-
-	-	-	347.129	-	-
-	-	-	-	-	13.870
5.529.448	-	-	-	-	-
-	-	-	-	-	2.528
-	-	-	-	-	362.744
-	-	-	-	-	-
72.178	-	-	-	-	28.146
-	-	-	-	11.941	-
-	-	-	8.483	-	-
-	-	-	-	14.397	-
10.373.227	1.607.524	235.357	5.493.482	2.943.184	601.651

Transaction commission expenses	Personnel insurance contribution	Office insurance	Rent expenses	Administrative expenses	Technical service and consultancy expenses
1.047.019	-	-	123.948	-	-
-	-	62.410	3.857.325	39.740	-
-	-	-	-	-	-
-	947.822	79.236	-	-	-
-	369.882	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1.917.629	-
-	-	-	-	-	9.707
-	-	-	-	-	264.720
-	-	-	-	-	32.038
2.058.894	-	-	-	-	-
-	-	-	271.892	-	-
-	-	-	-	-	451
4.928.189	-	-	-	-	-
-	-	-	-	-	2.385
-	-	-	-	-	80.595
-	-	-	-	5.809	-
8.034.102	1.317.704	141.646	4.253.165	1.963.178	389.896

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35. RELATED PARTY TRANSACTIONS *(continued)*

	1 January- 31 December 2012	1 January- 31 December 2011
Compensation of key management personnel		
Salaries and other short-term benefits	14.745.821	10.136.106
	14.745.821	10.136.106

36. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS

Capital Risk Management:

In its capital management, while the Group maintains to continue its operations on a going concern basis, it also maximizes its return through the optimization of the debt and equity balance. The funding structure of the Group consists of debt, which includes the borrowings disclosed in Note 8, cash and cash equivalents and equity comprising issued capital, reserves and retained earnings.

The Group's Board of Directors reviews the capital structure on a monthly basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of equity. Based on the recommendations of the Board of Directors, the Group balances its overall capital structure through the payment of dividends, new share issues and investment in shares of associates and subsidiaries as well as issuance of a new debt or the redemption of an existing debt.

The Group continues its general capital risk management strategy since 2007.

Financial Risk Factors:

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the uncertainty of financial markets and seeks to minimize the potential negative effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Risk Management Department, which is independent from steering, under policies approved by the Board of Directors. The Group's Risk Management Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board sets out written principles for overall risk management, as well as written policies covering specific areas, such as; foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk:

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit risk is mitigated by receiving equity shares of listed entities as collateral in accordance with the legal requirements of the CMB against credit lines utilized by customers. The Group's credit risk is predominantly in Turkey, where it operates.

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36. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

Exposed credit risks through types of financial instruments:

	31 December 2012									
	Receivables				Cash and cash equivalents					
	Trade Receivables		Other Receivables		Financial investments ⁽²⁾	Bank deposits	Reverse repo	Type B liquid mutual funds	Other ⁽³⁾	
Related parties	Third parties	Related parties	Third parties ⁽¹⁾							
Maximum credit risk exposure as at report date	6.754.701	993.664.737	9.864	1.107.704	512.014.594	2.203.441.866	10.145.933	4.630.339	37.475.300	
The part of maximum risk under guarantee with collateral etc.	-	564.606.519	-	-	267.969.014	-	10.145.933	-	37.475.300	
A. Net book value of financial assets that are neither past due nor impaired	6.754.701	984.830.356	9.864	1.107.704	512.014.594	2.203.441.866	10.145.933	4.630.339	-	
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	8.834.381	-	-	-	-	-	-	-	
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-	-	-	-	
- the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-	
D. Net book value of impaired assets	-	-	-	-	-	-	-	-	-	
- Past due (gross carrying amount)	-	3.149.477	-	-	-	-	-	-	-	
- Impairment (-)	-	(3.149.477)	-	-	-	-	-	-	-	
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-	
- Not past due (gross carrying amount)	-	-	-	-	-	-	-	-	-	
- Impairment (-)	-	-	-	-	-	-	-	-	-	
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-	
E. Elements including credit risk on off balance sheet	-	-	-	-	-	-	-	-	37.475.300	

⁽¹⁾ Deposits and guarantees given and collaterals given to Turkish Derivatives Exchange Market are excluded since they are not financial assets.

⁽²⁾ Equity securities are excluded since they do not expose any credit risk

⁽³⁾ Contains USD 13.000.000 that equals to TL 23.108.800, and GBP 5.000.000 that equals to TL 14.366.500.

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36. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

Exposed credit risks through types of financial instruments:

	31 December 2011									
	Receivables				Cash and cash equivalents					
	Trade Receivables		Other Receivables		Financial investments ⁽²⁾	Bank deposits	Reverse repo	Type B liquid mutual funds	Other ⁽³⁾	
Related parties	Third parties	Related parties	Third parties ⁽¹⁾							
Maximum credit risk exposure as at report date	4.093.175	635.973.344	24.828	408.328	443.480.525	1.768.836.380	1.656.867	5.912.915	39.140.700	
The part of maximum risk under guarantee with collateral etc.	-	342.135.095	-	-	235.021.509	-	1.656.867	-	39.140.700	
A. Net book value of financial assets that are neither past due nor impaired	4.093.175	633.852.306	24.828	408.328	443.480.525	1.768.836.380	1.656.867	5.912.915	-	
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	2.121.038	-	-	-	-	-	-	-	
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-	-	-	-	
-the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-	
D. Net book value of impaired assets	-	-	-	-	-	-	-	-	-	
- Past due (gross carrying amount)	-	1.394.980	-	-	-	-	-	-	-	
- Impairment (-)	-	(1.394.980)	-	-	-	-	-	-	-	
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-	
- Not past due (gross carrying amount)	-	-	-	-	-	-	-	-	-	
- Impairment (-)	-	-	-	-	-	-	-	-	-	
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-	
E. Elements including credit risk on off balance sheet	-	-	-	-	-	-	-	-	39.140.700	

⁽¹⁾ Deposits and guarantees given and collaterals given to Turkish Derivatives Exchange Market are excluded since they are not financial assets.

⁽²⁾ Equity securities are excluded since they do not expose any credit risk.

⁽³⁾ Contains USD 13.000.000 that equals to TL 24.555.700, and GBP 5.000.000 that equals to TL 14.585.000.

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36. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk:

The Group is exposed to interest rate risk due to volatile market prices of its financial assets at both fixed and floating interest rates. The Group's exposure to interest rate risk sensitivity depends on the mismatch among maturities of interest rate sensitive assets and liabilities. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate assets and liabilities.

The Group's interest rate sensitive financial instruments' allocations on respective statement of financial position dates are presented below:

		Interest Risk Position Table	
		31 December 2012	31 December 2011
Fixed interest rate instruments		145.927.878	210.915.786
Cash and cash equivalents	Cash at banks	2.185.086.365	1.760.522.206
	Receivables from reverse repurchase agreements	10.145.933	1.656.867
Financial assets	Financial assets at fair value through profit or loss	300.946.127	237.432.392
Financial liabilities	Payables to Stock Exchange Money Market	(1.872.945.953)	(1.555.221.253)
	Bank borrowings	(383.661.286)	(233.239.151)
	Payables from financial leasing	(4.886.265)	-
	Payables from commercial paper	(87.108.603)	-
	Short-term factoring liabilities	(1.648.440)	(235.275)
Floating interest rate instruments		333.704.604	242.099.257
Cash and cash equivalents	Type B mutual funds	4.630.339	5.912.915
Financial assets	Financial assets at fair value through profit or loss	154.065.041	89.459.348
	Held-to-maturity financial assets	6.030.975	29.167.132
Trade receivables	Receivables from customers on margin trading	202.905.303	145.039.270
Financial liabilities	Bank borrowings	(33.927.054)	(27.479.408)
Net interest risk position		479.632.482	453.015.043

The Group's exposure to interest rate risk and market price risk are related to fixed income financial assets classified as financial assets at fair value through profit or loss. Based on the analysis calculated by the Group, if the interest rate for TL were increased/decreased by 1% with the assumption of keeping all other variables constant, the effect on the fair value of fixed income financial assets and net profit/loss for the period ended as at 31 December 2012 and 2011 would have been as follows:

31 December 2012				
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Interest rate risk	1%	Increase	(7.106.644)	(7.106.644)
		Decrease	7.068.767	7.068.767
31 December 2011				
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Interest rate risk	1%	Increase	(1.071.927)	(1.071.927)
		Decrease	1.423.893	1.423.893

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36. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

Equity Price Risk:

If the Istanbul Stock Exchange Index were increased/decreased by 10% with the assumption of keeping all other variables constant, the effect on the fair value of equity shares and net profit/loss of the Group for the period ended as at 31 December 2012 and 2011 would have been as follows:

Type of risk	Risk rate	31 December 2012		
		Direction of risk	Effect on net profit	Effect on equity
Equity Price Risk	10%	Increase	27.598.775	27.598.775
		Decrease	(27.598.775)	(27.598.775)

Type of risk	Risk rate	31 December 2011		
		Direction of risk	Effect on net profit	Effect on equity
Equity Price Risk	10%	Increase	13.541.287	13.541.287
		Decrease	(13.541.287)	(13.541.287)

Liquidity risk:

Liquidity risk is the Group's default in meeting its net funding liabilities. Events causing a decrease in funding resources such as; market deteriorations or decrease in credit ratings are major reasons of liquidity risk. The Group manages its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities through a constant monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The following table details the Group's expected maturity for its non-derivative financial liabilities. The table below has been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue for those liabilities except where the Group is entitled and intense to repay the liability before its maturity. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the statement of financial position.

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36. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

Maturity analysis of assets and liabilities are as follows:

31 December 2012							
	Current	Less than 1 month	1 - 3 months	3 - 12 months	1 year and thereafter	Undistributed	Total
ASSETS							
Cash and cash equivalents	23.261.228	1.890.977.810	304.254.488	-	-	-	2.218.493.526
Financial investments	203.580.312	5.443.076	90.624.264	199.082.454	162.869.018	-	661.599.124
Trade receivables	330.376.672	572.084.194	59.773.323	-	-	38.185.249	1.000.419.438
Other receivables	28.798.513	1.117.568	46.771.040	-	-	-	76.687.121
Other long-term receivables	-	-	-	-	5.651.154	-	5.651.154
Other current/non-current assets	-	4.882.968	-	14.279.174	263.452	58.432.639	77.858.233
Long-term financial investments	17.279.388	-	-	-	6.030.975	-	23.310.363
Investments in equity accounted investees	-	-	-	-	-	23.565.589	23.565.589
Assets held for sale	76.804	-	-	-	-	-	76.804
Tangible assets	-	-	-	-	-	20.335.162	20.335.162
Intangible assets	-	-	-	-	-	31.134.680	31.134.680
Goodwill	-	-	-	-	-	41.242.332	41.242.332
Deferred tax assets	-	-	-	-	-	3.171.493	3.171.493
Total Assets	603.372.917	2.474.505.616	501.423.115	213.361.628	174.814.599	216.067.144	4.183.545.019
LIABILITIES							
Financial liabilities	-	1.909.699.506	411.166.988	5.060.434	58.250.673	-	2.384.177.601
Other financial liabilities	52.774.084	3.519.381	234.775	-	-	-	56.528.240
Trade payables	325.371.806	489.007.708	4.059.838	10.819.809	2.798.531	-	832.057.692
Other payables	-	7.469.652	-	717.303	16.299	-	8.203.254
Current income tax payable	-	-	1.069.612	-	-	-	1.069.612
Provisions	-	-	-	-	-	1.400.823	1.400.823
Provisions related to employee benefits	-	-	-	11.702.070	-	-	11.702.070
Provisions related to employee benefits (long-term)	-	-	-	-	-	4.894.497	4.894.497
Other current liabilities	-	6.454.688	-	-	-	-	6.454.688
Other long term liabilities	-	-	-	-	122.038	-	122.038
Deferred tax liabilities	-	-	-	-	6.203.784	-	6.203.784
Total Liabilities	378.145.890	2.416.150.935	416.531.213	28.299.616	67.391.325	6.295.320	3.312.814.299
Equity holders of the Company	-	-	-	-	-	464.949.945	464.949.945
Non-controlling interests	-	-	-	-	-	405.780.775	405.780.775
Liquidity surplus/(gap)	225.227.027	58.354.681	84.891.902	185.062.012	107.423.274	(660.958.896)	-

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36. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

31 December 2011							
	Current	Less than 1 month	1 - 3 months	3 - 12 months	1 year and thereafter	Undistributed	Total
ASSETS							
Cash and cash equivalents	14.240.762	1.458.385.193	303.793.880	-	-	-	1.776.419.835
Financial investments	134.185.634	15.037.581	44.419.178	159.577.782	152.165.001	-	505.385.176
Trade receivables	241.989.401	346.933.964	7.416.154	-	-	43.727.000	640.066.519
Other receivables	25.921.332	433.156	25.539.103	-	-	-	51.893.591
Other long-term receivables	-	-	-	-	4.396.212	-	4.396.212
Other current/non-current assets	-	537.142	-	4.792.635	7.006	260.478	5.597.261
Long-term financial investments	12.425.374	-	-	-	5.591.175	-	18.016.549
Investments in equity accounted investees	-	-	-	-	-	51.135.382	51.135.382
Tangible assets	-	-	-	-	-	8.738.453	8.738.453
Intangible assets	-	-	-	-	-	1.484.139	1.484.139
Deferred tax assets	-	-	-	-	-	191.918	191.918
Total assets	428.762.503	1.821.327.036	381.168.315	164.370.417	162.159.394	105.537.370	3.063.325.035
LIABILITIES							
Financial liabilities	4.452.253	1.544.762.146	227.979.122	38.823.216	158.350	-	1.816.175.087
Other financial liabilities	6.509.920	20.128.445	12.165.249	-	-	-	38.803.614
Trade payables	226.281.815	272.461.065	3.106.128	-	82.554	-	501.931.562
Other payables	-	4.477.674	-	78.597	-	-	4.556.271
Current income tax payable	-	-	637.527	-	-	-	637.527
Provisions	-	-	-	-	-	670.397	670.397
Provisions related to employee benefits	-	-	-	6.973.448	-	-	6.973.448
Provisions related to employee benefits (long-term)	-	-	-	-	-	2.262.602	2.262.602
Other current liabilities	-	3.176.311	-	-	-	-	3.176.311
Deferred tax liabilities	-	-	-	-	616.976	-	616.976
Total liabilities	237.243.988	1.845.005.641	243.888.026	45.875.261	1.528.277	2.262.602	2.375.803.795
Equity holders of the Company	-	-	-	-	-	399.917.152	399.917.152
Non-controlling interests	-	-	-	-	-	287.604.088	287.604.088
Liquidity surplus/(gap)	191.518.515	(23.678.605)	137.280.289	118.495.156	160.631.117	(584.246.472)	-

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36. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

Maturity analysis of assets and liabilities are as follows:

31 December 2012						
Contractual maturities	Carrying value	Total contractual cash outflow (I+II+III+IV)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank loans	417.588.340	428.157.129	358.185.557	5.060.435	54.549.090	10.362.047
Trade payables	832.057.692	832.335.634	818.439.352	10.819.809	3.076.473	-
Payables to Stock Exchange						
Money Markets	1.872.945.953	1.878.029.123	1.878.029.123	-	-	-
Funds from commercial paper	87.108.603	88.484.606	88.484.606	-	-	-
Payables from financial leasing	4.886.265	6.147.032	633.355	1.869.843	3.643.834	-
Payables from factoring	1.648.440	1.648.440	753.641	894.799	-	-
Total Liability	3.216.235.293	3.234.801.964	3.144.525.634	18.644.886	61.269.397	10.362.047
31 December 2011						
Contractual maturities	Notion Amount	Total contractual cash outflow (I+II+III+IV)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)	More than 5 years (IV)
Derivative financial instruments						
Derivative cash inflows	1.218.546.981	1.218.038.082	1.218.038.082	-	-	-
Derivative cash outflows	(1.437.237.209)	(1.437.977.471)	(1.437.486.471)	(491.000)	-	-
31 December 2011						
Contractual maturities	Carrying value	Total contractual cash outflow (I+II+III+IV)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank loans	260.718.559	266.242.565	223.079.356	43.004.859	158.350	-
Trade payables	501.931.562	501.931.562	501.931.562	-	-	-
Payables to Stock Exchange						
Money Markets	1.555.221.253	1.562.533.135	1.562.533.135	-	-	-
Total Liabilities	2.317.871.374	2.330.707.262	2.287.544.053	43.004.859	158.350	-
31 December 2011						
Contractual maturities	Notion Amount	Total contractual cash outflow (I+II+III+IV)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)	More than 5 years (IV)
Derivative financial instruments						
Derivative cash inflows	2.095.764.726	2.104.582.629	2.104.582.629	-	-	-
Derivative cash outflows	(304.483.781)	(304.793.907)	(297.442.165)	-	(7.351.742)	-

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36. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

Foreign currency risk:

Foreign currency risk is the risk of volatility in the foreign currency denominated monetary assets, monetary liabilities and off-balance sheet liabilities due to changes in currency exchange rates. The breakdown of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2012 and 2011 are as follows:

	31 December 2012		
	TL Equivalent (Functional currency)	USD	EURO
1. Trade receivables	173.529.859	89.972.579	5.584.678
2a. Monetary financial assets	4.045.177	2.082.190	137.740
2b. Non monetary financial assets	-	-	-
3. Other	22.821.196	10.895.775	(184.854)
4. Current assets	200.396.232	102.950.544	5.537.564
5. Trade receivables	-	-	-
6a. Monetary financial assets	-	-	-
6b. Non monetary financial assets	-	-	-
7. Other	-	-	-
8. Non-current asset	-	-	-
9. Total Assets	200.396.232	102.950.544	5.537.564
10. Trade payables	182.262.141	94.197.855	6.078.637
11. Financial Liabilities	3.478.232	1.416.372	899.003
12a. Other monetary liabilities	4.160.327	915.373	473.419
12b. Other non monetary liabilities	25.725	8.035	4.849
13. Short Term Liabilities	189.926.425	96.537.635	7.455.908
14. Trade payables	1.409.003	345.190	337.487
15. Financial liabilities	-	-	-
16a. Other monetary liabilities	-	-	-
16b. Other non monetary liabilities	-	-	-
17. Long Term Liabilities	1.409.003	345.190	337.487
18. Total Liabilities	191.335.428	96.882.825	7.793.395
19. Off-balance sheet derivative instruments' net asset/(liability) position (19a - 19b)	(1.828.000)	(133.542.578)	66.721.095
19.a The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	2.953.651.000	675.357.343	362.913.212
19.b. The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	2.955.479.000	808.899.921	296.192.116
20. Net foreign currency asset/(liability) position	7.232.805	(127.474.859)	64.465.264
21. Net foreign currency asset/(liability) (position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a))	(13.734.667)	(4.820.021)	(2.066.128)
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-
23. Hedged portion of foreign currency assets	24.211.408	11.112.075	754.063
24. Hedged portion of foreign currency liabilities	16.810.319	4.013.435	4.071.661

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	GBP	JPY	AUD	CHF	CAD	OTHER
	3.770	308.211	6.533	-	-	-
	330	386.227	-	-	123	445
	-	-	-	-	-	-
	241.982	-	1.040.854	127	96	448.653
	246.083	694.438	1.047.387	127	218	449.097
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	246.083	694.438	1.047.387	127	218	449.097
	5.963	342.500	6.579	-	-	7.774
	-	-	-	-	-	-
	221.790	-	59.529	5	84	7.897
	-	-	-	-	-	-
	227.753	342.500	66.108	5	84	15.671
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	227.753	342.500	66.108	5	84	15.671
	1.415.982	(675.009.682)	2.804.027	(640.762)	(2.786.986)	(10.271.284)
	65.246.969	6.446.746.708	31.498.079	49.935.666	55.706.234	120.354.795
	63.830.988	7.121.756.390	28.694.052	50.576.428	58.493.219	130.626.079
	1.434.311	(674.657.744)	3.785.306	(640.639)	(2.786.851)	(9.837.858)
	(223.653)	351.938	(59.575)	(5)	39	(15.226)
	-	-	-	-	-	-
	-	-	-	-	-	4.333.488
	36.614	-	-	-	-	-

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36. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

	31 December 2011		
	TL Equivalent (Functional currency)	USD	EURO
1. Trade Receivables	110.485.121	54.957.258	1.402.860
2a. Monetary financial assets	1.716.532.149	455.249.818	528.764.425
2b. Non monetary financial assets	10.598.836	5.611.115	-
3. Other	18.131.038	5.835.000	2.850.000
4. Current assets	1.855.747.145	521.653.191	533.017.286
5. Trade receivables	-	-	-
6a. Monetary financial assets	-	-	-
6b. Non monetary financial assets	-	-	-
7. Other	-	-	-
8. Non-current assets	-	-	-
9. Total Assets	1.855.747.145	521.653.191	533.017.286
10. Trade payables	97.369.632	49.246.049	451.338
11. Financial liabilities	79.175	41.916	-
12a. Other monetary liabilities	2.290.296	26.949	1.142.193
12b. Other non monetary liabilities	-	-	-
13. Short Term Liabilities	99.739.103	49.314.914	1.593.531
14. Trade payables	-	-	-
15. Financial liabilities	118.763	62.874	-
16a. Other monetary liabilities	-	-	-
16b. Other non monetary liabilities	-	-	-
17. Long Term Liabilities	118.763	62.874	-
18. Total Liabilities	99.857.866	49.377.788	1.593.531
19. Off-balance sheet derivative instruments' net asset/(liability) position (19a - 19b)	(1.741.248.830)	(461.401.779)	(355.659.864)
19a. The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	494.588.803	124.790.453	38.246.823
19b. The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	2.235.837.632	586.192.232	393.906.687
20 Net foreign currency asset/(liability) position	14.640.448	10.873.624	175.763.891
21. Net foreign currency asset/(liability) (position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a))	1.727.159.404	460.829.287	528.573.755
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-
23. Hedged portion of foreign currency assets	12.317.097	5.986.954	998.486
24. Hedged portion of foreign currency liabilities	303.637	5.712	124.760

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GBP	JPY	NOK	SEK	CAD	Other
3.800	26.588	-	-	1.741.595	19.019
-	-	40.414	-	1.267	154.064
-	-	-	-	-	-
-	-	-	-	-	-
3.800	26.588	40.414	-	1.742.862	173.083
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3.800	26.588	40.414	-	1.742.862	173.083
5.300	26.588	-	-	1.739.856	4.866
-	-	-	-	-	-
7.490	-	-	-	-	-
-	-	-	-	-	-
12.790	26.588	-	-	1.739.856	4.866
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12.790	26.588	-	-	1.739.856	4.866
1.902.000	(302.800.000)	5.500.000	(6.072.341)	453.400	(79.890)
31.472.000	308.200.000	39.250.000	32.654.774	18.942.400	8.924.416
29.570.000	611.000.000	33.750.000	38.727.115	18.489.000	9.004.306
1.893.010	(302.800.000)	5.540.414	(6.072.341)	456.406	88.327
(8.990)	-	40.414	-	3.006	168.217
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

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36. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

Based on the positions of statement of financial positions as at 31 December 2012 and 2011, if the value the Turkish Lira would increase or decrease by 10% against other hard currencies assuming each other variables remained constant, the Group's net profit or loss would change due to foreign currency gains or losses of financial assets and liabilities denominated in foreign currencies as follows:

31 December 2012				
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Foreign currency risk	10%	Increase	1.493.289	2.087.265
		Decrease	(1.493.289)	(2.087.265)
31 December 2011				
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Foreign currency risk	10%	Increase	1.974.356	2.281.244
		Decrease	(1.974.356)	(2.281.244)

37. FINANCIAL INSTRUMENTS

Categories of Financial Instruments:

	Other financial assets measured with effective interest method	Loans and receivables	Available for sale financial assets	Financial assets and liabilities at fair value through profit or loss	Other financial liabilities measured with effective interest method	Carrying Amount	Fair Value	Note
31 December 2012								
Financial assets								
Cash and cash equivalents	2.213.863.187	-	-	4.630.339	-	2.218.493.526	2.218.493.526	6
Trade receivables	-	1.000.419.438	-	-	-	1.000.419.438	1.000.419.438	10
Financial investments	6.030.975	-	17.279.388	661.599.124	-	684.909.487	684.909.487	7
Financial liabilities								
Financial liabilities	-	-	-	-	2.384.177.601	2.384.177.601	2.384.177.601	8
Trade payables	-	-	-	-	832.057.692	832.057.692	832.057.692	10
Other financial liabilities	-	-	-	56.528.240	-	56.528.240	56.528.240	9
31 December 2011								
Financial assets								
Cash and cash equivalents	1.770.506.920	-	-	5.912.915	-	1.776.419.835	1.776.419.835	6
Trade receivables	-	640.066.519	-	-	-	640.066.519	640.066.519	10
Financial investments	29.167.132	-	12.425.374	481.809.219	-	523.401.725	523.401.725	7
Financial liabilities								
Financial liabilities	-	-	-	-	1.816.175.087	1.816.175.087	1.816.175.087	8
Trade payables	-	-	-	-	501.931.562	501.931.562	501.931.562	10
Other financial liabilities	-	-	-	38.803.614	-	38.803.614	38.803.614	9

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37. FINANCIAL INSTRUMENTS *(continued)*

Fair Value of Financial Instruments:

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein may not necessarily be indicative of the amounts the Group could realize in a current market exchange

There is no active market for loans in order to obtain available comparative market price and these instruments are discounted or subject to transaction costs when they are sold or utilized before their maturities. Fair value of these instruments could not be estimated due to the lack of necessary reliable market data. Accordingly, the carrying amount of such instruments is deemed to be a consistent indicator of the fair value.

The following methods and assumptions are used to estimate the fair value of each class of financial instrument for which it is practicable to estimate fair value:

Financial Assets:

Carrying amounts of financial assets measured at amortized cost including cash and cash equivalents and other financial assets approximate their fair values due to their short-term nature and the assumption of immaterial potential losses in exchange of these assets.

Market prices are used in determination of fair values of government bonds, treasury bills and equity shares.

Financial Liabilities:

The carrying amount of monetary liabilities approximates their fair values due to their short-term nature.

Valuation methods of the financial instruments carried at fair value:

31 December 2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at fair value through profit and loss				
Equity shares	172.894.893	-	-	172.894.893
Government bonds and Treasury bills	261.938.039	-	-	261.938.039
Private sector bonds	193.073.129	-	-	193.073.129
Mutual funds	30.685.419	-	-	30.685.419
Income accruals of derivative instruments	-	3.007.644	-	3.007.644
Available for sale financial assets ⁽¹⁾	13.511.495	-	-	13.511.495
Financial Liabilities				
Other financial liabilities				
Derivative financial instrument liabilities	-	3.754.156	-	3.754.156

⁽¹⁾ Unlisted available for sale securities amounting to TL 3.767.893 are excluded.

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37. FINANCIAL INSTRUMENTS *(continued)*

31 December 2011	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at fair value through profit and loss				
Equity shares	79.921.200	-	-	79.921.200
Government bonds and Treasury bills	205.854.377	-	-	205.854.377
Foreign currency securities	13.258.055	-	-	13.258.055
Private sector bonds	107.779.308	-	-	107.779.308
Mutual funds	54.264.434	-	-	54.264.434
Income accruals of derivative instruments	-	20.731.845	-	20.731.845
Available for sale financial assets ⁽¹⁾	9.014.967	-	-	9.014.967
Financial liabilities				
Other financial liabilities				
Derivative financial instruments liabilities	-	32.293.694	-	32.293.694

⁽¹⁾ Unlisted available for sale securities amounting to TL 3.410.407 are excluded.

The fair value of financial assets and liabilities are determined as follows:

First level: Implies that in determining the fair values of assets and liabilities, active market trading price is used for valuation purposes.

Second level: Implies that in determining the fair values of assets and liabilities, should other market price be observed other than first degree market prices, then observed market price is used for valuation purposes.

Third level: Implies that in determining the fair values of assets and liabilities, data not based on market observation is used for valuation purposes.

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38. DISCONTINUED OPERATIONS

On 31 March 2012 Ortopro has sold its 99% owned subsidiary Orsem Ortopedik Alet ve Medikal Cihazlar Sanayi ve Ticaret AŞ to a third party for an amount of TL 700.000. The results arising from discontinued operations are as follows:

	31 December 2012
Results of discontinued operation	
Revenue	4.777.195
Expenses	(4.831.084)
Results from operating activities	(53.889)
Tax	56.361
Results from operating activities, net of tax	2.472
Gain on sale of discontinued operations	3.995.018
Tax on gain on sale of discontinued operation	204.995
Gain on sale of discontinued operations, net of tax	4.200.013
Profit for the period	4.202.485
Basic and diluted earnings per share	0,0014 0.72
	31 December 2012
Cash flows from (used in) discontinued operation	
Net cash used in operating activities	(335.566)
Net cash from investing activities	(477.677)
Net cash from financing activities	-
Net cash flow for the period	(813.243)
Effect of disposal on the financial position of the Group	
Property, plant and equipment	(1.006.799)
Intangible assets	(127.548)
Inventories	(2.756.788)
Allowance for impairment on inventories	81.164
Deferred tax asset	(653.847)
Trade and other receivables	(14.782.566)
Bad debt allowance	723.009
Cash and cash equivalents	(1.177.677)
Loans and borrowings	7.333.321
Severance liability	8.160
Vacation pay liability	27.525
Trade and other payables	15.627.064
Net assets and liabilities	3.295.018
Consideration received, satisfied in cash	700.000
Cash and cash equivalents disposed of	(1.177.677)
Net cash outflow	(477.677)

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39. EVENTS AFTER THE REPORTING PERIOD

In accordance with the resolution of the Board of Directors dated 15 February 2013, the Company has applied to CMB to increase the upper limit of registered capital from TL 300.000.000 to TL 600.000.000. The increase was approved by CMB at 14 March 2013.

The Company acquired the Group A equity shares of İş Yatırım Ortaklığı having a nominal value of TL 2.297.411 from ISE at 11 February 2013.

İş Girişim accepted the changes in the Articles of Association and decided to distribute cash dividend at the extraordinary general assembly held on 16 January 2013. The payment of cash dividend amounting to TL 7.360.920 was started at 21 January 2013 and was completed at 23 January 2013.

İş Girişim declared in written to the existing shareholders of Türkmed on 31 January 2013 to use the equity put option that gives right to sell the 25,77% of the total share capital of Türkmed, which is represented fully of İş Girişim's interest in Türkmed to the existing shareholders of Türkmed. However, the current shareholders were not able to finalize the purchasing process within the framework of the equity put option agreement. Therefore, in accordance with the Türkmed's articles of incorporation İş Girişim has gained the dividend privilege right on the related shares of Türkmed.

On 28 February 2013 Toksöz Spor merged with Ons Spor, Arena, Sportive and Tajmahal by fully taking over them without discontinuing in accordance to the clause 136 of the Turkish Commercial Code and to the clauses 18, 19 and 20 of the Corporate Tax Law. The new share capital of Toksöz Spor is TL 17.031.299 with a number of 17.031.299 shares having a par value of TL 1. Thereof, 5.364.859 Group A shares and 11.666.440 are Group B shares. This decision was registered in the Turkish Trade Registry Gazette numbered 8272 on 6 March 2013.

40. OTHER ISSUES THAT SIGNIFICANTLY EFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS

None.

Directory

Head Office

İş Kuleleri, Kule-2 Kat 12
34330 4. Levent İSTANBUL
Phone: +90 212 350 20 00
Fax: +90 212 350 20 01
www.isyatirim.com.tr

Auxiliary Office

Rüzgarlıbahçe Mevkii, Cumhuriyet Cad.
Energy Plaza Kat: 4 34805 Kavacık İSTANBUL
Phone: +90 216 538 14 00
Fax: +90 216 538 14 01

Adana Branch

Çınarlı Mah. Turhan Cemal Beriker Bulvarı
No: 31 Kat: 9
Seyhan ADANA
Phone: +90 322 355 97 00
Fax: +90 322 355 97 01

Akaretler Branch

Süleyman Seba Cad. No: 44 B1 Blok Daire 10
34357 Akaretler İSTANBUL
Phone: +90 212 326 87 00
Fax: +90 212 327 86 57

Ankara Branch

Tahran Caddesi, No: 3 Daire: 8
06700 Kavaklıdere ANKARA
Phone: +90 312 455 26 50
Fax: +90 312 455 26 51

Bursa Branch

Atatürk Caddesi No: 71/3 Nalbantoğlu Mahallesi
16010 Osmangazi BURSA
Phone: +90 224 294 80 00
Fax: +90 224 294 80 01

İzmir Branch

Akdeniz Cad. No: 14 Birsel İş Merkezi, Daire: 501
35210 Alsancak İZMİR
Phone: +90 232 488 90 00
Fax: +90 232 488 90 01

Kalamış Branch

Fener Kalamış Caddesi
Tibas Belvu Sitesi A2 Blok Daire 3
34726 Fenerbahçe İSTANBUL
Phone: +90 216 542 72 00
Fax: +90 216 414 57 57

Levent Branch

İş Kuleleri Kule-2 Kat: 4
34330 4. Levent İSTANBUL
Phone: +90 212 350 29 00
Fax: +90 212 350 29 01

Maslak Branch

Büyükdere Caddesi Nurol Plaza No: 257 Kat: 16
34398 Maslak İSTANBUL
Phone: +90 212 367 85 00
Fax: +90 212 367 85 01

Yeniköy Branch

Köybaşı Caddesi İskele Çıkması
Hancıoğlu Yalısı No: 06
34464 Yeniköy İSTANBUL
Phone: +90 212 363 01 00
Fax: +90 212 363 01 01

Yeşilköy Branch

Havalimanı Kavşağı EGS Business Park
B3 Kat: 17
Yeşilköy İSTANBUL
Phone: +90 212 463 20 00
Fax: +90 212 463 20 01

Suadiye Representative Office

Bağdat Caddesi
Kılıçoğlu Apt. No: 451 Kat: 1 Daire: 4
34740 Suadiye İSTANBUL
Phone: +90 216 665 46 00
Fax: +90 216 665 46 01

Almaty Representative Office

Office 204, Kulan Business Centre,
188 Dostyk Avenue, 050051
Almaty KAZAKHSTAN
Phone: +7 727 2581309
Fax: +7 727 2581329

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