

STRONG **AND** RESPONSIBLE

ANNUAL REPORT 2014

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ABBREVIATIONS	
CAD	Current Account Deficit
CBRT	Central Bank of the Republic of Turkey
CDS	Credit Default Swap
CFD	Contract for Difference
CMB	Capital Markets Board of Turkey
e-GEM	Electronic General Meeting System
ECB	European Central Bank
EMEA	Europe, Middle East, Africa
EU	European Union
EUR	Euro
FCA	UK Financial Conduct Authority
FEAS	Federation of Euro-Asian Exchanges

Fed	The US Federal Reserve Bank
GDP	Gross Domestic Product
GDS	Government Debt Securities
IAS	International Auditing Standards
IPO	Initial Public Offering
ISE	Istanbul Stock Exchange (title changed to Borsa Istanbul in 2014)
ISM	Institute of Supply Management
KAP	Public Disclosure Platform
LME	London Metal Exchange
M&A	Mergers and Acquisitions
METU	Middle East Technical University
MKK	Central Registry Agency

OPEC	Organization of Petroleum Exporting Countries
ROE	Return on Equity
TCC	Turkish Commercial Code
TL	Turkish Lira
TMI	TradeMaster International
TRI	Turkey Risk Index
TurkDEX	Turkish Derivatives Exchange (In 2014 TurkDEX was reorganized as part of Borsa Istanbul, where it is now referred to as the Derivatives Market)
USA	United States of America
USD	US Dollar
VIX	Volatility Index

IS INVESTMENT IN BRIEF

THE BIGGEST

As of end-2014, IS Investment was managing a portfolio whose total value of TL 18.4 billion made it the sector's leader.

HIGH ADDED-VALUE SERVICES & SOLUTIONS

Founded in 1996 by İşbank, IS Investment provides resident & non-resident individual & corporate investors with high added-value services & solutions in national & international capital markets in the areas of:

- Brokerage
- Investment advisory
- Portfolio management
- Corporate finance

THE INDUSTRY LEADER

As of end-2014, IS Investment was managing a portfolio whose total value of TL 18.4 billion made it the sector's leader. With 23% and 19% shares of the mutual and pension fund markets respectively, the Company's combined corporate and individual client base is bigger than that of any other brokerage in Turkey. IS Investment's own assets

amounting to TL 5.4 billion at end-2014 by themselves corresponded to more than a third of the sector's total assets.

EXTENSIVE SERVICE NETWORK

IS Investment has eleven branches in Turkey: six in İstanbul (Akaretler, Kalamış, Levent, Maslak, Yeniköy, Yeşilköy) and one each in Ankara, İzmir, Bursa, Antalya, and Adana. The Company's client service reach is greatly extended by four liaison offices in Turkey (Diyarbakır, Kırıkkale, Mersin, and İstanbul-Suadiye) and a fifth in Kazakhstan (Almaty) and by the more than 1,300 İşbank branches scattered across Turkey and acting as IS Investment agents in the country's industry, trade, and population centers.

Wholly-owned IS Investment subsidiaries in London (Maxis Investments Securities) and Dubai

(IS Investments Gulf) enhance the Company's effectiveness in international markets while also giving its clients access to a diversified range of financial products.

CORPORATE GOVERNANCE RATING: 8.91

In 2014 JCR Eurasia Rating raised IS Investment's overall corporate governance rating from 8.81 to 8.91.

LONG-TERM NATIONAL CREDIT RATING: AA+

After conducting a review of its previously-announced long-term national credit rating, in June Fitch Ratings assigned IS Investment an "AA+" rating in parallel with that of its principal stockholder, İşbank.

IS INVESTMENT: CORPORATE HISTORY HIGHLIGHTS

Founded in 1996 by Türkiye İş Bankası AŞ (İşbank), IS Investment provides resident & non-resident individual & corporate investors with corporate finance, investment advisory, and portfolio management services along with traditional capital market brokerage services.

Besides conducting its own operations, IS Investment is active in other capital market business lines through its subsidiaries: IS Asset Management (74%), Efes NLP Asset Management (70%), IS Investment Trust (28.9%), and IS Private Equity (29.0%). IS Investment also has two wholly-owned international subsidiaries: London-based Maxis Investments and Dubai-based IS Investment Gulf.

IS Investment's combined corporate and individual client base is bigger than that of any other brokerage in Turkey. The Company has eleven branches in its home market: six in Istanbul (Akaretler, Kalamış, Levent, Maslak, Yeniköy, Yeşilköy) and one each in Ankara, İzmir, Bursa, Antalya, and Adana. It operates four liaison offices in Turkey (Diyarbakır, Kırıkkale, Mersin, and İstanbul-Suadiye) and a fifth in Kazakhstan (Almaty). More than 1,300 İşbank branches strategically located in Turkey's centers of industry, trade, and population also serve as IS Investment agents.

With assets amounting to TL 5.4 billion at end-2014 that corresponded to more than a third of its sector's total assets, IS Investment booked a consolidated net profit of TL 62.9 million last year. The TL 18.4 billion of consolidated portfolio under IS Investment's management make up more than 20% of Turkey's combined mutual and pension fund markets. IS Investment shares have been publicly-traded (under the ISMEN symbol) at Istanbul's stock exchange since May 2007. Fitch Ratings, an international credit rating agency, has assigned IS Investment an "AA+ (Stable)" long-term national credit rating. As the first brokerage house in Turkey to be awarded an internationally-recognized credit rating, IS Investment was also the first—and is still the only—one to have its

corporate governance performance rated as well. JCR Eurasia Rating, an independent rating agency, has assigned IS Investment an "8.91/10 AAA (Trk) / Distinctive" corporate governance rating.

IS Investment has been the undisputed leader of both the Borsa İstanbul equity market since its inauguration twelve years ago and of the Turkish Derivatives Exchange for the last eight years. Through the TradeMaster electronic trading platform that it launched in 2007, IS Investment gives investors the opportunity to trade online not just in Turkey's markets but also in more than thirty others located all over the world.

In the corporate finance business line, IS Investment provides a broad range of private sector, project finance, and venture capital advisory services that include public offerings, bond issues, mergers & acquisitions, corporate restructurings, and strategic planning.

Having long attracted attention with the products and services that it develops as befits its reputation as a pioneering innovator, IS Investment launched Turkey's first hedge fund. In November 2014 it became the first Turkish firm to offer investors brokerage house warrants when trading in these instruments began at Borsa İstanbul. In April 2012 IS Investment became the first brokerage to issue its own debt instruments. In March 2013 it issued Turkey's first private-sector leasing certificates (sukuk) denominated in Turkish liras.

IS Investment is still the only firm in the market issuing USD/TL, gold/TL, and gold-based quanto and flexo warrants. In 2014 it introduced outperformance warrants to Turkey's capital markets and investors for the first time.

As a result of its efforts to boost the liquidity of low-volume publicly-traded shares on Borsa İstanbul by quoting both buying and selling prices for them, IS Investment became the exchange's first "equity market liquidity provider" as of 31 December 2014.

AWARDS

FT/mergermarket: **Financial Mergers & Acquisitions Consultant Of The Year In Turkey** (2010)

BIST 25th Year Awards: **Company With The Highest Equities Trading Volume** (2010)

Corporate Governance Association of Turkey: **Company With The Highest Rating In The Board Of Directors Category** (2011)

Euromoney: **Turkey's Best Brokerage** (2007, 2008)

Euromoney: **Turkey's Best Mergers & Acquisitions Consultant** (2009, 2014)

Euromoney: **Turkey's Best Investment Bank** (2010, 2011, 2013)

EMEA Finance: **Turkey's Best Investment Bank** (2010, 2011, 2012, 2013, 2014)

EMEA Finance: **Best Brokerage House** (2012, 2013, 2014)

Capital Magazine: **Turkey's Most Admired Brokerage** (2003, 2004, 2005, 2008, 2009, 2010, 2011, 2012, 2013, 2014)

Ethical Values Association: **ETİKA Türkiye Award** (2012, 2013)

Borsa İstanbul: **Equity market Trading Volume Leader** (2013, 2014)

Borsa İstanbul: **Futures & Options Market Trading Volume Leader** (2013, 2014)



IS INVESTMENT'S FIRSTS

1974

First marketable securities unit

1987

First mutual fund

1988

First privatization via a public offering (Teletaş)

1990

First online securities trading

1993

First "Type A" (equity) mutual fund

1999

First online public offering

2000

First public offering via ATMs

2008

Turkey's first hedge fund

2010

First Turkish company to issue intermediary institution warrants

First public offering by a foreign firm (DO&CO) on the Istanbul Stock Exchange

2011

First FX-based warrant trading

2012

First brokerage house to issue publicly-floated commercial paper in Turkey's capital markets

First company to trade on the BIST Derivatives Market

2013

First private-sector leasing certificates (sukuk) denominated in Turkish liras

2014

Borsa Istanbul's first authorized liquidity provider

First outperformance warrant issue

KEY FINANCIAL HIGHLIGHTS

SUMMARY BALANCE SHEET AND INCOME STATEMENT

Summary Balance Sheet (TL Thousand)

	31 December 2014	31 December 2013
Assets		
Current Assets	5,186,366	4,784,637
Fixed Assets	168,774	150,729
Total Assets	5,355,140	4,935,366
Liabilities		
Short-Term Liabilities	4,294,968	3,907,841
Long-Term Liabilities	102,195	110,102
Non-Controlling Interests	400,638	398,953
Shareholders' Equity	557,339	518,470
Total Liabilities	5,355,140	4,935,366

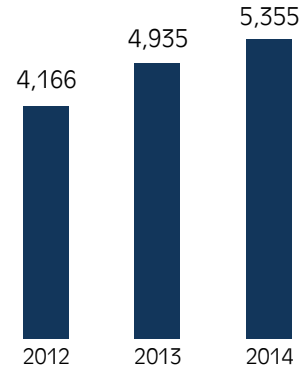
Summary Income Statement (TL Thousand)

	1 January - 31 December 2014	1 January - 31 December 2013
Sales Revenue (Net)	110,075	129,818
Interest and Derivative Income from Operating Activities (Net)	134,391	104,692
Income from Services (Net)	112,871	126,806
Other Operating Income	42,968	27,193
Gross Profit	400,305	388,509
Operating Expenses	(266,526)	(247,178)
Other Income/Expenses	(2,085)	(4,327)
Operating Profit	131,694	137,004
Share in Net Profit/(Loss) of Investment Accounted for under Equity Method	(291)	4,301
Non-operating Financial Revenues/Expenses	(30,911)	(4,150)
Profit before Tax from Continuing Operations	100,492	137,155
Tax	(7,922)	(11,843)
Period Profit/Loss	92,570	125,312
Non-controlling Interests	29,674	54,499
Net Profit (Equity Holders of the Company)	62,896	70,813
Earnings per Share from Continuing Operations (TL)	0.1894	0.2133

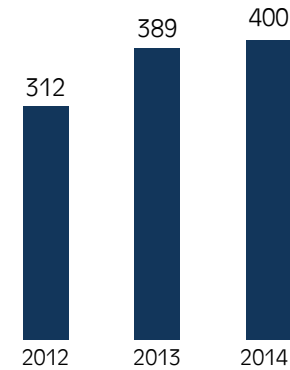
The financial statements and notes to the financial statements of IS Investment are available at www.isinvestment.com.

Financial Ratios	31 December 2014	31 December 2013
Current Assets/Short-Term Liabilities	1.21	1.22
Liabilities/Shareholders' Equity	4.59	4.38
Return on Equity (%)	11.7	14.5

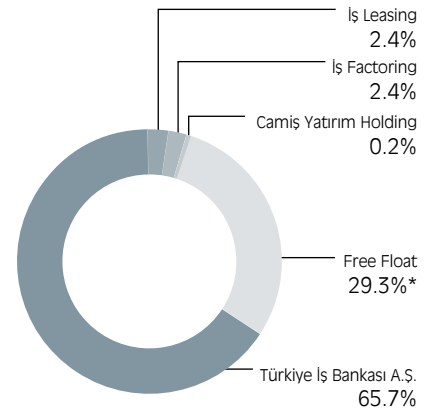
TOTAL ASSETS (TL Million)



GROSS PROFIT (TL Million)



SHAREHOLDER STRUCTURE



* Actual Circulation 29.32% (Based on the report dated 31 December 2014 of the Central Registry Agency of Turkey)

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.

CHAIRMAN'S MESSAGE



İLHAMİ KOÇ
CHAIRMAN

NOTWITHSTANDING STRONG SIGNALS OF RECOVERY COMING FROM THE US ECONOMY, EVERY EURO AREA ECONOMY SHOWED UNMISTAKABLE SIGNS OF SLOWING DOWN.

Looking back at the performance of the world's national economies in 2014, we see that much of what transpired in nearly every region hinged on the decisions and actions of the US Federal Reserve Bank. Although the year got off to a generally good start in most countries, it was only in the US economy that we were witness to improvements in growth and employment numbers that exceeded expectations.

In 2014 the Fed began gradually curbing the program of monetary expansion that it had embarked upon in the wake of the 2008 global financial crisis and suspended it entirely in October. One outcome of this was to cause developing countries' economies to lose momentum by diverting capital flows away from them.

By the time that the Fed ceased its "quantitative easing", it had become clear that the euro area's problems had become chronic and that expectations of deflation and recession had grown stronger. There were unmistakable signs of slowdown in every euro area economy—even Germany's—while political risks were exacerbated in some of the more troubled countries—Greece in particular.

In response to such developments, the European Central Bank reduced its policy rate twice in 2014, eventually bringing it close to zero, and also decided to begin charging negative interest on the deposits of other banks that it held. Having begun to support the financial sector by supplying markets with liquidity through its long-term refinancing operations, ECB also embarked upon an asset-buying program of its own.

The absence of any visible improvement in the region's economy resulting from such monetary expansion strengthened the view that ECB would have to further broaden the scope of its asset-buying program in 2015.

STRONG SYNERGIES

Our subsidiaries, each one of which is a leader in its own business line, make us a one-stop address where investors can take care of their capital market product and service needs whatever those may be.

Tensions and conflict between Russia and Ukraine had important geopolitical as well as economic repercussions for the region in 2014. The stiff economic sanctions that the US and EU imposed on Russia caused serious problems not just for its own economy but for those of others as well. That said, it must be acknowledged that, coming on top of the sharp fall in oil prices towards the end of the year, Russia suffered far more from the sanctions than did anyone else.

The collapse in oil prices was certainly one of the most critical developments that took place in 2014, causing tremendous economic headaches for all oil-

exporters but especially for Russia. The price of one barrel of Brent crude, which stood at USD 115 in June, nearly halved to the USD 60 level in December. The effect of this on the Russian economy was severe: while the ruble tumbled and lost half its value against the US dollar, Russia's country risk premium soared.

In Asia, Japan's monetary expansion policies proved to be less successful than had been hoped while the government's tax increases appeared to contribute to the country's recession. With national budget balances under severe pressure, Japan's credit rating slipped.

Although economic growth continued apace at 7% in China, the government's efforts to balance the economy also proved to be inadequate: if anything, the internal imbalances grew worse.

By the time the year was over it was apparent that ongoing uncertainties had increased international markets' volatility and that widely divergent growth rates in different country groups meant that the world economy had yet to return to a path of balanced growth.

CHAIRMAN'S MESSAGE

THE FACTORS THAT WILL HAVE THE GREATEST IMPACT ON THE TURKISH ECONOMY'S PROSPECTS IN THE PERIOD AHEAD ARE DEVELOPMENTS IN INTERNATIONAL MARKETS AND GLOBAL MOVEMENTS IN OIL PRICES.

Although it demonstrated a mostly positive performance during the global crisis, the Turkish economy nonetheless slowed down somewhat in 2014 as it reacted to adverse worldwide developments. Economic activity was the strongest in the first quarter, when the year's highest single-quarter growth (4.8%) was registered, but the biggest contributor to that growth appears to have been government spending.

Central Bank of the Republic of Turkey's (CBRT) interest rate hikes and the Banking Regulation and Supervision Agency's macroprudential measures to constrain credit growth contributed to a slowdown in the second quarter. A hoped-for last-quarter recovery proved to be less than expected with constant-price GDP growth weighing in at just 1.7%.

Markets' agendas in 2014 were set largely by political developments. This was certainly true in Turkey, whose economic actors and markets found it necessary to price the geopolitical risks arising from tensions and violence both to the north and to the south. EU and US economic sanctions against Russia and dreadful events in Syria and Iraq seriously hurt Turkey's tourism and export revenues, the latter of which were also adversely affected by declines in worldwide commodity prices.

CBRT responded unequivocally to the apparent deterioration in markets brought on by mounting domestic political tensions with a strong policy reaction in the form of an interest rate hike that it announced at a Monetary Policy Committee meeting held in January. A 550 basis-point increase in the one-week repo rate restored market stability. Three subsequent 175 bps reductions in May, June, and July brought the bank's policy rate to 8.25%, settling the "currency basket" (EUR 0.50 + USD 0.50) at TL 2.46 and market interest rates at around the 8.10% level.

CBRT remained committed to its monetary policy stance for the rest of the year. In the face of market volatilities brought on by global uncertainties, the bank continued to take measures to reduce exchange-rate fragilities.

We regard comparatively high and somewhat erratic rates of inflation as being among the underlying reasons why interest rates in Turkey are higher than in many developing countries. Inflation ended up higher in 2014 than CBRT's targets. Twelve-month average consumer price inflation, which was supposed to have been 5% for example, closed the year at 8.85% while the rise in domestic producer prices was 9.59%.

We believe that the factors that will have the greatest impact on the Turkish economy's outlook in the period ahead are developments in international markets and global movements in oil prices. In our base scenario, in which oil prices fall to USD 58/barrel, we would expect to see another 50 BP reduction in CBRT's benchmark interest rate before the end of the first quarter in addition to its 50 BP cut in January.

Owing both to the redirection to expenditure of some of the savings generated by reduced energy costs resulting from lower oil prices on the one hand and on the other to the beneficial impact that cheaper credit resulting from interest rate cuts have on consumption, our expectations for 2015 are that growth will be 3.5%, that inflation will subside to 6.9%, and that the CAD/GDP ratio will fall to 4.4%.

TURKEY'S CAPITAL MARKETS DID RATHER BETTER THAN THEIR GLOBAL PEERS

The environment in which Borsa Istanbul's equity market embarked upon 2014 was one in which the Fed had begun cutting back its asset purchases and Turkey's markets in general were disconcerted by domestic political tensions in the run-up to local-government elections. With the stock market thus distracted, the BIST 100 index fell sharply in the early months of the year. As more time passed however, it became evident that Turkey's capital markets were doing rather better than their peers elsewhere in the world. The most salient contributors to this were a feeling of political stability in the wake of the elections, a global increase in the appetite for risk, expectations that CBRT would lower its policy rate, ECB's promises to cut interest rates and to supply banks with long-term financing (on condition that they lend it to real-sector borrowers), and both German and American indexes reaching new historical highs. By midyear the BIST 100 index approached the 82,000 mark and joined the ranks of the world's best-performing stock indexes.

In the second half of the year, economic developments in international markets and heightened geopolitical risks in Turkey's near abroad prompted selling at Borsa Istanbul with the result that the BIST 100 closed the year at the 80,000 level.

Looking at developments over at the BIST Derivatives Market we see that BIST 30 index future contracts remained the leader among all the others. In the first half-year the number of open positions in index contracts nearly doubled from around 185 thousand to 350 thousand. Although it subsequently fell, the number of open positions remained around the 240 thousand mark for the rest of the year.

The Derivatives Market trading volumes increased steadily all year long in 2014. Total trading for the year as a whole amounted to TL 2 billion while option premium volume reached to TL 38 million. If momentum like this can be sustained, Turkey's options markets are likely to reach significant dimensions before very much longer.

IS INVESTMENT'S SOLID FINANCIAL STRUCTURE PLAYS AN IMPORTANT ROLE IN ITS ABILITY TO HOLD THE SUMMIT OF TURKEY'S CAPITAL MARKETS.

I should emphasize that one of the things that most distinguishes IS Investment from other brokerages is its rock-solid financial structure. The benefits of that structure are what give us the ability to achieve our consistently successful performance on the one hand while also keeping our company at the summit of Turkey's capital markets on the other.

Something else that gives us a competitive edge is our broadly-ranging product line. Our subsidiaries, each one of which is a leader in its own business line, make us a one-stop address where investors can take care of their capital market product and service needs whatever those may be.

By serving as our agents, the branches of our principal shareholder İsbank extend our company's reach to virtually every part of the country while our organizational structure, which is similar to that of an investment bank, our youthful and dynamic team, and our technological clout are what power our performance.

NEWLY-INTRODUCED EQUITY REQUIREMENTS FOR BROKERAGE HOUSES WILL REMAKE THE FACE OF OUR INDUSTRY.

Some of the new rules introduced by amendments to the Capital Markets Law in 2013 went into effect in 2014. These rule changes are crucial to the conduct of our company's business and we are therefore keeping a close watch on developments. The compliance processes of some of those rules have to be done by the end of June 2015.

In essence what these changes do is to separate the deposit banking and investment banking business lines from each other. We believe that they will have a beneficial impact on our company's operations, especially after midyear 2015.

Another important change is concerned with brokerage houses' minimum equity requirements, which have been made higher. We believe that this change will substantially reduce the number of investment companies active in Turkey while also boosting our market share of a firm as robustly-capitalized as ours is.

Under a rule affecting private pensions that went into effect in 2013, the state contributes an additional 25% to the monthly amount that is paid into the retirement account of a participant in the Private Pension System. These state contributions had a significantly beneficial impact on our company's consolidated portfolio dimensions in 2014 and they will do so again in 2015.

At the macroeconomic level, our expectations for 2015 in Turkey are that GDP will grow by 3.5%, the inflation rate will be 6.9%, and the current account deficit will correspond to 4.4% of GDP.

Looking at 2015 from the standpoint of our own company, we have set ourselves a return-on-equity target of something in the 13-17% range, which we intend to achieve through a mix of organic and inorganic growth strategies. Naturally and just as we have always done, we will also be focusing on defending our leading position and boosting our market share.

In closing I extend my thanks to our shareholders, business partners, and employees for the support they have given and the confidence they have shown by accompanying us as we advance towards our goal of sound and sustainable growth and development.

Very truly yours,

İlhami Koc

Chairman of the Board of Directors

INTERVIEW WITH THE GENERAL MANAGER



A. ERDAL ARAL
GENERAL MANAGER

HOW WOULD YOU ASSESS IS INVESTMENT'S FINANCIAL PERFORMANCE IN 2014?

I believe that our company's performance needs to be judged in light of the domestic and global developments that prevailed throughout the year.

Taking into account the improvements that had taken place in the US economy, the Fed announced that it would begin cutting back the asset purchases it had been making for more than two years and end them entirely in October 2014. The immediate effects of this decision were to slow down developing countries' capital inflows and cause the US dollar to appreciate at the expense of most other currencies.

Geopolitical issues, among them violent conflict in the Middle East and tensions between Russia and Ukraine, worsened investors' risk perceptions about emerging markets. The result was that developing countries' economic growth, which was additionally suffering from the weaknesses observed in some developed countries' economies, ended up lower than anticipated.

Developments in the world economy closely affected Turkey's capital markets, which were already fretting about interest- and exchange-rate uncertainties and upcoming local elections. Such anxieties caused the Borsa Istanbul (BIST) equity market to be exceptionally volatile in the first quarter of the year while low trading volumes were unmistakable evidence that investors were approaching the market cautiously if at all.

18.4

AS OF END-2014, THE CONSOLIDATED PORTFOLIO UNDER IS INVESTMENT'S MANAGEMENT WAS WORTH TL 18.4 BILLION.

SUSTAIN- ABLE PROFITABILITY

Looking at our year-end financial results we see that we booked a consolidated net profit of TL 62.9 million, we achieved an 11.7% return on equity, and our total assets reached TL 5.4 billion in value.

In 2014 our company continued to support the national economy and the society by maintaining its strong and trusted position in domestic and international markets. We correctly sensed impending changes in market conditions throughout the year and successfully shaped and followed through on our strategies and business plans accordingly and in a timely manner.

Notwithstanding the market conditions prevailing at home and in our near abroad last year, IS Investment performed in line with both its business plans and our expectations. Looking at our year-end financial results we see that we booked a consolidated net profit of TL 62.9 million, we achieved an 11.7% return on equity, and our total assets reached TL 5.4 billion in value. Among other things this means that in the more than eight years since our company went

public in 2007, its average return on equity has been 16.7% and its average dividend yield has been 4.9%.

WHAT SORTS OF CHANGES TOOK PLACE IN THE OVERALL PORTFOLIO UNDER THE COMPANY'S MANAGEMENT?

Looking at the Turkish market in 2014 we notice firstly that while there was an 11% YoY expansion in the total volume of mutual funds, which reached TL 33.6 billion in value, there was a 42% explosion in pension funds, whose total value reached TL 36.2 billion.

As of end-2014, the consolidated portfolio under IS Investment's management was worth TL 18.4 billion. Mutual funds, which accounted for TL 8.4 billion of that, grew by 11% year-on, which was the same as the market as a whole and which gave us a total market

share of 23% in this business line. The pension funds under our management grew by 41% year-on and reached TL 6.8 billion, thereby maintaining our leading position in this business line with an 18.8% market share.

WHAT CAN YOU TELL US ABOUT IS INVESTMENT'S POSITION IN DOMESTIC CAPITAL MARKETS?

In a year characterized by high levels of economic and political volatility in both our home and foreign markets, our company maintained its standing as market leader in equities trading with a transaction volume of TL 134.7 billion and a market share of 7.7% in 2014.

The vigor of the BIST equity market was reflected in securities lending market, which broke new records last year. In 2014 we remained the most active player in the securities

INTERVIEW WITH THE GENERAL MANAGER

lending market, commanding a market share of 21% worth TL 2.6 billion. Equity market developments also impacted favorably on margin trading and stimulated interest in that market as well. The one-month average amount lent by our company to finance equity market margin trading was up by 22% year-on and reached TL 262 million.

IS Investment was one of the founding members of Turkey's futures & options market (formerly TurkDEX) when it was launched nine years ago and has been its leader ever since. In 2014 TurkDEX was reorganized as part of Borsa İstanbul, where it is now referred to as the Derivatives Market. Last year we ranked first at the Derivatives Market with an 11.1% market share, worth TL 96.8 billion, of all derivatives contract trading.

We also ranked first in options trading, with a 31% market share worth TL 615 million.

We are still the only company in our industry issuing USD/TL, gold/TL, and gold-based quanto and flexo warrants. In 2014 we introduced outperformance warrants to Turkey's capital markets and investors for the first time. IS Investment has seen its share of total warrant trading grow from just 5% to 30% in 2014.

WHAT SORT OF INTEREST DID INTERNATIONAL INVESTORS SHOW IN TURKEY'S CAPITAL MARKETS IN 2014?

Borsa İstanbul successfully maintained its position among the world's highest-yield emerging-market bourses in 2014. Although it got off to a slow first-quarter start, BIST recovered strongly in the second. The vigor was such as to draw the attention of international investors to BIST, whose net purchases amounted to USD 2.2 billion in 2014. On the other hand, the percentage of exchange-traded equities held by international

investors increased only marginally (from 62.40% to 63.81%) in the twelve months to end-2014.

By contrast, the year-on-year change in government debt securities held by international investors was much greater than that observed in any other asset class, though the total volume of such trading was much lower in 2014 than it was in 2013. In 2013 international investors bought and sold TL 92.7 billion worth of these instruments; in 2014 that was down to TL 68.6 billion.

WE KNOW THAT IS INVESTMENT IS THE LEADING SUPPLIER OF CORPORATE FINANCE IN TURKEY. WHAT CAN YOU TELL US ABOUT ITS PERFORMANCE IN THAT BUSINESS LINE IN 2014?

2014 was a rather lackluster year insofar as Turkey's public offerings market was concerned. In the first half-year there was not a single public offering on the BIST National Market and only a few very small ones elsewhere. In the second half there were a couple of mid-sized offerings that managed to attract some international investors' interest.

The nine public offerings that took place on Turkey's national markets other than the emerging companies market generated proceeds amounting to just TL 690.4 million. The second-biggest of these deals (worth TL 168 million) was an Ulusoy Elektrik public offering that was lead-managed by IS Investment.

The size of the market for private-sector debt instruments reached TL 66.3 billion in 2014. Banks were responsible for 83% of this total volume, with non-bank financial institutions and real-sector firms accounting for 11% and 6% shares respectively.

CORPORATE

WE BELIEVE THAT GOOD CORPORATE GOVERNANCE PRACTICES ARE CRUCIAL TO THE SUSTAINABILITY OF A COMPANY'S OPERATIONS, WELL-BEING, AND GROWTH.

Since 2010 our company has underwritten 206 different debt-instrument issues worth a total of TL 41.2 billion. Of those 206, 73 involved sales to so-called "qualified" investors and the remaining 133 were public offerings. The 9% year-on rise in our underwritings in 2014 brought the one-year total to a record-breaking TL 13.84 billion.

Turning now to the mergers & acquisitions (M&A) market, there were 284 such deals in 2014 whose total value amounted to something close to USD 28 billion.

Our company is one of the most active players in the M&A business line. In addition to private-sector projects, we also take part in privatizations as a consultant to prospective buyers. Last year we acted in that capacity to Şölen Çikolata Gıda Sanayi in the privatization of the Çatalağzı thermal power plant and to Tepe İnşaat in the privatization of the Kalamış marina.

WOULD YOU TELL US ABOUT LAST YEAR'S DOMESTIC MARKETING & SALES ACTIVITIES?

We held meetings and organized educational seminars for existing and potential investor clients all year long. The briefings that we conducted to promote the new Antalya branch that we opened in April and to support client acquisition there were heavily attended.

The reach of the TradeCenter project, whose aims are to support financial literacy and increase awareness of the role and importance of financial markets (especially among young people) was extended through the TradeMaster campus program at Bilkent, METU, Yaşar, İzmir Ekonomi, and İstanbul Bilgi universities. We plan to further expand the scope of this project.

The initial work on our TradeMaster FX Plus project has been completed. A demo version of what will be our new forex trading platform has been made accessible to investors. Our goal is to have this platform fully operational for investors to use in early 2015.

WHAT CAN YOU TELL US ABOUT IS INVESTMENT'S APPROACH TO CORPORATE GOVERNANCE ?

Adverse economic and political developments at both the regional and global levels in recent years have once again demonstrated how important proper corporate governance is for companies as well as for their investors.

We believe that good corporate governance practices are crucial to the sustainability of a company's operations, well-being, and growth.

At IS Investment we conduct all of our operations according to ethical values that we have declared and to which we have committed ourselves. We believe that our adherence to these values is at least as important as our financial performance when it comes to creating long-term added value for our investors.

After conducting a review, JCR Eurasia Rating increased our company's overall corporate governance rating from 8.81 to 8.91 out of 10 in 2014. This new rating was formally announced in September.

This rating qualifies our company's shares for continued inclusion in the BIST Corporate Governance Index.

WHAT ARE YOUR EXPECTATIONS FOR THE PERIOD AHEAD?

We believe there are three factors capable of supporting growth in the Turkish economy in 2015. The first is the income effect of cheaper energy. The second is lower-than-expected inflation. The third is CBRT interest rate policy rigor. That last one is important. Because CBRT is worried about the possibility of persistent instabilities in portfolio-investment flows directed towards developing countries, we think that the bank will continue to adhere to policies that will limit the impact of global volatility on the Turkish economy while also staving off any impairment in the country's inflation outlook.

Our company for its part will continue to formulate and implement strategies in parallel with economic and political developments taking place both at home and abroad and to conduct its operations within the framework of its sustainable growth plan.

Let me take this opportunity in closing to thank all of our stakeholders who have helped us reach the eminent position we enjoy today.

ECONOMIC REVIEW

HIGHLY RESISTANT

The Turkish economy which had already surprised markets with its ability to withstand external shocks in the second half of 2013; demonstrated that it could contend with the politics driven domestic shocks too in the first quarter of 2014.

The Turkish economy started 2014 with two shocks, namely US Federal Reserve Bank (Fed) decisions and political unrest at home that hit its interest rate and currency hard. The Turkish economy which had already surprised markets with its ability to withstand external shocks in the second half of 2013; demonstrated that it could contend with the politics driven domestic shocks too in the first quarter of 2014.

Results of local-government elections held on March 30th ended the political uncertainty and helped to recover most of the losses. With political qualms largely assuaged and with risk appetites whetted by global monetary policies, a risk-on mode prevailed in Turkey's markets. Thus after the next round of political uncertainty abated in the

wake of the country's presidential election on August 10th, the path of Turkish markets were set largely by the developments in international markets.

Heightened geopolitical risks arising from conflicts in northern Iraq, between Russia and Ukraine worsened risk perceptions vis-à-vis Turkey's economy and markets. Although ongoing strife in Iraq hampered Turkish exports to that country initially, recent trade figures suggest that contraction in trade has cut pace and normalization started. Elsewhere meanwhile, US Federal Reserve and European Central Bank monetary policy decisions and a few other persistent ambiguities increased international market volatility while signs of weakness in European and Chinese economies intensified

worries about the prospects for global growth. During last few months of the year, markets enjoyed the spring weather supported by moderate US data and plunging oil prices.

In response to the serious market volatility provoked by domestic political tensions in December 2013 and immediately thereafter, Central Bank (CBRT) intervened and hiked its one-week repo interest rate by 550 basis points (bps) in late January and calmed down the markets. Offering the highest interest rates among emerging markets, Turkish lira turned out a magnet for hot money as a currency once again.

Citing both reduced political uncertainty in domestic markets and improvements in the international funding conditions



prompted by the continuation of expansionary monetary policies signaled by G3 countries' central banks, CBRT lowered its policy rate by a total of 175 bps in its May, June, and July meetings, pulled back the policy rate to 8.25% level.

As of its August meeting, CBRT ended the easing cycle, on the back of deterioration in inflation expectations, left its policy rate at 8.25%. For the rest of the year, CBRT responded to the volatility in TRY with liquidity management, keeping the monetary policy tight via flat yield curve.

Having grown rapidly in the first quarter of the year, Turkish economy began to lose steam in the second quarter. Details showed that exports remained the

biggest contributors to growth throughout the year. On the flip side, private demand, weakened by macroprudential measures could not be recovered then despite CBRT's interest rate cuts. Taking all these considerations into account we revised down our 2014 growth projection to 3% from 3.5%.

Headline inflation, as ever the Turkish economy's Achilles heel, exceeded the target for the fourth year in a row with 8.17% in 2014.. Higher food prices due to drought and weakening of Turkish lira contributed significantly to this overshoot. On the other hand, reflection of lower oil prices to transportation group through automatic price adjustment mechanism limited further rise in annual inflation.

We believe that, developments in international markets and course of oil prices will be the main determinants of Turkish economic outlook in 2015. In our base scenario, in which oil prices fall to USD 58 per barrel, we expect another 50bps rate cut by CBRT in the first quarter in addition to its 50bps cut in January. Assuming that some of the saving in energy cost due to lower oil prices is spent and rate cuts of CBRT lower the credit costs, we expect a recovery in private demand which pulls 2015 growth to 3.5%. In addition, we expect inflation to retreat back to 6.9% while CAD/GDP ratio to fall 4.4% in 2015.

DOMESTIC CAPITAL MARKETS

THE SECTOR'S LEADER

In a year characterized by high levels of economic and political volatility in both its home and foreign markets, IS Investment maintained its standing as market leader in equity trading with a transaction volume of TL 134.7 billion and a market share of 7.7% in 2014.

EQUITY MARKET

The Borsa Istanbul Equity market embarked upon 2014 in an environment in which the Fed had begun to curtail its asset purchases and domestic political tensions were on the rise in the run-up to local-government elections. With the stock market thus distracted, the BIST 100 index fell sharply in the early months of the year. When CBRT's "basket rate" (EUR 0.50 + USD 0.50) hit a historical high at TL 2.87, the bank convened an extraordinary meeting at which it was decided to suppress market volatility by increasing its one-week repo rate from 4.5% to 10.0% and raising the upper edge of its interest rate corridor from 7.75% to 12.0%. The disquiet persisted until the end of February, by which time the BIST 100 index had slumped from its initial 67,000 level in January to around 62,500. When polls suggested that the government's party would substantially maintain its overall share of the vote in

the upcoming local elections and CBRT signaled that it might begin paying interest on banks' Turkish-lira reserve requirements, Turkey's capital markets bucked global market trends and the BIST 100 found itself just below the 70,000 mark at end-March. Expectations that ECB would embark upon a Fed-like asset-buying program of its own impacted favorably on the index in April by fuelling a global appetite for risk that appeared to be oblivious to the mounting tensions between Russia and Ukraine. BIST Equity market optimism was further lifted by the prospects of further CBRT policy-rate cuts. The BIST 100 rose gradually throughout April and closed the month at 73,800. In May as the global appetite for risk remained high even as confusing macro-level numbers coming from the USA and China and the expansionist steps ECB was thought to be about to take set markets' agenda. Citing the fair winds blowing abroad, CBRT reduced its one-week repo rate

HARD STARTUP

THE BORSA İSTANBUL EQUITY MARKET EMBARKED UPON 2014 IN AN ENVIRONMENT IN WHICH THE FED HAD BEGUN TO CURTAIL ITS ASSET PURCHASES AND DOMESTIC POLITICAL TENSIONS WERE ON THE RISE IN THE RUN-UP TO LOCAL-GOVERNMENT ELECTIONS.



by half a percentage point from 10.0% to 9.5%. That was enough to keep the BIST 100 index on its upward course and by end-May it reached 79,300. ECB's promise at its June 5th meeting to cut interest rates and to supply banks with long-term financing on condition that they lend it to real-sector borrowers continued to support the global appetite for risk. German and American indexes reached new historical highs while at home CBRT's 75-BP interest rate cut prompted the BIST 100 to test the 81,900 mark. Although a resurgence in geopolitical risks owing to events in Iraq and Syria together with other developments on the political front provoked selling towards the end of June, the BIST 100 index still closed the first half-year at 78,500

In July ECB announced that it would engage in whatever form of quantitative easing it would take to get growth figures to where it wanted them to be. Made in a climate of general

global optimism, that assurance spurred rises in emerging-market bourses. One notable exception of course was Russia's, which suffered a contraction of more than 10% that was brought on by the severe economic and financial sanctions imposed by the US and EU on Russia owing to its problems with Ukraine. Some of the capital taking flight from Russia landed in Turkey and took up position at BIST. Meanwhile CBRT cut its weekly repo rate by another 50 BP to 8.25%, thus giving the index an additional shot in the arm. Indeed during this period the BIST 100 was one of the world's best-performing indexes. The market's good performance was also abetted by a CBRT-published "Price Developments" report in which the bank said that core-inflation indicators implied that inflation was subsiding even though headline inflation was rising and that it might continue cutting interest rates if changes in the global appetite for risk warranted them. In light of this the BIST 100

index closed July at 82,150, 4.6% higher than its 78,500 level at the beginning of the month.

Better-than-expected US growth and inflation numbers in early August fuelled worries about sooner-than-expected Fed interest rate hikes. The effect of this was to spark sales on emerging-market exchanges while US ones flourished. While most markets recovered at least some of their losses towards the middle of the month, the BIST 100 was unable to match their performance owing, at least in part, to a re-emergence of geopolitical risk stemming from events in Iraq and Syria. Although the BIST 100 index slipped to as low as 76,540 during this period, the news that the economy's current handlers would remain on the job despite a cabinet reshuffle relieved the market's angst somewhat. The index pulled up to just over the 80,000 mark at 80,312, making for a one-month net loss of 2.5% in August. Continued signals of

DOMESTIC CAPITAL MARKETS

growth from the US economy and a soaring US dollar towards end-September increased worries that the Fed would begin pushing up interest rates again in the second half of 2015. The Fed's announcement that its asset-buying program would end by October 31st, evidence of a slowdown in Europe, and even greater geopolitical risks in developing countries drove the US dollar to the highest levels witnessed in five years. With the world's appetite for emerging market risk palling almost everywhere, the BIST 100 index lost 6.8% of its value, going from 80,455 at the beginning of the month to 74,938 at the end.

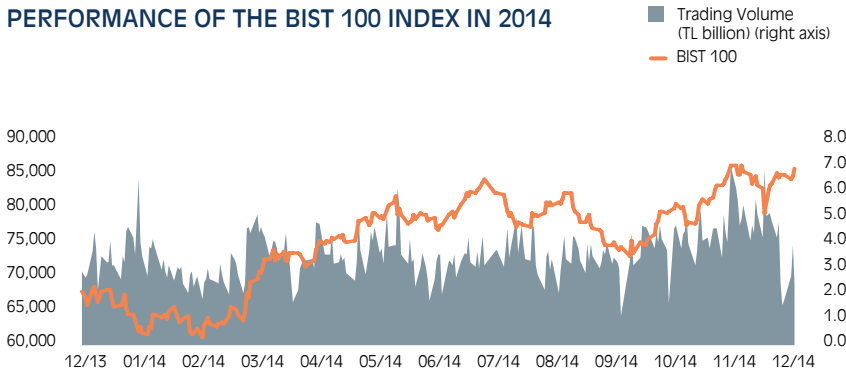
The fall brought on by worries about what the Fed might or might not do at the beginning of October persisted and brought the index to as low as 73,000. The index did somewhat better in the second half of the month when the market

concluded that weakening signals from the global economy reduced the likelihood of a Fed interest rate hike in July. This process was aided by the beneficial impact that the decline in oil prices (by now down to USD 80/barrel) was presumed to have on the performance of oil-importing countries such as Turkey. The ensuing recovery in optimism returned the BIST 100 index to around 80,500 by the end of October. That was soon put paid to by cautions from Moody's about the Turkish economy and by more good signals from the US economy at the beginning of November that drove the index down to the 77,000 range. The market's decline was then reversed by news that ECB and Bank of Japan were embarking upon more monetary expansion and by the steady fall in oil prices. Borsa Istanbul rose gradually once again and reached the 86,000 level by end-November.

OUTPERFORMING

THE FACTOR MOST CONTRIBUTING TO BORSA İSTANBUL'S OUTPERFORMING COMPARABLE MARKETS WAS THE NOT-UNREASONABLE EXPECTATION THAT THE ONGOING COLLAPSE IN WORLD OIL PRICES WOULD RESTRAIN INFLATION AND REDUCE THE CURRENT ACCOUNT DEFICIT.

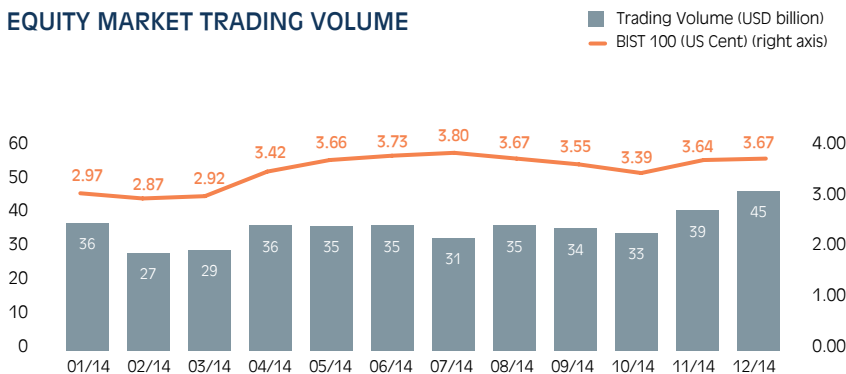
PERFORMANCE OF THE BIST 100 INDEX IN 2014



85,721

WITH THE EFFECT OF THE DECLINE IN WORLD OIL PRICES, THE BIST 100 INDEX HAD A RISE IN THE BEGINNING OF DECEMBER AND CLOSED THE YEAR AT A LEVEL OF 85,721.

EQUITY MARKET TRADING VOLUME



The factor most contributing to Borsa Istanbul's outperforming comparable markets was the not-unreasonable expectation that the ongoing collapse in world oil prices would restrain inflation and reduce the current account deficit. Thus when oil prices continued to fall, there was optimism at BIST at the beginning of December but that lasted only until very much better-than-expected non-farm payroll data arrived from the US, where strong labor market performance figures increased concerns that the Fed would start raising interest rates ahead of schedule. Once again it was the currencies and bourses of developing countries like Turkey that suffered. A sharp mid-month depreciation in the Russian ruble soured markets' expectations about the currencies of other developing countries, which caused the Turkish lira to lose value and prompted selling at Borsa Istanbul, where

the index fell back into the 80,000 range.

In a year characterized by high levels of economic and political volatility in both its home and foreign markets, IS Investment maintained its standing as market leader in equities trading with a transaction volume of TL 134.7 billion and a market share of 7.7% in 2014.

The vigor of the BIST equity market was reflected in trading in borrowed securities, which broke new records last year with total volume up by 107% year-on and reaching TL 12.6 billion in value. IS Investment remained the most active player in the securities lending market, commanding there a market share of 21% worth TL 2.6 billion. Equity market developments also stimulated interest in margin trading as well.

MONTHLY DEVELOPMENT OF IS INVESTMENT' MARGIN TRADING-2014

2014	AMOUNT LENT (TL)
January	258,103,949
February	263,952,721
March	255,920,278
April	269,831,438
May	244,989,381
June	259,393,773
July	238,470,612
August	242,477,544
September	266,151,491
October	274,216,642
November	285,964,054
December	280,276,948

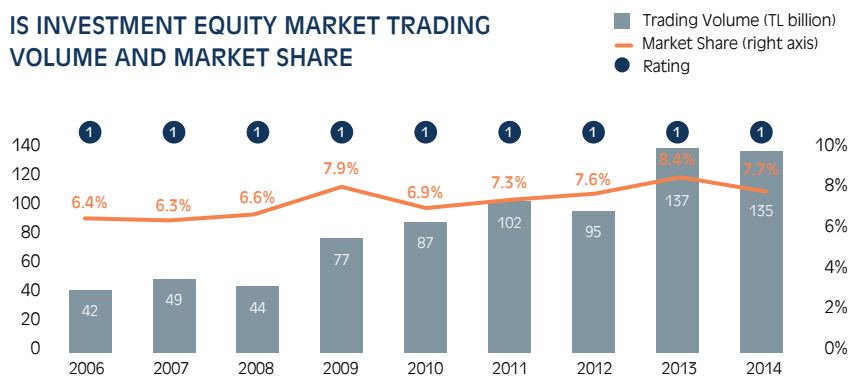
EQUITY MARKET: RANKING BY TRADING VOLUME

BROKERAGE HOUSES		TRADING VOLUME (TL MILLION)		CHANGE (%)	MARKET SHARE (%)		
2013	2014	2013	2014	(%)	2013	2014	
1	1	IS INVESTMENT	137,273	134,725	(1.9)	8.4	7.7
3	2	BROKERAGE HOUSE 1	112,692	129,730	15.1	6.9	7.4
2	3	BROKERAGE HOUSE 2	121,665	127,787	5.0	7.4	7.3
6	4	BROKERAGE HOUSE 3	64,006	80,865	26.3	3.9	4.6
8	5	BROKERAGE HOUSE 4	61,055	72,566	18.9	3.7	4.2
		TOTAL TOP 5	505,605	545,673	7.9	30.9	31.3
		GRAND TOTAL	1,633,634	1,745,821	6.9		

134,725

IS INVESTMENT MAINTAINED ITS STANDING AS MARKET LEADER IN EQUITY TRADING WITH A TRANSACTION VOLUME OF TL 134.7 BILLION AND A MARKET SHARE OF 7.7% IN 2014.

IS INVESTMENT EQUITY MARKET TRADING VOLUME AND MARKET SHARE



DOMESTIC CAPITAL MARKETS

DEBT SECURITIES MARKET

The 2014 agenda of the debt securities market was largely set by political developments. The US Federal Reserve Bank's quantitative easing-exit strategies, which had been sitting at the very top of that agenda since May 2013, in 2014 generated only modest volatility in a market in which minds were more preoccupied by political issues. In the first quarter the hottest topic was local-government elections being held at the end of March; thereafter and for most of the summer, attentions were focused on the August presidential election. With the entanglement of Syria's civil war and events in northern Iraq, the region's chaotic landscape took on an entirely new and more sinister appearance from which Turkey's risk premium suffered collateral damage. Events in eastern Ukraine were another factor that elevated Turkey's risk premium.

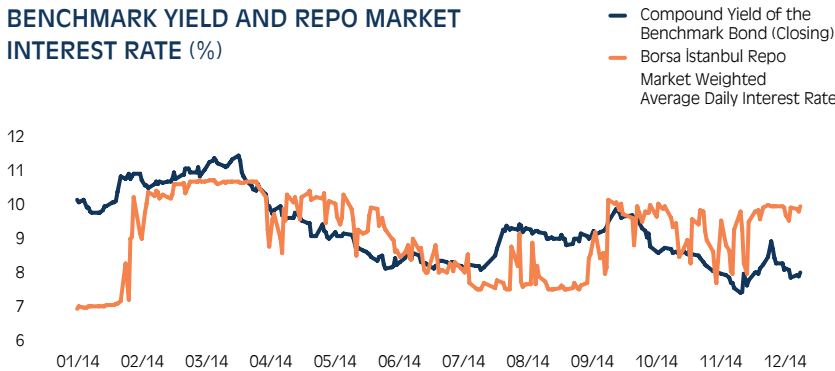
Worries about global growth and the collapse in oil prices associated with them loomed large in the last quarter of the year. With the price of a barrel of oil down to USD 55, Russia's economy teetered on the brink of crisis and Turkey's economy could not avoid being affected by that, even if only to a limited degree.

Owing both to the country's perceived political risks and to a generally-depressed global appetite for risk at end-2013, Turkey's debt securities market unavoidably got off to a poor start in 2014. Interest rates soared to the 11.50% level in January, CBRT's "basket rate" (EUR 0.50 + USD 0.50), slumped to TL 2.80, and 5-year Turkish CDS premiums fetched 275. Be that as it may, that was the worst of it: matters tended to improve for the rest of the year thanks both to CBRT intervention and to global developments.

VOLATILITY

THE 2014 AGENDA OF THE DEBT SECURITIES MARKET WAS LARGELY SET BY POLITICAL DEVELOPMENTS.

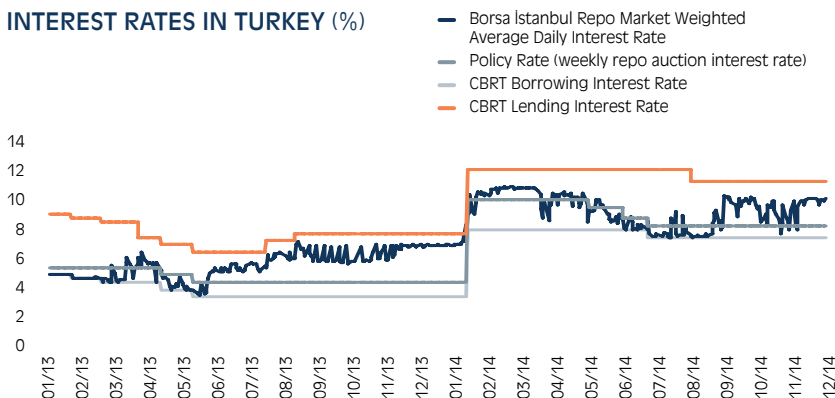
BENCHMARK YIELD AND REPO MARKET INTEREST RATE (%)



10.04%

THE BENCHMARK BOND RATE, WHICH BEGAN THE YEAR AT 10.24%, WAS DOWN TO 8.02% BY YEAR-END WHILE THE INTEREST RATE AT THE BORSA İSTANBUL REPO MARKET JUMPED FROM 6.91% TO 10.04% DURING THE SAME TWELVE-MONTH PERIOD.

INTEREST RATES IN TURKEY (%)



CBRT abstained from raising interest rates at its regular Monetary Policy Committee meeting in January 2014; but when markets quickly turned sour and became more volatile, a second extraordinary meeting was convened late that month at which the bank announced both increases in its benchmark rates and an upward adjustment of its interest rate corridor. It set a 10% benchmark on its weekly lending auctions and began making more aggressive use of it as well. It also reduced its interest rate corridor to the 8%-12% range, thereby giving itself the ability to set its effective funding rate between 10% and 12% depending on the amount being lent. These measures quickly made themselves felt. Now that local-government elections were over and the impact of the Fed's cutback in asset purchases had proven to be modest, domestic and foreign investors began showing

an interest in the market again. CBRT for its part began cutting its own interest rates taking into account expectations that the Fed would delay monetary tightening as well as extremely weak growth in Europe and ECB measures to deal with it. The benchmark rate fell to 8.25%, CBRT's basket recovered to TL 2.58, and market interest rates subsided to 8.10%.

In September, by which time CBRT's interest rate cuts were over, there was another upwelling of tensions on the domestic political front which, combined with speculation about some banks and with worries that the Fed might be more aggressive about monetary tightening than was anticipated, reversed the hitherto positive trend: the US dollar began trading at TL 2.28 and CBRT's basket at TL 2.58 while the compound benchmark bond rate shot up to 10%. Although five-year

FED'S MOVE

IN SEPTEMBER, THERE WAS ANOTHER UPWELLING OF TENSIONS ON THE DOMESTIC POLITICAL FRONT WHICH, COMBINED WITH SPECULATION ABOUT SOME BANKS AND WITH WORRIES THAT THE FED MIGHT BE MORE AGGRESSIVE ABOUT MONETARY TIGHTENING THAN WAS ANTICIPATED, REVERSED THE HITHERTO POSITIVE TREND.

5-YEAR TURKISH CDS PREMIUMS



202

5-YEAR CDS HAD FALLEN TO AS LOW AS 163 AT ONE POINT PREVIOUSLY DURING THE YEAR, HEIGHTENED GEOPOLITICAL RISKS PUSHED THEM TO 202 IN SEPTEMBER.

DOMESTIC CAPITAL MARKETS

CDs had fallen to as low as 163 at one point previously during the year, heightened geopolitical risks pushed them to 202 in September.

High levels of domestic inflation combined with expectations that the Fed would activate its exit strategies in 2015 led the market to suspect that CBRT was about to begin a round of interest rate hikes. As it turned out, benchmark rates actually fell to as low as 7.40%, partly due to gloomy forecasts of global growth and to continued rapid declines in oil prices but also because expectations about the country's current account deficit and 2015 inflation performance improved markedly. Although the idea that CBRT might actually have to cut interest rates gained considerable traction, the Turkish lira suffered tremendously as a result of the fallout from extremely low oil prices and investor flight from Russia. Although CBRT kept its

short-term rates low in the face of these events it appeared to retain its medium-term optimism at least. As the Russian crisis unfolded, interest rates rose as high as the 8.80% level. However the yield curve became inverted, mainly due to high short-term interest rates, while the compound benchmark bond rate, the CBRT basket rate, and five-year CD rate reached the 8.50%, 2.57, and 180 levels respectively.

Last year IS Investment ranked fifth among Turkey's brokerages with a 7.1% share (worth TL 8.0 billion) of the outright trading in debt securities market. IS Investment tapped markets for TL 250 million through a public flotation and for another TL 375 million by selling six-month bonds to qualified investors, who also issued its TL 117 million (nominal) issue of structured debt instruments with various maturities.

OPTIMISM

ALTHOUGH CBRT KEPT ITS SHORT-TERM RATES LOW IN THE FACE OF THESE EVENTS IT APPEARED TO RETAIN ITS MEDIUM-TERM OPTIMISM AT LEAST.

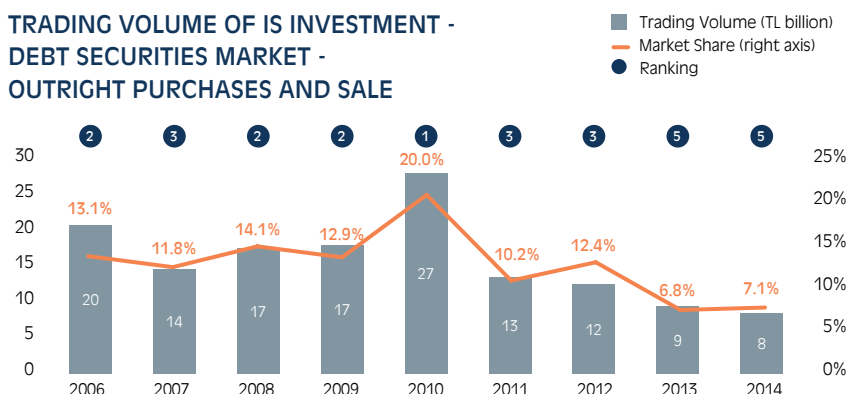
TRADING VOLUME OF BROKERAGE HOUSES - BORSA İSTANBUL DEBT SECURITIES MARKET - OUTRIGHT PURCHASES AND SALES

BROKERAGE HOUSES		TRADING VOLUME (TL MILLION)		CHANGE (%)	MARKET SHARE (%)		
2013	2014	2013	2014		2013	2014	
2	1	BROKERAGE HOUSE 1	29,238	31,003	6.0	21.1	27.5
3	2	BROKERAGE HOUSE 2	22,262	27,893	25.3	16.1	24.7
4	3	BROKERAGE HOUSE 3	13,274	10,102	(23.9)	9.6	8.9
9	4	BROKERAGE HOUSE 4	3,894	8,272	112.4	2.8	7.3
5	5	IS INVESTMENT	9,433	8,024	(14.9)	6.8	7.1
		TOTAL TOP 5	105,568	85,294	(19.2)	76.1	75.5
		GRAND TOTAL	138,647	112,898	(18.6)		

7.1%

LAST YEAR IS INVESTMENT RANKED FIFTH AMONG TURKEY'S BROKERAGES WITH A 7.1% SHARE (WORTH TL 8.0 BILLION) OF THE OUTRIGHT TRADING IN DEBT SECURITIES MARKET.

TRADING VOLUME OF IS INVESTMENT - DEBT SECURITIES MARKET - OUTRIGHT PURCHASES AND SALE



DERIVATIVES MARKET

BIST 30 contracts continued to dominate trading at the Borsa Istanbul Derivatives Market in 2014. The number of open positions in this contract was observed to rise steadily during the first six months, nearly doubling from around 185 thousand in January to around 350 thousand in June. Despite this activity however, there were no significant year-on-year increases in trading volumes during January or February while YoY trading volumes were actually lower in March, June, and July. During the second half-year, the number of open positions hovered around the 240 thousand mark.

Last year IS Investment ranked first at the Derivatives Market with an 11.1% share (worth TL 96.8 billion) of the market's trading in all derivatives contracts. As one of the founding members of Turkey's

futures & options market ((formerly TurkDEX)) when it was launched in 2005, IS Investment remained its leader even after its reorganization in 2014 as the Borsa Istanbul Derivatives Market. IS Investment is also the first—and still the only—recognized market-maker in single-stock futures, a new market that the company is helping to grow and acquire both liquidity and depth.

Although index volatility in the first quarter was a relatively high 30-35%, it remained in the 20-25% range for most of the rest of the year, only to rise once again in December. Owing to the absence of an effective options market at BIST as yet, there was little that players could do to contend with such volatility though some activity was to be observed in option contracts nonetheless. In a slowly developing market, trading volumes increased steadily day by day. First-quarter options contract trading was

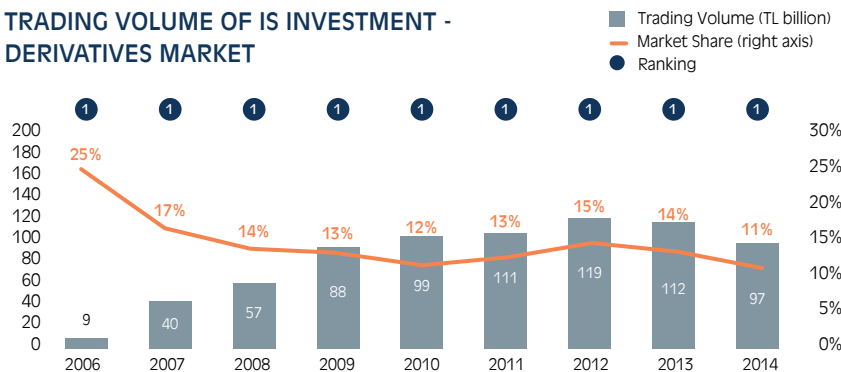
worth TL 236 million, an amount generating TL 236 million worth of premiums. By midyear, those numbers reached TL 17.4 million and TL 674.9 million respectively. Third-quarter premiums amounted to TL 24.4 million on TL 1.2 billion worth of trading. On a twelve-month basis, this market's trading was worth TL 2 billion on which TL 38 million premiums were collected. If such momentum can be sustained, it seems likely that the options market will be reaching serious dimensions before very much longer. In 2014 IS Investment ranked first in options trading with a 31% share worth TL 615 million.

Warrant issues remained vigorous in 2014. IS Investment is still the only issuer of warrants with underlyings USD/TL and Gold (including quantos and flexos on gold). In 2014 it introduced outperformance warrants to Turkey's capital markets and investors for the first time. With the support of the company's marketing efforts, IS Investment's share of total warrant market trading volume has increased from 5% to 30%. Last year a total of 1,885 warrant issues took place on the market, of which IS Investment handled 995. IS Investment has been responsible for more underlying asset and warrant issues than any other brokerage active in this market. As of end-2014, 318 warrants were being traded on the market. Last year IS Investment overhauled its www.isvarant.com website in order to better acquaint investors with warrants and to promote trading in these instruments.

TRADING VOLUME OF BROKERAGE HOUSES - DERIVATIVES MARKET

BROKERAGE HOUSES		TRADING VOLUME (TL MILLION)		CHANGE (%)	MARKET SHARE (%)		
2013	2014	2013	2014		2013	2014	
1	1	IS INVESTMENT	111,708	96,824	(13.3)	13.5	11.1
2	2	BROKERAGE HOUSE 1	61,653	94,679	53.6	7.5	10.9
12	3	BROKERAGE HOUSE 2	23,944	57,433	139.9	2.9	6.6
3	4	BROKERAGE HOUSE 3	41,513	43,423	4.6	5.0	5.0
5	5	BROKERAGE HOUSE 4	37,244	38,272	2.8	4.5	4.4
		TOTAL TOP 5	289,504	330,631	14.2	35.0	38.0
		GRAND TOTAL	826,913	869,264	5.1		

TRADING VOLUME OF IS INVESTMENT - DERIVATIVES MARKET



11.1%

LAST YEAR IS INVESTMENT RANKED FIRST AT THE DERIVATIVES MARKET WITH AN 11.1% SHARE (WORTH TL 96.8 BILLION) OF THE MARKET'S TRADING IN ALL DERIVATIVES CONTRACTS.

INTERNATIONAL CAPITAL MARKETS

ECONOMIC DIVERGENCE

2014 was a year in which the courses of the world's economies significantly diverged from one another. We embarked upon the year without much good news coming from most countries, and for most of 2014 it was only the US economy that managed to do consistently well.

2014 was a year in which the courses of the world's economies significantly diverged from one another. We embarked upon the year without much good news coming from most countries, and for most of 2014 it was only the US economy that managed to do consistently well. In the euro area, we witnessed steadily worsening disinflation followed by fears of stagflation. In its efforts to deal with this economic impasse, the European Central Bank reached a point to embark upon an asset-buying program of its own. Whether the bank will actually take that step and—more importantly—whether it will do any good is something that we shall have to wait and see in 2015. On this point, it is probably best not to have any great expectations. There were unmistakable signs of slowdown throughout EU—even Germany's—while political risks were exacerbated in some of the

more troubled countries—Greece in particular. While ECB's presence made it virtually impossible to evaluate risks involving sovereign debt and euro, equity markets' reactions were much less uncertain and a great deal harsher. Russia's annexation of Crimea spawned severe economic and geopolitical risks. The West's retaliatory embargos and sanctions certainly hurt Russia but they made life more difficult for Europe as well. On the other hand, the collapse of oil prices towards the end of the year resulted in more economic pain for Russia. Fears over debt repayments due in 2015 resulted in capital flight from Russia and efforts to stem this outflow by raising interest rates and tinkering with exchange rates proved ineffectual. Markets must now consider a host of highly distasteful scenarios, not least of them being the imposition of capital controls.

OIL PRICES

ALREADY SUFFERING FROM THE DOWNTURN IN THE GLOBAL ECONOMY AND WEAK DEMAND, OIL PRICES TUMBLED STILL, DUE TO A SURGE IN SHALE-BASED PRODUCTION IN THE UNITED STATES.



TOKYO



NEW YORK



LONDON

Already suffering from the downturn in the global economy and weak demand, oil prices tumbled still, due to a surge in shale-based production in the United States. Towards the end of the year, the matter evolved into a high-stakes poker game between a throng of US producers on one side and a few OPEC members on the other. Among the latter were Saudi Arabia and other low-operating-cost producers, whose refusal to cut back production on the grounds that bargain-basement prices would soon force America's high-operating-cost producers out of the market, meaning oil prices will remain depressed for a while longer at the very least. This creates a huge income effect in favor of countries that are net consumers of oil, at the expense of those that are net producers. While it is calculated that for every USD 10 fall in the price of oil, global growth is boosted by a tenth of a percentage

point. It should also be noted this process reduces the international flow of petrocurrencies (especially those going to emerging markets) and may even dry it up entirely.

On the Asian front, monetary expansion in Japan (dubbed "Abenomics") proved to be less successful than had been hoped, and higher taxes only served to deepen recession. Thus challenged, Prime Minister Shinzo Abe called for snap elections, from which his party emerged victorious with a popular mandate to continue with existing economic policies. However, Japan's budget is under serious pressure and this has led to the country's credit rating being downgraded. While markets will continue to show Abe forbearance in 2015, that is not likely to last beyond the mid-year. Not much success has been reached in terms of efforts and measures taken in order to rebalance the national economy in China. Although the

rate of economic growth there remains above 7%, deterioration of the balance within the domestic economy appears to worsen, if anything. If the government does succeed in positioning the economy away from investment in favor of consumption, the outcome will prove even slower growth in 2015. That would certainly affect asset prices in general and commodity prices in particular. It is no accident some industrial commodities such as iron ore are already trading at the lowest price levels witnessed in years.

It was in the midst of all this uncertainty and gloom the United States trod an entirely different path. With its economy creating an average of 210 thousand jobs a month, unemployment fell rapidly, which by year-end there were inklings of growth in wages, though it is still much too early to call it "pressure". Capacity utilization returned to its pre-crisis level of

INTERNATIONAL CAPITAL MARKETS

80% and improvements were observed both in ISM's Purchasing Managers' Indexes and in other services indexes. With so much good news coming in, the Fed's initially dovish attitude at the beginning of the year began to change as well. At the last monetary policy meeting of the year, Fed implied interest rates might be raised again as early as midyear 2015, if not sooner. However, when taking into account the current pace of inflationary data which the Fed-like everyone else in the world-uses as a decision-making criteria, a serious rise in interest rates seems highly unlikely. This is so, because the US economy did not formally emerge from recession until March 2009, meaning growth has just currently entered its mature phase. Under such conditions, the possibility of a slowdown that would prevent interest rates from being increased is a matter of graver concern than are any minor rises.

INTERNATIONAL EQUITY MARKETS

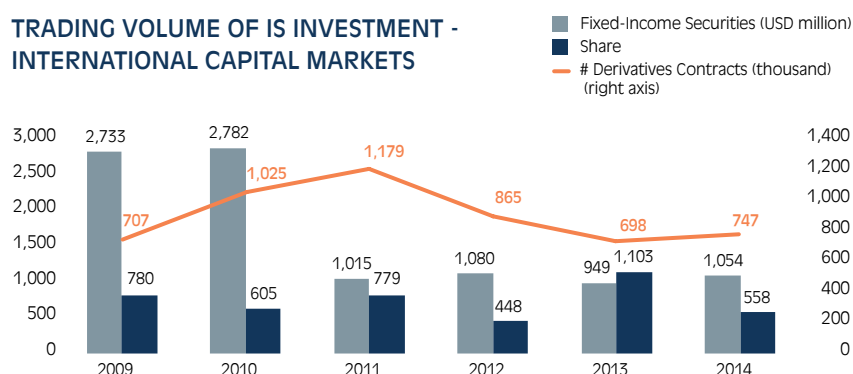
Although the possibility of a US Federal Reserve Bank interest rate hike in 2015 began re-animating international equity markets after midyear 2014, uncertainties about commodity prices-especially oil-negatively affected trading volumes. Owing to their spot and unleveraged structure, these products are at a disadvantage compared with other IS Investment products and its trading volume in this business line contracted in 2014. Informational meetings and educational seminars aimed to funnel investors back to this market and increase their interest in products such as equities, derivatives, and so-called "contracts for difference" (CFD) hosted by the Company have continued in 2014. It was to be observed reports and advisories based on specific information produced better results.

INTERNATIONAL DEBT SECURITIES MARKET

As was also true in 2013, central banks once again were the prime movers of bond markets last year. In line with expectations, the central bank that most influenced interest rate markets-the US Federal Reserve Bank-terminated its monetary expansion program in parallel with improvements in the US economy in 2014. As 2013 was drawing to a close, most economists were predicting the rate on 10-year US government bonds (which closed the year at the 3% level) would advance towards the 4% level as a by-product of the end of Fed's asset purchases. In fact, the rate dropped to as low as 1.86%, thereby demonstrating "most economists" can be also be wrong.

As US rates decreased, while the European Central Bank unexpectedly cut interest rates and accelerated its bond buying programme, European sovereign

TRADING VOLUME OF IS INVESTMENT - INTERNATIONAL CAPITAL MARKETS



PERFORMANCE OF EMERGING MARKET BONDS (%)

COUNTRY	2013	2014
EMBI+	(8.31)	7.7
Ecuador	15.43	4.43
Turkey	(12.58)	20.87
Colombia	(8.67)	9.57
Brazil	(11.72)	9.73
Panama	(10.94)	14.25
Philippines	(7.14)	12.58
Mexico	(8.12)	10.96
Peru	(11.16)	13.17
South Africa	(7.5)	10.78

bonds rapidly gained value. The decision by Bank of Japan- one of Asia's major players- to expand its QE in a year when the Fed was suspending its own program, contributed European bonds' value. Although the yields on 10-year Italian and Spanish bonds slipped under 2%, BOJ was finding it possible to borrow on ten-year terms at below 0.4%.

The global appetite for risk was fuelled by positive developments in emerging markets, where significant rises were observed. The Emerging Markets Bond Index Plus (EMBI+) rose by 7.7%, recovering its losses from 2013. In Turkey, a record-breaking 20.87% rise was registered. The collapse in oil prices contributed significantly to Turkey's bonds outperforming the EMBI+ average by a wide margin. Although cheaper oil made life very difficult for oil-exporters, for countries like Turkey that suffer from high current account deficits and those whom are net-energy importers, it was very good news indeed.

INTERNATIONAL DERIVATIVES MARKETS

Traded via the TradeMaster International (TMI) platform, contracts for difference (CFD), (added to IS Investment's product portfolio in the last quarter of 2012), continued to provide investors with opportunities to engage in leveraged trading in a variety of assets such as equities, indexes, and commodities. As was also the case last year, CFDs have been among the products at the epicenter of investor interest.

Option contracts based on indexes, commodities, and exchange rates, which ranked among the most attractive products for TMI users in 2013, were somewhat less favored in 2014.

Entering its sixth year in 2014, IS Investment client trading on the London Metal Exchange was mostly for hedging purposes, as was the case in previous years. This was especially true during the first six months. The bankruptcy of a Chinese technology firm and the

refusal of China's government to intervene created something of a panic in the first quarter, which initially stifled trading somewhat second quarter. However, more speculative-minded investors started taking an interest, and trading volumes normalized thereafter.

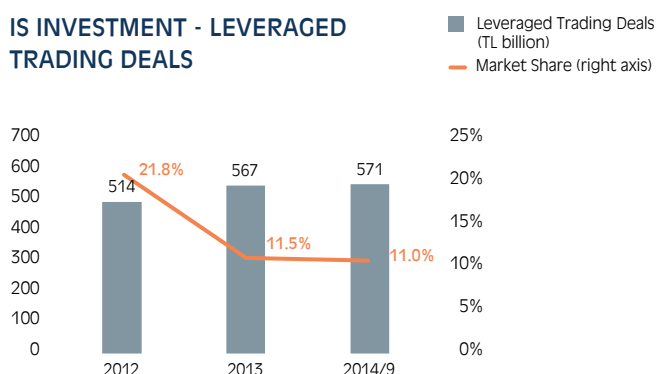
LEVERAGED TRADING

The number of brokerage houses licensed to engage in leveraged trading at in the domestic market- which officially began in August 2011- was 34 in 2013 and rose to 41 last year.

According to figures published for the first nine months of 2014 (the most recent available at this time) IS Investment was the leveraged trading market's leader with an 11% share with volumes totaling TL 571 billion.

Work began on the development of a new leveraged trading platform which will be made available for investors to use in addition to the existing Meta Trader 4 solution.

IS INVESTMENT - LEVERAGED TRADING DEALS



11%

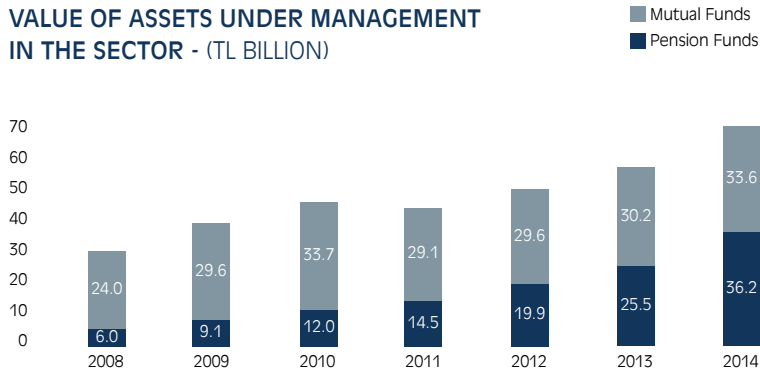
ACCORDING TO FIGURES PUBLISHED FOR THE FIRST NINE MONTHS OF 2014 (THE MOST RECENT AVAILABLE AT THIS TIME) IS INVESTMENT WAS THE LEVERAGED TRADING MARKET'S LEADER WITH AN 11% SHARE WITH VOLUMES TOTALING TL 571 BILLION.

ASSET MANAGEMENT

STRONG GOAL

The consolidated assets under management of IS Investment stood at TL 18.4 billion as of end-2014.

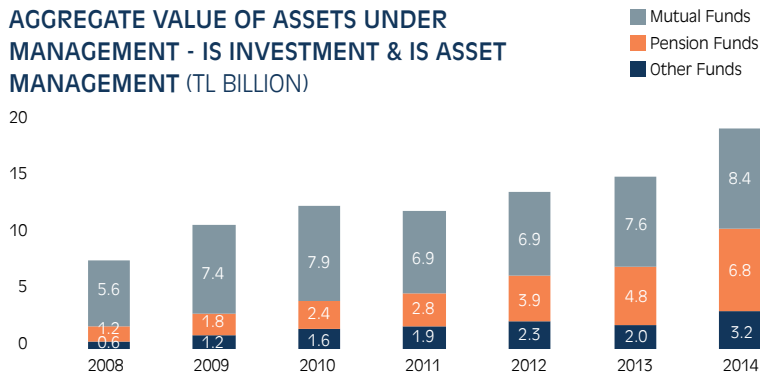
VALUE OF ASSETS UNDER MANAGEMENT IN THE SECTOR - (TL BILLION)



33.6

IN TURKEY, TOTAL MUTUAL FUNDS SIZE IN 2014 AMOUNTED TO TL 33.6 BILLION IN VALUE AND WAS UP BY 11% YEAR-ON.

AGGREGATE VALUE OF ASSETS UNDER MANAGEMENT - IS INVESTMENT & IS ASSET MANAGEMENT (TL BILLION)



*Includes private asset management portfolio, alternative investment products portfolio, SICAV funds, and the portfolio of IS Investment Trust.



Total mutual funds size in 2014 amounted to TL 33.6 billion in value and was up by 11% year-on while pension funds size was up by 42% and reached TL 36.2 billion in value.

The consolidated assets under management of IS Investment stood at TL 18.4 billion as of end-2014. The mutual funds under the company's management grew in line with the overall market by 11% year-on and reached TL 8.4 billion, which gave IS Investment a 23% share of that market. The growth

in the pension fund component of the company's portfolio similarly paralleled market developments: IS Investment's portfolio of pension fund size increased by 41% to TL 6.8 billion and maintained the company's leading position in this business line with an 18.8% market share. IS Investment has set itself the goal of establishing itself as the absolute market leader in terms of total consolidated assets under management in 2015.

DOMESTIC SALES & MARKETING

NEW PRODUCTS

The initial work on IS Investment's TradeMaster FX Plus project, the Company's new forex trading platform, was completed.

During 2014 the company engaged in meetings with large numbers of potential clients all over the country with the aim of attracting new ones.

Visits were made to potential investors in Antalya, Adana, Bodrum, Isparta, Burdur, Ankara, Samsun, Eskişehir, and Izmir and new clients were acquired as a result.

Our new Antalya branch, which received its CMB license in March, commenced operations in April. This brings the number of regional branches to eleven and gives IS Investment direct access to investors in one of Turkey's biggest cities after Istanbul, Ankara, Izmir, Adana, and Bursa. Informational meetings and educational seminars were conducted in Antalya as well as in nearby Isparta both to promote IS Investment's new branch and to recruit clients for it. Similar events were organized for existing and potential investors in Adana, Ankara, and Istanbul all year long. A Technical Analysis and Platform Training Program focusing especially on domestic markets that was conducted in partnership with Matriks was heavily attended last year.

In 2015 IS Investment will continue to conduct visits aimed at gaining new clients and strengthening relationships with existing ones. The company plans to hold more informational/educational gatherings in other localities where

there appears to be potential for new client acquisition.

For warrants, a business line that has begun to gain importance in Turkey's capital markets, IS Investment engages in a variety of promotional activities to increase both investors' awareness of this asset class and the company's trading volume in them. The company's isvarant.com website was also renovated to make it more functional.

In order to combine theoretical knowledge with practical experience, IS Investment's TradeMaster Campus Program was launched under the TradeCenter project at Bilkent, METU, Yaşar, Izmir Ekonomi, and Istanbul Bilgi universities. The aims of the TradeCenter project are to support financial literacy and increase awareness of the role and importance of financial markets, especially among young people. In order to enhance the appeal of TradeCenters as centers of attraction, a TradeMaster Investment League contest was organized at the centers on the Boğaziçi, Bilkent, Bilgi, Izmir Ekonomi, METU, and Yaşar university campuses in which participants competed against one another in forming and managing portfolios consisting of BIST 100 index shares. Contests consisting of portfolios with FX assets were also conducted at Yaşar and Bilkent universities. In another contest conducted late in the year with the

additional involvement of Istanbul, Kültür, Gazi, and other universities, the scope was expanded to include derivatives, government bonds, EUR, USD, gold, and other asset classes as well.

Discussions are currently taking place to expand the TradeCenter projects to other universities. The centers at the Istanbul, Kültür, and Gazi campuses are scheduled to open in the first quarter of 2015. Universities all over Turkey are showing a very strong interest in the TradeMaster Investment League program and consideration is being given to continuing the contests with even more schools taking part.

Last year IS Investment representatives attended the Istanbul Forex Festival (15-16 March) as well as the Forex Magnates Conference held a couple of weeks later (4-6 April) at Çırağan Palace Istanbul in search of new FX trading clients. Both events provided opportunities for the company to increase investor awareness of its presence in this business line. Detailed presentations were made and new investors were signed up.

The initial work on IS Investment's TradeMaster FX Plus project was completed and a demo version of what will be our new forex trading platform was made accessible to investors. We have begun updating and promoting the project's website. Our goal is to have this platform fully operational for investors to use in early 2015.

As a result of projects carried out in 2014, it became possible to trade in any mutual fund registered on the Turkish Electronic Funds Trading Platform through the company's TradeMaster electronic trading platform as of 1 January 2015. In addition to trading, the additions and improvements in the IS Investment TradeMaster platform allow investors to display fund-related price and yield information in numerical and graphic formats and to compare and analyze different funds' performances.

PRIME BROKERAGE

Under the heading of prime brokerage services, IS Investment continued to trade in capital market vehicles on behalf of asset management companies, to set up mutual funds, and to provide investment advisory services, which include when requested, support and research services related to technology and risk management issues. Following changes in the Capital Markets Act, attention was also given to

prime brokerage services related to client accounts that are managed by asset management companies and are held by custodian banks. New business lines were created through the TradeMaster electronic trading platform.

IS Investment provides prime brokerage services for all types of mutual funds that asset management companies set up to appeal to the different risk-vs-return preferences of the investors they are designed for. It has also become possible for IS Investment's own clients to trade in all third-party funds that conform to their risk-vs-return preferences thanks to the inclusion of such funds in the Company's product portfolio through the Turkey Electronic Fund Trading Platform.

Asset management companies began to be set up in Turkey in 2007 following the Capital Markets Board's announcement of a regulatory framework governing them. Over the years since then, IS Investment set up no fewer

than 25 mutual funds for such companies.

Concurrent with the formation and management of funds' portfolios, we worked in coordination with the Treasury & Portfolio Management Department in the brokerage of structured debt instrument issues in order to devise products compatible with the yield-enhancing strategies of asset management companies.

Due to recent changes in the capital markets legal framework, investment companies are no longer allowed to set up mutual funds. For this reason, attention was given to transferring control of the funds of which our company is the founder. As a first step in this process, responsibility for the custodianship, funding, and valuation services of all such funds was turned over to İsbank before 1 July 2014, the date on which the new Capital Markets Board communique went into effect.

MUTUAL FUNDS AND PRIME BROKERAGE SERVICES

Fund	Total Value (TL)	# Investors
IS INVESTMENT LOGOS TYPE B FIXED INCOME BOND & BILL FUND	33,163,489	64
ASHMORE IS INVESTMENT TYPE A VARIABLE EQUITY (EQUITY INTENSIVE) FUND	2,409,329	12
NOTUS PORTFOLIO IS INVESTMENT DINAMIC TYPE B VARIABLE FUND	1,041,524	3
İSTANBUL PORTFOLIO IS INVESTMENT TYPE B VARIABLE FUND	6,022,682	22
NOTUS PORTFOLIO IS INVESTMENT TYPE B VARIABLE FUND	37,498,671	76
BOSPHORUS CAPITAL IS INVESTMENT TYPE B LOW DURATION BONDS AND BILLS FUND	275,029,894	1,877
İSTANBUL PORTFOLIO IS INVESTMENT TYPE B LOW DURATION BONDS AND BILLS FUND	80,960,457	460
TAALERİ PORTFOLIO IS INVESTMENT TYPE B VARIABLE FUND	6,883,111	74
ASHMORE IS INVESTMENT TYPE B MULTI STRATEGY VARIABLE FUND	1,478,780	5
İSTANBUL PORTFOLIO IS INVESTMENT TYPE B LIQUID FUND	1,702,700	30
IS INVESTMENT BOSPHORUS CAPITAL TYPE B VARIABLE FUND	147,034,488	237
ASHMORE IS INVESTMENT TYPE B LOW DURATION BONDS AND BILLS FUND	982,390	138
IS INVESTMENT PERFORM PORTFOLIO TYPE B LOW DURATION BONDS AND BILLS FUND	6,664,060	6
İSTANBUL PORTFOLIO IS INVESTMENT TYPE A VARIABLE FUND	592,863	3
IS INVESTMENT LOGOS SEMI-DIRECTED HEDGE FUND	226,870	1
IS INVESTMENT BOSPHORUS CAPITAL FIXED INCOME PURPOSE HEDGE FUND	129,582,354	140
IS INVESTMENT ARK HEDGE FUND	36,939,673	17
IS INVESTMENT LOGOS DYNAMIC HEDGE FUND	14,976,186	9
IS INVESTMENT BOSPHORUS CAPITAL FIXED INCOME PURPOSE HEDGE FUND	39,717,164	22
IS INVESTMENT BOSPHORUS CAPITAL HEDGE FUND (EQUITY INTENSIVE)	98,312	0
IS INVESTMENT İSTANBUL PORTFOLIO HEDGE FUND	42,304,591	18
IS INVESTMENT DEĞER EKSENLİ FIRSATLAR HEDGE FUND	60,923,500	3
IS INVESTMENT PERFORM PORTFOLIO HEDGE FUND 2	11,209,997	1
IS INVESTMENT PERFORM PORTFOLIO HEDGE FUND 1	11,686,209	0
IS INVESTMENT ARMA PORTFOLIO "DIRECTED" HEDGE FUND	17,712,992	5
TOTAL	966,842,285	3,223

INSTITUTIONAL SALES & MARKETING

HIGH YIELDS

Though having to contend with the ups and downs resulting from two national elections in 2014, Borsa Istanbul nevertheless remained among the emerging-market bourses that generated the year's highest returns.

Though having to contend with the ups and downs resulting from two national elections (local government followed by presidential) in 2014, Borsa Istanbul nevertheless remained among the emerging-market bourses that generated the year's highest returns. Despite a relatively slow first-quarter start, the market continued to pick up markedly during the rest of the year and this situation did not go unnoticed among international investors, whose interest in BIST increased. But while non-resident investors put USD 2.2 billion more into BIST than they took out in 2014, their share of total market capitalization increased only marginally from 62.40% to 63.81%.

Owing to such reasons as anticipated interest rate cuts, low levels of inflation (albeit due to low base effects), and improved political risk perceptions, the market appears to be particularly sanguine about the first half of 2015. Such optimism is nourished

especially by the beneficial impact that low oil prices are seen as likely to have on Turkey's economy and current account deficit. However there are concerns that the initial and seasoned public offerings that are anticipated in 2015 will attract a non-negligible chunk of the funds that are expected to flow into the country. The risk here is that this will hamper the secondary market. The factors that will shape the market's progress in the second half of the year are US Federal Reserve Bank pronouncements, developments in the European Union, and what sort of picture emerges from Turkey's parliamentary elections scheduled to take place in early June.

FIXED-INCOME SECURITIES AND STRUCTURED PRODUCTS

In the period following the country's local-government elections in March, international investors' minds were focused more on developments in the US

economy and on the US Federal Reserve Bank's policies than on anything else. The performance of the US economy has been more lack luster than expected; a slower recovery in the US economy, higher unemployment, and lower inflation all prevented the Fed from taking anything like an aggressive monetary policy stance. This is essentially why bonds denominated in emerging market currencies remained an attractive investment for investors. International investors' appetites for these instruments were stimulated not only by US economic data but also by the beneficial impact that ultra-low oil prices were presumed to have on Turkey's current account deficit and inflation performance.

Many of the investors who were spooked by the economic sanctions which were imposed on Russia in March 2014 and which became increasingly more onerous thereafter pulled out of that country's markets, and headed for

Turkey. This is another reason why our country's markets performed rather better than those of other developing countries did last year.

Turning now to overall fund movements, we see that there was a net USD 1.9 billion outflow of local-currency fixed-income securities from Turkey in 2014. This is the first time there was a net outflow in such instruments since 2010. We have also seen a higher trading volume by foreign investors in 2013 than in 2014..

Changes in the CBRT-published statistics concerning government debt securities stem from redemptions, from participation in Treasury auctions, and from new trading on the secondary market. This means that when the changes arising from redemptions and auctions are factored out, a one-week change is a reasonable approximation of that week's trading volume. When viewed in this

way we see that foreign investors' trading in these instruments was substantially lower in 2014 than it was in 2013: in 2013 it amounted to TL 92.7 billion; in 2014 it was worth just TL 68.6 billion.

Non-resident investors fall into either of two groups: investors who are foreign financial institutions (whose trading includes the instruments that domestic banks assign to them under repo contracts) and investors who are not financial institutions. Foreign financial institutions did TL 19.3 billion worth less of trading in these securities in 2014 than they did in 2013; in the case of non-bank foreign investors, their trading was TL 4.5 billion lower on the same basis. In 2014 foreign banks bought government debt securities nominally worth TL 18.5 billion and sold TL 17.9 billion of them; for non-bank investors, these figures were TL 17.9 billion and TL 14.6 billion respectively.

At end-2013, 26.5% of Turkish government debt securities were held by non-resident investors of both kinds; twelve months later that percentage was down slightly to 26.0%. While that may not seem like a momentous change, it does represent a net fund outflow slightly higher than was experienced in other developing countries. In the twelve months to end-2014, the total nominal value of Turkish government debt securities in circulation increased from TL 403 billion to 415 billion. Both the slack created by the decline in foreign investors' share and the increase in total nominal value were picked up by domestic pension funds, which grew significantly thanks to changes in Private Pension System rules intended to encourage people to participate in that system. The total value of government debt securities held by domestic banks edged down last year from TL 179.8 billion to 177.0 billion.

FOREIGN OWNERSHIP - BORSA İSTANBUL - EQUITY MARKET



63.81%

NON-RESIDENT INVESTORS' SHARE OF TOTAL MARKET CAPITALIZATION IN BORSA İSTANBUL INCREASED ONLY marginally FROM 62.40% TO 63.81%

FOREIGN OWNERSHIP IN TURKISH GOVERNMENT DEBT SECURITIES



CORPORATE FINANCE

PUBLIC OFFERINGS SUCCESS

The second largest floatation in the second half-year was that of Ulusoy Elektrik, the first IPO by a firm in Turkey's electromechanical manufacturing sector. This project, which was successfully lead-managed by IS Investment, was oversubscribed by 50%.

EQUITY OFFERINGS

The nine private-sector company IPOs on Turkey's national markets (other than the Emerging Companies Market) in 2014 generated proceeds amounting to TL 690.4 million. The largest of these (worth TL 330.8 million) was by AvivaSA, a life insurance and pension product provider; the second largest (worth TL 168 million) was by Ulusoy Elektrik, a manufacturer of electromechanical systems and components, in a project that was lead-managed by IS Investment.

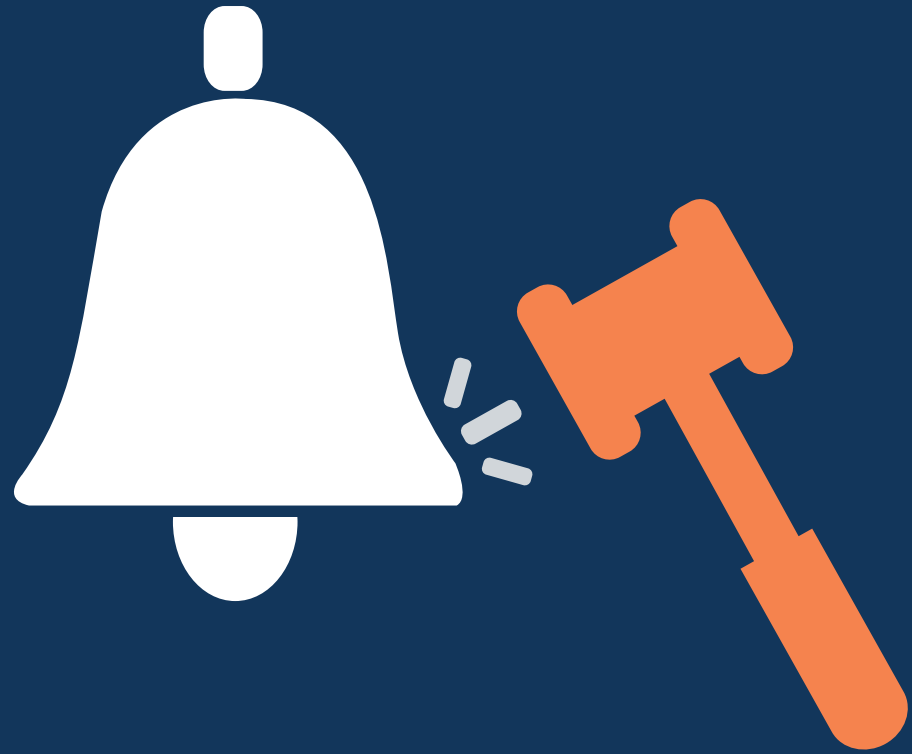
Partly as a result of rule changes and measures that were introduced in the wake of the preceding two years in which there was a very large number of rather small-sized public offerings, 2013 was a year of relatively fewer but considerably bigger public offerings. Despite

its being a fairly active period for public offerings in the EMEA Region, 2014 was an even duller year for Turkey's equity public offerings market. In the face of pre-election uncertainties, there were only a few small-scale offerings and none at all on the BIST National Market during the first six months. The public offering window opened a bit during the second half with a series of mid-sized offerings that even drew some international investor attention.

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690.4

THE NINE PRIVATE-SECTOR COMPANY IPOs ON TURKEY'S NATIONAL MARKETS (OTHER THAN THE EMERGING COMPANIES MARKET) IN 2014 GENERATED PROCEEDS AMOUNTING TO TL 690.4 MILLION.



EQUITY OFFERINGS IN 2014

Company	Trade Market	Method of Sales	Underwriter	Proceeds (TL)	Proceeds (USD)
Arbul Entegre Tekstil İşletmeleri A.Ş.	Secondary National	Offering in the Exchange	A1 Capital Menkul	20,000,000	9,341,429
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Collective Products	Offering in the Exchange	Gedik Yatırım	18,975,000	8,892,169
RTA Laboratuvarları Biyolojik Ürünler İlaç ve Makine Sa. Tic. A.Ş.	Secondary National	Offering in the Exchange	A1 Capital Menkul	26,000,000	12,354,478
Tuğçelik Alüminyum ve Metal Mamülleri Sanayi ve Ticaret A.Ş.	Secondary National	Offering in the Exchange	A1 Capital Menkul	28,000,000	13,388,161
Lider Faktoring A.Ş.	Secondary National	Book building	Tacirler Menkul	13,500,000	6,368,525
Pergamon Status Dış Ticaret A.Ş.	Secondary National	Offering in the Exchange	A1 Capital Menkul	11,100,000	4,888,360
AvivaSA Emeklilik ve Hayat A.Ş.	National	Book building	Ak Yatırım	330,755,356	145,662,287
Ulusoy Un Sanayi ve Ticaret A.Ş.	National	Book building	Şeker Yatırım	74,025,000	33,018,868
Ulusoy Elektrik İmalat Taahhüt Ticaret A.Ş.	National	Book building	IS Investment	168,000,000	74,936,438

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IN 2014 THE LARGEST OF IPOs (WORTH TL 330.8 MILLION) WAS BY AVIVASA; THE SECOND LARGEST (WORTH TL 168 MILLION) WAS BY ULUSOY ELEKTRİK, IN A PROJECT THAT WAS LEAD-MANAGED BY IS INVESTMENT.

CORPORATE FINANCE

Under the ListingIstanbul Project that was launched in 2013 and is being undertaken jointly with Borsa Istanbul, a seminar was organized in 2014 for financial institutions and potential IPO clients headquartered in Kazakhstan. For the year's Federation of Euro-Asian Stock Exchanges (FEAS) gathering chaired by BIST, a visit was made to Georgia during which the Exchange's representatives met with firms that had shown an interest in the ListingIstanbul Project during the previous year's visit.

In addition to public offerings, IS Investment continued to provide brokerage services for companies' tender offers as well in 2014. Another brokerage service that came to the fore especially in the second half of the year involved minority shareholders wishing to exercise their sell-out rights before the squeeze-out process of the

companies intended to delist. Last year IS Investment was involved in the tender offers of Mutlu Akü and Tukaş Gıda and provided put right brokerage services to Mutlu Akü, Demir Döküm and Petrol Ofisi during their minority shareholders' sell-out right process.

DEBT INSTRUMENTS

The market for corporate debt issues was worth TL 66.3 billion in 2014. Last year 23 banks, 43 non-bank financial institutions, and 32 real-sector firms secured funding from the domestic credit market by issuing debt securities.

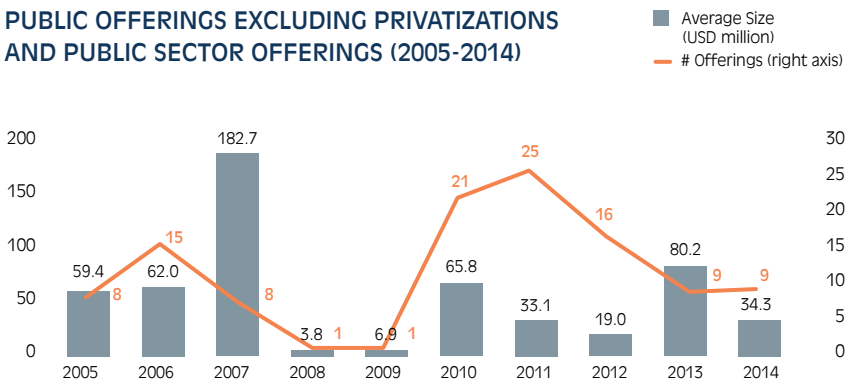
In terms of total funding, banks were responsible for 83% of that amount in 2014 with non-bank financial institutions and real-sector (non-financial) firms contributing only 11% and 6% shares respectively. While just under half

(49%) of all outstanding private-sector debt issues had maturities of less than six months, 73% of non-bank borrowers preferred maturities in the 12 to 24 month range.

Among banks, the most energetic borrowers in terms of their aggregate year-long issues were İşbank (TL 10.6 billion), Garanti Bank (TL 6.7 billion), Vakıfbank (TL 5.9 billion), Yapı Kredi Bank (TL 5.8 billion), and Akbank (TL 4.8 billion). A sixth noteworthy participant in this market in 2014 was Halkbank: although it undertook only two issues, at TL 1 billion each they represented the year's biggest one-off deals.

In non-bank financial institutions' issues, 47% were by factoring companies, 26% by leasing companies, and 12% by brokerage houses. The leading names in each

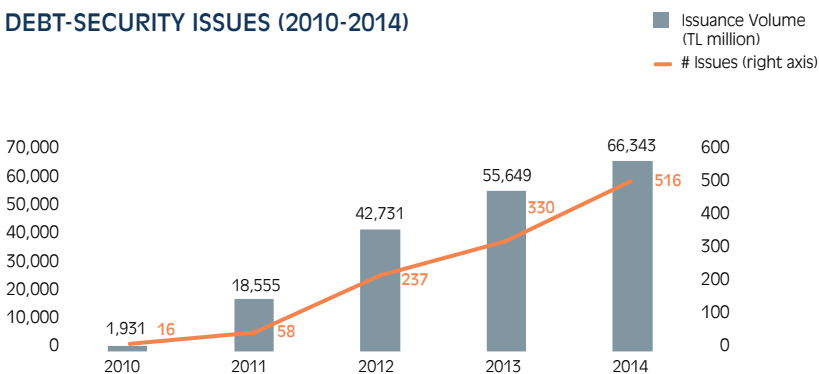
PUBLIC OFFERINGS EXCLUDING PRIVATIZATIONS AND PUBLIC SECTOR OFFERINGS (2005-2014)



34.3

DESPITE ITS BEING A FAIRLY ACTIVE PERIOD FOR PUBLIC OFFERINGS IN THE EMEA REGION 2014 WAS A DULL YEAR FOR TURKEY'S PUBLIC OFFERINGS MARKET. THE YEAR'S PUBLIC OFFERINGS AMOUNTED TO ONLY AROUND USD 34.3 MILLION.

DEBT-SECURITY ISSUES (2010-2014)



group were Garanti Factoring (TL 1,064 million), IS Investment (TL 730 million), and Deniz Leasing (TL 535 million) respectively.

The most outstanding names among real-sector issuers in 2014 were Akfen Holding and Gözde Venture Capital (TL 400 million each), Hacı Ömer Sabancı Holding and YDA Construction (TL 300 million each), and Karsan Automotives (TL 280 million).

A few other participants in Turkey's 2014 corporate debt security market that are deserving of mention were Bank Asya, Aktif Bank, Kuveyt Türk, and Türkiye Finans, which issued a combined TL 1,094.1 million worth of sukuk (lease certificates); Aktif Bank, whose asset-backed securities fetched it TL 451.7 million; and IS Investment, whose structured notes brought in TL 103.8 million.

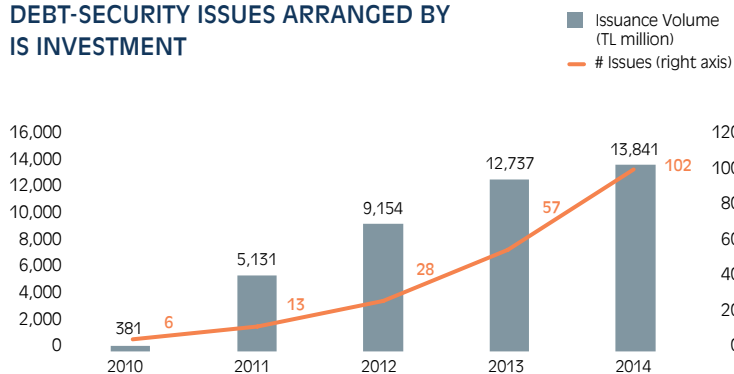
DEBT-SECURITY ISSUES ARRANGED BY IS INVESTMENT

An active player in the corporate debt security market, IS Investment has been the arranger of 206 debt-security issues of various kinds worth a total of TL 41.2 billion by 32 different issuers since 2010. Of these 206 issues, 73 involved sales to qualified investors and the remaining 133 were public offerings. Six of the 32 issuers were banks, 13 are finance companies, 3 were holding companies, and 10 were industrial companies. A 9% year-on rise in IS Investment's corporate bond arrangement business in 2014 brought the total to a record-breaking TL 13.84 billion.

RECORD

A 9% YEAR-ON RISE IN IS INVESTMENT'S CORPORATE BOND ARRANGEMENT BUSINESS IN 2014 BROUGHT THE TOTAL TO A RECORD-BREAKING TL 13.84 BILLION.

DEBT-SECURITY ISSUES ARRANGED BY IS INVESTMENT

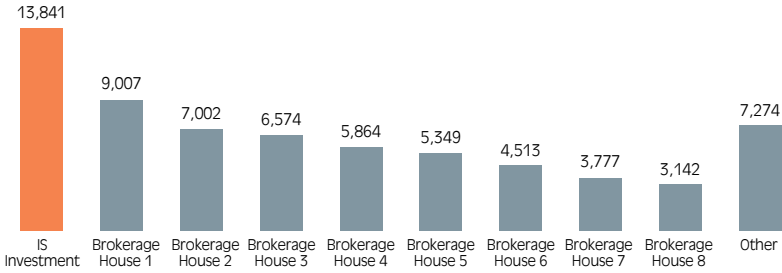


41.2

IS INVESTMENT HAS BEEN THE ARRANGER OF 206 DEBT-SECURITY ISSUES OF VARIOUS KINDS WORTH A TOTAL OF TL 41.2 BILLION BY 32 DIFFERENT ISSUERS SINCE 2010.

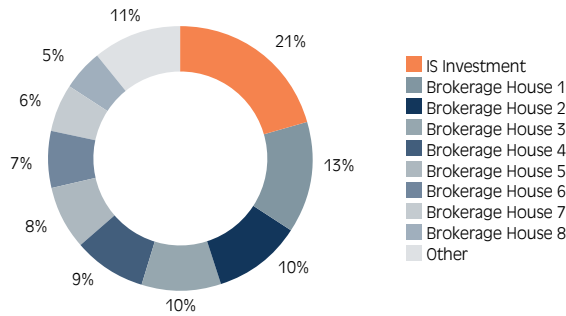
CORPORATE FINANCE

DEBT-SECURITY ISSUES OF BROKERAGE HOUSES - 2014 (TL MILLION)

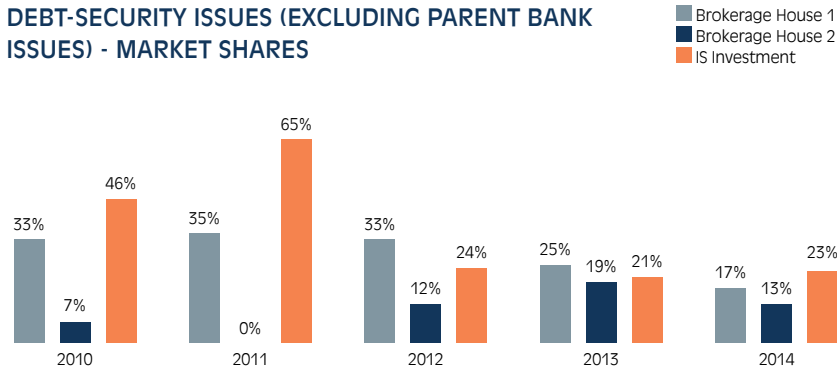


IS Investment successfully defended its standing as the market leader in debt security market in 2014. Last year it controlled a 21% share of the market.

DEBT-SECURITY ISSUES - MARKET SHARES - 2014



DEBT-SECURITY ISSUES (EXCLUDING PARENT BANK ISSUES) - MARKET SHARES



When viewed from the standpoint of arrangement of debt securities not issued by their parent bank, IS Investment also ranked first with a 23% market share in 2014.

DEBT-SECURITY ISSUES (EXCLUDING PARENT BANK ISSUES) OF TOP THREE BROKERAGE HOUSES (2010-2014)

	IS Investment		Brokerage House 1		Brokerage House 2	
	Quantity	Amount (TL million)	Quantity	Amount (TL million)	Quantity	Amount (TL million)
2010	6	281	2	200	1	40
2011	4	330	3	175	-	-
2012	13	1,314	22	1,808	12	680
2013	17	1,721	23	2,056	16	1,530
2014	68	3,241	24	2,322	25	1,753

3,241

WITH A TOTAL VOLUME WORTH TRL 3,241 MILLION, IS INVESTMENT WAS THE LEADING UNDERWRITER OF DEBT INSTRUMENTS ISSUED ON BEHALF OF CLIENTS THAT WERE NOT ALSO A CONTROLLING SHAREHOLDER BANK.

While continuing to regularly arrange its existing clients' corporate debt security and sukuk issues, IS Investment added new firms like Türkiye Finans), Koton, Aynes, Arzum, and İş REIT to its portfolio in 2014. Of these five, all but Arzum were tapping the corporate debt market for the first time last year.

In keeping with its ongoing efforts to maintain its leading position among Turkey's local primary corporate debt securities market, IS Investment plans to expand its investor base and to increase its business volume both by attracting new issuers and by supplying alternative products to the market.

DEBT-SECURITY ISSUES ARRANGED BY IS INVESTMENT IN 2014

Issuer	Total Issue Amount (TL million)	# Issues
T. İş Bankası A.Ş.	10,600	34
ING Bank A.Ş.	924	4
İş Yatırım Menkul Değerler A.Ş.	730	40
İş Finansal Kiralama A.Ş.	250	3
TF Varlık Kiralama A.Ş.	239	2
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	200	2
Akfen Holding A.Ş.	200	2
Creditwest Faktoring A.Ş.	150	4
Orfin Finansman A.Ş.	100	1
İş Faktoring A.Ş.	100	1
Aynes Gıda Sanayi ve Ticaret A.Ş.	80	2
Koton Mağazacılık Tekstil ve Sanayi A.Ş.	75	1
Bank Pozitif Kredi ve Kalkınma Bankası A.Ş.	73	2
Tam Faktoring A.Ş.	70	2
Arzum Elektrikli Ev Aletleri Sanayi ve Ticaret A.Ş.	50	2
Total	13,841	102

CORPORATE FINANCE

MERGERS & ACQUISITIONS

Despite Turkey's having better financial indicators compared to many other countries as it embarked upon 2014, Turkey's mergers & acquisitions (M&A) market nevertheless was encumbered by political risks arising from an agenda rife with economic and political issues in the first half of the year.

Most international investors therefore adopted a wait-and-see attitude in the run-up to local-government elections in late March. The results of those elections provided only a temporary respite however, as most of the investors put off committing themselves until the conclusion of the presidential election in August. When it became clear that these elections would not bring about any major changes in the economy's management, markets responded favorably and international investors' interest began to revive in early September. Greater attention was also shown by a number of local groups who took a mostly sector-focused approach as they explored investment opportunities. One interesting development in 2014 was a change in the market's international investor base: with the arrival of Far-Eastern venture capital funds and strategic investors and increasing interest from Middle Eastern investors, its composition became less Eurocentric and more balanced. Another important development last year was the continued rise in significant cross-border acquisitions by Turkish investors as they gain increasingly more influence abroad.

The 284 M&A deals that were done in 2014 generated proceeds amounting to nearly USD 28 billion. The shift in the transaction number and volume composition of the M&A investor profile from international to domestic

investors that was observed in 2013 remained essentially unchanged in 2014. Domestic investors accounted for about 80% of the value of last year's M&A deals, though this performance was aided by a couple of major public-sector privatizations; but even when we look at just the private-sector projects, we see that they were still responsible for about 60% of the total value. These numbers are as much evidence of the willingness and ability of Turkish investors to engage in domestic and international mergers & acquisitions as they are of reduced interest on the part of international investors.

Fifteen privatization projects were completed by the Privatization Administration or other public authorities in 2014. The most notable of these were the privatizations of the National Lottery Administration, of the Kemerköy and the Yatağan thermal power plants, of the Dalaman and the Bodrum-Milas airports, and of the FB Kalamış Marina. These sales generated proceeds worth about USD 10.9 billion or 40% of the year's total.

Of the year's M&A projects, 49 involved sums of more than USD 50 million and these accounted for 17% of the total. Just seven projects were worth more than USD 1 billion in value: the Yatağan thermal power plant privatization, TPAO's acquisition of the Shah Deniz gas field and pipeline from Total, Çukurova's acquisition of Alfa's shares in Turkcell, the Kemerköy thermal power plant privatization, the National Lottery Administration privatization, BBVA's acquisition of a 15% stake in Garanti Bank, and the United Biscuits acquisition by Ülker .

According to the most recent (November 2014) figures available, a total of 21 private-equity M&A deals generated proceeds amounting to USD 1.6 billion. The most notable of

these were KKR's exit from Un Ro-Ro by selling its stake to an Actera-Esas Holding joint venture, Goldman Sachs' acquisition of a stake in Petlim, minority stake acquisitions by EBRD (in Paşabahçe) and by IFC (in Soda Sanayii), and the Fiba Group's acquisition of the Florence Nightingale Hospitals chain.

Venture capital funds appear to have accumulated significant amounts of cash in the coffers that they set aside for investment in our country and its region and this makes it likely that they will be actively looking for ways to put it to work in 2015. That said, there are also likely to be significant exits from their existing investments in 2015 on condition of course that the funds' criteria for doing so are satisfied.

Major privatization auctions expected to take place in 2015 include electrical power generation assets, sugar mills, İGDAŞ (Istanbul municipality's natural gas distribution company), and Halk Sigorta (insurance).

IS INVESTMENT M&A OPERATIONS IN 2014

Actively engaged in private-sector M&A projects since 2006, IS Investment continued its marketing activities in this business line with no loss of momentum in 2015. Last year company representatives visited and made presentations to a large number of privately-owned firms operating in many different industries.

In addition to its involvement in private-sector M&A, IS Investment also acts as an adviser for potential buyers in privatizations as well.

Last year it acted in that capacity to Şölen Çikolata Gıda Sanayi in the privatization of the Çatalağzı thermal power plant and to Tepe İnşaat in the privatization of the Kalamış marina.

In 2014, new M&A mandates across all sector groups were signed and relationships with new clients and companies worth close to USD 4 billion were established.

IS Investment was once again one of the most active players in this business line and successfully outperformed its competitors. Last year the Company completed seven M&A advisory projects and also arrived to the stage to sign the share purchase agreement in one another M&A project

In 2014, IS Investment acted as a buy-side adviser on one deal and sell-side adviser on 7 deals. A look at the composition of the Company's involvement shows that projects are spread out and avoid sectoral concentration: two in energy, two in services/pharmaceuticals, one in manufacturing, and three in consumer goods. In 2014 IS Investment commanded a 15% share in M&A deals where an adviser was involved.

The Company believes that M&A transaction volumes will be at least as high in 2015 as they were in 2014 and may even be higher depending on the progress of current privatization projects. The biggest privatization auctions expected to take place in 2015 include electrical power generation assets, sugar mills, İGDAŞ, and Halk Sigorta.

In keeping with its long-standing practice, IS Investment will seek to maintain its position as market leader by focusing on buy-side advisory services in all big-ticket privatization projects.

In private-sector M&A advisory, IS Investment aims to complete some of the projects it is running while concentrating on further boosting its leading rank in M&A advisory according to number of deals. Along with strengthening its existing network with foreign investment banks, clients, companies and advisors, the Company also plans to establish new ones.

80%

THE 284 M&A DEALS THAT WERE DONE IN TURKEY IN 2014 GENERATED PROCEEDS AMOUNTING TO NEARLY USD 28 BILLION. DOMESTIC INVESTORS ACCOUNTED FOR ABOUT 80% OF THE VALUE OF LAST YEAR'S M&A DEALS.

Information about the eight M&A projects completed in 2014 is summarized in the accompanying chart.

M&A OPERATIONS IN 2014

Target company	Buyer	Seller	Our role	Sector
Pamuk Hes Elektrik	Enda Enerji, Karesi En., Limak	Güçlü Grup & Ömer Turanlı	Adviser to seller	Energy
Senerji Enerji & Düzce En. Evciler Kimya	Soyak Group Şahıslar	Yıldırım Group Elemental Holdings	Adviser to seller Consultant to seller	Energy Services/Health/Logistics
Tukaş Gıda Moova Gıda Embil, Edko	Oyak Girişim Söktaş Tekstil Şahıslar	Okullu Gıda, Cem & Cengiz Okullu Tat Konserve Exeltis	Adviser to buyer Adviser to seller Adviser to seller	Consumer goods Consumer goods Services/Health/Logistics
Ağır Sanayi Makine A.S. Ant Gıda	Şişecam/Sodaş İşbank	CTS Makine Mermerler Group	Adviser to seller Adviser to seller	Primary industry Consumer goods

INVESTOR RELATIONS

DIVIDEND PRODUCTIVITY

In 2014 ISMEN achieved a dividend yield of 6.3%, which was more than three times the BIST average of 2%.

Continuing to take a proactive approach in its management of investor relations, in 2014 IS Investment increased its contacts with domestic and international mutual funds, asset managers, and investment firms as well as with qualified individual investors.

A conference was organized in February that was attended by many national and international portfolio managers active in Turkey. IS Investment representatives attended the "2014 Hidden Riches" investors conference held in London in April at which time they engaged in face-to-face meetings with investors. Thanks to members of the Company sales team, Investor Relations Department also met with foreign investors during their visits to Turkey.

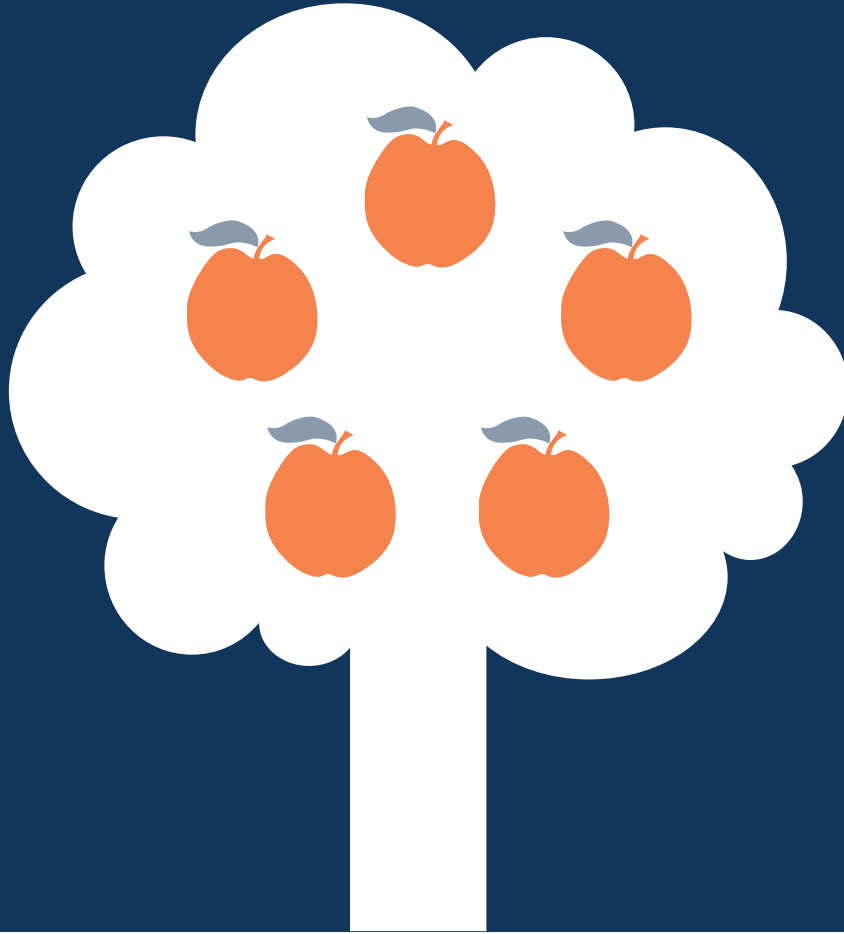
Interest- and exchange-rate uncertainties and political tensions in the run-up to local-government elections fuelled first-quarter volatility at the Borsa Istanbul

Equity market, where weak trading indicated that investors were approaching the market with great caution. Contacts, especially with domestic investors, were increased during this period and this helped keep the performance of IS Investment shares (ISMEN) in line with the overall market. Proactive information and perception management helped ISMEN resist the pressures of both a shortage of liquidity and adverse consolidation immediately after the late-March elections, with the result that the stock earned its investors an 11% return in the first six months of the year. In early July ISMEN reached its highest level in the year's first nine months with a 15% gain and a performance that paralleled that of the BIST 100 index. Speculation about what the US Federal Reserve Bank might or might not do as well as mounting geopolitical risks caused the Borsa Istanbul Equity market to lose value more rapidly than did comparable

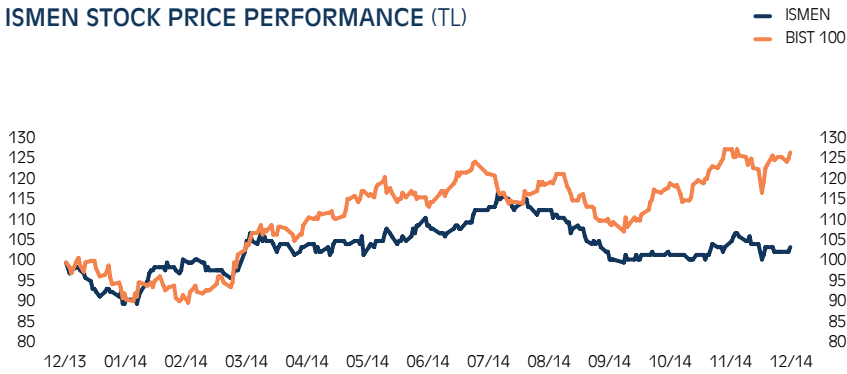
exchanges in September and this poor performance affected ISMEN too. In the face even of only moderate selling pressure, a lack of buyers drove the share price down. At the end of the first nine months, ISMEN had a 2.7% gain in value but had underperformed the BIST 100 by 7%. By year-end, those numbers had become 3.6% and 18% respectively.

(Note: ISMEN's twelve-month return as of the date of this report's publication was back up to 25%.)

In its November 2014 report, OYAK Securities quoted a TL 1.47 target price for ISMEN and gave investors a "Buy" recommendation. Edison Investment Research Ltd, a London-based firm that does not make buy/sell recommendations, emphasized in its December report that it expected that new rules affecting Turkey's brokerage industry as well as the Company's overall operational and financial performance would contribute



ISMEN STOCK PRICE PERFORMANCE (TL)

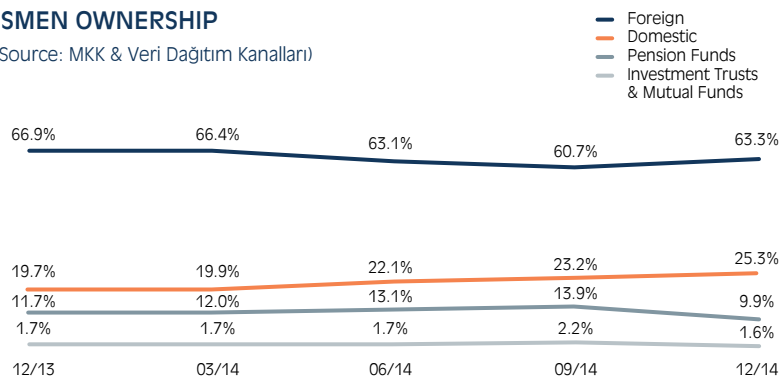


25%

ALTHOUGH ISMEN'S 3.6% YIELD IN 2014 UNDERPERFORMED THE BIST 100 INDEX BY 18%, THE STOCK'S TWELVE-MONTH RETURN WAS BACK UP TO 25% AS OF THE DATE OF THIS REPORT'S PUBLICATION.

ISMEN OWNERSHIP

(Source: MKK & Veri Dağıtım Kanalları)



INVESTOR RELATIONS

favorably to IS Investment’s business in the period ahead. Copies of ISMEN research reports may be found in the investor relations section of IS Investment’s website at www.isyatirim.com.tr.

IS Investment continued to pay consistent dividends in line with its published dividend policy. At the annual general meeting for 2013 held last year, shareholders approved payment of cash dividends totaling TL 24.5 million (gross), which corresponded to 36% of the Company’s distributable profit. This dividend was paid in March. As a publicly-traded

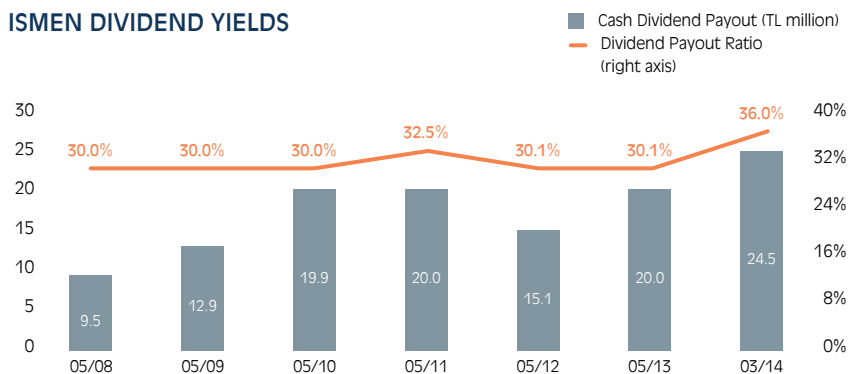
company, IS Investment has paid out cash dividends amounting to TL 122 million over the last seven years. This means that 122% of the IPO proceeds that the Company secured through its May 2007 public offering have so far been paid back to investors as cash dividends.

In 2014 ISMEN achieved a dividend yield of 6.3%, which was more than three times the BIST average of 2%. As in 2013, last year the Company also generated dividends in the form of bonus shares. The TL 24.5 million cash dividend paid in 2014 was accompanied by a distribution

of TL 21.5 million worth of bonus shares representing the Company’s retained profits.

After conducting a review in September, JCR Eurasia Rating increased IS Investment’s overall corporate governance rating from 8.81 to 8.91 out of 10. According to JCR Eurasia Rating’s report, this increase was due to additional improvements in the Company’s “Shareholders” and “Board of Directors” performance. This rating qualifies our company’s shares for continued inclusion in the Borsa Istanbul Corporate Governance Index.

ISMEN DIVIDEND YIELDS



122%

IS INVESTMENT HAS PAID OUT CASH DIVIDENDS AMOUNTING TO TL 122 MILLION OVER THE LAST SEVEN YEARS. THIS MEANS THAT 122% OF THE IPO PROCEEDS THAT THE COMPANY SECURED THROUGH ITS MAY 2007 PUBLIC OFFERING HAVE SO FAR BEEN PAID BACK TO INVESTORS AS CASH DIVIDENDS.

IS INVESTMENT DIVIDEND & CAPITAL INFORMATION

Date	Type	Cash Dividend Paid (TL million)	Dividend Per Share (TL 0.01)	Capital Increase Through Bonus Issue (%)	Capital Before Increase (TL million)	Capital After Increase (TL million)
May 08	D	9.5	8.0			
May 09	D	12.9	10.8			
May 10	D	19.9	16.7			
June 10	B			67.5	119	200
May 11	D	20.0	10.0			
July 11	B			30.0	200	260
May 12	D	15.1	5.8			
June 12	B			10.0	260	286
May 13	D	20.0	7.0			
June 13	B*			8.6	286	311
March 14	D	24.5	7.89			
June 14	B*			6.9	311	332

D: Cash dividend B: Capital Increase Through Bonus Issue
* Dividend paid out as bonus shares

A breakdown of IS Investment's most recent rating by individual category is presented in the accompanying chart along with previous ratings in the same categories for purposes of comparison.

CORPORATE GOVERNANCE RATINGS

Category	Previous 03.03.2014	Update 05.09.2014
Shareholders Public	8.54	8.83
Disclosure & Transparency	9.04	9.04
Stakeholders Board of Directors	8.51	8.51
	8.96	9.05
Total	8.81	8.91

After a review of its previous credit rating, in June Fitch Ratings announced IS Investment's long-term national credit rating as "AA+" in line with that of its parent

company and principal shareholder İsbank.

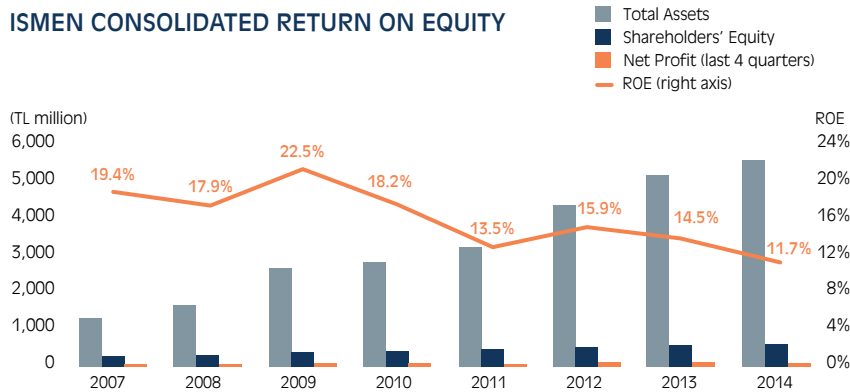
IS Investment remained in full compliance with public disclosure requirements in 2014 and continued to make use of electronic platforms as a medium for effective information dissemination. During the year the Company sent 1,195 announcements to the Public Disclosure Platform in its capacity both as a publicly-traded company and as a brokerage house.

In addition to its other duties, the Investor Relations Department also contributed significantly to IS Investment's strategic planning processes in 2014. The department kept a close watch on ongoing and potential changes in the legal framework governing Turkey's capital markets, analyzed them, and submitted its conclusions to the Executive Committee in the form of a Strategic Planning Report.

The department provided investor relations support to IS Investment's consolidated subsidiaries whose shares are also publicly traded.

In a resolution (18/582 dated 13 June 2014), the Capital Markets Board (CMB) authorized IS Investment's acquisition and expedited merger of Camiș Menkul Değerler AŞ pursuant to articles 136-158 of the Turkish Commercial Code (Statute 6762) and to articles 19 and 20 of the Corporate Tax Code (Statute 5520). The merger agreement was registered by the İstanbul Commercial Registrar on 30 June 2014 and was published in issue 8605 of Turkish Trade Registry Gazette on 4 July 2014. As of the latter date, Camiș Menkul Değerler AŞ together with all of its claims and liabilities were transferred to IS Investment.

ISMEN CONSOLIDATED RETURN ON EQUITY



11.7%

AT YEAR-END 2014, IS INVESTMENT'S RETURN ON EQUITY WAS 11.7%.

CONSOLIDATED IS INVESTMENT SUBSIDIARIES

Name	Equity Stake	Equity Stake (%)	Nominal Value
Maxis Investments Ltd.	GBP 5,500,000	100.0	GBP 5,500,000
IS Investments Gulf Ltd.	USD 1,000,000	100.0	USD 1,000,000
Efes Varlık Yönetim A.Ş.	TL 20,000,000	74.00	TL 14,800,000
İş Portföy Yönetimi A.Ş.	TL 65,000,000	70.00	TL 45,500,000
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	TL 74,652,480	29.0	TL 21,654,292
İş Yatırım Ortaklığı A.Ş.	TL 160,599,284	28.9	TL 46,454,101

INVESTOR RELATIONS

İŞ PORTFÖY YÖNETİMİ A.Ş.

IS Asset Management is engaged in the business of establishing and managing mutual funds within the framework of capital market and other relevant laws and regulations. In addition, the management of the portfolios of investment trusts and of pension funds set up within the framework of the Individual Retirement Savings and Investment System Act (Statute 4632 dated 23 March 2011) as well as of comparable foreign collective investment schemes that are based outside the country also fall within the Company's object and scope. The Company may market and distribute fund unit shares—including those of investment funds for which it provides portfolio management and/or investment advisory services and/or of which it is the founder—as well as shares in investment trusts with variable capital.

İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

IS Private Equity undertakes long-term, venture capital investments in companies which have been or are going to be set up in Turkey, which are deemed to have strong growth potential, and which are in need of financial resources.

On 1 December 2014, IS Private Equity acquired a 28.5% stake in Radore Veri Merkezi Hizmetleri AŞ, a data center and web hosting services provider, at an investment cost of TL 17.5 million.

STRATEGIC

IS INVESTMENT'S PERFORMANCE IS STRENGTHENED BY ITS STRATEGICALLY-CONSOLIDATED SUBSIDIARIES STRUCTURE.

IS PRIVATE EQUITY'S LONG-TERM INVESTMENTS - 31 DECEMBER 2014

Company	Fair Value (TL million)	Equity Stake (%)	Sector
Toksöz Spor	35.7	55.0	Retailing
NumNum Restoranları	23.0	61.7	Retailing
Radore Veri Merkezi	17.6	28.5	Technology
Nevotek	17.3	81.2	Technology
Ortopro	9.5	32.5	Health Services

İŞ YATIRIM ORTAKLIĞI A.Ş.

IS Investment Trust is a closed-end fund that holds a mixed portfolio of assets consisting of capital market instruments such as equities and fixed-income securities as well as gold and other precious metals. The assets in the portfolio are traded on domestic and international exchanges and in non-exchange regulated markets subject to their applicable laws and regulations.

IS Investment Trust's portfolio was valued at TL 260 million as of end-2014. According to publicly disclosed figures for the month of December 2014, IS Investment Trust's net asset value corresponded to 58% of the sector's total.

PORTFOLIO TABLE (02.01.2015)

Type of Securities	Total Value / Net Asset Value (TL)	% of Total
EQUITIES	37,691,213.39	14.57
DEBT INSTRUMENTS	219,008,709.77	84.65
OTHER ASSETS	2,018,268.45	0.78
ASSET VALUE	258,718,191.61	100.00
CASH AND CASH EQUIVALENTS (+)	9,768.94	
RECEIVABLES (+)	1,811,066.66	
OTHER ASSETS (+)	65,410.05	
LIABILITIES (-)	(549,774.48)	
NET ASSET VALUE	260,054,662.78	
NUMBER OF SHARES	160,599,284	
NET ASSET VALUE PER SHARE	1.62	

MAXIS INVESTMENTS LTD.

Maxis Investments is a wholly-owned subsidiary of IS Investment. Based in London, one of the world's premier financial centers in order to strengthen its parent's position in international capital markets, the Company is a brokerage subject to the regulation of the UK Financial Conduct Authority.

EFES VARLIK YÖNETİM A.Ş.

Efes NLP Asset Management was set up to acquire and manage the non-performing assets of financial institutions and to oversee the financial restructuring of troubled firms. Founded in 2011, the Company's goal is to be the leading player in this business line in Turkey. Efes seeks to come up with solutions that generate value for shareholders and all others concerned while remaining fully transparent in the conduct of its business.

IS INVESTMENTS GULF LTD.

IS Investments Gulf Ltd was originally set up in Dubai by IS Investment to conduct its parent's capital market activities in the region. A decision to wind up and liquidate the Company was announced on 7 April 2014. The dissolution process is currently in progress.

RESEARCH

ADDED VALUE

IS Investment continued to generate high caliber, high value-added research reports concerning macro economy, fixed-income securities, and equities throughout 2014.

IS Investment continued to generate high caliber, high value-added research reports concerning macro economy, fixed-income securities, and equities throughout 2014.

The company publishes regular reports concerning 86 trading companies accounting circa 90% of BIST's market capitalization and it issues "Buy/Sell/Hold" recommendations on these companies. A model portfolio is formed among the fundamentally most appealing companies, which outperformed the BIST 100 Index by 17.6% in 2014.

Last year IS Investment continued to play an active role in accessing to international investors and accredited private investors. The company published comprehensive multilingual (Turkish- and English) reports regarding macro-economic issues and equities as well as

fixed-income security strategies. It also conducted weekly strategy meetings and made frequent visits to institutional investors and asset management companies.

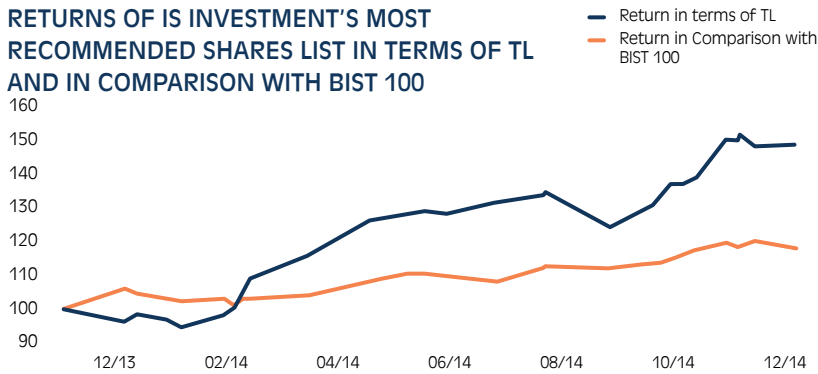
In 2014 IS Investment continued to play an active and increasingly greater role in international and national sales processes. Investor conferences conducted in London and Bodrum served as venues through which BIST-registered companies had a chance to meet with potential foreign investors. A series of IS Investment roadshows was conducted in an effort to promote BIST 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 shared focusing on Turkey's macroeconomic, company, and fixed-income security outlooks

and strategies. Meetings held in Istanbul also provided opportunities for Turkish institutional investors and companies to get better acquaintance.

In 2015 IS Investment plans to increase the number of company visits in line with clients' demands and to increase the scope of the research coverage. A secondary watch list has also been created that contains companies not included in the BIST 100 index. The plan is eventually to select firms to increase the number of coverage in the research department. In light of the market conundrums and high volatility, it seems imperative that there will be an even greater need for a strong and in-depth research activities to address clients' needs in different asset classes



RETURNS OF IS INVESTMENT'S MOST RECOMMENDED SHARES LIST IN TERMS OF TL AND IN COMPARISON WITH BIST 100



17.6%

THE MODEL PORTFOLIO OUTPERFORMED THE BIST 100 INDEX BY 17.6% IN 2014.

RISK MANAGEMENT

EFFECTIVE CONTROL

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. Through this process, a risk-aware culture is fostered throughout the Company while the appetite for risk is effectively managed.

Risk management at IS Investment is carried out independently of the Company's business units and is instead subject entirely to the oversight and control of the Board of Directors. As one consequence of its possession of a risk management culture that is integrated into its corporate governance attitudes and approaches, a Risk Committee was set up within the Board of Directors in 2012. This committee continued to meet regularly during 2014.

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. Through this process, a risk-aware culture is fostered throughout the Company while the appetite for risk is effectively managed. Detailed monthly risk

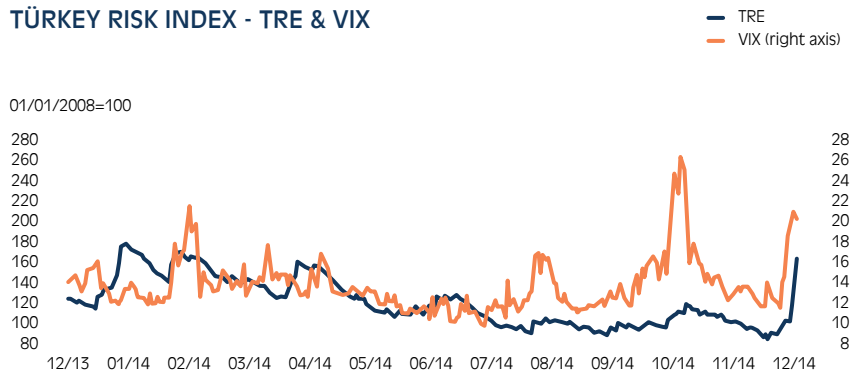
reports are regularly submitted to Isbank, the Company's principal stockholder, as are quarterly consolidated risk reports containing information about the Company's subsidiaries. Such reports are also reviewed and assessed at Risk Committee meetings.

During 2014, IS Investment largely completed a project to improve its IT infrastructure so as to consolidate all the position information on which risk assessments are based and to make access to such information via the Investment Banking Database more flexible and systematic. The market data resources that the Company uses in its risk calculations have been expanded with the inclusion of both Reuters- and Bloomberg-provided data, which increases both the quantity and the quality of the market data that is now available.

Last year IS Investment provided prime brokerage services for the "new generation" mutual funds set up by asset management companies while also continuing to provide corporate risk management support to such companies upon 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' weekly risk quantification reports continued to be sent out regularly to those concerned.

Improvements in data access made it possible in 2014 to integrate which includes treasury positions and result tables of RiskTurk System. As a result of this integration, risk reporting and internal exposure control functions

TÜRKİYE RISK INDEX - TRE & VIX



10-26

WHILE THE 12-MONTH VIX FLUCTUATED CONSIDERABLY IN THE 10-26 RANGE, TRI FOR ITS PART PEAKED IN DECEMBER HAVING HITHERTO FOLLOWED A COURSE THAT WAS RATHER MORE MODERATE FOR MUCH OF THE YEAR.

are now fully automated. This has increased human resources productivity by allowing personnel to focus their attentions on more challenging tasks.

Company branch operations are now being provided with interactive access to current maturity-based volatility projections concerning the investment vehicles that IS Investment recommends to its clients as well as to day-to-day VaR information.

In order to avoid exposure to reputational risk arising from potential client losses, principles and rules have been set out concerning the content and custodianship of the hedge funds that will continue to be provided through IS Investment after fund-establishment and portfolio-management titles are transferred to portfolio management companies in order to comply with newly-introduced capital market regulations.

In 2015 IS Investment plans to:

- Set up an internal rating and limit-assignment mechanism for domestic banks in order to better control credit risk;
- Start making use of the settlement risk management and control rules and procedures whose formulation began during 2014;

- Provide asset management companies with risk management consultancy services.
- The system that was launched in 2014 to provide company branch operations with interactive access to volatility and VaR calculations will be expanded and its content will be enriched as needs dictate.

Looking at international developments we see that the Chicago Board Options Exchange Market Volatility Index (VIX) varied between 10 and 26. A lack of evidence that would support optimism about US economic growth, the US Federal Reserve Bank's decision to begin phasing out its asset-buying program, and a rise in the USD against most other currencies caused VIX to surge in the first month of 2014. Fed statements indicating that it would not in fact be raising interest rates for quite a long time helped return VIX to normalcy but the index was soon on the rise again owing to tensions between Russia and Ukraine and to worries about developed countries' growth prospects. The presumptively adverse impact of plummeting oil prices on the Russian economy and the associated fall in the ruble, the Fed's termination of its asset-buying program, and an even worse economic outlook among some developed economies drove VIX to its highest level ever during the year.

In parallel with market expectations nourished by the world's real and nominal interest rates beginning to rise once again in the early months of the year, Turkey's central bank nudged up interest rates in order both to reduce domestic volatility and to shore up the Turkish lira. International funds however began pulling out of markets owing to worsening violence in eastern Ukraine, the decline in the Russian ruble, conflict in Iraq and Syria, and pre-election jitters. The ensuing instability in price levels manifested itself as a rise in the Turkey Risk Index (TRI). Some balance was restored to the index by improvements in the current account deficit which were brought on by the collapse in oil prices and lower energy costs and which were interpreted as being capable of supporting growth. For much of the year TRI followed a course that was rather more moderate than that of VIX. However in December it peaked in response both to a strong USD that drove down the value of the Turkish lira along with that of other currencies and to volatilities in Russia, which is one of Turkey's major trading partners.

In 2015 IS Investment will continue to carry out its risk management activities in line with its corporate governance approach.

THE OUTLOOK FOR 2015

CONSISTENT GROWTH

There is likely to be a substantial reduction in the number of investment firms in Turkey. It may also be expected that only a few of the survivors will qualify for inclusion in the “full license” class and that these changes too will start having a beneficial impact on the Company’s operations and revenues after midyear 2015.

Based on current and anticipated developments, the outlook for IS Investment’s operational and financial performance in 2015 is as follows:

- The accommodation period granted to investment firms in order to bring themselves into compliance with the provisions of Communiqué on Principles pertaining to Investment Services and Activities and their Ancillary Services, which sets out principles concerning the licensing of investment firms as well as guidelines and principles governing investment services and activities, their ancillary services, and the conduct thereof runs out at the end of June 2015. In essence what this communiqué does is to separate the deposit banking and investment banking business lines from each other. It is thought that the changes it calls for will start having a beneficial impact on the Company’s operations and revenues after midyear 2015.
- Under Communiqué on the Establishment and Operations of Investment Firms, brokerages are divided into three classes defined as “Limited license” (introducing broker), “Partial license” (execution broker), and “Full license” (market maker) and their minimum capital requirements have been set at TL 2 million, TL 10 million, and TL 25 million respectively. This change also becomes effective as of 1 July 2015.
- In light of these changes, there is likely to be a substantial reduction in the number of investment firms in Turkey. One may also expect that only a few of the survivors will qualify for inclusion in the “full license” class and that these changes too will start having a beneficial impact on the Company’s operations and revenues after midyear 2015.
- Under a regulatory change concerned with state-provided contributions to private pension funds that went into effect in 2013, the state has begun paying an additional amount into the retirement account of every participant in the Private Pension System. This state contribution is up to 25% of the amount paid into the account each month, except that the total amount of state contribution cannot exceed TL 3,000 in a single calendar year. The great majority of those with a private pension account are already benefiting from this rule, which is thought likely to continue fuelling growth in the consolidated dimensions of the portfolio under the Company’s management.
- The Company has set itself a 2015 return-on equity-target in the 13-17% range.
- It is expected that three of the macroeconomic indicators that investors pay the most attention to—GDP growth, inflation, and CAD/GDP—will be around 3.5%, 5.6%, and 4.4% respectively as of end-2015.
- As always, the Company will continue to seek out and exploit opportunities for both organic and inorganic growth.

AGENDA OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS

İŞ YATIRIM MENKUL DEĞERLER A.Ş.

AGENDA OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS ON 24 MARCH 2015

1. Opening, chairing the council and authorize the Board to sign the minutes of the meeting.
2. Reading and deliberation of the Annual Report and Independent Auditors' reports of 2014.
3. Reading, deliberation and approval of the balance sheet and profit & loss statement of 2014.
4. Approval of members assigned to the Board of Directors in 2014.
5. The individual acquittal of members of the Board of Directors for their fiduciary responsibilities for 2014.
6. Deliberation and decision on the profit distribution of 2014.
7. Election and determination of members Board of Directors and the membership period.
8. Determination of the fees to be paid to members of the Board of Directors.
9. Selection of the independent auditor.
10. Presentation of information on the grants and donations made in 2014.
11. Determination of upper limit for donations will be made in 2015.
12. Petitions and suggestions.

DIVIDEND DISTRIBUTION PROPOSAL OF THE BOARD OF DIRECTORS

As per the resolution of the Board of Directors, it is 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 2,235,668.48 shall be paid as primary legal reserve, TL 12,135,937.65 shall be paid as first dividend, TL 3,917,581.00 shall be paid as second dividend, and TL 30,946,481.35 shall be paid from retained earnings; total TL 47,000,000.00 shall be paid as gross cash dividend to shareholders; TL 3,040,000.00 shall be reserved as secondary legal

reserve; TL 384,182.38 registered in the legal records shall be reserved as extraordinary reserves, and TL 23,000,000.00 shall be paid as stock dividend through bonus issue.

It was also resolved to propose the distribution of the total cash dividend TL 47,000,000.00 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 0.1416 gross = net dividend per share with a nominal value of TL 1.00 at the rate of 14.16%; other shareholders shall be paid TL 0.1416 gross and TL 0.1203 net dividend per share with a nominal value of TL 1.00 and dividend distribution shall commence on Thursday 26 March 2015.

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

2014 DIVIDEND DISTRIBUTION TABLE

İŞ YATIRIM MENKUL DEĞERLER A.Ş. 2014 DIVIDEND DISTRIBUTION TABLE (TL)

1.	Paid-in / Issued Capital		332,000,000.00
2.	Total Legal Reserves (According to Legal Records)		22,496,781.57
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	100,491,847.00	44,713,369.51
4.	Taxes Payable (-)	(7,921,637.00)	0.00
5.	Net Current Period Profit	62,895,770.00	44,713,369.51
6.	Losses in Previous Years (-)	0.00	0.00
7.	Primary Legal Reserve (-)	(2,235,668.48)	(2,235,668.48)
8.	NET DISTRIBUTABLE CURRENT PERIOD PROFIT	60,660,101.52	42,477,701.03
9.	Donations Made during the Year	19,586.75	
10.	Donation-Added Net Distributable Current Period Profit on which First Dividend is Calculated	60,679,688.27	
11.	First Dividend to Shareholders		
	- Cash	12,135,937.65	
	- Stock	23,000,000.00	
	- Total	35,135,937.65	
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	3,917,581.00	
16.	Secondary Legal Reserves (-)	3,040,000.00	
17.	Statutory Reserves	0.00	
18.	Special Reserves	0.00	
19.	EXTRAORDINARY RESERVES	18,566,582.87	384,182.38
20.	Other Distributable Resources	30,946,481.35	
	- Previous Year's Profit		
	- Extraordinary Reserves	30,946,481.35	
	- Other Distributable Reserves as per the Law and the Articles of Association		

INFORMATION ON DIVIDEND PAYMENT

NET	GROUP	TOTAL DIVIDEND DISTRIBUTED TO SHAREHOLDERS		THE RATIO OF DIVIDEND DISTRIBUTED TO THE NET DISTRIBUTABLE PROFIT (%)	DIVIDEND PER SHARE WITH A NOMINAL VALUE OF TL 1	
		CASH (TL)	STOCK (TL)		AMOUNT (TL)	RATE (%)
NET*	A	*				
	B	*				
	TOTAL	39,950,000.00	23,000,000.00	103.77%	0.1896	18.96%

(*) Prepared for a cash dividend of TL 47,000,000 (gross).

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

It is critical for our developing economy to increase the quality and quantity of international capital attracted to Turkey. Global and regional negative economic developments in recent years once again highlighted the importance of good corporate governance practices for businesses, investors and all related parties. Good corporate governance practices will be a key indicator with respect to the growth of businesses and to sustainability of their operations also in 2015.

IS Investment stands for the corporate approach in its sector associated with the "İş" emblem by our society. The Company recognizes that good corporate governance practices can be achieved through various

initiatives, including formulation of the management strategy, establishment of an effective risk management and internal control mechanism, description of ethical rules, quality performance of investor relations activities and due fulfillment of public disclosure obligation, and transparent execution of Board of Directors activities. To this end, IS Investment observes accountability, equality, transparency and responsibility that make up the universal components of corporate governance concept in the exercise of its rights and responsibilities towards its shareholders, in particular, and its customers and all stakeholders in general, while maintaining effective management and supervision. Based on this understanding, IS Investment achieves alignment not only with the compulsory corporate governance practices as imposed by the Capital Markets

Board of Turkey (CMB), but also with numerous non-compulsory principles.

Conducting its business in accordance with the Turkish Commercial Code, the Capital Market Law and applicable legislation, as well as its corporate ethical rules, IS Investment believes that compliance with Corporate Governance Principles is as equally important as financial performance in terms of providing long-term added value for its investors.

It was publicly disclosed on 5 September 2014 that JCR Eurasia Rating revised IS Investment's corporate governance rating from an overall score of 8.81 to 8.91.

The Company's compliance levels in each of the four main sections as compared with the previous period are presented in the table below:

Main Sections	Previous Period 03.03.2014	Revised 05.09.2014
Shareholders	8.54	8.83
Disclosure and Transparency	9.04	9.04
Stakeholders	8.51	8.51
Board of Directors	8.96	9.05
Overall Score	8.81	8.91

By virtue of the corporate governance rating received, IS Investment continues to be included in the BIST Corporate Governance Index under the relevant rule of Borsa Istanbul.

This Corporate Governance Principles Compliance Report covers the information and headings announced in the CMB Weekly Bulletin of 27 January 2014 and also incorporates some additional information deemed appropriate by our Company.

PART I - SHAREHOLDERS

Investor Relations Unit

IS Investment demonstrated the importance it attaches to the subject by setting up the Investor Relations Unit even before the IPO with a view to ensuring the timely execution of the activities for healthy conduct of relations with shareholders and stakeholders, as well as making sure that public disclosure obligation and information delivery activities are carried out at the required quality.

Investor Relations Department is responsible for keeping the shareholders and all other related parties informed on the Company's activities and performance within the scope of the capital market legislation and IS Investment Disclosure Policy. The Department fulfills public disclosure obligation, and handles relations in general with the shareholders and stakeholders. The Investor Relations Department is also charged with the coordination of the IS Investment Disclosure Policy, which is approved by the Board of Directors and publicly disclosed.

In essence, the Department carried out the following activities during the reporting period:

- Communicate necessary information and disclosures, other than those of inside information nature, to

shareholders and stakeholders in a timely, accurate, complete, and intelligible manner, easily accessible at the lowest cost possible, and equally available to all, and provide necessary information for accurate interpretation of the information delivered

- Participate in national and international road shows,
- Prepare the Company's Strategic Planning Report which will serve as a reference for the Executive Board,
- Ensure that any questions directed by shareholders and stakeholders are responded to correctly, as promptly as possible, and coordinated as necessary; pay due care for protection of inside information within the data made available.
- Fulfill the Company's public disclosure obligation regarding material events that may affect the value of the Company's capital market instruments traded on the stock exchange and/or that may be influential on investors' investment decisions within the frame of the capital market legislation.
- Oversee that quarterly financial reports are drawn up in accordance with the capital market legislation and have them publicly disclosed within the legally prescribed periods of time.
- Handle relations with existing and potential investors.
- Supervise that the General Meetings are held in conformity with the legislation in force, the Company's articles of association, and the CMB's Corporate Governance Principles, and that the outcomes from the General Meeting are recorded properly.
- Make sure that the "Yatırımcı İlişkileri/ Investor Relations" sections on the Company's website available both in Turkish and English languages are actively used for public disclosure; ensure that material event disclosures, informational presentations, relevant corporate information and other information and data

generally required by regulatory authorities and by the CMB Corporate Governance Principles are posted and kept up-to-date.

- Observe the Corporate Governance Principles issued by the CMB in efforts for keeping shareholders and stakeholders informed and in public disclosure activities.
- Submit reports to the Corporate Governance Committee and the Board of Directors regarding the activities of Investor Relations Department on a quarterly basis and at such other times deemed necessary.
- Monitor the stock performance and make suggestions for its improvement.
- Spend efforts to increase the Company's level of compliance with the CMB's Corporate Governance Principles and bring recommendations in this matter.

Ever since its establishment, the Investor Relations Department has responded in detail to information requests received on the phone, by email and/or in one-to-one meetings with investors within the frame of IS Investment Information Policy, participated in conferences held in and out of Turkey, and organized teleconferences. Individual investors' questions are answered as necessary on such topics as the operational performance, interpretation of financial results, dividend distribution policy, subsidiaries' performance, and stock performance at certain periods. Qualified national investors and foreign institutional investors, on the other hand, mostly prefer to direct their questions in one-to-one meetings. Since the Department has not received any written queries, no records were kept on the number of information requests received.

It has been publicly disclosed on 17 March 2009 that Ozan Altan has been appointed as the Head of the Investor Relations Department based on the Board of Directors

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Contact information for the Investor Relations contact people and the Assistant General Manager in charge, which is also disclosed on the corporate website, is presented below:

Funda Çağlan Mursaloğlu

Assistant General Manager

Academic Degree: Master's

Type of Capital Market Activity

License: Advanced Level

Tel: 212- 350 23 48

Fax: 212- 350 20 01

Email: cmursaloglu@isyatirim.com.tr

Ozan Altan

Department Head

Academic Degree: Master's

Type of Capital Market Activity

License: Advanced Level - Corporate

Governance Rating Specialist-Derivatives

Tel: 212 - 350 28 72

Fax: 212 - 350 28 73

Email: oaltan@isyatirim.com.tr

Alper Alkan, CFA

Senior Associate

Academic Degree: Master's

Type of Capital Market Activity

License: Advanced Level - Corporate

Governance Rating Specialist-Derivatives

Tel: 212 - 350 25 22

Fax: 212 - 350 25 23

Email: aalkan@isyatirim.com.tr

Pursuant to Article 11 (2) of the CMB Communiqué No. II-17.1 on Corporate Governance, contact information for Investor Relations was submitted to the Public Disclosure Platform (in Turkish: KAP) on 05 March 2014.

decision of 16 March 2009.

Exercise of the Shareholders' Right to Obtain Information

At IS Investment, all shareholders are treated equally. The Investor Relations Department spends efforts to facilitate the protection and exercise of shareholder rights with a particular focus on the right to obtain and review information.

Queries received from investors during the reporting period have been responded to within the shortest time possible and in the most accurate manner within the scope of the "IS Investment Information Policy", which is made public on our website. Due care was paid to guarantee that the disclosed information did not contain any inside information.

The electronic environment is efficiently used in relation to events with a potential impact on the exercise of shareholding rights. Material event statements and other notices announced via the Public Disclosure Platform (in Turkish: KAP) set up under Borsa İstanbul are also posted on IS Investment website the same day such disclosures are made. In general, any changes in the Company's organization are forthwith announced on the corporate website, and investor presentations are updated each quarter. Additionally, IS Investment's stock performance, capital increase and dividend payment information are also made available on our corporate website

for the information of investors. Furthermore, information is provided about the shareholder attendance in the General Meeting of Shareholders and principles of electronic general meetings under the new Turkish Commercial Code.

Our investors, whose contact information was available, were informed by email about major topics covered in material event statements and other notices, and press bulletins were sent to leading media organizations. There are no implementations in the Company that would complicate shareholders' right to obtain and review information; to the contrary, best efforts are spent to facilitate the exercise of such rights.

Since the new Turkish Commercial Code explicitly addresses the matter of requesting the appointment of a special auditor, this request was not stipulated in our Articles of Association. The Company did not receive any request for the appointment of a special auditor during the reporting period.

General Meeting of Shareholders

IS Investment held its Ordinary General Meeting of Shareholders for 2013 fiscal year on 25 March 2014. Invitation for the General Meeting including the meeting date and agenda was published on 27 February 2014 within due time as defined in the applicable legislation and the CMB Corporate Governance Principles, on the Public Disclosure Platform (KAP), the corporate website, Electronic

General Meeting System (e-GEM) of the Central Registry Agency (in Turkish: MKK) on 28 February 2014 and in the Turkish Trade Registry Gazette issue 8520 dated 4 March 2014, and was also sent by post to registered shareholders. In addition, the invitation and related notices in English were also sent by email to our foreign shareholders whose contact information was known to us.

Based on the examination of the list of attendants in the Ordinary General Meeting, it was established that out of the Company's shares with a total nominal value of TL 310,500,000, TL 150,000 of which are Class A and TL 310,350,000 are Class B, Class A shares with a nominal value of TL 150,000 and Class B shares with a total nominal value of TL 218,657,998.53, of which TL 19,896,235.45 has been deposited, were represented by proxy and Class B shares with a nominal value of TL 100.00 were represented in person, and thus the meeting quorum stipulated by the law and the Articles of Association was achieved.

The invitation, agenda, sample proxy form and minutes for the General Meetings were published on KAP and were made constantly available for the information of shareholders and stakeholders on our Turkish and English websites. Furthermore, résumés of individuals nominated for independent membership seats on the Board of Directors were posted on the corporate website. Since no

questions were raised during the General Meeting, a public disclosure was not made on the questions raised and answers provided in the General Meeting.

Due care is taken for holding the General Meetings in a manner that will not lead to inequality among shareholders and that will allow the minimum cost possible for shareholders' participation so as to encourage participation in these meetings. General Meetings are held in Istanbul where the Company's head office is located as set out in our Articles of Association. Istanbul is also the city where shareholders are concentrated in proportional terms.

The meeting chair pays attention to communicate the topics in the agenda impartially, clearly, intelligibly and in detail at the General Meeting. Shareholders are offered the chance to voice their opinions and direct their questions at equal conditions. The meeting chair provides that every question directed by shareholders at the General Meeting, which does not constitute a trade secret, is directly answered during the General Meeting. If the question asked is irrelevant to the agenda or is too comprehensive to be answered instantly, it is responded to in writing by the Investor Relations Department within 30 days the latest. Within this frame, Board of Directors members, relevant senior executives and the investor relations manager, officials responsible for the preparation of financial statements, and auditors attend the General Meeting to provide necessary information and respond to questions about specific topics.

Having been applied for the second time, the electronic general meeting process was successfully carried out in parallel with the physical General Meeting.

Shareholders did not suggest any agenda items for the General Meeting, nor were any questions posed during the Meeting. Moreover, since no decisions requiring the affirmative votes of the majority of independent members were passed during

the reporting period, no subjects were incorporated in the General Meeting agenda.

The Dividend Policy, which was updated in line with the recommendation of the Board of Directors and within the frame of the applicable legislation, was approved at the General Meeting. During the General Meeting, information was provided on the grants and donations made during the reporting period under a dedicated agenda item. Nobody took the floor in the wishes and suggestions section, which was another dedicated item. Stakeholders such as appraisers and independent auditors take part in our General Meetings as observers.

Those with administrative responsibility and shareholders having control over management did not engage in any transactions with our Company or its subsidiaries which might lead to a conflict of interest, and furthermore, our Company and/or its subsidiaries did not conduct a transaction of commercial business nature falling under their field of activity on behalf of themselves or others, nor did they participate in another company engaged in the same kind of commercial affairs in the capacity of unlimited partners.

Voting Rights and Minority Rights

Voting rights do not incorporate any privileges. However, holders of Class A shares enjoy privileges solely with respect to the election of members of the Board of Directors. Six Board members are nominated by Class A shareholders, and three by Class B shareholders.

There are no companies with which IS Investment has cross-shareholding interests. Minority shareholders did not nominate any members for the Board of Directors. The Articles of Association do not stipulate minority rights to be less than one twentieth of the capital.

Subsidiaries

The merger of our Company and our subsidiary Camiř Menkul Deęerler A.ř. has been consummated, employing the "merger via facilitated procedure" under Article 13 of the CMB Communiqué No. II-13.2, and the trade registry was made on 30 June 2014.

Entitlement to Dividends, Dividend Distribution Policy and Timing

There are no founders' dividend shares, nor any shares enjoy any privileges with respect to getting share from profit.

IS Investment Dividend Distribution Policy was presented for the information of shareholders at the first General Meeting that was convened as a publicly held company on 28 April 2008. Updated within the frame of applicable legislation, our dividend policy was approved at the General Meeting convened on 25 March 2014. Our Dividend Distribution Policy is constantly made public on our Turkish and English websites (www.isyatirim.com.tr/ www.isinvestment.com) and by way of our interim activity reports.

Ever since the IPO, IS Investment has distributed dividends in accordance with its dividend distribution policy.

Company Name	Capital of Subsidiary	Share Held in the Capital of Subsidiary
Maxis Investments Ltd.	GBP 5,500,000	100.0%
IS Investments Gulf Ltd.*	USD 1,000,000	100.0%
Efes Varlık Yönetim A.ř.	TL 20,000,000	74.0%
İř Portföy Yönetimi A.ř.	TL 65,000,000	70.0%
İř Giriřim Sermayesi Yatırım Ortaklıęı A.ř.	TL 74,652,480	29.0%
İř Yatırım Ortaklıęı A.ř.	TL 160,559,284	28.9%

* The resolution for the liquidation of the subsidiary established in Dubai, United Arab Emirates for the purpose of engaging in the capital markets was disclosed to the public on 7 April 2014.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Distribution of profit is finally decided by the General Assembly in line with the Board of Directors proposal, taking into consideration the provisions of the Turkish Commercial Code, the Capital Market Law and other legislation governing the Company.

It is prescribed to distribute at least 30% of the distributable profit in cash and/or in the form of bonus shares, while the Board of Directors, aiming to secure a high dividend income to its shareholders being a publicly held company, as well as to expand the Company's business lines and service range, takes into account the below considerations within the frame of applicable legislation:

a) Preserving the delicate balance between the expectations of shareholders and the Company's need to grow,

b) Absence of any adverse economic conditions in the world and in the country; maintenance of the Company's financial structure and the capital adequacy ratios at the required levels; and the overall profitability of the Company.

Within the framework of the capital market legislation, the Company may pay advances on cash dividends, provided that the Board of Directors shall have been duly authorized by the General Assembly, restricted with the relevant fiscal period.

If the General Assembly passes a decision to distribute profit, then cash dividend payout will occur by no later than the end of the second month following the date of the General Meeting in which the profit distribution decision is made. Dividend distribution in the form of bonus shares will take place upon receipt of legal permissions.

No dividends may be paid to the members of the Board of Directors and the Company employees until and unless the cash dividend determined for shareholders by the General Assembly decision has been paid out.

If profit distribution will not be made, the grounds therefor and the purpose for which undistributed profit will be used will be publicly disclosed.

On 28 March 2014, IS Investment paid out cash dividends in the amount of TL 24,500,000.00 out of the 2013 profit, corresponding to 36% of the distributable profit in accordance with its dividend policy. Furthermore, dividends in the form of bonus shares in the amount of TL 21,500,000.00 corresponding to 31.6% of the distributable profit was distributed on 06 June 2014. Hence, 67.6% of the distributable profit for 2013 was distributed to Company shareholders.

Transfer of Shares

The Articles of Association set forth that there are no restrictions on transfer of shares within the frame of requirements stipulated by the capital market legislation.

PART II – PUBLIC DISCLOSURE AND TRANSPARENCY

Company Information Policy

IS Investment Information Policy has been approved by the Board of Directors on 17 May 2007, even before the commencement of trading of Company shares on the stock exchange, and publicly disclosed on our corporate website; later, it was adapted to conform to the principles stipulated in the CMB Communiqué on the Principles of Public Disclosure of Material Events that went into force on 6 February 2009.

IS Investment Information Policy has been presented for the information of shareholders at the first General Meeting held following the Company's IPO. The Information Policy was also incorporated in annual and interim reports. Information Policy is permanently posted on the Company's Turkish and English websites (www.isyatirim.com.tr/ www.isinvestment.com).

The Board of Directors is authorized and responsible for fulfilling the public disclosure obligation and for monitoring, supervising and improving the Information Policy at IS Investment. The employees, whose contact details are provided under the heading "Investor Relations Department", are charged with the coordination of Information Policy. These individuals work in close collaboration with the Corporate Governance Committee in the performance of these responsibilities.

Information Policy Outline

IS Investment observes Corporate Governance Principles in the disclosure and provision of information, apart from inside information, regarding developments with a potential impact on the investment decisions of investors and the value of capital market instruments traded on the stock exchange, within the frame of the Capital Market Law, the Turkish Commercial Code and applicable legislation in particular.

Having espoused a proactive approach to adoption and implementation of Corporate Governance Principles, IS Investment uses its best endeavor to introduce international best corporate governance principles in public disclosure and information.

The complete Information Policy document is accessible on the website www.isyatirim.com.tr.

Company Website and Its Content

IS Investment websites, offering content in Turkish and English, are accessible at the addresses www.isyatirim.com.tr and www.isinvestment.com. Both websites are actively used for public disclosure purposes and information posted on these websites is constantly updated. This information is identical to the disclosures made as per the provisions of applicable legislation.

Up-to-date information on the following topics, which are specified in the relevant section of the CMB Corporate Governance Principles, is constantly made available to shareholders and stakeholders under the headings “Yatırımcı İlişkileri/Investor Relations” of our websites offering the content in Turkish and English:

- Vision, Mission and Corporate Values
- Trade Registry Information
- Shareholding Structure and Subsidiaries
- Articles of Association
- Board of Directors and Executives
- Independent Member – Declaration of Interest
- Operating Principles of the Board of Directors
- Organization Structure
- Rating Reports
- Research Reports about IS Investment (ISMEN)
- List of Analysts
- Press Releases
- Frequently Asked Questions
- RSS
- Corporate Film (English)
- We Need Your Feedback
- Useful Links
- Corporate Governance Principles Compliance Report
- IS Investment Policy on Struggle against Laundering Proceeds of Crime and Terrorism Financing
- Dividend Distribution Policy
- Ethical Principles
- Risk Management
- Information Policy
- Social Responsibility Policy
- Remuneration Policy
- Investor Relations Contact Details
- IPO Prospectus and Circular
- Financial Statements and Independent Auditor’s Reports
- Investor Presentations- Presentation Podcasts
- Annual Reports
- General Meeting Internal Guidelines
- General Meeting Invitation
- General Meeting Agenda
- Power of Attorney
- Meeting Minutes
- List of Attendants
- Stock Performance
- Information on Privileged Shares
- Dividend Payments
- Capital Increases
- Historical Price
- Calculator
- Material Event Statements
- Contact

Annual Report

Our annual reports contain information specified in applicable legislation and the CMB Corporate Governance Principles.

Disclosure of Ultimate Non-Corporate Controlling Shareholder(s)

There are no ultimate non-corporate controlling shareholders at IS Investment. The shareholding structure of IS Investment has been publicly disclosed and made available on the corporate website for the information of shareholders and stakeholders.

CORPORATE AND NON-CORPORATE SHAREHOLDERS OWNING CAPITAL DIRECTLY AND INDIRECTLY – MOST RECENT STRUCTURE

Company Name/Name&Surname	Share in Capital (TL)	Share in Capital (%)
İşbank Personnel Supplementary Pension Fund	87,732,269	26.43
Republican People’s Party (CHP)	61,231,699	18.44
Total	148,963,968	44.87

PART III - STAKEHOLDERS

Keeping Stakeholders Informed

IS Investment keeps its stakeholders that span over a broad range from employees to potential investors, analysts to media companies on subjects that concern them in the shortest time possible and in the most accurate manner.

Material event statements about IS Investment, which are disclosed via KAP, are also posted on the corporate Turkish and English websites on the same day and presented for the information

of stakeholders. Furthermore, press releases are sent to media companies following material event statements about topics that are considered to draw interest from the public.

Stakeholders are adequately informed about corporate policies and business processes and they can also make use of direct communication channels accessible on our website, while our customers can contact the investment advisors assigned to them or any other direct/indirect method of their choice to convey

their complaints and feedbacks to our company/management bodies. In addition, our ethical principles, and our policies to combat laundering proceeds of crime and financing of terrorism are constantly published both on the corporate website and on the Intranet. Complaints so received by the Company are reviewed by the authorized units in chronological order and then submitted for consideration to the Audit Committee or the Corporate Governance Committee depending on the content of the subject and the respective area of responsibility.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Stakeholder Participation in Management

The Articles of Association stipulate that stakeholders are entitled to invite the Board of Directors to hold a meeting by means of communicating this request to the Chairman of the Board, and that the Chairman may put up the topic subject to invitation for discussion at the next Board meeting if the Chairman decides that an immediate meeting is not necessary. This method has served to establish a mechanism by which the Board of Directors and the related committee can follow up important feedbacks and complaints from stakeholders. During the reporting period, the Board of Directors did not receive any invitations for meeting.

Furthermore, our employees' opinions are directly sought in matters of general concern, thus, enabling direct participation of the employees in certain decisions to be adopted.

The above-mentioned right provides IS Investment employees, who hold a very special place among stakeholders, with the means by which to communicate their opinions and suggestions concerning Company management through both the Human Resources Department and their own managers.

Human Resources Policy

IS Investment's Human Resources policy is publicly disclosed via the corporate website and annual reports.

IS Investment Human Resources Policy embraces the principles of commitment to ethical values, continuous development and customer-focused approach. Providing equal opportunities to candidates in equal conditions is a key principle adopted in the creation of the recruitment policy and making of career planning. A promotion entails increased authority, responsibility and salary. It is essential to possess various qualities such as the necessary

knowledge and experience required by the job description in order to advance to a higher position. The employee performance is the key criteria in promotions.

The Company's principal training policy is to contribute to the professional and personal development of employees at IS Investment and to offer equal opportunities to employees in this sense. In order to contribute to their professional and personal development, our employees were provided with the chance to attend domestic and overseas training programs organized in 2014 in parallel with the Company's management strategies. The Company had 404 employees on its payroll during the reporting period.

Job descriptions and performance and rewarding criteria for employees are determined and announced to employees by managers. The Company's performance appraisal system is an integrated system that addresses objectives and competencies together. Performance review is based on objective analyses and syntheses, designed to determine the extent at which employees meet job requirements and qualifications, as well as their success on the job. IS Investment has documented job descriptions for positions and activities, and performance and rewarding criteria guidelines, and communicated them to the employees.

The Company adopts measures to prevent any discrimination among employees based on religion, language, race and gender; to ensure that human rights are respected and to protect employees against any physical, psychological and emotional abuse in the Company. No complaints concerning these subjects have been received from the employees.

A special representative has not been appointed to handle relations between the Company and the employees. Every employee has access to means of communicating

their wishes, complaints and feedbacks via the unit managers, as well as the Human Resources Department and the Board of Internal Auditors.

During 2014, occupational health and safety training was given to our employees for raising an increased awareness of safety among our employees; in addition, occupational health and safety implementation guidelines were communicated in writing to our employees.

Salaries of IS Investment employees are determined according to prevailing conditions, taking into consideration the individual's qualifications such as education and experience, position and title and the Company's remuneration principles within the frame of the Remuneration Policy. Salaries are paid in cash in the bank account of each employee at the end of every month.

IS Investment Remuneration Policy in effect has been approved by the Board of Directors and presented for the information of shareholders at the first General Meeting held.

Remuneration Policy Outline

Fixed pays are cash payments in fixed amounts made regularly and continually at certain times during the year, irrespective of performance. Such fees are determined in view of the Company's financial status and are basically paid to all employees according to merit, tenure, position and the nature of the job performed.

Essentially, fixed pays payable to Board of Directors members, senior executives and employees must be aligned with the Company's ethical principles, internal balances and strategic goals, and must not be linked to short-term performance.

Variable pays are all sorts of cash and non-cash payments other than fixed pays, such as performance-based incentives and bonuses. Performance-based pays are paid to certain employees only, in view

of the Company's performance and the contributions of the relevant unit and employee. Variable pays are determined taking into consideration existing and potential risks, capital and liquidity status, and the probability and timing of realization of planned future revenues, and in a manner that will not weaken the Company's shareholders' equity.

Variable pays are based on the Company's financial and operational performance. Performance-based incentive payments, whose amounts are not guaranteed beforehand, are determined paying regard to the maturity of risks undertaken and in a manner to contribute positively to the Company's corporate values. They are based on clearly-defined, intelligible, measurable and objective conditions and announced to all employees, and the predefined criteria are regularly reviewed. If financial data like profit and revenues are used in the creation of performance criteria, then necessary measures are taken to make sure that these data present a true and fair view in terms of risks and costs.

The full text of the Remuneration Policy is posted on the corporate website accessible at www.isyatirim.com.tr.

Relations with Customers and Suppliers

IS Investment delivers its capital market services to investors within the frame of ethical values and based on a customer-focused approach to investment banking. Along the line, it is targeted to analyze evolving customer demands and changing market conditions so as to identify needs, and to develop products and services that will best meet these needs. Keeping customer secrets in confidence within the frame of legislation is a much-valued corporate value.

Relations with customers are handled through investment advisors; the objective of all investment advisors is to

invest assets in the investment instruments that best fit the respective customer's risk versus return expectations. Customers of IS Investment can convey any requests and expectations they may have to investment advisors assigned to them.

Due to the nature of its field of activity, IS Investment has no suppliers.

Ethical Rules and Social Responsibility

For the purposes of increasing social and economic benefit, protecting and furthering the prestige of the brokerage profession, and preventing unfair competition, IS Investment has provided its ethical rules in writing to its employees, which have been formulated by the Board of Directors in parallel with the Turkish Capital Markets Association regulations, as well as legal and administrative arrangements. The most recent update to our Ethical Rules was made on 15 December 2014 and was made available in writing for the information of the employees.

IS Investment ethical rules are also disclosed to the public on the corporate website within the frame of IS Investment Information Policy (www.isyatirim.com.tr).

Having spearheaded not only economic development but also the furtherance of social life ever since its establishment, our founder and principal shareholder İşbank sustains its support to activities in environment, education, culture, arts and other fields based on a deep-seated commitment to social responsibility.

Recognizing its social responsibility toward the society with all its employees, IS Investment aims to realize sustainable projects about topics falling under its social responsibility areas in accordance with legal regulations and ethical values. The Company may realize this target either by self-designed projects and/or by extending support to projects developed by İşbank.

Within this framework, IS Investment launched initiatives in cooperation with some of Turkey's leading universities in 2013 in an effort to help promote financial literacy and provide widespread familiarity with the dynamics of our capital markets. As part of these efforts, TradeMaster Campus initiative was introduced at Bilkent University, Middle East Technical University (METU), Yaşar University and Izmir University of Economics.

During 2014, the Company made donations in the total amount of TL 19,586.75 to the Association of Leader Creative Participants (LİYAKAT), the Alumni Association of Ankara University Faculty of Political Science and Boğaziçi University Foundation, which will be presented for the information of the General Assembly.

The Company's donation policy has been documented in writing.

IS Investment's activities constitute no contradictions to the environmental legislation and the Company has not faced any legal sanctions in this department.

PART IV – BOARD OF DIRECTORS

Structure and Formation of the Board of Directors

In the performance of its activities, the Board of Directors adheres to the principles of transparency, accountability, fairness and responsibility. The distribution of tasks between the members of the Board of Directors are presented for the information of shareholders and stakeholders on the Public Disclosure Platform (KAP), corporate website and in annual reports.

The Board of Directors leads the maintenance of effective communication between the Company and shareholders, elimination and resolution of any possible conflicts, and coordinates the activities of the Investor Relations Department via the corporate Governance Committee for this purpose.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

BOARD OF DIRECTORS



İlhami Koç
Chairman

İlhami Koç received his degree in political sciences from Ankara University in 1986. The same year, he joined İşbank on the Board of Inspectors, where he took on inspection and investigation functions. In October 1994, he was appointed as an assistant manager to the Securities Division. He became a Unit Manager responsible for Asset Management and International Capital Markets at İş Yatırım Menkul Değerler A.Ş. in 1997, where he was promoted to Deputy Chief Executive in 1999, in which position he was responsible for corporate finance, research, domestic and international capital markets. He was named Chief Executive Officer at İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. in 2001 and almost one year later, he was appointed as Chief Executive Officer at İş Yatırım Menkul Değerler A.Ş. He left his position as CEO due to his position at İşbank on 30 January 2013 and was elected the Chairman of the Board of Directors of IS Investment on 31 January 2013.



Feray Demir
Vice Chairwoman

Feray Demir received her degree in business administration from Anadolu University in 1987. She started her career at İşbank Sefaköy branch in 1988, and was appointed as an assistant manager at Commercial Loans Department in 1999. She functioned as assistant manager in the Corporate Marketing Department from 2003 to 2005, and Güneşli Branch Manager from 2005 to 2007. Appointed as Manager of Commercial Banking Sales Division in 2007, Feray Demir currently serves as İşbank's İstanbul Corporate Branch Manager. Having held a seat in tandem as a member on the Board of Directors of IS Investment since 2010, Ms. Demir was appointed as Vice Chairwoman of the Board of Directors on November 2013.



Işıl Dadaylı
Member

Işıl Dadaylı got her degree in economics (in English) from the Faculty of Economics at İstanbul University in 1991. The same year, she joined İş Bank Asset Management Division as an assistant specialist trainee. She resigned from her position at the Bank in 1995, and worked as a marketing specialist for Reuters Enformasyon Ltd. Şti. for two years. Having returned to her assistant specialist position at İşbank Asset Management Division in 1999, Ms. Dadaylı became an assistant manager in the same Division in 2004. She became a group head in the Capital Markets Division in 2007. After her appointment as a unit manager to the Treasury Division in 2008, she was named head of the Private Banking Marketing and Sales Division of İşbank in 2011.



Mete Uğurlu
Member

Mete Uğurlu received his degree in business administration from the Middle East Technical University, Faculty of Administrative Sciences. He began his career at İşbank in 1978 as an assistant specialist where he worked as a manager in various divisions. After serving as a Section Head in the Organization Department from 1996 until 2002, Mr. Uğurlu was appointed as a Deputy Chief Executive Officer at İşbank in 2002. He represented İşbank as a Board Director at Anadolu Sigorta (1991-2002), as the Chairman of the Board at İş Kültür Yayınları (2002- 2003) and at İş Girişim Sermayesi (2003-2006). While serving as the CEO of Anadolu Hayat Emeklilik from 2006 until 2014, Mr. Uğurlu also functioned on the boards of directors and committees of two industrial associations, i.e. the Insurance Association of Turkey, and the Pension Monitoring Center. Having retired as of 30 June 2014, Mr. Uğurlu was appointed as a member of the Board of Directors of IS Investment in July 2014.



Özgür Temel
Member

Özgür Temel received his bachelor's degree in business administration from Hacettepe University and his master's degree in international banking and finance from the University of Birmingham. He started working for İşbank in 1994 as an assistant loans specialist in the Beyazıt Branch. He joined the Board of Inspectors in 1995 and was appointed as an assistant manager in the Capital Markets Division in 2003. Following his posts as assistant manager of İzmir Branch in 2005, and assistant manager of the Aegean Corporate Branch in 2006, he was assigned to the Capital Markets Division as unit manager in 2008 and as division manager in 2013.



Sezai Sevgin
Member

Sezai Sevgin received a degree from Marmara University, Faculty of Economics and Administrative Sciences in 1990. The same year, he joined İsbank as a trainee inspector on the Board of Inspectors. He was assigned to İsbank AG in 1997, and in 1998, he was appointed as assistant manager of the Paris branch in the establishment of which he was involved. Promoted to manager of the same branch in 2002, he was appointed as group manager of İsbank's Corporate Marketing Department in 2004. He became Commercial Banking Marketing Manager in 2007. Appointed as Gebze Corporate Branch Manager in 2011, Sezai Sevgin has been serving as Maslak Corporate Branch Manager since 2013.



Volkan Kublay
Member

Volkan Kublay got his degree in economics (in English) from the Faculty of Economics and Administrative Sciences at Marmara University in 1998. He joined İsbank in 2000 as an assistant inspector trainee and was appointed as assistant manager at the Subsidiaries Division in 2008. Having held seats as a member on the Boards of Directors of various group companies, Mr. Kublay was brought to the position of Unit Manager of Subsidiaries Division Capital Market Unit in 2012, following his post where he dealt with banking and financial services subsidiaries. In August 2012, Mr. Kublay was appointed as a member of the Board of Directors of IS Investment where he also serves as a member on the Corporate Governance Committee and Risk Committee.



Abdullah Akyüz
Member - Independent

Abdullah Akyüz got his bachelor's degree in economics and public finance from the Faculty of Political Sciences at Ankara University in 1983 and his master's degree in economics from the University of California in 1986. Upon graduation, he started his career as a researcher at the Capital Markets Board of Turkey. Having worked as an assistant manager and manager in the Bonds and Bills Market of Istanbul Stock Exchange (ISE), he functioned as a member of the Board of Directors of the ISE Settlement and Custody Bank Inc. (Takasbank) from 1995 to 1998. He served as the ISE Deputy Chairman from 1994 through 1998, and as president of TÜSİAD's (Turkish Businessmen's and Industrialists' Association) Washington Representative Office from 1999 through 2011. Holding a seat as a member of the Board of Directors of IS Investment since 26 October 2011, Mr. Akyüz is also a member of the Audit Committee.



Behzat Yıldırım
Member - Independent

Behzat Yıldırım received his degree in business administration from the Faculty of Economic and Administrative Sciences at the Middle East Technical University in 1979. Following graduation, he started his professional life as an inspector at Halkbank. He held managerial positions at Disbank from 1983 until 1991. Having functioned as the General Manager for Turkish capital markets in Genoa within the scope of investment banking operations from 1995 to 1998, he then held seats as a member on the Boards of Directors of various companies, in tandem with advisory services provided to companies engaged in the financial services sector. Behzat Yılmaz was a part-time faculty member in a private university from 2001 until 2003. He was an advisor to an investment fund based in Basel in 2009. Serving as an independent member on IS Investment's Board of Directors since 9 May 2012, Mr. Yıldırım is the head of the Audit Committee, Corporate Governance Committee and Risk Committee.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

IS INVESTMENT BOARD OF DIRECTORS MEMBERS

Name	Position	Profession	Positions Held in the Company in the Past 5 Years	Latest External Positions Held	Shareholding in the Company (%)	Share Class Represented	Independent Board Member or Not	Committees Served in and Duties
İlhami Koç	Chairman	Banker	Chairman, General Manager	T. İş Bankası A.S. Deputy Chief Executive	-	-	Non-Independent Member	-
Feray Demir	Vice Chairwoman	Banker	Member of the Board of Directors	T. İş Bankası A.S. Istanbul Corporate Branch Manager	-	-	Non-Independent Member	-
İşil Dadaylı	Member	Banker	Member of the Board of Directors	T. İş Bankası A.S. Private Banking Marketing & Sales Department – Department Head	-	-	Non-Independent Member	-
Mete Uğurlu	Member	Finance Professional	-	-	-	-	Non-Independent Member	-
Özgür Temel	Member	Banker	-	T. İş Bankası A.S. Capital Markets Department – Department Head	-	-	Non-Independent Member	-
Sezai Sevgin	Member	Banker	-	T. İş Bankası A.S. Maslak Corporate Branch Manager	-	-	Non-Independent Member	-
Volkan Kublay	Member	Banker	Member of the Board of Directors	T. İş Bankası A.S. Corporate Banking Marketing & Sales Department – Unit Manager	-	-	Non-Independent Member	Corporate Governance Committee Member, Risk Committee Member
Abdullah Akyüz	Member	Finance Professional	Member of the Board of Directors	-	-	-	Independent Member	Audit Committee Member
Behzat Yıldırım	Member	Banker	Member of the Board of Directors	-	-	-	Independent Member	Audit Committee Head, Corporate Governance Committee Head, Risk Committee Head

Board members have been elected in the Ordinary General Meeting of 25 March 2014 to serve until the next Ordinary General Meeting. In the Board of Directors meeting held on 17 July 2014, it was decided to appoint Mr. Mete Uğurlu to serve as a Board member to succeed Mr. Tolga Achim Müller who resigned from his seat on the Board of Directors. Mr. Uğurlu's appointment will be laid down for approval at the next general meeting to be held.

Board members do not have any executive duties at IS Investment. The General Manager is the head of execution.

The qualifications required of independent Board members are set out in the Corporate Governance Communiqué. The declarations of interest by the independent members of IS Investment Board of Directors are made available on the Company website and annual reports.

The Articles of Association stipulates that the General Manager may not serve as the Chairman of the Board at the same time.

Average ratio of women members on the Board of Directors was 40% over the past four years and as such, is above the minimum percentage of 25% as specified

in the corporate governance principles. At present, the ratio of women members is 22%, and the breakdown of men versus women members on our Board of Directors is a clear indicator of the fact that such a policy is already in place at our Company.

Assumption of duties by the members of the Board of Directors outside IS Investment is subject to general provisions. However, the Articles of Association stipulates that the Board members may not seek the approval of the General Assembly to be exempted from the prohibition of doing business and/or competing with IS Investment.

DECLARATION OF INTEREST

To the Board of Directors of İş Yatırım Menkul Değerler A.Ş.:

As I have been elected in the capacity of an "Independent Member" of the Board of Directors on 26 October 2011, I hereby declare as follows for the information of our Board of Directors, our shareholders and all related parties pursuant to the Capital Markets Board of Turkey (CMB) Corporate Governance Principles:

- Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the third degree, have, within the most recent five years, entered into any direct or indirect relationship based on interest in terms of employment, capital or commercial activity with IS Investment, or with any related party of IS Investment, or with any corporate entity with which shareholders directly or indirectly controlling 5% or higher share in the capital of IS Investment are related with respect to management or capital;
- I have not been elected to the Board of Directors to represent a specific share class;
- I am neither an employee, nor have I assumed a managerial position, within the most recent five years, in any company contractually undertaking the activities or organization of IS Investment in part or in whole, and particularly of the firms performing the audit and consultancy of IS Investment;
- I have not, within the most recent five years, been employed in entities carrying out the independent audit of IS Investment, nor have I been involved in the independent audit process thereof;
- I have not been an employee or worked as a manager for any company supplying service or product of material quantity to IS Investment within the most recent five years;
- Neither my spouse nor any of my relatives whether by blood or marriage unto the third degree is a manager at IS Investment, or a shareholder holding more than 5% of the total capital or in any case the management control;
- I receive no income from IS Investment, apart from the Board of Directors membership fee and attendance fee, and I am not a shareholder of IS Investment.

Yours sincerely,



Abdullah Akyüz

To the Board of Directors of İş Yatırım Menkul Değerler A.Ş.:

As I have been elected in the capacity of an "Independent Member" of the Board of Directors at the Ordinary General Meeting held on 09 May 2012, I hereby declare as follows for the information of our Board of Directors, our shareholders and all related parties pursuant to the Capital Markets Board of Turkey (CMB) rules about corporate governance:

- Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the third degree, have, within the most recent five years, entered into any direct or indirect relationship based on interest in terms of employment, capital or commercial activity of a significant nature with IS Investment, or with any related party of IS Investment, or with any corporate entity with which shareholders directly or indirectly controlling 5% or higher share in the capital of IS Investment are related with respect to management or capital;
- I am neither an employee, nor have I served as a board member, within the most recent five years, in any company contractually undertaking the activities or organization of IS Investment in part or in whole, and particularly of the firms performing the audit, rating and consultancy of IS Investment;
- I have not been a shareholder, employee or board member for any company supplying service or product of material quantity to IS Investment within the most recent five years;
- I am not a shareholder of IS Investment;
- I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member;
- I am not working on full-time basis at any public institution or organization;
- I am a resident of Turkey for the purposes of the Income Tax Law;
- I possess strong ethical standards and professional repute and experience sufficient to enable me to make a positive contribution to IS Investment's affairs, to maintain my impartiality in any conflicts of interest that may arise among the shareholders, and to come to decisions freely taking into consideration all stakeholders' rights;
- I am capable of devoting sufficient amount of time to follow-up the conduct of IS Investment's activities and to fully satisfy the requirements of the duties I will be undertaking.

Yours sincerely,



Behzat Yıldırım

Declarations of interest by the independent members of the Board of Directors are also posted on our corporate website accessible at the address www.isyatirim.com.tr.

EXECUTIVE BOARD

Name	Position	Profession	Positions Held in the Company in the Past 5 Years	Latest External Positions Held
Ali Erdal Aral	General Manager	Finance Professional	-	- Efes Varlık Yönetim A.Ş. - Chairman of the Board of Directors, - İş Girişim Sermayesi Yat. Ort. A.Ş. Member of the Board of Directors, - IS Investments Gulf Ltd. - Chairman of the Board of Directors, - Maxis Investments Ltd. Member of the Board of Directors
Murat Kural	Assistant General Manager	Finance Professional	Assistant General Manager	-
Ufuk Ümit Onbaşı	Assistant General Manager	Finance Professional	Assistant General Manager	- İş Yatırım Ortaklığı A.Ş. Deputy Chairman of the Board of Directors, - ELİDAŞ – Member of the Board of Directors
Funda Çağlan Mursaloğlu	Assistant General Manager	Finance Professional	Assistant General Manager	-
Melih Murat Ertem	Assistant General Manager	Electrical and Electronics Engineer	Assistant General Manager	-
Zeynep Yeşim Karayel	Assistant General Manager	Finance Professional	Manager	-
Rifat Cenk Aksoy	Assistant General Manager	Finance Professional	-	-

Serving as an Assistant General Manager since 2006, Mr. Mert Erdoğan resigned from this position as of 31 December 2014.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

MANAGEMENT



Ali Erdal Aral
General Manager

Ali Erdal Aral received his bachelor's degree in economics (in English) from the Faculty of Economics and Administrative Sciences at Marmara University in 1989 and his master's degree in international banking from the Loughborough University of Technology. He joined İşbank in 1989 as an assistant inspector, where he subsequently served at various levels. He was appointed as assistant manager in the Treasury Division in 1997, and was promoted to unit manager in 2000 and division manager in 2002. He was appointed as the manager of Kozyatağı Corporate Branch in 2008. He became a deputy chief executive at İşbank on 13 April 2011. He was named the General Manager of IS Investment on 30 January 2013.



Murat Kural
Assistant General Manager

Murat Kural got his bachelor's degree in electronics and communication engineering from Istanbul Technical University in 1987 and his master's degree from the Institute of Business Administration at Bilkent University in 1989. He started working at the Prime Ministry Privatization Administration in 1990 and held his post until 1997 when he became the President of Treasury. The same year he transferred to the World Bank in the capacity of an advisor. In 1999, he joined IS Investment family as the Corporate Finance Manager, undersigning many public offering and privatization projects. Since 2002, he has been serving as our Assistant General Manager responsible for Public Offerings, Mergers and Acquisition, and coordination with our subsidiary İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and our Dubai-based subsidiary IS Investment Gulf Ltd.



Ufuk Ümit Onbaşı
Assistant General Manager

Ufuk Ümit Onbaşı received his degree in economics (English) from the Faculty of Economics at Istanbul University in 1991. The same year, he started working in the Securities Department at İşbank. He continued his career path in the banking industry. Based on his expertise in treasury, he joined IS Investment as Domestic Markets Manager in 2000. He became an Assistant General Manager of IS Investment in 2003, in which position he still serves in charge of Domestic Capital Markets, International Capital Markets, Research, Quantitative Strategies and Arbitrage, Stock Market and Intermediation Agency Services, Individual Portfolio Management, and coordination with our subsidiaries İş Portföy Yönetimi A.Ş. and İş Yatırım Ortaklığı A.Ş. and Kazakhstan Liaison Office.



Funda Çağlan Mursaloğlu
Assistant General Manager

Funda Çağlan Mursaloğlu received her bachelor's degree from Boğaziçi University in 1996 and her master's degree from Yeditepe University in 1998. She began her professional career in the financial services sector in 1996. She joined IS Investment as International Sales Specialist in 1999. Responsible in her position for foreign institutional customers, she led the creation of the Foreign Sales Department, to which she was appointed as manager in 2005. Having been brought to the position of Assistant General Manager in October 2007, she currently serves as Assistant General Manager responsible for Foreign Sales and Marketing, Research and Investor Relations.



Melih Murat Ertem
Assistant General Manager

Melih Murat Ertem got his degree in electrical and electronics engineering from the Middle East Technical University in 1995. He started working at İşbank in the IT Department in 1996. He functioned as assistant manager in the IT Products and Services Management Division from 2005 to 2008, where he rose to unit manager in 2008 and as division manager from 2010 onwards. He was appointed as Assistant General Manager responsible for Information Technologies, Software Development and Project Management in November 2012.

Zeynep Yeşim Karayel
Assistant General Manager

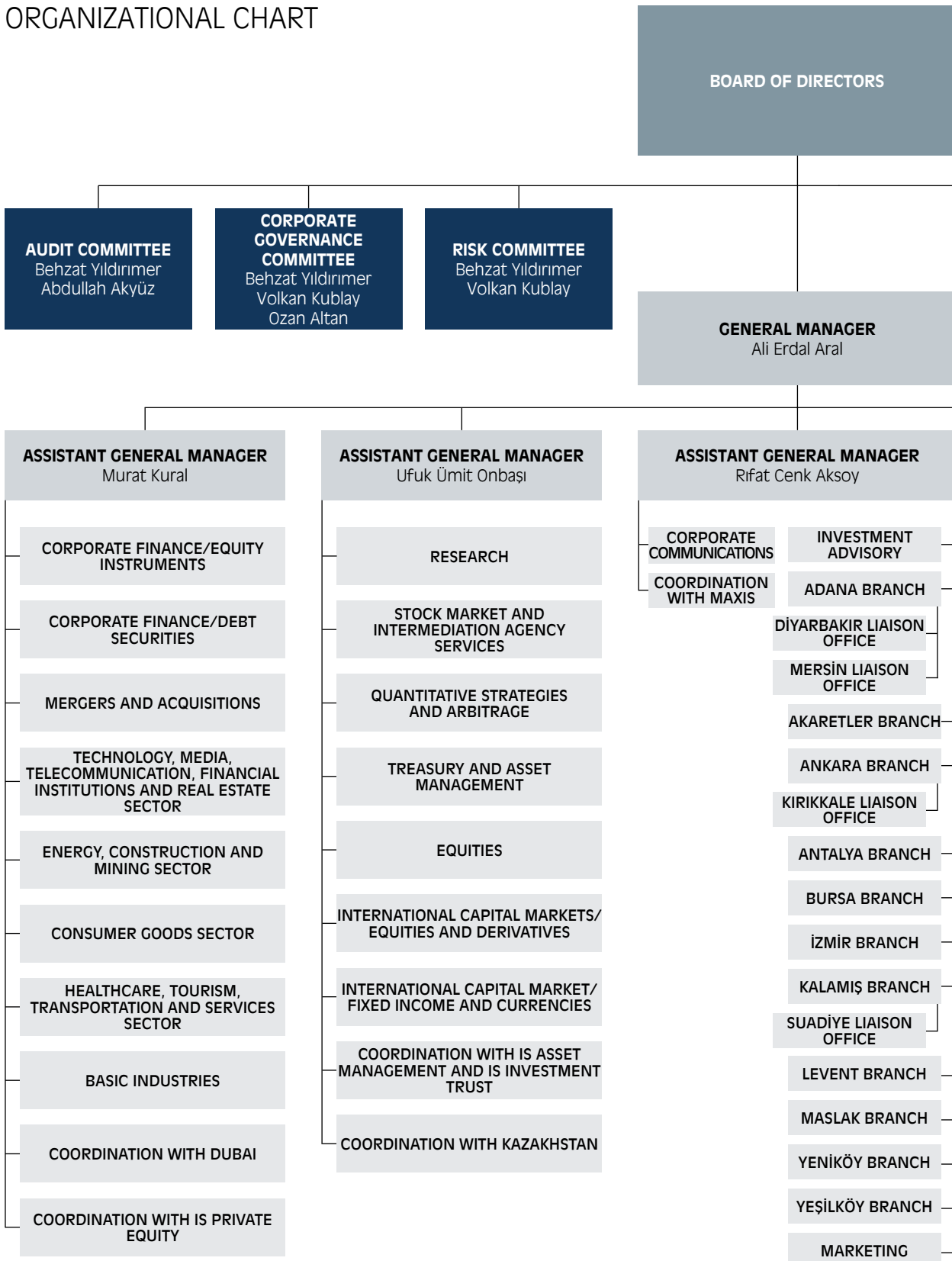
Zeynep Yeşim Karayel got her degree in economics from Istanbul University in 1984. She began her professional life the same year in the Intelligence Department at İşbank, where she was appointed to the Securities Department as an assistant specialist in 1993. She was brought to the position of section head in the Corporate Finance Department of IS Investment in 1997. She was promoted to the position of assistant manager in 1999 and manager in 2002. In the meantime, she was in charge of numerous privatization advisory initiatives and public offering projects. Appointed as an Assistant General Manager in March 2013, Ms. Karayel is responsible for Financial Reporting and Other Support Services, coordination with our subsidiary Efes Varlık Yönetim A.Ş. and acting as the Rapporteur (to the Board of Directors).

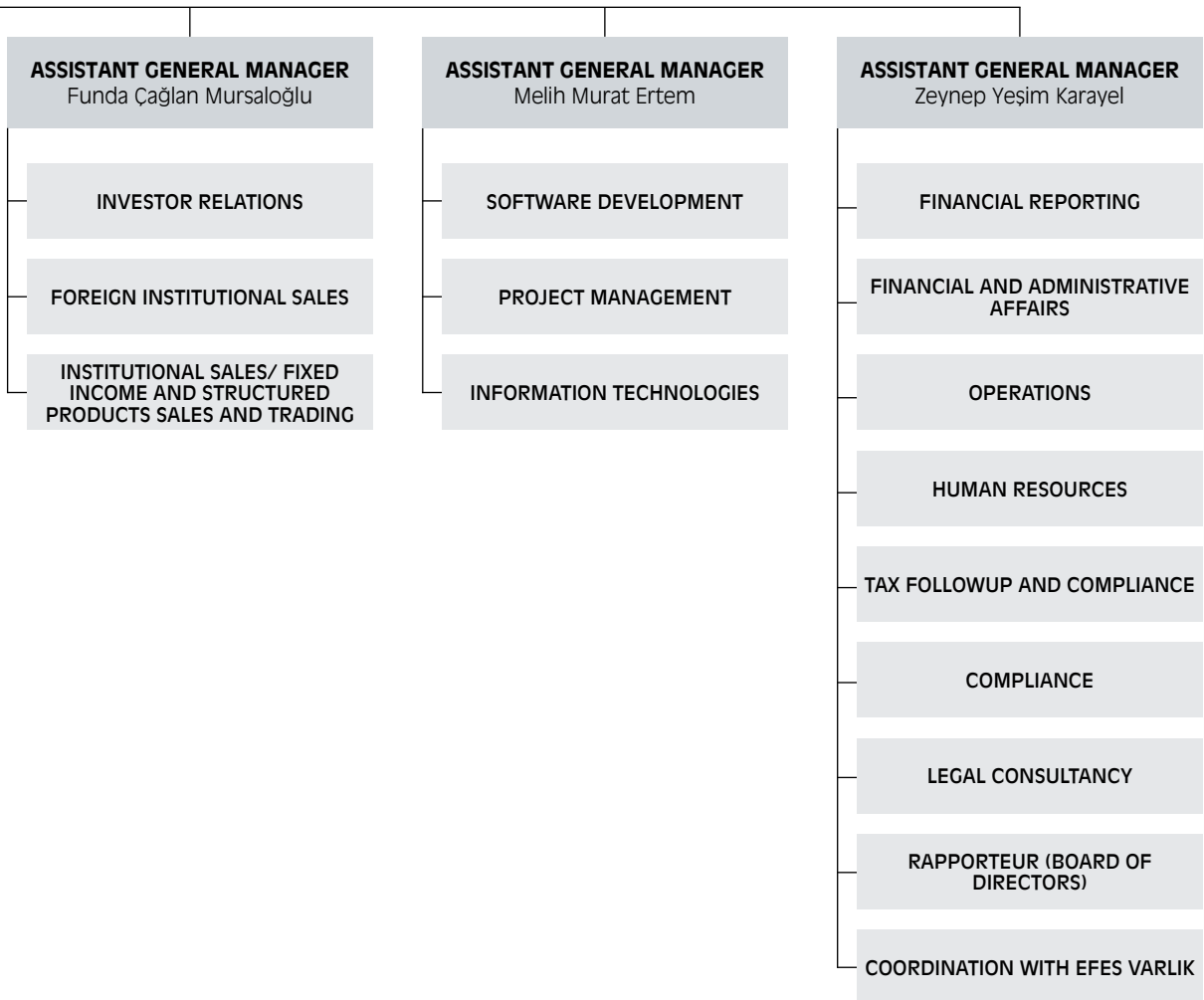
Rifat Cenk Aksoy
Assistant General Manager

Rifat Cenk Aksoy received his degree in economics from the Faculty of Economics at Istanbul University in 1991. He joined İşbank as a specialist in the Securities Department, and transferred to IS Investment as Assistant General Manager of Treasury in 1997. From then on, he functioned in various positions at İşbank Group companies and was appointed to IS Asset Management, which was then newly established for the private pension system that was in the stage of being set up, as the Manager responsible for Portfolio Management in 2001, where he rose to the position of Executive Vice President in 2004. After dealing with mutual funds and pension funds that are referred to as collective investment enterprises for 10 years, he became the General Manager of Camış Menkul Değerler A.Ş. in September 2010. Appointed as an Assistant General Manager to IS Investment on 2 July 2014, Mr. Aksoy is responsible for Domestic Sales and Marketing, Corporate Communication, and coordination with our London-based subsidiary Maxis Investments Ltd.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

ORGANIZATIONAL CHART





CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

QUALIFICATIONS OF BOARD MEMBERS

All of our members are executives holding at least bachelor's degrees and possessing experience in their respective fields. Furthermore, the Articles of Association stipulated that half of the Board members plus one must hold university degrees.

The Company's Vision, Mission and Corporate Values and Strategic Goals

IS Investment's Vision, Mission and Corporate Values have been approved by the Board of Directors and publicly disclosed on our website.

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 Centeredness: 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 "İs", which we proudly represent in capital markets.

Valuing Employees: 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.

Abiding by 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.

RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

Efficient risk management forms the basis of successful delivery of today's financial intermediation services in line with the growing needs of shareholders, regulatory bodies and clients. On the other hand, the bar is constantly raised in what defines efficient risk management activities in the evolving world of risk management. Risk measurement and management activities are incorporated within the main business lines at IS Investment. Reorganized as a Department in 2006, Risk Management is independent from executive units in its activities.

In the management of functional activities, IS Investment may be exposed to various integrated risk groups. The Company essentially carries out proactive control and management in relation to market, credit, liquidity and operational risk classes.

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

IS Investment has set up an efficient internal audit system that incorporates internal control and inspection activities. The organization plan in place at IS Investment and all related principles and procedures are monitored for the purposes of orderly, efficient and effective execution of all acts and transactions of IS Investment, including those of its peripheral organization, in line with the management strategy and policies within the framework of existing legislation and rules, ensuring the integrity and reliability of bookkeeping and record keeping systems, assuring timely and accurate availability of information in the data system, and preventing and identifying errors, fraud and irregularities.

In addition, inspectors audit compliance with the legislation and corporate policies based on the needs of the management, independently from IS Investment's day-to-day operations. Within this context, an audit system has been established which encompasses all activities and units of IS Investment, with a particular focus on the operation of the internal control system, allows evaluation of these fields, and covers the systematic audit process resulting from the reporting and examination of evidence and findings used in evaluations.

Moreover, Compliance Department in particular, as well as all other units spend their best efforts in relation to regulatory obligations, compliance with corporate policies, customer satisfaction, reputation and reliability for the protection of the Company's reputation within the context of reputation risk/legal risk management. There are no material lawsuits brought against our Company, nor are there any material penalties imposed by public authorities.

OPINION OF THE AUDIT COMMITTEE ON THE INTERNAL CONTROL SYSTEM

Re.: Financial statements dated 31 December 2014.

Date: 30 January 2015

1. No negative findings were established with regard to the operation or the effectiveness of IS Investment's accounting and internal control systems and we have arrived at the conclusion that the conduct was properly and duly engaged in.

2. We have reviewed the financial reports for the period 1 January 2014-31 December 2014, and in view of the fact that no negative opinions have been communicated by the responsible managers of the Company or by the independent auditor with regard to the Company's accounting principles or the factuality and accuracy of these reports to be publicly disclosed, it has been decided to present the Company's financial statements for perusal by the Board of Directors.



Abdullah Akyüz Behzat Yıldırım
Committee Committee
Member Head

AUTHORITY AND RESPONSIBILITIES OF THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES

As specified in the Articles of Association of IS Investment, IS Investment is managed and externally represented by the Board of Directors. The Board of Directors may delegate its management and representation duties and powers, in part or in whole, under the Turkish Commercial Code to managing directors to be designated from among its members or to managers who are not necessarily shareholders.

The Board of Directors conducts its activities subject to the Turkish Commercial Code, Capital Market Law and applicable legislation.

OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS

At IS Investment, the Board of Directors meets at least on a monthly basis, and may convene at more frequent intervals as and when necessary. The meeting agenda is determined upon proposal by the General Manager and approval by the Chairman of the Board. The meeting invitation is issued by the Chairman or the Vice Chairman of the Board of Directors. The Board of Directors met 12 times in 2014.

Shareholder(s) representing at least 5% of IS Investment's capital, and stakeholders defined in the CMB Corporate Governance Principles may invite the Board of Directors to convene upon making an appeal with the Chairman of the Board.

An Assistant General Manager has been assigned as a "Reporter" in order to keep the members of the Board of Directors informed and to ensure communication.

Board members have not been granted weighted voting rights or negative/affirmative vetoing rights at the meeting.

The General Assembly has not received any decisions on account of related party or material transactions. Meeting minutes are kept in audio format.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The operating principles of the Board of Directors, which include such information as meeting and decision quorums, are posted in detail on the corporate website at the address www.isyatirim.com.tr. The Company has not yet purchased an insurance policy for the losses that members of the Board may cause to the Company due to misconduct; work in this regard is in progress.

PROHIBITION OF DOING BUSINESS AND COMPETING WITH THE COMPANY

It is stipulated in the Articles of Association that the members of the Board of Directors may not seek authorization from the General Meeting of Shareholders to be exempted from the prohibition on conducting business or competing with IS Investment.

NUMBER, STRUCTURES AND INDEPENDENCE OF BOARD OF DIRECTORS COMMITTEES

The Articles of Association stipulate that the committees and units deemed necessary and fit by the legislation can be set up to ensure healthy fulfillment of the duties and responsibilities of the Board of Directors, and that the CMB Corporate Governance Principles will be taken into consideration in the establishment of these committees and units.

Audit Committee, Corporate Governance Committee and Risk Committee function at IS Investment. All members of the Audit Committee and the heads of the Corporate Governance and Risk Committees are independent members. The duties of the Nomination and Remuneration Committees have been charged to the Corporate Governance Committee. The members of the committees are non-executive.

AUDIT COMMITTEE

Behzat Yıldırım - Head
Abdullah Akyüz - Member

The Audit Committee meets at least four times a year on a quarterly basis. The Committee met 12 times in 2014. Taking into consideration

that the responsible managers of the Company and the independent auditor did not express a negative opinion about the compliance of the 2014 financial statements with the Company's accounting principles or about their factuality and accuracy, the Committee decided to present the Company's financial statements for perusal by the Board of Directors.

CORPORATE GOVERNANCE COMMITTEE

Behzat Yıldırım - Head
Volkan Kublay - Member
Ozan Altan - Member

The Corporate Governance Committee has also assumed the responsibilities of the Nomination and Remuneration Committees. The Committee meets at least quarterly. The Committee met nine times in 2014.

RISK COMMITTEE

Behzat Yıldırım - Head
Volkan Kublay - Member

The Risk Committee meets at least quarterly. The conclusions reached by the Committee are recorded in an official report and presented to the Board of Directors. The Committee met 12 times in 2014.

The Board of Directors Reporter also carries out the Committee's work.

The other committees, which are organized under the chair of a responsible Board member designated by a Board decision, meets as and when necessary.

Committees set up under the Board of Directors, committee members, their functions and responsibilities, and operating procedures and principles are publicly disclosed on KAP and the corporate website at the address www.isyatirim.com.tr.

The Articles of Association set out that the decision-making process regarding material transactions defined in the CMB Corporate Governance Principles and other matters concerned with related parties shall be

handled in accordance with the CMB's corporate governance requirements.

STRATEGIC GOALS OF THE COMPANY

Strategic goals devised by the Executive Committee in relation to IS Investment's activities are presented in a report to the Board of Directors. This report covers information and forecasts about national and international markets, as well as macroeconomic assessments. Strategic goals determined within the framework of such information and forecasts are approved by the Board of Directors upon necessary assessments thereby following discussion of the prior period performance. Accordingly, the Board of Directors concluded that the Company attained its operational and financial performance targets for 2014.

FINANCIAL RIGHTS PROVIDED TO THE BOARD OF DIRECTORS

The Articles of Association set out that the monthly salaries or attendance fees of Board members shall be determined by the General Assembly of Shareholders.

Based on the decisions passed at the Company's Ordinary General Meeting held on 25 March 2014, it has been determined to pay a monthly gross salary of TL 7,250.- to the members of the Board of Directors. The minutes of the Ordinary General Meeting has been publicly disclosed in the form of a material event statement and also posted on the corporate website. A performance-based rewarding system is implemented for the determination of Board members' financial rights. Total consolidated benefits provided to the Board members and senior executives amounted to TL 18,992,628 million during 2014.

IS Investment and the Board members or executives do not engage in transactions such as lending money, extending credit, providing guarantee etc.

AFFILIATED COMPANY REPORT AND RELATED PARTY TRANSACTIONS

The Company's related party transactions are detailed in the notes to the financial statements and on the corporate website.

AFFILIATED COMPANY REPORT - CONCLUSION

Commercial transactions our Company realized with the controlling company İsbank, our principal shareholder, and group companies affiliated to İsbank in the fiscal year covering the period 1 January – 31 December 2014, which are detailed herein, were required by the Company's activity and were carried out on an arm's length basis. The controlling company led neither any decisions to the detriment of the controlling company or a subsidiary thereof or our Company, nor any transactions that will cause loss to the same.

Board of Directors
IS Investment

CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

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

Report on the Audit of Board of Directors' Annual Report Based on Standards on Auditing which is a Component of The Turkish Auditing Standards Published by The Public Oversight Accounting and Auditing Standards Authority ("POA")

We have audited the accompanying annual report of İş Yatırım Menkul Değerler A.Ş. (the "Company") , for the year ended 31.12.2014.

Board of Directors' Responsibility for the Annual Report

Pursuant to the article 514 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on the Principles of Financial Reporting In Capital Markets numbered II – 14.1 ("Communiqué"), management is responsible for the preparation of the annual report fairly and consistent with the financial statements and for such internal control as management determines is necessary to enable the preparation of such annual report.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's annual report based on our audit in accordance with article 397 of the TCC and Communiqué whether the financial information included in the accompanying annual report is consistent with the audited financial statements expressed in the auditor's report of the Company dated 30 January 2015 and provides fair presentation.

Our audit has been conducted in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") published by the POA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information included in the annual report is consistent with the financial statements and provide fair presentation. An audit also includes performing audit procedures in order to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

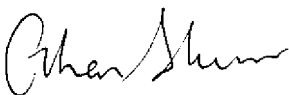
Opinion

In our opinion, the financial information included in the annual report is consistent, in all material respects, with the audited financial statements and provides a fair presentation.

Report on Other Regulatory Requirements

In accordance with the third clause of the article 402 of TCC, no material issue has come to our attention that shall be reported about the Company's ability to continue as a going concern in accordance with TAS 570 Going Concern.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative



Orhan Akova, SMMM
Partner
January 30, 2015
İstanbul, Türkiye

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014 WITH INDEPENDENT AUDITORS' REPORT THEREON

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

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INDEPENDENT AUDITOR'S REPORT



**Akis Bağımsız Denetim ve
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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 ("the Company") and its subsidiaries (collectively referred to as the "the Group") as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of 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 Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error or fraud.

Independent 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 standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and standards on auditing which are components of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 our 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, we consider internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

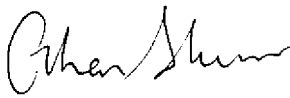
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards.

Report on Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 398 of the Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 30 January 2015.
- 2) Pursuant to the fourth paragraph of Article 402 of TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2014 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative



Orhan Akova, Certified Public Accountant
Partner

30 January 2015
Istanbul, Turkey

Additional paragraph for convenience translation to English:

As explained in Note 2.1, the accompanying consolidated 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.

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İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

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

	Notes	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
ASSETS			
Current Assets			
Cash and Cash Equivalents	8	2.906.984.690	2.430.089.230
Financial Investments	9	708.597.016	823.666.260
Trade Receivables	12	1.380.845.045	1.296.016.196
<i>Due From Related Parties</i>	7	4.268.318	6.898.132
<i>Other Trade Receivables</i>		1.376.576.727	1.289.118.064
Other Receivables	13	70.511.458	152.616.496
<i>Due From Related Parties</i>	7	6.864.768	52.831
<i>Other Receivables</i>		63.646.690	152.563.665
Derivative Instruments	39	28.885.174	4.392.989
Inventories	15	52.596.621	54.281.259
Prepaid Expenses		8.630.108	4.664.209
Current Tax Assets		18.137.179	1.803.795
Other Current Assets	26	6.205.151	14.413.202
SUBTOTAL		5.181.392.442	4.781.943.636
Assets Held For Sale	33	4.973.662	2.693.295
TOTAL CURRENT ASSETS		5.186.366.104	4.784.636.931
Non-Current Assets			
Financial Investments	9	38.431.129	25.866.532
Other Receivables	13	882.317	4.919.435
<i>Due From Related Parties</i>	7	150	150
<i>Other Receivables</i>		882.167	4.919.285
Investments in Equity Accounted Investees	18	17.208.918	-
Tangible Assets	20	34.822.845	29.179.169
Intangible Assets		61.229.010	66.229.231
<i>Goodwill</i>	19	38.593.847	38.673.879
<i>Other Intangible Assets</i>	21	22.635.163	27.555.352
Prepaid Expenses		1.202.960	1.398.265
Deferred Tax Assets	35	14.997.135	23.136.004
TOTAL NON-CURRENT ASSETS		168.774.314	150.728.636
TOTAL ASSETS		5.355.140.418	4.935.365.567

The accompanying notes form 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 2014

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

	Notes	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
LIABILITIES			
Short-Term Liabilities			
Short Term Borrowings	10	3.140.096.643	2.753.832.681
Short Term Portion of Long Term Borrowings	10	108.997.475	29.663.046
Other Financial Liabilities	11	9.783.531	1.694.800
Trade Payables	12	981.212.461	979.350.342
<i>Due to Related Parties</i>	7	6.471.772	1.239.004
<i>Other Trade Payables</i>		974.740.689	978.111.338
Payables Relating to Employee Benefits		3.878.213	3.457.935
Other Payables (k)	13	9.408.618	5.970.181
<i>Due to Related Parties</i>	7	14.430	186.401
<i>Other Payables</i>		9.394.188	5.783.780
Derivative Instruments	39	24.425.581	105.403.244
Current Tax Liabilities	35	554.552	9.801.649
Short Term Provisions		12.087.425	11.863.709
<i>Employee Benefits</i>	25	11.250.844	11.060.011
<i>Other Short Term Provisions</i>	23	836.581	803.698
Other Current Liabilities	26	4.523.627	6.803.328
TOTAL CURRENT LIABILITIES		4.294.968.126	3.907.840.915
Long-Term Liabilities			
Long Term Borrowings	10	90.111.414	95.013.234
Trade Payables	12	1.881.678	1.648.650
<i>Due to Related Parties</i>	7	-	500.000
<i>Other Trade Payables</i>		1.881.678	1.148.650
Long Term Provisions		6.223.735	6.849.983
<i>Employee Benefits</i>	25	6.223.735	6.849.983
Deferred Tax Liabilities	35	3.277.831	6.506.351
Other Long Term Liabilities	26	700.782	83.472
TOTAL NON-CURRENT LIABILITIES		102.195.440	110.101.690

The accompanying notes form 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 2014

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

	Notes	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
EQUITY			
Total Equity Attributable to Equity Holders of the Company			
Paid in Capital	27	332.000.000	310.500.000
Share Premium		1.302.324	1.302.324
Other Comprehensive Income and Expenses to be Reclassified to Profit or Loss		9.563.887	7.899.606
<i>Currency Translation Differences</i>		3.515.335	3.246.166
<i>Fair Value Reserve</i>	27	6.048.552	4.653.440
Other Reserves	27	1.753.763	1.753.763
Restricted Reserves	27	37.981.429	31.777.604
Prior Year's Profit/Loss	27	111.841.570	94.423.077
Profit for The Year		62.895.770	70.813.280
Non-Controlling Interests	27	400.638.109	398.953.308
TOTAL EQUITY		957.976.852	917.422.962
TOTAL LIABILITIES		5.355.140.418	4.935.365.567

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

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2014

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

		Audited Current Period	Audited Prior Period
	Notes	1 January - 31 December 2014	1 January - 31 December 2013
STATEMENT OF PROFIT OR LOSS			
Revenue	28	63.555.604.344	68.512.582.790
Sales Revenue	28	63.265.374.143	68.253.891.720
Interest and Derivative Income from Operating Activities, Net	28	134.391.462	104.691.966
Service Income, net	28	112.871.230	126.806.343
Other Operating Income, net	28	42.967.509	27.192.761
Cost of Sales (-)	28	(63.155.299.418)	(68.124.074.185)
GROSS PROFIT/LOSS		400.304.926	388.508.605
Administrative Expenses (-)	29	(194.960.312)	(189.263.637)
Marketing Expenses (-)	29	(68.581.520)	(54.235.282)
Research and Development Expenses (-)	29	(2.984.040)	(3.678.774)
Other Operating Income	30	8.936.178	5.697.207
Other Operating Expenses (-)	30	(11.020.823)	(10.023.911)
OPERATING PROFIT/LOSS		131.694.409	137.004.208
Share of Profit/Loss of Equity Accounted Investees, Net of Income Tax	18	(291.082)	4.300.659
FINANCE COSTS BEFORE OPERATING PROFIT/LOSS		131.403.327	141.304.867
Finance Income	31	33.298.995	32.506.674
Finance Costs (-)	32	(64.210.475)	(36.656.758)
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS		100.491.847	137.154.783
Income Tax From Continuing Operations	35	(7.921.637)	(11.842.480)
<i>Current Tax Expense (-)</i>		(2.875.175)	(31.943.377)
<i>Deferred Tax Income/(Expense)</i>		(5.046.462)	20.100.897
PROFIT FROM CONTINUING OPERATIONS		92.570.210	125.312.303
PROFIT FROM DISCONTINUED OPERATIONS		-	-
PROFIT FOR THE YEAR		92.570.210	125.312.303
Profit Attributable to:			
Non-Controlling Interests		29.674.440	54.499.023
Equity holders of the Company		62.895.770	70.813.280
		92.570.210	125.312.303
Earnings Per Share			
Earnings Per Share From Continuing Operations	36	0,1894	0,2133
Earnings Per Share From Discontinued Operations	36	-	-
Diluted Earnings Per Share			
Diluted Earnings Per Share From Continuing Operations	36	0,1894	0,2133
Diluted Earnings Per Share From Discontinued Operations	36	-	-

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

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

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

		Audited Current Period	Audited Prior Period
	Notes	1 January - 31 December 2014	1 January - 31 December 2013
PROFIT FOR THE YEAR		92.570.210	125.312.303
OTHER COMPREHENSIVE INCOME:			
Items Not to be Reclassified to Profit or Loss	34	(1.231.261)	674.951
Defined Benefit Plan Re-Measurement Gains		(1.539.076)	843.689
Tax Income/(Expense) Not to be Reclassified in Profit or Loss		307.815	(168.738)
<i>Deferred Tax Expense/Income</i>		<i>307.815</i>	<i>(168.738)</i>
Items to be Reclassified to Profit or Loss	34	1.811.682	1.492.256
Fair Value Gains/Losses on Available for Sale Financial Assets		1.465.387	(428.595)
Change in Currency Translation Reserve		269.169	1.899.421
Tax Income/(Expense) to be Reclassified in Profit or Loss		77.126	21.430
OTHER COMPREHENSIVE INCOME/LOSS		580.421	2.167.207
TOTAL COMPREHENSIVE INCOME		93.150.631	127.479.510
Total Comprehensive Income Attributable to:			
Non-Controlling Interests		29.124.027	53.716.382
Equity holders of the Company		64.026.604	73.763.128
		93.150.631	127.479.510

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

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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

		Audited Current Period	Audited Prior Period
	Notes	1 January- 31 December 2014	1 January- 31 December 2013
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		(50.674.078)	85.987.103
Adjustments to reconcile net profit/(loss)		92.570.210	125.312.303
Adjustments for depreciation and amortization	20-21	14.915.866	12.864.376
Adjustments related to goodwill impairment	19	80.032	2.650.000
Adjustments for impairments for inventories		-	(678.557)
Changes in provisions		973.976	3.320.115
Interest income and expenses	8-10	(25.446.426)	22.578.383
Adjustments related to share-based payments		(799.623)	(8.375.030)
Adjustments related to fair value losses/gains		(123.408.748)	154.563.861
Changes in tax loss/income	35	7.921.638	11.842.480
Gain/losses from sales of tangible assets	20-21	1.051.228	1.076.633
Adjustments related to investments accounted for using the equity method	18	291.082	23.565.589
Other adjustments related to profit/loss reconciliation		5.948.672	-
Changes in net working capital			
Increases/decreases in inventories		1.684.638	(12.360.370)
Increases/decreases in trade receivables		(84.921.799)	(291.889.159)
Increases/decreases in other receivables		64.415.582	(84.660.927)
Increases/decreases in trade payables		2.095.147	148.941.300
Increases/decreases in other payables		5.337.769	2.213.605
Cash flows from operating activities			
Current tax paid		(12.258.385)	(22.772.387)
Employment termination benefits paid/return		(1.124.937)	(2.205.112)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Increases/decreases in financial investments		36.980.584	(84.838.837)
Proceeds from acquisition of subsidiaries		-	(7.409.920)
Proceeds from acquisition of associates	18	(17.500.000)	-
Cash inflow from sales of tangible assets	20	(15.000.396)	-
Cash outflow from purchases of tangible assets	20	799.623	(16.135.631)
Dividend income	31	-	8.375.030
Cash outflow from purchases of intangible assets	21	(1.602.019)	(2.900.874)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from financial liabilities		154.380.313.644	159.998.934.132
Repayments of financial liabilities		(154.112.187.196)	(159.434.355.782)
Dividends paid		(53.740.158)	(66.074.673)
Change in time deposits with original maturities longer than three months		165.473.025	(235.480.476)
Change in other financial liabilities		(72.888.932)	50.569.804
Financing cash inflows from commercial paper	10	699.506.963	-
Financing cash outflows from commercial paper	10	(489.385.170)	(87.108.603)
Change in non-controlling interest		(1.364.355)	5.657.296
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)			
		468.731.535	215.218.568
D. EFFECTS OF UNREALIZED EXCHANGE LOSS/(GAIN) ON CASH AND CASH EQUIVALENTS			
		269.169	2.093.906
NET (INCREASE)/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)			
		469.000.704	217.312.474
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD			
	8	2.426.311.206	2.208.998.732
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (A+B+C+D+E)			
	8	2.895.311.910	2.426.311.206

The accompanying notes form 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 2014

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

	Paid in Capital	Treasury Shares (-)	Share Premium	Other Comprehensive Income to be reclassified to be profit or loss		
				Currency Translation Differences	Fair Value Reserve	Other Reserves
Balance at 1 January 2013	286.000.000	(3.677.432)	1.302.324	369.619	5.060.605	815.813
Transfers to Reserves	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	2.876.547	(407.165)	-
Adjustment to Share Capital (-)	-	3.677.432	-	-	-	-
Capital Increase (Note 27)	24.500.000	-	-	-	-	-
Change in Non-Controlling Interests	-	-	-	-	-	937.950
Dividends (Note 27)	-	-	-	-	-	-
Balance at 31 December 2013	310.500.000	-	1.302.324	3.246.166	4.653.440	1.753.763

	Paid in Capital	Treasury Shares (-)	Share Premium	Other Comprehensive Income to be reclassified to be profit or loss		
				Currency Translation Differences	Fair Value Reserve	Other Reserves
Balance at 1 January 2014	310.500.000	-	1.302.324	3.246.166	4.653.440	1.753.763
Transfers to Reserves	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	269.169	1.395.112	-
Capital Increase (Note 27)	21.500.000	-	-	-	-	-
Capital Increase of Subsidiaries	-	-	-	-	-	-
Change in Non-Controlling Interests	-	-	-	-	-	-
Dividends (Note 27)	-	-	-	-	-	-
Balance at 31 December 2014	332.000.000	-	1.302.324	3.515.335	6.048.552	1.753.763

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

Restricted Reserves	Retained Earnings		Shareholders' Equity	Non-Controlling Interest	Equity
	Prior Year's Profit/Loss	Net Profit/Loss For The Year			
25.647.936	75.729.928	68.738.451	459.987.244	393.634.716	853.621.960
6.129.668	62.608.783	(68.738.451)	-	-	-
-	480.466	70.813.280	73.763.128	53.716.382	127.479.510
-	-	-	3.677.432	-	3.677.432
-	(24.500.000)	-	-	-	-
-	-	-	937.950	(2.219.217)	(1.281.267)
-	(19.896.100)	-	(19.896.100)	(46.178.573)	(66.074.673)
31.777.604	94.423.077	70.813.280	518.469.654	398.953.308	917.422.962

Restricted Reserves	Retained Earnings		Shareholders' Equity	Non-Controlling Interest	Equity
	Prior Year's Profit/Loss	Net Profit/Loss For The Year			
31.777.604	94.423.077	70.813.280	518.469.654	398.953.308	917.422.962
6.203.825	64.609.455	(70.813.280)	-	-	-
-	(533.447)	62.895.770	64.026.604	29.124.027	93.150.631
-	(21.500.000)	-	-	-	-
-	-	-	-	1.232.789	1.232.789
-	(657.515)	-	(657.515)	568.143	(89.732)
-	(24.500.000)	-	(24.500.000)	(29.240.158)	(53.740.158)
37.981.429	111.841.570	62.895.770	557.338.743	400.638.109	957.976.852

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

(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 registered 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 Kuleleri 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.

The Company has 404 employees in the current period (31 December 2013: 402).

As at 31 December 2014, the details of the Company's subsidiaries included in consolidation are as follows:

Subsidiaries:

Company	Place of incorporation	Business Activity
Efes Varlık Yönetim A.Ş.	İstanbul	Asset management
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.*	İstanbul	Private equity
İş Portföy Yönetimi A.Ş.	İstanbul	Portfolio management
İş Yatırım Ortaklığı A.Ş. (Previous Title; İş B Tipi Yatırım Ortaklığı A.Ş.)	İstanbul	Investment trust
Is Investments Gulf Ltd.	Dubai	Securities brokerage
Maxis Investments (Securities) Ltd.	London	Securities brokerage

(*) Subsidiaries of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. are presented in Note 2.1.

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:

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 deposit banks, participation banks and other financial institutions.

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

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

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 the 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 Menkul Değerler Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

İş Yatırım Ortaklığı A.Ş.(Previous Title: İş B Tipi Yatırım Ortaklığı A.Ş.):

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

Is 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 Investments Ltd.(Previous Title 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 are 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. Joint ventures are controlled by the Group with a contractual agreement and the Group have the authority on strategic, financial and operational decisions of joint ventures by these agreements. The details of Group's associates as at 31 December 2014 are as follows:

Associate

Company Name	Type of services	Main services issues
Radore Veri Hizmetleri A.Ş. ("Radore")	Data Services	Information technology sector, data center management and other works written in the main contract.

The group invested in Radore Veri Hizmetleri A.Ş. with a consideration of TL 17.500.000 on 2 October 2014.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of presentation

Financial reporting standards

Approval of Consolidated Financial Statements

The Group's consolidated financial statements as at and for the year then ended 31 December 2014 have been approved by the Board of Directors and authorization for issue has been given on 30 January 2015. The General Assembly has the authority to amend the consolidated financial statements after publishing.

Additional paragraph for convenience translation to English

The differences between accounting principles promulgated by the CMB, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed may have influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and jurisdictions other than Turkey.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

2.2 Basis of Presentation *(cont'd)*

Financial Reporting Standards *(cont'd)*

Preparation of Consolidated Financial Statements and Statement of Compliance to TAS

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") and tax legislation. Businesses which are controlled by 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.

The accompanying consolidated financial statements are prepared in accordance with the Communiqué numbered II-14,1, "Basis for Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to the Communiqué, financial statements are prepared in accordance with Turkish Accounting Standards ("TAS") which are published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

The accompanying consolidated financial statements as at 31 December 2014 have been prepared in accordance with the resolution numbered 20/670 "Announcement on Financial Statement and Disclosure Formats" published by the CMB on 7 June 2013.

Policy Resolutions Promulgated by the POA

Board Policy Resolutions are published by the POA to apply Turkish Accounting Standards for companies preparing their financial statements. "Illustrative Financial Statement and User Guide" became effective as of the date of publication but other decisions have been implemented as effective from 31 December 2012 after the annual reporting period.

The details of the board policy resolutions and their impact on the Group are as follows:

2013-1 Illustrative Financial Statement and User Guide

Illustrative Financial Statement and User Guide is published by POA in order to facilitate audit of the financial statements and enhancing the financial statements unique on 20 May 2013. Financial statement templates are published as an example for group that obliged to adopt TAS, except financial organization constituted the banking, insurance, pension or capital market operations. The Group has made certain reclassifications to fulfill the requirements of these regulations described in Note 2.2.

2013-2 Accounting for Business Combinations Under Common Control

Combination of entities under common control should be recognized using the pooling of interest method. Thus, goodwill should not be included in the financial statements. The effect of business combinations under common control is accounted under equity in "Business Combinations Under Common Control" account while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. The resolution have no effect on the Group's 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 2014

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

2.2 Basis of Presentation *(cont'd)*

Financial Reporting Standards *(cont'd)*

2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on classification and measurement of the redeemed share certificates and on principles for recognition. The resolution have no effect on the Group's consolidated financial statements.

2013-4 Accounting of Cross Shareholding Investments

If a subsidiary of a parent entity holds shares of the parent, then this is defined as cross shareholding investment and accounting of this cross shareholding investment is assessed based on the type and different recognition principles adopted. With the subject resolution, this topic has been assessed under three main headings as explained below and the recognition principles have been determined for each of them.

- The subsidiary holding the equity based financial instruments of the parent,
- The associates or joint ventures holding the equity based financial instruments of the parent,
- The parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 39 and TFRS 9 by the parent.

The resolution have no effect on the Group's consolidated financial statements.

Basis of Measurement

The consolidated financial statements have been prepared based on the historical cost, except for the financial investments which are measured at fair value.

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.

Foreign currency exchange rates used by the Group are as follows:

	31 December 2014	31 December 2013
USD	2,3189	2,1343
EURO	2,8207	2,9365
GBP	3,5961	3,5114

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.2 Basis of Presentation (cont'd)

Financial Reporting Standards (cont'd)

Basis of Consolidation

Subsidiaries:

Subsidiaries are entities controlled by the Group. The Group can control a business when exposure, or rights, to variable returns due to its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries have been included in the consolidated financial statements from the date control commences until the date that control ends.

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 are as follows:

Subsidiaries	Ownership as at 31 December 2014	Ownership as at 31 December 2013
Camış Menkul Değerler A.Ş. **	-	99,79%
Efes Varlık Yönetim A.Ş.	74,00%	74,00%
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.	29,58%	29,58%
Is Investments Gulf Ltd.	100,00%	100,00%
Maxis Investments (Securities) Ltd.	100,00%	100,00%
Nevotek Bilişim Ses ve İletişim Sistemleri Sanayi ve Ticaret A.Ş. ("Nevotek")*	81,24%	81,24%
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. ("Ortopro")*	32,50%	32,50%
Toksöz Spor Malzemeleri Ticaret AŞ ("Toksöz Spor")*	55,00%	56,00%
Num Num Yiyecek ve İçecek AŞ ("Num Num")*	61,66%	61,66%

* The subsidiaries of İş Girişim Sermayesi are presented with İş Girişim Sermayesi's ownership percentages.

** The Company increased its shareholding ratio in Camış Menkul Değerler A.Ş. to 100% by buying 0,21% share of non-controlling interest on 28 April 2014 to merge with Camış Menkul Değerler A.Ş. with the simplified method.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.2 Basis of Presentation (cont'd)

Financial Reporting Standards (cont'd)

Basis of Consolidation (cont'd)

Merger with Camiş Menkul Değerler A.Ş.:

The CMB permitted İş Yatırım Menkul Değerler A.Ş. to take over Camiş Menkul Değerler A.Ş. with the simplified method in accordance with the clauses 136 and 158 of the 6762 numbered Turkish Commercial Code and clauses 19 and 20 of the 5520 numbered Corporate Tax Law with the resolution dated 13 June 2014 and numbered 18/582. The merger agreement have been registered by Istanbul Trade Registry Office on 30 June 2014 and have been published in the Trade Registry Gazette numbered 8605, on dated 4 July 2014. As at this date, Camiş Menkul Değerler A.Ş. was dissolved and merged to the İş Yatırım Menkul Değerler A.Ş together with all of its assets and liabilities.

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 recognized 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	Share on capital (%)		Business activity
		31 December 2014	31 December 2013	
Radore Veri Hizmetleri A.Ş.	Turkey	28,50	-	Data Services

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

2.2 Basis of Presentation *(cont'd)*

Financial Reporting Standards *(cont'd)*

Basis of Consolidation *(cont'd)*

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 statements of financial positions and profit and loss. 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 profit and loss attributable to non-controlling interests are shown separately in the consolidated statement of financial position and consolidated statement of profit or loss, respectively, except where the non-controlling, who are nominee shareholders, do not exercise their minority rights.

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 consolidated financial statements are restated accordingly.

Reclassification in Prior Period Consolidated Financial Statements

Based on resolution numbered 20/670 taken by CMB on 7 June 2013, new illustrative financial statements and guidance have been issued. The new illustrative financial statements and guidance are effective from the interim periods ended after 31 March 2013, applicable for the companies that are subject to Communiqué on the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, a number of changes have been made at the Group's consolidated financial statements. The reclassifications that are made at the Group's consolidated statement of financial position as at 31 December 2013 are as follows:

- Time deposits with maturities more than three months amounting TL 235.480.476 which was classified as "cash and cash equivalents", have been reclassified as "financial investments".
- Amounting TL 43.852.982 which was classified as "financial income", have been reclassified as "other operating income."

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

2.3. Basis of presentation of the consolidated financial statements

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

Investment Entities (Amendments to TFRS 10, TFRS 12 and TAS 27)

TFRS 10 is amended for entities that meet the definition of an investment entity to qualify for the consolidation exception. According to the amendment, financial assets of an investment entity should be measured at fair value under TFRS 9 Financial Instruments, or to the extent possible under TAS 39 *Financial Instruments: Recognition and Measurement*. The amendments had no significant impact on the financial position or performance of the Group.

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments had no significant impact on the financial position or performance of the Group.

TAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets are modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendment has affected disclosure principles of the recoverable amounts for non-financial assets. The amendments had no significant impact on the financial position or performance of the Group.

TAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)

Amendments to TAS 39 Financial Instruments: Recognition and Measurement provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments had no significant impact on the financial position or performance of the Group.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

2.3. Basis of presentation of the consolidated financial statements *(cont'd)*

TFRIC Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation had no significant impact on the financial position or performance of the Group.

TAS 19 *Employee Benefits*- Defined Benefit Plans: Employee Contributions (Amendments)

The amendment introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When contributions are eligible for the practical expedient, entity is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered. The amendment had no significant impact on the financial position or performance of the Group.

Improvements to TFRSs

Annual Improvements to existing TFRSs issued are presented below. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective as of 1 July 2014.

Annual Improvements to TFRSs - 2010-2012 Cycle

TFRS 2 Share-based Payments

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment had no significant impact on the financial position or performance of the Group.

TFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendment had no significant impact on the financial position or performance of the Group.

TFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendment had no significant impact on the financial position or performance of the Group.

TFRS 13 Fair Value Measurement Decision Requirements

As clarified in the Basis for Conclusions, short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment had no significant impact on the financial position or performance of the Group.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

2.3. Basis of presentation of the consolidated financial statements *(cont'd)*

Annual Improvements to TFRSs - 2010-2012 Cycle *(cont'd)*

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the carrying amount equals to the market value. The amendment had no significant impact on the financial position or performance of the Group.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity - an entity that provides key management personnel services - is a related party subject to the related party disclosures. The amendment had no significant impact on the financial position or performance of the Group

Annual Improvements to TFRSs - 2011-2013 Cycle

TFRS 1 First Time Adoption of International Financial Reporting Standards

The amendment clarifies that in its first TFRS financial statements, a first-time adopter is permitted but not required to apply a new or revised TFRS that is not yet mandatory but is available for early application.

TFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to the contracts within the context of TAS 39, not just financial assets and financial liabilities. The amendment is effective prospectively.

TAS 40 Investment Property

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively. This amendment did not have an impact on the financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

2.3 Basis of presentation of the consolidated financial statements *(cont'd)*

Standards issued but not yet effective and not early adopted *(cont'd)*

IFRS 9 Financial Instruments - Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on or after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

Amendments to IFRS 11 - Accounting for acquisition of interests in joint operations

The amendments clarify whether IFRS 3 Business Combinations applies when an entity acquires an interest in a joint operation that meets that standard's definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

2.4. 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.

2.5. Summary of Significant Accounting Policies

The Group's accounting policies used in the preparation of these consolidated financial statements as at 31 December 2014 except new standards beginnings from 1 January 2014 and the adoption of amendments are consistent with the accounting policies which was used for the year ended 31 December 2013 annual consolidated financial statements.

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 statement of profit or loss 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.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5. Summary of Significant Accounting Policies (cont'd)

Revenue: (cont'd)

Service income

Revenue generated from a 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 income 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 and income from consultancy services provided to associates.

Revenues from sale of subsidiary or associate resulting in change in control 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.

Trade 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.

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.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5. Summary of Significant Accounting Policies (cont'd)

Revenue: (cont'd)

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 entity believes that the payment amount is collectible and there is sufficient 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 recognized 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 labour 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.

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

	Useful life
Machinery and equipment	3-15 years
Vehicles	4-5 years
Furniture and fixtures	2-15 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.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

2.5. Summary of Significant Accounting Policies *(cont'd)*

Tangible Assets: *(cont'd)*

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:

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases of the Group are recognized at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in the statement of profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

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 (cont'd)

2.5. Summary of Significant Accounting Policies (cont'd)

Intangible Assets: (cont'd)

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 recognized in the statement of 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.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the differences between the net disposal proceeds and the carrying amount of the asset. The difference is recognized in the statement of profit or loss when the asset is derecognized.

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.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

2.5. Summary of Significant Accounting Policies *(cont'd)*

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 statement.

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 statement of profit or loss in the period in which they are incurred.

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".

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.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5. Summary of Significant Accounting Policies (cont'd)

Financial Instruments: (cont'd)

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 the statement of 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 the statement of 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 the statement of profit or loss are determined based on the amortised 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.

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.

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

2.5. Summary of Significant Accounting Policies *(cont'd)*

Financial Instruments: *(cont'd)*

Impairment of financial assets *(cont'd)*

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 the statement of 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.

Trade receivables and provision for doubtful receivables

Trade receivables are written off from the assets if the Group had no future cash flow expectations. Provisions for doubtful receivables is recognized when the collectibility of the receivables is become suspicious or definite collectibility information can not be reached. Provision amount is the difference between the carrying value of receivable and the recoverable amount. The recoverable amount is the amounts of recoverable from guarantees and collateral, including all cash flows which consists trade receivables based on discounted value using original effective interest rate.

After recognizing allowance for doubtful receivables, if the entire amount or a portion of the entire amount is collected, the amount deducted from the provision for doubtful receivables and the amount is recognized in other operating income.

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.

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.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

2.5. Summary of Significant Accounting Policies *(cont'd)*

Financial Instruments: *(cont'd)*

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 Borsa İstanbul indexed 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 profit or loss.

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 the statement of profit or loss in the same period as the hedged cash flows affect the statement of 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 the statement of 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 the statement of 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 the statement of 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 TFRS 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 TFRS 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 *(cont'd)*

2.5. Summary of Significant Accounting Policies *(cont'd)*

Business Combinations: *(cont'd)*

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 profit or loss are consolidated starting from the beginning of the fiscal year in which the business combination is realized. Consolidated 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 statement of profit or loss. 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 the statement of 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 profit or loss 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 consolidated 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 consolidated financial statements are adjusted according to the new situation. The Group discloses the post-balance sheet events that are not adjusting events but material.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

2.5. Summary of Significant Accounting Policies *(cont'd)*

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 consolidated financial statements but disclosed in the notes if the possibility of any outflow is low. Contingent assets are not included in consolidated financial statements but explained in the notes if an inflow of economic benefits is probable.

Related Parties:

For the purpose of the accompanying consolidated 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 consolidated 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 6).

Tax Assets and Liabilities:

Current Tax

Current tax expense is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted on reporting date.

Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

2.5. Summary of Significant Accounting Policies *(cont'd)*

Tax Assets and Liabilities: *(cont'd)*

Deferred Tax *(cont'd)*

Deferred tax liabilities is calculated for the Group's subsidiaries, investments in associates, shares in joint ventures of all taxable temporary differences except for controlling removal of temporary differences and disappearance of these differences in the near future is unlikely. Deferred tax assets arising from investments and interest associated with taxable deductible temporary differences are calculated by obtaining sufficient taxable profits in the near future when it is likely to benefit from these differences and it is probable that the disappearance of the differences in the near future.

The carrying amount of deferred tax assets is reviewed at each reporting period. Deferred tax asset or liability is 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.

Current and deferred tax for the period

Current and deferred tax are recognized as an income or expense in the statement of profit or loss except items recognized directly in equity (in which case the tax is also recognized directly in equity) or where they arise from the initial accounting for business combinations. In the case of a business combination, the tax effect is taken into account by calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost of acquisition.

Employee Benefits/Retirement Pay Liability:

Retirement pay liability

In accordance with existing labour 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. The basic assumption for calculation of provision for employee severance indemnity is estimation of the present value of the future probable obligation of the Group arising from the retirement of employees.

As at 31 December 2014 the maximum ceiling amount for employee severance indemnity is TL 3.438,22 (31 December 2013: TL 3.254,44). As disclosed in Note 25, the Group has used some actuarial assumptions in computation of provision for employee severance indemnity. Actuarial differences are recognized in profit or loss as incurred. Retirement pay ceiling for the calculation of provision for employee termination benefits, announced by the Ministry of Labour.

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 the statement of 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.

Bonus payments

The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

2.5. Summary of Significant Accounting Policies *(cont'd)*

Employee Benefits/Retirement Pay Liability: *(cont'd)*

Other short-term benefits

Other short-term benefits include provision for unused vacation. In accordance with existing social legislation in Turkey, employers are obligated to make payment to the employees for unused vacations when the employee leave. Provision for unused vacation is undiscounted amount of obligation of unused vacation days which is deserved and unused by the employee.

Retirement plans

The Group does not provide any post retirement benefit and pension for the employees.

Discontinued Operations:

Discontinued operations represents the disposed of a business on geographical area of operations or a major business segments. Discontinued operations represent separate major line of business or geographical area of operations alone, sales have been coordinated within the framework of a plan for selling a part of or is a subsidiary. Net assets related to discontinued operations are measured by fair value less cost of sell. Pre-tax profit or loss and discontinued operations after tax related with profit or loss for removal of assets and asset groups constituting discontinued operations from the financial statements are explained in footnotes and statement of profit/loss and pre-tax profit/loss analysis is performed. For the obtained during the pre-tax profit or loss and discontinued operations after tax profit or loss are explained in footnotes and income/expenses and pre-tax profit/loss analysis is done. In addition, discontinued operations, investing and financing activities net cash flows associated with the related notes are disclosed. Asset groups are classified as assets held for sale when planned to be recovered through a sale transaction, not by the use. The liabilities directly associated with those assets are grouped in a similar way. Groups of related assets are recognized at the lower of; after deducting the carrying value of the liabilities directly associated with the issuance and fair value less sales expenses as a result of removal of the net worth. When activities classified as discontinued operations in the statement of comprehensive income, the opening of the comparative period is re-presented as. The Group does not have any discontinued operation during the current period.

Statement of Cash Flows:

In the statement of cash flows, 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.

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 *(cont'd)*

2.6. Significant Accounting Judgements, Estimates and Assumptions

The preparation of consolidated financial statements requires management of Company 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.

Although it is not accounting policy change, Efes Varlık Yönetim A.Ş., which is a subsidiary of the Company, accounted loan portfolio on an individual basis and positive differences are recognized in income statement since 1 January 2014.

There has not been significant change in estimates and assumptions of the Company management for the accounting policies adopted in the preparation of consolidated financial statements.

The preparation of consolidated financial statements in conformity with Communiqué requires management 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 12 - Trade receivables and payables

Note 18 - Investments in equity accounted investees

Note 19 - Goodwill ^(*)

Note 20 - Tangible assets

Note 21 - Intangible assets

Note 23 - Provisions, contingent assets and liabilities

Note 25 - Employee benefits

Note 35 - Tax assets and liabilities

Note 40 - Nature and level of risks related to financial instruments

Note 41 - 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.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

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3. BUSINESS COMBINATIONS

Merger with Camiş Menkul Değerler A.Ş.

The CMB permitted İş Yatırım Menkul Değerler A.Ş. to take over Camiş Menkul Değerler A.Ş. with the simplified method in accordance with the clauses 136 and 158 of the 6762 numbered Turkish Commercial Code and clauses 19 and 20 of the 5520 numbered Corporate Tax Law with the resolution dated 13 June 2014 and numbered 18/582. The merger agreement have been registered by Istanbul Trade Registry Office on 30 June 2014 and have been published in the Trade Registry Gazette numbered 8605, on dated 4 July 2014. As at this date, Camiş Menkul Değerler A.Ş. was dissolved and merged to the İş Yatırım Menkul Değerler A.Ş. together with all of its assets and liabilities.

4. JOINT VENTURES

Disclosed in Note 18.

5. GROUP ENTITIES

As of 31 December 2014 and 2013, summary financial information of the Group's subsidiaries is as follows:

	31 December 2014					
	İş Yatırım Ortaklığı A.Ş.	İş Portföy Yönetimi A.Ş.	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Efes Varlık Yönetim A.Ş.	İs Investments Gulf Ltd.	Maxis Investments Ltd.
Non-Current Assets	88.614	16.802.524	117.350.116	1.041.764	149.797	1.120.448
Current Assets	260.153.499	68.441.726	309.369.877	188.661.116	1.457.797	53.239.056
Long Term Liabilities	127.864	165.315	50.275.212	49.696.228	-	-
Short Term Liabilities	469.634	2.313.032	111.878.953	106.244.221	152.414	38.240.820
Net Assets	259.644.615	82.765.903	264.565.828	33.762.431	1.455.180	16.118.684
Carrying Value of Non-Controlling Interests	-	-	21.996.657	-	-	-
Revenue	337.846.190	3.993.802	213.505.383	34.649.876	1.087.511	10.859.855
Profit/(Loss)	28.994.124	10.093.551	4.640.022	17.812.643	(334.032)	(304.290)
Non-Controlling Interests	-	-	(2.705.672)	-	-	-
Total Comprehensive Income	28.993.674	10.575.286	3.610.339	-	91.566	381.301
Allocated to Non-Controlling Share of Other Comprehensive Income	-	-	(307.127)	-	-	-
Cash Flows Related to Operating Activities	652.208	(4.102.024)	(8.262.317)	(6.645.000)	(136.209)	(462.960)
Cash Flows Related to Investing Activities	(26.808)	(5.085.951)	(31.091.339)	2.327.000	42.383	183.090
Cash Flows Related to Financing activities	(30.032.066)	(5.996.041)	1.575.970	10.000.000	-	(47.823.657)
Net Increase/(Decrease) on Cash and Cash Equivalents	(9.706.068)	(42.791)	(37.777.686)	(4.318.000)	(93.826)	15.335.347

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5. GROUP ENTITIES (cont'd)

31 December 2013

	İş Yatırım Ortaklığı A.Ş.	İş Portföy Yönetimi A.Ş.	Camış Menkul Değerler A.Ş.	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Efes Varlık Yönetim A.Ş.	Is Investments Gulf Ltd.	Maxis Investments Ltd.
Non-Current Assets	101.615	15.774.843	840.605	85.748.096	1.215.566	228.418	1.517.038
Current Assets	261.775.234	65.131.272	16.600.290	334.932.423	109.444.929	1.593.579	94.498.566
Long Term Liabilities	109.026	164.083	321.526	56.315.632	51.637.403	-	-
Short Term Liabilities	1.084.816	5.560.552	13.797.750	95.661.679	43.099.860	124.351	79.973.929
Net Assets	260.683.007	75.181.480	3.321.619	268.703.208	15.923.232	1.697.646	16.041.675
Carrying Value of Non-Controlling Interests	-	-	-	20.515.532	-	-	-
Revenue	392.980.770	1.622.090	15.737.144	277.987.961	-	-	-
Profit/(Loss)	4.376.908	10.471.581	(284.880)	68.664.493	1.644.000	108.892	2.948.035
Non-Controlling Interests	-	-	-	(1.745.275)	-	-	-
Total Comprehensive Income	4.394.625	10.116.309	(550.119)	65.795.850	-	108.892	2.948.035
Allocated to Non-Controlling Share of Other Comprehensive Income	-	-	-	(1.898.643)	-	-	-
Cash Flows Related to Operating Activities	38.565.767	(3.072.841)	1.634.593	(7.056.021)	(4.552.000)	(31.078)	1.274.890
Cash Flows Related to Investing Activities	(9.604)	(15.103.523)	(711.024)	60.487.986	(2.185.000)	(228.417)	(291.065)
Cash Flows Related to Financing activities	(32.119.857)	1.937.135	(3.800.869)	(17.905.135)	10.000.000	1.676.770	4.273.765
Net Increase/(Decrease) on Cash and Cash Equivalents	9.215.546	(1.716.222)	(2.877.300)	34.483.013	16.737.000	1.417.276	7.940.069

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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6. SEGMENT REPORTING

Segments	Securities Brokerage	Investment Trust	Portfolio Management
	1 January - 31 December 2014	1 January - 31 December 2014	1 January - 31 December 2014
CONTINUING OPERATIONS			
Sales revenue	62.710.028.768	337.846.190	3.993.802
Interest and derivative income from operating activities (net)	83.022.933	16.718.653	-
Service income (net))	95.730.378	-	21.070.538
Other operating income (net)	43.580.387	-	-
Cost of sales (-)	(62.697.213.403)	(322.932.601)	(1.704.690)
GROSS PROFIT/LOSS	235.149.063	31.632.242	23.359.650
Administrative expenses (-)	(136.899.857)	(1.956.879)	(15.864.700)
Marketing expenses (-)	(25.416.530)	(2.764.368)	(630.732)
Research and development expenses (-)	-	-	-
Other operating income	3.491.831	668.421	14.906
Other operating expenses (-)	(2.577.342)	(48.170)	-
OPERATING PROFIT/LOSS	73.747.165	27.531.246	6.879.124
Share of profit/(loss) of equity accounted investees	-	-	-
OPERATING PROFIT/LOSS BEFORE FINANCE COSTS	73.747.165	27.531.246	6.879.124
Finance income	17.520.538	1.462.878	5.722.040
Finance costs (-)	(37.249.252)	-	(28.318)
PROFIT OR LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS	54.018.451	28.994.124	12.572.846
Tax income/(expense) from continuing operations	(9.963.965)	-	(2.479.295)
- Current tax expenses	-	-	(2.631.893)
- Deferred tax income/(expense)	(9.963.965)	-	152.598
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	44.054.486	28.994.124	10.093.551
PROFIT FOR DISCONTINUED OPERATIONS	-	-	-
PROFIT/(LOSS) FOR THE YEAR	44.054.486	28.994.124	10.093.551
<i>Profit/(loss) attributable to:</i>			
<i>Non-controlling interests</i>	-	21.376.147	2.204.493
<i>Equity holders of the Company</i>	44.054.486	7.617.977	7.889.058
	44.054.486	28.994.124	10.093.551
Other information			
Acquisition of tangible and intangible assets	1.272.738	26.808	494.806
Depreciation and amortization charges	(2.595.977)	(39.809)	(696.345)

Private Equity	Asset Management	Elimination Adjustments	Total
1 January - 31 December 2014	1 January - 31 December 2014	1 January - 31 December 2014	1 January - 31 December 2014
213.505.383	-	-	63.265.374.143
-	34.649.876	-	134.391.462
-	-	(3.929.686)	112.871.230
-	-	(612.878)	42.967.509
(135.369.511)	-	1.920.787	(63.155.299.418)
78.135.872	34.649.876	(2.621.777)	400.304.926
(30.197.340)	(11.514.350)	1.472.814	(194.960.312)
(42.373.161)	-	2.603.271	(68.581.520)
(2.984.040)	-	-	(2.984.040)
3.789.510	442.623	528.887	8.936.178
(7.798.350)	(1.681.961)	1.085.000	(11.020.823)
(1.427.509)	21.896.188	3.068.195	131.694.409
(291.082)	-	-	(291.082)
(1.718.591)	21.896.188	3.068.195	131.403.327
24.890.721	947.724	(17.244.906)	33.298.995
(20.154.606)	(7.930.394)	1.152.095	(64.210.475)
3.017.524	14.913.518	(13.024.616)	100.491.847
1.622.498	2.899.125	-	(7.921.637)
(243.282)	-	-	(2.875.175)
1.865.780	2.899.125	-	(5.046.462)
4.640.022	17.812.643	(13.024.616)	92.570.210
-	-	-	-
4.640.022	17.812.643	(13.024.616)	92.570.210
(2.705.673)	1.188.936	7.610.537	29.674.440
7.345.695	16.623.707	(20.635.153)	62.895.770
4.640.022	17.812.643	(13.024.616)	92.570.210
14.392.044	469.091	-	16.655.487
(10.940.842)	(642.893)	-	(14.915.866)

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

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

6. SEGMENT REPORTING (cont'd)

Segments	Securities Brokerage 31 December 2014	Investment Trust 31 December 2014	Portfolio Management 31 December 2014
Balance sheet information			
Assets	4.531.178.340	260.242.112	85.244.250
Cash and cash equivalents	2.817.104.727	216.244	34.615.006
Financial investments (short term)	304.813.497	258.928.299	29.271.856
Financial investments (long term)	138.019.931	-	14.672.719
Trade receivables	1.134.514.098	469.000	4.354.824
Other receivables	69.551.664	532.531	1.526
Derivative instruments	28.885.174	-	-
Investments in equity accounted investees	-	-	-
Other assets	38.289.249	96.038	2.328.319
Liabilities	4.080.097.259	597.498	2.478.347
Financial liabilities	3.079.799.719	-	-
Other financial liabilities	9.783.531	-	-
Trade payables	947.274.873	165.371	-
Other payables	6.674.190	41.568	583.389
Derivative instruments	24.425.581	-	-
Other liabilities	12.139.365	390.559	1.894.958
Net Assets	451.081.081	259.644.614	82.765.903

Private Equity	Asset Management	Elimination Adjustments	Total
31 December 2014	31 December 2014	31 December 2014	31 December 2014
426.719.993	189.702.880	(137.947.158)	5.355.140.417
38.248.237	17.010.539	(210.063)	2.906.984.690
127.764.150	-	(12.180.786)	708.597.016
10.006.300	-	(124.267.822)	38.431.128
77.570.952	164.657.280	(721.109)	1.380.845.045
982.503	858.082	(532.531)	71.393.775
-	-	-	28.885.174
17.208.918	-	-	17.208.918
154.938.933	7.176.979	(34.847)	202.794.671
162.154.165	155.940.449	(4.104.154)	4.397.163.564
106.883.506	155.162.758	(2.640.451)	3.339.205.532
-	-	-	9.783.531
37.068.890	-	(1.414.995)	983.094.139
1.932.630	176.841	-	9.408.618
-	-	-	24.425.581
16.269.139	600.850	(48.708)	31.246.163
264.565.828	33.762.431	(133.843.004)	957.976.852

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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6. SEGMENT REPORTING (cont'd)

Segments	Securities Brokerage	Investment Trust	Portfolio Management
	1 January - 31 December 2013	1 January - 31 December 2013	1 January - 31 December 2013
CONTINUING OPERATIONS			
Sales revenue	67.580.747.791	392.980.770	1.622.090
Interest and derivative income from operating activities (net)	73.820.964	14.612.964	-
Service income (net)	109.570.831	607	22.385.093
Other operating income (net)	28.724.674	-	-
Cost of sales (-)	(67.582.665.492)	(401.775.722)	(1.829.793)
GROSS PROFIT/LOSS	210.198.768	5.818.619	22.177.390
Administrative expenses (-)	(127.137.022)	(1.546.935)	(13.403.773)
Marketing expenses (-)	(23.906.441)	(3.436.567)	(605.573)
Research and development expenses (-)	-	-	-
Other operating income	1.973.308	-	92.093
Other operating expenses (-)	(2.204.546)	(76.300)	(30.806)
OPERATING PROFIT/LOSS	58.924.067	758.817	8.229.331
Share of profit of equity accounted investees	-	-	-
OPERATING PROFIT/LOSS BEFORE FINANCE COSTS	58.924.067	758.817	8.229.331
Finance income	25.428.674	3.618.091	5.053.925
Finance costs (-)	(16.556.739)	-	(132.521)
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS	67.796.002	4.376.908	13.150.735
Tax income/(expense) from continuing operations	(8.751.924)	-	(2.679.154)
- Current tax expenses	(29.071.160)	-	(2.577.520)
- Deferred tax income/(expense)	20.319.236	-	(101.634)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	59.044.078	4.376.908	10.471.581
PROFIT FOR DISCONTINUED OPERATIONS			
PROFIT/(LOSS) FOR THE YEAR	59.044.078	4.376.908	10.471.581
<i>Profit/(loss) attributable to:</i>			
<i>Non-controlling interests</i>	(600)	3.082.131	3.141.474
<i>Equity holders of the Company</i>	59.044.678	1.294.777	7.330.107
	59.044.078	4.376.908	10.471.581
Other information			
Acquisition of tangible and intangible assets	2.739.020	9.604	477.146
Depreciation and amortization charges	(2.597.444)	(40.663)	(753.171)

Private Equity	Asset Management	Elimination Adjustments	Total
1 January - 31 December 2013	1 January - 31 December 2013	1 January - 31 December 2013	1 January - 31 December 2013
277.987.961	-	553.108	68.253.891.720
-	16.258.038	-	104.691.966
-	-	(5.150.188)	126.806.343
-	-	(1.531.913)	27.192.761
(140.923.962)	-	3.120.784	(68.124.074.185)
137.063.999	16.258.038	(3.008.209)	388.508.605
(41.055.601)	(7.837.496)	1.717.190	(189.263.637)
(29.622.761)	-	3.336.060	(54.235.282)
(3.678.774)	-	-	(3.678.774)
3.657.611	106.389	(132.194)	5.697.207
(7.850.141)	(91.249)	229.131	(10.023.911)
58.514.333	8.435.682	2.141.978	137.004.208
4.300.659	-	-	4.300.659
62.814.992	8.435.682	2.141.978	141.304.867
18.440.203	929.515	(20.963.735)	32.506.673
(14.776.575)	(6.869.197)	1.678.274	(36.656.758)
66.478.620	2.496.000	(17.143.483)	137.154.782
440.598	(852.000)	-	(11.842.480)
(294.697)	-	-	(31.943.377)
735.295	(852.000)	-	20.100.897
66.919.218	1.644.000	(17.143.483)	125.312.303
66.919.218	1.644.000	(17.143.483)	125.312.303
46.962.733	254.820	1.058.464	54.499.022
19.956.485	1.389.180	(18.201.947)	70.813.280
66.919.218	1.644.000	(17.143.483)	125.312.303
15.005.310	805.425	-	19.036.505
(9.020.911)	(452.187)	-	(12.864.376)

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

6. SEGMENT REPORTING (cont'd)

Segments	Securities Brokerage	Investment Trust	Portfolio Management
Balance sheet information	31 December 2013	31 December 2013	31 December 2013
Assets	4.222.353.435	261.876.849	80.906.115
Cash and cash equivalents	2.288.250.217	9.924.240	34.570.414
Financial investments (short term)	441.171.095	248.249.495	23.532.493
Financial investments (long term)	138.512.687	-	13.572.637
Trade receivables	1.160.380.813	-	6.712.996
Other receivables	156.432.370	3.596.261	953
Derivative instruments	4.392.989	-	-
Investments in equity accounted investees	-	-	-
Other assets	33.213.264	106.853	2.516.622
Liabilities	3.784.141.189	1.193.844	5.724.635
Financial liabilities	2.705.199.797	-	3.005.178
Other financial liabilities	1.694.800	-	-
Trade payables	945.890.963	198.971	-
Other payables	4.717.203	20.042	159.719
Derivative instruments	105.403.244	-	-
Other liabilities	21.235.182	974.831	2.559.738
Net Assets	438.212.246	260.683.005	75.181.480

Private Equity	Asset Management	Elimination Adjustments	Total
31 December 2013	31 December 2013	31 December 2013	31 December 2013
420.680.519	110.660.495	(161.111.846)	4.935.365.567
76.025.923	21.415.931	(97.495)	2.430.089.230
126.728.499	-	(16.015.322)	823.666.260
-	-	(126.218.792)	25.866.532
61.103.602	83.949.000	(16.130.215)	1.296.016.196
782.284	327.989	(3.603.926)	157.535.931
-	-	-	4.392.989
-	-	-	-
156.040.211	4.967.575	953.904	197.798.429
151.977.311	94.737.263	(19.831.635)	4.017.942.607
93.824.462	91.172.343	(14.692.819)	2.878.508.961
-	-	-	1.694.800
40.046.140	-	(5.137.082)	980.998.992
982.494	92.457	(1.734)	5.970.181
-	-	-	105.403.244
17.124.215	3.472.463	-	45.366.429
268.703.208	15.923.232	(141.280.211)	917.422.960

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

7. 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, 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.

	31 December 2014	31 December 2013
Deposits in T. İş Bankası A.Ş.		
Demand Deposits	4.256.177	2.826.334
Time Deposits	480.909.362	149.534.747
	485.165.539	152.361.081

	31 December 2014	31 December 2013
Borrowings from T. İş Bankası A.Ş.		
Loan	129.319.278	130.702.785
	129.319.278	130.702.785

	31 December 2014			
	Receivables		Payables	
	Trading	Non-Trading	Trading	Non-Trading
Balances with related parties				
İş Merkezleri Yönetim ve İşletim A.Ş.	-	31.480	870	5.757
T. İş Bankası A.Ş.	760.600	-	249.342	64.740
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	65.771	-	-	-
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İlet. Hiz. A.Ş.	-	-	-	7.317
Borsa İstanbul A.Ş.	-	-	702.668	-
Anadolu Anonim Türk Sigorta Şirketi	-	18.419	2.244	7.229
Anadolu Hayat Emeklilik A.Ş.	3.225.837	-	-	-
Mehmet Gürs	-	-	500.000	-
Trakya Cam San. A.Ş.	20.454	-	-	-
İş Finansal Kiralama A.Ş.	-	-	4.876.000	-
TSKB Gayrimenkul Değerleme A.Ş.	-	-	-	965
İstanbul Takas ve Saklama Bankası A.Ş.	-	6.814.869	97.590	-
Yatırım Finansman Menkul Değerler A.Ş.	-	-	43.058	-
Turkishfund (SICAV) Funds	195.601	-	-	-
Other	55	150	-	-
	4.268.318	6.864.918	6.471.772	86.008

The amount of TL 71.578 of non-trading payables to related parties refers to expense accruals presented in other current liabilities.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

7. RELATED PARTY TRANSACTIONS (cont'd)

Balances with related parties	31 December 2013			
	Receivables		Payables	
	Trading	Non-Trading	Trading	Non-Trading
İş Merkezleri Yönetim ve İşletim A.Ş.	-	41.789	1.968	90.590
Türkiye İş Bankası A.Ş.	2.592.883	-	59.288	130.311
Türkiye İş Bankası A.Ş. (Yurtdışı Fonları)	216.113	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	9.687	33.827	-	-
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İlet. Hiz. A.Ş.	-	906	-	9.606
Borsa İstanbul A.Ş.	-	-	493.186	-
Anadolu Anonim Türk Sigorta Şirketi	132.574	74.011	2.640	95.750
Anadolu Hayat Emeklilik A.Ş.	3.915.089	-	-	-
Mehmet Gürs	-	-	1.000.000	-
ATT Technology Management BV	-	-	28.484	-
Milli Reasürans T.A.Ş.	27.647	-	-	-
Paşabahçe Cam San ve Tic. A.Ş.	3.975	-	-	-
TSKB Gayrimenkul Değerleme A.Ş.	-	-	-	354
İstanbul Takas ve Saklama Bankası A.Ş.	-	-	80.158	-
Yatırım Finansman Menkul Değerler A.Ş.	-	-	73.280	-
Other	164	32.513	-	20.464
	6.898.132	183.046	1.739.004	347.075

The amounts of TL 108.744 and TL 21.321 of non-trading receivables from related parties refer to prepaid expenses and to personnel advances presented in other current assets, respectively. The amount of TL 160.674 of non-trading payables to related parties refers to expense accruals presented in other current liabilities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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7. RELATED PARTY TRANSACTIONS (cont'd)

	1 January - 31 December 2014			
Related party transactions (income)	Fee and brokerage commission income	Interest income on time deposits	Dividend received	Other
Türkiye İş Bankası A.Ş.	20.296.440	23.412.477	2.707	851.384
Anadolu Cam Sanayii A.Ş.	3.571	-	-	-
Anadolu Hayat Emeklilik A.Ş.	12.730.147	-	-	-
Anadolu Anonim Türk Sigorta Şirketi	602.784	-	-	-
Camiş Madencilik A.Ş.	76	-	-	-
Camiş Yatırım Holding A.Ş.	402	-	-	-
Milli Reasürans T.A.Ş.	404.069	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	819.057	47.375	472.135	-
Türkiye Sınai Kalkınma Bankası A.Ş.	-	-	62.500	-
İş Faktoring A.Ş.	221.989	-	-	-
T.Şişecam Fab.A.Ş. Ve İştirakleri Sos.Güv.Ve Blm. Araş.Vakfı	22.242	-	-	-
T.Şişe ve Cam Fabrikaları A.Ş.	13.891	-	2.260	54.135
İş Finansal Kiralama A.Ş.	829.907	601.793	-	-
İş Net Elek.Bilg.Ür.Tic.A.Ş.	110	-	-	-
Yatırım Finansman Menkul Değerler A.Ş.	9.440	-	-	-
Efes Holding A.Ş.	35.775	-	-	-
Trakya Cam San. A.Ş.	4.116	-	-	-
Turkishfund (SICAV) Fonları	764.931	-	-	-
Tecim Yapı Elemanları İnş.Ser.A.Ş.	3.534	-	-	-
	36.762.481	24.061.645	539.602	905.519

Interest income on time deposits amounting TL 17.726.631 is presented in interest income and derivative income from operating activities, net.

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

7. RELATED PARTY TRANSACTIONS (cont'd)

	1 January - 31 December 2013			
Related party transactions (income)	Fee and brokerage commission income	Interest income on time deposits	Dividend received	Other
Türkiye İş Bankası A.Ş.	23.516.244	28.103.651	137.769	-
Anadolu Hayat Emeklilik A.Ş.	12.566.987	-	-	-
Anadolu Anonim Türk Sigorta Şirketi	696.410	-	-	-
Milli Reasürans T.A.Ş.	510.104	-	-	-
Turkishfund (SICAV) Fonları	966.243	-	-	-
İş Bankası Yatırım Fonlar Komisyonu	48.095	-	-	-
T. Şişe ve Cam Fabrikaları A.Ş.	12.500	-	9.467	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	55.993	-	449.653	-
Anadolu Cam Sanayi A.Ş.	12.500	-	-	-
Trakya Cam Sanayi A.Ş.	12.500	-	-	2.409.650
Türkiye Sınai Kalkınma Bankası A.Ş.	-	-	324.545	-
Vadeli İşlemler Borsası A.Ş.	13.364	-	2.597.341	-
T.Şişecam Fab.A.Ş. Ve İştirakleri Sos.Göv.Ve Bilimsel Araş.Vakfi	6.857	-	-	-
Aras Kargo Yurtiçi Yurtdışı Taşımacılık A. Ş.	116.446	-	-	-
Soda Sanayi A.Ş.	12.500	-	-	-
Nemtaş Nemrut Liman İşletmeleri A.Ş.	22.795	-	-	-
İş Finansal Kiralama A.Ş.	-	159.950	-	-
Yatırım Finansman Menkul Değerler A.Ş.	10.821	-	-	-
Efes Holding A.Ş.	31.266	-	-	-
Borsa İstanbul A.Ş.	-	-	159.711	-
Türkmed Diyaliz ve Böbrek Sağlık Kurumları A.Ş.	14.000	-	-	-
Other	3.066	-	-	-
	38.628.691	28.263.601	3.678.486	2.409.650

Interest income on time deposits amounting TL 22.065.522 is presented in interest income and derivative income from operating activities, net.

Compensation of key management personnel	1 January - 31 December 2014	1 January - 31 December 2013
Salaries and other short-term benefits	18.992.628	17.509.951
	18.992.628	17.509.951

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

7. RELATED PARTY TRANSACTIONS (cont'd)

1 January - 31 December 2014

Related party transactions (expenses)	Letters of guarantee commission expenses	Custody commission expense	Interest on borrowings	Other interest expenses
Türkiye İş Bankası A.Ş.	88.606	89.050	3.394.319	7.768.805
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	1.567.007	-
Anadolu Anonim Türk Sigorta Şirketi	-	-	255.650	-
Anadolu Hayat Emeklilik A.Ş.	-	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-
Türkiye İş Bankası Kültür Yayınları İş - Türk Ltd. Şti.	-	-	-	617
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İlet. Hiz. A.Ş.	-	-	-	-
İş Finansal Kiralama A.Ş.	-	-	57.241	281.000
İstanbul Takas ve Saklama Bankası A.Ş.	-	1.183.472	2.238.938	-
Türkiye İş Bankası A.Ş. Mensupları Emekli Sandığı Vakfı	-	-	-	-
SoftTech Yazılım Tekn. Araş. Gel. ve Paz. Tic. A.Ş.	-	-	-	-
Milli Reasürans T.A.Ş.	-	-	423.605	226.028
Yatırım Finansman Menkul Değerler A.Ş.	-	-	-	-
ATT Technology Management BV	-	-	-	-
Paşabahçe Mağazaları A.Ş.	-	-	-	-
Borsa İstanbul A.Ş.	-	-	-	6.363.637
Meg Elektrik Elektronik Bilgi ve İletişim Sistemleri	-	-	-	-
Türkiye Sınai ve Kalkınma Bankası A.Ş.	-	-	41.964	-
	88.606	1.272.522	7.978.724	14.640.087

Interest income on loans amounting TL 4.953.676 is presented in interest income and derivative income from operating activities (net).

1 January - 31 December 2014

Transaction commission expenses	Personnel insurance contribution	Office insurance	Rent expenses	Administrative expenses	Technical service and consultancy expenses
2.666.755	-	-	1.720.515	-	62.185
-	-	89.075	5.131.767	-	-
-	1.386.784	97.236	-	-	-
-	549.021	-	-	-	-
-	-	-	-	2.201.527	12.935
-	-	-	-	-	-
-	-	-	-	-	390.762
-	-	-	-	-	-
2.546.623	-	-	-	-	-
-	26.074	-	401.628	-	-
-	-	-	-	-	1.045
-	-	-	-	-	-
2.038.852	-	-	-	-	16.936
-	-	-	-	-	68.701
-	-	-	-	13.721	-
-	-	-	-	-	-
-	-	-	-	-	1.208
-	-	-	-	-	-
7.252.230	1.961.879	186.311	7.253.910	2.215.248	553.772

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

7. RELATED PARTY TRANSACTIONS (cont'd)

	1 January - 31 December 2013			
Related party transactions (expenses)	Letters of guarantee commission expenses	Custody commission expense	Interest on borrowings	Other interest expenses
T. İş Bankası A.Ş.	75.983	-	6.010.209	31
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	2.858
Anadolu Anonim Türk Sigorta Şirketi	-	-	-	-
İş Faktoring Finansman Hizmetleri A.Ş.	-	-	-	39.496
Anadolu Hayat Emeklilik A.Ş.	-	-	-	-
İş Finansal Kiralama A.Ş.	-	-	-	1.110.776
Şişecam Sigorta ve Aracılık Hizmetleri A.Ş.	-	-	-	-
Aras Kargo Yurtiçi Yurtdışı Taşımacılık A. Ş.	-	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-
TT&TIM İletişim Hizmetleri A.Ş.	-	-	-	-
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İlet. Hiz. A.Ş.	-	-	-	-
İstanbul Takas ve Saklama Bankası A.Ş.	-	933.309	3.221.139	-
Türkiye İş Bankası A.Ş. Mensupları Emekli Sandığı Vakfı	-	-	-	-
Meg Elektrik Elektronik Bilgi ve İletişim Sistemleri	-	-	-	-
Vadeli İşlemler Borsası A.Ş.	-	-	-	-
SoftTech Yazılım Tekn. Araş. Gel. ve Paz. Tic. A.Ş.	-	-	-	-
ATT Technology Management BV	-	-	-	-
Milli Reasürans T.A.Ş.	-	-	-	34.300
Yatırım Finansman Menkul Değerler A.Ş.	-	-	-	-
Evre Gayrimenkul İnşaat ve Gayrimenkul Danışmanlık Şti.	-	-	-	-
Paşabahçe Mağazaları A.Ş.	-	-	-	-
	75.983	933.309	9.231.348	1.187.461

Interest income on loans amounting TL 3.130.797 is presented in interest income and derivative income from operating activities (net).

1 January - 31 December 2013

Transaction commission expenses	Personnel insurance contribution	Office insurance	Rent expenses	Administrative expenses	Technical service and consultancy expenses
2.199.354	-	-	462.388	525	-
-	-	60.518	5.406.843	-	-
-	1.307.098	78.348	-	-	-
-	-	-	-	-	-
-	499.778	-	-	-	-
-	-	-	-	4.670	-
-	-	63.010	-	-	-
-	-	-	-	1.066	-
-	-	-	-	1.602.405	125.174
-	-	-	-	-	10.946
-	-	-	-	11.753	272.917
3.948.784	-	-	-	-	-
-	-	-	377.091	-	-
-	-	-	-	-	90.369
3.520.595	-	-	-	-	-
-	-	-	-	-	2.722
-	-	-	-	-	106.095
-	-	-	-	-	-
315.503	-	-	-	-	29.523
-	-	-	400.000	-	-
-	-	-	-	12.089	-
9.984.236	1.806.876	201.876	6.646.322	1.632.508	637.746

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8. CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash	228.389	181.116
Cash at banks	2.849.550.121	2.392.323.401
<i>Demand deposits</i>	12.517.805	11.208.955
<i>Time deposits (with maturities less than three months)</i>	2.837.032.316	2.381.114.446
Type B mutual funds	6.742.837	10.976.070
Receivable from reverse repurchase agreements	47.123.312	22.840.692
Other cash equivalents	3.317.025	2.153.461
Receivable from money market placements	23.006	1.614.490
	2.906.984.690	2.430.089.230

Cash and cash equivalents in the Group's consolidated statement of cash flows as at 31 December 2014 and 31 December 2013 are presented by netting off interest accruals and time deposits:

	31 December 2014	31 December 2013
Cash and cash equivalents	2.906.984.690	2.430.089.230
Interest accrual	(11.672.780)	(3.778.024)
	2.895.311.910	2.426.311.206

Maturities and interest rates of time deposits as at 31 December 2014 and 31 December 2013 are as follows:

31 December 2014				
	Interest Rate (%)	Maturity	Currency Type	Amount (TL)
Time deposit in FX	2 - 2,70	13/1/2015 - 24/2/2015	USD	332.762.150
Time deposit in FX	2,20 - 2,90	16/1/2015 - 12/2/2015	EUR	423.054.227
Time deposit in FX	1,23 - 1,85	2/1/2015 - 20/3/2015	GBP	13.665.180
Time deposit in TL	3,50 - 11,60	2/1/2015 - 3/2/2015	TL	2.055.877.979
Interest accrual				11.672.780
				2.837.032.316

31 December 2013				
	Interest Rate (%)	Maturity	Currency Type	Amount (TL)
Time deposit in FX	2,90 - 3,79	6/1/2014 - 8/12/2014	USD	1.422.937.810
Time deposit in FX	2,95 - 3,79	3/1/2014 - 6/11/2014	EUR	826.889.035
Time deposit in FX	1,75 - 2,50	3/1/2014 - 21/3/2014	GBP	14.461.708
Time deposit in TL	8,37 - 9,35	14/1/2014 - 7/2/2014	TL	113.047.869
Interest accrual				3.778.024
				2.381.114.446

Maturities and interest rates of reverse repurchase agreements as at 31 December 2014 and 31 December 2013 are as follows:

31 December 2014				
	Interest Rate (%)	Maturity	Cost	Carrying value
Reverse Repurchase Agreements	9,50-11,10	2/1/2015-13/1/2015	47.069.848	47.123.312
				47.123.312

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8. CASH AND CASH EQUIVALENTS (cont'd)

	Interest Rate (%)	Maturity	31 December 2013	
			Cost	Carrying value
Reverse Repurchase Agreements	6,02 - 9,00	2/1/2014 - 3/1/2014	22.825.000	22.840.692
				22.840.692

9. FINANCIAL INVESTMENTS

Current financial assets	31 December 2014	31 December 2013
Time deposits with maturities more than three months	70.007.451	235.480.476
Financial assets at fair value through profit or loss	638.589.565	588.185.784
	708.597.016	823.666.260

Non-current financial assets	31 December 2014	31 December 2013
Available for sale financial assets	21.344.820	19.369.411
Held to maturity financial investments	17.086.309	6.497.121
	38.431.129	25.866.532

Financial assets at fair value through profit or loss	31 December 2014	
	Cost	Carrying Value
Government bonds and treasury bills	193.472.832	203.632.594
Private sector bonds	348.556.000	349.787.395
Equity shares	46.859.054	50.830.422
Foreign currency securities	4.761.990	4.769.514
Investment funds	27.547.059	29.569.640
	621.196.935	638.589.565

Financial assets at fair value through profit or loss	31 December 2013	
	Cost	Carrying Value
Government bonds and treasury bills	249.937.812	236.119.360
Private sector bonds	269.565.173	288.540.873
Equity shares	43.051.709	41.355.586
Foreign currency securities	2.038.846	1.904.158
Investment funds	19.800.318	20.265.807
	584.393.858	588.185.784

Annual interest rate ranges of government bonds and treasury bills held for trading purposes as at 31 December 2014 are between 2,31% and 12,87% (31 December 2013: in between 3,23% and 15,07%).

Marketable securities given as guarantees as at 31 December 2014 and 31 December 2013 are as follows:

Government bonds and treasury bills given as guarantee	31 December 2014	
	Cost	Carrying Value
Istanbul Takas ve Saklama Bankası A.Ş.	26.215.018	26.157.898
Guarantees given to customers (securities lending activities)	3.350.138	3.321.009
	29.565.156	29.478.907

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9. FINANCIAL INVESTMENTS (cont'd)

Government bonds and treasury bills given as guarantee	31 December 2013	
	Cost	Carrying Value
Istanbul Settlement and Custody Bank	7.474.172	7.292.771
Guarantees given to customers (securities lending activities)	180.250	175.164
Capital Markets Board	51.881	53.811
Turkish Derivatives Exchange	16.036	16.632
	7.722.339	7.538.378

The details of available for sale equity investments are as follows:

Financial assets available for sale	31 December 2014	
	Ownership Rate (%)	Carrying Value
Listed Entities		
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	1,13	14.506.185
Unlisted Entities		
İstanbul Takas ve Saklama Bankası A.Ş.	0,97	3.692.583
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	10,00	1.540.045
Borsa İstanbul A.Ş.	0,34	1.589.123
Yatırım Finansman Menkul Değ. A.Ş.	0,06	16.884
		21.344.820

Financial assets available for sale	31 December 2013	
	Ownership Rate (%)	Carrying Value
Listed Entities		
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	1,13	12.890.506
Unlisted Entities		
İstanbul Takas ve Saklama Bankası A.Ş.	0,97	3.692.563
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	10,00	1.340.045
Borsa İstanbul A.Ş.	0,34	1.429.413
Yatırım Finansman Menkul Değ. A.Ş.	0,06	16.884
		19.369.411

The details of the Group's government bonds classified as held to maturity financial assets are as follows:

Held to maturity financial assets	31 December 2014		
	Cost	Fair Value	Carrying Value
Government bonds	14.964.623	18.042.846	17.086.309
	14.964.623	18.042.846	17.086.309
Held to maturity financial assets	31 December 2013		
	Cost	Fair Value	Carrying Value
Government bonds	4.964.623	6.854.777	6.497.121
	4.964.623	6.854.777	6.497.121

As at 31 December 2014, the maturity of TL 5.000.000 nominal value of held to maturity financial assets is 1 April 2020, TL 10.000.000 nominal value of held to maturity financial assets is 26 December 2015 (As at 31 December 2013, the maturity of TL 5.000.000 nominal value of held to maturity financial assets is 1 April 2020).

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10. FINANCIAL LIABILITIES

	31 December 2014	31 December 2013
Payables to Stock Exchange Money Market	2.170.773.000	2.143.897.000
Short-term bank borrowings	739.444.538	581.096.698
Long-term bank borrowings	87.234.875	84.385.085
Short-term portion of long term bank loans	107.099.464	28.592.885
Accrued interest on bank borrowings	1.920.980	21.077.627
Interest accruals on payables to Stock Exchange Money Markets	10.370.848	8.765.871
Short-term factoring payables	8.692.503	4.635.516
Funds provided under repurchase agreements	-	3.005.178
Long-term finance lease liabilities	2.128.205	1.671.636
Short-term portion of long-term finance lease liabilities	1.419.326	1.070.161
Short-term finance lease liabilities	-	311.304
Payables from bills	210.121.793	-
	3.339.205.532	2.878.508.961

As at 31 December 2014 and 31 December 2013, interest rates and maturities of bank borrowings are as follows:

31 December 2014					
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Principal	933.778.877	TL	7,25 - 13,50	2/1/2015 - 25/09/2017	933.778.877
Interest accrual	1.920.980	TL			1.920.980
	935.699.857				935.699.857

31 December 2013					
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Principal	694.074.668	TL	8,75 - 14,00	2/1/2014 -15/2/2019	694.074.668
Interest accrual	21.077.627	TL			21.077.627
	715.152.295				715.152.295

As at 31 December 2014 and 31 December 2013, interest rates and maturities of payables to stock exchange money market are as follows:

31 December 2014					
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Principal	2.170.773.000	TL	8,35- 10,90	2/1/2015 - 3/2/2015	2.170.773.000
Interest accrual	10.370.848	TL			10.370.848
	2.181.143.848				2.181.143.848

31 December 2013					
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Principal	2.143.897.000	TL	7,50- 8,90	2/1/2014 - 3/2/2014	2.143.897.000
Interest accrual	8.765.871	TL			8.765.871
	2.152.662.871				2.152.662.871

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10. FINANCIAL LIABILITIES (cont'd)

Interest rates and maturities of payables to stock exchange money market are as follows:

31 December 2014		
	Future minimum lease payments	Present value of minimum lease payments
0-1 year	1.836.058	1.419.326
1-2 years	1.203.908	927.811
2-5 years	1.480.128	1.200.394
Future financial expenses	(972.563)	-
Present value of leasing liabilities	3.547.531	3.547.531
Debts payable within 12 months (presented in short term liabilities)		(1.419.326)
Debts payable after 12 months		2.128.205
31 December 2013		
	Future minimum lease payments	Present value of minimum lease payments
0-1 year	1.642.904	1.381.465
1-2 years	1.039.125	884.072
2-5 years	886.706	787.564
Future financial expenses	(515.634)	-
Present value of leasing liabilities	3.053.101	3.053.101
Debts payable within 12 months (presented in short term liabilities)		(1.381.465)
Debts payable after 12 months		1.671.636

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% and for contracts in TL range between 14,50%-26,2% (31 December 2013: Average yearly effective interest rate for contracts in Euro is 11,22%, for contracts in US Dollar is 8,05%, for contracts in TL range between 14,50%-26,2%).

The finance lease liabilities to İş Finansal Kiralama A.Ş. is TL 1.839.000 (31 December 2013: TL 1.609.896).

11 . OTHER FINANCIAL LIABILITIES

	31 December 2014	31 December 2013
Liabilities from short selling transactions (*)	9.783.531	1.694.800
	9.783.531	1.694.800

(*) As of 31 December 2014 liabilities from short selling transactions comprised of share certificates having nominal value of amounting TL 1.219.879 (31 December 2013: TL 110.000).

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12. TRADE RECEIVABLES AND PAYABLES

	31 December 2014	31 December 2013
Current trade receivables		
Receivables from customers	390.520.607	420.342.426
Receivables from clearing houses on derivative transactions	363.920.154	315.680.107
Receivables from credit customers	294.485.716	315.417.552
Receivables from clearing houses	138.998.614	140.334.726
Purchase of nonperforming loans	164.657.280	83.948.732
Due from related parties	4.268.318	6.898.132
Commission and fund management fee receivables	1.001.008	691.464
Other trade receivables	22.993.348	12.703.057
	1.380.845.045	1.296.016.196

Non-performing loans purchased amounting to TL 165.148.109 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 2014 provision is amounted TL 490.828 provided for the purchased non-performing loans (31 December 2013: TL 87.775).

As at 31 December 2014, the average interest rates applied to customers on margin trading are 15,76% (31 December 2013: 12,52%).

As at 31 December 2014, 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 574.202.661 (31 December 2013: TL 547.935.000).

As at 31 December 2014, the Group holds letters of guarantee with an amount of TL 82.735.332 in relation to the derivative transactions of its customers (31 December 2013: TL 85.729.068).

	31 December 2014	31 December 2013
Short term trade payables		
Payables to customers	564.031.416	622.899.145
Payables to clearing houses on derivative transactions	362.504.520	313.050.364
Payables to clearing houses	18.093.692	21.274.493
Trade payables	12.333.793	15.927.805
Due to related parties	6.471.772	1.239.004
Other trade payables	17.777.268	4.959.531
	981.212.461	979.350.342

	31 December 2014	31 December 2013
Long term trade payables		
Trade payables	1.881.678	1.148.650
Due to related parties	-	500.000
	1.881.678	1.648.650

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13. OTHER RECEIVABLES AND PAYABLES

	31 December 2014	31 December 2013
Other current receivables		
Deposits and guarantees given	49.125.930	133.566.435
Collaterals given for futures	13.508.574	18.389.286
Due from related parties	6.864.768	52.831
Other receivables	1.012.186	607.944
	70.511.458	152.616.496
Other non-current receivables		
Deposits and guarantees given	720.760	4.919.285
Due from related parties	150	150
Other receivables	161.407	-
	882.317	4.919.435
Other short-term payables		
Taxes and fund payables	7.707.841	5.463.986
Due to related parties	14.430	186.401
Other payables	1.686.347	319.794
	9.408.618	5.970.181

14. RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

Since the Group operates in finance sector, this account item has not been used.

15. INVENTORIES

	31 December 2014	31 December 2013
Inventories		
Trading goods and other inventories, net	52.596.621	54.281.259
	52.596.621	54.281.259

16. BIOLOGICAL ASSETS

None (31 December 2013:None).

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17. ASSETS RELATED TO ONGOING CONSTRUCTION CONTRACTS

None (31 December 2013:None)

18. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

As at 31 December 2014 and 31 December 2013, the details of the Group's associates and joint ventures are as follows:

	Shareholding interest (%)		Main business area
	31 December 2014	31 December 2013	
Radore	28,50	-	Data services

Summary financial information of the Group's associate is as follows:

	31 December 2014	31 December 2013
Total assets	23.640.355	-
Total liabilities	(5.247.235)	-
Net assets	18.393.120	-

The Group's share in associate's net assets	5.242.039	-
Goodwill in equity accounted investees	11.966.879	-
Investments in equity accounted investees	17.208.918	-

	1 January -31 December 2014	1 January -31 December 2013
Revenue	11.669.579	-
Profit/(Loss) for the period	1.021.341	-
The Group's share in the profit/(loss) of associates	291.082	-

Goodwill		
	31 December 2014	31 December 2013
Associates and joint ventures		
Radore	11.966.879	-
Total	11.966.879	-

With the decision of the Board of Directors on 2 October 2014, the Group decided to participate in capital increase of Radore Veri Hizmetleri A.Ş. ("Radore") which operates in data center management line of information technologies industry with TL 8.750.000 and to acquire 28,50% share of Radore by acquisition from existing shareholders for TL 8.750.000. General Directorate signed a Share Participation and Shareholders Agreement ("Agreement") with Doğuş SK Girişim Sermayesi Yatırım Ortaklığı A.Ş. which will invest the same amount and conditions, Radore and the existing shareholders of Radore and partnership transactions were completed on 1 December 2014.

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18. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (cont'd)

	31 December 2014		
	Carrying Value	Fair Value	Share of Group
Cash and cash equivalents	18.351.831	18.351.831	5.230.272
Trade and other receivables	1.925.522	1.925.522	548.774
Other assets	1.219.036	1.219.036	347.425
Tangible assets	786.434	786.434	224.134
Intangible assets	4.092.476	4.092.476	1.166.356
Financial liabilities	5.218.149	5.218.149	1.487.172
Trade payables	1.430.578	1.430.578	407.715
Other liabilities	312.111	312.111	88.952
Total net assets	19.414.461	19.414.461	5.533.121
Consideration paid	-	-	(17.500.000)
Goodwill	-	-	(11.966.879)

By the end of the reporting period, the Group has not completed the final valuation of the assets and liabilities of Radore yet due to ongoing valuation of intangible assets. Therefore, the fair value of assets and liabilities presented as provisionally in the table above.

19. GOODWILL

Each Cash-Generating Unit ("CGU") to be distributed to the carrying value of goodwill is as follows:

	31 December 2014	31 December 2013
Ortopro	9.206.500	9.206.499
Toksöz	19.429.606	19.429.606
Numnum	12.687.774	12.687.774
Ortopro impairment	(2.730.033)	(2.650.000)
	38.593.847	38.673.879

As three separate CGUs, fair value of equity of Ortopro, Toksöz and Numnum were conducted by an independent valuation firm. Discounted cash flow method is applied to determine fair value of equity of Ortopro, Toksöz and Numnum.

5-year business plans prepared by the management have been used. Growth in business of Ortopro, Toksöz and Numnum stems from the opportunities in the industry and new customer acquisitions.

The significant assumptions used in the calculation of the recoverable amount are discount rate and terminal growth rate. These assumptions are as follows:

	Pre-tax discount rate	Net Growth Rate
Ortopro	17% - 18%	3% - 4%
Toksöz	17% - 18%	3% - 4%
Numnum	17% - 18%	3% - 4%

The Group has identified impairment as a result of the goodwill impairment test of Ortopro using the assumptions outlined above in amount of TL 2.730.033. Impairment losses were recognized in other expenses from operations. Since Toksöz and Numnum have higher recoverable values than the carrying values, there is no impairment recorded.

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20. TANGIBLE ASSETS

Cost	Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Leasehold Improvement	Total
Opening balances at 1 January 2014	9.440.804	1.035.234	25.975.514	4.668.786	27.169.741	68.290.079
Foreign currency translation differences	-	-	50.533	-	19.950	70.483
Additions	906.611	-	7.056.439	694.967	6.342.379	15.000.396
Disposal	(46.492)	(346.657)	(892.410)	(4.175.385)	(575.154)	(6.036.098)
Closing balances at 31 December 2014	10.300.923	688.577	32.190.076	1.188.368	32.956.916	77.324.860
Accumulated depreciation						
Opening balances at 1 January 2014	(7.409.299)	(389.645)	(13.787.018)	(4.351.252)	(13.173.696)	(39.110.910)
Foreign currency translation differences	-	-	(32.686)	-	(16.048)	(48.734)
Charge for the period	(682.486)	(193.505)	(2.578.332)	(652.146)	(4.228.852)	(8.335.321)
Disposal	24.529	203.642	339.514	4.126.479	298.786	4.992.950
Closing balance at 31 December 2014	(8.067.256)	(379.508)	(16.058.522)	(876.919)	(17.119.810)	(42.502.015)
Carrying value as at 1 January 2014	2.031.505	645.589	12.188.496	317.534	13.996.045	29.179.169
Carrying value at 31 December 2014	2.233.667	309.069	16.131.554	311.449	15.837.106	34.822.845

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

20. TANGIBLE ASSETS (cont'd)

Cost	Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Leasehold Improvement	Total
Opening balances at 1 January 2013	8.663.041	907.050	21.272.804	4.351.391	19.104.306	54.298.592
Foreign currency translation differences	-	-	160.639	-	149.178	309.817
Additions	777.763	343.855	5.882.557	317.395	8.814.061	16.135.631
Disposal	-	(215.671)	(1.340.486)	-	(897.804)	(2.453.961)
Closing balances at 31 December 2013	9.440.804	1.035.234	25.975.514	4.668.786	27.169.741	68.290.079
Accumulated depreciation						
Opening balances at 1 January 2013	(6.654.034)	(446.318)	(12.172.240)	(4.351.252)	(10.339.586)	(33.963.430)
Foreign currency translation differences	-	-	(89.016)	-	(118.684)	(207.700)
Charge for the period	(755.265)	(140.175)	(2.550.046)	-	(2.874.751)	(6.320.237)
Disposal	-	196.848	1.024.284	-	159.325	1.380.457
Closing balance at 31 December 2013	(7.409.299)	(389.645)	(13.787.018)	(4.351.252)	(13.173.696)	(39.110.910)
Carrying value at 1 January 2013	2.009.007	460.732	9.100.564	139	8.764.720	20.335.162
Carrying value at 31 December 2013	2.031.505	645.589	12.188.496	317.534	13.996.045	29.179.169

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

21. INTANGIBLE ASSETS

Cost	Patent, License, Leasing Agreements	Computer software and licenses	Total
Opening balance at 1 January 2014	29.733.000	11.463.419	41.196.419
Exchange differences	-	30.409	30.409
Business combinations	-	133.000	133.000
Disposals	-	(31.550)	(31.550)
Additions	81.862	1.520.157	1.602.019
Closing balance at 31 December 2014	29.814.862	13.115.435	42.930.297

Accumulated amortization

Opening balance at 1 January 2014	(5.804.069)	(7.836.998)	(13.641.067)
Exchange differences	-	(19.992)	(19.992)
Business combinations	-	(77.000)	(77.000)
Disposals	-	23.470	23.470
Charge for the period	(4.682.750)	(1.897.795)	(6.580.545)
Closing balance at 31 December 2014	(10.486.819)	(9.808.315)	(20.295.134)

Carrying value at 1 January 2014	23.928.931	3.626.421	27.555.352
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Carrying value as at 31 December 2014	19.328.043	3.307.120	22.635.163
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Cost	Patent, License, Leasing Agreements	Computer software and licenses	Total
Opening balance, 1 January 2013	29.733.000	8.356.424	38.089.424
Exchange differences	-	214.734	214.734
Disposal due to discontinued operations	-	(8.613)	(8.613)
Additions	-	2.900.874	2.900.874
Closing balance at 31 December 2013	29.733.000	11.463.419	41.196.419

Accumulated amortization

Opening balance, 1 January 2013	(574.600)	(6.380.140)	(6.954.740)
Exchange differences	-	(147.672)	(147.672)
Disposal due to discontinued operations	-	5.484	5.484
Charge for the period	(5.229.469)	(1.314.670)	(6.544.139)
Closing balance at 31 December 2013	(5.804.069)	(7.836.998)	(13.641.067)

Carrying value at 1 January 2013	29.158.400	1.976.284	31.134.680
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Carrying value at 31 December 2013	23.928.931	3.626.421	27.555.352
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(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

22. GOVERNMENT INCENTIVES AND GRANTS

None. (31 December 2013: None)

23. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Current provisions	31 December 2014	31 December 2013
Tax penalty provision ¹⁾	132.873	791.199
Legal claims	673.532	-
Other liabilities and expense accruals	30.176	12.499
	836.581	803.698

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 791.199 in 31 December 2013 relating to 2008 and January - February of 2009 transactions based on the best estimates. As at 31 December 2014, TL 668.421 from the 2008 provision in the allocated total provision of TL 791,199 were cancelled because of time-out related with liabilities and recorded as other operating income in the current period, while the expenses relating to January-February 2009 amounting TL 10.495 in the current period are recognized as other operating expenses.

1 January -31 December 2014

	Legal claims	Tax penalty provision	Other	Total
Opening balance	-	791.199	12.499	803.698
Charge for the period	673.532	10.495	31.392	715.410
Payments	-	(668.821)	(13.715)	(682.536)
Closing balance	673.532	132.873	30.176	836.581

1 January -31 December 2013

	Legal claims	Tax penalty provision	Other	Total
Opening balance	23.000	1.332.503	640.939	1.996.442
Charge for the period	-	63.346	12.499	75.845
Payments	(23.000)	(604.650)	(640.939)	(1.268.589)
Closing balance	-	791.199	12.499	803.698

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 2014	31 December 2013
Government bonds and treasury bills (customer portfolio)	899.363.033	1.165.478.904
Eurobond	335.434.818	354.772.319
Equity shares	6.084.792.344	5.249.140.150
Mutual funds - units	71.647.092.496	63.139.697.282

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23. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

As at 31 December 2014 and 2013, letters of guarantee and promissory notes given by the Group are as follows:

	31 December 2014	31 December 2013
Istanbul Takas ve Saklama Bankası A.Ş.	2.812.500.000	2.683.705.000
Borsa İstanbul A.Ş.	63.978.000	70.634.719
Sermaye Piyasası Kurulu	12.101.776	12.103.552
Others	72.346.667	130.506.067
	2.960.926.443	2.896.949.338

As at 31 December 2014, letters of guarantee and promissory notes amounting to TL 2.960.926.443 given by the Group contains USD 28.083.260 that equals to TL 65.122.271, EUR 65.000 that equals to TL 183.345 and GBP 5.000.000 that equals to TL 17.980.500 (31 December 2013: USD 24.305.304 that equals to TL 51.874.810, EUR 360.936 that equals to TL 1.059.887 and GBP 5.000.000 that equals to TL 17.557.000).

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 2014 and 2013.

Guarantee/pledge/mortgage ("GPM") position of the Group as at 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Guarantees/Pledges/Mortgages given by the Company		
A. GPM given on behalf of its own legal entity	2.889.611.243	2.755.301.233
GPM	2.889.611.243	2.755.301.233
Financial Investments	-	-
B. GPM given on behalf of consolidated subsidiaries	71.315.200	45.302.900
GPM	71.315.200	45.302.900
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	2.960.926.443	2.800.604.133

As at 31 December 2014, GPM, amounting to TL 71.315.200 given for fully consolidated subsidiaries, contains USD 23.000.000 that equals to TL 53.334.700 and GBP 5.000.000 that equals to TL 17.980.500 (31 December 2013: GPM, amounting to TL 45.302.900 given for fully consolidated subsidiaries, contains USD 13.000.000 that equals to TL 27.745.900 and GBP 5.000.000 that equals to TL 14.336.500). Proportion of GPM to the Group's equity as at 31 December 2014 is 309% (31 December 2013: 331%).

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24. COMMITMENTS

Derivative commitments and option agreements of the Group as at 31 December 2014 and 2013 are as follows:

31 December 2014				
Derivatives instrument description	SHORT POSITION		LONG POSITION	
	Notional Amount	Notional Amount (TL)	Notional Amount	Notional Amount (TL)
Foreign currency based				
Option agreements	5.605.153.288	1.416.365.597	6.523.750.500	1.444.239.799
Forward and swap agreements	2.797.267.530	3.162.523.019	3.010.801.152	3.128.495.367
Futures agreements	408.000	2.717.066	733.000	2.724.107
Index based				
Option agreements	540.248	19.556	1.394.075	598.195
Forward and swap agreements	-	-	-	-
Futures agreements	10.100	18.918.337	203.000	17.666.862
Other	12.244.515	1.480.155	232.310	21.469

31 December 2013				
Derivatives instrument description	SHORT POSITION		LONG POSITION	
	Notional Amount	Notional Amount (TL)	Notional Amount	Notional Amount (TL)
Foreign currency based				
Option agreements	5.052.485.700	843.943.449	4.637.482.200	871.340.377
Forward and swap agreements	2.318.206.212	3.795.748.446	3.117.442.171	3.716.283.441
Futures agreements	7.402.900	15.917.440	1.905.000	15.802.091
Index based				
Option agreements	3.000.000	(1.176.907)	3.000.000	1.176.907
Forward and swap agreements	-	-	-	-
Futures agreements	426.100	710.361.371	761.575	696.967.175
Other	2.372.560	456.024	8.831	4.249

25. PROVISIONS RELATED TO EMPLOYEE BENEFITS

Short-term employee benefits:

	31 December 2014	31 December 2013
Unused vacation pay liability and miscellaneous bonus provision	11.250.844	11.060.011

In accordance with the existing social legislation in Turkey, the Group is required to make payments for unused vacation days when the personnel leave from the company. Vacation pay liability is the undiscounted amount calculated over the unused vacation days of the employees.

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25. PROVISIONS RELATED TO EMPLOYEE BENEFITS (cont'd)

Long-term employee benefits:

	31 December 2014	31 December 2013
Employee severance pay liability	4.571.657	3.939.044
Bonus provision for employees	1.652.078	2.910.939
Total	6.223.735	6.849.983

Under the Turkish Labour 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 2014 is TL 3.438 for the calculation of employment termination benefits (31 December 2013: TL 3.254). The retirement pay provision ceiling is revised semi-annually, and TL 3.438, which is effective from 1 January 2014, is taken into consideration in the calculation of provision for employment termination benefits (31 December 2013; The retirement pay provision ceiling effective from 1 July 2013 amounts to TL 3.254).

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 statement of financial position as at 31 December 2014, 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 5% (31 December 2013: 5,94%) and a discount rate of 8,67% (31 December 2013: 9,85%) resulting in a real discount rate of approximately 3,50% (31 December 2013: 3,69%). The anticipated rate of forfeitures is also considered.

	31 December 2014	31 December 2013
Opening balance, 1 January	3.939.044	4.603.972
Service cost	654.716	1.068.337
Interest cost	351.575	479.337
Payments made during the year	(1.545.215)	(1.368.913)
Actuarial difference	1.171.537	(843.689)
Provision for employee benefits	4.571.657	3.939.044

Retirement Benefits

Beginning from 2006, the Group has started to contribute certain amount of private pension payments for its employees. In the current year, total contributions paid amount to TL 512.217 whereas in aggregate it is TL 2.367.091 (Contributions paid as at 31 December 2013 is TL 464.142 and cumulative payment is TL 1.854.874).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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26. OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2014	31 December 2013
Income accruals	245.989	7.316.459
Deferred VAT	5.236.667	5.451.391
Advances given for purchases	463.307	83.262
Business advances	4.698	-
Personnel advances	165.350	58.253
Other	89.140	1.503.837
	6.205.151	14.413.202
Other short-term liabilities	31 December 2014	31 December 2013
Expense accruals	3.016.163	5.039.549
Advances received	9.174	1.057.681
Deferred Income	1.111.695	592.681
Other	386.595	113.417
	4.523.627	6.803.328
Other long-term liabilities	31 December 2014	31 December 2013
Income related to future years	700.782	83.472
	700.782	83.472

As at 31 December 2014, the amount of TL 171.578 (31 December 2013: TL 160.674) of expense accruals in other current liabilities refers to the services to be rendered from related parties.

27. EQUITY

a. Capital

The capital structure of the Company as at 31 December 2014 and 31 December 2013 are as follows:

Shareholder	31 December 2014		31 December 2013	
	Share (%)	Amount	Share (%)	Amount
Türkiye İş Bankası A.Ş. (Group A)	0,05	150.000	0,05	150.000
Türkiye İş Bankası A.Ş. (Group B)	65,61	217.818.032	65,61	203.702.632
Publicly-held (Group B)	29,31	97.315.366	29,31	91.013.316
Other (Group B)	5,04	16.716.602	5,04	15.634.052
Total	100	332.000.000	100	310.500.000

The authorised share capital ceiling of the Company is TL 600.000.000 and paid-in capital of the Company is TL 332.000.000 (31 December 2013: TL 310.500.000 TL). By the decision of Board of Directors dated 22 April 2014, the share capital of the Company was increased by TL 21.500.000 from retained earnings.

The capital has been divided into 332.000.000 (Three Hundred Thirty Two Million) shares each having a value of TL 1.00 (31 December 2013: 310.500.000). TL 150.000 of the shares is Group A (31 December 2013: 150.000 TL), and TL 331.850.000 is Group B shares (31 December 2013: TL 310.350.000). According to the Articles of Association, additional Group A shares cannot be issued during new capital increases. Six members of the Board of Directors out of nine are elected among the nominees determined by Group A shareholders and three members by Group B shareholders.

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27. EQUITY (cont'd)

b. Fair Value Reserve

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	4.653.440	5.060.605
Increase/(decrease) in value of assets available for sale	1.395.112	(407.165)
Closing balance	6.048.552	4.653.440

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 statement of 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 statement of profit or loss for the period.

c. Foreign Currency Translation Differences

Foreign currency translation differences consist of foreign currency exchange rate differences arising from remeasurement of foreign currency financial statements into Turkish Lira.

d. Restricted Reserves

	31 December 2014	31 December 2013
Legal reserves	37.930.567	31.686.839
Statutory reserves	50.862	2.168
Gains on sale of properties and equity participations to be transferred to capital	-	88.597
Total	37.981.429	31.777.604

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.

e. Prior Year's Profit

The prior year's profit and extraordinary reserves disclosed in prior year's profit in the statement of financial position of the Group as at 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Extraordinary reserves	30.946.481	24.223.557
Extraordinary reserves (belongs to consolidated subsidiaries and associates)	33.412.159	23.697.654
Remeasurement gains of defined benefit plans (including tax effect)	(533.447)	480.466
Prior year's profit	48.016.377	46.021.400
Total	111.841.570	94.423.077

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

27. EQUITY (cont'd)

e. Prior Year's Profit (cont'd)

Profit Distribution:

In accordance with the Capital Markets Board's "Profit Distribution Communiqué" Serial: II No:19.1 distributable profit will be determined by the General Assembly in accordance with the dividend policy and provisions of the relevant legislation dispenses with the decision of the General Assembly.

At the Ordinary General Assembly Meeting of the Company held on 25 March 2014, the Company has decided a dividend distribution amounting to TL 24.500.000 from the Company's distributable income after appropriated the first legal reserves. Dividend was paid on 28 March 2014.

f. 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 2014	1 January - 31 December 2013
Opening Balance	1.753.763	815.813
Changes in non-controlling interest	-	937.950
Closing Balance	1.753.763	1.753.763

g. 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 2014	1 January - 31 December 2013
Opening balance	398.953.308	393.634.716
Profit for the year attributable to non-controlling interest portion	29.674.440	54.499.023
Re-measurement gains of defined benefit plans (including tax effect)	(697.814)	194.485
Fair value reserve	147.400	-
Foreign currency translation differences	-	(977.126)
Changes in non-controlling interest	568.144	(2.219.217)
Increase in share capital of subsidiaries	1.232.789	-
Dividends paid	(29.240.158)	(46.178.573)
Closing balance	400.638.109	398.953.308

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28. REVENUE AND COST OF SALES

	1 January - 31 December 2014	1 January - 31 December 2013
Sales revenue		
Sales of equity shares and certificates	28.161.563.059	26.597.364.047
Sales of private sector bonds	17.565.924.315	20.016.266.620
Sales of government bonds	16.324.663.005	19.864.005.847
Sales of mutual funds	539.487.427	1.279.231.588
Sales of warrants	469.975.733	222.039.016
Sales of equity accounted investees	-	100.500.000
Other	203.760.604	174.484.602
Total	63.265.374.143	68.253.891.720
Cost of sales		
Purchase of equity shares and certificate	(28.147.939.481)	(26.593.205.362)
Purchase of private sector bonds	(17.560.345.614)	(20.014.029.233)
Purchase of government bonds	(16.313.308.463)	(19.882.334.116)
Purchase of mutual funds	(534.057.391)	(1.277.490.058)
Purchase of warrants	(465.316.122)	(221.274.847)
Purchase of equity accounted investees	-	(27.866.250)
Purchases of treasury bills	(2.673.838)	(1.587.727)
Other	(131.658.509)	(106.286.592)
Total	(63.155.299.418)	(68.124.074.185)
Interest income from operating and derivative activities, (net)		
Interest income/(expenses) (net)	134.224.977	124.200.376
Government bond income	26.454.134	19.784.234
Private sector bond income	10.968.832	7.810.710
Derivative income/(expenses) (net)	213.894.720	98.190.827
Leveraged foreign exchange transaction income/(expense) (net)	21.279.858	28.992.161
Interest on Stock Exchange Money Market transactions	(220.075.265)	(141.031.202)
Interest expenses on bank loans	(52.355.794)	(33.255.140)
Total	134.391.462	104.691.966
Service income		
Commission income on trading of equity shares	36.444.851	40.115.414
Commission income on trading of derivative transactions	31.000.254	32.875.848
Portfolio management fees	27.551.808	30.064.878
Corporate finance income	18.565.177	23.527.359
Other commissions and income	2.054.653	1.453.320
Commission income on trading of debt securities	768.035	1.011.585
Loaned securities transactions income	280.862	539.116
Commission income on trading of repurchase agreements	772.519	539.757
Commission income on trading of mutual funds	14.821	49.940
Deductions from service income		
Commission reimbursements to customers	(3.244.910)	(2.056.828)
Commissions paid to agencies	(1.336.840)	(1.314.046)
Service income (net)	112.871.230	126.806.343
Interest income from customers	42.082.992	26.006.512
Other operating income	884.517	1.186.249
Other operating income (net)	42.967.509	27.192.761

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29. RESEARCH AND DEVELOPMENTS EXPENSES, MARKETING EXPENSES AND ADMINISTRATIVE EXPENSES

	1 January - 31 December 2014	1 January - 31 December 2013
Research and development expenses	(2.984.040)	(3.678.774)
Marketing expenses	(68.581.520)	(54.235.282)
Administrative expenses	(194.960.312)	(189.263.637)
	(266.525.872)	(247.177.693)
Research and development expenses		
Personnel expenses	(2.362.832)	(3.033.153)
Transportation expenses	(124.105)	(199.753)
Rent expenses	(110.603)	(95.863)
Amortization expenses	(92.873)	(2.711)
Other expenses	(293.627)	(347.294)
	(2.984.040)	(3.678.774)
Marketing expenses		
Personnel expenses	(17.827.194)	(14.134.669)
Rent warehouse and store expenses	(12.566.326)	-
Foreign marketable securities transaction fees	(7.994.235)	(7.896.078)
Custody expenses	(6.365.805)	(5.840.135)
Derivative instrument transaction fees	(4.102.395)	(5.313.029)
Publication and advertisement expenses	(3.586.480)	(2.850.563)
Equity shares transaction and registration fees	(3.030.010)	(2.036.502)
Marketable securities brokerage commission expenses	(278.865)	(1.958.428)
Transportation expenses	(206.780)	(1.583.773)
Fixed income securities transaction and registration fees	(618.244)	(820.329)
Depreciation and amortization expenses	(2.511.431)	(497.391)
Securities lending commission expenses	(55.904)	(89.463)
Other marketing expenses	(9.437.851)	(11.214.922)
	(68.581.520)	(54.235.282)
Administrative expenses		
Personnel expenses	(104.765.900)	(102.472.762)
Communication expenses	(19.607.961)	(14.755.909)
Taxes and dues	(15.473.287)	(14.191.770)
Outsourcing expenses	(13.799.229)	(13.670.195)
Depreciation and amortization expenses	(9.637.724)	(12.366.985)
Rent expenses	(11.419.984)	(10.286.839)
Operating expenses	(4.952.018)	(5.030.317)
Publication and advertisement expenses	(2.979.436)	(3.245.106)
Transportation expenses	(2.720.985)	(3.083.681)
Board of Directors attendance fees	(2.490.257)	(2.326.543)
Provision for employee termination benefits	-	(830.741)
Other administrative expenses	(7.113.531)	(7.002.789)
	(194.960.312)	(189.263.637)
Total operating expenses	(266.525.872)	(247.177.693)

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30. OTHER OPERATING INCOME/(EXPENSE)

	1 January - 31 December 2014	1 January - 31 December 2013
Other operating income		
Reversals of provisions	3.647.370	2.142.870
Commission from cash and marketable securities transactions	548.789	397.638
Gain on sale of tangible assets	13.806	-
Other	4.726.213	3.156.699
Total	8.936.178	5.697.207

	1 January - 31 December 2014	1 January - 31 December 2013
Other operating expenses		
Goodwill impairment loss (Note 19)	(80.033)	(2.650.000)
Write-off expenses	(390.796)	(2.132.197)
Paid commission and charges	(2.306.731)	(1.758.431)
Provisions for doubtful trade receivables	(4.573.176)	(1.239.968)
Contract termination compensation expense	-	(261.865)
Inventory count differences	(117.302)	(255.841)
Provisions	(1.657.179)	-
Disallowable expenses	(291.080)	(239.569)
Tax and social security penalties	(44.613)	(71.695)
Other	(1.559.913)	(1.414.345)
Total	(11.020.823)	(10.023.911)

31. NON-OPERATING FINANCE INCOME

	1 January - 31 December 2014	1 January - 31 December 2013
Interest income on	20.546.527	15.866.426
<i>Government bonds and Treasury bills</i>	2.532.299	3.034.327
<i>Private sector bonds</i>	8.430.178	3.921.410
<i>Time deposits</i>	9.584.050	8.910.689
Dividend income from associates	799.624	8.375.030
Foreign currency gains	9.375.562	4.371.509
Interest income on guarantees	1.987.264	2.004.704
Reverse repo interest income	125.209	116.550
Other financial income	464.809	1.772.455
Total	33.298.995	32.506.674

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32. NON-OPERATING FINANCE COST

	1 January - 31 December 2014	1 January - 31 December 2013
Interest expenses	(21.129.220)	(18.963.644)
<i>Bank borrowings</i>	(21.129.220)	(18.492.832)
<i>Money market borrowings</i>	-	(470.812)
Commission expenses on letters of guarantee	(7.001.948)	(7.116.934)
Interest expense on commercial paper	(27.878.665)	(4.789.256)
Foreign currency losses	(7.861.373)	(4.489.841)
Repo interest expenses	(15.534)	(130.103)
Other financial expenses	(323.735)	(1.166.980)
Total	(64.210.475)	(36.656.758)

33. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets Held for Sale

	31 December 2014	31 December 2013
Buildings	4.931.422	2.476.560
Other tangible assets	42.240	216.735
	4.973.662	2.693.295

34. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

As of 31 December 2014 and 2013, other comprehensive income accounted in financial income/(expenses) are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Changes in fair value of available for sale	1.465.387	(428.595)
Changes in foreign currency translation differences	269.169	1.899.421
Tax income/expenses relating to other comprehensive income	77.126	21.430
	1.811.682	1.492.256

For the years ended 31 December 2014 and 31 December 2013, defined benefit plans accounted in other comprehensive income are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Re-measurement gains/losses in defined benefit plans	(1.539.076)	843.689
Tax income/expenses relating of other comprehensive income	307.815	(168.738)
	(1.231.261)	674.951

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35. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

As at 31 December 2014, 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 Investment Sec. 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).

Corporate Tax Law Article 13 and transfer pricing communiques in this article clarify the arm's length principle how and in what way to be implemented between related parties.

According to the regulation, if the Corporation the associated person with the arm's length principle to the goods or services to buy or sell at a price or prices which they determined against earnings wholly or partly covered as distributed through transfer pricing. Buying, selling, manufacturing and construction operations, rental and leasing operations, to borrow money receiving and giving, bonuses, operations that require fees and similar payments in every state and condition of goods or services received or regarded as sale.

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.

The Group's subsidiaries in the United Arab Emirates are not subject to corporation tax in this country. The subsidiary's income in California, the United States of America is exposed to both federal and state income tax. The federal tax rate is gradual and between 15% - 35%, the state tax rate is 8,84%.

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35. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

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.

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.

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 23 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 22 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.

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35. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Income Withholding Tax: (cont'd)

Current tax payable	31 December 2014	31 December 2013
Current tax liability	2.875.175	31.943.377
Prepaid taxes and funds	(2.320.623)	(22.141.728)
	554.552	9.801.649
Tax expense	1 January - 31 December 2014	1 January - 31 December 2013
Current tax expense	(2.875.175)	(31.943.377)
Deferred tax income/(expense)	(5.046.462)	20.100.897
Total taxation expense	(7.921.637)	(11.842.480)
Tax expense from continuing operations	(7.921.637)	(11.842.480)
Tax expense from discontinued operations	-	-
	(7.921.637)	(11.842.480)
Income tax recognized directly in equity	1 January - 31 December 2014	1 January - 31 December 2013
Valuation of available-for-sale financial assets	77.126	21.430
Re-measurement gains of defined benefit plans	(307.815)	(168.738)
	(230.689)	(147.308)

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 (2013: 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.

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35. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax: (cont'd)

	31 December 2014	31 December 2013
Deferred tax assets	14.997.135	23.136.004
Deferred tax liabilities	(3.277.831)	(6.506.351)
Deferred tax assets/(liabilities) (net)	11.719.304	16.629.653
Temporary differences subject to deferred tax	31 December 2014	31 December 2013
Income accruals on derivative transactions, net	12.729.099	(101.215.028)
Useful life differences on tangible and intangible assets	22.043.185	29.867.947
Fair value reserve on financial assets	149.485	3.247.399
Subsidiary valuation differences	(5.523.355)	(5.523.355)
Retirement pay provision	(3.127.965)	(1.294.905)
Employee benefits	(7.846.790)	(10.115.330)
Valuation of marketable securities and loans	(132.043)	24.008.645
Provision for doubtful receivables	1.626.265	(574.225)
Provision for impairment of inventories	(909.710)	(3.638.710)
Accrued expenses	(3.454.585)	(5.381.070)
Total	15.553.586	(70.618.632)
Statuary losses carried forward	(78.588.290)	(14.236.655)
General Total	(63.034.704)	(84.855.287)
Deferred tax assets/(liabilities)	31 December 2014	31 December 2013
Income accruals on derivative transactions, net	(2.545.820)	20.243.006
Useful life differences on tangible and intangible assets	(4.408.637)	(5.973.589)
Fair value reserve on financial assets	(89.031)	113.798
Subsidiary valuation differences	276.168	-
Retirement pay provision	625.593	258.981
Employee benefits	1.569.358	2.023.066
Valuation of marketable securities and loans	26.409	(4.801.729)
Provision for doubtful receivables	(325.253)	114.845
Provision for impairment of inventories	181.942	727.742
Accrued expenses	690.917	1.076.202
Statuary losses carried forward	15.717.658	2.847.331
Deferred tax assets/(liabilities), net	11.719.304	16.629.653
Movement of deferred tax assets/(liabilities)	31 December 2014	31 December 2013
Opening balance, 1 January	16.629.653	(3.032.291)
Deferred tax income/(expense)	(5.046.462)	20.100.897
Deferred tax income/(expense) recorded in equity	136.113	(438.953)
Closing balance	11.719.304	16.629.653

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35. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax: (cont'd)

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 Camış Menkul Değerler A.Ş. and Ortopro amounting to TL 602.191 and TL 768.356 respectively, have not been recognized in the accompanying consolidated financial statements.

Total tax charge for the period can be reconciled to the accounting profit as follows:

Reconciliation of tax provision	1 January - 31 December 2014		1 January - 31 December 2013	
Profit from operating activities	100.491.847		137.154.783	
Profit from discontinued operations	(44.313.801)		-	
Taxable profit	56.178.046		137.154.783	
Income tax using the Company's domestic tax rate	20,00%	(11.235.609)	20,00%	(27.430.957)
Tax exempt income	0,80%	(450.000)	-	-
Disallowable expenses	10,03%	(5.632.749)	0,05%	(70.572)
Dividend and other tax exempt income	(2,18%)	1.225.309	(12,66%)	17.360.924
Unrecognized statutory losses	(11,11%)	6.240.835	1,94%	(2.655.983)
Unrecognized timing differences	0,00%	-	(1,70%)	2.324.357
Other	(3,44%)	1.930.576	1,00%	(1.370.249)
Tax expense	14,10%	(7.921.637)	8,63%	(11.842.480)

36. EARNINGS PER SHARE

As at 31 December 2014 and 2013, the Company's weighted average number of shares and computation of earnings per share are as follows:

Earnings per share	1 January - 31 December 2014	1 January - 31 December 2013
Average number of shares in circulation throughout the period (total) ⁽¹⁾	332.000.000	332.000.000
Profit for the year attributable to equity holders of the Company	62.895.770	70.813.280
Basic and diluted earnings per share from continuing operations	0,1894	0,2133
Total discontinued operations attributable to equity holders of the Company	-	-
Basic and diluted earnings per share obtained from discontinued operations	-	-

⁽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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37. EFFECTS OF EXCHANGE RATE CHANGES

Analysis of the effects of changes in foreign exchange in 31 December 2014 and 31 December 2013 is disclosed in Note 40.

38. REPORTING IN HYPERINFLATIONARY PERIODS

In accordance with the CMB's resolution No: 11/367 issued on 17 March 2005, companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards from 1 January 2005 (including the application of IFRS) are not subject to inflation accounting effective. Therefore, since 1 January 2005, TAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied in the accompanying consolidated financial statements.

39. DERIVATIVE INSTRUMENTS

The details of the derivative instruments as at 31 December 2014 and 2013 are as follows:

Derivative instruments	31 December 2014	
	Assets	Liabilities
Swap agreements	25.959.190	13.784.253
Forward contracts	1.329.480	1.000.379
Options	1.588.867	6.092.892
Warrants	7.637	3.548.057
	28.885.174	24.425.581

Derivative instruments	31 December 2013	
	Assets	Liabilities
Swap agreements	1.132.135	97.914.832
Forward contracts	1.505.733	2.315.210
Options	1.750.872	4.717.179
Warrants	4.249	456.023
	4.392.989	105.403.244

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40. 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 10, 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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40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

Credit Risk (cont'd):

Exposed credit risks through types of financial instruments:

	31 December 2014			
	Receivables			
	Trade Receivables		Other Receivables	
	Related Parties	Third Parties	Related parties	Third parties ⁽¹⁾
Maximum credit risk exposure as at report date	4.268.318	1.376.576.727	6.864.768	1.012.186
The part of maximum risk under guarantee with collateral etc.	-	824.004.937	-	-
A. Net book value of financial assets that are neither past due nor impaired	4.268.318	1.370.719.955	6.864.768	1.012.186
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	5.856.772	-	-
-the part under guarantee with collateral etc	-	-	-	-
D. Net book value of impaired assets	-	-	-	-
- Past due (gross carrying amount)	-	5.568.924	-	-
- Impairment (-)	-	(5.568.924)	-	-
- 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	-	-	-	-

⁽¹⁾ Deposits and guarantees and collaterals are excluded since they are not financial assets.⁽²⁾ Equity securities are excluded since they do not expose any credit risk.⁽³⁾ Contains USD 23.000.000 that equals to TL 53.334.700, and GBP 5.000.000 that equals to TL 17.980.500

31 December 2014

Cash and Cash Equivalents

Financial investments ⁽²⁾	Bank deposits	Repurchase agreements	Type B liquid mutual funds	Other ⁽³⁾
793.887.199	2.849.550.121	47.123.312	-	71.315.200
71.675.953	-	47.123.312	-	71.315.200
793.887.199	2.849.550.121	47.123.312	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	71.315.200

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40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

Credit Risk (cont'd):

Exposed credit risks through types of financial instruments:

	31 December 2013			
	Receivables			
	Trade Receivables		Trade Receivables	
	Related Parties	Third Parties	Related parties	Third parties ⁽¹⁾
Maximum credit risk exposure as at report date	6.898.132	1.289.118.064	52.831	607.944
The part of maximum risk under guarantee with collateral etc.	-	876.094.704	-	-
A. Net book value of financial assets that are neither past due nor impaired	6.898.132	1.279.254.329	52.831	607.944
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	9.863.467	-	-
-the part under guarantee with collateral etc	-	-	-	-
D. Net book value of impaired assets	-	-	-	-
- Past due (gross carrying amount)	-	3.434.781	-	-
- Impairment (-)	-	(3.434.781)	-	-
- 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	-	-	-	-

⁽¹⁾ Deposits and guarantees and collaterals 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 27.745.900, and GBP 5.000.000 that equals to TL 17.557.000

31 December 2013

Cash and Cash Equivalents

Financial investments ⁽²⁾	Bank deposits	Repurchase agreements	Type B liquid mutual funds	Other ⁽³⁾
572.696.730	2.394.885.928	22.840.692	10.976.070	45.302.900
242.616.481	-	22.840.692	-	45.302.900
572.696.730	2.394.885.928	22.840.692	10.976.070	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	45.302.900

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40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

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 2014	31 December 2013
Fixed interest rate instruments		(83.633.911)	2.744.939
Cash and cash equivalents	Cash at banks - time deposits	2.907.039.767	2.616.594.922
	Receivables from Stock Exchange Money Market	23.006	1.614.490
	Receivables from reverse repurchase agreements	47.123.312	22.840.692
Financial assets	Financial assets at fair value through profit or loss	301.385.536	240.203.796
Financial liabilities	Payables to Stock Exchange Money Market	(2.181.143.848)	(2.152.662.871)
	Bank borrowings	(935.699.857)	(715.152.295)
	Finance lease liabilities	(3.547.531)	(3.053.101)
	Funds provided under repurchase agreements	-	(3.005.178)
	Payables from commercial paper	(210.121.793)	-
	Short-term factoring liabilities	(8.692.503)	(4.635.516)
Floating interest rate instruments		621.822.660	571.783.188
Cash and cash equivalents	Type B mutual funds	6.742.837	10.976.070
Financial assets	Financial assets at fair value through profit or loss	319.343.203	286.360.595
	Held-to-maturity financial assets	17.086.309	6.497.121
Trade receivables	Receivables from customers on margin trading	294.485.716	315.417.552
Financial liabilities	Bank borrowings	(15.835.405)	(47.468.150)
Net interest risk position		538.188.749	574.528.127

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 2014 and 2013 would have been as follows:

		31 December 2014		
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Interest rate risk	1%	Increase	2.489.793	2.653.944
		Decrease	(2.533.429)	(2.533.429)
		31 December 2013		
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Interest rate risk	1%	Increase	(9.735.336)	(9.735.336)
		Decrease	12.321.275	12.321.275

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40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

Equity Price Risk:

If Borsa Istanbul 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 2014 and 2013 would have been as follows:

31 December 2014				
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Equity price risk	10%	Increase	1.000.437	1.000.437
		Decrease	(6.261.874)	(6.261.874)
31 December 2013				
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Equity price risk	10%	Increase	5.101.998	5.101.998
		Decrease	(5.101.998)	(5.101.998)

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.

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40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk (cont'd):

	31 December 2014		
	Current	Less than 1 month	1 - 3 months
ASSETS			
Cash and cash equivalents	22.806.056	1.975.186.641	908.991.993
Financial investments	74.406.113	124.985.653	99.665.245
Trade receivables	363.920.154	829.274.263	22.993.348
Other receivables	13.508.574	7.876.954	49.125.930
Other long-term receivables	-	-	-
Other current/non-current assets	-	9.130.587	18.137.179
Long-term financial investments	21.344.820	-	-
Derivative instruments	-	22.872.544	5.154.026
Investments in equity accounted investees	-	-	-
Assets held for sale	-	-	-
Tangible assets	-	-	-
Intangible assets	-	-	-
Deferred tax assets	-	-	-
Total Assets	495.985.717	2.969.326.642	1.104.067.721
LIABILITIES			
Financial liabilities	-	2.810.506.272	367.314.578
Other financial liabilities	9.783.531	-	-
Trade payables	362.504.520	582.125.108	24.249.040
Other payables	-	7.722.271	-
Derivative instruments	-	3.479.085	18.390.490
Liabilities related to employee benefits	-	-	3.878.213
Provisions (short-term)	-	12.087.425	-
Provisions (long-term)	-	-	-
Current tax liabilities	-	-	554.552
Other current liabilities	-	4.523.627	-
Other long term liabilities	-	-	-
Deferred tax liabilities	3.277.831	-	-
Total Liabilities	375.565.882	3.420.443.788	414.386.873
Equity holders of the Company	-	-	-
Non-controlling interests	-	-	-
Liquidity surplus/(gap)	120.419.835	(451.117.146)	689.680.848

31 December 2014

	3 - 12 months	1 year and thereafter	Undistributed	Total
	-	-	-	2.906.984.690
	182.642.080	226.897.925	-	708.597.016
	-	-	164.657.280	1.380.845.045
	-	-	-	70.511.458
	-	882.317	-	882.317
	5.704.672	1.202.960	52.596.621	86.772.019
		17.086.309	-	38.431.129
	858.604	-	-	28.885.174
	-	-	17.208.918	17.208.918
	-	-	4.973.662	4.973.662
	-	-	34.822.845	34.822.845
	-	-	61.229.010	61.229.010
	-	-	14.997.135	14.997.135
	189.205.356	246.069.511	350.485.471	5.355.140.418
	71.273.268	90.111.414	-	3.339.205.532
	-	-	-	9.783.531
	12.333.793	1.881.678	-	983.094.139
	1.686.347	-	-	9.408.618
	2.556.006	-	-	24.425.581
	-	-	-	3.878.213
	-	-	-	12.087.425
	-	6.223.735	-	6.223.735
	-	-	-	554.552
	-	-	-	4.523.627
	-	700.782	-	700.782
	-	-	-	3.277.831
	87.849.414	98.917.609	-	4.397.163.566
	-	-	557.338.743	557.338.743
	-	-	400.638.109	400.638.109
	101.355.942	147.151.902	(607.491.381)	-

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40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk (cont'd):

	31 December 2013		
	Current	Less than 1 month	1 - 3 months
ASSETS			
Cash and cash equivalents	24.519.602	2.294.658.092	110.911.536
Financial investments	61.621.393	18.523.360	45.758.995
Trade receivables	315.680.107	883.684.300	12.702.789
Other receivables	18.389.286	660.775	133.566.435
Other long-term receivables	-	-	-
Other current/non-current assets	-	13.542.758	1.803.795
Long-term financial investments	19.369.411	-	-
Derivative instruments	-	1.600.823	206.215
Assets held for sale	-	-	-
Tangible assets	-	-	-
Intangible assets	-	-	-
Deferred tax assets	-	-	-
Total Assets	439.579.799	3.212.670.108	304.949.765
LIABILITIES			
Financial liabilities	-	2.513.112.602	13.694.742
Other financial liabilities	1.694.800	-	-
Trade payables	313.050.364	644.173.638	6.198.535
Other payables	-	5.650.387	-
Derivative instruments	-	80.997.812	3.886.348
Liabilities related to employee benefits	-	-	3.457.935
Provisions (short-term)	-	11.863.709	-
Provisions (long-term)	-	-	-
Current tax liabilities	-	-	9.801.649
Other current liabilities	-	6.803.328	-
Other long term liabilities	-	-	-
Deferred tax liabilities	-	-	-
Total Liabilities	314.745.164	3.262.601.476	37.039.209
Equity holders of the Company	-	-	-
Non-controlling interests	-	-	-
Liquidity surplus/(gap)	124.834.635	(49.931.370)	267.910.556

31 December 2013

		31 December 2013		
	3 - 12 months	1 year and thereafter	Undistributed	Total
	-	-	-	2.430.089.230
	329.881.844	367.880.668	-	823.666.260
	-	-	83.949.000	1.296.016.196
	-	-	-	152.616.496
	-	4.919.435	-	4.919.435
	5.534.653	1.398.265	54.281.259	76.560.730
	-	6.497.121	-	25.866.532
	1.453.813	1.132.138	-	4.392.989
	-	-	2.693.295	2.693.295
	-	-	29.179.169	29.179.169
	-	-	66.229.231	66.229.231
	-	-	23.136.004	23.136.004
	336.870.310	381.827.627	259.467.958	4.935.365.567
	258.592.470	93.109.147	-	2.878.508.961
	-	-	-	1.694.800
	15.927.805	1.648.650	-	980.998.992
	319.794	-	-	5.970.181
	20.519.082	-	-	105.403.244
	-	-	-	3.457.935
	-	-	-	11.863.709
	-	6.849.983	-	6.849.983
	-	-	-	9.801.649
	-	-	-	6.803.328
	-	83.472	-	83.472
	-	6.506.351	-	6.506.351
	295.359.151	108.197.603	-	4.017.942.605
	-	-	518.469.654	518.469.654
	-	-	398.953.308	398.953.308
	41.511.159	273.630.024	(657.955.004)	-

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40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk (cont'd):

31 December 2014		
Contractual maturities	Carrying value	Total contractual cash outflows (I+II+III+IV)
Non-derivative financial liabilities		
Bank loans	683.087.150	683.467.906
Trade payables	983.094.139	983.094.139
Payables to Stock Exchange Money Markets	2.181.143.848	2.191.495.940
Funds provided under repurchase agreements	126.214.705	126.288.830
Funds from commercial paper	212.762.244	217.246.129
Financial lease liabilities	3.547.531	4.520.094
Factoring payables	8.692.503	8.692.503
Total Liability	4.198.542.120	4.214.805.541
Contractual maturities	Notion amount	Total contractual cash outflows (I+II+III+IV)
Derivative financial instruments		
Derivative cash inflows	1.168.799.204	1.176.526.021
Derivative cash outflows	(369.619.208)	(370.559.143)
31 December 2013		
Contractual maturities	Carrying value	Total contractual cash outflows (I+II+III+IV)
Non-derivative financial liabilities		
Bank loans	715.152.295	746.802.708
Trade payables	980.998.992	981.645.914
Payables to Stock Exchange Money Markets	2.152.662.871	2.158.681.446
Funds provided under repurchase agreements	3.005.178	3.005.178
Funds from commercial paper	-	-
Financial lease liabilities	3.053.101	3.658.037
Factoring payables	4.635.516	4.635.516
Total Liability	3.859.507.953	3.898.428.799
Contractual maturities	Notion amount	Total contractual cash outflows (I+II+III+IV)
Derivative financial instruments		
Derivative cash inflows	3.820.871.572	3.837.364.431
Derivative cash outflows	(1.270.587.844)	(1.292.559.870)

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Less than 3 months (II)	3 - 12 months (III)	1 - 5 years (III)	More than 5 years (IV)
583.764.825	3.199.990	93.800.802	2.702.289
983.094.139	-	-	-
2.191.495.940	-	-	-
126.288.830	-	-	-
3.000.000	214.246.129	-	-
693.490	1.142.568	2.684.036	-
2.572.016	5.929.939	190.548	-
3.890.909.240	224.518.626	96.675.386	2.702.289

Less than 3 months (II)	3 - 12 months (III)	1 - 5 years (III)	More than 5 years (IV)
1.105.548.562	70.977.460	-	-
(254.613.799)	(115.945.344)	-	-

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Less than 3 months (II)	3 - 12 months (III)	1 - 5 years (III)	More than 5 years (IV)
352.838.644	281.449.159	107.725.511	4.789.394
962.212.885	17.784.380	1.648.649	-
2.158.681.446	-	-	-
3.005.178	-	-	-
-	-	-	-
482.932	1.106.087	2.069.018	-
2.327.263	2.308.253	-	-
3.479.548.348	302.647.879	111.443.178	4.789.394

Less than 3 months (II)	3 - 12 months (III)	1 - 5 years (III)	More than 5 years (IV)
3.812.324.255	25.040.176	-	-
(1.283.752.677)	(8.807.194)	-	-

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40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

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 2014 and 2013 are as follows:

	31 December 2014	
	TL Equivalent (Functional currency)	USD
1. Trade receivables	176.187.689	66.823.438
2a. Monetary financial assets	831.054.334	165.318.160
2b. Non monetary financial assets	4.769.514	2.056.800
3. Other	35.962.813	15.310.375
4. Current assets	1.047.974.350	249.508.773
5. Trade receivables	-	-
6a. Monetary financial assets	-	-
6b. Non monetary financial assets	-	-
7. Other	-	-
8. Non-current asset	-	-
9. Total Assets	1.047.974.350	249.508.773
10. Trade payables	172.474.404	65.322.250
11. Financial Liabilities	24.333.170	9.620.344
12a. Other monetary liabilities	7.753.504	3.208.886
12b. Other non monetary liabilities	-	-
13. Short Term Liabilities	204.561.078	78.151.480
14. Trade payables	-	-
15. Financial liabilities	-	-
16a. Other monetary liabilities	-	-
16b. Other non monetary liabilities	-	-
17. Long Term Liabilities	-	-
18. Total Liabilities	204.561.078	78.151.480
19. Off-balance sheet derivative instruments' net asset/ (liability) position (19a - 19b)	(817.133.599)	(153.786.916)
19.a The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	1.190.470.845	256.769.643
19b. The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	2.007.604.444	410.556.559
20. Net foreign currency asset/(liability) position	26.279.671	17.570.377
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	802.680.945	153.990.118
22. Fair value of derivative instruments used in foreign currency hedge	-	-
23. Export	141.240	62.775
24. Import	9.709.138	1.973.004

31 December 2014

	EURO	GBP	JPY	OTHER
	7.363.568	157.606	-	16.459
	157.589.699	246.054	70.627	784.592
	-	-	-	-
	163.005	-	-	-
	165.116.272	403.660	70.627	801.051
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	165.116.272	403.660	70.627	801.051
	7.261.365	157.606	-	7.360
	719.935	6.611	-	-
	110.069	601	-	-
	-	-	-	-
	8.091.369	164.818	-	7.360
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	8.091.369	164.818	-	7.360
	(186.767.156)	429.076	2.463.741.148	97.493.098
	143.557.174	14.393.649	4.333.229.958	117.493.373
	330.324.330	13.964.573	1.869.488.810	20.000.275
	(29.742.254)	667.918	2.463.811.776	98.286.789
	156.861.898	238.842	70.627	793.691
	-	-	-	-
	-	-	-	-
	1.951.807	-	-	-

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40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk: (cont'd)

	31 December 2013	
	TL Equivalent (Functional currency)	USD
1. Trade receivables	226.278.718	84.915.262
2a. Monetary financial assets	2.507.602.572	688.320.730
2b. Non monetary financial assets	5.262.159	2.297.170
3. Other	137.042.399	32.667.331
4. Current assets	2.876.185.848	808.200.493
5. Trade receivables	-	-
6a. Monetary financial assets	-	-
6b. Non monetary financial assets	-	-
7. Other	-	-
8. Non-current asset	-	-
9. Total Assets	2.876.185.848	808.200.493
10. Trade payables	177.776.838	75.004.658
11. Financial Liabilities	163.903.520	31.067.898
12a. Other monetary liabilities	508.367	203.809
12b. Other non monetary liabilities	1.615.191	-
13. Short Term Liabilities	343.803.916	106.276.365
14. Trade payables	-	-
15. Financial liabilities	1.698.131	331.314
16a. Other monetary liabilities	-	-
16b. Other non monetary liabilities	-	-
17. Long Term Liabilities	1.698.131	331.314
18. Total Liabilities	345.502.047	106.607.679
19. Off-balance sheet derivative instruments' net asset/ (liability) position (19a - 19b)	(2.465.415.796)	(704.304.617)
19.a The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	2.030.042.000	422.642.553
19b. The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	4.495.457.796	1.126.947.170
20. Net foreign currency asset/(liability) position	65.267.995	(2.711.804)
21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	2.389.994.434	666.628.313
22. Fair value of derivative instruments used in foreign currency hedge	-	-
23. Export	23.419.975	10.996.831
24. Import	15.844.820	2.351.300

31 December 2013

	EURO	GBP	JPY	OTHER
	13.219.395	859.182	50.000	3.916.815
	348.504.167	4.179.105	88.118	784.507
	-	-	-	-
	13.685.030	561.702	-	-
	375.408.592	5.599.989	138.118	4.701.322
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	375.408.592	5.599.989	138.118	4.701.322
	3.744.194	883.187	50.000	3.891.244
	32.600.932	10.252	76.664.525	229.316
	5.875	7.200	-	113
	-	459.985	-	-
	36.351.001	1.360.624	76.714.525	4.120.673
	-	-	-	-
	337.479	-	-	-
	-	-	-	-
	-	-	-	-
	337.479	-	-	-
	36.688.480	1.360.624	76.714.525	4.120.673
	(329.584.012)	6.999.772	(978.102.911)	24.608.941
	252.642.942	50.201.629	4.250.259.503	213.922.826
	582.226.954	43.201.857	5.228.362.414	189.313.885
	9.136.100	11.239.137	(1.054.679.318)	25.189.691
	325.035.082	4.137.648	(76.576.407)	580.649
	-	-	-	-
	908.621	-	-	131.460
	4.379.760	97.863	-	16.700

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk: (cont'd)

Based on the positions of statements of financial position as at 31 December 2014 and 2013, 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 2014				
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Foreign currency risk	10%	Increase	(23.295.177)	(23.295.177)
		Decrease	3.614.885	3.614.885

31 December 2013				
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Foreign currency risk	10%	Increase	4.788.813	4.788.813
		Decrease	(4.305.141)	(4.305.141)

41. FINANCIAL INSTRUMENTS

Categories of Financial Instruments:

31 December 2014	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
Financial assets								
Cash and cash equivalents	2.900.241.853	-	-	6.742.837	-	2.906.984.690	2.906.984.690	8
Trade receivables	-	1.380.845.045	-	-	-	1.380.845.045	1.380.845.045	12
Financial investments	87.093.760	-	21.344.820	632.438.167	-	740.876.747	731.826.984	9
Financial liabilities								
Financial liabilities	-	-	-	-	3.339.205.532	3.339.205.532	3.339.205.532	10
Trade payables	-	-	-	-	983.094.139	983.094.139	983.094.139	12
Other financial liabilities	-	-	-	9.783.531	-	9.783.531	9.783.531	11

31 December 2013

31 December 2013								
Financial assets								
Cash and cash equivalents	2.419.113.160	-	-	10.976.070	-	2.430.089.230	2.430.089.230	8
Trade receivables	-	1.296.016.196	-	-	-	1.296.016.196	1.296.016.196	12
Financial investments	241.977.597	-	19.369.411	588.185.784	-	849.532.792	614.409.972	9
Financial liabilities								
Financial liabilities	-	-	-	-	2.878.508.961	2.878.508.961	2.878.508.961	10
Trade payables	-	-	-	-	980.998.992	980.998.992	941.957.460	12
Other financial liabilities	-	-	-	1.694.800	-	1.694.800	1.694.800	11

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

41. FINANCIAL INSTRUMENTS (cont'd)

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. Variable rate long-term bank loans have been recently repriced, therefore fair value is assumed to approximate their carrying values.

Valuation methods of the financial instruments carried at fair value:

31 December 2014	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at fair value through profit and loss				
Equity shares	50.830.422	-	-	50.830.422
Government bonds and treasury bills		-	-	203.632.594
Private sector bonds	349.787.395	-	-	349.787.395
Mutual funds	29.569.640	-	-	29.569.640
Foreign currency securities	4.769.514	-	-	4.769.514
Income accruals of derivative instruments		28.885.174	-	28.885.174
Available for sale financial assets (*)	14.506.185	-	-	14.506.185
Subsidiaries	-	-	-	-
Financial Liabilities				
Other financial liabilities				
Liabilities of derivative instruments		24.425.581	-	24.425.581

(*) Unlisted available for sale securities amounting to TL 6.838.635 are excluded.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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41. FINANCIAL INSTRUMENTS (cont'd)

Fair Value of Financial Instruments: (cont'd)

31 December 2013	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at fair value through profit and loss				
Equity shares	41.355.586	-	-	41.355.586
Government bonds and treasury bills		-	-	236.119.360
Private sector bonds	288.540.873	-	-	288.540.873
Mutual funds	20.265.807	-	-	20.265.807
Foreign currency securities	1.904.158	-	-	1.904.158
Income accruals of derivative instruments		4.392.989	-	4.392.989
Available for sale financial assets (*)		-	-	12.890.506
Financial Liabilities				
Other financial liabilities				
Derivative financial instrument liabilities		105.403.244	-	105.403.244

(*) Unlisted available for sale securities amounting to TL 6.478.905 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.

42. EVENTS AFTER THE REPORTING PERIOD

None.

43. OTHER ISSUES THAT SIGNIFICANTLY EFFECT THE CONSOLIDATED FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR THE CLEAR UNDERSTANDING OF CONSOLIDATED FINANCIAL STATEMENTS

None.

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