

**IS INVESTMENT BOARD OF DIRECTORS**  
**QUARTERLY REPORT**



**1 JANUARY 2014 – 30 JUNE 2014**

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## **1. AUDITOR OPINION ABOUT THE REVIEW REPORT ON INTERIM ACTIVITY REPORT**

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

We have been assigned for reviewing whether the financial information contained in the interim activity report of İş Yatırım Menkul Değerler Anonim Şirketi (the “Company”) and its affiliates, which was prepared as of 30 June 2014, is consistent with the interim summarized financial statements reviewed. The interim activity report which is the subject of the report is under the responsibility of the Company management. Our responsibility as the institution carrying out independent review is disclosure of the result obtained as to whether the financial information contained in the interim activity report is consistent with the interim summarized financial statements and explanatory notes which are the subject of the review report dated 4 August 2014 and which underwent independent review.

The review has been carried out pursuant to the regulations of the Communiqué on Principles Regarding Financial Reporting in Capital Markets. These regulations cover the implementation of review techniques in relation to whether the financial information contained in the interim activity report is consistent with the financial statements and explanatory notes which underwent independent review. As the scope of this review is narrower compared to the independent auditing activity carried out within the framework of independent auditing standards published by the Capital Markets Board, the review does not provide guarantee in terms of being able to reveal all important issues which must be known in independent auditing. Therefore, no independent auditing opinion has been disclosed as a result of our review.

As a result of our review, no issue was encountered indicating that the financial information contained in the annexed interim activity report is inconsistent with the information given in the interim summarized consolidated financial statements and explanatory notes which underwent independent review, in all of its important aspects.

Istanbul, 4 August 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Orhan Akova, SMMM  
Responsible Partner, Chief Auditor

## 2. OVERVIEW OF THE ECONOMY

Completion of the local elections held on 30<sup>th</sup> of March has paved the way for the major recovery of the loss suffered at the markets upon resolving the political uncertainty experienced till then. The markets were dominated by a positive atmosphere basing on the fact that the domestic uncertainty has diminished substantially, and the risk appetite which has increased upon the contribution of the supporting global monetary policies.

Upon the fact that the political tension encountered during and after December 2013 has caused for a blistering volatility at the markets, the Central Bank assured stability at the markets by increasing the overnight interest rates for more than 300 basis points at the end of January. Thanks to the fact that Turkey has a position to deliver the highest interest rate among the developing countries, the Turkish Lira has once again become a center of attraction for the hot money. In the sequel of the foregoing, the Central Bank applied a decrease of 175 basis points in total in respect of the policy interests during its monthly meetings for May, June and July, depending on the signals indicating that the central banks of the G3 would maintain their loose monetary policies, as well as the improvement at the international funding conditions and also decrease of the political uncertainty at the domestic markets.

Turkish economy has entered the 2014 with fluctuations at the interest rates and the foreign exchange rates under the thumb of the FED wave and the political tension which has arisen domestically. Turkish economy, which has surprised the markets by the resistance it has exhibited against the external shocks it has encountered during the second half of 2013, has also proved its resistance against the internal and external shocks it has experienced during the first half of 2014. In spite of the unfavorable conditions which have started following the second half of the last year, the fearful scenario for the bumpy landing to be suffered in respect of growth in the first quarter of 2014 has not come true, and Turkish economy maintained its strong growth trend by exhibiting a growth of 4.4% on yearly basis during the first quarter.

Considering the growth indicators, it is recognized that the domestic demand still remained to be one of the basic contributors, despite its relative deceleration. In other words, the domestic demand once more proved its endurance against the fluctuations by exhibiting a growth of 4.9% in 2013 (2014 first quarter: 3.1%). Such endurance was achieved thanks to the young and optimistic households having a part as the "final expenditure source" against the domestic and external shocks.

Furthermore, the fact that the European economy has become alive after a long period of recession supported exports and had a major contribution for the Turkish economy's maintaining its growth. Thus, no persistent damage was suffered at the economy despite the sharp fall at the consumption of the consumer durables and the housing demand highly susceptible to the increase at the interest rates and the foreign exchange rates.

We increased our growth rate forecast to 3.5% upon the recovery at the European economy, and the capital flows increased in consequence of the fact that it has been understood that the developed countries would maintain their loose monetary policies for a period longer than the expected, and the fact that the Central Bank has started to reduce the interest rate and it has signaled that it will continue such reductions during the forthcoming period.

We expect a significant upturn at the current accounts deficit in the wake of the loss of momentum at the domestic demand, and the re-balancing resulting from the contribution of the ongoing recovery at the European economy, in spite of the fact that it has been lately giving signals for deceleration, during the remainder of the year. We project that the current deficit, which has increased to 7.9% of GDP during 2013, will regress to 6.3% in 2014.

In the event that the upward geopolitical risks originating from the Middle East lately would continue, then there is a probability that the exports and imports in Turkey would be adversely affected from such risks. Iraq stands as one of the main export markets of Turkey, and the fact that

Iraq is located on the route of the trade carried out with the Gulf countries adversely affects the exports performed to such region. We expect that the annual export would suffer a decrease of 3-4 billion dollars in case of last longing of the disorder. Similarly, a non-transitory increase at the oil prices may create a negative risk in respect of the current deficit and the growth. An increase of 10 dollars at the oil prices leads to an increase of 4-5 billion dollars in respect of the annual import bill. However, the data disclosed up until the present shows that Turkey has not suffered substantial damages.

During 2014 when the real economy maintained its growth and the re-balancing at the economy gather pace, the key accretion deteriorating the scorecard of the Turkish economy is originating from the inflation side. Inflation has maintained its high level course during the first half of the year due to the food prices which have increased due to the drought and the weakening of the TL. In respect of the remainder of the year, considering that the course of the core inflation does not indicate a slump, we maintain our forecast for the year-end inflation to be 8.3% on the contrary to the scene drawn at its latest inflation report by the Central Bank.

### 3. BOARD OF DIRECTORS AND EXECUTIVES

#### Board of Directors

İlhami Koç	Chairman
Feray Demir	Deputy Chair-woman
Işıl Dadaylı	Member
Mete Uğurlu	Member
Volkan Kublay	Member
Özgür Temel	Member
Sezai Sevgin	Member
Abdullah Akyüz	Member (Independent)
Behzat Yıldırım	Member (Independent)

The Board of Directors has been assigned in the Ordinary General Meeting of Shareholders held on 25 March 2014 till the date of next Ordinary General Meeting of Shareholders. According to the resolution of the Board of Directors dated 17 July 2014, Mr. Mete Uğurlu was appointed as a Member of the Board of Directors instead of Mr. Tolga Achim Müller who has resigned. Members of the Board do not play an execution role at IS Investment.

#### Audit Committee

Behzat Yıldırım - Chair  
Abdullah Akyüz - Member

#### Corporate Governance Committee

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

#### Risk Committee

Behzat Yıldırım - Chair  
Volkan Kublay - Member

#### Executives

Ali Erdal Aral	General Manager
Murat Kural	Assistant General Manager
Ufuk Ümit Onbaşı	Assistant General Manager
Mert Erdoğan	Assistant General Manager
Funda Çağlan Mursalıoğlu	Assistant General Manager
Melih Murat Ertem	Assistant General Manager
Zeynep Yeşim Karayel	Assistant General Manager
Rıfat Cenk Aksoy*	Assistant General Manager

\* According to the Board resolution dated 2 July 2014, Mr. Rıfat Cenk Aksoy has appointed as Assistant General Manager.

<b>Registered Capital</b>	TL 600 million
<b>Issued Capital</b>	TL 332 million

## Shareholding Structure

Shareholder	Nominal Value (TL)	Share in Capital (%)
IS Bank	217,968,032	65.7
IS Leasing	8,075,653	2.4
IS Factoring	8,075,653	2.4
Camis Investment Holding	565,296	0.2
Free Float	97,315,366	29.3
<b>Total</b>	<b>332,000,000</b>	<b>100</b>

\* The official free float rate is 29.3% as of 30 June 2014 according to Central Registry Agency (CRA).

## Information about Shares Representing the Capital

Group	Registered / Bearer	Nominal Value (TL)	Ratio to Capital (%)	Privilege	Exchange Traded or Not
A	Registered	150,000	0.05	6 (six) members of the Board of Directors shall be elected among the nominees that are nominated by the majority of the Group A shares.	Not traded
B	Bearer	331,850,000	99.95	None	97,315,366 shares are traded on the exchange
	<b>Toplam</b>	<b>332,000,000</b>	<b>100.00</b>		

In case of capital increase, no Group (A) shares may be created, but Group (B) shares shall be issued to represent such increased capital.

## Current List of Exchanges where the Company's Capital Market Instruments are listed or Traded

Type of The Listed Instrument	Date of Listing/Trading	Relevant sub-market of the Market or Stock Exchange
Shares	18/05/2007	Equity Market / National market
Exchange Traded Fund	25/05/2007	Equity Market / Collective Products Market
Warrants	01/11/2010	Equity Market / Collective Products Market
Commercial Papers	16/04/2012	Debt Instruments Market / Outright Purchases and Sales Market

## IS Investment's Corporate Debt Instruments

Type of Instrument	Type of Issue	Issue Size Limit (TL)	Issue Date	Realized Sales as of 30 June 2014
Debt Instruments *	Private Placements	500 million	21/11/2013 – 21/11/2014	A total of 319.4 million TL including structured debt instruments of 24.9 million TL
Debt Instruments	Public Offering	500 million	21/11/2013 – 21/11/2014	100 million TL of corporate bills

\* Includes structured debt instruments.

#### 4. SUMMARY BALANCE SHEET AND INCOME STATEMENT

Summary Balance Sheet (TL 000)	30 June 2014	31 December 2013
<b>Assets</b>		
Current Assets	4,825,684	4,636,901
Long-Term Assets	146,750	133,720
<b>Total Assets</b>	<b>4,972,434</b>	<b>4,770,621</b>
<b>Liabilities</b>		
Short-Term Liabilities	4,044,265	3,815,435
Long-Term Liabilities	20,666	57,280
Minority Interest	373,072	378,099
Shareholders' Equity	534,431	519,807
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>4,972,434</b>	<b>4,770,621</b>
<b>Summary Income Statement (TL 000)</b>	<b>1 Jan. - 30 June 2014</b>	<b>1 Jan. - 30 June 2013</b>
Sales Revenue (Net)	22,738	707
Interest and Derivative Income from Operating Activities	57,085	37,013
Income from Services (Net)	51,745	70,508
Other Operating Income/Expenses(net)	22,811	11,228
<b>Gross Profit/(Loss)</b>	<b>154,379</b>	<b>119,456</b>
Operating Expenses	(99,632)	(89,039)
Other Income/Expenses	(133)	(861)
<b>Operating Profit/(Loss)</b>	<b>54,614</b>	<b>29,556</b>
Share in Net Profit/(Loss) of Invest. Acc. for Under Equity Method	-	4,301
Non-Operating Income/Expenses (Net)	7,985	9,254
<b>Profit/(Loss) Before Taxation From Continued Operations</b>	<b>62,599</b>	<b>43,111</b>
Tax	(5,249)	(8,635)
<b>Net Profit for the Period</b>	<b>57,350</b>	<b>34,476</b>
Minority Interest	22,573	11,170
<b>Net Profit (Equity holders of the parent)</b>	<b>34,777</b>	<b>23,306</b>
<b>Earnings Per Share – Cont. Operations (TL)</b>	<b>0.1047</b>	<b>0.0702</b>

\* The financial statements and footnotes of IS Investment are disclosed to public at [www.isinvestment.com](http://www.isinvestment.com)

Financial Highlights	30 June 2014	31 December 2013
Current Assets/Short-Term Liabilities	1.19	1.22
Total Liabilities/ Equity	4.48	4.31
ROE (%)	17	15



## 5. DOMESTIC CAPITAL MARKETS

### Equity Market

Borsa Istanbul Equity Market has started 2014 at an environment where the risk appetite for the emerging markets was low in the sequel of the fact that FED has started tapering. Accretion of the political tension escalating before the local elections of 2014 and the corruption allegations to the distorted risk perception has caused the BIST 100 index suffer from solidifying selling. The index tested the 60,700 level at such period. During the same period, USD/TL exchange rate increased to 2.39 and the currency basket tested 2.83, and on January 28, 2014, the Central Bank had an extraordinary convention and increased the weekly repo interest rate to 10% from 4.5% and the upper level of the interest corridor to 12% from 7.75%. Easing of the exchange rate and the fact that both the indices at the US and also the German Stock Exchange (DAX) were trying for new peaks during the same period have led to buys for reaction also at the BIST 100 index, and the index increased to the 65,900 level. However, in consequence of the political tension suffered domestically, and also due to the fact that the tension between Russia and Ukraine on the external side has knocked the global risk appetite, the index closed February at the level of 62,500. The global capital flows again headed for the developing countries in consequence of the fact that the US exchanges were at historic peaks and also that the Europe was smothered due to the Russia-Ukraine crisis. The fact that the Central Bank has signaled that it might pay interest for the required reserves in Turkish Lira and also that the forecasts, assuming that the ruling party would succeed in substantially maintaining its votes, purported by the latest polls before the local elections predominated, has caused the Turkish capital markets suffer a positive disintegration with the global markets, and the BIST 100 index closed March right below the level of 70,000 to which it has started right above the level of 61,500.

Despite the tension escalating between Ukraine and Russia, the global risk appetite remained to be high also throughout April. The expectation that the European Central Bank may implement an asset purchase program similar to that of the FED was a significant determinant for the foregoing. Domestically, the results of the local elections pointing out to the fact that the political stability will continue, and the expectation that the Central Bank would reduce the policy interest in parallel with the recovery at the global risk appetite supported the BIST 100 index. While Brazil, Indonesia, South Africa, India and Turkey, classified as the "Five Fragile" susceptible to the risk appetite, remained among the most emerging markets, the MSCI Turkey index was at the forefront among the emerging exchanges thanks to its yield of 5.9%. Borsa Istanbul gradually increased during April and closed the month at the level of 73,800 to which it has started from the level of 69,800. Despite the impure data coming from the US and China; the expansionary actions expected to be taken by the European Central Bank started to go up in price, and the word exchanges continued to increase also in May. Borsa Istanbul, susceptible to the global risk appetite, also exploited such favorable atmosphere. MSCI Turkey ranked among the top-grossing markets by experiencing a rise of 9.2% in value. The fact that the Central Bank has decreased the one-week repo rate, used as the policy rate by the same, from 10% to 9.5%, was responded positively in particular by the banks, hiked up the index. The BIST 100 index closed May at the level of 79,300, to which it has started at the level of 74,500. The excitement at the markets were elevated by the reduction of the interest rate upon its meeting held on 5<sup>th</sup> of June, and its promise to provide long-term cheap financing to the banks on condition that they shall lend to the real sector, by the European Central Bank. The global risk appetite was further increased in particular by the new pursuits for historic peaks by the German Exchange (DAX) and the indexes in the US. The positive risk perception prevailing at the foreign markets invited the Central Bank to take action domestically. Upon the 75 basis points reduction of the interest rate at the Monetary Policy Committee meeting, held on 24<sup>th</sup> of June, of the Central Bank; the BIST 100 index continued its gradual increase and tested the levels of 81,900. The fact that the Brent oil price has come up 115 USD in consequence of the re-escalation of the geopolitical risks by the disorders in Iraq and Syria

led to profit oriented selling at the BIST 100 index towards the end of the month, and the index closed June at the levels of 78,500.

IS Investment maintained its leading position by a trading volume of TL 63 billion in the Equity Market and a market share of 7.7% in the first half of the year.

During the remainder of 2014, the direction of the global markets will be determined by the time of interest rate hike by the FED, and the quality and quantity of the loose monetary policy to be implemented by the European Central Bank, as well as the magnitude of the crisis between Russia and Ukraine. Magnitude of the disorders at the Iraq and Syria side, the attitude of the Central Bank in respect of the interest rate reductions, realizations at the growth and inflation side and the political agenda both before and after the Presidential election to be held within August will also be delicately followed by the market participants.

### **Debt Securities Market**

During the first half of 2014, the agenda of the markets were determined substantially by the political developments. While the local elections held at the end of March were of a significant item of the agenda of the first quarter, now the sights are set on the Presidential election to be held within August. The risk premium increased in particular for Turkey upon addition of the conflicts and uncertainty suffered in the northern of Iraq to the civil war in Syria. Another factor which has negatively affected the risk premium was the fact that Ukraine was dragged to civil war at the north. The interest rates, which have already had a bad beginning for 2014 due to the political uncertainty egressed in Turkey at the end of the year and also due to the fact that the global risk appetite was negative, have increased up to the level of 11.50% at the end of 2013, and the TL regressed to the level of 2.80 versus the currency basket, and the 5-year Turkey CDSs experienced the level of 275.

Despite being appearing to be so desirous for the interest rate hike, the CBRT (the Central Bank of the Republic of Turkey) had an extraordinary meeting against the rapid deterioration of TL and the increasing fluctuation at the market, and it made upward arrangements both at the benchmark interest rate and the interest rate corridor. The CBRT set the benchmark interest rate, at which it lends by means of the auctions held on weekly basis, to 10%; and started to exercise such rate more effectively, and took the interest corridor to the 8%-12% range, and thus it found the opportunity to set the effective interest rate at the market between 10% to 12% basing on the amount of the funding. Such measures took effect like a shot. Due to the fact that the local elections passed and also that the effects of reduction of purchase of bonds by the FED remained limited, the attention of the domestic and foreign investors were revived. The currency basket experienced a decline to 2.48, and the interest rates to the level of 8.10%.

The expectation that the annual inflation verging on 10% will suffer a decline after June, and the CBRT's starting for interest rate reductions upon such expectation served a function in such recovery at the markets. The fact that the European Central Bank disclosed its additional expansionary steps discussed at the first half of the year at its meeting held at the beginning of June positively affected both the markets in Turkey and those in the other developing countries. With the impact of such developments, the CBRT reduced the weekly funding rate from 10% to 8.75% by providing reductions of 50 and 75 basis points, respectively in May and June.

The course of reduction of interest helped to balancing of the TL basket at 2.50 and the benchmark bond interest rates at the range of 8% - 8.50%. The USD/TL exchange rate declined to 2.07. However, the exchange rate once more surpassed the level of 2.10 due to the recovery at the parity in favor of the USD and the exchange rate adjustment, and completed the first half of the year at around 2.12. The 5-year CDSs closed the first half of the year at the levels of 170-175 upon the increasing geopolitical risks, despite declining to 163.

IS Investment has ranked the fourth among the intermediary institutions thanks to its trading volume of TL 4.2 billion and a market share of 7.1% during the first half of the year. Furthermore,

IS Investment materialized borrowings for terms of 6 months, amounting to 100 million TL by means of public offering, and 294.5 million TL by means of sales to qualified investors, from the markets.

### **Derivatives Market**

The Derivatives Exchange within the organization of the Borsa Istanbul maintained its course under the leadership of the BIST 30 index futures contracts during the first half of 2014. We witnessed the uptrend of the number of the short positions at the index contracts throughout the first half of the year, and the number of the short positions increased to the level of 350 thousand from the level of 185 thousand. In respect of the volume, no increase was experienced during the first two months of the year when compared those of the last year; however, we encountered with a lower volume in March and June. Along with such regression, the number of the short positions came back to the level of 240 thousand.

IS Investment ranked as the first with a volume of 45.8 billion TL and a market share of 11.16% at all futures contracts. Furthermore, being the first and sole market maker for the single stock future contracts, IS Investment started to contribute to creation of the market and increase of liquidity and depth of such market.

On the other hand, it was observed that the options contracts had some stirrings. The trading volume increased day by day at the step-wise fitting market. In respect of the options contracts, transactions amounting to 236 million TL to create a premium volume of 3.7 million TL were performed during the first quarter of the year; and such figures were materialized as a premium volume of 17.4 million TL and a trading volume of 674.9 million TL at the end of the first half of the year. IS Investment ranked as the first with a trading volume of 194.4 million TL and a market share of 28.8%.

Issues of warrant kept the pace in 2014. IS Investment remained to be the sole institution issuing USD/TL, gold/TL and gold to quanto and flexo warrants at the market; and IS Investment offered also the outperformance warrants to the investors and the Turkish capital markets in 2014. The trading volume at the market increased to 15% from 5% upon the effect of the publicity carried out. In the meantime, the website [www.isvarant.com](http://www.isvarant.com) was renewed and activated for the purpose of providing assistance to the warrant investors and to improve our publicity, in 2014.

## **6. INTERNATIONAL CAPITAL MARKETS**

### **Equities**

During the first six months of 2014, the leading central banks such as the FED, ECB, the central banks of Japan and UK maintained the low interest rate availability just as they had done during the previous year. The fact that the loose monetary policy would be maintained until mid-2015 was confirmed since the European Central Bank set going the liquidity channels with the negative deposit rate, and the unemployment rate in the US, closely kept track of by the FED, exhibited a well picture with the rate of 6.1%, and that the figure declined to 2.9% upon the fact that the weather conditions of the figure for growth in the first quarter become severer than the expected despite the threshold was rather verged on by the annual inflation with 2.1% and by the core inflation with 2.0%.

The global equity markets accomplished to close the first half of the year with a value increase of approximately 4.9%; and it was observed that the investors abstained from trading at the emerging markets. Despite the fact that investors did not head for the markets in particular due to the low growth in the US and the fact that the FED will start for the course of interest rate hike,

the trading volume achieved to 300 million USD within the first half of 2014 with the effect of the guidance provided during such period.

### **Debt Securities**

The Eurobonds of the developing countries performed well and provided a return of approximately 6%-10% during the first half of 2014. In addition to the fact that the supply and demand equilibrium was at a position in favor of the bonds of the developing countries, the fact that the US 10-year bond yields declined to the level of 2.44%, and were traded between the band of 2.55% - 2.60% in average, as of February to the end of June, provided the demand to the Eurobond market of the developing countries remain intense. The results of the elections provided positive reflections in general on the Eurobonds of the developing countries, including Turkey, at the period during which the elections were highly common. JP Morgan EMBI+ developing countries Eurobonds index gained a value of approximately 10% during the first half of the year; and the Turkish Eurobonds have obtained a value of 14% particularly following the elections, during the same period.

In parallel with such perception, an increase was observed at our trading volume during the first half. IS Investment gained new Eurobond investors during such period. The high-yield offering corporate Eurobond volume become higher than the government Eurobond trading volume.

### **Derivatives**

It is seen that in particular the trading volume accomplished at the equity options has tripled thanks to the contribution made by the buying/selling proposals principally offered during the balance-sheet periods.

It was observed that the volume has decreased in respect of the CFDs, which are among the novel products of 2013 and which provide the investors with the opportunity to perform leveraged trading at several areas such as equities, indices, commodities, during the first half of 2014. With the purpose of achieving the same performance within this year just as it had been achieved within the last year upon a rapid growth based on the support obtained from being a novel product; product-promoting programs shall be organized.

It is seen that the hedging transactions are once more dominant in the London Metal Exchange (LME) transactions. The fact that the news for bankruptcy originating from China have dragged down the metal market, and also that the markets had difficulties in finding directions for a long time thereafter, have startled both the speculators and the hedgers and thereby led to contraction at the trading volume. IS Investment's preparations as part of the authorities regarding the over-the-counter markets to be granted by the Capital Markets Board to the intermediary institutions during the forthcoming period have been completed. The novel products, in particular those about the iron ore, are expected to create an activity on the hedging side.

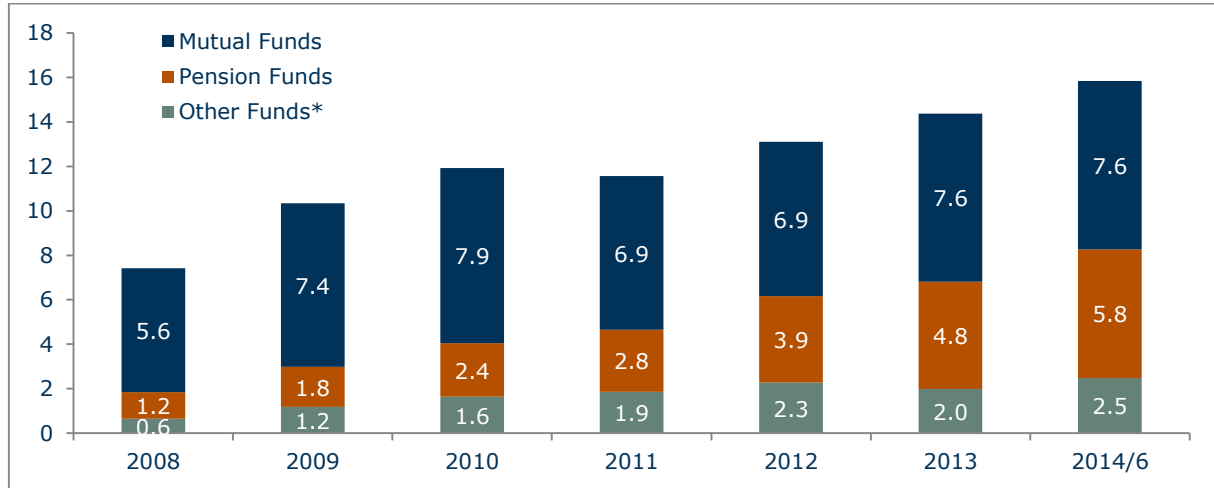
### **Leveraged FX Trading**

Leveraged FX trading volume exhibited an increase of 17% when compared with the same period of the last year, and an increase of 35% when compared with that of the previous 6 months. While the course of the fluctuation at the market at the historically lower levels led to decrease of the growth rate at the leveraged FX trading, the fact that the number of the licensed institutions has increased to 40 has become one of the factors increasing the conditions of competition. IS Investment's trading volume, which has focused on to a limited number of accounts in 2013, has expanded to a much larger base of investors within the first half of 2014. Our leveraged FX trading volume is expected to maintain its increase in the second half of the year along with the

momentum to be created by TradeMaster FX Plus, our new trading platform which is planned to be launched within the second half of the year.

## 7. PORTFOLIO MANAGEMENT

Consolidated Asset under Management (AuM) has reached to TL 15.8 billion as of end of June 2014. IS Investment has a 23% market share in mutual funds, and leader in pension funds- increased 32% on annual basis- with a market share of 19%.



### Asset under Management (AuM) – IS Investment & IS Portfolio Management

\* Other funds includes portfolios of private asset management, alternative investment products management, Turkishfund (SICAV) and portfolio of IS Investment Trust

## 8. DOMESTIC SALES AND MARKETING

The number of branch increased to 11 since the new one was opened in Antalya in April. Thus, close relations will be settled with potential clients in Antalya, one of the biggest cities of Turkey. In order to gain new customers, IS Investment visited potential/new customers across the country in the first half of the year, and gained new investors as a result of such visits. IS Investment also held investor meetings in Adana, Ankara, Bursa, İstanbul and İzmir; and shared its expectations about Turkish and global capital markets.

The advertising campaign about warrants, which has been having an important place in the Turkish capital markets, has been conducted and the web site- [www.isvarant.com](http://www.isvarant.com)- has been updated to make it more useful.

Trading rooms, under the name “TradeCenter” which is an on-campus version of TradeMaster, were opened in major universities of Turkey such as Bilkent, ODTÜ, Yaşar and İzmir Ekonomi to provide university students with the application of theory in practice. Moreover, in order to increase the attractiveness of TradeCenters, which will an effective role in increasing financial literacy, a virtual portfolio management contest was conducted for students of Boğaziçi, Bilkent, Bilgi, İzmir Ekonomi, ODTÜ and Yaşar.

In the second half of the year, it is planned to conduct domestic sales and marketing activities to obtain new customers in an environment where the capital markets’ structure has been changing.



## 9. CORPORATE FINANCE

### Equity IPOs

In the first half of the year, there are 9 equity IPOs worth TL 130.3 million in total, including Emerging Companies Market, took place in Turkey.

### Debt Securities Offerings

In the first half of the year, the primary market in debt securities market kept its growth trend since 2011. Compared to the same period of last year, when there were 146 corporate bonds offerings with nominal value of TL 24.5 billion, there are 233 corporate bonds total nominal value of TL 33.2 billion in the first half of 2014.

IS Investment intermediated the sales of 44 corporate bonds, worth of TL 7.8 billion, and gained 23% market share; hence continued to be the market leader.

### Merger & Acquisitions

Within the first half of 2014, there were 139 merger and acquisition (M&A) deals volume of approximately 11 billion USD. Throughout the same period of the last year, the market had achieved a deal volume of approximately 13 billion USD with 203 transactions. In order for the increase of the deal volume of the M&A transactions, it is required that the foreign investors head for to Turkey as they had done during the previous years. During the previous periods, Turkey had decoupled from the other emerging market countries thanks to the rapid economic growth it has exhibited. The expectations for growth remain to be lower when compared to those for some BRIC countries, yet at hale and hearty when compared to the EU region. However, the political tension which has increased after December 2013 decoupled Turkey seriously negatively from the other countries in terms of the political risk perception, apart from the financial indicators. A majority of the foreign investors waited for completion of the local elections in order to head for once more to our country. The markets, which have experienced a temporary relief following the local elections, this time focused on the Presidential elections to be held in August. Following the elections, the probable substitution of the Prime Minister and members of the cabinet will, sure, be closely followed by the foreign investors.

The foreign investors' deals remained limited within the first half of the year; and 70% of the trading volume resulted from 12 privatization transactions. Private sector M&A deal volume had an amount of only 4 billion USD. Neither a more active M&A market is awaited at the second half of the year.

### Outstanding Deals during the First Half of 2014

Privatization Deals	Deal Volume
Dalaman Airport	976 million USD
Milas Airport	990 million USD
FB-Kalamış Marina Tender Offer	664 million USD
Kemerköy Thermal Power Plant Tender Offer	2.6 billion USD
Yatağan Thermal Power Plant Tender Offer	1.1 billion USD

Private Sector Deals	Buyer Side	Approximate Volume
Dosu Maya	Ülker Group	220 million USD
Günaydın Et (70% stake)	Doğuş Group	150 million USD
CCX Colombia SA Brasil	Yıldırım Holding	125 million USD
Ayakkabı Dünyası	Esas Holding	n.a.
Tekstilbank	Industrial and Commercial Bank of China Ltd.	350 million USD

IS Investment completed one M&A deal consulting at the first half of 2014. The Company delivered seller side advisory service at the sales of the shares of Is Bank and its Group held at Ant Gıda Sanayi ve Ticaret A.S. to Merkur Maden Endüstri ve Pazarlama A.S. and Merpa Metal Maden Endüstri A.S. Furthermore, the Company also delivered seller side advisory service at the acquisition of 100% shares of Moova Gıda by Tat Gıda.

Our operations at 27 active private sector M&A projects, breaking down into four projects at the consumer products industry, three projects at the financial institutions and the real-estate industry, six projects at health-care tourism and services industry, five projects at manufacturing industry and nine projects at the energy industry, are in progress. Five more private sector M&A projects are expected to be concluded within 2014.

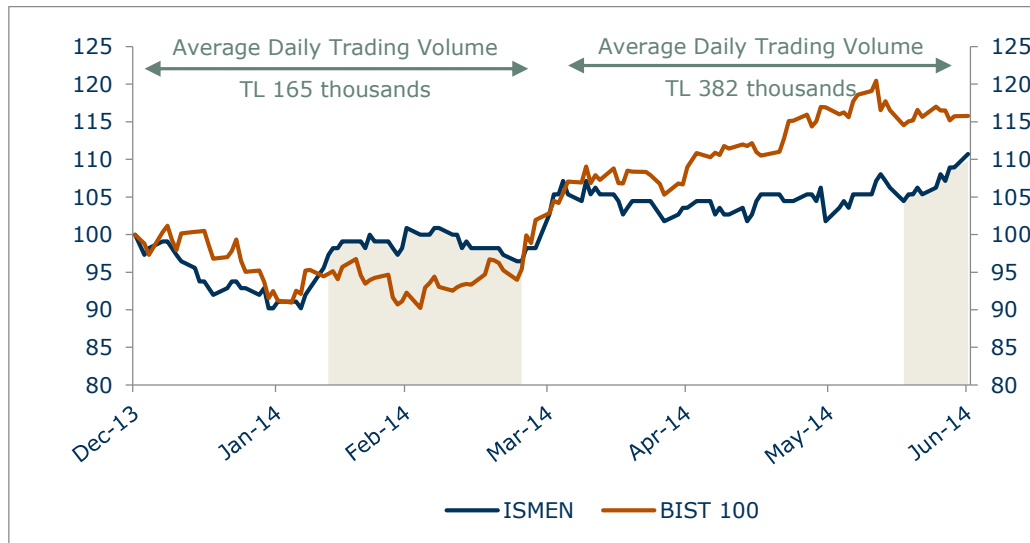
## 10. INVESTOR RELATIONS

Investor Relations continued to work effectively in the first half of 2014; established contacts with domestic and foreign investment funds, asset management companies and investment companies, as well as the qualified investors have been increased.

In February, a conference was held with the participation of many domestic and foreign asset management companies operating in Turkey. In addition, Investor Relations attended the investor conferences held in London in April, and one to one meetings with international investors were held.

The high volatility- driven by high interest rates, volatile currency rates, and political tension due to local elections- and the low trading volumes in the equity market were signs of investors' guarded behaviour in the first quarter of the year. Domestic investors were particularly contacted in this period. The investors were secured to gain a return in line with the market in such a prudence period. Despite its illiquidity and first quarter's low net income, which was due to the negative consolidation effect, ISMEN share price has resisted against selling pressure, thanks to the proactive informing and perception management. ISMEN has a return of 11% as of end of June, 2014.

### ISMEN Total Return Performance

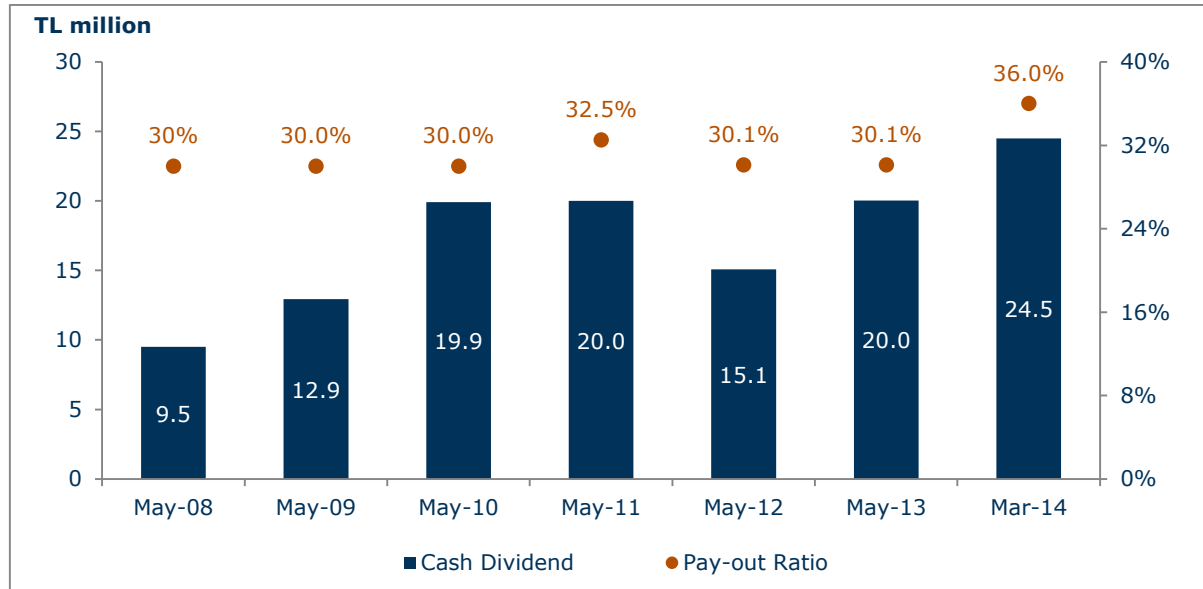


According to the research report written by Oyak Securities in April, the target price for ISMEN was set to TL 1.75 with an upside potential of 40%; and "BUY" recommendation was advised. Furthermore, Edison Investment Research, a London based independent research company,

published a research report on ISMEN. Both reports are downloadable at the investor relations website ([http://www.isinvestment.com/www\\_ir\\_new.aspx](http://www.isinvestment.com/www_ir_new.aspx))

IS Investment distributed at least 30% of its distributable profit as cash to its shareholders in the direction of its dividend distribution policy since its public offering. Within this scope, it distributed cash dividend of 24.5 million TL from its 2013 net profit in March 2014. Thus, approximately 122% of the IPO proceeds obtained in May 2007 was paid back in cash.

### Cash Dividend



ISMEN dividend yield (6.3%) is significantly higher than the market dividend yield (c. 2%). Moreover, TL 21.5 million of the net income was also distributed as stock dividend.

### IS Investment Dividend & Capital Information

Date	Type	Cash Dividend (TL million)	Dividend per Share (Kr)	Bonus Issue (%)	Pre-issue Capital (TL million)	Post-issue Capital (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	7.9			
June 14	B*			6.9	311	332

D: Cash Dividend, B: Bonus Issue

\* Bonus issue through stock dividend



As a result of the reviews made by JCR Eurasia Rating, it was announced to the public on 10 September 2013 that our Company's corporate governance degree was upgraded to 9.06. However, since the rating methodology of corporate governance rating has been changed by the Capital Markets Board of Turkey (CMB), JCR Eurasia Rating has set IS Investment's overall level of compliance as 8.81 AAA(Trk). This rating is the result of methodological change; not implies any upgrade/downgrade.

The compliance levels in each of the four main sections are as follows:

Main Sections	Before Methodological Change 10 Sept. 2013	After the Change 3 March 2014
Shareholders	8.88	8.54
Public Disclosure and Transparency	9.40	9.04
Stakeholders	8.79	8.51
Board of Directors	9.06	8.96
<b>Overall</b>	<b>9.06</b>	<b>8.81</b>

The public disclosure liabilities were fulfilled in the first half, and online platforms were efficiently utilised as an information tool.

## 11. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### Corporate Governance Compliance Statement

It is critical for our developing economy to increase the quality and quantity of international capital attracted to Turkey. Having made its effects felt particularly from 2008, the global financial crisis not only dragged the world economies into long-lived stagnation, but also led to decreased investment appetite. This negative economic outlook once again highlighted the importance of good corporate governance practices for businesses, investors and all related parties. Good corporate governance practices have been a key indicator with respect to the growth of businesses and to sustainability of their operations also in 2013.

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.

As a result of the reviews made by JCR Eurasia Rating, it was announced to the public on 10 September 2013 that our Company's corporate governance degree was upgraded to 9.06. However, since the rating methodology of corporate governance rating has been changed by the Capital Markets Board of Turkey (CMB), JCR Eurasia Rating has set IS Investment's overall level of compliance as 8.81 AAA(Trk). This rating is the result of methodological change; not implies any upgrade/downgrade.

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	Before Methodological Change 10 Sept. 2013	After the Change 3 March 2014
Shareholders	8.88	8.54
Public Disclosure and Transparency	9.40	9.04
Stakeholders	8.79	8.51
Board of Directors	9.06	8.96
<b>Overall</b>	<b>9.06</b>	<b>8.81</b>

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 İstanbul.

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 Department

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.
- 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 semi-annual and annual 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 corporate 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 decision of 16 March 2009.

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

**Funda Çağlan Mursaloglu**  
**Assistant General Manager**

Level of Education: M.A.

Capital Markets Activity License Type: Advanced

T : +90 212- 350 23 48

F : +90 212- 350 20 01

E-mail : [cmursaloglu@isyatirim.com.tr](mailto:cmursaloglu@isyatirim.com.tr)

**Ozan Altan**

**Assistant Manager**

Level of Education: M.A.

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

T : +90 212 -350 28 72

F : +90 212 -350 28 73

E-mail : [oaltan@isyatirim.com.tr](mailto:oaltan@isyatirim.com.tr)

**Alper Alkan, CFA**

**Senior Associate**

Level of Education: M.A.

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

T : +90 212 -350 25 22

F : +90 212 -350 25 23

E-mail : [aalkan@isyatirim.com.tr](mailto:aalkan@isyatirim.com.tr)

The Investor Relations contact information was disclosed to the public on 5 March 2014 pursuant to article 11 of CMB's Corporate Governance Communiqué (II-17.1).

**Use of Shareholders' Rights to 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 and in our annual report. 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 our 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, shares with a total nominal value of TL 218,807,999 (TL 150,000 Class A, and TL 218,657,999 Class B) were represented by proxy and Class B shares with a nominal value of TL 100 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 seats on the Board of Directors and other pertinent information were posted on the corporate website following the General Meeting invitation.

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 İstanbul where the Company's head office is located as set out in our Articles of Association. İstanbul 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 business 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.

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.

In line with the recommendations of the Board of Directors and the applicable legislation, the updated Dividend Policy 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**

<b>Company</b>	<b>Paid-in Capital</b>	<b>Our Stake (%)</b>
Maxis Investments Ltd.	GBP 5,500,000	100.0
Is Investments Gulf Ltd.*	USD 1,000,000	100.0
Efes NPL Asset Management	TL 20,000,000	74.0
IS Asset Management	TL 45,000,000	70.0
IS Private Equity	TL 74,652,480	29.0
IS Investment Trust	TL 160,559,284	28.9

\* The Company will be liquidated according to the Board resolution, which was disclosed to the public on 7 April 2014.

Our fully-owned subsidiary Camis Online has been merged under IS Investment and the trade registry was made on 30 June 2014.

### **Dividend Right, Dividend Distribution Policy and Dividend Distribution Time**

There are no founders' dividend shares, nor do 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. In line with the applicable legislation, the updated Dividend Policy was approved at the general meeting held on 25 March 2014. Our Dividend Distribution Policy is constantly made public on our Turkish and English websites ([www.isyatirim.com.tr/](http://www.isyatirim.com.tr/) [www.isinvestment.com](http://www.isinvestment.com)) and by way of our annual and interim activity reports.

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

The dividend distribution, in line with the proposal of the Board of Directors, shall be decided by the General Assembly considering the Turkish Commercial Code, Capital Markets Law and other regulations applicable to the Company.

The Board of Directors - aiming to expand the business lines of the company and make shareholders gain a high dividend income- proposes to distribute at least 30% of the distributable profit in cash and/or as stock dividend while taking into below considerations;

- a) Preserving the delicate balance between the expectations of shareholders and IS Investment's need to grow,
- b) Any adverse economic conditions in the world and in the country; the Company's financial structure and the capital adequacy ratios presence at projected levels; and the profitability of the Company.

The Company may pay advance dividend in cash with respect to the capital markets regulations. In order to distribute advance dividend, it is required that the Board of Directors has to be authorised by the General Assembly within the related accounting period.

In case of the cash dividend distribution decision taken by the General Assembly, the cash dividend would be paid until the end of the second month following the General Assembly, at latest. The stock dividend would be distributed following the legal permissions.

The Board of Directors and the employees can not be paid until the dividend payments to shareholders have been made.

If dividend distribution shall not be made, grounds therefor and the purpose for which retained earnings will be used shall be publicly disclosed.

IS Investment distributed 67.6% of distributable profit as dividends during 2014 in line with its dividend distribution policy; of this amount, TL 24,500,000 (36%) was distributed in cash and TL 21,500,000 (31.6%) in bonus shares.

### **Share Transfer**

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, which was subsequently made compliant with the principles indicated in the "Communiqué on the Principles for Public Disclosure of Material Events", Serial VIII, No: 54 of the Capital Markets Board which took effect on 6 February 6 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](http://www.isyatirim.com.tr)/ [www.isinvestment.com](http://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.

### **General Framework of the Information Policy**

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](http://www.isyatirim.com.tr).

### **Company's Website and its Content**

IS Investment websites, offering content in Turkish and English, are accessible at the addresses [www.isyatirim.com.tr](http://www.isyatirim.com.tr) and [www.isinvestment.com](http://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 & Subsidiaries,
- Articles of Association,
- Board of Directors and Executives,
- Independent Member – Declaration of Independence,
- Organizational Structure,
- Rating Reports,
- Research Reports about IS Investment (ISMEN),
- List of Analysts,
- Press Releases,
- Frequently Asked Questions,
- RSS Feed,
- Corporate Film (English),
- Feedback,
- Useful Links,
- Corporate Governance Principles Compliance Report,
- IS Investment's Anti Money
- Laundering and Combating the Financing of Terrorism Policy
- Dividend Policy,
- Code of Ethics,
- Risk Management,
- Information Policy,



- Investor Relations Contact Information,
- Public Offering Prospectus and Circular,
- Financial Statements and Independent Auditor’s Reports,
- Investor Presentations – Voice Recordings of Presentations,
- Annual Reports,
- Invitation to General Meeting of Shareholders,
- Agenda of the General Meeting of Shareholders,
- Power of Attorney,
- Minutes of the General Meeting of Shareholders,
- List of Attendees,
- Stock Price Performance,
- Information on Privileged Shares,
- Dividend Payments,
- Capital Increases,
- Historical Price Data,
- Calculator,
- Material Event Disclosures,
- Contact Information.

### Activity Report

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

### Disclosure of Ultimate Controlling Individual Shareholder(s)

There are no ultimate 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.

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

Business Title	Share in Capital (TL)	Share in Capital (%)
IS Bank Members Supplemental Social Security and Solidarity Fund Foundation	87,732,269	26.43
Republican People’s Party (CHP)	61,231,699	18.44
<b>Total</b>	<b>148,963,968</b>	<b>44.87</b>

## PART III - STAKEHOLDERS

### Informing Stakeholders

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.

### **Participation of Stakeholders 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.

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 2013 in parallel with the Company's management strategies. The Company had 393 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.

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.

### **General Framework of the Remuneration Policy**

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](http://www.isyatirim.com.tr).

### **Information on 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.

### **Code of Ethics 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 Association of the Capital Market Intermediary Associations of Turkey regulations, as well as legal and administrative arrangements.

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](http://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.

In 2013, the Company made donations worth TL 1,500.- to TEV (Turkish Education Foundation) and ÇYDD (Association for the Support of Contemporary Living), which were also presented for the information of shareholders at the General Meeting.

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.

### Board Members of IS Investment

Name/ Surname	Title	Profession	Functions Performed in the Company in the Last Five Years	Functions Performed outside the Company as of the Latest Position	Share in the Company's Capital (%)	Share Group Repres ented	Whether or Not an Independent Board Member	Committee Memberships and Functions
İlhami Koç	Chairman	Banker	Genel Manager	IS Bank Assistant General Manager	-	-	-	-
Feray Demir	Deputy Chair	Banker	Board Member	IS Bank Istanbul Corporate Branch Manager	-	-	-	-
Işıl Dadaylı	Member	Banker	-	IS Bank Private Banking Marketing and Sales Department - Unit Manager	-	-	-	-
Mete Uğurlu	Member	Finance	-	-	-	-	-	-
Özgür Temel	Member	Banker	-	IS Bank Capital Markets Department – Unit Manager	-	-	-	-

Sezai Sevgin	Member	Banker	-	IS Bank Maslak Corporate Branch Manager	-	-	-	
Volkan Kublay	Member	Banker	Board Member	IS Bank Subsidiaries Department – Capital Markets Unit Manager	-	-	-	Member of Corporate Governance and Risk Comm.
Abdullah Akyüz	Member	Finance	Board Member	-	-	-	Independent Member	Member of Audit Comm.
Behzat Yıldırım	Member	Banker	Board Member	-	-	-	Independent Member	Cahir of Audit, Corporate Governance and Risk Comm.

The Board of Directors has been assigned in the Ordinary General Meeting of Shareholders held on 25 March 2014 till the date of next Ordinary General Meeting of Shareholders. According to the resolution of the Board of Directors dated 17 July 2014, Mr. Mete Uğurlu was appointed as a Member of the Board of Directors instead of Mr. Tolga Achim Müller who has resigned.

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 highly 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.

### **İlhami Koç - Chairman of the Board**

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. Speaking English, Mr. Koç is married and has one child.

### **Feray Demir – Deputy Chair**

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 Deputy Chairwoman of the Board of Directors on November 2013. Ms. Demir speaks English.

#### **Işıl Dadaylı - Board 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. Işıl Dadaylı has one child and speaks English.

#### **Mete Uğurlu – Yönetim Kurulu Üyesi**

Mete Uğurlu got his degree in business administration from the Faculty of Business at Middle East Technical University. He joined İş Bank as an assistant specialist in 1978. Having managerial positions at several departments, he was appointed as Department Manager at Organisation Department between 1996 and 2002; then appointed as Assistant General Manager. He had membership positions at the Board of Directors of several companies, such as Anadolu Sigorta, İş Kültür Yayınları, İş Girişim Sermayesi. Having worked as CEO of Anadolu Hayat Emeklilik, he retired on 30 June 2014. Mr. Mete Uğurlu was appointed as a member of the Board of Directors of IS Investment in July 2014.

#### **Volkan Kublay - Board 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 İşbank 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. Volkan Kublay speaks English.

#### **Özgür Temel - Board Member**

After graduating from Hacettepe University, Department of Business Administration, Özgür Temel did master degree in Birmingham University in International Banking and Finance. In 1994, he started to work as Assistant Credit Specialist in IS Bank Beyazıt Branch. Özgür Temel, who joined Board of Internal Auditors in 1995, was appointed to Capital Markets Department as Assistant Manager in 2003. After the duties as İzmir Branch Assistant Manager in 2005 and Ege Corporate Branch Assistant Manager in 2006, he was appointed as Capital Markets Department Unit Manager in 2008. Mr. Temel is married, has one child and speaks English.

#### **Sezai Sevgin - Board Member**

Sezai Sevgin got his degree in economics from the Faculty of Economics and Administrative Sciences at Marmara University in 1990. He joined İşbank as an assistant inspector trainee in the same year. He worked at ISBANK AG in 1997 and was appointed as Assistant Manager at Paris Branch in 1998, then became the Manager in 2002. He was appointed as Group Director of Corporate Marketing Department in 2004, then Corporate Banking Marketing Manager in 2007. In 2011 he was appointed as Manager of Gebze Corporate Branch and has been the Manager of

Maslak Corporate Branch since 2013. Mr. Sevgin is married, has two children and speaks English and French.

### **Abdullah Akyüz - Independent Board Member**

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 İstanbul 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 - Independent Board Member**

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 Dışbank 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.

Independence statements of Independent Board Members are published on our web site at the address of [www.isyatirim.com.tr](http://www.isyatirim.com.tr).

### **Executives**

Ali Erdal Aral	General Manager
Murat Kural	Assistant General Manager
Ufuk Ümit Onbaşı	Assistant General Manager
Mert Erdoğan	Assistant General Manager
Funda Çağlan Mursaloğlu	Assistant General Manager
Melih Murat Ertem	Assistant General Manager
Zeynep Yeşim Karayel	Assistant General Manager
Rıfat Cenk Aksoy	Assistant General Manager

### **A. 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. Speaking English, Mr. Aral is married and has one child.

**Murat Kural - Assistant General Manager**

Murat Kural got his bachelor's degree in electronics and communication engineering from İstanbul 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 Assistant General Manager in charge of Public Offerings and M&A, and of coordination with IS Investment Gulf Ltd., our Dubai-based subsidiary. Speaking English and French, Mr. Kural is married and has two children.

**Ufuk Ümit Onbaşı - Assistant General Manager**

Ufuk Ümit Onbaşı received his degree in economics (English) from the Faculty of Economics at İstanbul 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. In this position he still holds, he is responsible for Domestic Capital Markets, International Capital Markets, Quantitative Strategies and Arbitrage, Stock Market and Intermediation Agency Services, Asset Management and coordination with the Kazakhstan Liaison Office. Speaking English, Mr. Onbaşı is married and has two children.

**Mert Erdoğan - Assistant General Manager**

Mert Erdoğan received his bachelor's degree in business administration from İstanbul University in 1990 and his MBA from the Bloomsburg University of Pennsylvania in 1993. He started his professional career in the financial services sector the same year. He joined IS Investment family in 2000. He was involved in the establishment of the Company's first branch in İstanbul, Kalamış Branch. He was appointed as Assistant General Manager in 2006. In this position he still holds, he is responsible for Domestic Sales and Marketing, Corporate Communication, and coordination with Maxis Securities, our London-based subsidiary. Speaking English and German, Mr. Erdoğan is married and has two children.

**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. Speaking English, Ms. Mursaloğlu is married and has two children.

**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. Mr. Ertem speaks English.

**Zeynep Yeşim Karayel - Assistant General Manager**

Zeynep Yeşim Karayel got her degree in economics from İstanbul 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

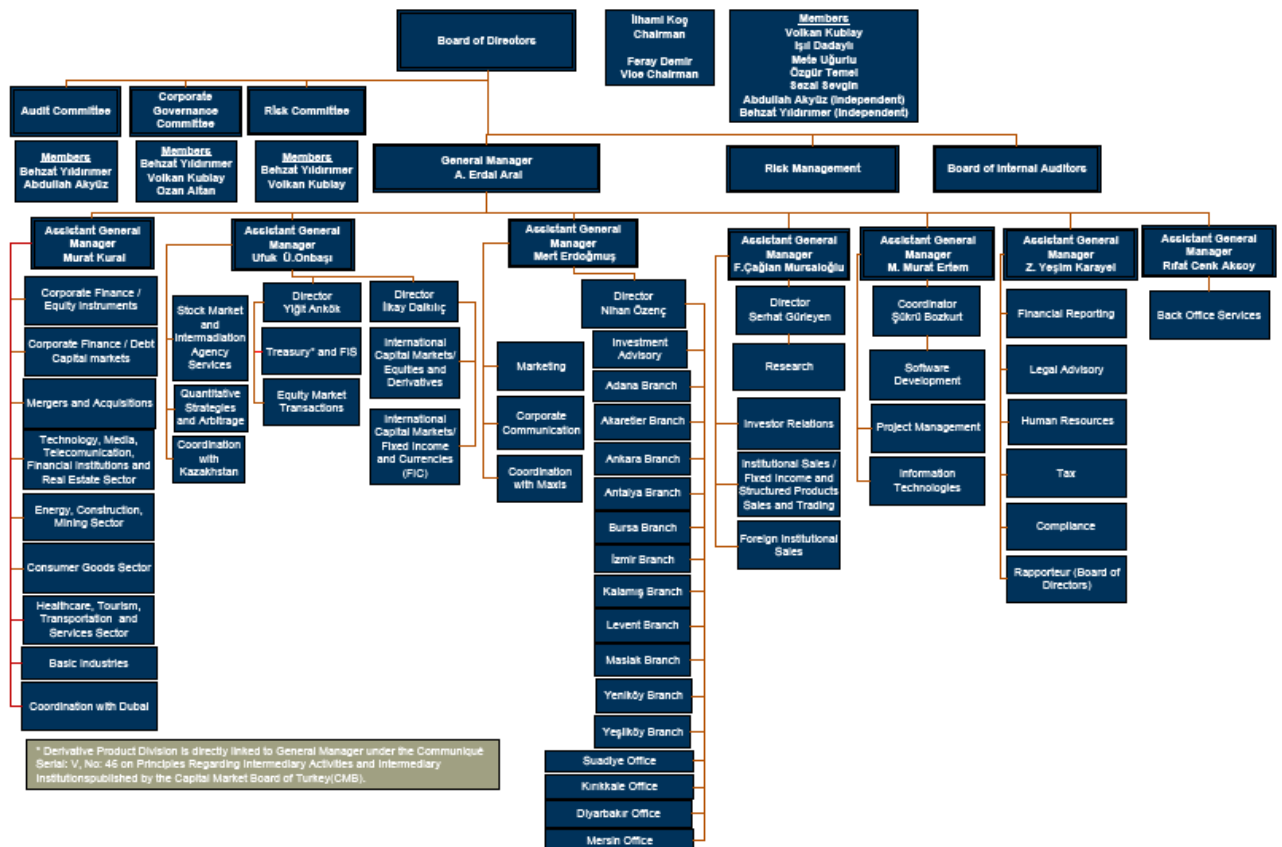


promoted to the position of assistant manager in 1999 and manager in 2002. In the meantime, she was in charge of numerous privatization advisory initiatives and public offering projects. In March 2013, she was appointed as Assistant General Manager responsible for Back Office Services, Financial Reporting, Accounting and Finance, Human Resources, Compliance, Tax Planning and Board Reporting. Speaking English, Ms. Karayel is married and has two children.

### Rıfat Cenk Aksoy - Assistant General Manager

Rıfat Cenk Aksoy got his degree in economics from İstanbul University in 1991. He began his professional life the same year in the Securities Department at İşbank as assistant specialist, He was appointed as Assistant Manager at Treasury in IS Investment in 1997. Then, having worked for IsBank Group companies, he was appointed as Manager responsible from Portfolio Management at IS Asset Management to establish the private pension system, then as a Assistant General Manager in 2004. He had worked on mutual and pension funds for ten years, and then became the General Manager at Camis Online in 2010. He was appointed as Assistant General Manager responsible from the Operations on 2 July 2014, Mr. Aksoy is married and has two children.

### Organizational Chart



### 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.

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

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 "İş", 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 labour 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 fulfil our aims of growth and obtaining profit, to exert maximum effort so that mainly our employees, the environment and other internal and external factors provide maximum benefit.

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

### **Risk Management and Internal Control Mechanism**

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](http://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 and Legal Advisory Departments 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.

### **Authorizations and Responsibilities of Board Members 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.

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.

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](http://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 Competition and Making Transactions 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, Structure and Independence of the Committees Established in the Board of Directors**

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. There are no executive Board members within the members of the committees.

### **Audit Committee**

Behzat Yıldırım (Chairman)

Abdullah Akyüz

The Audit Committee meets at least four times a year, as at least once every three months. Committee results are recorded into minutes and presented to the Board of Directors.

### **Corporate Governance Committee**

Behzat Yıldırım (Chairman)

Volkan Kublay

Ozan Altan

The duties of the Nomination and Remuneration Committees have been charged to the Corporate Governance Committee. The Committee meets at least once every three months. Committee results are recorded into minutes and presented to the Board of Directors.

### **Risk Committee**

Behzat Yıldırım (Chairman)  
Volkan Kublay

The Risk Committee meets at least once every three months. The conclusions reached by the Committee are recorded in an official report and presented to the Board of Directors.

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 fields of duty and meeting frequencies are publicly disclosed on KAP and the corporate website at the address [www.isyatirim.com.tr](http://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 Objectives 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 as of 30 June 2014 and keep its full-year expectations.

### **Financial Rights Provided for 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 benefits provided to the Board members and senior executives amounted to TL 4.7 million during 2013.

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

**IS INVESTMENT (İŞ YATIRIM MENKUL DEĞERLER A.Ş.)**[www.isinvestment.com](http://www.isinvestment.com)**Head Office**

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**IS Investment Auxiliary Office**

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<b>Akaretler Branch</b> Süleyman Seba Cad. No:44 B1 Blok Daire 10 34357 Akaretler İSTANBUL T: +90 212 326 87 00 F: +90 212 326 87 01	<b>Yeniköy Branch</b> Köybaşı Caddesi İskele Çıkmazı No: 277 34464 Yeniköy İSTANBUL T: +90 212 363 01 00 F: +90 212 363 01 01
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