



IS INVESTMENT
QUARTERLY REPORT
01 JANUARY 2008-
30 SEPTEMBER 2008

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Overview of the Economy

It remains clear that both Turkey and world economy are passing through a difficult period. The government has to re-establish fiscal discipline and accelerate economic reforms kept in the background lately in order to get over this process with the least damage.

The global crisis in the world's markets has reached a turning point. With the likely collapse of mortgage lending staring them in the face the US Government has appealed to Congress for a substantial care package.

There is no doubt that much of what has happened has its roots in the poor governance and culture of greed that has pervaded the US system. But even after massive provision of liquidity failed to address the crisis it was clear that a more radical bailout package was needed.

The US Treasury has announced the establishment of a giant public fund for buying stocks depreciated by mortgage loans with government legislation to be issued by the approval of the Parliament. At the end of the week, both Republicans and Democrats have agreed on the rescue package.

We believe that following an active policy for a major support package, as in the example of Switzerland is "a late but a proper move" (instead of providing temporary relief in the markets by announcing small packages as in Japan). Even so, we don't really believe that this action will enable the US Government to prevent a recession in the US. The basis of the problem in the US economy is excessive household debt/income ratios much more than their income and the financial sector providing this loan is using a very high leverage.

Savings at a high level, which is counter-cultural for US households, is the only sustainable way to reduce such ratios. It's impossible to realize this at a country where consumer spending represents 70% of the national income without a resulting recession anyway. Accordingly, there is no change in our opinion that the US will enter a long term recession. The Eurozone will top the list of many countries which will be affected negatively by such a recession. Excessive exports to the US and banking sector exposure to US risk will cause a sharp recession in the second half of 2008 in Europe.

All of these global developments are creating a climate for deceleration in the growth of the Turkish economy and a reduction in inflation. Recession in the European economy and the tightened monetary policy are expected to slow down Turkey from the second half of the year. Deceleration of Europe which comprises more than 60% of our total exports shall decelerate our industry. We have already experienced the first examples such as a restriction in production in the automotive sector. One positive effect of the global economic recession on Turkey will be a sharp reduction in the oil price. Turkey will be a major beneficiary of reductions in energy costs given a net energy import at an amount of 6% of the GDP. Similar improvements will be seen in current accounts deficit as well as supporting the receding inflation.

It remains clear that both Turkey and world economy are passing through a difficult period. The government has to re-establish fiscal discipline and accelerate economic reforms kept in the background lately in order to get over this process with the least damage. We are not planning to make a basic change in our strategy for the coming period and continue to recommend financial instruments in Turkish Lira.

Euromoney Award

IS Investment Once Again Selected as “Turkey’s Best Equity House-
Euromoney”



IS Investment, the leading and pioneering institution of the Turkish capital markets, received the “Best Equity House in Turkey/Euromoney Awards for Excellence 2008” award, one of the sector’s most prestigious awards, for the second time in succession, in honour of its superior performance in stock market transactions.

The “Euromoney Awards for Excellence” are handed out to the best institutions of the sector in each country every year by the Euromoney magazine, one of the most reputable publications in financial circles. This year, as in 2007, the award was given to IS Investment in the category of “Best Equity House in Turkey”.

During the ceremony held in Vienna on July 1, 2008 IS Investment’s CEO İhami Koç received the award from Clive Horwood, the editor of the Euromoney magazine.

Board of Directors and Executives

Board of Directors

Özcan Türkakin,	Chairman
Buket Himmetođlu,	Dep. Chairman
İbrahim Akar,	Member
Adnan Ođuz Dincer,	Member
Güzide Meltem Kökden,	Member
Turan Gökçen Bali,	Member-Independent
Emre Duranlı	Member

* Board of Directors have been assigned in the Ordinary General Meeting of Shareholders held on 28/04/2008 till the date of next Ordinary General Meeting of Shareholders,

** Fatma Güliz Aykan resigned her duty in the Board of Directors on 26/08/2008. Emre Duranlı was elected as the member of the Board on 17/09/2008 for submission to the following General Meeting of Shareholders for approval. Emre Duranlı was also elected for the Audit Committee on 19/09/2008.

*** Members of the Board do not play an execution role at IS Investment.

Auditors

Serpil Kılıboz, İzlem Erdem

* The auditors have been assigned in the Ordinary General Meeting of Shareholders held on 28/04/2008 till the date of next Ordinary General Meeting of Shareholders,

Executives

İlhami Koç,	General Manager
Murat Kural,	Assistant General Manager
Ufuk Ümit Onbaşı,	Assistant General Manager
Ertuğ Yıldırımcan,	Assistant General Manager
Mert Erdođmuş,	Assistant General Manager
Funda Çađlan Mursalođlu,	Assistant General Manager

Summary Balance Sheet and Income Statement*

Summary Balance Sheet (YTL 000)	30 Sep. 2008	31 Dec. 2007
Assets		
Current Assets	1,402,902	1,212,510
Long-Term Assets	41,167	28,373
Total Assets	1,444,069	1,240,883
Liabilities		
Short-Term Liabilities	1,040,182	833,388
Long-Term Liabilities	1,223	1,014
Minority Interest	136,474	162,711
Shareholders' Equity	266,190	243,770
Total Liabilities	1,444,069	1,240,883

Summary Income Statement (YTL 000)	1 Jan.-30 Sep. 2008	1 Jan.-30 Sep. 2007
Sales Revenue	23,467,997	22,534,907
Cost of Sales	(23,481,033)	(22,537,245)
Interest and Derivative Income from Operating Activities	36,114	8,283
Income from Services (Net)	42,823	41,666
Other Operating Income/Expenses(net)	10,999	18,296
Operating Expenses	(65,284)	(43,587)
Other Income/Expenses	6,926	(3,211)
Non-Operating Revenues	23,391	36,781
Tax	(8,788)	(5,184)
Minority Interest	(3,666)	26,230
Net Profit	36,811	24,475

* The financial statements and footnotes of IS Investment are disclosed to public at www.isyatirim.com.tr

Financial Highlights	30 Sep. 2008	30 Sep. 2007
Current Assets/Short-Term Liabilities	1.35	1.45
Total Liabilities/Shareholders' Equity	3.91	3.42
Earnings Per Share	(0.0125)	0.0495

Shareholding Structure

IS Bank.*	63.78%
Free Float	29.73%
IS Leasing	2.43%
IS Factoring	2.43%
Şişecam	1.45%
Camis Investment Holding	0.17%

* Shares held by the Company's main shareholder IS Bank, was 65.65% as of 09/30/2008.

Domestic Capital Markets

IS Investment has sustained its leadership position in TurkDEX since its establishment with YTL 46.2 Billion transaction volume and a market share of 14.19% in the first three quarters of 2008.

Stock Market

Apart from some small adjustments, the Stock Market continued weaker in the first three quarters of the year. The major causes of this weakness were the low performance displayed by the international markets and the domestic political risk experienced in the first half of the year. While a positive atmosphere was felt in the markets with the improvements to the domestic political situation at the beginning of the third quarter of the year, the Stock Market has continued to be weighed down by sales pressure caused by the worsening crisis in international markets.

A sharp turn in the direction of the markets has been seen with the expectation of the financial crisis causing a decline in the real economy in the coming period.

It's expected that the Stock Market will continue heavily influenced by the international markets in the coming period. Although the stock prices have reached their lowest levels according to the valuation, concern about growth restrains any major up-turn in the markets. Relations with the International Monetary Fund (IMF) and budget performance which have been relegated to secondary importance by market players are expected to appear as factors to which special attention is paid.

IS Investment has sustained its leadership position in the Stock Market with YTL 30.7 Billion transaction volume and a market share of 6.64% in the first three quarters of 2008.

Bonds & Bills Market

The Bonds & Bills Market, parallel to the other markets, suffered poor performance in the first nine months of 2008. The upward trend in interest rates which started in the first days of 2008 remained until July when the domestic political risk ceased to concern players so heavily. Although getting over the high redemptions by the adjustments gave the market a rest, the Bonds & Bills Market reached levels worse than those seen in 2006, coming under a selling pressure again after the worsening

of the global crisis. With renewed selling pressure and uncertainty over corporations abroad, margins have increased in the Market while liquidity has decreased significantly.

In the coming period, the direction of the Bonds & Bills Market is likely to remain in line with major foreign markets. On the other hand, it is presumed that relations with IMF and budget performance will have some renewed influence. November redemption in the last quarter of the year, run of the inflation and the response of the Central Bank of Republic of Turkey are appearing in front of us as the main areas of focus.

IS Investment has sustained its leadership position among the brokerage houses in Bonds & Bills Market with YTL 13.7 Billion transaction volume and a market share of 16.53% in the first three quarters of 2008.

Derivatives Market

Turkish Derivatives Exchange (TurkDEX) was also affected by the fluctuations experienced in the markets in the first nine months of 2008. With a suspension in the transactions, especially in derivatives, narrowing in transaction volume and market depth is seen. As in the previous years, while "VOB-İMKB 30 (TurkDEX-ISE 30)" contracts had the highest transaction, "VOB-YTL Dollar" (TurkDEX-TRYUSDolar) contracts took the second place. In gold contracts, two-way quotations given in buying and selling have increased the interest towards these contracts.

We think that contracts based on one stock which is expected to effect transactions by the end of the year will provide a great contribution to the development of the market and attract much investor attention. However, fluctuation in the market is thought to delay the implementation of the primary dealer system. But we expect the development of TurkDEX shall progress despite the difficult conditions in the market.

IS Investment has sustained its leadership position in TurkDEX since its establishment with YTL 46.2 Billion transaction volume and a market share of 14.19% in the first three quarters of 2008.

Domestic Sales and Marketing

In addition, regions where we don't currently have branches but where we see serious potential are visited and marketing studies have continued. In line with this strategy, new investors from different regions of Anatolia have been acquired.

Although the first three quarters of 2008 also suffered from the negative influence of the financial crisis in the USA and caused serious fluctuations and losses in the world markets, domestic sales and marketing activities of IS Investment have continued successfully.

Many potential/new client visits country-wide have been achieved in the third quarter to gain customers for the Company through these visits. In this way, as a result of marketing studies realized in coordination with Branches and Investment Advisory, major achievements have been obtained within the first nine months of the year.

In addition, regions where we don't currently have branches but where we see serious potential are visited and marketing studies have continued. In line with this strategy, new investors from different regions of Anatolia have been acquired.

New advertising, presentation and sponsorship studies are realized in the first half of the year to extend the usage of TradeMaster International (TMI) program which is an electronic trade platform providing the opportunity for the investors to trade in the international capital markets over their own personal computers. At the end of these studies, number of clients using TMI has increased four times at the end of September 2008 and parallel to this, transaction volume realized through TMI has increased four times compared to the beginning of the year.

International Capital Markets

IS Investment has realized equity and fixed income securities transaction volume of USD 17.5 Billion in the international capital markets as per the third quarter of 2008.

The international credit crisis, which has steadily worsened in the period, has seen large flows exit markets perceived as higher risk. Liquidity has suffered, and although some stronger trading days have been seen, a sustained up-turn still seems beyond our hopes in the short term.

In the third quarter where pressure over financial sector started to affect the real economy, losses in the value of the world's major share index reached to the levels of 30-40% compared to the beginning of the year. Emerging markets have suffered even more—Russia, for example has lost about 60%. Even a series of coordinated interest rate cuts applied by the Central Banks to avoid a world wide recession, weren't sufficient to restore confidence in the markets in any sustained way in the third quarter of 2008.

There are some serious divergences from the trends we saw in the first half however, with the appreciation of the dollar and massive profit taking in energy markets driving prices lower (along with downgraded demand forecasts). We see demand for American treasury bonds increasingly under the influence of "flight to quality" and sharp declines in Eurobond prices of developing countries are observed.

Studies for extending "TradeMaster International" (TMI), the electronic trade platform which has been presented to the investors at the end of 2007 and providing the opportunity for the investors to operate in the international capital markets have continued.

IS Investment has realized equity and fixed income securities transaction volume of USD 17.5 Billion in the international capital markets as per the third quarter of 2008 and has treated 304,981 futures contracts by TMI mostly.

Equity and Derivatives

Most of our services offered to our clients in the international equity and derivatives market have started to be transacted over TMI. Under the influence of the volatility in the markets on commodity prices especially in the last month of the third quarter of the year, the majority of transactions over TMI have been seen in the commodity futures market as in the first six months. Related to the expected mobility in these markets, an increase in transactions over TMI is being expected for the rest of the year.

Fixed Income Securities

While the fluctuation and uncertainty in the global markets increased the demand for the bonds of developed countries and companies having high credit ratings, it decreased the demand for the bonds of developing countries and companies having low credit ratings. The majority of the transaction volume within the first half of 2008 has been realized over bonds of developed countries and companies having high credit ratings.

When compared with previous years, a decrease is seen in the transaction volumes of the bonds of Russia, Brazil, Kazakhstan and other developing countries. Similar to this, declines have been experienced in the primary bond market in parallel with the uncertainty in the global markets and companies aiming to issue bonds had difficulties in finding investors.

Corporate Finance

The first quarter of 2008 has been very intense in terms of M&A transactions. The privatization project of Tekel Cigarettes will absolutely be one of the biggest transactions of the year with the approximate sales volume of YTL 1.7 Billion.

Mergers & Acquisitions

The first quarter of 2008 has been very intense in terms of M&A transactions. Seller party consultancy has been given with Citigroup to the Turkish Privatization Administration in the privatization project of Tekel Cigarettes. This sale will absolutely be one of the biggest transactions of the year with the approximate sales volume of YTL 1.7 Billion.

Right along with this transaction, buyer party consultancy is given to two private sector M&A transactions within the top three. One of these transactions is negotiation in the sale of majority of shares of Mopisan Motor Piston, a company registered in Izmir, to German Mahle Group, the second in its sector in Europe. The other completed transaction is the assign of shares of IS Bank in Asmaş Makina A.Ş. to Şişe Cam Fabrikaları A.Ş. Buyer party consultancy is given in this transaction, too.

As another business line, consultancy to the buyer parties in privatization projects has continued and consultancy has been given to a domestic group in the tender of Bandırma Port.

Corporate Bond Issues

It has been performed the public offering of bonds with floating interest having a nominal value of YTL 50 Millions and issued by Creditwest Factoring. This bond has the feature of being the first bond in public offerings having floating interest. There has been a demand of YTL 52,950,100 totally in public offering.

The demand of YTL 29,947,100 from the individual investors and YTL 23,003,000 from the corporate investors have been realized and 90% of the domestic individual investor demands have been responded.

New Products and Service Network

Hedge Fund-IS Investment-is the first Investment Banking Institution which has applied for Hedge Fund Establishment to Capital Markets Board.

As it has been announced to our investors before, IS Investment is taking the steps necessary to progress its new product/service diversification and geographical growth in 2008, too.

Yeşilköy Branch

After the opening of our Akaretler Branch on 15/10/2007, our Yeşilköy Branch has run into operation as the fourth branch in Istanbul and the sixth branch together with Ankara and Izmir Branches as on 31/03/2008. As the opening of Yeşilköy Branch, our target is developing the client base and increasing our market share.

Hedge Fund-IS Investment-the first Investment Banking Institution which has applied for Hedge Fund Establishment to Capital Markets Board

Capital Markets Board (CMB) has permitted the establishment of "IS Investment Arbitrage Free Mutual Fund" which is the first sample in Turkey, known as "Hedge Fund" in the international markets, with YTL 30 Million starting amount on 31/03/2008.

IS Investment has constituted an effective risk management system for the Arbitrage Free Mutual Fund Management, and developed a detailed software system for tracing and analyzing risks. Tracing and analyzing the fund shall be executed by the Risk Management Department.

The main investment strategy of fund is benefiting totally or partially from the arbitrages in the market. Even though the target main strategy prefers the less risk containing strategies predominantly, other strategies which the conjuncture may drive are also used from period to period.

It is planned to keep the Directional Positioning at minimum levels and to bring the relative value strategies in the foreground.

Information Policy

In IS Investment, the Board of Directors is authorized and responsible for monitoring, observing and improving the public disclosure and information policy.

Information policy of IS Investment has been approved and disclosed to public by the Board of Directors.

IS Investment makes the announcements and disclosures excluding trade secrets in relation to all necessary financial information as required primarily by the Capital Markets Law and Turkish Commercial Code and other regulations in relation thereto while observing the generally accepted accounting principles and corporate governance principles; the Company follows a detailed public disclosure and information policy within the scope above.

The principal purpose of the Information Policy is to secure that the necessary information and announcements apart from those that are under the trade secret scope are disclosed to shareholders, investors, employees, customers, creditors and other related parties on a timely manner and on the principles of being accurate, complete, intelligible, conveniently accessible at low cost and equally available to all.

IS Investment who has an active approach towards adopting and implementing corporate governance principles, puts great effort in carrying out the requirements of the related regulations and the best international practices with regards to public disclosure and information. Being set in accordance with the above-mentioned context, IS Investment information policy has been ratified and put into effect by the Board of Directors.

IS Investment Information Policy has been ratified by the Board of Directors. In our Company, the Board of Directors is authorized and responsible for monitoring, observing and improving the public disclosure and information policy.

The Investor Relations unit and the Assistant General Manager who is reported by Investor Relations unit have been assigned with the coordination of disclosure function. The said people fulfill these responsibilities in close cooperation with the Board of Directors. Information Policy of IS Investment is disclosed to our shareholders and all related parties via our web site; www.isinvestment.com.

Risk Management Policy

Risk Management Department ensures that these risks are properly identified, monitored, measured and managed proactively throughout the firm.

Effective risk management is fundamental to success in financial services industry as a basic expectation of shareholders, regulators and customers needs expands. In a challenging and changing risk business environment, however the bar on what forms effective risk management concept is constantly being raised. Risk measurement & management activities is an integrated part of IS Investment's core business activities which operates separately in the whole organization. In the course of management its business operations, IS Investment can be exposed to a variety of risks. These risks basically operate as market, credit, liquidity, process, and other risks that are material and require comprehensive proactive controls and management. The responsibility and accountability for these risks remain primarily with in the businesses. Risk Management Department ensures that these risks are properly identified, monitored, measured and managed proactively throughout the firm.

Risk Management Vision & Strategy

- Risks should be fully understood and managed transparently throughout the organization,
- Risk management function is independent from risk taking in the group,
- Corporate risk policy boundaries are defined in a detail manner with risk procedures and catalogues,
- Business units allocate risk taking capacity to optimize their risk-adjusted performance within risk management brief constraints,
- Corporate risk measures that drive risk monitoring and control activities are targeted for business performance evaluations,
- Risk management group should achieve of forecasting financial positions risks over time,
- Risk is measured and managed by people, not only mathematical sophisticated models,
- Business decisions are taken by considering the risk and return of the possibilities.

Risk Management Policy of IS Investment is disclosed to our shareholders and all related parties via our website.

Struggle Against Laundering of Criminal Revenues and Financing of Terrorism Policy

Policies, principles and practices conforming to legal regulations have to be adopted within the concept of “Knowing the Client” as the most efficient way to be protected against the launderers of criminal revenues.

Since international public becomes increasingly sensible to the laundering of criminal revenues and financing of terrorism, numerous countries perform legal arrangements in connection with this matter and reinforce their existing practices. In our country also various legal arrangements have been made in this subject and the same sensibility has been shared by Turkish people.

Having an esteemed and reliable position in international domain, IS Investment considers the struggle against laundering of criminal revenues and financing of terrorism beyond conformity to legal arrangements, as a social responsibility taking into account the destruction caused by this subject in social life and gives importance to this struggle. IS Investment considers also the said struggle as an important factor of the conformity and integration to international system.

IS Investment's policy aiming to prevent laundering of criminal revenues and financing of terrorism is based on international agreements and initiatives of which Turkey is a Party, on the provisions of the relevant law in force and most particularly, on the faith and determination to protect the brand's reputation and reliability.

In this context, IS Investment aims:

- To protect IS Investment's reputation and reliability while continuing its financial activities,
- To ensure the conformity of internal arrangement, application, follow up, reporting and control methods to the laws and arrangements,
- To prevent the use of IS Investment in order to launder criminal revenues and finance terrorism by means of internal application, follow up and reporting systems.
- To ensure that our employees are informed on legal obligations and principles related to the matter,
- To protect the client quality by observing the principles and procedures of “Knowing the Client”,
- To ensure required harmony and collaboration in international agreements and relations with correspondents.

Knowing the Client

Policies, principles and practices conforming to legal regulations have to be adopted within the concept of “Knowing the Client” as the most efficient way to be protected against the launderers of criminal revenues. The objective is to ensure the clarity of client transactions and information, to establish and maintain a relation based on mutual confidence.

Struggle Against Laundering of Criminal Revenues and Financing of Terrorism Policy of IS Investment is disclosed to our shareholders and all related parties via our web site www.isinvestment.com.

Ethical Principles

IS Investment behaves in line with honesty and transparency principles in its relations with Association of Capital Market Intermediary Institutions of Turkey and other Public Organizations and Institutions.

It is necessary that capital markets transactions should be continued in line with purpose of increasing social and economic benefit, protecting the brokerage profession's prestige and developing the same, behaving fairly and honestly during relations with customers and not causing any unfair competition and within the framework of administrative and legal arrangements and general principles that were included below. Employees, state, organization and institutions reporting to the state should know about the laws, communiques, regulations and arrangements issued by regulatory authorities and Professional organizations managing the brokerage institutions' activities and should obey said legal regulations.

- Honesty and Fairness Principle
- Professional Due Diligence Principle
- Transparency Principle
- Using the Resources Effectively Principle
- Caring for Competition and Social Benefit

Principle

- Struggle Against the Laundering of Illicit Money
- Customer Relations
- Relations with Other Intermediary Institutions
- Prevention of Unfair Competition
- Relations with Employees
- Announcements and Advertisements

IS Investment behaves in line with honesty and transparency principles in its relations with Association of Capital Market Intermediary Institutions of Turkey and other Public Organizations and Institutions, it shows necessary care for correct, complete and timely delivery of any information, document and records that are likely to be demanded by Association and organizations and institutions that are authorized to request them for the audit and control purposes in line with legislation and behaves in a manner which shall facilitate the working of said personnel.

Ethical Principles of IS Investment is disclosed to our shareholders and all related parties via our web site www.isinvestment.com.

Independence Declaration

To the Board of Directors of Is Investment;

I hereby declare to the Board of Directors, shareholders and stakeholders that I fulfill the below mentioned requirements due to be elected to the Board of Directors as an Independent Member at the Annual General Meeting which was held on 28th of April, 2008 and take into consideration with Corporate Governance Principles of CMB;

- I do not have any direct or indirect relationship of interest in terms of employment, capital or trade and commerce between the Company, its subsidiaries, affiliates or any other group company and myself, my spouse and my blood or affinity relatives by up to the third degree within the last two years,
- I was not previously elected to the Board of Directors as a representative of a certain group of shareholders,
- I was not employed in a company, primarily for the audit and consultant firm, which undertakes full or partial activity or organization of the Company under a contract and did not have a managing position therein within the last two years,
- I was not previously employed by the external auditor of the Company or did not have been included in the external audit process within the last two years,
- I was not previously employed by a firm providing significant amounts of services and products to the Company and did not have a managing position therein within the last two years.
- For my spouse of any her relatives by blood and affinity up to the third degree, did not have a managing position or be a shareholder holding more than 5% of the total capital or controlling shareholder by all means, or did not hold a managerial position or not to be effective in the control of the Company,
- I do not receive any compensation other than the board membership compensation.



Yours Sincerely,

Prof. Dr. Turan Gökçen Bali

Corporate Governance Principles Compliance Report

IS Investment exemplifies the corporate approach represented in Turkey by the “IS” emblem in the sector.

1. Corporate Governance Compliance Report

As a developing country, increasing the quality and quantity of international capital attracted to Turkey is so essential. We experienced a financial fluctuation called mortgage crises in the world that was not seen as a serious and a long-term problem to affect the markets deeply, especially for the developing countries. However, the called mortgage crisis showed its affect in a short time that it was a so far worse crisis than it was assumed and caused the world economies, especially US economy, to face with the recession risk. These developments which affected the developing countries even late, made the companies and all other related parties to put an emphasis on the concept of “Corporate Governance” once again.

IS Investment is aware that a solid strategy for good governance may be achieved through effective risk management and internal control mechanisms, setting ethical rules, carrying out full public disclosure under the scope of the existing information policy and transparent execution of Board activities. The Company exemplifies the corporate approach represented in Turkey by the “IS” emblem in the sector.

In accordance with the principles of corporate governance, IS Investment manages the rights and responsibilities of all involved parties, shareholders, employees, customers, funders, potential investors and media institutions with the universal principles of accountability, equality, transparency and responsibility are encompassed within the perspective of effective management and control.

Performing its activities in accordance with the ethical values determined in parallel with the Turkish Commercial Code, Capital Markets Law and related legislation, IS Investment is in compliance with the Corporate Governance Principles and deems them as important as financial performance for providing long-term added value for its investors.

PART I-SHAREHOLDERS

2. Investor Relations Department

IS Investment demonstrated the emphasis it places on its relationship with investors by establishing a special Investor Relations Department prior to its IPO in order to implement the necessary work for fulfilling public disclosure requirements and for maintaining healthy shareholders and stakeholders relations. The Investor Relations Department is responsible for public disclosure and information activities. The main activities of the Department are to:

- Disclose all information concerning shareholders and stakeholders without divulging any trade secrets, under the scope of the Capital Markets Law and the related legislation, in accordance with the Corporate Governance Principles,
- Submit material event statements to the ISE periodically and within methods stipulated in the specified regulations under the scope of the Capital Markets Legislation and to publish these statements on the website to the attention of all investors,
- Maintain solid relationships with existing and potential investors,
- Hold General Meeting,
- Inform shareholders and stakeholders in a timely manner, accurately, easily, in full and at the lowest possible cost, by ensuring that information and data required by Corporate Governance Principles are updated in both Turkish and English on Investor Relations pages at the official web site of the company.

The Investor Relations Department has provided in-depth answers to all information requests submitted by phone or e-mail under the scope of the Capital Markets Legislation and IS Investment Information Policy; teleconferences have been held with investors and participated in meetings with various investment funds.

Corporate Governance Principles Compliance Report

In addition, IS Investment's Turkish and English websites are regularly updated with relevant developments and are thus used as an informational tool for ensuring that shareholders' exercise their right to complete information.

Investor Relations Department presents an operating report for the relevant period to the Board of Directors.

Investor Relations contact information, publicly disclosed on IS Investment's website is provided below;

Mert Erdoğan

Assistant General Manager

Level of Education

M.A.

Capital Markets Activity

License Type: Advanced

Tel: 212-350 24 12

Fax: 212-350 20 01

E-Mail: merdogmus@isyatirim.com.tr

Ozan Altan

Senior Associate

Level of Education

M.A.

Capital Markets Activity

License Type: Advanced-Derivative Instruments-

Corporate Governance Rating Specialist

Tel: 212-350 28 72

Fax: 212-350 20 01

E-Mail: oaltan@isyatirim.com.tr

3. The Use of Shareholders' Rights to Obtain and Evaluate Information

During the year, the Investor Relations Department was asked about IS Investment's financial highlights, markets performance, General Meeting, dividend policy, new products and investment policies for the future. Questions directed by investors were answered as soon as possible, under the scope of the IS Investment Information Policy announced on the corporate website concurrent to the IPO. It was ensured that the disclosed information did not constitute any trade secrets.

The electronic environment has been effectively utilized concerning developments that may impact on the exercise of shareholders' rights. Material event statements submitted to the ISE are also published the same day on IS Investment's website, in both Turkish and English. In addition, investor presentations and other changes in Company structure are also immediately updated on the website. Significant issues in these announcements are forwarded to leading press institutions as press releases.

Besides that, information about IS Investment's stock performance is also published on the Company website to the attention of investors. The right to request appointment of a special auditor is not included as a personal right in the Articles of Association which stipulates that this right applies to shareholders representing at least 5% (five percent) of the Company capital as set forth in the Capital Markets Law.

4. Information about on Annual General Meeting of Shareholders

IS Investment held its Annual General Meeting (AGM) on April 28, 2008. Invitation for this first AGM after our IPO was announced by material event statement via ISE, two country-wide and reputable newspaper and our website three weeks before the date of the AGM in accordance with the Turkish Commercial Law, capital markets legislation and the corporate governance principles;

The list of attendees revealed that out of the 119,387,000 shares representing the Company capital of YTL 119,387,000; 89,681,841 shares, (78,381,173 shares in person) were represented at the meeting and thus the meeting quorum stipulated in both the related law and in the Articles of Association was fulfilled.

The agenda and proxy samples for the AGM held by IS Investment as a listed company were published on the website.

The Articles of Association do not include a provision that significant decisions regarding the divisions, purchase, sale or lease of tangible/intangible assets in significant amounts and similar activities be taken by the AGM to enable decisions to be taken with no delay in a rapidly changing conditions of capital markets that is under the effects of an increasing competition. The agenda and minutes of the AGM, held on April 28, 2008, were published on the IS Investment's website to the attention of both shareholders and stakeholders.

5. Voting Rights and Minority Rights

There are no voting rights privileges, however, Class-A shareholders have privileges to designate candidates for the Board of Directors. Five members of the Board are nominated from among Class-A shareholders, while two of them are nominated from among Class-B shareholders.

There are no cross ownership associated with any company and minority shareholders are not represented in the Board.

6. Deadline for Dividend Policy and Timing

Distribution of the first obligatory dividend of the distributable profit at the price and amount determined by the Capital Markets Board has been adopted as a principle of Article 16 in the Articles of Association; there is no stipulation concerning advance dividend distribution to shareholders.

The Board of Directors aims to increase the Company's diversity of activity and services, as well as to provide a high profit return for its shareholders. In accordance with the related legislation, the Board of Directors takes the following into consideration:

- a) Maintaining a balance between the expectations of the shareholders and the growth policies of IS Investment,
 - b) The general profitability of the Company.
- Based on these conditions, the Board of Directors has adopted a dividend policy whereby the dividend payment would not be less than 30% of the total distributable profit and would be distributed as cash and/or stock dividend.

If it is decided in the AGM to pay a dividend, efforts will be made to make payments as soon as possible and within the period specified in the related legislation.

There are no redeemed shares or privileged shares in terms of dividend distribution. IS Investment's Dividend Policy will be disclosed to shareholders in the first AGM to be held as a listed company. IS Investment's Dividend Policy has been publicly disclosed on the corporate website.

7. Transfer of Shares

The Articles of Association stipulate that there is no restriction on the transfer of shares in accordance with the conditions set forth in Capital Markets Legislation.

Corporate Governance Principles Compliance Report

PART II-PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Information Policy

IS Investment's Information Policy has been determined by the Board of Directors and was announced on the corporate website. At IS Investment, the Board of Directors bears the responsibility for the fulfillment of public disclosure and the monitoring, maintenance and development of this disclosure. The Investor Relations Department and the Assistant General Manager responsible for this Department have been assigned the coordination of this disclosure function; they fulfill this task in close collaboration with the Board of Directors.

9. Material Event Statements

Material event statements, excluding information constituting trade secrets, are all significant activities for the Company and may impact on the value of Company shares and investment decisions and they must be submitted to the ISE and when necessary to the CMB, utilizing the correct methods and within the time stipulated in the current legislation. IS Investment fulfills this significant responsibility for public disclosure with the utmost fastidiousness. During the period, 244 material event statements were submitted to the ISE for IS Investment and its two listed ETFs; "IS Investment Dow Jones Turkey Equally Weighted 15 A Type ETF" and "IS Investment iBoxx Turkey Benchmark Bond ETF". No additional statement requests were made by the CMB or the ISE for the related statements.

IS Investment shares are not listed on foreign stock markets.

10. The Company's Website and its Contents

IS Investment websites, available in both Turkish and English, can be found at www.isyatirim.com.tr and www.isinvestment.com. Information on the following topics is provided for shareholders and stakeholders under the heading, Investor Relations, as stipulated in the relevant section of the CMB

Corporate Governance Principles;

- Corporate Information,
- Trade Registry Information,
- Ownership Structure & Subsidiaries
- Articles of Association,
- The Board of Directors and Executives,
- Organization Structure,
- Rating Reports
- Corporate Governance Principles Compliance Report
- Independence Declaration
- Policies on Anti-Money Laundering and on Combating Finance of Terror,
- Dividend Policy,
- Ethical Principles,
- Risk Management,
- Information Policy,
- Investor Relations Contact Details,
- Public Offering Circular,
- Financial Statements and Independent Auditor Reports,
- Investor Presentations,
- Annual Reports/Quarterly Reports
- Invitation to Ordinary General Meeting of Shareholders,
- Agenda of the Ordinary General Meeting of Shareholders Minutes,
- Power of Attorney,
- Minutes of Ordinary General Meeting of Shareholders,
- Stock Performance,
- Privileges Assigned to Shares,
- Capital Increases,
- Material Event Statements,
- Contact Information

11. Disclosure of the Company's Ultimate Controlling Individual Shareholder(s)

IS Investment has no ultimate controlling individual shareholder(s). The ownership structure of IS Investment is published on the website to the attention of shareholders and stakeholders.

12. Disclosure by Insiders

All manipulation of previously undisclosed public information that may effect on the value of capital market instruments, for deriving personal benefit or benefit for third parties or for making up for losses, in a way as to disrupt the equality of opportunity in capital markets are deemed insider trading.

The procedures for the act of insider trading are set forth in IS Investment Personnel Regulations. Accordingly, IS Investment employees may not disclose any information obtained about individuals, institutions and customers due to their titles and duties, to any party other than authorities clearly expressed by law. In addition, IS Investment employees and their relatives may not engage in the purchase or selling of shares. Individuals who may have access to insider information include Board members listed in Part IV, the General Manager, Assistant General Managers and any other individual who may possess information that may qualify as trade secrets based on their position.

PART III-STAKEHOLDERS

13. Informing stakeholders

IS Investment employees, investors, analysts and media institutions are kept informed within the shortest possible time and accurately about material events.

Material event statements submitted to ISE concerning important developments about IS Investment are published on the corporate website the same day they are submitted, in both Turkish and English, to the attention of stakeholders. In addition, press releases are forwarded to media institutions after material event statements that may stir public attention.

14. Stakeholders' Participation in the Company Management

Stakeholders may ask the Board of Directors to convene upon application to the Chairman; the Chairman may open the issue for discussion at the next Board meeting if the Chairman concludes that it is not necessary to convene immediately, as stipulated in the Articles of Association of the Company.

IS Investment employees who hold a very special place among stakeholders have been provided the opportunity to deliver their opinions and suggestions concerning Company management through both the Human Resources Manager and their own managers, in addition to the above-mentioned right.

Corporate Governance Principles Compliance Report

15. Company Policy on Human Resources

IS Investment established its policy on human resources and disclosed to public on the corporate website.

Commitment to ethical values, continuous development and customer-oriented approach are the values embraced in IS Investment's Human Resources Policy. The principle to provide equal opportunities to candidates equally is adopted as recruitment policies and career planning is determined. An increase in authority, responsibility and salary comes with the promotion. It is essential to have the necessary knowledge and experience required in the job description in order to be promoted to a higher position. The most important criteria in promotions is the performance of the employees.

IS Investment's main training policy is to provide equal opportunity and to contribute to the professional and personal development of its employees.

Job descriptions, performance and remuneration criteria of employees are determined by the Company and shared with the employees. IS Investment's performance management system is an integrated system in which both goals and competencies are assessed. Performance review is based on objective analysis and synthesis, designed to determine the extent to which employees meet job requirements as well as their success on the job.

Measures are taken to prevent any discrimination based on religion, language, race and gender; to show respect for human rights and to protect employees against any physical, psychological and emotional maltreatment in the Company. No complaints concerning these subjects have been received.

A representative has not been appointed to manage relations with the employees in accordance with the stipulations in article 14.

16. Information on Relations with Customers and Suppliers

IS Investment utilizes a customer-oriented investment banking approach and provides capital market services to its clients in line with its ethical values. Concurrent with these aims, the Company strives to identify client needs by analyzing changing market conditions and increasing demands by investors along with the development of products and services able to fulfill these needs.

Investment advisors charged to manage relationships with the customers with the goal of increasing the value of customers' assets. This is achieved by utilizing the most suitable financial tools based on the risk-return expectations of the client. In addition, a Customer Satisfaction Survey is conducted during certain periods and feedback is collected according to the results.

IS Investment has no suppliers due to its field of activity.

17. Social Responsibility

IS Investment is an important player in Turkish capital markets with the level of employment provided by its founder and main shareholder IS Bank and its subsidiaries. This has grown out of an awareness of its social responsibilities-one of its core management principles.

In addition to IS Investment's contributions to the Turkish economy, it also provides support to the community in a variety of social fields with its approach to employees and the support given to NGOs, educational institutions, scientific projects, athletics, the arts and cultural events.

The activities of IS Investment have no contradiction to the environmental legislations and the Company has not faced any legal enforcement in this regard.

PART IV-THE BOARD OF DIRECTORS

18. Structure and Formation of the Board of Directors and Independent Members

The Board of Directors*

Özcan Türkakın,	Chairman
Buket Himmetoğlu,	Vice Chairman
İbrahim Akar,	Member
Adnan Oğuz Dincer,	Member
Güzide Meltem Kökden,	Member
Turan Gökçen Bali,	Member-Independent
Emre Duranlı,	Member

* Members of the Board do not play an executive role at IS Investment.

Executives

İlhami Koç,	General Manager
Murat Kural,	Assistant General Manager (Dep. General Manager)
Ufuk Ümit Onbaşı,	Assistant General Manager
Ertuğ Yıldırımcan,	Assistant General Manager
Mert Erdoğan,	Assistant General Manager
Funda Çağlan	
Mursaloğlu,	Assistant General Manager

It is stipulated in the Articles of Association that the General Manager cannot concurrently serve as Chairman of the Board of Directors.

The qualifications of independent board members are expressly set forth in the CMB Corporate Governance Principles. In line with its status in capital markets, IS Investment is of the opinion that an independent member possessing the above-mentioned qualifications and the capacity to make significant contributions to the Company should hold a seat on the Board of Directors. With this approach, Mr. Turan Gökçen Bali has been assigned as the Independent Board Member by the Ordinary General Meeting of Shareholders held on 28/04/2008 till the date of the next Ordinary General Meeting of Shareholders, The "Independence Declaration" has been disclosed to public by IS Investment website.

The conditions by which Board Members may undertake duties outside IS Investment is prescribed by the general rules. However, it has been set forth in the Articles of Association that Board Members will not obtain permission from the AGM for trading with IS Investment nor be exempt from prohibition of competition.

19. The Qualifications of Board Members

All Board members are university graduates and managers experienced in their fields. In this respect, qualifications for IS Investment Board of Directors comply with the specifications listed under the relevant articles of the CMB Corporate Governance Principles.

The Articles of Association also embody the condition that more than half of the Board Members must hold a university degree.

20. Mission, Vision and Strategic Goals of the Company

The Board of Directors has defined IS Investment's mission and vision and disclosed them on the corporate website.

Mission; to play a leading role in the development of Turkish Capital Markets with the Company's ownership structure strengthened through the public offering, expert human resources, its investor-centered and market-oriented service approach and leadership position in the sector.

Vision; to become a distinguished and leading company with a corporate culture represented by the reliable "IS" brand, wide distribution network and stable growth in domestic and international capital markets.

Strategic goals related to IS Investment activities are prepared and presented to the Board of Directors in a report authored by managers.

In this report, in addition to macroeconomic evaluations, information and expectations related to domestic and international markets are shared. Strategic goals determined in accordance with this information and the Board of Directors approves expectations after reviewing the performance of the previous period.

The Mission, Vision and Strategic Goals will be re-formulated with a more unified approach during 2008.

Corporate Governance Principles Compliance Report

21. Risk Management and Internal Control Mechanisms

Effective risk management is fundamental to success in the financial services sector since requirements of shareholders, regulators and customers are continuously increasing. On the other hand, in a challenging and changing risk management environment, the level of effective risk management activities is constantly being raised. Risk measurement and management activities are integrated in IS Investment's core business activities; as a result, the Risk Management department, which operates separately within the whole organization, was restructured in 2006 as a department.

In the course of managing its business operations, IS Investment might be exposed to a variety of risk. Proactive control and management activities are basically achieved related to market, credit, liquidity and operational risk categories.

An effective internal audit system, covering internal control and audit activities has been established. The organizational plan applied at IS Investment and all the relevant rules and procedures is undertaken in transactions at IS Investment including non-central organizations, regularly, efficiently and effectively in accordance with the current internal and legal regulations. In addition, this system has been established to maintain the integrity and reliability of accounting and recording, to provide timely and correct access to information in the data system and to detect and prevent mistakes, forgeries and unlawful practices.

In addition, an audit system has been created covering all activities and units at IS Investment, primarily within the internal control system, which enables evaluation of these fields and includes the systematic auditing process where findings and evidence are obtained as a result of reporting and reviewing. The audits are performed by inspectors to conform with the regulations and policies and are independent of IS Investment's daily activities, in accordance with the needs of management.

The Compliance Department in particular and all units in general, show the utmost care in protecting the Company's reputation and with regard to liabilities arising from legislation, compliance to corporate principles, customer satisfaction, reputation and credibility.

22. Authorities and Responsibilities of Board Members and Executives

The Board of Directors bears the responsibility to represent IS Investment as set forth in the Articles of Association. The Board of Directors may transfer its management and representation-related duties and authorities, in part or in full, to delegated Board Members and managers who are not obliged to be shareholders, in accordance with the Article 319 of the Turkish Commercial Code.

The Board of Directors fulfills activities under the scope of the Turkish Commercial Code, Capital Markets Law and related legislation.

23. Operating Principles of the Board of Directors

At IS Investment, the Board of Directors convenes at least once a month. The Board of Directors may meet more frequently when it is deemed necessary. The meeting's agenda is determined by the General Manager and within the knowledge of the Chairman; the Chairman or his/her proxy announces the meeting by invitation.

As noted earlier, stakeholder(s) representing a minimum of five percent of IS Investment capital and stakeholders defined in the Corporate Governance Principles publicly disclosed by the Capital Markets Board of Turkey may invite the Board of Directors to convene by applying to the Chairman.

An Assistant General Manager has been appointed as "Reporter" to notify Board members and establish communication.

Board Members do not have weighted voting rights and/or the right to veto during a meeting.

24. Prohibition of Carrying out Transactions with the Company and Prohibition of Competing with the Company

Board Members will not receive permission from the AGM to carry out trade with IS Investment; nor will they receive exemption from the prohibition of competition as stated in the Articles of Association, in accordance with the Articles 334 and 335 of the Turkish Commercial Code.

25. Ethical Rules

The Board of Directors formulated a code of ethics in parallel with the regulations of the Association of Capital Market Intermediary Institutions of Turkey (TSPAKB) with the aim of increasing social and economic benefits, preserving the dignity of the brokerage vocation and preventing unfair competition in addition to legal and administrative regulations. The employees of IS Investment have been notified of the code of ethics in written format.

The code of ethics of IS Investment has also been publicly disclosed on the corporate website in accordance with IS Investment's information policy.

26. Numbers, Structures and Independency of Committees Established by the Board of Directors

It has been set forth in the Articles of Association that in order to fulfill its duties and responsibilities beneficially, the Board of Directors may set up committees and departments required by legislation and approved by the Board. The Board of Directors will observe Corporate Governance Principles disclosed by the CMB to set up these committees and departments. In this respect, a Committee Responsible for Audit and a Credit Committee was established within IS Investment's Board of Directors. The Committee Responsible for Audit is composed of the Chairman Özcan Türkakın, Güzide Meltem Kökden and Fatma Güliz Aykan.

This Committee convenes at least four times a year on the condition that the time between two meetings shall not exceed three months. The committee determined the results of executed activities, precautions that should be taken in the Company, other necessary implementations and other issues vital to maintaining IS Investment's activities securely and reports these results to the Board of Directors. The reporter for the Board of Directors is responsible for following up the activities of the Committee.

The Credit Committee is structured under the leadership of a responsible Board Member appointed by the Board decision and is formed by the General Manager, Assistant General Managers responsible for Operations, Domestic Markets, Investment Advisory and Managers responsible for Operations and Domestic Markets. The Committee convenes when necessary.

27. Remuneration of the Board of Directors

Monthly salaries and attendance fees for Board members are determined by the AGM, as stated in the Articles of Association.

It has been decided in the Ordinary General Meeting of Shareholders held on April 28, 2008 that the salary of board members are determined as gross YTL 5,000/month. A performance-based remuneration system is not implemented for determining the financial rights of Board members.

At IS Investment, Board members and executives do not engage in transactions with the Company such as lending money, extending credit or providing guarantees.

IS INVESTMENT

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