



**IS INVESTMENT**  
**BOARD OF DIRECTORS**  
**QUARTERLY REPORT**  
01 JANUARY 2009 -  
30 SEPTEMBER 2009

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# Overview of the Economy

In order to start a permanent growth in the world economy, the domestic demand has to be stimulated by expansionary financial and monetary policies in Asian countries and especially in China while the savings ratio in the US economy has to be increased and the domestic demand has to be shrunk.

We enter a conjuncture in the last quarter of 2009 where the global crisis is placed under control and the world economy recovers gradually. We could get out of the global crisis with a minimum loss thanks to the expansionary financial and monetary policies applied simultaneously by the leading countries in the world. The increase in confidence of the household and the real sector in the economy show that getting out of the global stagnation will be faster than the foreseen. However, there are still some barriers for entering a sustainable and high growing period.

Contrary to previous stagnation periods, the problems existing in developed countries pull down the growth of global economy. A gradual and slow recovery is felt in the United States which is the locomotive of the world economy. Increase in unemployment, high debts of the household, excessive supply of housing and the bad assets in the banking industry slow down the salvation of American economy from the economic recession.

The situation is not so different in Europe and Japan. The European economy, which could not implement a common financial policy against the crisis and whose money is excessively evaluated in comparison to US Dollar, has difficulty in making a rapid issue. The Japan economy faced global stagnation before solving structural problems in its banking sector and, whose money is excessively evaluated, exhibits a slow and fragile recovery.

Recovery witnessed in the last period following the global crisis is not caused by the revival in the economies of the G7 countries but because of the rapid growth of the developing countries in Asia and Latin America. Low public debts, strong banking sector and high domestic savings allowed these countries to support their economies by using expansionary financial and monetary policies. Consequently, they could sustain a relatively rapid growth despite the global recession.

Among the developing countries, China especially attracts attention with its strong economic performance. Having become world's production base thanks to its cheap labour force, China continues its rapid growth with its sound external balance, low public debts and high foreign exchange reserves despite the global stagnation. The Chinese Government ensures the continuity of rapid growth by employing a support package that gives priority to infrastructure investments.

However, it is not possible to ensure a permanent growth in the world economy by the revival of the developing countries. While the consumption in the US economy has a volume of nearly US Dollar 10 trillion, total domestic consumption of leading developing countries such as Brazil, Russia, China and India remains under US Dollar 5 trillion. Scale of the developing countries is not sufficient enough to become the new engine of the world economy.

In order to start a permanent growth in the world economy, the domestic demand has to be stimulated by expansionary financial and monetary policies in Asian countries and especially in China while the savings ratio in the US economy has to be increased and the domestic demand has to be shrunk. During this process, the Chinese Government has to allow the Renmenbi to gain value in order to reduce the foreign trade gap between the United States and China. However, the economic and political realities of both countries don't empower this process.

There exist serious risks preventing the passage to a high speed and sustainable growth environment in the coming period. We managed to get out of the global crisis thanks to the expansive financial and monetary policies implemented simultaneously by world's leading countries. However, it is not possible to maintain these policies permanently. Deterioration in the public debt dynamics and increase in inflationist pressures don't enable such an implementation in the medium term.

Expansionary financial and monetary policies have to be normalized gradually. But it is not possible to make this without pushing world economy in a new stagnation or a high inflation period and without fluctuation in the markets. Premature abandoning of expansionary policies will harden the recession and stop the growth which already has a fragile character. However, if it is pursued more than necessary, it will result in a re-increase of inflation.

Endurance of fragility in banking sector makes this process more complicated. While the monetary and financial policies will be normalized in the coming period, controls on financial sector will be increased gradually. Unstable policies that will be applied during this process may cause financial sector to be afraid of opening credit channels and may pull down global growth. In this case, we will be facing a "U" type growth as it is called by the economists.

# Overview of the Economy

In the case that expansionary policies are continued more than necessary, a new balloon will be formed in the prices of assets and the inflation will increase again. During this process in which increasing public debts are financed by expansionary monetary policy, after a honeymoon period in which growth is increased and asset prices rose, we will come face to face with an inflation and economic recession. We will witness a "W" type double bottom growth as it is called by the economists.

Failing to conduct this process in a coordinated and simultaneous way will cause the things to get more complicated. Asian countries in which the economic growth is strong (except for China), and Latin American countries that produce goods and export to the former will be obliged to tighten their monetary policies faster. Rising interest rates may lead to interventions to the exchange rates and to the increase in limitations on capital entries in these countries that generally implement competitive exchange rate policies.

Realization of such risks may have harmful effects on the recovery process started in Turkish economy. In a "U" type growth scenario, continuation of the problems in the US economy and realization of a limited recovery in the European economy may cause the recovery in Turkish economy to take place at a low pace and to be fragile.

"W" type growth scenario may cause to enter a period in which, at the first stage, the prices of assets and prices of goods will be inflated because of the excessive global liquidity and at the second stage, inflation expectations will be deteriorated and, also, as the Central Bank will have to increase interests, the inflation will be high but the growth will be low due to the increasing inflation expectations.

If we take a look at the Turkish economy, the medium term economic program announced in September by the government foresees the transition to a medium speed but stable growth in the world economy, a rise in risk appetite, an increase in resource entry to the country by means of privatizations, direct investments and external borrowings. Medium term economic program does not foresee a new stand-by agreement with the International Monetary Fund.

The monetary policy described in the Inflation Report announced by the Central Bank at the end of October is based on a conjuncture in which the economic recovery is low, output deficit is high and inflationist pressure is limited. The Central Bank foresees that the inflation will be between the intervals of 5%-6% (5.5% on average) until the end of 2010 and between the intervals of 3.9%-6.9% (5.4% on average) at the end of 2010 according to a basic scenario in which it will hold the interest rates fixed until the end of 2010, after a limited interest reduction.

Alongside the main scenario, the Central Bank is conserving its downward flexibility for monetary policy

interests both in excessively optimistic and pessimistic scenarios. In case of a new wave in the global crisis or in case of an immediate increase in global risk appetite, the Central Bank states once more that a new process of decrease in the interest rates may be initiated. However, unlike the situation in July, this time, it is stipulated that additional interest decreases will be temporary.

Although we agree with the low growth scenario of the Central Bank, we have a more prudent view for the inflation. We worry that the price increases in the public goods caused by the expenses that will be made before the general elections in 2011 will drive up the inflation in 2010 and 2011. Since the sub details of how to reach the targets defined in the Medium Term Program are not announced, we adopt a prudent approach.

We believe that the Central Bank announces optimistic messages about the low course of interests in order to decrease financial tightness. We expect that the deterioration in the financial front and the increase in prices of goods in the medium term will eliminate the expectations of inflation and force the Central Bank to increase interests. For this reason, we constructed our basic scenario on the theory that the Central Bank will increase the policy interests by 200 base points in the last quarter of 2010, 100 base points in the first quarter of 2011, 100 base points in the last quarter of 2011 and 50 base points in the first quarter of 2012.

Our basic scenario in which the budget balances will be relapsed and the Treasury will increase refinancing rate up to the interval of 110-120% in the first months of the year does not present a positive view for the Domestic Government Bonds. For this reason, we do not include long-term and fixed value bonds in our fixed-income security (FIS) proposals. We limit the investment term for Discounted Treasury Bonds between 12 and 16 months in which the yield curve becomes relatively steep. In connection with the long-term bonds, we continue to give priority to securities with varied interest and, which are indexed to Consumer Price Index (CPI).

We have previously stated that the risks were increased after the rapid rise in the Exchange Market and we have warned the investors against an eventual profit taking. Following the global scale sales occurred in the stock markets in the last two weeks, the increase potential of Istanbul Stock Exchange has increased up to 25% with regard to our target values.

We preserve our opinion formulated by the expression "ACCUMULATE" for the Stock Exchange and we recommend to the investors who are not so sensible to the fluctuations in the stock market to buy the stock certificates appearing in the "IS Investment's Proposal List" during the falls in prices. "IS Investment's Proposal List" with its increase potential of 43% which has provided a yield 45 points above the ISE-100 Index since the beginning of 2009 seems to be more attractive than the stock exchange in general.

# Board of Directors and Executives

## Board of Directors

Özcan Türkakın	Chairman
Güzide Meltem Kökden	Dep. Chairman
Emre Duranlı	Member
Turan Gökçen Bali	Independent Member
İzlem Erdem	Member
Serpi Kılıboz	Member
Ebru Özşuca	Member

Board of Directors has been assigned in the Ordinary General Meeting of Shareholders held on April 27, 2009 until the date of the next Ordinary General Meeting of Shareholders.

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

## Auditors

Uygar Şafak Ögün, Engin Topaloğlu

The auditors have been assigned in the Ordinary General Meeting of Shareholders held on April 27, 2009 until the date of the next Ordinary General Meeting of Shareholders.

## 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

## Shareholding Structure (%)

IS Bank	65.65
IS Leasing	2.43
IS Factoring	2.43
Şişecam	1.45
Camiş Investment Holding	0.17
Free Float	27.87

# Summary Balance Sheet and Income Statement\*

<b>Summary Balance Sheet</b> (TL 000)	<b>30 September 2009</b>	<b>31 December 2008</b>
<b>Assets</b>		
Current Assets	2,120,354	1,428,563
Long-Term Assets	62,236	54,276
<b>Total Assets</b>	<b>2,182,590</b>	<b>1,482,839</b>
<b>Liabilities</b>		
Short-Term Liabilities	1,683,980	1,071,644
Long-Term Liabilities	2,016	1,266
Minority Interest	175,586	137,241
Shareholders' Equity	321,008	272,688
<b>Total Liabilities</b>	<b>2,182,590</b>	<b>1,482,839</b>
<b>Summary Income Statement</b> (TL 000)		
	<b>1 Jan.- 30 Sept. 2009</b>	<b>1 Jan.- 30 Sept. 2008</b>
Sales Revenue (Net)	14,541,746	23,467,997
Cost of Sales	(14,514,123)	(23,481,033)
Interest and Derivative Income from Operating Activities	66,787	36,114
Income from Services (Net)	57,329	42,822
Other Operating Income/Expenses(net)	8,473	10,999
<b>Gross Profit/(Loss)</b>	<b>160,212</b>	<b>76,899</b>
Operating Expenses	(69,264)	(65,284)
Other Income/Expenses	(2,548)	6,927
<b>Operating Profit/(Loss)</b>	<b>88,400</b>	<b>18,542</b>
Share in Net Profit/(Loss) of Investments Accounted for Under Equity Method	2,424	3,163
Non-Operating Revenues	15,140	20,229
<b>Profit/(Loss) Before Taxation From Continued Operations</b>	<b>105,964</b>	<b>41,934</b>
Tax	(11,187)	(8,788)
Minority Interest	39,421	(3,666)
<b>Net Profit</b>	<b>55,356</b>	<b>36,812</b>

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

<b>Financial Highlights</b>	<b>30 Sept. 2009</b>	<b>31 Dec. 2008</b>
Current Assets/Short-Term Liabilities	1.26	1.33
Total Liabilities/Shareholders' Equity	5.25	3.93
Earnings Per Share	0.4637	0.3745

# Domestic Capital Markets

IS Investment maintained its leadership position in the first nine months of 2009 with a trading volume of TL 55.9 billion and a market share of 8.2% on the ISE Equity Market.

## Equity Market

Istanbul Stock Exchange ("ISE") Equity Market had a fluctuating course in the first nine months of the year in parallel to foreign markets. Negative news coming from the US banking sector in the first quarter of the year caused a regression in all markets around the world. ISE-100 Index fell down to the level of 22,400 in March which was the lowest level of the year. Following these bottom levels, both the expectation of an agreement with the IMF and the economic data that had been received above the expectations since the second quarter of the year allowed the markets to enter a quick recovery period. Especially the surprising profits announced by US banks in the first half of the year ensured a partial change in negative scenarios related to financial sector. A rapid rise started in the markets of developing countries in parallel to these facts.

In an environment where the risk of a global stagnation and deflation increases, Central Bank of Turkey started to make reductions in policy interests with the expectation of low inflation connected to shrunk demand in the domestic market. The messages issued through the decision of reducing interests strengthened the expectation related to the continuation of interest reductions. With regard to trading volume and market values, this situation was effective on the high performance of the banking sector which constitutes an important part of ISE indexes. The revenue yielded by ISE-100 Index was 78% within the first three quarters of the year. On the other hand, the expectation of making an agreement with the IMF in the first days of the year had positive effects on the markets at different times. Profit takings that emerged at different dates were limited because of this expectation. Changes of aspect from credit rating institutions in September were another factor which enlivened the markets.

IS Investment maintained its leadership position in the first nine months of 2009 with a trading volume of TL 55.9 billion and a market share of 8.2% on the ISE Equity Market.

## Bonds and Bills Market

Despite the limited recovery signals noted in the economy in the second and third quarters of 2009, the fact that the Central Bank continued in a determined manner to decrease policy interests was the most distinctive factor on the debenture interests. While the Central Bank links the limited recovery in the economy to tax reductions and consumption encouragements in the assessments it makes, it declared its expectations saying that the decreasing inflation seems to be permanent and low policy interests will not change for long time. An interest reduction of 1000 base points occurred since the beginning of 2009 and overnight interests regressed to 6.75% as of October 15. Benchmark debenture interests showed a fall from the composite level of 17% to the composite level of 8%. Besides the policy interests evolving globally at a low level, the rise of risk appetite compared to the end of 2008 played an important role in the rise of markets.

The most important concern about 2009 was the high rise in the need for public borrowing caused by the falling revenues and encouragements provided by the government. The domestic banks which substituted the shrink in credit volume by Treasury borrowings showed considerable interest towards Treasury bids, so they prevented formation of pressure on the interests. Undersecretary of Treasury exceeded the domestic refinancing rate of 78% planned for 2009 and it reached a domestic refinancing rate of 110%. Increase in the percentage of variable interest debentures indexed to inflation and market interests in the borrowing composition of the Treasury were effective in the lack of interest rise caused by supply.

# Domestic Capital Markets

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The tendency to decrease the risk and to close the position because of the global crisis caused an escape from other currencies towards US Dollar. The USD/TL parity which started 2009 at the level of 1.54 has reached a record high of 1.82 in March as the EUR/USD parity reached the level of 1.24. The state guarantees offered in order to avoid the blocking in financial system and encouragements provided in order to revive the economy helped to stop the fall in the markets. The value loss that the US Dollar suffered became one of the indicators of the improvement in the markets. When we reached the third quarter of the year we saw that the USD/TL exchange rate was under the level of 1.50. The important development in this period was the fall of the fluctuation both in the Turkish Lira and in foreign exchanges to the lowest levels of the year and reach to the pre-crisis levels.

IS Investment took the second place among the brokerage houses with a trading volume of TL 12.2 billion and a market share of 11.6% in the ISE Bonds and Bills Market in the first nine months of 2009.

## Derivatives Markets

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In 2009 the transactions in Turkish Derivatives Exchange ("TurkDEX") continued their course which is indexed to foreign stock exchanges. Trading volume was mostly realized in "TurkDEX-ISE 30" futures and "TurkDEX-TRYUSDollar" futures contracts.

Index contracts continued to effect discounted transactions in the spot market. In "TurkDEX-TRYUSDollar" futures contract, the transactions evolved in parallel to theoretic prices. A fall is noted in the volume of "TurkDEX-Gold" futures contract transactions in comparison to the same period of the previous year. IS Investment took place among the first three corporations that made most of the transactions in "TurkDEX-Gold" contracts and it was one of the two corporations which made transactions as "Market Maker" since 7 August 2009. As for the interest rate futures contracts, although IS Investment has offered both buying and selling quotations, no trading volume was achieved.

IS Investment continued to preserve its leading position with a trading volume of TL 64.5 billion and a market share of 13.5% in TurkDEX in the first nine months of 2009.

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# Domestic Sales and Marketing

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In the second quarter of the year, our fifth branch located in Maslak, Istanbul was opened following the other branches in located in Akaretler, Kalamış, Yeniköy and Yeşilköy, all located in Istanbul, in parallel to our growth strategy and total number of our branches reached seven including the ones in İzmir and Ankara.

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IS Investment pursued successfully its domestic selling and marketing activities in the first nine months of 2009 during which the damages caused by the financial crisis in global markets began to be remedied.

Many new/potential customer visits were made all around the country in the first nine months of the year in order to gain new customers, and hence new investors were added to IS Investment's portfolio. Important client acquisitions were realized thanks to the marketing activities carried out in a well coordinated manner within the Company.

In the second quarter of the year, our fifth branch located in Maslak, Istanbul was opened following the other branches in located in Akaretler, Kalamış, Yeniköy and Yeşilköy, all located in Istanbul, in parallel to our growth strategy and total number of our branches reached seven including the ones in İzmir and Ankara.

Nevertheless, the regions, where we don't have any branches in, but which present an important potential, were visited and marketing activities were continued as well. Thanks to this strategy, new investors were gained in various regions of Anatolia.

Promotion and marketing activities were also continued in order to expand the usage of the program named TradeMaster International ("TMI") which is an electronic trading platform that provides the investors with the opportunity to transact in international markets through their own computers. As a result of these activities, as of the end of September, the number of customers using TMI increased approximately 3.5 times in comparison to the same period of the previous year.

# International Capital Markets

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Reactive purchases started in the second quarter of 2009 made risk appetite of the investors, who have adopted wait-and-see policy, increase and pushed them towards stock markets.

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Effects of the financial rescue packages that were expected for a long time and caused a new purchase wave in the second quarter of 2009, were continued to be felt in the markets. The liquidity transferred to the markets increased the demand for all kinds of investment means extending from stock certificates to debentures, from gold to oil, was rapidly reflected on the prices and the economic revival expectations which may be seen in the coming periods were bought by the investors in the third quarter of 2009. While the price increases reached 20-30% in the stock markets since the beginning of this year, the price increases were between 70% and 100% in the stock markets of developing countries. The investors whose morale was built thanks to the rise in the markets showed a great interest to the investment means for which we act as intermediary.

Reactive purchases started in the second quarter of 2009 made risk appetite of the investors, who have adopted wait-and-see policy, increase and pushed them towards stock markets. In parallel to the change in investors' perceptions, our trading volumes increased compared to the previous quarter. However, the decrease in price volatility in low priced stocks was an important factor in the declining of profit-making trading volumes.

Regarding fixed income, we continued to offer attractive income levels in the primary market which was enlivened in the second quarter of the year to our investors in the third quarter. While the demand of investors for leveraged products continued at full speed thanks to the optimistic atmosphere prevailing in global markets since March, the number of derivative contracts transacted only in the third quarter of the year reached the number of derivative contracts we transacted during the first six months of the year.

# Corporate Finance

IS Investment offered buyer party consultancy service in the acquisition of Etap Tarım ve Gıda Ürünleri Ambalaj Sanayi ve Ticaret by Anadolu Efes Biracılık ve Malt Sanayi as well as in the purchase of “Management Right of Sales Areas and Commercial Activities of 56 Museums and Ancient Cities attached to Ministry of Culture and Tourism” by “Bilintur Company” through the privatization tender.

## Merger & Acquisition Operations

As it was the case all over the world, a serious decrease was diagnosed in the merger and acquisition (M&A) operations in Turkey because of the global crisis. Only two of the operations for which we have acted as consultant were completed in the first half of 2009. IS Investment offered buyer party consultancy service in the acquisition of Etap Tarım ve Gıda Ürünleri Ambalaj Sanayi ve Ticaret by Anadolu Efes Biracılık ve Malt Sanayi as well as in the purchase of “Management Right of Sales Areas and Commercial Activities of 56 Museums and Ancient Cities attached to Ministry of Culture and Tourism” by “Bilintur Company” through the privatization tender. Other than these operations, IS Investment continued to offer consultancy services for both seller and buyer parties in many projects.

Operations for the merger of the publicly held company Aksu İplik Dokuma ve Boya Apre Fabrikaları T.A.Ş. with Ak-AI Tekstil Sanayi A.Ş. were pursued. The works related to M&A operations which proceeded quite slowly in the first six months, began to accelerate in the third quarter of the year and the interest of foreign investors has increased again. Within this context, we continued to provide consultancy services to seller parties with which we have an agreement.

Furthermore, buyer party consultancy service was offered to a local group in connection with the privatization tender of National Lottery organized by Turkish Privatization Administration, and consultancy services were launched for the privatization tender of Osmangazi, Yeşilirmak and Çoruh Electricity Distribution Companies.

## Other Consultancy Operations

Our Company has been nominated as “Loss Expert” by the Ministry of Energy and Natural Resources in an international action of arbitration filed against the said Ministry in connection with privatization of an electricity distribution zone tendered in 1997 and the works carried out has been presented in the action held in Lausanne.

Various companies have been examined within the context of private sector fixed income security (“FIS”) issuances and offers were submitted. Our Company took place in two projects within the context of our consultancy services for provision of project finance.

Furthermore, brokerage services have been provided for the tender call operations of Petrokent Turizm A.Ş. carried out in the exchange and valuation consultancy to some private sector companies was continued to be offered.

# New Products and Service Network

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We aim to develop our client base and increase our market share by opening new branches.

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IS Investment continued to take the necessary steps to diversify its new products/services and to sustain its geographical growth in the first nine months of 2009. In this respect, our Maslak branch was opened on April 6, 2009 and became our fifth branch in Istanbul and seventh together with our branches in Ankara and İzmir throughout Turkey.

Parallel to our growth policy, it is announced on October 23, 2009 that our general directorate is authorized to apply to the Capital Markets Board of Turkey ("CMB") for a new branch in Levent, Istanbul. Our Dubai office is expected to be run by the end of the year.

We aim to develop our client base and increase our market share by opening new branches.

The CMB approved the founding of the "Ashmore IS Investment A Type Variable Fund", "Ashmore IS Investment B Type Variable Fund" and "Ashmore IS Investment B Type Liquid Fund" with TL 50 million initial amounts each and their primary contribution rates were registered. IS Investment also started to sell some mutual funds founded by IS Bank.

# Disclosure Policy

The main purpose of the disclosure policy is to transmit the necessary information and declarations, which are not within the scope of trade secrets, to shareholders, investors, employees, customers and other related parties equally, on time, correctly, completely, comprehensibly, easily and with the most possible minimum costs.

The Disclosure Policy of IS Investment was approved by the Board of Directors and was disclosed to the public.

## The Main Frame of the Disclosure Policy

IS Investment makes declarations and gives information about developments, which do not carry any trade secret characteristics within the frame of the Turkish Commercial Code, applicable regulations and the Capital Market Law in particular and which could affect the investment decisions of investors and the value of our capital market instruments traded at the exchange and while doing so it follows the corporate governance principles.

The main purpose of the disclosure policy is to transmit the necessary information and declarations, which are not within the scope of trade secrets, to shareholders, investors, employees, customers and other related parties equally, on time, correctly, completely, comprehensibly, easily and with the most possible minimum costs.

IS Investment, which makes an active approach regarding the adoption and application of the corporate governance principles, also puts in great effort to public disclosure and briefing about applicable regulations and to accomplish the best practices on an international basis. The Disclosure Policy of IS Investment has been prepared within the above-mentioned scope, approved by the Board of Directors and has been put into effect.

## Power and Responsibility

The disclosure policy has been prepared by the Board of Directors. At IS Investment, the public disclosure and the monitoring, inspection and development of the disclosure policy are under the power and responsibility of the Board of Directors. The Investor Relations Department and the Assistant General Manager, who receives the reports of this department, are responsible for

the coordination of the information function. The aforesaid authorized persons fulfil their duties in close cooperation with the Board of Directors and the Audit Committee.

## Some of the Methods and Instruments used for Public Disclosure

Some of the works carried out to inform the public about the capital market regulations, the Turkish Commercial Code and other applicable regulations and the used instruments and applied methods are given below:

- The material event statements about the developments, which could affect the investment decisions of investors and the value of our capital market instruments traded at the exchange within the scope of the capital market regulations are reported to the concerned stock exchange or if necessary to the Capital Markets Board accurately and on time. The material event statements are signed by the authorized persons, whose names have been announced to the concerned stock exchange, and published on our website the same day in Turkish and in English and submitted for the investors' information.
- The financial statements, which have been prepared according to the capital market regulations, are delivered to ISE and to CMB within the legal periods and then published on the website of IS Investment.
- The Board of Director's annual and quarterly reports including the minimum information in line with the relevant regulations are disclosed to the public together with financial statements. The annual report is prepared within the given dates in the corporate governance principles and before the Annual General Meeting of Shareholders every year, submitted for the shareholders' information. In case the report is requested in printed version, it can be obtained by the Investor Relations Department.
- If and when necessary, press statements are made via media by the Chairman, the General Manager or his/her representative or by other

# Disclosure Policy

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authorities who are approved by the aforesaid persons. During the press statements, necessary steps are taken to protect the trade secrets which have not been disclosed to public yet.

- The teleconferences organized during various times and the road shows organized on a national and international basis provide shareholders and other related parties with necessary information. The investor presentations used in these meetings and other disclosure documents are published on our website to inform our individual investors as well. If it is within the bounds of their responsibilities the General Manager, concerned managers and Investor Relations Department's managers attend these meetings organized by the Investor Relations Department. If it is considered necessary the mentioned contact teams can also be extended.
- Investor Relations Department submits all necessary information, particularly our financial and market performance, to shareholders and when necessary to rating agencies and corporations that prepare research reports about IS Investment and it assures that the information is interpreted correctly.
- All questions, asked by the shareholders by means of e-mail, mail, and phone or during face-to-face meetings, are answered by the coordination of the Investor Relations Department and while doing so necessary steps are taken to protect the confidentiality of trade secrets.
- If there are news or reports in order to inform the public published by the press on a national basis with different contents than the already announced information and if they are important enough to affect the investment decisions of investors and the value of our capital market instruments traded at the exchange, then Investor Relations Department makes necessary announcements to the public without waiting for any warning, notice or request from CMB or any other responsible board. In addition, necessary disclosures are made about the news or reports, which do not require a public disclosure liability according to applicable regulations but do affect the investment decisions of investors and the value of our capital market instruments traded at the exchange and if it is considered necessary the public is informed via material event statements. The Investor Relations Department takes the necessary measures to closely monitor the news and reports announced by the press or released to the public.

## **IS Investment Corporate Website (www.isinvestment.com)**

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The "Investor Relations" sections of our corporate website with Turkish and English language options are used as active information tools to carry out the disclosure policy of our Company and to inform the public.

Our Investor Relations website provides any kind of information, considered necessary by the corporate governance principles and regulatory authorities, including information such as investor presentations about our annual and quarterly market and financial performance, Company policies and the Annual General Meeting of Shareholders, research and rating reports published about our Company and share price performance. The Investor Relations section of our website is regularly updated by the Investor Relations Department and used as an active information tool.

## **Persons with Administrative Responsibility and Protection of the Trade Secrets**

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The Board of Directors, Auditors and Executive Board Members of IS Investment are considered as "Persons with Administrative Responsibility" because they have regular direct and indirect access to trade secrets due to their duties and authorities to make decisions, which could affect the commercial goals of the Company.

Apart from that, information about which authorities will declare the material event statements to the public and how the confidentiality of the trade secrets will be protected are determined by our internal regulations and announced to our employees.

In addition to this, the people, who are among the "List of persons, who have access to trade secret", which is updated regularly, are informed in written form and against signature about the protection of the confidentiality of the trade secrets and the responsibility not to use this information in the trade of capital market instruments of IS Investment.

# Risk Management Policy

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

Effective risk management is fundamental to the success in financial services in line with the expanding needs of shareholders, regulators and customers. In a challenging and changing risk business environment, however the bar that forms effective risk management concept is constantly being raised. Risk measurement and management activities which are operated separately from executive units are an integral part of IS Investment's core businesses. In the course of operational management, IS Investment can be exposed to a variety of risks. These risks are market, credit, liquidity, process, and other risks that are material and require comprehensive proactive control and management. The responsibility and accountability for these risks remain primarily within the businesses. Risk Management Department ensures that these risks are properly identified, monitored, measured and managed proactively throughout the Company.

## Risk Management Vision & Strategy

- Risks should be fully understood and managed transparently throughout the organization,
- Risk management function is independent from executive units in the group,
- Corporate risk policy boundaries are defined in a detailed manner with risk procedures and catalogues,
- Business units allocate risk taking capacity to optimize their risk-adjusted performance within risk management constraints,
- Corporate risk measures that drive risk monitoring and control activities are targeted for business performance evaluations,
- Risk management group should achieve forecasting financial position risks over time,
- Risk is measured and managed not only by mathematical sophisticated models, but also by experience gained so far,
- 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.

# IS Investment's Policy on Struggle Against Laundering Proceeds of Crime and Terrorism Financing

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Having an esteemed and reliable position in the international domain, IS Investment considers the struggle against laundering proceeds of crime and terrorism financing as a social responsibility beyond conformity to legal arrangements taking into account the destruction caused by this matter in social life and gives importance to this fight.

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

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

IS Investment's Policy on Preventing Laundering Proceeds of Crime and Terrorism Financing is based on international agreements and initiatives of which Turkey is a Party, on the relevant legislation 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 proceeds of crime and terrorism financing 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**

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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 trust.

The whole context of IS Investment's Policy on Struggle against Laundering Proceeds of Crime and Terrorism Financing can be reached at [www.isinvestment.com](http://www.isinvestment.com).

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# Ethical Principles

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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.

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It is necessary that capital markets transactions should be continued in line with the 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 sorted below. Employees should know about the laws, communiqués, regulations and arrangements issued by the state, organizations and institutions reporting to the state, regulatory authorities and professional organizations managing the brokerage institutions' activities and should obey the said legal regulations.

- Honesty and Fairness
- Professional Due Diligence
- Transparency
- Use Resources Effectively
- Care for Competition and Social Benefit
- Struggle against Laundering Proceeds of Crime
- 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 the Association, 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.

The whole context of Ethical Principles of IS Investment can be reached at [www.isinvestment.com](http://www.isinvestment.com)

# Corporate Governance Principles Compliance Statement

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.

## 1. Corporate Governance Principles Compliance Statement

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 crisis in the world that was initially not seen as a serious and a long-term problem that would affect the markets deeply, especially in the developing countries. However, the mortgage crisis showed its effect within a short time that it was so far a worse crisis than it was assumed and caused the world economies, especially the US economy, to face with a recession risk. These developments which affected the developing countries even later, made the companies and all other related parties to put an emphasis on the concept of "Corporate Governance" once again.

The Company exemplifies the corporate approach represented in Turkey by the "IS" emblem in the sector. 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 disclosure policy and transparent execution of Board activities.

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 relationships with investors by establishing an 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 the General Meetings,
- 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 both in Turkish and in English on the Investor Relations pages at the official website 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

Disclosure Policy; has participated in meetings with various investors and teleconferences were held.

In addition, IS Investment's Turkish and English websites are regularly updated with relevant developments and are thus used as informational tools for ensuring that the shareholders effectively exercise their rights to obtain information.

The Investor Relations Department reports to the Board of Directors periodically.

The Investor Relations Department is also in charge of the responsibilities derived from the capital markets legislation and for the coordination of the corporate governance practices of IS Investment.

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: +90 212-350 24 12

Fax: +90 212-350 20 01

E-mail: merdogmus@isinvestment.com

**Ozan Altan**

**Vice President**

Level of Education: M.A.

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

Tel: +90 212-350 28 72

Fax: +90 212-350 28 73

E-mail: oaltan@isinvestment.com

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

During the time period, 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 Disclosure Policy of IS Investment 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 in 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 these disclosures, 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.

There was no request for a special auditor within the period.

# Corporate Governance Principles Compliance Statement

## 4. Information on Annual General Meeting of Shareholders

IS Investment held its Annual General Meeting (AGM) on April 27, 2009. Invitation for this second AGM after our IPO was announced by material event statement via ISE, two country-wide and reputable newspapers 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 TL 119,387,000, 84,189,173 shares in person, 8,018,704 shares by proxy; a total of TL 92,207,877 shares 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 and minutes of the AGM held by IS Investment have been published on the website of the Company to the attention of both shareholders and stakeholders.

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 rapidly changing conditions of capital markets that is under the effect of an increasing competition.

## 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. Dividend Policy and Deadline for Dividend Distribution

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 was disclosed to shareholders at the first AGM that was held as a listed company on the exchange. IS Investment's Dividend Policy has been publicly disclosed on the corporate website.

## 7. Transfer of Shares

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

## PART II-PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Company Disclosure Policy

IS Investment's Disclosure Policy was approved by the Board of Directors and was announced on the corporate website. At IS Investment; the Board of Directors bears the responsibility for the fulfilment 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 fulfil this task in close collaboration with the Board of Directors and the audit committee.

### 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 period stipulated in the current legislation. IS Investment fulfils this significant responsibility for public disclosure with the utmost fastidiousness. During the first nine months of 2009, 425 material event statements were submitted to the ISE for IS Investment and the ETFs established by IS Investment; "IS Investment Dow Jones Turkey Equally Weighted 15 A Type Exchange Traded Fund" and "IS Investment iBoxx Turkey Benchmark Bond Exchange Traded Fund". No additional statement requests were made by the CMB or the ISE for the related statements.

IS Investment shares are not listed on a foreign stock market.

### 10. The Company's Website and its Contents

IS Investment websites, available both in Turkish and in English can be found at [www.isyatirim.com.tr](http://www.isyatirim.com.tr) and [www.isinvestment.com](http://www.isinvestment.com) Information on the following topics are provided for shareholders and stakeholders under the heading, Investor Relations, as stipulated in the relevant section of the CMB Corporate Governance Principles;

- Vision, Mission and Corporate Values,
- Corporate Information,
- Trade Registry Information,
- Ownership Structure & Subsidiaries,
- Articles of Association,
- The Board of Directors and Executives,
- Organization Structure,
- Rating Reports,
- Company Reports,
- Corporate Governance Principles Compliance Statement,
- Declaration of the Independent Member of the Board,
- Policy on Struggle Against Laundering Proceeds of Crime and Terrorism Financing,
- Dividend Policy,
- Ethical Principles,
- Risk Management,
- Disclosure 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,
- Power of Attorney,
- Minutes of Ordinary General Meeting of Shareholders,
- Stock Performance,
- Privileges Assigned to Shares,
- Capital Increases,
- Material Event Statements,
- Contact Information,
- Notifications.

# Corporate Governance Principles Compliance Statement

## 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 affect 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 stock trading activity.

"List of People Who Have Access to Inside Information" was prepared as of May 1, 2009 and the pertinent list is submitted to the Capital Market Board and related exchange on demand in line with the capital market legislation.

## 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, both in Turkish and in English, to the attention of stakeholders. In addition, press releases are forwarded to media institutions following 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 following 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.

## 15. Company Policy on Human Resources

IS Investment established its policy on human resources and disclosed it to the 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 criterion in promotions is the performance of the employees.

IS Investment's main training policy is to provide equal opportunities 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 are 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 fulfil 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.

A customer satisfaction survey was conducted in 2008 and feedback was 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.

# Corporate Governance Principles Compliance Statement

## 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
Güzide Meltem Kökden	Dep. Chairman
Emre Duranlı	Member
Turan Gökçen Bali	Independent Member
İzlem Erdem	Member
Serpil Kılıboz	Member
Ebru Özşuca	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, for the second time, has been assigned as the Independent Board Member by the AGM held on April 27, 2009 until the date of the next AGM. The "Independence Declaration" of the independent board member has been disclosed to public by IS Investment's website and in annual/quarterly reports.

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.

## Independence Declaration

To the Board of Directors of IS Investment;  
I hereby declare to the Board of Directors, shareholders and stakeholders that I fulfil 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 April 27, 2009 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, nor was I 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,
- My spouse or any her relatives by blood and affinity up to the third degree, did not have a managing position nor were they shareholder holding more than 5% of the total capital or controlling shareholder by all means and 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.

Sincerely,  
Prof. Dr. Turan Gökçen Bali

## 19. The Qualifications of Board Members

All Board members are university graduates and experienced managers in their fields. In this respect, qualifications of 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. Vision, Mission and Strategic Goals of the Company

IS Investment's vision, mission and corporate values are approved by the Board of Directors and disclosed to public on the corporate website.

### Vision

To be the most preferred leader and reliable investment institution in Turkey and in the region.

### Mission

- To offer all investment banking services under one entity,
- To produce qualified information, establish information based strategies and create value,
- To be innovative in product and service development,
- To lead the development of capital markets,
- To follow technologic developments and apply them to activities,
- To ensure customer satisfaction,
- To increase the value created for shareholders.

### Corporate Values

**Customer Focused:** To be near our customers; to perform correctly the risk-revenue analysis conforming their expectations; to offer services of required and desired quality in order to increase our customers' assets in parallel to this analysis.

**Market Centered:** To create the highest added value possible for our investors and our Company basing on the developments by following instantly domestic and international capital markets.

**Dynamism and Innovation:** To search for the better and the newer through our efficient human resources specialized in their domain, in the most conforming way to market conditions, by respecting our corporate policies and with an endless energy in order to develop continuously our values, services and products.

**Confidentiality:** To respect confidentiality principles related to the matters of clients' identity, transactions and trade secret which may affect our share value within the context of laws, corporate policies and ethical values.

**Reputation:** To continue to be the representative of confidence and success atmosphere created by the brand name "IS" that we represent proudly in capital markets.

**Esteem the Employees:** To ensure continual training and development of our expert staff that we recruit by considering our corporate values with the corporate social responsibility concept; to exert a human resources policy granting equal rights to the ones being under equal conditions by not applying any religious, linguistic and ethical discrimination, within the context of comfortable, secure and specific career plan.

**Team Work:** To bring the productivity to the highest possible level by creating a synergy combining the division of labour and cooperation, efficient sharing and solidarity.

### Respect to Laws, Corporate Governance

**Principles and Ethical Values:** To ensure the best international practice in the domain of corporate governance principles in order to sustain our success in markets and financial performance by respecting the laws and our ethic values through transparent management, efficient risk management and internal mechanism.

**Perfectionism:** To be conscious that one can be even better if he always endeavours to be the perfect.

**Objectivity and Impartiality:** To ensure conduction of relations with clients without causing any conflict of interest during the performance of capital market activities, informing our shareholders in correct, complete and timely manner, making objective commentaries on markets.

# Corporate Governance Principles Compliance Statement

**Social Responsibility:** To spend maximum effort in order that primarily our employees, the environment and other internal and external entities get maximum benefit while trying to meet our objectives of growing and making profit.

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 are approved by the Board of Directors after reviewing the performance of the previous period.

## 21. Risk Management and Internal Control Mechanisms

Effective risk management is fundamental to the 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 risks. 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 are 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 to 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 fulfils 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 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 fulfil 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 Mr. Özcan Türkakin, Ms. Güzide Meltem Kökden and Mr. Emre Duranlı.

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. 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 was decided in the Ordinary General Meeting of Shareholders held on April 27, 2009 that the salary of board members was determined as gross TL 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

[isinvestment.com](http://isinvestment.com)

### Head Office

İş Kuleleri, Kule-2 Kat: 12 4. Levent 34330 İstanbul, TURKEY  
Tel: +90 212 350 20 00 Fax: +90 212 350 20 01

### Kavacık Auxillary Office

Rüzgarlıbahçe Mevkii, Kavacık Kavşağı,  
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### Akaretler Branch

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### Ankara Branch

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Kavaklıdere 06700  
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### İzmir Branch

Akdeniz Caddesi No: 14  
Birsel İş Merkezi Daire: 501  
Alsancak 35210  
İzmir, TURKEY  
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Fax: +90 232 464 69 43

### Kalamış Brach

Fener Kalamış Caddesi  
Tibas Belvu Sitesi A2 Blok  
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İstanbul, TURKEY  
Tel: +90 216 542 72 00  
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### Yeniköy Branch

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