İŞ INVESTMENT

2008

ANNUAL REPORT

Turkey pioneering and innovative investment house...

Great investor interest in TradeMaster International... IS Investment's second ETF: iBoxx Turkey Benchmark Bond ETF... IS Investment's sixth branch opened in Yeşilköy... IS Investment is Turkey's most admired investment house... Professor Nouriel Roubini was the guest of "Wide-Angle"... Maxis Securities is marching on with a stronger capital base... Second Euromoney Excellence Award to IS Investment...

Crisis and opportunities in the world economy

The world in 2008

The massive problems of the mortgage-backed securities market that began in 2007 turned into a widespread liquidity and credit crunch in 2008. In the United States, many financial institutions, including Bear Stearns and Lehman Brothers, two major investment banks, went under.

The crisis, initially a financial crisis confined to the United States, expanded beyond US borders and started to threaten the European financial system. The ongoing turmoil in the global financial system eventually impacted the real economy. Initially, the emerging economies were not affected by the deteriorating financial and economic conditions in developed economies. Eventually, however, these less developed economies encountered their own hard landing due to the recession in the G7 countries.

The International Monetary Fund urged its member countries to simultaneously implement expansionary monetary and fiscal policies. The financially strong and creditworthy developed countries began fighting the recession through counter-cyclical monetary and fiscal policies. Governments in some countries began channeling public funds into troubled sectors and companies, while trying to implement measures to boost demand. France and Germany, the EU's leading countries, chose to implement local, rather than EU-wide measures, which has led some to question the EU's future and especially that of the Euro.

Overview of the Turkish economy

The Turkish economy encountered the global crisis during its strongest period of the past few years. The debt dynamics of Turkey's public sector are better than those in most EU countries. Furthermore, Turkish banks outperformed their peers in EU in terms of both profitability and asset quality through the continuing financial turmoil. Household indebtedness in Turkey is very low compared to developed countries. However, it will be impossible for Turkey to emerge unscathed from the global recession.

Europe, which constitutes 60% of Turkey's export market, is on the verge of a recession. Turkish industrialists are trying to overcome the recession by diversifying the export markets. High exposure to cyclical sectors such as automotive, white goods and iron & steel aggravate the impact of the crisis on the Turkish economy.

The sharp drop in demand for Turkish exports began a decline in industrial production. Many sectors, such as automotive and iron & steel, are trying to reduce their inventories by temporarily halting production, laying off workers and operating at low capacity levels. Domestic demand is not strong enough to compensate for the drop in exports.

In 2009, the Turkish economy will slow down and the current account deficit will contract due to the recession in the European economy and shrinking credit channels.

Foreign capital was the driving force behind the spectacular growth of the Turkish economy between 2002 and 2007. Now, the tide is turning as the borrowing capacity of Turkish banks and corporations declines due to the global decline in investments.

We expect capital repayments of the public sector, banks and companies to reach US$ 88 billion. Debt repayments from non-financial companies are close to US$ 30 billion in 2009. Each ten percentage point decrease in the debt rollover ratio from private sector companies will lead to a US$ 3 billion contraction of this sector's balance sheet.

Our scenario analysis, assuming 60%, 70% and 80% debt rollover by the companies, suggests funding requirements varying from US$ 1.5 billion to US$ 24 billion.

In the worst-case scenario, where Turkey does not reach an agreement with the IMF (60% debt rollover), we estimate a financing gap of US$ 24 billion. Our base-case scenario, which assumes an agreement with the IMF and a debt rollover ratio of 70%, suggests a funding gap of US$ 8 billion.

In our base-case scenario, where banks and non-bank companies rollover 70% and 80% of their debt payments, we do not see substantial pressure on the exchange rate provided that households are willing to reduce their FX exposures.

In our report on the economy, published in October, we asserted that the Central Bank should cut interest rates despite the potential capital outflow due to a decline in the global appetite for risk. Time has proven us right. Seeing the inflation risk reduced and the probability of recession heightened, the Central Bank lowered its policy rate by 50 basis points in November, and another 125 basis points in December. We expect the policy rates to come down to 12% in the coming months. But, at the same time there is the downside that risks could affect our estimates.

Recommendations for investors

We will not make a major change in our strategy during 2009. We continue to recommend Turkish Lira-denominated fixed-income securities based on our base-case scenario. That scenario assumes that the economy enters into a major recession, oil prices remain low, and a stand-by program with IMF and the Central Bank reverts back to a neutral monetary policy.

We stated in our June and November Fixed Income Strategy reports that heavy debt payments provide the best investment opportunity in emerging markets. Despite fluctuations in world markets, time has proven us to be correct. Bond yields dropped from the 22% reached in the second half of the year, to 17%. We maintain our bullish view on the bond market despite the recent rally. Parallel to the Central Bank's rate cuts, we expect yields in the bond market to drop to the 14% level in the first half of 2009.

We do not expect an immediate rally in the equity market despite the heavy losses in recent months. Squeezed between a recession in Europe and a global credit crunch, Turkey is set to go through a major recession. However, we would like to remind everyone that heavy losses in the bourses during 2009 will create an attractive buying opportunity for medium-term investors.

contents

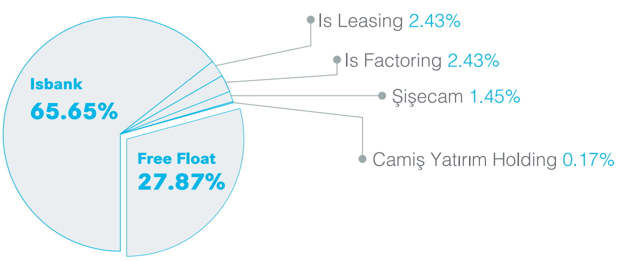
IS Investment ranks first in the ISE Stock and Turkish Eurobonds markets as well as on the TurkDEX...

Summary Balance Sheet (TL 000)	**December 31, 2008**	**December 31, 2007**
Assets		
Current Assets	1,428,563	1,212,512
Long-Term Assets	54,276	28,197
Total Assets	1,482,839	1,240,709
Liabilities		
Short-Term Liabilities	1,071,644	833,390
Long-Term Liabilities	1,265	1,014
Minority Interest	137,241	162,710
Shareholders' Equity	272,689	243,595
Total Liabilities	1,482,839	1,240,709

Summary Income Statement (TL 000)	**January 1-December 31, 2008**	**January 1-December 31, 2007**
Sales Revenue	33,334,236	29,696,679
Cost of Sales	(33,346,230)	(29,689,167)
Interest and Derivative Income from Operating Activities	46,348	35,366
Income from Services (Net)	56,903	67,802
Other Operating Income	12,099	15,243
Operating Expenses	(90,461)	(64,774)
Other Income/Expenses	7,945	(5,083)
Non-Operating Revenues/Expenses	32,020	21,407
Tax	(10,965)	(8,305)
Minority Interest	(2,810)	30,784
Net Profit (Equity holders of the parent)	44,705	38,384

Note: The financial statements and footnotes of IS Investment are disclosed to public at www.isinvestment.com

Shareholding Structure



Financial Highlights	**December 31, 2008**	**December 31, 2007**
Current Assets/Short-Term Liabilities	1.33	1.45
Total Liabilities/Shareholders' Equity	3.93	3.43
Earnings per Share	0.3745	0.3449

IS Investment in capital markets after the Public Offering

TL 44 billion

IS Investment is the ISE Stock Market leader, with TL 44 billion trading volume and 6.61% market share.

TL 16.6 billion

IS Investment ranks second among brokerage houses in the ISE Bonds and Bills Market, with a trading volume of TL 16.6 billion and a market share of 14.09%.

TL 56.9 billion

IS Investment has the highest trading volume on TurkDEX with TL 56.9 billion, and is the market leader with 13.68% market share.

TL 3.3 billion

IS Investment ranks first in the ISE Turkish Eurobonds Market among brokerage houses with a market share of 6.43% and a trading volume of TL 3.3 billion.

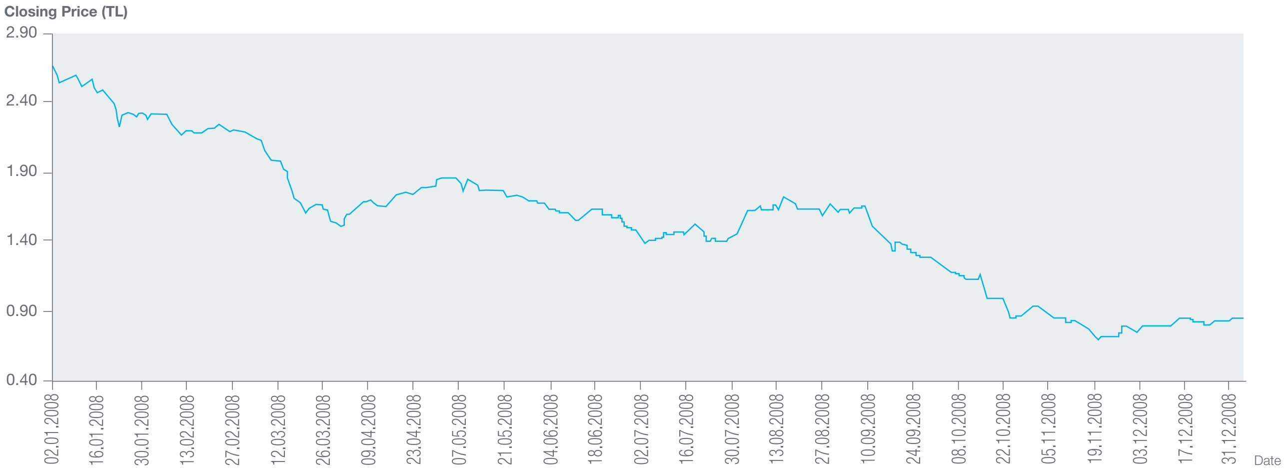
TL 29.7 billion

IS Investment is in seventh place in the ISE Repo-Reverse Repo Market among brokerage houses, with a trading volume of TL 29.7 billion and a market share of 2.78%.

A Modern and Radical Change in Governance

Taking another step towards principles of equality, transparency, accountability and responsibility - the global rules of corporate governance - IS Investment elected an independent member to the Board of Directors. After going public in May 2007, IS Investment elected Professor Turan Gökçen Bali as an independent member of its Board of Directors at its Annual General Meeting of Shareholders on April 28, 2008.

ISE Performance of Is Investment Stocks (ISMEN)



Great investor interest in TradeMaster International

Trading volume on TradeMaster International, which was developed by IS Investment for professional investors, increased five-fold in a year, while the number of investors reached three times the Company's target. Turkish investors who use TradeMaster International primarily trade crude oil, gold and copper contracts in the commodity markets, the US$ 5 mini Dow Jones contract among equity indices and the Euro/US dollar contract in the currency futures market.

IS Investment's second ETF: **iBoxx Turkey Benchmark Bond Index ETF**

After the public offering of its first exchange-traded fund, IS Investment Dow Jones Turkey Equally Weighted 15 A Type ETF (ISDJE), in May 2007, IS Investment completed the public offering of its second ETF in July 2008. IS Investment iBoxx Turkey Benchmark Bond ETF offers its investors the yield of six of the longest-dated zero-coupon Domestic Government Debt Securities.

"Wide-Angle" Inserts with Capital magazine

Capital magazine, with the contribution of IS Investment, presents to its readers quarterly interviews with experts in its "Wide-Angle" inserts. Also available on www.isinvestment.com, some of the topics covered in 2008 included:

• January 2008, Risk and Opportunities in the Economy
• April 2008, What is Next for the Health Care Sector?
• July 2008, What is Next for the Construction Sector?
• October 2008, Which Way is the Global Crisis Headed?

Capital magazine: **IS Investment is Turkey's Most Admired Investment House**

IS Investment was deemed Turkey's Most Admired Investment House, according to the results of the Turkey's Most Admired Companies survey conducted by Capital magazine for the eighth time this year with the participation of 1,351 mid-level and senior executives from 677 companies.

IS Investment's sixth branch opened in Yeşilköy

IS Investment opened its sixth branch in Yeşilköy in 2008, following its Ankara and Izmir branches as well as Kalamış, Yeniköy and Akaretler branches in Istanbul. This branch, opened to meet the demands of our growing client portfolio and to be closer to investors, represents a new step towards IS Investment's growth target.

In addition to the Yeşilköy branch, shown in the photo at the right, photos of all branches of IS Investment are presented in this report.

Second Euromoney Excellence Award to IS Investment

IS Investment, the leading and pioneering institution of the Turkish capital markets, won the Best Equity House in Turkey award, one of the most prestigious awards in the sector, for the second straight year for its excellent performance and successful operations in equity brokerage. Handed out by Euromoney magazine, an influential and well-respected publication of international finance, the Euromoney Awards for Excellence are granted each year to the best companies in its sector in every country.

Professor Nouriel Roubini was the guest of "Wide-Angle"

Professor Nouriel Roubini, who is known for his studies in the field of international macroeconomics, was the 2008 guest at the "Wide-Angle" meeting, organized annualy by IS Investment since 2003, with the participation of worldwide renowned guests.

Professor Roubini came to Istanbul as the guest of IS Investment's Wide-Angle meeting and presented his speech on "Prospects for the US and Global Economy in 2008 and Implications for Financial Markets, especially Turkey" to the Turkish business world and media.

Maxis Securities is marching on with a stronger capital base

IS Investment increased the capital of Maxis Securities, its wholly-owned subsidiary based in London. The capital of Maxis Securities, which was founded in 2006 and commenced operation in 2007, was raised from GBP 2,000,000 to GBP 3,000,000. Maxis Securities, which represents a major stride toward IS Investment's objective of enhancing its activities in the international capital markets, continues to serve investors with a stronger capital base.

The only investment house with a credit rating

Fitch Ratings affirmed the credit rating of IS Investment, the only investment house listed on the Istanbul Stock Exchange and granted with a credit rating. Fitch Ratings reaffirmed IS Investment's AAA(tur) long-term national credit rating with a "stable" outlook.

"Despite the negative developments in domestic and international markets, we are proud that 2008 was a year of innovation and success for IS Investment. By the end of the year, IS Investment still continued to be the market leader in equity and derivatives trading."

Dear Shareholders,

The turmoil that began in the US mortgage market in 2007 morphed into a full-blown global financial crisis in 2008 and led to a severe economic slump, starting initially in the developed countries then moving into emerging economies. Despite the simultaneous efforts of many countries to overcome the recession, as well as expansionary monetary and fiscal policies, it appears that the crisis will continue to top the world's agenda in 2009.

Although the Turkish economy is enjoying a period of relatively strong financial structure, it will inevitably be impacted by the global crisis. The decrease in international risk appetite will lead to reduced borrowing opportunities for the banking system and the private sector. In addition, European countries which absorb nearly 60% of Turkey's total exports are ready to slide into a major recession. The sharp drop in export demand also negatively impacts industrial production. In light of these developments, the most important threat to the Turkish economy in 2009 is the shrinking of borrowing channels, as well as the pending recessionary environment coming from the contraction in the European economy.

The measures implemented by the Central Bank of Turkey to enhance liquidity, such as the opening of the foreign exchange deposit market, reduction in reserve requirements and the lowering of overnight rates, have been effective in mitigating the severity of the slump. However, the major development that will establish permanent confidence in the markets is a new stand-by agreement with the International Monetary Fund that includes strong financial backing. Consequently, the large current account deficit and concerns over the management of the economy stand out as primary factors that will determine the course of the Turkish capital markets in 2009.

We are proud that 2008 was a year of innovation and success for us despite the negative developments in domestic and international markets. At the end of the year, IS Investment still continued as the market leader in equity and derivatives trading.

The Company is the Stock Market leader, with a TL 44 billion trading volume and a 6.61% market share. IS Investment ranks second among investment houses in the Bonds and Bills Market, with a trading volume of TL 16.6 billion and a market share of 14.09%. IS Investment has a trading volume of TL 56.9 billion and a market share of 13.68% on the TurkDEX, where the Company is a founding partner and has been the market leader since its inception. IS Investment also ranks first in the ISE Turkish Eurobonds Market among investment houses with a market share of 6.43% and a trading volume of TL 3.3 billion. Furthermore, IS Investment was the most active participant in the ISE Settlement and Custody Bank Inc. (Takasbank) Securities L/B Market with a trading volume of TL 718.5 million and a market share of 27%.

To meet the demands of its growing client portfolio and healthy growth perspective, IS Investment opened its sixth branch in Yeşilköy during 2008, joining the Ankara and Izmir branches along with its Kalamış, Yeniköy and Akaretler branches in Istanbul.

IS Investment, an investment banking company, together with its subsidiaries specialized in various segments of the capital markets, owns 29% of IS Private Equity, 70% of IS Asset Management and 29.1% of IS Investment Trust. IS Investment increased the capital of Maxis Securities, its wholly-owned subsidiary based in London from GBP 2,000,000 to GBP 3,000,000. We see Maxis Securities as a major stride toward IS Investment's objective of enhancing its presence in the international capital markets.

Board of Directors: İbrahim Akar (Member), Turan Gökçen Bali (Independent Member), Güzide Meltem Kökden (Member), Emre Duranlı (Member), İzlem Erdem (Auditor), Özcan Türkakın (Chairman), Oğuz Dincer (Member), Serpil Kılıboz (Auditor)

- Members of the Board of Directors were elected at the Annual General Meeting of Shareholders on April 28, 2008 to serve until the next Annual General Meeting of Shareholders.
- Fatma Güliz Aykan resigned from the Board of Directors on August 26, 2008. Emre Duranlı, was appointed member of the Board of Directors pursuant to the resolution of the Board of Directors dated September 17, 2008 to be presented for the approval of the next General Meeting of Shareholders, was elected to the Audit Committee on September 19, 2008.
- Members of the Board of Directors do not have any executive duties in IS Investment.

IS Investment assumes an innovative and pioneering role in the Turkish capital markets in addition to its leadership position. After the public offering of its first exchange-traded fund, IS Investment Dow Jones Turkey Equally Weighted 15 A Type ETF (ISDJE), in May 2007, IS Investment completed the public offering of its second ETF in July 2008 and IS Investment Arbitrage Hedge Fund, Turkey's first hedge fund, in November. Furthermore, our TradeMaster International product, developed for professional investors providing real-time trading on the primary equity and derivatives markets in the world, was met with great investor interest.

In 2008, IS Investment invited Professor Nouriel Roubini, respected throughout the world for his research in the field of international macroeconomics, to the "Wide-Angle" meeting which has been organized by the Company since 2003. During this meeting, Roubini shared his opinions on the latest developments in the United States as well as the impact of these developments on global markets.

IS Investment is the only Turkish investment house that trades on the ISE. It is also the only Turkish investment house assigned a credit rating, which it received from Fitch Ratings in 2008. Fitch affirmed IS Investment's AAA(tur) long-term national credit rating with the "stable" outlook in January 2009.

We believe that IS Investment's strict adherence to corporate governance practices played a major role in these credit ratings. During this time of global turmoil, we have been more sensitive to informing our shareholders in an accurate, comprehensive and timely manner, as per the IS Investment Information Policy. The Company's Investor Relations Department sees good corporate governance practices as one of the most important elements of the sustainable growth approach.

Our consistent success in capital markets is also recognized by national and international publications. A clear proof of this is that IS Investment, for the second consecutive year, won the Best Equity House in Turkey award, among the most prestigious capital markets awards globally. It is handed out by Euromoney magazine, an influential and respected international finance publication. Moreover, IS Investment was deemed Turkey's Most Admired Investment House by Capital magazine this year.

As voiced by administrations throughout the world, 2009 will be a difficult year. During this period, only companies that have a solid, healthy structure and sustainable growth will be able to survive and prosper. IS Investment's business conduct built on openness, honesty, transparency and success is our greatest assurance in surviving this challenging period.

The strength of companies is determined primarily by the quality of their human resources. That is why IS Investment has a solid foundation based on its highly qualified, devoted and loyal human resources. I would like to take this opportunity to thank my colleagues for keeping IS Investment standing upright and successfully making it what it is today. I also thank our shareholders for their confidence and our stakeholders for their support.

Respectfully yours,

Özcan Türkakın
Chairman

"IS Investment sees part of its mission to contribute to the growth and development of Turkish capital markets."

"IS Investment continued to develop new products in 2008. After the public offering of IS Investment Dow Jones Turkey Equally Weighted 15 A Type ETF (ISDJE) in May 2007, IS Investment completed the public offering of its second ETF, IS Investment iBoxx Turkey Benchmark Bond ETF (ISIGT) and IS Investment Arbitrage Hedge Fund, Turkey's first hedge fund, in 2008."

The global crisis took precedence over everything in 2008. What is your assessment of this period in terms of capital markets both around the world and in Turkey?

After starting in the US housing sector in 2007, the crisis initially brought destructive effects to financial markets in the final quarter of 2008. These effects then penetrated the real economy and took on a truly global character. This also showed us the fallacy of the "decoupling" theory. Despite the stimulus packages implemented to overcome the crisis, the major problem facing world economies today is the recession caused by contraction in demand.

It was inevitable that Turkish capital markets would be subjected to the adverse impacts of this crisis, which led to the demise of giant corporations one after the other and resulted in a severe liquidity crunch on a global scale. However, unlike most countries, financial institutions in Turkey were not greatly impacted; the crisis was felt in Turkey via crashing stock prices and declining trading volume on the Stock Market. Despite this, the ISE continued to be one of the preferred spots for investors among developing country stock markets. The share of stocks on the ISE held by foreign investors dropped modestly to 67%, from the all-time high of 72% in December 2007. That investors maintained their positions in the Turkish stock market in a period of rapidly declining capital inflows into emerging stock markets is a positive development.

On the other hand, thanks to heightened risk awareness and increased investor interest, trading volume on the Turkish Derivatives Exchange (TurkDEX) increased significantly. We expect uncertainties in the capital markets to continue for the most part in 2009. We will be entering a period of a slumping Turkish economy and decreasing current account deficit as a result of falling exports and shrinking borrowing channels.

We know that IS Investment is the leader in many markets. How did the global developments impact the 2008 performance and future perspective of IS Investment?

IS Investment was successful in 2008 despite global crisis conditions. As of year-end 2008, IS Investment was the market leader in the Equity, Derivatives, Securities L/B and Turkish Eurobonds markets and ranks second in the Bonds and Bills Market among investment houses. Our strategy is based on a reliable, high-quality, innovative service approach. We did not make any changes in our future plans despite adverse developments. We continue to open branches in the regions where there is need. We opened another branch in 2008 and introduced new products and services to investors. There will not be any changes in this policy.

What is the role of IS Investment's service approach in these successful results under the global crisis conditions? We know that IS Investment launched many new products in 2008, such as the IS Investment Arbitrage Hedge Fund and TradeMaster International.

Product and service diversity in our markets is essential to enhance the liquidity of the Turkish capital markets and for the transformation of Istanbul into a regional financial center. IS Investment has a "pioneering" role in this respect that we inherited from our main shareholder Isbank. Undoubtedly, development of new products and services plays as big a role as quality of service rendered to investors in IS Investment's success. We identify the needs of investors in a timely and accurate manner and offer them new solutions and opportunities.

"We expect uncertainties in the capital markets to continue for the most part in 2009. We will be entering a period of a slumping Turkish economy and decreasing current account deficit as a result of falling exports and shrinking borrowing channels."

With this perspective, we continued to develop new products in 2008. After the public offering of IS Investment Dow Jones Turkey Equally Weighted 15 A Type ETF (ISDJE) in May 2007, IS Investment completed the public offering of its second ETF, IS Investment iBoxx Turkey Benchmark Bond ETF (ISIGT) and IS Investment Arbitrage Hedge Fund, Turkey's first hedge fund, in 2008.

Speed and the use of technology have always been important in financial markets. However, after the emergence of new products and markets and as a result of increased interaction between these markets, effective use of technology became much more important. Use of electronic platforms is becoming more and more widespread in international markets.

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We identified this trend ahead of time and formed a technology group within the Company. We created the investment banking software and developed our electronic platform under the TradeMaster brand. This platform facilitates online trading in domestic markets as well as on major stock and derivatives exchanges in the world. There is no other platform in Turkey with such features.

During this period, IS Investment did not sacrifice growth in spite of the crisis. You increased the total number of branches to six with the new Yeşilköy branch. Will new branch openings continue in the period ahead?

We are aware that times of crisis can also be windows of opportunity. There is no change in our growth strategy, but we may take advantage of some opportunities presented by the crisis.

We are expanding our marketing/sales activities network day by day in line with our growth strategy and to be closer to the customers. After the opening of the Yeşilköy branch in Istanbul, adding to the Kalamış, Yeniköy and Akaretler branches in Istanbul as well as Ankara and Izmir branches, our network expanded to six branches. We are planning to open one more branch in 2009. In addition, our employee count grew by 15% in 2008.

IS Investment is the only investment house listed on the ISE that has been assigned a credit rating. What is your assessment of Fitch Rating's credit ratings for 2008?

At the end of 2008, Fitch Ratings affirmed its AAA(tur) long-term national credit rating and "stable" outlook for IS Investment, following ratings in December 2007 for the first time. Considering the destruction caused by crisis conditions in all markets, it is a significant accomplishment for IS Investment to maintain the credit rating it was assigned in 2007, which was a great year for all markets.

"IS Investment sees as part of its mission to contribute to the growth and development of Turkish capital markets."

What is your assessment of the share performance of ISMEN after the public offering and over the last year?

After serving as the lead arranger in the public offering by more than 60 companies in about 10 years, IS Investment successfully took itself public in May 2007 and was traded on the ISE Stock Market under the ISMEN ticker.

ISMEN's performance was inevitably impacted by the steep drop in the ISE during the second half of 2008, primarily in the last quarter.

"After our public offering in May 2007, we have strived to strictly adhere to equality, transparency, accountability and responsibility, which are the global principles of corporate governance. An independent member began serving on our Board of Directors in 2008 as per this policy. "

However, I do not think it is appropriate to measure the performance of a stock by market price alone. Investors do not only profit just from the short-term appreciation of stock prices. Financial performance of companies and their resulting dividend policies, secure balance sheet structures and long-term objectives also play major roles in evaluating stocks. We had a very good year in 2008 despite adverse market conditions. Pursuant to our dividend policy, we do not shy away from sharing our successful performance with our shareholders. I believe that the price of our stock will reach levels reflective of these accomplishments.

IS Investment made significant strides in the corporate governance area as well in 2008. Can you discuss these developments?

The adverse developments in the global financial markets that reached their worst levels in the last quarter of 2008 once again brought to the fore the importance of good corporate governance practices in our sector. Good corporate governance requires a company to determine its management strategy, create an effective risk management and internal control mechanism, establish a code of ethics, execute its public disclosure responsibility in adequate quality in line with its information policy and execute the tasks of the Board of Directors in a transparent manner.

IS Investment's conduct in the sector it serves is always reflective of its awareness that it represents the institutional approach that the "IS" emblem established in Turkey. We believe that compliance with Corporate Governance Principles is at least as important as financial performance, and pursuant to the IS Investment Information Policy, we put even greater emphasis on informing our shareholders in an accurate, comprehensive, quick and timely manner in these periods where confidence problems are prevalent on a global scale.

After our public offering in May 2007, we have strived to strictly adhere to equality, transparency, accountability and responsibility, which are the global principles of corporate governance. An independent member began serving on our Board of Directors in 2008 as per this policy.

The domestic and international awards won by IS Investment also confirm its success in 2008. You received the Euromoney Excellence Award for the second time.

Yes, the Euromoney Award for Excellence, granted each year by Euromoney magazine to the best companies in its sector was given to IS Investment for the second straight year for its excellent performance and successful operations in equity brokerage. We are very proud to have won this award given by Euromoney magazine, the influential and respected publication of international finance, for the second time.

In addition, IS Investment was named Turkey's Most Admired Investment House by Capital magazine in 2008. Capital reached this assessment based on the results of its Turkey's Most Admired Companies survey that it has been conducting since 2000. The 2008 survey was carried out with the participation of 1,351 mid-level and senior executives from 677 companies. We are pleased to see that our accomplishments are recognized both domestically and internationally. We

"The Euromoney Award for Excellence, granted each year by Euromoney magazine to the best companies in its sector was given to IS Investment for the second straight year for its excellent performance and successful operations in equity brokerage. We are very proud to have won this award given by Euromoney magazine, the influential and respected publication of international finance, for the second time."

are also aware of the responsibility these awards carry with them.

What are your expectations and forecasts for 2009? What are IS Investment's priorities for 2009?

2009 will not be an easy year for Turkish capital markets. International trading volume will continue to shrink and it does not seem easy for domestic trading to fill this gap. The launch of single stock futures and resumption of growth in the mutual fund market due to falling interest rates may bring a relative revival to the markets. However, I think a real recovery is dependent on the recovery in global markets.

Our greatest advantage is the assurance of our main partner Isbank, as well as our solid financial structure and the diversity of our operations. As a result, we have not been negatively impacted by the crisis conditions and will emerge from them even stronger.

Is there anything else you would like to add?

IS Investment sees as part of its mission to contribute to the growth and development of Turkish capital markets. We completed a difficult year successfully by joint efforts. I would like to take this opportunity to express my gratitude to my colleagues who contributed to this success and thank our shareholders, customers and all of our social stakeholders for their strong support. I would also like to point out my conviction that we will be sharing brand new accomplishments in the period ahead.

İlhami Koç
General Manager

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General Manager

İlhami Koç was born in 1963 in Malatya. He graduated from the Faculty of Political Sciences, at Ankara University in 1986 and took office as an Intern Deputy Inspector at Isbank the same year. After performing inspection and investigation activities at Isbank, Koç was promoted to the post of Assistant Manager in October 1994 in the Securities Department Isbank. In 1997, he was appointed Department Manager of Asset Management and International Capital Markets at IS Investment. In 1999, he became the Assistant General Manager in charge of Corporate Finance, Research, Domestic and International Capital Markets. In 2001, Koç assumed the position of General Manager at Is Private Equity. One year later, he became the General Manager of IS Investment. Koç is married, has one child and speaks English.

Murat Kural
Assistant General Manager

Murat Kural was born in 1964 in Istanbul and graduated from the Department of Electronics and Communications Engineering at Istanbul Technical University in 1987. In 1989, Kural earned an MSc from the School of Business Administration at Bilkent University. In 1990, he took office in the Prime Ministry Privatization Administration and was promoted to the post of Chief of Treasury in 1997. Kural served as a consultant at the World Bank the same year. In 1999, he joined IS Investment as Corporate Finance Manager and led numerous public offerings and privatization projects during that time. Since 2002, he has served as the Assistant General Manager in charge of Public Offerings and Privatization, Mergers and Acquisitions. He is married, has two children and speaks both English and French.

Ufuk Ümit Onbaşı
Assistant General Manager

Ufuk Ümit Onbaşı was born in 1970 in Gölcük and graduated from the Faculty of Economics (English) at Istanbul University in 1991. He began working at Isbank Securities Department the same year and continued his career in the banking sector. In 2000, his expertise in the Treasury led to his promotion as the Domestic Markets Manager at IS Investment. In 2003, he became the Assistant General Manager of IS Investment. Onbaşı is currently responsible for the Domestic Capital Markets, International Capital Markets, Derivatives and Arbitrage, Brokerage and Portfolio Management. He is married, has two children and speaks English.

Ertuğ Yıldırımcan
Assistant General Manager

Ertuğ Yıldırımcan was born in Izmir in 1966 and graduated from the Faculty of Political Sciences at Ankara University in 1987. He began working at Isbank that same year, where he served as an Inspector in the Internal Audit Board until 1996. He assumed the position of Assistant Manager responsible for consumer product development, pricing and marketing activities at Isbank Consumer Banking Marketing Department. In 2002, Yıldırımcan was assigned to the post of Chairman of the Board of Internal Auditors at IS Investment. For three years, he was responsible for the Department as well as branch inspections and auditing reports. Since 2005, he has been serving as the Assistant General Manager at IS Investment responsible for Operations, Financial and Administrative Affairs, Software Development, IT, Compliance and Human Resources departments. Yıldırımcan is married, has one child and speaks English.

Mert Erdoğmuş
Assistant General Manager

Mert Erdoğmuş was born in 1969 in Istanbul and graduated from the Faculty of Business Administration at Istanbul University. He later received his MA at Bloomsburg University, in Pennsylvania. His professional career started in 1993 in the finance sector; he joined IS Investment in 2000. He took part in the establishment of the first Istanbul branch of the Company, the Kalamış Branch. In 2006, Erdoğmuş was assigned as the Assistant General Manager. He is responsible for Investment Advisory, Domestic Branches, Marketing and Investor Relations. He is married, has two children and speaks English and German.

Funda Çağlan Mursaloğlu
Assistant General Manager

Funda Çağlan Mursaloğlu was born in Bursa in 1972 and graduated from Boğaziçi University with an undergraduate degree in 1996 and went on to earn an MA from Yeditepe University in 1998. Mursaloğlu began her professional career in 1996 in the finance sector and joined IS Investment in 1999 as an International Sales Associate. Responsible for foreign institutional sales, Mursaloğlu established the Institutional Sales and Trading Department where she was appointed Manager in 2005. Since October 2007, Mursaloğlu has been Assistant General Manager responsible for Institutional Sales, Research, Corporate Communication and coordination with International Organization. Mursaloğlu is married, has one child and speaks English.

A defensive approach in the Turkish capital markets

The large current account deficit and concerns over the management of the economy stand out as the primary factors that will determine the course of the Turkish capital markets in 2009. Turkish capital market players are expected to maintain a defensive approach until the global economy shows signs of life again.

General Outlook

Throughout the first half of 2009 at least, unfavorable conditions are expected to prevail. The resumption of growth in the Turkish capital markets is believed to depend generally on the recovery in the global markets.

The Turkish financial system first encountered the crisis in relatively strong shape. However, it was inevitable that Turkey would also be subject to the adverse impacts of this crisis which led to the demise of giant corporations one after the other and resulted in a severe liquidity crunch on a global scale. However, unlike in most countries, financial institutions in Turkey were not greatly impacted; the crisis was felt in Turkey via crashing stock prices and declining trading volume on the Stock Market. In other words, there was no "decoupling" between the developed and developing markets.

There was a marked decline in the trading volume of foreign investor particularly in the second half of 2008. As a result, every market except for futures witnessed a contraction.

These unfavorable conditions are expected to prevail at least through the first half of 2009. The resumption of the growth of the Turkish capital markets is believed to depend for the most part on the recovery in the global markets. However, the launch of single stock futures and the resumption of growth in the mutual fund market due to falling interest rates will bring a relative revival to the markets.

Another development we have observed as a result of the contraction in capital markets is the suspension of operations in some brokerage houses. In 2008, five brokerage houses suspended their operations. Similar developments are expected to continue in 2009. IS Investment maintained its leadership in almost every market in 2008.

Stock Market

IS Investment is expected to maintain its leading position in the ISE Stock Market in 2009.

In 2008, the direction of prices in the Stock Market was determined for the most part by developments in foreign exchanges and recession expectations in the economy. Due to the problems in the developed country markets, foreign investors sold stocks in ISE as well as in other countries and their share in trading volume contracted significantly. Daily average trading volume on the ISE Stock Market dropped 13.3% to TL 1.3 billion.

In 2008, stock markets in many emerging markets crashed due to sales by foreign investors and the exchanges were temporarily closed for trading. Prices on the ISE did not trade down to daily limit down levels as they used to in the previous crises, proving that the Turkish Stock Market is a liquid market even under negative circumstances.

The share of stocks held by foreign investors on the ISE dropped modestly from the all-time high of 72% in December 2007 to 67%. That investors maintained their positions in the Turkish stock market in a period of rapidly declining capital inflows into emerging stock markets is a positive development.

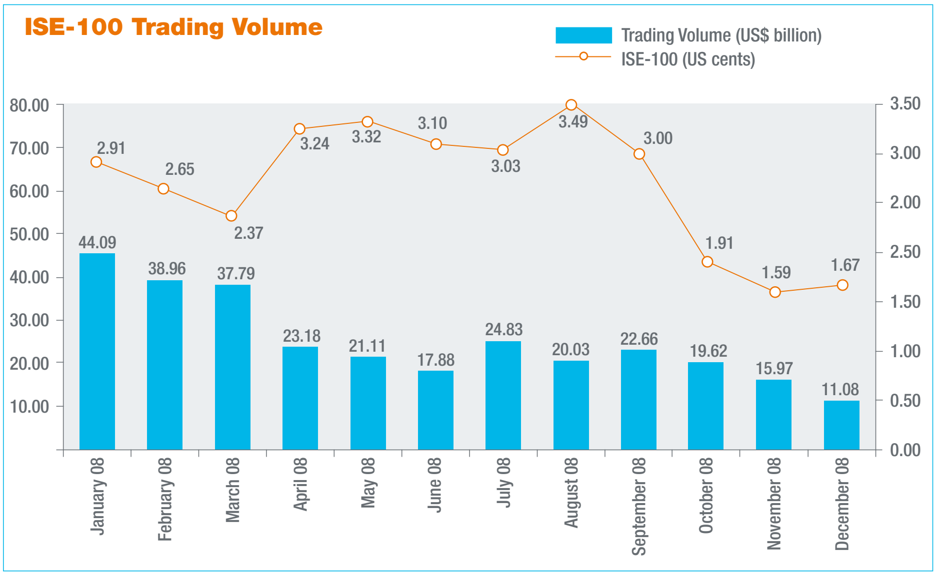
Under these market conditions, public offering activities nearly came to a halt. The Turkish Telecom IPO that was held in the first half of the year was the only public offering during the year.

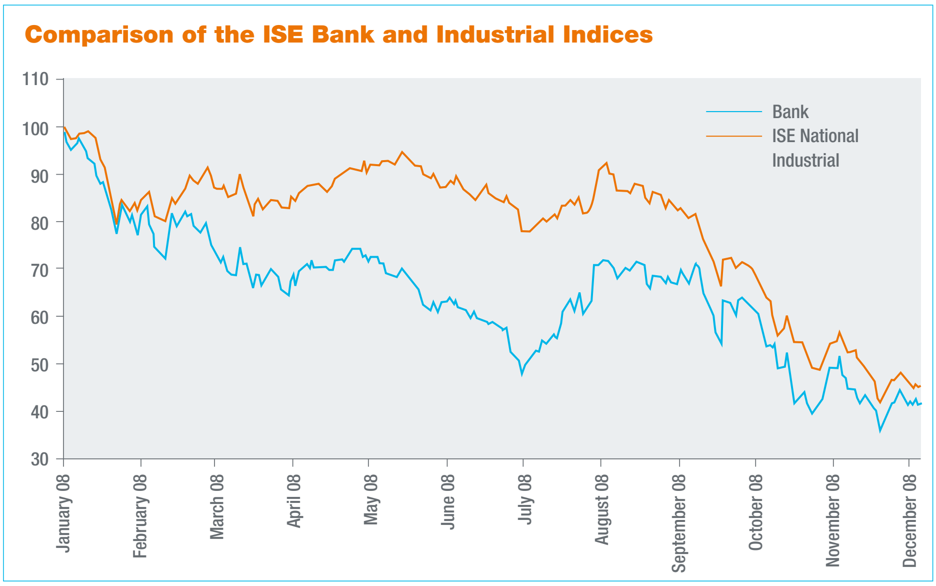
Despite the unfavorable developments, IS Investment maintained its leadership in the Stock Market with a TL 44 billion trading volume and a 6.61% market share. In addition, IS Investment was the most active participant in the ISE Settlement and Custody Bank Inc. (Takasbank) Securities Lending and Borrowing Market with a trading volume of TL 718.5 million and a market share of 27%.

IS Investment is expected to maintain its leading position in the ISE Stock Market in 2009.

6.61%

Daily average trading volume in the Stock Market dropped 13.3% to TL 1.3 billion. IS Investment maintained its leadership in the Stock Market with a TL 44 billion trading volume and a 6.61% market share.





Fixed-Income Securities Market

IS Investment's expectations for year-end 2009 are 15% for annual composite nominal interest rate, 8% for real interest rate and TL 1.7300 for the US dollar exchange rate.

Unfavorable factors that impacted all markets increased the volatility of the general level of interest rates. Beginning the year 2008 at 16.5%, the annual composite interest rate on the benchmark bond closed the year at 16.5% again after reaching a high of above 26% during the year; 16.5% was also the lowest level for the benchmark bond yield during the year.

After staying below the KYD Overnight Repo Index for most of the year, the return on the iBoxx Benchmark Bond Index turned up toward year-end once the Central Bank began to cut interest rates. Therefore, despite its general upward trend for most of 2008, Domestic Government Debt Securities yield compensated the losses during the year with a sharp drop at the end of the year.

Once the domestic political risk was eliminated following the Supreme Court decision, the annual composite benchmark yield dropped from 22.80% to 18.50%. However, interest rates began to climb again with the worsening of the financial turmoil abroad and reached above the 26% point. The selling pressure toward the end of September, coupled with the spike in the foreign exchange market, led to the near-disappearance of liquidity in the market and an increase in the bid-ask spreads. As a result of foreign investor selling and inflation concerns, even the short end of the yield curve was negatively impacted and the difference between the Domestic Government Debt Securities yield, and the overnight repo rate widened.

Interest rates headed downward again after the Central Bank began lowering interest rates in the last quarter of 2008; the benchmark bond yield closed 2008 at 16.5%.

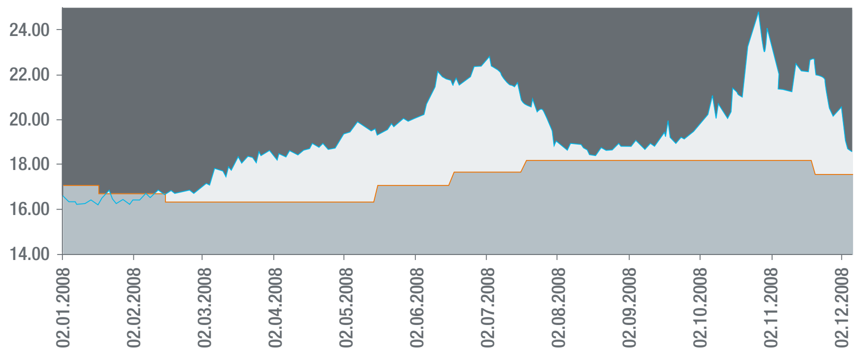
IS Investment's expectations for year-end 2009 are 15% for annual composite nominal interest rate, 8% for real interest rate and TL 1.7300 for the US dollar exchange rate.

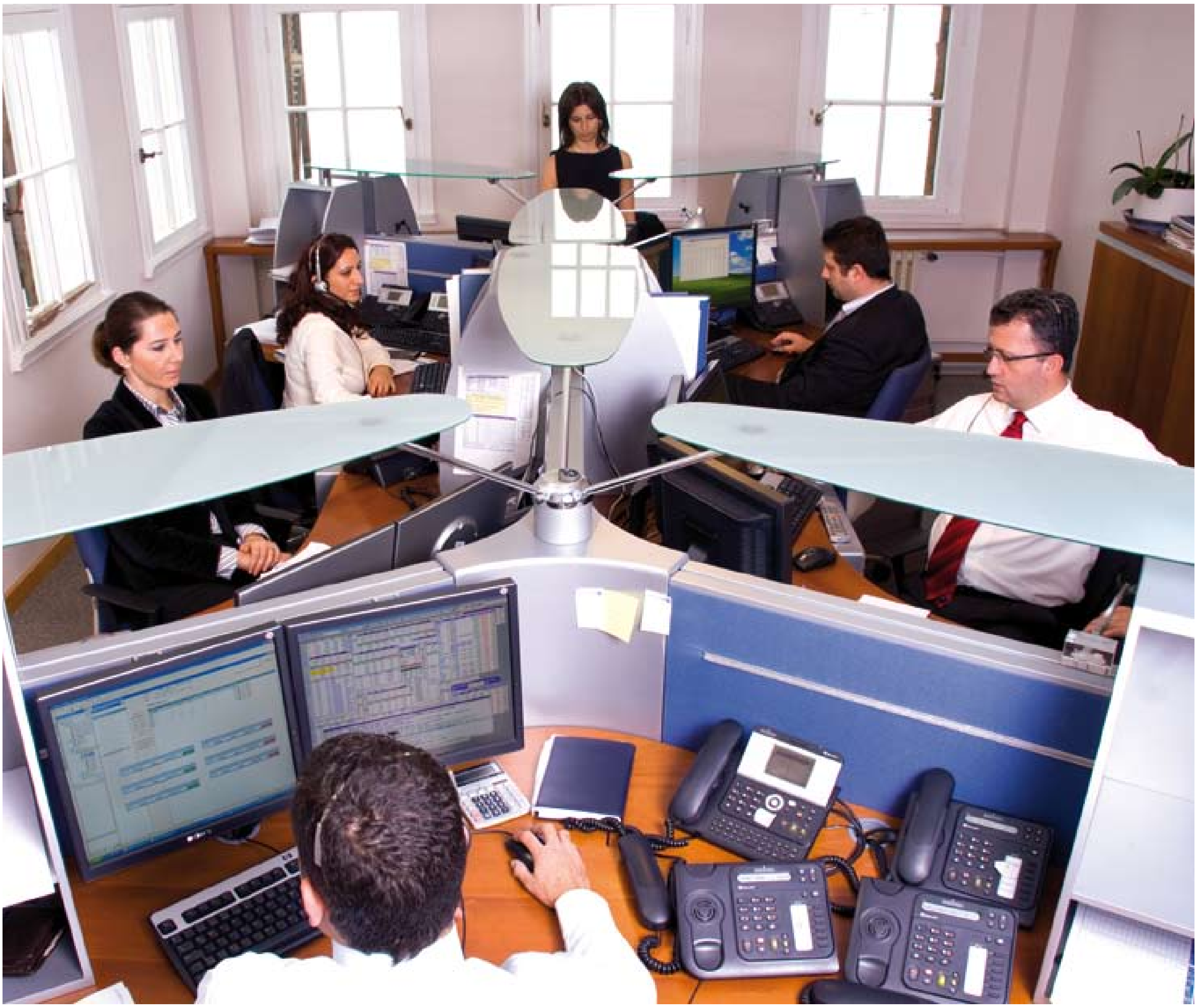
In 2008, IS Investment ranked second among investment houses in trading volume in the ISE Bonds and Bills Market, whereas it ranked 16th among all institutions including banks. IS Investment's target is to place in the top three among investment houses in 2009 in terms of trading volume in the ISE Bonds and Bills Market.

Following its first private placement corporate bond issue toward the end of 2007, IS Investment undertook the first floating-rate corporate bond public offering in 2008. IS Investment completed a TL 50 million nominal value two-year term floating rate bond issue of CreditWest Factoring on March 27-28, 2008. Unlike other corporate bonds, IS Investment continuously placed bid and ask orders after the offering on the ISE Bonds and Bills Market and ensured the liquidity for the issuance.

If interest rates continue to fall, markets will be able to accommodate more corporate bond issuances.

Benchmark Composite Rate





Derivatives Market

In 2008, IS Investment was the most active member of the Turkish Derivatives Exchange (TurkDEX). IS Investment's nominal trading volume increased 42%.

In 2008, IS Investment continued to be the most active member of the Turkish Derivatives Exchange (TurkDEX). The Company continued to contribute to the development of the market with its high trading volume as well as bid and ask quotes in illiquid contracts. IS Investment's nominal trading volume increased 42% in 2008, while its market share in TurkDEX dropped modestly to 13.68%. Nevertheless, IS Investment's market share is above its closest competitor by 5.88%.

As in the previous years, TurkDEX-ISE 30 contract had the highest trading volume in 2008, while TurkDEX-TL/US$ contract ranked second. IS Investment began providing two-sided quotes, both bid and ask, in the gold futures, which increased interest in these contracts. In addition to the gold contracts, IS Investment also began continuously providing two-sided quotes in the benchmark bond index-based interest rate futures; however, market interest in these contracts was not revived.

Foreign investor interest in the derivatives market continues despite the problems in international markets. The share of foreign investors in total derivatives trading volume dropped slightly from 25% at year-end 2007 to 23% in 2008.

Single stock futures, which are planned to launch in the first quarter of 2009, are expected to give a significant boost to the development of the market; investors are expected to show interest in these contracts. The launch of options trading, which we believe will make a significant contribution to the development of Turkish derivatives markets, will be possible with the development of a new software program at TurkDEX.

In addition, the market maker system is expected to be introduced in certain contracts in 2009.

As has been the case in the previous two years, IS Investment expects its market share to fall, but at a smaller rate, in 2009 while its nominal trading volume continues to grow.

Asset Management

IS Investment Arbitrage Hedge Fund, which is Turkey's first hedge fund, was offered for sale to qualified investors toward the end of 2008.

In 2008, IS Investment had one of its most active periods in asset management. At the end of July, iBoxx Turkey Benchmark Bond ETF, the second member of IS Investment's family of exchange-traded funds, was offered to the public. The iBoxx Turkey Benchmark Bond Index consists of six longest-dated zero-coupon Domestic Government Debt Securities, with a larger weight on the longer end. While offering the yields of long-dated zero-coupon Domestic Government Debt Securities, this exchange-traded fund can also be used for short-selling bonds.

IS Investment Arbitrage Hedge Fund, Turkey's first hedge fund, was offered for sale to qualified investors toward the end of 2008. Considering the ground-breaking nature of this product in Turkey, IS Investment contributed to the registration process of this fund, creation of its regulatory structure, particularly in the subject of risk management. As we have seen abroad, hedge funds need to prove themselves with their track records before their assets under management can accelerate. Consequently, IS Investment Arbitrage Hedge Fund is expected to start showing its true sales potential toward the end of 2009.

In 2008, IS Investment assumed the management of two capital protection funds established by Isbank. These funds are "Isbank B Type 100% Capital Protection ISE-30 Bull Mutual Fund" and "Isbank B Type 100% Capital Protection ISE-30 Bear Mutual Fund". In the near future, IS Investment will assume the management of two capital protection funds that will be launched by Isbank.

"IS Investment A Type Sütaş Special Variable Fund" and "IS Investment Dynamic A Type Istanbul Variable Fund" were offered to the public in January 2008 and December 2008, respectively. Subsequently, a number of funds established by IS Investment rose to nine with the five new funds launched in 2008, two of which are private funds, two exchange-traded funds and one hedge fund.

More importantly, IS Investment funds registered a 14% growth in 2008, while the mutual fund market contracted 7.8% to TL 24.1 billion during the same period.

2008 was also a generally successful year in terms of fund performance. IS Investment Exchange-Traded Funds, namely IS Investment Dow Jones Turkey Equally Weighted 15 A Type ETF and IS Investment iBoxx Turkey Benchmark Bond ETF, exhibited perfect correlation with the indices they track. B Type Variable and B Type Bonds & Bills Funds outperformed their benchmarks while the A Type Variable Fund was the only fund to underperform its benchmark. However, all three funds accomplished their ranking targets among comparable funds.

In 2009, the objective for IS Investment funds is to outperform their benchmarks and place among the top ten funds in their respective categories.

Assets under the Company's Discretionary Portfolio Management grew 60% in 2008. The main driver of this growth is the Money Market Portfolio Groups created in the second half of the year. Money Market Portfolio Groups expanded the product portfolio offered to customers and registered rapid growth in a short amount of time.

Interest in the Money Market Portfolio Groups is expected to dampen in 2009 due to the falling trend of the interest rates.

Mutual Funds

Characteristics

• Mutual Funds are composed of various investment instruments such as treasury bills, government bonds, stocks, repo, etc.
• Mutual Funds which include a minimum of 25% of Turkish-based company shares in their portfolios on a continuous basis are A Type funds, while all other mutual funds are listed as B Type mutual funds.
• Mutual funds are independently audited on an annual and semi-annual basis. Mutual funds formed by IS Investment are audited by Deloitte&Touche. The Capital Markets Board is authorized to audit the mutual funds at any time it deems necessary.
• Mutual funds disclose their prices on a daily basis and can be traded at the disclosed prices until a certain time during the day.

IS Investment Equity Fund (A Type)

The majority of the portfolio trades on stocks. Risk is managed by maintaining a share of the stocks within the general instrument composition of the portfolio at a level conforming to the market. The second step of risk management is to compose a selection of stocks. Middle and long-term investment continues to be the investment target. Distribution of risk in fixed-income instruments is maintained by diversifying term structures.

IS Investment Fixed Income Fund (B Type)

This fund aims for an average return by mainly investing in fixed-income securities and diversifying the term structures of these instruments.

IS Investment Bonds&Bills Fund (B Type)

This fund invests in public or private sector borrowing notes at a minimum of 51%. The fund prefers investing mainly in medium-term securities, while aiming to maintain a balanced composition of return and risk by diversifying securities and terms.

IS Investment Dynamic A Type Istanbul Variable Fund

This fund prefers to invest at least 25% of its assets continuously, on a monthly average basis, in shares of companies established in Turkey, including state-owned enterprises that are slated for privatization. The Fund's management objective is to primarily invest in these companies for investors who want to invest in the ISE Stock Market for the long term. It will be actively managed in order to adapt to changing market conditions and exposure to stocks targeted for holding in the portfolio may be increased and decreased quickly based on market conditions.

Exchange-Traded Fund

An exchange-traded fund (ETF) is an investment instrument traded on stock exchanges.
Only authorized participants can actually buy or sell shares of an ETF directly from/to the fund manager and then only in creation units, which are usually exchanged in-kind with baskets of the underlying securities. It is an asset class established for the purpose of portfolio management within the principles of risk diversification and dedicated ownership.

Guaranteed Fund

A Guaranteed Fund is structured as an umbrella fund and guarantees an investor's original investment, or a return on such investment, within the principles stipulated in the prospectus within a certain maturity or maturities based on an investment strategy and the pledge of a guarantor.

Protection Funds

A "Protection Fund" is a fund that is structured as an umbrella fund and that aims to pay, on a best-effort basis, the entirety or a portion of an investor's original investment, or a return on such an investment, within the principles stipulated in the prospectus within a certain maturity or maturities based on an investment strategy.

Umbrella Fund: An umbrella fund is a fund that includes all sub-funds whose shares are issued as part of a single legal entity.

Turkey's first hedge fund from IS Investment

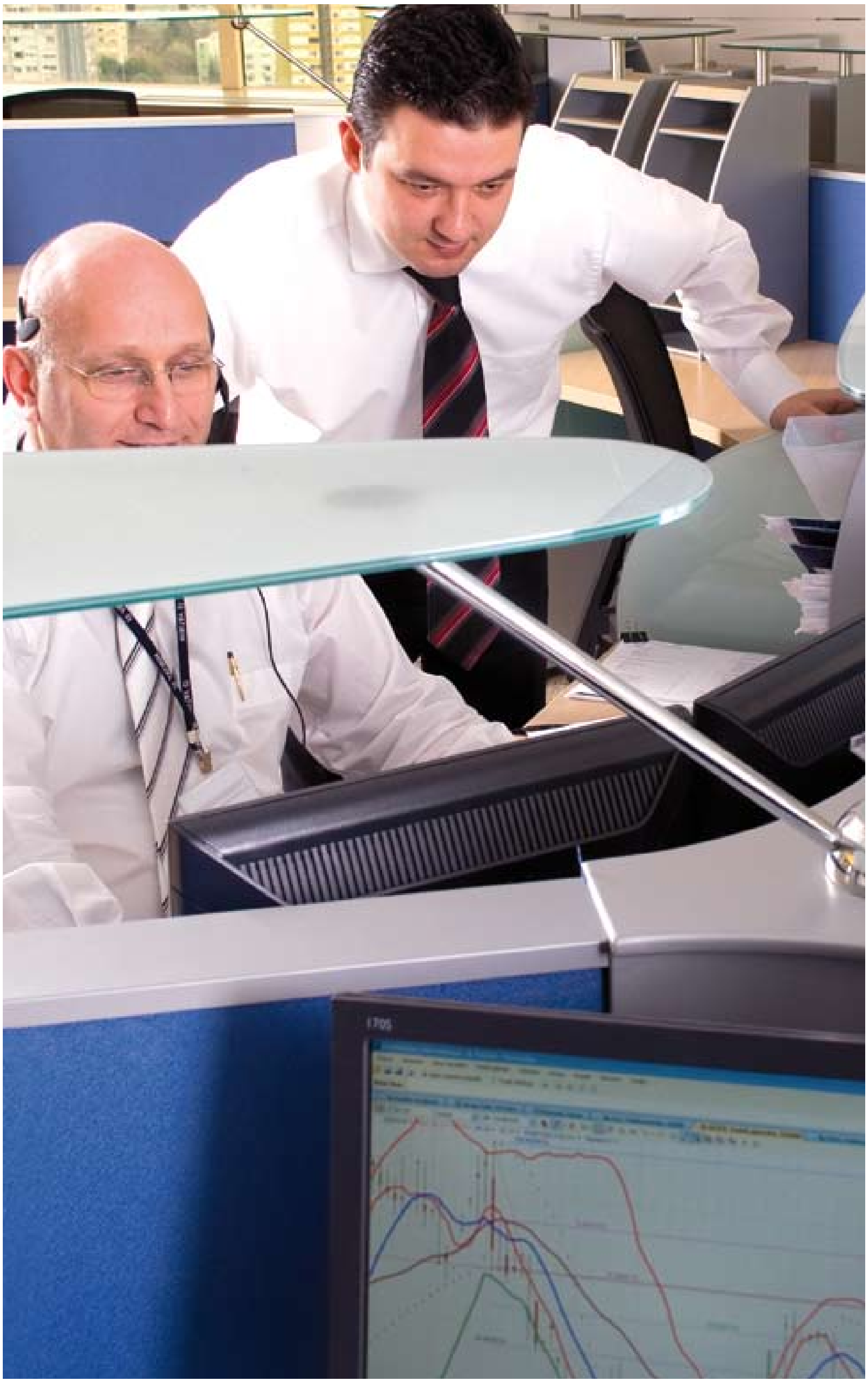
IS Investment offered for sale the IS Investment Arbitrage Hedge Fund, Turkey's first hedge fund.

Established with initial assets under management of TL 30 million, IS Investment Arbitrage Hedge Fund declares the Fund's share price each Wednesday. The minimum fund transaction amount is TL 100 thousand.

Instead of determining a fixed strategy, IS Investment Arbitrage Hedge Fund will be open to all viable strategies. The Fund's primary strategy is to exploit partial or full arbitrage opportunities in the markets. The target strategy places more weight on relatively less risky strategies, but also uses other strategies brought to the fore by the circumstances from time to time. The Fund plans to keep directional positions to a minimum while emphasizing relative value strategies.

2009 agenda: structure of the global financial system

Issues such as the slowing real economy, shrinking banking sector and the structure of the global financial system are expected to be intensely debated in 2009. The markets will continue to price developments such as eroding consumer confidence, risk assumed by the public, accommodative monetary policies and declining consumer spending as a result of rising global unemployment.



General Outlook

The 50% fall in world equity markets and the decline of the ten-year US Treasury bond yield below the S&P dividend yield for the first time in 50 years demonstrates that we are witnessing an extraordinary period.

During the first half of the year, developments not fully understood sparked discussions on various scenarios such as decoupling, stagflation and peak oil. The concerns that arose in the financial sector in March over the collapse of Bear Stearns eased temporarily after its acquisition by JP Morgan and the Federal Reserve's rapid intervention. As a result of large losses and capital deficiencies experienced by Fannie Mae and Freddie Mac (the US Government Sponsored Enterprises) due to the worsening housing market, failing mortgage-backed securities and problems in the securitization market the US government was forced to intervene and appoint administrators to these companies. In a similar fashion Lehman Brothers and AIG, two major players of the US financial system, were on the brink of bankruptcy due to the damage caused by their positions on their capital levels. While the Federal Reserve came to the rescue of AIG, citing AIG's large presence in the CDS (Credit Default Swap) markets in particular, Lehman Brothers was allowed to fail. Goldman Sachs and Morgan Stanley, other major US players, abandoned their investment bank statuses and acquired commercial banking licenses in order to be eligible for FDIC protection. Merrill Lynch was acquired by Bank of America.

2008 saw not just the failure of GSE and investment banking models, but the monoline insurance model as well. For a fee, monoline insurers such as Ambak and MBIA guarantee debt from states, schools, hospitals and small businesses as well as help such institutions boost their credit ratings. These insurers failed to deliver on their responsibilities, and as a result, lost their AAA ratings. Major mortgage lenders of the past such as Countrywide Financial and Thornburg either went bankrupt or were acquired.

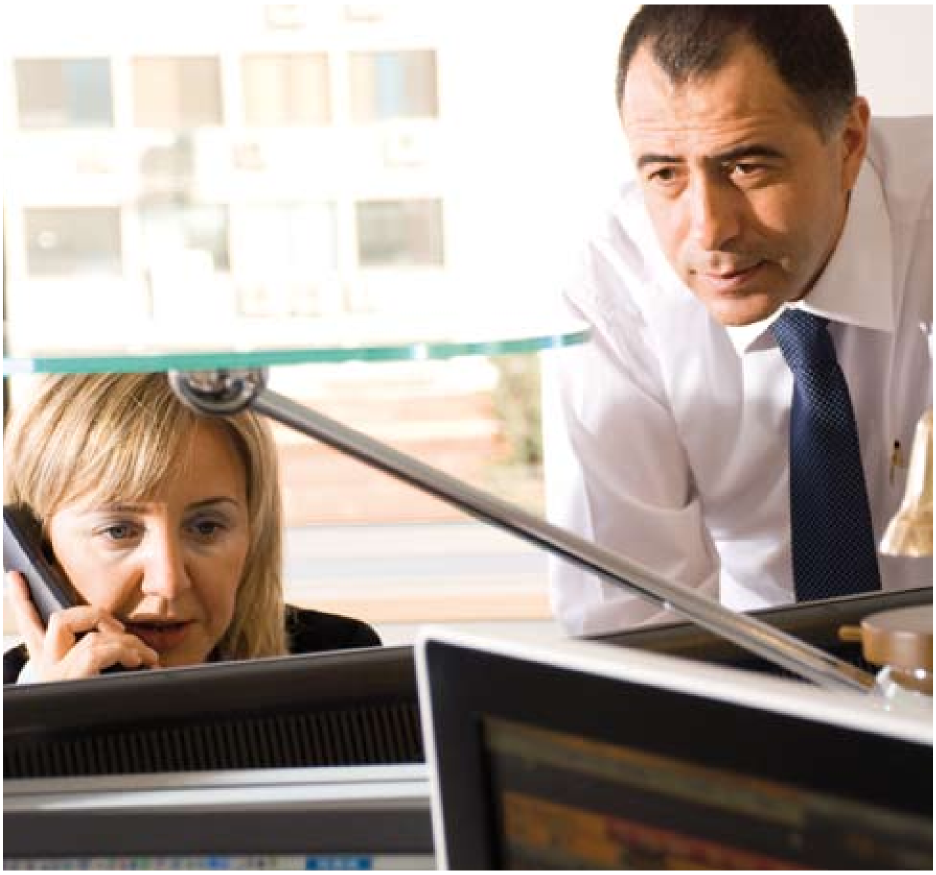
Financial markets nearly came to a screeching halt in October as a result of these developments. All indicators reflective of interbank borrowing rates, LIBOR rates in particular, reached extremely high levels and transactions shut down due to lack of confidence. This development froze the real sector and commercial paper market, which led to a major slowdown in economic activity. The Baltic Dry Index, for example, experienced a crash of historic proportions and fell from 11,800 in May to 733 on November 27.

The Federal Reserve and other major central banks tried to counter these developments with rate cuts at the beginning of the year, but ended up having to put their balance sheets on the line by year's end. The US Treasury ventured into securities purchases worth US$ 700 billion with the TARP (Troubled Asset Relief Program) while the Federal Reserve began purchasing assets and injecting liquidity into the market through such programs as the CPFF (Commercial Paper Funding Facility) and TAF (Term Auction Facility). Furthermore, all new bank debt was guaranteed by the government for three years.

In the meantime, a tax refund package for consumers was implemented, but the effects were not permanent. US consumers lost their spending momentum due to the scarcity of credit, the rapid decline in home prices and fears of unemployment. In addition to car companies, many retail companies experienced problems and scores of major retail players, most notably Circuit City, filed for bankruptcy.

Similar measures were implemented outside of the US as well, albeit with delay. The UK and the Euro Zone announced full government guarantee of deposits and economic packages to boost government spending. China announced a package which greatly increased infrastructure and other construction spending as well as initiated the largest rate-cutting campaign in the last 10 years.

Due to the prevailing idea at the beginning of 2008 that the problems of the United States would not translate into problems elsewhere, many commodities continued their upward trends. Amidst widespread expectations for US$ 200 per barrel, crude oil prices quickly decreased to US$ 147 per barrel. This movement was accompanied by large price spikes in agricultural commodities such as corn, wheat and rice,



as well as in industrial metals such as copper. Gold also strengthened as a result of inflationary expectations. When the crisis transformed from a US financial crisis into a global economic crisis, commodity prices experienced steep drops and crude oil fell below US$ 50 per barrel.

The frozen credit markets and the rush to liquidity led to a major advance in the value of the US dollar. Having been seen as a low-yield currency for a long time, along with the Japanese yen, the US dollar encountered strong demand in relation to its weight in the global financial system and appreciated from 1.60 to 1.23 against the Euro.

The crisis took its toll on all emerging market currencies as they relinquished most of the gains they had registered against the US dollar in the previous years. While devaluation pressures intensified in commodity-dependent economies such as Russia, Iceland defaulted as a result of the collapse in its financial system. Though not to the extent of Iceland, countries such as Hungary and Ukraine had to knock on the IMF's door due to increasing risk.

One of the most significant political developments of the year was the Democrat Party's victory in the presidential race after eight years of Republican rule. Already armed with comfortable majorities in the House and the Senate, Democrats reached a point where they can implement their policies more easily by winning the presidency as well. Amid increasingly pessimistic expectations, President Obama tried to calm the markets by appointing New York FED President Tim Geithner as the Treasury Secretary and tagging former FED Chairman Paul Volcker as his Economic Advisor.

Issues such as the slowing real economy, shrinking banking sector and the structure of the global financial system are expected to be intensely debated in 2009. The markets will continue to price developments such as eroding consumer confidence, risk assumed by the public, accommodative monetary policies and declining consumer spending as a result of rising global unemployment.

The 50% fall in world equity markets and the decline of the ten-year US Treasury bond yield below the S&P dividend yield for the first time in 50 years demonstrates that we are witnessing an extraordinary period. Taking into consideration that asset pricing during crises is based on emotions rather than fine calculations, the decline in asset prices is thought to present significant opportunities for the years ahead in assets that were hit extremely and unfairly hard.

International Eurobond Markets

Bond yields in the world registe-red sharp increases during this past year. In 2008, IS Investment oriented its investors toward medium-term, high coupon yield Turkish Eurobonds.

2008 was a year of diminishing liquidity, sharply rising yields and increasing bid-ask spreads in Eurobond markets. In fact, liquidity almost completely dried up in some private sector bonds.

However, just the opposite scenario developed in US government bonds. Yields in US government bonds, which continue to be perceived as a safe harbor at a period of diminished risk-taking appetite, fell to "zero" levels.

Unlike 2007, where they moved sideways, Turkish Eurobond markets in 2008 were impacted by unfavorable developments in foreign markets. Turkey 2030 benchmark bond traded in a large range between US$ 105 and 155 throughout 2008. The surge in the bid-ask spread from its usual level of US$ 0.50 up to US$ 5 due to the increase in volatility was a major factor preventing investors from trading this instrument.

Bonds issued by Turkish companies registered even more apparent price declines and increases in bid-ask spreads, which pushed these bonds to very attractive levels, especially for risk-tolerant investors.

IS Investment took part in three Eurobond issuance consortia in 2007. However, negative risk perception toward emerging market loans in 2008 led to much lower interest in new issues compared to previous years. Under these circumstances, IS Investment chose to approach primary market issuances more carefully and passively. In light of the expectations for developments in global markets, participation in the primary market is expected to follow a similar course during the first six months of 2009.

International Equity Markets

Steep price declines in equities increased long-term investment opportunities.

In 2008, world's benchmark stock indices took big tumbles; the Dow dropped 33.84%, S&P 500 shed 38.49%, DAX and NIKKEI dropped 40.37% and 42.12%, respectively. Price declines in financial stocks in particular reached extraordinary levels. For example, Citigroup shares dropped from US$ 29.44 on December 31, 2007 to US$ 6.71 on December 31, 2008.

As a result of large fluctuations in international markets and the decline in steel in the equity market in particular, IS Investment's trading volume on foreign exchanges declined in general. In addition, some investors began trading on the leveraged derivatives markets rather than the spot markets after the launch of TradeMaster International, which served as an additional factor diminishing interest in equities.

On the other hand, IS Investment allowed investors to trade equity options on international exchanges in 2008. TradeMaster was preferred by investors who wanted to take advantage of the high volatility in stock markets while limiting their risk.

Uncertainty is expected to continue at least through the first half of 2009 in major stock markets where prices declined to pre-2000 levels. Falling prices might be considered as buying opportunities especially in certain stocks for investors.

International Derivatives Markets

The TMI (TradeMaster International) project that commenced service at the end of 2007 significantly increased the interest of investors who closely monitor developments in commodity, foreign exchange and global stock markets toward foreign derivatives markets in 2008.

Emerging Markets Bond Performance (%)

Country	2008	2007
EMBI+	(14.98)	5.19
Ecuador	(67.77)	44.50
Turkey	(10.77)	9.50
Colombia	(5.57)	9.59
Brazil	(2.55)	9.14
Panama	(13.74)	8.70
Philippines	(8.15)	7.15
Mexico	(2.22)	7.09
Peru	(8.89)	6.80
South Africa	(10.40)	6.77

Despite the high levels of volatility in the international markets, IS Investment's trading volume in international derivatives markets increased in 2008. One reason for this is the increased correlation between the domestic markets and international markets. Increased interest in these markets also resulted in the increased need for hedging for producers, importers and exporters in commodity-based contracts.

In response to this need, IS Investment paid visits to individual and institutional investors during the year and provided training sessions on product groups and operating mechanisms for futures contracts. Ad campaigns for the TradeMaster platform further enhanced such interest.

IS Investment serves customers during business days between 8 am and midnight in international markets. The investors are supported via reports containing current information and commentary on financial contracts as well as commodity markets. Information and commentary are sent to the customers via investment advisory as well as through the TradeMaster platform.

After the addition of the London Metals Exchange contracts to the trading platform and the increase in use of the TradeMaster International platform, trading volume of these products will increase.

Another activity IS Investment has planned within 2009 is an investment advisory service, particularly to institutional investors, regarding risk management in this area.

Modest decline in foreign investor trading volume on the ISE

Despite the large losses in the ISE which depicted a parallel trend to most other stock exchange markets, foreign investors' share in the ISE dropped just modestly - from December 2007's all-time high of 72% only to 67%. This relatively modest decline once again confirmed the positive expectations for Turkey and Turkish capital markets.

Domestic Sales and Marketing

After the opening of the Yeşilköy branch in Istanbul, IS Investment's total number of branches increased to six. The Company now has four branches in Istanbul, one in Ankara and one in Izmir.

Despite the sharp fluctuations in financial markets caused by the global crisis and worsening macroeconomic conditions, 2008 was a successful year for IS Investment's domestic sales and marketing activities.

In line with its growth strategy, IS Investment continued to expand its marketing and sales network. With the opening of the Yeşilköy branch in Istanbul, IS Investment's sales network increased to six branches. Before Yeşilköy, the Company had three branches in Istanbul (Akaretler, Kalamış and Yeniköy) one in Ankara, and one in Izmir.

Although IS Investment has branches only in Istanbul, Ankara and Izmir, its marketing activities are not confined just to these three big cities. The Company undertook a number of marketing campaigns in various Anatolian cities all through 2008, which resulted in the acquisition of new clients and lucrative new businesses. The launch of Money Market Portfolio Groups helped to attract many new investors in particular.

In the beginning of the year, the Company launched a new electronic platform which enabled its clients to trade stocks and derivates in the international capital markets through their own personal computers. The platform was named TradeMaster International, after its successful sister platform TradeMaster which has been in used for on-line trading in domestic Turkish capital markets. IS Investment carried out many different publicity activities and advertisement campaigns to spread the usage of TradeMaster International across Turkish investors. The platform, which provides effective, secure, rapid and reliable trading facilities in various countries and global capital markets, was very well accepted by the Turkish investors.

IS Investment initiated prime brokerage services geared toward asset management companies in 2008. In this respect, IS Investment is able to cater to asset management companies with all sorts of brokerage, mutual fund establishment, investment advisory, systems infrastructure and research services.

IS Investment is willing to continue to build its assets under management in 2009 - even at a faster pace. In order to achieve this purpose, the Company will carry on conducting marketing activities not only in the cities where its branches are located, but also in other regions having significant importance and potential for business.

Institutional Sales and Trading

Within the severe financial distress environment of 2008, IS Investment still managed to emerge stronger and enjoyed increased market share both in the equity as well as in the derivative markets.

In 2008, foreign investors focused on extraordinary accomplishments in developed markets, the US in particular, while reassessing their investments in the Emerging Markets with a new risk perception.

Despite the negative market conditions that took place in Turkey during the year, ISE continued to be one of the preferred spots of investors within the Emerging Markets. Even with the large losses suffered on the ISE, foreign ownership of the free float modestly dropped to 67% at the end of December 2008 from all-time high of 72% in December 2007. This slight decline once again confirmed long-term optimistic expectations of investors for Turkey. In an environment where capital inflows due to excessive liquidity in the international markets were reversed, the fact that investors generally maintained their positions in the ISE is a favorable development for Turkey.

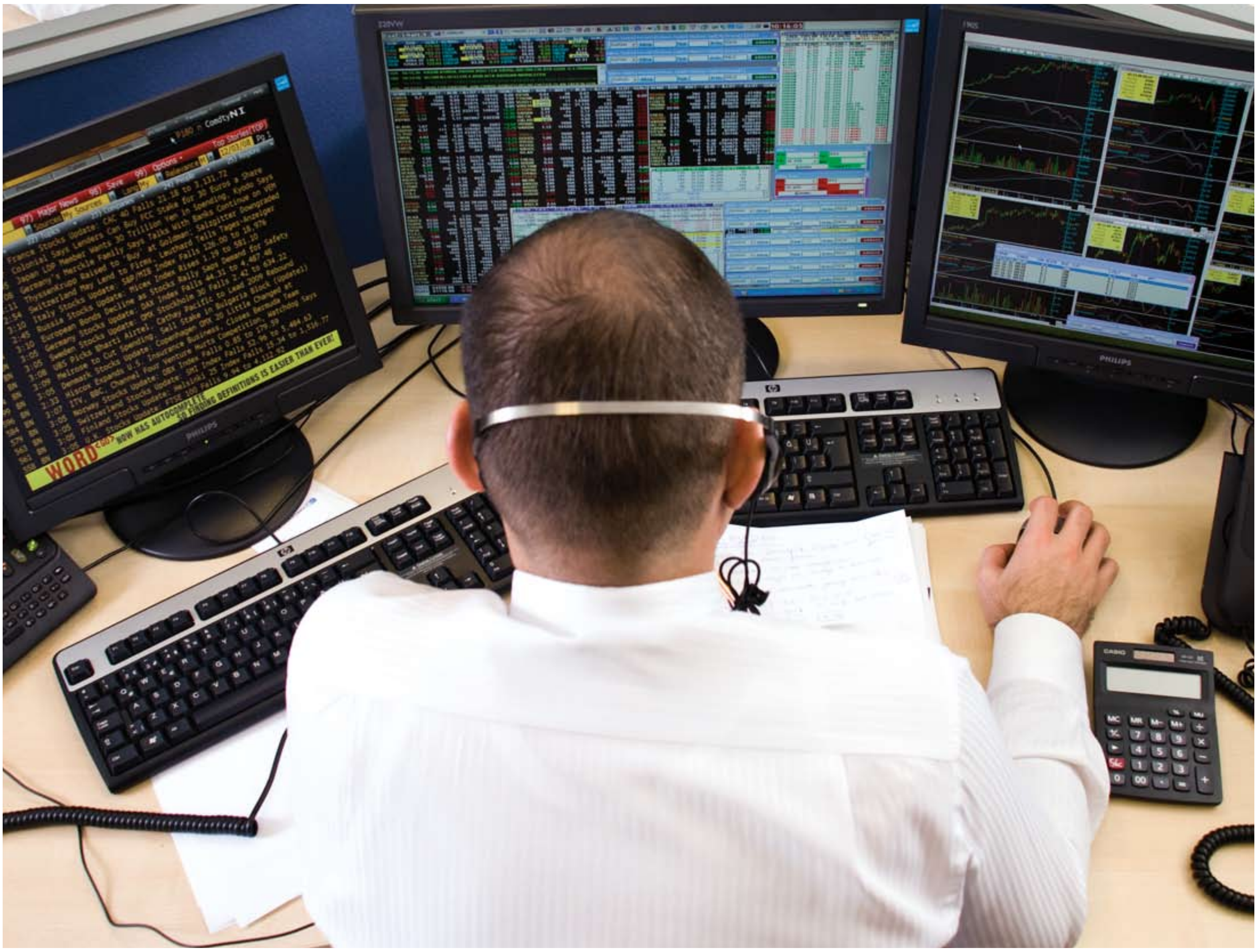
Within the severe financial distress environment of 2008, IS Investment still managed to emerge stronger thanks to its diversified client portfolio and unparalleled service standards and enjoyed increased market share both in the equity as well as in the derivative markets.

Following a similar path as the last quarter of 2008, this will be a year of declining participation and ongoing uncertainties. Increasing service quality and product diversification are gaining more prominence with each passing day due to the increasing competition within the sector.

In 2008, IS Investment has developed DMA systems for foreign investors and will put special emphasis on the marketing of these products in 2009. Additionally, the newly-established International Sales and Brokerage Services/Structured Products Department is among the most important strides made by IS Investment in 2008. This new addition is a crucial step in terms of diversification of IS Investment product portfolio. As Institutional Sales and Trading Department, we believe that the new addition will help us to provide a more comprehensive service set to our clients and increase their profitability and include new customers in our client base.

Postponement of public offerings...

Due to prevailing market conditions, all public offerings, particularly ones that were slated for the second half of 2008, were postponed in order to wait for more accommodative market conditions.



Public Offerings

Aside from the privatization IPO of Türk Telekom in May, there were no major public offerings in 2008.

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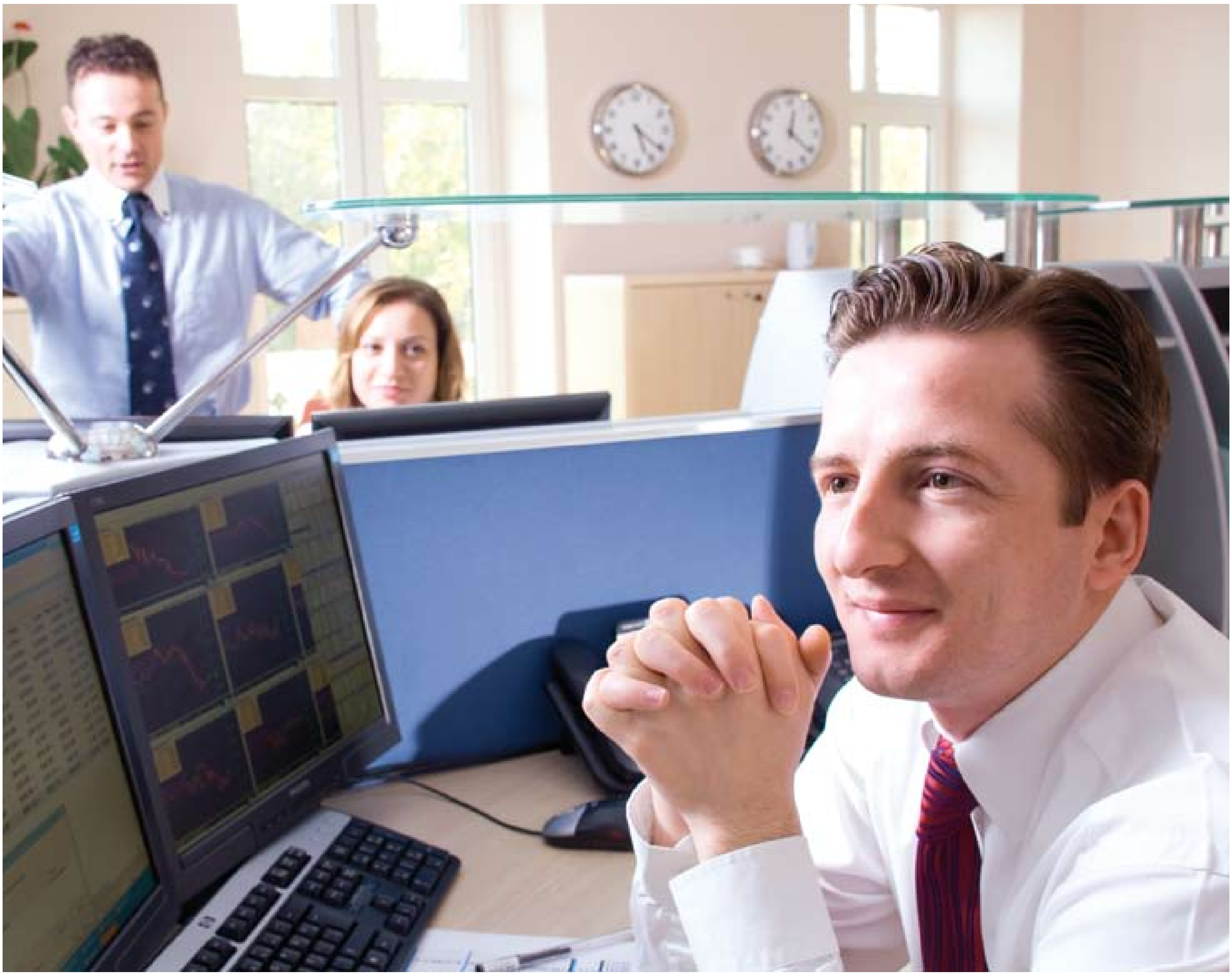
With effects of the crisis lurking, 2009 is expected to be another slow year for public offerings. Depending on the market conditions, IPOs of some private sector companies that completed their transformation into real estate investment trusts, in addition to some secondary offerings, are expected to take place in the second half of 2009.

Privatization

2008 was a more successful year than 2007 in terms of the privatization program. It appears that 2009 will be another active year for privatization.



2008 was a more successful year than 2007 in terms of the privatization program. The largest privatizations in 2008 were the public offering of Türk Telekom, block sales of Petkim and Tekel Cigarette as well as the privatization of nine electric generation plants having a combined installed capacity of 141 MWs.

Appointed in the last quarter of 2002, IS Investment continued its role as the domestic advisor to the privatization of Tekel General Directorate, together with its international advisor, Citigroup. IS Investment also continues to serve as the national advisor for the privatization of Tekel subsidiaries Reytek and Tekel JTI.

In addition, IS Investment has also taken part in the privatization of Tekel General Directorate's salt operations. The tender for the Ayvalık Salt Mine was completed in September and is awaiting approval and the signing of the contract. Efforts regarding the privatization of Çamaltı Salt Mine is ongoing and is expected to be finalized in 2009, pending real estate negotiation resolutions.

IS Investment provides advisory service to the Privatization Administration of Turkey in privatization via sale efforts of the Taşucu Paper Industry Facility of Sümer Holding. Efforts will continue in 2009 for the finalization of the sale.

IS Investment won the tender for Securities Custody and Brokerage held by the Privatization Administration of Turkey, and the contract was signed on August 29, 2008.

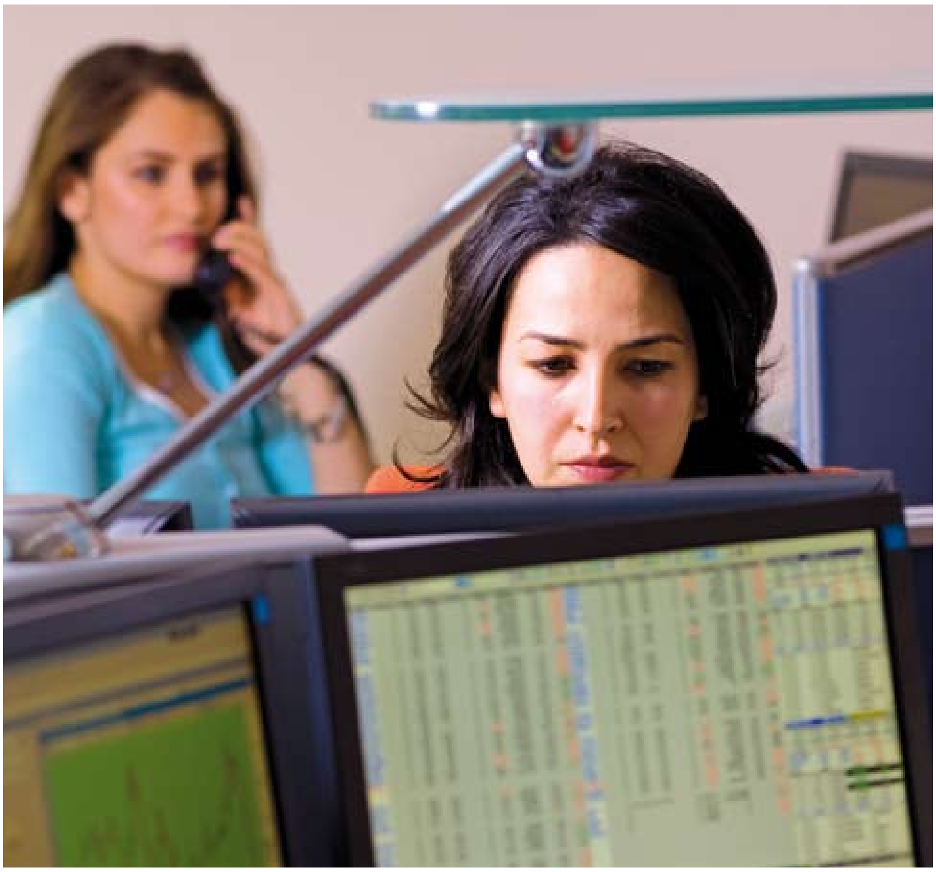
It does appear that 2009 will be another active year for privatizations. The transfer of operating rights for highways and bridges tenders for electricity distribution and for advisory services regarding EÜAŞ (Electricity Generation Co. Inc.) privatization are expected. İGDAŞ (Istanbul Gas Distribution Corporation) privatization is also expected to be on the agenda for the second half of 2009.

The tender for the privatization of Milli Piyango via licensing was initiated on November 5, 2008, with the last bid submission on April 16, 2009.

In addition, privatization and the tender for the advisory services for the privatization of Ankara Gas Distribution Company, the tender that could not be finalized last time, is expected to be carried out in 2009.

Strategic Planning and Mergers & Acquisitions

Total company merger and acquisition transactions around the world declined by 35% in 2008, while the contraction in Turkey was 30%. During 2008, in which foreign investors' interest continued to increase, many new customers were acquired within the scope of sell side advisory.



Total company merger and acquisition (M&A) transactions around the world declined by 35% in 2008, while the contraction in Turkey was 30%. Total M&A volume dropped from US$ 26.3 billion in 2007 to US$ 18 billion in 2008. Some privatization tenders were won by Turkish investors in 2008 and no transactions were performed by foreign investors after the end of October. As a result, the share of foreign investors declined from 85% in 2007 to 70% in 2008.

The share of privatization projects in total transactions was 40% in 2008, corresponding to 18 transactions. 2008 was also the busiest year for financial investor transactions; total transactions amounted to 22%.

IS Investment continuously expands the scope and depth of the services it renders in various categories in this context. In the private sector advisory area, restructuring services rendered to holdings continued in 2008. IS Investment provided advisory services to companies as part of its financial valuation. Being considered as the most sophisticated advisory services in the sector, services rendered to international arbitration cases are also in the scope of IS Investment. It is the only investment house in Turkey in this area.

IS Investment rendered advisory services in 11 transactions in 2008, a record number for the Company. With 11 transactions, IS Investment was advisor to the majority of transactions among domestic and foreign intermediaries. There are various companies in multiple sectors, primarily in production, energy and food sectors, that IS Investment is currently serving as an advisor for merger and acquisition efforts.

The total value of the transactions completed in 2008 was US$ 2.2 billion. IS Investment provided two buy side and nine sell side advisorier.

IS Investment continued to provide advisory services to the buy side in privatization projects in 2008. Services were provided to a domestic investor throughout the whole process in the Ankara Gas Production Company (ADÜAŞ) Geothermal and Natural Gas Plants tender that was organized by the Privatization Administration of Turkey. Similarly, IS Investment provided advisory services to a domestic investor in the privatization project of the Bandırma Port, which is owned by the Turkish State Railways.

As another area of activity, IS Investment's advisory services to IS Venture Capital Investment Trust (IS Venture) also continued. Besides being a very busy year for IS Venture's activities, the largest ever one-time investment was also done in 2008.

The Strategic Planning and Mergers & Acquisitions Department undertook efforts in the project finance area, a very important part of M&A transactions, and established contact with many foreign companies that might provide funding.

Corporate Fixed-Income Securities Issuances

Revival of the corporate fixed-income securities issuances, which have come to a screeching halt due to the worsening of the crisis in the last quarter of 2008, requires stabilization, establishment of a confidence environment and an end to the liquidity crisis.

A total of 12 commercial paper and corporate bond issuances were made in Turkey since 2005, which have a total value of TL 693 million. Four of these, with a combined total amount of TL 320 million, were made via public offering.

Two of the five companies whose bond and commercial paper issuances and public offerings were undertaken in 2007 and 2008 are C Factoring and CreditWest Factoring, respectively; both intermediated by IS Investment. These issues, which have two-year terms and coupon payments every six months, are the only floating rate bonds in the market. Corporate fixed-income securities issuances have come to a screeching halt due to the worsening of the crisis in the last quarter of 2008. If interest rates continue to decline in 2009, corporate bond issues will come back.

Nouriel Roubini says the worst is still ahead of us: year in review

The global financial system in 2008 experienced its worst crisis since the Great Depression of the 1930s. Major financial institutions went bust. Others were bought up on the cheap or survived only after major bailouts. Global stock markets fell by more than 50 percent from their 2007 peaks. Interest-rate spreads spiked. A severe liquidity and credit crunch appeared. Many emerging-market economies on the verge of a crisis had to ask for help from the International Monetary Fund.

The global financial system literally went into a cardiac arrest after the Lehman Brothers Holdings Inc. collapse and a meltdown was barely avoided through very aggressive policy responses. So what lies ahead in 2009? Is the worst behind us or ahead of us?

Unfortunately, the worst is ahead of us. The entire global economy will contract in a severe and protracted U-shaped global recession that started a year ago. The US will certainly experience its worst recession in decades, a deep and protracted contraction lasting at least through the end of 2009. Even in 2010, the economic recovery may be so weak -1 percent growth or so- that it will feel terrible even if the recession is technically over.

Recession Spreads

There also will be recessions in the Euro Zone, the UK, continental Europe, Canada, Japan and the other advanced economies.

A hard landing for emerging-market economies may also be at hand. Among the so-called BRICs, Russia will be in an outright recession in 2009. Growth in China will slow to 5 percent or less, representing a hard landing for a country that needs expansion of close to 10 percent to move 10 million to 15 million poor rural farmers into the urban industrial sector every year. Brazil will barely grow in 2009. Even India will experience a sharp slowdown.

Most other emerging market economies will suffer a similar hard landing. This severe global recession will morph into a stag-deflation, a deadly combination of economic stagnation/recession and deflation. In the advanced economies, with aggregate demand falling below growing aggregate supply, the slack in goods markets will lead to deflationary pressures as companies' pricing power is restrained.

Likewise, rising unemployment will constrain labor costs and wage growth. These factors, combined with sharply falling commodity prices, will cause inflation in advanced economies to ease toward negative territory, raising concerns about deflation.

Danger of Deflation

Deflation is dangerous as it leads to a liquidity trap: nominal policy rates can't fall below zero, so monetary policy becomes ineffective and even quantitative easing may not work.

Falling prices mean that the real cost of capital is high and the real value of nominal debts rise. This leads to further declines in consumption and investment, thus setting in motion a vicious circle in which incomes and jobs are squeezed, aggravating the fall in demand and prices.

As traditional monetary policy becomes ineffective, other unorthodox policies will continue to be used: policies to bail out investors, financial institutions and borrowers; massive provision of liquidity to banks in order to ease the credit crunch; and even more radical actions to reduce long-term interest rates on government bonds and narrow the spread between market rates and government bonds.

Triggering Event

Today's global crisis was triggered by the collapse of the US housing bubble, but it wasn't caused only by it. America's credit excesses were in residential mortgages, commercial mortgages, credit cards, auto loans and student loans.

There were also massive excesses in the securitized products that converted these debts into toxic financial derivatives; in borrowing by local governments; in financing for leveraged buyouts that should never have occurred; in corporate bonds that will suffer massive losses as defaults surge; in the dangerous and unregulated credit default swap market.

Moreover, these pathologies weren't confined to the US. There were housing bubbles in many other countries, fueled by excessive and cheap lending that didn't reflect underlying risks. There was a commodities bubble and private-equity and hedge-funds bubbles.

Shadow Banks

We now are seeing the demise of the shadow banking system, the complex of non-bank financial institutions that looked like banks as they borrowed short term and in liquid ways, leveraged a lot and invested in longer term and illiquid ways. As a result, the biggest asset and credit bubble in financial history is going bust, with overall credit losses likely to be more than US$ 2 trillion.

Unless governments rapidly recapitalize financial institutions, the credit crunch will become even more severe as losses mount faster than recapitalization and banks are forced to constrain credit and lending. Equity prices and other risky assets have plunged from their peaks of late 2007, but there are still significant risks for more declines.

An emerging consensus argues that the prices of many risky assets -including equities- have fallen so much that we are at the bottom and a rapid recovery will occur. But in the next few months the macroeconomic news, the earnings and profits reports and the financial sector news from around the world will be worse than expected. This will put more pressure on prices of risky assets, with a chance of a 20 percent fall in global equity prices.

Meltdown Averted

While the odds of a systemic financial meltdown have been reduced by the actions of the Group of Seven and other economies, severe vulnerabilities remain.

The credit crunch will persist and spread beyond mortgages. Deleveraging will continue, as thousands of hedge funds - many of which will go bust - and other leveraged players are forced to sell assets into illiquid and distressed markets, thus causing price declines and driving more insolvent financial institutions out of business. Credit losses will mount as the recession deepens. And a few emerging-market economies will certainly enter a full-blown financial crisis.

So 2009 will be a painful year of global recession and further financial stresses, losses and bankruptcies. Currently, the probability of an L-shaped, stag-deflation is now rising to a third, while the probability of a severe U-shaped recession is two-thirds. Only aggressive, coordinated and effective policy actions by advanced and emerging-market countries can ensure that the global economy starts to recover - however slowly -in 2010, rather than entering a more protracted period of economic stagnation.

Prof. Nouriel Roubini
New York University

(Opinions expressed by Mr. Roubini are his.)

Daily measurement of financial risk

For IS Investment, it is of the utmost importance that risk policies are understood with all of their dimensions by Company management and personnel; risk control mechanisms are encouraged in every way; risk management practices are determined by taking into account the balance between risk and the Company's shareholders' equity and risk in the main operation area.

Because of the lack of adequate understanding of risk, the global credit crisis led to a rapid decline in trading volume of structured products, as well as serious problems at financial institutions, and caused serious economic and social costs on a global scale. Establishing confidence and stability became an international effort; governance, identification of risk, increasing the effectiveness of oversight, transparency, ensuring the flow of accurate information and accountability principles for the purpose of creating market discipline in the companies operating in the financial sector gained prominence once again.

Risk measurement and management activities are performed independently from IS Investment's executive units of its main business lines. It is possible that in the course of its activities, IS Investment may encounter various integrated risk groups.

The Company has developed internal proactive control and management practices geared toward market, credit, liquidity, operational and counterparty risk classes.

Risk management policies are developed within the framework of general risk management policy principles. All authorizations and responsibilities for each business line are updated during the year in accordance with the organizational structure and are executed based on assessments regarding potential risk elements. In 2008, the Risk Management Department integrated into the accounting system the financial risk to which the Company can be exposed. This action enabled the Company to identify, monitor, measure and proactively manage the risk within the system on a daily basis.

In 2008, IS Investment carried out a very busy agenda with legal authority on risk measurement and management principles of hedge funds and the properties of the risk system. With the active participation of the Risk Management Department, risk measurement and control criteria for hedge funds were determined and risk management activities were completed by defining potential risk classes that the funds may be exposed to.

The Risk Management Department prepares monthly Risk Reports that show in detail the general risk position of IS Investment. The members of the Board of Directors and the Senior Management examine important issues related to risk management along with this report and assess the results. As part of compliance with legal limitations stipulated by the Capital Markets Board, minimum shareholders' equity, capital adequacy, liquidity obligations, general borrowing, participation, margin trading limits and short selling limits are monitored regularly.

IS Investment adheres to rules regarding capital management while observing intra-Company limits. Securities trading activities of the treasury unit are monitored with respect to shareholders' equity ratio. When the preparations are finalized to periodically monitor risk limits for each portfolio manager, the necessary limit measurement and reporting will be made via the integrated risk management system.

Potential risk of the Company's derivatives trading are identified; financial hedging levels, mark-to-market valuation of net positions and risk sensitivity values are monitored and their risk measurements are performed at daily and weekly intervals and the results are shared with the relevant business units. In addition, most of the Company's derivatives trading is done by financial hedging and arbitrage purposes, trading positions are related to capital using daily Value at Risk measurements via the risk management system.

In 2008, IS Investment performed the initial work of determining the main principles and standards for the risk management systems and the processes of companies that are subject to consolidation.

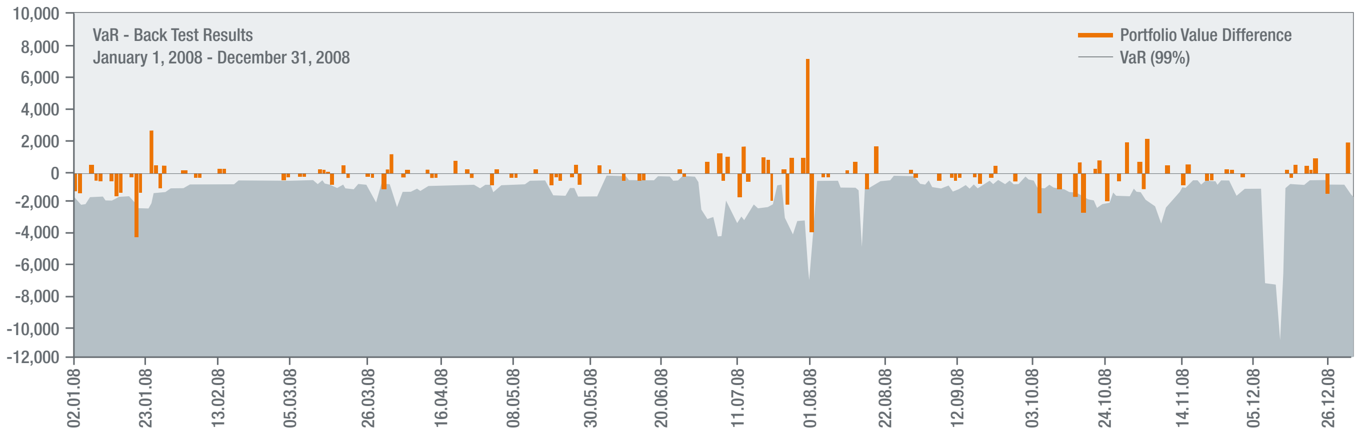
On the issue of counterparty risk, which became a critical topic during the global credit crisis, IS Investment is coordinating efforts with related departments within the Company as of the last quarter of the year.

For options trading, IS Investment created the Options Margin Monitoring Module using as its basis the international SPAN (Standard Portfolio Analysis of Risk) system. This module is used in an integrated manner with the risk management system for the purpose of margin control. In the event that options trading volume picks up in the upcoming period, the fact that margin control can be made within the system will allow dynamic monitoring of related trading risk.

For IS Investment, it is of the utmost importance that risk policies are understood with all of their dimensions by the Company management and personnel; risk control mechanisms are encouraged continuously. Risk management practices are determined by taking into account the balance between the risk and the Company's shareholders' equity and risk in the main operation area is diversified.

In this process, existing and emerging problems are identified promptly and necessary measures are taken. The principles that will best protect the long-term profitability and viability of IS Investment are clearly defined. In addition to the traditionally used concepts, the Company has adopted an approach that is open to new ideas in this subject. Implementation flaws are identified and the Company is in constant touch with internal and external examination and audit units regarding these flaws.

Trading Portfolio Value at Risk Measurement (1 Day, 99% Confidence Level)



Tailor-made research for institutional investors and high net worth individuals

The Research Department began publishing the monthly Model Portfolio Update product in English at the beginning of 2009. In addition, the Fixed Income Strategy Report was added to the comprehensive equity and macro strategy reports to be published twice a year by the Department.

The Research Department continued its active role in IS Investment's acquisition of new domestic and foreign investors and ensuring customer satisfaction in 2008. In this respect, the Department prepared periodic comprehensive presentations equity strategies, in Turkish and in English, for institutional and high net worth individual investors.

The Research Department covers 71 companies on the ISE and produces regular reports and issues recommendations corresponding to 81% of the total market capitalization. The recommended portfolio, which was chosen among those companies with attractive valuations and attractive investment rationale, outperformed the ISE-100 index by 5.8% in 2008.

In line with medium-term growth targets, six new analysts, four experienced and two junior, joined the Research Department in 2008. The research team has an average experience of five years; mostly composed of analysts who joined IS Investment within the last three years.

In line with IS Investment's transparency principle, all forecasts, projections and announcements regarding the stocks under coverage and companies on the recommended list were made available on the Internet as well, which allowed customers and potential customers to reach the Company's assessments instantaneously via these screens.

Another new service offered in 2008 was the publication of fixed-income securities market reports. This is the first time an investment house in Turkey began to publish regular reports on the fixed-income securities market, providing IS Investment another edge over its competitors.

The Research Department began publishing the monthly Model Portfolio Update product in English at the beginning of 2009. This product is focusing on the fine tuning made to the model stock portfolio and developments that might impact the following month's Stock Market. In addition, the Fixed Income Strategy Report was added to equity and macro strategy reports to be published twice a year by the Department.

Research Products

Monthly Bulletin, Focal Point, Daily Marketwatch, Weekly Bulletin, Industry Report, Weekly Equity News, Strategy Report, Model Portfolio Update, Fixed Income Strategy

The indispensible element of sustainable growth

The Investor Relations Department performed its activities under the global crisis conditions in 2008 within the context of IS Investment Information Policy and within the scope of good corporate governance practices that is the most important element of IS Investment's sustainable growth approach.

The Investor Relations Department performed its activities during the 2008 global crisis within the context of IS Investment Information Policy and within the scope of good corporate governance practices. Such vigilance is the most important element of IS Investment's sustainable growth approach.

IS Investment showed the maximum level of sensitivity throughout the year in informing shareholders and all other related parties in a timely, accurate and comprehensive manner in accordance with the capital markets legislation. IS Investment made investor disclosure on the Company's market and financial performance on the day of the ISE's public financial disclosure. Investor presentations were posted on the Company's website, in both Turkish and English, for shareholders and stakeholders, while the voice recordings of the presentations were also made available to all parties via the website.

During the year, material event statements for IS Investment, as well as Exchange Traded Funds established by IS Investment whose participating certificates are traded on the Stock Market, were submitted to the ISE as necessary in the format and time periods stipulated by the capital markets legislation.

Beginning in the first quarter of 2008, IS Investment has been preparing Board of Directors Quarterly Reports for investors which it deems as important as Annual Reports, in both Turkish and English. As an exemplary practice in the market, the Corporate Governance Principles Compliance report was updated in every quarterly report.

IS Investment conducted a road-show across various European cities in June 2008 and made great strides during these visits.

The Investor Relations Department is pleased to have responded to the shareholders' right to reach information in the best possible manner since the Company's shares began to be traded on the Stock Market. We strive to improve the quality of this service every day.

Licensing, specialization and professional development trainings

IS Investment will continue to perform its activities within the framework of its goals for planned investment in human resources, customer satisfaction and continuing success.

IS Investment employed a total of 318 employees by year's end 2008, up from 292 at the beginning of 2008. As of year-end 2008, 95% of the employees were university graduates. During 2008, new graduates who have completed their undergraduate or graduate degrees and have chosen to work in capital markets were employed and trained in accordance with IS Investment goals and culture. IS Investment established contacts with various universities in this respect and obtained excellent results from these dialogs.

Employees attended capital markets licensing, specialization and professional development training during 2008. They were also oriented toward various training programs abroad in order for them to monitor developments around the globe and expand their vision.

IS Investment provided 102 students with internships at the Stock Market and Agency Services Department in 2008. Most interns were selected from university business administration and economics departments.

In addition to on-the-job and professional training, IS Investment will also focus on training programs geared toward career development of employees during 2009 and will continue to conduct its manager development training programs.

information technologies

Numbers speak for technology...

The Company's Information Technology Department improves its ongoing activities with each passing year to provide value-added products and services to its investors.

2008 was a year of growth and expansion for IS Investment's Information Technology (IT) capabilities.

During this past year, the number of employees at IS Investment grew by 10%, IT resources by 30%, external connection capacities by 40% and Internet connection capacities by 93%. The number of virtual servers increased 350% as part of the virtualization project. The Technical Assistance Unit, established within the IT Department to provide higher quality service management, responded to nearly 8,000 requests, an increase of 120% over the previous year.

Launched for the purpose of being protected against disaster scenarios, the Disaster Recovery Center Project was created. The infrastructure for the disaster data center, located in Ankara, was completed and data replications commenced. All data, classified according to importance and magnitude within the Company, were copied to the disaster data center on an instantaneous, daily and weekly basis.
As part of the "PORYON" project that IS Investment developed for asset management companies, the Company procured outsourced support for the entirety of an asset management company's infrastructure, received co-location services from third party firms for this purpose and created the necessary coordination and infrastructure communication. This is the first example in Turkey of the outsourcing of a financial company's infrastructure services of this scope.

The Company's Information Technology Department improves its ongoing activities each year to provide value-added products and services to its investors.

Expanding service perspective and vision

In 2008, IS Investment continued its vision of increasing the diversity of its investments and service delivery channels. Within this scope, Direct Market Access (DMA) integration projects geared towards integrating overseas online order forwarding platforms to the ISE and the TurkDEX through IS Investment were completed successfully.

2008 was a year of maturation and proving itself for the TradeMaster platform, which was completed in 2007. It is a technological investment geared towards increasing the diversity of IS Investment's service delivery channels. In line with the rapid growth in the number and volume of transactions going through this platform, maintaining a high level of service quality for this platform has been a priority of IS Investment.

In 2008, IS Investment continued its vision of increasing the diversity of its investments and service delivery channels. Within this scope, Direct Market Access (DMA) integration projects geared towards integrating overseas online order forwarding platforms to the ISE and the TurkDEX through IS Investment, were completed successfully. This allowed real-time trading on the ISE and TurkDEX via IS Investment on some of the world's leading and most widely used trading platforms.

IS Investment continued to fulfill its mission of pioneering the creation of new capital market products while also developing the software systems to support these products. After clarification of hedge fund regulations in 2008, a hedge fund system was developed and launched on the integrated investment banking system, Kybele. A system was developed within Kybele for the management of the fixed-income securities-based exchange traded fund, launched for the first time in Turkey by IS Investment.

Parallel to the increased prominence of risk management processes in response to increased utilization of complicated financial instruments, the risk management system was launched and integrated into the Kybele system in 2008. Within the same scope, the project was launched for integrating the Kybele system with the risk management system. This system is used internally by Isbank and through which all Isbank subsidiaries are monitored on a consolidated basis.

IS Investment also developed some projects in 2008 that are important with respect to the strategic partnership between the Company and its institutional clients. Parallel to the market developments regarding establishment of private pension companies and the provision of custody services to asset management companies, the improved Kybele investment banking program was converted into a packaged software program suitable for use by asset management companies. This packaged software, known as PORYON, was made available for use by some strategically-important asset management companies. In a similar fashion, the ATTIS system, whose software was converted into a custody banking system geared towards asset management companies, commenced service within Isbank. 2008 is the year when IS Investment began the process of rendering software service to other companies that are strategic business partners, as well as to itself.

Developments such as increasing project traffic and the inclusion of companies other than IS Investment in software processes forced IS Investment to manage its internal processes using more professional and automated systems. In this respect, IS Investment developed a software management system (COSMOS) internally. This system went into operation in 2008.

Agenda of the Annual General Meeting of Shareholders

1. Opening formation of the Chairing Council and authorization of the Council members to sign the minutes of the meeting.
2. Reading and deliberation of the Board of Directors' Annual Report and Statutory Auditors' Reports for 2008.
3. Reading, deliberation and approval of balance sheet and profit & loss statement for 2008.
4. Deliberating and decision on the Board of Directors' proposal concerning the distribution of 2008 profit.
5. Presentation of information to the general meeting of shareholders about grants and donations made in 2008.
6. Individual acquittal of each member of the Board of Directors and the Statutory Auditors of their fiduciary responsibilities for 2008.
7. Approval of the independent audit firm chosen by the Board of Directors.
8. Approval of the appointment to the Board made within the accounting period.
9. Election and determination of Board of Directors members and the membership period.
10. Election and designation of the Statutory Auditors and the term of office.
11. Determination of the fees to be paid to members of the Board of Directors and to the Statutory Auditors.
12. Petitions and suggestions.

Dividend Distribution Proposal of the Board of Directors

1. The Company's Annual General Meeting of Shareholders was decided to be held on Monday, April 27, 2009, at 10:30 a.m. at İş Kuleleri Kule-1 Kat: 41, 4. Levent Beşiktaş, Istanbul.

2. Based on the financial statements prepared in accordance with Capital Markets Board (CMB)'s Communiqué Serial: XI, No: 29 entitled Principles Regarding Reporting in the Capital Markets, the Company had a consolidated after-tax profit of TL 44,705,601.00 and a net profit according to legal records of TL 31,553,306.61 from its operations in 2008.

After setting aside 5%, or TL 1,577,665.33, for primary legal reserve pursuant to Article 466 of the Turkish Commercial Code, the Company had a distributable profit of TL 43,127,935.67 in accordance with the capital markets law. Adding the TL 1,044.00 that was donated to foundations and associations during the year to this amount yields a first dividend basis of TL 43,128,979.67. According to legal records, the Company has a net distributable profit of TL 29,975,641.28.

In accordance with the dividend distribution table, it was resolved to propose the following to the Annual General Meeting of Shareholders:

- The consolidated current period profit calculated according to legal records shall be divided as follows: TL 1,577,665.33 shall be paid as primary legal reserve, TL 8,625,795.93 shall be paid as first dividend, TL 4,312,897.97 shall be paid as second dividend; in total TL 12,938,693.90 shall be paid as gross cash dividend to shareholders; TL 696,934.39 shall be reserved as secondary legal reserve; TL 16,340,012.99 registered in the legal records shall be reserved as extraordinary reserves;

In addition, it was also resolved to propose the distribution of the total cash dividend of TL 12,938,693.90 as described below, in accordance with the legal records in case the aforementioned dividend distribution proposal is accepted;

Shareholders who are full-fledged taxpayers in Turkey and limited-taxpayer companies obtaining dividends through an agency or permanent representative in Turkey shall be paid TL 0.10838 gross = net dividend per share with a nominal value of TL 1.00 at the rate of 10.83761%; other shareholders shall be paid TL 0.10838 gross and TL 0.09212 net dividend per share with a nominal value of TL 1.00 at the rate of 10.83761% and dividend distribution shall commence on Monday, May 4, 2009.

2008 Dividend Distribution Table (TL)

1. 1. Paid-in / Issued Capital		119,387,000.00
2. Total Legal Reserves (According to Legal Records)		3,646,660.85
Information on privileges in dividend distribution, if any, in the Articles of Association:		None
	Based on CMB Regulations	**Based on Legal Records**
3. Current Period Profit	55,670,472.00	40,506,128.32
4. Taxes Payable (-)	(10,964,871.00)	(8,952,821.71)
5. Net Current Period Profit	44,705,601.00	31,553,306.61
6. Losses in Previous Years (-)	0.00	0.00
7. Primary Legal Reserve (-)	(1,577,665.33)	(1,577,665.33)
8. NET DISTRIBUTABLE CURRENT PERIOD PROFIT	**43,127,935.67**	**29,975,641.28**
9. Donations Made during the Year	1,044.00	
10. Donation-Added Net Distributable Current Period Profit		
on which First Dividend Is Calculated	43,128,979.67	
11. First Dividend to Shareholders		
- Cash	8,625,795.93	
- Stock		
- Total	8,625,795.93	
12. Dividend Distributed to Owners of Privileged Shares	0.00	
13. Dividend Distributed to Members of the Board of Directors, Employees, etc.	0.00	
14. Dividend to Owners of Redeemed Shares	0.00	
15. Second Dividend to Shareholders	4,312,897.97	
16. Secondary Legal Reserves	696,934.39	
17. Statutory Reserves	0.00	
18. Special Reserves	0.00	
19. EXTRAORDINARY RESERVES	**29,492,307.38**	**16,340,012.99**
20. Other Distributable Resources		
- Previous Year's Profit		
- Extraordinary Reserves		
- Other Distributable Reserves as per the Law and the Articles of Association		

INFORMATION ON DIVIDEND PAYMENT

Information On Dividend Payment			
Total Cash Dividend Amount (TL)		Dividend per Share with a Nominal Value of TL 1	
		Amount (TL)	Rate (%)
Gross	12,938,693.90	0.10838	10.838
Net	10,997,889.82	0.09212	9.212

The Ratio of Dividend Distributed to the Donation-added Net Distributable Profit (%)	
Dividend Distributed to Shareholders (TL)	The Ratio of Dividend Distributed to the Donation Added Net Distributable Profit (%)
12,938,693.90	30.00

Corporate Governance Principles Compliance Report

1. Corporate Governance Compliance Report

As a developing country, increasing the quality and quantity of international capital attracted to Turkey is very essential. We experienced a financial fluctuation referred to as a mortgage crises around the world that was not seen as neither serious nor a long-term problem to affect the markets deeply, especially in developing countries. However, the mortgage crises showed itself in a short time and was far worse than initially assumed; it forced world economies, especially the US economy, to go into a recessionary period. These developments that affected developing countries required all companies and other related parties to emphasize the concept of Corporate Governance once again.

IS Investment exemplifies the corporate approach in the sector represented in Turkey by the “IS” emblem. IS Investment is aware that a solid strategy for good governance can 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 transparency in the Board of Directors activities.

In accordance with principles of Corporate Governance, IS Investment manages the rights and responsibilities of its shareholders, employees, clients, and all related parties utilizing the universal principles of accountability, equality, transparency and responsibility encompassed within the perspective of effective management and control.

Performing activities in accordance with ethical values determined in parallel with the Turkish Commercial Code, Capital Markets Law and related legislation, IS Investment is in compliance with 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 relationships with investors by establishing an Investor Relations Department prior to its IPO. This Department implements the necessary work to fulfill public disclosure requirements and for maintaining healthy relationships with shareholders and stakeholders.

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 related legislation, in accordance with Corporate Governance Principles,
• Submit material event statements to the ISE within methods stipulated in the specified regulations under the scope of the Capital Markets Legislation and to disclose these statements on the website to the attention of all investors,
• Maintain solid relationships with existing and potential investors,
• Hold General Meetings of Shareholders,
• 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 the Investor Relations pages at the Company’s official website.

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 and meetings have been held with investors.

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 obtain information.

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

The Investor Relations Department is also responsible for the responsibilities which come from the capital market legislation and 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 Erdoğmuş
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 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 secret.

The electronic environment has been effectively utilized concerning developments that may impact 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 media 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 on Annual General Meeting of Shareholders

IS Investment held its Annual General Meeting (AGM) on April 28, 2008. 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 TL 119,387,000 of the Company's capital, 78,381,173 shares in person, totally the amount of TL 89,681,841 shares were represented at the meeting and thus fulfilled the meeting quorum stipulated in both the related law and in the Articles of Association.

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 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 a rapidly changing conditions of capital markets that is under the effects 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 is no cross ownership associated with any company. Minority shareholders are not represented in the Board and there is no cumulative voting system.

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 written in the same article.

The Board of Directors aims to increase the Company's diversity of activity and services, as well as to provide a high profit of 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 in the first AGM held as a listed company on April 28, 2008. IS Investment's Dividend Policy has been publicly disclosed on the corporate website, too.

Corporate Governance Principles Compliance Report

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.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Information Policy

IS Investment's Information Policy has been determined by the Board of Directors and 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 information policy; they fulfill 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 stipulated in the current legislation. IS Investment fulfills this significant responsibility for public disclosure with the utmost fastidiousness. In 2008, 372 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 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
- Vision Mission and Corporate Values
- Trade Registry Information
- Ownership Structure & Subsidiaries
- Articles of Association
- Board of Directors and Executives
- Organizational Structure
- Rating Reports
- IS Investment Reports
- Corporate Governance Principles Compliance Report
- Declaration of the Independent Member of the Board
- Policies on Anti-Money Laundering and 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
- 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

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 for shareholders and stakeholders.

12. Disclosure by Insiders

All manipulation of previously undisclosed public information that may effect 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 accurately and within the shortest possible time about material events.

Material event statements submitted to the ISE concerning important developments about IS Investment are published to the attention of stakeholders on the corporate website on the same day they are submitted, in both Turkish and English. 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.

15. Company Policy on Human Resources

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

Commitment to ethical values, continuous development and a 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 policy and career planning. 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 are charged to manage relationships with the clients with the goal of increasing the value of clients' assets. This is achieved by utilizing the most suitable financial tools based on the risk-return expectations of the clients.

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 Report

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 have an executive role at IS Investment.

Executives

İlhami Koç, General Manager
Murat Kural, Assistant General Manager (Deputy General Manager)
Ufuk Ümit Onbaşı, Assistant General Manager
Ertuğ Yıldırımcan, Assistant General Manager
Mert Erdoğmuş, 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. Turan Gökçen Bali has been assigned as the Independent Board member by the AGM held on April 28, 2008 until the date of the next AGM. The Independence Declaration from the independent Board member has been disclosed to public on IS Investment's website and Annual/Quarterly reports.

The conditions by which Board members may undertake duties outside IS Investment are 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 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 April 28, 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, 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 managers experienced in their fields. In this respect, qualifications for IS Investment Board of Directors complies 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

Our mission is;
• 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 and
• To increase value created for shareholders.

Vision

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

Corporate Values

Customer Focused: To stand by our customers; to perform correctly the risk-revenue analysis conforming to their expectations; to offer services required and of the desired quality to increase customers' assets in parallel to this analysis.
Market Centered: To create the highest added value possible for our investors and our corporation based on current developments by keeping constant vigil on domestic and international capital markets.

Dynamism and Innovation: To search for the better and newer through our efficient human resources specialized in their domain, conforming to market conditions, respecting our corporate policies and with endless energy to continuously develop 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 a successful atmosphere created by the brand name "IS" that we represent proudly in capital markets.
Respect for Employees: To ensure continual training and development of our expert staff recruited by combining our corporate values with the corporate social responsibility concept; to exert a human resources policy granting equal rights to everyone under equal conditions by not applying religious, linguistic and ethical discrimination, within the context of comfortable, secure and specific career planning.
Team Work: To bring productivity to the highest possible level by creating a synergy combining division of labor and cooperation, efficient sharing and solidarity.
Respect for Laws, Corporate Governance Principles and Ethical Values: To ensure the best international practice with regard to corporate governance principles to sustain our success in markets and financial performance by respecting the laws and our ethical values through transparent management, efficient risk management and internal mechanism.
Perfectionism: To be conscious that one can be even better if he/she always endeavors to be their very best.
Objectivity and Impartiality:
To ensure that relationships with clients are conducted without causing any conflict of interest during the performance of capital market activities, informing our shareholders in a correct, complete and timely manner while making objective commentaries on markets.
Social Responsibility: To maximize efforts that benefit our employees, the environment and other internal and external entities while trying to meet our objectives of growth and making a 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 and the Board of Directors approves expectations after reviewing the performance of the previous period.

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 the 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 unit, 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 in relation 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 undertaken in transactions at IS Investment, including non-central organizations, are done so 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.

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 in conformity 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 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.

Corporate Governance Principles Compliance Report

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 with the knowledge of the Chairman; the Chairman or the Vice Chairman 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 to the position of 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 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, an Audit Committee 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 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 determines 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 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 TL 5,000 month. The minutes of the AGM were disclosed to the public through material disclosure submitted to ISE as well as on the Company's website. 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.

The Corporate Governance Principles Compliance Report of the Company will be updated following the AGM to be held in 2009.

İŞ YATIRIM MENKUL DEĞERLER A.Ş.
AND ITS SUBSIDIARIES

Audited Consolidated
Financial Statements
For the Year Ended
31 December 2008

(Translated into English from the Original Turkish Report)

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**CONVENIENCE TRANSLATION OF
REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

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

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1. We have audited the accompanying consolidated financial statements of İş Yatırım Menkul Değerler A.Ş. (the "Company") and its subsidiaries (together the "Group") comprising the consolidated balance sheet as of 31 December 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards published by the Capital Markets Board. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

6. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of İş Yatırım Menkul Değerler A.Ş. and its subsidiaries as of 31 December 2008 and their financial performance and their cash flows for the year then ended in accordance with the financial reporting standards published by the Capital Markets Board.

7. Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Note 2 and the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified and reflected in the accompanying consolidated financial statements. The accounting principles used in the preparation of the accompanying consolidated financial statements differ materially from IFRS, principally with respect to the accounting for the effects of hyperinflation and presentation. Accordingly, the accompanying consolidated financial statements are not intended to present the Group's consolidated financial position and results of its consolidated operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

Istanbul, 6 April 2009

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU**

Hasan Kılıç
Partner

İŞ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2008

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

ASSETS	Note	Current Period 31 December 2008	Previous Period 31 December 2007
Current Assets		**1.428.562.970**	**1.212.512.069**
Cash and cash equivalents	6	933.049.887	680.917.808
Financial investments	7	244.014.821	302.883.704
Trade receivables	10	237.559.859	224.266.645
Other receivables	11	2.140.267	2.361.233
Other current assets	26	11.798.136	2.082.679
Non-current Assets		**54.276.423**	**28.197.746**
Trade receivables	6	-	-
Other receivables	11	-	-
Financial investments	7	9.619.819	-
Investments accounted for under equity method	16	35.802.580	21.675.372
Tangible fixed assets	18	5.578.973	4.439.911
Intangible fixed assets	19	1.301.180	982.267
Goodwill	20	-	-
Deferred tax assets	35	1.604.365	1.100.196
Other non-current assets	26	369.506	-
TOTAL ASSETS		**1.482.839.393**	**1.240.709.815**

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

İŞ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2008

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

LIABILITIES	Note	Current Period 31 December 2008	Previous Period 31 December 2007
Current Liabilities		**1.071.643.838**	**833.389.925**
Financial liabilities	8	889.267.721	635.856.650
Other financial liabilities	9	2.921.747	2.185.732
Trade payables	10	166.592.286	182.538.902
Other payables	11	6.638.376	6.738.672
Current tax payable	35	644.443	210.425
Provisions	22	386.134	672.335
Provisions related to employee benefits	24	3.333.735	3.336.480
Other current liabilities	26	1.859.396	1.850.729
Non-current Liabilities		**1.265.522**	**1.013.732**
Financial liabilities	8	-	-
Other financial liabilities	9	-	-
Trade payables	10	-	-
Other payables	11	-	-
Provisions	22	-	-
Provisions related to employee benefits	24	1.265.522	1.013.732
Deferred tax liabilities	35	-	-
Other non-current liabilities	26	-	-
EQUITY		**409.930.033**	**406.306.158**
Shareholders' Equity		**272.688.675**	**243.595.551**
Paid-in capital	27	119.387.000	119.387.000
Inflation adjustment to share capital		16.394	16.394
Premium in excess of par	27	40.656.600	40.656.600
Valuation funds	27	(2.732.493)	3.363.092
Currency translation reserve		(253.595)	(236.703)
Restricted reserves appropriated from profits	27	7.860.998	4.059.152
Retained earnings	27	63.048.170	37.966.164
Net profit/(loss) for the period		44.705.601	38.383.852
Minority Interest		**137.241.358**	**162.710.607**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1.482.839.393**	**1.240.709.815**

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

İŞ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2008

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

	Note	Current Period 1 January- 31 December 2008	Previous Period 1 January- 31 December 2007
CONTINUED OPERATIONS			
Sales revenue	28	33.334.235.707	29.696.679.010
Cost of sales (-)	28	(33.346.230.438)	(29.689.167.234)
Interest and derivative income/(loss) from operating activities (net)	28	46.347.728	35.365.767
Income from services (net)	28	56.903.444	67.802.645
Other operating income/(expenses) (net)	28	12.099.781	15.243.627
GROSS PROFIT/(LOSS)		**103.356.222**	**125.923.815**
Marketing, sales and distribution expenses (-)	29-30	(23.223.922)	(9.137.640)
General administrative expenses (-)	29-30	(67.236.579)	(55.636.781)
Research and development expenses (-)	29-30	-	-
Other operating income	31	13.879.446	1.340.563
Other operating expenses (-)	31	(5.935.092)	(6.425.029)
OPERATING PROFIT/(LOSS)		**20.840.075**	**56.064.928**
Share in net profit/(loss) of investments accounted for under equity method	16	4.363.903	954.780
Finance income	32	29.768.283	22.147.929
Finance expenses (-)	33	(2.111.760)	(1.694.210)
PROFIT/(LOSS) BEFORE TAXATION FROM CONTINUED OPERATIONS		**52.860.501**	**77.473.427**
Tax benefit/(charge) from continued operations		**(10.964.871)**	**(8.305.114)**
-Current tax benefit/(charge)	35	(11.123.326)	(8.833.498)
-Deferred tax benefit/(charge)	35	158.455	528.384
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUED OPERATIONS		**41.895.630**	**69.168.313**
PROFIT/(LOSS) FOR THE PERIOD		**41.895.630**	**69.168.313**
Attributable to:			
Minority interest		(2.809.971)	30.784.461
Equity holders of the parent		44.705.601	38.383.852
Earning/(loss) per share from operating activities	36	0,3745	0,3449
Diluted earning/(loss) per share from operating activities	36	0,3745	0,3449

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

İŞ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

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

	Paid-in Capital	Premium in Excess of Par	Valuation Fund	Inflation Adjustment to Share Capital	Restricted Reserves Appropriated from Profits	Currency Translation Reserve	Net Profit/ (Loss) for the Period	Retained Earnings	Total Equity Attributable to Equity Holders of the Parent	Minority Interest	Total
Balances as previously reported as of 1 January 2007	96.800.000	-	6.500.536	16.394	1.817.492	30.756	15.839.611	38.047.536	159.052.325	127.536.324	286.588.649
Reversal of impairment of investments accounted for under the equity method	-	-	-	-	-	-	1.743.049	1.989.254	3.732.303		3.732.303
Balances as restated as of 1 January 2007	96.800.000	-	6.500.536	16.394	1.817.492	30.756	17.582.660	40.036.790	162.784.628	127.536.324	290.320.952
Currency translation reserves	-	-	-	-	-	(267.459)			(267.459)		(267.459)
Decrease in value of securities available for sale	-	-	(3.137.444)	-	-	-	-	-	(3.137.444)	(187.319)	(3.324.763)
Effect of business combinations of entities under common control						-	-	(17.411.626)	(17.411.626)	6.009.641	(11.401.985)
Total profit/(loss) accounted for under equity	-	-	(3.137.444)	-	-	(267.459)	-	(17.411.626)	(20.816.529)	5.822.322	(14.994.207)
Net profit for the period	-	-	-	-	-		38.383.852		38.383.852	30.784.461	69.168.313
Total net profit/(loss) for the period			(3.137.444)			(267.459)	38.383.852	(17.411.626)	17.567.323	36.606.783	54.174.106
Capital increase	22.587.000	40.656.600	-	-	-	-	-	-	63.243.600	-	63.243.600
Reclassification regarding the acquisition of subsidiary					334.352	-	-	(334.352)	-	-	-
Transfers to retained earnings	-	-	-	-	-	-	(17.582.660)	17.582.660	-	-	-
Transfers to reserves	-	-	-	-	710.435	-	-	(710.435)	-	-	-
Gains on sale of properties and equity participations to be transferred to capital					1.196.873	-	-	(1.196.873)	-	-	-
Dividend paid						-	-		-	(1.432.500)	(1.432.500)
Balances as of 31 December 2007	119.387.000	40.656.600	3.363.092	16.394	4.059.152	(236.703)	38.383.852	37.966.164	243.595.551	162.710.607	406.306.158

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

İŞ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

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

	Paid-in Capital	Premium in Excess of Par	Valuation Fund	Inflation Adjustment to Share Capital	Restricted Reserves Appropriated from Profits	Currency Translation Reserve	Net Profit/ (Loss) for the Period	Retained Earnings	Total Equity Attributable to Equity Holders of the Parent	Minority Interest	Total
Balances as of 1 January 2008	119.387.000	40.656.600	3.363.092	16.394	4.059.152	(236.703)	38.383.852	37.966.164	243.595.551	162.710.607	406.306.158
Currency translation reserves	-	-	-	-	-	(16.892)	-	-	(16.892)	-	(16.892)
Decrease in value of securities available for sale	-	-	(6.095.585)	-	-	-	-	-	(6.095.585)	(472.975)	(6.568.560)
Effect of business combinations of entities under common control	-	-	-	-	-	-	-	-	-	(9.887.470)	(9.887.470)
Total profit/(loss) accounted for under equity	-	-	(6.095.585)	-	-	(16.892)	-	-	(6.112.477)	(10.360.445)	(16.472.922)
Net profit for the period	-	-	-	-	-	-	44.705.601	-	44.705.601	(2.809.971)	41.895.630
Total net profit/(loss) for the period	-	-	(6.095.585)	-	-	(16.892)	44.705.601	-	38.593.124	(13.170.416)	25.422.708
Capital increase	-	-	-	-	-	-	-	-	-	-	-
Reclassification regarding the acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-
Transfers to retained earnings	-	-	-	-	-	-	(38.383.852)	38.383.852	-	-	-
Transfers to reserves	-	-	-	-	2.937.744	-	-	(2.937.744)	-	-	-
Gains on sale of properties and equity participations to be transferred to capital	-	-	-	-	864.102	-	-	(864.102)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(9.500.000)	(9.500.000)	(12.298.833)	(21.798.833)
Balances as of 31 December 2008	119.387.000	40.656.600	(2.732.493)	16.394	7.860.998	(253.595)	44.705.601	63.048.170	272.688.675	137.241.358	409.930.033

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

İŞ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2008

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

STATEMENT OF CASH FLOWS

Cash flows from operating activities	Note	Current Period 1 January- 31 December 2008	Previous Period 1 January- 31 December 2007
Net profit/(loss) for the period		**41.895.630**	**69.168.313**
-Tax charge	35	10.964.871	8.305.114
-Interest accruals on the financial liabilities	8	(7.132.908)	9.832.629
-Interest accruals on cash and cash equivalents	6	3.784.913	(10.060.157)
-Other expense accruals		69.811	949.929
-Gain/(loss) on sales of tangible fixed assets	31	(17.086)	12.059
-Accruals on financial investments		(7.316.521)	(7.133.351)
-Negative goodwill recognized as income	31-41	(11.781.149)	-
-Accrued expense/(income) on derivate transactions	9	1.315.555	(2.329.590)
-Provision related to employee benefits (retirement pay provision)	24	328.036	259.682
-Provision related to employee benefits (other)	24	(2.745)	2.733.733
-Dividend income		(3.897.564)	(1.928.923)
-(Income)/loss from investments accounted for under equity method	16	(4.363.903)	(954.780)
-Depreciation of tangible fixed assets	18	1.312.075	1.009.170
-Amortization of intangible fixed assets	19	275.174	154.675
		25.434.189	**70.018.503**
(Increase)/decrease in trade receivables	10	(13.293.214)	(103.415.913)
(Increase)/decrease in other receivables and current assets		171.129	6.812.651
Increase/(decrease) in trade payables	10	(15.946.616)	135.090.978
Increase/(decrease) in other payables and other current liabilities		(108.597)	2.601.200
Increase/(decrease) in provisions		(339.044)	(266.185)
Change in working capital		**(4.082.153)**	**110.841.234**
Taxes paid		(20.724.434)	(9.472.763)
Employee benefits paid	24	(76.246)	(40.007)
Net cash (used in)/provided from operating activities		**(24.882.833)**	**101.328.464**
Cash flows from investing activities			
Change in financial investments (net)		41.694.702	(89.681.695)
Dividends received from equity investments		366.276	194.333
Dividends received from investments accounted for under equity method		851.794	100.400
Dividends received from other security investments		3.531.288	1.734.590
Acquisitions of tangible fixed assets	18	(2.500.190)	(1.968.629)
Acquisitions of intangible fixed assets	19	(612.281)	(511.463)
Changes in currency translation reserve		52.746	(193.338)
Proceeds on sale of tangible fixed assets		39.664	1.810
Acquisition of subsidiaries		-	(19.874.404)
Cash provided from/(used in) investing activities		**43.423.999**	**(110.198.396)**
Cash flows from financing activities			
Premium in excess of par		-	40.656.600
New financial liabilities raised	8	883.880.000	626.255.000
Repayment of financial liabilities	8	(623.336.021)	(203.653.565)
Change in other financial liabilities		(1.369.320)	815.519
Capital increase		-	22.587.000
Change in minority interest		-	8.533.916
Dividends paid			
-to equity holders of the parent		(9.500.000)	-
-to minority interest		(12.298.833)	(1.432.500)
Net cash provided from financing activities		**237.375.826**	**493.761.970**
Net change in cash and cash equivalents		255.916.992	484.892.038
Cash and cash equivalents at the beginning of period	6	670.162.547	185.270.509
Cash and cash equivalents at the end of period		**926.079.539**	**670.162.547**

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

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

The purpose of İş Yatırım Menkul Değerler A.Ş. ("the Company") is to perform capital market activities in accordance with its Articles of Association and Capital Markets Law number 2499 as amended by Law number 3794. In this respect, the Company obtained the establishment permission through the Capital Markets Board's (the "CMB") meeting No: 51/1515 on 5 December 1996.

The Company is located in Turkey and its contact information is stated below:

İş Kuleleri Kule-2 Kat 12, 4. Levent 34330 Beşiktaş/Istanbul/Turkey
Telephone:: + 90 (212) 350 20 00 Fax: + 90 (212) 350 20 01
http://www.isyatirim.com.tr

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

As of the balance sheet date, the Company's personnel number is 318 (31 December 2007: 289).

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

Camiş Menkul Değerler A.Ş:

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

İş Yatırım Ortaklığı A.Ş:

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

İş Portföy Yönetimi A.Ş:

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş:

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

Maxis Securities Ltd:

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

The details of the Group's subsidiaries and participations included in consolidation are as follows:

	Place of incorporation	Ownership	Business activity
Camiş Menkul Değerler A.Ş.	Istanbul	99,79%	Securities brokerage
İş Yatırım Ortaklığı A.Ş.	Istanbul	29,12%	Investment trust
Maxis Securities Ltd.	London	100,00%	Securities brokerage
İş Portföy Yönetimi A.Ş.	Istanbul	70,00%	Portfolio management
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Istanbul	29,00%	Private equity

Dividends Distributable:

The Board of Directors has not decided on any proposal related to dividend distribution to the shareholders. Since dividend distribution is subject to approval of General Assembly, any liability regarding to dividends distributable has not been recognized in the accompanying consolidated financial statements. The information regarding resources subject to profit distribution is disclosed in Note 27.

Approval of Financial Statements:

The financial statements have been approved by the Board of Directors and are authorized for issuance on 6 April 2009. General Assembly has the authority to amend financial statements.

2. BASIS OF THE FINANCIAL STATEMENTS

2.1. Basis of Presentation

Preparation of Financial Statements and Accounting Standards:

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

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

As the differences between the International Financial Reporting Standards ("IAS/IFRS") as endorsed by the European Union and the Turkish Accounting/ Financial Reporting Standards ("TAS/TFRS") have not been declared as of the date of this report, the accompanying financial statements and notes are prepared in accordance with IAS/IFRS as declared in the Communiqué Serial: XI, No: 29 with the required formats announced by the CMB on 14 April 2008. In this respect, certain reclassifications and adjustments have been made in the comparative financial statements (Note 41).

Presentation and Functional Currency:

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

Preparation of Financial Statements in Hyperinflationary Periods:

Based on the CMB decision numbered 11/367 dated 17 March 2005, for the companies operating in Turkey and preparing financial statements in accordance with CMB Accounting Standards (including companies adopting IAS/IFRS), the inflation accounting application has been ceased beginning from 1 January 2005. Within this context, IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by IASB has not been applied beginning from 1 January 2005.

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

Consolidation:

The details of the Group's subsidiaries and affiliates as of 31 December 2008 and 31 December 2007 are as follows:

Subsidiaries	Place of incorporation	Ownership as of 31 December 2008	Ownership as of 31 December 2007	Business activity
Camiş Menkul Değerler A.Ş.	Istanbul	99,79%	99,79%	Securities brokerage
İş Yatırım Ortaklığı A.Ş. (*)	Istanbul	29,12%	23,60%	Investment trusts
Maxis Securities Ltd.	London	100,00%	100,00%	Securities brokerage
İş Portföy Yönetimi A.Ş. (**)	Istanbul	70,00%	70,00%	Portfolio management

(*) This company is fully consolidated since the parent has the power to exercise control over the financial and operating policy decisions of the investee.

(**) The Company has acquired 50% shares of its subsidiary, İş Portföy Yönetimi A.Ş. from Türkiye İş Bankası A.Ş. in addition to its 20% of shares held by the Group with a cash consideration of TL 30.500.000 on 29 June 2007. The subsidiary, which was accounted for under the equity method prior to 30 June 2007, is fully consolidated in the accompanying financial statements as of this date.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled or jointly controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of the consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make further investments to cover the losses.

Affiliates:

An affiliate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not a control or joint control over those policies. The details of the Group's affiliates as of 31 December 2008 and 31 December 2007 are as follows:

Affiliates	Place of incorporation	Ownership as of 31 December 2008	Ownership as of 31 December 2007	Business activity
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Istanbul	29,00%	20,08%	Private equity

The results of operations, assets and liabilities of affiliates, except for the disposal groups that are classified as held for sale in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", are incorporated in the accompanying financial statements using the equity method of accounting. Under the equity method, affiliates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share in the net assets of the affiliate, less any impairment in the value of individual investments. Losses of an affiliate in excess of the Group's interest in that affiliate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the affiliate recognized at the date of acquisition is recognized as goodwill. Goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where a group entity transacts with an affiliate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant affiliate.

2.2. Changes in the Accounting Policies

The changes made in the accounting policies are applied retrospectively and the prior year financial statements are restated. In order to comply with the Communiqué Serial: XI, No: 29, the Group applied required changes in the accounting policies beginning from 1 January 2007. Detailed information about these changes is presented in Note 41.

In addition to this, İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. shares held with TL 2.088.000 nominal value, TL 7.652.220 cost and with TL 3.695.918 fair value as of 30 September 2008 and İş Yatırım Ortaklığı A.Ş. shares held with TL 7.427.000 nominal value, TL 6.617.053 cost and with TL 5.050.471 fair value as of 30 September 2008 are reclassified from financial asset at fair value through profit or loss accounts to affiliates and subsidiaries accounts respectively in accordance with the Communiqué No: 105 "Communiqué on Amendments in Turkish Accounting Standard ("TAS 39") Financial Instruments: Recognition and Measurement" prepared by Turkish Accounting Standards Board, published on 31 October 2008 in the Official Gazette No: 27040.

Reclassification of financial assets as per the Communiqué No: 105, Article 2 and new paragraphs 50B, 50D and 50E of TAS 39 has not been applied retrospectively to previous accounting periods ending before the effective date of 1 July 2008.

The calculation of negative goodwill arose as a result of the aforementioned accounting policy change by accounting for additional shares as affiliates and subsidiaries respectively are as follows:

	İş Girişim	İş Yatırım Ortaklığı
Fair value of securities reclassified from financial asset at fair value through profit or loss	3.695.918	5.050.471
Percentage of reclassified shares in total nominal amount of capital	8,92%	5,52%
Shareholder's equity balances of affiliates and subsidiaries as of balance sheet date	119.237.100	179.270.533
Corresponding amount of the reclassified shares in shareholder's equities of investments in affiliates and subsidiaries	10.640.068	9.887.470
Negative goodwill recognized in profit/(loss) (Note 31)	**6.944.150**	**4.836.999**

2.3. Changes in the Accounting Estimates and Errors

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

Significant accounting errors that are detected in the current period are applied retrospectively and prior year financial statements are restated accordingly.

In order to comply with the Communiqué Serial: XI, No: 29, the Group applied the Communiqué to the first interim financial statements prepared subsequent to 1 January 2008. The required reclassifications and adjustments have been made to the Group's opening financial statements beginning from of 31 December 2006 in accordance with the Communiqué Serial: XI, No: 29. The effect of these restatements to consolidated financial statements as of 31 December 2007 has been disclosed in Note 41.

2.4. Adoption of New and Revised International Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2008.

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

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group's operations:

- IFRIC 11, "IFRS 2-Group and treasury share transactions",
- IFRIC 12, "Service concession arrangements",
- IFRIC 14, "IAS 19-The limit on a defined benefit asset, minimum funding requirements and their interaction".

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

• IFRS 8, "Operating segments"	Effective for annual periods beginning on or after 1 January 2009
• IFRIC 15, "Agreements for the construction of real estate"	Effective for annual periods beginning on or after 1 January 2009
• IFRIC 16, "Hedges of a net investment in a foreign operation"	Effective for annual periods beginning on or after 1 October 2008
• IFRIC 17, "Distributions of non-cash assets to owners"	Effective for annual periods beginning on or after 1 July 2009

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

• IFRS 2, "Share-based Payment" Amendment relating to vesting conditions and cancellations"	Effective for annual periods beginning on or after 1 January 2009
• IFRS 1, "First-time Adoption of International Financial Reporting Standards" Amendment relating to cost of an investment on first-time adoption	Effective for annual periods beginning on or after 1 January 2009
• IFRS 3, "Business Combinations" • IAS 27, "Consolidated and Separate Financial Statements • IAS 28, "Investments in Associates" • IAS 31 "Interests in Joint Ventures" Comprehensive revision on applying the acquisition method	Effective for annual periods beginning on or after 1 July 2009
• IAS 23, "(Amendment) Borrowing costs" Comprehensive revision to prohibit immediate expensing	Effective for annual periods beginning on or after 1 January 2009
• IAS 27, "Consolidated and Separate Financial Statements" Amendment relating to cost of an investment on first-time adoption	Effective for annual periods beginning on or after 1 January 2009
• IAS 1, "Presentation of Financial Statements" • IAS 32, "Financial Instruments: Presentation" Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	Effective for annual periods beginning on or after 1 January 2009
• IAS 1, "Presentation of Financial Statements" Comprehensive revision including requiring a statement of comprehensive income	Effective for annual periods beginning on or after 1 January 2009
• IAS 39, "Financial Instruments: Recognition and Measurement" Amendments for eligible hedged items	Effective for annual periods beginning on or after 1 January 2009

The Group management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the consolidated financial statements of the Group.

IFRS 1, "First-time Adoption of International Financial Reporting Standards" and IAS 27, "Consolidated and Separate Financial Statements

IFRS 1 allows first-time adopters to use a 'deemed cost' of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities, and associates in the separate financial statements. Removes the definition of the cost method from IAS 27 and replace it with a requirement to present dividends as income in the separate financial statements of the investor. Requires that, when a new parent is formed in reorganization, the new parent must measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganization. It is anticipated that, it will have no material impact on the financial statements of the Group accordingly.

IFRS 2, "Share-based Payments"

IFRS 2 includes the nature and extent of share-based payment arrangements that existed during the period; how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined; and the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position. It is anticipated that, it will have no material impact on the financial statements of the Group accordingly.

IFRS 8, "Operating Segments"

IFRS 8 "Operating Segments" replaces IAS 14 'Segment Reporting"'. This standard requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. The Group will apply IFRS 8 effective from1 January 2009.

IAS 32 and IAS 1 "Financial Instruments: Presentation" Amendments relating to disclosure of puttable instruments and obligations arising on liquidation

IAS 32 clarifies the classification of a financial instrument issued by an enterprise as a liability or as equity, prescribing the accounting for treasury shares (a company's own repurchased shares). Amendment to IAS 1 requires definition and disclosures related financial instrument classified as treasury shares. It is anticipated that, it will have no material impact on the financial statements of the Group accordingly.

IAS 23, "(Revised) Borrowing Costs"

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and, therefore, should be capitalized. Other borrowing costs are recognized as an expense. The option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale will be removed by this change. The Group will begin to apply the IAS 23 (Revised) standard commencing from 1 January 2009.

IFRS 3, "Business Combinations"

Costs related with acquisitions shall be presented under profit and loss statement when occurred and changes in the contingent costs recorded at the time of inception shall be recorded under profit and loss statement instead of correction from goodwill.

IFRIC 13, "Customer Loyalty Programs"

Customer loyalty programs are accounted for as a separate component of the sale transaction. The amount of proceeds allocated to the award credits is measured by reference to their fair value and the deferred portion of the proceeds is recognized as revenue only when obligations are fulfilled. It is anticipated that, it will have no material impact on the financial statements of the Group since the Group does not have any transactions subject to IFRIC 13.

IFRIC 15, "Agreements for the Construction of Real Estate"

IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and, accordingly, when revenue from the construction should be recognized.

IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"

IFRIC 16 clarifies three main issues: the presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation. Hedging instrument(s) may be held by any entity or entities within the Group. It is anticipated that, it will have no material impact on the financial statements of the Group accordingly.

IFRIC 17, "Distribution of Non-cash Assets to Owners"

IFRIC 17 applies to pro rata distributions of non-cash assets (all owners are treated equally) but does not apply to common control transactions. It is anticipated that, it will have no material impact on the financial statements of the Group accordingly.

IFRIC 18, "Transfers of Assets from Customers"

IFRIC 18 clarifies the cases in which an entity receives from a customer an item of property, plant, and equipment or cash that must be used only to acquire or construct such items in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services and also provides guidance on how to account for transfers of cash from customers. It is anticipated that, it will have no material impact on the financial statements of the Group accordingly.

IAS 1, "Presentation of Financial Statements" (Revised)

A revised version of IAS 1 Presentation of Financial Statements has been issued to provide more useful information. The major changes are the statement of changes in equity will only include the transactions with the shareholders, introduction of "total comprehensive income" in addition to the income statement which will present all profit or loss as income or expenses. The revised interpretation of the prior year financial statements and disclosing the restatement effect of change in accounting policies to prior year financial statements. The Group will adopt the changes in financial statement presentation in year 2009.

IAS 39, "Financial Instruments: Recognition and Measurement" Amendments for eligible hedged items

The amendment clarifies that an entity may not designate an inflation component of issued or acquired fixed-rate debt in a fair value hedge because such a component is not separately identifiable and reliably measurable. The amendments also clarify that a risk-free or benchmark interest rate portion of the fair value of a fixed-rate financial instrument will normally be separately identifiable and reliably measurable and, therefore, may be hedged.

2.5. Summary of Significant Accounting Policies

Revenue Recognition:

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

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

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

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

Tangible Fixed Assets:

Tangible fixed assets are carried at cost less accumulated depreciation and any permanent impairment loss.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. These assets are depreciated, on the same basis as other tangible fixed assets, when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

The gain or loss arising on the disposal or retirement of an item of tangible fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit or loss.

Leasing Transactions:

Leasing-the Group as Lessee:

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

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Intangible Fixed Assets:

Goodwill:

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

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

Intangible Fixed Assets Acquired:

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

Trademarks and Licenses:

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

Computer Software:

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

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

Intangible Fixed Assets Acquired in a Business Combination:

Intangible fixed assets acquired in a business combination are identified and recognized separately from goodwill where they meet the definition of an intangible asset and their fair value can be measured reliably. Cost of such intangible fixed assets is the fair value at the acquisition date.

Subsequent to initial recognition, intangible fixed assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible fixed assets acquired separately.

Impairment of Assets:

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

Borrowing Costs:

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

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

Financial Instruments:

Financial Assets:

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

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

Effective interest method

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

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

Financial assets at FVTPL

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

Held-to-maturity investments

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

The information on security held, as held-to-maturity by the Group, is given in Note 7.

Available-for-sale financial assets

Investments other than held-to-maturity financial assets, held for fair value through profit or loss and loans and receivables are classified as available-for-sale, and are measured at subsequent reporting dates at fair value except for available-for-sale investments that do not have quoted prices in active markets and whose fair values can not be reliably measured are stated at cost. Gains and losses on available for sale financial assets at amortized cost are recognized in the income statement. Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Repurchase and reverse repurchase agreements

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

Loans and receivables

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

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

Impairment of financial assets

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

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

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

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

Cash and cash equivalents

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

Financial Liabilities:

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

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

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

Other financial liabilities

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

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

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

Derivative Financial Instruments and Hedge Accounting:

As of the balance sheet date, the Group has derivative financial instrument transactions which predominantly consist of positions related to forward contracts and contracts indexed to Istanbul Stock Exchange ("ISE") Index. The Group uses foreign currency forward contracts and futures to hedge its risks associated with market fluctuations in connection with trading portfolio transactions. The Group participates in derivative transactions indexed to foreign currencies and securities, also performs brokerage activities relating to derivative transactions on behalf of its customers.

As of the balance sheet date, transactions related to derivative financial instruments are entered into for trading purposes and measured at fair value. Interest and foreign currency gains and losses on these instruments are accounted for in the statement of income.

Business Combinations:

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

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

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

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

Foreign Currency Transactions:

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

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Earning per Share:

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

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

Subsequent Events:

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

The Group restates its financial statements if such adjusting subsequent events arise.

Provisions, Contingent Liabilities, Contingent Assets:

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous Contracts:

Present obligations arising under onerous contracts are measured and recognized as a provision.

An onerous contract is made where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Segment Information:

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and if its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

Since the Group predominantly operates in Turkey and only in marketable securities sector, segment information in the accompanying financial statements are configured according to structure of the Group's operating entities as securities brokerage, investment trust and portfolio management. Since the Group's geographical operations outside of Turkey is not identified as a reportable geographical segment in the context of materiality of the consolidated financial statements and are not present in the accompanying consolidated financial statement (Note 5).

Construction Agreements:

None.

Discontinued Operations:

Discontinued operations are part of a group which either are classified as held-for-sale or have been disposed of and whose activities and cash flow can be treated separable from the Group's whole activities and cash flows. Discontinued operations; represent separate business or geographical segment, are parts of the plans to sell or dispose thereof, or is a subsidiary acquired for selling. The Group's discontinued operations have been valued with the lower of the book values of related asset and liabilities of the discontinued operations, or fair value less costs to sell.

Government Incentives and Grants:

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Investment Properties:

None.

Taxation and Deferred Tax:

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax:

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

Deferred Tax:

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and Deferred Tax for the Period:

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

Employee Benefits/Retirement Pay Provision:

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (Revised) Employee Benefits ("IAS 19").

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

Statement of Cash Flows:

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

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

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

Share Capital and Dividends:

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

2.6 Significant Accounting Estimates

There are no other accounting valuations, estimates or assumptions, which should be separately disclosed.

3. BUSINESS COMBINATIONS

None.

4. JOINT VENTURES

None.

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

5. SEGMENT INFORMATION

Segments	Securities Brokerage	Investment Trust	Portfolio Management	Elimination adjustments	Total of Continued Operations
	1 January-31 December 2008	1 January-31 December 2008	1 January-31 December 2008	1 January-31 December 2008	1 January-31 December 2008
CONTINUED OPERATIONS					
Sales revenue	32.927.544.891	406.707.901	-	(17.085)	33.334.235.707
Cost of sales (-)	(32.927.612.574)	(418.617.864)	-	-	(33.346.230.438)
Interest and derivative income from operating activities (net)	38.684.831	7.662.897	-	-	46.347.728
Income from services (net)	47.811.528	-	11.732.975	(2.641.059)	56.903.444
Other operating income/(expenses) (net)	11.197.782	1.746.330		(844.331)	12.099.781
GROSS PROFIT/(LOSS)	97.626.458	(2.500.736)	11.732.975	(3.502.475)	103.356.222
Marketing, sales and distribution expenses (-)	(22.603.144)	(2.794.861)	(395.414)	2.569.497	(23.223.922)
General administrative expenses (-)	(60.460.819)	(1.225.464)	(5.680.870)	130.574	(67.236.579)
Research and development expenses (-)	-	-	-	-	-
Other operating income	13.859.636	-	101.627	(81.817)	13.879.446
Other operating expenses (-)	(3.062.449)	(2.889.728)	-	17.085	(5.935.092)
OPERATING PROFIT/(LOSS)	25.359.682	(9.410.789)	5.758.318	(867.136)	20.840.075
Share in net profit/(loss) of investments accounted for under equity method	4.363.903	-	-	-	4.363.903
Finance income	22.232.458	2.321.079	5.214.746	-	29.768.283
Finance expenses (-)	(2.802.259)	-	(153.832)	844.331	(2.111.760)
PROFIT/(LOSS) BEFORE TAXATION FROM CONTINUED OPERATIONS	49.153.784	(7.089.710)	10.819.232	(22.805)	52.860.501
Tax benefit/(charge) from continued operations	(8.789.768)	-	(2.175.103)	-	(10.964.871)
-Current tax benefit/(charge)	(8.952.822)	-	(2.170.504)	-	(11.123.326)
-Deferred tax benefit/(charge)	163.054	-	(4.599)	-	158.455
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUED OPERATIONS	40.364.016	(7.089.710)	8.644.129	(22.805)	41.895.630
Attributable to:					
Minority interest	105	(5.025.512)	2.593.239	(377.803)	(2.809.971)
Equity holders of the parent	40.363.911	(2.064.198)	6.050.890	354.998	44.705.601
	40.364.016	(7.089.710)	8.644.129	(22.805)	41.895.630

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

Segments	Securities Brokerage	Investment Trust	Portfolio Management	Elimination adjustments	Total of continued operations
Other information	1 January-31 December 2008	1 January-31 December 2008	1 January-31 December 2008	1 January-31 December 2008	1 January-31 December 2008
Purchases of tangible and intangible fixed assets	2.709.964	6.606	395.901	-	3.112.471
Depreciation and amortization charges	(1.366.103)	(9.491)	(211.655)	-	(1.587.249)

Segments	Securities Brokerage	Investment Trust	Portfolio Management	Elimination adjustments	Consolidated Total
Balance sheet information	31 December 2008	31 December 2008	31 December 2008	31 December 2008	31 December 2008
Assets	**1.353.235.687**	**179.765.766**	**35.866.221**	**(86.028.281)**	**1.482.839.393**
Cash and cash equivalents	898.344.626	8.129.908	26.575.353	-	933.049.887
Financial assets (current)	78.878.430	160.182.575	5.476.343	(522.527)	244.014.821
Trade receivables	238.699.520	11.440.696	2.487.150	(15.067.507)	237.559.859
Other receivables	2.142.880	1.664	-	(4.277)	2.140.267
Financial assets (non-current)	80.053.789	-	-	(70.433.970)	9.619.819
Investments accounted for under equity method	35.802.580	-	-	-	35.802.580
Other assets	19.313.862	10.923	1.327.375	-	20.652.160
Liabilities	**1.085.810.677**	**734.967**	**1.435.500**	**(15.071.784)**	**1.072.909.360**
Financial liabilities	889.267.721	-	-	-	889.267.721
Other financial liabilities	2.921.747	-	-	-	2.921.747
Trade payables	181.311.375	348.167	251	(15.067.507)	166.592.286
Other payables	6.490.959	6.422	140.995	-	6.638.376
Other liabilities	5.818.875	380.378	1.294.254	(4.277)	7.489.230
Net assets	**267.425.010**	**179.030.799**	**34.430.721**	**(70.956.497)**	**409.930.033**

İŞ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
(Amounts are expressed in Turkish Lira ["TL"] unless otherwise indicated.)

Segments	Securities Brokerage	Investment Trust	Portfolio Management	Elimination adjustments	Total of continued operations
	1 January-31 December 2007	1 January-31 December 2007	1 January-31 December 2007	1 January-31 December 2007	1 January-31 December 2007
CONTINUED OPERATIONS					
Sales revenue	29.276.814.570	419.865.524	-	(1.084)	**29.696.679.010**
Cost of sales (-)	(29.288.127.978)	(401.039.256)	-	-	**(29.689.167.234)**
Interest and derivative income from operating activities (net)	19.817.481	15.548.286	-	-	**35.365.767**
Income from services (net)	61.571.109	-	7.625.992	(1.394.456)	**67.802.645**
Other operating income/(expenses) (net)	13.298.892	1.944.735	-	-	**15.243.627**
GROSS PROFIT/(LOSS)	**83.374.074**	**36.319.289**	**7.625.992**	**(1.395.540)**	**125.923.815**
Marketing, sales and distribution expenses (-)	(8.757.834)	(1.468.559)	(270.904)	1.359.657	**(9.137.640)**
General administrative expenses (-)	(49.602.604)	(882.060)	(5.227.765)	75.648	**(55.636.781)**
Research and development expenses (-)	-	-	-	-	**-**
Other operating income	2.776.170	-	10.532	(1.446.139)	**1.340.563**
Other operating expenses (-)	(6.427.693)	-	-	2.664	**(6.425.029)**
OPERATING PROFIT/(LOSS)	**21.362.113**	**33.968.670**	**2.137.855**	**(1.403.710)**	**56.064.928**
Share in net profit/(loss) of investments accounted for under equity method	954.780	-	-	-	**954.780**
Finance income	15.083.242	2.853.759	4.210.928	-	**22.147.929**
Finance expenses (-)	(1.612.322)	-	(81.888)	-	**(1.694.210)**
PROFIT/(LOSS) BEFORE TAXATION FROM CONTINUED OPERATIONS	**35.787.813**	**36.822.429**	**6.266.895**	**(1.403.710)**	**77.473.427**
Tax benefit/(charge) from continued operations	(7.039.371)	-	(1.265.743)	-	**(8.305.114)**
-Current tax benefit/(charge)	(7.466.779)	-	(1.366.719)	-	**(8.833.498)**
-Deferred tax benefit/(charge)	427.408	-	100.976	-	**528.384**
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUED OPERATIONS	**28.748.442**	**36.822.429**	**5.001.152**	**(1.403.710)**	**69.168.313**
Attributable to:					
Minority interest	(336)	28.132.336	2.652.461	-	**30.784.461**
Equity holders of the parent	28.748.778	8.690.093	2.348.691	(1.403.710)	**38.383.852**
	28.748.442	**36.822.429**	**5.001.152**	**(1.403.710)**	**69.168.313**

(Amounts are expressed in Turkish Lira [“TL”] unless otherwise indicated.)

Segments	Securities Brokerage	Investment Trust	Portfolio Management	Elimination adjustments	Total of continued Operations
Other information	1 January-31 December 2007	1 January-31 December 2007	1 January-31 December 2007	1 January-31 December 2007	1 January-31 December 2007
Purchases of tangible and intangible fixed assets	2.368.819	5.962	105.311	-	2.480.092
Depreciation and amortization charges	(981.666)	(8.688)	(173.491)	-	(1.163.845)

Segments	Securities Brokerage	Investment Trust	Portfolio Management	Elimination adjustments	Total of continued Operations
Balance sheet information	31 December 2007	31 December 2007	31 December 2007	31 December 2007	31 December 2007
Assets	**1.074.162.392**	**204.417.395**	**29.240.889**	**(67.110.861)**	**1.240.709.815**
Cash and cash equivalents	633.871.105	22.789.981	24.256.722	-	680.917.808
Financial assets (current)	119.645.644	179.990.750	3.247.310	-	302.883.704
Trade receivables	224.904.642	1.367.983	748.001	(2.753.981)	224.266.645
Other receivables	2.175.529	253.948	637	(68.881)	2.361.233
Financial assets (non-current)	64.287.999	-	-	(64.287.999)	-
Investments accounted for under equity method	21.675.372	-	-	-	21.675.372
Other assets	7.602.101	14.733	988.219	-	8.605.053
Liabilities	**833.688.025**	**2.546.886**	**991.608**	**(2.822.862)**	**834.403.657**
Financial liabilities	635.856.650	-	-	-	635.856.650
Other financial liabilities	2.185.732	-	-	-	2.185.732
Trade payables	182.864.430	2.490.594	6.740	(2.822.862)	182.538.902
Other payables	6.618.761	3.970	115.941	-	6.738.672
Other liabilities	6.162.452	52.322	868.927	-	7.083.701
Net assets	**240.474.367**	**201.870.509**	**28.249.281**	**(64.287.999)**	**406.306.158**

6. CASH AND CASH EQUIVALENTS

	31 December 2008	31 December 2007
Cash	19.626	41.786
Cash in banks	910.277.249	643.497.995
Demand deposits	2.351.658	2.609.153
Time deposits (with maturities three months or less)	907.925.591	640.888.842
B type mutual funds	49.937	33.787
Reverse repurchase agreements	22.583.027	37.084.119
Receivables from Stock Exchange Money Market	120.048	260.121
	933.049.887	680.917.808

(Amounts are expressed in Turkish Lira [“TL”] unless otherwise indicated.)

Maturities and interest rates of time deposits as of 31 December 2008 and 31 December 2007 are as follows:

	31 December 2008			
	Interest Rate (%)	Maturity	Currency Type	Amount (TL)
Time deposits in TL	18,91-23,00	02/01/2009-31/03/2009	TL	897.939.860
Time deposits in FX	3,00	05/01/2009	US Dollars	3.024.600
Interest accrual				6.961.131
				907.925.591

	31 December 2007			
	Interest Rate (%)	Maturity	Currency Type	Amount (TL)
Time deposits in TL	17,70-18,85	02/01/2008-01/04/2008	TL	630.150.000
Interest accrual				10.738.842
				640.888.842

Maturities and interest rates of reverse repurchase agreements as of 31 December 2008 and 31 December 2007 are as follows:

	31 December 2008			
	Interest Rate (%)	Maturity	Cost	Carrying Value
Reverse repurchase agreements	11,99-15,00	02/01/2009	22.573.809	22.583.027
				22.583.027

	31 December 2007			
	Interest Rate (%)	Maturity	Cost	Carrying Value
Reverse repurchase agreements	13,70-17,50	02/01/2008	37.067.700	37.084.119
				37.084.119

Cash and cash equivalents in the Group’s consolidated statement of cash flows for the period ended 31 December 2008 and 31 December 2007 are presented by netting off interest accruals from cash and cash equivalents:

	31 December 2008	31 December 2007
Cash and cash equivalents	933.049.887	680.917.808
Interest accruals (-)	(6.970.348)	(10.755.261)
	926.079.539	**670.162.547**

7. FINANCIAL INVESTMENTS

Current financial assets	31 December 2008	31 December 2007
Financial assets at fair value through profit or loss	236.470.170	288.424.777
Available for sale financial assets	7.544.651	14.458.927
Held to maturity financial assets	-	-
Unlisted financial assets carried at cost	-	-
	244.014.821	**302.883.704**

Non-current financial assets	31 December 2008	31 December 2007
Held to maturity financial assets	9.619.819	-
	9.619.819	**-**

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

		31 December 2008	
Financial assets at fair value through profit or loss	**Cost**	**Fair Value**	**Carrying Value**
Equity shares	67.857.678	54.077.043	54.077.043
Government bonds and Treasury bills	106.583.129	113.133.024	113.133.024
Foreign currency securities	1.020.982	929.302	929.302
Private sector bonds	55.519.965	56.696.457	56.696.457
Mutual funds	7.183.428	10.793.542	10.793.542
Income accruals of derivative instruments	-	840.802	840.802
	238.165.182	**236.470.170**	**236.470.170**

		31 December 2007	
Financial assets at fair value through profit or loss	**Cost**	**Fair Value**	**Carrying Value**
Equity shares	130.015.279	135.140.143	135.140.143
Government bonds and Treasury bills	126.487.958	127.865.964	127.865.964
Foreign currency securities	1.815.972	1.734.248	1.734.248
Private sector bonds	21.195.906	21.423.729	21.423.729
Mutual funds	2.919.627	2.259.591	2.259.591
Income accruals of derivative instruments	-	1.102	1.102
	282.434.742	**288.424.777**	**288.424.777**

Annual interest rates of Government bonds and Treasury bills held for trading purposes as of 31 December 2008 range between 15,56% and 22,18% (31 December 2007: in-between 16,04% and 23,58%).

Marketable securities given as guarantees as of the respective balance sheet dates are as follows:

		31 December 2008	
Government bonds and Treasury bills given as guarantee	**Cost**	**Fair Value**	**Carrying Value**
Guarantees given to customers (For securities lending activities)	40.729	38.817	38.817
İMKB Takas ve Saklama Bankası A.Ş.	1.344.388	1.273.150	1.273.150
Vadeli İşlem ve Opsiyon Borsası A.Ş.	20.000	19.700	19.700
Capital Markets Board	116.000	114.258	114.258
TOTAL	**1.521.117**	**1.445.925**	**1.445.925**

		31 December 2007	
Government bonds and Treasury bills given as guarantee	**Cost**	**Fair Value**	**Carrying Value**
Guarantees given to customers (For securities lending activities)	759.711	733.933	733.933
İMKB Takas ve Saklama Bankası A.Ş.	1.784.602	1.811.227	1.811.227
Vadeli İşlem ve Opsiyon Borsası A.Ş.	12.761	14.389	14.389
Capital Markets Board	98.973	107.186	107.186
TOTAL	**2.656.047**	**2.666.735**	**2.666.735**

As of the balance sheet date, the Group has no loaned securities in the equity shares portfolio (31 December 2007: None).

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

The details of equity investments are as follows:

	31 December 2008		31 December 2007	
Type	**Share (%)**	**Amount**	**Share (%)**	**Amount**
Listed entities		**4.686.769**		**11.601.045**
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	1,5	4.686.769	1,5	11.601.045
Unlisted entities		**2.857.882**		**2.857.882**
Yatırım Finansman Menkul Değerler A.Ş.	0,55	16.884	0,55	16.884
Vadeli İşlem ve Opsiyon Borsası A.Ş.	6,00	647.435	6,00	647.435
İMKB Takas ve Saklama Bankası A.Ş.	0,97	1.943.563	0,97	1.943.563
Gelişen İşletmeler Piyasası A.Ş.	5,00	250.000	5,00	250.000
		7.544.651		**14.458.927**

The Group has valued the equity shares of İş Gayrimenkul Yatırım Ortaklığı A.Ş. under securities available for sale having a cost value of TL 8.120.045 (31 December 2007: TL 8.120.045) with the market prices realized on the Istanbul Stock Exchange ("ISE"). As a result of this valuation, the Group has accounted for the valuation decrease amounted to TL 3.433.276 (31 December 2007: valuation increase of TL 3.481.000) by netting-off the deferred tax asset amounted to TL 171.664 (31 December 2007: deferred tax liability of TL 174.050) due to this valuation decrease under "Valuation funds/Valuation funds on financial assets" under shareholders' equity. The loss amounted to TL 529.119 (31 December 2007: TL 56.142), which is attributable to minority interest of valuation fund on financial assets, is accounted for under minority interest in the accompanying financial statements.

The Group has not classified any of its financial assets except financial assets held for trading, as financial assets at fair value through profit or loss.

Unlisted Financial Assets Carried at Cost:

The above unquoted and unlisted available-for-sale equity investments amounting to TL 2.857.882 (31 December 2007: TL 2.857.882) whose fair value cannot be reliably measured as the estimated fair value ranges are wide and the probability of estimated values cannot be reasonably assessed are stated at cost less any impairment loss, if any.

		31 December 2008	
Held to maturity financial assets	**Cost**	**Fair Value**	**Carrying Value**
Government bonds	9.201.373	9.619.819	9.619.819
	9.201.373	**9.619.819**	**9.619.819**

The maturity of held to maturity financial assets is 15 February 2012. The Group did not carry held to maturity financial assets as of 31 December 2007.

8. FINANCIAL LIABILITIES

Financial liabilities	31 December 2008	31 December 2007
Payables to Stock Exchange Money Market	883.880.000	611.680.000
Interest accrual	5.387.721	11.820.508
Short-term finance lease payables	-	9.021
Short-term borrowings	-	11.647.000
Interest accrual	-	700.121
	889.267.721	**635.856.650**

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

As of 31 December 2008, the Group does not have any short-term bank borrowings. As of 31 December 2007, interest rates and maturities of short-term bank borrowings are as follows:

		31 December 2007			
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Foreign currency loans	10.000.000	US Dollars	6,20	24/01/2008	11.647.000
Interest accrual	601.117	US Dollars			700.121
					12.347.121

As of 31 December 2008, interest rates and maturities of payables to Stock Exchange Money Market are as follows:

		31 December 2008			
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Principal	883.880.000	TL	14,15-17,10	02/01/2009-13/02/2009	883.880.000
Interest accrual	5.387.721	TL			5.387.721
					889.267.721

As of 31 December 2007, interest rates and maturities of payables to Stock Exchange Money Market are as follows:

		31 December 2007			
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Principal	611.680.000	TL	15,95-17,30	02/01/2008-28/3/2008	611.680.000
Interest accrual	11.820.508	TL			11.820.508
					623.500.508

9. OTHER FINANCIAL LIABILITIES

	31 December 2008	31 December 2007
Expense accruals on derivative transactions	2.921.747	766.492
Liabilities from short selling transactions	-	1.419.240
	2.921.747	**2.185.732**

10. TRADE RECEIVABLES AND PAYABLES

Current trade receivables	31 December 2008	31 December 2007
Receivables from customers on margin trading	39.081.750	46.114.722
Receivables from customers	80.324.497	93.732.345
Receivables from clearing houses on derivative transactions	84.319.724	63.845.573
Due from related parties (Note 37)	2.468.456	716.018
Receivables from clearing houses	10.245.649	5.944.639
Commission and fund management fee receivables	426.696	269.101
Other trade receivables	170.036	85.722
Guarantee receivables on derivative transactions	20.523.051	13.558.525
	237.559.859	**224.266.645**

As of 31 December 2008 and 31 December 2007, the Group has no trade receivables past due or impaired.

The average interest rates applied to customers on margin trading are 19,08% (31 December 2007: 20,72%).

As of 31 December 2008, the Group holds the equity shares of the listed entities as collaterals received in relation to receivables from customers on margin trading with an amount of TL 77.936.167 (31 December 2007: TL 82.568.191).

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

Current trade payables	31 December 2008	31 December 2007
Payables to customers	83.889.149	89.236.956
Payables to clearing houses on derivative transactions	74.853.940	63.848.365
Payables to clearing houses	7.661.515	29.421.061
Due to related parties (Note 37)	7.621	1.273
Other trade payables	180.061	31.247
	166.592.286	**182.538.902**

11. OTHER RECEIVABLES AND PAYABLES

Other receivables	31 December 2008	31 December 2007
Other current receivables	118.715	587.316
Allowance for other doubtful receivables (-)	-	-
Deposits and guarantees given	1.944.653	1.252.439
Due from related parties (non-trading)	33.073	1.884
Prepaid taxes	-	511.918
Others	43.826	7.676
	2.140.267	**2.361.233**

Other payables	31 December 2008	31 December 2007
Taxes and dues payable	5.797.053	6.325.963
Social security premiums payable	59.351	88.780
Deposits and guarantees received	24.210	265.410
Due to related parties (non-trading) (Note 37)	695.797	31.595
Other sundry payables	61.965	26.924
	6.638.376	**6.738.672**

12. RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (31 December 2007: None).

13. INVENTORIES

None (31 December 2007: None).

14. BIOLOGICAL ASSETS

None (31 December 2007: None).

15. ASSETS RELATED TO ONGOING CONSTRUCTION CONTRACTS

None (31 December 2007: None).

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

16. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

Financial information of the Group's investments accounted for equity method is as follows:

	31 December 2008		31 December 2007	
	Share (%)	Amount	Share (%)	Amount
İş Portföy Yönetimi A.Ş. (*)	-	-	-	-
İş Girişim Sermayesi YO A.Ş.	29,00	35.802.580	20,08	21.675.372
		35.802.580		**21.675.372**

(*) The Company has acquired 50% shares of its subsidiary, İş Portföy Yönetimi A.Ş. from Türkiye İş Bankası A.Ş. in addition to its 20% of shares held by the Group on 29 June 2007. The subsidiary, which accounted for using the equity method prior to 30 June 2007, is fully consolidated in the accompanying financial statements as of that date.

	31 December 2008	31 December 2007
Total assets	126.659.044	109.896.753
Total liabilities	(2.535.040)	(1.510.103)
Minority interest	(681.535)	(441.569)
Net assets	**123.442.469**	**107.945.081**
Group's share in net assets	**35.802.580**	**21.675.372**
Impairment allowance (-)	-	-
	35.802.580	**21.675.372**

	1 January- 31 December 2008	1 January- 31 December 2007
Revenue	26.354.726	19.055.138
Profit for the period	20.085.286	4.758.446
Minority interest in profit for the period	(252.426)	(3.565)
Net profit for the period attributable to affiliate	**19.832.860**	**4.754.881**
Group's share in profit for the period of affiliate	**4.363.903**	**954.780**

17. INVESTMENT PROPERTIES

None (31 December 2007: None).

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

18. TANGIBLE FIXED ASSETS

Acquisition cost	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Leasehold improvements	Total
Opening balance, 1 January 2008	4.229.264	118.030	2.469.984	4.142.750	4.833.600	15.793.628
Exchange differences	-	-	(13.924)	-	(17.054)	(30.978)
Additions	987.708	230.464	540.280	-	741.738	2.500.190
Disposals (-)	-	(76.641)	(23.055)	-	-	(99.696)
Closing balance, 31 December 2008	**5.216.972**	**271.853**	**2.973.285**	**4.142.750**	**5.558.284**	**18.163.144**
Accumulated depreciation						
Opening balance, 1 January 2008	(2.996.003)	(77.102)	(1.247.828)	(4.126.750)	(2.906.034)	(11.353.717)
Exchange differences	-	-	2.933	-	1.570	4.503
Charge for the period	(437.521)	(38.495)	(402.633)	(3.254)	(430.172)	(1.312.075)
Disposals (-)	-	54.926	22.192	-	-	77.118
Closing balance, 31 December 2008	**(3.433.524)**	**(60.671)**	**(1.625.336)**	**(4.130.004)**	**(3.334.636)**	**(12.584.171)**
Carrying value as of 31 December 2007	**1.233.261**	**40.928**	**1.222.156**	**16.000**	**1.927.566**	**4.439.911**
Carrying value as of 31 December 2008	**1.783.448**	**211.182**	**1.347.949**	**12.746**	**2.223.648**	**5.578.973**

Acquisition cost	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Leasehold improvements	Total
Opening balance, 1 January 2007	3.519.886	-	1.755.042	4.126.479	3.903.986	13.305.393
Exchange differences	-	-	(27.382)	-	(37.070)	(64.452)
Effect on acquisition of subsidiary	-	118.030	466.867	-	103.809	688.706
Additions	709.378	-	380.105	16.271	862.875	1.968.629
Disposals (-)	-	-	(104.648)	-	-	(104.648)
Closing balance, 31 December 2007	**4.229.264**	**118.030**	**2.469.984**	**4.142.750**	**4.833.600**	**15.793.628**
Accumulated depreciation						
Opening balance, 1 January 2007	(2.619.340)	-	(926.662)	(4.126.479)	(2.572.737)	(10.245.218)
Exchange differences	-	-	6.037	-	3.151	9.188
Effect on acquisition of subsidiary	-	(65.299)	(117.481)	-	(16.516)	(199.296)
Charge for the period	(376.663)	(11.803)	(300.501)	(271)	(319.932)	(1.009.170)
Disposals (-)	-	-	90.779	-	-	90.779
Closing balance, 31 December 2007	**(2.996.003)**	**(77.102)**	**(1.247.828)**	**(4.126.750)**	**(2.906.034)**	**(11.353.717)**
Carrying value as of 31 December 2006	**900.546**	**-**	**828.380**	**-**	**1.331.249**	**3.060.175**
Carrying value as of 31 December 2007	**1.233.261**	**40.928**	**1.222.156**	**16.000**	**1.927.566**	**4.439.911**

Tangible fixed assets acquired through financial leases generally consist of computers, furniture and various equipments.

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

Expected useful lives used by the Group are summarized below:

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

The entire depreciation expense has been charged to the general administrative expenses.

19. INTANGIBLE FIXED ASSETS

Acquisition cost	Rights	Total
Opening balance, 1 January 2008	1.563.592	1.563.592
Exchange differences	(22.452)	(22.452)
Additions	612.281	612.281
Disposals (-)	-	-
Closing balance, 31 December 2008	**2.153.421**	**2.153.421**
Accumulated amortization		
Opening balance, 1 January 2008	(581.325)	(581.325)
Exchange differences	4.258	4.258
Charge for the period	(275.174)	(275.174)
Disposals (-)	-	-
Closing balance, 31 December 2008	**(852.241)**	**(852.241)**
Carrying value as of 31 December 2007	**982.267**	**982.267**
Carrying value as of 31 December 2008	**1.301.180**	**1.301.180**

(Amounts are expressed in Turkish Lira [“TL”] unless otherwise indicated.)

Acquisition cost	Rights	Total
Opening balance, 1 January 2007	738.373	738.373
Exchange differences	(35.218)	(35.218)
Effect on acquisition of subsidiary	348.974	348.974
Additions	511.463	511.463
Disposals (-)	-	-
Closing balance, 31 December 2007	**1.563.592**	**1.563.592**
Accumulated amortization		
Opening balance, 1 January 2007	(409.505)	(409.505)
Exchange differences	8.548	8.548
Effect on acquisition of subsidiary	(25.693)	(25.693)
Charge for the period	(154.675)	(154.675)
Disposals (-)	-	-
Closing balance, 31 December 2007	**(581.325)**	**(581.325)**
Carrying value as of 31 December 2006	**328.868**	**328.868**
Carrying value as of 31 December 2007	**982.267**	**982.267**

Amortization of intangible fixed assets is calculated using the straight-line method over their estimated useful lives (on an average of five years).

The entire amortization expense has been charged to the general administrative expenses.

20. GOODWILL

If positive or negative goodwill showing the difference between the Group’s share in the fair value of the net assets acquired and the acquisition cost of an investment in the accompanying consolidated financial statements, is related to the acquisitions prior to 1 January 2007, then goodwill is amortized using the straight-line method over the estimated useful life before 31 December 2006 by accounting the amortization of positive goodwill as an expense and the amortization of negative goodwill as an income in profit and loss. Under IFRS 3 “Business Combinations”, amortization using the straight-line method for goodwill arising from the acquisitions subsequent to 1 January 2007 is no longer applied and the carrying value of goodwill is reviewed annually for impairment if there are any indications of impairment and an impairment loss is recognized in the consolidated statements, if any. For acquisitions subsequent to the related date, any excess of the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over the cost of the business combination (known as negative goodwill) is recognized immediately in profit or loss. In this respect, negative goodwill amounting to TL 7.850.986 amortized using the straight-line method over the estimated useful life until 31 December 2006 with a carrying value of TL 6.882.323 after deducting accumulated amortization of TL 968.663 is accounted for in the retained earnings. The remaining positive goodwill amounting to TL 557.847 and TL 17.411.626 which arose from the acquisition of İş Portföy A.Ş. in 2007 are not accounted for under IFRS 3 “Business Combinations” since the prevailing transactions are referring to business combinations of entities under common control and total positive goodwill amounting to TL 17.969.473 arose in this context is accounted for in the retained earnings account under equity as “effect of business combinations entities under common control”.

	31 December 2008	31 December 2007
Camiş Menkul Değerler A.Ş.	557.847	557.847
İş Portföy Yönetimi A.Ş.	17.411.626	17.411.626
	17.969.473	**17.969.473**

21. GOVERNMENT INCENTIVES AND GRANTS

None (31 December 2007: None).

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

22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Current provisions	31 December 2008	31 December 2007
Legal claims (*)	50.072	49.787
Tax penalty provision (**)	335.323	-
Other liabilities and expense accruals	739	622.548
	386.134	672.335

(*) The amount represents the provision for certain legal claims brought against the Group by customers. The provision charge is recognized in profit or loss within general administrative expenses. The management believes that the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2008 after receiving appropriate legal advice.

(**) The amount represents the provision for Banking and Insurance Transactions Tax loss penalties which are booked by İş Yatırım Ortaklığı A.Ş. and Camiş Menkul Değerler A.Ş with respective amounts of TL 314.593 and TL 20.730.

Assessment report regarding to Banking and Insurance Transactions Tax ("BITT") for years between 2003 and 2007 has been notified to the Company's subsidiary İş Yatırım Ortaklığı A.Ş. on 5 September 2008. This report and related penalty accruals were negotiated on the meeting led by City Negotiation Committee on 20 November 2008 and parties agreed on annulment of tax penalties and 70% reduction in principal tax amount. In this respect, the net penalty amount calculated after deduction of tax reimbursement amount of TL 152.064 from the total tax penalty amount of TL 2.575.135 has been paid to Beşiktaş Tax Office on 19 December 2008. The subsidiary has not paid any BITT related to 2008 transactions. In this respect, the subsidiary has provided a BITT provision amounting to TL 314.593 regarding to 2008 transactions based on the best estimates and accounted for this provision in the books, since the uncertainty associated with BITT still continues as of the date of this report.

	1 January-31 December 2008			
	Legal claims	Tax penalty Provision	Other	Total
Opening balance	49.787	-	622.548	672.335
Provision released	-	-	(283.504)	(283.504)
Charge for the period	285	335.323	739	336.347
Payments	-	-	(339.044)	(339.044)
Closing balance	**50.072**	**335.323**	**739**	**386.134**

	1 January-31 December 2007			
	Legal claims	Tax penalty Provision	Other	Total
Opening balance	293.701	-	623.367	917.068
Charge for the period	21.452	-	-	21.452
Payments	(265.366)	-	(819)	(266.185)
Closing balance	**49.787**	**-**	**622.548**	**672.335**

Details of the nominal amounts of Government bonds and Treasury bills, equity shares, Eurobonds and mutual funds belonging to customers and held for custody purposes are as follows:

	31 December 2008	31 December 2007
Government bonds and Treasury bills (customer portfolio)	1.394.721.107	1.575.568.940
Eurobond	1.112.144.169	229.152.047
Equity shares	471.047.635	8.418.449.628
Mutual funds-units	9.156.063.900	6.978.556.619
	12.133.976.811	17.201.727.234

(Amounts are expressed in Turkish Lira [“TL”] unless otherwise indicated.)

As of 31 December 2008 and 31 December 2007, letters of guarantee and promissory notes given by the Group are as follows:

	31 December 2008	31 December 2007
Capital Markets Board	9.728.552	13.728.552
Istanbul Stock Exchange	40.558.920	39.865.438
İ.M.K.B Takas ve Saklama Bankası A.Ş.	1.128.283.000	793.351.852
Vadeli İşlem ve Opsiyon Borsası	6.010.000	6.010.000
Others	4.528.739	864.856
	1.189.109.211	**853.820.698**

As of 31 December 2008, securities amounting to TL 983.675 have been given as guarantees against securities loaned (31 December 2007: TL 733.933).

The Company and its subsidiaries operating in Turkey with activities in securities brokerage and portfolio management maintain their capitals in accordance and in compliance with the Capital Markets Board Communiqué Serial: V, No: 34 “Principles of Capital and Capital Adequacy of Brokerage Houses” (“Communiqué Serial: V, No: 34”). The Group is in compliance with the capital adequacy requirements as of 31 December 2008 and 31 December 2007.

23. COMMITMENTS

Derivative commitments and option agreements of the Group as of 31 December 2008 and 31 December 2007 are as follows:

	31 December 2008							
	SHORT POSITION				LONG POSITION			
Derivative instrument description	Notional amount	Type	Notional amount (TL)	Fair value (TL)	Notional amount	Type	Notional amount (TL)	Fair value (TL)
TL/Foreign currency								
Forward agreements	1.900.000	USD	2.873.370	2.984.900	47.736.000	USD	72.191.153	74.993.256
Future agreements	45.836.000	USD	69.317.783	72.008.356	205.000	USD	310.021	322.055
Index								
Future agreements	5.000	TL	17.500.925	17.512.500	-	-	-	-
Commodities								
Future agreements	72	TL	304.308	312.264	10	USD	444.244	439.022
Stock Swap								
Credit default swap	5.000.000	USD	198.111	310.022	5.000.000	USD	68.054	322.120

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

	31 December 2007							
	SHORT POSITION				LONG POSITION			
Derivative instrument description	Notional amount	Type	Notional amount (TL)	Fair value (TL)	Notional amount	Type	Notional amount (TL)	Fair value (TL)
TL/Foreign currency								
Forward agreements	1.530.000	USD	1.781.991	1.788.570	10.641.700	USD	12.394.388	12.481.650
Future agreements	3.000.000	USD	3.494.100	3.583.500	-	-	-	-
Option agreements	4.000.000	Call	4.658.800	4.647.210	4.000.000	Call	4.658.800	4.670.390
Option agreements	4.000.000	Put	4.658.800	4.368.428	1.000.000	Put	1.164.700	1.254.741
Index								
Option agreements	100	Call	7.045.730	6.809.518	-	-	-	-
Option agreements	100	Put	7.045.730	6.945.536	100	Put	7.045.730	7.145.972
Future agreements	9.401	TL	66.236.908	67.522.683	50	TL	352.287	359.125
Equity shares								
Option agreements	300.000	Put	3.150.000	3.093.581	-	-	-	-

24. PROVISIONS RELATED TO EMPLOYEE BENEFITS

Short-term:

	31 December 2008	31 December 2007
Provisions related to employee benefits	3.333.735	3.336.480

Long-term:

Under the Turkish Labor Law, the Group is required to pay employment termination benefits to each entitled employee to receive such benefits. Also, employees who are entitled to a retirement are required to be paid retirement pay in accordance with Law No: 2422 dated 6 March 1981 and No: 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code No: 506. Some transition provisions related to the pre-retirement service term were excluded from the law since the related law was amended as of 23 May 2002.

The applicable retirement pay provision ceiling as of 31 December 2008 is TL 2.173,19 for the calculation of employment termination benefits (31 December 2007: TL 2.030,19). The retirement pay provision ceiling is revised semi-annually, and TL 2.260,05, which is effective from 1 January 2009, is taken into consideration in the calculation of provision for employment termination benefits (31 December 2007; The retirement pay provision ceiling effective from 1 January 2008 amounts to TL 2.087,92).

The liability is not funded, as there is no funding requirement. Provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. Revised IFRS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the Group's obligation under the defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2008, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. The provision at the respective balance sheet date have been calculated assuming an annual inflation rate of 5,40% (31 December 2007: 5,00%) and a discount rate of 12,00% (31 December 2007: 11,00%), resulting in a real discount rate of approximately 6,26% (31 December 2007: 5,71%). The anticipated rate of forfeitures is also considered.

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

	2008	2007
Opening balance, 1 January	1.013.732	738.238
Effect of subsidiary acquisition	-	55.819
Service cost	270.284	187.656
Interest cost	57.752	72.026
Retirement payments made	(76.246)	(40.007)
Closing balance, 31 December	**1.265.522**	**1.013.732**

25. RETIREMENT BENEFITS

Beginning from 2006, the Group has started to contribute certain amount of private pension payments for its employees. As of 31 December 2008, total contributions paid in current period amount to TL 139.480 whereas it is TL 289.247 cumulatively (31 December 2007: Current period contributions paid as of 31 December 2007 is TL 123.510 and cumulative payment is TL 149.767).

26. OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2008	31 December 2007
Prepaid expenses	952.476	559.162
Prepaid taxes and dues	10.035.126	633.985
Business advances	142.822	2.000
Personnel advances	667.712	883.639
Others	-	3.893
	11.798.136	**2.082.679**

The amount of TL 369.506 in other non-current assets represents the long-term advances given to personnel (31 December 2007: None).

Other current liabilities	31 December 2008	31 December 2007
Expense accruals	1.732.496	1.715.528
Due to personnel	36.399	-
Others	90.501	135.201
	1.859.396	**1.850.729**

27. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

a. Capital/Treasury share adjustment

The capital structure of the Company as of 31 December 2008 and 31 December 2007 are as follows:

	31 December 2008		31 December 2007	
Shareholder	Share (%)	Amount	Share (%)	Amount
T. İş Bankası A.Ş. (A Group)	0,13	150.000	0,13	150.000
T. İş Bankası A.Ş. (B Group)	65,52	78.231.173	65,52	78.231.173
Publicly traded	27,86	33.261.827	27,86	33.261.827
Other	6,49	7.744.000	6,49	7.744.000
Total	**100,00**	**119.387.000**	**100,00**	**119.387.000**

The capital of the Company is TL 119.387.000 (TL one hundred nineteen million three hundred eighty seven thousand). The capital consists of 119.387.000 (one hundred nineteen million three hundred eighty seven thousand) shares of having a nominal value of TL 1 (TL one) each. TL 150.000 of the shares is Group A and TL 119.237.000 is Group B shares. According to the Articles of Association, additional Group A shares cannot be issued during new capital increases. The capital increase amounting to TL 22.587.000 (TL twenty two million five hundred eighty seven thousand) in 2007 was injected through public offering by restricting preemptive rights of the existing shareholders and fully paid in cash. Five members of the Board of Directors out of seven are elected among the nominees determined by Group A shareholders and two members by Group B shareholders.

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

b. Valuation Funds

	31 December 2008	31 December 2007
Valuation fund on financial assets	(2.732.493)	3.363.092
	(2.732.493)	**3.363.092**

Valuation Fund on Financial Assets:

Valuation fund on financial assets arises from the measurement of available-for-sale financial assets at their fair value. In case of disposal of assets carried at fair value, the cumulative gain or loss related to that assets previously recognized in equity is included in the profit or loss for the period. Gains and losses arising from changes in fair value are recognized directly in equity, until the asset is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period.

c. Restricted Reserves Appropriated from Profits

	31 December 2008	31 December 2007
Legal reserves	5.797.855	2.860.111
Statutory reserves	2.168	2.168
Gains on sale of properties and equity participations to be transferred to capital	2.060.975	1.196.873
	7.860.998	**4.059.152**

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code, are not distributable to shareholders. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

d. Retained Earnings/Accumulated Deficits

The retained earnings and extraordinary reserves disclosed in retained earnings on the consolidated financial statements of the Group as of 31 December 2008 and 31 December 2007 are as follows:

	31 December 2008	31 December 2007
Extraordinary reserves	51.861.153	31.005.523
Extraordinary reserves (arising from consolidated subsidiaries)	9.462.020	3.513.720
Special reserves (arising from consolidated subsidiaries)	-	4.202.938
Retained earnings/(accumulated deficits)	1.724.997	(756.017)
	63.048.170	**37.966.164**

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

Profit Distribution:

In accordance with the Capital Markets Board's decision dated 9 January 2009, listed companies should apply the minimum profit distribution rate at 20% in relation to the distribution of profits generated from the operations of 2008 (31 December 2007: 20%). The aforementioned decision and Communiqué Serial: IV, No: 27 on Principles Regarding Distribution of Dividends and Interim Dividends ("Communiqué Serial: IV, No: 27") issued in order to set out the principles of profit distribution permit the distribution of profits either in the form of cash or of bonus shares which are to be issued through addition of dividends to capital or both in cash and in bonus shares with certain rates by keeping the remaining amount in the entity, depending on each entity's decision made in its general assembly meeting. The aforementioned decision and Communiqué Serial: IV, No: 27 also allow the first dividend amount to be retained within the entity without being subject to distribution if the related amount is less than 5% of the paid-in capital. However, primary dividend amount should be distributed in cash for companies that will distribute dividends out of profits generated from the operations of 2008 and have not made any dividend distributions but have increased their capital in the prior period and therefore have classified their shares as "old shares" and "new shares".

In addition, the aforementioned decision prohibits the presentation of profit of companies which are required to prepare consolidated financial statements and subject to calculation of net distributable profit in the parent company's consolidated financial statements by including profits of their subsidiaries, joint ventures and affiliates in the consolidated profits but excluding these profits from the net distributable profit since profit distribution proposals has not been approved by their general assemblies and also forbids the disclosure of such amounts both in the notes to the financial statements and in a separate paragraph in the independent auditor's report. The decision also allows companies to compute their distributable profit amounts by considering the net profit for the period presented in the publicly disclosed financial statements prepared in accordance with the Communiqué Serial: XI, No: 29, if such distributable profits could be fully recovered from resources subject to profit distribution in the statutory records.

In this respect, if the dividend amount calculated based on the CMB's regulation on the minimum profit distribution requirements over the net distributable profit calculated based on the CMB's regulations is fully recovered from the distributable profits presented in the statutory records, the Company should distribute the full amount; if not, the Company will only distribute the net distributable profit presented in the statutory records.

28. SALES REVENUE AND COST OF SALES

Sales revenue	1 January- 31 December 2008	1 January- 31 December 2007
Sales of equity shares	3.973.213.903	3.178.549.465
Sales of private sector bonds	7.329.443.029	2.600.404.311
Sales of Government bonds	21.356.953.448	23.152.169.622
Sales of Treasury bills	203.329.143	618.701.180
Sales of mutual funds	471.296.184	146.854.432
	33.334.235.707	**29.696.679.010**

Cost of sales		
Purchases of equity shares	(4.030.937.277)	(3.194.592.695)
Purchases of private sector bonds	(7.402.594.667)	(2.595.583.244)
Purchases of Government bonds	(21.252.160.853)	(23.141.753.187)
Purchases of Treasury bills	(205.885.055)	(615.764.986)
Purchases of mutual funds	(454.652.586)	(141.473.122)
	(33.346.230.438)	**(29.689.167.234)**

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

Interest and derivative income from operating activities (net)	1 January- 31 December 2008	1 January- 31 December 2007
Interest income/(expense) (net)	127.483.424	84.546.415
Derivative income/(expense) (net)	38.759.912	15.893.778
Interest expenses on bank loans	(1.454.086)	(937.213)
Stock Exchange Money Market interest expenses	(118.441.522)	(64.137.213)
	46.347.728	35.365.767
Service income		
Commission income on trading of equity shares	24.102.306	30.145.476
Commission income on trading of Government bonds and Treasury bills	461.783	614.008
Commission income on trading of mutual funds	12.706	7.792
Commission income on trading of derivative transactions	13.751.725	8.762.466
Commission income on trading of repurchase agreements and reverse repurchase agreements	828.563	1.352.697
Commission income on trading of Stock Exchange Money Market transactions	12.516	80.197
Corporate finance income	2.125.178	17.086.252
Portfolio management fees	15.348.318	9.610.136
Other commissions and income	436.007	763.469
Loaned securities transactions income	171.961	22.624
Deductions from service income		
Commission reimbursements to customers	(65.250)	(137.470)
Commissions paid to agencies	(282.369)	(505.002)
Service income (net)	56.903.444	67.802.645
Other operating income	3.603.542	1.944.735
Interest income from customers	8.496.239	13.298.892
Other operating income (net)	12.099.781	15.243.627

29. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	1 January- 31 December 2008	1 January- 31 December 2007
Research and development expenses (-)	-	-
Marketing, sales and distribution expenses (-)	(23.223.922)	(9.137.640)
General administrative expenses (-)	(67.236.579)	(55.636.781)
	(90.460.501)	(64.774.421)
Marketing, sales and distribution expenses (-)		
Equity shares transaction and registration fees	(879.614)	(918.597)
Derivative instrument transactions fees	(3.030.463)	(2.050.650)
Fixed income securities transaction and registration fees	(500.073)	(743.878)
Custody expenses	(1.867.381)	(1.277.634)
Foreign marketable security transaction fees	(16.282.985)	(3.693.494)
Portfolio management commission	(66.979)	(17.537)
Marketable securities brokerage commission expense	(88.941)	(46.968)
Other marketing, selling and distribution expenses	(507.486)	(388.882)
	(23.223.922)	(9.137.640)

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

General administrative expenses (-)	1 January- 31 December 2008	1 January- 31 December 2007
Personnel expenses	(35.002.050)	(29.449.397)
Retirement pay provision	(328.036)	(259.682)
Depreciation and amortization charges	(1.587.249)	(1.163.845)
Operating expenses	(2.544.518)	(3.250.521)
Outsourcing expenses	(3.420.223)	(2.862.293)
Taxes and dues	(10.223.044)	(6.753.129)
Other general administrative expenses	(1.526.535)	(1.029.243)
Communication expenses	(4.933.833)	(4.498.904)
Publication and advertisement expenses	(2.198.946)	(1.364.826)
Rent expenses	(3.202.123)	(2.961.032)
Transportation expenses	(1.127.572)	(990.459)
Board of Directors management fee	(1.142.450)	(1.053.450)
	(67.236.579)	**(55.636.781)**

Total operating expenses	**(90.460.501)**	**(64.774.421)**

30. EXPENSES BY NATURE

	1 January- 31 December 2008	1 January- 31 December 2007
Personnel expenses	(35.002.050)	(29.449.397)
Depreciation and amortization charges	(1.587.249)	(1.163.845)
Rent expenses	(3.202.123)	(2.961.032)
Outsourcing expenses	(3.420.223)	(2.862.293)
Marketing, sales and distribution expenses	(23.223.922)	(9.137.640)
Transportation expenses	(1.127.572)	(990.459)
Operating expenses	(2.544.518)	(3.250.521)
Communication expenses	(4.933.833)	(4.498.904)
Publication and advertisement expenses	(2.198.946)	(1.364.826)
Taxes and dues	(10.223.044)	(6.753.129)
Retirement pay provision	(328.036)	(259.682)
Board of Directors management fee	(1.142.450)	(1.053.450)
Other	(1.526.535)	(1.029.243)
	(90.460.501)	**(64.774.421)**

31. OTHER OPERATING INCOME/(EXPENSES)

Other operating income	1 January- 31 December 2008	1 January- 31 December 2007
Gain on sales of tangible fixed assets	17.949	-
Dividend income from affiliates	366.417	281.165
Negative goodwill recognized in profit/(loss)	11.781.149	-
Others	1.713.931	1.082.413
	13.879.446	**1.340.563**

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

Other operating expenses	1 January- 31 December 2008	1 January- 31 December 2007
Loss on sales of tangible and intangible fixed assets	(863)	(12.059)
Marketable securities lending commission expenses	(2.006.389)	(3.820.917)
Others	(3.927.840)	(2.592.053)
	(5.935.092)	**(6.425.029)**

As of 31 December 2008, TL 2.889.728 out of TL 3.927.840 of "Other" balance included in "Other operating expenses" refers to penalty paid regarding to Banking and Insurance Transactions Tax ("BITT") for years between 2003 and 2007 as detailed in Note 22. As of 31 December 2007, TL 2.073.202 out of TL 2.592.053 of "Other" balance included in "Other operating expenses" refers to expenses related intermediation in public offering.

32. FINANCE INCOME

	1 January- 31 December 2008	1 January- 31 December 2007
Interest income on	14.332.664	8.424.275
Government bonds and Treasury bills	*2.475.980*	*4.193.657*
Private sector, notes and bills	*6.534.138*	*245.600*
Foreign marketable securities	*663.261*	*84.539*
Equity stocks	*3.849*	*26.670*
Time deposit interest	*4.655.436*	*3.873.809*
Reverse repo interest income	2.456.145	2.965.265
Derivatives exchange market transactions	864	-
Interest income on guarantee deposits	10.339.254	7.153.060
Foreign currency gains	2.584.708	3.315.136
Other financial incomes	54.648	290.193
	29.768.283	**22.147.929**

33. FINANCE EXPENSES

	1 January- 31 December 2008	1 January- 31 December 2007
Interest expense on	(2.718)	(5.380)
Bank loans	*(2.718)*	*(5.380)*
Commission expenses on letters of guarantee	(1.876.346)	(1.111.273)
Foreign currency losses	(47.104)	(525.596)
Other finance expenses	(185.592)	(51.961)
	(2.111.760)	**(1.694.210)**

34. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31 December 2007: None).

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

35. TAX ASSETS AND LIABILITIES

Current tax payable	31 December 2008	31 December 2007
Current tax liability	11.123.326	8.833.498
Less: Advance taxes	(10.478.883)	(8.623.073)
	644.443	**210.425**

Tax charge in the statement of income	1 January- 31 December 2008	1 January- 31 December 2007
Current tax liability	(11.123.326)	(8.833.498)
Deferred tax benefit/(charge)	158.455	528.384
	(10.964.871)	**(8.305.114)**
Tax charge from continued operations	(10.964.871)	(8.305.114)
Tax charge from discontinued operations	-	-
	(10.964.871)	**(8.305.114)**

Deferred taxes accounted for under equity	1 January- 31 December 2008	1 January- 31 December 2007
On valuation of available-for-sale financial assets	(345.714)	(168.084)

Corporate Tax:

The Group is subject to Turkish corporate taxes. Tax legislation in Turkey does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2008 is 20% (2007: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was 20% for 2008 (2007: 20%).

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Companies with special accounting periods file their tax returns between 1st and 25th days of fourth month after the fiscal year end. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was increased from 10% to 15% effective from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities. Investments without investment incentive certificates do not qualify for tax allowance.

Investment incentive certificates are revoked commencing from 1 January 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to the following years as of 31 December 2005 so as to be deducted from taxable income of subsequent profitable years. However, companies can deduct their carried forward outstanding allowance from 2006, 2007 and 2008's taxable income. The investment incentive amount that cannot be deducted from 2008's taxable income will not be carried forward to the following years.

Tax rate applicable for companies in deducting the tax investment incentive amount in 2006, 2007 and 2008 is 30%. If investment incentive carried forward is not used, effective tax rate will be 20% and the unused investment incentive will be forfeited.

As the Company and it subsidiaries did not use investment incentives, in this respect, corporate tax rate is applied as 20% as of 31 December 2008.

Inflation Adjusted Legal Tax Calculation:

The Company, its subsidiaries and affiliates have adjusted their statutory financial statements as of 31 December 2004 in accordance with Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 which requires the application of inflation accounting in Turkey in 2005 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in IAS 29 "Financial Reporting in Hyperinflationary Economies" and inflation adjusted balances as at 31 December 2004 were taken as opening balances as of 1 January 2005. However, as inflation did not meet the required thresholds in the following years, no further inflation adjustment made to the Group's statutory financial statements.

Taxation for Investment Trusts:

In accordance with Clause (1) (d) in Article 5 of the Corporate Tax Law No: 5520 and dated 21 June 2006 in effect from 1 January 2006, portfolio management income of the securities investment funds and trusts in Turkey is exempt from tax. This exemption is also applied to the advance corporate tax.

Based on Clause (3) in Article 15 of the same law, 15% withholding tax is applied on the portfolio management income of the securities investment funds and trusts in Turkey, which is exempt from tax, whether it is distributed or not. In accordance with Clause (4) of the same article, the Council of Ministers is authorized to reduce this withholding rate to 0% or to increase it up to the corporate tax rate and differentiate the related withholding rate according to the fund and trust types or the nature and composition of the assets in their portfolio within the related limits.

In accordance with the Law No: 5527 and Provisional Article 67 Clause (1) which were introduced in the Income Tax Law No: 193 with the Law No: 5281 to be applied from 1 January 2006 to 31 December 2015 effective from 1 January 2006, 15%, 10% and 0% withholding tax is applied for securities investment funds' and trusts' purchase and sale income from securities and other capital market instruments and periodical returns through banks and brokerage companies for the periods of 1 January 2006-22 July 2006, 23 July 2006-30 September 2006 and subsequent to 1 October 2006, respectively.

As per Clause (8) of the Provisional Article 67, 15% withholding tax is applied on the securities investment funds established in accordance with the Capital Markets Law (including funds traded on stock exchange, mortgage finance funds and asset finance funds) and securities investment trusts' portfolio income that is exempt from corporate tax, whether distributed or not. There is no further withholding tax for the related income under Article 94. Upon the decision made by the Council of Ministers numbered 2006/10731 and dated 22 July 2006, the related withholding tax rate was applied as 10% for the period 23 July 2006-30 September 2006 and 0% subsequent to 1 October 2006.

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

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon the temporary differences between its financial statements as reported in accordance with IFRS and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

20% of tax is applied in the calculation of deferred tax asset and liabilities (2007: 20%).

Since companies in Turkey cannot file a consolidated tax return, subsidiaries having deferred tax assets cannot be offset against subsidiaries having deferred tax liabilities and the net deferred tax position of company is disclosed separately.

	31 December 2008	31 December 2007
Deferred tax assets (-)	(1.604.365)	(1.100.196)
Deferred tax liabilities	-	-
Deferred tax liabilities/(assets) (net)	**(1.604.365)**	**(1.100.196)**

Temporary differences subject to deferred tax	31 December 2008	31 December 2007
Useful life differences on tangible and intangible fixed assets	1.308.120	851.615
Retirement pay provision (*)	(1.226.737)	(982.254)
Valuation of marketable securities	(1.600.893)	(2.278.644)
Income/(expense) accruals on derivative transactions (net)	(1.161.445)	(765.390)
Valuation fund on financial assets	(3.433.276)	3.481.000
Subsidiary valuation differences	(5.523.355)	-
Accrued expenses	(3.306.735)	(3.315.637)
	(14.944.321)	**(3.009.310)**

Deferred tax (assets)/liabilities		
Useful life differences on tangible and intangible fixed assets	261.624	170.323
Retirement pay provision (*)	(245.348)	(196.451)
Valuation of marketable securities	(320.179)	(455.729)
Income/(expense) accruals on derivative transactions (net)	(232.289)	(153.078)
Valuation fund on financial assets	(171.664)	174.050
Subsidiary valuation differences	(276.168)	-
Accrued expenses	(661.347)	(663.127)
	(1.645.371)	**(1.124.012)**
Valuation allowance (**)	41.006	23.816
	(1.604.365)	**(1.100.196)**

(Amounts are expressed in Turkish Lira [“TL”] unless otherwise indicated.)

Movement of deferred tax (assets)/liabilities	2008	2007
Opening balance, 1 January	(1.100.196)	(412.281)
Effect of subsidiary acquisition	-	8.553
Deferred tax (benefit)/charge (**)	(199.461)	(552.200)
Deferred tax offset from valuation fund on financial assets	(345.714)	(168.084)
Deferred tax asset allowance	41.006	23.816
Closing balance, 31 December	**(1.604.365)**	**(1.100.196)**

(*) Since İş Yatırım Ortaklığı A.Ş. is exempt from taxation, retirement pay provision amounting to TL 38.785 is not considered in deferred tax calculation (31 December 2007: TL 31.478).

(**) Tax legislation in Turkey does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, are calculated on a separate-entity basis. Deferred tax assets are recognized when it is probable that the tax benefit will be utilized in the future. Deferred tax asset is written off to the extent that it could not be realized. In this respect, allowance is made for the deferred tax asset calculated by Camiş Menkul Değerler A.Ş. amounting to TL 41.006 in the accompanying consolidated financial statements (31 December 2007: TL 23.816).

Total tax charge for the period can be reconciled to the accounting profit as follows:

Reconciliation of tax provision	1 January- 31 December 2008	1 January- 31 December 2007
Profit before tax	52.860.501	77.473.427
(Profit)/loss of subsidiary exempt from tax	7.089.710	(36.822.429)
Taxable profit	59.950.211	40.650.998
Calculated tax (2008: 20%, 2007: 20%)	(11.990.042)	(8.130.200)
Effects of undeductible expenses	(204.496)	(97.964)
Dividend and other tax exempt income/expenses	1.485.991	1.344.161
Effect of carry forward tax losses	(92.149)	(46.963)
Effects of adjustments	(322.630)	(1.902.532)
Deferred tax benefit/(charge)	199.461	552.200
Effect of valuation allowance on deferred tax asset	(41.006)	(23.816)
Tax benefit/(charge)	**(10.964.871)**	**(8.305.114)**

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

36. EARNINGS PER SHARE

As of 31 December 2008 and 31 December 2007, the Company's weighted average number of shares and computation of (loss)/earning per share is as follows:

Earning per share	1 January- 31 December 2008	1 January- 31 December 2007
Number of shares in circulation throughout the period (total)	119.387.000	111.280.433
Profit/(loss) for the period attributable to equity holders of the parent	44.705.601	38.383.852
(Loss)/earning per share from continued and discontinued operations	**0,3745**	**0,3449**
Net profit/(loss) for the period attributable to equity holders of the parent	44.705.601	38.383.852
Less: Net profit/(loss) for the period from discontinued operations	-	-
Net profit/(loss) for the period from continued operations	44.705.601	38.383.852
Net profit/(loss) for the period from continued operations	44.705.601	38.383.852
Net profit/(loss) for the period from discontinued operations	-	-
Diluted (loss)/earning per share	0,3745	0,3449
(Loss)/earning per share from continued operations	0,3745	0,3449
Earning per share from discontinued operations	-	-

37. RELATED PARTY TRANSACTIONS

The immediate parent and ultimate controlling party of the Group is Türkiye İş Bankası A.Ş. incorporated in Turkey. Transactions between the Company and its subsidiaries, which are the related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The details of transactions between the Group and other related parties are disclosed below.

Bank balances with İş Bankası	31 December 2008	31 December 2007
Demand deposits	130.413	995.913
Time deposits	208.384.000	292.997.872
	208.514.413	**293.993.785**

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

	31 December 2008							
	Receivables				Payables			
	Current		Non-current		Current		Non-current	
Due from/to related parties	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading
İş Merkezleri Yönetim ve İşletim A.Ş.	550	1.664	-	-	-	251.604	-	-
T. İş Bankası A.Ş. (Foreign Mutual Funds)	108.929	41	-	-	-	37.230	-	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	-	-	-	-	-	-
Anadolu Anonim Türk Sigorta Şirketi	88.079	25.447	-	-	-	399.343	-	-
Milli Reasürans T.A.Ş	252.696	-	-	-	-	-	-	-
T. İş Bankası A.Ş.	1.459.987	-	-	-	7.621	-	-	-
Paşabahçe Cam San. ve Tic. A.Ş.	-	-	-	-	-	-	-	-
Elektronik Bilgi ve Üretim Dağıtım Tic. ve İletişim Hizmetleri A.Ş.	-	477	-	-	-	-	-	-
Şişecam Sigorta ve Aracılık Hizmetleri A.Ş.	-	1.525	-	-	-	803	-	-
T. Şişe ve Cam Fabrikaları A.Ş.	-	-	-	-	-	2.423	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	4.712	3.919	-	-	-	-	-	-
İş Net Elektronik Hizmetler A.Ş.	-	-	-	-	-	4.077	-	-
Trakya Cam Sanayi AŞ	-	-	-	-	-	-	-	-
İş Bankası (Commissions from Mutual Funds)	-	-	-	-	-	-	-	-
İş Finansal Kiralama A.Ş	-	-	-	-	-	185	-	-
Others	553.503	-	-	-	-	132	-	-
	2.468.456	33.073	-	-	7.621	695.797	-	-

	1 January-31 December 2008				
Related party transactions (revenues)	Fee and brokerage commission income	Interest income on time deposits	Dividends received	Gain on sale of subsidiaries	Technical assistance income
T. İş Bankası A.Ş.	12.711.641	29.223.390	30	-	372.738
İş Net Elektronik Bilgi Üretim A.Ş.	7	-	-	-	-
Milli Reasürans T.A.Ş.	532.861	-	-	-	-
T. Şişe ve Cam Fabrikaları A.Ş.	12.000	-	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	43.559	-	257.720	-	-
Yatırım Finansman Menkul Değerler A.Ş.	285	-	-	-	-
Efes Holding A.Ş.	9	-	-	-	-
Anadolu Hayat Emeklilik A.Ş.	4.980.675	-	-	-	-
Anadolu Anonim Türk Sigorta Şirketi	366.911	-	-	-	-
Türkiye İş Bankası A.Ş. Mensupları Emekli Sandığı Vakfı	5.033	-	-	-	-
Paşabahçe Cam San. ve Tic. A.Ş.	60.910	-	-	-	-
T. İş Bankası A.Ş. (Foreign Mutual Funds)	482.974	-	-	-	-
Anadolu Cam Sanayi A.Ş.	32.000	-	-	-	-
Trakya Cam Sanayi AŞ.	32.000	-	-	-	-
Soda Sanayi A.Ş.	12.000	-	-	-	-
Vadeli İşlemler Borsası A.Ş.	3.674	-	28.340	-	-
Others	24	-	-	-	-
	19.276.563	29.223.390	286.090	-	372.738

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

	1 January-31 December 2008									
Related party transactions (expenses)	Letters of guarantee commission expenses	Custody commission expenses	Interest on borrowings	Finance lease interest expenses	Banking transaction commission expenses	Personnel health insurance contributions	Office insurance expenses	Rent expenses	Administrative expenses	Service expenses
T. İş Bankası A.Ş.	16.639	36.698	54.350	-	230.042	12.475	8.384	155.757	71.190	-
İş Finansal Kiralama A.Ş.	-	-	-	3.325	-	-	-	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-	-	-	51.346	2.063.440	14.186	-
Anadolu Anonim Türk Sigorta Şirketi	-	-	-	-	-	644.748	33.652	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-	-	-	-	-	1.436.696	-
İş Net Elektronik Hizmetler A.Ş.	-	-	-	-	-	-	-	-	27.979	13.684
Probil Bilgi İşlem Destek Danışmanlık A.Ş.	-	-	-	-	-	-	-	-	34.215	-
T. Şişe ve Cam Fabrikaları A.Ş.	-	-	-	-	-	-	-	-	29.703	-
Anadolu Hayat Emeklilik A.Ş.	-	-	-	-	-	-	-	-	-	-
Beyaz Oto Kiralama A.Ş.	-	-	-	-	-	-	-	66.495	-	-
Others	-	-	-	-	2.095.583	-	-	-	66.869	-
	16.639	36.698	54.350	3.325	2.325.625	657.223	93.382	2.285.692	1.680.838	13.684

	31 December 2007							
	Receivables				Payables			
	Current		Non-current		Current		Non-current	
Due from/to related parties	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading
İş Merkezleri Yönetim ve İşletim A.Ş.	-	1.884	-	-	1.273	1.358	-	-
T. İş Bankası A.Ş. (Foreign Mutual Funds)	140.511	-	-	-	-	-	-	-
Anadolu Anonim Türk Sigorta Şirketi	10.315	-	-	-	-	1.110	-	-
Milli Reasürans T.A.Ş.	46.486	-	-	-	-	-	-	-
T. İş Bankası A.Ş.	161.407	-	-	-	-	-	-	-
Anadolu Hayat Emeklilik A.Ş.	340.499	-	-	-	-	-	-	-
Şişecam Sigorta ve Aracılık Hizmetleri A.Ş.	-	-	-	-	-	28.099	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	16.073	-	-	-	-	-	-	-
İş Bankası (Commissions from Mutual Funds)	727	-	-	-	-	-	-	-
Şişecam Sigorta A.Ş.	-	-	-	-	-	578	-	-
Others	-	-	-	-	-	450	-	-
	716.018	1.884	-	-	1.273	31.595	-	-

İŞ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

(Amounts are expressed in Turkish Lira [“TL”] unless otherwise indicated.)

	1 January-31 December 2007					
Related party transactions (revenues)	Fee and brokerage commission income	Interest income on time deposits	Dividends received	Gain on sale of subsidiaries	Technical assistance income	Commission income
T. İş Bankası A.Ş.	7.975.994	22.215.103	5.805	-	-	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	217.650	-	325.784	-	-	-
İş Net Elektronik Bilgi Üretim A.Ş.	-	-	-	-	-	-
Miltaş Sigorta Aracılığı A.Ş.	27	-	-	-	-	-
Miltaş Turizm İnşaat Ticaret A.Ş.	36	-	-	-	-	-
Anadolu Anonim Türk Sigorta Şirketi	-	-	-	-	-	-
T. İş Bankası A.Ş. (Foreign Mutual Funds)	-	-	-	-	-	-
T. İş Bankası A.Ş. Mensupları Emekli San. Vakfı	-	-	-	-	-	-
Milli Reasürans T.A.Ş.	53.246	-	-	-		-
Tecim Yapı Elm. İnş. Ser. Yön. Hiz. San. Tic. Ltd. Şti.	-	-	-	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-	-	-
Probil Bilgi İşlem Destek Danışmanlık A.Ş.	-	-	-	-	-	-
T. Şişe ve Cam Fabrikaları A.Ş.	537.580	-	11.250	-	-	-
Efes Holding A.Ş.	71	-	-	-	-	-
Yatırım Finans Menkul Değerler A.Ş.	574	-	10.314	-	-	-
Anadolu Hayat Emeklilik A.Ş.	193.519	-	-	-	-	-
	8.978.697	22.215.103	353.153	-	-	-

	1 January-31 December 2007									
Related party transactions (expenses)	Letters of guarantee commission expenses	Custody commission expenses	Interest expense on borrowings	Finance lease interests	Banking transaction commission expenses	Personnel health insurance contributions	Office insurance expenses	Rent expenses	Administrative expenses	Service expenses
T. İş Bankası A.Ş.	16.645	2.457	39.877	-	723.737	-	-	529.970	-	-
İş Finansal Kiralama A.Ş.	-	-	-	1.276	33.248	-	-	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-	-	-	-	1.150.147	-	-
Anadolu Anonim Türk Sigorta Şirketi	-	-	-	-	-	369.893	31.157	-	-	
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-	-	-	-	-	1.001.340	-
İş Net Elektronik Hizmetler A.Ş.	-	-	-	-	-	-	-	-	-	-
Probil Bilgi İşlem Destek Danışmanlık A.Ş.	-	-	-	-	-	-	-	-	-	-
T. Şişe ve Cam Fabrikaları A.Ş.	-	-	-	-	-	-	-	-	-	28.683
Anadolu Hayat Emeklilik A.Ş.	-	-	-	-	-	12.176	-	-	-	-
	16.645	2.457	39.877	1.276	756.985	382.069	31.157	1.680.117	1.001.340	28.683

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

Compensation of key management personnel	1 January-31 December 2008	1 January-31 December 2007
Salaries and other short-term benefits	4.918.141	3.445.378

Key management personnel consist of 34 people; members of Board of Directors (14), members of audit committee (5), assistant general manager (7) general managers (3) and unit head (5).

38. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Capital Risk Management:

In its capital management, while the Group maintains to continue its operations on a going concern basis, it also maximizes its return through the optimization of the debt and equity balance.

The funding structure of the Group consists of debt, which includes the borrowings disclosed in Note 8, cash and cash equivalents and equity comprising issued capital, reserves and retained earnings.

The Group's Board of Directors reviews the capital structure on a monthly basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of equity. Based on the recommendations of the Board of Directors, the Group balances its overall capital structure through the payment of dividends, new share issues and investment in shares of associates and subsidiaries as well as issuance of a new debt or the redemption of an existing debt.

The Group continues its general capital risk management strategy since 2007.

Financial Risk Factors:

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the uncertainty of financial markets and seeks to minimize the potential negative effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by Risk Management Department, which is independent from steering, under policies approved by the Board of Directors. The Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board sets out written principles for overall risk management, as well as written policies covering specific areas, such as; foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit risk is mitigated by receiving equity shares of listed entities as collateral in accordance with the legal requirements of the CMB against credit lines utilized by customers. The Group's credit risk is predominantly in Turkey, where it operates.

Interest rate risk management

The Group is exposed to interest rate risk due to volatile market prices of its financial assets at both fixed and floating interest rates. The Group's exposure to interest rate risk sensitivity depends on the mismatch among maturities of interest rate sensitive assets and liabilities. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate assets and liabilities.

Group's interest rate sensitive financial instruments' allocations on respective balance sheet dates are presented below.

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

	31 December 2008			
Financial assets	Floating interest	Fixed interest	Non-interest bearing	Total
Cash and cash equivalents	49.937	930.628.666	2.371.284	933.049.887
Financial investments at fair value through profit and loss	65.069.966	109.217.693	62.182.511	236.470.170
Available for sale investments	-	-	7.544.651	7.544.651
Held to maturity financial assets	9.619.819	-	-	9.619.819
Trade receivables (*)	59.604.801	-	177.955.058	237.559.859
Financial liabilities				
Financial payables	-	889.267.721	-	889.267.721
Other financial payables	2.921.747	-	-	2.921.747
Trade payables (*)	-	-	166.592.286	166.592.286

(*) Since the balance regarding to "Receivables from clearing houses on derivative transactions" presented in trade receivables of assets of the consolidated balance sheet is netted off by "Payables to clearing houses on derivative transactions" presented in trade payables of liabilities, the balances related to these items are presented as "Non-interest bearing" financial assets and financial liabilities in the table above.

	31 December 2007			
Financial assets	Floating interest	Fixed interest	Non-interest bearing	Total
Cash and cash equivalents	33.787	678.233.082	2.650.939	680.917.808
Financial investments at fair value through profit and loss	72.322.543	80.990.619	135.111.615	288.424.777
Available for sale investments	-	-	14.458.927	14.458.927
Held to maturity financial assets	-	-	-	-
Trade receivables	59.673.247	-	164.593.398	224.266.645
Financial liabilities				
Financial payables	9.021	635.847.629	-	635.856.650
Other financial payables	766.492	-	1.419.240	2.185.732
Trade payables	-	-	182.538.902	182.538.902

The Group's exposure to interest rate risk and market price risk are related to fixed income financial assets classified as financial assets at fair value through profit or loss. Based on the analysis calculated by the Group, if the interest rate for TL were increased/decreased by 1% with the assumption of keeping all other variables constant, the effect on the fair value of fixed income financial assets and net profit/loss for the period ended as at 31 December 2008 and 31 December 2007 would be as below:

31 December 2008				
Type of risk	Risk rate	Direction of risk	Effect on the net profit	Effect on the equity
Interest rate risk	1%	Increase	(683.476)	-
		Decrease	691.690	-

31 December 2007				
Type of risk	Risk rate	Direction of risk	Effect on the net profit	Effect on the equity
Interest rate risk	1%	Increase	(477.265)	-
		Decrease	646.663	-

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

Market risk management

If the Istanbul Stock Exchange Index were increased/decreased by 10% with the assumption of keeping all other variables constant, the effect on the fair value of equity shares and net profit/loss of the Group for the period ended as at 31 December 2008 would be as below:

		31 December 2008		
Type of risk	Risk rate	Direction of risk	Effect on the net profit	Effect on the equity
Market risk	10%	Increase	6.124.031	362.999
		Decrease	(6.124.031)	(362.999)

		31 December 2007		
Type of risk	Risk rate	Direction of risk	Effect on the net profit	Effect on the equity
Market risk	10%	Increase	7.639.481	1.000.237
		Decrease	(7.639.481)	(1.000.237)

Liquidity risk management

Liquidity risk is the Group's default in meeting its net funding liabilities. Events causing a decrease in funding resources such as; market deteriorations or decrease in credit ratings are major reasons of liquidity risk. The Group manages its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities through a constant monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The following table details the Group's expected maturity for its non-derivative financial liabilities. The table below has been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities except where the Group is entitled and intense to repay the liability before its maturity. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet.

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

Maturity analysis of assets and liabilities are as follows;

	31 December 2008						
	Current	Less than 1 month	1-3 months	3-12 months	1 year and thereafter	Undistributed	Total
ASSETS							
Cash and cash equivalents	2.511.887	382.265.486	548.272.514	-	-	-	**933.049.887**
Financial investments	65.514.677	13.779.110	30.769.007	92.152.007	51.419.839	-	**253.634.640**
Trade receivables	148.181.088	89.378.771	-	-	-	-	**237.559.859**
Other receivables	201.520	1.894.921	43.826	-	-	-	**2.140.267**
Other current/non-current assets	-	-	939.112	10.859.024	369.506	-	**12.167.642**
Investments accounted for under equity method	-	-	-	-	-	35.802.580	**35.802.580**
Tangible fixed assets	-	-	-	-	-	5.578.973	**5.578.973**
Intangible fixed assets	-	-	-	-	-	1.301.180	**1.301.180**
Deferred tax assets	-	-	-	-	-	1.604.365	**1.604.365**
Total assets	**216.409.172**	**487.318.288**	**580.024.459**	**103.011.031**	**51.789.345**	**44.287.098**	**1.482.839.393**
LIABILITIES							
Financial liabilities	-	356.491.358	532.776.363	-	-	-	**889.267.721**
Other financial liabilities	919.500	-	2.002.247	-	-	-	**2.921.747**
Trade payables	92.284.590	74.307.696	-	-	-	-	**166.592.286**
Other payables	753	6.612.424	-	989	24.210	-	**6.638.376**
Current tax payable	-	-	644.443	-	-	-	**644.443**
Provisions	-	21.469	-	-	-	364.665	**386.134**
Provisions related to employee benefits	-	-	2.742.095	591.640	-	1.265.522	**4.599.257**
Other current liabilities	-	1.768.421	45.005	45.970	-	-	**1.859.396**
Deferred tax liabilities	-	-	-	-	-	-	**-**
Total liabilities	**93.204.843**	**439.201.368**	**538.210.153**	**638.599**	**24.210**	**1.630.187**	**1.072.909.360**
Shareholders' Equity	-	-	-	-	-	272.688.675	**272.688.675**
Minority interest	-	-	-	-	-	137.241.358	**137.241.358**
Liquidity surplus/(gap)	**123.204.329**	**48.116.920**	**41.814.306**	**102.372.432**	**51.765.135**	**(367.273.122)**	**-**

(Amounts are expressed in Turkish Lira [“TL”] unless otherwise indicated.)

	31 December 2007						
	Current	Less than 1 month	1-3 months	3-12 months	1 year and thereafter	Undistributed	Total
ASSETS							
Cash and cash equivalents	2.690.586	363.817.238	314.409.984	-	-	-	680.917.808
Financial assets	151.885.660	603	-	86.847.039	64.150.402	-	302.883.704
Trade receivables	83.098.747	141.167.898	-	-	-	-	224.266.645
Other receivables	884.737	1.208.966	259.855	-	7.675	-	2.361.233
Other current/non-current assets	38.076	901.983	29.735	139.893	-	972.992	2.082.679
Investments accounted for under equity method	-	-	-	-	-	21.675.372	21.675.372
Tangible fixed assets	590.810	-	-	-	-	3.849.101	4.439.911
Intangible fixed assets	343.794	-	-	-	-	638.473	982.267
Deferred tax assets	102.272	-	-	-	-	997.924	1.100.196
Total assets	**239.634.682**	**507.096.688**	**314.699.574**	**86.986.932**	**64.158.077**	**28.133.862**	**1.240.709.815**
LIABILITIES							
Financial liabilities	-	333.274.472	302.575.293	6.885	-	-	635.856.650
Other financial liabilities	-	2.185.732	-	-	-	-	2.185.732
Trade payables	58.812.421	119.845.182	3.881.299	-	-	-	182.538.902
Other payables	265.860	499.399	5.967.793	5.620	-	-	6.738.672
Current tax payable	-	-	210.425	-	-	-	210.425
Provisions	37.040	-	-	-	-	635.295	672.335
Provisions related to employee benefits	309.594	-	3.846.480	20.843	31.479	141.816	4.350.212
Other current liabilities	-	1.777.096	-	73.633	-	-	1.850.729
Total liabilities	**59.424.915**	**457.581.881**	**316.481.290**	**106.981**	**31.479**	**777.111**	**834.403.657**
Shareholders’ Equity						243.595.551	243.595.551
Minority interest						162.710.607	162.710.607
Liquidity surplus/(gap)	**180.209.767**	**49.514.807**	**(1.781.716)**	**86.879.951**	**64.126.598**	**(378.949.407)**	**-**

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

	31 December 2008						
Maturities	Carrying value	Adjustments	Total cash outflow (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities							
Bank loans	-	-	-	-	-	-	-
Finance lease payables	-	-	-	-	-	-	-
Trade payables	166.592.286	-	166.592.286	166.592.286	-	-	-
Payables to Stock Exchange Money Market	889.267.721	(11.919.729)	901.187.450	901.187.450	-	-	-
Total	**1.055.860.007**	**(11.919.729)**	**1.067.779.736**	**1.067.779.736**	**-**	**-**	**-**

Maturities	Carrying value	Adjustments	Total cash outflow (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Derivative financial instruments							
Derivative cash inflows	76.076.453	(385.074)	76.461.527	76.393.473	68.054	-	-
Derivative cash outflows	(93.128.042)	1.314.258	(94.442.300)	(94.244.189)	-	(198.111)	-

(Amounts are expressed in Turkish Lira [“TL”] unless otherwise indicated.)

			31 December 2007				
Maturities	Carrying value	Adjustments	Total cash outflow (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities							
Bank loans	12.347.121	(46.139)	12.393.260	12.393.260	-	-	-
Finance lease payables	9.021	(2.353)	11.374	3.000	8.374	-	-
Trade payables	182.538.902	-	182.538.902	182.538.902	-	-	-
Payables to Stock Exchange Money Market	623.500.508	(10.302.897)	633.803.405	633.803.405	-	-	-
Total	**818.395.552**	**(10.351.389)**	**828.746.941**	**828.738.567**	**8.374**	**-**	**-**

Maturities	Carrying value	Adjustments	Total cash outflow (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Derivative financials							
Derivative cash inflows	25.911.878	77.236	25.834.642	25.834.642	-	-	-
Derivative cash outflows	(98.759.026)	(894.134)	(97.864.892)	(97.864.892)	-	-	-

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

Foreign currency risk management

Foreign currency risk is the risk of volatility in the foreign currency denominated monetary assets, monetary liabilities and off-balance sheet liabilities due to changes in currency exchange rates. The breakdown of the Group's foreign currency denominated monetary assets and monetary liabilities as of 31 December 2008 and 31 December 2007 is as follows:

	31 December 2008					
	TL Equivalent	USD	Euro	Yen	GBP	Other
1. Trade receivables	-	-	-	-	-	-
2a. Monetary financial assets	4.925.460	2.743.796	177.893	-	-	-
2b. Non-monetary financial assets	2.305.462	675.118	600.000	-	-	-
3. Other	-	-	-	-	-	-
4. Current assets	7.230.922	3.418.914	777.893	-	-	-
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Non-current assets	-	-	-	-	-	-
9. Total Assets	**7.230.922**	**3.418.914**	**777.893**	**-**	**-**	**-**
10. Trade payables	-	-	-	-	-	-
11. Financial liabilities	-	-	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. Short-term liabilities	-	-	-	-	-	-
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. Long-term liabilities	-	-	-	-	-	-
18. Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**
19. Off-balance sheet derivative instruments' net asset/(liability) position (19a-19b)	**310.021**	**205.000**	**-**	**-**	**-**	**-**
19a. The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	72.501.174	47.941.000	-	-	-	-
19b. The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	72.191.153	47.736.000	-	-	-	-
20 Net foreign currency asset/(liability) position (9-18+19)	**7.540.943**	**3.623.914**	**777.893**	**-**	**-**	**-**
21. Net foreign currency asset/(liability) (position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	**4.925.460**	**2.743.796**	**177.893**	**-**	**-**	**-**
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-	-
23. Hedged portion of foreign currency assets	-	-	-	-	-	-
24. Hedged portion of foreign currency liabilities	-	-	-	-	-	-

(Amounts are expressed in Turkish Lira [“TL”] unless otherwise indicated.)

Foreign currencies or receivables and payables denominated in foreign currencies as of 31 December 2007 are as follows:

	31 December 2007					
	TL Equivalent	USD	Euro	Yen	GBP	Other
1. Trade receivables	-	-	-	-	-	-
2a. Monetary financial assets	562.573	398.148	56.780	-	59	9.470
2b. Non-monetary financial assets	2.842.092	1.559.176	600.000	-	-	-
3. Other	-	-	-	-	-	-
4. Current assets	3.404.665	1.957.324	656.780	-	59	9.470
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Non-current assets	-	-	-	-	-	-
9. Total Assets	**3.404.665**	**1.957.324**	**656.780**	**-**	**59**	**9.470**
10. Trade payables	-	-	-	-	-	-
11. Financial liabilities	12.347.121	10.601.116	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. Short-term liabilities	12.347.121	10.601.116	-	-	-	-
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. Long-term liabilities	-	-	-	-	-	-
18. Total liabilities	**12.347.121**	**10.601.116**	**-**	**-**	**-**	**-**
19. Off-balance sheet derivative instruments' net asset/(liability) position (19a-19b)	**3.624.197**	**3.111.700**	**-**	**-**	**-**	**-**
19a. The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	18.217.888	15.641.700	-	-	-	-
19b. The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	14.593.691	12.530.000	-	-	-	-
20 Net foreign currency asset/(liability) position (9-18+19)	**(5.318.259)**	**(5.532.092)**	**656.780**	**-**	**59**	**9.470**
21. Net foreign currency asset/(liability) (position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	**(11.784.548)**	**(10.202.968)**	**56.780**	**-**	**59**	**9.470**
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-	-
23. Hedged portion of foreign currency assets	-	-	-	-	-	-
24. Hedged portion of foreign currency liabilities	-	-	-	-	-	-

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

Based on the net foreign currency positions of balance sheets as of 31 December 2008 and 2007, if the value the Turkish Lira would increase or decrease by 10% against other hard currencies assuming each other variables remained constant, the Group's net profit or loss would change due to foreign currency gains or losses of financial assets and liabilities denominated in foreign currencies as follows:

		31 December 2008		
Type of risk	Risk rate	Direction of risk	Effect on the net profit	Effect on the equity
Foreign currency risk	10%	Increase	(5.252.032)	139.608
		Decrease	7.261.930	(139.608)

		31 December 2007		
Type of risk	Risk rate	Direction of risk	Effect on the net profit	Effect on the equity
Foreign currency risk	10%	Increase	(1.632.367)	231.443
		Decrease	2.089.421	(231.443)

39. FINANCIAL INSTRUMENTS

Categories of Financial Instruments:

31 December 2008	Financial assets measured with effective interest method	Loans and receivables	Available for sale financial assets	Financial assets and liabilities at fair value through profit or loss	Other financial liabilities measured with effective interest method	Carrying Amount	Fair Value	Note
Financial assets								
Cash and cash equivalents	933.049.887	-	-	-	-	933.049.887	933.049.887	6
Trade receivables	-	237.559.859	-	-	-	237.559.859	237.559.859	10
Financial investments	9.619.819	-	7.544.651	226.850.351	-	244.014.821	244.014.821	7
Financial liabilities								
Financial liabilities	-	-	-	-	889.267.721	889.267.721	889.267.721	8
Trade payables	-	-	-	-	166.592.286	166.592.286	166.592.286	10
Other financial liabilities	-	-	-	2.921.747	-	2.921.747	2.921.747	9
31 December 2007								
Financial assets								
Cash and cash equivalents	680.917.808	-	-	-	-	680.917.808	680.917.808	6
Trade receivables	-	224.266.645	-	-	-	224.266.645	224.266.645	10
Financial investments	-	-	14.458.927	288.424.777	-	302.883.704	302.883.704	7
Financial liabilities								
Financial liabilities	-	-	-	-	635.856.650	635.856.650	635.856.650	8
Trade payables	-	-	-	-	182.538.902	182.538.902	182.538.902	10
Other financial liabilities	-	-	-	2.185.732	-	2.185.732	2.185.732	9

Fair Value of Financial Instruments:

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein may not necessarily be indicative of the amounts the Group could realize in a current market exchange.

There is no active market for loans in order to obtain available comparative market price and these instruments are discounted or subject to transaction costs when they are sold or utilized before their maturities. Fair value of these instruments could not be estimated due to the lack of necessary reliable market data. Accordingly, the carrying amount of such instruments is deemed to be a consistent indicator of the fair value.

The following methods and assumptions are used to estimate the fair value of each class of financial instrument for which it is practicable to estimate fair value:

Financial Assets:

Carrying amounts of financial assets measured at amortized cost including cash and cash equivalents and other financial assets approximate their fair values due to their short-term nature and the assumption of immaterial potential losses in exchange of these assets.

Market prices are used in determination of fair values of government bonds, treasury bills and equity shares.

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

Financial Liabilities:

The carrying amount of monetary liabilities approximates their fair values due to their short-term nature.

Exposed credit risks through types of financial instruments:

	31 December 2008									
	Receivables				Cash and cash equivalents					
	Trade Receivables		Other Receivables							
	Related parties	Third parties	Related parties	Third parties	Financial assets	Bank deposits	Reverse repo	B type liquid mutual funds	Receivables from money markets	Other
Maximum credit risk exposure as of report date	2.468.456	235.091.403	33.073	2.107.194	253.634.640	910.277.249	22.583.027	49.937	120.048	4.536.900
The part of maximum risk under guarantee with collateral etc.	-	129.651.896	-	-	122.752.843	-	22.583.027	-	-	4.536.900
A. Net book value of financial assets that are neither past due nor impaired	2.468.456	235.091.403	33.073	2.107.194	253.634.640	910.277.249	22.583.027	49.937	120.048	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-	-	-	-	-
-the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-	-	-
-Past due (gross carrying amount)										
-Impairment (-)										
-The part of net value under guarantee with collateral etc.										
-Not past due (gross carrying amount)										
-Impairment (-)										
-The part of net value under guarantee with collateral etc.										
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-	-	4.536.900

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

Exposed credit risks through types of financial instruments:

	31 December 2007									
	Receivables				Cash and cash equivalents					
	Trade Receivables		Other Receivables							
	Related parties	Third parties	Related parties	Third parties	Financial assets	Bank deposits	Reverse repo	B type liquid mutual funds	Receivables from money markets	Other
Maximum credit risk exposure as of report date	716.018	223.550.627	1.884	2.359.349	302.883.704	643.497.995	37.084.119	33.787	260.121	-
The part of maximum risk under guarantee with collateral etc.	-	145.791.706	-	-	127.865.964	-	37.084.119	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	716.018	223.550.627	1.884	2.359.349	302.883.704	643.497.995	37.084.119	33.787	260.121	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-	-	-	-	-
-the part under guarantee with collateral etc	-	-	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-	-	-
-Past due (gross carrying amount)										
-Impairment (-)										
-The part of net value under guarantee with collateral etc.										
-Not past due (gross carrying amount)										
-Impairment (-)										
-The part of net value under guarantee with collateral etc.										
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-	-	-

40. SUBSEQUENT EVENTS

In accordance with the decision of the Board of Directors numbered 688 and dated 26 January 2009, it has been decided to obtain required permissions from Capital Markets Board in order to open a new branch in Maslak/Istanbul and a liaison office in Suadiye/Istanbul for improvement of investor portfolio and service areas.

International credit rating agency Fitch Ratings reconfirmed the Company's national long-term credit rating as stable outlook AAA.

41. OTHER ISSUES THAT SIGNIFICANTLY EFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS

Restatement of Prior Period Financial Statements:

The Group prepared its consolidated financial statements in accordance with the Communiqué Serial: XI, No: 29 beginning from the first interim financial statements subsequent to1 January 2008. In order to comply with the presentation of the current period financial statements and Communiqué Serial: XI, No: 29, the Group applied the required changes in the accounting policies. In this respect, the Group has accounted for adjustments, which are detailed below, in the opening financial statements as of 31 December 2006 within the context of IFRS 1 "First-time Adoption of International Financial Reporting Standards" in accordance with the Communiqué Serial: XI, No: 29.

a. In accordance with IFRS 3 "Business Combinations", if the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized exceeds the cost of the business combination ("negative goodwill"), the acquirer shall recognize immediately in profit or loss any excess remaining. In accordance with Communiqué Serial: XI, No: 25 negative goodwill was amortized using the straight-line method over the estimated useful life and accounted for in the balance sheet. If positive or negative goodwill showing the difference between the Group's share in the fair value of the net assets acquired and the acquisition cost of an investment in the accompanying consolidated financial statements, is related to the acquisitions prior to 1 January 2007, then goodwill is amortized using the straight-line method over the estimated useful life before 31 December 2006 by accounting for the amortization of positive goodwill as an expense and the amortization of negative goodwill as an income in the profit and loss. Under IFRS 3 "Business Combinations", amortization using the straight-line method for goodwill arising from the acquisitions subsequent to 1 January 2007 is no longer applied and the carrying value of goodwill is reviewed annually for impairment if there are any indications of impairment and an impairment loss is recognized in the consolidated financial statements, if any. For acquisitions subsequent to the related date, any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination (known as negative goodwill) is recognized immediately in the profit or loss. In this respect, the Group recognized TL 6.882.323 in the retained earnings resulting from negative goodwill amounting to TL 7.850.986 which was amortized using the straight-line method over the estimated useful life until 31 December 2006 after deducting the accumulated amortization of TL 968.663. The remaining positive goodwill amounting to TL 557.847 and TL 17.411.626 arising from the acquisition of İş Portföy A.Ş. in 2007 are not accounted for under IFRS 3 "Business Combinations" since the prevailing transactions are referring to business combinations of entities under common control and the total positive goodwill amounting to TL 17.969.473 arose in this context is accounted for in retained earnings account under equity as "effect of business combinations entities under common control".

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b. The subsidiary of the Company namely İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. is accounted for under the equity method and net asset value carried in the financial statements as of each balance sheet date is tested for impairment in accordance with IAS 36 Impairment of Assets. In this respect, the Company ceased the use of the market value, which refers to fair value less costs to sell, in determination of recoverable amount and started to use value in use, which is determined by discounted cash flows method by an independent appraiser authorized by the Capital Markets Board. The change in the accounting policy applied by the Company is evaluated and accounted for in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and the prior year's financial statements have been restated. In this respect, the Group's retained earnings, net profit for the period as of 31 December 2006 increased by TL 1.989.254 and TL 1.743.059 and the Group's retained earnings, net profit for the period and currency translation reserve as of 31 December 2007 increased by TL 3.732.303, TL 4.682.665 and TL 7.814, respectively.

c. In addition to this, İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. shares held with TL 2.088.000 nominal value, TL 7.652.220 cost and with TL 3.695.918 fair value as of 30 September 2008 and İş Yatırım Ortaklığı A.Ş. shares held with TL 7.427.000 nominal value, TL 6.617.053 cost and with TL 5.050.471 fair value as of 30 September 2008 are reclassified from financial asset at fair value through profit or loss accounts to affiliates and subsidiaries accounts respectively in accordance with the Communiqué No: 105 "Communiqué on Amendments in Turkish Accounting Standard ("TAS 39") Financial Instruments: Recognition and Measurement" prepared by Turkish Accounting Standards Board, which is published on 31 October 2008 in the Official Gazette No: 27040.

Reclassification of financial assets as per the Communiqué No: 105, Article 2 and new paragraphs 50B, 50D and 50E of TAS 39 has not been applied retrospectively to previous accounting periods ending before the effective date of 1 July 2008.

The calculation of negative goodwill arose as a result of the aforementioned accounting policy change by accounting for additional shares as affiliates and subsidiaries respectively are as follows:

	İş Girişim	İş Yatırım Ortaklığı
Fair value of securities reclassified from financial asset at fair value through profit or loss	3.695.918	5.050.471
Percentage of reclassified shares in total nominal amount of capital	8,92%	5,52%
Shareholder's equity balances of affiliates and subsidiaries as of balance sheet date	119.237.100	179.270.533
Corresponding amount of the reclassified shares in shareholder's equities of investments in affiliates and subsidiaries	10.640.068	9.887.470
Negative goodwill recognized in profit/(loss) (Note 31)	**6.944.150**	**4.836.999**

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

d. In addition, since the presentation and reclassification of financial statement items have undergone into a change in the preparation of financial statements in accordance with the Communiqué Serial: XI, No: 29, the Group reclassified its prior year financial statements accordingly in order to maintain comparability. The following table summarizes the reclassifications made to the prior year financial statements.

Balance sheet prepared in accordance with the Communiqué Serial: XI, No: 25	Balance sheet prepared in accordance with the Communiqué Serial: XI, No: 29	Communiqué Serial: XI, No: 25			Communiqué Serial: XI, No: 29
ASSETS	**ASSETS**	**31 December 2007**	**Reclassifications**	**Adjustments**	**31 December 2007**
Current Assets	**Current Assets**	**1.207.003.072**	**5.508.997**	**-**	**1.212.512.069**
Cash and cash equivalents	Cash and cash equivalents	680.623.899	293.909	-	680.917.808
Marketable securities (net)	Financial investments	302.916.387	(32.683)	-	302.883.704
Trade receivables (net)	Trade receivables	218.532.300	5.734.345	-	224.266.645
-	Receivables from finance sector operations	-	-	-	-
Due from related parties (net)	-	1.621.598	(1.621.598)	-	-
Other receivables (net)	Other receivables	2.511.035	(149.802)	-	2.361.233
Deferred tax assets	-	-	-	-	-
Other current assets	Other current assets	797.853	1.284.826	-	2.082.679
Long-term Assets	**Non-Current Assets**	**30.782.170**	**-**	**(2.584.424)**	**28.197.746**
Trade receivables (net)	Trade receivables	-	-	-	-
-	Receivables from finance sector operations	-	-	-	-
Due from related parties (net)	-	-	-	-	-
Other receivables (net)	Other receivables	-	-	-	-
-	Financial investments	-	-	-	-
-	Investments accounted for equity method	-	13.252.590	8.422.782	21.675.372
Financial assets (net)	-	13.252.590	(13.252.590)	-	-
Positive/(negative) goodwill (net)	Goodwill	11.007.206	-	(11.007.206)	-
Tangible assets (net)	Tangible fixed assets	4.439.911	-	-	4.439.911
Intangible assets (net)	Intangible fixed assets	982.267	-	-	982.267
Deferred tax assets	Deferred tax assets	1.100.196	-	-	1.100.196
Other long-term assets	Other non-current assets	-	-	-	-
Total Assets	**Total Assets**	**1.237.785.242**	**5.508.997**	**(2.584.424)**	**1.240.709.815**

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

Balance sheet prepared in accordance with the Communiqué Serial: XI, No: 25	Balance sheet prepared in accordance with the Communiqué Serial: XI, No: 29	Communiqué Serial: XI, No: 25			Communiqué Serial: XI, No: 29
LIABILITIES	LIABILITIES	31 December 2007	Reclassifications	Adjustments	31 December 2007
Short-term Liabilities	**Current Liabilities**	**827.880.933**	**5.508.992**	**-**	**833.389.925**
Short-term borrowings (net)	Financial liabilities	12.347.121	623.509.529	-	635.856.650
Short-term portions of long-term borrowings (net)	-	-	-	-	-
Finance lease payables (net)	-	9.021	(9.021)	-	-
Other financial liabilities (net)	Other financial liabilities	623.500.508	(621.314.776)	-	2.185.732
Trade payables (net)	Trade payables	178.700.847	3.838.055	-	182.538.902
-	Payables from finance sector operations	-	-	-	-
Due to related parties (net)	-	86.294	(86.294)	-	-
-	Other payables	-	6.738.672	-	6.738.672
-	Current tax payable	-	210.425	-	210.425
Advances received	-	-	-	-	-
Provisions (net)	Provisions	4.292.873	(3.620.538)	-	672.335
-	Provisions related to employee benefits	-	3.336.480	-	3.336.480
Deferred tax liabilities	-	-	-	-	-
Other short-term liabilities (net)	Other current liabilities	8.944.269	(7.093.540)	-	1.850.729

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Balance sheet prepared in accordance with the Communiqué Serial: XI, No: 25	Balance sheet prepared in accordance with the Communiqué Serial: XI, No: 29	Communiqué Serial: XI, No: 25			Communiqué Serial: XI, No: 29
LIABILITIES	**LIABILITIES**	**31 December 2007**	**Reclassifications**	**Adjustments**	**31 December 2007**
Long-term Liabilities	**Non-current Liabilities**	**163.724.339**	**(162.710.607)**	**-**	**1.013.732**
Long-term borrowings (net)	Financial liabilities	-	-	-	-
Finance lease payables (net)	-	-	-	-	-
Other financial liabilities (net)	Other financial liabilities	-	-	-	-
Trade payables (net)	Trade payables	-	-	-	-
-	Payables from finance sector operations	-	-	-	-
Due to related parties (net)	-	-	-	-	-
-	Other payables	-	-	-	-
Advances received	-	-	-	-	-
Provisions (net)	Provisions	1.013.732	(1.013.732)	-	-
-	Provisions related to employee benefits	-	1.013.732	-	1.013.732
Deferred tax liabilities	Deferred tax liabilities	-	-	-	-
Other long-term liabilities (net)	Other non-current liabilities	-	-	-	-
Minority interest		162.710.607	(162.710.607)	-	-
Shareholders' Equity		**246.179.970**	**162.710.612**	**(2.584.424)**	**406.306.158**
Capital	Paid-in capital	119.387.000	-	-	119.387.000
Treasury stock	Treasury share adjustment (-)	-	-	-	-
Capital reserves	-		-	-	40.656.600
-Premium in excess of par	Premium in excess of par	40.656.600	-	-	-
-	Effect of business combinations under common control	-	-	-	3.363.092
-Gain on cancellation of equity shares	-	-	-	-	-
-Revaluation fund	Valuation funds	-	3.363.092	-	16.394
-Valuation fund on financial assets	-	3.363.092	(3.363.092)	-	4.059.152
-Shareholders' equity inflation restatement differences	Inflation adjustment to share capital	16.394	-	-	-
-	Restricted reserves appropriated from profits	-	4.059.152	-	-
Profit reserves	-			-	-
-Legal reserves	-	2.860.111	(2.860.111)	-	-
-Statutory reserves	-	2.168	(2.168)	-	-
-Extraordinary reserves	-	35.987.686	(35.987.686)	-	-
-Special reserves	-	4.202.937	(4.202.937)	-	-
-Gains on sale of properties and equity participations to be transferred to capital	-	1.196.873	(1.196.873)	-	-
-Currency translation reserve	Currency translation reserve	(244.517)	-	7.814	(236.703)
Net profit/(loss) for the period	Net profit/(loss) for the period	33.726.303	5	4.657.544	38.383.852
Retained earnings	Retained earnings	5.025.323	40.190.623	(7.249.782)	37.966.164
-	Minority Interest	-	162.710.607		162.710.607
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**	**1.237.785.242**	**5.508.997**	**(2.584.424)**	**1.240.709.815**

İŞ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARIES
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Balance sheet prepared in accordance with the Communiqué Serial: XI, No: 25	Balance sheet prepared in accordance with the Communiqué Serial: XI, No: 29	Communiqué Serial: XI, No: 25			Communiqué Serial: XI, No: 29
STATEMENT OF INCOME	STATEMENT OF INCOME	1 January-31 December 2007	Reclassifications	Adjustments	1 January-31 December 2007
OPERATING INCOME					
Sales revenue (net)	Sales revenue	29.865.954.724		(169.275.714)	29.696.679.010
Cost of sales (-)	Cost of sales (-)	(29.855.963.507)		166.796.273	(29.689.167.234)
-	Interest and derivative income from operating activities (net)	-		35.365.767	35.365.767
Income from services (net)	Income from services (net)	68.894.096		(1.091.451)	67.802.645
Other operating income/ (expenses) (net)	Other operating income/ (expenses) (net)	13.424.671		1.818.956	15.243.627
GROSS PROFIT	**GROSS PROFIT/(LOSS)**	**92.309.984**		**33.613.831**	**125.923.815**
Operating expenses (-)		(63.357.964)		63.357.964	-
-	Marketing, sales and distribution expenses (-)			(9.137.640)	(9.137.640)
-	General administrative expenses (-)		(469.663)	(55.167.118)	(55.636.781)
-	Research and development expenses (-)			-	-
-	Other operating income			1.340.563	1.340.563
-	Other operating expenses (-)			(6.425.029)	(6.425.029)
NET OPERATING PROFIT	**OPERATING PROFIT/(LOSS)**	**28.952.020**	**(469.663)**	**27.582.571**	**56.064.928**
Other income and profits	-	119.258.540	4.864	(119.263.404)	-
Other expenses and losses (-)	-	(11.444.195)	-	11.444.195	-
Finance income/(expenses) (net)	-	(63.510.804)	-	63.510.804	-
-	Share in net profit/(loss) of investments accounted for under equity method		4.682.665	(3.727.885)	954.780
-	Finance income (non-operating)			22.147.929	22.147.929
-	Finance expenses (non-operating) (-)			(1.694.210)	(1.694.210)
PROFIT BEFORE MONETARY GAIN/(LOSS) AND TAXATION	**PROFIT/(LOSS) BEFORE TAXATION FROM CONTINUED OPERATIONS**	**73.255.561**	**4.217.866**	**-**	**77.473.427**
Net monetary gain/(loss)	-	-	-	-	-
MINORITY INTEREST	Minority interest	(31.224.144)	439.683	-	(30.784.461)
PROFIT BEFORE TAXATION					
		42.031.417	4.657.549		46.688.966
Taxation	-				
	Tax benefit/(charge) from continued operations	(8.305.114)	-	(8.305.114)	(8.305.114)
-	Current tax benefit/(charge)	-	-	(8.833.498)	(8.833.498)
-	Deferred tax benefit/(charge)	-	-	528.384	528.384
NET PROFIT/(LOSS) FOR THE PERIOD)	**NET PROFIT/(LOSS) FOR THE PERIOD**	**33.726.303**	**4.657.549**		**38.383.852**

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