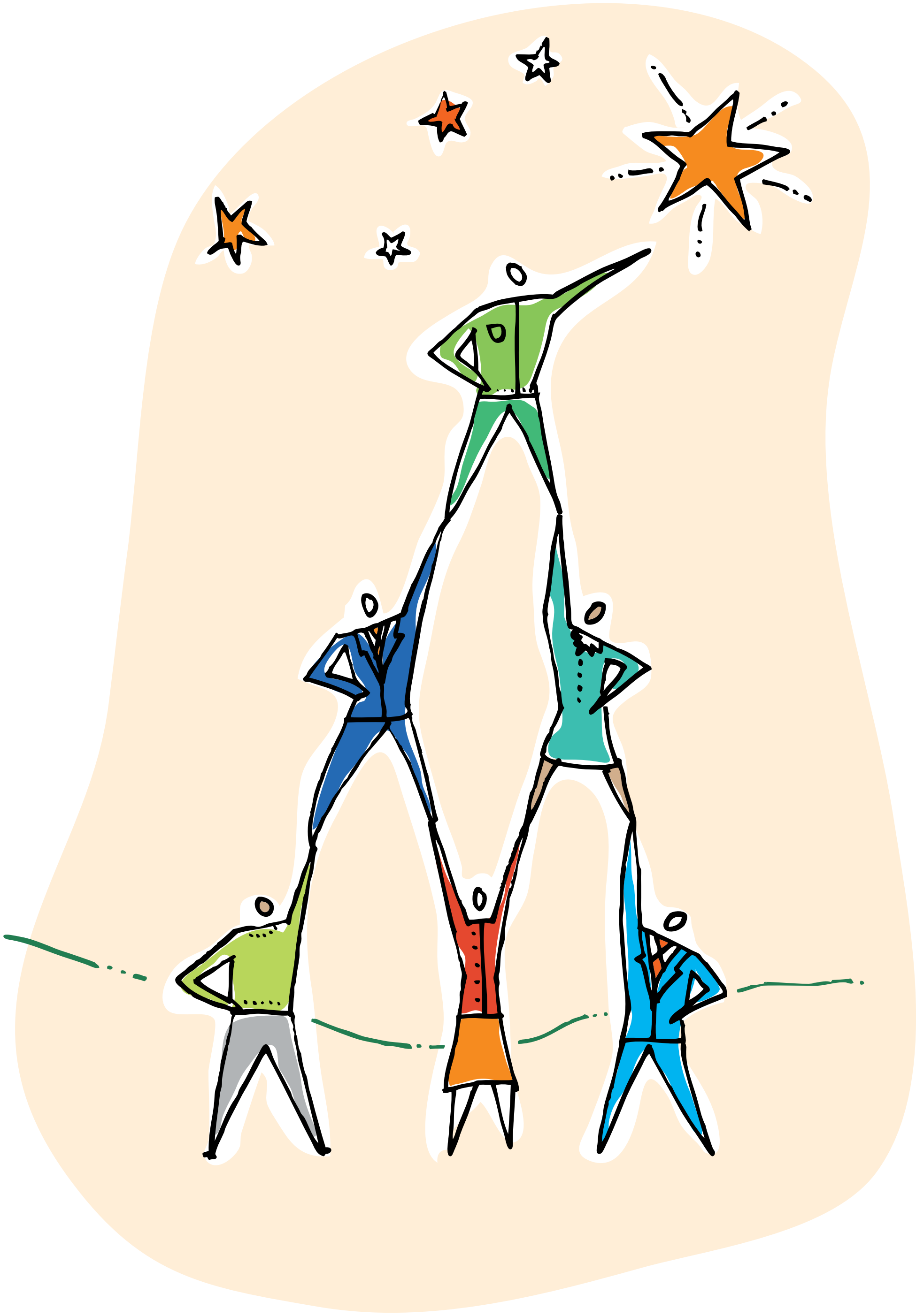
İŞ INVESTMENT



collaboration leadership

THE FLAGSHIP LEADER OF THE İŞ GROUP'S CAPITAL MARKET ACTIVITIES CORPORATE GOVERNANCE RATING REACHES 9.06/10 THE SECTOR'S ENDURING LEADER IN ALL MAJOR PORTFOLIO DIMENSIONS CASH DIVIDENDS CORRESPONDING TO 97% OF ALL PUBLIC OFFERINGS IN THE LAST 6 YEARS CITED AS "TURKEY'S BEST INVESTMENT BANK"

ANNUAL REPORT **2013**

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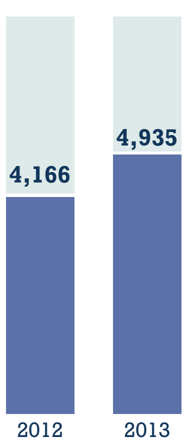
TOTAL ASSETS
(TL MILLION)



18%
GROWTH OF ASSETS IN 2013

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INTERVIEW WITH THE CHAIRMAN

The world's stock exchanges experienced severe waves of selling in 2013.

drying-up of liquidity

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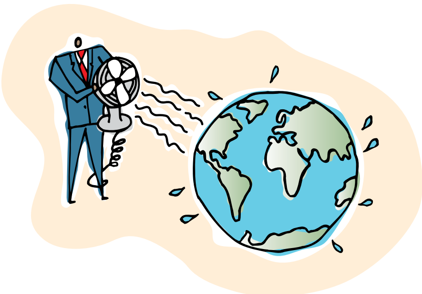
ECONOMIC REVIEW



sustained growth

IS INVESTMENT IN BRIEF

As of end-2013, IS Investment was managing a portfolio whose total value of TL 14.4 billion made it the sector's leader.

Founded in 1996 by İşbank, IS Investment provides domestic and international individual and corporate investors in domestic and international markets with high added-value services and solutions in the areas of:

- Brokerage
- Investment advisory
- Asset management
- Corporate finance

THE LEADER WITH A PORTFOLIO TOTALING TL 14.4 BILLION IN VALUE

As of end-2013, IS Investment was managing a portfolio whose total value of TL 14.4 billion made it the sector's leader. With 24% and 19% shares of the mutual and pension fund markets respectively, the company's corporate and individual client base is bigger than that of any other brokerage in Turkey. IS Investment's own assets amounting to TL 4.9 billion at end-2013 by themselves corresponded to more than a third of the sector's total assets.

The unchallenged leader in client access, IS Investment has ten branches in Turkey: six in İstanbul (Akaretler, Kalamış, Levent, Maslak, Yeniköy, Yeşilköy) and one each in Ankara, İzmir, Bursa, and Adana. It also has two liaison offices: one in the Suadiye district of İstanbul and the other in Almaty, Kazakhstan. The company's client service reach is made even broader by more than 1,200 İşbank branches scattered across Turkey and acting as IS Investment agents in the country's industry, trade, and population centers. Wholly-owned subsidiaries in London (Maxis Investments Securities) and Dubai (IS Investments Gulf) enhance the company's effectiveness in international markets while also giving its clients access to a diversified range of financial products.

SUSTAINABLE LEADERSHIP

IS Investment has, without exception, been the transaction volume leader at both the Borsa İstanbul Equity Market for eleven years and at the Derivatives Market for eight years.

IS Investment also remains the leader in private-sector debt security issues: at end-2013 it single-handedly controlled a 23% share of that market.

IS INVESTMENT IS ONE OF ONLY A HANDFUL OF FIRMS IN TURKEY WITH A CORPORATE GOVERNANCE RATING HIGHER THAN 9.

In 2013 JCR Eurasia Rating raised IS Investment's overall corporate governance rating from 8.87 to 9.06.

LONG-TERM NATIONAL CREDIT RATING: AAA

Fitch Ratings confirmed IS Investment's previously-assigned "AAA" long-term national rating in 2013.

EUROMONEY: "IS INVESTMENT IS THE BEST INVESTMENT BANK IN TURKEY".

In its annual "Euromoney Awards for Excellence" series acknowledging the best financial products and services providers in every country, the internationally influential and respected financial industry magazine Euromoney cited IS Investment as "The Best Investment Bank in Turkey" in 2013.

TURKEY'S MOST ADMIRED BROKERAGE HOUSE FOR THE SIXTH YEAR IN A ROW

In the "Turkey's Most Admired Companies 2013" survey conducted by Capital, IS Investment once again placed first in the "Brokerage Houses" category. "Turkey's Most Admired Companies" is a survey conducted annually by Capital, one of Turkey's leading business and finance magazines. In this independently-conducted poll of middle- and senior-management decision-makers and opinion leaders, IS Investment once again emerged as the year's best brokerage house. This was the ninth time that IS Investment received this accolade and the sixth year in a row that it did so.

KEY FINANCIAL HIGHLIGHTS

SUMMARY BALANCE SHEET AND INCOME STATEMENT

Summary Balance Sheet (TL Thousand)	31 December 2013	31 December 2012
Assets		
Current Assets	4,784,637	4,017,680
Fixed Assets	150,729	148,756
Total Assets	4,935,366	4,166,436
Liabilities		
Short-Term Liabilities	3,907,841	3,240,528
Long-Term Liabilities	110,102	72,286
Non-Controlling Interests	398,953	393,635
Shareholders' Equity	518,470	459,987
Total Liabilities	4,935,366	4,166,436

Summary Income Statement (TL Thousand)	1 January-31 December 2013	1 January-31 December 2012
Sales Revenue (Net)	129,818	134,373
Interest and Derivative Income from Operating Activities (Net)	60,839	47,829
Income from Services (Net)	126,806	102,688
Other Operating Income	27,193	27,038
Gross Profit	344,656	311,928
Operating Expenses	(247,178)	(193,528)
Other Income/Expenses	(4,327)	5,342
Operating Profit	93,151	123,742
Share in Net Profit/(Loss) of Investment Accounted for under Equity Method	4,301	5,358
Non-operating Financial Revenues/Expenses	39,703	20,517
Profit before Tax from Continuing Operations	137,155	149,617
Tax	(11,843)	(16,456)
Profit from Continuing Operations	125,312	133,161
Profit from Discontinuing Operations	0	4,202
Period Profit/Loss	125,312	137,363
Non-controlling Interests	54,499	68,625
Net Profit (Equity Holders of the Company)	70,813	68,738
Earnings per Share from Continuing Operations (TL)	0.2281	0.2201

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

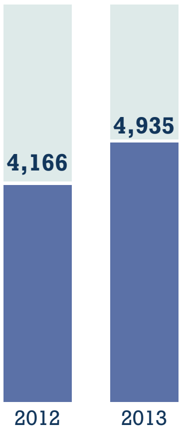
Financial Ratios	31 December 2013	31 December 2012
Current Assets/Short-Term Liabilities	1.22	1.24
Liabilities/Shareholders' Equity	4.38	3.88
Return on Equity (%)	14.4	15.8

SHAREHOLDER STRUCTURE

- Free Float **29.32%***
- Camiş Yatırım Holding **0.17%**
- İş Leasing **2.43%**
- İş Factoring **2.43%**
- Türkiye İş Bankası A.Ş. **65.65%**

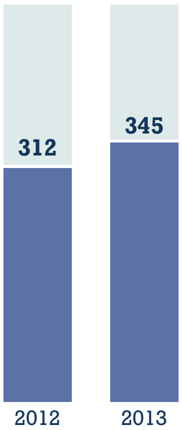
*Actual Circulation 29.28% (Based on the report dated 31 December 2013 of the Central Registry Agency of Turkey)

TOTAL ASSETS (TL MILLION)



18% GROWTH OF ASSETS IN 2013

GROSS PROFIT (TL MILLION)



10% INCREASE IN GROSS PROFIT IN 2013

CORPORATE VALUES

Customer Orientation: To be close to our customers, to be able to make risk-return analysis correctly in compliance with their expectations, to be able to provide service at the necessary and desired quality with the aim of increasing the assets of our companies in line with this analysis.

Market Focusedness: To be able to create the highest possible added value for our corporation and investors in line with the developments taking place by instantly monitoring domestic and foreign capital markets.

Dynamism and Innovation: To constantly seek the better and the newer with an infinite energy for the continuous development of our products, services and values by staying loyal to our corporate policies and in the most appropriate way for market conditions with its human resource which is competent and expert in its field.

Confidentiality: To observe confidentiality principles within the scope of laws, our corporate policies and ethical values in subjects which qualify as inside information that might affect our share values and the identities and transactions of our customers.

Reputation: To continue to be the representative of the feelings of trust and success created by the brand "İş", which we proudly represent in capital markets.

Developing the Staff: To ensure the continuous training and development of our expert personnel that we have incorporated in compliance with our values with corporate social responsibility understanding; to apply a human resources policy within a comfortable, safe and certain career plan by providing equal rights to those who are under equal circumstances without discriminating on the basis of religion, language, race and sex.

Team Work: To bring productivity to the highest levels by creating a synergy that combines the division of labor and cooperation, efficient sharing and solidarity.

Respect for the Laws, Corporate Governance Principles and Ethical Values: To be able to realize the best international application in terms of compliance with corporate governance principles with an effective risk management and internal control mechanism, a transparent governance to make the success in our financial performance and market sustainable in compliance with the laws and our ethical values.

Perfectionism: Being aware that anyone can be better by trying to be perfect all the time.

Objectivity and Impartiality: To ensure that our comments on the market are realized with an objective understanding by carrying out relations with the customer without allowing to any conflict of interest while fulfilling capital market activities, and informing our shareholders correctly, fully and timely.

Social Responsibility: While trying to fulfill our aims of growth and obtaining profit, to exert maximum effort so that mainly our employees, the environment and other internal and external factors provide maximum benefit.

MISSION

- To provide all kinds of investment banking service under one roof
- To produce qualified information, to establish information-based strategies and to create value
- To be innovative in product and service development
- To lead the development of capital markets
- To follow technological developments and to apply thereof to activities
- To ensure customer satisfaction
- To increase the value created for shareholders

VISION

To be Turkey's and the region's most preferred, leader and reliable investment institution.

INTERVIEW WITH THE CHAIRMAN

İLHAMİ KOÇ
CHAIRMAN

The world's stock exchanges experienced severe waves of selling in 2013 while capital outflows from emerging markets accelerated.

GLOBAL DEVELOPMENTS IN 2013 SIGNALED THAT THE WORLD ECONOMY HAS BEGUN TO CHANGE DIRECTION. WOULD YOU GIVE US YOUR THOUGHTS ON THIS MATTER?

Speaking before Congress on 22 May 2013, the US Federal Reserve Bank's governor Ben Bernanke stressed that the US economy was now looking healthier than it had been at any time since 2012. Bernanke also said that the Fed might begin tightening up its monetary policy if and when circumstances warranted. The next important step in this process came in December when the Fed announced the prerequisites for exiting its asset-buying program. At the first Federal Open Market Committee meeting in January it was announced that the Fed would reduce its bond-buying program by USD 10 billion a month.

In light of such developments, the world's stock exchanges experienced severe waves of selling in 2013 while capital outflows from emerging markets (Turkey being one of them in particular) accelerated. Many of those countries' currencies depreciated significantly: the Turkish lira for example lost about 20% of its value against the euro. Looking for safer havens, international capital headed back to the developed economies.

WHAT ARE THE UNDERLYING DYNAMICS OF THESE DEVELOPMENTS? AND WHAT SORT OF IMPACT DO YOU THINK THEY WILL HAVE IN THE FUTURE?

We need to consider this subject deeply and to take a retrospective view as we examine the dynamics and developments of the recent past. The main dynamics of the process ensuing in the wake of the global financial crisis were these: falling interest rates, rising unemployment, and expansionary monetary policies. While this was generally the case worldwide, it was especially true among the developed countries. The interaction of these elements led to a surge of global liquidity and to a chain of events whose consequences we are still having to contend with even today.

With interest rates close to zero in the developed world, global capital headed towards emerging markets where yields were higher. This process created an overall climate that especially benefited the emerging economies: a global abundance of low-cost capital fueled rapid growth in the emerging economies, not least in China, and thus significantly boosted such countries' share of the global economy as a whole. That was the good news. The bad news is that many of the same countries were unable to carry out much-needed structural reforms with the result that when the Fed made its move in 2013, they found themselves confronted by abruptly less benign market conditions.

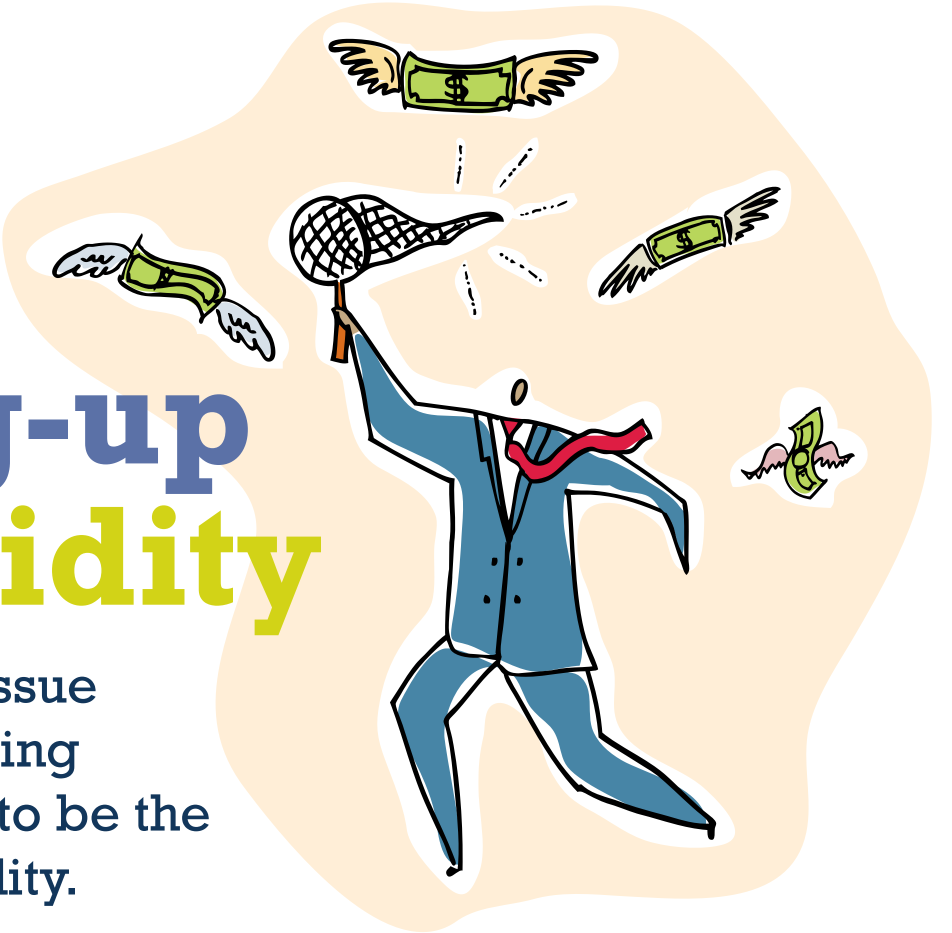
WERE CENTRAL BANKS' POLICIES INFLUENTIAL IN THIS PROCESS? FOR EXAMPLE THE ASSET-BUYING PROGRAMS THAT GET TALKED ABOUT SO MUCH: DID THEY REALLY MAKE A POSITIVE CONTRIBUTION TO THE US ECONOMY?
There's no doubt at all on that score. The central banks of both the developed and the developing countries managed the world economy not just in synch with one another but also with a skill hitherto unseen. The Fed was extremely influential in this process. The bank's five-year bond-buying program played a key role in the recuperation and resurgence of the American economy.

Although Bernanke's opponents groused about a surge in the money supply causing high inflation, an inflation rate below 2% a year is clear evidence that they were wrong. In the course of its five-year program, the Fed expanded the money supply by about two trillion dollars and by doing so it not only gave the US economy some breathing space but also laid the groundwork for resumed growth.

Much the same can also be said for the European Central Bank (ECB), which had to contend with much more serious issues. The euro area spent the post-crisis years in recession but at least attention there was given to reforms and restructuring. And in that process, the ECB demonstrated both courage and commitment in the resolution of structural problems.

WHAT'S YOUR TAKE ON THE OUTLOOK FOR THE WORLD ECONOMY IN 2014?
2014 looks like it's going to be a tough year. The recovery should continue in the developed economies but even as it does, the developing countries are going to be contending with an environment characterized by relatively weak growth. The most serious issue facing them is going to be the drying-up of liquidity. We mustn't forget that economic growth needs low-cost, long-term resources.

Economic growth needs low-cost, long-term resources.



drying-up of liquidity

The most serious issue facing the developing countries is going to be the drying-up of liquidity.

An organizational structure befitting a cutting-edge investment bank and a team of people whose professional competencies are extremely strong were the driving forces of our performance.

That said, if employment in the US fails to bounce back strongly enough and inflation remains too low despite economic recovery, the Fed could easily postpone any strict tightening of its monetary policy until 2015. In a scenario in which US inflation and employment figures conform more or less to expectations and growth settles down within the 2.5-3.0% band, it's unlikely that there will be any significant rises in interest rates before the second half of 2015.

TURNING OUR ATTENTIONS NOW SPECIFICALLY TO TURKEY, WHAT'S YOUR ASSESSMENT OF THE COUNTRY'S ECONOMIC PROSPECTS AS OF THE END OF 2013?

In structural terms, the Turkish economy is one that is in need of a substantial volume of short-term external resources. This is what underlies the current account deficit problem that we're always arguing about so much. Having said that however we mustn't overlook the developments taking place on the domestic political front in 2013. The convergence of these developments arriving from different directions made the Turkish market one of the ones more seriously affected by the Fed's decisions. As the Turkish lira's value eroded, interest rates rose. Indeed in January 2014, the central bank (TCMB) had recourse to a sharp hike in interest rates for the sake of maintaining price stability.

Thankfully the economy, which had grown by about 4% in the first nine months of the year, continued to grow at a fairly reasonable level in the last quarter as well. Manufacturing industry PMI figures, which were at the 52.5 level in January 2014, clearly show the degree to which the Turkish economy has become resilient to both internal and external shocks. The Turkish economy today is much stronger than it used to be and its foundations are much more robust. Based on our estimates, the Turkish economy grew by about 3.7% or so in 2013.

Export figures showed improvement all year long. Europe's emergence from recession after a long time and observed declines in commodity prices helped balance growth in favor of external demand.

LOOKING NOW AT 2013 FROM THE STANDPOINT OF IS INVESTMENT, WHAT WOULD YOU LIKE TO SAY ABOUT THE COMPANY'S PERFORMANCE LAST YEAR?

In 2013 IS Investment made new additions to its roster of successes as the leader of Turkey's capital markets.

In our 11th year as the leader of Turkey's capital markets, we once again demonstrated our unique abilities with market shares of 8.4% and 13.5% at the Borsa İstanbul Equity Market and the Turkish Derivatives Exchange respectively. Our company controls a 26% share of the market in mutual funds while a 24% rise in the volume of pension funds under our management maintained our leading market position with a 19% share. The aggregate value of the portfolio being managed by IS Investment reached TL 14.4 billion last year. This corresponds to a year-on-year rate of growth of 10%.

To sum up, in 2013 we took our sectoral leadership to new and greater heights. We supported our success with a flexible, nimble, multi-channel business structure and with a knack for generating income under every condition. An organizational structure befitting a cutting-edge investment bank and a team of people whose professional competencies are extremely strong were the driving forces of our performance.

WHAT ROLE DOES IS INVESTMENT PLAY IN THE İŞ GROUP AND WHAT IS ITS IMPORTANCE THERE?

IS Investment is the flagship leader of the İş Group's capital market activities and it enjoys an extremely strategic position on that account. That's because when you examine the group's structure in this area, you realize that the group's capital market companies are our subsidiaries.

IS Investment seeks to respond to all of its customers' needs for capital market product and service in Turkey under a single roof. In that respect then, we are a company structured to be an investment bank in the internationally-accepted sense of that term. Working in concert with its subsidiaries, each of which is a leader of its respective business line, IS Investment plays a major role it ensuring that our country has an effective and well-developed capital market. IS Investment conducts all of its activities in synergetic collaboration with İşbank on the common denominator of a shared corporate culture.

WHAT ARE YOUR EXPECTATIONS FOR 2014 INSOFAR AS THE COMPANY IS CONCERNED?

IS Investment will continue to perform as you would expect a leader to do. We are well aware of course that leadership encumbers us with additional responsibilities with respect to our stakeholders.

As a service provider that is active in capital markets, we play key roles in the financial life and well-being of both individuals and companies. That makes it necessary to be serious, diligent, and attentive about every aspect of everything that we do.

To date we have built up a perfect record in the key areas of corporate governance: transparency, accountability, business ethics, and compliance with the law. Our success on these issues is confirmed by the ratings given to us by independent agencies.

The combination of all of these elements with correct strategies and correct policies will enable us to take our leadership even further ahead in 2014 as well.

IS THERE ANYTHING YOU'D LIKE TO SAY TO IS INVESTMENT'S STAKEHOLDERS IN CLOSING?

Just like every other company, IS Investment has stakeholders too. Their trust is what enables us to create added value. The confidence they have had in our leadership for eleven years gives us all the energy that we need. I therefore take this opportunity to than all of our stakeholders–and especially our shareholders, investors, clients, and employees–for making our success possible.

It is through their support and contributions that IS Investment will continue to make new additions to its roster of successes.

As a service provider that is active in capital markets, we play key roles in the financial life and well-being of both individuals and companies.

a perfect record

To date we have built up a perfect record in the key areas of corporate governance: transparency, accountability, business ethics, and compliance with the law.

INTERVIEW WITH THE GENERAL MANAGER

A. ERDAL ARAL
GENERAL MANAGER

One of the most important developments for capital markets taking place in 2013 was the entry into force of a new Capital Markets Law.

HOW WOULD YOU ASSESS 2013 FROM THE STANDPOINT OF CAPITAL MARKETS? WHAT WERE THE MOST OUTSTANDING ISSUES OF THE YEAR? WHAT WAS BORSA İSTANBUL'S PERFORMANCE LIKE?
2013 was a year in which Turkey's capital markets paralleled worldwide developments.

Borsa İstanbul embarked upon 2013 with the same positive performance it showed in 2012. An unexpected boost in Turkey's country rating by S&P helped the Borsa İstanbul Equity Market become the stock exchange generating the highest level of returns globally in the first quarter of the year. Another credit rating boost came in May, this one from Moody's. In response the BIST 100 Index reached a historically high 93,000 (in May 22nd) in the run-up to midyear.

In the second half of the year however, the outlook for Turkey's capital markets reversed. This transformation was brought about by worldwide volatilities spawned in response to expectations that the loose-money policies being followed by the Fed and the central banks of other developed countries were about to change. Such expectations depressed the global appetite for risk and in such an environment, Borsa İstanbul experienced a wave of selling that drove the same index back down to 76,000.

Some welcome good news from the Fed helped spark a bit of a recovery in the third quarter and the BIST 100 Index remained within the 72,000-79,000 corridor during most of the last. However the Borsa İstanbul Equity Market closed 2013 at 67,802, an overall performance which means that its investors sustained losses of 13% and 27.7% on a Turkish-lira and US-dollar basis respectively.

One of the most important developments for capital markets taking place in 2013 was the entry into force of a new Capital Markets Law. This law, which was prepared in line with Turkey's "2023 Vision" and in parallel with the İstanbul Financial Center project, introduces many extremely valuable innovations such as the ability to offer capital market investors a host of new products and services. We expect that these changes will begin affecting and shaping our business environment in 2014.

COULD YOU SUM UP IS INVESTMENT'S PERFORMANCE IN 2013 FOR US? WHAT CAN YOU TELL US ABOUT THE STRATEGIES THE COMPANY DEVELOPED TO COPE WITH THE YEAR'S UNPREDICTABLE MARKET CONDITIONS?

IS Investment maintained its leadership with an 8.4% share of the Equity Market.

IS Investment's corporate and individual client base is bigger than that of any other brokerage in Turkey. As of end-2013, the company was managing a portfolio whose total value amounted to TL 14.4 billion. That corresponds to a year-on rise of 10%. TL 4.8 billion of it consisted of pension funds, whose total volume grew by 24% last year.

In the equity market we wrote TL 137.3 billion worth of business in 2013 while in the combined debt securities market we handled transactions whose total value reached TL 9.4 billion.

In the market for just private-sector debt, we conducted TL 4.5 billion worth of business, which means that we controlled a 26.4% share of all such deals. In 2013 we controlled a 13.5% share of the futures & options market, higher than that of any other market player. We also ranked first with a 55.3% share (worth TL 2.7 million) of option contract deals in a market which is still nowhere as deep as it ought to be.

Last year IS Investment also expanded the scope and volume of services offered to international clients: there was a 17% year-on rise in the transactions that the company brokered for such clients.

WHAT CAN YOU TELL US ABOUT YOUR FINANCIAL PERFORMANCE IN 2013?

We are both the pioneer of and the leading player in Turkey's capital markets. According to our end-2013 financial results, our consolidated net profit amounted to TL 70.8 million, which corresponds to a year-on rise on the order of 14%. Our return on equity weighed in at 14.5% in 2013. Our ability to generate revenues on a variety of fronts is what enabled us to successfully maintain our financial performance in

Our ability to generate revenues on a variety of fronts is what enabled us to successfully maintain our financial performance in 2013.

the biggest client base

With its corporate and individual client base that is bigger than that of any other brokerage in Turkey, IS Investment is the market leader.

Over the last six years, our company has paid its shareholders cash dividends totaling TL 97 million.

2013. I should note here that the profit we booked last year is the highest in IS Investment's history as a company.

Over the last six years, our company has paid its shareholders cash dividends totaling TL 97 million. That corresponds to 97% of all public offerings during the same period. We are determined not to let this performance lapse. Our total assets, which grew by 18% and reached TL 4.9 billion in 2013, correspond to more than a third of the entire sector's total. IS Investment knows how to generate returns for its investors under business conditions of every kind and it is committed to sharing the added value that it creates with its stakeholders.

IS INVESTMENT HAS A REPUTATION AS AN EXTREMELY EFFECTIVE BROKERAGE IN INTERNATIONAL CAPITAL MARKETS. HOW WOULD YOU ASSESS YOUR PERFORMANCE IN THIS AREA IN 2013? WHAT DEVELOPMENTS DID YOU WITNESS ON AN INDIVIDUAL PRODUCT BASIS?

IS Investment's know-how and experience allow its clients to trade continuously and securely in markets around the world. The products that we offer through TradeMaster International (TMI) attracted strong interest last year. Options were the fastest-growing business line all year long but contracts for difference (CFD) also emerged as a product with a promising future.

Since the second half of 2012 we have been using the TMI platform to offer clients option contracts based on indexes, commodities, and foreign currencies. In 2013 these contracts were foremost among the products that attracted investors' greatest interest. With option contracts covering eighteen different international exchanges, IS Investment registered a 2.5-fold increase in the volume of such business in the first six months of 2013. By year-end, more than 50,000 contract transactions were realized.

In 2012 we began allowing clients to conduct their stock option deals on TMI if they wanted to. Last year, all such transactions were moved onto that platform. By making it possible for price movements to be observed and positions to be monitored in real time, TMI has made the stock option market much more attractive to investors.

IN EMERGING ECONOMIES SUCH AS TURKEY, CORPORATE FINANCE IS AN EXTREMELY IMPORTANT BUSINESS LINE. IS INVESTMENT IS RECOGNIZED AS A LEADER IN THIS MARKET. HOW WOULD YOU ASSESS 2013 FROM THAT PERSPECTIVE?

Throughout its history, IS Investment has been the leader in corporate finance in Turkey. The deals we have done serve as models for best practices.

Our most important project in 2013 was a Pegasus Airlines public offering that amounted to TL 650 million. If we exclude realtor Emlak GYO's secondary offering, Pegasus accounted for half of all of the public offering proceeds generated in 2013. Our company is currently working on a number of other public offering projects that will be moving forward as market conditions justify.

IS Investment also remained the leader in the private-sector debt security market last year. As of end-2013, our company controlled a 23% share of that market.

In 2013 we had an extremely successful year in another aspect of corporate finance: mergers & acquisitions advisory. We ended up the market leader in terms of transaction numbers in that business line as well. IS Investment is determined to continue demonstrating its clout in the business of corporate finance.

IS INVESTMENT IS ONE OF ONLY A HANDFUL OF FIRMS IN TURKEY WITH A CORPORATE GOVERNANCE RATING HIGHER THAN 9. WHAT CAN YOU TELL US ABOUT THAT?

In 2013 IS Investment's overall corporate governance rating was raised from 8.87 to 9.06. This improvement makes us one of only a very few companies in this country to hold a rating higher than 9 out of 10 points.

We hold strict compliance with the requirements of currently applicable laws and regulations in the highest regard and we make every possible effort to demonstrate exemplary performance in the area of corporate governance. That's because we see corporate governance as the most important guarantee of ensuring the sustainability of our operational and financial performance. Similarly last year Fitch Ratings confirmed IS Investment's previously-assigned "AAA" long-term national rating. That was a source of great pride for us and we see it as proof that we are doing our business right.

COULD YOU SUM UP YOUR EXPECTATIONS FOR 2014?

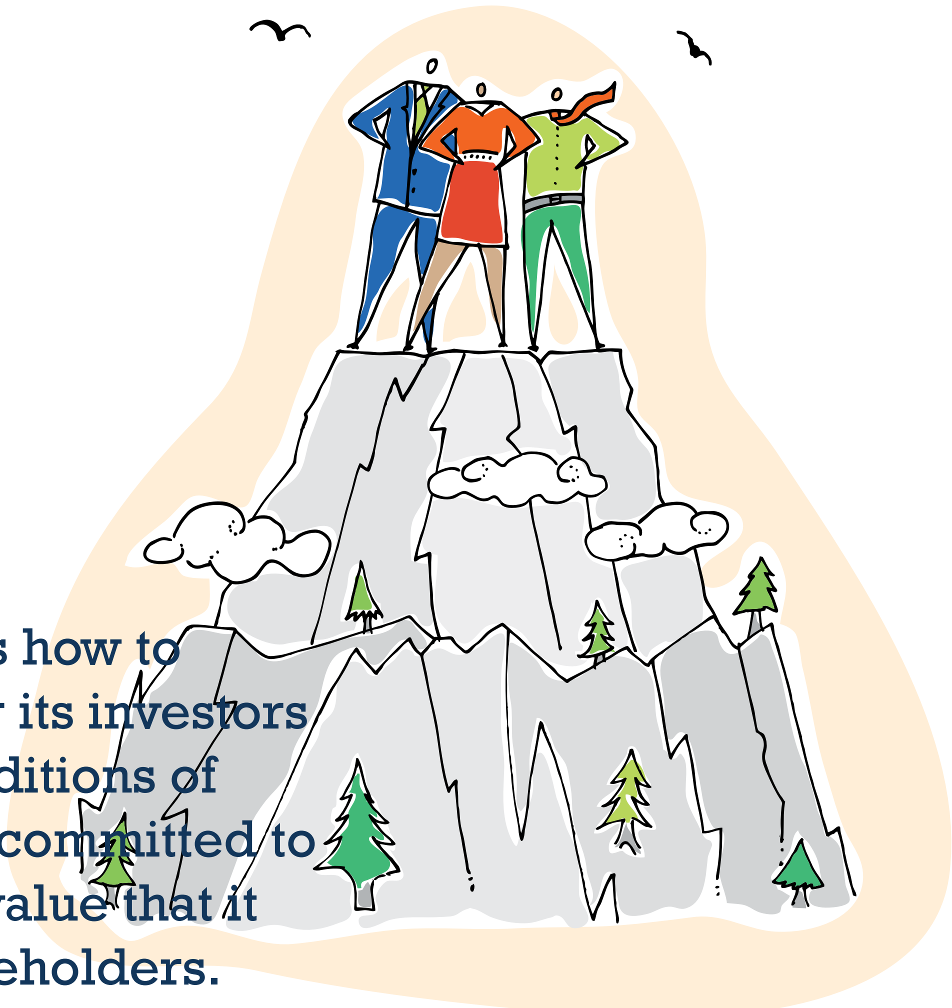
We believe that 2014 is going to be at least as tough a year as 2013 was and moreover that it's going to come up with surprises for us all. Borsa İstanbul and our capital markets are going to be affected by domestic politics as much as by news from the international arena. Upcoming elections in particular are going to be impacting investors' decisions and behavior.

Our fundamental aim as always in 2014 will be to marshal our expert human resources, our successful operational performance, and our effective risk management policies to work in the effort to produce the best and strengthen our leadership.

In 2013 the magazine Euromoney once again cited IS Investment as "The Best Investment Bank in Turkey". That is no accident. Rather, it's the outcome of an excellent team, of many years of effort, of professionalism, and–most important of all–of the values for which the "IS" name stands.

We view the future with both determination and optimism. Believing that all together we will continue to advance and produce, I thank each and every stakeholder who's contributed to our performance.

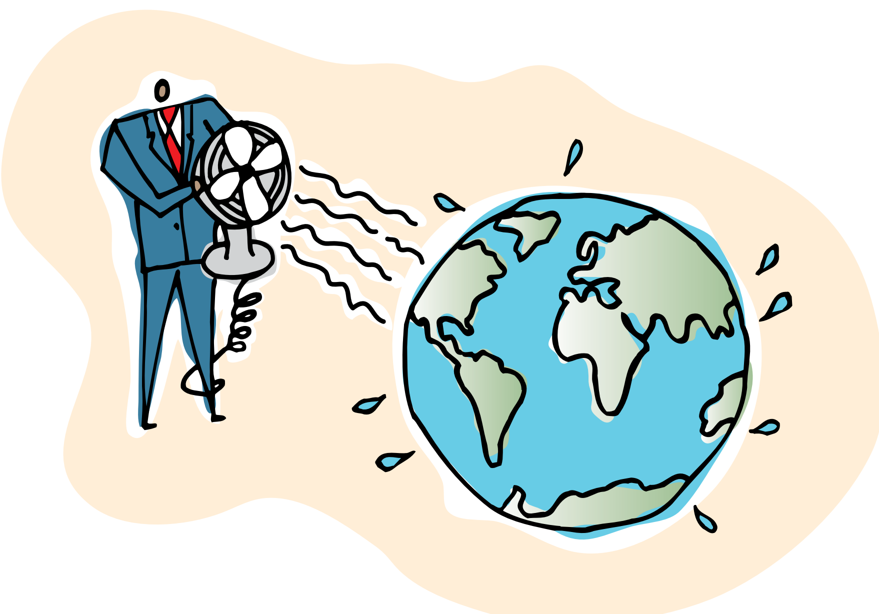
Our fundamental aim as always in 2014 will be to marshal our expert human resources, our successful operational performance, and our effective risk management policies to work in the effort to produce the best and strengthen our leadership.



added value

IS Investment knows how to generate returns for its investors under business conditions of every kind and it is committed to sharing the added value that it creates with its stakeholders.

ECONOMIC REVIEW



sustained growth

Despite both internal and external shocks the Turkish economy continued to grow reasonably in the first nine months of the year.

WAITING ON THE FED TO START "TAPERING"...

Strong signals sent out by the US economy in 2013 strengthened expectations that the US Federal Reserve Bank would begin cutting back its asset purchases after the first quarter of 2014; they also caused a wave of selling to sweep through the world's stock markets. The centrifugal effect generated by this wave was felt more strongly in countries, such as Turkey, that depend on external saving to finance growth.

Institute of Supply Management (ISM) manufacturing industry data show that the biggest (57.3 point) rise in the index in the US economy occurred after April 2011. In an economic climate in which worries about a sharp fall in the Chinese economy had been dispelled and there was evidence that the European economy was out of recession, the Fed did as expected and began "dialing down" its bond purchases in January 2014.

The reconventionalization of the Fed's monetary policy does not necessarily mean tightening it however. The absence of a sufficiently strong resurgence in employment figures and persistently low inflation despite economic recovery will prevent the Fed from embarking on anything like the severe belt-tightening to which it had recourse in 1994. In a scenario in which US economic growth creeps into the 2.5%-3.0%/year range, the Fed is quite unlikely to begin boosting interest rates again before the second half of 2015.

The Fed's reluctance to tighten up its monetary policy in the short and medium terms will constrain any rises in US long-term interest rates. In another scenario that has the Fed starting to push up rates in 2016, The yields on 10-year US government bonds reach only 3.25% in 2014 and 3.75% in 2015.

… MAY LEAD TO CHRONIC SELLING IN EMERGING MARKETS.

The prospects of a sustained rise in US long-term interest rates could continue to fuel selling in emerging markets for several months to come. In the aftermath of the global crisis, the total volume of money pouring into developing countries' debt markets ballooned from USD 50 billion to USD 170 billion a year. Given that global capital investing in emerging markets with the expectation that interest rates are going to rise on maturities averaging in the 5-6 year range, there seems to be no chance of a reduction in short-term positions. In July and August 2013, something like USD 35 billion flowed out of emerging markets but that wasn't even 20% of the total one-year inflow. Rather like big fish in small pools however, those investors who were trying to pull out of these markets managed to roil them up.

2014 looks like being a tough year for developing countries in general and for Turkey in particular. In 2014 these countries are going to have to contend with two fundamental questions: (1) How to deal with volatilities in capital inflows caused by the Fed's asset-buying cutback and (2) How to restore economic balance in a low-growth environment.

WHILE TURKEY WAS ONE OF THE COUNTRIES MOST AFFECTED BY THE FED'S DECISIONS…

Owing to its substantial need for short-term external resources on the one hand and to heightened political tensions in the run-up to local elections on the other, Turkey found itself in the company of markets the most severely affected by the Fed's decisions. As the Turkish lira's value eroded, interest rates rose significantly. Having grown by about 4% in the first nine months of the year, the economy continued to grow reasonably in the last quarter as well. Manufacturing industry PMI figures, which were at the 52.5 level in January 2014, clearly show the degree to which the Turkish economy has become resilient to both internal and external shocks. Based on more recently-announced strong results, we improved our 2013 growth projection from 3.3% to 3.7% in October.

Figures from November showed that the gradual improvement in the foreign trade balance is continuing once the deleterious effects of the gold trade are stripped out. With Europe emerging from recession and commodity prices falling, the components of growth are supporting a rebalance in favor of external demand. Recent evidence of a decline in external borrowing also paints a favorable picture of the course of the current balance in the period ahead.

A rapid rise in consumer goods imports increases the importance of constraints imposed by the Banking Regulation and Supervision Agency on credit cards in particular and consumer credit in general. We expect that the confluence of a tight-money stance, weak capital inflows, and macroprudential measures will bring about a substantial tightening of financing terms in the period ahead. Such tightening will contribute significantly towards reducing the growth in consumer lending to sustainable levels and will support the improvement in the (non-gold) current account deficit.

… PRE-ELECTION POLITICAL TENSIONS MAY DEPRESS THE STOCK MARKET IN THE NEAR TERM.

Despite domestic political turmoil, tensions involving neighboring countries, and the "Fed Shock", companies' earnings before interest, taxes, depreciation, and amortization (EBITDA) exceeded expectations by growing 16% in the third quarter–although low base effects also contributed somewhat to this performance. This situation however is expected to change in the wake of the macroprudential measures referred to in the paragraph above. We anticipate that these measures will exert downward pressure on profits in such sectors as automotives, retailing, electronics, and banking from the first quarter of 2014 onwards.

Buoyed up by the expansionary monetary policies of G4 countries' central banks, bond markets became the engines of stock market growth in 2009 and remained so until quite recently. The moment the Fed began cutting back its asset purchases there was also a dramatic reversal in the existing global outlook. In our primary scenario, the yields on 10-year US government bonds rise to 3.25% by midyear 2014. In such a case, bond markets cease to be "engines" for Borsa İstanbul and instead become dead weight.

In January the Turkish central bank boosted interest rates significantly. That, combined with heightened political tensions in the run-up to elections, increases the risk of a sharp drop in economic activity. At the very least it will continue to depress the stock market in the short term.

2014 looks like being a tough year for developing countries in general and for Turkey in particular.

DOMESTIC CAPITAL MARKETS

EQUITY MARKET

The investors in the Borsa İstanbul Equity Market sustained losses of 13.3% and 27.7% on a Turkish-lira and US-dollar basis respectively.

THE BORSA İSTANBUL EQUITY MARKET EMBARKED UPON 2013 WITH A POSITIVE OUTLOOK.

The Borsa İstanbul Equity Market embarked upon 2013 sustaining the positive performance that it had demonstrated in 2012. Expectations that Turkey's credit rating was about to be raised and plans to change over to a growth model that was more focused on sustainability than had previously been the case made Turkey a more attractive destination for investment than other emerging markets. After testing the 86,500 level, the market's index dropped to around 75,600 after Moody's expressed some reservations about the exchange's longer-term investment-worthiness. Important progress in dealing with Turkey's problems in the southeast together with an unexpected boost in Turkey's country rating by S&P helped make the İstanbul equity market the exchange generating the world's highest level of returns in the first quarter of the year. Moody's long-anticipated credit rating boost came in May. In response, the BIST 100 Index reached a historically high 93,300 after which it subsided somewhat as a result of profit-taking.

AFTER MIDYEAR HOWEVER THE OUTLOOK REVERSED ITSELF.

As midyear 2013 approached, the market's attitude began to change. With the Fed explicitly declaring that it would begin phasing out its asset purchases if the recovery in the US economy continued and with the global appetite for risk weak at best, the BIST 100 Index hovered around 76,000. In the context of such external factors, an outbreak of social turbulence on the domestic front began driving up the political risk premium on Turkish equities. A statement that the central bank would not raise interest rates despite a wave of selling that hit the Turkish lira further weakened confidence in the currency. Meanwhile US President Obama's statement that the use of chemical weapons in the Syrian civil war would result in international military intervention put paid to whatever global appetite for risk there might still have been. The possibility of military intervention in a country sharing a border with Turkey triggered sharp selling in the BIST 100 Index, which fell as low as 63,800 while the rate of international clearances at the exchange fell to 62.19% of the total. The situation changed somewhat after US employment numbers for August showed an unforeseen decline and it became necessary to revise some previous months' figures downward as well. The global appetite for risk picked up somewhat after this but the news that really made emerging markets smile came from the Fed, which announced that it had had second thoughts about "tapering" and that it wouldn't be making any changes in its asset-buying program at least until October. Stock markets around the world experienced rapid rises while Morgan Stanley Capital International's Turkey Index gained twice as much value as the developing countries' average. Before long the BIST 100 Index was testing the 80,500 level and international clearances were up to 63.47%. Following this quick rise however, even stronger signals from the US economy prompted profit-taking and the index closed the third quarter at below 75,000.

US ASSET-BUYING POLICIES PLAYED A DECISIVE ROLE IN THE LAST QUARTER OF THE YEAR.

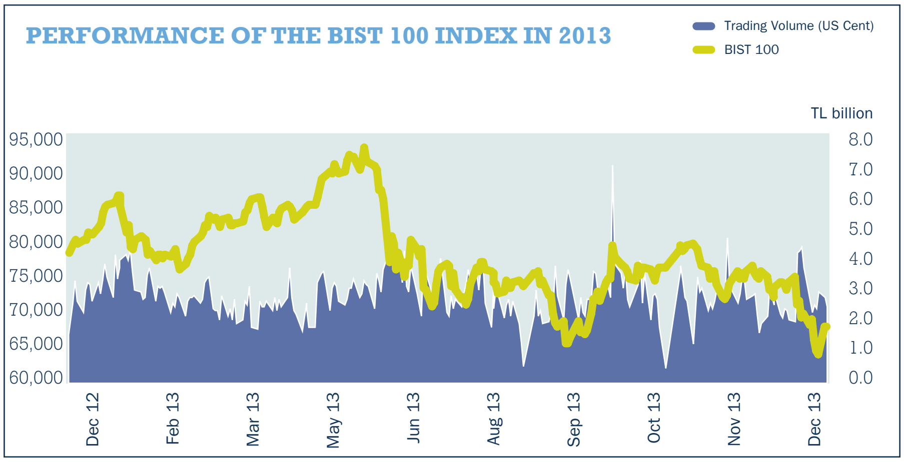
During the last quarter of the year the BIST 100 Index remained within the 72,000-79,000 corridor. US asset-buying policies played a decisive role during this period while US interest rates became fundamental forces shaping developing countries' markets, in which selling was provoked by any news that the US economy was improving and buying was fueled by expectations that the Fed's asset-buying would continue because the US government was in trouble for this reason or that. Meanwhile the Turkish economy was subjected to relentless

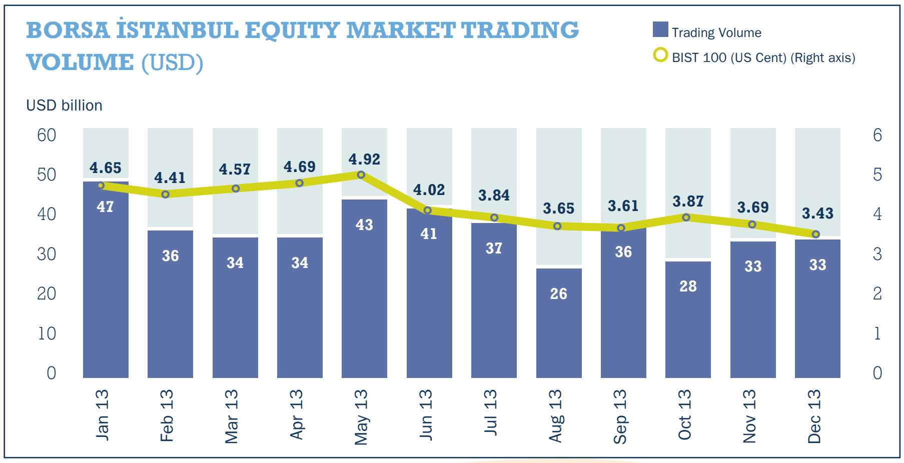
BORSA İSTANBUL EQUITY MARKET: BROKERAGE HOUSES RANKED BY TRADING VOLUME

		BROKERAGE HOUSES	TRADING VOLUME (TL MILLION)		CHANGE	MARKET SHARE (%)	
2012	2013		2012	2013	(%)	2012	2013
1	**1**	**IS INVESTMENT**	**94,928**	**137,273**	**44.6**	**7.6**	**8.4**
3	2	BROKERAGE HOUSE 1	86,076	121,665	41.3	6.9	7.4
2	3	BROKERAGE HOUSE 2	86,974	112,692	29.6	7.0	6.9
7	4	BROKERAGE HOUSE 3	46,387	68,640	48.0	3.7	4.2
8	5	BROKERAGE HOUSE 4	43,975	65,335	48.6	3.5	4.0
		Total Top 5	358,340	505,605	41.1	28.7	30.9
		Total	**1,246,570**	**1,633,634**	**31.1**		

scrutiny for any hint of problems arising from inflation, its current account deficit, and so on. One of the most important developments at Borsa İstanbul during the last quarter was a TL 3.9 billion secondary public offering by Emlak Gayrimenkul that was pulled off in the face of every difficulty.

Tensions on the domestic political front in the year's last month however sparked a rapid decline in the index with the result that the Borsa İstanbul Equity Market closed 2013 at 67,802, an overall performance which means that its investors sustained losses of 13.3% and 27.7% on a Turkish-lira and US-dollar basis respectively.





RESTLESSNESS IS LIKELY TO BE THE HALLMARK OF EMERGING MARKETS IN 2014.

Whatever else one may expect of emerging markets in 2014, one thing they won't be is dull. The first quarter's agenda will of course again be set by news coming out of the United States: because of their impact on exchange and interest rates, the Fed's policies and decisions will necessarily inform Borsa İstanbul's performance. Borsa İstanbul is what is known as a "high-beta" market, which means that it reacts swiftly to general market movements, and it can therefore be expected to be influenced by global market volatilities.

CONTROLLING AN 8.40% SHARE OF ITS TRANSACTIONS, IS INVESTMENT REMAINED THE MARKET'S LEADER IN 2013.

In 2013 IS Investment wrote TL 137.3 billion worth of equity market business that once again made it the market's leader with an 8.40% share of its trading. The company is committed to maintaining its first-rank position in transaction volume in 2014 as well.

8.40% leader

In 2013, IS Investment was again the market's leader with an 8.40% share of trading.

DEBT SECURITIES MARKET

Despite market volatilities, non-Treasury issuers–especially banks–steadily increased their share of the debt market.

WHILE THE APPETITE FOR RISK IMPROVED IN THE EARLY MONTHS OF THE YEAR…

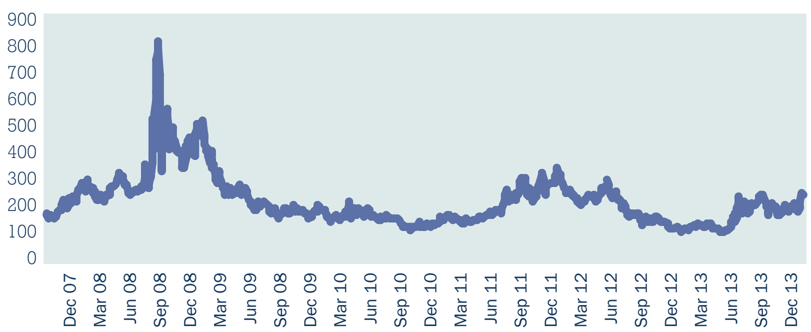
Two different trends dominated debt-instrument trading in 2013. In the first half of the year, the global appetite for risk was positive and markets were enthusiastic. During this period, the (compound-interest) benchmark bond rate performed strongly, remaining above 6%, while the BIST 100 Index kept above 80,000. Although global developments contributed favorably to the bond market, the real sources of its energy were the loose-money policies adhered to by TCMB, which, professing to see no inflationary risks, lowered its policy rate and narrowed its interest rate corridor. In the wake of Moody's credit rating boost in May, benchmark rates fell to historically low levels, bottoming out at 4.60% and 5.97% on 2-year and 10-year bonds respectively.

While TCMB's (relatively) loose-monetary policy had a benign impact on markets' performance and kept interest rates low, the bank's efforts were thwarted by an appreciating Turkish lira. The bank also wanted to keep the economy from overheating and it had a preference for weakish exchange rates because they help impede hot-money inflows. Indeed despite improvements in Turkey's credit ratings, the TCMB "basket" ((EUR 1.00 + USD 1.00)/2) never fell below the 2.00 level and remained stuck instead between 2.05-2.09. Meanwhile Turkish 5-year CFDs fell to 110 (the 10-year sort were down to 150) and Turkish lira bond interest rates witnessed historical lows.

… INTERNATIONAL DEVELOPMENTS IN LATE MAY RAISED THE CURTAIN ON A NEW ACT OF THE DRAMA.

The minutes of the Fed's May 2013 meeting provoked fears that its "quantitative easing" would wind down towards the end of the year as the US economy continued to recover. This raised the curtain on a new act of the unfolding drama. There were huge outflows of money from emerging markets such as Turkey. In such an environment, TCMB's relatively loose money policy had a detrimental effect–especially on exchange rates. In September, when its bond purchases had been expected to cease, the Fed sent out a more moderate message; but while this calmed markets momentarily, every particle of data coming out of the US would henceforth be subjected to microscopic scrutiny. Meanwhile the European Central Bank's (unwilling) decision to further pull down interest rates and Japan's introduction of

5-YEAR TURKISH CDS PREMIUMS



IS INVESTMENT'S MARKET SHARE AMONG BROKERAGE HOUSES - BORSA İSTANBUL DEBT SECURITIES MARKET - OUTRIGHT PURCHASES AND SALES

		BROKERAGE HOUSES	TRADING VOLUME (TL MILLION)		CHANGE	MARKET SHARE (%)	
2012	2013		2012	2013	(%)	2012	2013
2	1	BROKERAGE HOUSE 1	14,453	31,360	117.0	15.4	22.6
1	2	BROKERAGE HOUSE 2	21,820	29,238	34.0	23.3	21.1
10	3	BROKERAGE HOUSE 3	1,847	22,262	1105.0	2.0	16.1
4	4	BROKERAGE HOUSE 4	9,552	13,274	39.0	10.2	9.6
3	**5**	**IS INVESTMENT**	**11,582**	**9,433**	**(18.6)**	**12.4**	**6.8**
		Total Top 5	59,254	105,568	78.2	63.3	76.1
		Total	**93,632**	**138,647**	**48.1**		

expansionist monetary policies gave developing countries at least a modicum of breathing space.

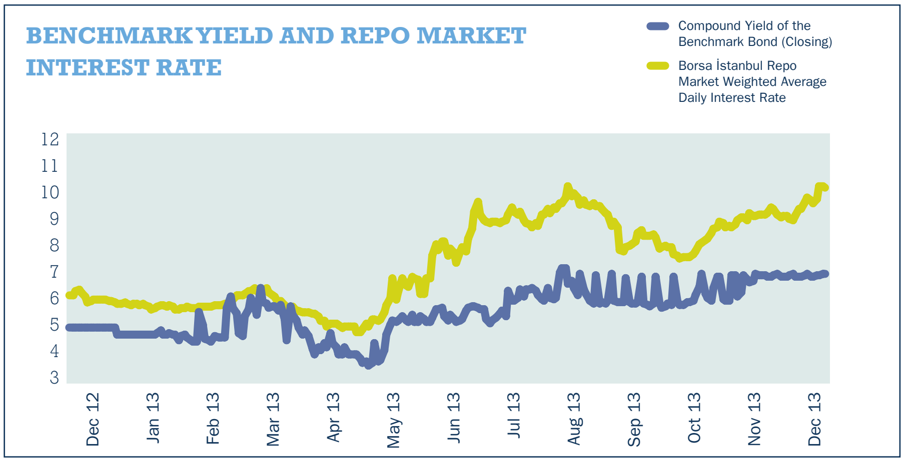
Despite everything, Turkish lira bond rates ventured once again into the double-digit range for the first time in a long time. After September TCMB shifted to a somewhat tighter monetary policy and deployed the upper edge of its interest rate corridor more effectively. While this staunched the bleeding in its exchange rates, its basket settled in at the TL 2.40 level while benchmark bond and 10-year bond rates got stuck at 9% and 10% respectively. Although 5-year CFDs shot up to 240 again after a long while, they too settled in at around 200 towards the end of the year. The impact on inflationary performance also “settled in”: the 12-month rise in prices stood at 7.40% at year-end, higher even than the bank’s previously “corrected” 6.80% target.

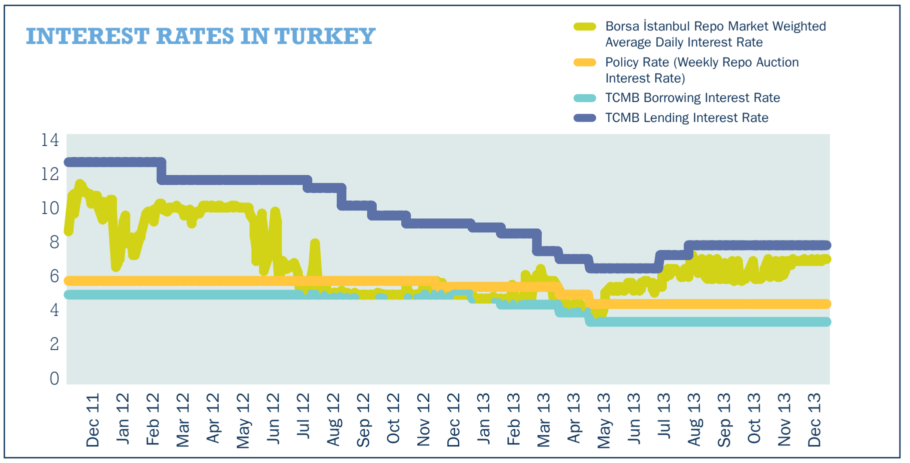
THERE WAS AN INCREASE IN PRIVATE-SECTOR DEBT SECURITY ISSUES IN 2013.

Private-sector debt security issues continued to increase in 2013. Despite market volatilities, non-Treasury issuers–especially banks–steadily increased their share of the debt market.

IN THE COMBINED DEBT SECURITIES MARKET IS INVESTMENT HANDLED TRANSACTIONS WHOSE TOTAL VALUE AMOUNTED TO TL 9.4 BILLION.

In the market for private-sector debt, IS Investment conducted TL 4.5 billion worth of business that ranked it second among brokerages with a 26.4% share of all such deals in 2013. The company’s 6.8% share, worth TL 9.4 billion, of the combined debt securities market placed it fifth among brokerages.





26.4%
market share

In the market for private-sector debt, IS Investment ranked second among brokerages with a 26.4% share.

FUTURES & OPTIONS MARKET

In the first half of the year IS Investment issued six quanto and six flexo warrants, and it also continued to diversify both the exercise prices and terms of its warrant products.

Following the approval of the Capital Markets Board IS Investment began issuing structured debt instruments before the year 2013 ended.

THE FUTURES & OPTIONS MARKET WAS MERGED INTO BORSA İSTANBUL IN 2013.

In 2013 trading on the İstanbul futures & options market (TurkDEX) was merged into Borsa İstanbul after a new market, dubbed "VIOP", was set up there late in 2012. The merger officially took place on May 3rd and as of August 5th VIOP became the only derivatives trading platform in Turkey. Besides stock index and currency futures, investors may also trade in single stock future and single stock option contracts on VIOP.

In futures trading, BIST 30 contracts led the way in the first half of the year. Having tested the 115,000 level in May, the BIST 30 Index subsequently fell to below 80,000 not only in response to domestic political developments and worries but also in parallel with losses suffered in other developing country markets on account of expectations that the Fed was on the point of tightening up its monetary policy. The index eventually stabilized in the 90,000 range. Trading in BIST 30 contracts was heaviest in those with the nearest maturities, which was also true of the runner-up trading favorite, TL/USD contracts.

IS INVESTMENT CONTROLLED THE BIGGEST (13.5%) SHARE OF VIOP TRADING IN 2013.

In 2013 IS Investment controlled a 13.5% share of the İstanbul futures & options market, bigger than that of any other market player. The company also ranked first with a 55.3% share (worth TL 2.7 million) of option contract deals in a market that is still nowhere as deep as it has the potential to be.

As Turkey's derivatives markets continue to develop, so too does IS Investment continue to diversify its portfolio of tradable products for them. The company is currently one of only two market-makers authorized to quote warrant prices in the Corporate Products Market and it is the only licensed local issuer. Keeping its eye on investors' needs and market developments, IS Investment added two new product types ("quanto" and "flexo") to its warrant portfolio. These products, which are essentially instruments based on the price of one ounce of gold, allow investors to invest in gold while simultaneously shedding their exposure to exchange rate risk. In the first half of the year IS Investment issued six quanto and six flexo warrants and it also continued to diversify both the exercise prices and terms of its warrant products. With the addition of warrants based on Halkbank (privatized bank) and Ereğli (privatized steelmaker) shares in April, the number of such products in the ISvarant family reached 15. The heaviest-traded warrants were those based on the BIST 30 Index. These were followed in turn by stock warrants and by index warrants. IS Investment issued a total of 332 warrants in 2013.

The Capital Markets Board approved IS Investment's application to issue structured debt instruments in the latter part of 2013. The company began issuing them before the year ended.

BORSA İSTANBUL FUTURES & OPTIONS MARKET BROKERAGE HOUSES RANKED BY TRADING VOLUME

		BROKERAGE HOUSES	TRADING VOLUME (TL MILLION)		CHANGE	MARKET SHARE (%)	
2012	2013		2012	2013	(%)	2012	2013
1	**1**	**IS INVESTMENT**	**119,452**	**111,708**	**(6.5)**	**14.8**	**13.5**
5	2	BROKERAGE HOUSE 1	34,748	61,653	77.4	4.3	7.5
6	3	BROKERAGE HOUSE 2	33,420	41,513	24.2	4.1	5.0
3	4	BROKERAGE HOUSE 3	45,865	37,386	(18.5)	5.7	4.5
2	5	BROKERAGE HOUSE 4	73,091	37,244	(49.0)	9.0	4.5
		Total Top 5	306,575	289,504	(5.6)	37.9	35.0
		Total	**807,865**	**826,913**	**2.4**		

INTERNATIONAL CAPITAL MARKETS

Fed's decision on quantitative easing has been the hallmark of 2013.

DEVELOPMENTS TAKING PLACE IN UNITED STATES MONETARY POLICIES WERE CRUCIAL IN THE DETERMINATION OF YIELDS ON DIFFERENT ASSET CATEGORIES.

For both developed and developing markets in 2013, there was essentially only one thing that determined currency exchange rates, the price of gold, and bond yields: the answer to the question "What is the Fed going to decide to do about its "quantitative easing"?". Global markets spent the first few months of the year buoyed up by the optimism created by some USD 85 billion worth of Federal Reserve bond-buying. In May however Fed Chairman Bernanke caused consternation when he signaled that QE might be coming to an end. Before long, the prospects of the Fed's ceasing to support their price by buying them up drove the yield on 10-year US Treasury bonds, which had seemingly already hit bottom, to the 3% level in the last quarter of 2012. This spawned an unforeseen and sharp tightening in every financial instrument from mortgages to emerging-market bonds for which the 10-year bond yield serves as the benchmark rate. Early in 2013, money began to leak out of emerging markets' exchanges, which investors hitherto had piled into in search of better yields. This movement naturally affected their exchange rates as well. So-called "BRIC" countries like Brazil and India which had once been touted as "rising stars", suddenly turned out to be serious problems for which there were no easy short-term solutions. In absolute terms the fund outflows were not really all that great but their impact on exchange rates was sufficient that central banks found it necessary to intervene in currency markets on an almost daily basis.

As if in lock-step with US treasuries, both emerging-market bonds (which had remained at quiescent albeit low levels for some time) and European-country bonds (which suffered from problems of their own) also suddenly began to lose value. That naturally obliged such countries to tighten their own market conditions, however inconvenient that might be. As it turned out, the Fed was startled by a sudden rise in mortgage rates and, recognizing that the housing industry was one of the two engines (the other being automotives) of economic growth, at its September meeting surprised everyone by saying that it was going to postpone any reduction in its asset-buying program at least until employment and growth figures could justify such a move. Far from comforting markets, the Fed's announcement just seemed to worry them even more.

Even as they fretted over what the Fed might do and sat out yet another congressional budget crisis, US markets soared to record highs with indexes like the Dow, S&P, and Russell 2000 surpassing their 2007 peaks and NASDAQ topping the 4000 mark. Towards the end of the year the exuberance began to stoke arguments in which the word "bubble" occurred frequently. Investors elsewhere were more bemused: while emerging markets struggled to generate net premiums, developed-country market indexes like the DAX and Nikkei closed the year with strong performances. Commodities however proved to be a disappointment while gold, unable to sustain its thirteen-year consecutive rise, ended up showing a net loss for the first time.

GERMAN ELECTIONS AND ECB DECISIONS SET THE AGENDA FOR EUROPE IN 2013.

In Europe, the agenda was set by elections in Germany on the one hand and by the European Central Bank on the other. While Prime Minister Angela Merkel demonstrated her prowess as Europe's nonpareil leader, the ECB remained the linchpin of all efforts to keep the crisis under control. And yet while there was some progress on a number of important fronts such as troubled countries' trade and budget deficits, there was but little meaningful improvement in encouraging investment or reducing unemployment. Deflationary pressures became so severe that, by the last quarter, the ECB was even weighing the "negative interest option" on bank deposits–something it had not done for a very long time. This issue looks certain to come up again in the first half of 2014. In Japan the effects of policies announced by Prime Minister Shinzo Abe and BOJ Governor Haruhiko Kuroda made themselves felt. The Nikkei rose sharply as the yen's value fell. The country even experienced its first glimmerings of reflation though they stemmed more from higher energy and basic necessity prices: wages stubbornly continued to decline and the current account surplus just as stubbornly refused to. The so-far modest successes of "Abenomics" are threatened by tax hikes that are planned to take place in 2014 and 2015.

A NEW REFORM PLAN BRINGS CHINA A STEP CLOSER TO BECOMING A LIBERAL MARKET.

On the Asian continent the most important development was the Chinese Communist Party's announcement of an extensive package of reforms designed to move the national economy a step closer towards liberalization. This package, whose reforms range from relaxing centralized control of financial markets on the one hand to relaxing the government's "one-child" policy on the other, should–it is hoped–reduce the likelihood of the Chinese economy's coming to a hard landing. Owing to serious problems arising from the aggressive-growth models adhered to in previous years however, China remains a potential source of trouble for the global economy.

A number of geopolitical developments also occupied headlines all year long. The most important of these was the announcement of a six-month nuclear deal with Iran, which has agreed to temporarily limit uranium enrichment in exchange for a loosening of sanctions by Western countries. The finalization of such an agreement could have huge implications for the Middle East. In Asia, the world's attentions became focused on territorial-waters and continental-shelf disputes involving China, South Korea, and Japan.

FOREIGN EQUITIES

The international equity market was kept lively by the prospects that the Fed would begin cutting back ("tapering") its asset-buying program in the latter half of 2013. Whatever else it may have done, this uncertainty at least had a favorable impact on trading volumes. While the spot and unleveraged nature of equity trading puts it at a disadvantage among the other products that IS Investment offers, the volume of such trading increased in 2013. Some of this growth may be attributed to promotional and educational seminars intended to encourage investors' interest in these markets while some was the result of improved margins arising from working with new counterparties in addition to already existing ones.

FOREIGN FIXED-INCOME SECURITIES

Owing to the low-interest/high-liquidity environment brought about by central banks' loose-money policies, the Emerging Markets Bond Index Plus (EMBI+) hovered within a narrow corridor around 4% during the first five months of 2013. Beginning in May, early signals that US monetary policy was about to undergo renormalization triggered rapid losses in value. Having peaked at 716 on May 2nd, the EMBI+ emerging markets eurobond index subsequently lost 13.4% of its value as it fell to 620 on June 24th. Just as emerging market eurobonds lost their appeal, so too did developed-country bonds, whose yields were already at historically low levels. The yield on 10-year US treasuries, which stayed mostly within the 3.5-5.0% range in 2000-2007, were down to 1.84% at the beginning of 2013. And although they rose by 63% to about 3.0% on occasion, the instruments were trading at around 2.80% or so towards the end of the year.

During the summer, markets were expecting the Fed to initiate the process of monetary policy normalization and begin cutting back its bond purchases in September. The threat of a government shutdown owing to disputes about congressional appropriations effectively put paid to that with the result that emerging market eurobond yields recovered somewhat in the fall.

PERFORMANCE OF EMERGING MARKET BONDS (%)

COUNTRY	2012	2013
EMBI+	17.89	(8.96)
Equador	12.30	15.03
Turkey	**26.98**	**(10.19)**
Colombia	13.76	(9.51)
Brazil	13.64	(12.58)
Panama	12.98	(11.99)
Philippines	16.66	(7.55)
Mexico	12.03	(9.31)
Peru	18.81	(12.61)
South Africa	14.35	(7.11)

Primary trading in emerging market bonds remained lively in 2013 and essentially repeated or bettered its 2012 performance. At USD 440 million at end-November, the total volume of such trading was up year-on-year. Reflecting this vigor, IS Investment's own primary market trading volume was also up by 18.75%.

The appetite for risk waned in the second half of the year and as it did, there was also a notable flight from instruments issued especially by countries with current account deficits and/or low foreign currency reserves. Despite this, debt issued by Turkish private-sector concerns continued to appeal to international investors. Such vigor helped IS Investment's secondary market profitability to better its 2012 performance.

18.75% increase

IS Investment's own primary market trading volume was up by 18.75%.

FOREIGN FUTURES MARKETS

IS INVESTMENT PRODUCTS OFFERED ON THE TRADEMASTER INTERNATIONAL PLATFORM ATTRACTED STRONG INTEREST IN 2013.

IS Investment introduced futures & options trading on the TradeMaster International (TMI) platform in the second half of 2012. Option contracts based on indexes, commodities, and foreign currencies were the products that attracted the most interest among investors in 2013. Trading in option contracts on a total of 18 international exchanges increased by 250% in the first six months of the year: by year-end, close to 50,000 contracts were written. At the outset, option trading took place on the TMI platform at the investor's discretion; IS Investment moved all such trading to TMI in 2013. By making it possible for price movements to be observed and positions to be monitored in real time, TMI makes this market much more attractive to investors.

In the last quarter of 2012 IS Investment added contracts for difference (CFD) to its product lineup. These contracts make it possible for investors to engage in leveraged trading based on share-, index-, commodity-, and otherwise-based contracts. A fair comparison of just the last-quarter trading figures from 2012 and 2013 indicates a year-to-year rise of 45% in such deals. Last year IS Investment wrote USD 315 million worth of business in this market. CFDs are expected to be the product with the most appeal in 2014.

LONDON METAL EXCHANGE TRADING WAS DOMINATED BY HEDGING IN 2013.

IS Investment has been participating in London Metal Exchange (LME) trading for five years. As was also the case in 2012, most of the LME business handled by the company in 2013 was for hedging purposes. Uncertainties arising because of metal markets' inability to respond as expected to basic market indicators prompted investors to act cautiously and thus reduced trading volumes. Nevertheless the circle of IS Investment clients interested in such trading continued to grow last year. Efforts are being made which we believe will appeal to investors who want to engage in same-day trading at LME. This should have the effect of boosting the company's transaction volumes.

According to the latest (30 September 2013) figures published by the Association of Capital Market Intermediary Institutions, which has been doing so since August 2011, IS Investment ranked third in leveraged trading deals with a market share of 11.7% worth TL 386 billion.

CFD new product

CFDs are expected to be the product with the most appeal in 2014.

ASSET MANAGEMENT

As was the case with other markets in 2013, the mutual funds market experienced considerable volatility last year.

SHORT-TERM BOND AND BILL FUNDS WERE THE FAST-GROWING TYPE OF MUTUAL FUND IN 2013.

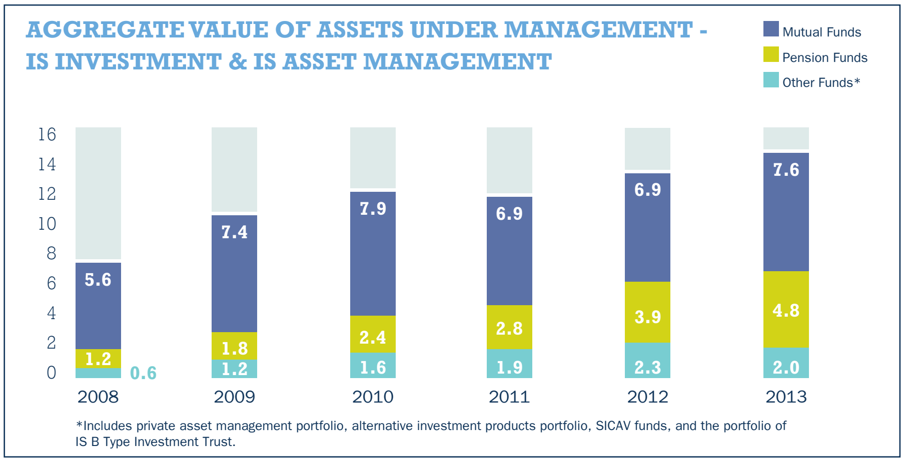
As was the case with other markets in 2013, the mutual funds market experienced considerable volatility last year. The market embarked upon the new year with an aggregate portfolio worth more than TL 30 billion that continued to grow in line with favorable market trends to over TL 35 billion by the end of May. For the rest of the year the market essentially languished, though it suffered significant losses in June and July when markets' outlook was the most pessimistic, and it end up more or less where it started at around TL 30.3 billion. Owing to their flexible structures and to their ability to serve as viable alternatives to liquid funds, short-term bond and bill funds were the fast-growing type of mutual fund in 2013. Besides possessing structures that make them less exposed to market volatility risks, short-term bond & bill funds are also appealing because investors can easily convert liquid fund shares into them. Largely for both reasons, the total volume of trading in these instruments increased by about 250% in the year to end-2013 and reached TL 12 billion. Though not nearly by the same margin, trading in liquid funds decreased and, with a total volume worth TL 11 billion, it surrendered its first-place standing to the short-term bond & bill market.

Two other noteworthy developments witnessed in mutual funds last year occurred in capital-protected/guaranteed funds and in so-called "Type A" funds. As they also did in 2012, capital-protected/guaranteed funds did quite poorly in 2013. Investors showed little interest in them partly owing to weak performance in fund redemptions but also because of a lack of significant activity (or even of the expectation of significant activity) in the underlying assets. Trading in these shares shrank by half last year. Trading in Type A funds on the other hand grew somewhat in 2013. This was the result both of a change in tax withholding that made these funds more attractive to investors and of a revision in the rules governing "equity intensive funds", which is what Type A funds essentially are.

Another development of the utmost interest to the mutual fund market in 2013 was the publication of regulations governing the sector following the passage and entry into force of Turkey's new Capital Markets Law in 2012. "Communique on Principles pertaining to Mutual Funds" redefined the terms "fund founder" and "portfolio manager" while also introducing new rules governing fund structures and portfolio compositions and dimensions. For IS Investment, the most important change brought about by the new law and this communique is that henceforth brokerages may no longer act as fund founders or managers although they may still continue to manage private portfolios.

In 2013 the IS Investment iBoxx Turkey Benchmark Bond Type B Exchange Traded Fund was converted into the IS Investment Long-Term Bond Index Type B Exchange Traded Fund, an exchange traded fund whose shares contain an equal mix of eight fixed-coupon or discounted government bonds that are at the long end of their yield curves. In April, IS Investment took over the management of a fund that it had originally founded but for whose management another asset management company had been responsible. (The transfer of control also involved changing the fund's name to "IS Investment Yield Type B Variable Fund".) The name of another fund, of which the company was also the founder and manager, was also changed from "IS Investment Leveraged Equity Hedge Fund" to "IS Investment TradeMaster Hedge Fund".

The company's "IS Investment BIST 30 Type A Exchange Traded Fund (Equity-Intensive Fund)" and "IS Investment Long-Term Bond Index Type B Exchange Traded Fund" achieved 99.94% and 99.99% correlation rates with their respective indexes. The management-fee-adjusted returns on IS Investment's "Type A Variable", "Type B Variable", and "Yield Type B Variable" funds outperformed those funds' benchmarks while those on the company's "Type B Short-Term Bond & Bill" underperformed its benchmark.



THE AGGREGATE VALUE OF THE PORTFOLIO UNDER IS INVESTMENT'S MANAGEMENT REACHED TL 14.4 BILLION.

The aggregate value of the portfolio being managed by IS Investment reached TL 14.4 billion in 2013, which corresponds to a year-on-year rate of growth of 10%. The company controls a 26% share of the market in mutual funds while a 24% rise in the volume of pension funds under its management maintained its leading market position with a 19% share.

10% increase

The aggregate value of the portfolio being managed by IS Investment reached TL 14.4 billion in 2013, which corresponds to a year-on-year rate of growth of 10%.

DOMESTIC SALES & MARKETING

Although 2013 suffered from the effects of the volatilities and macroeconomic imbalances created in financial markets by the global economic crisis, IS Investment nevertheless had a successful year in the conduct of its domestic marketing activities.

A SUCCESSFUL YEAR IN DOMESTIC MARKETING

Although 2013 suffered from the effects of the volatilities and macroeconomic imbalances created in financial markets by the global economic crisis, IS Investment nevertheless had a successful year in the conduct of its domestic marketing activities. As a result of effective gains of new investors, of fresh funding inflows achieved through them, and of the correct investment strategies that it adhered to, the company caused its investors' existing assets to appreciate in value last year while also maintaining the overall dimensions of its domestic sales portfolio.

In 2013 the company continued to make visits to clients located outside as well as in İstanbul. During these visits, which are usually carried out in coordination with the nearest IS Investment branches, potential investors in the locality are also met with so as to further broaden the client base.

In 2014 the goal will be to both maintain and increase fresh funding inflows. As part of the company's overall domestic marketing efforts, visits will continue to be made not only to support client acquisitions for newly-opened and planned branches but also to localities where no IS Investment branches currently exist but which are thought to have significant investor potential.

The TradeMaster platform, which gives investors direct online access to markets, was advertised in both printed and visual media both to make its promotion more effective and to encourage its use among existing and potential investors.

Training activities were conducted in Bursa, Ankara, and İzmir to better familiarize investors with forex operations. Twitter and Facebook accounts were opened for the TradeMaster FX platform in the last quarter of the year.

In order to provide technical analysis support to investors using the TradeMaster platform, an agreement was entered into with Recognia, the worldwide leader in quantitative and technical analysis, under which that firm's "Technical Insight" technical analysis module was integrated into the company's TradeMaster platform in October. We have decided to concentrate on promotional and educational activities in 2014 in order to increase investors' awareness of the program.

In order to familiarize members of the academic community with TradeMaster platforms and to give university students hands-on experience of using them in their studies, the company collaborates with appropriate educational institutions. In November last year, TradeMaster Investment Lounges were opened on the Bilkent and METU campuses. We are currently discussing such projects with other schools and we plan to open similar lounges on their campuses as well during the first quarter of 2014.

The company actively participated in the "Private Sector Gatherings" component of the Corporate Governance Seminars conducted jointly by IS Investment and the Corporate Governance Association of Turkey in İzmir, Kayseri, and Bursa during which the company's products and services were promoted.

PRIME BROKERAGE

CHANGES IN TURKEY'S CAPITAL MARKETS LAW ARE OPENING UP BRAND-NEW LINES OF BUSINESS.

In the conduct of its prime (institutional) brokerage activities, the company continued to provide private asset management companies with support and research services in the areas of capital market vehicle trading, mutual fund launches, and investment advisory. When requested it may also provide such services in technology and risk management as well. As a result of recent changes in Turkey's Capital Markets Law, IS Investment will be focusing on prime brokerage operations related to the accounts that custodian banks maintain for private asset management companies while also exploring ways to create new business lines through its TradeMaster platform.

Besides providing prime brokerage services for all of the various types of mutual funds that private asset management companies set up to satisfy the risk vs return preferences of the investors they appeal to, IS Investment will also incorporate all of the third-party mutual funds that appear to be capable of appealing to its own clients' preferences through the "Turkey Electronic Fund Distribution Platform" operated by Takasbank, a settlement and custody bank.

The incorporation of private asset management companies in Turkey got under way in 2007 with the introduction of a new legal framework and rules published by the Capital Markets Board. Since then, IS Investment has been involved in the creation of 22 mutual funds for such firms.

Under Turkey's new Capital Markets Law, brokerages are not allowed to set up such funds any longer. For this reason, IS Investment will not be launching any new funds in 2014 and will be concentrating instead on transferring control of the ones that it still owns. The new rules concerning mutual funds do not go into effect until July 2014. By that time, the company will have to transfer the management of the two conventional funds that it originally set up and currently manages as well as of two others for which license applications are still being considered by the CMB and which have therefore not been offered to investors.

MUTUAL FUNDS AND PRIME BROKERAGE SERVICES IN 2013

Fund	Total Value (TL)
Ashmore IS Investment Type A Variable Equity (Equity Intensive) Fund	3,091,784
Ashmore IS Investment Multi Strategy Type B Variable Fund	11,675,268
Ashmore IS Investment Type B Low Duration Bonds and Bills Fund	3,159,730
İstanbul Portfolio IS Investment Type A Variable Fund	1,412,099
İstanbul Portfolio IS Investment Type B Variable Fund	7,644,884
Ashmore IS Investment Type B Liquid Fund	8,334,004
IS Investment İstanbul Portfolio Hedge Fund	308,864,617
İstanbul Portfolio IS Investment Type B Low Duration Bond & Bill Fund	128,170,539
Notus Portfolio IS Investment Type B Variable Fund	38,778,603
IS Investment Efficiency Type B Variable Fund	601,466
IS Investment Ark Hedge Fund	42,329,245
IS Investment Logos Dynamic Hedge Fund	24,113,724
IS Investment Arma Portfolio "Directed" Hedge Fund	3,204,517
IS Investment Type B Variable Fund	3,912,260
IS Investment Arbitrage Hedge Fund	1,528,270
IS Investment Bosphorus Capital Equity Hedge Fund (Equity Intensive)	590,260
IS Investment Bosphorus Capital Mixed Strategy Hedge Fund	634,483
IS Investment Bosphorus Capital Fixed Income Purpose Hedge Fund	15,074,579
Bosphorus Capital IS Investment Type B Low Duration Bonds and Bills Fund	51,888,308
IS Investment Perform Portföy Type B Low Duration Bonds and Bills Fund	3,345,971
IS Investment Perform Portföy Hedge Fund 1	4,529,515
IS Investment Perform Portföy Hedge Fund 2	11,855,086
Total	674,739,211

22 mutual funds

Since 2007, IS Investment has been involved in the creation of 22 mutual funds for such firms.

INTERNATIONAL SALES & MARKETING

The share of foreign ownership at Borsa İstanbul declined from 65.85% at the beginning of the year to around 62.55% by year-end.

BORSA İSTANBUL TRADING REMAINED FLAT DURING MUCH OF THE YEAR.

Having completed 2012 as the stock exchange generating the world's second highest returns, Borsa İstanbul embarked upon 2013 with the momentum created by the previous year's impetuous rise. During the first five months this strong beginning was propelled forward by healthy profitability reports coming especially out of banks with substantial index footprints. By the end of May however, news emerging from the US Federal Reserve engendered perceptions among investors that it was going to phase out its asset-buying program and this prompted conspicuous declines in all emerging markets.

The net value of company shares bought by international investors at Borsa İstanbul in the first five months of the year topped USD 500 million. In the course of the next four weeks (owing in no small part to restlessness on the domestic political front beginning in early June), they pulled something like USD 1 billion out, an amount corresponding to the entire volume of fund flows in the equity market since the beginning of the year. In July and August the market languished in the summer doldrums as it usually does. With the Fed sending out hopeful signals around the beginning of September, international investors' attentions were drawn back to emerging markets and they resumed buying at Borsa İstanbul once again. Notwithstanding this resurgence of foreign investor activity however, there was hardly any movement in the index at all, which remained more or less flat from June onwards. While exchange rate volatilities contributed to this inertia, so too did investor apathy.

EQUITIES

The most striking development in the equity market in 2013 was the contraction in the share of foreign ownership at Borsa İstanbul from 65.85% at the beginning of the year to around 62.55% by year-end. What is surprising is that this occurred without there being a noticeable change in international investors' participation in the year's overall average volume of trading. Indeed, IS Investment itself registered a strong (17%) year-on rise in its handling of such trading.

FUTURES

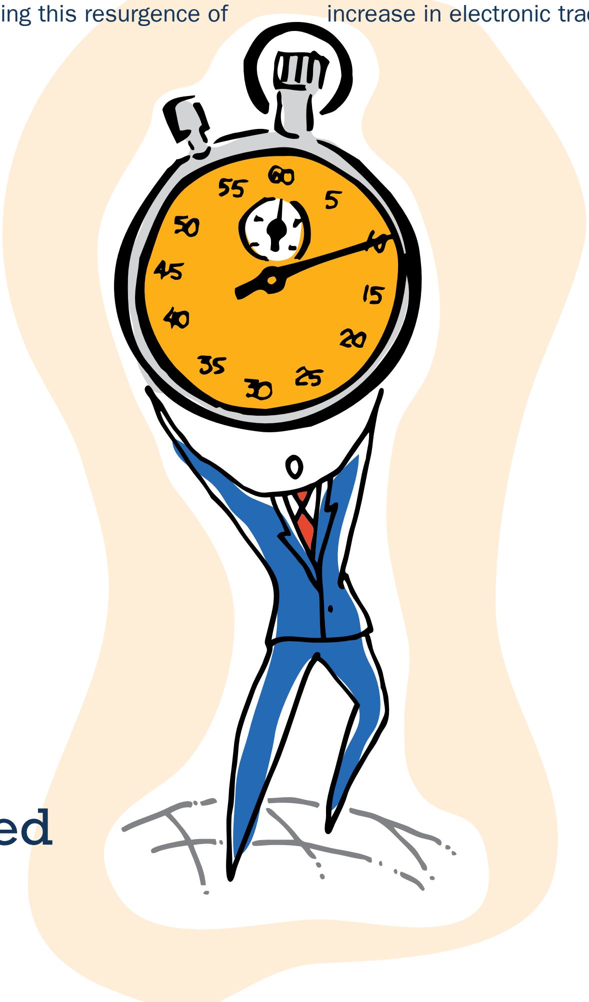
The share of foreign investors' transactions in IS Investment's futures market business increased by 20.43% in 2013.

ELECTRONIC TRADING

In 2013 there was an overall year-on decline in both the absolute number of electronically placed trading orders and in the total volume of such trading by value. This is thought to have been due to problems arising from the merger of the exchange's operations and the expectation is that once the problems have been resolved, there will be an increase in electronic trading in 2014.

futures market

The share of foreign investors' transactions in IS Investment's futures market business increased by 20.43% in 2013.



INTERNATIONAL SALES: FIS AND STRUCTURED PRODUCTS

Towards the end of year international investors noticeably reduced their Turkish fixed-income securities positions.

THERE WAS NOTICEABLE VARIATION IN TURKISH FIS INVESTMENT IN 2013.

International investors' interest in Turkish fixed-income securities (FIS) slacked off noticeably between the first part of the year (January-May) and the second (from June on). At the beginning of 2013, something like 25% of the Turkish Treasury paper in circulation was held by foreign investors. This proportion rose in the early months of the year and reached 29% in May. Thereafter it subsided to 27% in June and to 26% towards year-end.

Along with weakening commodity prices and a resurgence in the global appetite for risk at the beginning of 2013, TCMB began pulling down its effective funding costs. Emboldened both by a low level of Turkish lira volatility (especially in the latter half of 2012) and by expectations that Turkey's country rating was about to receive a leg up into "investment grade" territory, international investors in particular bought up government debt securities with the hope of arbitraging them. Fitch duly raised its credit rating towards the end of the year and the same investors continued their buying. The dimensions of this process are revealed by a few numbers: in the first half of 2012 the net rise in the total volume of Turkish Treasury debt (so-called "DİBS") held by international investors amounted to TL 24.7 billion; during the same period, Turkish banks sold off TL 29 billion worth, thereby decreasing the net value of the Treasury debt in their own portfolios by TL 17 billion.

This trend continued into the first half of 2013 but as it did, other questions began to emerge to the fore. Two in particular were (1) "For how much longer is the US Federal Reserve going to continue with QE?" and (2) "What is the likelihood of Turkey having trouble continuing to finance its current account deficit?". For all of that, money continued to flow into emerging markets. Although international investors may have been bemused by some TCMB policies (such as increasing its reserves through a reserve option mechanism that involved lowering the upper boundary of its interest rate corridor), at a time when money was still streaming into emerging markets and what with expectations that another international ratings agency was about to improve Turkey's country rating, they did not reduce their positions in Turkey: quite the contrary, they expanded their Turkish Treasury debt positions by a whopping TL 11.8 billion.

On 16 May 2013 Moody's announced that it too had raised Turkey's country rating to "investment grade". The very same day, two other things happened: the yield on 10-year Turkish Treasury bonds fell to 6.18% and the head of the Philadelphia branch of the Federal Reserve Bank let it be known that QE was not going to continue at the same pace forever while the possibility of "tapering" was emphasized at the Fed's meeting on May 22nd. For Turkey this was a "Good News, Bad News" moment indeed. One outcome was to discourage the arrival of the new long-term investors whom the market had been looking forward to for such a long time. Prompted by an outbreak of domestic political tensions around the same time, international investors and media alike began looking askance at a variety of factors which previously they had seen as positive.

In the months that immediately followed, international investors' DİBS positions seemed to rise and fall with every news item related to the Fed's asset-buying program and emerging-market fund flows. Towards the end of the year, they substantially reduced their positions in Turkish fixed-income securities as well.

During this period the performance of both Treasury- and company-issued eurobonds more or less paralleled that of DİBS. Private-company eurobonds, which were more aggressively priced at the time of issue and/or whose subsequent sale was supposed to have been enhanced by changes in the legal framework taking place after issue, were observed to sell better on the secondary market.

CORPORATE FINANCE

PUBLIC OFFERINGS

In 2013, there were only two major public offerings: the secondary offering of Emlak GYO and the IPO of Pegasus, the latter being underwritten by IS Investment.

THE YEAR'S TWO BIGGEST DEALS WERE THE EMLAK GYO (SECONDARY) AND PEGASUS (INITIAL) PUBLIC OFFERINGS.
In 2013 there were nine private-sector initial public offerings in Turkey whose aggregate value amounted to TL 1.31 billion, a figure that does not include offerings on the Borsa İstanbul Emerging Companies' Market. In addition to these, there was also just one major secondary offering, that of Emlak GYO, a real estate investment trust, which generated proceeds of TL 3.25 billion. IS Investment was responsible both for that project and for an IPO undertaken by Pegasus, a privately-owned airline.

SHARE OFFERINGS IN 2013

Company	Borsa İstanbul Market	Method Lead	Manager	Proceeds (TL)	Proceeds (USD)
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	Corporate Products	Book building	Halk Yatırım	250,425,000	141,683,168
Servet Gayrimenkul Yatırım Ortaklığı A.Ş.	Corporate Products	Book building	Bizim Menkul	35,490,000	19,644,636
Pegasus Hava Taşımacılığı A.Ş.	National	Book building	IS Investment	649,409,600	360,983,658
Royal Halı İplik Tekstil Mobilya San. Ve Tic. A.Ş.	National	Book building	Ak Yatırım	76,762,500	42,636,359
Odaş Elektrik Üretim Sanayi Ticaret A.Ş.	Secondary National	Book building	Bizim Menkul	60,000,000	33,145,509
Panora Gayrimenkul Yatırım Ortaklığı A.Ş.	Corporate Products	Book building	Deniz Yatırım	102,225,000	55,729,706
Akyürek Tüketim Ürünleri Pazarlama Dağıtım ve Ticaret A.Ş.	National	Book building	Bizim Menkul ve Vakıf Yatırım	42,900,000	22,727,273
Emlak Konut GYO A.Ş.	Corporate Products	Book building	Halk Yatırım	3,250,000,000	1,600,512,164
Verusa Holding A.Ş.	Secondary National	Shop Sale	Eti Yatırım	79,100,000	38,585,366
SAN-EL Mühendislik Elektrik Taahhüt Sanayi ve Tic. A.Ş.	Secondary National	Shop Sale	Piramit Menkul	13,134,000	6,516,820

OWING TO CHANGES IN THE LAW, THERE WERE FEWER PUBLIC OFFERINGS IN 2013 BUT THEIR AVERAGE SIZE WAS BIGGER.
Although 2011 and 2012 both witnessed upsurges in the absolute number of public offerings each year, the dimensions of the offerings themselves were not really sufficient to support liquidity. The public offerings in 2012 were especially criticized because of the serious losses that investors suffered on their account. The need to address this problem prompted various efforts in which the Association of Capital Market Intermediary Institutions led the way. A CMB policy decision on this issue that went into effect at the beginning of 2013 was followed up by communiques published under Turkey's newly-passed Capital Markets Law. These measures introduced a number of regulatory requirements and procedures designed to deter undersized public offerings. The results of the new rules became immediately apparent in 2013: while there were fewer public offerings last year, their average size was bigger.

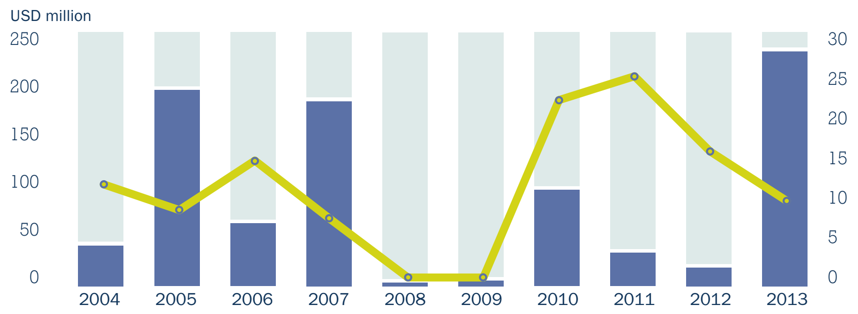
In 2013 IS Investment underwrote an IPO for Pegasus, a privately-owned airline, to the tune of TL 650 million. If we exclude the secondary Emlak GYO offering, the Pegasus offering accounted for half of all the proceeds generated by public offerings in 2013. IS Investment is currently working on a number of public offering projects, some of which may come to market in 2014.

Borsa İstanbul is now playing a more active role in marketing shares in Turkish firms with the aim of attracting investors into the exchange. To this end, it encourages brokerages to send visiting representatives and it also regularly visits them itself. In 2013 the Borsa İstanbul conducted an ambitious program of such visits.

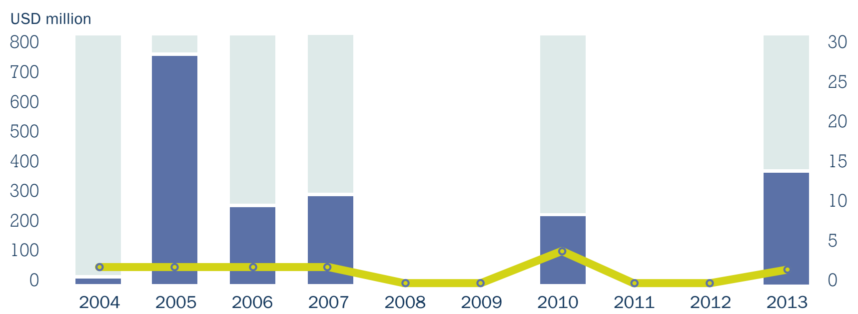
On 10 April 2013 IS Investment signed a memorandum of understanding concerning its participation in the "Listing İstanbul" program that Borsa İstanbul is conducting to encourage foreign firms to have themselves listed on the Borsa İstanbul Equity Market. Last year the company conducted visits to a number of countries under this agreement and engaged in individual talks with business consultancies as well as with firms deemed to be possible candidates for a Borsa İstanbul listing. IS Investment has formulated and provided Borsa İstanbul with an action plan covering its proposed program visits in 2014.

Besides share offerings, IS Investment also continued to provide brokerage services for wholesale market trading and tender offers.

PUBLIC OFFERINGS EXCLUDING PRIVATIZATIONS (2004 – 2013)

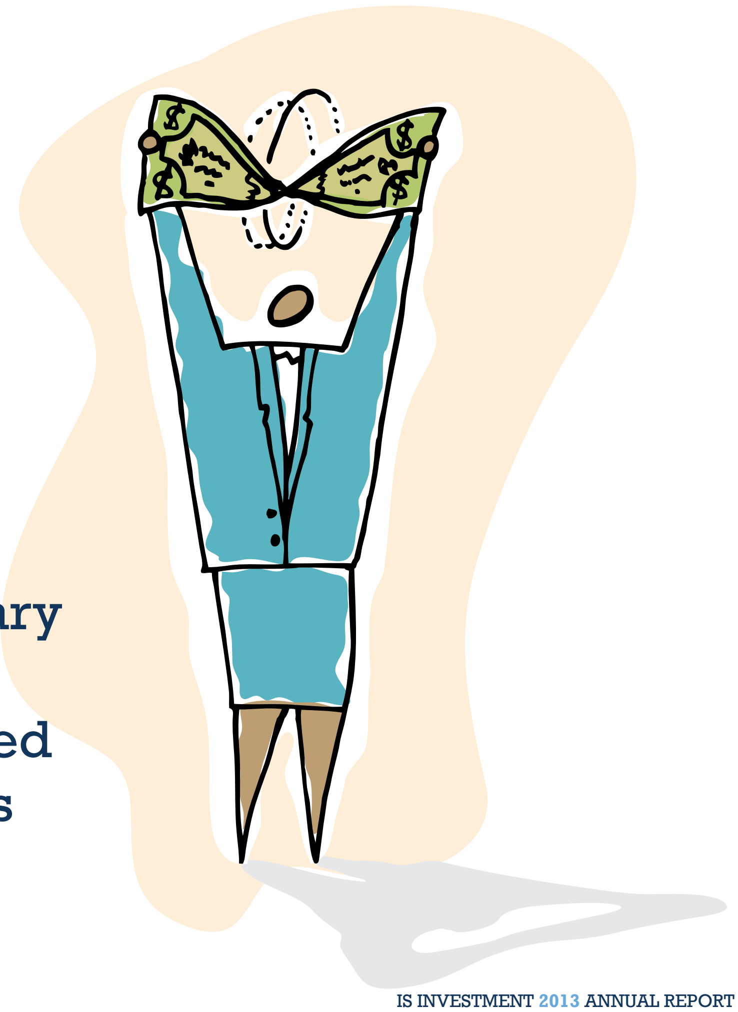


PUBLIC OFFERINGS UNDERWRITTEN BY IS INVESTMENT (2004 – 2013)



TL 650 million

If we exclude the secondary Emlak GYO offering, the Pegasus offering accounted for half of all the proceeds generated by public offerings in 2013.



DEBT SECURITY ISSUES

IS Investment successfully finalized 104 debt security issues undertaken by 24 different issuers.

Trading on the Borsa İstanbul Debt Securities Market amounted to TL 55.6 billion in 2013. Last year 21 banks, 40 non-banking financial institutions, and 29 non-financial firms tapped this market for funding through domestic debt security issues.

BANKS ACCOUNTED FOR 88% OF ALL DEBT SECURITY ISSUES LAST YEAR.

An analysis of the proceeds generated by the Borsa İstanbul Debt Securities Market in 2013 shows that banks took in 88% of the total value with non-bank financial institutions and non-financial firms accounting for mere 7% and 6% shares respectively. While just over half of the private-sector debt securities in circulation have maturities of six months or less, non-banking companies appear overwhelmingly to prefer to borrow on terms of between twelve and 24 months.

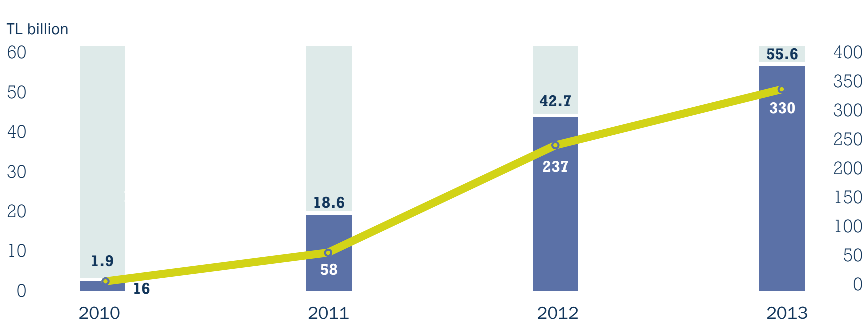
The list of banks tapping the debt market in 2013 was headed by İşbank, whose issue totaled TL 11 billion. That was followed in turn by Garanti Bank (TL 7.3 billion), Ziraat Bank (TL 6.5 billion), Yapı Kredi Bank (TL 2.8 billion), and Akbank (TL 2.5 billion).

Looking at the performance of non-bank financial institutions we see that the biggest share (41%) was taken by factoring companies, which were followed by consumer financing firms (25%) and by leasing companies (15%).

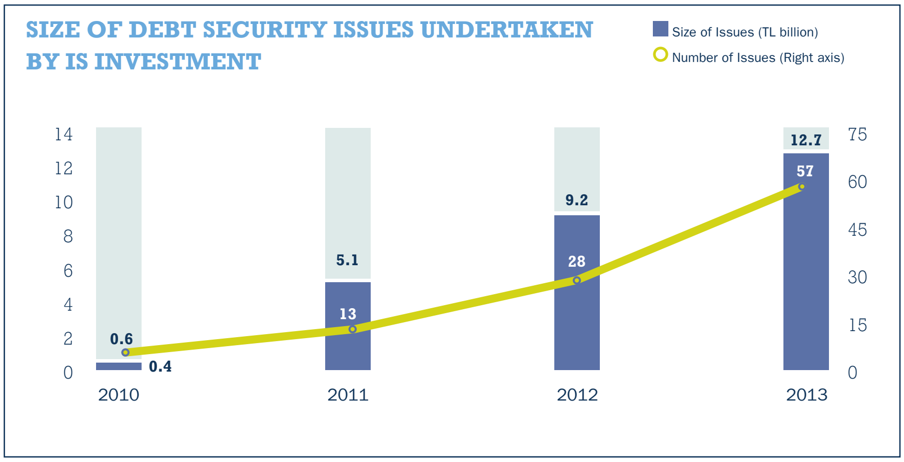
In addition to these securities, TL 661.9 million worth of “kira sertifikası” (ie sukuk or “Islamic bonds”) were issued by three banks (Bank Asya, Aktif Bank, Kuveyt Türk) while Aktif Bank also issued TL 516.6 million worth of asset-backed securities and Çağdaş Faktoring issued TL 30 million worth of covered bonds.

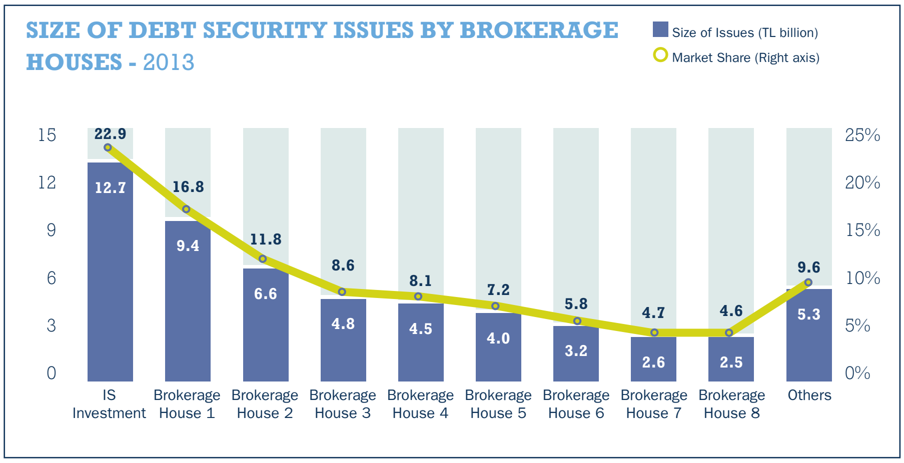
Since 2010, IS Investment has been involved in 104 debt security issues worth a total of TL 27.4 billion and undertaken by 24 different issuers. Of these issues, 89 were public offerings while 15 were made under the rules applicable to “qualified investors”. Of the 24 issuers, 5 were banks, 11 were finance companies, 6 were manufacturers, and 3 were holding companies. The total volume of issues in 2013 was up by 39% year-on and reached a record-breaking TL 12.7 billion. Brokerages last year underwrote 57 debt-instrument issues, of which 45 were public offerings and 12 were reserved sales.

SIZE OF DEBT SECURITY ISSUES
(2010-2013)

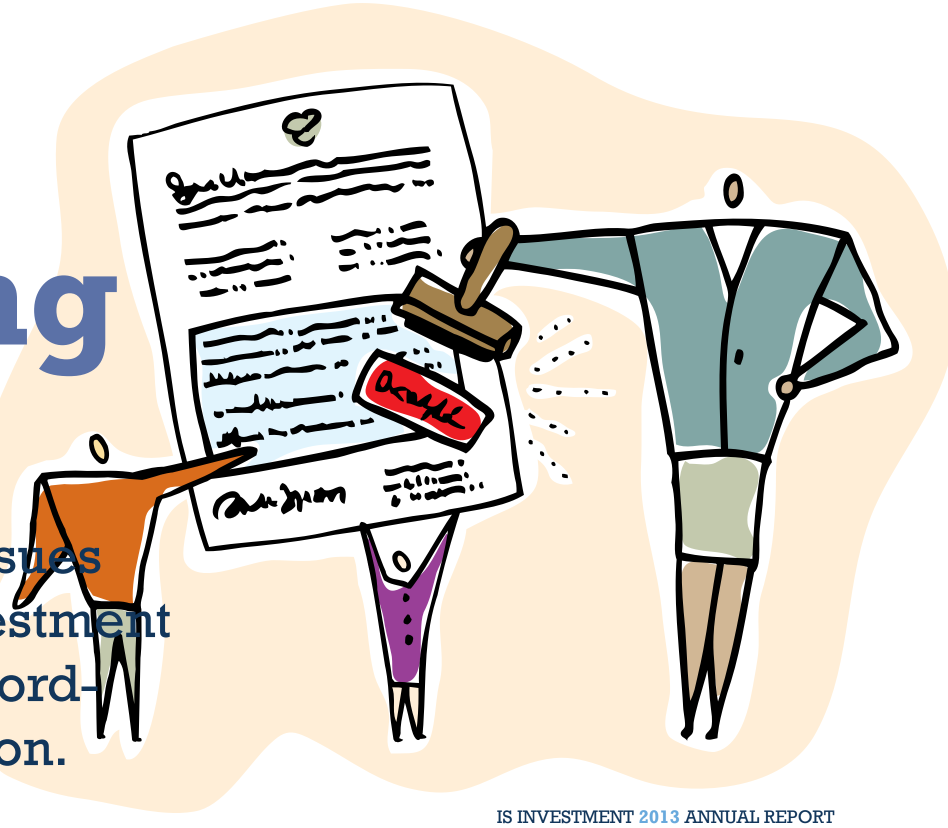


In 2013 IS Investment once again distinguished itself as the leader of the debt-security market, of which it controlled a 23% share at year-end. IS Investment is committed to maintaining its premier position in this market in 2014 as well.





record-breaking issues



The total volume of issues undertaken by IS Investment in 2013 reached a record-breaking TL 12.7 billion.

MERGERS & ACQUISITIONS

A total of 379 merger & acquisition deals with a combined value of USD 18 billion was completed in Turkey in 2013.

THERE WERE 379 MERGER & ACQUISITION TRANSACTIONS IN TURKEY IN 2013.

A total of 379 merger & acquisition deals were completed in Turkey in 2013. While the total number was higher than the 267 that took place in 2012, at USD 18 billion their combined value was about 10% lower than the previous year's USD 20 billion figure.

A breakdown of the 2013 deals shows that 68% of them (by number) were completed by entirely local firms while 32% involved at least one foreign party whereas on an aggregate-value-basis, the split was along the lines of 75%-25%. Last year there were also 15 privatizations. The USD 6.6 billion in revenues that these generated corresponded to 38% of the total volume.

In 2013, the Privatization Administration completed five electricity distribution company privatization projects that had been carried on from previous years and also finalized the Galataport and the Ankara Natural Gas and Distribution Company auctions. In the last quarter of the year privatization tenders were also announced for the National Lottery, some of the electricity generation (EUAS) power plants, a number of thermal power plants and the Derince port authority.

Whereas in previous years international investors had accounted for the lion's share of privatization projects whether by absolute number or value, this situation has lately been changing in favor of local investors. This reversal can be partly attributed to a worldwide decline in investments on the part of international investors, whereas Turkish investors have been discovering that they have not only an interest in undertaking acquisitions of their own in other countries but also the resources with which to do it.

The sectors attracting the greatest attention in M&A projects last year were energy, fast-moving consumer goods, e-commerce, and financial services.

TURKEY'S FOREIGN INVESTOR BASE IS BECOMING MORE BALANCED.

Traditionally the bulk of foreign direct investment in Turkey has come from Europe and this was true in 2013 as well. However for several years now the picture has been becoming more balanced with the arrival of venture capital (private equity) funds and so-called "strategic" investors coming from a number of Far Eastern and Middle Eastern countries. More recently there has been a strong surge of interest in Turkey on the part of Japanese investors, who have even cut a number of deals.

There is still a considerably wide gap between buyers' and sellers' expectations concerning a number of issues related to the valuation of deals being done in Turkey. An especially thorny problem is debt-based risks that could in future pose operational risks arising from currency positions: buyers would like to price these at a high discount whereas sellers would like to use a variety of instruments to deal with such matters and they are otherwise unwilling to reduce or discount their asking price.

Of the 379 M&A deals announced in 2013, only 58 (15%) of them involved an advisory acting on behalf of a buyer and/or a seller. In that respect therefore, the 10 projects handled by IS Investment gives it a 17% market share (by number) of the total. The aggregate value of the 58 projects amounted to USD 9.2 billion.

The National Lottery, EÜAŞ power plant, and Derince port privatization projects initiated in 2013 are expected to be finalized by the end of 2014.

2013 WAS AN ACTIVE YEAR FROM THE STANDPOINT OF PRIVATE EQUITY INVESTMENT.

There was a strong upsurge in venture capital investment last year. In the eleven months to end-November, 31 such projects were completed at a total value close to USD 1 billion. Among the important deals are Graniser's (ceramics) acquisition by Bancroft and EBRD, İş Private Equity's exit from Aras Kargo (logistics), Abraaj's sale of Acıbadem Sigorta (insurance) to Khazanah, and acquisitions by Gözde Girişim in the Ziylan Group (footware), Investcorp in Namet (meat & meat products), Abraaj in Yörsan (dairy), and Turkven in the Medical Park chain of hospitals. There appears to have been a substantial buildup of cash resources that private equity funds are allocating for Turkey and its region and a number of important acquisitions are likely to be witnessed on this front in 2014. Indeed if business conditions prove to be suitable, the activity could even be stronger than anticipated.

In view of expectations that Turkey will outpace other emerging markets with respect to economic growth figures in 2014, that there will be rapid growth in the country's consumer products sector, and that urban renewal projects will fuel demand in construction services and supplies, we are likely to see an acceleration in private-sector M&A

activity with significant transaction volumes especially in consumer goods, energy, and health care and services. Two new sectors that also look likely to experience significant M&A growth in the near term are e-commerce and education.

In terms of total volume, M&A activity is expected to be at least as strong in 2014 as it was in 2013 and, if privatization projects proceed on schedule, it could be considerably stronger. The privatizations of EÜAŞ power plants and the National Lottery that were initiated last year are expected to be completed in 2014. There is also likely to be a large number of private-sector deals involving small- and medium-sized businesses with private equity funds selling their stakes and local firms undertaking investments abroad.

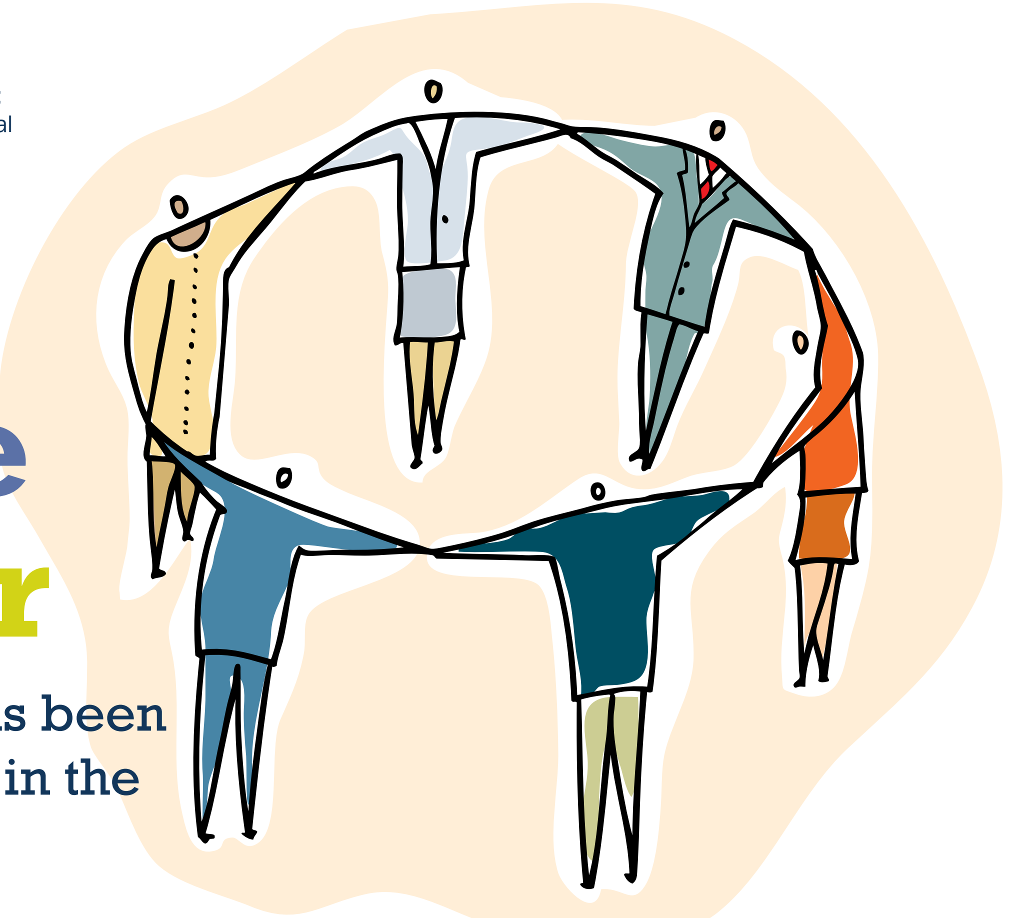
Besides the projects that it completed last year, IS Investment is also involved as an advisor in a number of other deals related to companies that are active in energy, automotive components, and consumer goods.

IS INVESTMENT PLAYED AN ACTIVE AND EFFECTIVE ROLE IN MERGERS & ACQUISITIONS.

In addition to its involvement in private-sector M&A, IS Investment also acts as an advisor for potential buyers in privatizations as well. Among the projects in which the company has served in this capacity are the privatization of Ayedaş, an electrical power distributor belonging to BEDAŞ; of the Toroslar, Dicle, and Van regional electrical power distributors; and of Başkent Doğalgaz Dağıtım AŞ.

active player

IS Investment has been an active player in the field of M&As.



M&A PROJECTS COMPLETED BY IS INVESTMENT IN 2013

	Month	Target firm	Buyer	USD value	Our role
1	August	Nisan Enerji	Boydak Holding	58,000,000	Advisor to seller (Ataç İnşaat)
2	July	Aktops	Aksa Akrilik	11,000,000	Advisor to seller (Akal Tekstil)
3	July	Evim.net	212, EBRD, Smile	5,000,000	Advisor to seller (OZN A.Ş.)
4	June	Rondine Ceramics Italy	Seramiksan	NA	Advisor to buyer
5	June	Aras Kargo	Austrian Post	NA	Advisor to seller (İş Girişim)
6	May	Richard Fritz GmbH	Trakya Cam	3,000,000	Advisor to buyer
7	May	Dharma İlaç	Expanscience	NA	Advisor to seller (Dharma İlaç)
8	May	Hakan Plastik	Georg Fischer	NA	Advisor to seller
9	February	Kraft Mondelez Salty Snacks	Doğuş Çay	NA	Advisor to buyer
10	February	HNG-India Glass	Trakya Cam	61,150,000	Advisor to buyer

INVESTOR RELATIONS

Foreign investors' 67% share of ISMEN as of end-2013 was 4.5 percentage points higher than the Borsa İstanbul Equity Market.

ISMEN reports included a "BUY" recommendation with an average potential rise of 29%.

FOREIGN INVESTORS' 67% SHARE OF ISMEN AS OF END-2013 WAS 4.5 PERCENTAGE POINTS HIGHER THAN THE BORSA İSTANBUL EQUITY MARKET.

In a year in which capital markets suffered from considerable volatility, the effective conduct of investor relations became more important than ever. As part of this effort in 2013, the company contacted numerous qualified investors as well as meeting with domestic and international mutual funds, asset management companies, and investment firms.

During investor meetings held in New York and Boston in January and in London in the second half of the year, meetings were carried out with some of the world's leading institutional investors. Significant results were achieved as a result of such meetings.

Besides face-to-face meetings with investors, teleconference investor presentations were made following the disclosure of each quarter's financial statements. Audio recordings of these presentations were posted on IS Investment's website the day after each meeting so that investors, portfolio managers, and analysts who had been unable to follow the presentation's live feed or wanted to review it might do so.

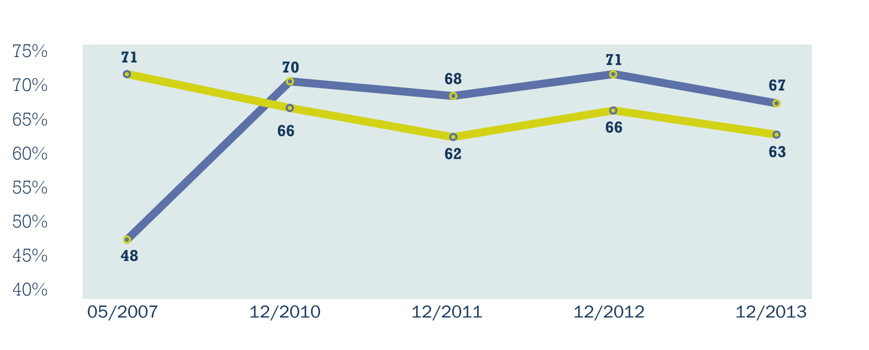
According to figures published by the Central Registry Agency, foreign investors' 67% share of ISMEN as of end-2013 was 4.5 percentage points higher than the Borsa İstanbul Equity Market.

ISMEN reports published after meetings with analysts included a "BUY" recommendation with pointing out an average potential increase of 29%.

Embarking upon the first half of the year on a rising trend, ISMEN found itself exposed to significant and sustained long-term selling pressure towards the end of February. However the appeal of the shares among domestic and international investors effectively countered this: the stock's price did not fall and neither was there a significant drop in the percentage held by international investors.

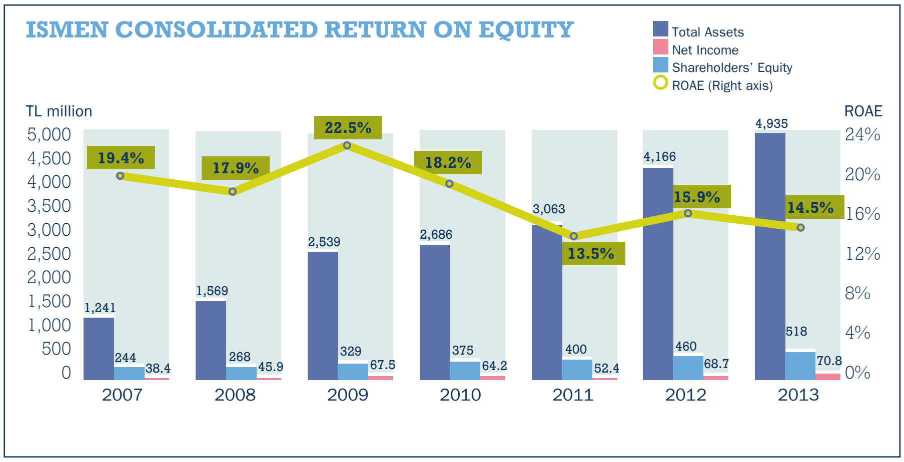
During investor meetings taking place from the beginning of the year onwards, information was provided about the company's operational and financial performance, about its business model, and about impending structural changes in Turkey's capital markets. Such meetings had a beneficial impact on domestic and international investors, who began showing even stronger interest in ISMEN. In line with this, ISMEN's price overcame strong selling pressure in May and began to rise after breaking through its resistance level. Although the price remained strong in the face of substantial market losses prompted by US Federal Reserve announcements, weak trading brought on by a low level of liquidity eventually drove the price back down. In the second half of the year, ISMEN's performance more or less paralleled that of the market as a whole. Excessive volatility, upward pressure on both interest and exchange rates, a pessimistic outlook, and tensions on the domestic political front depressed the price, especially

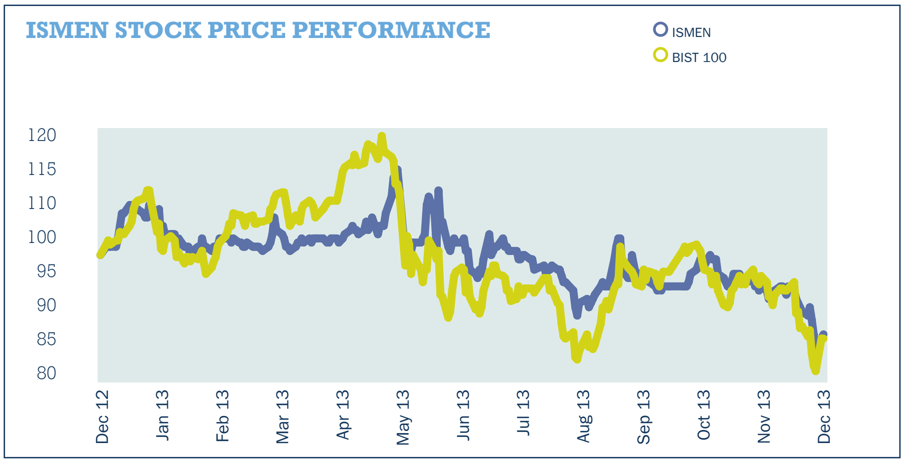
FOREIGN OWNERSHIP OF ISMEN AND BORSA İSTANBUL

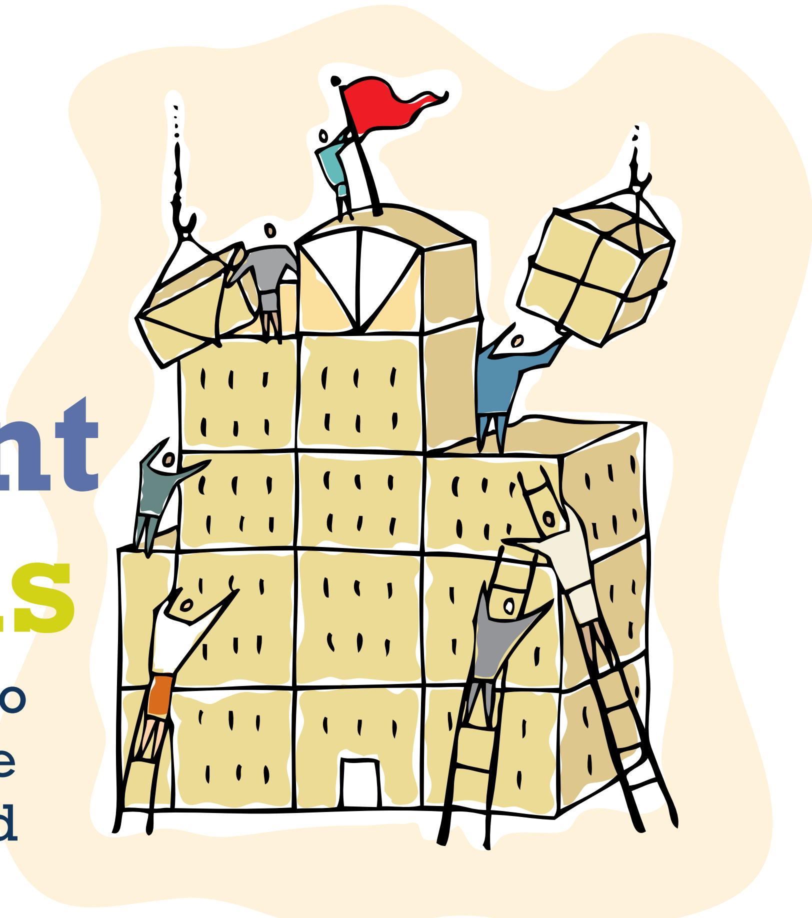


in the last month of the year, with the result that ISMEN closed 2013 with a net loss of 12%. There was some solace in the fact that the stock still managed to outperform the market average by more than a whole percentage point.

The company continued to pay cash dividends in line with its declared dividend policy. As a publicly-traded company, IS Investment has paid out cash dividends amounting to TL 97 million over the last six years. 97% of the IPO proceeds in May 2007 have already been paid back to investors as cash dividends. In 2013 a cash dividend in the amount of TL 20 million was paid while stock dividend in the amount of TL 24.5 million from 2012 profit were also distributed to the shareholders. As a result, the total dividend paid in 2013 corresponded to TL 44.5 million, a figure which in turn corresponded to 67% of IS Investment's distributable profit.

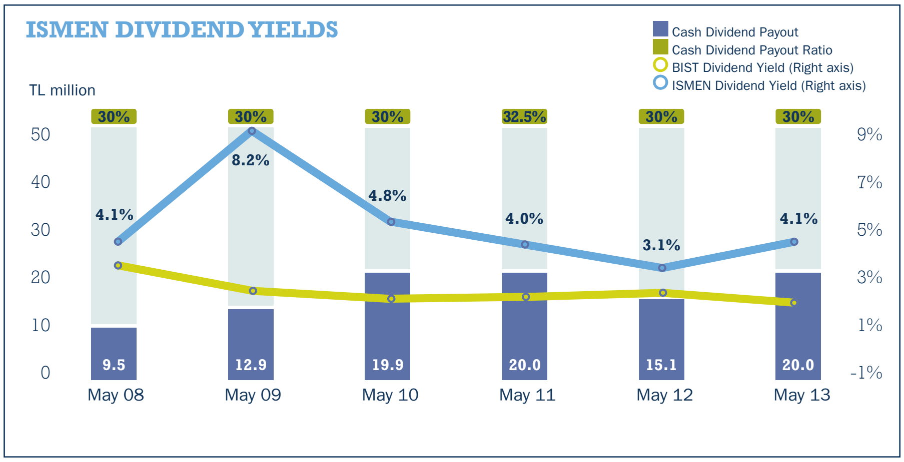






consistent dividends

The company continued to pay cash dividends in line with its declared dividend policy.



Fitch Ratings confirmed IS Investment's long-term national credit rating as "AAA".

Owing the company's consistent and sustainable dividend policy, ISMEN has been included in the BIST Dividend Index, which the exchange has been calculating and publishing since July 2011. ISMEN is also included in the BIST Brokerage Houses (XARKU) and BIST Corporate Governance (XKURY) indices as well. As of 31 December 2013, ISMEN had an XARKU weighting of 69%.

IS INVESTMENT DIVIDEND & CAPITAL INFORMATION

Date	Type	Cash Dividend Paid (TL 1 million)	Dividend Per Share (TL 0.01)	Capital Increase Through Bonus Issue (%)	Capital Before Increase (TL 1 million)	Capital After Increase (TL 1 million)
May 08	C	9.5	8.0			
May 09	C	12.9	10.8			
May 10	C	19.9	16.7			
June 10	B			67.5	119	200
May 11	C	20.0	10.0			
July 11	B			30.0	200	260
May 12	C	15.1	5.8			
June 12	B			10.0	260	286
May 13	C	20.0	7.0			
June 13	B*			8.6	286	311

C: Cash dividend B: Capital Increase Through Bonus Issue

* Dividend paid out as bonus shares

IS INVESTMENT'S CORPORATE GOVERNANCE RATING ROSE TO 9.06.

After a review of the company's corporate governance performance in 2013, JCR Eurasia Rating raised IS Investment's overall corporate governance rating from 8.87 to 9.06. A breakdown of the company's most recent rating by individual category is presented in the accompanying chart along with previous ratings in the same categories for purposes of comparison.

IS INVESTMENT CORPORATE GOVERNANCE RATINGS

Category	Previous 23.12.2011	Update 11.09.2012	Update 10.09.2013
Shareholders	8.13	8.61	8.88
Public Disclosure & Transparency	9.12	9.28	9.40
Stakeholders	8.24	8.43	8.79
Board of Directors	8.68	8.84	9.06
Total	**8.63**	**8.87**	**9.06**

IS Investment is one of only a handful of firms in Turkey with a corporate governance rating higher than 9.

OUR LONG-TERM NATIONAL CREDIT RATING: AAA

After a review of its previous credit rating, Fitch Ratings confirmed IS Investment's long-term national credit rating as "AAA".

The company remained in full compliance with public disclosure requirements in 2013 and continued to make use of electronic platforms as a medium for effective information dissemination.

IS Investment is a corporate member of an the Corporate Governance Association of Turkey (TKYD), whose aim is to develop and promote adherence to corporate governance standards and guidelines in Turkey. IS Investment participates in the corporate governance seminars conducted by TKYD in cities around the country and it also takes part in training activities in which it shares its knowledge and experience in the area of investor relations with other market professionals.

IS Investment also provides investor relations support to those of its subsidiaries whose results are consolidated with its own financial statements and whose shares are also publicly traded.

CONSOLIDATED IS INVESTMENT SUBSIDIARIES

Name	Equity stake (TL)	Equity stake (%)	Nominal value (TL)
İş Portföy Yönetimi A.Ş.	45,000,000	70.00	31,500,000
Camiş Menkul Değerler A.Ş.	6,696,000	99.8	6,681,908
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	66,654,000	29.0	19,334,187
İş B Tipi Yatırım Ortaklığı A.Ş.	160,599,284	25.9	41,510,877
Maxis Investments Ltd.	14,400,092	100.0	14,400,092
Efes Varlık Yönetim A.Ş.	20,000,000	74.0	14,800,000
IS Investments Gulf Ltd.	1,617,016	100.0	1,617,016
Total	314,966,392		129,844,080

İŞ PORTFÖY YÖNETİMİ AŞ

IS Asset Management enters into agreements with clients to act as their agent in the management of client-owned portfolios of capital market vehicles within the frame of. Turkish capital market laws and regulations. In its capacity as an asset/portfolio manager, the company manages such portfolios for resident and non-resident, domestic and international corporate entities, the latter consisting of mutual funds, investment trusts, investment companies, and similar enterprises subject to the requirements of the same legal framework.

CAMİŞ MENKUL DEĞERLER AŞ

Founded in 1984, Camiş Online is a brokerage house that engages in capital market activities in Turkey subject to Turkish laws and regulations. The company has recently been repositioning itself so as to focus primarily on serving as an online brokerage.

İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI AŞ

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

corporate governance

IS Investment is one of only a handful of firms in Turkey with a corporate governance rating higher than 9.

IS PRIVATE EQUITY LONG-TERM INVESTMENTS

Company	Equity stake (TL)*	Equity stake (%)	Business sector
NumNum Restoranları	28,881,900	61.66	Retailing
Toksöz Spor	25,535,151	56.00	Retailing
Ortopro	10,865,405	32.50	Health Services
Nevotek	7,753,146	81.24	Technology

* Fair value as of 31 December 2013

On 30 July 2013 IS Private Equity sold its 20% stake in the firm of Aras Kargo, a courier and logistics firm, to the Austrian-based Post 206 Beteiligungs GmbH for TL 100 million. The company had originally acquired the stake on 15 November 2011 at a cost of TL 17.5 million.

IS B TİPİ YATIRIM ORTAKLIĞI AŞ

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

Originally founded in 1995 as IS Investment Trust, the company's name was changed to "IS Type B Investment Trust" as a result of an amendment made in its articles of association at the extraordinary general meeting held on 3 May 2013. The change was registered on May 8th. Under Turkish regulations, a "Type B" investment trust is one that invests in fungible assets and keeps less than 25% of its portfolio in equities on a monthly weighted average basis.

At end-December 2013, IS Investment Trust portfolio had a net asset value of TL 261 that corresponded to a 53% market share.

IS INVESTMENT TRUST PORTFOLIO AS OF 27 DECEMBER 2013

Asset class	Nominal value (TL)	Total acquisition cost (TL)	Total fair value (TL)	% of total
I. Equities	7,432,414.50	46,288,442.72	41,895,096.23	16.04
II. Debt instruments	205,748,831.00	212,841,710.67	204,296,717.37	78.23
III. Other	16,873,492.67	14,955,957.67	14,962,417.38	5.73
IV. Futures	Maturity	Number of Positions	Settlement Price / Contract Size	
Short positions	F_XU0301213S0	1,200.00	77.73 / 3.57%	
Total portfolio value (I+II+III)	230,054,738.17	274,086,111.06	261,154,230.98	100
Cash and cash equivalents (+)			53,866.69	
Receivables (+)			218,422.50	
Other assets (+)			82,939.16	
Liabilities (-)			-2,292,182.74	
Total value			259,217,276.59	
Total number of shares			160,599,284	
Average share value			1.61	

MAXIS INVESTMENTS LTD

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

EFES VARLIK YÖNETİM AŞ

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

IS INVESTMENT GULF LTD

Dubai-based IS Investment Gulf Ltd was set up in 2011 to conduct IS Investment's activities in Gulf countries in accordance with its parent company's prospectus. Active in corporate finance, with a particular focus on mergers & acquisitions, Is Investment Gulf's mission is to amplify the effectiveness of IS Investment's operations in international markets.

RESEARCH

During 2013 IS Investment continued to publish high value-added research reports concerning economic issues, fixed-income securities, and equity markets.

HIGH VALUE-ADDED RESEARCH AND REPORTS HELP INVESTORS MAKE OBJECTIVE DECISIONS.
During 2013 IS Investment continued to publish high value-added research reports concerning economic issues, fixed-income securities, and equity markets.

The company produces regular reports concerning 87 firms that account for some 75% of Borsa İstanbul's market value and it makes "Buy/Sell/Hold" recommendations about them. From among the most attractive of companies for which we make "Buy" recommendations we create a model portfolio. In 2013, that portfolio outperformed the BIST 100 Index by 8%.

Encouraged by the current low interest rate environment, the market for non-bank corporate bonds has been growing rapidly. The regular reports that IS Investment publishes about 17 firms that account for close to 40% of the market give the company a strong competitive edge in this business line. IS Investment also distinguishes itself by providing research support to firms whose debt security issues it does not underwrite.

Last year IS Investment continued its efforts to actively encourage the involvement and satisfaction of international investors and qualified private investors in the conduct of its business. The company published comprehensive Turkish- and English-language reports dealing with economic issues and with equities and fixed-income securities strategies. It also conducted weekly strategy meetings and made visits to institutional investors and asset management companies.

In 2013 IS Investment continued to play an active and increasingly greater role in international and national sales processes. Investor conferences conducted in Bodrum (a prestigious international resort in Aegean Turkey) as well as in New York and London served as venues at which to promote Borsa İstanbul-registered companies to potential foreign investors. A series of IS Investment roadshows was conducted with the aim of promoting Borsa İstanbul-quoted companies among potential international investors. The company's research and international sales teams met with investors in continental Europe, the UK, and the USA during which presentations were made focusing on Turkey's macroeconomic, company, and fixed-income security outlooks and on strategies through which one might benefit from them. Meetings held in İstanbul also provided opportunities for Turkish institutional investors and companies to get together.

In 2014 IS Investment plans to increase the number of company visits in line with clients' requests. In view of the market volatilities that are foreseen as being likely in the near term, it is thought that there will be an even greater need for insightful research and reporting especially in equity and debt markets.

8% above the BIST 100

The model portfolio outperformed the BIST 100 Index by 8%.

RISK MANAGEMENT

IS Investment continued to provide corporate risk management support to the "new generation" mutual funds upon request.

Risk management at IS Investment is carried out independently of the company's executive functions and units and is instead subject entirely to the oversight and control of the Board of Directors. As one consequence of its possession of a risk management culture that is integrated into its corporate governance attitudes and approaches, a Risk Committee was set up within the Board of Directors in 2012. This committee continued to meet regularly during 2013.

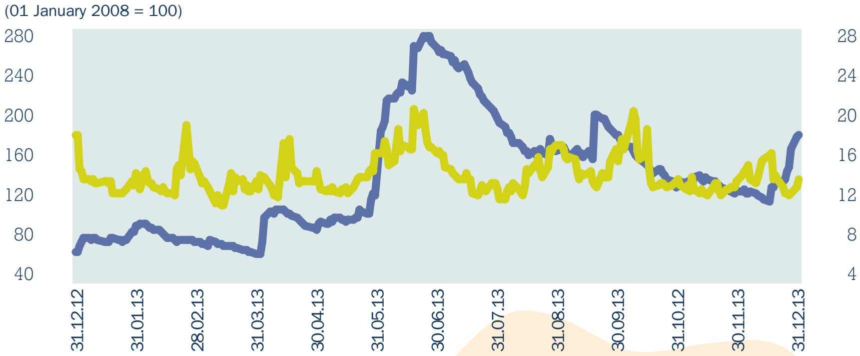
The market risks to which the company is exposed are quantified on a day-to-day basis using the value-at-risk (VaR) methodology. The daily reports that are generated are disseminated among those concerned. Through this process, a risk-aware culture is fostered throughout the company while the appetite for risk is effectively managed. Detailed risk reports are regularly submitted to İşbank, the company's founder and principal stockholder, as are consolidated risk reports containing information about the company's subsidiaries.

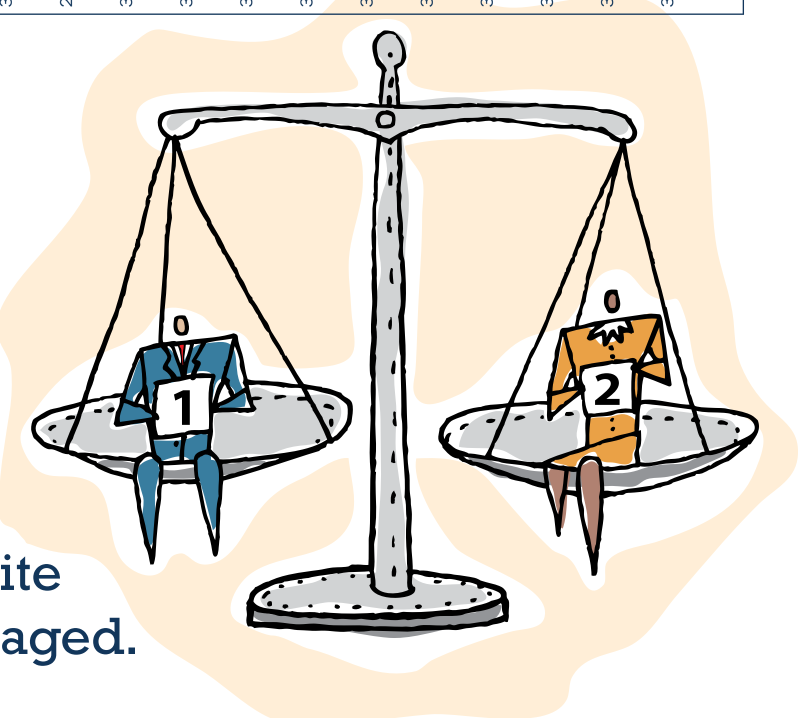
In 2013 IS Investment provided prime brokerage services for the "new generation" mutual funds set up by asset management companies. It also continued to provide corporate risk management support to such companies upon request. As part of this, financial risk measurements and analyses were conducted regularly in light of internationally accepted portfolio risk management principles; portfolio risk reports were prepared for investors; and mutual funds' and asset management companies' risk quantification reports were sent every week to those concerned.

Owing to economic and political developments and tensions taking place in Turkey, in its region, and globally as well as to uncertainties and changes in US Federal Reserve policies last year, investors' risk perceptions about the country increased in 2013. The changes in such perceptions are revealed in the accompanying chart, which shows both the Turkey Risk Index (TRI) and the Chicago Board Options Exchange Market Volatility Index (VIX), the latter of which tracks the volatility of options traded on derivatives exchanges in the United States.

In 2014 IS Investment will continue to carry out its risk management activities in line with its corporate governance approach.

TURKEY RISK INDEX - TRE & VIX





risk culture

A risk-aware culture is fostered throughout the company while the appetite for risk is effectively managed.

REGULATORY FRAMEWORK CHANGES THAT WENT INTO EFFECT IN 2013

Having gone into effect at the end of 2012, Turkey's new Capital Markets Law prompted quite a few regulatory changes in 2013. As always, IS Investment kept a close watch on such changes in its capacity both as an investment firm and as a publicly-traded company. Below we provide a brief explanation of some of these changes that have an impact on IS Investment's business operations.

Communique on Principles pertaining to Investment Services and Activities and their Ancillary Services (III:37.1), which sets out principles concerning the licensing of investment firms as well as guidelines and principles governing investment services and activities, their ancillary services, and the conduct thereof, was published in the government gazette on 11 July 2013. Under this communique, which goes into effect as of 1 July 2014, the businesses of deposit banking and investment banking must be conducted independently of one another. This change is expected to bring about increased demand for brokerage services and thus boost IS Investment's own market share.

Communique on the Establishment and Operations of Investment Firms (III:37.1), which governs guidelines and principles pertaining to the establishment of investment firms that engage in investment services and activities and their ancillary services, to the founders, partners, and employees thereof, to their becoming operational, to their obligations, to their peripheral associations, to their service procurements, to their operations, to the suspension of their operations, and to their guarantees, was published in the government gazette on 17 December 2013. Under this communique, brokerages are to be divided into three classes defined as "Narrowly authorized" (dar yetkili), "Partially authorized" (kısmi yetkili), and "Broadly authorized" (geniş yetkili). This communique also goes into effect as of 1 July 2014.

Communique on Principles pertaining to Brokerages' Capital and Capital Adequacy (V:34) sets minimum equity requirements for brokerages as TL 2 million for those in the "Narrowly authorized" category, TL 10 million for those in the "Partially authorized" category, and TL 25 million for those in the "Broadly authorized" category.

Owing to these communiques we are likely to witness a substantial reduction in the number of investment firms in Turkey over the next year and a half. We may also expect that only a few of the survivors will be able to qualify for inclusion in the "Broadly authorized" class. In that respect too therefore, these regulatory changes should support growth in IS Investment's existing market share.

One other regulatory change published in 2013 that will have an impact on IS Investment's business is concerned with state-provided contributions to pension funds. Without going into the details, under this new rule the state has begun paying an additional amount into the retirement account of every participant in the Private Pension System. This state provision is up to 25% of the amount paid into the account each month, except that the total amount cannot exceed TL 3,000 in a single calendar year. The great majority of those with a private pension account are already benefiting from this new rule, which is thought likely to fuel a rise in our company's asset management commission earnings.

AGENDA OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS

İŞ YATIRIM MENKUL DEĞERLER A.Ş. AGENDA OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS ON 25 MARCH 2014

1. Opening, chairing the council and authorize the Board to sign the minutes of the meeting.

2. Reading and deliberation of the Annual Report and Independent Auditors' reports of 2013.

3. Reading, deliberation and approval of the balance sheet and profit & loss statement of 2013.

4. Approval of members assigned to the Board of Directors in 2013.

5. The individual acquittal of members of the Board of Directors for their fiduciary responsibilities for 2013.

6. Deliberation and decision on the profit distribution of 2013.

7. Election and determination of members Board of Directors and the membership period.

8. Determination of the fees to be paid to members of the Board of Directors.

9. Selection of the independent auditor.

10. Presentation of information on the grants and donations made in 2013 and determination of upper limit for donations will be made in 2014.

11. Approval of the amendment of the Dividend Policy.

12. Petitions and suggestions.

DIVIDEND DISTRIBUTION PROPOSAL OF THE BOARD OF DIRECTORS

As per the resolution of the Board of Directors, it was decided to propose to the Annual General Meeting of Shareholders;

- The consolidated current period profit calculated according to legal records shall be divided as follows: TL 2,819,885.32 shall be paid as primary legal reserve, TL 13,598,978.94 shall be paid as first dividend, TL 10,901,021.06 shall be paid as second dividend; total TL 24,500,000.00 shall be paid as gross cash dividend to shareholders; TL 897,500.00 shall be reserved as secondary legal reserve; TL 6,680,321.09 registered in the legal records shall be reserved as extraordinary reserves, and the rest TL 21,500,000.00 shall be paid as stock dividend through bonus issue.

It was also resolved to propose the distribution of the total cash dividend of TL 24,500,000.00 as described below, in accordance with the legal records in case the aforementioned dividend distribution proposal is accepted;

- Shareholders who are full-fledged taxpayers corporations in Turkey and limited-taxpayer corporations obtaining dividends through an agency or permanent representative in Turkey shall be paid TL 0.07890 gross = net dividend per share with a nominal value of TL 1.00 at the rate of 7.89 per cent; other shareholders shall be paid TL 0.07890 gross and TL 0.06707 net dividend per share with a nominal value of TL 1.00 and dividend distribution shall commence on 28 March 2014, Friday.

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

2013 DIVIDEND DISTRIBUTION TABLE

İŞ YATIRIM MENKUL DEĞERLER A.Ş. 2013 DIVIDEND DISTRIBUTION TABLE (TL)			
1.	Paid-in / Issued Capital		310,500,000.00
2.	Total Legal Reserves (According to Legal Records)		18,717,860.81
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	137,154,783.00	85,047,708.37
4.	Taxes Payable (-)	(11,842,480.00)	(28,650,001.96)
5.	Net Current Period Profit	70,813,280.00	56,397,706.41
6.	Losses in Previous Years (-)	0.00	0.00
7.	Primary Legal Reserve (-)	(2,819,885.32)	(2,819,885.32)
8.	NET DISTRIBUTABLE CURRENT PERIOD PROFIT	67,993,394.68	53,577,821.09
9.	Donations Made during the Year	1,500.00	
10.	Donation-Added Net Distributable Current Period Profit on which First Dividend Is Calculated	67,994,894.68	
11.	First Dividend to Shareholders		
	- Cash	13,598,978.94	
	- Stock	21,500,000.00	
	- Total	35,098,978.94	
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	10,901,021.06	
16.	Secondary Legal Reserves (-)	897,500.00	
17.	Statutory Reserves	0.00	
18.	Special Reserves	0.00	
19.	EXTRAORDINARY RESERVES	21,095,894.68	6,680,321.09
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						
GROUP		TOTAL DIVIDEND DISTRIBUTED TO SHAREHOLDERS		THE RATIO OF DIVIDEND DISTRIBUTED TO THE NET DISTRIBUTABLE PROFIT (%)	DIVIDEND PER SHARE WITH A NOMINAL VALUE OF TL 1	
		CASH (TL)	STOCK (TL)	RATE (%)	AMOUNT (TL)	RATE (%)
NET *	A	*				
	B	*				
	TOTAL	20,825,000.00	21,500,000.00	62.25	0.1363	13.63

(*) Prepared for a gross cash dividend amount of TL: 24,500,000.00. There are no privileges in dividend distribution to Group A and B shares.

AMENDMENT DRAFT OF THE DIVIDEND DISTRIBUTION POLICY

DIVIDEND DISTRIBUTION POLICY	
CURRENT	AMENDED
The articles of association (article 16) set the principle of distributing first dividends in the ratio and amount as determined by the Capital Markets Board (CMB) from out of the attributable profit and advances on dividends as well.	The dividend distribution, in line with the proposal of the Board of Directors, shall be decided by the General Assembly considering the Turkish Commercial Code, Capital Markets Law and other regulations applicable to the Company.
The Board of Directors - aiming to grow the business lines of the company and make the shareholders gain high dividend as a listed company- presents the dividend distribution proposals for approval of the General Assembly taking into consideration;	The Board of Directors - aiming to expand the business lines of the company and make shareholders gain a high dividend income- proposes to distribute at least 30% of the distributable profit in cash and/or as stock dividend while taking into below considerations;
a) Preserving the delicate balance between the expectations of our Shareholders and Is Investment's need to grow, b) The profitability of the Company.	a) Preserving the delicate balance between the expectations of shareholders and IS Investment's need to grow, b) Any adverse economic conditions in the world and in the country; the Company's financial structure and the capital adequacy ratios presence at projected levels; and the profitability of the Company.
	The Company may pay advance dividend in cash with respect to the capital markets regulations. In order to distribute advance dividend, it is required that the Board of Directors has to be authorised by the General Assembly within the related accounting period.
In case of the dividend distribution decision is taken by the General Assembly, care will be paid to effect the dividend payments as soon as possible, and in any case, until no later than the end of the fifth month, as stipulated by the applicable legislation.	In case of the cash dividend distribution decision taken by the General Assembly, the cash dividend would be paid until the end of the second month following the General Assembly, at latest. The stock dividend would be distributed following the legal permissions.
	The Board of Directors and the employees can not be paid until the dividend payments to shareholders have been made.
	If there is no dividend distribution, the reason not to distribute and how the undistributed profit be used are disclosed to the public.
No shares are privileged in terms of getting share from the profit.	There are no privileged shares in terms of dividend rights.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Statement of Compliance with Corporate Governance Principles

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

IS Investment stands for the corporate approach in its sector associated with the "İş" emblem by our society. The Company recognizes that good corporate governance practices can be achieved through various initiatives, including formulation of the management strategy, establishment of an effective risk management and internal control mechanism, description of ethical rules, quality performance of investor relations activities and due fulfillment of public disclosure obligation, and transparent execution of Board of Directors activities. To this end, IS Investment observes accountability, equality, transparency and responsibility that make up the universal components of corporate governance concept in the exercise of its rights and responsibilities towards its shareholders, in particular, and its customers and all stakeholders in general, while maintaining effective management and supervision. Based on this understanding, IS Investment achieves alignment not only with the compulsory corporate governance practices as imposed by the Capital Markets Board of Turkey (CMB), but also with numerous non-compulsory principles.

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

It was publicly disclosed on 10 September 2013 that JCR Eurasia Rating revised IS Investment's corporate governance rating from an overall score of 8.87 to 9.06.

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

Main Sections	Initial 23.12.2011	Revised 11.09.2012	Revised 10.09.2013
Shareholders	8.13	8.61	8.88
Disclosure and Transparency	9.12	9.28	9.40
Stakeholders	8.24	8.43	8.79
Board of Directors	8.68	8.84	9.06
Overall Score	8.63	8.87	9.06

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

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

PART I - SHAREHOLDERS

INVESTOR RELATIONS UNIT

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

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

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

- Communicate necessary information and disclosures, other than those of inside information nature, to shareholders and stakeholders in a timely, accurate, complete, and intelligible manner, easily accessible at the lowest cost possible, and equally available to all, and provide necessary information for accurate interpretation of the information delivered.
- Ensure that any questions directed by shareholders and stakeholders are responded to correctly, as promptly as possible, and coordinated as necessary; pay due care for protection of inside information within the data made available.
- Fulfill the Company's public disclosure obligation regarding material events that may affect the value of the Company's capital market instruments traded on the stock exchange and/or that may be influential on investors' investment decisions within the frame of the capital market legislation.
- Oversee that quarterly financial reports are drawn up in accordance with the capital market legislation and have them publicly disclosed within the legally prescribed periods of time.
- Handle relations with existing and potential investors.
- Supervise that the General Meetings are held in conformity with the legislation in force, the Company's articles of association, and the CMB's Corporate Governance Principles, and that the outcomes from the General Meeting are recorded properly.
- Make sure that the "Yatırımcı İlişkileri/ Investor Relations" sections on the Company's website available both in Turkish and English languages are actively used for public disclosure; ensure that material event disclosures, informational presentations, relevant corporate information and other information and data generally required by regulatory authorities and by the CMB Corporate Governance Principles are posted and kept up-to-date.
- Observe the Corporate Governance Principles issued by the CMB in efforts for keeping shareholders and stakeholders informed and in public disclosure activities.
- Submit reports to the Corporate Governance Committee and the Board of Directors regarding the activities of Investor Relations Department on a semi-annual and annual basis and at such other times deemed necessary.
- Monitor the stock performance and make suggestions for its improvement.
- Spend efforts to increase the Company's level of compliance with the CMB's Corporate Governance Principles and bring recommendations in this matter.

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

It has been publicly disclosed on 17 March 2009 that Ozan Altan has been appointed as the Head of the Investor Relations Department based on the Board of Directors decision of 16 March 2009.

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

Name:	Funda Çağlan Mursaloğlu*	Ozan Altan	Alper Alkan, CFA
Title:	Assistant General Manager	Department Head	Senior Associate
Academic Degree:	Master's	Master's	Master's
Type of Capital Market Activity License:	Advanced Level	Advanced Level – Corporate Governance Rating Specialist - Derivatives	Advanced Level – Corporate Governance Rating Specialist - Derivatives
Tel:	212 - 350 23 48	212 - 350 28 72	212 - 350 25 22
Fax:	212 - 350 20 01	212 - 350 28 73	212 - 350 25 23
Email:	cmursaloglu@isyatirim.com.tr	oaltan@isyatirim.com.tr	aalkan@isyatirim.com.tr

*The Investor Relations Department carried out its activities in 2013 under the supervision and information of Mr. Mert Erdoğmuş, Assistant General Manager, and change of position occurred on 22 January 2014.

EXERCISE OF THE SHAREHOLDERS' RIGHT TO OBTAIN INFORMATION

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

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

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

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

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

GENERAL MEETING OF SHAREHOLDERS

IS Investment held its Ordinary General Meeting of Shareholders for 2012 fiscal year on 30 April 2013. Invitation for the General Meeting including the meeting date and agenda was published on 5 April 2013 within due time as defined in the applicable legislation and the CMB Corporate Governance Principles on the Public Disclosure Platform (KAP), the corporate website, Electronic General Meeting System (e-GEM) of the Central Registry Agency (in Turkish: MKK) on 9 April 2013 and in the Turkish Trade Registry Gazette issue 8395 dated 8 April 2013, and was also sent by post to registered shareholders. In addition, the invitation and related notices in English were also sent by email to our foreign shareholders whose contact information was known to us.

Based on the examination of the list of attendants in the Ordinary General Meeting, it was established that out of the Company's shares with a total nominal value of TL 286,000,000, TL 150,000 of which are Class A and TL 285,850,000 are Class B, shares with a total nominal value of TL 226,207,707 (TL 150,000 Class A, and TL 226,057,707 Class B) were represented by proxy and Class B shares with a nominal value of TL 1,020,004 were represented in person, and thus the meeting quorum stipulated by the law and the Articles of Association was achieved.

At the Ordinary General Meeting, it was laid down for approval to amend Articles 3, 4, 6, 8, 9, 10, 11, 12, 13, 14, 16, 17 and 18 of the Company's Articles of Association in line with the draft amendments based on the permissions received from the CMB and the T.R. Ministry of Customs and Trade. The decision was ratified unanimously in both the Ordinary General Meeting and the General Meeting of Class A Shareholders.

The invitation, agenda, sample proxy form and minutes for the General Meetings were published on KAP and were made constantly available for the information of shareholders and stakeholders on our Turkish and English websites. Furthermore, résumés of individuals nominated for seats on the Board of Directors and other pertinent information were posted on the corporate website within one week following the General Meeting invitation.

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

The meeting chair pays attention to communicate the topics in the agenda impartially, clearly, intelligibly and in detail at the General Meeting. Shareholders are offered the chance to voice their opinions and direct their questions at equal conditions. The meeting chair provides that every question directed by shareholders at the General Meeting, which does not constitute a trade secret, is directly answered during the General Meeting. If the question asked is irrelevant to the agenda or is too comprehensive to be answered instantly, it is responded to in writing by the Investor Relations Department within 15 days the latest. Within this frame, Board of Directors members, relevant senior executives and the investor relations manager, officials responsible for the preparation of financial statements, and auditors attend the General Meeting to provide necessary information and respond to questions about specific topics.

Having made its debut this year, the electronic general meeting process was successfully carried out in parallel with the physical General Meeting.

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

The necessary amendment was made to the Articles of Association regarding material transactions as defined in the Corporate Governance Principles.

During the General Meeting, information was provided on the grants and donations made during the reporting period under a dedicated agenda item. Nobody took the floor in the wishes and suggestions section, which was another dedicated item. Stakeholders such as appraisers and independent auditors take part in our General Meetings as observers.

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

VOTING RIGHTS AND MINORITY RIGHTS

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

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

SUBSIDIARIES

Company Name	Capital of Subsidiary	Share Held in the Capital of Subsidiary
Maxis Investments Ltd.	GBP 5,500,000	100.0%
Is Investments Gulf Ltd.	USD 1,000,000	100.0%
Camiş Menkul Değerler A.Ş.	TL 6,696,000	99.8%
Efes Varlık Yönetim A.Ş.	TL 20,000,000	74.0%
İş Portföy Yönetimi A.Ş.	TL 45,000,000	70.0%
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	TL 66,654,000	29.0%
İş B Tipi Yatırım Ortaklığı A.Ş.	TL 160,559,284	27.9%

ENTITLEMENT TO DIVIDENDS, DIVIDEND DISTRIBUTION POLICY AND TIMING

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

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

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

Article 16 of the Articles of Association puts forth the principle of distributing first dividends in the ratio and amount determined by the CMB out of the distributable profit, and also addresses paying advances on dividends to shareholders.

Aiming to generate high dividend returns for its shareholders as a publicly-held company, as well as diversifying its fields of activity and services, our Board of Directors has adopted a dividend distribution policy based on proposing distributing at least 30% of the distributable profit in cash and/or bonus shares from 2007 fiscal year within the frame of the applicable legislation, paying due regard to:

a) maintaining the delicate balance between shareholders' expectations and the Company's need to grow, and
b) the Company's overall profitability.

If it is decided in the General Meeting to distribute dividends, care is taken to make the payments as soon as possible, but in any case within the period of time stipulated by the legislation.

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

IS Investment distributed 67% of distributable profit as dividends during 2013 in line with its dividend distribution policy; of this amount, TL 20,020,000.- (30%) was distributed in cash and TL 24,500,000.- (37%) in bonus shares.

TRANSFER OF SHARES

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

PART II – PUBLIC DISCLOSURE AND TRANSPARENCY

COMPANY INFORMATION POLICY

IS Investment Information Policy has been approved by the Board of Directors on 17 May 2007, even before the commencement of trading of Company shares on the stock exchange, and publicly disclosed on our corporate website, which was subsequently updated as necessary.

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

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

INFORMATION POLICY OUTLINE

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

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

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

COMPANY WEBSITE AND ITS CONTENT

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

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

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

ANNUAL REPORT

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

DISCLOSURE OF ULTIMATE NON-CORPORATE CONTROLLING SHAREHOLDER(S)

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

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

Company Name/Name&Surname	Share in Capital (TL)	Share in Capital (%)
İşbank Personnel Supplementary Pension Fund	80,980,333	26.08
Republican People’s Party (CHP)	57,266,393	18.44
Total	138,246,726	44.52

PART III - STAKEHOLDERS

KEEPING STAKEHOLDERS INFORMED

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

Material event statements about IS Investment, which are disclosed via KAP, are also posted on the corporate Turkish and English websites on the same day and presented for the information of stakeholders. Furthermore, press releases are sent to media companies following material event statements about topics that are considered to draw interest from the public.

Stakeholders are adequately informed about corporate policies and business processes and they can also make use of direct communication channels accessible on our website, while our customers can contact the investment advisors assigned to them or any other direct/indirect method of their choice to convey their complaints and feedbacks to our company/management bodies. In addition, our ethical principles, and our policies to combat laundering proceeds of crime and financing of terrorism are constantly published both on the corporate website and on the Intranet. Complaints so received by the Company are reviewed by the authorized units in chronological order and then submitted for consideration to the Audit Committee or the Corporate Governance Committee depending on the content of the subject and the respective area of responsibility.

STAKEHOLDER PARTICIPATION IN MANAGEMENT

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

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

HUMAN RESOURCES POLICY

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

IS Investment Human Resources Policy embraces the principles of commitment to ethical values, continuous development and customer-focused approach. Providing equal opportunities to candidates in equal conditions is a key principle adopted in the creation of the recruitment policy and making of career planning. A promotion entails increased authority, responsibility and salary. It is essential to possess various qualities such as the necessary knowledge and experience required by the job description in order to advance to a higher position. The employee performance is the key criteria in promotions.

The Company's principal training policy is to contribute to the professional and personal development of employees at IS Investment and to offer equal opportunities to employees in this sense. In order to contribute to their professional and personal development, our employees were provided with the chance to attend domestic and overseas training programs organized in 2013 in parallel with the Company's management strategies. The Company had 402 employees on its payroll during the reporting period.

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

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

A special representative has not been appointed to handle relations between the Company and the employees. Every employee has access to means of communicating their wishes, complaints and feedbacks via the unit managers, as well as the Human Resources Department and the Board of Internal Auditors.

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

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

REMUNERATION POLICY OUTLINE

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

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

Variable pays are all sorts of cash and non-cash payments other than fixed pays, such as performance-based incentives and bonuses. Performance-based pays are paid to certain employees only, in view of the Company's performance and the contributions of the relevant unit and employee. Variable pays are determined taking into consideration existing and potential risks, capital and liquidity status, and the probability and timing of realization of planned future revenues, and in a manner that will not weaken the Company's shareholders' equity.

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

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

RELATIONS WITH CUSTOMERS AND SUPPLIERS

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

Relations with customers are handled through investment advisors; the objective of all investment advisors is to invest assets in the investment instruments that best fit the respective customer's risk versus return expectations. Customers of IS Investment can convey any requests and expectations they may have to investment advisors assigned to them.

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

ETHICAL RULES AND SOCIAL RESPONSIBILITY

For the purposes of increasing social and economic benefit, protecting and furthering the prestige of the brokerage profession, and preventing unfair competition, IS Investment has provided its ethical rules in writing to its employees, which have been formulated by the Board of Directors in parallel with the Association of the Capital Market Intermediary Associations of Turkey regulations, as well as legal and administrative arrangements.

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

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

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

Within this framework, IS Investment launched initiatives in cooperation with some of Turkey's leading universities in 2013 in an effort to help promote financial literacy and provide widespread familiarity with the dynamics of our capital markets.

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

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

PART IV – BOARD OF DIRECTORS

STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS

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

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

BOARD OF DIRECTORS

İLHAMİ KOÇ
CHAIRMAN OF THE BOARD OF DIRECTORS

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

FERAY DEMİR
DEPUTY CHAIRWOMAN

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

IŞIL DADAYLI
MEMBER

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

VOLKAN KUBLAY
MEMBER

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

TOLGA ACHİM MÜLLER
MEMBER

Tolga Achim Müller got his degree in business administration from the Faculty of Economics and Administrative Sciences at Anadolu University. He began his professional career at Mor Teknik A.Ş. where he worked in 1995 and 1996. He worked for Metiş İnşaat ve Ticaret A.Ş. in 1998 and 1999. He joined İşbank in 1999 as an assistant specialist in the International Financial Institutions Division. He was appointed to the Corporate Banking Marketing and Sales Division in 2003, where he was promoted to the position of assistant manager in 2007. Mr. Müller has been functioning as a Unit Manager since 2010. Speaking English and German, he is married and has one child.

ÖZGÜR TEMEL
MEMBER

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

AHMET BAŞ
MEMBER

Ahmet Baş got his degree in economics from the Middle East Technical University in 1992. He started working at İşbank as an assistant loans specialist in the Card-Based Payment Systems Division. He became an assistant manager in 2000 and unit manager in 2004 in the same Division. Having been appointed as the unit manager of the Operations Planning Division in 2009, Ahmet Baş has been functioning as the unit manager of Alternative Distribution Channels Division since 2010. He was elected as a member of the Board of Directors of IS Investment in November 2013. Speaking English, Mr. Baş is married and has one child.

ABDULLAH AKYÜZ
MEMBER - INDEPENDENT

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

BEHZAT YILDIRIMER
MEMBER - INDEPENDENT

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

IS INVESTMENT BOARD OF DIRECTORS MEMBERS

Name	Position	Profession	Positions Held in the Company in the Past 5 Years	Latest External Positions Held	Shareholding in the Company (%)	Share Class Represented	Independent Board Member or Not	Committees Served in and Duties
İlhami Koç	Chairman	Banker	General Manager	T. İş Bankası A.Ş. Deputy Chief Executive	-	-	Non-Independent Member	-
Feray Demir	Deputy Chairwoman	Banker	Member of the Board of Directors	T. İş Bankası A.Ş. İstanbul Corporate Branch Manager	-	-	Non-Independent Member	-
Işıl Dadaylı	Member	Banker	-	T. İş Bankası A.Ş. Private Banking Marketing & Sales Department – Department Head	-	-	Non-Independent Member	-
Özgür Temel	Member	Banker	-	T. İş Bankası A.Ş. Capital Markets Department – Department Head	-	-	Non-Independent Member	-
Volkan Kublay	Member	Banker	Member of the Board of Directors	T. İş Bankası A.Ş. Subsidiaries Department – Capital Markets Unit Manager	-	-	Non-Independent Member	Corporate Governance Committee Member, Risk Committee Member
Tolga Achim Müller	Member	Banker	Member of the Board of Auditors	T. İş Bankası A.Ş. Corporate Banking Marketing & Sales Department – Unit Manager	-	-	Non-Independent Member	-
Ahmet Baş	Member	Banker	-	T. İş Bankası A.Ş. Alternative Distribution Channels – Unit Manager	-	-	Non-Independent Member	
Abdullah Akyüz	Member	Finance Professional	Member of the Board of Directors	-	-	-	Independent Member	Audit Committee Member
Behzat Yıldırımer	Member	Banker	Member of the Board of Directors	-	-	-	Independent Member	Audit Committee Head, Corporate Governance Committee Head, Risk Committee Head

Board members have been elected in the Ordinary General Meeting of 30 April 2013 to serve until the next Ordinary General Meeting. Mr. Ahmet Baş has been appointed as a member of the Board of Directors in the Board Meeting of 19 November 2013 to succeed Ms. Güzide Meltem Kökden who has resigned. Mr. Baş's membership will be laid down for the approval at the first General Meeting to be held.

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

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

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

Average ratio of women members on the Board of Directors was 40% over the past four years and as such, is highly above the minimum percentage of 25% as specified in the corporate governance principles. At present, the ratio of women members is 22%, and the breakdown of men versus women members on our Board of Directors is a clear indicator of the fact that such a policy is already in place at our Company.

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

DECLARATION OF INTEREST

TO: IS INVESTMENT BOARD OF DIRECTORS

Owing to my candidacy for a seat as an independent board member at IS Investment ("the Company"), I hereby declare:

- That neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, collectively or individually held more than 5% of the capital or voting rights or privileged shares in, or established any commercial interest of a significant nature, with the Company, or with any companies in which the Company has management control or material influence, and with any shareholders having management control or material influence over the Company, or with any corporate entity which are controlled by these shareholders;
- That within the most recent five years, I have neither been a shareholder controlling 5% or higher share, or an employee in an executive position involving major duties and responsibilities nor a board member in any company from/to which the Company purchases/sells significant amount of services or products under the agreements made during such time when services or products were purchased or sold, and particularly in companies involved in the Company's auditing, rating, or consulting functions,
- That I possess the professional training, knowledge, and experience necessary to duly fulfill the duties I shall undertake as an independent member of the board of directors;
- That, if elected, I shall not work on full-time basis at any public institution or organization during my term of office, apart from serving as a faculty member,
- That I am a resident of Turkey for the purposes of the Income Tax Law;
- That I possess the ethical standards and professional repute and experience sufficient to enable me to make a positive contribution to the Company's affairs, to maintain my impartiality in any dispute that may arise between the Company and its shareholders, and to come to decisions freely on the basis of all stakeholders' rights,
- That I will be able to devote to the Company's affairs an amount of my time sufficient to keep track of the conduct of the Company's activities and to fully satisfy the requirements of the duties I will be undertaking,
- That I have not served as a member on the Company's board of directors for more than six years within the most recent ten years,
- That I am not serving as an independent board member in more than three of the companies in which the Company, or shareholders having management control over the Company, have management control, or in more than five companies, in the aggregate, traded on the stock exchange,
- That I have not been registered and promulgated in the name of a legal entity elected as a member of the Board of Directors.

Sincerely,

Abdullah Akyüz

TO: IS INVESTMENT BOARD OF DIRECTORS

Owing to my candidacy for a seat as an independent board member at IS Investment ("the Company"), I hereby declare:

- That neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, collectively or individually held more than 5% of the capital or voting rights or privileged shares in, or established any commercial interest of a significant nature, with the Company, or with any companies in which the Company has management control or material influence, and with any shareholders having management control or material influence over the Company, or with any corporate entity which are controlled by these shareholders;
- That within the most recent five years, I have neither been a shareholder controlling 5% or higher share, or an employee in an executive position involving major duties and responsibilities nor a board member in any company from/to which the Company purchases/sells significant amount of services or products under the agreements made during such time when services or products were purchased or sold, and particularly in companies involved in the Company's auditing, rating, or consulting functions,
- That I possess the professional training, knowledge, and experience necessary to duly fulfill the duties I shall undertake as an independent member of the board of directors,
- That, if elected, I shall not work on full-time basis at any public institution or organization during my term of office, apart from serving as a faculty member,
- That I am a resident of Turkey for the purposes of the Income Tax Law;
- That I possess the ethical standards and professional repute and experience sufficient to enable me to make a positive contribution to the Company's affairs, to maintain my impartiality in any disputes that may arise between the Company and its shareholders, and to come to decisions freely on the basis of all stakeholders' rights,
- That I will be able to devote to the Company's affairs an amount of my time sufficient to keep track of the conduct of the Company's activities and to fully satisfy the requirements of the duties I will be undertaking,
- That I have not served as a member on the Company's board of directors for more than six years within the most recent ten years,
- That I am not serving as an independent board member in more than three of the companies in which the Company, or shareholders having management control over the Company, have management control, or in more than five companies, in the aggregate, traded on the stock exchange,
- That I have not been registered and promulgated in the name of a legal entity elected as a member of the Board of Directors.

Sincerely,

Behzat Yıldırımer

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

MANAGEMENT

Name	Position	Profession	Positions Held in the Company in the Past 5 Years	Latest External Positions Held
Ali Erdal Aral	General Manager	Finance Professional	-	- CJSC İşbank – Member of the Board of Directors, - Efes Varlık Yönetim A.Ş. – Chairman of the Board of Directors, - Camiş Menkul Değerler A.Ş. - Chairman of the Board of Directors, - İş Portföy Yönetimi A.Ş. – Deputy Chairman of the Board of Directors, - Is Investments Gulf Ltd. Chairman of the Board of Directors,
Murat Kural	Assistant General Manager	Finance Professional	Assistant General Manager	-
Ufuk Ümit Onbaşı	Assistant General Manager	Finance Professional	Assistant General Manager	İş B Tipi Yatırım Ortaklığı A.Ş. – Deputy Chairman of the Board of Directors, - Camiş Menkul Değerler A.Ş. Member of the Board of Directors - TSPAKB (Association of the Capital Market Intermediary Institutions of Turkey) – Member of the Discipline Committee - ELİDAŞ – Member of the Board of Directors
Mert Erdoğmuş	Assistant General Manager	Finance Professional	Assistant General Manager	- Camiş Menkul Değerler A.Ş. – Member of the Board of Directors,
Funda Çağlan Mursaloğlu	Assistant General Manager	Finance Professional	Assistant General Manager	-
Melih Murat Ertem	Assistant General Manager	Electrical and Electronics Engineer	-	-
Zeynep Yeşim Karayel	Assistant General Manager	Finance Professional	Manager	-

MANAGEMENT

ALİ ERDAL ARAL
GENERAL MANAGER

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

MURAT KURAL
ASSISTANT GENERAL MANAGER

Murat Kural got his bachelor's degree in electronics and communication engineering from İstanbul Technical University in 1987 and his master's degree from the Institute of Business Administration at Bilkent University in 1989. He started working at the Prime Ministry Privatization Administration in 1990 and held his post until 1997 when he became the President of Treasury. The same year he transferred to the World Bank in the capacity of an advisor. In 1999, he joined IS Investment family as the Corporate Finance Manager, undersigning many public offering and privatization projects. Since 2002, he has been serving as Assistant General Manager in charge of Public Offerings and M&A, and of coordination with IS Investment Gulf Ltd., our Dubai-based subsidiary. Speaking English and French, Mr. Kural is married and has two children.

UFUK ÜMİT ONBAŞI
ASSISTANT GENERAL MANAGER

Ufuk Ümit Onbaşı received his degree in economics (English) from the Faculty of Economics at İstanbul University in 1991. The same year, he started working in the Securities Department at İşbank. He continued his career path in the banking industry. Based on his expertise in treasury, he joined IS Investment as Domestic Markets Manager in 2000. In this position he still holds, he is responsible for Domestic Capital Markets, International Capital Markets, Quantitative Strategies and Arbitrage, Stock Market and Intermediation Agency Services, Asset Management and coordination with the Kazakhstan Liaison Office. Speaking English, Mr. Onbaşı is married and has two children.

MERT ERDOĞMUŞ
ASSISTANT GENERAL MANAGER

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

FUNDA ÇAĞLAN MURSALOĞLU
ASSISTANT GENERAL MANAGER

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

MELİH MURAT ERTEM
ASSISTANT GENERAL MANAGER

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

ZEYNEP YEŞİM KARAYEL
ASSISTANT GENERAL MANAGER

Zeynep Yeşim Karayel got her degree in economics from İstanbul University in 1984. She began her professional life the same year in the Intelligence Department at İşbank, where she was appointed to the Securities Department as an assistant specialist in 1993. She was brought to the position of section head in the Corporate Finance Department of IS Investment in 1997. She was promoted to the position of assistant manager in 1999 and manager in 2002. In the meantime, she was in charge of numerous privatization advisory initiatives and public offering projects. In March 2013, she was appointed as Assistant General Manager responsible for Back Office Services, Financial Reporting, Accounting and Finance, Human Resources, Compliance, Tax Panning and Board Reporting. Speaking English, Ms. Karayel is married and has two children.

ORGANIZATIONAL CHART

BOARD OF DIRECTORS

- **AUDIT COMMITTEE**
  Behzat Yıldırımer
  Abdullah Akyüz
- **CORPORATE GOVERNANCE COMMITTEE**
  Behzat Yıldırımer
  Volkan Kublay
  Ozan Altan
- **RISK COMMITTEE**
  Behzat Yıldırımer
  Volkan Kublay

GENERAL MANAGER
A. Erdal Aral

- **ASSISTANT GENERAL MANAGER**
  Murat Kural
  - CORPORATE FINANCE/EQUITY INSTRUMENTS
  - CORPORATE FINANCE/CAPITAL MARKETS
  - MERGERS AND ACQUISITIONS
  - TECHNOLOGY, MEDIA, TELECOMMUNICATION, FINANCIAL INSTITUTIONS AND REAL ESTATE SECTOR
  - ENERGY, CONSTRUCTION AND MINING SECTOR
  - CONSUMER GOODS SECTOR
  - HEALTHCARE, TOURISM, TRANSPORTATION AND SERVICES SECTOR
  - BASIC INDUSTRIES
  - COORDINATION WITH DUBAI
- **ASSISTANT GENERAL MANAGER**
  Ufuk Ümit Onbaşı
  - STOCK MARKET AND INTERMEDIATION AGENCY SERVICES
  - INTERNATIONAL CAPITAL MARKETS/EQUITIES AND DERIVATIVES
  - INTERNATIONAL CAPITAL MARKET/ FIXED INCOME AND CURRENCIES (FIC)
  - TREASURY AND FIS
  - DOMESTIC EQUITIES
  - ASSET MANAGEMENT
  - QUANTITATIVE STRATEGIES AND ARBITRAGE
  - COORDINATION WITH KAZAKHSTAN
- **ASSISTANT GENERAL MANAGER**
  Mert Erdoğmuş
  - INVESTMENT ADVISORY
  - MARKETING
  - CORPORATE COMMUNICATIONS
  - ADANA BRANCH
  - AKARETLER BRANCH
  - ANKARA BRANCH
  - BURSA BRANCH
  - İZMİR BRANCH
  - KALAMIŞ BRANCH
  - LEVENT BRANCH
  - MASLAK BRANCH
  - YENİKÖY BRANCH
  - YEŞİLKÖY BRANCH
  - SUADİYE LIAISON OFFICE
  - COORDINATION WITH MAXIS

CHAIRMAN
İlhami Koç

VICE CHAIRMAN
Feray Demir

MEMBERS
Işıl Dadaylı
Özgür Temel
Volkan Kublay
Tolga Achim Müller
Abdullah Akyüz (Independent)
Behzat Yıldırımer (Independent)

RISK MANAGEMENT

BOARD OF INTERNAL AUDITORS

ASSISTANT GENERAL MANAGER
Funda Çağlan Mursaloğlu

- FOREIGN INSTITUTIONAL SALES
- INTERNATIONAL SALES/ FIXED INCOME AND STRUCTURED PRODUCTS SALES AND TRADING
- RESEARCH
- INVESTOR RELATIONS

ASSISTANT GENERAL MANAGER
Melih Murat Ertem

- INFORMATION TECHNOLOGIES
- SOFTWARE DEVELOPMENT
- PROJECT MANAGEMENT

ASSISTANT GENERAL MANAGER
Zeynep Yeşim Karayel

- BACK OFFICE SERVICES
- COMPLIANCE
- LEGAL CONSULTANCY
- FINANCIAL AND ADMINISTRATIVE AFFAIRS
- FINANCIAL REPORTING
- HUMAN RESOURCES
- TAX
- REPORTING
- RAPPORTEUR (BOARD OF DIRECTORS)

QUALIFICATIONS OF BOARD MEMBERS

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

THE COMPANY'S VISION, MISSION AND CORPORATE VALUES AND STRATEGIC GOALS

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

VISION, MISSION AND CORPORATE VALUES AND STRATEGIC OBJECTIVES OF THE COMPANY

Vision, Mission and Corporate Values of IS Investment has been approved by Board of Directors and disclosed to public on our web site.

Vision;
To be Turkey's and the region's most preferred, leader and reliable investment institution.

Mission;
- To provide all kinds of investment banking service under one roof
- To produce qualified information, to establish information-based strategies and to create value
- To be innovative in product and service development
- To lead the development of capital markets
- To follow technological developments and to apply thereof to activities
- To ensure customer satisfaction
- To increase the value created for shareholders

Corporate Values;
Customer Orientation: To be close to our customers, to be able to make risk-return analysis correctly in compliance with their expectations, to be able to provide service at the necessary and desired quality with the aim of increasing the assets of our companies in line with this analysis.

Market Centeredness: To be able to create the highest possible added value for our corporation and investors in line with the developments taking place by instantly monitoring domestic and foreign capital markets.

Dynamism and Innovation: To constantly seek the better and the newer with an infinite energy for the continuous development of our products, services and values by staying loyal to our corporate policies and in the most appropriate way for market conditions with its human resource which is competent and expert in its field.

Confidentiality: To observe confidentiality principles within the scope of laws, our corporate policies and ethical values in subjects which qualify as inside information that might affect our share values and the identities and transactions of our customers.

Reputation: To continue to be the representative of the feelings of trust and success created by the brand "İş", which we proudly represent in capital markets.

Valuing Employees: To ensure the continuous training and development of our expert personnel that we have incorporated in compliance with our values with corporate social responsibility understanding; to apply a human resources policy within a comfortable, safe and certain career plan by providing equal rights to those who are under equal circumstances without discriminating on the basis of religion, language, race and sex.

Team Work: To bring productivity to the highest levels by creating a synergy that combines the division of labor and cooperation, efficient sharing and solidarity.

Abiding by Laws, Corporate Governance Principles and Ethical Values: To be able to realize the best international application in terms of compliance with corporate governance principles with an effective risk management and internal control mechanism, a transparent governance to make the success in our financial performance and market sustainable in compliance with the laws and our ethical values.

Perfectionism: Being aware that anyone can be better by trying to be perfect all the time.

Objectivity and Impartiality: To ensure that our comments on the market are realized with an objective understanding by carrying out relations with the customer without allowing to any conflict of interest while fulfilling capital market activities, and informing our shareholders correctly, fully and timely.

Social Responsibility: While trying to fulfill our aims of growth and obtaining profit, to exert maximum effort so that mainly our employees, the environment and other internal and external factors provide maximum benefit.

RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

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

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

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

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

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

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

OPINION OF THE INDEPENDENT AUDITOR ON IS INVESTMENT'S INTERNAL CONTROL SYSTEM

To the Board of Directors of
IS Investment,

We have examined IS Investment's ("the Company") internal control system for the fiscal year ended 31 December 2013 within the framework of the minimum requirements stipulated in Articles 10, 11 and 11/A of the Capital Markets Board's Communiqué Serial: V No. 68 on Principles regarding the Internal Auditing Systems of Brokerage Houses" ("the Communiqué").

In our opinion, the internal control system of IS Investment meets the minimum requirements that are stipulated in Articles 10, 11 and 11/A of the Communiqué.

This opinion has exclusively been rendered for the information and use of the Capital Markets Board and the Board of Directors of the Company and may not be used for any other purpose.

İstanbul, 06 February 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Orhan Akova, CPA
Responsible Partner, Chief Auditor

OPINION OF THE AUDIT COMMITTEE ON THE INTERNAL CONTROL SYSTEM

Re.: Financial statements dated 31 December 2013.

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

2. We have reviewed the financial reports for the period 1 January 2013-31 December 2013, and in view of the fact that no negative opinions have been communicated by the responsible managers of the Company or by the independent auditor with regard to the Company's accounting principles or the factuality and accuracy of these reports to be publicly disclosed, it has been decided to present the Company's financial statements for perusal by the Board of Directors.

Abdullah Akyüz Member	Behzat Yıldırımer Chairman

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

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

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

OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS

At IS Investment, the Board of Directors meets at least on a monthly basis, and may convene at more frequent intervals as and when necessary. The meeting agenda is determined upon proposal by the General Manager and approval by the Chairman of the Board. The meeting invitation is issued by the Chairman or the Vice Chairman of the Board of Directors. The Board of Directors met 12 times in 2013.

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

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

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

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

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

PROHIBITION OF DOING BUSINESS AND COMPETING WITH THE COMPANY

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

NUMBER, STRUCTURES AND INDEPENDENCE OF BOARD OF DIRECTORS COMMITTEES

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

Audit Committee, Corporate Governance Committee and Risk Committee function at IS Investment. All members of the Audit Committee and the heads of the Corporate Governance and Risk Committees are independent members. The duties of the Nomination and Remuneration Committees have been charged to the Corporate Governance Committee. There are no executive Board members within the members of the committees.

AUDIT COMMITTEE

Behzat Yıldırımer - Chair
Abdullah Akyüz - Member

The Audit Committee meets at least four times a year on a quarterly basis. The Committee met 15 times in 2013. Taking into consideration that the responsible managers of the Company and the independent auditor did not express a negative opinion about the compliance of the 2013 financial statements with the Company's accounting principles or about their factuality and accuracy, the Committee decided to present the Company's financial statements for perusal by the Board of Directors.

CORPORATE GOVERNANCE COMMITTEE

Behzat Yıldırımer - Chair
Volkan Kublay - Member
Ozan Altan (*) - Member

The Corporate Governance Committee has also assumed the responsibilities of the Nomination and Remuneration Committees. The Committee meets at least twice a year, at mid-year and year-end. The Committee met three times in 2013.

(*) Assigned based on the Board of Directors decision of 05 March 2014.

RISK COMMITTEE

Behzat Yıldırımer - Chair
Volkan Kublay - Member

The Risk Committee meets at least bimonthly. The conclusions reached by the Committee are recorded in an official report and presented to the Board of Directors. The Committee met 12 times in 2013.

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

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

Committees set up under the Board of Directors, committee members, their fields of duty and meeting frequencies are publicly disclosed on the corporate website at the address www.isyatirim.com.tr.

The Articles of Association set out that the decision-making process regarding material transactions defined in the CMB Corporate Governance Principles and other matters concerned with related parties shall be handled in accordance with the CMB's corporate governance requirements.

STRATEGIC GOALS OF THE COMPANY

Strategic goals devised by the Executive Committee in relation to IS Investment's activities are presented in a report to the Board of Directors. This report covers information and forecasts about national and international markets, as well as macroeconomic assessments. Strategic goals determined within the framework of such information and forecasts are approved by the Board of Directors upon necessary assessments thereby following discussion of the prior period performance. Accordingly, the Board of Directors concluded that the Company attained its operational and financial performance targets for 2013.

FINANCIAL RIGHTS PROVIDED TO THE BOARD OF DIRECTORS

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

Based on the decisions passed at the Company's Ordinary General Meeting held on 30 April 2013, it has been determined to pay a monthly gross salary of TL 6,600.- to the members of the Board of Directors. The minutes of the Ordinary General Meeting has been publicly disclosed in the form of a material event statement and also posted on the corporate website. A performance-based rewarding system is implemented for the determination of Board members' financial rights. Total benefits provided to the Board members and senior executives amounted to TL 4.7 million during 2013.

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

AFFILIATED COMPANY REPORT AND RELATED PARTY TRANSACTIONS

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

AFFILIATED COMPANY REPORT - CONCLUSION

Commercial transactions our Company realized with the controlling company İşbank, our principal shareholder, and group companies affiliated to İşbank in the fiscal year covering the period 1 January – 31 December 2013, which are detailed herein, were required by the Company's activity and were carried out on an arm's length basis. The controlling company led neither any decisions to the detriment of the controlling company or a subsidiary thereof or our Company, nor any transactions that will cause loss to the same.

Board of Directors
IS Investment

INDEPENDENT AUDITORS' REPORT RELATED TO ANNUAL REPORT

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

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

1. As a part of our independent audit procedures, we have evaluated whether the consolidated financial information, discussions and explanations of the Board of Directors included in İş Yatırım Menkul Değerler A.Ş. ("the Company")'s Annual Report as of 31 December 2013 are consistent with the audited consolidated financial statements as of the same date.

2. Management is responsible for the preparation of such annual report in accordance with the "Legislation on Determination of Minimum Content Requirements For Companies' Annual Reports" and "Communique on Financial Reporting by Companies in Capital Markets".

3. Our responsibility, as independent auditors' of the Company, is to express an opinion on whether the consolidated financial information included in the Annual Report is consistent with the audited consolidated financial statements in the Independent Auditors' report dated 6 February 2014.

Our evaluation is based on the principles for the preparation and publication of annual reports as promulgated by "Turkish Commercial Code numbered 6102". These principles require us to plan and perform procedures to obtain reasonable assurance on whether there is a material misstatement on the consistency of the financial information included in the Annual Report with the audited financial statements and any supporting information obtained by independent auditor during the audit. We believe that our evaluations are sufficient and appropriate to provide a basis for our opinion.

4. In our opinion, the consolidated financial information, discussions and explanations by the Board of Directors included in the accompanying Annual Report are consistent with the audited consolidated financial statements of İş Yatırım Menkul Değerler A.Ş. as of 31 December 2013.

İstanbul, 6 February 2014

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

Orhan Akova, Certified Public Accountant
Partner

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013 WITH INDEPENDENT AUDITORS' REPORT THEREON

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

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İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

INDEPENDENT AUDITORS' REPORT

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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To the Board of Directors of İş Yatırım Menkul Değerler Anonim Şirketi,

Introduction

We have audited the accompanying consolidated statement of financial position of İş Yatırım Menkul Değerler Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as the "the Group") as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Group Management's Responsibility for the Consolidated Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement and provide a true and fair view of the Group.

An audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Group's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Group and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group's management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly the consolidated financial position of İş Yatırım Menkul Değerler Anonim Şirketi and its subsidiaries as at 31 December 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

Reports on independent auditor's responsibilities arising from other regulatory requirements

In accordance with Article 402 of the Turkish Commercial Code ("TCC") no: 6102; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period between 1 January - 31 December 2013 are not in compliance with the TCC and provisions of the Company's articles of association in relation to financial reporting.

Pursuant to Article 378 of the TCC, the Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the reporting date, the POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the Group formed the mentioned committee on 21 November 2012 and it is comprised of two members. The committee has met 13 times since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant reports to the Board of Directors.

İstanbul, 6 February 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Orhan Akova, Certified Public Accountant
Partner

Additional paragraph for convenience translation to English:

As explained in Note 2.1, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

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

	Notes	Audited-Current Period 31 December 2013	Restated [1] Audited- Prior Period 31 December 2012
ASSETS			
Current Assets			
Cash and Cash Equivalents	8	2.665.569.706	2.218.493.526
Financial Investments	9	588.185.784	658.591.480
Trade Receivables	12	1.296.016.196	1.004.412.341
- Due From Related Parties	7	*6.898.132*	*6.754.701*
- Other Trade Receivables		*1.289.118.064*	*997.657.640*
Other Receivables	13	152.616.496	76.687.121
- Due From Related Parties	7	*52.831*	*9.864*
- Other Receivables		*152.563.665*	*76.677.257*
Derivative Instruments	39	4.392.989	3.007.644
Inventories	15	54.281.259	41.242.332
Prepaid Expenses		4.664.209	2.155.873
Current Tax Assets		1.803.795	7.087.215
Other Current Assets	26	14.413.202	5.926.151
SUBTOTAL		***4.781.943.636***	***4.017.603.683***
Assets Held For Sale	33	2.693.295	76.804
TOTAL CURRENT ASSETS		**4.784.636.931**	**4.017.680.487**
Non-Current Assets			
Financial Investments	9	25.866.532	23.310.363
Other Receivables	13	4.919.435	5.651.154
- Due From Related Parties	7	*150*	-
- Other Receivables		*4.919.285*	*5.651.154*
Investments in Equity Accounted Investees	18	-	23.565.589
Tangible Assets	20	29.179.169	20.335.162
Intangible Assets		66.229.231	72.458.559
- Goodwill	19	*38.673.879*	*41.323.879*
- Other Intangible Assets	21	*27.555.352*	*31.134.680*
Prepaid Expenses		1.398.265	263.452
Deferred Tax Assets	35	23.136.004	3.171.493
TOTAL NON-CURRENT ASSETS		**150.728.636**	**148.755.772**
TOTAL ASSETS		**4.935.365.567**	**4.166.436.259**

[1] Please refer to Note 2 for details.

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

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

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

	Notes	Audited-Current Period 31 December 2013	Restated [1] Audited - Prior Period 31 December 2012
LIABILITIES			
Short-Term Liabilities			
Short Term Borrowings	10	2.753.832.681	2.319.585.901
Short Term Portion of Long Term Borrowings	10	29.663.046	6.341.027
Other Financial Liabilities	11	1.694.800	52.774.084
Trade Payables	12	979.350.342	829.259.161
- Due to Related Parties	7	*1.239.004*	*886.265*
- Other Trade Payables		*978.111.338*	*828.372.896*
Payables Relating to Employee Benefits		3.457.935	2.354.515
Other Payables	13	5.970.181	6.645.180
- Due to Related Parties	7	*186.401*	*226.876*
- Other Payables		*5.783.780*	*6.418.304*
Derivative Instruments	39	105.403.244	3.754.156
Current Tax Liabilities	35	9.801.649	1.069.612
Short Term Provisions		11.863.709	12.929.496
- Employee Benefits	25	*11.060.011*	*10.933.054*
- Other Short Term Provisions	23	*803.698*	*1.996.442*
Other Current Liabilities	26	6.803.328	5.815.345
TOTAL CURRENT LIABILITIES		**3.907.840.915**	**3.240.528.477**
Long-Term Liabilities			
Long Term Borrowings	10	95.013.234	58.250.673
Trade Payables	9	1.648.650	2.798.531
- Due to Related Parties	7	*500.000*	*1.000.009*
- Other Trade Payables		*1.148.650*	*1.798.522*
Other Payables	13	-	16.299
- Other payables		-	*16.299*
Long Term Provisions		6.849.983	4.894.497
- Employee Benefits	25	*6.849.983*	*4.894.497*
Deferred Tax Liabilities	35	6.506.351	6.203.784
Other Long Term Liabilities	26	83.472	122.038
TOTAL NON-CURRENT LIABILITIES		**110.101.690**	**72.285.822**
EQUITY			
Total Equity Attributable to Equity Holders of the Company		**518.469.654**	**459.987.244**
Paid In Capital	27	310.500.000	286.000.000
Treasury Shares (-)		-	(3.677.432)
Share Premium		1.302.324	1.302.324
Other Comprehensive Income and Expenses to be Reclassified to Profit or Loss		7.899.606	5.430.224
- Currency Translation Differences	27	*3.246.166*	*369.619*
- Fair Value Reserve	27	*4.653.440*	*5.060.605*
Other Reserves	27	1.753.763	815.813
Restricted Reserves	27	31.777.604	25.647.936
Prior Year's Profit/Loss	27	94.423.077	75.729.928
Profit For The Year		70.813.280	68.738.451
Non-Controlling Interest	27	**398.953.308**	**393.634.716**
TOTAL EQUITY		**917.422.962**	**853.621.960**
TOTAL LIABILITIES		**4.935.365.567**	**4.166.436.259**

[1] Please refer to Note 2 for details.

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

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Notes	Audited - Current Period 1 January - 31 December 2013	Restated [1] Audited - Prior Period 1 January - 31 December 2012
STATEMENTS OF PROFIT OR LOSS			
Revenue		**68.468.729.808**	**36.175.691.397**
Sales Revenue	28	68.253.891.720	35.998.136.351
Interest and Derivative Income from Operating Activities, Net	28	60.838.984	47.828.561
Service Income, net	28	126.806.343	102.688.205
Other Operating Income, net	28	27.192.761	27.038.280
Cost of Sales (-)	28	**(68.124.074.185)**	**(35.863.762.970)**
GROSS PROFIT		**344.655.623**	**311.928.427**
Administrative Expenses (-)	29	(189.263.637)	(157.844.824)
Marketing Expenses (-)	29	(54.235.282)	(32.599.690)
Research and Development Expenses (-)	29	(3.678.774)	(3.083.465)
Other Operating Income	30	5.697.207	10.106.624
Other Operating Expenses (-)	30	(10.023.911)	(4.764.756)
OPERATING PROFIT/LOSS		**93.151.226**	**123.742.316**
Share of Profit/Loss of Equity Accounted Investees, Net of Income Tax	18	4.300.659	5.357.953
FINANCE COSTS BEFORE OPERATING PROFIT/LOSS		**97.451.885**	**129.100.269**
Finance Income	31	76.359.656	53.703.059
Finance Costs (-)	32	(36.656.758)	(33.185.621)
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS		**137.154.783**	**149.617.707**
Income Tax From Continuing Operations	35	**(11.842.480)**	**(16.456.351)**
- Current Tax Expense		*(31.943.377)*	*(18.024.985)*
- Deferred Tax Income		*20.100.897*	*1.568.634*
PROFIT FROM CONTINUING OPERATIONS		**125.312.303**	**133.161.356**
PROFIT FROM DISCONTINUED OPERATIONS		**-**	**4.202.485**
PROFIT FOR THE YEAR		**125.312.303**	**137.363.841**
Profit Attributable to:			
Non-Controlling Interests		54.499.023	68.625.390
Owners of the Company		70.813.280	68.738.451
		125.312.303	**137.363.841**
Earnings Per Share			
Earnings Per Share From Continuing Operations	36	0,2281	0,2201
Earnings Per Share From Discontinued Operations	36	-	0,0013
Diluted Earnings Per Share			
Diluted Earnings Per Share From Continuing Operations	36	0,2281	0,2201
Diluted Earnings Per Share From Discontinued Operations	36	-	0,0013

[1] Please refer to Note 2 for details.

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

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Notes	Audited - Current Period 1 January - 31 December 2013	Restated (1) Audited- Prior Period 1 January - 31 December 2012
PROFIT FOR THE YEAR		**125.312.303**	**137.363.841**
OTHER COMPREHENSIVE INCOME:			
Items Not to be Reclassified to Profit or Loss		**674.951**	-
Defined Benefit Plan Re-Measurement Gains	34	843.689	-
Tax Income/(Expense) Not to be Reclassified in Profit or Loss		(168.738)	-
Deferred Tax Expense/Income	34	*(168.738)*	-
Items to be Reclassified to Profit or Loss		**1.492.256**	**5.452.484**
Fair Value Gains/Losses on Available for Sale Financial Assets	34	(428.595)	4.736.528
Cash Flow Hedging Reserve	34	-	120.104
Change in Currency Translation Reserve	34	1.899.421	832.677
Tax Income/(Expense) to be Reclassified in Profit or Loss	34	21.430	(236.825)
OTHER COMPREHENSIVE INCOME		**2.167.207**	**5.452.484**
TOTAL COMPREHENSIVE INCOME		**127.479.510**	**142.816.325**
Total Comprehensive Income Attributable to:			
Non-Controlling Interests		53.716.382	69.753.911
Owners of the Company		73.763.128	73.062.414
		127.479.510	**142.816.325**

(1) Please refer to Note 2 for details.

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

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

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

				Other Comprehensive Income to be reclassified to be profit or loss		
	Paid in Capital	Treasury Shares (-)	Share Premium	Currency Translation Differences	Fair Value Reserve	Cash Flow Hedges
Balance at 1 January 2012	**260.000.000**	**(4.890.131)**	**1.302.324**	**200.325**	**941.499**	**(35.563)**
Transfers to Reserves	-	-	-	-	-	-
Total Comprehensive Income	-	-	-	169.294	4.119.106	35.563
Share Premium (-)	-	1.212.699	-	-	-	-
Capital Increase (Note 27)	26.000.000	-	-	-	-	-
Change in Non-Controlling Interest	-	-	-	-	-	-
Business Combinations	-	-	-	-	-	-
Dividends (Note 27)	-	-	-	-	-	-
Balance at 31 December 2012	**286.000.000**	**(3.677.432)**	**1.302.324**	**369.619**	**5.060.605**	**-**

				Other Comprehensive Income to be reclassified to be profit or loss		
	Paid in Capital	Treasury Shares (-)	Share Premium	Currency Translation Differences	Fair Value Reserve	Cash Flow Hedges
Balance at 1 January 2013	**286.000.000**	**(3.677.432)**	**1.302.324**	**369.619**	**5.060.605**	**-**
Adjustments in accordance with TAS 8	-	-	-	-	-	-
Restated balance at 1 January 2013 (*)	**286.000.000**	**(3.677.432)**	**1.302.324**	**369.619**	**5.060.605**	-
Transfers to reserves	-	-	-	-	-	-
Total comprehensive income	-	-	-	2.876.547	(407.165)	-
Share Premium (-)	-	3.677.432	-	-	-	-
Capital increase (Note 27)	24.500.000	-	-	-	-	-
Transactions with non controlling interest	-	-	-	-	-	-
Dividends (Note 27)	-	-	-	-	-	-
Balance at 31 December 2013	**310.500.000**	**-**	**1.302.324**	**3.246.166**	**4.653.440**	-

(1) Please refer to Note 2 for details.

		Retained Earnings				
Other Reserves	Restricted Reserves	Prior Year's Profit/Loss	Net Profit/Loss For The Year	Shareholders' Equity	Non-Controlling Interest	Equity
72.431	**21.185.401**	**68.737.637**	**52.403.229**	**399.917.152**	**287.604.088**	**687.521.240**
-	4.462.535	47.940.694	(52.403.229)	-	-	-
-	-	-	68.738.451	**73.062.414**	69.753.911	**142.816.325**
-	-	-	-	**1.212.699**	-	**1.212.699**
-	-	(26.000.000)	-	-	-	-
-	-	-	-	-	38.649.815	**38.649.815**
5.706.083	-	-	-	**5.706.083**	33.949.205	**39.655.288**
-	-	(14.948.403)	-	**(14.948.403)**	(24.176.244)	**(39.124.647)**
5.778.514	**25.647.936**	**75.729.928**	**68.738.451**	**464.949.945**	**405.780.775**	**870.730.720**

		Retained Earnings				
Other Reserves	Restricted Reserves	Prior Year's Profit/Loss	Net Profit/Loss For The Year	Shareholders' Equity	Non-Controlling Interest	Equity
5.778.514	**25.647.936**	**75.729.928**	**68.738.451**	**464.949.945**	**405.780.775**	**870.730.720**
(4.962.701)	-	-	-	**(4.962.701)**	(12.146.059)	**(17.108.760)**
815.813	**25.647.936**	**75.729.928**	**68.738.451**	**459.987.244**	**393.634.716**	**853.621.960**
-	6,129,668	62.608.783	(68.738.451)	-	-	-
-	-	480.466	70.813.280	**73.763.128**	53.716.382	**127.479.510**
-	-	-	-	**3.677.432**	-	**3.677.432**
-	-	(24.500.000)	-	-		-
937.950	-	-	-	**937.950**	(2.219.217)	**(1.281.267)**
-	-	(19.896.100)	-	**(19.896.100)**	(46.178.573)	**(66.074.673)**
1.753.763	**31.777.604**	**94.423.077**	**70.813.280**	**518.469.654**	**398.953.308**	**917.422.962**

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

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Notes	Audited-Current Period 1 January - 31 December 2013	Restated [1] Audited- Prior Period 1 January - 31 December 2012
A. CASH FLOWS FROM OPERATING ACTIVITIES		**85.971.396**	**28.845.392**
Net profit for the year		**125.312.303**	**137.363.841**
Adjustments to reconcile net profit/(loss) to net cash provided by operating activities			
Depreciation and amortization	20-21	12.864.376	5.467.946
Adjustments related to goodwill impairment	19	2.650.000	1.375.909
Adjustments for impairments for inventories		(678.557)	615.186
Changes in provisions		3.320.115	7.806.087
Interest income and expenses		22.562.675	(3.278.932)
Adjustments related to share-based payments		(8.375.030)	(4.086.795)
Adjustments related to fair value losses/gains		154.563.861	(9.345.869)
Changes in tax loss/income	35	11.842.480	16.194.995
Gain/losses from sales of tangible assets	20-21	1.076.633	(461.700)
Adjustments related to the sale of financial investments		-	(25.165.701)
Adjustments related to the sale of discontinued operations	33	-	(4.200.013)
Profit for business combination		-	(6.516.626)
Adjustments related to investments accounted for using the equity method	18	23.565.589	(5.357.953)
Other adjustments related to profit/loss reconciliation		5.159.398	4.211.405
Changes in net working capital			
Increases/decreases in inventories		(12.360.370)	88.765
Increases/decreases in trade receivables		(291.889.159)	(301.791.729)
Increases/decreases in other receivables		(84.660.927)	(36.189.437)
Increases/decreases in trade payables		148.941.300	286.837.238
Increases/decreases in other payables		(2.945.792)	(17.296.470)
Cash flows from operating activities			
Current tax paid		(22.772.387)	(16.955.373)
Employment termination benefits paid		(2.205.112)	(469.382)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(102.900.807)**	**(143.918.345)**
Increases/decreases in financial investments		(84.829.412)	(146.794.525)
Proceeds from acquisition of subsidiaries		(7.409.920)	(48.945.603)
Cash from sales of participation		-	53.923.995
Cash inflow from sales of tangible assets		-	1.189.138
Cash outflow from purchases of tangible assets	20	(16.135.631)	(5.924.288)
Dividend income	31	8.375.030	4.086.795
Cash outflow from purchases of intangible assets	21	(2.900.874)	(976.180)
Net cash of use for discontinued operations		-	(477.677)
C. CASH FLOWS FROM FINANCING ACTIVITIES		**234.694.798**	**555.103.697**
Proceeds from financial liabilities		159.998.934.132	104.727.449.162
Repayments of financial liabilities		(159.434.355.782)	(104.229.250.547)
Dividends paid		(66.074.673)	(39.124.647)
Change in time deposits with original maturities longer than three months		(232.917.949)	-
Change in other financial liabilities		50.569.802	-
Financing cash outflows relating to pay bills	10	(87.108.603)	-
Change in non-controlling interest		5.346.012	78.305.103
Other cash inflow/outflow		301.859	17.724.626
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		**217.765.387**	**440.030.744**
D. EFFECTS OF UNREALIZED EXCHANGE LOSS/(GAIN) ON CASH AND CASH EQUIVALENTS		**2.093.906**	**832.676**
NET (INCREASE)/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**219.859.293**	**440.863.420**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	8	**2.208.998.732**	**1.768.135.312**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (A+B+C+D+E)	8	**2.428.858.025**	**2.208.998.732**

[1] Please refer to Note 2 for details.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

The Company is located in Turkey and the head quarter of the Company operates in below address. The contact information of the Company's head quarter and web site is stated below:

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

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

The Company has 402 employees in the current period. (31 December 2012: 436).

As at 31 December 2013, the details of the Company's subsidiaries and associates included in consolidation are as follows:

Subsidiaries:

Company	Place of incorporation	Business Activity
Camiş Menkul Değerler A.Ş.	Istanbul	Securities brokerage
Efes Varlık Yönetim A.Ş.	Istanbul	Asset management
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Istanbul	Private equity
İş Portföy Yönetimi A.Ş.	Istanbul	Portfolio management
İş B Tipi Yatırım Ortaklığı A.Ş. (Previous Title İş Yatırım Ortaklığı A.Ş.)	Istanbul	Investment trust
Is Investments Gulf Ltd.	Dubai	Securities brokerage
Maxis Investments (Securities) Ltd.	London	Securities brokerage
Nevotek Bilişim Ses ve İletişim Sistemleri Sanayi ve Ticaret A.Ş.	Istanbul	IT consultancy, audio technologies and telecommunication systems
Nevotek Intercorporation	USA	Audio technologies and telecommunication systems
Nevotek Middle East LLC	UAE	Audio technologies and telecommunication systems
Convera Systems FZ LLC	UAE	Sale services of software
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. ("Ortropo")	Istanbul	Manufacturing and trading of medical equipments
Covision Medical Technologies Ltd.	London	Manufacturing and trading of medical equipments
Toksöz Spor Malzemeleri Ticaret A.Ş. ("Toksöz Spor")	Istanbul	Trading of sport products
Numnum Yiyecek ve İçecek A.Ş. ("Numnum")	Istanbul	Restaurant operations

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

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

<u>Camiş Menkul Değerler A.Ş:</u>

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.

<u>Efes Varlık Yönetim A.Ş:</u>

The subsidiary has been established on 8 February 2011. The purpose of the subsidiary is to buy and sell receivables and other assets of other financial institutions, participation banks and deposit banks.

<u>İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. ("İş Girişim Sermayesi"):</u>

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

Nevotek Bilişim Ses ve İletişim Sistemleri San. Tic. A.Ş, Nevotek Middle East FZ LLC, Nevotek Intercorporation, Convera Systems FZ LLC, Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş., Covision Medical Technologies Ltd., Toksöz Spor Malzemeleri Ticaret A.Ş., Numnum Yiyecek ve İçecek A.Ş which are subsidiaries of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş are operating in information technology, communication systems, medical products, sport products and restaurant operations.

<u>İş Portföy Yönetimi A.Ş:</u>

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.

<u>İş B Tipi Yatırım Ortaklığı A.Ş (Previous Title İş Yatırım Ortaklığı A.Ş.):</u>

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

<u>Is Investments Gulf Ltd:</u>

This subsidiary is established in Dubai in the United Arab Emirates to perform brokerage operations in the capital markets of the Gulf Area.

<u>Maxis Investment (Previous Title Maxis Securities Ltd):</u>

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

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

Associates and jointly controlled entities:

Associates are entities on which the Group has significant influence apart from subsidiaries. Significant influence is the participation power to govern the financial and operating policies of an entity without having individually or jointly control power. Joint ventures are controlled by the Group with a contractual agreement and the Group has the authority on strategic, financial and operational decisions of joint ventures by these agreements.

The Group has no associates and jointly controlled entities as at 31 December 2013.

The details of Group's associates and jointly controlled entities as at 31 December 2012 are as follows:

Associate

Company Title	Nature of Operations	Main Business Area
Türkmed Diyaliz ve Böbrek Sağlığı Kurumları A.Ş. ("Türkmed")	Service	Investing in companies operating in dialysis sector, supplying personnel to these companies and other activities written in its main agreement.

Jointly controlled entity

Company Title	Nature of Operations	Main Business Area
Aras Kargo Yurt İçi Yurt Dışı Taşımacılık A.Ş. ("Aras Kargo")	Transportation	Local, global and transit transportation of individual and commercial commodities.

The shares of the associate and jointly controlled entity of the Group are not quoted on a stock exchange.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of presentation

Financial reporting standards

Approval of Consolidated Financial Statements

The Group's consolidated financial statements as at and for the year then ended 31 December 2013 have approved by the Board of Directors and authorization for issue is given for publishing on 6 February 2014. The General Assembly has the authority to amend the consolidated financial statements after publishing.

Additional paragraph for convenience translation to English

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

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

2.1. Basis of Presentation *(cont'd)*

Financial Reporting Standards *(cont'd)*

Preparation of Consolidated Financial Statements and Statement of Compliance to IAS/TAS

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

The accompanying consolidated financial statements are prepared in accordance with the Communiqué numbered II-14,1, "Basis for Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to the Communiqué, financial statements are prepared in accordance with Turkish Accounting Standards ("TAS") which are published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations. The accompanying consolidated financial statements as at 31 December 2013 have been prepared in accordance with the communique numbered 20/670 "Announcement on Financial Statement and Disclosure Formats" published by the Capital Markets Board ("CMB") on 7 June 2013.

Policy Resolutions Promulgated by the POA

Board Policy Resolutions are published by the POA for companies preparing their financial statements according to TAS and the resolutions will be effective until a new regulation is published by TAS. Resolutions are prepared for the reality and relevance, comparability, verifiability and understandability of financial statements and in order to facilitate audit of the financial statements and enhancing the uniformity of financial statements.

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

- Illustrative Financial Statement and User Guide (2013-I)

Illustrative Financial Statement and User Guide is prepared according to the Board resolution "Determination of the Scope of Application of Turkish Accounting Standards" for companies preparing their financial statements according to TAS and the reality and relevance, comparability, verifiability and understandability of financial statements and in order to facilitate audit of the financial statements and enhancing the financial statements unique. These board resolutions, after the publication date of 20 May 2013 entered into force as of the first reporting period. The Group has made certain reclassifications to fulfill the requirements of these regulations described in Note 2.3.

The following other board resolutions are published on 21 July 2013 and came into force for annual reporting periods beginning on or after the reporting period of 31 December 2012. It is not expected that the decisions would have effect on the Group's consolidated financial statements.

- Accounting for Business Combinations Under Common Control (2013-2)

Combination of entities under common control should be recognized using the pooling of interest method. Thus, goodwill should not be included in the financial statements.

The effect of business combinations under common control is accounted under equity in "Business Combinations Under Common Control" account while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred.

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

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

2.1. Basis of Presentation *(cont'd)*

- Accounting of Redeemed Share Certificates (2013-3)

Clarification has been provided on classification and measurement of the redeemed share certificates and principles for the recognition was determined.

- Accounting of Cross Shareholding Investments (2013-4)

If a subsidiary of a parent entity holds shares of the parent, then this is defined as cross shareholding investment and accounting of this cross investment is assessed based on the type and different recognition principles adopted. With the subject resolution, this topic has been assessed under three main headings as explained below and the recognition principles have been determined for each of them. The subsidiary holding the equity based financial instruments of the parent, the associates or joint ventures holding the equity based financial instruments of the parent, the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 38 and TFRS 9 by the parent.

Basis of Measurement

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

The methods used to measure fair value are stated separately in Note 40.

Functional and Presentation Currency

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

As of 31 December 2013 and 2012, foreign currency exchange rates used by the Group are as follows:

	31 December 2013	31 December 2012
USD	2,1343	1,7826
EURO	2,9365	2,3517
GBP	3,5114	2,8708

Assumption of Going Concern

The consolidated financial statements of the Group are prepared on a going concern basis, which presumes the realization of assets and settlement of liabilities of the Company and its consolidated subsidiaries, jointly controlled entities and associates in the normal course of operations and in the foreseeable future.

Basis of Consolidation

Subsidiaries:

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

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

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

2.1. Basis of Presentation *(cont'd)*

Basis of Consolidation *(cont'd)*

Subsidiaries: (cont'd)

Non-controlling interests in the net assets of the consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest share of changes in equity since the date of the combination. Even if the non-controlling interests result in a reverse balance, total comprehensive income is attributable to the equity holders of the Company and to the non-controlling interests.

The details of the Group's subsidiaries as at 31 December 2013 and 31 December 2012 are as follows:

Subsidiaries	Ownership as at 31 December 2013 (*)	Ownership as at 31 December 2012 (*)
Camiş Menkul Değerler A.Ş.	99,79%	99,79%
Efes Varlık Yönetim A.Ş.	74,00%	74,00%
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	30,49%	30,49%
İş Portföy Yönetimi A.Ş.	70,00%	70,00%
İş B Tipi Yatırım Ortaklığı A.Ş.	29,58%	28,15%
Is Investments Gulf Ltd.	100,00%	100,00%
Maxis Investments (Securities) Ltd.	100,00%	100,00%
Nevotek Bilişim Ses ve İletişim Sistemleri Sanayi ve Ticaret A.Ş. ("Nevotek") (*)	81,24%	81,24%
Nevotek Intercorporation	81,24%	81,24%
Nevotek Middle East LLC	81,24%	81,24%
Convera Systems FZ LLC	81,24%	81,24%
Ortopro (1)	32,50%	31,00%
Covision Medical Technologies Ltd.	32,50%	31,00%
Toksöz Spor (2)	56,00%	58,50%
Numnum	61,66%	61,66%

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

(1) The Group took over 1,5% bonus shares and İş Girişim's ownership in Ortopro increased to 32,5% based on Subscription and Stakeholders Engagement signed at 4 December 2007 with Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. As of 5 March 2012 Erol Frik has become shareholder with holding 20% of the shares to Ortopro through capital increase by limiting existing shareholders' stock warrant. With this capital increase, İş Girişim's owned shares in Ortopro have been remained at the rate of 32,5% number of. İş Girişim's member of Board of Directors increased from 1 to 2. The Group has started to control more than half of shares of Group B.

(2) On 10 September 2013, the Group's 2,5% of shares corresponding to 425.782 shares in Toksöz Sports has been transferred to Samil Toksoz and Kamil Toksoz in the context of other shares with the "Capital Associates, Share Transfer and Shareholders Convention" agreement signed on 27 June 2012. According to this agreement, İş Girişim Sermayesi's share in the capital of Toksöz Sports reduced from 58,50% to 56,00%.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

2.1. Basis of Presentation *(cont'd)*

Basis of Consolidation *(cont'd)*

The accounting policies of subsidiaries are changed as necessary to align them with the policies adopted by the Group.

Associates and joint ventures:

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in associates and jointly controlled entities are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The details of the Group's associates are as follows:

		Shareholding interest (%)		
Associates	**Place of incorporation**	**31 December 2013**	**31 December 2012**	**Business activity**
Türkmed	Turkey	-	25,78	Service

		Shareholding interest (%)		
Joint ventures	**Place of incorporation**	**31 December 2013**	**31 December 2012**	**Business activity**
Aras Kargo	Turkey	-	20,00	Service

(1) The Group sold all shares of Aras Kargo and Türkmed on 30 July 2013 and 13 September 2013, respectively.

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

2.1. Basis of Presentation *(cont'd)*

Basis of Consolidation *(cont'd)*

Goodwill:

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

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

Transactions eliminated on consolidation:

Intragroup balances and transactions and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated statements of financial positions and profit and loss. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. The equity and profit and loss attributable to non-controlling interests are shown separately in the consolidated statement of financial position and consolidated statement of profit or loss, respectively, except where the non-controlling, who are nominee shareholders, do not exercise their minority rights.

2.2. Changes in Accounting Policies

The Group adopted TAS 19 *Employee Benefits* (2011) with a date of initial application of 1 January 2013 and changed its basis of determining the expense related to defined benefit obligations.

The Group adopted indirect changes in IFRS 10 *Consolidated Financial Statements,* IFRS 11 *Joint venture,* IFRS 12 *Disclosure of Interests in Other Entities and* IAS 28 *Investments in Associates and Joint Ventures* with a date of initial application of 1 January 2013.

Defined benefit obligation

As a result of the adoption of TAS 19 (2011), all actuarial losses are recognized in other comprehensive income.

As a result of this accounting policy change, actuarial gains/losses deriving from employee severance pay liability after tax of the Group, are recognized in other comprehensive income. Before the change in accounting policy, the Group recognized actuarial gains/(losses) in "cost of sales" and "operating expenses" and recognized tax effect on tax expense. 31 December 2012 financial statements have not been restated since the effect of change in accounting policy is insignificant to the Group's financial statements.

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

2.2. Changes in Accounting Policies *(cont'd)*

Subsidiaries

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees.

In accordance with the transitional provisions of IFRS 10, the Group re-assessed the control conclusion for its investees at 1 January 2013. As a consequence, the Group's control conclusion in respect of its investment in its investees has not changed and there has been no impact on the recognized assets, liabilities and comprehensive income of the Group.

Joint arrangements

As a result of the adoption of IFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements.

Under IFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group has re-evaluated its involvement in its joint arrangements. As a result, the Group's joint arrangements, which were classified as jointly controlled entities before the change in accounting policy, were classified as joint ventures. According to this classification, the joint ventures are continue to recognized by applying the equity method and there has been no impact on the Group's assets, liabilities and comprehensive income.

2.3. Changes in the Accounting Estimates and Errors

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

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

Restatement of Prior Period Consolidated Financial Statements

Based on decision numbered 20/670 taken by CMB on 7 June 2013, a new illustrative financial statements and guidance have been issued. The new illustrative financial statements and guidance are effective from the interim periods ended after 31 March 2013, applicable for the companies that are subject to Communiqué on the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, a number of changes have been made at the Group's consolidated financial statements. The reclassifications that are made at the Group's consolidated statement of financial position as at 31 December 2012 are as:

- Derivative financial assets amounting TL 3.007.644 which were classified as "short-term financial investments" have been reclassified as "derivative instruments" (assets).
- Derivative financial liabilities amounting TL 3.754.156 which were classified as "short-term other financial liabilities" have been reclassified as "derivative instruments" (liabilities).

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

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

2.3. Changes in the Accounting Estimates and Errors *(cont'd)*

Restatement of Prior Period Consolidated Financial Statements (cont'd)

- Prepaid expenses amounting TL 2.155.873 and prepaid taxes and deductions amounting TL 7.087.215, which were classified as "other current assets", have been reclassified as "prepaid expenses (current)" and "current tax assets", respectively.
- Prepaid expenses (non-current) amounting TL 263.452 which were classified as "prepaid expenses (non-current)".
- Social security deductions payable amounting TL 1.585.499 and payables to employees amounting TL 769.016, which were classified as "other payables and other short-term liabilities" and "provision for employee benefits", respectively, have been reclassified as "payables related to employee benefits".
- Financial liabilities amounting TL 6.341.027, which were classified as "short-term borrowing" were classified as "short term portion of long-term borrowings".

The Group has participated in shares of Numnum and Toksöz on 5 December 2012 and 13 November 2012, respectively. Goodwill was recognized during the purchase of the companies. It has been realized that; capital increases, which are part of the purchases were erroneously not added to the net identifiable assets of the Company in the calculation of goodwill. Goodwill has been restated by adding capital increases to the identifiable net assets retrospectively. As a result of the restatement, as of 31 December 2012, goodwill, which is classified in "Intangible Assets", and equity has been reduced TL 17.108.760. This restatement has no effect on the Group's profit or loss and earnings per share.

Accordingly, restatements on the Group's consolidated statement of financial position as at 31 December 2012 are presented below:

	Previously Reported 31 December 2012	Adjustments	Restated 31 December 2012
ASSETS			
Current Assets	**165.864.532**	**(17.108.760)**	**148.755.772**
Goodwill	58.432.639	(17.108.760)	41.323.879
TOTAL ASSETS	**4.183.545.019**	**(17.108.760)**	**4.166.436.259**
EQUITY			
Shareholders' Equity	**464.949.945**	**(4.962.701)**	**459.987.244**
Non-Controlling Interest	**405.780.775**	**(12.146.059)**	**393.634.716**
Other Reserves	5.778.514	(4.962.701)	815.813
TOTAL EQUITY	**870.730.720**	**(17.108.760)**	**853.621.960**

2.4. Standards and interpretations that is not yet effective as at 31 December 2013

IFRS 9 *Financial instruments*

IFRS 9 (2010) is effective for annual periods beginning on or after 1 January 2015. New standard introduces new requirements for classifying and measuring financial instruments and will mainly affect measurement of financial liabilities classified as fair value through profit or loss. According to the new standard, fair value change of financial liabilities classified as fair value through profit or loss attributable to credit risk will be presented under other comprehensive income. The Group is not planning early implementation for the amendment and the potential effects of this amendment have not been evaluated.

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

2.4. Standards and interpretations that is not yet effective as at 31 December 2013 *(cont'd)*

TAS 32, *Financial Instruments: Presentation* (Amended)-*Offsetting Financial Assets and Financial Liabilities*

The amendments clarify the meaning of "presence of legal right related with offsetting recognized amounts" and "simultaneous accrual and payment" and also clarify the application of the TAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. The amendment will be effective for annual periods beginning on or after 1 January 2014 and retrospectively applied. If necessary disclosures are made by the Company related with the amendments of IFRS 7, earlier adoption is permitted. The Group is not planning to early adoption to this Standard and the potential effects of this amendment has not been evaluated.

TFRS 10 Consolidated Financial Statements (amendment): Difference in measurement of fair value through profit or loss of investment enterprises of all subsidiaries:

The amendment in the communiqué No.13 published by POA clarifies the definition and determination of the entity's investment business, consolidation exception and implementation guidance. Also the amendment determined the effective and first application date and the related changes were made on the explanations of consolidated and individual financial statements and related disclosures.

With this amendment, the companies that meet the definition of investment company are obligated to measure fair value of their all subsidiaries and to reflect fair value difference measurement to the statement of profit or loss and become exempt from presentation of consolidated financial statements.

The amendment will be effective for annual periods beginning on or after the period of 31 December 2013 and enter into force on the date of publication. The Group has not evaluated the potential effects of this amendment.

2.5. Comparative Figures

The consolidated financial statements of the Group includes comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements.

2.6. Summary of Significant Accounting Policies

Revenue:

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

Interest income and expenses

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

Service income

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

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

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

Revenue: *(cont'd)*

Dividend income

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

Private equity

Revenues are comprised of sale of subsidiary and/or associate and income from consultancy services provided to associates.

Revenues from sale of subsidiary or associate resulting in change in control are recognized when the sales are realized. Consultancy services given to associates are recognized at the date of the service rendered.

IT, audio and communication systems

Revenue is recognized on an accrual basis by the amount of excess of the fair value if it is probable that the future economic benefits of the revenue will flow to the Group.

The Group recognizes revenue when the Group has available contracts with clients, product or service is delivered, amount of revenue measured reliably, and it is probable that the Group will be receiving economic benefit.

The Group recognizes revenue for license and software solutions after the software is delivered and the service is started to be used by considering the conditions mentioned in the first paragraph.

Trade of orthopedics, medical equipments and sport products

Revenues are calculated by received payments or fair value of payments which will be received. Estimated refunds, discounts, and provisions are deducted from the mentioned amount.

Food and beverage services revenue

Revenue is measured at fair values of the consideration received or receivable. Estimated discount is recognized as a reduction of revenue as the sales are granted.

Food and beverage revenues are recognized as the services are rendered. Revenues that are measured at fair values of the consideration received or receivable and after sale discounts and deductions.

Restaurant sponsorship revenue

Sponsorship revenues are earned as cash and non-cash benefits from sales of food suppliers and other suppliers in respect of their marketing activities. Sponsorship revenues are recognized as the services are rendered related to sponsorship activities performed. Sponsorship revenue related with uncollected part of long term agreements are deferred until services are rendered. There are no deferred costs related to these revenues.

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

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

Restaurant commission revenue

Commission revenues are generated from franchising agreements that were made in order to lease registered trademarks and also restaurants' operating rights to third parties. Commission revenues include both franchise entrance fees and sale commission fees which is computed over the specified rate. Franchise entrance fees are recognized as revenue as a restaurant which is mentioned on the agreement start to operate. Sale commission fees are recognized as revenue when recovery of the consideration is probable and if the company believes that the payment amount is collectible and there is sufficient evidence that the amount of revenue can be measured.

Sport goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received and receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of the ownership have been transferred to customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

Inventories:

Inventories are measured at the lower of cost and net realizable value. Costs involved in inventories are comprised of direct material, direct labour used for bringing inventories to their existing condition if applicable and production overheads. Weighted average cost method is used in calculating cost of inventories. Net realizable value is estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

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

Tangible Assets:

Items of tangible assets of the Turkish entities purchased before 1 January 2005 are stated at cost adjusted for the effects of inflation during the hyperinflationary period lasted through 31 December 2004, and tangible assets purchased after 1 January 2005 are recorded at their historical costs less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation is recognized over the estimated useful lives of the related assets from the date of acquisition or the date of installation, on a straight-line basis.

Leasehold improvements are depreciated over the lower of the periods of the respective leases and useful lives, on a straight-line basis.

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

	Useful life
Machinery and equipment	3-15 years
Vehicles	4-5 years
Furniture and fixtures	2-15 years
Leasehold improvements	5-10 years
Other tangible assets	5-10 years

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

Subsequent expenditure

Expenditure incurred to replace a component of an item of tangible assets that is accounted for separately, including major inspection and overhauls costs, are capitalized. Other subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognized in profit or loss as an expense as incurred.

Leasing Transactions:

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

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

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

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

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

Intangible Assets:

Intangible assets are comprised of trademarks and licenses and information technologies and computer software. Intangible assets are carried at restated cost for the effects of inflation in TL units current at 31 December 2004 for the intangible assets acquired before 1 January 2005, and intangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated amortization and impairment losses. Intangible assets are amortized on a straight-line basis over their estimated useful lives for a period not exceeding 5 years from the date of acquisition.

Trademarks and Licenses:

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

Computer Software:

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

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

Intangible Assets Acquired in a Business Combination:

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they meet the definition of an intangible asset and their fair value can be measured reliably. Cost of such intangible fixed assets is the fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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

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

Intangible Assets *(cont'd)***:**

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible assets and use or sell it,
- The ability to use or sell the intangible asset,
- How the intangibles asset will generate probable future economic benefits,
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in the statement of profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Derecognition of intangible assets

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

Impairment of Assets:

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

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

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

Assets Held for Sale:

Assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale or distribution. These assets can be an operating unit, sales groups or a separate tangible asset. Assets held for sale are expected to be sold in twelve months following the reporting period. The assets held for sale are measured at the lower of their carrying amount and fair value. In the condition that the carrying amount exceeds the fair value, the impairment is recognized as a loss in the related period's profit or loss statement.

Borrowing Costs:

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

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

Financial Instruments:

Financial Assets:

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

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

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 financial assets other than those financial assets designated 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 financial assets at FVTPL unless they are designated as hedges. Assets in this category are classified as current assets.

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

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

Financial Instruments *(cont'd):*

Held-to-maturity financial assets

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

Available-for-sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available- for-sale financial assets and are stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value cannot be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated for in the fair value reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in the statement of profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in the statement of profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in the statement of profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Repurchase and reverse repurchase agreements

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

Loans and receivables

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

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

Cash and cash equivalents

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

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

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

Financial Instruments *(cont'd):*

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 the statement of profit or loss.

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

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

Trade receivables and provision for doubtful receivables:

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

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

Financial Liabilities:

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

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

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

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:

As at statement of financial position date, the Group has derivative financial instrument transactions which predominantly consist of positions related to foreign currency forward contracts and Borsa İstanbul index futures contracts. The Group uses foreign currency forward contracts and futures to hedge its risks associated with market fluctuations in connection with trading portfolio transactions. The Group participates in derivative transactions indexed to foreign currencies and securities, also performs brokerage activities relating to derivative transactions on behalf of its customers. As at statement of financial position date, transactions related to derivative financial instruments are entered into for trading purposes and measured at fair value. Interest and foreign currency gains and losses on these instruments are accounted for on an accrual basis in the statement of profit or loss.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is removed and included in the statement of profit or loss in the same period as the hedged cash flows affect the statement of profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the statement of profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognized. In other cases the amount accumulated in equity is reclassified to the statement of profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in the statement of profit or loss.

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

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

Business Combinations:

The acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition criteria under 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 non-controlling interest's shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

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. Consolidated financial statements of previous fiscal years are restated in the same manner in order to maintain consistency and comparability. Any positive or negative goodwill arising from such business combination is not recognized in the consolidated financial statements. The residual balance calculated by netting off investment in subsidiary and the share acquired in subsidiary's equity is directly accounted for under equity as "effect of the business combinations in entities under common control" and presented in retained earnings.

There are no new business combinations in 2013.

Foreign Currency Transactions:

Transactions in foreign currencies have been translated into TL at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such transactions are included in the statement of profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into TL at foreign exchange rates ruling at the dates the values were determined.

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

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

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

Earnings per Share:

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

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

Events after the Reporting Period:

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

If there is evidence of such events as at the statement of financial position or if such events occur after the statement of financial position date and if adjustments are necessary, Group's consolidated financial statements are adjusted according to the new situation. The Group discloses the post-balance sheet events that are not adjusting events but material.

Provisions, Contingent Assets and Liabilities:

Provisions are recognized when the Group has a legal and constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are not recognized in the consolidated financial statements but disclosed in the notes if the possibility of any outflow is low. Contingent assets are not included in consolidated financial statements but explained in the notes if an inflow of economic benefits is probable.

Related Parties:

For the purpose of the accompanying consolidated financial statements, shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. There may be business transactions with related parties due to ordinary operations.

Segment Information:

The Group has five business segments determined by the management based on information available for the evaluation of performances and the allocation of resources. These segments are managed separately because they are affected by the economic conditions and geographical positions in terms of risks and returns.

Since the Group predominantly operates in Turkey and only in marketable securities sector, segment information in the accompanying consolidated financial statements are configured according to structure of the Group's operating entities as securities brokerage, investment trust, portfolio management, private equity and asset management (Note 6).

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

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

Tax Assets and Liabilities:

Current Tax

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

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each reporting period. Deferred tax asset or liability is recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

Current and deferred tax for the period

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

Employee Benefits/Retirement Pay Liability:

Retirement pay liability

In accordance with existing labour law in Turkey, the Company and its subsidiaries in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. The basic assumption for calculation of provision for employee severance indemnity is estimation of the present value of the future probable obligation of the Group arising from the retirement of employees.

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

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

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

As at 31 December 2013 the maximum ceiling amount for employee severance indemnity is TL 3.254,44 (31 December 2012: TL 3.033.98). As disclosed in Note 25, the Group has used some actuarial assumptions in computation of provision for employee severance indemnity. Actuarial differences are recognized in profit or loss as incurred. Retirement pay ceiling for the calculation of provision for employee termination benefits, announced by the Ministry of Labour.

Defined contribution plans

The Company has started to pay private pension contribution for its employees since 2006. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of profit or loss when they are due. The only obligation of the Group with respect to the retirement plan is to make the specified contributions.

Bonus payments

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

Other short-term benefits

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

Retirement plans

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

Discontinued Operations:

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

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

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

Statement of Cash Flows:

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

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

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

Share Capital and Dividends:

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

2.7. Significant Accounting Judgements, Estimates and Assumptions

The preparation of consolidated financial statements in conformity with Communiqué II-14.1 requires management of Capital Markets Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The estimates are used particularly in the following notes:

Note 12 - Trade receivables and payables

Note 18 - Investments in equity accounted investees

Note 19 - Goodwill (*)

Note 20 - Tangible assets

Note 21 - Intangible assets

Note 23 - Provisions, Contingent Assets and Liabilities

Note 25 - Employee benefits

Note 35 - Tax assets and liabilities

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

Note 41 - Financial instruments

(*) Estimated impairment of goodwill

According to accounting policies explained in note 2.1, the Group tests impairment of goodwill every year. Recoverable amount of cash generating units are specified according to value in use. These calculations require estimations.

3. BUSINESS COMBINATIONS

Merge of İş B Tipi Yatırım Ortaklığı A.Ş. and TSKB Yatırım Ortaklığı A.Ş.

It was permitted that İş B Tipi Yatırım Ortaklığı A.Ş. to take over TSKB Yatırım Ortaklığı A.Ş. in accordance with the clause 451 of 6762 numbered Turkish Commercial Code and clauses 19 and 20 of 5520 numbered Corporate Tax Law with the resolution of Competition Board dated 29 March 2012 and numbered 12-14/417-BD and the resolution of Capital Markets Board of Turkey ("CMB") dated 10 May 2012 and numbered 15/547. In the General Assemblies of the companies dated 29 June 2012, merger was approved. Related resolutions and the merger agreement have been registered by Istanbul Trade Registry Office on 16 July 2012 and have been published in the Trade Registry Gazette numbered 8116, on dated 20 July 2012. As at this date, TSKB Yatırım Ortaklığı A.Ş. was dissolved and transferred to the İş B Tipi Yatırım Ortaklığı A.Ş together with all of its assets and liabilities. Due to the merger, issued shares amounting to TL 25.936.784 were registered by the Board with Certificate of Recognition of Capital Markets Board of Turkey numbered YO188/547 and dated 30 July 2012 and the distribution process of ISYAT shares to TSKB Yatırım Ortaklığı A.Ş.'s shareholders under the terms of the Merger Agreement has been completed at 14 August 2012 by Central Securities Depository Agency.

Ortopro

Erol Frik has become shareholder with holding 20% of the shares through transferring USD 4.500.000 to Ortopro through capital increase by limiting existing shareholders' stock warrant as of 5 March 2012. Simultaneous with capital increase, İş Girişim has purchased bonus share at the rate of 6.5% from Tolga Yalçınkaya, shareholder of Ortopro, and İş Girişim's shares in Ortopro remained at the rate of 32.5%. İş Girişim's claim of appointment for Board of Directors increased from 1 to 2 and İş Girişim has started to control more than half of the shares owned by Group B through capital increase. Therefore; Ortopro has been included in financial statements as one of the subsidiaries as at 31 December 2012 and equity accounted investee of the Group for previous period and non-controlling interests are disclosed for consolidated equity of participations

According to "IFRS 3: Business Combinations", the Group obtained a valuation report for the purpose of measuring the fair value of Ortopro's identifiable assets and liabilities and determining fair value of the equity interest as of the date that the controlling obtained. The valuation report has been prepared through considering audited financial statements as at 31 December 2011 since the effect of the operations between the time when the controlling interest of Ortopro is obtained and 31 December 2011 is at an insignificant level.

Hence, as of the time when the controlling interest is obtained by the Group, fair value of the previously obtained equity interest is calculated. The difference between fair value and carrying value of the shares of the participation amounting to TL 6.516.626 is recognised as revenue arising from business combinations in "Other Operating Income" in the consolidated statement of profit or loss and the difference between fair value of the net assets of Ortopro and fair value of the equity interest amounting to TL 9.206.499 is recognized as goodwill. Distribution network and licenses arising from acquisition are recognised at fair value determined by independent valuation experts.

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

3. BUSINESS COMBINATIONS *(cont'd)*

As of acquisition date, fair value of the identifiable assets and liabilities of Ortopro are presented as follows:

	31 December 2011	
Ortopro	**Carrying Value**	**Fair Value**
Cash and Cash Equivalents	1.675.829	1.675.829
Trade and Other Receivables	27.051.998	27.051.998
Inventories	12.420.333	12.420.333
Other Assets	2.430.662	2.430.662
Deferred Tax Asset	1.290.717	716.117
Tangible Assets	5.978.910	5.978.910
Intangible Assets (*)	232.425	3.105.425
Financial Liabilities	(21.193.465)	(21.193.465)
Trade Payables	(26.921.832)	(26.921.832)
Other Liabilities	(1.725.538)	(1.725.538)
Total Asset	**1.240.039**	**3.538.439**

(*) Includes fair value of distribution network and licenses amounting TL 2.873.000.

Fair value of equity interest	10.356.492
Non-controlling interests	2.388.446
Total net identifiable assets	(3.538.439)
Goodwill	**9.206.499**

Fair value of equity interest	10.356.492
Carrying value of Ortopro as of 31 December 2011	(3.839.866)
Income from business combinations (Note 30)	**6.516.626**

Toksöz *(Restated)*

The Group acquired the shares of Toksöz Spor composed of 8.775.585 units, with a nominal amount of TL 8.775.585 which corresponds to 58,5% of the Toksöz's share, with a payment of TL 23.900.000 on 13 November 2012.

In accordance with IFRS 3 "Business Combinations", the Group obtained a valuation report to determine the fair value of Toksöz's assets and liabilities from an independent firm as of the date of acquisition. Due to immaterial impact of operations between acquisition date and 31 October 2012, the valuation was based on the audited financial statements of Toksöz as of 31 October 2012.

As of acquisition date, difference between the fair value of Toksöz's net assets and consideration paid was recognized as goodwill.

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

3. BUSINESS COMBINATIONS *(cont'd)*

Toksöz *(Restated)* *(cont'd)*

As of acquisition date of Toksöz, the fair value of identifiable assets and assumed liabilities are given below.

	13 November 2012 *(Restated)*	
Toksöz	**Carrying Value**	**Fair Value**
Cash and Cash Equivalents	954.397	954.397
Trade and Other Receivables	46.169.396	46.169.396
Inventories	31.404.368	31.404.368
Other Assets	7.252.124	7.252.124
Deferred Tax Asset	812.739	812.739
Tangible Assets	3.728.629	3.728.629
Intangible Assets (*)	91.889	12.361.889
Financial Liabilities	(49.127.475)	(49.127.475)
Trade Payables	(27.413.600)	(27.413.600)
Other Liabilities	(16.046.768)	(16.046.768)
Deferred Tax Liabilities	-	(2.454.000)
Total Asset	**(2.174.301)**	**7.641.699**

(*) Includes the fair values of trade mark, exclusivity agreement and leasing agreements amounting TL 12.270.000.

Consideration paid in cash	23.900.000
Total identifiable net assets	(7.641.699)
Non-controlling interests	3.171.305
Goodwill	**19.429.606**

Numnum *(Restated)*

The Group has purchased 59,459 shares with a nominal value of TL 59.459 from Mehmet Gürs representing 19,244% of Numnum's share capital amount of TL 308.975 for a purchase consideration of TL 27.000.000; TL 26.000.000 of the amount was paid in cash whereas the remaining amount of TL 1.000.000 was accounted for in current payables related to acquisitions. 246,881 shares of Numnum having the total nominal value of TL 246.881 have been acquired as a result of the General Assembly decision dated 5 December 2012 with regard to injection of the net fund amount of TL 973.926 to the share capital and accordingly distribution of 973,926 issued shares to company shareholders in accordance with related laws and regulations. Through restricting Numnum's current shareholders pre-emptive rights for purchasing new shares in the meantime; 1,666,481 shares with the total nominal value of TL 1.666.481 and representing 61,66% of the post-investment share capital of TL 2.702.500 have been acquired in return of TL 23.000.000; thereof TL 1.419.599 and TL 21.580.401 were transferred to the share capital and share certificate issuance premium account, respectively.

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

3. BUSINESS COMBINATIONS *(cont'd)*

Numnum *(Restated) (cont'd)*

According to "IFRS 3: Business Combinations", the Group obtained a valuation report for the purpose of measuring the fair value of Numnum's identifiable assets and liabilities and determining fair value of the equity interest as of the date that the controlling obtained. The valuation report has been prepared through considering audited financial statements as at 31 December 2012 since the effect of the operations between the time when the controlling interest of Numnum is obtained and 31 December 2012 is at an insignificant level.

As of the acquisition date of Numnum, the difference between fair value of net assets and purchase price are recognized as goodwill.

	5 December 2012 *(Restated)*	
Numnum	**Carrying Value**	**Fair Value**
Cash and Cash Equivalents	17.096.989	17.096.989
Trade and Other Receivables	141.056	141.056
Inventories	536.728	536.728
Other Assets	803.081	803.081
Deferred Tax Asset	296.595	296.595
Tangible Assets	1.865.294	1.865.294
Intangible Assets (*)	71.805	14.661.805
Financial Liabilities	(2.981.930)	(2.981.930)
Trade Payables	(3.580.524)	(3.580.524)
Other Liabilities	(2.712.762)	(2.712.762)
Deferred Tax Liabilities	-	(2.918.000)
Total Asset	**11.536.332**	**23.208.332**

(*) Fair value amounting to TL 14.590.000 includes value of license and leasing agreements.

Net cash paid for acquisition	26.000.000
Payables to related parties (Note 7)	1.000.000
Total identifiable net assets	(23.208.332)
Non-controlling interests	8.896.106
Goodwill *(Restated)*	**12.687.774**

4. JOINT VENTURES

Disclosed in Note 18.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

5. GROUP ENTITIES

As of 31 December 2013 and 2012, summary financial information of the Group's subsidiaries is as follows:

31 December 2013	İş B Tipi Yatırım Ortaklığı A.Ş.	İş Portföy Yönetimi A.Ş.	Camiş Menkul Değerler A.Ş.	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Efes Varlık Yönetim A.Ş.	Is Investments Gulf Ltd.	Maxis Investments Ltd.
Non-Current Assets	101.615	15.774.843	840.605	85.748.096	1.215.566	228.418	1.517.038
Current Assets	261.775.234	65.131.272	16.600.290	334.932.423	109.444.929	1.593.579	94.498.566
Long Term Liabilities	109.026	164.083	321.526	56.315.632	51.637.403	-	-
Short Term Liabilities	1.084.816	5.560.552	13.797.750	95.661.679	43.099.860	124.351	79.973.929
Net Assets	**260.683.007**	**75.181.480**	**3.321.619**	**268.703.208**	**15.923.232**	**1.697.646**	**16.041.675**
Carrying Value of Non-Controlling Interests	-	-	-	20.515.532	-	-	-
Revenue	392.980.770	1.622.090	15.737.144	277.987.961	-	-	-
Profit/(Loss)	4.376.908	10.471.581	(284.880)	68.664.493	1.644.000	108.892	2.948.035
Non-Controlling Interests	-	-	-	(1.745.275)	-	-	-
Total Comprehensive Income	**4.394.625**	**10.116.309**	**(550.119)**	**65.795.850**	**-**	108.892	2.948.035
Allocated to Non-Controlling Share of Other Comprehensive Income	-	-	-	(1.898.643)	-	-	-
Cash Flows Related to Operating Activities	38.565.767	(3.072.841)	1.634.593	(7.056.021)	(4.552.000)	(31.078)	1.274.890
Cash Flows Related to Investing Activities	(9.604)	(15.103.523)	(711.024)	60.487.986	(2.185.000)	(228.417)	(291.065)
Cash Flows Related to Financing activities	(32.119.857)	1.937.135	(3.800.869)	(17.905.135)	10.000.000	1.676.770	4.273.765
Net Increase/(Decrease) on Cash and Cash Equivalents	9.215.546	(1.716.222)	(2.877.300)	34.483.013	16.737.000	1.417.276	7.940.069

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

5. GROUP ENTITIES *(cont'd)*

31 December 2012	İş B Tipi Yatırım Ortaklığı A.Ş.	İş Portföy Yönetimi A.Ş.	Camiş Menkul Değerler A.Ş.	İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Efes Varlık Yönetim A.Ş.	Is Investments Gulf Ltd.	Maxis Investments Ltd.
Non-Current Assets	132.674	14.601.497	992.846	106.180.847	862.328	263.312	345.541
Current Assets	289.388.755	55.287.982	17.225.914	249.244.220	43.900.873	1.221.917	71.031.351
Long Term Liabilities	122.880	202.043	299.770	67.915.909	2.068.711	-	-
Short Term Liabilities	990.310	1.847.407	14.342.452	53.767.084	38.395.942	44.940	65.409.186
Net Assets	**288.408.239**	**67.840.029**	**3.576.538**	**233.742.074**	**4.298.548**	**1.440.289**	**5.967.706**
Carrying Value of Non-Controlling Interests	-	-	-	22.241.344	-	-	-
Revenue	777.488.565	17.959.655	17.004.157	124.836.585	-	1.117.414	11.210.651
Profit/(Loss)	47.526.852	9.578.133	(903.429)	50.261.576	(4.230.452)	63.183	768.327
Non-Controlling Interests	-	-	-	1.414.120	-	-	-
Total Comprehensive Income	**4.394.625**	**10.116.309**	**(509.829)**	**65.795.850**	**-**	63.183	768.327
Allocated to Non-Controlling Share of Other Comprehensive Income	-	-	-	(1.898.643)	-	-	-
Cash Flows Related to Operating Activities	16.101.744	(3.130.337)	(677.144)	4.730.598	(521.000)	39.504	(24.883.756)
Cash Flows Related to Investing Activities	(110.455)	9.767.710	(592.531)	(15.541.192)	(476.000)	(9.000)	(107.239)
Cash Flows Related to Financing activities	(21.546.000)	2.492.924	6.072.179	22.068.081	-	-	27.449.088
Net Increase/(Decrease) on Cash and Cash Equivalents	(2.989.477)	23.192.607	4.802.504	851.765	(997.000)	30.504	3.351.808

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

6. SEGMENT REPORTING

Segments	Securities Brokerage	Investment Trust	Portfolio Management
	1 January - 31 December 2013	1 January - 31 December 2013	1 January - 31 December 2013
CONTINUING OPERATIONS			
Revenue	67.580.747.791	392.980.770	1.622.090
Interest and derivative income from operating activities (net)	59.421.664	1.417.320	-
Service income (net)	109.570.831	607	22.385.093
Other operating income (net)	28.724.674	-	-
Cost of sales (-)	**(67.582.665.492)**	**(401.775.722)**	**(1.829.793)**
GROSS PROFIT/LOSS	**195.799.468**	**(7.377.025)**	**22.177.390**
Administrative expenses (-)	(127.137.022)	(1.546.935)	(13.403.773)
Marketing expenses (-)	(23.906.441)	(3.436.567)	(605.573)
Research and development expenses (-)	-	-	-
Other operating income	1.973.308	-	92.093
Other operating expenses (-)	(2.204.546)	(76.300)	(30.806)
OPERATING PROFIT/LOSS	**44.524.767**	**(12.436.827)**	**8.229.331**
Share of profit of equity accounted investees	-	-	-
OPERATING PROFIT/LOSS BEFORE FINANCE COSTS	**44.524.767**	**(12.436.827)**	**8.229.331**
Finance income	39.827.974	16.813.735	5.053.925
Finance costs (-)	(16.556.739)	-	(132.521)
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS	**67.796.002**	**4.376.908**	**13.150.735**
Tax income/(expense) from continuing operations	**(8.751.924)**	**-**	**(2.679.154)**
- Current tax expenses	(29.071.160)	-	(2.577.520)
- Deferred tax income/(expense)	20.319.236	-	(101.634)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**59.044.078**	**4.376.908**	**10.471.581**
PROFIT FOR DISCONTINUED OPERATIONS	-	-	-
PROFIT/(LOSS) FOR THE YEAR	**59.044.078**	**4.376.908**	**10.471.581**
Profit/(loss) attributable to:			
Non-controlling interests	(600)	3.082.131	3.141.474
Equity holders of the Company	59.044.678	1.294.777	7.330.107
	59.044.078	**4.376.908**	**10.471.581**

Private Equity 1 January - 31 December 2013	Asset Management 1 January - 31 December 2013	Elimination adjustments 1 January - 31 December 2013	Total 1 January - 31 December 2013
277.987.961	-	553.108	**68.253.891.720**
-	-	-	**60.838.984**
-	-	(5.150.188)	**126.806.343**
-	-	(1.531.913)	**27.192.761**
(140.923.962)		**3.120.784**	**(68.124.074.185)**
137.063.999	-	**(3.008.209)**	**344.655.623**
(41.055.601)	(7.837.496)	1.717.190	**(189.263.637)**
(29.622.761)	-	3.336.060	**(54.235.282)**
(3.678.774)	-	-	**(3.678.774)**
3.657.611	106.389	(132.194)	**5.697.207**
(7.850.141)	(91.249)	229.131	**(10.023.911)**
58.514.333	**(7.822.356)**	**2.141.978**	**93.151.226**
4.300.659	-	-	**4.300.659**
62.814.992	**(7.822.356)**	**2.141.978**	**97.451.885**
18.440.203	17.187.553	(20.963.735)	**76.359.655**
(14.776.575)	(6.869.197)	1.678.274	**(36.656.758)**
66.478.620	**2.496.000**	**(17.143.483)**	**137.154.783**
440.598	**(852.000)**	**-**	**(11.842.480)**
(294.697)	-	-	**(31.943.377)**
735.295	(852.000)	-	**20.100.897**
66.919.218	**1.644.000**	**(17.143.483)**	**125.312.303**
-	-	-	**-**
66.919.218	**1.644.000**	**(17.143.483)**	**125.312.303**
46.962.733	254.820	1.058.464	**54.499.023**
19.956.485	1.389.180	(18.201.947)	**70.813.280**
66.919.218	**1.644.000**	**(17.143.483)**	**125.312.303**

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

6. SEGMENT REPORTING *(cont'd)*

Segments	**Securities Brokerage**	**Investment Trust**	**Portfolio Management**
Other information	**1 January - 31 December 2013**	**1 January - 31 December 2013**	**1 January - 31 December 2013**
Acquisition of tangible and intangible assets	2.739.020	9.604	477.146
Depreciation and amortization charges	(2.597.444)	(40.663)	(753.171)

Segments	**Securities Brokerage**	**Investment Trust**	**Portfolio Management**
Balance sheet information	**31 December 2013**	**31 December 2013**	**31 December 2013**
Assets	**4.222.353.435**	**261.876.849**	**80.906.115**
Cash and cash equivalents	2.523.730.693	9.924.240	34.570.414
Financial investments (short term)	205.690.619	248.249.495	23.532.493
Financial investments (long term)	138.512.687	-	13.572.637
Trade receivables	1.160.380.813	-	6.712.996
Other receivables	156.432.370	3.596.261	953
Derivative instruments	4.392.989	-	-
Investments in equity accounted investees	-	-	-
Other assets	33.213.264	106.853	2.516.622
Liabilities	**3.784.141.189**	**1.193.844**	**5.724.635**
Financial liabilities	2.705.199.797	-	3.005.178
Other financial liabilities	1.694.800	-	-
Trade payables	945.890.963	198.971	-
Other payables	4.717.203	20.042	159.719
Derivative instruments	105.403.244		
Other liabilities	21.235.182	974.831	2.559.738
Net Assets	**438.212.246**	**260.683.005**	**75.181.480**

Private Equity	Asset Management	Elimination adjustments	Total
1 January - 31 December 2013	**1 January - 31 December 2013**	**1 January - 31 December 2013**	**1 January - 31 December 2013**
15.005.310	805.425	-	**19.036.505**
(9.020.911)	(452.187)	-	**(12.864.376)**

Private Equity	Asset Management	Elimination Adjustments	Total
31 December 2013	**31 December 2013**	**31 December 2013**	**31 December 2013**
420.680.519	**110.660.495**	**(161.111.846)**	**4.935.365.567**
76.025.923	21.415.931	(97.495)	**2.665.569.706**
126.728.499	-	(16.015.322)	**588.185.784**
-	-	(126.218.792)	**25.866.532**
61.103.602	83.949.000	(16.130.215)	**1.296.016.196**
782.284	327.989	(3.603.926)	**157.535.931**
-	-	-	**4.392.989**
-	-	-	**-**
156.040.211	4.967.575	953.904	**197.798.429**
151.977.311	**94.737.263**	**(19.831.635)**	**4.017.942.605**
93.824.462	91.172.343	(14.692.819)	**2.878.508.961**
-	-	-	**1.694.800**
40.046.140	-	(5.137.082)	**980.998.992**
982.494	92.457	(1.734)	**5.970.181**
			105.403.244
17.124.215	3.472.463		**45.366.429**
268.703.208	**15.923.232**	**(141.280.211)**	**917.422.962**

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

6. SEGMENT REPORTING *(cont'd)*

Segments	**Securities Brokerage**	**Investment Trust**	**Portfolio Management**
	1 January - 31 December 2012	**1 January - 31 December 2012**	**1 January - 31 December 2012**
CONTINUING OPERATIONS			
Revenue	35.101.781.663	777.488.565	2.106.259
Interest and derivative income from operating activities (net)	66.393.498	(18.564.937)	-
Service income (net))	90.231.643	54.054	17.959.655
Other operating income (net)	27.515.454	-	-
Cost of sales (-)	**(35.084.439.381)**	**(716.527.931)**	**(2.525.104)**
GROSS PROFIT/LOSS	**201.482.877**	**42.449.751**	**17.540.810**
Administrative expenses (-)	(120.110.616)	(1.834.834)	(12.593.761)
Marketing expenses (-)	(24.914.967)	(3.912.247)	(17.630)
Research and development expenses (-)	-	-	-
Other operating income	1.568.266	-	8.871
Other operating expenses (-)	(1.019.942)	(63.347)	-
OPERATING PROFIT/LOSS	**57.005.618**	**36.639.323**	**4.938.290**
Share of profit of equity accounted investees	-	-	-
OPERATING PROFIT/LOSS BEFORE FINANCE COSTS	**57.005.618**	**36.639.323**	**4.938.290**
Finance income	26.296.351	10.887.529	7.050.663
Finance costs (-)	(19.984.035)	-	(30.311)
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS	**63.317.934**	**47.526.852**	**11.958.642**
Tax income/(expense) from continuing operations	**(12.276.862)**	**-**	**(2.380.509)**
- Current tax expenses	(15.463.259)	-	(2.538.886)
- Deferred tax income/(expense)	3.186.397	-	158.377
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**51.041.072**	**47.526.852**	**9.578.133**
PROFIT FOR DISCONTINUED OPERATIONS	**-**	**-**	**-**
PROFIT/(LOSS) FOR THE YEAR	**51.041.072**	**47.526.852**	**9.578.133**
Profit/(loss) attributable to:			
Non-controlling interests	(1.901)	34.147.339	2.873.440
Equity holders of the Company	51.042.973	13.379.513	6.704.693
	51.041.072	**47.526.852**	**9.578.133**

Private Equity	Asset Management	Elimination adjustments	Total
1 January - 31 December 2012	1 January - 31 December 2012	1 January - 31 December 2012	1 January - 31 December 2012
117.113.650	-	(353.786)	**35.998.136.351**
-	-	-	**47.828.561**
-	-	(5.557.147)	**102.688.205**
-	-	(477.174)	**27.038.280**
(55.484.171)	**-**	**(4.786.383)**	**(35.863.762.970)**
61.629.479	-	**(11.174.490)**	**311.928.427**
(19.118.165)	(5.978.817)	1.791.369	**(157.844.824)**
(7.519.010)	(18.128)	3.782.292	**(32.599.690)**
(3.083.465)	-	-	**(3.083.465)**
8.636.949	815	(108.277)	**10.106.624**
(3.728.511)	(44.718)	91.762	**(4.764.756)**
36.817.277	**(6.040.848)**	**(5.617.344)**	**123.742.316**
5.357.953	-	-	**5.357.953**
31.459.324	**(6.040.848)**	**(5.617.344)**	**118.384.363**
12.652.660	9.837.213	(13.021.357)	**53.703.059**
(7.829.133)	(6.143.817)	801.675	**(33.185.621)**
46.998.757	**(2.347.452)**	**(17.837.026)**	**149.617.707**
84.020	**(1.883.000)**	**-**	**(16.456.351)**
(22.840)	-	-	**(18.024.985)**
106.860	(1.883.000)	-	**1.568.634**
47.082.777	**(4.230.452)**	**(17.837.026)**	**133.161.356**
4.202.485	**-**	**-**	**4.202.485**
51.285.262	**(4.230.452)**	**(17.837.026)**	**137.363.841**
36.756.974	(655.720)	(4.494.742)	**68.625.390**
14.528.288	(3.574.732)	(13.342.284)	**68.738.451**
51.285.262	**(4.230.452)**	**(17.837.026)**	**137.363.841**

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

6. SEGMENT REPORTING *(cont'd)*

Segments	Securities Brokerage	Investment Trust	Portfolio Management
Other information	**1 January - 31 December 2012**	**1 January - 31 December 2012**	**1 January - 31 December 2012**
Acquisition of tangible and intangible assets	1.758.773	111.455	1.774.051
Depreciation and amortization charges	(2.147.333)	(17.153)	(693.417)

Segments	Securities Brokerage	Investment Trust	Portfolio Management
Balance sheet information	**31 December 2012**	**31 December 2012**	**31 December 2012**
Assets	**3.583.249.133**	**289.521.429**	**69.889.479**
Cash and cash equivalents	2.136.198.005	706.804	36.399.401
Financial investments (short term)	295.909.643	280.765.911	14.466.367
Financial investments (long term)	121.911.496	-	11.989.144
Trade receivables	927.176.554	1.905.883	4.242.194
Other receivables	81.344.440	6.006.941	4.443
Derivative instruments	3.007.644	-	-
Investments in equity accounted investees	-	-	-
Other assets	17.701.351	135.890	2.787.930
Liabilities	**3.191.337.941**	**1.113.190**	**2.049.450**
Financial liabilities	2.303.530.676	-	-
Other financial liabilities	52.774.084	-	-
Trade payables	812.222.202	117.360	-
Other payables	4.979.065	69.761	169.125
Derivative instruments	3.754.156	-	-
Other liabilities	14.077.758	926.069	1.880.325
Net Assets	**391.911.192**	**288.408.239**	**67.840.029**

	Private Equity	Asset Management	Elimination Adjustments	Total
	1 January - 31 December 2012	1 January - 31 December 2012	1 January - 31 December 2012	1 January- 31 December 2012
	2.847.820	408.369	-	**6.900.468**
	(2.341.184)	(268.863)	-	**(5.467.950)**

	Private Equity	Asset Management	Elimination Adjustments	Total
	31 December 2012	31 December 2012	31 December 2012	31 December 2012
	355.425.067	**44.763.201**	**(176.412.050)**	**4.166.436.259**
	40.802.761	4.590.587	(204.032)	**2.218.493.526**
	101.216.342	-	(33.766.783)	**658.591.480**
	-	-	(110.590.277)	**23.310.363**
	59.187.881	38.185.249	(26.285.420)	**1.004.412.341**
	773.117	214.061	(6.004.727)	**82.338.275**
	-	-	-	**3.007.644**
	23.565.589	-	-	**23.565.589**
	129.879.377	1.773.304	439.189	**152.717.041**
	121.682.993	**40.464.653**	**(43.833.928)**	**3.312.814.299**
	71.657.991	38.037.003	(29.048.069)	**2.384.177.601**
	-	-	-	**52.774.084**
	34.503.989	-	(14.785.859)	**832.057.692**
	1.386.958	56.570	-	**6.661.479**
	-	-	-	**3.754.156**
	14.134.055	2.371.080	-	**33.389.287**
	233.742.074	**4.298.548**	**(132.578.122)**	**853.621.960**

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

7. RELATED PARTY TRANSACTIONS

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

Deposits in T. İş Bankası A.Ş.	**31 December 2013**	**31 December 2012**
Demand Deposits	2.826.334	10.415.182
Time Deposits	149.534.747	563.134.808
	152.361.081	**573.549.990**

Borrowings from T. İş Bankası A.Ş.	**31 December 2013**	**31 December 2012**
Loan	130.702.785	59.160.165
	130.702.785	**59.160.165**

Marketable securities issued by the related parties in the Group's financial assets at fair value through profit or loss: issued securities with a nominal value of TL 113.548.710 and with a fair value of TL 6.820.392; equity shares with a nominal value of TL 3.303.748 and with a fair value of TL 3.207.700; marketable securities with fixed income with a nominal value of TL 4.578.264 and with a fair value of TL 4.640.012 (31 December 2012: issued securities with a nominal value of TL 731.187.655 and with a fair value of TL 30.685.419; equity shares with a nominal value of TL 22.682.549 and with a fair value of TL 48.334.284; marketable securities with fixed income with a nominal value of TL 52.117.872 and with a fair value of TL 51.128.357).

The Group has lease obligations to İş Finansal Kiralama A.Ş. amounting TL 1.609.896 (31 December 2012: TL 1.936.527).

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

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

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

7. RELATED PARTY TRANSACTIONS *(cont'd)*

	31 December 2012			
	Receivables		Payables	
Balances with related parties	**Trading**	**Non-Trading**	**Trading**	**Non-Trading**
İş Merkezleri Yönetim ve İşletim A.Ş.	-	3.427	1.689	136.896
T. İş Bankası A.Ş.	403.415	-	83.033	18.730
T. İş Bankası A.Ş. (Yurtdışı Fonları)	203.820	-	-	-
İş Bankası Yatırım Fonları Komisyonu	709	-	-	-
Vadeli İşlemler Borsası A.Ş	-	-	568.876	-
T. Şişe ve Cam Fabrikaları A.Ş.	1.204	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	461	29.226	-	2.694
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	-	-	5.588
Anadolu Anonim Türk Sigorta Şirketi	-	75.318	2.222	82.761
Anadolu Hayat Emeklilik A.Ş.	3.560.677	-	-	-
Mehmet Gürs	-	-	1.000.000	-
ATT Technology Management BV	-	-	120.044	-
Şişecam Sigorta ve Aracılık Hizmetleri A.Ş.	-	-	-	2.542
Trakya Cam Sanayi A.Ş.	99.303	-	-	-
Nemtaş Nemrut Liman İşletmeleri A.Ş.	2.478.000	-	-	-
Türkmed	7.080	-	-	-
İstanbul Takas ve Saklama Bankası A.Ş.	-	-	85.155	-
Anadolu Cam Sanayi A.Ş.	32	-	-	-
Yatırım Finansman Menkul Değerler A.Ş.	-	-	25.246	-
Aras Kargo Yurtiçi Yurtdışı Taşımacılık A.Ş.	-	-	-	1.601
Other	-	6.437	9	35.317
	6.754.701	**114.408**	**1.886.274**	**286.129**

The amount of TL 104.544 of non-trading receivables from related parties refers to prepaid expenses in Note 26. The amount of TL 59.253 of non-trading payables to related parties refers to expense accruals presented in other current liabilities in Note 26.

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

7. RELATED PARTY TRANSACTIONS *(cont'd)*

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

Interest income on time deposits amounting TL 22.345.456 is presented in interest income and derivative income from operating activities, net.

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

7. RELATED PARTY TRANSACTIONS *(cont'd)*

	1 January - 31 December 2012				
Related party transactions (income)	**Fee and brokerage commission income**	**Interest income on time deposits**	**Dividend received**	**Advisory income**	**Other**
T. İş Bankası A.Ş.	17.972.597	36.704.426	35.830	-	193.005
Anadolu Hayat Emeklilik A.Ş.	12.282.341	-	17.607	-	-
Anadolu Anonim Türk Sigorta Şirketi	511.279	-	-	-	-
Milli Reasürans T.A.Ş.	495.089	-	-	-	-
T. İş Bankası A.Ş. (Yurtdışı Fonları)	814.146	-	-	-	-
İş Bankası Yatırım Fonlar Komisyonu	11.376	-	-	-	-
T. Şişe ve Cam Fabrikaları A.Ş.	16.039	-	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	23.653	-	449.653	-	-
Anadolu Cam Sanayi A.Ş.	70.240	-	-	-	-
Trakya Cam Sanayi A.Ş.	147.148	-	-	-	-
Vadeli İşlemler Borsası A.Ş	52.193	-	94.071	-	-
T.Şişecam Fab.A.Ş. Ve İştirakleri Sos.Güv.Ve Bilimsel Araş.Vakfı	20.230	-	-	-	-
Aras Kargo Yurtiçi Yurtdışı Taşımacılık A. Ş.	218.640	-	-	-	-
Soda Sanayi A.Ş.	12.000	-	-	-	-
Türkiye Sınai Kalkınma Bankası A.Ş.	-	-	15.722	-	-
Nemtaş Nemrut Liman İşletmeleri A.Ş.	6.049	-	-	2.100.000	-
İş Finansal Kiralama A.Ş.	673.816	-	-	-	-
Yatırım Finansman Menkul Değerler A.Ş.	4.780	-	-	-	-
İstanbul Takas ve Saklama Bankası A.Ş	-	-	269.554	-	-
Türkmed Diyaliz ve Böbrek Sağlık Kurumları A.Ş.	24.000	-	-	-	-
Other	27.261	-	-	-	-
	33.382.877	**36.704.426**	**882.437**	**2.100.000**	**193.005**

Interest income on time deposits amounting TL 31.323.883 is presented in interest income and derivative income from operating activities (net).

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

7. RELATED PARTY TRANSACTIONS *(cont'd)*

Related party transactions (expenses)	Letters of guarantee commission expenses	Custody commission expense	Interest on borrowings	Other interest expenses
T. İş Bankası A.Ş.	75.983	-	6.010.209	31
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	2.858
Anadolu Anonim Türk Sigorta Şirketi	-	-	-	-
İş Faktoring Finansman Hizmetleri A.Ş.	-	-	-	39.496
Anadolu Hayat Emeklilik A.Ş.	-	-	-	-
İş Finansal Kiralama A.Ş.	-	-	-	1.110.776
Şişecam Sigorta ve Aracılık Hizmetleri A.Ş.	-	-	-	-
Aras Kargo Yurtiçi Yurtdışı Taşımacılık A. Ş.	-	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-
TT&TİM İletişim Hizmetleri A.Ş.	-	-	-	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	-	-	-
İstanbul Takas ve Saklama Bankası A.Ş.	-	933.309	3.221.139	-
Türkiye İş Bankası A.Ş. Mensupları Emekli Sandığı Vakfı	-	-	-	-
Meg Elektrik Elektronik Bilgi ve İletişim Sistemleri	-	-	-	-
Vadeli İşlemler Borsası A.Ş	-	-	-	-
SoftTech Yazılım Tekn. Araş. Gel. ve Paz. Tic. A.Ş.	-	-	-	-
ATT Technology Management BV	-	-	-	-
Milli Reasürans T.A.Ş.	-	-	-	34.300
Yatırım Finansman Menkul Değerler A.Ş.	-	-	-	-
Evre Gayrimenkul İnşaat ve Gayrimenkul Danışmanlık Şirketi	-	-	-	-
Paşabahçe Mağazaları A.Ş.	-	-	-	-
	75.983	**933.309**	**9.231.348**	**1.187.461**

Interest income on loans amounting TL 3.221.139 is presented in interest income and derivative income from operating activities (net).

Related party transactions (expenses)	Letters of guarantee commission expenses	Custody commission expense	Interest on borrowings	Other interest expenses
T. İş Bankası A.Ş.	92.923	-	797.621	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-
Anadolu Anonim Türk Sigorta Şirketi	-	-	-	-
İş Faktoring Finansman Hizmetleri A.Ş.	-	-	-	42.019
Anadolu Hayat Emeklilik A.Ş.	-	-	-	1.356
İş Finansal Kiralama A.Ş.	-	-	-	-
Şişecam Sigorta ve Aracılık Hizmetleri A.Ş.	-	-	-	-
Aras Kargo Yurtiçi Yurtdışı Taşımacılık A. Ş.	-	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-
TT&TİM İletişim Hizmetleri A.Ş.	-	-	-	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	-	-	-
İstanbul Takas ve Saklama Bankası A.Ş.	-	1.090.086	10.312.595	-
Türkiye İş Bankası A.Ş. Mensupları Emekli Sandığı Vakfı	-	-	-	-
Meg Elektrik Elektronik Bilgi ve İletişim Sistemleri	-	-	-	-
Vadeli İşlemler Borsası A.Ş	-	-	-	-
SoftTech Yazılım Tekn. Araş. Gel. ve Paz. Tic. A.Ş.	-	-	-	-
ATT Technology Management BV	-	-	-	-
Milli Reasürans T.A.Ş.	-	-	-	79.828
Yatırım Finansman Menkul Değerler A.Ş.	-	-	-	-
Türkiye Sınai Kalkınma Bankası A.Ş.	-	-	-	-
TSKB Gayrimenkul	-	-	-	-
Paşabahçe Mağazaları A.Ş.	-	-	-	-
	92.923	**1.090.086**	**11.110.216**	**123.203**

Interest income on loans amounting TL 10.312.595 is presented in interest income and derivative income from operating activities (net).

1 January - 31 December 2013						
	Transaction commission expenses	Personnel insurance contribution	Office insurance	Rent expenses	Administrative expenses	Technical service and consultancy expenses
	2.199.354	-	-	462.388	525	-
	-	-	60.518	5.406.843	-	-
	-	1.307.098	78.348	-	-	-
	-	-	-	-	-	-
	-	499.778	-	-	-	-
	-	-	-	-	4.670	-
	-	-	63.010	-	-	-
	-	-	-	-	1.066	-
	-	-	-	-	1.602.405	125.174
	-	-	-	-	-	10.946
	-	-	-	-	11.753	272.917
	3.984.784	-	-	-	-	-
	-	-	-	377.091	-	-
	-	-	-	-	-	90.369
	3.520.595	-	-	-	-	-
	-	-	-	-	-	2.722
	-	-	-	-	-	106.095
	-	-	-	-	-	-
	315.503	-	-	-	-	29.523
	-	-	-	400.000	-	-
	-	-	-	-	12.089	-
	10.020.236	**1.806.876**	**201.876**	**6.646.322**	**1.632.508**	**637.746**

1 January - 31 December 2012						
	Transaction commission expenses	Personnel insurance contribution	Office insurance	Rent expenses	Administrative expenses	Technical service and consultancy expenses
	1.652.993	-	-	218.577	16.538	-
	-	-	64.008	4.919.293	17.719	-
	-	1.156.119	92.988	-	-	-
	-	-	-	-	-	-
	-	451.405	-	-	-	-
	-	-	-	-	356.978	-
	-	-	78.361	-	-	-
	-	-	-	-	1.478	-
	-	-	-	-	2.524.133	-
	-	-	-	-	-	12.844
	-	-	-	-	-	181.519
	3.118.608	-	-	-	-	-
	-	-	-	347.129	-	-
	-	-	-	-	-	13.870
	5.529.448	-	-	-	-	-
	-	-	-	-	-	2.528
	-	-	-	-	-	362.744
	-	-	-	-	-	-
	72.178	-	-	-	-	28.146
	-	-	-	-	11.941	-
	-	-	-	8.483	-	-
	-	-	-	-	14.397	-
	10.373.227	**1.607.524**	**235.357**	**5.493.482**	**2.943.184**	**601.651**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013

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

7. RELATED PARTY TRANSACTIONS *(cont'd)*

Compensation of key management personnel	1 January - 31 December 2013	1 January - 31 December 2012
Salaries and other short-term benefits	17.509.951	14.745.821
	17.509.951	**14.745.821**

Compensation of key management personnel includes wages, bonuses, insurance and other benefits.

8. CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash	181.116	197.681
Cash at banks	2.627.803.877	2.203.441.866
Demand deposits	*11.208.955*	*18.355.501*
Time deposits (with maturities less than three months)	*2.383.676.973*	*2.185.086.365*
Time deposits (with maturities more than three months)	*232.917.949*	-
Type B mutual funds	10.976.070	4.630.339
Receivable from reverse repurchase agreements	22.840.692	10.145.933
Other cash equivalents	2.153.461	77.707
Receivable from money market placements.	1.614.490	-
	2.665.569.706	**2.218.493.526**

Maturities and interest rates of time deposits as at 31 December 2013 and 2012 are as follows:

31 December 2013				
	Interest Rate (%)	**Maturity**	**Currency Type**	**Amount (TL)**
Time deposit in FX	2,90 - 3,79	6/1/2014 - 8/12/2014	USD	1.464.791.433
Time deposit in FX	2,95 - 3,79	3/1/2014 - 26/11/2014	EUR	1.018.290.105
Time deposit in FX	1,75 - 2,50	3/1/2014 - 21/3/2014	GBP	14.461.708
Time deposit in TL	8,37 - 9,35	14/1/2014 - 7/2/2014	TL	113.047.869
Interest accrual				6.003.807
				2.616.594.922

31 December 2012				
	Interest Rate (%)	**Maturity**	**Currency Type**	**Amount (TL)**
Time deposit in FX	0,25 - 2,50	4/1/2013 - 28/2/2013	GBP	4.522.615
Time deposit in TL	5,00 - 9,15	2/1/2013 - 22/2/2013	TL	2.171.075.000
Interest accrual				9.488.750
				2.185.086.365

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

8. CASH AND CASH EQUIVALENTS *(cont'd)*

Maturities and interest rates of reverse repurchase agreements as at 31 December 2013 and 2012 are as follows:

		31 December 2013		
	Interest Rate (%)	**Maturity**	**Cost**	**Carrying value**
Reverse Repurchase Agreements	6,02 - 9,00	2/1/2014-3/1/2014	22.825.000	22.840.692
				22.840.692
		31 December 2012		
	Interest Rate (%)	**Maturity**	**Cost**	**Carrying value**
Reverse Repurchase Agreements	4,25 - 6,17	2/1/2013-3/1/2013	10.139.889	10.145.933
				10.145.933

Cash and cash equivalents in the Group's consolidated statement of cash flows for the periods ended 31 December 2013 and 2012 are presented by netting off interest accruals and time deposits with an original maturity more than three months from cash and cash equivalents:

	31 December 2013	**31 December 2012**
Cash and cash equivalents	2.665.569.706	2.218.493.526
Time deposits (with maturities less than three months)	(232.917.949)	-
Interest accruals	(3.793.732)	(9.494.794)
	2.428.858.025	**2.208.998.732**

9. FINANCIAL INVESTMENTS

Current financial assets	**31 December 2013**	**31 December 2012**
Financial assets at fair value through profit or loss	588.185.784	658.591.480
Held to maturity financial investments	-	-
	588.185.784	**658.591.480**

Non-current financial assets	**31 December 2013**	**31 December 2012**
Available for sale financial assets	19.369.411	17.279.388
Held to maturity financial investments	6.497.121	6.030.975
	25.866.532	**23.310.363**

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

9. FINANCIAL INVESTMENTS *(cont'd)*

	31 December 2013	
Financial assets at fair value through profit or loss	**Cost**	**Carrying Value**
Government bonds and treasury bills	249.937.812	236.119.360
Private sector bonds	269.565.173	288.540.873
Equity shares	43.051.709	41.355.586
Foreign currency securities	2.038.846	1.904.158
Investment funds	19.800.318	20.265.807
	584.393.858	**588.185.784**

	31 December 2012	
Financial assets at fair value through profit or loss	**Cost**	**Carrying Value**
Government bonds and treasury bills	210.887.976	261.938.039
Private sector bonds	225.258.584	193.073.129
Equity shares	170.770.908	172.894.893
Investment funds	28.250.398	30.685.419
	635.167.866	**658.591.480**

Annual interest rate ranges of government bonds and treasury bills held for trading purposes as at 31 December 2013 are between 3,23% and 15,07% (31 December 2012: in-between 4,48% and 11,40%).

Marketable securities given as guarantees as at 31 December 2013 and 2012 are as follows:

		31 December 2013	
Government bonds and treasury bills given as guarantee	**Cost**	**Fair Value**	**Carrying Value**
Istanbul Settlement and Custody Bank	7.474.172	7.292.771	7.292.771
Guarantees given to customers (securities lending activities)	180.250	175.164	175.164
Capital Markets Board	51.881	53.811	53.811
Turkish Derivatives Exchange	16.036	16.632	16.632
	7.722.339	**7.538.378**	**7.538.378**

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

9. FINANCIAL INVESTMENTS *(cont'd)*

	31 December 2012		
Government bonds and Treasury bills given as guarantee	**Cost**	**Fair Value**	**Carrying Value**
Istanbul Settlement and Custody Bank	6.978.075	6.977.293	6.977.293
Guarantees given to customers (securities lending activities)	483.916	483.862	483.862
Capital Markets Board	239.385	242.455	242.455
Turkish Derivatives Exchange	16.087	16.291	16.291
	7.717.463	**7.719.901**	**7.719.901**

Debt securities of the Company as shown in the above table (held to maturity financial assets) consist of securities traded on the stock exchange and the fair value of financial assets classification is in Level 1.

The details of available for sale equity investments are as follows:

	31 December 2013	
Financial assets available for sale	**Ownership Rate %**	**Carrying Value**
Listed Entities		
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	1,13	12.890.506
Unlisted Entities		
Istanbul Settlement and Custody Bank	0,97	3.692.563
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	10,00	1.340.045
Borsa İstanbul A.Ş.	0,34	1.429.413
Yatırım Finansman Menkul Değ. A.Ş.	0,06	16.884
		19.369.411

	31 December 2012	
Financial assets available for sale	**Ownership Rate %**	**Carrying Value**
Listed Entities		
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	1,13	13.511.495
Unlisted Entities		
Istanbul Settlement and Custody Bank	0,97	1.943.563
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	10,00	1.160.011
Turkish Derivatives Exchange	6,00	647.435
Yatırım Finansman Menkul Değ. A.Ş.	0,06	16.884
		17.279.388

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

9. FINANCIAL INVESTMENTS *(cont'd)*

The Group has valued the equity shares of İş Gayrimenkul Yatırım Ortaklığı A.Ş. under securities available for sale with the market prices realized on the Borsa Istanbul ('BIST'). As a result of this valuation, the Group has accounted for the valuation increase amounted to TL 4.688.119 (31 December 2012: valuation increase of TL 4.496.528) by netting-off the deferred tax liability amounted to TL 234.405 (31 December 2012: deferred tax asset of TL 224.826) due to this valuation increase under "Fair Value Reserve" under equity.

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 6.478.905 (31 December 2012: TL 4.290.421) 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.

The details of the Group's government bonds classified as held to maturity financial assets are as follows:

		31 December 2013	
Held to maturity financial assets	**Cost**	**Fair Value**	**Carrying Value**
Government bonds	4.964.623	6.854.777	6.497.121
	4.964.623	**6.854.777**	**6.497.121**

		31 December 2012	
Held to maturity financial assets	**Cost**	**Fair Value**	**Carrying Value**
Government bonds	4.964.623	7.298.734	6.030.975
	4.964.623	**7.298.734**	**6.030.975**

As at 31 December 2013, the maturity of TL 5.000.000 nominal value of held to maturity financial assets is 1 April 2020 (As at 31 December 2012, the maturity of TL 5.000.000 nominal value of held to maturity financial assets is 1 April 2020).

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

10. FINANCIAL LIABILITIES

Financial liabilities	31 December 2013	31 December 2012
Payables to Stock Exchange Money Market	2.143.897.000	1.867.653.000
Short-term bank borrowings	581.096.698	354.833.232
Long-term bank borrowings	84.385.085	49.944.840
Short-term portion of long term bank loans	28.592.885	5.121.336
Accrued Interest on bank borrowings	21.077.627	7.688.932
Interest accruals on payables to Stock Exchange Money Markets	8.765.871	5.292.953
Short-term debt factoring	4.635.516	1.648.440
Funds provided under repurchase agreements	3.005.178	-
Long-term leasing payables	1.671.636	2.782.132
Short-term portion of long-term finance lease liabilities	1.070.161	1.219.691
Short-term leasing payables	311.304	884.442
Payables from commercial paper	-	87.108.603
	2.878.508.961	**2.384.177.601**

As at 31 December 2013 and 31 December 2012, interest rates and maturities of bank borrowings are as follows:

31 December 2013					
Description	**Amount**	**Currency Type**	**Interest Rate (%)**	**Maturity**	**Amount TL**
Principal	694.074.668	TL	8,75 - 14,00	2/1/2014-15/2/2019	694.074.668
Interest accrual	21.077.627	TL			21.077.627
	715.152.295				**715.152.295**

31 December 2012					
Description	**Amount**	**Currency Type**	**Interest Rate (%)**	**Maturity**	**Amount TL**
Principal	409.899.408	TL	5,40 - 16,50	2/1/2013-29/6/2020	409.899.408
Interest accrual	7.688.932	TL			7.688.932
	417.588.340				**417.588.340**

As at 31 December 2013, interest rates and maturities of payables to stock exchange money market are as follows:

31 December 2013					
Description	**Amount**	**Currency Type**	**Interest Rate (%)**	**Maturity**	**Amount TL**
Principal	2.143.897.000	TL	7,50- 8,90	2/1/2014 - 3/2/2014	2.143.897.000
Interest accrual	8.765.871	TL			8.765.871
	2.152.662.871				**2.152.662.871**

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

10. FINANCIAL LIABILITIES *(cont'd)*

As at 31 December 2012, interest rates and maturities of payables to stock exchange money market are as follows:

		31 December 2012			
Description	**Amount**	**Currency Type**	**Interest Rate (%)**	**Maturity**	**Amount TL**
Principal	1.867.653.000	TL	5,30- 6,60	2/1/2013 - 5/2/2013	1.867.653.000
Interest accrual	5.292.953	TL			5.292.953
	1.872.945.953				**1.872.945.953**

Details of leasing payables are as follows:

	31 December 2013	
	Future minimum lease payments	**Present value of minimum lease payments**
0-1 year	1.642.904	1.381.465
1-2 years	1.039.125	884.072
2-5 years	886.706	787.564
Future financial expenses	(515.634)	-
Present value of leasing liabilities	**3.053.101**	**3.053.101**
Debts payable within 12 months (presented in short term liabilities)		(1.381.465)
Debts payable after 12 months		**1.671.636**

	31 December 2012	
	Future minimum lease payments	**Present value of minimum lease payments**
0-1 year	2.497.084	2.104.134
1-2 years	2.089.421	1.617.838
2-5 years	1.553.617	1.164.294
Future financial expenses	(1.253.856)	-
Present value of leasing liabilities	**4.886.266**	**4.886.266**
Debts payable within 12 months (presented in short term liabilities)		(2.104.134)
Debts payable after 12 months		**2.782.132**

10. FINANCIAL LIABILITIES *(cont'd)*

The Group purchases tool sets and production machines for its orthopedics, medical and surgical operations and furniture and fixtures for its restaurant operations through leasing.

As at contract date the interest rates related to financial lease transactions are fixed for the whole leasing period.

Average yearly effective interest rate for contracts in Euro is 11.22%, for contracts in US Dollar is 8.05%, for contracts in TL range between 14.50%-26.2% (31.12.2012 Average yearly effective interest rate for contracts in Euro is 11.22%, for contracts in US Dollar is 8.05%, for contracts in TL range between 14.50%-26.2%).

The finance lease liabilities to İş Finansal Kiralama A.Ş. is TL 1.609.896, of which interest rate is between 8,05 %-14,5% (31 December 2012: TL 1.936.527 8,05%- 14,50).

11. OTHER FINANCIAL LIABILITIES

	31 December 2013	31 December 2012
Liabilities from short selling transactions (*)	1.694.800	52.774.084
	1.694.800	**52.774.084**

(*) As of 31 December 2013 liabilities from short selling transactions comprised of amounting TL 110.000 (nominal value) (31 December 2012: TL 6.548.855 nominal value).

12. TRADE RECEIVABLES AND PAYABLES

Current trade receivables	31 December 2013	31 December 2012
Receivables from clearing houses on derivative transactions	420.342.426	323.727.915
Receivables from customers	315.680.107	330.376.672
Receivables from credit customers	315.417.552	202.905.303
Receivables from clearing houses (*)	140.334.726	100.909.329
Purchase of nonperforming loans	83.948.732	38.185.249
Due from related parties (Note 7)	6.898.132	6.754.701
Commission and fund management fee receivables	691.464	722.974
Other trade receivables	12.703.057	830.198
	1.296.016.196	**1.004.412.341**

(*) As of 31 December 2013 receivables from clearing houses comprised of guarantees from Forex operations amounting TL 53.051.656 (31 December 2012: TL 58.943.125).

As at 31 December 2013, the Group's subsidiary has reviewed all receivables individually and provided allowance amounting to TL 3.434.781 for the receivables not in legal proceedings, however for which their collectibility becomes doubtful and it is not certain whether they become worthless or not (31 December 2012: TL 3.149.477).

Non-performing loans purchased amounting to TL 83.948.732 comprised of the loans purchased from the domestic banks by Efes Varlık Yönetim A.Ş which is the subsidiary of the Group. As of 31 December 2013 provision is amounted TL 87.775 provided for the purchased non-performing loans (31 December 2012: TL 35.547).

As at 31 December 2013, the average interest rates applied to customers on margin trading are 12,52% (31 December 2012: 8,97%).

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

12. TRADE RECEIVABLES AND PAYABLES *(cont'd)*

As at 31 December 2013, 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 547.935.000 (31 December 2012: TL 331.025.961).

As at 31 December 2013, the Group holds letters of guarantee with an amount of TL 85.729.068 in relation to the derivative transactions of its customers (31 December 2012: TL 59.961.850).

Short term trade payables	**31 December 2013**	**31 December 2012**
Payables to customers (*)	622.899.145	436.749.078
Payables to clearing houses on derivative transactions	313.050.364	325.371.806
Payables to clearing houses	21.274.493	52.258.630
Trade payables	15.927.805	10.819.809
Due to related parties (Note 7)	1.239.004	886.265
Other trade payables	4.959.531	3.173.573
	979.350.342	**829.259.161**

(*) As of 31 December 2013 payables to customers comprised of payables to customers from Forex operations amounting TL 53.051.656 (31 December 2012: TL 58.943.125).

Long term trade payables	**31 December 2013**	**31 December 2012**
Trade payables	1.148.650	1.798.522
Due to related parties (Note 7)	500.000	1.000.009
	1.648.650	**2.798.531**

13. OTHER RECEIVABLES AND PAYABLES

Other current receivables	**31 December 2013**	**31 December 2012**
Deposits and guarantees given	133.566.435	46.771.040
Collaterals given for future contracts	18.389.286	28.798.513
Due from related parties (non-trading) (Note 7)	52.831	9.864
Other receivables	607.944	1.107.704
	152.616.496	**76.687.121**

Other non-current receivables	**31 December 2013**	**31 December 2012**
Deposits and guarantees given	4.919.285	5.651.154
Due from related parties (non-trading)	150	-
	4.919.435	**5.651.154**

İş Yatırım Menkul Değerler Anonim Şirketi and its Subsidiaries

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13. OTHER RECEIVABLES AND PAYABLES *(cont'd)*

Other short-term payables	31 December 2013	31 December 2012
Taxes and fund payables	5.463.986	5.701.003
Due to related parties (non-trading) (Note 7)	186.401	226.876
Other payables	319.794	717.301
	5.970.181	**6.645.180**

Other long-term payables	31 December 2013	31 December 2012
Other payables	-	16.299
	-	**16.299**

14. RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

Since the Group operates in finance sector, this account item has not been used.

15. INVENTORIES

Inventories	31 December 2013	31 December 2012
Trading goods and other inventories, net	54.281.259	41.242.332
	54.281.259	**41.242.332**

16. BIOLOGICAL ASSETS

None (31 December 2012: None).

17. ASSETS RELATED TO ONGOING CONSTRUCTION CONTRACTS

None (31 December 2012: None).

18. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

As at 31 December 2013, the details of the Group's associates and joint ventures are as follows:

	Shareholding interest (%)		
	31 December 2013	**31 December 2012**	**Main business area**
Türkmed	-	25,78	Service
Aras Kargo	-	20,00	Service

[1] The Group has sold all shares on Aras Kargo and Türkmed on 30 July 2013 and 13 September 2013 respectively.

Summary financial information of the Group's associates is as follows:

	31 December 2013	31 December 2012
Total assets	-	273.894.810
Total liabilities	-	(253.011.082)
Net assets	**-**	**20.883.728**
The Group's share in associates' net assets	-	4.363.651
Goodwill in equity accounted investees	-	19.201.938
Investments in equity accounted investees	**-**	**23.565.589**

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

18. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES *(cont'd)*

	1 January - 31 December 2013	1 January - 31 December 2012
Revenue	-	846.601.821
Profit/(Loss) for the year	-	42.525.746
The Group's share in the profit/(loss) of associates	**4.300.659**	**5.357.953**

Goodwill		
Associates and joint ventures	**31 December 2013**	**31 December 2012**
Türkmed	-	1.616.818
Allowance for impairment loss on Türkmed's goodwill	-	(1.616.818)
Aras Kargo	-	19.201.938
Total	**-**	**19.201.938**

19. GOODWILL

Each Cash-Generating Unit ("CGU") to be distributed to the carrying value of goodwill is as follows:

Associates	**Goodwill**	
	31 December 2013	**31 December 2012 (Restated)**
Ortopro	9.206.499	9.206.499
Toksöz	19.429.606	19.429.606
Numnum	12.687.774	12.687.774
Ortopro impairment	(2.650.000)	-
	38.673.879	**41.323.879**

As three separate CGUs, valuations of Ortopro, Toksöz and Numnum were conducted by an independent valuation firm. Income and market approaches have been used for determining the fair values of Ortopro, Toksöz and Numnum. Analysis is made mostly using income approach (discounted cash flow method) method while lower weight is applied for values determined using similar transactions.

5-year business plans prepared by the management have been used. Growth in business of Ortopro, Toksöz and Numnum stems from the opportunities in the industry and new customer acquisitions.

The significant assumptions used in the calculation of the recoverable amount of the discount rate and terminal growth rates. These assumptions are as follows:

	Pre-tax discount rate	Net Growth Rate
Ortopro	20 %	7 %
Toksöz	19 %	7 %
Numnum	20 %	7 %

The Group has identified impairment as a result of the goodwill impairment test of Ortopro using the assumptions outlined above in amount of TL 2.650.000. Impairment losses were recognized in other expenses from operations. Since Toksöz and Numnum have higher recoverable values than the carrying values, there is no impairment recorded.

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20. TANGIBLE ASSETS

Acquisition cost	Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Leasehold Improvement	Total
Opening balances at 1 January 2013	8.663.041	907.050	21.272.804	4.351.391	19.104.306	54.298.592
Foreign currency translation differences	-	-	160.639	-	149.178	309.817
Business combinations	-	-	-	-	-	-
Disposal due to discontinued operations	-	-	-	-	-	-
Additions	777.763	343.855	5.882.557	317.395	8.814.061	16.135.631
Disposal	-	(215.671)	(1.340.486)	-	(897.804)	(2.453.961)
Closing balances at 31 December 2013	**9.440.804**	**1.035.234**	**25.975.514**	**4.668.786**	**27.169.741**	**68.290.079**
Accumulated depreciation						
Opening balances at 1 January 2013	(6.654.034)	(446.318)	(12.172.240)	(4.351.252)	(10.339.586)	(33.963.430)
Foreign currency translation differences	-	-	(89.016)	-	(118.684)	(207.700)
Business combinations	-	-	-	-	-	-
Disposal due to discontinued operations	-	-	-	-	-	-
Charge for the period	(755.265)	(140.175)	(2.550.046)	-	(2.874.751)	(6.320.237)
Disposal	-	196.848	1.024.284	-	159.325	1.380.457
Closing balance at 31 December 2013	**(7.409.299)**	**(389.645)**	**(13.787.018)**	**(4.351.252)**	**(13.173.696)**	**(39.110.910)**
Carrying value as at 1 January 2013	**2.009.007**	**460.732**	**9.100.564**	**139**	**8.764.720**	**20.335.162**
Carrying value at 31 December 2013	**2.031.505**	**645.589**	**12.188.496**	**317.534**	**13.996.045**	**29.179.169**

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20. TANGIBLE ASSETS *(cont'd)*

Acquisition cost	Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Leasehold Improvement	Total
Opening balances at 1 January 2012	8.036.040	383.101	5.737.661	4.142.750	10.044.124	28.343.676
Foreign currency translation differences	-	-	(6.205)	-	(28.740)	(34.945)
Business combinations (Note 3)	208.900	1.251.576	16.255.708	484.892	6.934.604	25.135.680
Disposal due to discontinued operations (Note 33)	(8.595)	(132.575)	(2.981.878)	(73.257)	(96.780)	(3.293.085)
Additions	435.874	200.601	2.756.365	-	2.531.448	5.924.288
Disposal	(9.178)	(795.653)	(488.847)	(202.994)	(280.350)	(1.777.022)
Closing balances at 31 December 2012	**8.663.041**	**907.050**	**21.272.804**	**4.351.391**	**19.104.306**	**54.298.592**
Accumulated depreciation						
Opening balances at 1 January 2012	(5.828.892)	(205.586)	(3.772.148)	(4.139.765)	(5.658.832)	(19.605.223)
Foreign currency translation differences	-	-	2.536	-	8.113	10.649
Business combinations (Note 3)	(84.744)	(552.518)	(9.249.183)	(281.703)	(3.394.699)	(13.562.847)
Disposal due to discontinued operations (Note 33)	8.595	39.322	2.086.191	73.257	78.921	2.286.286
Charge for the period	(748.993)	(103.745)	(1.652.279)	(3.041)	(1.633.821)	(4.141.879)
Disposal	-	376.209	412.643	-	260.732	1.049.584
Closing balance at 31 December 2012	**(6.654.034)**	**(446.318)**	**(12.172.240)**	**(4.351.252)**	**(10.339.586)**	**(33.963.430)**
Carrying value at 1 January 2012	**2.207.148**	**177.515**	**1.965.513**	**2.985**	**4.385.292**	**8.738.453**
Carrying value at 31 December 2012	**2.009.007**	**460.732**	**9.100.564**	**139**	**8.764.720**	**20.335.162**

21. INTANGIBLE ASSETS

Acquisition cost	Patent, License, Leasing Agreements	Computer software and licenses	Total
Opening balance at 1 January 2013	29.733.000	8.356.424	38.089.424
Exchange differences	-	214.734	214.734
Disposal due to discontinued operations (Note 33)	-	(8.613)	(8.613)
Additions	-	2.900.874	2.900.874
Closing balance at 31 December 2013	**29.733.000**	**11.463.419**	**41.196.419**
Accumulated amortization			
Opening balance at 1 January 2013	(574.600)	(6.380.140)	(6.954.740)
Exchange differences	-	(147.672)	(147.672)
Disposal due to discontinued operations (Note 33)	-	5.484	5.484
Charge for the period	(5.229.469)	(1.314.670)	(6.544.139)
Closing balance at 31 December 2013	**(5.804.069)**	**(7.836.998)**	**(13.641.067)**
Carrying value at 01 January 2013	**29.158.400**	**1.976.280**	**31.134.680**
Carrying value as at 31 December 2013	**23.928.931**	**3.626.421**	**27.555.352**

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21. INTANGIBLE ASSETS *(cont'd)*

Acquisition cost	Patent, License, Leasing Agreements	Computer software and licenses	Total
Opening balance, 1 January 2012	-	6.869.426	6.869.426
Exchange differences	-	(9.567)	(9.567)
Business Combinations (Note 3)	29.733.000	870.565	30.603.565
Disposal due to discontinued operations (Note 33)	-	(350.182)	(350.182)
Additions	-	976.180	976.180
Closing balance at 31 December 2012	**29.733.000**	**8.356.422**	**38.089.422**
Accumulated amortization			
Opening balance, 1 January 2012	-	(5.385.287)	(5.385.287)
Exchange differences	-	8.424	8.424
Business Combinations (Note 3)	-	(474.446)	(474.446)
Disposal due to discontinued operations (Note 33)	-	222.634	222.634
Charge for the period	(574.600)	(751.467)	(1.326.067)
Closing balance at 31 December 2012	**(574.600)**	**(6.380.142)**	**(6.954.742)**
Carrying value at 1 January 2012	**-**	**1.484.139**	**1.484.139**
Carrying value at 31 December 2012	**29.158.400**	**1.976.280**	**31.134.680**

22. GOVERNMENT INCENTIVES AND GRANTS

None (31 December 2012: None).

23. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Current provisions	31 December 2013	31 December 2012
Tax penalty provision [1]	791.199	1.332.503
Legal claims	-	23.000
Other liabilities and expense accruals	12.499	640.939
	803.698	**1.996.442**

[1] Based on the amendments to Article 29/t of Expense Taxes Law numbered 6802 in respect to Article 32/8 of Law numbered 5838, the effective date of exemption in regards to Banking and Insurance Transactions Tax ("BITT") levied on transactions performed in capital markets for investment trusts is 1 March 2009. In this respect, the subsidiary has provided a BITT provision amounting to TL 791.199 (31 December 2012: TL 1.332.503) regarding to 2008 and January - March 2009 transactions based on the best estimates.

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

23. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES *(cont'd)*

	1 January- 31 December 2013			
	Legal claims	Tax penalty Provision	Other	Total
Opening balance	23.000	1.332.503	640.939	1.996.442
Charge for the period	-	63.346	12.499	75.845
Payments	(23.000)	(604.650)	(640.939)	(1.268.589)
Closing balance	**-**	**791.199**	**12.499**	**803.698**

	1 January- 31 December 2012			
	Legal claims	Tax penalty Provision	Other	Total
Opening balance	-	664.506	5.891	670.397
Charge for the period	23.000	667.997	640.939	1.331.936
Payments	-	-	(5.891)	(5.891)
Closing balance	**23.000**	**1.332.503**	**640.939**	**1.996.442**

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 2013	31 December 2012
Government bonds and treasury bills (customer portfolio)	1.165.478.904	951.495.540
Eurobond	354.772.319	252.433.523
Equity shares	5.249.140.150	4.842.311.492
Mutual funds - units	964.781.745	41.240.525.466

As at 31 December 2013 and 2012, letters of guarantee and promissory notes given by the Group are as follows:

	31 December 2013	31 December 2012
Istanbul Settlement and Custody Bank	2.683.705.000	2.482.841.664
Borsa İstanbul A.Ş.	70.634.719	56.825.689
Capital Markets Board	12.103.552	12.703.552
Turkish Derivatives Exchange	-	23.010.000
Others	130.506.067	59.799.492
	2.896.949.338	**2.635.180.397**

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

23. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES *(cont'd)*

As at 31 December 2013, letters of guarantee and promissory notes amounting to TL 2.896.949.338 given by the Group contains USD 24.305.304 that equals to TL 51.874.810, EUR 360.936 that equals to TL 1.059.887, GBP 5.000.000 that equals to TL 17.557.000 (31 December 2012: USD 22.251.958 that equals to TL 39.601.340, EUR 152.861 that equals to TL 359.483, GBP 5.000.000 that equals to TL 14.366.500).

The Group has given securities amounting to TL 7.275.329 as guarantee as at 31 December 2013 (31 December 2012: The Group has given securities amounting to TL 28.415.707 as guarantee against the securities borrowed).

The Company and its subsidiaries operating in Turkey with activities in securities brokerage and portfolio management maintain their capitals in accordance and in compliance with the Capital Markets Board Communiqué Serial: V, No: 34 "Principles of Capital and Capital Adequacy of Brokerage Houses" ("Communiqué Serial: V, No: 34"). The Group is in compliance with the capital adequacy requirements as at 31 December 2013 and 2012.

Guarantee/pledge/mortgage ("GPM") position of the Group as at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Guarantees/Pledges/Mortgages given by the Company		
A. GPM given on behalf of its own legal entity	**2.755.301.233**	**2.559.142.038**
Total GPM		
GPM	2.755.301.233	2.559.142.038
Financial investments	-	-
B. GPM given on behalf of consolidated subsidiaries	**45.302.900**	**37.475.300**
GPM	45.302.900	37.475.300
Financial investments	-	-
C. Total amount of GPM given on behalf of other third parties' debt	**-**	**-**
D. Other GPM	-	-
i. Total amount of GPM given on behalf of the Parent	-	-
ii. Total amount of GPM given on behalf of other	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C		
TOTAL	**2.800.604.133**	**2.596.617.338**

As of 31 December 2013, GPM, amounting to TL 45.302.900 given for fully consolidated subsidiaries, contains USD 13.000.000 that equals to TL 27.745.900 and GBP 5.000.000 that equals to TL 17.557.000 (31 December 2012: USD 13.000.000 that equals to TL 23.108.800 and GBP 5.000.000 that equals to TL 14.366.500).

Proportion of GPM to the Group's equity as at 31 December 2013 is 305% (31 December 2012: 298%).

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24. COMMITMENTS

Derivative commitments and option agreements of the Group as at 31 December 2013 and 2012 are as follows:

	31 December 2013			
	SHORT POSITION		LONG POSITION	
Derivatives instrument description	Notional Amount	Notional Amount (TL)	Notional Amount	Notional Amount (TL)
Foreign currency based				
Option agreements	5.052.485.700	843.943.449	4.637.482.200	871.340.377
Forward and swap agreements	2.318.206.212	3.795.748.446	3.117.442.171	3.716.283.441
Futures agreements	7.402.900	15.917.440	1.905.000	15.802.091
Index based				
Option agreements	3.000.000	(1.176.907)	3.000.000	1.176.907
Forward and swap agreements	-	-	-	-
Futures agreements	426.100	710.361.371	761.575	696.967.175
Other	2.372.560	456.024	8.831	4.249

	31 December 2012			
	SHORT POSITION		LONG POSITION	
Derivatives instrument description	Notional Amount	Notional Amount (TL)	Notional Amount	Notional Amount (TL)
Foreign currency based				
Option agreements	2.236.985.850	458.637.737	2.277.028.250	462.140.210
Forward and swap agreements	6.361.527.171	2.528.404.364	5.569.188.857	2.528.100.856
Futures agreements	9.982.000	17.800.173	17.501.770	19.326.018
Index based				
Option agreements	3.452.600	16.017.750	3.507.000	16.031.738
Futures agreements	-	-	-	-
Forward and swap agreements	8.482	78.204.557	1.941	12.446.659
Other	1.171.636	1.173.043	-	-

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

25. PROVISIONS RELATED TO EMPLOYEE BENEFITS

Short-term employee benefits:

	31 December 2013	31 December 2012
Unused vacation pay liability and other premium provision	11.060.011	10.933.054

In accordance with the existing social legislation in Turkey, the Group is required to make payments for unused vacation days when the personnel leave the company. Vacation pay liability is the undiscounted amount calculated over the unused vacation days of the employees.

Long-term employee benefits:

	31 December 2013	31 December 2012
Employee severance pay liability	3.939.044	4.603.972
Bonus reserve for employees	2.910.939	290.525
Total	**6.849.983**	**4.894.497**

Under the Turkish Labour Law, the Group is required to pay employment termination benefits to each entitled employee to receive such benefits.

The applicable retirement pay provision ceiling as at 31 December 2013 is TL 3.254 for the calculation of employment termination benefits (31 December 2012: TL 3.034). The retirement pay provision ceiling is revised semi-annually, and TL 3.254, which is effective from 1 January 2013, is taken into consideration in the calculation of provision for employment termination benefits (31 December 2012; The retirement pay provision ceiling effective from 1 January 2013 amounts to TL 3.034)

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying statement of financial position as at 31 December 2013, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. The provision at the respective balance sheet date has been calculated assuming an annual inflation rate of 5,94% (31 December 2012: 4,15%) and a discount rate of 9,85% (31 December 2012: 7,00%) resulting in a real discount rate of approximately 3,69% (31 December 2012: 2,74%). The anticipated rate of forfeitures is also considered.

	31 December 2013	31 December 2012
Opening balance, 1 January	4.603.972	1.838.989
Business combination	-	1.482.417
Disposal due to discontinued operations	-	(8.160)
Business combination	-	21.684
Service cost	1.068.337	807.591
Interest cost	479.337	294.100
Payments made during the year	(1.368.913)	(469.382)
Actuarial difference	(843.689)	636.733
Provision for employee benefit	**3.939.044**	**4.603.972**

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25. PROVISIONS RELATED TO EMPLOYEE BENEFITS *(cont'd)*

Retirement Benefits

Beginning from 2006, the Group has started to contribute certain amount of private pension payments for its employees. In the current year, total contributions paid amount to TL 464.142 whereas in aggregate it is TL 1.854.874 (Contributions paid as at 31 December 2012 is TL 405.456 and cumulative payment is TL 1.390.732).

26. OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2013	31 December 2012
Income accruals	7.316.459	259.657
Deferred VAT	5.451.391	3.517.737
Advances given for purchases	83.262	1.093.577
Business advances	-	412.104
Personnel advances	58.253	97.941
Other	1.503.837	545.135
	14.413.202	**5.926.151**

Other short-term liabilities	31 December 2013	31 December 2012
Expense accruals	5.039.549	3.142.144
Advances received	1.057.681	1.853.156
Deferred Income	592.681	759.531
Other	113.417	60.514
	6.803.328	**5.815.345**

Other long-term liabilities	31 December 2013	31 December 2012
Income related to future years	83.472	122.038
	83.472	**122.038**

As at 31 December 2013, the amount of TL 108.744 (31 December 2012: TL 104.544) of prepaid expenses in other current assets refers to the services to be rendered from related parties and the amount of TL 160.674 of expense accruals (31 December 2012: TL 59.253) refers to the services rendered from related parties.

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27. EQUITY

a. Capital

The capital structure of the Company as at 31 December 2013 and 2012 are as follows:

	31 December 2013		31 December 2012	
Shareholder	**Share (%)**	**Amount**	**Share (%)**	**Amount**
T. İş Bankası A.Ş. (Group A)	0,05	150.000	0,05	150.000
T. İş Bankası A.Ş. (Group B)	65,60	203.702.632	65,60	187.617.643
Publicly traded (Group B)	29,31	91.013.316	29,31	83.831.912
Other (Group B)	5,04	15.634.052	5,04	14.400.445
Total	**100,00**	**310.500.000**	**100,00**	**286.000.000**

The authorised share capital ceiling of the Company is TL 600.000.000 and paid-in capital of the Company is TL 310.500.000 (31 December 2012: TL 286.000.000). By the decision of the Board of Directors dated 15 May 2013, the share capital of the Company was increased 24.500.000 in internal sources.

The capital has been divided into 310.500.000 (Three Hundred Ten Million Five Hundred Thousand) shares each having a value of TL 1.00. TL 150.000 of the shares is Group A (31 December 2012: 150.000 TL), and TL 310.350.000 is Group B shares (31 December 2012: TL 285.850.000). According to the Articles of Association, additional Group A shares cannot be issued during new capital increases. Six members of the Board of Directors out of seven are elected among the nominees determined by Group A shareholders and three members by Group B shareholders.

b. Fair Value Reserve

	1 January - 31 December 2013	1 January - 31 December 2012
Opening Balance	5.060.605	941.499
Increase/(decrease) in value of assets available for sale	(407.165)	4.119.106
Closing Balance	**4.653.440**	**5.060.605**

Fair Value Reserve:

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

c. Foreign Currency Translation Differences

Foreign currency translation differences consist of foreign currency exchange rate differences arising from remeasurement foreign currency financial statements into Turkish Lira.

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

27. EQUITY *(cont'd)*

d. Restricted Reserves

	31 December 2013	31 December 2012
Legal reserves	31.686.839	25.557.171
Statutory reserves	2.168	2.168
Gains on sale of properties and equity participations to be transferred to capital	88.597	88.597
Total	**31.777.604**	**25.647.936**

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

e. Prior Year's Profit

The prior year's profit and extraordinary reserves disclosed in prior year's profit in the statement of financial position of the Group as at 31 December 2013 and 2012 are as follows

	31 December 2013	31 December 2012
Extraordinary reserves	24.223.557	24.069.313
Extraordinary reserves (belongs to consolidated subsidiaries and associates)	23.697.654	25.740.991
Remeasurement gains of defined benefit plans (including tax effect)	480.466	-
Prior year's profit	46.021.400	25.919.624
Total	**94.423.077**	**75.729.928**

Profit Distribution:

Non-public companies have to pay their dividend in accordance with capital market regulations;

In accordance with the Capital Markets Board's (the "CMB") Decree issued as at 27 January 2010, in relation to the profit distribution of earnings derived from the operations in 2009, minimum profit distribution is not required for listed companies (31 December 2008: 20%) and accordingly, profit distribution should be made based on the requirements set out in the CMB's Communiqué Serial: IV, No: 27 "Principles of Advance Dividend Distribution of Companies that are subject to the Capital Markets Board Regulations", terms of articles of association and profit distribution policies publicly disclosed by the companies.

Furthermore, based on the aforementioned decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extent that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Serial: XI, No: 14.1.

At the Ordinary General Assembly of Shareholders held on 30 April 2013, the Company has decided a dividend distribution amounting to TL 20.020.000 from the Company's TL 68.738.451 distributable income after appropriated the first legal reserves. Dividend was paid on 6 May 2013.

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27. EQUITY *(cont'd)*

f. Other Reserves

Other reserves comprised of profit or loss related with the sale of shares while retaining control and increase in share capital (non-reciprocal capital contributions made by a parent or NCI to non-wholly owned subsidiary) after obtained control of a subsidiary which changes its ownership interest in that subsidiary without losing control by buying shares from the non-controlling interest at the beginning of the period. The effects of these transactions on the non-controlling interests in the accompanying consolidated financial statements are allocated to proportionally to non-controlling interest and classified as 'non-controlling interests'.

	1 January- 31 December 2013	1 January- 31 December 2012
Opening Balance	815.813	72.431
Business combinations	-	5.706.083
The adjustments made in accordance with IAS 8	-	(4.962.701)
Changes in non-controlling interest	937.950	-
Closing Balance	**1.753.763**	**815.813**

g. Change in non-controlling interests

Shares of net assets of the subsidiaries that are directly or indirectly not under control of the equity holders of the Company are classified as "non-controlling interests" in the statement of financial position.

	1 January- 31 December 2013	1 January- 31 December 2012
Beginning balance	393.634.716	287.604.088
The adjustments made in accordance with IAS 8	-	(12.146.059)
Profit for the year attributable to non-controlling interest portion	54.499.023	68.625.390
Re-measurement gains of defined benefit plans (including tax effect)	194.485	-
Foreign currency translation differences	(977.126)	663.383
Changes in non-controlling interest	(2.219.217)	38.649.815
Dividends paid	(46.178.573)	(24.176.244)
Business combinations	-	3.564.617
Increase in share capital of subsidiaries	-	3.740.942
Increase in share premium of subsidiaries	-	26.643.646
Increase in value of available for sale financial assets, net	-	380.596
Cash flow hedging reserve, net	-	84.542
Closing Balance	**398.953.308**	**393.634.716**

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28. REVENUE AND COST OF SALES

Sales Revenue	**1 January- 31 December 2013**	**1 January- 31 December 2012**
Sales of equity shares and certificates	26.597.364.047	10.444.331.748
Sales of private sector bonds	20.016.266.620	10.543.181.284
Sales of government bonds	19.864.005.847	14.208.513.446
Sales of mutual funds	1.279.231.588	307.711.005
Sales of warrants	222.039.016	370.812.711
Sales of equity accounted investees	100.500.000	53.923.995
Sales of treasury bills	-	18.188.782
Other	174.484.602	51.473.380
Total	**68.253.891.720**	**35.998.136.351**
Cost of sales		
Purchase of equity shares and certificate	(26.593.205.362)	(10.414.644.721)
Purchase of private sector bonds	(20.014.029.233)	(10.534.818.121)
Purchase of government bonds	(19.882.334.116)	(14.186.833.333)
Purchase of mutual funds	(1.277.490.058)	(287.182.009)
Purchase of warrants	(221.274.847)	(367.228.469)
Purchase of equity accounted investees	(27,866,250)	(28.758.294)
Purchases of treasury bills	-	(17.673.341)
Other	(107.874.319)	(26.624.682)
Total	**(68.124.074.185)**	**(35.863.762.970)**

Interest income from operating and derivative activities, (net)		
Interest income/(expenses) (net)	107.942.338	114.337.522
Derivative income/(expenses) (net)	98.190.827	84.336.796
Leveraged foreign exchange transaction income/(expense) (net)	28.992.161	26.528.312
Interest on Stock Exchange Money Market transactions	(141.031.202)	(161.968.839)
Interest expenses on bank loans	(33.255.140)	(15.405.230)
Total	**60.838.984**	**47.828.561**

Service income		
Commission income on trading of equity shares	40.115.414	35.871.941
Commission income on trading of derivative transactions	32.875.848	30.415.112
Portfolio management fees	30.064.878	24.078.422
Corporate finance income	23.527.359	11.746.278
Other commissions and income	1.453.320	1.330.678
Commission income on trading of debt securities	1.011.585	1.077.084
Loaned securities transactions income	539.116	458.270
Commission income on trading of repurchase agreements and reverse repurchase agreements	539.757	701.169
Commission income on trading of mutual funds	49.940	14.439
Deductions from service income		
Commission reimbursements to customers	(2.056.828)	(1.716.594)
Commissions paid to agencies	(1.314.046)	(1.288.594)
Service income (net)	**126.806.343**	**102.688.205**

Interest income from customers	26.006.512	26.059.565
Other operating income	1.186.249	978.715
Other operating income (net)	**27.192.761**	**27.038.280**

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29. RESEARCH AND DEVELOPMENTS EXPENSES, MARKETING EXPENSES AND ADMINISTRATIVE EXPENSES

	1 January - 31 December 2013	1 January - 31 December 2012
Research and development expenses	(3.678.774)	(3.083.465)
Marketing expenses	(54.235.282)	(32.599.690)
Administrative expenses	(189.263.637)	(157.844.824)
	(247.177.693)	**(193.527.979)**
Research and development expenses		
Personnel expenses	(3.033.153)	(2.657.906)
Transportation expenses	(199.753)	(205.357)
Rent expenses	(95.863)	-
Redemption expenses	(2.711)	(25.468)
Other expenses	(347.294)	(194.734)
	(3.678.774)	**(3.083.465)**
Marketing expenses		
Personnel expenses	(14.134.669)	(3.374.869)
Foreign marketable securities transaction fees	(7.896.078)	(9.364.779)
Custody expenses	(5.840.135)	(5.243.493)
Derivative instrument transaction fees	(5.313.029)	(5.679.253)
Publication and advertisement expenses	(2.850.563)	(848.214)
Equity shares transaction and registration fees	(2.036.502)	(2.160.980)
Marketable securities brokerage commission expenses	(1.958.428)	(456.616)
Transportation expenses	(1.583.773)	(536.164)
Fixed income securities transaction and registration fees	(820.329)	(542.599)
Depreciation and amortization expenses	(497.391)	(673.378)
Securities lending commission expenses	(89.463)	(113.006)
Portfolio management commission expenses	-	(8.034)
Other marketing expenses	(11.214.922)	(3.598.305)
	(54.235.282)	**(32.599.690)**
Administrative expenses		
Personnel expenses	(102.472.762)	(87.150.604)
Communication expenses	(14.755.909)	(13.397.309)
Taxes and dues	(14.191.770)	(9.700.951)
Outsourcing expenses	(13.670.195)	(9.540.406)
Depreciation and amortization charges	(12.366.985)	(4.334.481)
Rent expenses	(10.286.839)	(9.624.348)
Operating expenses	(5.030.317)	(5.759.229)
Publication and advertisement expenses	(3.245.106)	(4.412.996)
Transportation expenses	(3.083.681)	(2.976.368)
Board of Directors attendance fees	(2.326.543)	(2.029.186)
Provision for employee termination benefits	(830.741)	(1.618.066)
Other administrative expenses	(7.002.789)	(7.300.880)
	(189.263.637)	**(157.844.824)**
Total operating expenses	**(247.177.693)**	**(193.527.979)**

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30. OTHER OPERATING INCOME/(EXPENSE)

Other operating income	**1 January - 31 December 2013**	**1 January - 31 December 2012**
Reversals of provisions	2.142.870	29.894
Commission from cash and marketable securities transactions	397.638	401.287
Business combination (Note 3)	-	6.516.626
Gain on sale of tangible assets	-	461.700
Other	3.156.699	2.697.117
Total	**5.697.207**	**10.106.624**

Other operating expenses	**1 January - 31 December 2013**	**1 January - 31 December 2012**
Goodwill impairment loss (Note 19)	(2.650.000)	(1.616.818)
Write-off expenses	(2.132.197)	(785.215)
Paid commission and charges	(1.758.431)	(796.657)
Provisions for doubtful trade receivables	(1.239.968)	(741.703)
Contract termination compensation expense	(261.865)	-
Count differences	(255.841)	-
Nondeductible expenses	(239.569)	-
Tax and social security penalties	(71.695)	-
Other	(1.414.345)	(824.363)
Total	**(10.023.911)**	**(4.764.756)**

31. NON-OPERATING FINANCE INCOME

	1 January - 31 December 2013	**1 January - 31 December 2012**
Interest income on	59.719.408	39.711.970
Government bonds and Treasury bills	*22.818.561*	*9.368.623*
Receivables on asset management	*16.258.038*	*9.360.569*
Private sector bonds	*11.732.120*	*11.458.395*
Time deposits	*8.910.689*	*9.111.015*
Foreign marketable securities	-	*413.368*
Dividend income from associates	8.375.030	4.086.795
Foreign currency gains	4.371.509	4.711.126
Interest income on guarantees	2.004.704	3.908.545
Reverse repo interest income	116.550	726.738
Other financial income	1.772.455	557.885
Total	**76.359.656**	**53.703.059**

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32. NON-OPERATING FINANCE COSTS

	1 January - 31 December 2013	1 January - 31 December 2012
Interest expenses on	(18.963.644)	(14.197.798)
Bank borrowings	*(18.492.832)*	*(13.432.092)*
Istanbul Stock Exchange money market borrowings	*(470.812)*	*(765.706)*
Commission expenses on letters of guarantee	(7.116.934)	(8.008.476)
Interest expense on commercial paper	(4.789.256)	(6.609.631)
Foreign currency losses	(4.489.841)	(4.037.223)
Repo interest expenses	(130.103)	-
Other financial expenses	(1.166.980)	(332.493)
Total	**(36.656.758)**	**(33.185.621)**

33. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets Held for Sale

	31 December 2013	31 December 2012
Buildings	2.476.560	38.000
Other tangible assets	216.735	38.804
	2.693.295	**76.804**

Discontinued Operations

On 31 March 2012, Ortopro has sold its 99% owned subsidiary Orsem Ortopedik Alet ve Medikal Cihazlar Sanayi ve Ticaret AŞ to a third party for an amount of TL 700.000. The results arising from discontinued operations are as follows:

Results of discontinued operation	31 December 2012
Revenue	4.777.195
Expenses	(4.831.084)
Results from operating activities	(53.889)
Tax	56.361
Results from operating activities, net of tax	2.472
Gain on sale of discontinued operations	3.995.018
Tax on gain on sale of discontinued operation	204.995
Gain on sale of discontinued operations, net of tax	4.200.013
Profit for the year	**4.202.485**

	31 December 2012
Cash flows from (used in) discontinued operation	
Net cash used in operating activities	(335.566)
Net cash from investing activities	(477.677)
Net cash from financing activities	-
Net cash flow for the year	**(813.243)**

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

33. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS *(cont'd)*

Effect of disposal on the financial position of the Group	
Tangible assets	(1.006.799)
Intangible assets	(127.548)
Inventories	(2.756.788)
Allowance for impairment on inventories	81.164
Deferred tax asset	(653.847)
Trade and other receivables	(14.782.566)
Bad debt allowance	723.009
Cash and cash equivalents	(1.177.677)
Financial liabilities	7.333.321
Severance pay liability	8.160
Vacation pay liability	27.525
Trade and other payables	15.627.064
Net assets and liabilities	**3.295.018**
Consideration received, satisfied in cash	700.000
Cash and cash equivalents disposed of	(1.177.677)
Net cash outflow	**(477.677)**

34. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

As of 31 December 2013 and 2012, other comprehensive income accounted in financial income/(expenses) are as follows:

	1 January - 31 December 2013	**1 January - 31 December 2012**
Changes in fair value of available for sale	(428.595)	4.736.528
Changes in foreign currency translation differences	1.899.421	832.677
Change in cash flow hedge reserve	-	120.104
Tax income/expenses relating to components of other comprehensive income	21.430	(236.825)
	1.492.256	**5.452.484**

For the years ended 31 December 2013 and 31 December 2012, defined benefit plans accounted in other comprehensive income are as follows:

	1 January - 31 December 2013	**1 January - 31 December 2012**
Re-measurement gains/losses in defined benefit plans	843.689	-
Tax income/expenses relating to components of other comprehensive income	(168.738)	-
	674.951	**-**

35. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

As at 31 December 2013, the Company is subject to corporation tax at 20% except for domestic subsidiaries that are İş Girişim and İş Yatırım Ortaklığı and including foreign subsidiary, Maxis Securities Ltd. The corporate tax rate, accordance with the tax laws, added not accepted of disallowable expenses to the income tax reductions, as a result of tax exemptions and reductions in the tax laws, is subject to tax bases. If the profit is not distributed, is not paid any other tax.

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law, which was published in the Official Gazette dated 21 June 2006 and numbered 26805, with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing sets details about implementation of transfer pricing provisions which became effective on 1 January 2007 and are parallel to principles of the OECD (Organization for Economic Cooperation and Development).

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

The companies are responsible for filling a form of transfer pricing which is contained in the annual corporate tax return. In this form, the amounts which is related companies within the relevant accounting period and the amounts of all transactions made with the transfer pricing methods related to these transactions is stated.

There is no reconciliation of payable taxes in Turkey with the tax authority is not an implementation. The corporate tax returns are given to depending on tax office until the night of 25th day in the fourth month which is following the close of the accounting period. Nevertheless, the tax authorities review the accounting reports for five years and may change the tax amounts if errors are detected

Nevotek, the subsidiary of the Group, is subject to current income and corporate income tax in Turkey. However, according to provisional second article of Law 4691 Technology Development Zones and Law 5035, gains from software and R&D activities in technology development zones of income and corporate income tax payers operating in that zone are exempted from income and corporate taxes until 31 December 2013. Also, researchers, programmers and R&D personnel working in these regions, and related fees are exempted from all taxes until 31 December 2013. On 12 March 2011, in accordance with the Law No 6170 Amendments to the Technology Development Zones Law, the date has been extended until 31 December 2023. No tax liability has been recognized in the accompanying financial statements relating to Nevotek since it does have any tax liability estimation from activities other than software and R&D activities.

The Group's subsidiaries in the United Arab Emirates, are not subject to corporation tax in this country. The subsidiary's income in California, the United States of America is exposed to both federal and state income tax. The federal tax rate is gradual and between 15%- 35%, the state tax rate is 8.84%.

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35. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) *(cont'd)*

Taxation for Investment Trusts:

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

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

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

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

Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was increased from 10% to 15% effective from 22 July 2006 with the decision made by the Council of Ministers numbered 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Current tax payable	**31 December 2013**	**31 December 2012**
Current tax liability	31.943.377	18.024.985
Prepaid taxes and funds	(22.141.728)	(16.955.373)
	9.801.649	**1.069.612**

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35. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) *(cont'd)*

Tax expense	**1 January - 31 December 2013**	**1 January - 31 December 2012**
Current tax expense	(31.943.377)	(18.024.985)
Deferred tax income/(expense)	20.100.897	1.568.634
Total taxation expense	**(11.842.480)**	**(16.456.351)**
Tax expense from continuing operations	(11.842.480)	(16.456.351)
Tax expense from discontinued operations	-	261.356
	(11.842.480)	**(16.194.995)**

Income tax recognized directly in equity	**1 January - 31 December 2013**	**1 January - 31 December 2012**
Valuation of available-for-sale financial assets	21.430	236.825
Re-measurement gains of defined benefit plans	(168.738)	-
Cash flow hedging reserve	-	-
	147.308	**236.825**

Deferred Tax:

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

20% of tax is applied in the calculation of deferred tax assets and liabilities (2012: 20%).

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

	31 December 2013	**31 December 2012**
Deferred tax assets	23.136.004	3.171.493
Deferred tax liabilities	(6.506.351)	(6.203.784)
Deferred tax assets/(liabilities) (net)	**16.629.653**	**(3.032.291)**

Temporary differences subject to deferred tax	**31 December 2013**	**31 December 2012**
Income accruals on derivative transactions, net	(101.215.028)	(955.188)
Useful life differences on tangible and intangible assets	29.867.947	33.502.838
Fair value reserve on financial assets	3.247.399	35.420
Subsidiary valuation differences	(5.523.355)	(5.523.355)
Retirement pay provision	(1.294.905)	(4.044.609)
Employee benefits	(10.115.330)	(9.410.858)
Provision for doubtful receivables	(574.225)	-
Provision for impairment of inventories	(3.638.710)	-
Valuation of marketable securities and loans	24.008.645	5.094.616
Accrued expenses	(5.381.070)	(6.628.380)
Total	**(70.618.632)**	**12.070.484**
Statuary losses carried forward	(14.236.655)	(1.024.975)
General Total	**(84.855.287)**	**11.045.509**

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

35. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) *(cont'd)*

Deferred Tax: *(cont'd)*

Deferred tax assets/(liabilities)	31 December 2013	31 December 2012
Income accruals on derivative transactions, net	20.243.006	191.038
Useful life differences on tangible and intangible assets	(5.973.589)	(6.700.568)
Difference in valuation of financial assets (*)	113.798	274.397
Retirement pay provision	258.981	808.922
Employee benefits	2.023.066	1.882.172
Valuation of marketable securities	(4.801.729)	(1.018.923)
Provision for doubtful receivables	114.845	-
Provision for diminution in value of inventories	727.742	-
Accrued expenses	1.076.202	1.325.676
Statuary losses carried forward	2.847.331	204.995
Deferred tax assets/(liabilities), net	**16.629.653**	**(3.032.291)**

(*) The Article 5 of first clause's (e) sub-paragraph of the Corporate Tax Law regulates the tax exclusions regarding the income arising from the sales of participating shares. According to the Corporate Tax Law, 75% of the capital gains arising from the sale of participating shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the asset. Therefore, the deferred tax is calculated over 5% as an effective tax rate instead of 20% for the temporary differences regarding the participation shares, when the provisions of the tax exclusion are used.

Movement of deferred tax assets/(liabilities)	31 December 2013	31 December 2012
Opening balance, 1 January	(3.032.291)	(425.058)
Business combination (Note 3)	-	(3.546.550)
Deferred tax income/(expense) (*)	20.100.897	1.829.990
Disposal due to discontinued operations (Note 33)	-	(653.847)
Deferred tax income/(expense) recorded in equity	(438.953)	(236.826)
Closing balance	**16.629.653**	**(3.032.291)**

(*) As of 31 December 2012 deferred tax income/(expense) amounting TL 261.356 is reclassified to discontinued operations in the statement of profit or loss.

Tax legislation in Turkey does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, are calculated on a separate-entity basis. Deferred tax assets are recognized when it is probable that the tax benefit will be utilized in the future. Deferred tax asset is written off to the extent that it could not be realized. In this respect, deferred tax assets calculated by Camiş Menkul Değerler A.Ş. and Ortopro amounting to TL 602.191 and TL 768.356 respectively, have not been recognized in the accompanying consolidated financial statements.

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35. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) *(cont'd)*

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

		1 January- 31 December 2013		1 January- 31 December 2012
Reconciliation of tax provision				
Profit from operating activities		137.154.783		149.617.707
Profit from discontinued operations		-		3.941.129
Taxable profit		**137.154.783**		**153.558.836**
Income tax using the Company's domestic tax rate	20,00%	(27.430.957)	20,00%	(30.711.767)
Tax exempt income	-	-	(12,91%)	19.831.520
Disallowable expenses	0,05%	(70.572)	0,68%	(1.043.485)
Dividend and other tax exempt income	(12,66%)	17.360.924	(0,39%)	599.134
Unrecognized temporary differences	1,94%	(2.655.983)	0,59%	(909.421)
Unrecognized timing differences	(1,70%)	2.324.357	2,46%	(3.770.842)
Other	1,00%	(1.370.249)	0,12%	(190.134)
Tax expense	**8,63%**	**(11.842.480)**	**29,87%**	**(16.194.995)**

36. EARNINGS PER SHARE

As at 31 December 2013 and 2012, the Company's weighted average number of shares and computation of earnings per share are as follows:

Earnings per share	**1 January- 31 December 2013**	**1 January- 31 December 2012**
Average number of shares in circulation throughout the period (total)[1]	310.500.000	310.500.000
Profit for the year attributable to owners of the Company	70.813.280	68.342.273
Basic and diluted earnings per share from continuing operations	**0,2281**	**0,2201**
Total discontinued operations attributable to owners of the Company	-	397.215
Basic and diluted earnings per share obtained from discontinued operations	**-**	**0,0013**

[1] The capital increase was provided from extraordinary reserves under retained earnings; therefore, the increase in number of shares is also reflected to prior year calculation of earnings per share.

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37. EFFECTS OF EXCHANGE RATE CHANGES

Analysis of the effects of changes in foreign exchange in 31 December 2013 and 31 December 2012 is disclosed in Note 40.

38. REPORTING IN HYPERINFLATIONARY PERIODS

In accordance with the CMB's resolution No: 11/367 issued on 17 March 2005, companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards (including the application of IFRS) are not subject to inflation accounting effective from 1 January 2005.

Therefore, as of 1 January 2005, IAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied in the accompanying consolidated financial statements.

39. DERIVATIVE INSTRUMENTS

The details of the derivative instruments as at 31 December 2013 and 2012 are as follows:

	31 December 2013	
Derivative instruments	**Assets**	**Liabilities**
Swap agreements	1.132.135	97.914.832
Forward contracts	1.505.733	2.315.210
Options	1.750.872	4.717.179
Warrants	4.249	456.023
	4.392.989	**105.403.244**

	31 December 2012	
Derivative instruments	**Assets**	**Liabilities**
Swap agreements	428.975	475.938
Forward contracts	2.013.662	2.043.523
Options	565.007	1.079.715
Warrants	-	154.980
	3.007.644	**3.754.156**

40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS

Capital Risk Management:

In its capital management, while the Group maintains to continue its operations on a going concern basis, it also maximizes its return through the optimization of the debt and equity balance. The funding structure of the Group consists of debt, which includes the borrowings disclosed in Note 10, cash and cash equivalents and equity comprising issued capital, reserves and retained earnings.

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

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

Financial Risk Factors:

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

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

Credit risk:

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

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40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(cont'd)*

Credit Risk *(cont'd):*

Exposed credit risks through types of financial instruments:

	31 December 2013			
	Receivables			
	Trade Receivables		Other Receivables	
	Related parties	Third parties	Related parties	Third parties (1)
Maximum credit risk exposure as at report date	6.898.132	1.289.118.064	52.831	607.944
The part of maximum risk under guarantee with collateral etc.	-	876.094.704	-	-
A. Net book value of financial assets that are neither past due nor impaired	6.898.132	1.279.254.329	52.831	607.944
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	9.863.467	-	-
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)	-	3.434.781	-	-
- Impairment (-)	-	(3.434.781)	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-
- Impairment (-)	-	-	-	
- The part of net value under guarantee with collateral etc.	-	-	-	-
E. Elements including credit risk on off balance sheet	-	-	-	-

(1) Deposits and guarantees and collaterals are excluded since they are not financial assets.

(2) Equity securities are excluded since they do not expose any credit risk.

(3) Contains USD 13.000.000 that equals to TL 27.745.900, and GBP 5.000.000 that equals to TL 17.557.000.

Exposed credit risks through types of financial instruments:

	31 December 2012			
	Receivables			
	Trade Receivables		Other Receivables	
	Related parties	Third parties	Related parties	Third parties (1)
Maximum credit risk exposure as at report date	6.754.701	997.657.640	9.864	1.107.704
The part of maximum risk under guarantee with collateral etc.	-	564.606.519	-	-
A. Net book value of financial assets that are neither past due nor impaired	6.754.701	984.830.356	9.864	1.107.704
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	8.834.381	-	-
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)	-	3.149.477	-	-
- Impairment (-)	-	(3.149.477)	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-
- Impairment (-)	-	-	-	
- The part of net value under guarantee with collateral etc.	-	-	-	-
E. Elements including credit risk on off balance sheet	-	-	-	-

(1) Deposits and guarantees given and collaterals are excluded since they are not financial assets.

(2) Equity securities are excluded since they do not expose any credit risk.

(3) Contains USD 13.000.000 that equals to TL 23.108.800, and GBP 5.000.000 that equals to TL 14.366.500.

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31 December 2013				
Cash and cash equivalents				
Financial investments [2]	Bank deposits	Reverse repo	Type B liquid mutual funds	Other [3]
572.696.730	2.627.803.877	22.840.692	10.976.070	45.302.900
242.616.481	-	22.840.692	-	45.302.900
572.696.730	2.627.803.877	22.840.692	10.976.070	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	45.302.900

31 December 2012				
Cash and cash equivalents				
Financial investments [2]	Bank deposits	Reverse repo	Type B liquid mutual funds	Other [3]
512.014.594	2.203.441.866	10.145.933	4.630.339	37.475.300
267.969.014	-	10.145.933	-	37.475.300
512.014.594	2.203.441.866	10.145.933	4.630.339	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	37.475.300

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

40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(cont'd)*

Interest rate risk:

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

The Group's interest rate sensitive financial instruments' allocations on respective statement of financial position dates are presented below:

Interest Risk Position Table

		31 December 2013	31 December 2012
Fixed interest rate instruments		**50.213.089**	**145.927.878**
Cash and cash equivalents	Cash at banks - time deposits	2.616.594.922	2.185.086.365
	Receivable from Stock Exchange Money Market	1.614.490	-
	Receivables from reverse repurchase agreements	22.840.692	10.145.933
Financial assets	Financial assets at fair value through profit or loss	240.203.796	300.946.127
Financial liabilities	Payables to Stock Exchange Money Market	(2.152.662.871)	(1.872.945.953)
	Bank borrowings	(667.684.145)	(383.661.286)
	Payables from financial leasing	(3.053.101)	(4.886.265)
	Funds provided under repurchase agreements	(3.005.178)	-
	Payables from commercial paper	-	(87.108.603)
	Short-term factoring liabilities	(4.635.516)	(1.648.440)
Floating interest rate instruments		**571.783.188**	**333.704.604**
Cash and cash equivalents	Type B mutual funds	10.976.070	4.630.339
Financial assets	Financial assets at fair value through profit or loss	286.360.595	154.065.041
	Held-to-maturity financial assets	6.497.121	6.030.975
Trade receivables	Receivables from customers on margin trading	315.417.552	202.905.303
Financial liabilities	Bank borrowings	(47.468.150)	(33.927.054)
Net interest risk position		**621.996.277**	**479.632.482**

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

40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(cont'd)*

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 2013 and 2012 would have been as follows:

		31 December 2013		
Type of risk	**Risk rate**	**Direction of risk**	**Effect on net profit**	**Effect on equity**
Interest rate risk	1%	Increase	(9.735.336)	(9.735.336)
		Decrease	12.321.275	12.321.275

		31 December 2012		
Type of risk	**Risk rate**	**Direction of risk**	**Effect on net profit**	**Effect on equity**
Interest rate risk	1%	Increase	(7.106.644)	(7.106.644)
		Decrease	7.068.767	7.068.767

Equity Price Risk:

If Borsa İstanbul 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 2013 and 2012 would have been as follows:

		31 December 2013		
Type of risk	**Risk rate**	**Direction of risk**	**Effect on net profit**	**Effect on equity**
Equity Price Risk	10%	Increase	5.101.998	5.101.998
		Decrease	(5.101.998)	(5.101.998)

		31 December 2012		
Type of risk	**Risk rate**	**Direction of risk**	**Effect on net profit**	**Effect on equity**
Equity Price Risk	10%	Increase	27.598.775	27.598.775
		Decrease	(27.598.775)	(27.598.775)

Liquidity risk:

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

The following table details the Group's expected maturity for its non-derivative financial liabilities. The table below has been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue for those liabilities except where the Group is entitled and intense to repay the liability before its maturity. 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 statement of financial position.

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

40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(cont'd)*

Liquidity risk *(cont'd):*

Maturity analysis of assets and liabilities are as follows:

	31 December 2013						
	Current	Less than 1 month	1 - 3 months	3 - 12 months	1 year and thereafter	Undistributed	Total
ASSETS							
Cash and cash equivalents	24.519.602	2.294.658.092	110.911.536	235.480.476	-	-	2.665.569.706
Financial investments	61.621.393	18.523.360	45.758.995	94.401.368	367.880.668	-	588.185.784
Trade receivables	315.680.107	883.684.300	12.702.789	-	-	83.949.000	1.296.016.196
Other receivables	18.389.286	660.775	133.566.435	-	-	-	152.616.496
Other long-term receivables	-	-	-	-	4.919.435	-	4.919.435
Other current/non-current assets	-	13.542.758	1.803.795	5.534.653	1.398.265	54.281.259	76.560.730
Long-term financial investments	19.369.411	-	-	-	6.497.121	-	25.866.532
Derivative instruments	-	1.600.823	206.215	1.453.813	1.132.138	-	4.392.989
Assets held for sale	-	-	-	-	-	2.693.295	2.693.295
Tangible assets	-	-	-	-	-	29.179.169	29.179.169
Intangible assets	-	-	-	-	-	66.229.231	66.229.231
Deferred tax assets	-	-	-	-	-	23.136.004	23.136.004
Total Assets	**439.579.799**	**3.212.670.108**	**304.949.765**	**336.870.310**	**381.827.627**	**259.467.958**	**4.935.365.567**
LIABILITIES							
Financial liabilities	-	2.513.112.602	13.694.742	258.592.470	93.109.147	-	2.878.508.961
Other financial liabilities	1.694.800	-	-	-	-	-	1.694.800
Trade payables	313.050.364	644.173.638	6.198.535	15.927.805	1.648.650	-	980.998.992
Other payables	-	5.650.387	-	319.794	-	-	5.970.181
Derivative instruments	-	80.997.812	3.886.348	20.519.082	-	-	105.403.244
Liabilities related to employee benefits	-	-	3.457.935	-	-	-	3.457.935
Provisions (short-term)	-	11.863.709	-	-	-	-	11.863.709
Provisions (long-term)	-	-	-	-	6.849.983	-	6.849.983
Current tax liabilities	-	-	9.801.649	-	-	-	9.801.649
Other current liabilities	-	6.803.328	-	-	-	-	6.803.328
Other long term liabilities	-	-	-	-	83.472	-	83.472
Deferred tax liabilities	-	-	-	-	6.506.351	-	6.506.351
Total Liabilities	**314.745.164**	**3.262.601.478**	**37.039.209**	**295.359.151**	**110.229.904**	**-**	**4.017.942.605**
Equity holders of the Company	-	-	-	-	-	518.469.654	518.469.654
Non-controlling interests	-	-	-	-	-	398.953.308	398.953.308
Liquidity surplus/(gap)	**124.834.635**	**(49.931.370)**	**267.910.556**	**41.511.159**	**273.630.024**	**(657.955.004)**	**-**

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

40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(cont'd)*

Liquidity Risk *(cont'd):*

	31 December 2012						
	Current	**Less than 1 month**	**1 - 3 months**	**3 - 12 months**	**1 year and thereafter**	**Undistributed**	**Total**
ASSETS							
Cash and cash equivalents	23.261.229	1.890.977.810	304.254.487	-	-	-	2.218.493.526
Financial investments	203.580.312	2.452.181	90.607.515	199.082.454	162.869.018	-	658.591.480
Trade receivables	330.376.672	631.027.319	4.823.101	-	-	38.185.249	1.004.412.341
Other receivables	28.798.513	1.117.568	46.771.040	-	-	-	76.687.121
Derivative instruments	-	2.990.895	16.749	-	-	-	3.007.644
Other long-term receivables	-	-	-	-	5.651.154	-	5.651.154
Other current/non-current assets	-	890.065	-	14.279.174	263.452	41.242.332	56.675.023
Long-term financial investments	17.279.388	-	-	-	6.030.975	-	23.310.363
Investments in equity accounted investees	-	-	-	-	-	23.565.589	23.565.589
Assets held for sale	76.804	-	-	-	-	-	76.804
Tangible assets	-	-	-	-	-	20.335.162	20.335.162
Intangible assets	-	-	-	-	-	72.458.559	72.458.559
Deferred tax assets	-	-	-	-	-	3.171.493	3.171.493
Total Assets	**603.372.918**	**2.529.455.838**	**446.472.892**	**213.361.628**	**174.814.599**	**198.958.384**	**4.166.436.259**
LIABILITIES							
Financial liabilities	-	1.907.024.889	411.166.988	5.060.434	60.925.290	-	2.384.177.601
Other financial liabilities	52.774.084	-	-	-	-	-	52.774.084
Trade payables	325.371.806	489.007.708	4.059.838	10.819.809	2.798.531	-	832.057.692
Other payables	-	5.927.877	-	717.303	16.299	-	6.661.479
Current income tax liabilities	-	-	1.069.612	-	-	-	1.069.612
Derivative instruments	-	3.519.381	234.775	-	-	-	3.754.156
Liabilities related to employee benefits	-	1.541.775	-	812.740	-	-	2.354.515
Provisions (short-term)	-	2.040.166	-	10.889.330	-	-	12.929.496
Provisions (long-term)	-	-	-	-	-	4.894.497	4.894.497
Other current liabilities	-	4.414.522	-	-	-	1.400.823	5.815.345
Other long term liabilities	-	-	-	-	122.038	-	122.038
Deferred tax liabilities	-	-	-	-	6.203.784	-	6.203.784
Total Liabilities	**378.145.890**	**2.413.476.318**	**416.531.213**	**28.299.616**	**70.065.942**	**6.295.320**	**3.312.814.299**
Equity holders of the Company	-	-	-	-	-	459.987.244	459.987.244
Non-controlling interests	-	-	-	-	-	393.634.716	393.634.716
Liquidity surplus/(gap)	**225.227.028**	**115.979.520**	**29.941.679**	**185.062.012**	**104.748.657**	**(660.958.896)**	**-**

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40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(cont'd)*

Liquidity risk *(cont'd):*

Maturity analysis of assets and liabilities are as follows:

			31 December 2013			
Contractual maturities	**Carrying value**	**Total contractual cash outflows (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	715.152.295	746.802.708	352.838.644	281.449.159	107.725.511	4.789.394
Trade payables	980.998.992	981.645.914	962.212.885	17.784.380	1.648.649	-
Payables to Stock Exchange Money Markets	2.152.662.871	2.158.681.446,00	2.158.681.446	-	-	-
Funds provided under repurchase agreements	3.005.178	3.005.178	3.005.178			
Funds from commercial paper	-	-	-	-	-	-
Financial lease payables	3.053.101	3.658.037	482.932	1.106.087	2.069.018	-
Factoring payables	4.635.516	4.635.516	2.327.263	2.308.253	-	-
Total Liability	**3.859.507.953**	**3.898.428.799**	**3.479.548.348**	**302.647.879**	**111.443.178**	**4.789.394**
Contractual maturities	**Notion Amount**	**Total contractual cash outflows (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	3.820.871.572	3.837.364.431	3.812.324.255	25.040.176	-	-
Derivative cash outflows	(1.270.587.844)	(1.292.559.870)	(1.283.752.677)	(8.807.194)	-	-

			31 December 2012			
Contractual maturities	**Carrying value**	**Total contractual cash outflows (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	417.588.340	428.157.129	358.185.557	5.060.435	54.549.090	10.362.047
Trade payables	832.057.692	832.335.634	818.439.352	10.819.809	3.076.473	-
Payables to Stock Exchange Money Markets	1.872.945.953	1.878.029.123	1.878.029.123	-	-	-
Funds from commercial paper	87.108.603	88.484.606	88.484.606	-	-	-
Financial lease payables	4.886.265	6.147.032	633.355	1.869.843	3.643.834	-
Factoring payables	1.648.440	1.648.440	753.641	894.799	-	-
Total Liability	**3.216.235.293**	**3.234.801.964**	**3.144.525.634**	**18.644.886**	**61.269.397**	**10.362.047**
Contractual maturities	**Notion Amount**	**Total contractual cash outflows (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	1.218.546.981	1.218.038.082	1.218.038.082	-	-	-
Derivative cash outflows	(1.437.237.209)	(1.437.977.471)	(1.437.486.471)	(491.000)	-	-

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40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(cont'd)*

Foreign currency risk:

Foreign currency risk is the risk of volatility in the foreign currency denominated monetary assets, monetary liabilities and off-balance sheet liabilities due to changes in currency exchange rates. The breakdown of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2013 and 2012 are as follows:

	31 December 2013					
	TL Equivalent (Functional currency)	**USD**	**EURO**	**GBP**	**JPY**	**OTHER**
1. Trade receivables	226.278.718	84.915.262	13.219.395	859.182	50.000	3.916.815
2a. Monetary financial assets	2.507.602.572	688.320.730	348.504.167	4.179.105	88.118	784.507
2b. Non monetary financial assets	5.262.159	2.297.170	-	-	-	-
3.Other	137.042.399	32.667.331	13.685.030	561.702	-	-
4. Current assets	2.876.185.848	808.200.493	375.408.592	5.599.989	138.118	4.701.322
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Non-current asset	-	-	-	-	-	-
9. Total Assets	**2.876.185.848**	**808.200.493**	**375.408.592**	**5.599.989**	**138.118**	**4.701.322**
10. Trade payables	177.776.838	75.004.658	3.744.194	883.187	50.000	3.891.244
11. Financial Liabilities	163.903.520	31.067.898	32.600.932	10.252	76.664.525	229.316
12a. Other monetary liabilities	508.377	203.809	5.875	7.200	-	13
12b. Other non monetary liabilities	1.615.191	-	-	459.985	-	-
13. Short Term Liabilities	**343.803.926**	**106.276.365**	**36.351.001**	**1.360.624**	**76.714.525**	**4.120.572**
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	1.698.131	331.314	337.479	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non monetary liabilities	-	-	-	-	-	-
17. Long Term Liabilities	**1.698.131**	**331.314**	**337.479**	**-**	**-**	**-**
18. Total Liabilities	**345.502.057**	**106.607.679**	**36.688.480**	**1.360.624**	**76.714.525**	**4.120.572**
19. Off-balance sheet derivative instruments' net asset/(liability) position (19a - 19b)	**(2.465.415.796)**	**(704.304.618)**	**(329.584.012)**	**6.999.772**	**(978.102.911)**	**24.608.941**
19.a The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	2.030.042.000	422.642.553	252.642.942	50.201.629	4.250.259.503	213.922.826
19b. The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	4.495.457.796	1.126.947.170	582.226.954	43.201.857	5.228.362.414	189.313.885
20. Net foreign currency asset/ (liability) position	**65.267.995**	**(2.711.804)**	**9.136.100**	**11.239.137**	**(1.054.679.318)**	**25.189.691**
21. Net foreign currency asset/ (liability) (position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	**2.389.994.424**	**666.628.313**	**325.035.082**	**4.137.648**	**(76.576.407)**	**580.750**
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-	-
23. Hedged portion of foreign currency assets	23.419.975	10.996.831	908.621	-	-	131.460
24. Hedged portion of foreign currency liabilities	15.844.820	2.351.300	4.379.760	97.863	-	16.700

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40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(cont'd)*

Foreign currency risk *(cont'd):*

	31 December 2012		
	TL Equivalent (Functional currency)	**USD**	**EURO**
1. Trade receivables	173.529.859	89.972.579	5.584.678
2a. Monetary financial assets	4.045.177	2.082.190	137.740
2b. Non monetary financial assets	-	-	-
3.Other	22.821.196	10.895.775	(184.854)
4. Current assets	200.396.232	102.950.544	5.537.564
5. Trade receivables	-	-	-
6a. Monetary financial assets	-	-	-
6b. Non monetary financial assets	-	-	-
7. Other	-	-	-
8. Non-current asset	-	-	-
9. Total Assets	**200.396.232**	**102.950.544**	**5.537.564**
10. Trade payables	182.262.141	94.197.855	6.078.637
11. Financial Liabilities	3.478.232	1.416.372	899.003
12a. Other monetary liabilities	4.160.327	915.373	473.419
12b. Other non monetary liabilities	25.725	8.035	4.849
13. Short Term Liabilities	**189.926.425**	**96.537.635**	**7.455.908**
14. Trade payables	1.409.003	345.190	337.487
15. Financial liabilities	-	-	-
16a. Other monetary liabilities	-	-	-
16b. Other non monetary liabilities	-	-	-
17. Long Term Liabilities	**1.409.003**	**345.190**	**337.487**
18. Total Liabilities	**191.335.428**	**96.882.825**	**7.793.395**
19. Off-balance sheet derivative instruments' net asset/(liability) position (19a - 19b)	**(1.828.000)**	**(133.542.578)**	**66.721.095**
19.a The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	2.953.651.000	675.357.343	362.913.212
19b. The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	2.955.479.000	808.899.921	296.192.116
20. Net foreign currency asset/(liability) position	**7.232.805**	**(127.474.859)**	**64.465.264**
21. Net foreign currency asset/(liability) (position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	**(13.734.667)**	**(4.820.021)**	**(2.066.128)**
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-
23. Hedged portion of foreign currency assets	24.211.408	11.112.075	754.063
24. Hedged portion of foreign currency liabilities	16.810.319	4.013.435	4.071.661

31 December 2012					
GBP	**JPY**	**AUD**	**CHF**	**CAD**	**OTHER**
3.770	308.211	6.533	-	-	-
330	386.227	-	-	123	445
-	-	-	-	-	-
241.982	-	1.040.854	127	96	448.653
246.083	694.438	1.047.387	127	218	449.097
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
246.083	**694.438**	**1.047.387**	**127**	**218**	**449.097**
5.963	342.500	6.579	-	-	7.774
-	-	-	-		-
221.790	-	59.529	5	84	7.897
-	-	-	-		-
227.753	**342.500**	**66.108**	**5**	**84**	**15.671**
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	**-**	**-**	**-**	**-**	**-**
227.753	**342.500**	**66.108**	**5**	**84**	**15.671**
1.415.982	**(675.009.682)**	**2.804.027**	**(640.762)**	**(2.786.986)**	**(10.271.284)**
65.246.969	6.446.746.708	31.498.079	49.935.666	55.706.234	120.354.795
63.830.988	7.121.756.390	28.694.052	50.576.428	58.493.219	130.626.079
1.434.311	**(674.657.744)**	**3.785.306**	**(640.639)**	**(2.786.851)**	**(9.837.858)**
(223.653)	**351.938**	**(59.575)**	**(5)**	**39**	**(15.226)**
-	-	-	-	-	-
-	-	-	-	-	4.333.488
36.614	-	-	-	-	-

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

40. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(cont'd)*

Foreign currency risk *(cont'd):*

Based on the positions of statements of financial position as at 31 December 2013 and 2012, 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 2013		
Type of risk	**Risk rate**	**Direction of risk**	**Effect on net profit**	**Effect on equity**
Foreign currency risk	10%	Increase	4.788.813	4.788.813
		Decrease	(4.305.141)	(4.305.141)

		31 December 2012		
Type of risk	**Risk rate**	**Direction of risk**	**Effect on net profit**	**Effect on equity**
Foreign currency risk	10%	Increase	1.493.289	2.087.265
		Decrease	(1.493.289)	(2.087.265)

41. FINANCIAL INSTRUMENTS

Categories of Financial Instruments:

31 December 2013	**Other financial assets measured with effective interest method**	**Loans and receivables**	**Available for sale financial assets**	**Financial assets and liabilities at fair value through profit or loss**	**Other financial liabilities measured with effective interest method**	**Carrying Amount**	**Fair Value**	**Note**
Financial assets								
Cash and cash equivalents	2.654.593.636	-	-	10.976.070	-	2.665.569.706	2.665.569.706	8
Trade receivables	-	1.296.015.928	-	-	-	1.296.015.928	1.296.015.928	12
Financial investments	6.497.121	-	19.369.411	588.185.784	-	614.052.316	614.409.972	9
Financial liabilities								
Financial liabilities	-	-	-	-	2.878.508.961	2.878.508.961	2.878.508.961	10
Trade payables	-	-	-	-	980.998.992	980.998.992	980.998.992	12
Other financial liabilities	-	-	-	1.694.800	-	1.694.800	1.694.800	
31 December 2012								
Financial assets								
Cash and cash equivalents	2.213.863.187	-	-	4.630.339	-	2.218.493.526	2.218.493.526	8
Trade receivables	-	1.000.419.438	-	-	-	1.000.419.438	1.000.419.438	12
Financial investments	6.030.975	-	17.279.388	661.599.124	-	684.909.487	686.177.246	9
Financial liabilities								
Financial liabilities	-	-	-	-	2.384.177.601	2.384.177.601	2.384.177.601	10
Trade payables	-	-	-	-	832.057.692	832.057.692	832.057.692	12
Other financial liabilities	-	-	-	56.528.240	-	56.528.240	56.528.240	11

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

41. FINANCIAL INSTRUMENTS *(cont'd)*

Fair Value of Financial Instruments:

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

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

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

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

Financial Assets:

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

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

Financial Liabilities:

The carrying amount of monetary liabilities approximates their fair values due to their short-term nature. Variable rate long-term bank loans in recent history have been repriced due to the fair value is assumed to approximate their carrying values.

Valuation methods of the financial instruments carried at fair value:

31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Financial assets at fair value through profit and loss				
Equity shares	41.355.586	-	-	**41.355.586**
Government bonds and treasury bills	236.119.360	-	-	**236.119.360**
Private sector bonds	288.540.873	-	-	**288.540.873**
Investment funds	20.265.807	-	-	**20.265.807**
Foreign currency securities	1.904.158	-	-	**1.904.158**
Income accruals of derivative instruments	-	4.392.989	-	**4.392.989**
Available for sale financial assets (1)	12.890.506	-	-	**12.890.506**
Financial Liabilities				
Other financial liabilities				
Derivative financial instrument liabilities	-	105.403.244	-	**105.403.244**

(1) Unlisted available for sale securities amounting to TL 6.478.905 are excluded.

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

41. FINANCIAL INSTRUMENTS *(cont'd)*

Fair Value of Financial Instruments *(cont'd):*

31 December 2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at fair value through profit and loss				
Equity shares	172.894.893	-	-	**172.894.893**
Government bonds and treasury bills	261.938.039	-	-	**261.938.039**
Private sector bonds	193.073.129	-	-	**193.073.129**
Investment funds	30.685.419	-	-	**30.685.419**
Income accruals of derivative instruments	-	3.007.644	-	**3.007.644**
Available for sale financial assets (1)	13.511.495	-	-	**13.511.495**
Financial Liabilities				
Other financial liabilities				
Derivative financial instrument liabilities	-	3.754.156	-	**3.754.156**

(1) Unlisted available for sale securities amounting to TL 3.767.893 are excluded.

The fair value of financial assets and liabilities are determined as follows:

First level: Implies that in determining the fair values of assets and liabilities, active market trading price is used for valuation purposes.

Second level: Implies that in determining the fair values of assets and liabilities, should other market price be observed other than first degree market prices, then observed market price is used for valuation purposes.

Third level: Implies that in determining the fair values of assets and liabilities, data not based on market observation is used for valuation purposes.

42. EVENTS AFTER THE REPORTING PERIOD

Due to disposal of venture capital investments, İş Girişim Sermayesi became non-compliant with the Communiqué on Venture Capital Investment Trusts No III-48-3 specifically the Article 22.1.b. requiring minimum 51% of investments to be made on venture capital investments. İş Girişim Sermayesi applied to the CMB requesting time until 31 December 2015 in accordance with Article 24.2 of the Communiqué. The application was responded positively by the CMB on 27 January 2014.

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

In accordance with the resolution of the Board of Directors dated 15 February 2013, the Company has applied to the CMB to increase the upper limit of registered capital from TL 300.000.000 to TL 600.000.000. The increase was approved by the CMB on 14 March 2013.

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