

iş INVESTMENT



ANNUAL REPORT

2016



**YEARS OF
İŞ INVESTMENT**

iŞ INVESTMENT



IS INVESTMENT

**BOARD OF DIRECTORS ACTIVITY REPORT
PREPARED IN ACCORDANCE WITH
THE CAPITAL MARKETS BOARD COMMUNIQUÉ
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CAPITAL MARKETS**

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1. IS INVESTMENT IN BRIEF

A LEADING PERFORMANCE AT THE END OF ITS 20TH YEAR

Founded in 1996 by İşbank, IS Investment provides domestic and international; individual and institutional investors with high added-value services and solutions in domestic and international capital markets in the areas of; brokerage services, corporate finance, investment advisory, wealth management and asset management.

As of end of 2016, IS Investment was a leader in the capital markets with its asset size of TL 6.5 billion, shareholders' equity of TL 572.6 million, its 11 branches, 360 employees, more than 1,300 İş Bank branches serving as business partners in almost every corner of Turkey, its strategic affiliate structure in areas such as Venture Capital, Asset Management, and Wealth Management, more than 400,000 customers and its public identity. IS Investment also has a brokerage subsidiary, Maxis Investments Ltd., which headquartered in London and fully owned by IS Investment.

In 2016, IS Investment achieved a net consolidated profit of TL 53.9 million and a net solo profit of TL 87.8 million. With its consolidated AuM size of TL 27.6 billion, IS Investment represents more than 20% of the Turkish fund market. The long-term national credit rating of IS Investment, whose shares have been traded on the stock market under the ISMEN ticker since May 2007, was announced as "AA +" by Fitch Ratings with a stable outlook. IS Investment, the first investment company to gain a credit rating, is also the first and only investment company to have been given a corporate governance rating. Its corporate governance rating by SAHA Rating was determined as 9.36 over 10 points.

In the field of Corporate Finance, Is Investment offers a wide range of services such as private sector advisory, public offerings (equity and private sector bonds), mergers and acquisitions, restructuring and strategic planning, project financing advisory and venture capital advisory.

Standing out with its products and services developed in line with its pioneering and innovative identity, IS Investment launched Turkey's first hedge fund. In 2010 it became the first Turkish firm to offer investors brokerage house warrants when trading in these instruments began on the Borsa İstanbul.

In 2012 IS Investment became the first brokerage house to issue its own debt instruments.

In 2013 IS investment issued Turkey's first private-sector leasing certificates (sukuk) denominated in Turkish Liras. While IS Investment is still the only firm in the market to issue Dollar/TL, Euro/Dollar, gold, duel and Petroleum warrants, in 2015 it introduced Oil and DAX warrants that allow those investing in Brent Oil and the DAX Index to invest in Turkey's capital markets.

The Company became the first liquidity provider for the Borsa İstanbul within the scope of the "Liquidity Provision in the Share Market" application developed by the Borsa İstanbul to contribute to the liquidity of stocks with low transaction volume.

For 20 years, IS Investment has continuously improved its operational and financial performance with strategies that are integrated into the global financial markets, while it has also become the most effective investment company guiding the development of our capital markets with the responsibility of the “IS” emblem that it represents proudly. Over time, IS Investment has expanded the scope of its activities to areas such as Wealth Management, Venture Capital, Portfolio Management, Investment Trust and Asset Management. In this respect, IS Investment has become a consolidated organization that is a leader in all areas of investment banking. As a listed company which has adopted corporate governance and is committed to ethical values, IS Investment has been able to create value for all of its stakeholders. With its cross-border and electronic transaction capability, the Company will continue to proceed with strong steps in the coming years in line with its vision of becoming the most reliable investment institution in Turkey and the region.

In addition to its corporate values such as customer orientation, market focus, dynamism, innovation and impartiality, IS Investment attaches particular importance on the principle of placing value on its employees. The company is aware that the most important source of reputation, trust and success, which are indispensable components of intermediary activity, is a human one.

IS Investment has maintained the highest level of corporate and financial concentration by pursuing the rights and responsibilities of shareholders, customers, employees and all other related parties with accountability, equity, transparency and responsibility, thus maintaining its success.

In the coming years, IS Investment will continue to develop new strategies based on qualified information and provide new products and services, while continuing to create added value for the continuation of corporate success, the gains of its stakeholders and the development of the capital markets through the effective use of technology.

2. IS INVESTMENT'S AWARDS AND FIRSTS

IS Investment has received various awards from domestic and foreign organizations in recognition of its different activities.

Global Finance: Best Investment Bank of Turkey- 2016

Turkish Capital Markets Association: Borsa Istanbul Equity Market -
Highest Trading Volume - 2015

Turkish Capital Markets Association: the Issuance and Sale of Capital Market
Instruments with the Highest Issue Amount - 2015

Borsa Istanbul: Equity Market Trading Volume Leader - 2013, 2014

Borsa Istanbul: Futures & Options Market Trading Volume Leader - 2013, 2014

Borsa Istanbul 25th Year Awards: Company with the Highest Equities Trading Volume
- 2010

Corporate Governance Association of Turkey: Company with the Highest Rating in
the Board of Directors Category - 2011

EMEA Finance "Best Investment Bank of Turkey" - 2010, 2011, 2012, 2013, 2014, 2015

EMEA Finance: Best Brokerage House - 2012, 2013, 2014, 2015

Euromoney "Turkey's Best M & A House" - 2009, 2014

Euromoney "Turkey's Best Investment Bank" - 2010, 2011, 2013

Euromoney "Turkey's Best Brokerage - 2007, 2008

FT/Mergermarket "Financial Mergers & Acquisitions Consultant of the Year in Turkey"
- 2010

Capital Magazine "Turkey's Most Admired Brokerage House" -
2003, 2004, 2005, 2008, 2009, 2010, 2011, 2012, 2013, 2014

Ethical Values Association: ETİKA Türkiye Award - 2012, 2013, 2014, 2015, 2016

IS INVESTMENT'S FIRSTS

1999 First online public offering

2000 First public offering via ATMs

2008 Turkey's first hedge fund; IS Investment Hedge Fund and The first international
electronic trading platform for customers: TradeMaster International

2010 First Turkish company to issue intermediary institution warrants and the first
public offering by a foreign firm (DO&CO) on the Istanbul Stock Exchange

2011 First FX-based warrant trading

2012 First company to trade on the BIST Derivatives Market and First brokerage house
to issue publicly-floated commercial paper in Turkey's capital markets

2013 First private-sector leasing certificates (sukuk) denominated in Turkish liras

2014 Borsa Istanbul's first authorized liquidity provider and First outperformance
warrant issue

2015 First time issue of oil warrants

3. KEY FINANCIAL HIGHLIGHTS

SUMMARY BALANCE SHEET AND INCOME STATEMENT

Summary Balance Sheet (x1,000 TL)	31 December 2016	31 December 2015
Assets		
Current Assets	6.327.636	5.586.431
Fixed Assets	190.264	194.809
Total Assets	6.517.900	5.781.240
Liabilities		
Short Term Liabilities	5.549.147	4.697.546
Long Term Liabilities	88.427	175.486
Non-Controlling Interests	307.721	350.031
Shareholders' Equity of parent Company	572.605	558.177
Total Liabilities	6.517.900	5.781.240
Summary Income Statement (x1,000 TL) 1 Jan. -31 Dec. 2016		
1 Jan -31 Dec. 2015		
Sales Revenue, Net	63.649	66.026
Interest and Derivative Income from Operating Activities, Net	135.294	127.193
Income from Services, Net	191.632	136.006
Other Operating Income, Net	48.372	48.308
Gross Profit	438.947	377.533
Operating Expenses	(355.825)	(314.480)
Other Income/ (Expenses), Net	(11.280)	(8.485)
Operating Profit	71.842	54.568
Share of Profit/ (Loss) of Equity Accounted Investees	(4.052)	(734)
Financial Income/ (Expenses), Net	(13.301)	(20.095)
Profit before Tax from Continuing Operations	54.489	33.739
Tax Expense	(20.765)	(11.331)
Period Profit/Loss	33.724	22.408
Non-controlling Interests	(20.168)	(18.067)
Net Profit		
(Equity Holders of the Main Company)	53.892	40.475
Earnings per Share from Continuing Operations (TL)	0,1518	0,1140
Financial Ratios		
	31 December 2016	31 December 2015
Current Assets/Short-Term Liabilities	1,14	1,19
Total Liabilities/Equity	6,40	5,37
Return on Equity (%)	9,5	7,3

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

4. CORPORATE VALUES, MISSION, VISION

CORPORATE VALUES

CUSTOMER ORIENTATION

To be close to our customers, to be able to correctly carry out risk-reward analysis in compliance with investor expectations, to be able to provide a service of the necessary and desired quality with the aim of building the assets of our companies in line with this analysis.

MARKET FOCUS

To be able to create the maximum possible added value for our corporation and investors in line with the developments 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 human resources which are competent and specialized in their field.

CONFIDENTIALITY

To comply with the principles of confidentiality within the scope of laws, our corporate policies and ethical values in areas which qualify as inside information that may affect the value of our shares and the identities and transactions of our customers.

REPUTATION

To remain a representative of the feelings of trust and success created by the brand "İş," which we proudly represent in the capital markets.

DEVELOPING THE STAFF

To ensure the continuous training and development of our specialized personnel that we have incorporated with understanding of corporate social responsibility in compliance with our values; 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 discrimination on the basis of religion, language, race or gender.

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 the principles of corporate governance with an effective risk management and internal control mechanism, transparent governance to ensure success in our financial performance and market sustainability in compliance with the laws and our ethical values.

PERFECTIONISM

To remain aware that anyone can be better by trying to be perfect all the time.

OBJECTIVITY AND IMPARTIALITY

To ensure that our market commentary is realized with an objective understanding by carrying out relations with the customer without allowing any conflict of interest while fulfilling capital market activities, and informing our shareholders correctly, fully and in a timely manner.

SOCIAL RESPONSIBILITY

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

MISSION

- To provide all kinds of investment banking services 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 the capital markets
- To follow technological developments and incorporate technology into our activities
- To ensure customer satisfaction
- To increase the value created for shareholders

VISION

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

5. CHAIRMAN'S MESSAGE

2016 was the year that IS Investment celebrated its 20th anniversary, and was indeed a successful year for our company, but was also a year of heightened uncertainty and concerns about the future of the world. The process of economic slowdown in the global economy that started with the 2008 crisis rumbled on during 2016. The failure to achieve the desired balanced and robust growth trend in the past 8 years has driven some social dynamics on a global scale, leading to even more protective and populist policies.

In this sense, 2016 was a time of surprises and developments that brought the world to the brink of new transformations. The United Kingdom's decision to leave the European Union (Brexit) in the referendum and victory of Donald Trump, known for his controversial pronouncements, in the presidential race in the United States illustrated the growing skepticism over economic integration, especially in developed societies. While Brexit sparked a debate over the future of the European Union, Trump's domestic and foreign policy announcements raised uncertainty concerning the future of the global economy. In parallel with these developments, the expectations that the US Federal Reserve (Fed) would step up its pace of rate hikes was another factor to be priced in by the markets.

High risk perceptions and sharp volatility in global markets, especially in the last quarter, led to an unexpected dollar rally as the US dollar index rose to its highest level since 2003. In 2016, when world trade volume lost momentum, the hopes that the world was about to exit the low growth - low interest - high unemployment cycle had to be put on hold once more. While the slowing trend in the Chinese economy, which had been the locomotive of global economic growth in the previous years, continued in 2016, Japan could not overcome its economic stagnation - which has persisted for a considerable time - despite the extraordinary monetary policy measures taken.

On the other hand, the uncertainty generated by the US elections precipitated a significant increase in the risk perception of developing country economies. The likelihood that the Fed would adopt a hawkish stance on interest rate hikes ramped up pressure on emerging markets and opened the door to an acceleration in outflows of capital and funds from these countries. In this environment, where Brazil, South Africa and Turkey are unflatteringly known as "fragile three", being considered more dependent on foreign capital in the financing of their current account balances, had a negative effect on the markets in these countries.

The inability to bring the ongoing war in Syria to an end, the increasing problem of immigration and the impact of geopolitical tensions, which are felt more and more with every passing day, remained the dominant sources of risk facing global economic activity throughout the year.

TURKEY: SAILING IN CHOPPY WATERS

2016 was also a year full of challenges for Turkey, with the country feeling the effects of the turbulence experienced in the region. In addition to the geopolitical risks stemming from regional instability, the crises with Russia, which is one of Turkey's most important trading partners, the terrorist incidents, the July 15 process and the uncertainty related to domestic politics meant that 2016 was a difficult year to manage for Turkey.

As tourism receipts tumbled due to the developments, investment continued to decline and all items except public spending contracted when compared to the same period of the previous year. Despite the slowdown in the world, the Turkish economy - which had stood out with its uninterrupted run of growth in recent years - suffered a contraction of 1.8% in the third quarter of the year, its first contraction since 2009, due to the negative developments. Although the nine-month growth figure pointed to a slowdown in the rate of economic growth to 2.2%, the impact of the negative developments was alleviated to some extent as the Central Bank and government implemented a wide array of measures and incentive packages aimed at bringing relief both to the real sector and the labor market.

Although the Turkish economy was dominated by the volatile backdrop in 2016 resulting from the global risks as well as the internal dynamics at home, we anticipate that the Turkish economy will post a moderate recovery in 2017 with 3% growth thanks to the strong position of public finances, the high contribution of public investments to growth, expansionary fiscal policies and the fundamental dynamics of an economy resistant to shocks.

A DIFFICULT YEAR FOR THE CAPITAL MARKETS

Turkey's capital markets also followed a volatile course in 2016 due to the previously unforeseen developments. In the first half of the year, Borsa Istanbul stocks increased by around 7% compared to their 2015 closing. In the second half of the year, the international credit rating agency Moody's lowered Turkey's credit rating to below investment grade, and with the influence of the US presidential elections it fell to its lowest level of the last 7 ½ years in dollar terms. The BIST 100 index gained 8.9% in value on a TL basis but declined by 9.8% in dollar terms.

On the other hand, the trading volume of the Borsa Istanbul remained little changed in 2016 when compared to the previous year. Even though the expected movement in public offerings in the equity market did not materialize as a result of the increase in global economic uncertainty, the number of issuances of private sector borrowing instruments increased from 621 to 760, and the issuance amount from TL 79.6 billion to TL 90.1 billion.

Despite the downgrades and downward outlook revisions from international credit rating agencies, along with geopolitical developments and increasing risk perceptions, foreign investors maintained their interest in Turkey during 2016. With share prices cheaper in Dollar terms, the Borsa Istanbul appeared more attractive, and foreign investors completed the year 2016 with total net buying of US \$ 614 million.

20 YEARS OF BEING IN PURSUIT OF THE BEST

IS Investment, which started its operations with just 42 employees in 1996, today has 360 employees, total assets of TL 6.5 billion, equity of TL 573 million, 11 branches, more than 1,300 İsbank branches serving as business partners in almost every corner of Turkey, more than 400,000 customers and a public identity. IS Investment's leading position in the capital markets gives us great pleasure and even more pride.

While continuously improving our financial performance in the last 20 years, IS Investment has become the most effective investment company when it comes to guiding the development of our capital markets and has become a consolidated organization that is leading in all areas of investment banking by expanding its fields of activity. Having created value for all of its stakeholders based on its ethical values as well as its corporate values such as customer orientation, market orientation, dynamism, innovation and neutrality, IS Investment has been able to sustain its success from past to present by pursuing its activities with accountability, equity, transparency and responsibility.

Having undergone a successful period of activity with high profitability and dividend efficiency in spite of difficult and volatile market conditions in 2016, IS Investment has once again proved that it is worthy of the trust it has received by providing its investors with a high return, as well as the value it attaches to its employees, its strong ties with its customers and its risk management-oriented balanced income generation approach.

On behalf of the IS Investment family, I would like to extend my thanks to all of our customers for their trust and confidence, and to our partners for the unstinting support they have provided us.

İlhami Koç
IS Investment
Chairman of the Board of Directors

6. GENERAL MANAGER'S MESSAGE

Guiding the development of our capital markets with the responsibility conveyed by the "IS" emblem, which it proudly represents, IS Investment continuously develops its operational and financial performance with strategies that are integrated into the global financial markets, and maintained its position in capital markets in 2016 as it had in previous years, while continuing to increase its profitability in difficult market conditions by 82% to TL 87.8 million, and its net profit by 33% to TL 53.9 million.

In the ever-challenging capital markets, the year 2016 created a more volatile and uncertain conjuncture for capital markets due to economic and geopolitical developments both at the global and national level. The outcome of the referendum in the United Kingdom resulting in a decision to leave the European Union (Brexit), the US presidential elections, developments that strengthened the expectation of forthcoming interest rate hikes in the US, an increasing number of terrorist incidents and the attempted coup incident in Turkey on July 15th all greatly influenced the capital markets, one of the most important pillars of the economy.

In this environment marked by an increase in visible and invisible risks, IS Investment again realized the benefit of creating a fair and balanced distribution among our activities by steering clear of any dependence on certain products. This approach, which was the result of a conscious choice, enabled us to avoid risks and maintain our financial success in 2016, an exceptional year punctuated by wide fluctuations.

On the other hand, as IS Investment, which always acts as a "market creator" beyond being a "market maker", we have gladly observed the increase in the share of our new products in our activities during the past few years.

When we look at the year 2016 in terms of our activities, we have put forward a successful performance where we reached our targets in general. While the volume of transactions in Turkish stock market shrank by 1% YoY due to a negative general backdrop, we succeeded in increasing our trading volume by 6% and our market share from 7.4% to 7.9%. Similarly, we managed to increase our trading volume in the derivatives market (VIOP) by 32%, enabling us to increase our market share from 8.8% to 11.4%.

We have significantly increased our activity in international markets with the efforts we expended throughout the year. Our corporate bond issuance continued successfully, despite the difficulties experienced in the sector. While the total issuance volume of the market reached TL90.2 billion in 2016, of these issues, 76% involved sales to qualified investors. As IS Investment, we maintained our leading position in the market arranging 116 debt security issues with a nominal value of TL 18.8 billion and a 20.8% market share..

We increased the consolidated portfolio size under IS Investment's management by 34% YoY to TL27.6 billion. We achieved a market share of 18% with a 28% growth in pension funds, which have a significant share in portfolio management commissions. In mutual funds, we achieved growth in parallel with the market, with a 23% share.

While we continued to diversify our operational and financial performance in leveraged buy / sell transactions, which have become one of our sustainable business segments, we continued to be the sector leader in margin trading in 2016. Despite adverse macroeconomic expectations and geopolitical concerns, we carried out 8 mergers and acquisitions within the year.

Our total operating revenues increased by 16% YoY, while our commission revenues, which rose by 36% YoY, accounted for 52% of our total operating revenues. We achieved a successful performance in brokerage services, one of our core businesses, and achieved a 48% YoY increase in commission revenues. We find the success we have achieved by offering accurate and ethical services to our customers very important. Corporate finance revenues also displayed a remarkable performance with a 41% YoY increase, in spite of the weak macro-economic backdrop.

Despite all of the challenges we have faced, we also left behind a successful year in terms of our dividend yield. We repaid 205% of our IPO revenue in 2007 in cash, distributing a cash dividend of TL 36 million in 2016 – marking a dividend yield of 9.6%, well above the average in the stock market. Our company's dividend yield has averaged 6.1% over the last 9 years, while the average for the last two years was 10.1%.

As a listed company, ISMEN shares have posted a significant 12% outperformance over the BIST 100 with a nominal return of 22% in 2016.

As the first and only brokerage house with a corporate governance rating, and the first to have a credit rating in Turkey, IS Investment maintained its credibility with investors with its strong financial and corporate assets in 2016. Our credit rating as awarded by Fitch Ratings stands at AA +, while our corporate governance rating issued by SAHA Rating rose to 9.36.

In summary, even in the face of all the developments that affected customer and company positions, our company - which always attaches great importance to risk management – rounded off a successful year, avoiding an adverse effect from these developments by taking rapid measures to protect its investors with successful predictions. By continuing this understanding that differentiates IS Investment, we will endeavor to reach higher targets in 2017.

We are confident that our esteemed shareholders and investors, who have always played an important role in our success in recent years with their confidence and support, will continue to stand by us in 2017. Their unwavering confidence in us will always be the greatest source of motivation for IS Investment employees.

Yours respectfully,

Riza İhsan Kutlusoy
Is Investment
General Manager

A VERY SPECIAL YEAR – OUR 20TH ANNIVERSARY

2016 is of particular importance for us because it marks the 20th anniversary of IS Investment.

Established 20 years ago with modest capital and a team of 42 people assigned by the İsbank Securities Department, IS Investment today is an investment bank that provides a wide array of services.

The modest capital at its establishment has now exceeded TL 550 million, and constitutes the largest amount of equity in the sector; however, we viewed the human capital of the 42-member team – which has grown exponentially – as being more valuable than the paid in capital. Today, we operate with experienced and very well trained employees. At least as many IS Investment employees who started working with us continue to work in other institutions and organizations in the sector today. In this regard, IS Investment also proudly fulfills its function of being a school for the sector.

When we were founded, we were the only investment bank arm of İsbank. If further proof of our belief in the capital markets were needed, with our public offering in 2007 we became the only investment bank to have more than 4,000 domestic and foreign partners whose shares are traded on the national market. With our dividend policy, we have set an example by sharing our success with our shareholders.

While 20 years of experience and growth have furnished us with a more institutio-

nal structure, we see the legacy we have inherited as a high standard that must be exceeded, and we are unwavering in our determination to achieve better results rather than resting on our laurels. So as in the past, we always look to the future, aware of the changes that are happening today. Our enthusiasm, which shines as brightly as it did at our establishment, and our never-ending search for the new and the better is our greatest source of support in carrying IS Investment forward.

We celebrated our 20th anniversary with our stakeholders with a series of events. The opening bell was rung for IS Investment's 20th year in the ceremony that we organized in the Istanbul Stock Exchange. On the same day, we welcomed a very special guest speaker who inspired our ambition to achieve better and to improve our future. In the event, Christopher Alexander Lewicki, the CEO of Planetary Resources, who has led the exploration and extraction of mines in the asteroids, presented the studies in this area and the future of space exploration to our guests.

In addition, we prepared a book that will commemorate IS Investment's 20-year story by passing it to next generations along with first hand testimonies. I would like to express my gratitude to everyone who has been involved in this very special study entitled "20 years of IS Investment and our Capital Markets".

Riza İhsan Kutlusoy



7. ECONOMIC REVIEW

The Turkish capital markets followed a volatile course in 2016, steered by developments both in the domestic and global markets. While the Chinese and US economies produced mixed signals in the first half of the year, worries over the European banking sector and the UK's EU referendum in June put pressure on the markets, while growth with the pro-market monetary policy adopted in the United States, referred to as the Goldilocks policy, along with continued expansionary economic policies taken by Japan's central bank and the ECB played a balancing role in the markets. In the second half of the year, Fed rate hike worries, China's slowdown and Trump's victory in the US presidential election led to the continuation of volatility in global markets.

The deterioration in relations with Russia towards the end of 2015, increased geopolitical risks and terrorist incidents, failed coup attempt in July, and rating and/or outlook downgrades by the credit rating agencies exacerbated the adverse effect on Turkey when compared to its peers in developing countries. In light of all these developments, the stock market recorded an inflow of 0.8bn in 2016 and the bond market recorded an inflow of USD 3.1 billion.

In the first half of the year, the Turkish economy achieved a growth of 4.5% thanks to the support from private and public consumption. However, the economy contracted 1.8% YoY in the third quarter due to failed coup attempt in July, terrorist activities and the reflection of contraction in the tourism sector on economic activity. Leading indicators for the last quarter of the year indicate a moderate recovery in economic activity, which will carry annual growth rate to 2.0-2.5% range in 2016. Economic growth will reach to 3.0% in 2017 in our baseline scenario thanks to domestic consumption and expansionary fiscal policies. However, the contribution from investment is expected to be limited due to global uncertainties and ongoing geopolitical risks. On the other hand, expected slowdown in the European economy will weaken export growth and the contribution of net exports will remain negative.

Consumer price inflation remained above the target for a sixth consecutive year at 8.53% in 2016. Main groups that contributed to the annual inflation were alcoholic beverages and tobacco (due to recent increases in duties), transportation (due to higher oil prices and the depreciation of the TL against the dollar), food and housing. Inflation is expected to remain high at 9% in 2017 due to the delayed reflection of last year's increase in the national minimum wage to collective bargaining agreements, some adverse weather and the pass-through effect from the weak Turkish Lira.

Regarding to monetary policy, the Central Bank of Turkey cut the upper band of the corridor by 250bps and lowered the average funding cost by 130bps in its seven meeting between March and August last year. The rationale for rate cuts are falling volatility in global markets and increased resistance of economy external shocks. Later on, Central Bank hiked the one week repo by 50bps and upper band by 25bps in November meeting in order to contain inflationary risk due to rising oil prices and depreciation of the currency. In its December meeting, the Central Bank adopted a wait-and-see approach in order to evaluate the net impact of weak domestic demand and the exchange rate pass-through on inflation. We project a 75bps hike in one week repo rate in 2017 due to rising volatility in currency and Fed's rate hikes. On the flip side, ongoing growth concerns will limit the size of tightening in 2017.

8. INVESTOR RELATIONS

Against the background of volatility in the money and capital markets, investor relations activities were stepped up more intensively than ever in 2016, which was an eventful period in the economic and political agenda both in Turkey and in the world.

The ISMEN investor conference held in February was of particular interest for portfolio management companies and financial sector analysts. Investment companies and portfolio management companies were represented in the conference where detailed information on macroeconomic developments, the course of the markets, and ISMEN's operational and financial performance was presented.

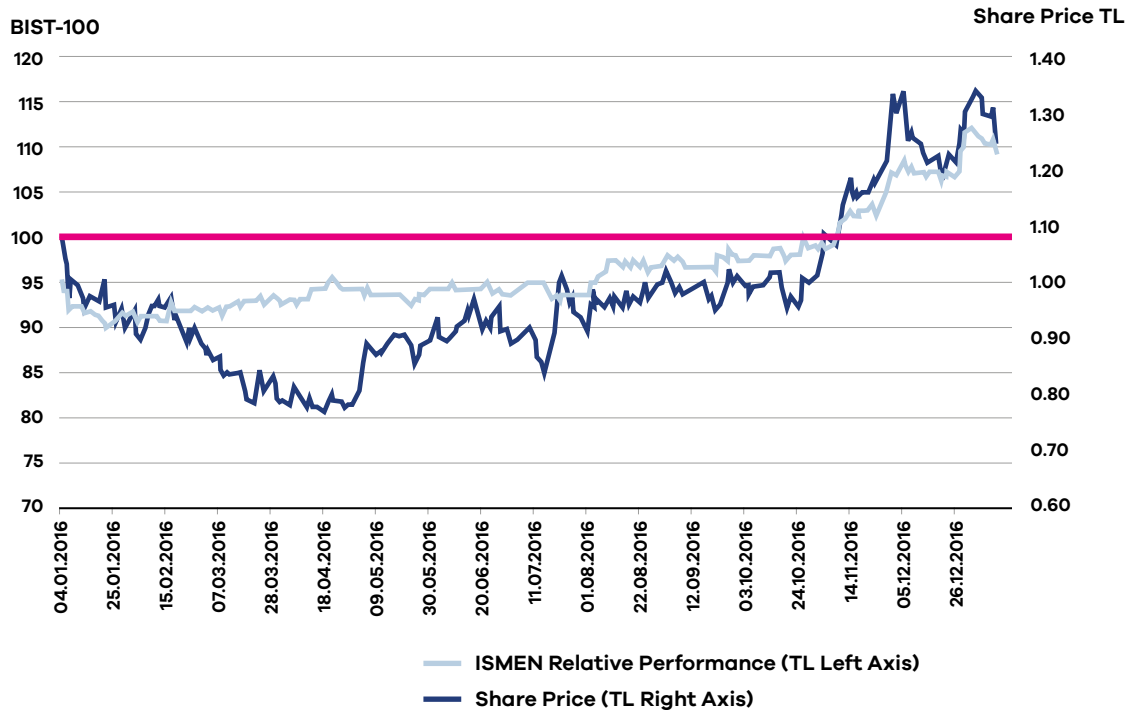
Quarterly performance presentations continued to be provided to investors, but due to the intensive agenda, the year's only international investor information meeting road show was held in Denmark.

We continued to conduct one-to-one meetings with qualified domestic individual investors and portfolio managers, which we believe are even more important, especially in turbulent times.

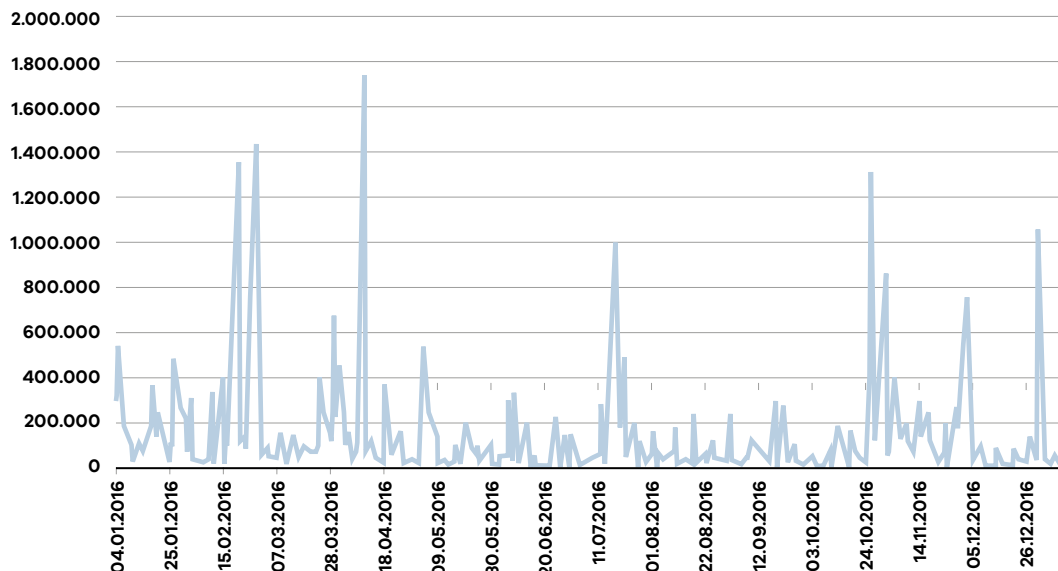
The London-based independent research firm, Edison Investment Research, published ISMEN research reports in the period based on the results for the 2015/12, 2016/3, 2016/6, and 2016/9 periods.

Despite the sharp movements in the money markets and capital markets, which reduced investment appetite for the stock market, investor meetings and perception management paved the way for ISMEN shares to outperform the BIST 100 index by 12% with a 22% return in 2016.

ISMEN SHARE PRICE PERFORMANCE

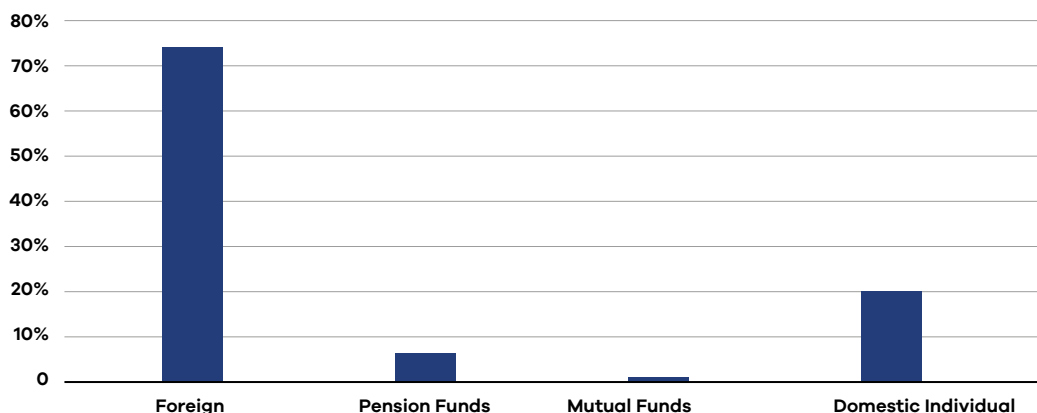


ISMEN DAILY TRANSACTION VOLUME



At the end of 2016, ISMEN's free float rate was 28%, with the share of foreign investors in ISMEN's circulation rate reaching as high as 75%.

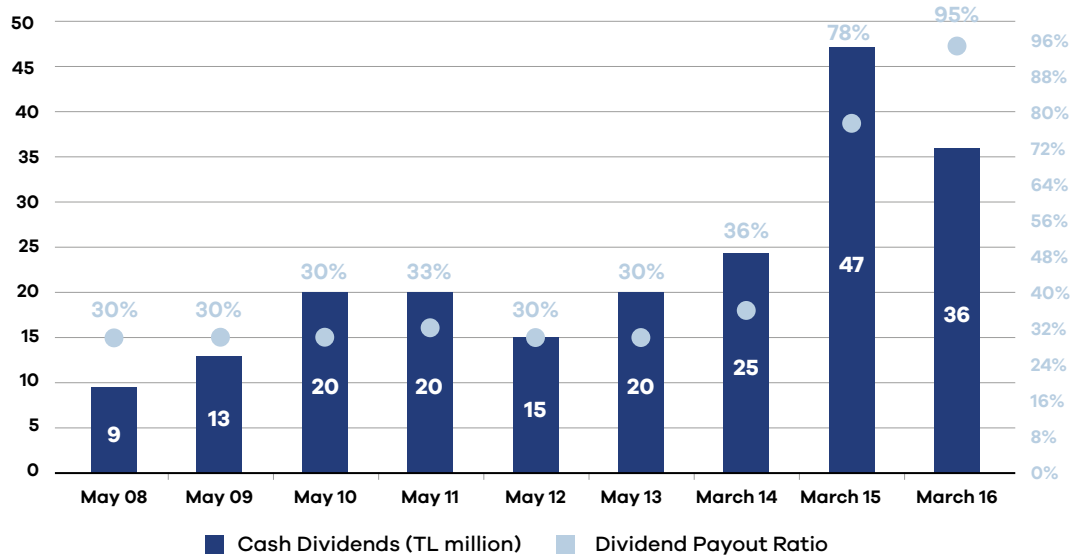
DISTRIBUTION OF ISMEN SHARES IN CIRCULATION



(Source: Central Registry Agency & Data Distribution Channels)

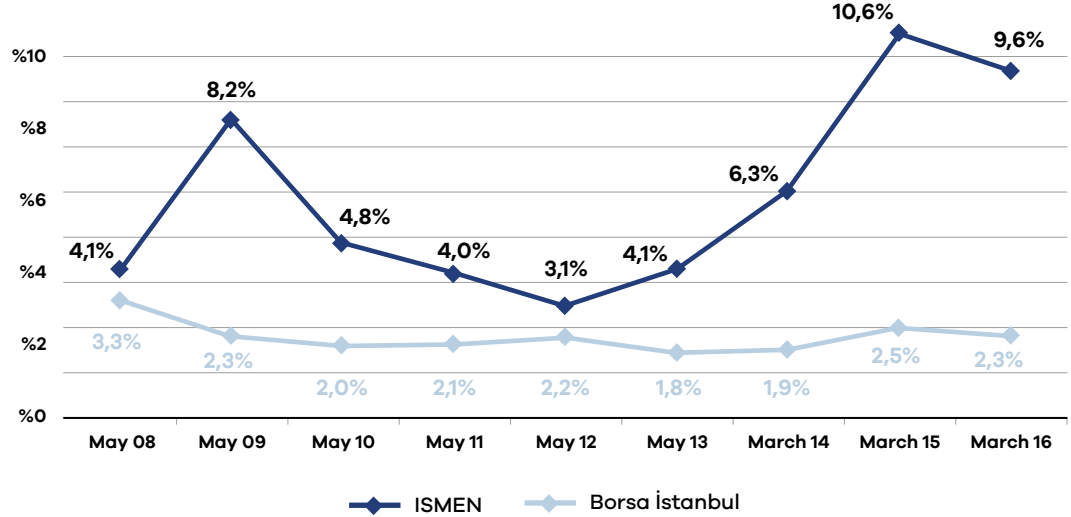
IS Investment continued to distribute cash dividends in line with its dividend policy. In the Annual General Meeting held last year, shareholders approved the distribution of cash dividends totaling TL 36 million (gross), corresponding to 95% of the Company's distributable profit. This dividend was paid in March. As a publicly-traded company, IS Investment has paid out a total of TL 205 million in cash dividends over the last nine years. Thus, 205% of the IPO proceeds that the Company secured through its May 2007 public offering have so far been paid back to investors as cash dividends.

ISMEN CASH DIVIDENDS



ISMEN's 2016 dividend yield of 9.6% was four times higher than the Borsa Istanbul's average.

ISMEN DIVIDEND YIELD



The dividends distributed and capital increases since the public offering of IS Investment are set out in the table below;

IS INVESTMENT DIVIDEND & CAPITAL INFORMATION

Date	Transaction Type	Cash Dividend Paid (TL Million)	Dividend Per Share (TL 0.01)	Capital Increase Through Bonus Issue (%)	Capital Before Increase (TL Million)	Capital After Increase (TL Million)
May 08	D	9,5	8,0			
May 09	D	12,9	10,8			
May 10	D	19,9	16,7			
June 10	B			67,5	119	200
May 11	D	20,0	10,0			
July 11	B			30,0	200	260
May 12	D	15,1	5,8			
June 12	B			10,0	260	286
May 13	D	20,0	7,0			
June 13	B*			8,6	286	311
March 14	D	24,5	7,89			
June 14	B*			6,9	311	332
March 15	D	47,0	14,16			
June 15	B*			6,9	332	355
March 16	D	36,0	10,14			

D: Cash Dividends, B: Increase by Bonus Issue

* Stock dividends by capital increase through bonus issues.

Strategic planning studies continued during the year in order to provide resources for the Strategic Planning of the Executive Board and the Board of Directors.

IS Investment was the first and only investment company to be issued a corporate governance rating. JCR Eurasia Rating revised our company's overall corporate governance rating to 9.11 on 2 September, while SAHA Rating issued a rating of 9.36 on 19 December. The Company's comparative overall corporate governance rating classified according to the main sections is provided below:

IS Investment Corporate Governance Ratings

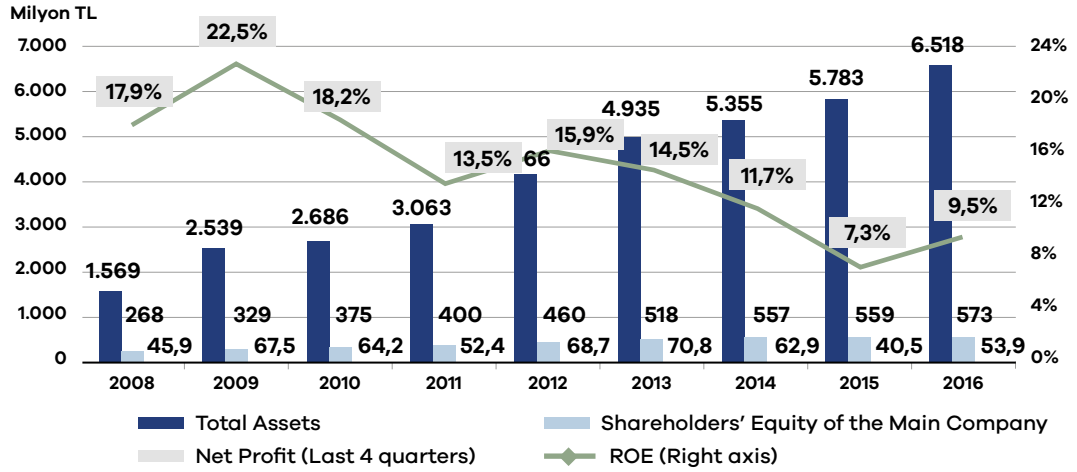
Category	04.09.2015 (JCR)	02.09.2016 (JCR)	19.12.2016 (SAHA)
Shareholders	9,01	9,17	9,20
Public Disclosure and Transparency	9,04	9,04	9,59
Stakeholders	8,90	9,05	9,49
Board of Directors	9,15	9,15	9,25
Total	9,05	9,11	9,36

Meetings were held in April and June with Fitch Ratings during the credit rating process. While focusing specifically on balance sheet quality, the sustainable structure of revenues and the current state of capital markets and expectations were discussed. Our long-term national credit rating, confirmed as AA+ on 6 June with a stable outlook, was once again confirmed on 5 August after the 15 July coup attempt. Later, on 19 August, Turkey's credit rating was affirmed and its outlook downgraded from stable to negative. However, the rating for our note was confirmed once again on 25 August as AA + with a stable outlook.

"IS Investment IR" (Investor Relations), which we implemented with the slogan of "IS-MEN in Your Pocket" at the end of June, played a dominant role on the part of the shareholders in the increase in our rating. "IS Investment IR", developed in compliance with iOS and Android devices, is the first application for the brokerage sector. Also ranked first among companies listed on the stock exchange, it reached a very high number of downloads, at over 2,100 in the two months since its introduction and more than 3,400 by the end of 2016.

IS Investment recorded a net consolidated profit of TL 53.9 million, up 33% YoY in 2016.

ISMEN CONSOLIDATED RETURN ON EQUITY



CONSOLIDATED IS INVESTMENT SUBSIDIARIES

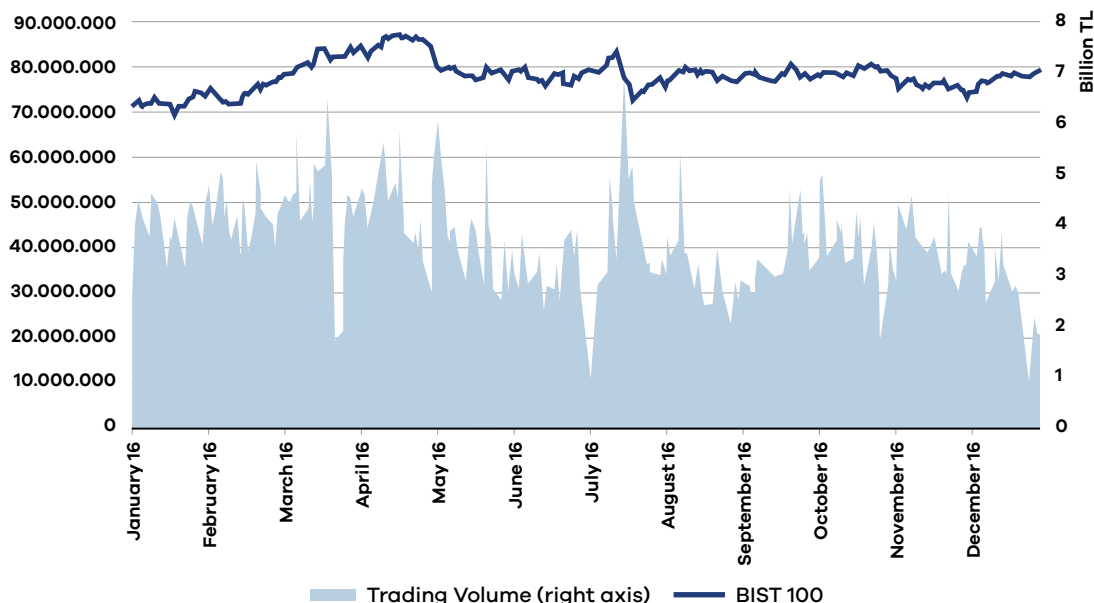
Name	Equity Stake	Equity Stake (%)	Nominal Value
Maxis Investments Ltd.	5.500.000 GBP	100,0	5.500.000 GBP
IS Investments Gulf Ltd.*	1.000.000 USD	100,0	1.000.000 USD
Efes Varlık Yönetim A.Ş.	20.000.000 TL	74,00	14.800.000 TL
İş Portföy Yönetimi A.Ş.	65.000.000 TL	70,00	45.500.000 TL
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	74.652.480 TL	29,0	21.654.296 TL
İş Yatırım Ortaklığı A.Ş.	160.599.284 TL	28,9	46.454.101 TL

* Corporate operations were terminated ipso facto as of 30 October 2015. The legal liquidation process is still under way.

9. DOMESTIC CAPITAL MARKETS

EQUITY MARKET

PERFORMANCE OF THE BIST 100 INDEX IN 2016



The Borsa Istanbul equity market started 2016 at above 70,000. A raft of positive data releases from the US economy in the first days of the year raised concern over the Fed's interest rate policy. The cautious explanations that followed in the months that followed helped to alleviate the sales pressure. In this period, Turkey was one of the countries to benefit most from the global risk appetite. In the first quarter of the year, the MSCI Turkey index posted a 20% return to closed at 83,000, while the TL remained strong, with the USD / TL rate closing the first quarter at TRY 2.81, which was the strongest level for the TL (against the USD) since November 2015.

The markets started the second quarter against a backdrop of positive sentiment, lifting returns as a result of the resolved uncertainty resulting from the decline in the dollar index, signals of a delay in the Fed's interest rate hikes and the announcement of a new President for the Central Bank.

The BIST-100 index was able to benefit from the positive sentiment in the first quarter and climbed to 87,000. However, April's rosy picture gave way to selling pressure in May amid a rising possibility of Fed interest rate hikes, the emergence of an early election risk in the autumn and uncertainty over economic policy going forward. The BIST 100 closed at 77,803 on May 31, down 8.8% when compared to the end of April. The dollar / TL rate, which ended the month of April below 2.80, exceeded the psychologically important 3.00 barrier for the first time since January 28, under the influence of domestic political developments.

The third quarter saw a spike in risk perceptions related to the domestic market due to the events of July. Sales pressure on the BIST 100 increased due to negative monitoring disclosures from credit rating agencies as a result of the increased political risk. As political uncertainty eased in the days that followed, some of July's sales were compensated, but the general unease continued. After July 15, the stock market fell by 7.1% and suffered the most severe loss of the last three years.

Economic activity started to bounce back from the events of July in August. However, the markets struggled to return to their pre-July levels, despite the positive sentiment in devel-

opening countries in August. The dollar / TL exchange rate, which rose to TL3.09 – a historic high – went down to 2.91 by 18 August following a downward trend on the back of the developments in global markets. Having ended the month of July with a 1.8% fall, the BIST 100 rallied, especially during the first half of August. The normalization process in relations with Russia also supported the stock market. Optimistic expectations regarding the tourism sector brought rapid increases, especially in the aviation sector stocks. By 31 August, the BIST 100 had risen by 0.7% compared to its end-July level, reaching 75,968.

On 23 September, Moody's lowered Turkey's credit rating by one step to below investment grade, citing increased risk arising from higher external financing needs and weakening economic growth, as well as a weakening in policy making institutions. This put downward pressure on financial markets. In the following days, however, the negative effect diminished. On the other hand, statements referring to an extension of the state of emergency in Turkey had a negative impact on the markets. Despite all these developments, the BIST 100 index ended September with a 0.7% gain compared to the previous month.

Global financial markets started the last quarter of the year with high volatility as the spotlight turned to the presidential election in the US. Although the rise in geopolitical risks in Turkey pushed risk premiums higher in an environment where money inflows to developing countries had become more selective, the bargain basement share prices in the Borsa Istanbul when compared to other developing countries paved the way for purchases in the index. The BIST 100 index, which had reached levels of 80,290 towards the end of October, rapidly lost value due to the wave of sales affecting developing countries after the 8 November US presidential elections, and the index closed November at 73,995. Thus, the index lost nearly 6% in November. In this period, the USD / TL rate edged up to 3.40, a historical peak, as the Lira lost value. The high volatility in the markets continued after Trump's victory, which came as a surprise to the financial markets. The BIST 100 index, which had dipped to 71,792 at the beginning of December, kept up with the rise in global stock markets and closed the year 2016 at 78,138, with the expectation that the loose financial policies would be applied in the US, balancing the effect of possible increases in interest rates.

In this period, the US Dollar continued its rise against other currencies. During this period, the correlation between the USD / TL and the BIST 100 index weakened considerably and the USD / TL rate closed at 3.52. The foreign clearing rate, which hit a low of 62.21% in November, edged up to 63.36% by the end of the year.

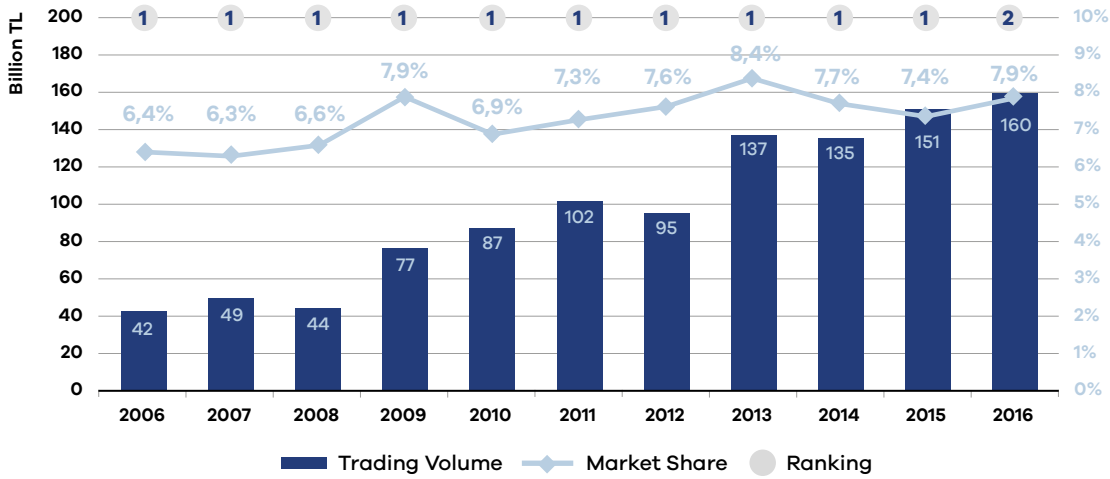
EQUITY MARKET: RANKING BY TRADING VOLUME

Order		Investment companies	Trading Volume (TL million)		Change (%)	Market Share (%)	
2015	2016		2015	2016		2015	2016
3	1	BROKERAGE HOUSE 1	142.556	166.723	16,9	6,9	8,2
1	2	İŞ YATIRIM	150.982	159.732	5,8	7,4	7,9
2	3	BROKERAGE HOUSE 2	147.102	148.285	0,8	7,2	7,3
4	4	BROKERAGE HOUSE 3	140.279	127.755	(8,9)	6,84	6,3
6	5	BROKERAGE HOUSE 4	104.577	106.094	1,5	5,1	5,2
TOTAL TOP 5			694.280	708.591	2,1	33,8	34,9
GRAND TOTAL			2.051.730	2.027.124	(1,2)		

IS Investment ranked second in the Borsa Istanbul Stock Market with a trading volume of TL 159.7 billion and a market share of 7.9%. IS Investment aims to rank in first position in terms of trading volume in 2017.

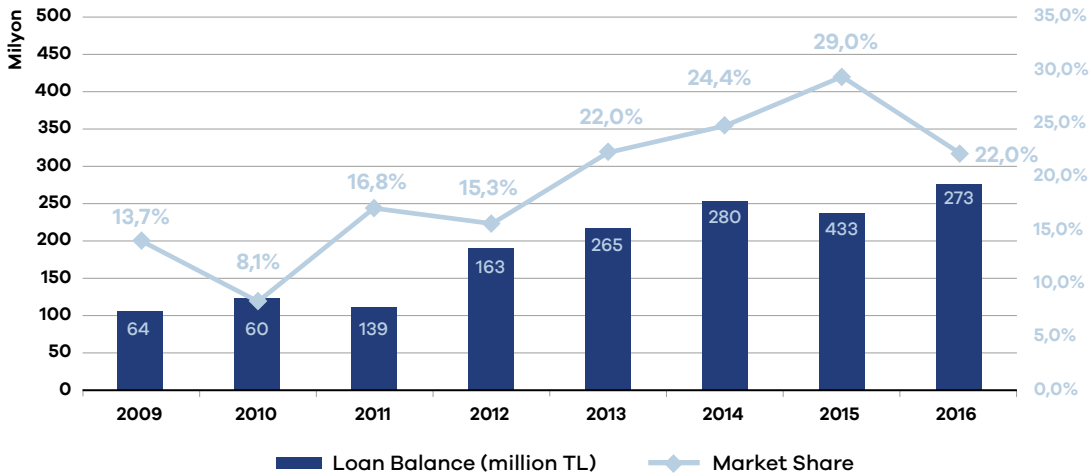
IS Investment is the first and biggest liquidity provider for the Turkish capital markets..

IS INVESTMENT EQUITY MARKET TRADING VOLUME AND MARKET SHARE



The Liquidity Provider service, which started with Odas Energy at the end of 2014, continued to expand with Soda Sanayii, Anadolu Cam, Trakya Cam, Indeks Bilgisayar and Özak GYO. In addition, the Company launched its Market Maker operations with Desa Deri and the ISY30 Exchange Traded Fund, while İş Girişim was also added in 2016.

DEVELOPMENT OF IS INVESTMENT'S MARGIN TRADING BY YEAR



Source: IS Investment & TCMA
(Year-end market data has not yet been published; figures indicated it is expected market share)

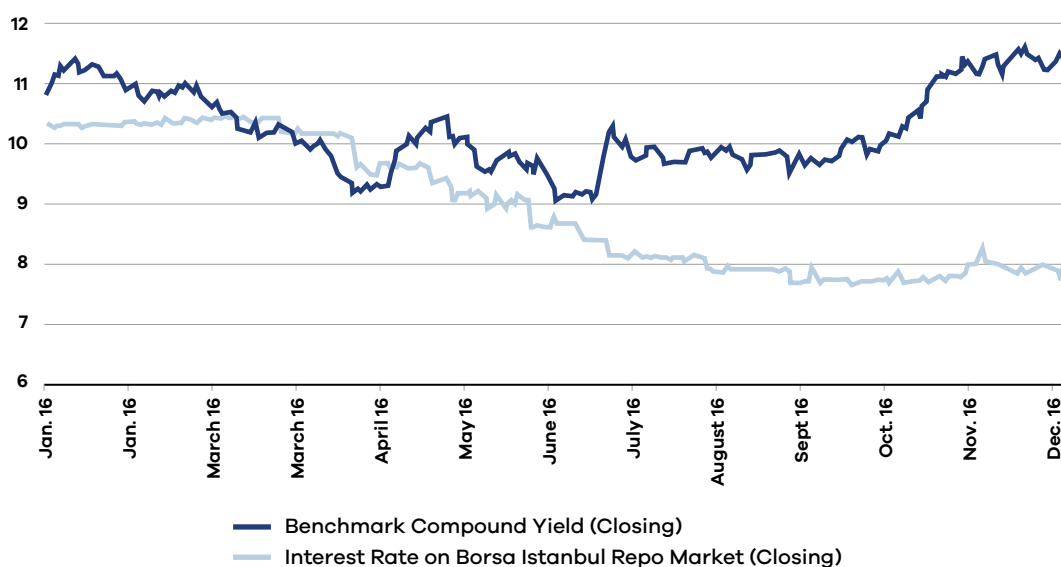
Securities Lending Market Operations

IS Investment maintained its leading position that it has held since 2008 with a trading volume of TL 2.6 billion and a market share of 17% in the Lending Market in 2016

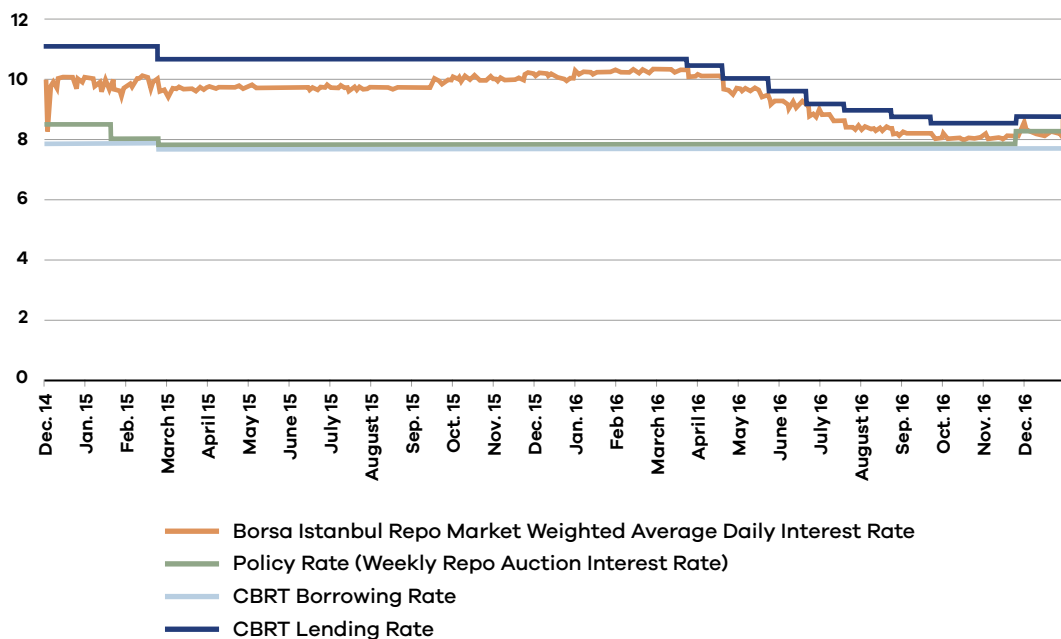
DEBT SECURITIES MARKET

The market agenda was dominated by political developments and anticipation of Fed interest rate hikes in 2016. While the events of July and political developments during the year increased the country's risk in the eyes of foreign investors, the fall in the value of the Turkish Lira that came in parallel with these developments and the Fed's interest rate hike adversely affected real sector balance sheets, causing upward pressure on yields in the secondary market. The compound yield of the 2-year benchmark bond, which started the year at 11.03%, dipped to 9.39% at the beginning of June before closing the year at 10.63%. The 10-year benchmark bond compound yield started the year at 11.06% and closed the year at 11.42%.

BENCHMARK BOND YIELDS AND REPO RATES



INTEREST RATES IN TURKEY

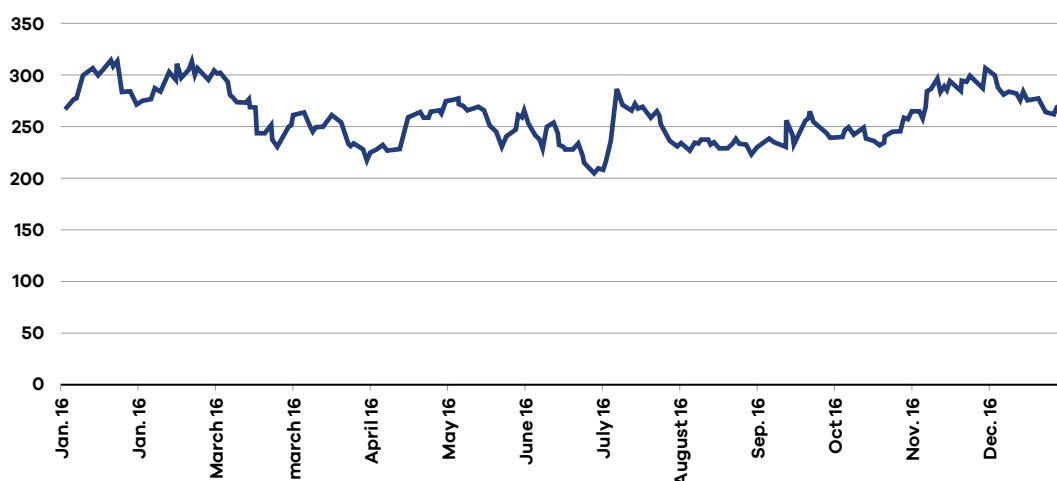


In this process, USDTRY rate started the year at 2.91 and reached 2.94 at the beginning of June. At the end of the year, the USDTRY rate rose to TL 3.52 as a result of the constitutional amendment debates and mounting expectations that the Fed would carry out at least two interest rate hikes in 2017, which merely added to the perception in the market that the CBRT was facing political pressure for rate cut.

The uptrend in oil prices slowed in the second half of the year, but the movements were at least favorable in that there was no extra burden on inflation.

The widening of the current account deficit and worsening inflation outlook marked an important harbinger of the macroeconomic deterioration. While the current account deficit and inflation remain macroeconomic factors increasing Turkey's risk level, the negative evaluation and cuts in Turkey's rating by rating agencies, in response to the political developments, stripped Turkey of its investment grade status.

5-YEAR TURKISH CDS PREMIUMS



This negative outlook adversely affected the real sector's borrowing costs, also increasing pressure on interest rate hikes.

The Undersecretariat of Treasury carried out TL 100.6 billion of domestic borrowing servicing in 2016, achieving a 90.6% domestic debt rollover rate

The cumulative annual compound cost of zero-coupon bonds declined from 11.19% to 9.94%, while cumulative annual compound cost of fixed coupon bonds declined from 11.14% to 10.14%.

The cumulative average maturity of domestic borrowing rose from 11 months to 11.3 months in zero-coupon assets, while it rose from 54.6 months to 62.8 months in fixed coupon bonds.

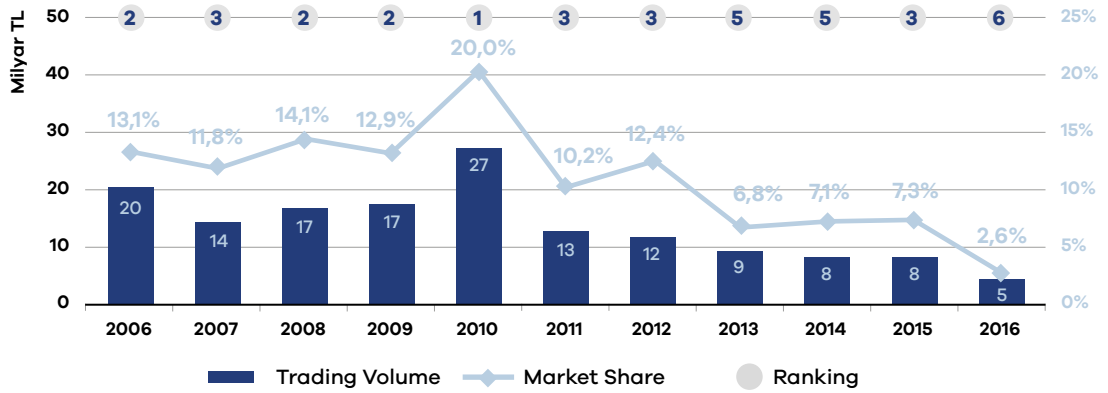
In 2016, İŞ Investment issued approximately TRY 4.7 billion of debt instruments.

İŞ Investment ranked 6th among the country's brokerage houses with a trading volume of TL 4.6 billion and a market share of 2.6% in the Debt Securities Market Outright Purchases and Sales in 2016.

Debt Securities Market Outright Purchases / Sales Brokerage Houses Trading Volume Ranking

BROKERAGE HOUSES		TRADING VOLUME (MILLION TL)		CHANGE	MARKET SHARE(%)		
2015	2016	2015	2016	(%)	2015	2016	
2	1	BROKERAGE HOUSE 1	34.485	61.978	79,7	26,5	34,7
1	2	BROKERAGE HOUSE 2	29.795	61.973	108	30,7	34,7
4	3	BROKERAGE HOUSE 3	8.148	9.422	15,6	6,3	5,27
8	4	BROKERAGE HOUSE 4	7.050	6.042	(14,3)	3,1	3,4
5	5	BROKERAGE HOUSE 5	4.912	5.354	9	4,4	3,0
3	6	İŞ YATIRIM	8.147	4.593	(43,6)	7,3	2,6
		TOTAL TOP 6	84.389	149.365	77	79,4	83,6
		GRAND TOTAL	112.361	178.709	59		

IS INVESTMENT DEBT SECURITIES MARKET OUTRIGHT PURCHASES AND SALES TRADING VOLUME AND MARKET SHARE



DERIVATIVES MARKET (VIOP)

The Turkish Derivatives Market achieved an important leap forward in 2016 and the volume of transactions reached TL 1,161.2 billion in all contracts. While BIST 30 index futures contracts maintained their lead in trading volume with a 75% share, the trading volume of FX futures contracts constituted 23% of the total volume with an annual increase of nearly 4%. While the number of open positions in index contracts remained unchanged throughout the year, the average throughout the year was the same as in the previous year, at 280,000. Domestic investors accounted for 72% of the transaction volume with foreign investors accounting for the remaining 28%. IS Investment, with a total volume of TL 132 billion in all futures contracts, increased its transaction volume by 32% and ranked second in the VIOP with a market share of 11.4%. Continuing its role as market maker in share futures contracts, IS Investment continued to contribute to the increase in liquidity and depth.

Total trading volume of options contracts reached TL 48.5 billion, while trading volume increased steadily. IS Investment continued to be a market maker in BIST 30 index options contracts and continued to contribute to the formation of a more liquid and deeper market in these contracts. With the increase in the number of market makers in index options contracts, there was a narrowing in the trading gap. With the increase in transaction volume that came on the back of foreign exchange options contracts, these contracts constituted 80% of the options transaction volume. The market for options contracts generated a premium volume of TL 934.1 million for the full year.

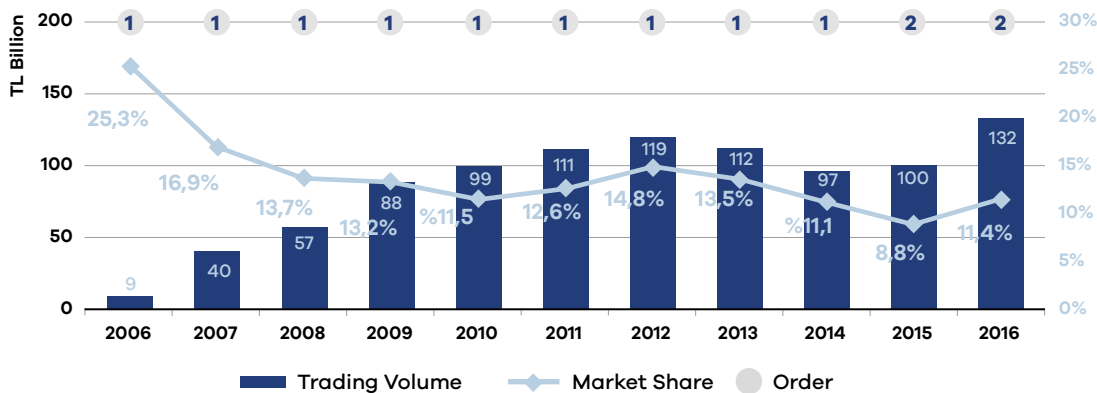
IS Investment ranked sixth in options trading with TL 2.9 billion of transactions, TL 47.4 million in premium volume and a 5% market share.

IS Investment ranked second in the entire derivatives market with a trading volume of TL 132.3 billion and a market share of 11.4%.

VIOP Transaction Volume Ranking

BROKAGE HOUSES		TRADING VOLUME (TL MILLION)		CHANGE	MARKET SHARE (%)		
2015	2016	2015	2016	(%)	2015	2016	
1	1	Brokerage House 1	165.724	151.645	(8,5)	14,6	13,1
2	2	IŞ YATIRIM	100.261	132.309	32	8,8	11,4
3	3	Brokerage House 2	97.820	112.287	14,8	8,6	9,7
8	4	Brokerage House 3	75.629	79.930	5,7	3,6	6,9
4	5	Brokerage House 4	59.768	70.967	18,7	6,7	6,1
		FIRST 5 TOTAL	499.202	547.138	9,6	42,3	47,2
		GRAND TOTAL	1.135.216	1.161.220	2,3		

IS INVESTMENT VIOP TRADING VOLUME AND MARKET SHARE



Warrant issuances continued to increase in 2016 as well. IS Investment continued to be the only company in the market to issue warrants on the Dollar / TL, Euro / TL, Euro / Dollar, Brent Oil and Gold in the market. The market share of IS Investment warrants in the warrant market averaged 39%. IS Investment issued 1,635 warrants during 2016, while 511 remained at the end of December. With the Warrant Academy, IS Investment regularly organizes trainings on the internet in order to increase the knowledge level of investors and assists the investors on issues related to warrants via the Warrant Support Line.

10. INTERNATIONAL CAPITAL MARKETS

The year 2016 was a year of political breakthroughs, as opposed to economic developments. In the first half of the year, the agenda was taken up with the referendum on the UK's membership of the European Union, while the wave of selling in bond markets brought about by the surprise outcome of the US Presidential election in the second half of the year caused central banks to revise their monetary policies.

Following the increase in interest rates in December 2015, at the beginning of the year the markets were priced based on the expectation of four Fed rate hikes, in parallel with the normalization calendar. However, as the months went by, the expectation of interest rate hikes diminished in the eyes of analysts amid political uncertainty and the absence the desired output figures in the US economic data releases. Risk appetite was supported by the global markets, as the probability that the Fed would usher in a low interest rate environment continued to rise, and this was reflected to asset pricing in the first quarter of the year. In the second quarter, however, uncertainty raised by the UK's referendum in leaving the EU in June, along with the more protectionist stance taken by financial institutions after 2015, when the Swiss National Bank lifted the currency anchor prior to the referendum, also reflected negatively to their transaction volumes. The UK vote to leave the EU in the referendum (Brexit) came as a surprise and led to a fall of around 11% in the British pound during the day, while demand increased for US Treasury bills and gold, which are considered safe haven assets. Once the initial shock of the Brexit decision diminished, the decision that the triggering of Article 50 of the Lisbon Treaty (to start the UK's Brexit process) would be made in 2017, as well as figures showing that the impact on the economy had not been as severe as expected, raised morale in the markets.

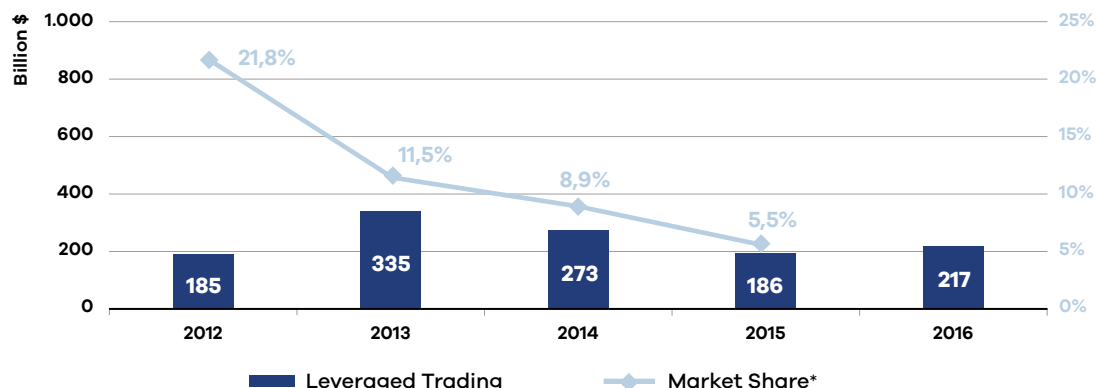
In the second half of the year, the spotlight turned to the US presidential election in November and the likelihood that the Fed would raise interest rates in the September meeting. However, in the meeting the Fed stated that despite the recovery in economic data, it would like to see a few more data releases before carrying out interest rate hikes, as it had in 2015, while continuing to wait until the election; this again raised expectations of a December rate hike. Trump won the presidential election, triggering a wave of selling, especially in the bond markets, due to the policies promised. Trump's proposed cuts to corporate and individual tax rates, and the anticipation that promises such as a tax amnesty, aggressive infrastructure investments and incentives for US-based companies to bring assets located abroad into the country would stimulate growth on one hand and create inflationary pressure on the other set the stage for a steeper US Treasury bond yield curve. This led a revision of the risk-free interest rate in securities of both developed and emerging financial markets, which was reflected to prices.

While December's "No" vote in the Italian referendum played a part in the fall of the euro against the US dollar, in its final meeting of the year the European Central Bank announced that it had extended the bond purchase program, which had been scheduled to end in March 2017, to December 2017 with a reduced amount. The Fed raised its policy interest rate by 25 basis points to 0.50-0.75% in the the last meeting of the year and revised its guidance from two interest rate hikes in 2017 to three.

PERFORMANCE OF EMERGING MARKET BONDS (%)

COUNTRY	2015	2016
EMBI+	1,82	9,62
Russia	18,66	8,27
Turkey	(1,2)	(1,33)
Indonesia	(0,98)	11,17
Brazil	(16,12)	22,03
Hungary	5,62	4,18
Mexico	(2,24)	3,95
South Africa	(3,57)	9,78

IS INVESTMENT – LEVERAGED TRADING VOLUME *



*Market data for the year-end has not yet been announced..

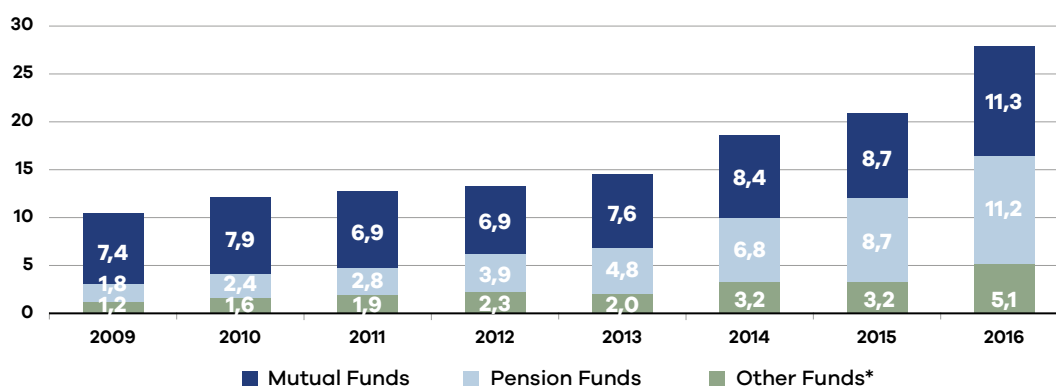
11. ASSET MANAGEMENT

TOTAL ASSETS UNDER MANAGEMENT - Consolidated

As of the end of 2016, mutual fund assets in Turkey totaled TL 48.5 billion while pension fund assets increased by 26.4% YoY to TL 60.6 billion.

IS Investment's consolidated assets under management reached TL 27.6 billion in the same period. The Company had TL 11.3 billion in mutual fund assets under its management with a 23.3% market share, while the volume of pension fund assets under the Company's management grew by 29% YoY – a rate in excess of the market rate, to reach TL 11.2 billion, resulting in an 18.5% market share.

VALUE OF ASSETS UNDER MANAGEMENT AT IS INVESTMENT & IS ASSET MANAGEMENT



* The Other Funds category includes the discretionary asset management portfolio, the alternative investment products portfolio, SICAV funds and the portfolio of IS Investment Trust.

12. DOMESTIC SALES & MARKETING

Within the scope of domestic marketing, we continued to promote our company's products and services through client visits in 2016. As a result of these visits, there were significant increases in the number of new investors and fund inflows provided to our Company.

Sakarya University was included in the long-running TradeMaster Campus project on 2 November, as the most recent university to be included in the project. A total of 121 teams from 15 universities participated in the fifth TradeMaster Investment League competition organized between 1-29 April. Bilkent, Istanbul Culture University, METU, Çankaya University, Gazi University, Marmara University, Sakarya University and Istanbul University all participated in the competition. Bilkent ranked first in the competition, followed by the Istanbul Culture University in second place and Gazi University in third. The awards ceremony for the Investment League was held on 26 May at the Levent Branch with the participation of representatives from IS Investment and faculty members and students of the universities which ranked in the top three.

The opening ceremony for the "Anadolu University TradeCenter", which participated in the TradeMaster Campus project, was held at the end of October. Manisa Celal Bayar University, Maltepe University, Yeditepe University and Okan University were also included in the project in 2016. A total of 365 teams from 18 universities competed in the 6th TradeMaster Investment League competition, which was held between 1 November and 30 November. Özyeğin University finished first and third in the competition, and Bilkent University came second. Studies in the Eastern Mediterranean and International Cyprus Universities are ongoing.

An Investor meeting was held in the Antalya Chamber of Commerce and Industry (ACCI) in January. The meeting was attended by our existing investors, representatives from İşbank branches and ACCI members which was held to evaluate the impact of our 2016 expectations on the capital markets. Following the successful event, similar meetings were organized in February and March respectively in Izmir, Bursa and Adana, to share our 2016 expectations with our existing investors and had the opportunity to meet potential investors.

As announced to the public in March, the work of converting the IS Investment Suadiye Liaison Office into a branch to operate at the same location was completed and the Suadiye Branch, the 12th branch of IS Investment*, become operational in April and started providing more comprehensive services to our customers.

Within the scope of marketing and promotional activities, the award-winning Varant Virtual Portfolio Competition was held by Matriks Bilgi Dağıtım Hizmetleri A.Ş. under the sponsorship of IS Investment and Deutsche Bank during March. Promotions related to the contest were held during the registration process in late February and March. With these promotions, approximately 500 people participated in the competition, and the winning investor won a all-expenses paid trip to the Euro 2016 Turkey-Spain football match.

An "Investor Meeting" was organized in April in the Istanbul Büyük Kulüp (Cercle d'Orient) for existing investors. During the meeting, Serhat Gürleyen gave information about the domestic market and also Şant Manukyan gave general information about the world economy. The event attracted a high level of participation.

IS Investment sponsored the Forex, Stock and Derivatives Fair held in the Building and Information Center in Istanbul on 1-2 October 2016 and the Capital Markets Congress in Wyndham Grand Levent Hotel on 4-5 November 2016.

IS Investment continued to renew its website. The renewed "isyatirim.com.tr" website was launched in the first months of 2017.

* The IS Investment Yeniköy Branch closed on 20 January, 2016.

13. INVESTMENT ADVISORY AND WEALTH MANAGEMENT

WEALTH MANAGEMENT AND FINANCIAL PLANNING

IS Investment offers an investment advisory service to “Institutional Investors” (consisting of holdings and corporations), and high-net-worth individual (HNWI) shareholders of corporations and holdings, their main partners, senior management and members of the board of directors. This enables them to make investment decisions that are most appropriate to market expectations based on customers’ short and long term financial goals, their liquidity positions, their risk and profit preferences and the current tax environment. The advisory service is supported through reliable documentation, research reports and analytical studies. IS Investment has also expanded this service based on the “Wealth Management and Financial Planning” clauses in the Capital Markets Law.

IS Investment worked in conjunction with relevant departments to determine the impact of investments made by high-net-worth individuals, with financial and non-financial assets, and responded to their requests/queries with regard to tax requirements. Coordination was organized with IS Portfolio to provide wealthy individuals with tax advantages in their real estate investments and in further institutionalizing their investments by setting up a real estate investment fund (REIF) where 80% of the total fund amount must consist of real estate investments.

Requests to establish Tailor Made Private Funds for asset management and tax planning of Family Offices were evaluated in a number of meetings. Periodical information meetings were held with the Research Team to ensure that institutional and private clients are kept informed of the factors that will determine developments in capital markets and investment decisions.

The Company continued to provide institutional clients with brokerage and advisory services on stock buy-back programs for publicly-held corporations. Special meetings were held with Institutional Investors in relation to all public offerings including the Undersecretariat of the Treasury’s auctions, issuance to qualified investors and private placements.

PRIME BROKERAGE

All kinds of brokerage services were offered within the scope of “Prime Brokerage” services offered to asset management companies, collective investment institutions, insurance companies, private pension companies, pension funds, foundations and other capital market institutions.

Continuously communicating with portfolio management companies, proposals were made in line with investment strategies and all investment instruments in IS Investment’s product line were presented to investors.

A total of 53 IS Investment Zero Coupon Discounted Bond (outstanding amount is over TL 1,1 Billion) were issued in 2016 and the portfolio size reached TL 119 billion. In close contact with 43 asset management companies (assets under management reached TL 119 Billion), 98% of the outstanding amount were sold to the Funds managed by asset management companies. Research meetings were held with asset management companies, insurance companies and foundations for strategy and other reports issued by the Research Department.

Following the publication of research reports covering corporate debt securities intermediated in by IS Investment, teleconferences are organized with bond investors to provide information, where any changes in the financial structure are shared and after-sales support and operational follow-up services are provided.

14. INSTITUTIONAL SALES & MARKETING

EQUITY MARKET

The year 2016 was not a bright one for the Borsa Istanbul Equity Market, due to global negativities and, in particular, geopolitical developments. As a result, foreign investors viewed the equity market as a low-return high risk investment and long-term fund movements fell to their lowest level. In parallel with the general trend in emerging markets, the index remained in the range of 72,000-82,000 during the year, except for a limited rise in the first quarter, and did not exhibit any trend for the whole year. During this period, the annual change in foreign ownership remained very low at 3%. Day-to-day foreign transaction volume was largely realized through electronic transactions carried out by short-term investors.

DERIVATIVES MARKET

Given the developments in the domestic and global markets during 2016, there was only a 2% increase in total trading volume in the VIOP compared to 2015, and the share of foreign transactions in total trading volume declined from 28.4% to 27.3%. Despite the negative market dynamics, the transaction volume realized by our foreign customers increased by 22%. Thus, our market share in foreign transactions has risen considerably, and our lead in the VIOP continues in this area.

IS Investment is the only firm that is not a subsidiary of a global banking group to intermediate in foreign investors' trading.

The most important development expected in the VIOP in 2017 is the switch to NASDAQ technology in the first quarter of the year. This new technological infrastructure and the legal framework that it will bring will create opportunities for IS Investment..

15. CORPORATE FINANCE

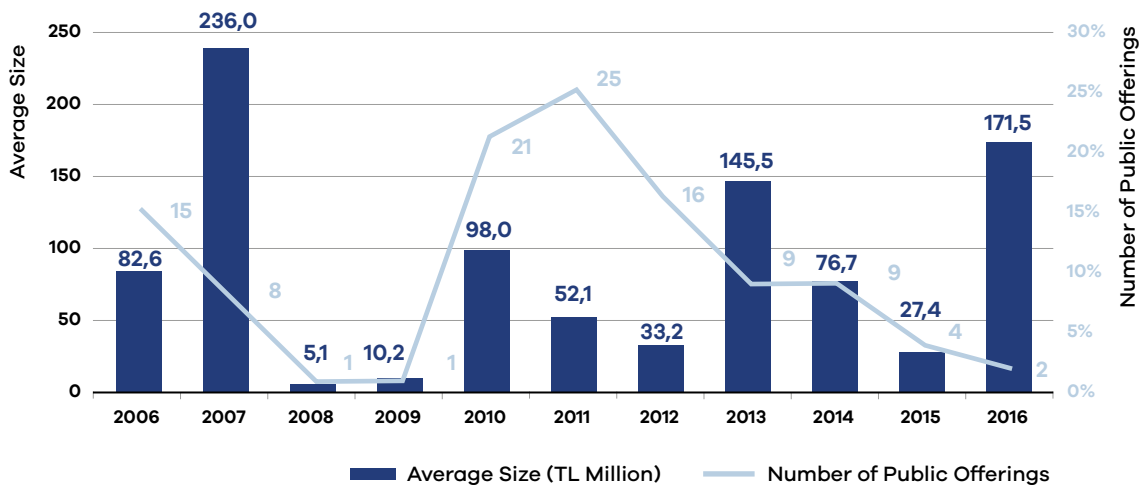
EQUITY PUBLIC OFFERINGS

The two private-sector company IPOs carried out on the Borsa Istanbul in 2016 raised TL 343.0 million. The largest of these was the flotation of Via GYO A.Ş., (subsequently closed to the public) which raised TL 306 million.

EQUITY PUBLIC OFFERINGS IN 2016

Company	Trade Market	Method of Sale	Underwriter	Proceeds (mln TL)	Proceeds (mln USD)
Çuhadaroğlu Metal Sanayi ve Pazarlama A.Ş.	BIST Main	Book building	Deniz Yatırım	37,0	12,6
Via Gayrimenkul Yatırım Ortaklığı A.Ş.	Collective And Structured Products Market	Book building	Finans Yatırım	306,0	104,5
total				343,0	117,1

PUBLIC OFFERINGS EXCLUDING PRIVATIZATIONS AND PUBLIC SECTOR OFFERINGS (2006-2016)



There was a decline in the number of public offerings in the EMEA region following the recovery in 2014 and 2015, with a higher proportion of IPO's that were withdrawn or deferred in 2016 than in 2015.

In Turkey, the Global Tower public offering was one of the large-scale public offerings planned to be made on the BIST Stars Market in 2016, which would have been conducted under the leadership of our Institution. However, the public offering was canceled after the book building process.

In 2016, intermediation was provided in TL 505.7 million of other equity market transactions. In this context, the Company provided sell-out right brokerage services to Haznedar Refrakter and wholesale market brokerage services to Bantaş Bandırma and Doğtaş Kelebek. 13.03% of Soda Sanayii shares and 4.22% of Tekfen Holding shares were intermediated for the sale to domestic and foreign institutional investors through the accelerated equity offer method.

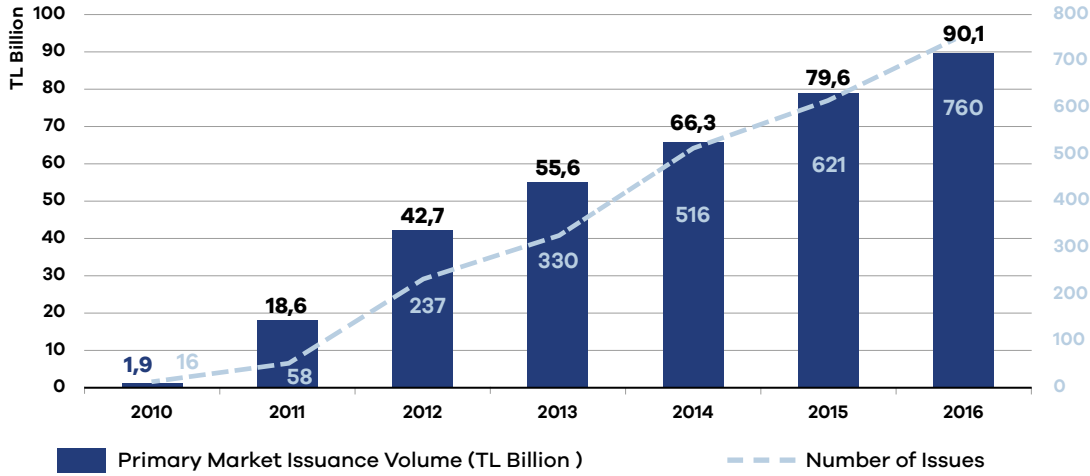
OTHER EQUITY MARKET TRANSACTIONS CARRIED OUT IN 2016

Date	Company	Operation	Trade Volume (TL mn)
Jan. 2016	Haznedar Refrakter	Right of squeeze out/selling brokerage	0,5
May 2016	Soda Sanayii	Sale to institutional/qualified investor	387,1
Oct. 2016	Tekfen Holding	Sale to institutional/qualified investor	107,7
Nov. 2016	Bantaş Bandırma	Wholesale market operation	5,6
Dec. 2016	Doğtaş Kelebek	Wholesale market operation	4,8
Total			505,7

ISSUANCE OF DEBT SECURITIES

The primary market for corporate debt issues was worth TL 90.1 billion in 2016. A total of 27 banks, 76 non-bank financial institutions and 80 real-sector firms raised debt from the domestic capital market by issuing debt securities this year.

DEBT-SECURITY ISSUES OF THE PRIMARY MARKET (2010-2015)



Banks accounted for 66.6% of total funding in primary corporate debt issues in 2016, while non-bank financial institutions and real-sector (nonfinancial) firms contributed 29.5% and 3.9% shares, respectively. Some 86.0% of all outstanding corporate debt securities have maturities of less than six months, 12.2% have maturities between 6 and 24 months while the remaining 1.8% of the securities have maturities exceeding 24 months.

The leading borrowers among banks, in terms of the volume of debt securities issued, were İşbank (TL 10.4 billion), Vakıfbank (TL 9.3 billion), Ziraat Bank (TL 7.9 billion), Garanti Bank (TL 5.9 billion) and Halkbank (TL 4.4 billion).

Among the debt issues carried out by non-bank financial institutions, brokerage houses led the way with a 40.6% share, while the leasing sector and the factoring industry accounted for 32.4% and 19.5%, of the total debt issue volume, respectively. The leaders in this segment were IS Investment with TL 4.7 billion, Yapı Kredi Menkul Değerler (Yapı Kredi Invest) with TL2.9 billion and Deniz Leasing with TL 2.6 billion.

The energy industry was the leader in debt issuance in the real sector with a 27.6% share of the overall issue volume in this segment, followed by the construction industry (20.7%) and the automotive industry (13.8%). The outstanding issues in the real sector were IS GYO with a TL 400 million debt issuance; Başkent Elektrik Dağıtım (TL 350 million debt issuance) and YDA İnşaat (TL 250 million debt issuance).

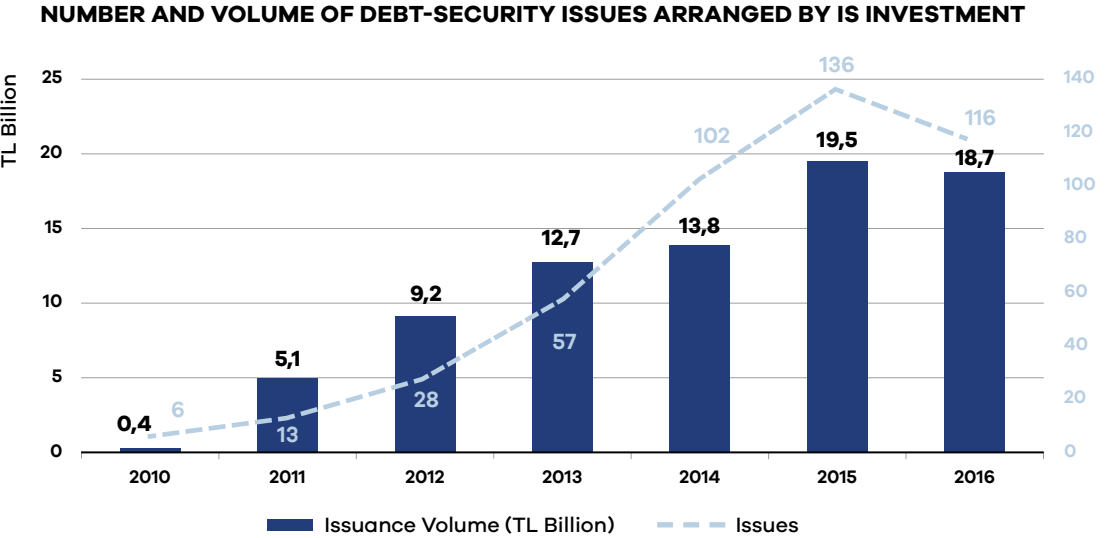
In addition to corporate bonds, TL 3.43 billion worth of lease certificates (Aktif Bank, Kuveyt Türk, Türkiye Finans, Albaraka and Ziraat Participation) and TL 375 million worth of asset-backed securities (Aktif Investment Bank) were issued in the corporate debt securities market.

Some 652 of the issues in 2016 were sales to qualified investors while 108 were public offerings.

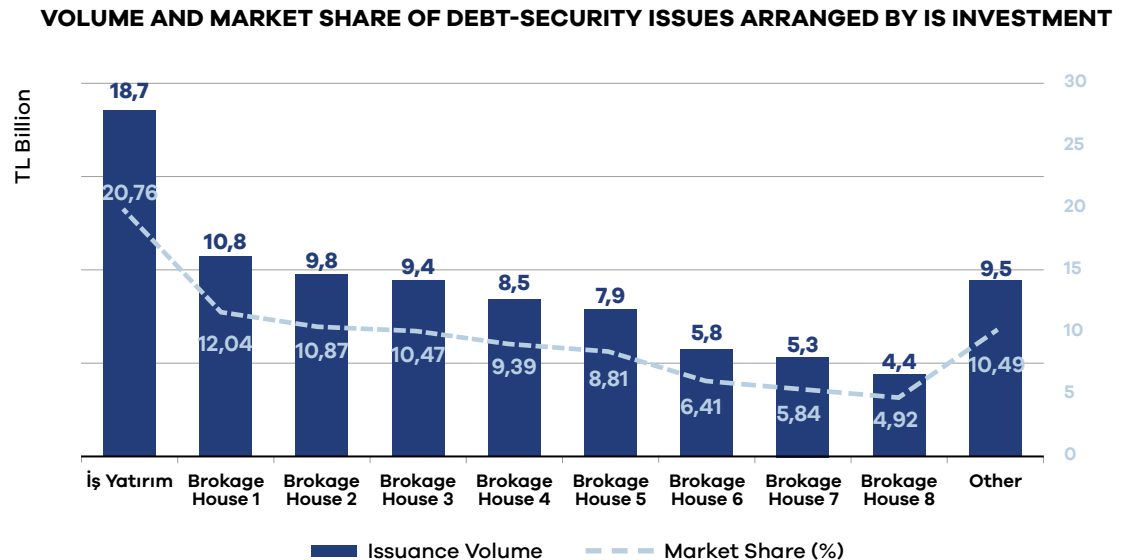
DEBT SECURITY ISSUES ARRANGED BY IS INVESTMENT

Since 2010, IS Investment has arranged 458 debt security issues of various kinds worth a total of TL 79.5 billion by 40 different issuers. Of these 458 issues, 259 involved sales to qualified investors while the remaining 199 were public offerings. Seven of the 40 issuers were banks, 14 were non-bank financial services providers, four were holding companies, and 15 were industrial enterprises.

The total issuances arranged by IS Investment decreased by 4.28% YoY to TL 18.7 billion.



IS Investment maintained its leadership position in the corporate debt securities market in 2016 with a 20.8% market share. The Company's closest rival had a market share of 12%.



A list of issues arranged by the Company excluding IS Investment issuances (total TL 4.7 billion), is presented below:

Company	Type of Debt Instrument	ISIN code	Issuance Method	Amount (TL)	Issuance Starting Date	Maturity (Days)	Call Date	Compound Yield at Issuance
T. İş Bankası A.Ş.	Bond	TRQTSB41646	Sales to Qualified Investors	656.110.000	08.01.2016	89	06.04.2016	11,20
İş Finansal Kiralama A.Ş.	Bill	TRFISFN41619	Sales to Qualified Investors	238.000.000	15.01.2016	179	11.07.2016	11,57
Odeca Bank A.Ş.	Bill	TRQDEA71613	Sales to Qualified Investors	101.420.000	18.01.2016	179	15.07.2016	11,68
T. İş Bankası A.Ş.	Bill	TRQTSB71619	Public Offering	385.215.645	29.01.2016	164	11.07.2016	10,48
T. İş Bankası A.Ş.	Bill	TRQTSBE1612	Public Offering	425.528.836	29.01.2016	248	03.10.2016	10,93
T. İş Bankası A.Ş.	Bond	TRSTISB21719	Public Offering	140.984.171	29.01.2016	381	13.02.2017	11,51
İş Finansal Kiralama A.Ş.	Bill	TRFISFN81615	Sales to Qualified Investors	75.000.000	25.02.2016	179	22.08.2016	11,25
T. İş Bankası A.Ş.	Bill	TRQTSB81626	Public Offering	305.259.979	25.02.2016	172	15.08.2016	10,27
T. İş Bankası A.Ş.	Bill	TRQTSBK1614	Public Offering	364.383.572	25.02.2016	263	14.11.2016	10,88
T. İş Bankası A.Ş.	Bond	TRSTISB31718	Public Offering	107.092.801	25.02.2016	375	06.03.2017	11,45
T. İş Bankası A.Ş.	Bill	TRQTSB61636	Sales to Qualified Investors	386.700.000	08.03.2016	98	14.06.2016	10,85
T. İş Bankası A.Ş.	Bill	TRQTSB91617	Sales to Qualified Investors	103.500.000	08.03.2016	178	02.09.2016	10,95
T. İş Bankası A.Ş.	Bill	TRQTSB81634	Public Offering	294.455.069	17.03.2016	151	15.08.2016	10,25
T. İş Bankası A.Ş.	Bill	TRQTSBK1622	Public Offering	163.804.050	17.03.2016	242	14.11.2016	10,59
T. İş Bankası A.Ş.	Bond	TRSTISB41717	Public Offering	32.350.595	17.03.2016	396	17.04.2017	10,91
İş Finansal Kiralama A.Ş.	Bill	TRFISFN91614	Sales to Qualified Investors	268.850.378	05.04.2016	178	30.09.2016	11,70
Türkiye İş Bankası A.Ş.	Bill	TRQTSB71627	Sales to Qualified Investors	471.750.000	06.04.2016	104	19.07.2016	10,55
Türkiye İş Bankası A.Ş.	Bill	TRQTSB91625	Sales to Qualified Investors	49.030.000	06.04.2016	149	02.09.2016	0,11
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	Bond	TRISGY31915	Sales to Qualified Investors	213.000.000	07.04.2016	1086	29.03.2019	12,07
T. İş Bankası A.Ş.	Bill	TRQTSBE1620	Public Offering	358.327.067	14.04.2016	172	13.10.2016	9,71
T. İş Bankası A.Ş.	Bill	TRQTSB11714	Public Offering	280.544.127	14.04.2016	271	10.01.2017	9,97
T. İş Bankası A.Ş.	Bond	TRSTISB41725	Public Offering	61.075.261	14.04.2016	368	17.04.2017	10,12
Odeca Bank A.Ş.	Bill	TRQDEAE1619	Sales to Qualified Investors	42.700.000	28.04.2016	179	24.10.2016	11,00
T. İş Bankası A.Ş.	Bill	TRQTSBE1638	Public Offering	373.349.210	12.05.2016	144	03.10.2016	9,59
T. İş Bankası A.Ş.	Bill	TRQTSB21713	Public Offering	223.221.290	12.05.2016	277	13.02.2017	9,93
T. İş Bankası A.Ş.	Bill	TRSTISB61715	Public Offering	62.711.773	12.05.2016	396	12.06.2017	10,22
Deva Holding A.Ş.	Bond	TRSDEVA61813	Sales to Qualified Investors	100.000.000	09.06.2016	728	07.06.2018	12,14
T. İş Bankası A.Ş.	Bill	TRQTSB91633	Public Offering	235.861.912	09.06.2016	102	19.09.2016	9,26
T. İş Bankası A.Ş.	Bill	TRQTSBA1616	Public Offering	322.670.023	09.06.2016	186	12.12.2016	9,27
T. İş Bankası A.Ş.	Bond	TRSTISB61723	Public Offering	121.388.359	09.06.2016	368	12.06.2017	9,56
T. İş Bankası A.Ş.	Bill	TRQTSB91641	Sales to Qualified Investors	238.000.000	14.06.2016	80	02.09.2017	9,80
İş Faktoring A.Ş.	Bill	TRFISFAA1616	Sales to Qualified Investors	253.795.968	17.06.2016	179	13.12.2016	11,00

Odea Bank A.Ş.	Bill	TRQDEA91611	Sales to Qualified Investors	51.030.000	21.06.2016	94	23.09.2016	11,00
Orfin Finansman A.Ş.	Bond	TRSORFN21812	Sales to Qualified Investors	100.000.000	29.06.2016	583	02.02.2018	12,09
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	Bond	TRSIGY61912	Sales to Qualified Investors	100.000.000	01.07.2016	1092	28.06.2019	11,03
İş Finansal Kiralama A.Ş.	Bill	TRFISFN11711	Sales to Qualified Investors	328.016.192	12.07.2016	178	06.01.2017	10,85
T. İş Bankası A.Ş.	Bill	TRQTSB11722	Public Offering	232.727.741	14.07.2016	179	27.10.2016	8,48
T. İş Bankası A.Ş.	Bill	TRQTSB41711	Public Offering	90.409.621	14.07.2016	277	27.10.2016	8,74
T. İş Bankası A.Ş.	Bond	TRSTISB71714	Public Offering	62.727.003	14.07.2016	368	27.10.2016	9,10
T. İş Bankası A.Ş.	Bill	TRSTISBE1646	Sales to Qualified Investors	264.500.000	19.07.2016	100	27.10.2016	9,00
T. İş Bankası A.Ş.	Bill	TRQTSB11730	Public Offering	427.791.387	18.08.2016	144	09.01.2017	8,62
T. İş Bankası A.Ş.	Bill	TRQTSB41729	Public Offering	385.474.245	18.08.2016	242	17.04.2017	9,27
T. İş Bankası A.Ş.	Bond	TRSTISB91712	Public Offering	64.767.622	18.08.2016	403	25.09.2017	9,56
İş Finansal Kiralama A.Ş.	Bill	TRFISFN21710	Sales to Qualified Investors	150.000.000	22.08.2016	179	17.02.2017	10,80
T. İş Bankası A.Ş.	Bill	TRQTSBA1624	Sales to Qualified Investors	360.000.000	02.09.2016	96	07.12.2016	9,10
T. İş Bankası A.Ş.	Bill	TRQTSB11748	Sales to Qualified Investors	154.000.000	09.09.2016	126	13.01.2017	9,25
T. İş Bankası A.Ş.	Bill	TRQTSB21721	Public Offering	259.445.893	22.09.2016	144	13.02.2017	8,48
İş Faktoring A.Ş.	Bill	TRFISFA31716	Sales to Qualified Investors	186.204.032	27.09.2016	178	24.03.2017	10,30
İş Finansal Kiralama A.Ş.	Bill	TRFISFN31719	Sales to Qualified Investors	250.000.000	30.09.2016	179	28.03.2017	10,40
T. İş Bankası A.Ş.	Bill	TRQTSB31712	Public Offering	482.622.726	06.10.2016	151	06.03.2017	8,32
T. İş Bankası A.Ş.	Bill	TRQTSB61719	Public Offering	289.521.558	06.10.2016	249	12.06.2017	8,53
T. İş Bankası A.Ş.	Bond	TRSTISBE1719	Public Offering	66.207.192	06.10.2016	382	23.10.2017	8,75
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	Bond	TRSIGYE1915	Sales to Qualified Investors	87.000.000	12.10.2016	1092	10.10.2019	10,95
T. İş Bankası A.Ş.	Bill	TRQTSB51710	Public Offering	262.260.172	17.10.2016	179	15.05.2017	9,55
T. İş Bankası A.Ş.	Bill	TRQTSB71718	Public Offering	268.735.458	17.10.2016	242	17.07.2017	9,64
Creditwest Faktoring A.Ş.	Bill	TRFTPFC41714	Sales to Qualified Investors	50.000.000	19.10.2016	177	14.04.2017	13,00
T. İş Bankası A.Ş.	Bill	TRQTSB21739	Sales to Qualified Investors	357.000.000	27.10.2016	102	06.02.2017	9,25
İş Finansal Kiralama A.Ş.	Bill	TRFISFN41718	Sales to Qualified Investors	120.390.591	01.11.2016	178	28.04.2017	10,09
ING Bank A.Ş.	Bill	TRQINGB21711	Sales to Qualified Investors	250.000.000	07.11.2016	107	22.02.2017	9,65
Koç Fiat Kredi Finansman A.Ş.	Bond	TRSKFTFK1817	Sales to Qualified Investors	70.000.000	23.11.2016	728	21.05.2018	12,29
T. İş Bankası A.Ş.	Bill	TRQTSB41737	Sales to Qualified Investors	319.200.000	07.12.2016	118	04.04.2017	10,00
İş Finansal Kiralama A.Ş.	Bill	TRFISFN61724	Sales to Qualified Investors	96.574.131	13.12.2016	178	09.06.2017	10,70
T. İş Bankası A.Ş.	Bill	TRQTSB51720	Public Offering	239.608.230	15.12.2016	151	15.05.2017	9,51
T. İş Bankası A.Ş.	Bill	TRQTSB71726	Public Offering	168.771.911	15.12.2016	214	17.07.2017	9,62
			TOTAL	14.051.065.791*				

MERGERS AND ACQUISITIONS TRANSACTIONS

In 2016, in our country close to 210 transactions and close to USD 7 billion merger and acquisitions (M&A) transaction volume realized. There was a substantial decrease in transaction volume when compared with 2015, when there were around 245 transactions and a volume of approximately US\$15.6 billion.

This decline was due to various factors that have been in place since 2015 (indeed, in 2015, transaction volumes had also decreased by about 80% when compared to the previous year). First, all emerging markets were affected by a general economic recession; most capital flows were directed to developed countries. The Fed's interest rate hikes and strengthening US Dollar continued to affect emerging markets all over the world. Additionally, increasing geopolitical risks and a shift away from the high growth rates in the economy that had been enjoyed earlier led to a negative decoupling for Turkey from similar countries. When it comes to transaction breakdowns, the M&A market transaction numbers and volumes had tended to favor foreign investors; since 2013, however, the tide turned in favor of domestic investors. As of the end of 2016, approximately 60% of transactions were undertaken by local investors. Where foreign investors did carry out transactions, they tended to be more limited and selective; domestic investors, on the other hand, played a more active role in the domestic market, while their acquisition tendencies and capabilities increased abroad. Taking into consideration the Privatization Administration and other public tenders, the tender for 5 privatization projects was completed in 2016 and the Privatization High Board's final approval is expected. These were the privatization of the Almus and Köklüce, Menzelet and Kılavuzlu, Şanlıurfa, Adıgüzel and Kemer Hydroelectric Power Plants and Turkish Petroleum Distribution Inc. ("TPPD"). These transactions amounted to about USD 1 billion, amounting to about 15% of the total volume at the end of 2016.

Of the transaction sizes disclosed, 29 transactions with amounts of over USD 50 million were completed, accounting for 17% of all transactions by number. Seven transactions with a size of between USD250 million to USD1 billion were completed; these were Korean CJ CGV's purchase of Mars Cinemas, the acquisition of the NBGI portfolio by Goldman Sachs and Deutsche Bank, Turkven's sale of Doğa Schools, Odea Bank's partnership with the IFC, EBRD, and Bank Audi, Arçelik's acquisition of Dawlance, the purchase of the Almus and Köklüce hydro-electric power plants by Gülsan Holding, and Akfen's purchase of the Menzelet and Kılavuzlu hydro-electric power plants.

A total of 18 private equity transactions took place in 2016 with a transaction volume of approximately USD2 billion. The most significant of these transactions were the purchase of Mars Cinemas by Korean CJ CGV and the sale of Esas Holding-Actera shares, Bridgepoint's purchase of Peyman Kuruyemiş - a joint venture between Esas Holding and three families, the sale of Kalenobel to Mondi by Argus Capital, Odeabank's partnership with the IFC, the EBRD, and Bank Audi as a partner, and Turkven's exit from Doğa Schools. In 2016, there were also significant sales transactions as well as the purchase of private equity funds. It is thought that these funds have paved the way for a substantial cash accumulation in the funds they have established for our country and region, and that together with conjectural developments, investment decisions will continue in 2017 as well. In a wider portfolio of funds, there are expected to be sales to strategic investors.

Looking at privatization projects for 2017, the National Lottery, some ports / marinas and sugar refineries are expected to be tendered.

In 2016, IS Investment realized a total of eight M&A transactions in what was an active and successful year within the scope of M&A activities and completed the signing phase of the share sale agreement for one transaction.

More information on the nine deals IS Investment completed in 2016 is presented below:

COMPLETED PROJECTS IN 2016

Target Company	Seller	Buyer	Type of Advisory	Sector Team
Dyo Matbaa Mürekkepleri	Yaşar Holding	Toyo Inks	Seller	Production
Hakan Plastik	Karadeniz Ailesi	Georg Fischer	Seller	Production
Total Türkiye	Total SA	Demirören Holding	Buyer	Energy- Construction-Mining
Peyman	Esas Holding Aileler	Bridgepoint	Seller	Consumer Products
Türkerler JES	Türkerler İnşaat	Akinal Tekstil	Seller	Energy- Construction-Mining
SVPN	SVPN	Trakya Cam	Buyer	Production
Martur		IFC	Seller	Production
Teklas Silecek Birimi	Teklas	Mitsuba	Seller	Production

In 2016, consultancy services were provided on two occasions on the buyer side and six times on the seller side. A look at the sectoral breakdown points to a widespread distribution, with the process completed for 5 production companies, 2 energy companies and one consumer products company. At the end of 2016, IS Investment commanded a 15% share in transactions carried out using a consultant.

16. RESEARCH

In 2016, IS Investment continued to generate high-value-added reports in the areas of the macro economy, fixed-income securities and equities.

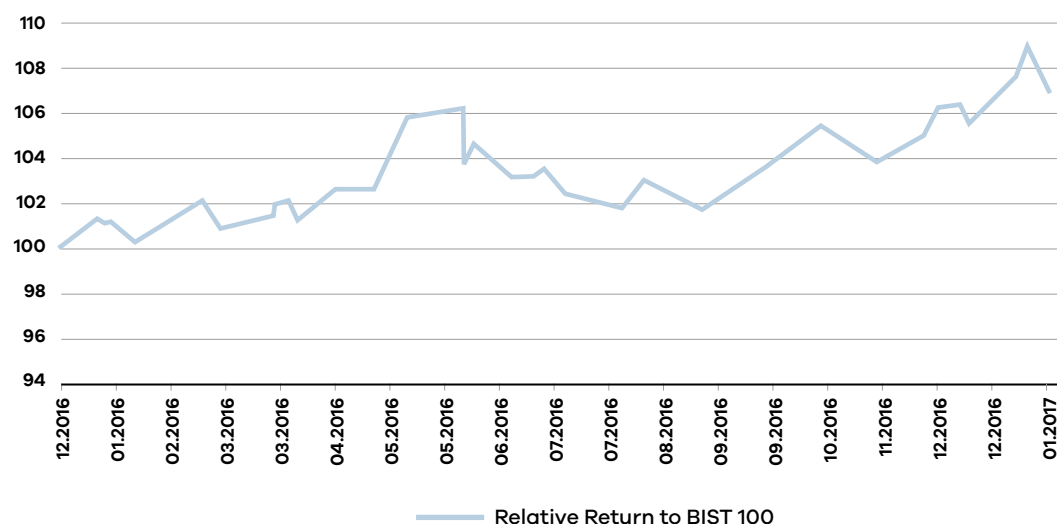
IS Investment published 78 regular reports on publicly traded companies comprising 84% of the Borsa Istanbul market capitalization and issued buy/ sell/hold recommendations on these companies. “The Model Portfolio” formed from among the companies IS Investment issued a “buy” recommendation outperformed the BIST 100 index by 7.6% for the year.

During 2015, IS Investment continued to play an active role in accessing international institutional investors and qualified individual investors. Efforts continued to encourage both domestic and foreign institutional and qualified investors to join IS Investment and to maintain their satisfaction. The Company published comprehensive multilingual (Turkish and English) reports on macroeconomic issues and equities as well as fixed-income security strategies. It also conducted strategy meetings and conducted frequent visits to domestic institutional investors and asset management companies.

Active participation in the domestic and international sales process continued to increase in 2016 as well. A series of IS Investment roadshows was conducted in an effort to promote Borsa Istanbul companies among potential international investors. The Company’s research and international sales teams met investors in continental Europe, the UK and the USA, providing presentations focusing on Turkey’s macroeconomic, equity, and fixed-income security outlook. One-to-one meetings were held in Istanbul, London and on the European continent so that foreign and Turkish institutional investors and companies could become better acquainted.

In response to customer requests, IS Investment plans to increase the number of companies it covers in 2017. Additionally, companies not listed on the BIST 100 index, but included on the secondary watch list will be selected and added to the primary watch list. The Company anticipates an increase in demand for its reports and recommendations on shares and fixed income securities in the coming period, a time which is expected to be marked by significant volatility.

PERFORMANCE OF IS INVESTMENT’S MOST RECOMMENDED STOCKS LIST OVER BIST 100



17. RISK MANAGEMENT

Risk management at IS Investment is carried out independently of the Company's business units and is instead subject entirely to the oversight and control of the Board of Directors. One pillar of the risk management culture that is integrated into its corporate governance attitudes is the Risk Committee, which was set up within the Board of Directors in 2012. This committee continued to meet regularly during 2016.

The market risks which the Company is exposed to are quantified on a day-to-day basis using the value-at-risk (VaR) methodology. The daily reports generated are disseminated among those concerned. Through this process, a culture of risk awareness is fostered throughout the Company while the appetite for risk is effectively managed. Detailed monthly risk reports are regularly submitted to İşbank, the Company's principal stockholder, as are quarterly consolidated risk reports containing information about the Company's subsidiaries. Such reports are also reviewed and assessed in Risk Committee meetings.

In addition to these, "Backtesting" studies were carried out based on the comparison of the profit / loss of the portfolio VaR and the actual profit / loss which are calculated and reported daily, setting out the losses that may arise as a result of exposed market risks.

Between December 2015 and December 2016, the Market Volatility Index (VIX) fluctuated in a range of 12 to 28 range, while the Turkey Risk Index (TRE) ranged between 113 and 290.

At the beginning of the year, as a result of the adverse developments such as mounting geopolitical tensions between Saudi Arabia and Iran, North Korea's announcement of the success in its hydrogen bomb test and sharp movements in global markets due to the sharp falls in the Chinese stock market and oil prices precipitated negative developments in PMI data in the US, and the VIX index gradually increased from 18 to 28 – its highest level of the year.

At the beginning of the second quarter of the year, the rise in oil prices and further monetary easing carried out by the European Central Bank have led to a rise in global risk appetite again. The DXY dollar index declined on the back of the Fed's comments during the FOMC meeting, where it commented on its confidence that the US economy would grow and create jobs, with a secure inflationary outlook, while warning it would be in no rush to tighten monetary policy because of global risks, while positive trends dominated the global markets and the VIX index fell to 13.79.

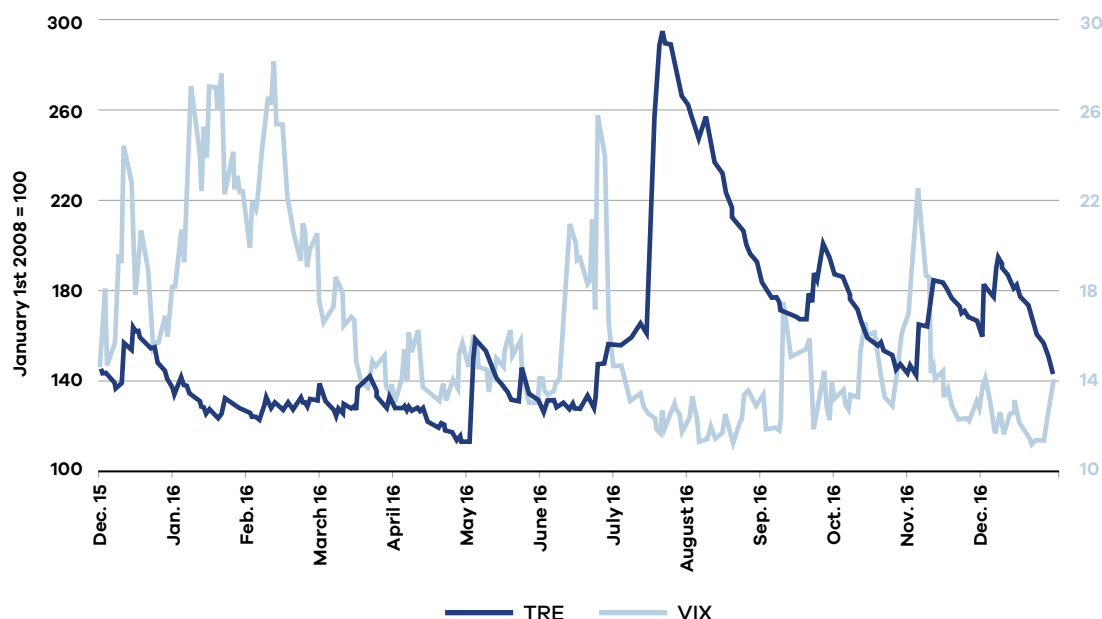
At the end of the first half of the year, a wave of sales in the domestic bond and bills market was observed due to the resignation of the Prime Minister in Turkey and the appointment of a new Prime Minister, and the realization of the expected profit taking sales. The anticipation that the CBRT would continue to cut interest rates also compromised risk appetite. Both the developments in the global markets and the domestic agenda precipitated an increase in Turkey's risk premium and the 5-year CDS rate again rose above the 250 level. During this period, there was a significant increase in the TRE Index. In the second half of the year, European markets were pricing in the fallout of the UK's referendum on leaving the European Union. Fears that the UK's departure from the EU could lead to the disintegration of the bloc and tip the global economy into recession led to a fall in risk appetite in global markets. Opinion polls in the run-up to the 23 June referendum helped Brexit related worries recede and there was optimism in foreign markets, which was also felt in the domestic markets and an increase in risk appetite was observed. However, the outcome of the referendum came as a surprise to the markets, leaving global markets shaken, affecting the domestic market as well. On June 24, the TRE index reached 150 and the VIX index reached 25.

The perception of heightened risk following the July events led to weakness in the value of the TRY against the USD and strong sales in the BIST 100 index. Turkey's 5-year CDS level approached 250 and the domestic bond and bills market also experienced outflows. Steep risk premiums and reports that international credit rating agencies were considering a cut in Turkey's rating exacerbated the fall of the TL. On the evening of 20 July, due to the increase in risk perception as S&P cut Turkey's credit rating from BB+ to BB and turned its stagnant outlook to negative, Turkey's 5-year CDS level approached 290, and sales in the domestic bond and bills market continued. As a result, the TRE index reached 294, its highest level of the year.

At the beginning in the fourth quarter, Moody's lowered Turkey's credit rating from Baa3 to Ba1, citing increasing risks arising from higher external financing needs and weakening economic growth along with a weakening policy of policy making institutions. Thus, Turkey's long-term foreign currency denominated credit rating was cut to below investment grade, with its outlook determined as stable.

On 8 November, Republican candidate Donald Trump won the presidential election in the US, contrary to public expectations, precipitating sales pressures in the markets. The probability of Fed rate hikes in December fell from 80% to 50%. Developing countries saw a fall in the value of their currencies against the US dollar amid the decline in risk taking appetite. The Mexican peso fell by about 13% against the US dollar, while South African Rand and Turkish Lira were the next hardest hit currencies after the Mexican peso, losing 3.8% and 1.74% of their value against the US dollar, respectively.

TURKEY RISK INDEX - TRE & VIX



18. AGENDA OF THE ANNUAL GENERAL MEETING

1. Opening and appointment of the meeting council.
2. Presentation and discussion of the Board of Directors' Annual Report and the Independent Audit Report regarding 2016.
3. Presentation, discussion and approval of the 2016 Financial Statements.
4. Approval of members assigned to the Board of Directors in 2016.
5. Acquittal of the members of the Board of Directors separately due to their activities in 2016.
6. Deliberations and decision-making on profit distribution for 2016.
7. Election of the Members of the Board of Directors, and determining their term of Office.
8. Determining the remuneration of the Members of the Board of Directors.
9. Appointment of the Independent Auditor.
10. Presentation of information concerning donations made in 2016.
11. Determining of the upper limits of the donations to be made in 2017.
12. Petitions and suggestions.

19. DIVIDEND DISTRIBUTION PROPOSAL OF THE BOARD OF DIRECTORS

According to the financial statements issued in compliance with the Capital Markets Board's Communiqué on "Financial Reporting Principles in Capital Markets", the Company's consolidated net profit after tax arising from its 2016 activities was TL 53,891,828.00 while its net profit according to legal records was TL 87,910,037.22.

After setting aside TL 4,395,501.86 of primary legal reserve funds equivalent to 5% of the net profit in accordance with the 519th Article of the Turkish Commercial Code, and adding the TL 111,400.00 donation made during the year, the first dividend base was calculated as TL 49,607,726.14 while the net distributable profit for the period in the legal records was TL 83,514,535.36.

The decision was taken to present a proposal on the following issues to the General Assembly, in conformity with the profit distribution table given below:

- To set aside TL 4,395,501.86 as primary legal reserve funds from the current profit for the period calculated according to the legal records;
- To distribute a total gross dividend of TL 45,000,000.00 in cash to the shareholders; TL 9,921,545.23 as the first dividend, TL 35,078,454.77 as the second dividend,
- To set aside TL 2,725,000.00 as secondary legal reserve funds, and to set aside the remaining TL 35,789,535.36 in the legal records as extraordinary reserve funds,

Furthermore, the decision was taken regarding the TL 45,000,000.00 dividend to be distributed in cash in case the abovementioned dividend distribution proposal was accepted by the General Assembly:

- To distribute a net cash dividend of 12.6761% representing a gross amount of TL 0.1268 per share with a par value of TL 1.00 to our shareholders who are full taxpayers and who are limited taxpayers earning dividends with an office or a permanent agency in Turkey
- To distribute a net cash dividend TL 0.1077 per share to the other shareholders (10.7746% or a gross amount of TL 0.1268 per share with a par value of TL 1.00), and to submit a proposal to the General Assembly for determining the profit distribution date as Tuesday 28 March, 2017.

20. 2016 PROFIT DISTRIBUTION TABLE (TL)

1. Paid in/Issued Capital	355.000.000,00
2. General Legal Reserve Funds (According to the Legal Records):	32.005.504,15
Information concerning the privileges, if any, in profit distribution as per the Articles of Association :	There are no privileges.

	According to CMB	According to Legal Records
3. Profit for the period	74.656.787,00	113.568.364,54
4. Tax payable (-)	(20.764.959,00)	(25.658.327,32)
5. Net Profit for the period	53.891.828,00	87.910.037,22
6. Losses from the previous years (-)	0,00	0,00
7. General Legal Reserve funds (-)	(4.395.501,86)	(4.395.501,86)
8. NET DISTRIBUTABLE PROFIT FOR THE PERIOD	49.496.326,14	83.514.535,36
9. Donations made during the year	111.400,00	
10. Net Distributable Profit for the period including Donations	49.607.726,14	
11. First Dividend to the Shareholders		
- Cash	9.921.545,23	
- Scrip Shares	0,00	
-Total	9.921.545,23	
12. Dividend Distributed to the Privileged Shareholdersı	0,00	
13. Dividend to the Members of the Board of Directors, Employees and Similar Persons	0,00	
14. Dividend Distributed to the Holders of Dividend Right Certificates	0,00	
15. Second Dividend to the Shareholders	35.078.454,77	
16. General Legal Reserve fund (-)	2.725.000,00	
17. Statutory Reserves	0,00	
18. Special Reserves	0,00	
19. EXTRAORDINARY RESERVE FUNDS	1.771.326,14	35.789.535,36
20. Other Resources To Be Distributed		
Diğer Kaynaklar		
- Profit from the Previous Year		
- Extraordinary Reserve Funds		
- Other Distributable Reserves as per the Articles of Association and the Law		

DIVIDEND RATIO TABLE

NET	GROUP	TOTAL DISTRIBUTED DIVIDEND		TOTAL DISTRIBUTED DIVIDEND / NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDEND CORRESPONDING TO SHARES WITH A PAR VALUE OF TL 1.00	
		CASH (TL)	STOCK (TL)	RATIO (%)	VALUE (TL)	RATIO (%)
NET *	A					
	B	38.250.000,00	0,00	%77,27	0,1077	10,77
	TOTAL	38.250.000,00	0,00	%77,27	0,1077	10,77

(*) Gross: Prepared for cash dividend of TL 45,000,000.

21. 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. Global and regional negative economic developments in recent years once again highlighted the importance of good corporate governance practices for businesses, investors and all related parties. Good corporate governance practices were again a key indicator with respect to the growth of businesses and to sustainability of their operations in 2016.

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, the establishment of an effective risk management and internal control mechanism, the description of ethical rules, a high quality performance in investor relations activities and due fulfillment of public disclosure obligation, and transparent execution of the activities of the Board of Directors. To this end, IS Investment observes the standards of accountability, equality, transparency and responsibility that make up the universal components of corporate governance concept in the exercise of its rights and responsibilities to 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 equally as important as financial performance in terms of providing long-term added value for its investors.

It was publicly disclosed on 2 September 2016 that JCR Eurasia Rating had revised IS Investment’s corporate governance rating from an overall score of 9.05 to 9.11, while SAHA Rating issued a rating of 9.36 on 19 December, 2016.

The Company’s compliance levels in each of the four main sections when compared with the previous period are presented in the table below:

Main Sections	04.09.2015	02.09.2016	20.12.2016
Shareholders	9,01	9,17	9,20
Disclosure and Transparency	9,04	9,04	9,59
Stakeholders	8,90	9,05	9,49
Board of Directors	9,15	9,15	9,25
Overall Score	9,05	9,11	9,36

With this corporate governance rating, IS Investment continues to trade on the BIST Corporate Governance Index under the relevant regulation of the Borsa Istanbul.

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

PART 1 – SHAREHOLDERS

INVESTOR RELATIONS UNIT

IS Investment demonstrated the importance it attaches to this area 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 ensuring that public disclosure obligation and information delivery activities are carried out to the required quality.

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

The Department carried out the following activities during the reporting period:

- Communication of necessary information and disclosures, other than those which included inside information, to shareholders and stakeholders in a timely, accurate, complete and intelligible manner, which was easily accessible at the lowest cost possible and equally available to all, and the provision of necessary information for accurate interpretation of the information delivered.
- Participation in national and international road shows
- Preparation of the Company's Strategic Planning Report, which will serve as a reference for the Board of Directors and Executive Board.
- Ensuring that any questions directed by shareholders and stakeholders are responded to correctly, as promptly as possible, and coordinated as necessary, while exercising due care in the protection of inside information within the data made available.
- Fulfilling 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 influence investors' investment decisions within the framework of the capital market legislation..
- Overseeing that quarterly financial reports are drawn up in accordance with the capital market legislation and to have them publicly disclosed within the legally prescribed periods of time.
- Handling relations with existing and potential investors.
- Ensuring that the General Assembly Meetings are held in accordance with the applicable legislation, the Articles of Association and the CMB Corporate Governance Principles and to keep the results of the General Assembly in a healthy manner.
- Ensuring that both in Turkish and English language sections of the "Yatırımcı İlişkileri/ Investor Relations" section on the Company's website are actively used for public disclosure; ensuring that material event disclosures, informative 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.

- Observing the Corporate Governance Principles issued by the CMB in efforts to keep shareholders and stakeholders informed and in public disclosure activities.
- Submission of reports to the Corporate Governance Committee and the Board of Directors regarding the activities of Investor Relations Department on a quarterly basis and at such other times as deemed necessary.
- Monitoring the stock performance and issuing suggestions for its improvement.
- Expending efforts to increase the Company's level of compliance with the CMB's Corporate Governance Principles and bringing forth recommendations in this matter.

Ever since its establishment, the Investor Relations Department has responded in detail to requests for information received by phone, email and/ or in one-to-one meetings with investors within the framework of the IS Investment Information Policy, while also participating in conferences held in Turkey and abroad, and organized teleconferences. Questions from individual investors are answered as necessary on topics such as the operational performance, interpretation of financial results, dividend distribution policy, performance of subsidiaries, and the share price performance in certain periods. Qualified domestic investors and foreign institutional 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 was publicly disclosed on 2 June, 2016 that Funda Çağlan Mursaloğlu had been appointed as the Head of the Investor Relations Department (the first public disclosure date on this issue was 16 March, 2009).

Contact information for the Investor Relations managers which is also disclosed on the corporate website is presented below:

Funda Çağlan Mursaloğlu
Assistant General Manager
Academic Degree: Master's
Type of Capital Market Activity License: Advanced Level
Tel : 212 - 350 23 48
Fax : 212 - 350 20 01
E-Mail : cmursaloglu@isyatirim.com.tr

Ozan Altan
Manager
Academic Degree: Master's
Type of Capital Market Activity License: Advanced Level – Corporate Governance Rating - Derivatives – Credit Rating -
Tel : 212 - 350 28 72
Faks : 212 - 350 28 73
E-Mail : oaltan@isyatirim.com.tr

Pursuant to Article 11 of the Corporate Governance Communiqué (II-17.1) of the CMB, Investor Relations communication information was transferred to the KAP on 5 March, 2014 and most recently on 2 June, 2016.

Exercise of Shareholders' Right to Obtain Information

At IS Investment, all shareholders are treated equally. The Investor Relations Department strives 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 were 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. Due care was taken 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 through the Public Disclosure Platform (in Turkish: KAP) managed by the MKK are also posted on the IS Investment website on the same day that such disclosures are made. In general, any changes in the Company's organization will forthwith be announced on the corporate website, and investor presentations are updated each quarter. Additionally, IS Investment's share price performance, capital increases and dividend payment information are also made available on our corporate website for the purpose of informing investors. Furthermore, information is provided concerning shareholder attendance in the Annual General Meetings and the principles of electronic general meetings under the new Turkish Commercial Code.

Where their contact information was available, our investors were informed of major topics covered in material event statements and other notices by email, and press bulletins were sent to leading media organizations. There were no implementations in the Company that would complicate shareholders' right to obtain and review information; on the contrary, considerable effort is taken to facilitate the exercise of such rights.

As 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 Meetings of Shareholders

IS Investment held its Annual General Meeting for the 2015 fiscal year on 23 March, 2016. Invitations for the Annual General Meeting, including the meeting date and agenda, were published on 19 February 2016 within due time as defined in the applicable legislation and the CMB Corporate Governance Principles, on the Public Disclosure Platform (KAP), the corporate website, and Electronic General Meeting System (e-GEM) of the Central Registry Agency (in Turkish: MKK), and in the Turkish Trade Registry Gazette issue 9017 dated 25 February 2016, and were also sent by post to registered shareholders. In addition, the invitation and related notices in English were also sent by email to our foreign those shareholders whose contact information was known to us.

Based on the examination of the list of attendees at the Ordinary General Meeting, it was established that out of the Company's shares with a total nominal value of TL 355,000,000, of which shares with a total nominal value of TL 150,000 are Class A shares and shares with a total nominal value of TL 354,850,000 are Class B shares, Class A shares with a nominal value of TL 150,000 and Class B shares with a total nominal value of TL 266,929,647.73, of which TL 12,708,549.76 had been deposited, were represented and thus the meeting quorum stipulated by the law and the Articles of Association was achieved.

The invitation, agenda, sample proxy form and minutes for the General Meetings were published on the KAP and were made constantly available on our Turkish and English websites for the purpose of informing shareholders and stakeholders. Furthermore, the CVs of individuals nominated for independent membership seats on the Board of Direc-

tors were posted on the corporate website. Since no questions were raised during the General Meeting, no public disclosure was made on the questions raised and answers provided in the General Meeting.

Due care is taken to ensure that General Meetings are held 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 Istanbul where the Company's head office is located as set out in our Articles of Association. Istanbul is also the city where shareholders are most concentrated in proportional terms.

The chair of meeting exercises care to communicate the topics in the agenda impartially, clearly, intelligibly and in detail during the General Meeting. Shareholders are offered the opportunity to voice their opinions and direct their questions with equal conditions. The chair of the meeting ensures that every question from shareholders at the General Meeting is directly answered during the General Meeting, providing the answers do not include trade secrets. If the question asked is irrelevant to the agenda or is too comprehensive to be answered instantly, it is responded to in writing by the Investor Relations Department within 30 days at most. 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 been applied for the fourth time, 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 vote of a majority of independent members were passed during the reporting period, no subjects were incorporated in the General Meeting agenda.

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 petitions and suggestions section, which was another dedicated item. Stakeholders such as appraisers and independent auditors take part in our General Meetings as observers.

No one with administrative responsibility nor any shareholder with control over management engaged in any transactions with our Company or its subsidiaries which may have led to any conflict of interest; furthermore, our Company and/or its subsidiaries did not conduct any transactions of a commercial business nature falling under their field of activity on behalf of themselves or others, or participate in another company engaged in the same kind of commercial affairs in the capacity of unlimited partners.

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.

Voting Rights and Minority Rights

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.	5.500.000 GBP	100,0
IS Investments Gulf Ltd.*	1.000.000 USD	100,0
Efes Varlık Yönetim A.Ş.	20.000.000 TL	74,0
İş Portföy Yönetimi A.Ş.	65.000.000 TL	70,0
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	74.652.480 TL	29,0
İş Yatırım Ortaklığı A.Ş.	160.599.284 TL	28,9

* Corporate operations have been terminated ipso facto as of 30 October 2015. The liquidation process is still under way

Entitlement to Dividends, Dividend Distribution Policy and Timing

There are no founders' dividend shares, nor do any shares enjoy any privileges with respect to receiving a share from the profit. IS Investment's Dividend Distribution Policy was presented for the purpose of informing shareholders in the first General Meeting that was convened as a publicly held company on 28 April, 2008. Updated within the frame of applicable legislation, our dividend policy was approved at the General Meeting convened on 25 March, 2014. 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.

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

The distribution of profit is finally decided by the General Assembly in line with the proposal tabled by the Board of Directors, taking into consideration the provisions of the Turkish Commercial Code, the Capital Market Law and other legislation governing the Company.

It is prescribed to distribute at least 30% of the distributable profit in cash and/or in the form of bonus shares, while the Board of Directors, in its aim to secure a high dividend income for its shareholders as a publicly held company, as well as to expand the Company's business lines and service range, takes into account the considerations set out below within the framework of the applicable legislation:

- a) Preserving the delicate balance between shareholders' expectations and the Company's need to grow,
- b) The absence of any adverse economic conditions in the world and in the country; maintenance of the Company's financial structure and the capital adequacy ratios at the required levels; and the overall profitability of the Company.

Within the framework of capital markets legislation, the Company may pay advances on cash dividends, provided that the Board of Directors has been duly authorized by the General Assembly, restricted to the relevant fiscal period.

If the General Assembly passes a decision to distribute profit, the cash dividend will be distributed no later than the end of the second month following the date of the General Meeting in which the profit distribution decision was taken. Dividend distribution in the form of bonus shares will take place upon receipt of legal permissions. No dividends may be paid to the members of the Board of Directors or Company employees until and unless the cash dividend determined for shareholders by the General Assembly decision has been paid out.

If there is to be no distribution of profit, the grounds for such a decision and the purpose for which undistributed profit will be used will be publicly disclosed.

On 28 March 2016, IS Investment distributed cash dividends amounting to TL 36,000,000.00 from its 2015 profit, corresponding to 94.5% of the distributable profit in accordance with its dividend policy.

Transfer of Shares

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

PART II – PUBLIC DISCLOSURE AND TRANSPARENCY

Company Information Policy

IS Investment's Information Policy was approved by the Board of Directors on 17 May 2007, even before the Company shares commenced trading on the stock exchange, and were publicly disclosed on our corporate website; subsequently, the Information Policy was adapted to conform to the principles stipulated in the CMB Communiqué on the Principles of Public Disclosure of Material Events that entered force on 6 February 2009.

IS Investment's Information Policy was presented at the first General Meeting held following the Company's IPO for the purpose of informing shareholders. The Information Policy was also incorporated in the annual and interim reports. The 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. 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 carrying out these responsibilities.

Information Policy Outline

IS Investment oversees Corporate Governance Principles in the disclosure and provision of information, except inside information, regarding developments which have a potential impact on the investment decisions of investors and the value of capital market instruments traded on the stock exchange, within the framework of the Capital Market Law, the Turkish Commercial Code and applicable legislation.

Having espoused a proactive approach to the adoption and implementation of Corporate Governance Principles, IS Investment strives to introduce international best corporate governance principles in its public disclosure and information. The complete Information Policy document is accessible on the www.isyatirim.com.tr website.

Company Website and Its Content

IS Investment's 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 in accordance with the provisions of the 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

- Organizational 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 Tackling the Laundering of Proceeds of Crime and the Financing of Terrorism
- Dividend Distribution Policy
- Ethical Principles
- Risk Management
- Information Policy
- Social Responsibility Policy
- Remuneration Policy
- Investor Relations Contact Details
- IPO Prospectus and Circular
- Registration Statement and Issue Document for Debt Instruments
- Financial Statements and Independent Auditor's Reports
- IS Investment and Camış Menkul Merger Agreement & Announcement Text & Financial Statements
- Investor Presentations-Presentation Podcasts
- Annual Reports
- General Meeting Internal Guidelines
- General Meeting Invitation
- General Meeting Agenda
- Power of Attorney
- Meeting Minutes
- List of Attendees
- 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 no corporate controlling shareholders at IS Investment.

PART III - STAKEHOLDERS

Keeping Stakeholders Informed

IS Investment informs its stakeholders, that span 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 the KAP, are also posted on the corporate Turkish and English websites by the next business day at the latest and presented for the information of stakeholders. Furthermore, press releases are sent to media outlets following material event statements about topics that are considered to draw interest from the public.

Stakeholders are adequately informed of corporate policies and business processes and may also make use of direct communication channels accessible on our website, while our customers may contact the investment advisors assigned to them or use any other direct/indirect method of their choice to convey their complaints and feedback to our Company/management bodies. In addition, our ethical principles and policies to combat the laundering of the proceeds of crime and the financing of terrorism are constantly published both on the corporate website and on the Intranet.

Complaints received by the Company are reviewed by the authorized units in chronological order and then submitted to the Audit Committee or the Corporate Governance Committee for consideration 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. Furthermore, our employees' opinions are directly sought in matters of general concern, thus enabling direct participation of the employees in certain decisions to be adopted.

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 through the corporate website and annual reports.

IS Investment's Human Resources Policy embraces the principles of commitment to ethical values, continuous development and a customer-focused approach. Providing equal opportunities to candidates in equal conditions is a key principle adopted in the creation of the recruitment policy and career planning. A promotion entails increased authority and responsibility and a higher 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 performance of the employee 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 employees equal opportunities in this sense. In order to contribute to their professional and personal development, our employees were provided with the chance to attend domestic and international training programs organized in 2016 in parallel with the Company's management strategies. The Company had 358 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 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 based on religion, language, race and gender; to ensure that human rights are respected and to protect employees from 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 the means to communicate their wishes, complaints and feedback through the unit managers, as well as the Human Resources Committee or Human Resources Department and the Board of Internal Auditors.

In order to closely monitor and respond to the needs and expectations of employees, the Company formed an Authorization Board, whose members consist of employer and employee representatives.

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's 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.

Our employees were trained on occupational health and safety and provided with clear internal guidelines and regulations in writing.

Remuneration Policy Outline

Fixed payments 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 payments payable to members of the Board of Directors, 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 payments include all sorts of cash and non-cash payments other than fixed payments, such as performance based incentives and bonuses. Performance-based payments are paid to certain employees only in view of the Company's performance and the contributions of the relevant unit and employee.

Variable payments 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 payments are based on the Company's financial and operational performance. Performance based incentive payments whose amounts are not guaranteed beforehand are determined with regard to the maturity of risks undertaken and in a manner that will 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 such as profit and revenues is used in the creation of performance criteria, the necessary measures are taken to ensure that these figures 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 framework of ethical values and based on a customer-focused approach to investment banking. In this vein, the Company aims 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 framework of the 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-reward profiles. Customers of IS Investment may convey any requests and expectations they may have to the investment advisors assigned to them.

Due to the nature of its business activity, IS Investment does not have any 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 Turkish Capital Markets Association regulations, as well as legal and administrative arrangements. The most recent update to our Ethical Rules was made on 15 December 2014 and was made available in writing for the purpose of informing employees.

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

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

Recognizing its social responsibility to society with all its employees, IS Investment aims to realize sustainable projects in its areas of social responsibility 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.

IS Investment continued its work to advance financial literacy and share fundamental information on the dynamics of capital markets through cooperation with Turkey's leading universities since 2013. For this purpose, the Company executed the TradeMaster Campus project at many reputable universities:

As will be communicated to the General Assembly, our Company donated a total of TL 111,400.00 to associations, foundations and institutions in 2016. The Company's donation policy has been documented in writing.

IS Investment's activities do not contravene any environmental legislation and the Company has not faced any legal sanction in this area.

In 2016, for the fourth time in a row, IS Investment received the ETİKA business ethics award.

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 is presented to shareholders and stakeholders for informative purposes on the Public Disclosure Platform (KAP), the corporate website and in annual reports.

The Board of Directors leads the maintenance of effective communication channel between the Company and its shareholders, and is responsible for the elimination and resolution of any possible conflicts while coordinating the activities of the Investor Relations Department through the corporate Governance Committee for this purpose. Members of the Board of Directors elected to their posts in the Annual General Meeting held on 23 March 2016 are to remain in their positions until the next General Meeting.

Mr. Rıza İhsan Kutlusoy was appointed as a member of the Board of Directors in the Board Meeting held on 28 March 2016 to succeed Ms. Feray Demir, who resigned. Mr. Kutlusoy's membership will be submitted for approval at the next General Meeting. Mr. Rıza İhsan Kutlusoy resigned from the Board of Directors due to his appointment as the General Manager of our Company, while Mr. Kemal Serdar Dişli and Mr. Kenan Ayvacı were appointed as members of the Board of Directors to succeed Mr. Rıza İhsan Kutlusoy and Mr. Özgür Temel, who resigned from their positions. Their membership will be submitted for approval at the next General Meeting to be held.

Board members do not hold 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 independence oaths of IS Investment's Independent Members of the Board of Directors can be found on the Company's website or in the annual activity reports.

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

The average proportion of women serving on our Board of Directors over the last six years has exceeded the minimum requirement of 25% as set out in our corporate governance principles. Currently, 11% of the members of our Board are women. The average gender distribution on our Board of Directors is a clear indicator of our Company's commitment to gender equality.

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

İlhami Koç Chairman

İlhami Koç graduated with a degree in political sciences from Ankara University in 1986. In the same year, he joined İşbank on the Board of Inspectors, where he took on inspection and investigation duties. 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, where he was responsible for corporate finance, research, domestic and international capital markets. He was appointed as 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 to take up 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.



İşıl Dadaylı Vice Chairwoman

İşıl Dadaylı graduated with a degree in economics (in English) from the Faculty of Economics at Istanbul University in 1991. In the same year, she joined the İş Bank Asset Management Division as an assistant specialist trainee. She resigned from her position at the Bank in 1995 to work as a marketing specialist for Reuters Enformasyon Ltd. Şti. for two years. Having returned to her assistant specialist position at the İş Bank 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 appointed as the head of the Private Banking Marketing and Sales Division of İşbank in 2011.



Mete Uğurlu Member

Mete Uğurlu graduated with a degree in business administration from the Faculty of Administrative Sciences at the Middle East Technical University. He began his career at İşbank in 1978 as an assistant specialist where he worked as a manager in various divisions. After serving as a Section Head in the Organization Department between 1996 and 2002, Mr. Uğurlu was appointed as a Deputy Chief Executive Officer at İşbank in 2002. He represented İşbank as a Board Director at Anadolu Sigorta (1991-2002), as the Chairman of the Board at İş Kültür Yayınları (2002- 2003) and at İş Girişim Sermayesi (2003-2006). While serving as the CEO of Anadolu Hayat Emeklilik from 2006 until 2014, Mr. Uğurlu also functioned on the boards of directors and committees of two industrial associations - the Insurance Association of Turkey, and the Pension Monitoring Center. Having retired on 30 June 2014, Mr. Uğurlu was appointed as a member of the Board of Directors of IS Investment in July 2014.





Hilmi Selçuk Çepni
Member

Hilmi Selçuk Çepni graduated with a degree in Business Administration from Marmara University in 1992. He began his career at İşbank as an assistant inspector trainee on the Board of Inspectors in the same year. He was appointed as the assistant manager of the Human Resources Division in 2000 and became a group head in the same division. He started to work as Assistant Director of Board of Inspectors in 2004. He worked as a branch manager at the Altunizade Branch and Altunizade Commercial Branch between 2007 -2008 and served as the commercial banking product manager in 2011 and the credit portfolio manager in 2012. Having worked as a manager of the Gebze Corporate Branch in 2015, Mr. Çepni has been working as the manager of Maslak Corporate Branch since 2016. Mr. Cepni was appointed as a member of the Board of Directors of IS Investment in March 2016.



Kemal Serdar Dişli
Member

Having graduated from the Department of Political Science and Public Administration at the Faculty of Economics and Administrative Sciences in Hacettepe University in 1987, Mr. Dişli started to work in the İşbank Intelligence Department in 1988. He was appointed to the Board of Inspectors as an assistant inspector the same year. He became an assistant manager in Internal Accounting Division in 1998. After working as Assistant Manager and Group Manager in the Managerial Reporting & Internal Accounting Division, he was promoted to the Marmara Regional Directorate in 2002. He was appointed as Bursa branch manager in 2004, Corporate Banking Marketing Division manager in 2006, Maslak Corporate branch manager in 2009. He has been working as Istanbul Corporate branch manager since 2016. Mr. Dişli was appointed as a member of the Board of Directors of IS Investment in June 2016.



Kenan Ayyacı
Member

Kenan Ayyacı graduated with a degree in business administration from the Faculty of Administrative Sciences at the Middle East Technical University in 1997. He joined İşbank as an assistant inspector on the Board of Inspectors in 1998 and was appointed as the Assistant Manager of the Capital Markets Division in 2006. He received a graduate degree at Galatasaray University and appointed as a Unit Manager in 2010. He became Capital Markets Division Manager in 2016 and also appointed as a member of the Board of Directors of IS Investment in June 2016.

Volkan Kublay
Member

Volkan Kublay graduated with a 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 the 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.



Behzat Yıldırım
Member-Independent

Behzat Yıldırım graduated with a 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 served as the General Manager for Turkish capital markets in Genoa within the scope of investment banking operations between 1995 and 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 Yıldırım was a part-time faculty member in a private university between 2001 and 2003. He worked as an advisor to an investment fund based in Basel in 2009. Serving as an independent member on IS Investment's Board of Directors since 9 May 2012, Mr. Yıldırım is the head of the Audit Committee, Corporate Governance Committee and Risk Committee.

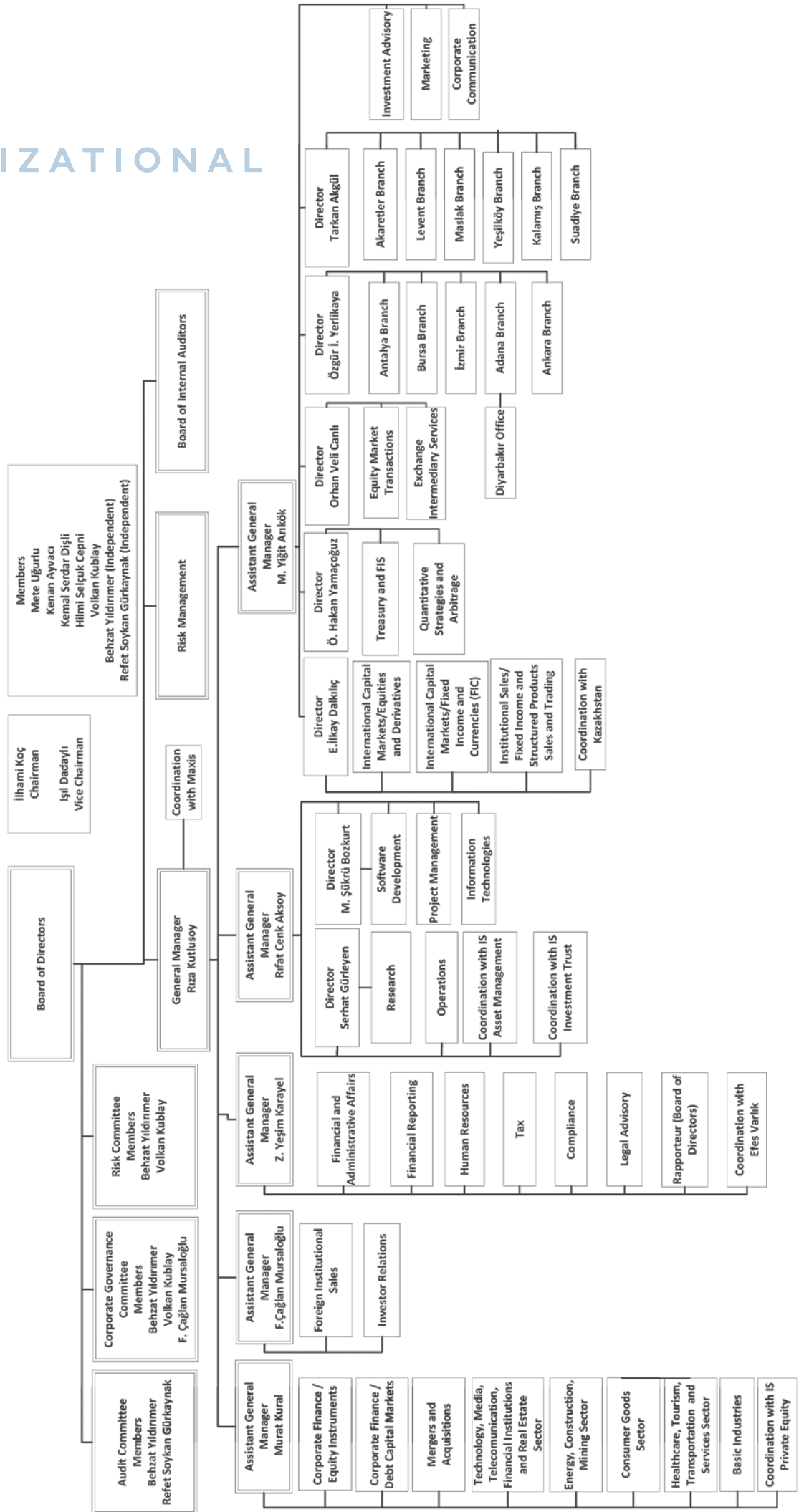


Prof. Dr. Refet Soykan Gürkaynak
Member-Independent

Mr. Gürkaynak graduated with a BA in Economics from Bilkent University and went on to complete an MA in Economics at Princeton University in 2001 on a merit scholarship and received a PhD from the same institution in 2004. Mr. Gürkaynak took on instructional roles at Princeton University between 1998 and 2001, worked as an assistant professor at Bilkent University in Economics from 2005 to 2010, served as a visiting associate professor at the Massachusetts Institute of Technology between 2011 and 2012 and currently serves as the Chair of Bilkent University's Economics Department. Mr. Gürkaynak's articles on stock quotations' informational content, the interaction between financial markets and macroeconomics and on economic growth have been published in international journals. Over the years, Mr. Gürkaynak's work has been recognized with a number of prestigious awards from various institutions. Having previously served as a consultant for the Turkish Central Bank and the European Central Bank, Mr. Gürkaynak is also a member of and works as an editor for renowned international academic journals, including the Center for Economic Policy Research and the Center for Financial Studies. Mr. Gürkaynak has served as an Independent Member of the Board of Directors at IS Investment since 24 March 2015; he is also tasked with the role of Committee Member responsible for monitoring.



ORGANIZATIONAL CHART



DECLARATION OF INTEREST

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

I hereby declare the following for the purpose of my candidacy for taking on the position of Independent Member of the Board of Directors during the Annual General Meeting of IS Investment (“Company”) on 23 March, 2016:

- Neither I, my wife nor any other relatives of second degree kinship or affinity by marriage have held any employment relationship with or have taken on any important positions/ functions in the Company’s management or in the management of important company partners/shareholders or other legal persons these partners/shareholders control within the last five years. Neither I, my wife nor any other relative of second degree kinship or affinity by marriage have owned or co-owned more than 5% of the capital, voting rights or privileged shares of the entities listed above in the last five years, or have not entered into any commercial relationship of a significant nature with these entities.
- I have not owned more than 5% of the shares or have taken up any important management functions or responsibilities in the following associated companies in the last five years when a sale/purchase relationship was in effect: companies that undertake the Company’s monitoring, rating and consultancy; other companies from which the Company purchases important goods or services and also sells to in the framework of signed contracts.
- I possess the necessary professional education, knowledge and experience to successfully undertake the tasks assigned to the Independent Board Member position.
- In the event that I am elected as an Independent Board Member I will not work in any other full time position in public institutions. This excludes my current position as a lecturer at my university.
- According to the Income Tax Law, I am officially registered in Turkey.
- I will respect the highest ethical standards in my position, do my best to uphold a professional reputation and hold the necessary experience to positively contribute to the Company’s undertakings. I will assume an impartial position in the event that any conflict of interest should arise between the Company and shareholders and will decide freely on all matters by always committing myself to protecting the rights of shareholders to the best of my ability.
- I will allocate sufficient time to the work that needs to be undertaken for the Company, such as closely following the Company’s activities and fulfilling all duties assigned to myself in full capacity.
- I have not been a member of the Board of Directors of the Company for longer than six years in the last ten years.
- I have not served as an Independent Board Member at more than three of the companies in which the Company or the Company’s partners/shareholders hold management functions. I have also not served as an Independent Board Member at more than five publicly-traded companies in Turkey to date.
- I have not been announced or registered in the name of any legal person elected as a Board Member.

Yours sincerely,

Behzat Yıldırım

DECLARATION OF INTEREST

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

I hereby declare the following for the purpose of my candidacy for taking on the position of Independent Member of the Board of Directors during the Annual General Meeting of IS Investment ("Company") on 23 March, 2016:

- Neither I, my spouse nor any other relatives of second degree kinship or affinity by marriage have held any employment relationship with or taken on any important positions/ functions in the Company's management or in the management of important company partners/shareholders or other legal persons these partners/ shareholders control within the last five years. Neither I, my spouse nor any other relative of second degree kinship or affinity by marriage have owned or co-owned more than 5% of the capital, voting rights or privileged shares of the entities listed above in the last five years, or have entered any commercial relationship of a significant nature with these entities.
- I have not owned more than 5% of the shares or have taken up any important management functions or responsibilities in the following associated companies in the last five years when a sale/purchase relationship was in effect: companies that undertake the Company's monitoring, rating and consultancy; other companies from which the Company purchases important goods or services and also sells to in the framework of signed contracts.
- I possess the necessary professional education, knowledge and experience to successfully undertake the tasks assigned to the Independent Board Member position.
- In the event that I am elected as an Independent Board Member, I will not work in any other full time position in any public institution. This excludes my current position as a lecturer at my university.
- According to the Income Tax Law, I am officially registered in Turkey.
- I will respect the highest ethical standards in my position, will do my best to uphold a professional reputation and hold the necessary experience to positively contribute to the Company's undertakings. I will assume an impartial position in the event that any conflict of interest should arise between the Company and shareholders and will decide freely on all matters by always committing myself to protecting the rights of shareholders to the best of my ability.
- I will allocate sufficient time to the work that needs to be undertaken for the Company, such as closely following the Company's activities and fulfilling all duties assigned to myself in full capacity.
- I have not been a member of the Board of Directors of the Company for any direction of more than six years during the last ten years.
- I have not served as an Independent Board Member in more than three of the companies in which the Company or the Company's partners/shareholders hold management functions. I have also not served as an Independent Board Member in more than five publicly-traded companies in Turkey to date.
- I have not been announced or registered in the name of any legal person elected as a Board Member.

Yours sincerely,,

Refet Soykan Gürkaynak

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.

Executive Board

Name	Position	Profession	Positions Held in the Company in the Past 5 Years	Latest External Positions Held
Rıza İhsan Kutlusoy	General Manager	Finance Professional	Member of Board of Directors	Efes Varlık Yönetim A.Ş. Chairman of the Board of Directors; Maxis Investments Ltd. Member of the Board of Directors; İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. Member of the Board of Directors
Murat Kural	Assistant General Manager	Finance Professional	Assistant General Manager	
Funda Çağlan Mursaloğlu	Assistant General Manager	Finance Professional	Assistant General Manager	
Zeynep Yeşim Karayel	Assistant General Manager	Finance Professional	Assistant General Manager	
Rifat Cenk Aksoy	Assistant General Manager	Finance Professional	Assistant General Manager	İş Yatırım Ortaklığı A.Ş. Deputy Chairman of the Board of Directors
Mehmet Yiğit Arıkök	Assistant General Manager	Finance Professional	Assistant General Manager	



Rıza İhsan Kutlusoy
General Manager

Mr. Rıza İhsan Kutlusoy graduated from the Department of Business Administration of the Middle East Technical University. He joined İşbank in 1988 as an assistant Inspector on the Board of Inspectors. He was appointed as an assistant manager in the Capital Markets Division in 1996. He became group manager in the same Division in 1998 and manager in 2002. He was appointed as the manager of the Galata branch in 2006 and as the Risk Management Division manager in 2008. He was promoted to the post of Assistant General Manager of İşbank in April 2011. Mr. Kutlusoy was appointed as General Manager of IS Investment in May 2016.



Murat Kural
Assistant General Manager

Murat Kural graduated with a Bachelor's degree in electronics and communication engineering from the Istanbul Technical University in 1987 and completed a Master's degree from the Institute of Business Administration at Bilkent University in 1989. He started working at the Privatization Administration of the Prime Ministry in 1990 and held this post until 1997, when he became the President of the Treasury. In the same year he moved to the World Bank in the capacity of an advisor. He joined IS Investment as the Corporate Finance Manager in 1999, undersigning many public offering and privatization projects. Since 2002, he has been serving as our Assistant General Manager responsible for Public Offerings, Mergers and Acquisitions and coordination with our subsidiary İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and our Dubai-based subsidiary IS Investment Gulf Ltd.



Funda Çağlan Mursaloğlu
Assistant General Manager

Funda Çağlan Mursaloğlu graduated with a Bachelor's degree from the Boğaziçi University in 1996 and went on to complete a 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 an International Sales Specialist in 1999. Responsible 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 the Assistant General Manager responsible for Investor Relations, Foreign Sales and Marketing, Foreign Sales and Fixed Income Security and Structured Products.

Zeynep Yeşim Karayel
Assistant General Manager

Zeynep Yeşim Karayel graduated with a degree in economics from Istanbul University in 1984. She began her professional life in 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 and 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. Appointed as an Assistant General Manager in March 2013, Mrs. Karayel is responsible for Financial Reporting, Human Resources, and Other Support Services, coordination with our subsidiary, Efes Varlık Yönetim A.Ş., and acting as the Rapporteur (to the Board of Directors).



Rıfat Cenk Aksoy
Assistant General Manager

Rıfat Cenk Aksoy graduated with a degree in economics from the Faculty of Economics at Istanbul University in 1991. He joined İşbank as a specialist in the Securities Department and transferred to IS Investment as the Assistant Manager of the Treasury Department in 1997. He then served in various positions in İşbank Group companies and in 2001 was appointed to IS Asset Management, which was then newly established for the private pension system that was in the stage of being set up, as the Manager responsible for Portfolio Management. He was subsequently promoted to the position of Executive Vice President in 2004. After dealing with mutual funds and pension funds that are referred to as collective investment enterprises for a period of 10 years, he became General Manager of Camış Menkul Değerler A.Ş. in September 2010. Mr. Aksoy, who was appointed as Assistant General Manager of İş Yatırım Menkul Değerler A.Ş. on 2 July, 2014, is responsible for the operations, research, technology, and coordination with our subsidiaries, İş Portföy Yönetimi and İş Yatırım Ortaklığı.



Mehmet Yiğit Arıkök
Assistant General Manager

Mr. Arıkök graduated with an undergraduate degree in Business Administration from the University of Illinois in 1992 and an MBA from the same institution in 1995. In 1996, he started work at Citibank N.A. and subsequently went on to work at Koç Yatırım Menkul Değerler A.Ş. In 2002, Arıkök began working at Domestic Markets Department at İş Yatırım Menkul Değerler A.Ş. He was appointed as Director at IS Investment in 2005 and became Director of the Domestic Markets in 2012. Mr. Arıkök was appointed Assistant General Manager on 16 April 2015. Since then, he has been tasked with the following duties: Domestic Sales and Marketing, Domestic Capital Markets, International Capital Markets, Corporate Communications and management of IS Investment's Kazakhstan representative office.



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 stipulates 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 are publicly disclosed on our website.

Vision

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

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 them to its 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 correctly carry out risk-return analysis correctly in compliance with our customers' expectations, to be able to provide service at the necessary and desired quality with the aim of increasing the assets of our clients in line with this analysis.

Market Focus: 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 unending energy for the continuous development of our products, services and values by remaining loyal to our corporate policies and in the manner most appropriate for market conditions with human resources that are competent and specialized in their field.

Confidentiality: To observe confidentiality principles within the scope of the laws, our corporate policies and ethical values in areas which qualify as inside information that might affect the value of our shares 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 "İş" brand, which we proudly represent in capital markets.

Valuing Employees: To ensure the continuous training and development of our specialized personnel that we have incorporated in compliance with our values with a corporate social responsibility approach; 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 or gender.

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 seeking perfection at all times.

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 any conflict of interest while fulfilling capital market activities, and informing our shareholders correctly, fully and in a timely manner.

Social Responsibility: While trying to fulfill our aims of growth and achieving profit, to exert maximum efforts to provide the maximum benefit mainly for our employees, but also for the environment and other internal and external areas.

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 being 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, the Risk Management department operates independently of the 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 of 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, which 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, the Compliance Department in particular, as well as all other units, exercise the greatest care 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 active against our Company, nor are there any material penalties imposed by public authorities.

Opinion of the Audit Committee on the Internal Control System

Re.: Financial statements dated 31 December 2016.
Date: 30 January 2017

1. No negative findings were found with regard to the operation or effectiveness of IS Investment's accounting and internal control systems and we arrived at the conclusion that the conduct was properly and duly engaged in.
2. We have reviewed the financial statements for the period of 1 January 2016 - 31 December 2016, and in view of the fact that no negative views were raised 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, the decision was taken to present the Company's financial statements for perusal by the Board of Directors.

Refet Soykan Gürkaynak Behzat Yıldırım
Member Head

Report on the Status of the Internal Control System as of 31 December 2016

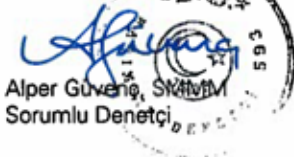
To the Board of Directors of İş Yatırım Menkul Değerler A.Ş.,

Within the framework of the minimum requirements stipulated in articles 10, 11 and 11/A of the Capital Markets Board Communiqué (Series: V No: 68) On The Principles Of The Internal Control Systems To Be Practiced In Intermediaries ("Communiqué"), we have reviewed İş Yatırım Menkul Değerler A.Ş.'s ("Company") internal control system pertaining to the period ending 31 December, 2016.

We have concluded that İş Yatırım Menkul Değerler A.Ş.'s internal control system is in conformity with the minimum requirements stipulated in articles 10, 11 and 11/A of the Capital Markets Board Communiqué.

Our report is issued solely for the information and use of the Capital Markets Board and the Board of Directors of the Company, and it cannot be used for any other purposes.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative


Alper Güverçin, SMMM
Sorumlu Denetçi

30 Ocak 2017
İstanbul, Türkiye

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

The Board of Directors at IS Investment meets on a monthly basis at the minimum, and may convene at more frequent intervals as and when necessary. The meeting agenda is determined upon the proposal of 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 2016.

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 "Rapporteur" in order to keep the members of the Board of Directors informed and to ensure communication.

Board members were not 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 and on the Public Disclosure Platform (KAP). The Company has purchased an insurance policy for the losses that members of the Board may cause to the Company due to misconduct.

Prohibition of carry out Business and Competing with the Company

It is stipulated in the Articles of Association that 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 Number, Structure and Independence of the Committees Established by the Board of Directors in order to ensure healthy fulfillment of the duties and responsibilities of the Board of Directors, appropriate committees and units can be set up as deemed necessary and fit by the legislation and the CMB Corporate Governance Principles.

The 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. The members of the committees are non-executive.

The Audit Committee

Behzat Yıldırım	- Head
Refet Soykan Gürkaynak	- Member

The Audit Committee meets at least four times a year on a quarterly basis. The Committee met 12 times in 2016. 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 2016 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 Yıldırım	- Head
Volkan Kublay	- Member
Funda Çağlan Mursaloğlu	- Member

The Corporate Governance Committee has also assumed the responsibilities of the Nomination and Remuneration Committees. The Committee meets at least four times a year on a quarterly basis. The conclusions reached by the Committee are recorded in an official report and presented to the Board of Directors. The Committee met four times in 2016.

Risk Committee

Behzat Yıldırım	- Head
Volkan Kublay	- Member

The Risk Committee meets at least four times a year on a quarterly basis. 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 2016.

The Board of Directors Rapporteur 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 functions and responsibilities, and operating procedures and principles are publicly disclosed on KAP and 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

The 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 concerning 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 had attained its operational and financial performance targets for 2016.

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 Annual General Meeting held on 23 March 2016, it was determined that a monthly gross salary of TL 8,800 would be paid to members of the Board of Directors. The minutes of the Annual General Meeting have 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. The total consolidated benefits provided to Board members and senior executives amounted to TL 15,417,556 during the first half of 2016.

Neither IS Investment, the Board members nor its executives engage in transactions such as lending money, extending credit or providing guarantees.

22. AFFILIATED COMPANY REPORT AND RELATED PARTY TRANSACTIONS

The Company's related party transactions are detailed in the footnotes 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 2016, 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

23. CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITOR'S REPORT RELATED TO THE ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To Board of Directors of İş Yatırım Menkul Değerler Anonim Şirketi,

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated statement detailing the financial position of İş Yatırım Menkul Değerler Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as the "the Group") as of 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2016, and a summary of significant accounting policies and other explanatory notes.

The Group Management's Responsibility for the Annual Report

The Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards and for such internal controls as the management determines is necessary to enable the preparation of the 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. We conducted our audit in accordance with the standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and standards on auditing which are components of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the consolidated financial statements were free from material misstatement. An audit involves performing procedures to obtain audit evidence concerning the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In conducting those risk assessments, we consider internal control relevant to the entity's preparation and the fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes an evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates produced by the 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 consolidated financial statements present fairly, in all material respects,


the consolidated financial position of İş Yatırım Menkul Değerler Anonim Şirketi and its subsidiaries as of 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2016 in accordance with Turkish Accounting Standards.

Report on Other Regulatory Requirements

1) The Auditor's Report on the Risk Committee, prepared pursuant to the fourth paragraph of Article 398 of the Turkish Commercial Code ("TCC") no. 6102, was presented to the Company's Board of Directors on 30 January, 2017.

2) In accordance with the fourth paragraph of Article 402 of the TCC, no significant matter has come to our attention that would cause us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2016 contravened the TCC or the provisions of the Company's articles of association in relation to financial reporting.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative


Alper Güvenç, SMMM
Sorumlu Denetçi

30 Ocak 2017
İstanbul, Türkiye

İŞ YATIRIM MENKUL DEĞERLER A.Ş.

www.isyatirim.com.tr

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Faks: 0212 350 20 01
Trade Registration: 358758-306340
Central Registration: 0-4810-1689-1600015

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**İŞ YATIRIM MENKUL DEĞERLER ANONİM
ŞİRKETİ AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER
2016 WITH INDEPENDENT AUDITORS' REPORT
THEREON**

30 JANUARY 2017

**THIS REPORT CONTAINS 2 PAGES OF INDEPENDENT
AUDITORS' REPORT AND 80 PAGES OF CONSOLIDATED
FINANCIAL STATEMENTS AND NOTES TO THE
CONSOLIDATED FINANCIAL STATEMENTS.**

**İŞ YATIRIM MENKUL
DEĞERLER ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CASH FLOWS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Convenience Translation of the Independent Auditors' Report
Originally Prepared and Issued In Turkish to English**

To the Board of Directors of İş Yatırım Menkul Değerler Anonim Şirketi

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of İş Yatırım Menkul Değerler Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as the "the Group") which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Independent Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of İş Yatırım Menkul Değerler Anonim Şirketi as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 30 January 2017.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2016, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ
A member of KPMG International Cooperative

Alper Güvenç, SMMM
Partner

January 30, 2017
İstanbul, Türkiye

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İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

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

84
IS INVESTMENT
ANNUAL
REPORT
2016

		Audited Current Period	Audited Prior Period
	Notes	31 Dec 2016	31 Dec 2015
ASSETS			
Current Assets			
Cash and Cash Equivalents	7	3.938.348.540	2.733.818.975
Financial Investments	8	400.939.020	768.358.473
Trade Receivables	11	1.737.538.702	1.815.045.740
<i>Due From Related Parties</i>	6	6.932.173	7.417.053
<i>Other Trade Receivables</i>		1.730.606.529	1.807.628.687
<i>Other Trade Receivables</i>	12	108.799.343	136.581.995
<i>Due From Related Parties</i>	6	8.126.552	6.613.133
<i>Other Receivables</i>		100.672.791	129.968.862
Derivative Instruments	38	24.892.330	18.919.804
Inventories	14	68.476.571	72.241.328
Prepaid Expenses		9.584.349	6.312.360
Current Tax Assets	34	16.180.686	15.087.811
Other Current Assets	25	10.869.142	9.529.253
SUBTOTAL		6.315.628.683	5.575.895.739
Assets Held For Sale	32	12.007.949	10.535.275
TOTAL CURRENT ASSETS		6.327.636.632	5.586.431.014
Non-current Assets			
Financial Investments	8	34.782.888	44.538.974
Other Receivables	12	707.340	929.985
<i>Due From Related Parties</i>	6	150	150
<i>Other Receivables</i>		707.190	929.835
Investments in Equity Accounted Investees	17	21.883.553	25.013.453
Tangible Assets	19	34.190.948	32.812.837
Intangible Assets		57.095.144	61.405.929
<i>Goodwill</i>	18	38.593.847	38.593.847
<i>Other Intangible Assets</i>	20	18.501.297	22.812.082
Prepaid Expenses		1.025.113	1.178.245
Deferred Tax Assets	34	40.579.060	28.929.224
TOTAL NON-CURRENT ASSETS		190.264.046	194.808.647
TOTAL ASSETS		6.517.900.678	5.781.239.661

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

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

		Audited Current Period	Audited Prior Period
	Notes	31 Dec 2016	31 Dec 2015
LIABILITIES			
Short-Term Liabilities			
Short Term Borrowings	9	3.821.551.965	3.177.557.284
<i>Due to Related Parties</i>		49.819.497	37.678.431
<i>Other Short Term Borrowings</i>		3.771.732.468	3.139.878.853
Short Term Portion of Long Term Borrowings	9	21.550.584	86.152.356
<i>Due to Related Parties</i>		13.375.640	14.369.064
<i>Other Borrowings</i>		8.174.944	71.783.292
Other Financial Liabilities	10	11.964.131	12.959.974
Trade Payables	11	1.421.438.977	1.337.324.517
<i>Due to Related Parties</i>	6	1.779.011	3.804.331
<i>Other Trade Payables</i>		1.419.659.966	1.333.520.186
Payables Relating to Employee Benefits		4.894.455	3.865.767
Other Payables	12	14.622.855	18.056.504
<i>Due to Related Parties</i>	6	1.189.025	1.002.929
<i>Other Payables</i>		13.433.830	17.053.575
Derivative Instruments	38	101.465.640	37.459.332
Current Tax Liabilities	34	1.378.346	943.406
Short Term Provisions		16.314.082	14.607.735
<i>Employee Benefits</i>	24	15.287.744	13.374.878
<i>Other Current Liabilities</i>	22	1.026.338	1.232.857
Other Current Liabilities	25	12.578.203	8.619.353
TOTAL CURRENT LIABILITIES		5.427.759.238	4.697.546.228
Long-Term Liabilities			
Long Term Borrowings	9	171.035.585	140.617.152
<i>Due to Related Parties</i>		65.026.549	72.215.864
<i>Other Long Term Borrowings</i>		106.009.036	68.401.288
Trade Payables	11	235.518	-
<i>Other Trade Payables</i>		235.518	-
Other Payables	12	2.404.044	4.234.905
<i>Due to Related Payables</i>	6	2.178.525	2.626.810
<i>Other Payables</i>		225.519	1.608.095
Long Term Provisions		6.071.462	5.442.113
<i>Employee Benefits</i>	24	6.071.462	5.442.113
Other Long Term Liabilities	25	5.021.598	-
TOTAL NON-CURRENT LIABILITIES		209.815.334	175.485.784
EQUITY			
Total Equity Attributable to Equity Holders of the Company			
		572.605.055	558.176.497
Paid in Capital	26	355.000.000	355.000.000
Share Premium		1.302.324	1.302.324
Other Comprehensive Income and Expenses to be Reclassified to Profit or Loss		14.497.352	17.156.606
<i>Currency Translation Differences</i>		4.528.724	6.485.838
<i>Fair Value Reserve</i>	26	9.968.628	10.670.768
Other Reserves	26	1.753.763	1.753.763
Restricted Reserves	26	53.180.123	46.092.582
Prior Year's Profit/Loss	26	92.979.665	96.395.803
Profit for the Year		53.891.828	40.475.419
Non-Controlling Interests	26	307.721.051	350.031.152
TOTAL EQUITY		880.326.106	908.207.649
TOTAL LIABILITIES		6.517.900.678	5.781.239.661

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

		Audited Current Period	Audited Prior Period
	Notes	1 Jan -31 Dec 2016	1 Jan -31 Dec 2015
STATEMENT OF PROFIT OR LOSS			
Revenue	27	47.791.765.467	57.757.439.716
Sales Revenue	27	47.416.468.074	57.445.932.911
Interest and Derivative Income from Operating Activities, Net	27	135.293.574	127.192.852
Service Income, Net	27	191.631.787	136.005.906
Other Operating Income, Net	27	48.372.032	48.308.047
Cost of Sales (-)	27	(47.352.818.757)	(57.379.907.146)
GROSS PROFIT/LOSS		438.946.710	377.532.570
Administrative Expenses (-)	28	(235.517.462)	(226.662.936)
Marketing Expenses (-)	28	(116.979.125)	(83.962.317)
Research and Development Expenses (-)	28	(3.327.481)	(3.854.297)
Other Operating Income	29	5.626.280	8.764.294
Other Operating Expenses (-)	29	(16.907.014)	(17.248.875)
OPERATING PROFIT/LOSS		71.841.908	54.568.439
Share of Profit/Loss of Equity Accounted Investees, Net of Income Tax	17	(4.051.669)	(734.104)
OPERATING PROFIT/LOSS BEFORE FINANCE COST		67.790.239	53.834.335
Finance Income	30	53.205.569	35.568.671
Finance Costs (-)	31	(66.506.799)	(55.664.047)
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS		54.489.009	33.738.959
Income Tax From Continuing Operations	34	(20.764.959)	(11.330.589)
Current Tax Expense		(32.807.964)	(3.739.170)
Deferred Tax Income/(Expense)		12.043.005	(7.591.419)
PROFIT FROM CONTINUING OPERATIONS		33.724.050	22.408.370
PROFIT FROM DISCONTINUED OPERATIONS		-	-
PROFIT FOR THE YEAR		33.724.050	22.408.370
Profit Attributable to:			
Non-controlling interests		(20.167.778)	(18.067.049)
Equity holders of the company		53.891.828	40.475.419
		33.724.050	22.408.370
Earning per share			
Earning Per Share From Continuing Operations	35	0,1518	0,1140
Earning Per Share From Discontinued Operations	35	-	-
Diluted Earnings Per Share			
Diluted Earnings Per Share From Continuing Operations	35	0,1518	0,1140
Diluted Earnings Per Share From Discontinued Operations	35	-	-

İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016
(Amounts are expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Audited Current Period	Audited Prior Period
	Notes	1 Jan -31 Dec 2016	1 Jan -31 Dec 2015
PROFIT FOR THE YEAR		33.724.050	22.408.370
OTHER COMPREHENSIVE INCOME:			
Items that will never be reclassified to profit or loss	33	(1.025.098)	(246.827)
Net change in remeasurements of defined benefit liability		(1.281.373)	(308.534)
Related tax		256.275	61.707
<i>Deferred Tax Expense/Income</i>		256.275	61.707
Items that are or may be reclassified to profit or loss	33	(4.743.039)	6.265.987
Net change in fair values of available for sale financial assets		(736.912)	5.228.121
Change in Currency Translation Reserve		(4.042.973)	1.299.272
Related tax		36.846	(261.406)
OTHER COMPREHENSIVE INCOME/LOSS		(5.768.137)	6.019.160
TOTAL COMPREHENSIVE INCOME		27.955.913	28.427.530
Total Comprehensive Income Attributable to:			
Non-Controlling Interests		(22.472.645)	(19.410.224)
Equity Holders of the Company		50.428.558	47.837.754
		27.955.913	28.427.530

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

İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES CONSOLIDATED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Other Comprehensive Income to be reclassified to be profit or loss				Retained Earnings				Shareholders' Equity	Non-Controlling Interest	Equity
	Paid in Capital	Share Premium	Currency Translation Difference	Fair Value Reserve	Restricted Reserves	Prior Year's Profit/Loss	Net Profit/Loss For The Year	Shareholders' Equity			
Balance at 1 January 2015	332.000.000	1.302.324	3.515.335	6.048.552	37.981.429	111.841.570	62.895.770	557.338.743	400.638.109	957.976.852	
Transfers to Reserves	-	-	-	-	8.111.153	54.784.617	(62.895.770)	-	-	-	
Total Comprehensive Income	-	-	2.970.503	4.622.216	-	(230.384)	40.475.419	47.837.754	(19.410.224)	28.427.530	
Capital Increase	23.000.000	-	-	-	-	(23.000.000)	-	-	-	-	
Change in Non-Controlling Interests	-	-	-	-	-	-	-	-	115.869	115.869	
Dividends	-	-	-	-	-	(47.000.000)	-	(47.000.000)	(31.312.602)	(78.312.602)	
Balance at 31 December 2015	355.000.000	1.302.324	6.485.838	10.670.768	46.092.582	96.395.803	40.475.419	558.176.497	350.031.152	908.207.649	

	Other Comprehensive Income to be reclassified to be profit or loss				Retained Earnings				Shareholders' Equity	Non-Controlling Interest	Equity
	Paid in Capital	Share Premium	Currency Translation Difference	Fair Value Reserve	Restricted Reserves	Prior Year's Profit/Loss	Net Profit/Loss For The Year	Shareholders' Equity			
Balance at 1 January 2016	355.000.000	1.302.324	6.485.838	10.670.768	46.092.582	96.395.803	40.475.419	558.176.497	350.031.152	908.207.649	
Transfers to Reserves	-	-	-	-	7.087.541	33.387.878	(40.475.419)	-	-	-	
Total Comprehensive Income	-	-	(1.957.114)	(702.140)	-	(804.016)	53.891.828	50.428.558	(22.472.645)	27.955.913	
Capital Increase	-	-	-	-	-	-	-	-	-	-	
Change in Non-Controlling Interests	-	-	-	-	-	-	-	-	(775.848)	(775.848)	
Dividends	-	-	-	-	-	(36.000.000)	-	(36.000.000)	(19.061.608)	(55.061.608)	
Balance at 31 December 2016	355.000.000	1.302.324	4.528.724	9.968.628	53.180.123	92.979.665	53.891.828	572.605.055	307.721.051	880.326.106	

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

İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

		Audited Current Period	Audited Prior Period
	Notes	1 Jan -31 Dec 2016	1 Jan -31 Dec 2015
A. CASH FLOWS FROM OPERATING ACTIVITIES		200.793.536	(136.427.738)
Net Profit for the year		33.724.050	22.408.370
Adjustments to reconcile net profit / (loss)			
Adjustments for depreciation and amortization	19-20	17.880.560	16.664.971
Adjustments for impairments for inventories		-	3.588.892
Changes in provisions		4.037.892	3.507.784
Interest income and expenses	7-9	4.196.029	14.299.475
Adjustments related to share-based payments		(3.552.816)	(3.940.018)
Adjustments related to fair value losses / gains		(38.999.548)	(44.700.836)
Changes in tax loss/income	34	20.764.959	11.330.589
Gain / losses from sales of tangible assets	19-20	2.174.676	1.323.931
Adjustments related to investments accounted for using the equity method	17	4.051.669	734.104
Other adjustments related to profit/loss reconciliation		7.640.559	70.842
Changes in net working capital			
Increases/decreases in inventories		3.764.757	(23.233.599)
Increases/decreases in trade receivables		77.507.038	(434.200.695)
Increases/decreases in other receivables		21.464.729	(66.636.691)
Changes in restricted deposits	7	72.446	-
Increases/decreases in trade payables		84.349.978	354.230.378
Increases/decreases in other payables		(6.180.316)	12.866.348
Cash flows from operating activities			
Current tax paid		(31.429.618)	(2.960.041)
Employment termination benefits paid/return		(673.508)	(1.781.542)
B. CASH FLOWS FROM INVESTING ACTIVITIES		209.383.256	104.703.120
Increases/decreases in financial investments		223.839.050	127.150.596
Proceeds from acquisition of associates	17	(938.195)	(10.350.000)
Cash inflow from sales of tangible assets	19	(14.166.492)	(9.167.305)
Dividend income	30	3.552.816	3.940.018
Cash outflow from purchases of intangible assets	20	(2.903.923)	(6.870.189)
C. CASH FLOWS FROM FINANCING ACTIVITIES		792.272.345	(137.362.207)
Proceeds from financial liabilities		140.127.163.752	167.313.778.230
Repayments of financial liabilities		(139.422.722.448)	(168.288.659.441)
Dividends paid	26	(55.061.608)	(78.312.602)
Change in time deposits with original maturities longer than three months		183.594.012	(133.246.847)
Change in other financial liabilities		63.010.465	16.210.194
Financing cash inflows from commercial paper		6.397.290.952	2.702.706.026
Financial cash outflows from commercial paper		(6.500.226.932)	(1.669.953.636)
Change in non-controlling interest		(775.848)	115.869
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		1.202.449.137	(169.086.825)
D. EFFECTS OF UNREALIZED EXCHANGE LOSS/ (GAIN) ON CASH AND CASH EQUIVALENTS		(1.957.114)	2.970.503
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		1.200.492.023	(166.116.322)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	7	2.729.195.588	2.895.311.910
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (A+B+C+D+E)	7	3.929.687.611	2.729.195.588

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

İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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 of 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 registered 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 Kule - 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 AŞ is the main shareholder with 67,23% shareholding. The equity shares of the Company are traded on the stock Exchange.

As at 31 December 2016, the Company has 358 employees (31 December 2015: 399).

As at 31 December 2016, the details of the Company's subsidiaries included in consolidation are as follows:

Subsidiaries:

Company	Place of incorporation	Business Activity
Efes Varlık Yönetim AŞ	İstanbul	Asset management
İş Girişim Sermayesi Yatırım Ortaklığı AŞ(*)	İstanbul	Private equity
İş Portföy Yönetimi AŞ	İstanbul	Portfolio management
İş Yatırım Ortaklığı AŞ	İstanbul	Investment trust
Is Investments Gulf Ltd.	Dubai	Securities brokerage
Maxis Investments Ltd.	Londra	Securities brokerage

(*) İş Girişim Sermayesi Yatırım Ortaklığı AŞ'nin bağlı ortaklıklarına Not 2.1'de yer verilmiştir.

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:

Efes Varlık Yönetim AŞ:

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

İş Girişim Sermayesi Yatırım Ortaklığı AŞ ("İş Girişim Sermayesi"):

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

İş Portföy Yönetimi AŞ:

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 the Capital Markets Law and the related regulation. This participation offers only portfolio management and investment advisory services within the context of capital market activities to institutional investors.

İş Yatırım Ortaklığı AŞ (Previous Title: İş B Tipi Yatırım Ortaklığı AŞ):

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

Is Investments Gulf Ltd.:

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

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

Maxis Investments Ltd.:

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

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 have the authority on strategic, financial and operational decisions of joint ventures by these agreements. The details of Group's associates as at 31 December 2016 are as follows:

Company Name	Type of Services	Main services issues
Radore Veri Hizmetleri AŞ ("Radore")	Data services	Information technology sector, data center management and other works written in the main contract.
Mika Tur Seyahat Acenteliği ve Turizm AŞ ("Mika Tur")	Tourism	Travel Agency

Associate

The Group invested in Radore Veri Hizmetleri AŞ with a consideration of TL 17,500,000 on 2 October 2014 and Mika Tur Seyahat Acenteliği ve Turizm AŞ with a consideration of TL 11,288,195 on 6 November 2015 and 22 September 2016.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of presentation

Financial reporting standarts

Approval of Consolidated Financial Statements

The Group's consolidated financial statements as at and for the year then ended 31 December 2016 have been approved by the Board of Directors and authorization for issue has been given on 30 January 2017. The General Assembly has the authority to amend the consolidated financial statements after publishing.

Preparation of Consolidated Financial Statements and Statement of Compliance to 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 2016 have been prepared in accordance with the resolution numbered 20/670 "Announcement on Financial Statement and Disclosure Formats" published by the CMB on 7 June 2013.

İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

2.1. Basis of Presentation (cont'd)

Financial Reporting Standards (cont'd)

Policy Resolutions Promulgated by the POA

Board Policy Resolutions are published by the POA to apply Turkish Accounting Standards for companies preparing their financial statements. "Illustrative Financial Statement and User Guide" became effective as of the date of publication but other decisions have been implemented as effective from 31 December 2012 after the annual reporting period.

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

2013-1 Illustrative Financial Statement and User Guide

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.

2013-2 Accounting for Business Combinations Under Common Control

- i) Combination of entities under common control should be recognized using the pooling of interest method
- ii) Thus, goodwill should not be included in the financial statements and
- iii) 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. The resolution have no effect on the Group's consolidated financial statements.

The resolution have no effect on the Group's consolidated financial statements.

2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on classification and measurement of the redeemed share certificates and on principles for recognition. The resolution have no effect on the Group's consolidated financial statements.

2013-4 Accounting of Cross Shareholding Investments

If a subsidiary of a parent entity holds shares of the parent, then this is defined as cross shareholding investment and accounting of this shareholding 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 39 and TFRS 9 by the parent.

The resolution have no effect on the Group's consolidated financial statements.

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.

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

2.1 Basis of Presentation (cont'd)

Financial Reporting Standards (cont'd)

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.

Foreign currency exchange rates used by the Group are as follows:

	31 Dec 2016	31 Dec 2015
USD	3,5192	2,9076
EURO	3,7099	3,1776
GBP	4,3189	4,3007

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 controls ends.

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 are as follows:

Subsidiaries	Ownership as at 31 Dec 2016	Ownership as at 31 Dec 2015
Efes Varlık Yönetim AŞ	74,00%	74,00%
İş Girişim Sermayesi Yatırım Ortaklığı AŞ	30,49%	30,49%
İş Portföy Yönetimi AŞ	70,00%	70,00%
İş Yatırım Ortaklığı AŞ	29,58%	29,58%
Is Investments Gulf Ltd.	100,00%	100,00%
Maxis Investments Ltd.	100,00%	100,00%
Nevotek Bilişim Ses ve İletişim Sis. San. ve Tic. AŞ ("Nevotek")(*)	81,24%	81,24%
Ortopro Tıbbi Aletler Sanayi ve Ticaret AŞ ("Ortopro")(*)	83,64%	83,64%
Toksöz Spor Malzemeleri Ticaret AŞ ("Toksöz Spor")(*)	55,00%	55,00%
Num Num Yiyecek ve İçecek AŞ ("Num Num")(*)	83,00%	61,66%

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

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

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

İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

2.1 Basis of Presentation (cont'd)

Basis of Consolidation (cont'd)

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:

Share on capital (%)				
Associates	Place of incorporation	31 December 2016	31 December 2015	Associates
Radore (*)	Turkey	25,50	25,50	Radore (*)
Mika Tur(*)	Turkey	20,00	20,00	Mika Tur(*)

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

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.

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

2.1 Basis of Presentation (cont'd)

Basis of Consolidation (cont'd)

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.

İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

2.2. Changes in the Accounting Estimates and Errors

TL 2,885,636 presented in General Administrative Expenses in the profit and loss account for the year ended 31 December 2015 has been classified under "Marketing Expenditures for Publishing and Advertisements" account.

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

2.3. Basis of presentation of the consolidated financial statements

Standards and interpretations issued but not yet effective

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 9 - Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 15 Revenue from Contracts with Customers

As issued in September 2016, the new standard replaces existing IFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to IFRS by the POA, thus they do not constitute part of IFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under IFRS.

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

2.3. Basis of presentation of the consolidated financial statements (cont'd)

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA (cont'd)

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group. After balance sheet date, on 19 January 2017, the "Turkish Financial Reporting Standard for Financial Instruments (TFRS 9) (Sequence no: 55) has been published.

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 16 Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The amendments clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**2.3. Basis of presentation of the consolidated financial statements (cont'd)**

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA (cont'd)

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

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

2.3. Basis of presentation of the consolidated financial statements (cont'd) Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014-2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1 "First Time Adoption of International Financial Reporting Standards"

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters related to disclosures for financial instruments, employee benefits and consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities"

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

IAS 28 "Investments in Associates and Joint Ventures"

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

2.4. Comparative Figures

The consolidated financial statements of the Group include 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.

2.5. Summary of Significant Accounting Policies

The Group's accounting policies used in the preparation of these consolidated financial statements as at 31 December 2016 except new standards beginnings from 1 January 2016 and the adoption of amendments are consistent with the accounting policies which was used for the year ended 31 December 2016 annual consolidated financial statements.

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.

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

2.5. 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 economical 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.

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 entity believes that the payment amount is collectible and there is sufficient evidence that the amount of revenue can be measured.

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

2.5. Summary of Significant Accounting Policies (cont'd)

Revenue: (cont'd)

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.

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
Furnitures 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.

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

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

Tangible Assets *(cont'd)*

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.

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

2.5. Summary of Significant Accounting Policies (cont'd)

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.

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.

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

2.5. 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.

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.

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

2.5. 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.

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".

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.

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.

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

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

Financial Instruments *(cont'd)*

Available-for-sale financial assets *(cont'd)*

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.

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

2.5. Summary of Significant Accounting Policies (cont'd)

Financial Instruments: (cont'd)

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.

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.

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

2.5. Summary of Significant Accounting Policies (cont'd)

Financial Instruments: (cont'd)

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 can not 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.

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 indexed 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.

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

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

Financial Instruments: *(cont'd)*

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.

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

2.5. 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 TFRS 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 TFRS 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 profit or loss 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.

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)

2.5. 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 economical 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 5).

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

2.5. 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.

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

2.5. Summary of Significant Accounting Policies (cont'd)

Employee Benefits / Retirement Pay Liability:

Retirement pay liability

As at 31 December 2016, the maximum ceiling amount for employee severance indemnity is TL 4.297 (31 December 2015: TL 3.828). As disclosed in Note 24, 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. 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.

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

2.5. 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.

2.6. Significant Accounting Judgements, Estimates and Assumptions

The preparation of consolidated financial statements requires management of Company 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.

Although it is not accounting policy change, Efes Varlık Yönetim AŞ, which is a subsidiary of the Company, accounted loan portfolio on an individual basis and positive differences are recognized in income statement since 1 January 2014.

There has not been significant change in estimates and assumptions of the Company management for the accounting policies adopted in the preparation of consolidated financial statements.

The preparation of consolidated financial statements in conformity with Communiqué requires management 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 11 – Trade receivables and payables
 - Note 17 – Investments in equity accounted investees
 - Note 18 – Goodwill(*)
 - Note 19 – Tangible assets
 - Note 20 – Intangible assets
 - Note 22 – Provisions, contingent assets and liabilities
 - Note 24 – Employee benefits
 - Note 34 – Tax assets and liabilities
 - Note 39 – Nature and level of risks related to financial instruments
 - Note 40 – 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

Disclosed in Note 17.

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4. GROUP ENTITIES

As of 31 December 2016 and 2015, summary financial information of the Group's subsidiaries is as follows:

	31 December 2016						Maxis Investments Ltd.
	İş Yatırım Ortaklığı AŞ	İş Portföy Yönetimi AŞ	İş Girişim Sermayesi Yatırım Ortaklığı AŞ	Efes Varlık Yönetim AŞ	İs Investments Gulf Ltd.	Investments Ltd.	
Non-Current Assets	52.426	18.883.103	108.850.004	1.053.047	79.421	2.415.989	
Current Assets	235.222.591	78.209.235	292.347.788	172.348.784	-	83.007.368	
Long Term Liabilities	192.989	384.352	59.354.490	270.872	-	-	
Short Term Liabilities	448.179	3.949.294	173.503.469	157.522.126	-	73.706.881	
Net Assets	234.633.849	92.758.692	168.339.833	15.608.833	79.421	11.716.476	
Carrying Value of Non-Controlling Interests	-	-	(4.513.221)	-	-	-	
Revenue	427.873.891	44.862.883	228.445.618	19.371.346	-	8.573.976	
Profit/(Loss)	19.192.930	16.445.676	(43.791.456)	(23.884.906)	(552.361)	(2.190.834)	
Non-Controlling Interests	-	-	(31.074.418)	-	-	-	
Total Comprehensive Income	19.178.583	16.378.720	(48.761.927)	(23.884.906)	-	(2.190.834)	
Comprehensive Income	-	-	-	-	-	-	
Cash Flows Related to Operating Activities	818.006	(5.621.610)	4.342.430	(23.169.149)	-	3.272.733	
Cash Flows Related to Investing Activities	-	29.125.600	(45.964.486)	(1.583.441)	-	(839.028)	
Cash Flows Related to Financing Activities	(20.074.911)	(11.533.606)	11.074.829	(7.546.594)	-	(1.520.745)	
Net Increase/(Decrease) on Cash and Cash Equivalents	18.133.268	31.091.711	31.164.476	(32.299.184)	-	912.959	

	31 December 2015						Maxis Investments Ltd.
	İş Yatırım Ortaklığı AŞ	İş Portföy Yönetimi AŞ	İş Girişim Sermayesi Yatırım Ortaklığı AŞ	Efes Varlık Yönetim AŞ	İs Investments Gulf Ltd.	Investments Ltd.	
Non-Current Assets	100.562	18.277.627	123.639.204	942.279	95.313	2.518.405	
Current Assets	238.068.602	74.169.920	301.198.238	214.782.169	476.226	87.416.640	
Long Term Liabilities	146.644	233.020	47.150.547	101.406.613	-	-	
Short Term Liabilities	2.492.343	4.300.949	161.450.519	67.224.110	-	74.968.607	
Net Assets	235.530.177	87.913.578	216.236.376	47.093.725	571.539	14.966.438	
Carrying Value of Non-Controlling Interests	-	-	10.537.488	-	-	-	
Revenue	469.969.766	34.868.200	238.401.777	50.574.783	-	11.703.424	
Profit/(Loss)	5.911.873	13.079.180	(35.700.853)	15.314.458	(1.184.827)	(4.541.820)	
Non-Controlling Interests	-	-	(11.262.727)	-	-	-	
Total Comprehensive Income	5.917.628	14.149.386	(26.192.798)	20.876.071	(1.184.827)	-	
Comprehensive Income	-	-	-	-	-	-	
Cash flows Related to Operating Activities	1.193.962	(3.748.044)	(22.179.164)	20.221.682	(938.065)	4.257.284	
Cash flows Related to Investing Activities	(53.172)	(24.692.650)	(38.631.402)	(493.633)	84.540	(1.196.794)	
Cash flows Related to Financing Activities	(30.032.066)	(9.001.711)	(35.115.0)	11.166.861	-	(3.245.158)	
Net Increase/(Decrease) on Cash and Cash Equivalents	21.869.716	(20.758.377)	(15.297.587)	(16.133.868)	(853.524)	13.815.801	

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5. SEGMENT REPORTING

Segments	Securities Brokerage		Investment Trust		Portfolio Management		Private Equity		Asset Management		Elimination Adjustments		Total	
	1 January-31 Dec 2016	31 Dec 2016	1 January-31 Dec 2016	31 Dec 2016	1 January-31 Dec 2016	31 Dec 2016	1 January-31 Dec 2016	31 Dec 2016	1 January-31 Dec 2016	31 Dec 2016	11 January-31 Dec 2016	31 Dec 2016	1 January-31 Dec 2016	31 Dec 2016
Revenue														
Sales revenue	46.772.797.095	409.550.349	5.723.146	228.445.618	-	-	-	-	-	-	(48.134)	47.416.468.074	-	-
Interest and derivative income from operating activities (net)	96.756.567	18.299.976	-	-	19.371.346	-	-	-	-	-	865.685	135.293.574	-	-
Services income (net)	155.105.902	23.566	39.139.737	-	-	-	-	-	-	-	(2.637.418)	191.631.787	-	-
Other operating income (net)	48.372.032	-	-	-	-	-	-	-	-	-	-	48.372.032	-	-
Cost of sales (-)	(46.771.793.217)	(405.007.561)	(3.475.201)	(159.083.248)	(14.725.420)	(1.265.890)	(47.352.818.757)	(553.977)	(4.38.946.710)	(235.517.462)	(116.979.125)	(3.327.481)	(188.400)	(16.907.013)
GROSS PROFIT/LOSS	301.238.379	22.866.330	41.387.682	69.362.370	4.645.926	(10.872.958)	(235.517.462)	(116.979.125)	(3.327.481)	(188.400)	(16.907.013)	71.841.908	(4.051.669)	(4.051.669)
Administrative expenses (-)	(157.686.275)	(2.907.216)	(28.399.999)	(35.919.586)	(10.872.958)	-	-	-	-	-	-	-	-	-
Marketing expenses (-)	(67.560.099)	(2.836.492)	(886.118)	(48.253.662)	-	-	-	-	-	-	-	-	-	-
Research and development expenses (-)	-	-	-	(3.327.481)	-	-	-	-	-	-	-	-	-	-
Other operating income	2.373.221	7	7.776	3.023.284	410.392	-	-	-	-	-	-	-	-	-
Other operating expenses (-)	(3.440.124)	(5.283)	-	(13.461.606)	-	-	-	-	-	-	-	-	-	-
OPERATING PROFIT/LOSS	74.925.101	17.117.346	12.109.341	(28.576.681)	(5.816.640)	(2.083.441)	(4.051.669)	(2.083.441)	(4.051.669)	(2.083.441)	(2.083.441)	(2.083.441)	(2.083.441)	(2.083.441)
Share of profit/(loss) of equity accounted investees	-	-	-	(4.051.669)	-	-	-	-	-	-	-	-	-	-
OPERATING PROFIT/LOSS BEFORE FINANCE COSTS	74.925.101	17.117.346	12.109.341	(32.628.350)	(5.816.640)	(2.083.441)	(4.051.669)	(2.083.441)	(4.051.669)	(2.083.441)	(2.083.441)	(2.083.441)	(2.083.441)	(2.083.441)
Finance income	38.418.005	2.075.584	8.815.945	22.143.184	3.099.938	-	-	-	-	-	-	-	-	-
Finance costs (-)	(9.680.736)	-	(614.541)	(35.043.318)	(211.68.204)	-	-	-	-	-	-	-	-	-
PROFIT OR LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS	103.662.370	19.192.930	20.310.745	(45.528.484)	(23.884.906)	(19.263.646)	(54.489.009)	(20.764.959)	(32.807.964)	(12.043.005)	(19.263.646)	(33.724.050)	(33.724.050)	(33.724.050)
Tax income/(expense) from continuing Operations	(18.636.917)	-	(3.865.070)	1.737.028	(45.528.484)	(19.263.646)	(54.489.009)	(20.764.959)	(32.807.964)	(12.043.005)	(19.263.646)	(33.724.050)	(33.724.050)	(33.724.050)
- Current tax expenses	(28.257.566)	-	(3.913.228)	(637.170)	-	-	-	-	-	-	-	-	-	-
- Deferred tax income / (expense)	9.620.649	-	48.158	2.374.198	-	-	-	-	-	-	-	-	-	-
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	85.025.453	19.192.930	16.445.675	(43.791.456)	(23.884.906)	(19.263.646)	(54.489.009)	(20.764.959)	(32.807.964)	(12.043.005)	(19.263.646)	(33.724.050)	(33.724.050)	(33.724.050)
PROFIT FOR DISCONTINUED OPERATIONS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PROFIT/(LOSS) FOR THE YEAR	85.025.453	19.192.930	16.445.675	(43.791.456)	(23.884.906)	(19.263.646)	(54.489.009)	(20.764.959)	(32.807.964)	(12.043.005)	(19.263.646)	(33.724.050)	(33.724.050)	(33.724.050)
Profit/(Loss) attributable to:														
Non-Controlling interests	-	13.789.836	4.933.703	(31.074.418)	(3.702.160)	(4.114.739)	(20.764.959)	(32.807.964)	(12.043.005)	(19.263.646)	(33.724.050)	(33.724.050)	(33.724.050)	(33.724.050)
Equity holders of the Company	85.025.453	5.403.094	11.511.972	(12.717.038)	(20.182.746)	(15.148.907)	(53.891.828)	(32.807.964)	(12.043.005)	(19.263.646)	(33.724.050)	(33.724.050)	(33.724.050)	(33.724.050)
Other informations														
Acquisition of tangible and intangible assets	3.211.042	-	823.055	12.416.241	620.077	-	17.070.415	-	-	-	-	-	-	-
Depreciation and amortization charges	(2.679.056)	(48.136)	(838.645)	(13.805.415)	(509.308)	-	(17.880.560)	-	-	-	-	-	-	-

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5. SEGMENT REPORTING (cont'd)

Segments	Securities	Investment	Portfolio	Private	Asset	Elimination	Total
	Brokerage	Trust	Management	Equity	Management	adjustments	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December
Balance sheet information	2016	2016	2016	2016	2016	2016	2016
Assets	5.773.640.967	235.275.017	97.092.338	401.197.792	173.401.831	(162.707.267)	6.517.900.678
Cash and cash equivalents	3.784.879.387	40.426.301	44.832.768	61.970.387	6.239.697	-	3.938.348.540
Financial investments (short term)	129.328.600	188.202.135	25.553.912	72.854.247	-	(14.999.874)	400.939.020
Financial investments (long term)	142.002.990	1	16.974.718	-	-	(124.194.821)	34.782.888
Trade receivables	1.523.437.315	6.574.149	7.026.358	72.868.853	151.109.752	(23.477.725)	1.737.538.702
Other receivables	105.597.971	10.616	102	1.136.685	2.761.309	-	109.506.683
Derivative instruments	24.892.330	-	-	-	-	-	24.892.330
Investment in equity accounted investees	-	-	-	21.883.553	-	-	21.883.553
Other assets	63.502.374	61.815	2.704.480	170.484.067	13.291.073	(34.847)	250.008.962
Liabilities	5.272.491.123	641.168	4.333.646	232.857.959	157.792.998	(30.542.322)	5.637.574.572
Financial liabilities	3.716.123.059	-	-	148.506.079	156.573.593	(7.064.597)	4.014.138.134
Other financial liabilities	11.964.131	-	-	-	-	-	11.964.131
Trade payables	1.385.806.248	189.750	23.006	58.311.247	821.969	(23.477.725)	1.421.674.495
Other payables	14.703.998	55.361	830.661	1.211.360	225.519	-	17.026.899
Derivative instruments	101.465.640	-	-	-	-	-	101.465.640
Other liabilities	42.428.047	396.057	3.479.979	24.829.273	171.917	-	71.305.273
Net assets	501.149.844	234.633.849	92.758.692	168.339.833	15.608.833	(132.164.945)	880.326.106

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5. SEGMENT REPORTING (cont'd)

Segments	Securities	Investment	Portfolio	Private	Asset	Elimination	Total
	Brokerage	Trust	Management	Equity	Management	Adjustments	
	31 December 2015	31 December 2015	31 December 2015	31 December 2015	131 December 2015	31 December 2015	31 December 2015
Revenue							
Sales Revenue	56.752.083.777	451.833.687	3.656.618	238.401.777	-	(42.948)	57.445.932.911
Interest and derivative income from operating activities,(net)	58.241.931	18.100.710	-	-	50.574.783	275.428	127.192.852
Services income (net)	107.644.062	35.369	31.211.582	-	-	(2.885.107)	136.005.906
Other operating income (net)	48.308.047	-	-	-	-	-	48.308.047
Cost of sales (-)	(56.736.620.030)	(462.403.047)	(3.204.743)	(170.811.959)	(8.163.082)	1.295.715	(57.379.907.146)
GROSS PROFIT/LOSS	229.657.787	7.566.719	31.663.457	67.589.818	42.411.701	(1.356.912)	377.532.570
Administrative expenses (-)	(154.738.286)	(2.424.387)	(22.800.997)	(35.380.359)	(11.733.472)	414.565	(226.662.936)
Marketing expenses (-)	(33.905.620)	(2.974.367)	(822.441)	(48.894.251)	-	2.634.362	(83.962.317)
Research and Development expenses (-)	-	-	-	(3.854.297)	-	-	(3.854.297)
Other operating income	4.223.886	132.873	14.758	4.411.856	96.097	(115.176)	8.764.294
Other operating expenses (-)	(2.456.085)	(3.880)	-	(14.727.799)	(61.111)	-	(17.248.875)
OPERATING PROFIT/LOSS	42.781.682	2.296.958	8.054.777	(30.855.032)	30.713.215	1.576.839	54.568.439
Share of profit of equity accounted investees	-	-	-	(734.104)	-	-	(734.104)
OPERATING PROFIT/LOSS BEFORE FINANCE COSTS	42.781.682	2.296.958	8.054.777	(31.589.136)	30.713.215	1.576.839	53.834.335
Finance income	22.547.529	3.614.915	8.564.581	17.997.011	3.182.296	(20.337.661)	35.568.671
Finance costs (-)	(11.141.327)	-	(288.214)	(25.653.453)	(18.581.053)	-	(55.664.047)
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS	54.187.884	5.911.873	16.331.144	(39.245.578)	15.314.458	(18.760.822)	33.738.959
Tax income/(expense) from continuing Operations	(11.623.350)	-	(3.251.964)	3.544.725	-	-	(11.330.589)
- Current tax expenses	-	-	(3.206.418)	(532.752)	-	-	(3.739.170)
- Deferred tax income / (expense)	(11.623.350)	-	(45.546)	4.077.477	-	-	(7.591.419)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	42.564.534	5.911.873	13.079.180	(35.700.853)	15.314.458	(18.760.822)	22.408.370
PROFIT FOR DISCOUNTED OPERATIONS	-	-	-	-	-	-	-
PROFIT/(LOSS) FOR THE YEAR	42.564.534	5.911.873	13.079.180	(35.700.853)	15.314.458	(18.760.822)	22.408.370
Profit/(loss) attributable to:							
Non-Controlling interests	-	4.247.593	3.923.754	(11.262.727)	2.373.741	(17.349.410)	(18.067.049)
Equity holders of the Company	42.564.534	1.664.280	9.155.426	(24.438.126)	12.940.717	(1.411.412)	40.475.419
	42.564.534	5.911.873	13.079.180	(35.700.853)	15.314.458	(18.760.822)	22.408.370
Other information							
Acquisition of tangible and intangible assets	6.418.127	53.172	540.679	8.531.882	493.634	-	16.037.494
Depreciation and amortization charges	(2.903.935)	(41.224)	(726.316)	(12.389.218)	(604.278)	-	(16.664.971)

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5. SEGMENT REPORTING (cont'd)

Segments	Securities Brokerage 31 December 2015	Investment Trust 31 December 2015	Portfolio Management 31 December 2015	Private Equity 31 December 2015	Asset Management 31 December 2015	Elimination Adjustments 31 December 2015	Total 31 December 2015
Balance sheet information							
Assets	4.953.992.558	238.169.164	92.447.547	424.837.442	215.724.448	(143.931.498)	5.781.239.661
Cash and cash equivalents	2.666.043.484	22.199.300	13.893.610	30.805.910	876.671	-	2.733.818.975
Financial investments (short term)	372.499.557	214.908.850	52.610.464	105.677.484	37.945.693	(15.283.575)	768.358.473
Financial investments (long term)	142.247.531	1	16.419.913	10.011.350	-	(124.139.821)	44.538.974
Trade receivables	1.569.640.004	952.570	7.198.966	79.761.017	161.966.438	(4.473.255)	1.815.045.740
Other receivables	134.280.439	-	-	567.289	2.664.252	-	137.511.980
Derivative instruments	18.912.372	-	-	7.432	-	-	18.919.804
Investments in equity accounted investees	-	-	-	25.013.453	-	-	25.013.453
Other assets	50.369.171	108.443	2.324.594	172.993.507	12.271.394	(34.847)	238.032.262
Liabilities	4.499.856.124	2.638.987	4.533.969	208.601.066	168.630.723	(11.228.857)	4.873.032.012
Financial liabilities	3.106.195.048	-	-	137.128.892	167.758.454	(6.755.602)	3.404.326.792
Other financial liabilities	12.959.974	-	-	-	-	-	12.959.974
Trade payables	1.292.059.230	2.278.057	-	47.456.339	-	(4.469.109)	1.337.324.517
Other payables	12.669.646	43.531	741.835	8.114.464	721.933	-	22.291.409
Derivative instruments	37.459.332	-	-	-	-	-	37.459.332
Other liabilities	38.512.894	317.399	3.792.134	15.901.371	150.336	(4.146)	58.669.988
Net assets	454.136.434	235.530.177	87.913.578	216.236.376	47.093.725	(132.702.641)	908.207.649

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6. RELATED PARTY TRANSACTIONS

The immediate parent and ultimate controlling party of the Group is Türkiye İş Bankası AŞ 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 Türkiye İş Bankası AŞ	31 December 2016	31 December 2015
Demand Deposits	51.038.507	58.488.139
Times Deposits	675.853.674	333.778.418
	726.892.181	392.266.557

Borrowings from Türkiye İş Bankası AŞ	31 December 2016	31 December 2015
Loans	128.221.686	123.341.021
	128.221.686	123.341.021

İş Finansal Kiralama AŞ	31 December 2016	31 December 2015
Leasing debt	307.972	1.193.593
	307.972	1.193.593

İş Faktoring AŞ	31 December 2016	31 December 2015
Factoring debt	9.192.693	13.577.018
	9.192.693	13.577.018

Balances with related parties	31 December 2016			
	Receivables		Receivables	
	Trading	Trading	Trading	Trading
İş Merkezleri Yönetim ve İşletim AŞ	-	10.616	3.676	199.470
Türkiye İş Bankası AŞ	100.164	-	444.789	266.944
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İlet. Hiz. AŞ	-	-	118	3.168.202
Borsa İstanbul AŞ	1.807	-	1.038.615	-
Anadolu Anonim Türk Sigorta Şirketi	-	-	46.767	8.001
Anadolu Hayat Emeklilik AŞ	4.956.589	-	-	-
Türkiye Şişe ve Cam Fabrikaları AŞ	63.104	-	-	-
Trakya Cam San. AŞ	164.302	-	-	-
ATT Technology Management BV	-	-	7.752	-
Anadolu Cam Sanayii AŞ	76.229	-	-	-
İstanbul Takas ve Saklama Bankası AŞ	33	8.115.936	214.946	-
Yatırım Finansman Menkul Değerler AŞ	-	-	22.257	-
Turkishfund (SICAV) Fonları	173.942	-	-	-
Soda Sanayii AŞ	33.601	-	-	-
Other	1.362.402	150	91	37.786
	6.932.173	8.126.702	1.779.011	3.680.403

The amount of TL 312.853 of non-trading payables to related parties refers to expense accruals presented in other current liabilities.

6. RELATED PARTY TRANSACTIONS (cont'd)

Balances with related parties	31 December 2015			
	Receivables		Receivables	
	Trading	Trading	Trading	Trading
İş Merkezleri Yönetim ve İşletim AŞ	-	-	-	184.019
Türkiye İş Bankası AŞ	186.539	150	375.764	1.097.039
İş Gayrimenkul Yatırım Ortaklığı AŞ	34.589	-	-	-
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İlet. Hiz. AŞ	-	-	-	3.441.292
Borsa İstanbul AŞ	4.089	-	899.438	-
İş Faktoring AŞ	-	-	2.290.032	-
Anadolu Anonim Türk Sigorta Şirketi	248.325	-	4.624	27.414
Anadolu Hayat Emeklilik AŞ	5.107.318	-	-	-
Trakya Cam San. AŞ	59.553	-	-	-
ATT Technology Management BV	-	-	32.712	-
Milli Reasürans TAŞ	199.968	-	-	-
Anadolu Cam Sanayii AŞ	26.250	-	-	-
İstanbul Takas ve Saklama Bankası AŞ	211.680	6.613.133	159.429	-
Yatırım Finansman Menkul Değerler AŞ	-	-	41.251	-
Turkishfund (SICAV) Fonları	180.503	-	-	-
Türkiye İş Bankası Kültür Yayınları İş - Türk Ltd. Şti.	-	-	-	342
Other	1.158.239	-	1.081	-
	7.417.053	6.613.283	3.804.331	4.750.106

The amount of TL 1.120.367 of non-trading payables to related parties refers to expense accruals presented in other current liabilities.

Related party transactions (income)	1 January- 31 December 2016			
	Fee and broke- rage commis- sion income	Interest inco- me on time deposits	Dividend received	Other
Türkiye İş Bankası AŞ	21.953.265	43.911.851	182.882	856.062
Anadolu Hayat Emeklilik AŞ	18.957.571	-	-	-
Anadolu Anonim Türk Sigorta Şirketi	682.744	-	-	-
Camiş Yatırım Holding AŞ	168	-	-	-
Milli Reasürans T.AŞ	422.939	-	-	1.878
İş Gayrimenkul Yatırım Ortaklığı AŞ	1.902.825	195.166	782.696	3.421
Türkiye Sınai Kalkınma Bankası AŞ	-	140.486	12.500	-
İş Faktoring AŞ	734.614	18.091	-	-
T.Şişecam Fab.AŞ Ve İşt. Sos.Göv.Ve Blm. Araş.Vakfı	14.203	-	-	-
T.Şişe ve Cam Fabrikaları AŞ	369.186	-	-	-
İş Finansal Kiralama AŞ	2.513.080	113.515	91.007	-
İstanbul Takas ve Saklama Bankası A.Ş	-	-	655.875	-
Efes Holding AŞ	41.058	-	-	-
Turkishfund (SICAV) Fonları	683.883	-	-	-
Tecim Yapı Elemanları İnş.Ser.AŞ	51.349	-	-	-
Trakya Cam San. AŞ	3.084.531	-	105.989	-
Denizli Cam Sanayi Ve Ticaret AŞ	14.000	-	-	-
Soda Sanayii AŞ	124.794	-	-	-
Anadolu Cam Sanayii AŞ	1.033.329	-	-	-
Other	14.835.921	-	-	-
	67.419.460	44.379.109	1.830.949	861.361

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1 January - 31 December 2015				
Related party transactions (income)	Fee and broke- rage commis- sion income	Interest income on time deposits	Dividend received	Other
Türkiye İş Bankası AŞ	15.380.341	15.615.326	37.907	907.115
Anadolu Hayat Emeklilik AŞ	16.880.467	-	-	-
Anadolu Anonim Türk Sigorta Şirketi	894.505	-	-	-
Camiş Yatırım Holding AŞ	897	-	-	-
Milli Reasürans TAŞ	608.566	-	-	-
İş Gayrimenkul Yatırım Ortaklığı AŞ	86.803	277.114	713.869	-
Türkiye Sınai Kalkınma Bankası AŞ	110.635	-	4.800	-
İş Faktoring AŞ	729.042	272.830	-	-
T.Şişecam Fab.AŞ Ve İşt. Sos.Güv.Ve Blm. Araş.Vakfı	15.422	-	-	-
T.Şişe ve Cam Fabrikaları AŞ	123.059	-	-	-
İş Finansal Kiralama AŞ	1.203.870	1.417.916	68.255	-
İş Net Elek.Bilg.Ür.Tic.AŞ	158	-	-	-
Yatırım Finansman Menkul Değerler AŞ	112	-	-	-
İstanbul Takas ve Saklama Bankası A.Ş	-	-	524.700	-
Efes Holding AŞ	41.624	-	-	-
Turkishfund (SICAV) Fonları	790.431	-	-	-
Tecim Yapı Elemanları İnş.Ser.AŞ	11.624	-	-	-
Trakya Cam San. AŞ	66.192	-	-	-
Nemtaş Nemrut Liman İşletmeleri AŞ	27.902	-	-	-
Anadolu Cam Sanayii AŞ	1.073.662	-	-	-
Other	6.556.961	-	970.697	-
	44.602.273	17.583.186	2.320.228	907.115

Compensation of key management personnel	1 January- 31 December 2016	1 January- 31 December 2015
Salaries and other short-term benefits	21.764.845	21.324.361
	21.764.845	21.324.361

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6. RELATED PARTY TRANSACTIONS (cont'd)

	1 January- 31 December 2016									
	Letters of guarantee commission expenses	Custody commission expenses	Interest on borro- wings	Other interest expenses	Transaction commission expenses	Personnel insurance contribu- tion	Office insurance expenses	Rent expenses	Admi- nistrative expenses	Technical service and consultancy expenses
Türkiye İş Bankası AŞ	296.682	2.218.389	14.947.918	167.343	5.633.901	-	-	2.306.303	58.806	64.995
İş Gayrimenkul Yatırım Ortaklığı AŞ	-	-	-	-	-	-	56.640	6.331.974	-	-
T.Şişecam Fab.AŞ Ve İşt. Sos.Güv.Ve Bil. Araş.Vakfı	-	-	-	1.767	-	-	-	-	-	-
Anadolu Anonim Türk Sigorta Şirketi	-	-	-	-	-	1.529.976	107.365	-	-	-
Anadolu Hayat Emeklilik AŞ	-	-	-	-	-	637.999	-	-	-	-
İş Merkezleri Yönetim ve İşletim AŞ	-	-	-	192	-	-	-	-	3.283.514	-
İş Net Elektronik Bilgi Ür. Dağ. Tic. ve İlet. Hiz. AŞ	-	-	-	-	-	-	-	-	12.964	1.443.132
İş Faktoring AŞ	-	-	727.087	-	-	-	-	-	-	-
İş Finansal Kiralama AŞ	-	-	131.841	-	-	-	-	-	-	-
İstanbul Takas ve Saklama Bankası AŞ	-	2.209.791	11.025.792	-	-	-	-	-	-	-
Türkiye İş Bankası AŞ Mensupları	-	-	-	-	-	-	-	-	-	-
Em. Sandığı Vakfı	-	-	-	-	-	-	-	497.428	-	-
Milli Reasürans TAŞ	-	-	-	69.718	-	-	-	-	-	-
Yatırım Finansman Menkul Değerler AŞ	-	-	-	-	367.204	-	-	-	-	-
ATT Technology Management BV	-	-	-	-	-	-	-	-	-	53.960
Paşabağçe Mağazaları AŞ	-	-	-	-	-	-	-	-	8.307	-
Borsa İstanbul AŞ	-	-	-	-	13.793.823	-	-	-	-	-
Türkiye İş Bankası Kültür Yayınları İş - Türk Ltd. Şti.	-	-	-	-	-	-	-	-	100.703	-
Soft-Tech Yazılım Tekn. Araş. Gel. ve Paz. Tic. AŞ	-	-	-	-	-	-	-	-	-	73.321
	296.682	4.428.180	26.832.638	239.020	19.794.928	2.167.975	164.005	9.135.705	3.464.294	1.635.408

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6. RELATED PARTY TRANSACTIONS (cont'd)

	1 January- 31 December 2015									
	Letters of guarantee commission expenses	Custody commission expenses	Interest on borro- wings	Other interest expenses	Transaction commission expenses	Personnel insurance expenses	Office in- surance	Rent ex- penses	Admi- nistrative expenses	Technical service and consultancy expenses
Related party transactions (expenses)	178.564	2.056.574	15.900.220	132.025	4.452.434	-	-	2.091.411	326.798	95.504
Türkiye İş Bankası AŞ	-	-	-	-	-	-	-	5.926.737	-	-
İş Gayrimenkul Yatırım Ortaklığı AŞ	-	-	-	-	-	-	52.705	-	-	-
Anadolu Anonim Türk Sigorta Şirketi	-	-	-	-	-	1.587.010	10.731	-	-	-
Anadolu Hayat Emeklilik AŞ	-	-	-	-	-	600.210	-	-	-	-
İş Merkezleri Yönetim ve İşletim AŞ	-	-	-	-	-	-	-	-	2.916.673	12.109
İş Net Elektronik Bilgi Ür. Dağ. Tic. ve İlet. Hiz. AŞ	-	-	-	-	-	-	-	-	-	737.055
İş Faktoring AŞ	-	-	1.065.587	-	-	-	-	-	-	-
İş Finansal Kiralama AŞ	-	-	221.065	-	-	-	-	-	-	-
İstanbul Takas ve Saklama Bankası AŞ	-	1.576.996	5.347.398	-	-	-	-	-	-	-
Türkiye İş Bankası AŞ Mensupları	-	-	-	-	-	-	-	-	-	-
Em. Sandığı Vakfı	-	-	-	-	-	-	-	449.088	-	-
Milli Reasürans T.AŞ	-	-	-	106.814	-	-	-	233.350	-	-
Yatırım Finansman Menkul Değerler AŞ	-	-	-	-	274.440	-	-	-	-	-
ATT Technology Management BV	-	-	-	-	-	-	-	-	-	-
Paşabahçe Mağazaları AŞ	-	-	-	-	-	-	-	-	10.107	-
Borsa İstanbul AŞ	-	-	-	-	11.206.785	-	-	-	-	-
Türkiye İş Bankası Kültür Yayınları İş - Türk Ltd. Şti.	-	-	-	-	-	-	-	-	342	-
SoftTech Yazılım Tekn. Araş. Gel. ve Paz. Tic. AŞ	-	-	-	-	-	-	-	-	-	3.792
	178.564	3.633.570	22.534.270	238.839	15.933.659	2.187.220	63.436	8.700.586	3.253.920	908.530

7. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash	204.490	44.581
Cash at banks	3.894.168.530	2.711.376.109
Demand deposits	99.827.832	63.931.980
Time deposits (with maturities less than three months)	3.794.340.698	2.647.444.129
Type B mutual funds	-	33.372
Receivable from reverse repurchase agreements	16.362.277	15.537.453
Other cash equivalents	2.828.687	2.908.846
Receivables from money market placements	24.784.556	3.918.614
	3.938.348.540	2.733.818.975

Cash and cash equivalents in the Group's consolidated statement of cash flows as at 31 December 2016 and 31 December 2015 are presented by netting off interest accruals and time deposits:

	31 December 2016	31 December 2015
Cash and cash equivalents	3.938.348.540	2.733.818.975
Interest accrual	(8.733.375)	(4.623.387)
Restricted deposits	72.446	-
	3.929.687.611	2.729.195.588

Maturities and interest rates of time deposits as at 31 December 2016 and 31 December 2015 are as follows:

31 December 2016				
	Interest Rate(%)	Maturity	Currency Type	Amount (TL)
Time deposit in FX	3,50-3,65	05.01.2017-08.02.2017	USD	565.852.168
Time deposit in FX	1,80-2,35	03.01.2017-05.07.2017	EUR	3.004.814.961
Time deposit in FX	0,94-1,30	06.01.2017-08.03.2017	GBP	9.501.580
Time deposit in TL	8,10-11,50	02.01.2017-28.03.2017	TL	205.521.170
Money market placements	10,10-11,00	02.01.2017-26.01.2017	TL	24.702.000
Interest accrual				8.733.375
				3.819.125.254

31 December 2015				
	Interest Rate (%)	Maturity	Currency Type	Amount (TL)
Time deposit in FX	2,95	22.03.2016	USD	4.841.154
Time deposit in FX	1,40-2,33	04.01.2016-16.03.2016	EUR	2.106.371.955
YP vadeli mevduat	1,31-1,50	15.01.2016-17.03.2016	GBP	12.472.030
Time deposit in TL	11,80-14,00	04.01.2016-08.04.2016	TL	519.137.217
Interest accrual	12,25-15,25	04.01.2016	TL	3.917.000
Time deposit in FX				4.623.387
				2.651.362.743

31 December 2016				
	Interest Rate (%)	Maturity	Cost	Carrying Value
Reverse repurchase agreement	6,87-11,40	02.01.2017	16.354.000	16.362.277
				16.362.277

31 December 2015				
	Interest Rate (%)	Maturity	Cost	Carrying Value
Reverse repurchase agreement	4,71-10,42	04.01.2016	15.527.532	15.537.453
				15.537.453

8. FINANCIAL INVESTMENTS

	31 December 2016	31 December 2015
Current financial assets		
Time deposits with maturities more than three months	19.660.286	203.254.298
Financial assets at fair value through profit or loss	381.278.734	565.104.175
	400.939.020	768.358.473

	31 December 2016	31 December 2015
Non-current financial assets		
Time deposits with maturities more than three months	26.616.926	26.909.191
Held to maturity financial investments	8.165.962	17.629.783
	34.782.888	44.538.974

	31 December 2016	
Financial assets at fair value through profit or loss	Cost	Carrying value
Government bonds and treasury bills	32.863.879	33.756.103
Private sector bonds(*)	261.261.493	258.154.407
Equity shares	37.668.604	39.497.853
Foreign currency securities	-	-
Investment funds	45.807.291	49.870.371
	377.601.267	381.278.734

	31 December(*) 2015	
Financial assets at fair value through profit or loss	Cost	Carrying value
Government bonds and treasury bills	99.720.779	97.468.853
Private sector bonds(*)	375.428.993	372.506.636
Equity shares	44.722.427	42.050.226
Foreign currency securities	5.970.918	5.914.931
Investment funds	45.280.586	47.163.529
	571.123.703	565.104.175

(*) As of 31 December 2016, the Group has provided a provision amounting to TL 17.442.772 for the total of the registered value of private sector gross receivables that are defaulted in the principal and coupon payments.

Annual interest rate ranges of government bonds and treasury bills held for trading purposes as at 31 December 2016 are 12,86%. (31 December 2015:for TL 10,27% and for USD 5,50%).

Marketable securities given as guarantees as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	
Government bonds and treasury bills given as guarantee	Cost	Carrying value
İstanbul Takas ve Saklama Bankası AŞ	5.603.583	5.396.651
Guarantees given to customers (securities lending activities)	3.769.676	3.641.478
	9.373.259	9.038.129

	31 December 2015	
Government bonds and treasury bills given as guarantee	Cost	Carrying value
İstanbul Takas ve Saklama Bankası AŞ	23.215.232	23.170.494
Guarantees given to customers (securities lending activities)	546.711	546.862
	23.761.943	23.717.356

8. FINANCIAL INVESTMENTS (cont'd)

The details of available for sale equity investments are as follows:

31 December 2016		
Financial assets available for sale	Ownership Rate (%)	Carrying value
Listed Entities		
İş Gayrimenkul Yatırım Ortaklığı AŞ	1,13	19.778.291
Unlisted Entities		
İstanbul Takas ve Saklama Bankası AŞ	0,87	3.692.583
Ege Tarım Ürünleri Lisanslı Depoculuk AŞ	10,05	1.540.045
Borsa İstanbul AŞ	0,38	1.589.123
Yatırım Finansman Menkul Değ. AŞ	0,06	16.884
		26.616.926
31 December 2015		
Financial assets available for sale	Ownership Rate (%)	Carrying value
Listed Entities		
İş Gayrimenkul Yatırım Ortaklığı AŞ	1,13	20.070.556
Unlisted Entities		
İstanbul Takas ve Saklama Bankası AŞ	0,87	3.692.583
Ege Tarım Ürünleri Lisanslı Depoculuk AŞ	10,05	1.540.045
Borsa İstanbul AŞ	0,38	1.589.123
Yatırım Finansman Menkul Değ. AŞ	0,06	16.884
		26.909.191

The details of the Group's government bonds classified as held to maturity financial assets are as follows:

31 December 2016			
Held to maturity financial assets	Cost	Fair Value	Carrying Value
Financial instruments	4.964.623	8.602.282	8.165.962
	4.964.623	8.602.282	8.165.962
31 December 2016			
Held to maturity financial assets	Cost	Fair Valueⁱ	Carrying Value
Financial instruments	14.970.923	18.140.554	17.629.783
	14.970.923	18.140.554	17.629.783

As at 31 December 2016, held to maturity securities the maturity nominal amount to TL 5.000.000 nominal value is 1 April 2020 (As at 31 December 2015, held to maturity securities the maturity nominal amount to 15.000.000, TL 5.000.000 nominal value is 1 April 2020 and TL 10.000.000 nominal is 26 December 2016.).

The fair values of financial assets held to maturity presented in the above table for presentation purposes are determined according to Level 1.

9. FINANCIAL LIABILITIES

Financial Payables	31 December 2016	31 December 2015
Payables to Stock Exchange Money Market	2.333.963.000	1.598.413.000
Payables from bills	1.139.938.203	1.242.874.183
Short-term bank borrowings	319.973.300	311.930.812
Long-term bank borrowings	162.289.612	133.900.419
Short-term portion of long term bank loans	15.035.496	79.632.846
Short-term factoring payables	13.460.719	15.576.328
Interest accruals on payables to Stock Exchange Money Markets	13.278.427	7.974.926
Accrued interest on bank borrowings	14.569.500	11.566.984
Long-term finance lease liabilities	882.480	1.414.970
Short-term portion of long-term finance lease liabilities	747.397	1.042.324
	4.014.138.134	3.404.326.792

Short-term factoring liabilities amounting to TL 13.460.719 in financial liabilities amounting to TL 9.882.158 are denominated in US Dollars and amounts in the amount of EUR 507.401 are denominated in EUR.

As at 31 December 2016 and 31 December 2015, interest rates and maturities of bank borrowings are as follows:

31 December 2016					
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Principal	497.298.408	TL	9,60-16,50	02.01.2017-15.06.2021	497.298.408
Interest accrual	14.569.500	TL			14.569.500
	511.867.908				511.867.908
31 December 2015					
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Principal	525.464.077	TL	7,85-16,50	04.01.2016-10.06.2020	525.464.077
Interest accrual	11.566.984	TL			11.566.984
	537.031.061				537.031.061

As at 31 December 2016 and 31 December 2015, interest rates and maturities of payables to stock exchange money market are as follows:

31 December 2016					
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Principal	2.333.963.000	TL	8,75-11,30	02.01.2017-06.02.2017	2.333.963.000
Interest accrual	13.278.427	TL			13.278.427
	2.347.241.427				2.347.241.427
31 December 2015					
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Anapara	1.598.413.000	TL	12,00-15,15	04.01.2016-19.02.2016	1.598.413.000
Faiz tahakkuku	7.974.926	TL			7.974.926
	1.606.387.926				1.606.387.926

9. FINANCIAL LIABILITIES (cont'd)

Interest rates and maturities of payables to stock exchange money market are as follows:

31 December 2016		
	Future minimum lease payments	Present value of minimum lease payments
0-1 year	930.699	747.397
1-2 years	791.563	701.809
2-5 years	195.133	180.671
Future financial expenses	(287.518)	
Present value of leasing liabilities	1.629.877	1.629.877
Debts payable within 12 months (presented in short term liabilities)		
Debts payable after 12 months		(747.397)
12 aydan sonra ödenecek borçlar		882.480
31 December 2015		
	Future minimum lease payments	Present value of minimum lease payments
0-1 year	1.325.615	1.042.324
1-2 years	896.615	713.313
2-5 years	805.873	701.657
Future financial expenses	(570.809)	-
Present value of leasing liabilities	2.457.294	2.457.294
Debts payable within 12 months (presented in short term liabilities)		(1.042.324)
Debts payable after 12 months		1.414.970

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 TL is range between 10,94%-16,40% (31 December 2015: Average yearly effective interest rate for contracts in Euro is 11,00%, for contracts in US Dollar is 8,00%, for contracts in TL range between 10,94%-24,39%).

10. OTHER FINANCIAL LIABILITIES

	31 December 2016	31 December 2015
Liabilities from short selling transactions (*)	11.964.131	12.959.974
	11.964.131	12.959.974

(*) As of 31 December 2016, liabilities from short selling transactions comprised of share certificates having nominal value amounting TL 2.322.866 (31 December 2015: TL 1.644.070).

11. TRADE RECEIVABLES AND PAYABLES

	31 December 2016	31 December 2015
Current trade receivables		
Receivables from customers	431.267.900	411.859.377
Receivables from clearing houses on derivative transactions	506.150.455	500.393.919
Receivables from credit customers	324.146.870	442.155.694
Receivables from clearing houses	297.826.758	268.507.451
Purchase of nonperforming loans	151.109.752	161.966.438
Due from related parties	6.932.173	7.417.053
Commission and fund management fee receivables	699.374	681.782
Other trade receivables	19.405.420	22.064.026
Doubtful trade receivables	20.404.871	12.586.145
Provisions for doubtful trade receivables (-)	(20.404.871)	(12.586.145)
	1.737.538.702	1.815.045.740

As at 31 December 2016, the average interest rates applied to customers on margin trading are 13,24% (31 December 2015: 15,02%).

As at 31 December 2016, 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 501.572.580 (31 December 2015: TL 887.472.925).

As at 31 December 2016, the Group holds letters of guarantee with an amount of TL 121.572.697 in relation to the derivative transactions of its customers (31 December 2015: TL 94.631.645).

	31 December 2016	31 December 2015
Doubtful Trade Payables Transactions		
Opening balance	12.586.145	5.456.626
Opening correction	266.204	-
Provisions for the year	9.320.918	10.664.257
Cancelled provisions	(1.264.448)	(1.709.535)
Receipts	(503.948)	(1.825.203)
Closing balance	20.404.871	12.586.145

	31 December 2016	31 December 2015
Short term trade payables		
Payables to customers	752.808.893	695.966.676
Payables to clearing houses on derivative transactions	560.461.476	494.066.580
Payables to clearing house	48.430.559	101.784.655
Trade payables	55.585.547	36.691.025
Due to related parties	1.779.011	3.804.331
Other trade payables	2.373.491	5.011.250
	1.421.438.977	1.337.324.517

	31 December 2016	31 December 2015
Long term trade payables		
Trade payables	235.518	-
	235.518	-

12. OTHER RECEIVABLES AND PAYABLES

	31 December 2016	31 December 2015
Other current receivables		
Deposits and guarantees given	88.152.250	109.010.557
Collaterals given for futures	9.514.430	17.827.800
Due from related parties (Note 6)	8.126.552	6.613.133
Other receivables	3.006.111	3.130.505
	108.799.343	136.581.995

	31 December 2016	31 December 2015
Other non-current receivables		
Deposits and guarantees given	236.530	929.835
Due from related parties (Note 6)	150	150
Other receivables	470.660	-
	707.340	929.985

	31 December 2016	31 December 2015
Other short-term payables		
Taxes and fund payables	12.186.121	9.967.556
Due to related parties (Note 6)	1.189.025	1.002.929
Other payables	1.247.709	7.086.019
	14.622.855	18.056.504

	31 December 2016	31 December 2015
Other long-term payables		
Other payables	225.519	1.608.095
Due to related parties (Note 6)	2.178.525	2.626.810
	2.404.044	4.234.905

13. RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

Since the Group operates in finance sector, this account item has not been used.

14. INVENTORIES

	31 December 2016	31 December 2015
Inventories		
Trading goods and other inventories, net	68.476.571	72.241.328
	68.476.571	72.241.328

15. BIOLOGICAL ASSETS

None (31 December 2015: None).

16. ASSETS RELATED TO ONGOING CONSTRUCTION CONTRACTS

None (31 December 2015: None).

17. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

As at 31 December 2016 and 31 December 2015, the details of the Group's associates and joint ventures are as follows:

Other short-term payables	Shareholding interest (%)		
	31 December 2016	31 December 2015	Main business area
Radore	25,50	25,50	Data Services
Mika Tur	20,00	20,00	Travel Agency

Summary financial information of the Group's associate is as follows:

	31 December 2016	31 December 2015
The Group's share in associate's net assets	(213.181)	3.694.628
Goodwill in equity accounted investees	7.607.415	17.957.415
Intangible assets	14.489.319	3.361.410
Investments in equity accounted investees	21.883.553	25.013.453

Goodwill in equity accounted investees:

	31 December 2016	31 December 2015
Associates and joint ventures		
Radore	7.607.415	7.607.415
Mika Tur	-	10.350.000
Total	7.607.415	17.957.415

	1 January 31 December 2016	1 January 31 December 2015
Revenue	237.283.587	9.526.814
Profit/(Loss) for the period	(17.841.897)	(2.666.576)
The Group's share in the profit/(loss) of associates	(4.051.669)	(734.104)

RADORE:

With the decision of the Board of Directors on 2 October 2014, the Group decided to participate in capital increase of Radore Veri Hizmetleri AŞ ("Radore") which operates in data center management of information technologies industry with TL 8.750.000 and to acquire 28,50% share of Radore by acquisition from existing shareholders for TL 8.750.000 provision and the Group has been authorized in this context. General Directorate signed a Capital Associates, Shares and Shareholders Agreement ("Agreement") with Doğuş SK Girişim Sermayesi Yatırım Ortaklığı AŞ which will invest the same amount and conditions, Radore and the existing shareholders of Radore and partnership transactions were completed on 1 December 2014. The Group sold 3% of its capital to Mustafa Selçuk Saraç on 29 July 2015

	31 December 2016	31 December 2015
Total assets	27.902.691	29.526.684
Total liabilities	(15.927.536)	(11.380.047)
Net assets	11.975.155	18.146.637
The Group's share in associate's net assets	2.120.900	3.694.628
Goodwill in equity accounted investees	7.607.415	7.607.415
Intangible assets	3.201.124	3.361.410
Investments in equity accounted investees	12.929.439	14.663.453

17. INVESTMENT IN EQUITY ACCOUNTED INVESTEEES (cont'd)

RADORE (cont'd):

	2016	2015
Balance at 1 January	14.663.453	17.208.918
Share of Profit/Loss of Equity Accounted Investees, Net of Income Tax	(1.573.728)	(734.000)
Change in goodwill in equity accounted investees because of share sale(*)	-	(894.990)
Decrease in the Group's share of net assets of subsidiaries because of share sale(*)	-	(521.015)
Decrease in the intangible assets because of share sale(*)	-	(395.460)
Amortization of intangible assets	(143.860)	-
Other	(16.426)	-
Balance at 31 December 2016	12.929.439	14.663.453

Mika Tur (Tatil Budur):

The Company has acquired the shares representing 20% of the paid-in capital of Tatil Budur from its shareholders Ahmet Kara, Beşir Kara, Çetin Yılmaz, Timuçin Kuş, Gencer Öztürk and Derya Bülent Kuş on 6 November 2015 in return for a purchase price which is to be determined by share price adjustment mechanisms stated on the purchase contract. The Company has acquired 20% shareholding in Tatil Budur in return for TL 11.5 million, with a reservation for adjustment in the purchase price depending on the actual net financial liability at the closing date, the level of the net working capital and the level of the total gross profit in the last 12 months ended on 30 September 2015. TL 10.35 million of the final purchase price to be determined through above parameters has been paid to the above shareholders at the closing date in cash. On 22 September 2016, the Group made an additional payment of TL 938.195 to Tatil Budur .

Investment in equity accounted investee is amounted TL 11.288.195 as of 30 September 2016 (provisional amount accounted as at 31 December 2015: TL 10.350.000).

	31 December 2016	31 December 2015
The Group's share in associate's net assets	(2.334.081)	-
Goodwill in equity accounted investees	-	-
Intangible assets	11.288.195	10.350.000
Investments in equity accounted investees	8.954.114	10.350.000
	2016	2015
Balance at 1 January	10.350.000	10.350.000
Share of Profit/Loss of Equity Accounted Investees, Net of Income Tax	(2.334.081)	-
Goodwill in equity accounted investees	-	-
Change in goodwill in equity accounted investees because of share sale(*)	-	-
Increase in the Group's share of net assets of subsidiaries	-	-
Decrease in the Group's share of net assets of subsidiaries because of share sale(*)	-	-
Decrease in the intangible assets because of share sale(*)	-	-
Increase in value of the tangible assets	938.195	-
Balance at 31 December 2016	8.954.114	10.350.000

17. INVESTMENT IN EQUITY ACCOUNTED INVESTEEES (cont'd)**Mika Tur (Tatil Budur):** (cont'd):

	31 December 2015(*)		
	Carrying Value	Fair Value	Share of Group
Cash and cash equivalents	2.546.000	2.546.000	509.200
Trade and other receivables	49.770.000	51.810.000	10.362.000
Other assets	2.876.000	2.353.000	470.600
Tangible assets	2.472.000	2.525.000	505.000
Intangible assets	849.000	58.248.000	11.649.600
Financial liabilities	1.613.000	1.613.000	322.600
Trade payables	54.547.000	54.285.000	10.857.000
Trade payables	4.860.000	15.525.000	3.105.000
Total net assets	(2.507.000)	46.059.000	9.211.800
Consideration paid	-	-	11.288.195
Goodwill	-	-	11.288.195

(*) As of at 31 December 2015, the Company has been provisionally accounted with a value of TL 10.350.000 due to the continuing appraisal of the intangible fixed assets of the assets and liabilities of the Tatil Budur. After the valuation report on 31 December 2016, the Company value increased to TL 11.288.195. The Group has participated in Mika Tour Travel Agency and Tourism Inc. amounting to TL 11.288.195 with an additional payment of TL 10.350.000 on 6 November 2015 and TL 938.195 on 22 September 2016. Past years have not been restated since the additional payment made is not material.

18. GOODWILL

Each cash-generating unit ("CGU") to be distributed to the carrying value of goodwill is as follows:

	31 December 2016	31 December 2015
Ortopro	9.206.500	9.206.500
Toksöz	19.429.606	19.429.606
Numnum	12.687.774	12.687.774
Ortopro değer düşüklüğü	(2.730.033)	(2.730.033)
	38.593.847	38.593.847

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 are discount rate and terminal growth rate. These assumptions are as follows:

	Pre-tax disco- unt rate	Net Growth Rate
Ortopro	% 17 - % 18	% 3 - % 4
Toksöz	% 17 - % 18	% 3 - % 4
Numnum	% 17 - % 18	% 3 - % 4

The Group did not book any additional impairment provision in the current year as a result of the impairment test performed by using the assumptions explained above.

İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND

FOR THE YEAR ENDED 31 DECEMBER 2016

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

19. TANGIBLE ASSETS

Cost	Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Leasehold Improvements	Total
Opening balances at 1 January 2016	11.764.826	907.363	34.978.397	1.264.818	35.582.739	84.498.143
Foreign currency translation differences	-	-	3.695	-	9.042	12.737
Classification	-	(180.115)	539.759	-	(359.644)	-
Additions	2.323.114	339.728	7.524.772	849.736	3.129.142	14.166.492
Disposals	-	(147.374)	(1.995.913)	(913.161)	(1.775.444)	(4.831.892)
Closing balances at 31 December 2016	14.087.940	919.602	41.050.710	1.201.393	36.585.835	93.845.480
Accumulated depreciation						
Opening balances at 1 January 2016	(8.791.060)	(421.144)	(20.260.135)	(1.043.683)	(21.169.284)	(51.685.306)
Foreign currency translation differences	-	-	(5.341)	-	(8.423)	(13.764)
Classification	-	-	(90.937)	-	90.937	-
Charge for the period	(1.089.717)	(138.282)	(4.489.176)	(530.525)	(4.449.124)	(10.696.824)
Disposals	-	103.437	1.480.369	-	1.157.556	2.741.362
Closing balance at 31 December 2016	(9.880.777)	(455.989)	(23.365.220)	(1.574.208)	(24.378.338)	(59.654.532)
Carrying value as at 1 January 2016	2.973.766	486.219	14.718.262	221.135	14.413.455	32.812.837
Carrying value as at 1 January 2016	4.207.163	463.613	17.685.490	(372.815)	12.207.497	34.190.948
Cost	Machinery and Equipment	Vehicles	Furniture and Fixtures	Other Tangible Assets	Leasehold Improvements	Total
Opening balances at 1 January 2015	10.300.923	688.577	32.190.076	1.188.368	32.956.916	77.324.860
Foreign currency translation differences	-	-	219.302	-	162.999	382.301
Classification	-	-	(507.694)	-	-	(507.694)
Additions	1.474.204	295.195	3.158.520	76.450	4.162.936	9.167.305
Disposals	(10.301)	(76.409)	(81.807)	-	(1.700.112)	(1.868.629)
Closing balances at 31 December 2015	11.764.826	907.363	34.978.397	1.264.818	35.582.739	84.498.143
Accumulated depreciation						
Opening balances at 1 January 2015	(8.067,256)	(379.508)	(16,058,522)	(876,919)	(17,119,810)	(42,502,015)
Foreign currency translation differences	-	-	(164,147)	-	(146,431)	(310,578)
Charge for the period	(732,305)	(108,646)	(4,061,088)	(166,764)	(4,397,653)	(9,466,456)
Disposals	8,501	67,010	23,622	-	494,610	593,743
Closing balances at 31 December 2015	(8,791,060)	(421,144)	(20,260,135)	(1,043,683)	(21,169,284)	(51,685,306)
Carrying value as at 1 January 2015	2,233,667	309,069	16,131,554	311,449	15,837,106	34,822,845
Carrying value as at 31 December 2015	2,973,766	486,219	14,718,262	221,135	14,413,455	32,812,837

20. INTANGIBLE ASSETS

Cost	Patent, License, Leasing Agreements	Computer software and Licenses	Total
Opening balance at 1 January 2016	30.347.862	20.138.541	50.486.403
Exchange differences	-	61.439	61.439
Classification	-	-	-
Disposals	(76.133)	(32.795)	(108.928)
Additions	32.459	2.871.464	2.903.923
Closing balance at 31 December 2016	30.304.188	23.038.649	53.342.837
Accumulated amortization			
Opening balance at 1 January 2016	(15.281.680)	(12.392.641)	(27.674.321)
Exchange differences	-	(8.265)	(8.265)
Disposals	-	24.782	24.782
Charge for the period	(4.706.696)	(2.477.040)	(7.183.736)
Closing balance at 31 December 2016	(19.988.376)	(14.853.164)	(34.841.540)
Carrying value at 1 January 2016	15.066.182	7.745.900	22.812.082
Carrying value as at 31 December 2016	10.315.812	8.185.485	18.501.297

Cost	Patent, License, Leasing Agreements	Computer software and Licenses	Total
Opening balance at 1 January 2015	29.814.862	13.115.435	42.930.297
Exchange differences	-	267.024	267.024
Classification	507.694	-	507.694
Disposals	-	(88.802)	(88.802)
Additions	25.306	6.844.883	6.870.189
Closing balance at 31 December 2015	30.347.862	20.138.541	50.486.403
Accumulated amortization			
Opening balance at 1 January 2015	(10.486.819)	(9.808.315)	(20.295.134)
Exchange differences	-	(220.429)	(220.429)
Disposals	-	39.757	39.757
Charge for the period	(4.794.861)	(2.403.654)	(7.198.515)
Closing balance at 31 December 2015	(15.281.680)	(12.392.641)	(27.674.321)
Carrying value at 1 January 2015	19.328.043	3.307.120	22.635.163
Carrying value as at 31 December 2015	15.066.182	7.745.900	22.812.082

21. GOVERNMENT INCENTIVES AND GRANTS

None (31 December 2015: None).

22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Current provisions	31 December 2016	31 December 2015
Legal claims	798.864	1.232.857
Other liabilities and expense accruals	227.474	-
	1.026.338	1.232.857

22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

1 January-31 December 2015				
	Legal claims	Tax penalty provision	Other	Total
Opening balance	1.232.857	-	-	1.232.857
Charge for the period	222.672	-	227.474	450.146
Canceled provisions	(416.578)	-	-	(416.578)
Payments and cancellations	(240.087)	-	-	(240.087)
Closing balance	798.864	-	227.474	1.026.338

1 January-31 December 2016				
	Legal claims	Tax penalty provision	Other	Total
Opening balance	673.532	132.873	30.176	836.581
Charge for the period	934.861	-	-	934.861
Canceled provisions	(375.536)	(132.873)	(30.176)	(538.585)
Closing balance	1.232.857	-	-	1.232.857

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 2016	31 December 2015
Government bonds and treasury bills (customer portfolio)	727.993.854	985.149.621
Eurobond	295.081.011	261.381.836
Equity shares	7.887.368.689	6.985.696.692
Mutual funds - units	40.646.100.351	60.606.464.056

As at 31 December 2016 and 2015, letters of guarantee and promissory notes given by the Group are as follows:

	31 December 2016	31 December 2015
İstanbul Takas ve Saklama Bankası AŞ	2.649.000.000	2.287.000.000
Borsa İstanbul AŞ	72.317.595	59.314.537
Sermaye Piyasası Kurulu	1.776	12.101.776
Other	110.274.746	95.752.807
	2.831.594.117	2.454.169.120

As at 31 December 2016, letters of guarantee and promissory notes amounting to TL 2.831.594.117 given by the Group contains USD 23.055.000 that equals to TL 81.135.156, EUR 40.000 that equals to TL 148.396 and GBP 5.000.000 that equals to TL 21.594.500 (31 December 2015: USD 23.489.562 that equals to TL 68.298.251, EUR 327.776 that equals to TL 1.041.540 and GBP 5.000.000 that equals to TL 21.503.500).

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 2016 and 2015.

22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

Guarantee/pledge/mortgage ("GPM") position of the Group as at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Guarantees/Pledges/Mortgages given by the Company		
A. GPM given on behalf of its own legal entity	2.721.939.864	2.358.989.273
GPM	2.721.939.864	2.358.989.273
Financial investments	-	-
B. GPM given on behalf of consolidated subsidiaries	102.536.100	88.378.300
GPM	102.536.100	88.378.300
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	2.824.475.964	2.447.367.573

As at 31 December 2016, GPM, amounting to TL 102.536.100 given for fully consolidated subsidiaries, contains USD 23.000.000 that equals to TL 80.941.600 and GBP 5.000.000 that equals to TL 21.594.500 (31 December 2015: GPM, amounting to TL 88.378.300 given for fully consolidated subsidiaries, contains USD 23.000.000 that equals to TL 66.874.800 and GBP 5.000.000 that equals to TL 21.503.500). Proportion of GPM to the Group's equity as at 31 December 2016 is 321% (31 December 2015: 269%).

23. COMMITMENTS

Derivative commitments and option agreements of the Group as at 31 December 2016 and 2015 are as follows:

Derivatives instrument description	31 December 2016			
	SHORT POSITION		LONG POSITION	
	Notional Amount	Notional Amount (TL)	Notional Amount	Notional Amount (TL)
Foreign currency based				
Option agreements	97.886.860	140.904.366	38.610.000	138.889.372
Forward and swap agreements	15.794.842.406	11.369.623.540	18.252.657.685	11.326.657.531
Futures agreements	4.965.000	39.501.661	173.000	617.608
Index based				
Option agreements	1.255.200	81.315	35.822.265	944.109
Forward and swap agreements	-	-	-	-
Futures agreements	418.300	15.739.747	17.400	15.744.445
Other Diğer	465.243	69.306	25.000	298.198

Derivatives instrument description	31 December 2015			
	SHORT POSITION		LONG POSITION	
	Notional Amount	Notional Amount (TL)	Notional Amount	Notional Amount (TL)
Foreign currency based				
Option agreements	30.805.485	46.747.937	15.054.487	45.797.427
Forward and swap agreements	2.855.211.414	4.604.276.320	3.966.037.935	4.613.108.294
Futures agreements	260.000	769.941	-	-
Index based				
Option agreements	13.906.600	372.756	20.608.060	544.902
Forward and swap agreements	-	-	-	-
Futures agreements	344.100	12.897.033	5.500	12.881.013
Other	46.193.317	3.386.176	1.388.298	149.939

24. PROVISIONS RELATED TO EMPLOYEE BENEFITS**Short-term employee benefits:**

	31 December 2016	31 December 2015
Unused vacation pay liability and miscellaneous bonus provision	15.287.744	13.374.878

In accordance with the existing social legislation in Turkey, the Group is required to make payments for unused vacation days when the personnel leave from the company. Vacation pay liability is the undiscounted amount calculated over the unused vacation days of the employees.

Long-term employee benefits:

	31 December 2016	31 December 2015
Employee severance pay liability	6.071.462	4.855.934
Bonus provision for employees	-	586.179
Total	6.071.462	5.442.113

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 2016 is TL 4.297 for the calculation of employment termination benefits (31 December 2015: TL 3.828). The retirement pay provision ceiling is revised semi-annually, and TL 4.297, which is effective from 1 July 2016, is taken into consideration in the calculation of provision for employment termination benefits (31 December 2015; The retirement pay provision ceiling effective from 1 July 2015 amounts to TL 3.828).

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 2016, 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 6,20% (31 December 2015: 6,20%) and a discount rate of 4,60% (31 December 2015: 4,60%) resulting in a real discount rate. The anticipated rate of forfeitures is also considered.

	31 Dec 2016	31 Dec 2015
Opening balance, 1 January	4.855.934	4.571.657
Service cost	856.839	966.300
Interest cost	488.787	629.225
Payments made during the year	(1.702.196)	(1.619.782)
Actuarial difference	1.572.098	308.534
Provision for employee benefits	6.071.462	4.855.934

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 618,411 whereas in aggregate it is TL 3.581.781 (Contributions paid as at 31 December 2015 is TL 596.279 and cumulative payment is TL 2.963.370).

25. OTHER ASSETS

Other current assets	31 December 2016	31 December 2015
Income accruals	1.267.007	670.884
Deferred VAT	7.327.911	6.962.856
Advances given for purchases	363.705	472.185
Business advances	599.042	221.322
Personnel advances	111.006	123.119
Other	1.200.471	1.078.887
	10.869.142	9.529.253

Other short-term liabilities	31 December 2016	31 December 2015
Expense accruals	6.217.331	4.307.631
Advances received	1.407.680	-
Deferred Income	3.532.002	1.095.366
Other	1.421.190	3.216.356
	12.578.203	8.619.353

Other long-term liabilities	31 December 2016	31 December 2015
Income related to future years	5.021.598	-
	5.021.598	-

26. EQUITY

a. Capital

The capital structure of the Company as at 31 December 2016 and 31 December 2015 are as follows:

Shareholders	31 December 2016		31 December 2015	
	Share (%)	Amount	Share (%)	Amount
Türkiye İş Bankası AŞ (A Grubu)	0,05	150.000	0,05	150.000
Türkiye İş Bankası AŞ (B Grubu)	66,69	236.790.495	66,69	236.790.495
Halka açık kısım (B Grubu)	28,22	100.184.825	28,22	100.184.825
Other (Group B)	5,04	17.874.680	5,04	17.874.680
Total	100,00	355.000.000	100,00	355.000.000

The authorised share capital ceiling of the Company is TL 600.000.000 and paid-in capital of the Company is TL 355.000.000 (31 December 2015: TL 355.000.000 TL).

The capital has been divided into 355.000.000 (Three Hundred Fifty Five Million) shares each having a value of TL 1.00 (31 December 2015: 355.000.000). TL 150.000 of the shares is Group A (31 December 2015: 150.000 TL), and TL 354.850.000 is Group B shares (31 December 2015: TL 354.850.000). 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 nine 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 2016	1 January - 31 December 2015
Opening balance	10.670.768	6.048.552
Increase/(decrease) in value of assets available for sale	(702.140)	4.622.216
Closing balance	9.968.628	10.670.768

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.

26. EQUITY (cont'd)**c. Foreign Currency Translation Differences**

Foreign currency translation differences consist of foreign currency exchange rate differences arising from remeasurement of foreign currency financial statements into Turkish Lira.

d. Restricted Reserves

	31 December 2016	31 December 2015
Legal reserves	53.129.261	46.041.720
Statutory reserves	50.862	50.862
Total	53.180.123	46.092.582

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 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Extraordinary reserves	8.312.210	384.182
Extraordinary reserves (belongs to consolidated subsidiaries and associates)	37.949.948	19.817.477
Remeasurement gains of defined benefit plans (including tax effect)	(1.823.623)	(716.042)
Prior year's profit	48.541.130	76.910.186
Total	92.979.665	96.395.803

Profit Distribution:

In accordance to with the Capital Markets Board's "Profit Distribution Communiqué" Serial: II No:19.1 distributable profit will determined by the General Assembly in accordance with the dividend policy and provisions of the relevant legislation dispenses with the decision of the General Assembly.

At the Ordinary General Assembly Meeting of the Company held on 23 March 2015, the Company decided to distribute dividend to shareholders 36.000.000 TL. Dividend was paid on 26 March 2015.

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 2016	1 January - 31 December 2015
Opening balance	1.753.763	1.753.763
Closing Balance	1.753.763	1.753.763

26. EQUITY (cont'd)

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 2016	1 January - 31 December 2015
Opening balance	350.031.152	400.638.109
Profit for the year attributable to non-controlling interest portion	(20.167.778)	(18.067.049)
Re-measurement gains of defined benefit plans (including tax effect)	(221.082)	(16.443)
Fair value reserve	2.074	344.499
Foreign currency translation differences	(2.085.859)	(1.671.231)
Changes in non-controlling interest	(775.848)	115.869
Dividends paid	(19.061.608)	(31.312.602)
Closing balance	307.721.051	350.031.152

27. REVENUE AND COST OF SALES

	1 January - 31 December 2016	1 January - 31 December 2015
Sales revenue		
Sales of equity shares and certificates	23.119.159.924	27.496.942.756
Sales of private sector bonds	16.917.902.330	18.854.737.703
Sales of government bonds	5.174.725.046	8.486.939.716
Sales of warrants	1.108.063.733	1.577.411.418
Sales of mutual funds	872.822.729	794.865.114
Sales of equity accounted investees	-	2.606.324
Other	223.794.312	232.429.880
Total	47.416.468.074	57.445.932.911
Cost of Sales		
Purchase of equity shares and certificate	(23.116.599.929)	(27.506.021.329)
Purchase of private sector bonds	(16.935.868.764)	(18.854.074.521)
Purchase of government bonds	(5.172.373.796)	(8.495.753.312)
Purchase of warrants	(1.092.175.814)	(1.554.230.374)
Purchase of mutual funds	(862.523.964)	(792.700.273)
Depreciation and amortization expenses	(2.977.703)	(2.647.838)
Personnel expenses	(1.555.227)	-
Purchase of equity accounted investees	-	(1.850.400)
Other	(168.743.560)	(172.629.099)
Total	(47.352.818.757)	(57.379.907.146)
Interest income from operating and derivative activities, (net)		
Interest income / (expenses) (net)	294.297.153	132.376.676
Forward transaction revenues / (expenses) (net)	131.754.642	283.712.983
Leveraged foreign exchange transaction income/(expense) (net)	34.859.348	30.572.375
Government bond income	18.560.731	27.245.215
Government bond income	18.074.994	11.200.101
Interest expenses on bank loans	(21.982.200)	(41.043.705)
Interest on financing bonds	(129.833.263)	(73.748.809)
Interest on Stock Exchange Money Market transactions	(210.437.831)	(243.121.984)
Total	135.293.574	127.192.852
Service income		
Commission income on trading of derivative transactions	78.914.595	39.474.242
Commission income on trading of equity shares	45.569.667	39.644.727
Portfolio management fees	38.362.177	37.753.939
Corporate finance income	25.163.895	17.858.469
Commission income on trading of mutual funds	5.569.114	1.454.435
Commission income on trading of repurchase agreements	1.307.727	1.564.179
Borçlanma senetleri alım/satım aracılık komisyonları	1.251.930	854.370
Commission income on trading of debt securities	461.693	874.655
Other commissions and income	2.757.343	2.493.800
Deductions from service income		
Commission reimbursements to customers	(5.047.850)	(3.819.417)
Commissions paid to agencies	(2.678.504)	(2.147.493)
Service income (net)	191.631.787	136.005.906
Interest income from customers	45.750.471	47.509.592
Other operating income	2.621.561	798.455
Other operating income (net)	48.372.032	48.308.047

28. RESEARCH AND DEVELOPMENTS EXPENSES, MARKETING EXPENSES AND ADMINISTRATIVE EXPENSES

	1 January - 31 December 2016	1 January - 31 December 2015
Research and development expenses	(3.327.481)	(3.854.297)
Marketing expenses	(116.979.125)	(83.962.317)
Administrative expenses	(235.517.462)	(226.662.936)
	(355.824.068)	(314.479.550)
Research and development expenses		
Personnel expenses	(2.263.998)	(3.074.191)
Amortization expenses	(92.873)	(179.213)
Transportation expenses	(85.530)	(106.833)
Rent expenses	(64.754)	(68.683)
Other expenses	(820.326)	(425.377)
	(3.327.481)	(3.854.297)
Marketing expenses		
Foreign marketable securities transaction fees	(42.856.976)	(12.704.818)
Personnel expenses	(20.575.095)	(22.075.863)
Rent warehouse and store expenses	(13.437.887)	(9.580.460)
Custody expenses	(8.370.641)	(7.795.653)
Publication and advertisement expenses	(6.257.410)	(3.626.157)
Future derivative exchange transaction fees	(5.338.990)	(4.092.614)
Depreciation and amortization expenses	(4.350.616)	(3.297.924)
Equity shares transaction and registration fees	(4.163.797)	(4.157.906)
Fixed income securities transaction and registration fees	(921.497)	(1.125.463)
Transportation expenses	(289.264)	(1.256.914)
Portfolio management commission expenses	(173.922)	(32.774)
Securities lending commission expenses	(111.094)	(149.384)
Marketable securities brokerage commission expenses	(59.461)	(63.666)
Other marketing expenses	(10.072.475)	(14.002.721)
	(116.979.125)	(83.962.317)
Administrative expenses		
Personnel expenses	(123.594.588)	(116.661.750)
Communication expenses	(28.859.991)	(24.033.808)
Taxes and dues	(21.102.207)	(21.120.677)
Outsourcing expenses	(14.123.481)	(17.845.678)
Rent expenses	(13.806.491)	(13.088.927)
Depreciation and amortization expenses	(10.459.368)	(10.539.996)
Operating expenses	(7.266.404)	(5.716.933)
Board of Directors attendance fees	(2.960.250)	(2.962.899)
Transportation expenses	(2.431.802)	(2.835.956)
Other administrative expenses	(10.912.880)	(11.856.312)
	(235.517.462)	(226.662.936)
Total operating expenses	(355.824.068)	(314.479.550)

29. OTHER OPERATING INCOME/(EXPENSE)

	1 January - 31 December 2016	1 January - 31 December 2015
Other operating income		
Commission from cash and marketable securities transactions	1.121.511	805.747
Count differences	366.564	-
Reversals of provisions	726.102	3.697.787
Gain on sale of tangible assets	1.695	-
Other	3.410.408	4.260.760
Total	5.626.280	8.764.294
Other operating expenses		
Provisions for doubtful trade receivables (note 11)	(9.320.918)	(10.664.257)
Paid commission and charges	(2.380.655)	(1.718.237)
Write-off expenses	(533.173)	(505.893)
Disallowable expenses	-	(341.153)
Provisions	-	(240.087)
Inventory count differences	-	(141.042)
Other	(4.672.268)	(3.638.206)
Toplam	(16.907.014)	(17.248.875)

30. NON-OPERATING FINANCE INCOME

	1 January - 31 December 2016	1 January - 31 December 2015
Foreign currency gains	24.938.602	8.831.839
Interest income on	20.219.430	20.574.353
<i>Times deposits</i>	12.337.592	13.032.307
<i>Private sector bonds</i>	1.097.060	6.265.881
<i>Government bonds and Treasury bills</i>	6.784.778	1.276.165
Dividend income from associates	3.552.816	3.940.018
Interest income on guarantees	3.158.335	1.939.574
Reverse repo interest income	1.092.476	273.936
Other financial income	243.910	8.951
Total	53.205.569	35.568.671

31. NON-OPERATING FINANCE COST

	1 January - 31 December 2016	1 January - 31 December 2015
Interest expenses	(46.877.062)	(37.284.856)
<i>Bank borrowings</i>	(46.877.062)	(37.284.856)
Foreign currency losses	(8.683.901)	(8.194.857)
Commission expenses on letters of guarantee	(8.449.915)	(6.414.530)
Repo interest expenses	(589.525)	(246.904)
Other financial expenses	(1.906.396)	(3.522.900)
Total	(66.506.799)	(55.664.047)

32. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**Assets Held for Sale**

	31 December 2016	31 December 2015
Buildings	11.503.321	10.535.275
Other tangible assets	504.628	-
Total	12.007.949	10.535.275

33. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

As of 31 December 2016 and 2015, other comprehensive income accounted in financial income / (expenses) are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Changes in fair value of available for sale	(736.912)	5.228.121
Changes in foreign currency translation differences	(4.042.973)	1.299.272
Tax income/expenses relating to other comprehensive income	36.846	(261.406)
Total	(4.743.039)	6.265.987

For the years ended 31 December 2016 and 31 December 2015, defined benefit plans accounted in other comprehensive income are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Re-measurement gains / losses in defined benefit plans	(1.281.373)	(308.534)
Tax income/expenses relating of other comprehensive income	256.275	61.707
Total	(1.025.098)	(246.827)

34. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

As at 31 December 2016, 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 Investment Sec. 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).

Corporate Tax Law Article 13 and transfer pricing communiques in this article clarify the arm's length principle how and in what way to be implemented between related parties.

According to the regulation, if the Corporation the associated person with the arm's length principle to the goods or services to buy or sell at a price or prices which they determined against earnings wholly or partly covered as distributed through transfer pricing. Buying, selling, manufacturing and construction operations, rental and leasing operations, to borrow money receiving and giving, bonuses, operations that require fees and similar payments in every state and condition of goods or services received or regarded as sale.

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.

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34. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)*(cont'd)*

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 not 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%.

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.

34. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

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.

	31 December 2016	31 December 2015
Current tax payable		
Current tax liability	30.334.178	3.739.170
Prepaid taxes and funds	(28.955.832)	(2.795.764)
	1.378.346	943.406

	1 January - 31 December 2016	1 January - 31 December 2015
Tax expense		
Current tax expense	(30.334.178)	(3.739.170)
Adjustments related prior years	(2.473.786)	-
Deferred tax income/(expense)	12.043.005	(7.591.419)
Total	(20.764.959)	(11.330.589)
Tax expense from continuing operations	(20.764.959)	(11.330.589)
Tax expense from discontinued operations	-	-
	(20.764.959)	(11.330.589)

	1 January - 31 December 2016	1 January - 31 December 2015
Income tax recognized directly in equity		
Valuation of available-for-sale financial assets	36.846	(261.406)
Re-measurement gains of defined benefit plans	256.275	61.707
	293.121	(199.699)

Current Tax Assets:

As of 31 December 2016 and 2015, the current tax assets of the Group consist of taxes paid in advance through withholding tax amounting to TL 16.180.686 and TL 15.087.811, respectively.

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 (2015: 20%).

	31 December 2016	31 December 2015
Deferred tax assets	40.579.060	28.929.224
Deferred tax liabilities	(25.047.127)	(25.191.614)
Deferred tax assets / (liabilities) (net)	15.531.933	3.737.610

Deferred tax assets and liabilities in the financial statements of the Company and subsidiaries are shown by way of offsetting. In the consolidated financial statements, on the other hand, the deferred tax assets and liabilities that come from the companies as offset are separately shown in the assets and liabilities.

34. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax: (cont'd)

Temporary differences subject to deferred tax	31 December 2016	31 December 2015
Income accruals on derivative transactions, net	(49.097.125)	14.183.725
Useful life differences on tangible and intangible assets	2.962.620	18.644.325
Fair value reserve on financial assets	(320.161)	3.974.735
Subsidiary valuation differences	-	(5.523.355)
Retirement pay provision	(3.279.705)	(4.720.185)
Employee benefits	(2.209.635)	(4.159.035)
Valuation of marketable securities and loans	138.915	318.975
Provision for doubtful receivables	(355.815)	(950.035)
Provision for impairment of inventories	(1.369.200)	(4.200.675)
Accrued expenses	(3.361.130)	1.677.485
Total	(56.891.236)	19.245.960
Statuary losses carried forward	(21.012.970)	(40.718.445)
General Total	(77.904.206)	(21.472.485)

Deferred tax assets / (liabilities)	31 December 2016	31 December 2015
Income accruals on derivative transactions, net	9.819.425	(2.836.745)
Useful life differences on tangible and intangible assets	(592.524)	(3.728.865)
Fair value reserve on financial assets	15.124	-
Subsidiary valuation differences	-	276.168
Retirement pay provision	655.941	944.037
Employee benefits	441.927	831.807
Valuation of marketable securities and loans	(27.783)	(63.795)
Provision for doubtful receivables	71.163	190.007
Provision for impairment of inventories	273.840	840.135
Accrued expenses	672.226	(858.828)
Statuary losses carried forward	4.202.594	8.143.689
Deferred tax assets/(liabilities), net	15.531.933	3.737.610

Movement of deferred tax assets / (liabilities)	31 December 2016	31 December 2015
Opening balance, 1 January	3.737.610	11.719.304
Deferred tax income/(expense)	12.043.005	(7.591.419)
Deferred tax income/(expense) recorded in equity	(248.682)	(390.275)
Closing balance	15.531.933	3.737.610

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.

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

Reconciliation of tax provision	1 January - 31 December 2016	1 January - 31 December 2015
Profit from operating activities	54.489.009	33.738.959
Taxable profit	54.489.009	33.738.959
Income tax using the Company's domestic tax rate %20,00	(10.886.808)	% 20,00 (6.747.792)
Tax exempt income % (5,60)	3.048.724	%(19,27) 6.501.069
Disallowable expenses %4,54	(2.473.906)	%1,01 (341.011)
Dividends and other tax exempt income %0,20	(107.538)	-
Unrecognized statutory losses %17,35	(9.445.567)	%4,18 (1.410.093)
Unrecognized timing differences % (2,48)	1.349.027	%(2,34) 789.455
Adjustments related prior years % (0,41)	224.895	-
Others %4,54	(2.473.786)	%(3,58) 1.208.371
Tax expense	%38,14 (20.764.959)	%33,58 (11.330.589)

34. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax: (cont'd)

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. In this context, The Group, according to the best estimates, with the profit that is predicted for the next years, deferred tax assets calculated on tax losses that can be deducted. Accordingly, the Company has calculated deferred tax assets in the amount of TL 4.202.594 for as of 31 December 2016 deferred tax has been subject that can be offset against tax losses amount of TL 21.012.970 (31 December TL 2015:40.718.445). Apart from this, the Company has a deferred tax asset amounting to TL 52.302.497 (31.12.2015: TL 7.037.975) which has an expiration date of 31 December 2016. In the future, due to lack of probable that taxable profits will be used for the realization of the temporary differences and deferred tax assets have not been recognized for these items.

Maturity distribution of financial losses that have been subject to the deferred tax is as follows:

The expiration date	31 December 2016
31 December 2016	-
31 December 2017	(315.905)
31 December 2018	(2.492.712)
31 December 2019	(5.404.530)
31 December 2020	(12.799.823)
Total	(21.012.970)

Law No. 6736 on Restructuring Certain Receivables came into force with the publication of Official Gazette dated 19/08/2016 and numbered 29806. With mentioned law, conveniences of payment of finalized taxes and other debts, privileges for tax base for prior periods, unpunished correction of the commodities, machinery, equipment and fixtures of enterprises in the enterprises, unpaid and interest free correction of cash and accounts receivable from shareholders, termination of disputed debts in peace, privileged opportunities to gain in national economy domestic and foreign assets with tax free, declaration of undeclared or underperformed income and gains with interest and unpaid repentance and restructuring of the ongoing debt under Law No. 6552 are facilitated. Within the scope of the related law, subsidiaries of İş Girişim and Efes Varlık Yönetimi AŞ have benefited by increasing their tax base.

35. EARNINGS PER SHARE

As at 31 December 2016 and 2015, the Company's weighted average number of shares and computation of earnings per share are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Earnings per share		
Average number of shares in circulation throughout the period (total) ⁽¹⁾	355.000.000	355.000.000
Profit for the year attributable to equity holders of the Company	53.891.828	40.475.419
Basic and diluted earnings per share from continuing operations	0,1518	0,1140
Total discontinued operations attributable to equity holders of the Company	-	-
Basic and diluted earnings per share obtained from discontinued operations	-	-

(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.

36. EFFECTS OF EXCHANGE RATE CHANGES

Analysis of the effects of changes in foreign exchange in 31 December 2016 and 31 December 2015 is disclosed in Note 39.

37. REPORTING IN HYPERINFLATIONARY PERIODS

Turkey which prepare their financial statements in accordance with the CMB Accounting Standards from 1 January 2005 (including the application of IFRS) are not subject to inflation accounting effective. Therefore, since 1 January 2005, TAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied in the accompanying consolidated financial statements..

38. DERIVATIVE INSTRUMENTS

The details of the derivative instruments as at 31 December 2016 and 2015 are as follows:

31 December 2016		
Derivative instruments	Assets	Liabilities
Swap agreements	15.900.861	84.281.765
Forward contracts	7.897.714	9.259.040
Options	1.077.052	1.205.805
Warrants	16.703	6.719.030
	24.892.330	101.465.640

31 December 2015		
Derivative instruments	Assets	Liabilities
Swap agreements	12.955.653	28.026.704
Forward contracts	5.088.459	5.411.810
Options	858.154	634.642
Warrants	17.538	3.386.176
	18.919.804	37.459.332

39. 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 9, 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.

39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS *(cont'd)*

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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39. 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 2016									
	Receivables					Cash and Cash Equivalents				
	Trade Receivables	Trade Receivables	Third parties	Related Parties	Third Parties (1)	Financial investments (2)	Bank deposits	Repurchase agreements	Type B liquid mutual funds	Other(3)
Maximum credit risk exposure as at report date	6.932.173	1.730.606.529	8.126.552	3.006.111	396.224.055	3.894.168.530	16.362.277	-	102.536.100	
- The part of maximum risk under guarantee with collateral etc.	-	1.053.241.527	-	-	11.291.283	-	16.362.277	-	102.536.100	
A. Net book value of financial assets that are neither past due nor impaired	6.932.173	1.730.606.529	8.126.552	3.006.111	396.224.055	3.894.168.530	16.362.277	-	-	
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-	-	-	
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-	-	-	-	
- the part under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-	
D. Net book value of impaired assets	-	-	-	-	-	-	-	-	-	
- Past due (gross carrying amount)	-	20.404.871	-	-	-	-	-	-	-	
- Impairment (-)	-	(20.404.871)	-	-	-	-	-	-	-	
- 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	-	-	-	-	-	-	-	-	-	102.536.100

(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 23,000,000 that equals to TL 80,941,600, and GBP 5,000,000 that equals to TL 21,594,500.

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39. 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 2016									
	Receivables					Cash and Cash Equivalents				
	Trade Receivables		Trade Receivables			Trade Receivables		Cash and Cash Equivalents		
Related Parties	Third Parties	Related Parties	Third Parties ⁽¹⁾	Financial Investments ⁽²⁾	Bank deposits	Repurchase agreements	Type B liquid funds	Other ⁽³⁾		
Maximum credit risk exposure as at report date	7.417.053	1.807.628.687	6.613.133	3.130.505	770.847.221	2.711.376.109	15.537.453	33.372	88.378.300	
- The part of maximum risk under guarantee with collateral etc.	-	1.122.522.522	-	-	29.529.849	-	15.537.453	-	88.378.300	
A. Net book value of financial assets that are neither past due nor impaired	7.417.053	1.802.881.143	6.613.133	3.130.505	770.847.221	2.711.376.109	15.537.453	33.372	-	
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-	-	-	
C. Carrying value of financial assets that are past due but not impaired	-	4.747.544	-	-	-	-	-	-	-	
- the part under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-	
D. Net book value of impaired assets	-	12.586.145	-	-	-	-	-	-	-	
- Past due (gross carrying amount)	-	(12.586.145)	-	-	-	-	-	-	-	
- Impairment (-)	-	-	-	-	-	-	-	-	-	
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-	
- Not past due (gross carrying amount)	-	-	-	-	-	-	-	-	-	
- Impairment (-)	-	-	-	-	-	-	-	-	-	
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-	-	
E. Elements including credit risk on off balance sheet	-	-	-	-	-	-	-	-	88.378.300	

(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 23.000.000 that equals to TL 66.674.800, and GBP 5.000.000 that equals to TL 21.503.500.

39. 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 2016	31 December 2015
Fixed interest rate instruments			
Cash and Cash Equivalents	Cash at banks – time deposits	3.814.000.984	2.850.698.427
	Receivables from Stock Exchange Money Market	24.784.556	3.918.614
	Receivables from reverse repurchase agreements	16.362.277	15.537.453
Financial assets	Financial assets at fair value through profit or loss	146.007.898	146.007.898
Financial liabilities	Payables to Stock Exchange Money Market	(2.347.241.427)	(1.606.387.926)
	Bank borrowings	(497.629.294)	(521.338.112)
	Finance lease liabilities	(1.629.877)	(2.457.294)
	Payables from commercial paper	(1.139.938.203)	(1.242.874.183)
	Short-term factoring liabilities	(13.460.719)	(15.576.328)
Floating interest rate instruments			
Cash and Cash Equivalents	Type B mutual funds	-	33.373
Financial assets	Financial assets at fair value through profit or loss	329.882.521	329.882.521
	Held-to-maturity financial assets	8.165.962	17.629.783
Trade receivables	Receivables from customers on margin trading	324.146.870	442.155.694
Financial liabilities	Bank borrowings	(14.238.614)	(15.692.949)
Net interest risk position		649.212.934	401.536.971

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 2016 and 2015 would have been as follows:

31 December 2016				
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Interest rate risk	%1	Increase	1.800.090	1.800.090
		Decrease	(2.087.367)	(2.087.367)
31 December 2015				
Risk türü	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Faiz oranı riski	%1	Increase	(1.646)	(1.646)
		Decrease	12.545	12.545

39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

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 2016 and 2015 would have been as follows:

31 December 2016				
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Equity price risk	%10	Increase	(1.400.070)	(1.010.701)
		Decrease	(3.663.889)	(4.053.258)
31 December 2015				
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Equity price risk	%10	Increase	(641.296)	(289.902)
		Decrease	(4.423.232)	(4.774.626)

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.

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39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk (cont'd)

	31 December 2016					
	Current	Less than 1 month	1 - 3 months	3 - 12 months	1 year and thereafter	Total
ASSETS						
Cash and cash equivalents	99,985.368	2,080,749,487	1,757,613,685	-	-	3,938,348,540
Financial investments	87,448,382	52,532,703	28,467,173	144,580,077	85,990,844	400,939,020
Trade receivables	24,606,010	1,513,710,827	17,619,771	27,781,872	2,710,470	1,737,538,702
Other receivables	-	105,505,640	259,305	-	3,034,398	108,799,343
Other long-term receivables	-	-	-	-	1,732,453	1,732,453
Other current/non-current assets	1,744,174	3,186,358	51,154,388	25,479,398	-	105,110,748
Long-term financial investments	-	-	-	-	8,165,963	34,782,888
Derivative instruments	-	19,281,717	5,089,423	521,190	-	24,892,330
Investments in equity accounted investees	-	-	-	-	21,883,553	21,883,553
Assets held for sale	-	-	-	-	12,007,949	12,007,949
Tangible assets	-	-	-	-	34,190,948	34,190,948
Intangible assets	-	-	-	-	57,095,144	57,095,144
Deferred tax assets	-	-	-	-	40,579,060	40,579,060
Total assets	213,783,934	3,774,966,732	1,860,203,745	198,362,537	98,599,730	6,517,900,678
LIABILITIES						
Financial liabilities	-	2,440,878,610	1,330,367,944	67,144,223	172,854,330	4,014,138,134
Other financial liabilities	11,964,131	-	-	-	-	11,964,131
Trade payables	4,303,409	1,362,541,279	30,400,858	24,171,534	235,518	1,421,674,495
Other payables	-	15,975,006	55,361	-	996,532	17,026,899
Derivative instruments	-	48,614,713	52,459,625	391,302	-	101,465,640
Liabilities related to employee benefits	-	968,741	-	3,101,873	-	4,894,455
Provisions (short-term)	-	2,118,560	-	1,485,120	9,918,423	16,314,082
Provisions (long-term)	-	-	-	-	4,860,228	6,071,462
Current tax liabilities	-	-	1,378,346	-	-	1,378,346
Other current liabilities	-	8,673,803	3,154,186	-	750,214	12,578,203
Other long term liabilities	-	-	-	-	5,021,598	5,021,598
Deferred tax liabilities	-	-	-	-	25,047,127	25,047,127
Total liabilities	16,267,540	3,879,770,712	1,417,816,320	96,294,052	192,890,097	5,637,574,572
Equity holders of the Company	-	-	-	-	572,605,055	572,605,055
Non-controlling interests	-	-	-	-	307,721,051	307,721,051
Liquidity surplus / (gap)	197,516,394	(104,803,980)	442,387,425	102,068,485	(94,290,367)	880,326,106

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39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk (cont'd)

	31 December 2015						
	Current	Less than 1 month	1 - 3 months	3 - 12 months	1 year and thereafter	Undistributed	Total
ASSETS							
Cash and cash equivalents	66.918.780	1.339.026.888	1.327.873.307	-	-	-	2.733.818.975
Financial investments	89.213.755	29.673.361	84.592.700	391.932.068	172.946.589	-	768.358.473
Trade receivables	500.393.919	1.130.621.357	22.064.026	-	-	161.966.438	1.815.045.740
Other receivables	17.827.800	9.743.638	109.010.557	-	-	-	136.581.995
Other long-term receivables	-	-	-	-	929.985	-	929.985
Other current/non-current assets	-	8.185.250	15.087.811	7.656.363	1.178.245	72.241.328	104.348.997
Long-term financial investments	26.909.191	-	3.842.712	-	17.629.783	-	44.538.974
Derivative instruments	-	14.929.797	-	147.295	-	-	18.919.804
Investments in equity accounted investees	-	-	-	-	-	25.013.453	25.013.453
Assets held for sale	-	-	-	-	-	10.535.275	10.535.275
Tangible assets	-	-	-	-	-	32.812.837	32.812.837
Intangible assets	-	-	-	-	-	61.405.929	61.405.929
Deferred tax assets	-	-	-	-	-	28.929.224	28.929.224
Total assets	701.263.445	2.532.180.291	1.562.471.113	399.735.726	192.684.602	392.904.484	5.781.239.661
LIABILITIES							
Financial liabilities	-	1.836.713.756	1.170.974.515	256.021.369	140.617.152	-	3.404.326.792
Other financial liabilities	12.959.974	-	-	-	-	-	12.959.974
Trade payables	494.066.580	797.751.331	8.815.581	36.691.025	-	-	1.337.324.517
Other payables	-	13.597.295	-	4.459.209	4.234.905	-	22.291.409
Derivative instruments	-	21.920.723	14.264.010	1.274.598	-	-	37.459.331
Liabilities related to employee benefits	-	-	3.865.767	-	-	-	3.865.767
Provisions (short-term)	-	14.607.735	-	-	-	-	14.607.735
Provisions (long-term)	-	-	-	-	5.442.113	-	5.442.113
Current tax liabilities	-	-	943.406	-	-	-	943.406
Other current liabilities	-	8.619.353	-	-	-	-	8.619.353
Other long term liabilities	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	25.191.614	25.191.614
Total liabilities	507.026.554	2.693.210.193	1.198.863.279	298.446.201	150.294.170	25.191.614	4.873.032.011
Equity holders of the Company	-	-	-	-	-	558.176.497	558.176.497
Non-controlling interests	-	-	-	-	-	350.031.152	350.031.152
Liquidity surplus / (gap)	194.236.891	(161.029.902)	363.607.834	101.289.525	42.390.432	367.712.870	908.207.650

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39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk: (cont'd)

			Less than 3 months (I)	3 – 12 months (II)	1 - 5 years (III)	More than 5 years (IV)
Contractual maturities	Carrying value	Total contractual cash outflows (I+II+III+IV)	31 December 2016			
Non-derivative financial liabilities						
Bank loans	511.867.908	559.579.282	295.017.790	51.778.720	212.782.772	-
Trade payables	1.421.674.495	1.444.916.701	1.420.187.603	24.729.098	-	-
Payables to Stock Exchange Money Markets	2.347.241.427	2.354.044.156	2.203.090.622	150.953.534	-	-
Funds from commercial paper	1.139.938.203	1.166.643.830	1,146.093.830	20.550.000	-	-
Financial lease liabilities	1.629.877	2.133.840	247.415	732.276	1,154,149	-
Factoring payables	13.460.719	13.949.562	13,949,562	-	-	-
Total Liability	5.435.812.629	5.541.267.371	5.078.586.822	248.743.628	213.936.921	-
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	6.222.058.503	6,238,757,828	6,227,902,786	10,574,280	280,762	-
Derivative cash outflows	(1,958,610,659)	(1,593,762,942)	(1,592,138,052)	(1,344,359)	(280,531)	-

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39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk: (cont'd)

	Carrying value	Total contractual cash outflows (I+II+III+IV)	Less than 3 months (I)	3 – 12 months (II)	1 - 5 years (III)	31 Dec 2015 More than 5 years (IV)
Contractual maturities						
Non-derivative financial liabilities						
Bank loans	537.031.061	643.097.416	315.194.242	115.176.650	212.726.524	-
Trade payables	1.337.324.517	1.337.324.517	1.337.324.517	-	-	-
Payables to Stock Exchange Money Markets	1.606.387.926	1.615.008.430	1.615.008.430	-	-	-
Funds provided under repurchase agreements	1.242.874.183	1.267.939.839	1.118.291.839	149.648.000	-	-
Funds from commercial paper	2.457.294	3.028.103	584.077	2.444.026	-	-
Financial lease liabilities	15.576.328	16.854.742	-	16.854.742	-	-
Total liability	4.741.651.309	4.883.253.047	4.386.403.105	284.123.418	212.726.524	-
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	3.414.185.838	3.468.143.321	3.315.256.711	152.886.610	-	-
Derivative cash outflows	(1.172.899.701)	(1.182.516.941)	(1.182.288.860)	(228.081)	-	-

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39. 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 2016 and 2015 are as follows:

	31 December 2016					
	TL Equivalent (Functional currency)	USD	EURO	GBP	JPY	OTHER
1. Trade receivables	531,400.942	150,729.351	2,608.190	207.382	-	136.602
2a. Monetary financial assets	3,647,252.083	175,600.228	816,689.045	9,632	22,827	350.953
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	76,816.534	7,690.883	13,425.420	1,409	-	-
4. Current assets	4,255,469.559	334,020.463	832,722.655	218.423	22,827	487,555
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	1,855	470	169	3	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	56,269	-	7,776	-	-	-
8. Non-current asset	58,124	470	7,945	3	-	-
9. Total Assets	4,255,527,683	334,020,933	832,730,600	218,426	22,827	487,555
10. Trade payables	525,342,504	148,202,062	3,633,775	209,989	-	8,950
11. Financial Liabilities	22,516,286	6,253,946	136,770	-	-	-
12a. Other monetary liabilities	8,508,837	2,098,001	118,256	-	-	4,003
12b. Other non-monetary liabilities	1,661,486	465,044	1,838	4,188	-	-
13. Short Term Liabilities	558,029,113	157,019,053	3,890,639	214,177	-	12,953
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	4,936,417	1,402,170	-	-	-	-
17. Long Term Liabilities	4,936,417	1,402,170	-	-	-	-
18. Total Liabilities	562,965,530	158,421,223	3,890,639	214,177	-	12,953
19. Off-balance sheet derivative instruments' net asset / (liability) position (19a - 19b)	(3,694,679,229)	(178,562,300)	(824,463,304)	289,794	(219,351,303)	(14,502,263)
19.a The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	6,390,563,575	1,038,720,919	492,852,397	104,190,968	11,690,456,037	373,322,164
19.b The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	10,085,242,805	1,217,283,219	1,317,315,701	103,901,174	11,909,807,340	387,824,427
20. Net foreign currency asset / (liability) position (15+16a-16b-17)	(2,117,076)	(2,962,591)	4,376,657	294,044	(219,328,476)	(14,027,661)
21. Net foreign currency asset / (liability) position of monetary items (15+20a+5+6a-10-11-12a-14-15-16a)	3,622,287,253	169,776,040	815,408,603	7,028	22,827	474,602
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-	-
23. Export	18,968,816	4,254,340	2,044,590	-	-	-
24. Import	4,315,011	177,825	1,122,508	1,132	-	-

39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk: (cont'd)

	31 December 2015					
	TL Equivalent (Functional currency)	USD	EURO	GBP	JPY	OTHER
1. Trade receivables	394.132.620	133.254.917	1.763.711	214.104	-	11.408
2a. Monetary financial assets	2.271.189.417	3.934.399	710.999.533	6.835	394.524	815.405
2b. Non-monetary financial assets	6.035.685	2.074.777	-	-	-	-
3. Other	95.064.062	31.357.552	1.221.872	1.415	-	-
4. Current assets	2.766.421.784	170.621.644	713.985.116	222.355	394.524	826.814
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Non-current asset	-	-	-	-	-	-
9. Total Assets	2.766.421.784	170.621.644	713.985.116	222.355	394.524	826.814
10. Trade payables	381.792.425	128.609.685	2.050.556	260.615	-	11.408
11. Financial Liabilities	28.109.799	9.465.267	178.040	-	-	-
12a. Other monetary liabilities	4.017.172	1.317.555	24.252	25.388	-	-
12b. Other non-monetary liabilities	-	73.548	59.019	-	-	-
13. Short Term Liabilities	413.919.395	139.466.055	2.311.866	286.003	-	11.408
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	2.315.713	502.547	268.916	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. Long Term Liabilities	-	-	-	-	-	-
18. Total Liabilities	416.235.109	139.968.602	2.580.782	286.003	-	11.408
19. Off-balance sheet derivative instruments' net asset / (liability) position (19a - 19b)	(2.345.476.000)	(25.055.716)	(721.228.285)	6.828.888	(519.270.704)	6.227.729
19a. The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	2.001.259.000	350.812.010	169.455.249	93.072.988	780.629.620	21.535.677
19b. The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	4.346.735.000	375.867.726	890.683.535	86.244.100	1.299.900.324	15.307.949
20. Net foreign currency asset / (liability) position	4.710.675	5.597.326	(9.823.951)	6.765.241	(518.876.179)	7.043.134
21. Net foreign currency asset / (liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	2.249.086.928	(2.705.739)	710.241.481	(65.063)	394.524	815.405
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-	-
23. Export	17.470.692	5.675.775	304.573	-	-	-
24. Import	5.567.844	80.774	1.612.066	48.942	-	-

39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

Kur Riski:

Yabancı para varlıklar, yükümlülükler ve finansal durum tablosu dışı yükümlülüklerle sahip olma durumunda ortaya çıkan kur hareketlerinden kaynaklanacak etkilere kur riskine sebebiyet veren 31 Aralık 2016 ve 31 Aralık 2015 tarihleri itibarıyla yabancı para cinsinden varlıkların ve yükümlülüklerin dağılımı aşağıdaki gibidir:

	31 Aralık 2016					
	TL Karşılığı (Geçerli para birimi)	USD	EURO	GBP	JPY	DİĞER
1. Trade receivables	531,400.942	150.729.351	2.608.190	207.382	-	136.602
2a. Monetary financial assets	3.647.252.083	175.600.228	816.689.045	9.632	22.827	350.953
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	76.816.534	7.690.883	13.425.420	1.409	-	-
4. Current assets	4.255.469.559	334.020.463	832.722.655	218.423	22.827	487.555
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	1.855	470	169	3	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	56.269	-	7.776	-	-	-
8. Non-current asset	58.124	470	7.945	3	-	-
9. Total Assets	4.255.527.683	334.020.933	832.730.600	218.426	22.827	487.555
10. Trade payables	525.342.504	148.202.062	3.633.775	209.989	-	8.950
11. Financial Liabilities	22.516.286	6.253.946	136.770	-	-	-
12a. Other monetary liabilities	8.508.837	2.098.001	118.256	-	-	4.003
12b. Other non-monetary liabilities	1.661.486	465.044	1.838	4.188	-	-
13. Short Term Liabilities	558.029.113	157.019.053	3.890.639	214.177	-	12.953
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	4.936.417	1.402.170	-	-	-	-
17. Long Term Liabilities	4.936.417	1.402.170	-	-	-	-
18. Total Liabilities	562.965.530	158.421.223	3.890.639	214.177	-	12.953
19. Off-balance sheet derivative instruments' net asset / (liability) position (19a - 19b)	(3.694.679.229)	(178.562.300)	(824.463.304)	289.794	(219.351.303)	(14.502.263)
19a The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	6.390.563.575	1.038.720.919	492.852.397	104.190.968	11.690.456.037	373.322.164
19b The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	10.085.242.805	1.217.283.219	1.317.315.701	103.901.174	11.909.807.340	387.824.427
20. Net foreign currency asset / (liability) position	(2.117.076)	(2.962.591)	4.376.657	294.044	(219.328.476)	(14.027.661)
21. Net foreign currency asset / (liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	3.622.287.253	169.776.040	815.408.603	7.028	22.827	474.602
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-	-
23. Export	18.968.816	4.254.340	2.044.590	-	-	-
24. Import	4.315.011	177.825	1.122.508	1.132	-	-

39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)

Capital adequacy requirement

As of 31 December 2016, under the "V Series No. 34" communique the wide authority brokage company must have minimum equity of TL 25.000.000 (As of 31 December 2015, 25.000.000 TL), to perform portfolio management, investment advisory, to take back the securities (repo) or sell (reverse repo) and purchase and sale, credit securities lending, short selling and securities import and export transactions, IPO underwriting, trading through, leveraged trading intermediation and brokerage of derivatives in derivatives market. Furthermore, the required capital adequacy base within the framework of the valuation rules set in the Communiqué 34, prepared as of the valuation date and is unconsolidated balance sheet the Company's total net assets of unconsolidated equity representing the portion covered by the partnership represents the amount by which the deduction of the items being listed below.

a) Fixed assets;

- 1) Tangible assets (net),
- 2) Other tangible assets (net),
- 3) After an active stock exchange and the impairment except traded on other markets and capital losses remaining financial fixed assets,
- 4) Other fixed assets,

b) Even if the customer title, the staff, the partners, affiliates, subsidiaries of the capital, management and control in terms of directly or indirectly from related the persons and institutions, unsecured receivables issued by these persons and institutions and the stock market and an active quoted capital in other markets market instruments.

As at 31 December 2016, capital adequacy base of the company is TL 437.358.432 (31 December 2015: TL 393.740.780). Capital adequacy basis requirement cannot be less than any of the items mentioned below:

- a) The minimum equity capital which corresponds to authority documents
- b) Provision of risk,
- c) Operating expenses incurred last three months of the valuation date

As at 31 December 2016, the capital adequacy of the Company is above on the items which are listed above.

Provision of risk:

The Group calculate risk provision for both balance sheet items and off-balance sheet items according to Communiqué 34. Risk provision consists of sum of amounts according to Communiqué 34 as position risk, counterparty risk, exchange rate risk and concentration risk.

As at 31 December 2016 and 31 December 2015, the risk provision calculated according to the Communiqué 34 is as follows:

Calculated Risk Provisions	31 December 2016	31 December 2015
Position Risk	191.755.492	188.544.216
Counterparty Risk	183.917.334	137.428.498
Exchange Rate Risk	104.818	392.916
Concentration Risk	26.792.151	16.420.134
Total	402.569.795	342.785.764

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40. FINANCIAL INSTRUMENTS

Categories of Financial Instruments:

31 December 2016	Other financial as- sets measured with effective interest method	Loans and receivables	Available for sale financial assets	Financial assets and liabil- ities at fair value through profit or loss	Other financial liabili- ties measured with ef- fective interest method	Carrying amount	Fair value	Note
Financial assets								
Cash and cash equivalents	3,938,348,540	-	-	-	-	3,938,348,540	3,938,348,540	7
Trade receivables	-	1,737,538,702	-	-	-	1,737,538,702	1,737,538,702	11
Financial investments	27,826,248	-	26,616,926	381,278,734	-	435,721,908	436,158,228	8
Derivatives	-	-	-	24,892,330	-	24,892,330	24,892,330	38
Financial liabilities								
Financial liabilities	-	-	-	-	4,014,138,134	4,014,138,134	4,014,138,134	9
Trade payables	-	-	-	-	1,421,674,495	1,421,674,495	1,421,674,495	11
Other financial liabilities	-	-	-	11,964,131	-	11,964,131	11,964,131	10
Derivatives	-	-	-	101,465,640	-	101,465,640	101,465,640	38
31 December 2015								
Financial assets								
Cash and cash equivalents	2,733,785,603	-	-	33,372	-	2,733,818,975	2,733,818,975	7
Trade receivables	-	1,815,045,740	-	-	-	1,815,045,740	1,815,045,740	11
Financial investments	220,884,081	-	26,909,191	565,104,175	-	812,897,447	813,408,218	8
Derivatives	-	-	-	18,919,804	-	18,919,804	18,919,804	38
Financial liabilities								
Financial liabilities	-	-	-	-	3,404,326,792	3,404,326,792	3,404,326,792	9
Trade payables	-	-	-	-	1,337,324,517	1,337,324,517	1,337,324,517	11
Other financial liabilities	-	-	-	12,959,974	-	12,959,974	12,959,974	10
Derivatives	-	-	-	37,459,332	-	37,459,332	37,459,332	38

Fair value of held to maturity investments which have been accounted with their amortised cost calculated by effective interest rate is represented as level 1 with book value TL 8,165,962 (31 December 2015: TL 17,629,783) and fair value amount to TL 8,602,282 (31 December 2015: TL 18,140,554).

40. 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 recently repriced therefore fair value is assumed to approximate their carrying values.

Valuation methods of the financial instruments carried at fair value:

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit and loss				
Equity shares	39.497.853	-	-	39.497.853
Government bonds and treasury bills	33.756.103	-	-	33.756.103
Private sector bonds	258.154.407	-	-	258.154.407
Mutual funds	49.870.371	-	-	49.870.371
Foreign currency securities	-	-	-	-
Income accruals of derivative instruments	-	24.892.330	-	24.892.330
Available for sale financial assets(*)	19.778.291	-	-	19.778.291
Subsidiaries	-	-	-	-
Financial liabilities				
Other financial liabilities				
Liabilities of derivative instruments	-	101.465.640	-	101.465.640

(*) Unlisted available for sale securities amounting to TL 6.838.635 are excluded.

40. FINANCIAL INSTRUMENTS (cont'd)**Fair Value of Financial Instruments: (cont'd):**

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit and loss				
Equity shares	42.050.226	-	-	42.050.226
Government bonds and treasury bills	97.468.853	-	-	97.468.853
Private sector bonds	372.506.636	-	-	372.506.636
Mutual funds	47.163.529	-	-	47.163.529
Foreign currency securities	5.914.931	-	-	5.914.931
Income accruals of derivative instruments	-	18.919.804	-	18.919.804
Available for sale financial assets(*)	20.070.556	-	-	20.070.556
Subsidiaries	-	-	-	-
Financial liabilities				
Other financial liabilities				
Liabilities of derivative instruments	-	37.459.332	-	37.459.332

(*) Unlisted available for sale securities amounting to TL 6.838.635 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.

41. EVENTS AFTER THE REPORTING PERIOD

None.

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

None.

