

**İŞ B TİPİ YATIRIM ORTAKLIĞI
ANONİM ŞİRKETİ
(Previously İŞ YATIRIM ORTAKLIĞI
ANONİM ŞİRKETİ)**

**Financial Statements
As at and For the Year Ended
31 December 2013
With Independent Auditors' Report Thereon**

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

**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi**

**30 January 2014
*This report contains 2 pages of
independent auditors' report and
36 pages of financial statements and
notes to the financial statements.***

**İş Yatırım Ortaklığı
Anonim Şirketi**

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**Akis Bağımsız Denetim ve Serbest
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**Convenience Translation of the Independent Auditors' Report
As at 31 December 2013 Originally Prepared and Issued in Turkish (See Note 2.1.1)**

To the Board of Directors of
İş B Tipi Yatırım Ortaklığı Anonim Şirketi,

We have audited the accompanying balance sheet of İş B Tipi Yatırım Ortaklığı Anonim Şirketi ("the Company"), as at 31 December 2013 and the statements of profit or loss, other comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of İş B Tipi Yatırım Ortaklığı Anonim Şirketi as at 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with the TAS (Note 2).

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

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

Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Company in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it.

On the other hand, the Company formed the mentioned committee on 10 April 2012 and it is comprised of two members. The committee has met six times since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the Company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant reports to the Board of Directors.

Istanbul, 30 January 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



Funda Aslanoglu
Partner

Additional paragraph for convenience translation to English:

As discussed in Note 2.1.1, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

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İŞ B TİPİ YATIRIM ORTAKLIĞI AŞ
BALANCE SHEET AS AT 31 DECEMBER 2013
(Currency: In Turkish Lira ("TL"))

		Audited	Audited
		31 December 2013	31 December 2012
ASSETS			
Current Assets	<i>Notes</i>	261.775.234	289.388.755
Cash and cash equivalents	4	9.924.240	706.804
Investment securities	5	248.249.495	280.765.911
Trade receivables	6	3.596.261	7.909.397
<i>Other trade receivables</i>	6	<i>3.596.261</i>	<i>7.909.397</i>
Other receivables	7	-	3.427
<i>Due from related parties</i>	19	-	<i>3.427</i>
Other current assets	12	5.238	3.216
Non-current Assets		101.615	132.674
Investment securities	5	1	1
Tangible assets	8	92.622	113.492
Intangible assets	9	8.992	19.181
TOTAL ASSETS		261.876.849	289.521.429
LIABILITIES			
Current Liabilities		1.084.816	990.310
Trade payables	6	198.971	117.360
<i>Due to related parties</i>	19	<i>117.421</i>	<i>117.360</i>
<i>Other trade payables</i>		<i>81.550</i>	-
Other payables	7	20.042	69.761
<i>Due to related parties</i>	19	<i>7.134</i>	<i>56.979</i>
<i>Other payables</i>		<i>12.908</i>	<i>12.782</i>
Short term provisions		865.803	803.189
<i>Employee benefits</i>	11	<i>74.604</i>	<i>75.336</i>
<i>Other short term provisions</i>	10	<i>791.199</i>	<i>727.853</i>
Non-current Liabilities		109.026	122.880
Non-current liabilities		109.026	122.880
<i>Employee benefits</i>	11	<i>109.026</i>	<i>122.880</i>
EQUITY		260.683.007	288.408.239
Share capital	13	160.599.284	160.599.284
Inflation adjustment to share capital		968.610	968.610
Share premium		59.922	59.922
Restricted reserves	13	25.458.382	20.673.453
Retained earnings	13	69.219.901	58.580.118
Profit for the year		4.376.908	47.526.852
TOTAL LIABILITIES AND EQUITY		261.876.849	289.521.429

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

İŞ B TİPİ YATIRIM ORTAKLIĞI AŞ
STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2013
(Currency: In Turkish Lira ("TL"))

		Audited	Audited
		1 January –	1 January –
		31 December	31 December
	<i>Notes</i>	2013	2012
CONTINUING OPERATIONS			
Sales	14	397.266.388	769.839.500
Cost of sales (-)	15	(391.266.245)	(720.414.467)
GROSS PROFIT		6.000.143	49.425.033
Administrative expenses	16	(1.546.935)	(1.834.834)
Other operating expenses	17	(76.300)	(63.347)
OPERATING PROFIT		4.376.908	47.526.852
OPERATING PROFIT BEFORE FINANCE COSTS		4.376.908	47.526.852
Finance costs		-	-
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		4.376.908	47.526.852
Tax income / (expense) on continuing operations		-	-
PROFIT FROM CONTINUING OPERATIONS		4.376.908	47.526.852
DISCONTINUED OPERATIONS		-	-
PROFIT FOR THE YEAR		4.376.908	47.526.852
Basic earnings per share (par value of TL 1) from continuing operations	18	0,0273	0,2959
Diluted earnings per share (par value of TL 1) from continuing operations	18	0,0273	0,2959

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

İŞ B TİPİ YATIRIM ORTAKLIĞI AŞ
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013
(Currency: In Turkish Lira ("TL"))

	Audited	Audited
	1 January – 31 December 2013	1 January – 31 December 2012
PROFIT FOR THE YEAR	4.376.908	47.526.852
Items that will never be reclassified to profit or loss	17.717	-
<i>Remeasurements of defined benefit liability</i>	<i>17.717</i>	-
Items that are or may be reclassified to profit or loss	-	-
TOTAL COMPREHENSIVE INCOME	4.394.625	47.526.852

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

İŞ B TİPİ YATIRIM ORTAKLIĞI AŞ
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(Currency: In Turkish Lira ("TL"))

	Notes	Share capital	Share premium	Inflation adjustment to share capital	Restricted reserves	Retained Earnings	
						Prior Year's Profit / (Loss)	Profit / (Loss) for the year
1 January 2012 – before business combination		134.662.500	28.947	12.416	16.853.665	74.856.200	(2.636.156)
Changes arising from business combination (*)		25.936.784	939.663	47.506	1.665.188	13.587.365	(3.526.691)
1 January 2012 – after business combination		160.599.284	968.610	59.922	18.518.853	88.443.565	(6.162.847)
Transfers		-	-	-	2.154.600	(8.317.447)	6.162.847
Total comprehensive income		-	-	-	-	-	47.526.852
Dividends paid		-	-	-	-	(21.546.000)	-
Balances at 31 December 2012		160.599.284	968.610	59.922	20.673.453	58.580.118	47.526.852
1 January 2013		160.599.284	968.610	59.922	20.673.453	58.580.118	47.526.852
Transfers	13	-	-	-	4.784.929	42.741.923	(47.526.852)
Profit for the year		-	-	-	-	-	4.376.908
Other comprehensive income		-	-	-	-	17.717	-
Total comprehensive income		-	-	-	-	17.717	-
Dividends paid		-	-	-	-	-	4.376.908
Balances at 31 December 2013		160.599.284	968.610	59.922	25.458.382	69.219.901	(32.119.857)
Balances at 31 December 2013		160.599.284	968.610	59.922	25.458.382	69.219.901	4.376.908
Balances at 31 December 2013		160.599.284	968.610	59.922	25.458.382	69.219.901	260.683.007

(*) See Note 3 for detailed explanations.

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

İŞ B TİPİ YATIRIM ORTAKLIĞI AŞ
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013
(Currency: In Turkish Lira ("TL"))

		Audited	Audited
	<i>Notes</i>	1 January – 31 December 2013	1 January – 31 December 2012
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		4.376.908	47.526.852
Adjustments for:			
(Increase) / decrease in value of investment securities	14	10.962.208	(22.092.574)
Depreciation and amortisation	8,9	40.663	17.153
Provision for employee benefits	11	67.763	105.111
Provision for potential tax loss of BITT	10	63.346	63.347
Change in accrued interest and income		(1.890)	2.119
Dividend income	14	(2.779.240)	(2.565.234)
Portfolio management commission and other accrued expenses	6	117.421	117.360
		12.847.179	23.174.134
Change in investment securities		21.554.208	(11.835.609)
Change in trade receivables		4.313.136	5.446.336
Change in other receivables		3.427	(1.035)
Change in other current assets		(2.022)	(531)
Change in trade payables		(35.810)	(608.557)
Change in other payables		(49.719)	47.922
Other provisions paid		-	(15.453)
Employee benefits paid	11	(64.632)	(105.463)
		38.565.767	16.101.744
Cash received from operating activities			
Dividends received	14	2.779.240	2.565.234
Net cash from operating activities		41.345.007	18.666.978
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of tangible assets and intangible assets	8,9	(9.604)	(111.455)
Proceeds from sale of investment securities		-	1.000
Net cash used in investing activities		(9.604)	(110.455)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	13	(32.119.857)	(21.546.000)
Net cash used in financing activities		(32.119.857)	(21.546.000)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS HELD			
		9.215.546	(2.989.477)
D. EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS HELD			
		-	-
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		9.215.546	(2.989.477)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		706.703	3.696.180
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	4	9.922.249	706.703

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

İŞ B TİPİ YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2013
(Currency: In Turkish Lira (“TL”))

1. ORGANISATION AND OPERATIONS OF THE COMPANY

The purpose of İş B Tipi Yatırım Ortaklığı AŞ (“the Company”) is to perform capital market activities in accordance with its Articles of Association and Capital Markets Law and the related regulation. As at 8 May 2013, the Company’s title was changed as “İş B Tipi Yatırım Ortaklığı AŞ” which was previously “İş Yatırım Ortaklığı AŞ”.

The Company was established at 1995 and operates in İş Kuleleri Kule 1, Kat: 5 Levent / Istanbul. The main shareholder of the Company is İş Yatırım Menkul Değerler A.Ş. which is a subsidiary of Türkiye İş Bankası A.Ş. The Company was offered to public on 1 April 1996. The operating activity of the Company is portfolio management and as at 31 December 2013 the average number of employees of the Company is 3 (31 December 2012: 4). The company has no participations, subsidiaries or joint ventures.

It was permitted that the Company take over TSKB Yatırım Ortaklığı A.Ş. within the 6762 numbered Turkish Commercial Code 451 and 19 and 20th clauses of Corporate Tax Law numbered 5520 with the resolution of Competition Authority dated 29 March 2012 and nr. 12-14/417-BD and the resolution of Capital Markets Board of Turkey dated 10 May 2012 and nr. 15/547. In the General Assemblies of the companies dated 29 June 2012, merger was confirmed. Related resolutions and the merger agreement has been registered by Istanbul Trade Registry Office on 16 July 2012 and has been published in the Trade Registry Gazette numbered 8116, dated 20 July 2012. As at this date, TSKB Yatırım Ortaklığı was dissolved and transferred to the Company together with all of its assets and liabilities.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Accounting principles

The accompanying financial statements are prepared in accordance with the Communiqué Serial II, No: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 is published by Public Oversight Accounting and Auditing Standards Authority (“POA”). TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

As per the 17 March 2005 dated resolution of the CMB, it was decided that the application of inflation accounting is no longer required for the companies operating in Turkey and preparing the financial statements in accordance with the CMB Accounting Standards beginning from 1 January 2005. Therefore, starting from 1 January 2005, TAS 29: “Financial Reporting in Hyperinflationary Economies”, has not been applied in the financial statements.

The financial statements and its explanatory notes as at 31 December 2013 are prepared in accordance with the announcement regarding CMB’s Communiqué.

The financial statements are prepared on a historical cost basis except for the financial assets at fair value through profit or loss (“FVTPL”). Historical cost is based on the actual amount on money paid for assets. As at 31 December 2013, the balance sheet, statements of profit or loss, other comprehensive income and notes to the financial statements of the Company have been approved by the Board of Directors of the Company on 30 January 2014. The General Assembly has the power to amend the financial statements after their issue.

İŞ B TİPİ YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2013
(Currency: In Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation (continued)

2.1.1 Accounting principles (continued)

Additional paragraph for convenience translation to English

The differences between accounting principles promulgated by the CMB, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (“IFRS”), may have influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

2.1.2 Functional and presentation currency

The financial statements of the Company are presented in the currency of the primary economic environment (functional currency) in which the entity operates. The financial position and the results of the Company’s operations have been expressed in Turkish Lira (“TL”), which is the functional currency of the Company and the presentation currency of the financial statements.

2.1.3 Comparative information

The accompanying financial statements have been prepared comparatively with the prior period to determine the trends in financial position, performance and cash flows of the Company. If the presentation or classification of the financial statements is changed, in order to maintain comparability, financial statements of the prior periods are also reclassified and respective disclosures for the situations are made. Some reclassifications are made in the statement of profit or loss for the year ended 31 December 2012 in accordance with the decision No. 20/670 of CMB dated on 7 June 2013. For the period ended 31 December 2012, the amount of TL 14.469.220 within the other operating income/expenses is reclassified to revenue and the amount of TL 3.912.247 within the marketing, selling and distribution expenses is classified to the cost of sales.

2.2 Changes in Accounting Policies and Errors

Material changes in accounting policies or material errors (if any) are corrected, retrospectively; restating the prior period financial statements. The Company has applied its accounting policies consistently with prior year. There are not any significant changes in accounting policies or detected material errors of the Company in the current period.

2.3 Changes in Accounting Estimates

If the changes in accounting estimates are related with a period, they are applied in the period they are related with and if the changes are related with the future periods, they are applied both in the period the change is made and prospectively in the future periods. There are not any significant changes in accounting estimates of the Company in the current period.

The Company has started to apply the required accounting policy changes in TAS 19 (2011), which was effective after 1 January 2013, in order to reflect the fair value of recognized obligations, in this context the Company entered actuarial gain/loss in the other comprehensive incomes which was previously accounted at profit or loss. Beside accounting policy changes in TAS 19 that the Company has applied, there was not any changes at Company’s accounting policies.

İŞ B TİPİ YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2013
(Currency: In Turkish Lira ("TL"))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.4 Standards and interpretations implemented and not yet adopted as at 31 December 2013

Standards and interpretations that are effective in 2013

The Company has applied all TAS / TFRS issued by POA and their interpretations which are effective as at 31 December 2013.

Standards and interpretations that are not yet effective as at 31 December 2013

The standards and interpretations are not yet effective and are not early adopted by the Company are as follows:

TFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of its financial assets. The guidance in TAS 39 on impairment of financial assets and hedge accounting continues to apply. The amendment is effective for annual periods beginning on or after 1 January 2015. The Company does not plan to early adopt this standart and has not yet determined the effects of this standard to its financial statements.

İŞ B TİPİ YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2013
(Currency: In Turkish Lira ("TL"))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies

Revenue and cost of sales

The company revenue consists of sales income from the marketable securities in the portfolio, interest income, dividend, net revaluation income/expenses and futures trading income/expenses. Sales income is recognized when it is collectible and dividend income is recognized when it becomes entitled to acquire. Interest income is recognized as income on an accrual basis. Interest income include the fixed rate coupon payments, interest income from money market placements and reverse repurchase agreements and income from trading securities given as collateral.

Cost of sales comprises of cost of sale of marketable securities, commission and exchange expenses. Commission expenses are recognized on an accrual basis.

Fee and commissions

Fee and commissions mainly include commissions given to İş Yatırım Menkul Değerler A.Ş which is brokerage company and to İş Portföy Yönetimi AŞ as portfolio management fees. All fee and commissions are recognised in profit or loss on an accrual basis.

Tangible assets

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

Depreciation

Tangible assets are depreciated principally on a straight-line basis considering estimated useful lives. Estimated useful lives, residual value and depreciation method are reviewed every year to estimate the possible effects of changes and if there is a change in estimation, revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimated useful lives of tangible assets are as follows:

Furniture and fixtures	4 - 10 years
Leasehold improvements	5 years

Subsequent costs

The costs of replacing a component of an item of tangible asset is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. All other costs are recognized in profit or loss as incurred.

Gains and losses of sale of a tangible asset is determined by offsetting the carrying value with recovered amount and recognized through profit or loss in the other operating income / loss account.

İŞ B TİPİ YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2013
(Currency: In Turkish Lira ("TL"))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Intangible assets

Intangible assets acquired before 1 January 2005 are stated at cost adjusted for the effects of inflation through 31 December 2004, and intangible assets purchased after 1 January 2005 are recorded at their acquisition cost less accumulated depreciation and accumulated impairment losses. Intangible assets are amortised principally on a straight-line basis considering the estimated useful lives. Estimated useful lives and depreciation method are reviewed every year to estimate the possible effects of changes and changes in estimation accounted for prospectively. Intangible assets are comprised of information technologies and computer softwares. Intangible assets are amortised over their estimated useful lives (3 years) from the date of acquisition.

Impairment of assets

The carrying amounts of the Company's non financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value. Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined; if no impairment loss had been recognized.

Borrowing costs

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

İŞ B TİPİ YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2013
(Currency: In Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Financial instruments

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

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

Effective interest method

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

Income related with financial assets which are classified as not financial assets at fair value through profit or loss (“FVTPL”) is calculated by using effective interest method.

Financial assets at fair value through profit or loss (“FVTPL”)

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

Held-to-maturity investments

As at 31 December 2013, the Company has no held to maturity investment securities in its portfolio.

Available-for-sale financial assets

Available for sale financial assets are initially recognised at fair value plus the transaction costs that are directly attributable to its acquisition costs. After the initial recognition, available for sale investment securities are measured at fair value if respective fair values can be reliably measured; all unquoted available for sale stocks are recorded by considering impairment, since respective fair values cannot be reliably measured.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Reverse repurchase agreements

Marketable securities held as part of resale agreement commitments (“reverse repo”) are accounted for under cash and cash equivalents in the statement of financial position. 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 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. As at 31 December 2013, the Company has no any credit transaction (31 December 2012: None).

Impairment of financial assets

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

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

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

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

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Financial Liabilities

Financial liabilities and equity instruments issued by the Company 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 Company 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.

The Company has no financial liabilities at fair value through profit or loss (“FVTPL”).

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.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

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.

Foreign currency transactions

In the preparation of the financial statements of the Company, transactions in foreign currencies are recorded at exchange rates at the dates of the transactions. Monetary assets and liabilities indexed foreign exchange in the financial position are translated into TL at exchange rates at the end of the reporting period.

As at 31 December 2013 and 31 December 2012, the Company has no transactions in foreign currencies.

Earnings per share

Earnings per share is calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period .

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.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Events after the reporting period

Events after the reporting period represent the events that occur against or on behalf of the Company between the reporting date and the date when statement of financial position was authorised for the issue. If there is evidence of such events as at reporting date or if such events occur after reporting date and if adjustments are necessary, the Company’s financial statements are adjusted according to the new situation. The Company discloses the post-balance sheet events that are not adjusting events but material.

Leasing transactions

Finance lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value deducting accumulated depreciation and impairment and the present value of the minimum lease payments. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. As at 31 December 2013 and 31 December 2012, the Company does not have any finance lease transactions.

Operating lease

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

Related parties

In the accompanying financial statements, key management personnel of the Company and Board of Directors, their family and controlled or dependent companies, associates and subsidiaries are all accepted and referred to as related parties (“Related Parties”). Shareholders, Board of Directors and Audit Committee members are also included in the related parties. Related party transactions are explained as the transfer of the asset and liabilities between institutions with or without a charge.

Provisions, contingent liabilities and contingent assets

According to “TAS 37 - Turkish Accounting Standards on provisions, contingent liabilities and assets” a provision is recognized when the Company has a legal or 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. If the specified criteria are not met, the Company discloses the related issues in the accompanying notes.

Contingent assets are disclosed where an inflow of economic benefits is probable. If it has become virtually certain that an inflow of economic benefits will arise, the assets and related income are recognized in the financial statements in which the change occurs.

Segment reporting

Since the Company does not have operating segments whose operating results are separately reviewed and performances assessed by the decision makers of the Company, no segment reporting information is considered as necessary.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Taxation

Effective from 1 January 2006, in accordance with Article 5/(1)-d of the Corporate Tax Law dated 21 June 2006 and No: 5520, portfolio management income by securities investment funds and trusts founded in Turkey are exempt from corporate tax. This exemption is also applied to the advance corporate tax. This exemption is also applicable to Quarterly Advance Corporate Tax.

Based on Article 15 (3) of the Corporate Tax Law, 15% withholding tax is deducted against the portfolio management income, which is exempt from tax, whether it is distributed or not. The Council of Ministers is authorized to reduce the deduction rates referred to in the Article 15 of the Corporate Tax Law to nil or to increase it up to the corporate tax rate and differentiate the related deduction according to fund and entity types or the nature and distribution of the assets of the portfolio of such funds and entities within the related limits. Accordingly, the mentioned effective tax rate is 0% on portfolio management income based on the Council of Ministers decision No: 2009/14594.

According to the Corporate Tax Law numbered 5520, Article 34, 8th Clause, tax stoppage of incomes arising from portfolio management of security investing funds and partnerships' should be deducted from corporate tax stoppage, or if this is not an option, should be refunded upon application. It is required that the stoppage has been paid to tax authorities.

Based on the Law No: 5281, effective between 1 January 2006 and 31 December 2005 in accordance with the Law No: 5527 which added to the Income Tax Law through of the law numbered 193 and Temporary Article 67/(1), the rate of income tax deduction is 0% for gains derived from the alienation and retention of the marketable securities and other capital market instruments as from 1 October 2006.

In accordance with Corporate Tax Law and Income Tax Law, there is no further withholding tax for the gain from marketable securities investment funds and marketable securities investment trusts under the Temporary Article 67, 2nd and 4th numbered clauses.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Employee Benefits

Reserve for employee severance indemnity

Under the Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard No. 19 (revised) “Employee Benefits” (“TAS 19”).

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation. All actuarial gains and losses have been recognized in the other comprehensive income.

The main assumptions used in net present value calculation are as follows:

	31 December 2013	31 December 2012
	(%)	(%)
Net discount rate	3,00	2,60
Turnover rate to estimate the probability of retirement	100	100

Pension Plans

The Company does not have any pension and post employment benefit plans.

Statement of Cash Flows

In the statement of cash flows, the cash flows for the period are reported with a classification of operating, investment and financing activities. Cash flows related with operating activities compose of cash flows arising from portfolio management operations of the Company. Cash flows related with investment activities compose of cash flows that the Company uses in investment activities or generates from investment activities (tangible investments). Cash flows related with financing activities represent resources that the Company uses for financing activities and the reimbursements of such resources.

Turkish Derivatives Exchange market (“TDE”) transactions

All cash collaterals given by the Company for the transactions made in the TDE are classified as other receivables as gross. Gains and losses arising from the transactions in the current period are recognised in profit or loss from main operations. The net amount of fair value differences recognised in profit or loss, and interest income from the remaining part of the collateral amounts arising from the open transactions are presented in other receivables.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.6 Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with TAS 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 10 – Provisions, contingent liabilities and contingent assets

Note 11 – Employee benefits

3. BUSINESS COMBINATIONS

It was permitted that the Company to take over TSKB Yatırım Ortaklığı A.Ş. in accordance with the clause 451 of 6762 numbered Turkish Commercial Code and clauses 19 and 20 of 5520 numbered Corporate Tax Law with the resolution of Competition Board dated 29 March 2012 and numbered 12-14/417-BD and the resolution of Capital Markets Board of Turkey ("CMB") dated 10 May 2012 and numbered 15/547. In the General Assemblies of the companies dated 29 June 2012, merger was confirmed. Related resolutions and the merger agreement has been registered by Istanbul Trade Registry Office on 16 July 2012 and has been published in the Trade Registry Gazette numbered 8116, on dated 20 July 2012. As at this date, TSKB Yatırım Ortaklığı A.Ş. was dissolved and transferred to the Company together with all of its assets and liabilities. Due to the merger, issued shares amounting to TL 25.936.784 was registered by the Board with Certificate of Recognition of Capital Markets Board of Turkey numbered YO188/547 and dated 30 July 2012 and the distribution process of ISYAT shares to TSKB Yatırım Ortaklığı A.Ş.'s shareholders under the terms of Merger Agreement has been completed at 14 August 2012 by Central Registry Agency ("CRA"). The merger transaction is completed based on the financial statements as at 31 December 2011.

Prior to the merger of the Company and TSKB Yatırım Ortaklığı A.Ş., the control of the management of operating and financial policies of the Company was at İş Bank Group. There has not been any change in the control on the management of operating and financial policies of the Company after the merger of the Company, and the control power is retained in İş Bank Group.

According to the merger agreement, the share exchange rate was determined as 0,8923. The Company's share capital has been raised to TL 160.599.284 from TL 134.662.500. Capital difference is reflected in retained earnings as a result of the business combination and the Company recognised the assets acquired and liabilities assumed of TSKB Yatırım Ortaklığı A.Ş. using the book value accounting.

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4. CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash at banks	12.249	2.703
<i>Demand deposits and cash</i>	<i>12.249</i>	<i>2.703</i>
Receivables from money market placements	910.206	204.032
Receivables from reverse repo agreements	9.001.785	500.069
Total	9.924.240	706.804

Receivables from money market placements:

	Interest Rate	Maturity	Cost	Carrying Value
31 December 2013				
TL	8,15%	2 January 2014	910.000	910.206
			910.000	910.206

	Interest Rate	Maturity	Cost	Carrying Value
31 December 2012				
TL	5,60%	2 January 2013	204.000	204.032
			204.000	204.032

Receivables from reverse repo agreements:

	Interest Rate	Maturity	Cost	Carrying Value
31 December 2013				
TL	7,24%	2 January 2014	9.000.000	9.001.785
			9.000.000	9.001.785

	Interest Rate	Maturity	Cost	Carrying Value
31 December 2012				
TL	5,05%	2 January 2013	500.000	500.069
			500.000	500.069

As at 31 December 2013 and 31 December 2012, cash and cash equivalents less accrued income interest and increment value accruals in the statement of cash flows are as follows:

	31 December 2013	31 December 2012
Cash and cash equivalents	9.924.240	706.804
Accrued interest income	(1.991)	(101)
	9.922.249	706.703

Explanations about the nature and level of risk of cash and cash equivalents are summarized in Note 20.

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5. INVESTMENT SECURITIES

	31 December 2013	31 December 2012
Financial assets at fair value through profit/loss	248.249.495	280.765.911
Available for sale investment securities	1	1
Total	248.249.496	280.765.912

The investment securities are mainly held for trading and measured at fair value. The fair value is derived using the highest bid price for the respective financial asset in the Istanbul Stock Exchange as at 31 December 2013 or, in the absence of a quoted price at that date, the most recent transaction price, in the absence of these, asset is carried at its amortised cost using the effective interest method.

As at 31 December 2013, available for sale investment securities are carried at cost comprising TSKB Gayrimenkul Değerleme AŞ shares amounting to TL 1 (31 December 2012: TSKB Gayrimenkul Değerleme AŞ shares amounting to TL 1).

31 December 2013			
Financial assets at fair value through profit/loss	Nominal	Fair Value	Carrying Value
Debt securities			
Government bonds	113.300.000	111.192.398	111.192.398
Private sector bonds	92.448.831	92.923.266	92.923.266
Total	205.748.831	204.115.664	204.115.664
Share certificates			
Quoted share certificates	7.477.414	44.133.831	44.133.831
	213.226.245	248.249.495	248.249.495

31 December 2012			
Financial assets at fair value through profit/loss	Nominal	Fair Value	Carrying Value
Debt securities			
Government bonds	68.385.000	75.326.639	75.326.639
Private sector bonds	81.281.394	81.230.766	81.230.766
Total	149.666.394	156.557.405	156.557.405
Share certificates			
Quoted share certificates	21.768.662	124.208.506	124.208.506
	171.435.056	280.765.911	280.765.911

As at 31 December 2013, interest rates of debt securities classified as financial asset at fair value through profit or loss are between 7%-12,9% per annum (31 December 2012: 6,21%-10,84%).

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6. TRADE RECEIVABLES AND TRADE PAYABLES

As at 31 December 2013 and 31 December 2012, the Company has neither past due nor doubtful trade receivables. As at 31 December 2013 and 31 December 2012, the detailed information on short-term trade receivables is as follows:

	31 December 2013	31 December 2012
TDE transaction collaterals	3.596.261	6.003.514
Receivables from sale of marketable securities	-	1.905.580
Other trade receivables	-	303
Total	3.596.261	7.909.397

As at 31 December 2013 and 31 December 2012, the detailed information on short-term trade payables is as follows:

	31 December 2013	31 December 2012
Portfolio management commission (Note 19)	99.083	107.887
Marketable securities purchase payable	81.550	-
Commissions payable (Note 19)	18.338	9.473
Total	198.971	117.360

The nature and level of risks for trade receivables and payables are disclosed in Note 20.

7. OTHER RECEIVABLES AND OTHER PAYABLES

As at 31 December 2013 and 31 December 2012, the detailed information on short-term other receivables is as follows:

	31 December 2013	31 December 2012
Other receivables from related parties (Note 19)	-	3.427
Total	-	3.427

As at 31 December 2013 and 31 December 2012, the detailed information on short-term other payables is as follows:

	31 December 2013	31 December 2012
Taxes payables	12.848	12.722
Other payables to related parties (Note 19)	7.134	56.979
Other miscellaneous payables	60	60
Total	20.042	69.761

The nature and level of risks for other receivables are disclosed in Note 20.

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8. TANGIBLE ASSETS

	Furniture and fixtures	Leasehold improvements	Total
Cost			
1 January 2013 opening balance	150.865	58.467	209.332
Additions	6.446	2.749	9.195
31 December 2013 closing balance	157.311	61.216	218.527
Accumulated depreciation			
1 January 2013 opening balance	(94.866)	(974)	(95.840)
Charge for the year	(18.372)	(11.693)	(30.065)
31 December 2013 closing balance	(113.238)	(12.667)	(125.905)
Net carrying amount			
1 January 2013	55.999	57.493	113.492
31 December 2013	44.073	48.549	92.622

	Furniture and fixtures	Leasehold improvements	Total
Cost			
1 January 2012 opening balance	105.076	-	105.076
Additions	45.789	58.467	104.256
31 December 2012 closing balance	150.865	58.467	209.332
Accumulated depreciation			
1 January 2012 opening balance	(88.825)	-	(88.825)
Charge for the year	(6.041)	(974)	(7.015)
31 December 2012 closing balance	(94.866)	(974)	(95.840)
Net carrying amount			
1 January 2012	16.251	-	16.251
31 December 2012	55.999	57.493	113.492

As at 31 December 2013 and 31 December 2012, there is no pledge on tangible assets.

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9. INTANGIBLE ASSETS

	Other intangible assets (*)	Total
Cost		
1 January 2013 opening balance	58.840	58.840
Additions	409	409
31 December 2013 closing balance	59.249	59.249
Accumulated depreciation		
1 January 2013 opening balance	(39.659)	(39.659)
Charge for the year	(10.598)	(10.598)
31 December 2013 closing balance	(50.257)	(50.257)
<u>Net carrying amount</u>		
1 January 2013	19.181	19.181
31 December 2013	8.992	8.992
	Other intangible assets (*)	Total
Cost		
1 January 2012 opening balance	51.641	51.641
Additions	7.199	7.199
31 December 2012 closing balance	58.840	58.840
Accumulated depreciation		
1 January 2012 opening balance	(29.521)	(29.521)
Charge for the year	(10.138)	(10.138)
31 December 2012 closing balance	(39.659)	(39.659)
<u>Net carrying amount</u>		
1 January 2012	22.120	22.120
31 December 2012	19.181	19.181

(*)Comprised of software.

As at 31 December 2013 and 31 December 2012, the Company does not have any internally generated intangible assets.

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10. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions

Based on the amendments to Article 29/t of Expense Taxes Law numbered 6802 in respect to Article 32/8 of Law numbered 5838, the effective date of exemption in regards to Banking and Insurance Transactions Tax ("BITT") levied on transactions performed in capital markets for investment trusts is 1 March 2009. In this respect, the Company has provided a BITT provision amounting to TL 791.199 (31 December 2012: TL 727.853 principal and overdue interest) regarding to 2008 and January – March 2009 transactions based on the best estimates and accordingly recognised additional provision amounting to TL 63.346 (31 December 2012: TL 63.347) under other operating expenses.

11. EMPLOYEE BENEFITS

Short-term provisions for employee benefits

	31 December 2013	31 December 2012
Vacation pay liability and provision for employee bonuses	74.604	75.336
Total	74.604	75.336

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum severance indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. As at the reporting date, provision for unused vacation pay liability is the liability of the Company that is the undiscounted total amount of the days that were deserved but not used by the employees.

As at 31 December 2013 and 31 December 2012, movement of vacation pay liabilities and provision for employee bonuses are as follows:

	31 December 2013	31 December 2012
Opening balance	75.336	82.380
Vacation and employee bonuses paid	(53.540)	(76.703)
Charge for the year	52.808	69.659
Closing balance	74.604	75.336

Long-term provisions for employee benefits

	31 December 2013	31 December 2012
Employee severance indemnity	109.026	122.880
Total	109.026	122.880

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11. EMPLOYEE BENEFITS (continued)

Employee Severance Indemnity:

Under Turkish Labor Law, the Company is required to pay employment termination benefits to each employee whose employment is terminated by gaining the right to receive the termination benefits. In addition, based on the amended 60th article of the current Social Insurance Law's numbered 506 together with amendments dated 6 March 1981, numbered 2422, dated 25 August 1999 and numbered 4447, the Group is obliged to pay termination benefits to the employees who are quitted by gaining right to receive their termination benefits. Some provisions for the pre-retirement service conditions are abolished from the law with amendment on 23 May 2002.

The reserve for severance pay liability as at 31 December 2013 is based on the monthly ceiling amounting to TL 3.254,44 (31 December 2012: TL 3.033,98).

The reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the actuarial assumptions explained in the following paragraph were used in the calculation of the total liability.

The principal assumption is that the maximum liability for each year of service will increase parallel to the change in inflation. Consequently, in the accompanying financial statements as at 31 December 2013, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the end of the reporting period is calculated assuming an annual inflation rate of 5,00% and a discount rate of 8.15%, resulting in a net discount rate of approximately 3% (31 December 2012: 2,60% net discount rate is calculated assuming an annual inflation rate of 5% and a discount rate of 7,73%). The probability of voluntarily leaves is also considered in the calculation. As the maximum liability is revised semi annually.

	1 January – 31 December 2013	1 January – 31 December 2012
Opening balance at 1 January	122.880	116.188
Payments during the year (-)	(11.092)	(28.760)
Service cost	7.584	10.215
Interest cost	7.371	3.204
Actuarial (gain)/loss	(17.717)	22.033
Closing balance at 31 December	109.026	122.880

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12. OTHER CURRENT ASSETS

Other current assets	31 December 2013	31 December 2012
Prepaid expenses	5.238	3.216
Total	5.238	3.216

13. CAPITAL AND RESERVES

Share Capital

The composition of the Company's paid-in share capital as at 31 December 2013 and 31 December 2012 is as follows:

Shareholders	Group	Shareholding Interest (%)	31 December 2013	Shareholding Interest (%)	31 December 2012
İş Yatırım Menkul Değerler AŞ	(A)	1,46	2.347.411	0,03	50.000
İş Yatırım Menkul Değerler AŞ	(B)	26,44	42.466.693	26,44	42.466.693
T.Sınai Kalkınma Bankası AŞ	(A)	-	-	1,43	2.297.411
T.Sınai Kalkınma Bankası AŞ	(B)	1,72	2.757.169	1,72	2.757.169
Yatırım Finansman Menkul Değerler AŞ	(A)	0,73	1.185.072	0,73	1.185.072
Yatırım Finansman Menkul Değerler AŞ	(B)	0,39	618.429	0,39	618.429
Anadolu Hayat Emeklilik AŞ	(A)	0,37	592.536	0,37	592.536
Anadolu Hayat Emeklilik AŞ	(B)	0,36	574.662	0,36	574.662
Anadolu Anonim Türk Sigorta Şirketi	(B)	0,17	278.394	0,17	278.394
Other	(B)	68,36	109.778.918	68,36	109.778.918
Total share capital		100,00	160.599.284	100,00	160.599.284

Group (A) shareholders have the privilege to nominate candidates during the Board of Directors member elections, Group (A) shareholders have 1.000.000 (one million) right to vote while Group (B) shareholders have 1 (one) right to vote. The Company's A group shares does not include any classes of preference shares. Earnings per share is the same for both preference shares and ordinary shares.

86,65% of the Company's shares are traded on Istanbul Stock Exchange. 18,29% of the Company's publicly held shares are held by İş Yatırım Menkul Değerler AŞ.

Due to the merger transaction, the issued share capital of the Company has been raised to TL 160.599.284 from TL 134.662.500 and the raised share capital amounting to TL 25.936.784 has been distributed to shareholders of TSKB Yatırım Ortaklığı. The total number of ordinary shares consists of 16.059.928.400 shares with a par value of Kuruş 1 (one) per share and TL 4.125.019 of the total amount is Group (A), TL 156.474.265 of the total amount is Group (B) shares.

As at 26 December 2012, İş Yatırım Menkul Değerler AŞ, the main shareholder of the Company, requested the acquisition of A Group shares of İş Yatırım Ortaklığı held by TSKB, with a nominal value of TL 2.297.411 and Capital Markets Board of Turkey accepted the related request with its decision dated 22 January 2013, numbered 3/57. Acquisition of shares took place on 11 February 2013 in Wholesale Market Foundation by TL 1,23 for each share with TL 1 nominal value. After the transaction, the nominal amount of A group shares that İş Yatırım Menkul Değerler AŞ holds, has been raised to TL 2.347.411 from TL 50.000 and the rate of A group shares that İş Yatırım Menkul Değerler AŞ holds has been raised to 1,46% from 0,03%.

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13. CAPITAL AND RESERVES (continued)

Restricted Reserves

	31 December 2013	31 December 2012
Legal reserves	25.458.382	20.673.453
Total	25.458.382	20.673.453

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Article 519 of 6102 numbered Turkish Commercial Code ("TCC"), 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.

As at 31 December 2012, in accordance with the Turkish Commercial Code numbered 6762, Article 466, the Company has transferred its retained earnings amounting to TL 4.784.929 to legal reserves amounting to TL 20.673.453 with the resolution of General Assembly meeting held on 27 March 2013 and legal reserves of the Company increased to TL 25.458.382.

Retained Earnings

Extraordinary reserve classified as retained earnings is TL 69.202.184 as at 31 December 2013 (31 December 2012: TL 58.580.118). TL 17.717 of actuarial loss was accounted at retained earnings.

Dividend Distribution

At the Ordinary General Assembly of shareholders held on 27 March 2013, the Company has decided to transfer net profit for the year ended 31 December 2012 to "Retained earnings/ Accumulated losses" and has decided a dividend distribution amounting to TL 32.119.857 that is 20% of the Company's share capital, in cash until 29 March 2013. The distribution of dividends in cash has started on 29 March 2013 and completed on 2 April 2013.

Dividend distribution of the profit for the year 2012 is as follows:

	Amount
A- First legal reserve (TCC 519/a)	2.375.940
B- Dividend distributed to shareholders in cash	32.119.857
C- Second legal reserve (TCC 519/C)	2.408.989
D- Transferred to retained earnings	10.622.066
Total	47.526.852

Distribution of profit from operating activities of the Company is determined in accordance with CMB regulations.

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14. REVENUE

Sales	1 January - 31 December 2013	1 January - 31 December 2012
Sale of share certificates	330.244.870	521.836.620
Sale of bonds	59.752.064	233.533.660
Total	389.996.934	755.370.280
Interest income	13.546.046	7.960.558
Dividend income	2.779.240	2.565.234
Gain / (loss) on trading of derivative transactions, net	1.417.320	(18.564.937)
Interest income on reverse repo transactions	488.449	361.737
Loaned securities commission income	607	54.054
Increase / (decrease) in value of share certificates, net	(2.236.162)	14.906.076
Increase / (decrease) in value of government bonds, net	(8.726.046)	7.186.498
Subtotal	7.269.454	14.469.220
Total Revenue	397.266.388	769.839.500

15. COST OF SALES

Cost of Sales	1 January - 31 December 2013	1 January - 31 December 2012
Cost of sale of share certificates	326.768.179	492.738.197
Cost of sale of government bonds and treasury bills	61.061.499	223.764.023
Subtotal	387.829.678	716.502.220
Marketable securities intermediary commission expenses (Note 19)	1.876.148	2.354.193
Portfolio management commission expenses (Note 19)	1.524.710	1.506.654
Custody and commission expenses	35.709	51.400
Subtotal	3.436.567	3.912.247
Total cost of sales	391.266.245	720.414.467

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16. ADMINISTRATIVE EXPENSES

	1 January - 31 December 2013	1 January - 31 December 2012
Board of directors attendance fees	472.500	520.600
Personnel expenses	448.023	629.572
Rent expenses	144.155	120.483
Audit fees	88.803	80.633
Administrative expenses	64.344	41.677
System expenses	63.931	46.981
Issuance expenses	55.197	42.624
Depreciation and amortization	40.663	17.153
Listing expenses	40.150	66.869
Internal control and risk management expenses	11.018	17.563
Tenant contribution fees	10.046	25.450
Share quotation fees	-	51.874
Other expenses	108.105	173.355
	1.546.935	1.834.834

Personnel expenses

	1 January - 31 December 2013	1 January - 31 December 2012
Salaries and wages	295.264	413.824
Increase in vacation pay liability and provision for employee bonuses	52.808	69.659
Social security expenses	45.811	61.151
Increase in provision for employee severance indemnity	14.955	35.452
Other personnel expenses	39.185	49.486
Total	448.023	629.572

17. OTHER OPERATING EXPENSES

As explained in Note 10, other expenses comprise of provision for potential tax loss of BITT amounting to TL 76.300 (31 December 2012: TL 63.347).

18. EARNINGS PER SHARE

	1 January - 31 December 2013	1 January - 31 December 2012
Nominal value of shares in circulation as at 1 January (total)	160.599.284	160.599.284
Issued bonus shares	-	-
Nominal value of shares in (TL) circulation as at 31 December (total)	160.599.284	160.599.284
Net profit/(loss) for the period (TL)	4.376.908	47.526.852
Earnings per share (TL) (par value of TL 1)	0,0273	0,2959

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19. RELATED PARTY DISCLOSURES

Details of related party balances are as follows:

	31 December 2013	31 December 2012
<i>Cash and cash equivalents</i>		
Türkiye İş Bankası Anonim Şirketi (<i>Demand deposit</i>)	12.249	2.696
	12.249	2.696
<i>Other receivables</i>		
İş Merkezleri Yönetim ve İşletim AŞ (*)	-	3.427
	-	3.427

(*) Comprising non-trade receivables including prepaid contribution expenses for commonly used spaces.

Financial assets at fair value through profit or loss

As at 31 December 2013, the Company's financial assets at fair value through profit or loss include related company shares with a nominal value amounting to TL 3.465.007 and fair value amounting to TL 7.822.863, and related company private sector bonds with a nominal value amounting to TL 11.420.000 and fair value amounting to TL 11.423.510 (31 December 2012: related company shares amounting to TL 12.469.596 nominal amount, TL 28.037.471 fair value amount and related company private sector bonds amounting to TL 23.695.394 nominal amount, TL 23.285.451 fair value amount).

	31 December 2013	31 December 2012
<i>Due to related parties</i>		
<i>Trade payables</i>		
<i>Portfolio management commission, premium and other service payables</i>		
İş Portföy Yönetimi AŞ	99.083	-
İş Yatırım Menkul Değerler AŞ	18.338	117.360
	117.421	117.360
<i>Other payables</i>		
T.İş Bankası AŞ	5.500	-
Anadolu Anonim Türk Sigorta Şirketi	1.634	1.512
Payables to shareholders (*)	-	1.275
İş Merkezleri Yönetim ve İşletim AŞ	-	54.192
	7.134	56.979
Total	124.555	174.339

(*) The amounts that is not recorded parts of the cash dividend payments which was occurred at last five years, are recorded in due to shareholders account. These amounts are transferred to Investor Compensation Center in the current period in accordance with the 6362 numbered Capital Market Law code 83.

	1 January - 31 December 2013	1 January - 31 December 2012
Marketing, selling and distribution expenses		
<i>Related Party Trjs</i>		
İş Yatırım Menkul Değerler AŞ	1.876.148	3.859.821
İş Portföy Yönetimi AŞ	1.524.710	-
Türkiye Sınai Kalkınma Bankası AŞ	-	1.026
Total	3.400.858	3.860.847

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19. RELATED PARTY DISCLOSURES (continued)

	1 January - 31 December 2013	1 January - 31 December 2012
Administrative expenses		
<i>Expenses paid to related parties</i>		
Türkiye İş Bankası AŞ - (rent and other expenses)	222.057	-
İşnet Elektronik Bilgi Üretim Dağıtım Tic. ve İletişim Hiz. AŞ - (internet usage and other service expenses)	13.643	20.755
İş Yatırım Menkul Değerler AŞ - (Internal control and risk management expenses)	11.018	10.563
SoftTech Yazılım Teknolojileri Araştırma Geliştirme ve Pazarlama Tic.AŞ (Web update expenses)	2.722	2.528
Anadolu Anonim Türk Sigorta Şirketi -(health insurance expenses)	1.902	7.351
İş Gayrimenkul Yatırım Ortaklığı AŞ - (rent and other expenses)	-	112.000
İş Merkezleri Yön. ve İşl. AŞ - (plaza operating expenses)	-	36.736
TSKB Gayrimenkul Yatırım Ortaklığı AŞ (rent expenses)	-	8.483
Total	251.342	210.357
	1 January - 31 December 2013	1 January - 31 December 2012
Dividend income		
İş Girişim Sermayesi Yatırım Ortaklığı AŞ	1.047.689	546.935
Türkiye Sınai Kalkınma Bankası AŞ	324.545	413.984
İş Yatırım Menkul Değerler AŞ	123.900	156.606
Türkiye Şişe ve Cam Fabrikaları AŞ	9.467	-
Total	1.505.601	1.117.525

Benefits provided to key management personnel, member of board of directors and audit committee are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Benefits provided to key management personnel		
Salaries and other short-term benefits	653.640	761.015
Vacation pay liability and provision for employee bonuses	41.992	62.715
Employee severance indemnity	7.137	7.902
Total	702.769	831.632

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20. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Financial Risk Factors

The Company's activities expose to a variety of financial risks: market risk (fair value interest rate risk and share price risk). Market risk is the fluctuations in interest rates and value of marketable securities or other financial agreements that negatively affect the Company. The Company recognise its marketable securities at fair value and follows the market risk as interest rate risk and share price risk separately. The Company's Board of Directors determine strategy and limits related with portfolio management in certain periods and portfolio of marketable securities are managed within this scope by portfolio directors. The Company's overall risk management program focuses on the uncertainty of financial markets and seeks to minimize the potential negative effects on the Company's financial performance.

Interest rate risk

The Company is exposed to interest rate risk due to volatile market prices of its financial assets at both fixed and floating interest rates. The Company has no interest sensitive liabilities.

Interest Risk Position Table		31 December 2013	31 December 2012
Fixed interest rate financial instruments		147.610.800	126.095.922
Financial assets	Financial assets at fair value through profit or loss	137.698.809	125.391.821
	Receivables from reverse repo agreements	9.001.785	500.069
	Receivables from money market placements	910.206	204.032
Financial liabilities		-	-
Floating interest rate financial instruments		66.416.855	31.165.584
Financial assets	Financial assets at fair value through profit or loss	66.416.855	31.165.584
Financial liabilities		-	-

Debt securities classified as financial assets at fair value through profit or loss in the balance sheet of the Company are exposed to price risk due to interest rate changes. According to the analysis made by the Company as at 31 December 2013, 1% increase or decrease in TL interest rates on condition that all other factors remain stable, causes a decrease amounting to TL 4.227.356 or an increase amounting to TL 5.808.093 in the fair value of debt securities amounting to TL 204.115.664 including net profit in the period and equity of the Company as at 31 December 2013 (According to the analysis as at 31 December 2012 1% increase or decrease in TL interest rates on the condition that all other factors remain stable causes a decrease amounting to TL 2.591.381 or an increase amounting to TL 2.718.403 in fair value of debt securities amounting to TL 156.557.405 including net profit in the period and equity of the Company).

Equity price risk

The Company is also exposed to equity price risk arising from the equity price changes in its portfolio. As at 31 December 2013, if Equity Price Index of the Istanbul Stock Exchange is 10% higher/lower and all other factors remain stable, the Company's net profit and equity is increased or decreased by TL 4.413.383 (31 December 2012: TL 12.420.851).

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20. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

Credit risk

The Company does not have any credit default risk, since the Company does not have extended loans. As at 31 December 2013 and 31 December 2012, the Company's credit risk carrying assets are as follows:

	Receivables					Receivables from reverse repo and money market placements	Investment securities ⁽²⁾	Derivative instruments	Other
	Trade receivables		Other receivables						
31 December 2013	Related parties	Other parties	Related parties	Other parties	Bank deposits				
Exposure to maximum credit risk as at the reporting date (A+B+C+D+E) ⁽¹⁾	-	3.596.261	-	-	12.249	9.911.991	204.115.664	-	-
- Maximum credit risk amount secured with guarantees									
A. Net carrying value of neither past due nor impaired financial assets	-	3.596.261	-	-	12.249	9.911.991	204.115.664	-	-
B. Net carrying value of restructured financial assets	-	-	-	-	-	-	-	-	-
Net carrying value of past due but not impaired financial assets	-	-	-	-	-	-	-	-	-
C. financial assets									
- Net carrying value secured with guarantees	-	-	-	-	-	-	-	-	-
D. Net carrying value of impaired assets	-	-	-	-	-	-	-	-	-
- Past due (Gross amount)	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-	-
- Net carrying value secured with guarantees	-	-	-	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-	-
- Net carrying value secured with guarantees	-	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-	-

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20. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

	Receivables						Receivables from reverse repo and money market placements	Investment securities (2)	Derivative instruments	Other
	Trade receivables		Other receivables							
	Related parties	Other parties	Related parties	Other parties	Bank deposits					
31 December 2012	-	7.909.397	3.427	-	2.703	704.101	156.557.405	-	-	-
Exposure to maximum credit risk as at the reporting date (A+B+C+D+E) (1)										
- Maximum credit risk amount secured with guarantees										
A. Net carrying value of neither past due nor impaired financial assets	-	7.909.397	3.427	-	2.703	704.101	156.557.405	-	-	-
B. Net carrying value of restructured financial assets	-	-	-	-	-	-	-	-	-	-
Net carrying value of past due but not impaired financial assets	-	-	-	-	-	-	-	-	-	-
C. Net carrying value secured with guarantees	-	-	-	-	-	-	-	-	-	-
Net carrying value of impaired assets	-	-	-	-	-	-	-	-	-	-
- Past due (Gross amount)	-	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-	-	-
- Net carrying value secured with guarantees	-	-	-	-	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-	-	-
- Net carrying value secured with guarantees	-	-	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-	-	-

1. Items such as guarantees received, which increase the creditability, are not included in the determination of the balance.

2. Investment securities comprise of government bonds amounting to TL 111.192.398 (31 December 2012: TL 75.326.639). Since share certificates are not exposed to credit risk, they are not included in investment securities.

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20. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

Currency risk

Foreign currency risk is the risk of changes in the foreign currency denominated monetary assets, monetary liabilities and off-balance sheet items due to changes in foreign currency exchange rates. As at 31 December 2013 and 31 December 2012, the Company does not have any assets or liabilities denominated in foreign currencies.

Liquidity risk

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity. The Company’s total assets are almost comprised of cash and cash equivalents and investment securities due to the nature of the Company’s operations. The Company’s liquidity risk management approach is to maintain sufficient cash and other liquid assets in order to fund the current and prospective debt requirements.

The Company has no derivative liabilities. As at 31 December 2013 and 31 December 2012, the following table presents the Company’s financial liabilities including interest payments according to their remaining contractual maturities:

31 December 2013							
Contractual maturities	Carrying Value	Total contractual cash outflows	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities	198.971	198.971	198.971	-	-	-	-
Trade payables	198.971	198.971	198.971	-	-	-	-

31 December 2012							
Contractual maturities	Carrying Value	Total contractual cash outflows	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities	117.360	117.360	117.360	-	-	-	-
Trade payables	117.360	117.360	117.360	-	-	-	-

Capital management

The Company manages its capital by reducing its investment risk to the lowest level with effective portfolio management. The aim of the Company is to maintain sustainable returns for shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital. The balance between the Company’s growth expectation and the shareholders’ expectation and also the Company’s profitability are considered in dividend distribution prepared within the current legislation framework.

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21. FINANCIAL INSTRUMENTS

Financial Instruments Categories:

31 December 2013	Carrying Value	Fair Value
Financial Assets		
Cash and cash equivalents	9.924.240	9.924.240
Financial assets at fair value through profit or loss	248.249.495	248.249.495
Trade receivables	3.596.261	3.596.261
Financial liabilities		
Trade payables	198.971	198.971
Other payables	20.042	20.042
31 December 2012	Carrying Value	Fair Value
Financial Assets		
Cash and cash equivalents	706.804	706.804
Financial assets at fair value through profit or loss	280.765.911	280.765.911
Trade receivables	7.909.397	7.909.397
Other receivables	3.427	3.427
Financial liabilities		
Trade payables	117.360	117.360
Other payables	69.761	69.761

Fair value of financial instruments

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties.

The estimated fair values of financial instruments have been determined by the Company 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, that the Company could realize in a current market exchange.

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 debt securities and share certificates.

Financial liabilities

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

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21. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments (continued)

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.

Valuation methods of the financial assets at fair value through profit and loss:

31 December 2013	Carrying Value	Level 1	Level 2	Level 3
Financial assets at fair value through profit/loss				
Debt securities	204.115.664	204.115.664	-	-
Quoted share certificates	44.133.831	44.133.831	-	-
Total	248.249.495	248.249.495	-	-

31 December 2012	Carrying Value	Level 1	Level 2	Level 3
Financial assets at fair value through profit/loss				
Debt securities	156.557.405	156.557.405	-	-
Quoted share certificates	124.208.506	124.208.506	-	-
Total	280.765.911	280.765.911	-	-

22. EVENTS AFTER THE REPORTING PERIOD

None.