

IS YATIRIM ORTAKLIGI A.S.

ANNUAL REPORT FOR 2012

TRADE NAME OF THE COMPANY	:	IS YATIRIM ORTAKLIGI ANONIM SIRKETI (IS INVESTMENT TRUST)
PRINCIPAL OFFICE	:	Istanbul
DATE OF ESTABLISHMENT	:	16/08/1995
SCOPE OF OPERATIONS	:	Portfolio Management
TRADE REGISTRY NUMBER	:	367835
ADDRESS	:	Buyukdere Cad. Is Kuleleri Kule 1 Kat:5 Levent/Istanbul
PHONE - FAX	:	212/ 284 17 10 - 212/ 284 16 70
WEB SITE	:	www.isyatort.com.tr
ACCOUNTING PERIOD	:	01.01.2012 – 31.12.2012
ISSUED CAPITAL	:	TL 160,599,284
REGISTERED CAPITAL	:	TL 300,000,000

BOARD OF DIRECTORS :

The members of the Board of Directors were elected at the ordinary shareholders' meeting, held on April 2, 2012, to hold office until the next ordinary shareholders' meeting throughout the accounting period.

Throughout the accounting period; the members of the Board of Directors, who had been elected on and had been holding office since April 2, 2012, other than the independent Directors, resigned pursuant to the provisions of Article 25 of the Law No. 6103 on the Enforceability and the Manner of Enforcement of Turkish Code of Commerce, and were re-elected under the provisions of Article 363 of Turkish Code of Commerce No. 6102.

GUZIDE MELTEM KOKDEN
CHAIRPERSON (02.04.2012 –)

Ms. Kokden, who graduated from the Department of International Relations, Faculty of Political Science, Ankara University and studied for and obtained Master's Degree also at Ankara University, started her professional career as an Assistant Expert at T. Is Bankasi A.S. in 1991. Ms. Kokden, who was appointed to serve at the Capital Markets Department as Investment Expert in 1996, served at the offices of Assistant Manager between 1999 and 2003, Division Manager between 2003 and 2006, and was promoted to the office of Department Manager in 2006 at the same department. Ms. Kokden currently serves as the Manager of Capital Markets Department for T. Is Bankasi A.S. Ms. Kokden, who has been holding the office of the Chairperson of the Board of Directors of the Company since 20.10.2006, also serves as a member of the board of directors for ISE Settlement and Custody Bank Inc. and several group subsidiaries.

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UFUK UMIT ONBASI

DEPUTY CHAIRPERSON (02.04.2012 –)

Mr. Onbasi, who graduated from the Department Economics (English), Faculty of Economic and Administrative Sciences, Istanbul University, served as Assistant Manager at the Capital Markets Department of T. Is Bankasi A.S. between 1991 - 1994, at the Treasury Department of Korfezbank A.S. between 1994 and 1998, at the Treasury Department of Bank Kapital A.S. between 1998 and 2000, and subsequently held the offices of Manager and Group Manager for also for Bank Kapital A.S. in 2000. Mr. Onbasi, who was appointed as Manager for Domestic Markets Division of Is Yatirim Menkul Degerler A.S. in the year 2000, has been holding the office of Assistant General Manager at the same Company since 2003. He has also been serving as the Deputy Chairperson of the Board of Directors of the Company since 02.04.2011.

VOLKAN KUBLAY

MEMBER (24.08.2012 –)

Mr. Kublay, who graduated from the Department of Economics (English), Faculty of Economic and Administrative Sciences, Marmara University, started to serve as Assistant Auditor for T. Is Bankasi A.S. in the year 2000. Mr. Kublay served as Auditor between 2000 and 2008, was appointed to the office of Assistant Manager of the Subsidiaries Departments in 2008, and was promoted to the position of Division Manager of the same department in 2012. Mr. Kublay currently holds the office of Division Manager at the Subsidiaries Department of T. Is Bankasi A.S. Mr. Kublay, who was elected as a Member of the Board of Directors of the Company on 24.08.2012, also serves as a director for several other group subsidiaries.

NEVRA TOKTAS

MEMBER (02.04.2012 –)

Ms. Nevra Toktas graduated from the Department of Business Administration, Faculty of Economic and Administrative Sciences, METU. Ms. Toktas, who started her career at T. Is Bankasi A.S. as Assistant Expert at IT Department in 1987, served as an Expert at the Credit Cards Department between 1989 and 1997, an Assistant Manager at Retail Banking Marketing Department between 1997 and 2001, and as Division Manager of the same Department between 2001 and 2008. Mr. Toktas, who was appointed for the office of Manager of the Card Payment Systems Department in 2008, currently holds the same office. She has also been serving as a Member of the Board of Directors of the Company since 02.04.2012.

SERHAT GURLEYEN

MEMBER (02.04.2012 –)

Mr. Gurleyen, who graduated from the Department of Economics, Bogazici University, served as the Research Manager for TEB Ekonomi Arastirmalari A.S. between 1995 and 1998, for TEB Yatirim A.S. between 1998 and 2002, and for Is Yatirim Menkul Degerler A.S. between 2002 and 2007. He currently serves for the same company as Director, and has also been serving as Member of the Board of Directors of the Company since 28.03.2005.

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ABDULLAH AKYUZ

INDEPENDENT MEMBER (02.04.2012 –)

Mr. Akyuz, who graduated from the Department of Economics and Finance, Faculty of Political Science, studied for and obtained his Master's Degree at California University. Having completed his education, Mr. Akyuz started his professional career as a Researcher for the Capital Markets Board in 1983, and subsequently served as Manager at ISE Bonds and Bills Market, and also served as a Member of the Board of Directors for ISE Settlement and Custody Bank Inc. between 1995 and 1998. Mr. Akyuz, who served as Deputy Chairman at ISE between 1994 and 1998, and as the Representative in the USA of Turkish Industry and Business Association between 1999 and 2011, has been a Member of the Board of Directors of Is Yatirim Menkul Degerler A.S. since 01.11.2011, and of the Company since 02.04.2012.

KAMIL YILMAZ, PhD

INDEPENDENT MEMBER (02.04.2012 –)

Dr. Yilmaz, who graduated from the Department of Economics, Bogazici University, studied for and obtained Master's Degree and Doctoral Degree (PhD) at Maryland University. Dr. Yilmaz, who worked for the World Bank between 1992 and 1994, and started lecture as a faculty member at Koc University in 1994, conducted research studies as a visiting professor at the Department of Economics, Pennsylvania University between 2003 and 2004 and between 2010 and 2011. Dr. Yilmaz also held the office of the Director of Economic Research Forum, a joint initiative of TUSIAD (Turkish Industry and Business Association) and Koc University between 2007 and 2009. Dr. Yilmaz, who currently is a professor at the Department of Economics, Faculty of Economic and Administrative Sciences, Koc University, has authored numerous academic papers and articles published by reputable national and international periodicals and also books on international trade, international finance, macroeconomics and Turkish economy. Dr. Yilmaz has been a Member of the Board of Directors of the Company since 02.04.2012, and of Is Girisim Sermayesi Yatirim Ortakligi (Is Private Equity Investment Trust) since 07.05.2012.

SUPERVISORY BOARD :

Kenan Ayvaci - Cansel Nuray Aksoy

The members of the Supervisory Board were elected at the ordinary shareholders' meeting, held on April 2, 2012, to hold office until the next ordinary shareholders' meeting throughout the accounting period.

AUDIT COMMITTEE :

Kamil Yilmaz, PhD : Chairman

Abdullah Akyuz : Member

CORPORATE GOVERNANCE COMMITTEE

Kamil Yilmaz, PhD : Chairman

Volkan Kublay : Member

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COMMITTEE FOR EARLY RECOGNITION OF RISK:

Abdullah Akyuz : Chairman
Volkan Kublay : Member

**THE MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD,
WHO HAVE HELD OFFICE THROUGHOUT THE RELATED ACCOUNTING PERIOD**

Hürriyet Belhi Akpınar : Member of the Board of (01.01.2012 – 02.04.2012)
Directors
Ulker Yildirimcan : Member of the Board of (01.01.2012 – 02.04.2012)
Directors
Nurgun Ozdes : Member of the Board of (01.01.2012 – 02.04.2012)
Directors
Ahmet Ergin : Member of the Board of (01.01.2012 – 02.04.2012)
Directors
Emre Duranlı : Member of the Board of (01.01.2012 – 24.08.2012)
Directors
Zeki Davut : Member of the (01.01.2012 – 24.08.2012)
Supervisory Board

SENIOR MANAGEMENT :

Yesim Tukenmez : General Manager

Staff headcount as of 2012: 4

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I. Economic Overview

The year 2012 began within a conjuncture, characterized by a decelerated global growth, abated threat of inflation and increasing systemic risks, and the world markets, which experienced a course of escalation thanks to the positive statements and data within the first quarter, followed a downward course in the second quarter due to the signals of recession from the Eurozone and the scenario for Greece to leave Euro being considered rather more likely. The positive perception of the steps taken by the European Central Bank and the Federal Reserve System, the provision of supplemental support for Greece, the budget deficit of which exceeded the targets, the extension of debt maturities and the reduction of debt interest rates enabled the risk perception to be improved. The continued global growth in spite of the shocks from Europe and the Middle East and the concerns for a fiscal cliff in the USA lifted the spirits in the markets.

The maintenance of financial pressures and expansionist monetary policies by the Federal Reserve System of the USA as well as the European Central Bank, the Bank of Japan and the Bank of England leads to a considerable amount of cash inflow to the emerging markets, which are characterized by sound growth dynamics and strong financial structure. The markets in Turkey, which received more than USD 20 bio foreign capital inflow in 2012, displayed a sound performance as ISE 100 index closed the year at 78,208 index score, representing a rise by some 52.5 %.

The rise in the global risk appetite and the financial pressures in the developed countries caused the interest rates to retreat, and the indicative compound government debt securities interest rate, which was 11 % at the beginning of the year, decreased to roughly 6.2 % by the end of the year. The Central Bank maintained its monetary policy in the direction to support the economic activity as it gradually reduced the overnight lending interest to 9 % from 12.5 percent throughout the accounting period, and it reduced the interest rate for repos auction with one week of maturity, being the policy interest rate, to 5.50 % from 5.75 percent on December 18, 2012. The inflation rates for PPI and CPI as of the year-end emerged as 2.45 % and 6.16 %, respectively.

II. Industry Overview

Securities investment trusts are the capital markets companies, which are established as joint-stock companies or on registered capital basis in order to manage portfolios of capital market instruments and gold and other precious metals that are traded on national and international exchanges or off-exchange organized markets.

The size of overall portfolio assets according to the financial statements disclosed as of December 28, 2012 of the securities investment trusts in Turkey, the number of which has reached to 18 as 2012, has amounted to TL 721,274,864.-.

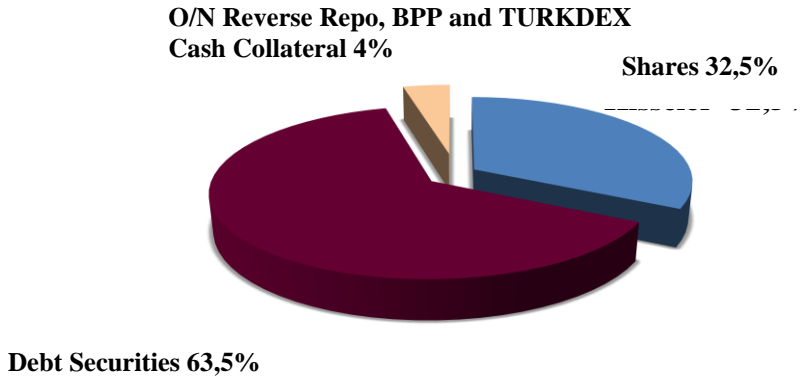
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III. Operations and Financial Standing

The portfolio of the company has been managed professionally in accordance with the performance benchmarks as identified and the investment strategy as defined by the Board of Directors and in line with the principle of risk distribution as introduced by Is Yatirim Menkul Degerler A.S. in 2012. It was decided pursuant to the Communiqué, Serial: VI, No: 30, of the Capital Markets Board that the Company's portfolio should be managed by Is Portfoy Yonetimi A.S. as of January 1, 2013. The average breakdown of the portfolio assets was as follows throughout the accounting period; equities by 32.5 %, reverse repos and Exchange Money Market transactions and TURKDEX collateral accounts by 4 %, and debt securities by 63.5 %. The Company's portfolio, the size of which amounted to TL 288,889,581.- as of December 31, 2012, accounted for 40 % of the overall portfolio size of the industry.

Average breakdown of portfolio assets throughout 2012;



The Company's portfolio contained short position Index Futures Contracts by 18 % as of December 31, 2012.

The performance benchmark and investment strategies applicable for the accounting period between 01/01/2012 and 31/12/2012;

Performance Benchmark

ISE 30 INDEX RETURN by 30 % + KYD (Institutional Investment Managers' Association)
OVERALL BILL INDEX RETURN by 60 % + KYD (Institutional Investment Managers' Association)
O/N GROSS REPOS INDEX RETURN by 10 %

Investment Strategy

Equities by 25 % to 55 %

Government Debt Securities and Private Sector Debt Securities by 45 % to 75 %

Reverse Repos by 0 % to 30 %

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Volume of transactions conducted throughout 2012 and net profit;

	2012		2011(*)	
	Transaction Volume (TL)	Net Profit/(Loss) (TL)	Transaction Volume (TL)	Net Profit/(Loss) (TL)
Equities	1,038,737,409	29,098,423	1,033,570,560	(13,604,776)
Debt Securities	461,683,955	9,769,637	518,436,746	3,988,853

Major Financial Indicators;

	31.12.2012	31.12.2011 (*)	Variation
Asset Size (TL)	289,521,429	263,936,310	9.69 %
Total Debts (TL)	1,113,190	1,508,923	- 26.23 %
Paid-in Capital (TL)	160,599,284	160,599,284	-
Total Equity Capital (TL)	288,408,239	262,427,387	10 %
Net Profit/(Loss) (TL)	47,526,852	(6,162,847)	-
Net Sales (TL)	755,370,280	766,419,706	- 1.44 %
Market Value (TL)	184,689,177	147,751,341	25 %
Final Quotation/Closing Price	1.15	0.92	25 %

Total Debts / Equity Capital	0.39 %	0.57 %
Equity Capital / Total Assets	99.62 %	99.43 %

(*) The Company and TSKB Yatirim Ortakligi A.S. merged within the organization of the Company on July 16, 2012; therefore the historical financial statements and related amounts were re-adjusted for comparison purposes.

Cash dividends, amounting to TL 21,546,000, which accounted for some 16 % of the issued capital, were distributed on April 3, 2012; and the weighted average equity price, which was TL 1.19 before the distribution, was adjusted to be TL 1,03 after the same.

According to the financial statements drawn up in accordance with the provisions of the Communiqué, Serial: XI, No: 29, of the Capital Markets Board; the total assets of the Company as cleared of the impact of some TL 21,546,000 dividends distributed in cash as of April 3, 2012 have grown by 18 % on year-over-year basis.

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IV. Shareholding Structure as of 31.12.2012:

Shareholders	Group	Shareholding Amount (TL)	Shareholding (%)
İs Yatirim Menkul Degerler A.S.	A	50,000	0.03
İs Yatirim Menkul Degerler A.S.	B	42,466,693	26.44
T.Sinai Kalkinma Bankasi AS	A	2,297,411	1.43
T.Sinai Kalkinma Bankasi AS	B	2,757,169	1.72
Yatirim Finansman Menkul Degerler AS	A	1,185,072	0.73
Yatirim Finansman Menkul Degerler AS	B	618,429	0.39
Anadolu Hayat Emeklilik AS	A	592,536	0.37
Anadolu Hayat Emeklilik AS	B	574,662	0.36
Anadolu Anonim Turk Sigorta Sirketi	B	278,394	0.17
Other	B	109,778,918	68.36
Total		160,599,284	100.00

The capital of the Company is divided into 16,059,928,400 shares, the nominal value of each of which amounts to 1 (one) *Kurush*, and the portion amounting to TL 4,125,019 of the shares consists of Group (A) shares, while the portion amounting to TL 156,474,265 of the shares consists of Group (B) shares. In respect of election of the members of the Board of Directors; each of the Group (A) shares shall be entitled to 1.000.000 (one million) voting rights, and each of the Group (B) shares shall be entitled to 1 (one) voting right.

Is Yatirim Menkul Degerler A.S., a shareholder of the Company, requested to acquire the Group A shares in the capital of Is Yatirim Ortakligi, which amounted to TL 2,297,411, of T. Sinai Kalkinma Bankasi A.S., and the request was approved by the Capital Markets Board through the resolution No. 3/57, dated 22.01.2013, thereof. The acquisition took place on the Wholesale Market at some TL 1.23 price per each share with some TL 1 nominal value on 11.02.2013, as a result of which the amount of the overall nominal value of the Group A shares held by Is Yatirim Menkul Degerler A.S. increased to TL 2,347,411 from TL 50,000, and the shareholding ratio thereof rose to 1.46 % from 0.03 %.

V. Considerations regarding risks and risk management system:

The core business operation of the Company is portfolio management. The Company invests the entire resources thereof to money and capital market instruments as a matter of the nature of its operations, and is obliged under the applicable legislations and the Articles of Association thereof to create minimum 25 % of its portfolio of equities. Therefore, the Company is exposed to market risk to such an extent that may fairly be considered significant. The market risk is the likelihood to suffer from losses due to such risks as the interest risk, equity risk, derivatives risk and exchange risk, which may emerge in connection with the changes in interest rates, exchange rates and equity prices as a consequence of the fluctuations in the financial markets. The Company values the securities thereof on the basis of current market values and monitors the

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portfolio variations on daily basis, and outsources the regular calculation and reporting of the portfolio risk to Is Yatirim Menkul Degerler A.S. as a part of the risk management system established. The reports so submitted are assessed by the Committee for Early Recognition of Risk.

VI. Internal control activities:

The regular maintenance and reporting of internal control activities are outsourced to Is Yatirim Menkul Degerler A.S. pursuant to the Resolution, dated 30.09.2011, of the Board of Directors adopted under the Communiqué, Serial: VI, No: 30, of the Capital Markets Board and the updated version of the Internal Control Regulation. It is intended through such outsourcing for the operations, business and transactions, and portfolio valuation of the Company to be performed and carried out in compliance with the applicable legislations, the Articles of Association of the Company as well as the purpose and scope thereof, the accounting system as well as the documentary and recording order of the Company to function effectively and the operational risks, which may arise out of the irregularities and errors, to be ensured to be minimized. The control activities performed within the said framework are reported regularly to the member of the Board of Directors, who is in charge of internal control, and submitted to the Board of Directors for information.

VII. Committees of the Board of Directors:

The committees established by the Board of Directors and the members appointed to serve therein are provided within the initial section of this report. All members of the Audit Committee as well as the chairpersons of the other committees are the independent members of the Board of Directors. The risk reports developed as a part of the risk management system of the Company are assessed by the Committee for Early Recognition of Risk, and in the cases where the risk level is detected to have risen, proper actions are taken identify the measures to be taken and the Board of Directors is informed on the matter. The Corporate Governance Committee, which also assumes the functions of the Nomination and Compensation committees, is responsible to determine whether or not the Corporate Governance Principles are properly implemented, and to determine the potential conflicts of interest, which may arise out of any failure in such proper implementation, and in cases where it may deem so necessary, to take improvement actions and to inform the Board of Directors on the matter. The Audit Committee, established in 2003, is responsible for the accounting system, the public disclosure of financial information as well as the appointment of the independent audit firm and the observation of the independent audit processes.

Due care is taken for the efficient operation of the committees in accordance with the requirements of the operations of the Company and the functionality thereof. The Audit Committee convenes for minimum four times and each of other committees convenes for minimum once a year as necessary.

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VIII. Financial benefits offered to the members of the Board of Directors and the senior executives:

The members of the Board of Directors and of the Supervisory Board of the Company are paid the remuneration as approved by the Shareholders' Meeting on monthly basis. The sum of compensation and financial benefits paid per month to each member of the Board of Directors and the Supervisory Board of the Company amounts to TL 831,632 within the year 2012.

IX. Matters regarding the merger:

It was resolved through the Resolution No. 306, dated December 14, 2011, of the Board of Directors of the Company for the merger of the Company with the company, registered to Istanbul Trade Registry Office with the registry number 447970, which operated under the trade name TSKB Yatirim Ortakligi Anonim Sirketi, through the acquisition of the said company under the provisions of Article 451 of Turkish Code of Commerce and of Articles 19 and 20 of the Corporate Tax Law No. 5520, and for the necessary actions to be initiated, accordingly. The merger was authorized upon the applications filed on the matter through the Resolution no. 12-14/417-BD, dated March 29, 2012, of the Competition Board and the Resolution No. 15/547, dated May 10, 2012, of the Capital Markets Board, and the matter was also approved by the respective shareholders' meeting of each company, both held on June 29, 2012. The said resolutions of the shareholders' meetings as well as the Merger Agreement were registered by Istanbul Trade Registry on July 16, 2012, and were announced within the issue No. 8116, dated July 20, 2012, of the Trade Registry Gazette, and TSKB Yatirim Ortakligi dissolved and was entirely acquired along with any assets and liabilities by Is Yatirim Ortakligi (ISYAT) effective as of July 16, 2012. The shares, amounting to some TL 25,936,784, which were issued for the purpose of the merger, were registered to the Capital Markets Board on the basis of the Registration Certificate No. Y.O. 188/547, dated July 30, 2012, of the Capital Markets Board, and the distribution of ISYAT shares to the shareholders of TSKB Yatirim Ortakligi by the Central Securities Depository of Turkey on the basis of the exchange rate specified by the Merger Agreement (being 0.8923) was completed on August 14, 2012.

X. Related party transactions:

The details regarding the related party transactions of the Company are set forth within the financial statements. The conclusion of the Dependent Company Report for 2012, which was prepared pursuant to the provisions of Article 199 of Turkish Code of Commerce No. 6102, is provided as follows.

"None of the following is at issue between the Company and Is Yatirim Menkul Degerler A.S., being the principal shareholder of the Company, as well as any other subsidiary of T. Is Bank Group;

- Any transfer of receivables, debts or property assets,
- Any encumbering legal actions such as granting of surety, warranty or guarantee,
- Any legal actions, which may lead to the transfer of earnings.

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The transactions conducted between the Company and the principal shareholder thereof as well as the other T. Is Bank Group subsidiaries, the details of which are provided as per the said report, are limited to those necessitated by the operations of the Company and were conducted in strict compliance with the arm's length principle. In that regards; there are no judgments made against or no transactions that may cause losses on the side of the Company."

XI. Other material events throughout the period between 01/01/2012 and 31/12/2012:

Ordinary Shareholders' Meeting:

The ordinary shareholders' meeting for 2011 of the Company was held on April 2, 2012, and the members of the board of directors and the auditors of the Company were appointed as set forth within the initial section of this reports. A resolution was adopted at the meeting for the distribution of dividends in cash in the amount of TL 21,546,000, corresponding to 16 % of the issued capital, which amount to be so distributed was resolved to be covered by the contingency reserve item of the Company, and the said distribution was completed between April 3, 2012 and April 5, 2012.

Another resolution was adopted at the same meeting for the authorization of the persons, who are required to conduct the transactions specified within the provisions of Article 334 and 335 of Turkish Code of Commerce No. 6762, being in force as of the said date, and within the provisions of Article 1.3.7 of the Corporate Governance Principles of the Capital Markets Board, for the conduct of such transactions.

The draft amendment wording regarding Articles 8, 16, 18 and 30 of the Articles of Association of the Company, which was drawn up to ensure compliance with the Corporate Governance Principles of the Capital Markets Board, was endorsed through the letter No. B.02.6.SPK.0.15-320.99/217/3139, dated March 15, 2012, of the Capital Markets Board, and was approved through the letter No. B.21.0.İT.G.0.03.00.01/431.02-54730-250970-1956/2165, dated March 23, 2012, of the Ministry of Customs and Trade, was approved during the shareholders' meeting and the meeting of Group A Preferred Shareholders, held on April 2, 2012, and it was resolved for the said provisions to be amended as follows. The said amendment was had registered on 16.04.2012, and was announced through the issue No. 8053, dated 20.04.2012, of the Trade Registry Gazette. The minutes of the meetings and the amended version of the Articles of Association are available on the website of the Public Disclosure Platform and that of the Company.

AMENDED WORDING

PROHIBITION TO OFFER EXTRA BENEFITS

Article 8- The Company may not provide any extra benefits to its shareholders, members of the board of directors or members of the supervisory board, staff members or any third persons from its assets, other than the payments such as remunerations, compensations, commissions, premiums and dividends offered as a part of its operations. However; the Company may donate monies as a part of its social responsibility and in accordance with the principles and procedures set forth by the Capital Markets Board.

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BOARD OF DIRECTORS AND TERM OF OFFICE

Article 16- The business of the Company shall be maintained and the Company shall be managed by a Board of Directors, the members of which shall be elected to hold office for up to 3 (three) years and the majority of the members of which shall not be assigned executive duties, and which shall comprise of minimum 5 (five) and maximum 7 (seven) members. In respect of election of the members of the Board of Directors; each of the Group (A) shares shall entitle the holder thereof to 1.000.000 (one million) votes, and each of the Group (B) shares shall be entitle the holder thereof to 1 (one) vote. The Board of Directors shall elect a chairperson and a deputy chairperson amongst the members thereof at its initial meeting.

The general assembly shall elect independent members of the board of directors at a sufficient number in accordance with the principles in relation to independence of the members of board of directors as specified in the Corporate Governance Principles of the Capital Markets Board, provided that there shall be at least 2 (two) such members.

The number and qualifications of the independent members to hold office at the Board of Directors shall be determined in accordance with the regulations, regarding corporate governance, promulgated by the Capital Markets Board.

Any member, whose term of office may have expired, shall be eligible for re-election. In the event any seat at the board of directors becomes vacant for any reason whatsoever; the Board of Directors shall appoint a person, who meets the statutory requirements prescribed by TCC (Turkish Code of Commerce) and the Capital Market Law, for such seat temporarily; and shall submit such person for approval at the next immediate Shareholder' Meeting. Any member, so appointed, shall hold office until expiration of term of office of the holder of such seat.

Any member of the Board of Directors may be dismissed for office by the Shareholders' Meeting at any time.

MEETINGS OF THE BOARD OF DIRECTORS, AND COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Article 18- The Board of Directors shall convene whenever the operations and the business of the Company may require. However, it should strictly convene at least once a month. Each member of the Board shall be entitled to one vote. The agenda of each meeting shall be determined by the Chairperson of the Board of Directors. The agenda so determined may be subsequently revised upon a resolution on the matter of the Board of Directors.

In any extraordinary situation, should the Chairperson not summon the Board of Directors for meeting upon the written request of any member, then the members shall be entitled to such summoning *ex officio*.

Venue of the meeting shall be the principal office of the Company. However, the board of directors may convene at any other location, provided that a resolution is adopted on the matter.

The quorum for meeting applicable for the Board of Directors shall be 4 in the case of 5 members, and 5 in the case of 7 members in total. Any resolution shall be adopted with the vote in favor of majority of the members present at the meeting. In the event of the equality of votes, the proposal shall be considered to have been rejected.

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Members of the board of directors shall cast their votes either on affirmative or dissenting basis. Any member, casting dissenting vote, shall specify the grounds thereto on the resolution, and shall so undersign such resolution.

Any member, who fails to attend any meeting in person, may not cast vote in writing or through proxy at such meeting.

In respect of the transactions, which are deemed to be of material nature in terms of the implementation of the Corporate Governance Principles, and any and all kinds of related party transactions of the Company, and the transactions in relation to granting any guarantees, pledges and mortgages for the favor of any third persons, the regulations of the Capital Markets Board regarding corporate governance shall be duly followed.

The Corporate Governance Principles, the implementation of which is prescribed to be mandatory by the Capital Markets Board, shall be duly followed. Any transactions, which are not performed in compliance with such mandatory principles, and the board resolutions so adopted, shall be null and void, and shall be deemed to be in breach of the Articles of Association.

ANNOUNCEMENTS

Article 30- The announcements of the Company shall be published within the Trade Registry Gazette of Turkey as well as a daily newspaper disseminated at the location, where the principal office of the Company is situated with respect to such time requirements as prescribed under Turkish Code of Commerce and Capital Market legislations. However; the announcements for the summoning for meeting of the Shareholders' Meeting shall be communicated, in addition to the means and procedures contemplated by the applicable legislations, through any means of communication, including the electronic means, which would enable the receipt of such announcements by the maximum number of shareholders possible, at least three weeks in advance of the scheduled date of such Shareholders' Meeting.

Any obligation of disclosure, announcement and information, which the Capital Markets Board or Turkish Code of Commerce may specify or contemplate, shall be fulfilled timely in accordance with the applicable legislations.

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Extraordinary Shareholders' Meeting:

The merger through acquisition with the Company of TSKB Yatirim Ortakligi under the provisions of Articles 19 and 20 of the Corporate Tax Law No. 5520 and of Article 451 of Turkish Code of Commerce was approved at the Extraordinary Shareholders Meeting and the Group A Preferred Shareholders' Meeting of the Company, both of which were held on June 29, 2012, and it was resolved thereat that the provisions of Article 11, titled "Capital and Stocks", of the Articles of Association of the Company be amended to read as follows. The resolutions regarding the merger and the amendment to the Articles of Association were had registered on 16.07.2012, and were announced within the issue No. 8116, dated 20.07.2012, of the Trade Registry Gazette. The minutes of the meetings and the amended version of the Articles of Association are available on the website of the Public Disclosure Platform and that of the Company.

AMENDED WORDING

CAPITAL AND STOCKS

Article 11- The upper limit of registered capital of the Company amounts to TL 300,000,000. The issued capital of the Company amounts to TL 160,599,284 (one hundred sixty million five hundred ninety nine thousand two hundred eighty four), and is divided into 16,059,928,400 shares, the nominal value of each of which amounts to 1 (one) Kurush. The portion amounting to TL 4,125,019 (four million and one hundred and twenty five thousand and nineteen) of the shares consists of Group (A) shares, while the portion amounting to TL 156,474,265 (one hundred fifty six million and four hundred and seventy four thousand and two hundred and sixty five) of the shares consists of Group (B) shares. The issued capital has entirely been paid in cash. In respect of election of the members of the Board of Directors; each of the Group (A) shares shall entitle the holder thereof to 1.000.000 (one million) votes, and each of the Group (B) shares shall be entitle the holder thereof to 1 (one) vote.

Some TL 134,662,500, being the amount of the former capital of the Company, has also been entirely paid in.

Some TL 25,936,784, being the amount of increase in this case, has been covered nominally as a consequence of equalization of the share values determined by taking the portfolio values of both companies determined by means of the expert's report, dated 16.04.2012, issued as per the file number Basis 2012/17, of the 33rd Commercial Court of First Instance of Istanbul, and the report issued by an expert organization, namely Eczacibasi Menkul Degerler A.S., dated 02/04/2012, as the basis, as transferred upon the merger materialized as per entirely acquisition of the assets and liabilities of TSKB Yatirim Ortakligi A.S. as of 31.12.2011, in accordance with the Articles 19 and 20 of the Corporate Tax Law, Article 451 of Turkish Commercial Code and the other relevant provisions. 2,593,678,400 shares, each having a nominal value of 1 Kurush, to be issued due to the merger, have been distributed to the shareholders of TSKB Yatirim Ortakligi A.S., which has dissolved after such merger.

Group (A) shares are registered shares, and Group (B) shares are bearer's shares. The registered shares are eligible for transfer.

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The Board of Directors shall be entitled to increase the issued capital by issuing new shares up to the registered upper limit of the capital in accordance with the provisions of the Capital Markets Law, and to adopt resolutions in relation to limitation of right to purchase new shares of the shareholders and in relation to issuance of premium shares.

In respect of capital increases, in the event that preemptive rights have been exercised, then the remaining shares, or in the event that exercise of the preemptive rights is subject to any restriction, then all recently issued shares shall be offered to public at the market price, not to be less than the nominal value.

Any new shares may not be issued unless and until the stocks already issued are disposed and the prices thereof are fully paid. The amount of the issued capital should strictly be stated within the documents, in which the trade name of the Company is mentioned.

The nominal value of each share, which formerly amounted to TL 1,000.-, was adjusted to amount to 1 New Kurush under the law amending Turkish Code of Commerce. The total number of shares decreased on account of such adjustment, and 1 share with 1 New Kurush nominal value was delivered against each 10 stocks, each having the nominal value of TL 1,000. The rights of the shareholders arising out of the shares held thereby in respect of such exchange are reserved. The word "New" in New Turkish Lira (TRY) and New Kurush (KrY), being the valid currency of the Republic of Turkey, was deleted from the said references effective as of 01.01.2009 through the Resolution of the Council of Ministers, which was published within the issue, dated 05.05.2007, of the Official Gazette.

The shares representing the capital shall be monitored on dematerialized basis in accordance with the principles of dematerialization.

XII. Profit Distribution Policy:

The proposals of profit distribution submitted by the Board of Directors to the Shareholders' Meeting for approval are prepared with due consideration of the preservation of the sensitive balance between the expectations of the shareholders and the requirements for the maintenance of the growth course of the Company, and the profitability of the Company.

The Company has, thus, adopted a profit distribution policy that contemplates the proposal to the Shareholders' Meeting of the distribution of minimum 30 % of the net annual distributable profit of the Company to be distributed in cash and/or in no-par shares.

XIII. Miscellaneous matters:

The Company did not make any donations throughout the accounting year of 2012.

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Type of Securities	Nominal Value	Total Acquisition Cost	Total Current Value	Group (%)	Overall (%)
1) EQUITY	22,018,661.74	111,163,039.50	127,374,460.46	100.00%	43.74%
COMMUNICATIONS	443,000.00	4,990,062.98	5,125,510.00	4.02%	1.76%
TCELL	443,000.00	4,990,062.98	5,125,510.00	4.02%	1.76%
Intermediary Institutions (Brokerage Houses)					
ISMEN	2,668,841.57	3,677,431.73	4,430,277.01	3.48%	1.52%
Exchange Mutual Funds					
ISY30	448,277.00	9,824,061.80	10,686,923.68	8.39%	3.67%
Food, Spirits and Tobacco					
DOCO	41,885.00	2,686,672.70	3,348,286.90	2.63%	1.15%
Chemistry, Oil, Rubber and Plastics					
TUPRS	138,081.00	5,846,330.39	7,058,700.72	5.54%	2.42%
Wholesale Trade					
BIZIM	152,074.00	2,943,669.80	4,277,841.62	3.36%	1.47%
Retail Trade					
MGROS	188,415.33	3,667,623.09	4,105,570.04	3.22%	1.41%
Transportation					
THYAO	628,566.47	3,562,747.05	3,909,683.44	3.07%	1.34%
Banks					
YKBNK	13,027,448.94	62,907,699.79	70,976,696.61	55.72%	24.37%
TSKB	2,788,520.21	14,175,171.65	14,639,731.10	11.49%	5.03%
ISATR	6,569,352.07	8,903,864.44	15,043,816.23	11.81%	5.17%
HALKB	3.00	86,487.01	86,400.00	0.07%	0.03%
GARAN	887,792.00	14,984,678.37	15,687,284.64	12.32%	5.39%
AKBNK	1,634,487.00	14,858,557.24	15,331,488.06	12.04%	5.26%
Holdings and Investments Trusts					
TKFEN	1,147,294.66	9,898,941.08	10,187,976.58	8.00%	3.50%
SISE	3,356,859.43	7,601,314.67	9,596,066.94	7.53%	3.29%
ISGSY	125,460.00	835,182.00	908,330.40	0.71%	0.31%
Real Estate Investment Trusts					
EKGYO	912,000.00	2,610,767.30	2,726,880.00	2.14%	0.94%
Mining and Quarrying					
PRKME	2,319,399.43	4,155,365.37	5,960,856.54	4.68%	2.05%
Real Estate Investment Trusts					
EKGYO	616,561.00	1,919,334.71	1,936,001.54	1.52%	0.66%
Mining and Quarrying					
PRKME	308,652.00	1,536,090.80	1,922,901.96	1.51%	0.66%
II) DEBT SECURITIES	150,666,394.00	150,221,186.53	157,618,563.19	100.00%	54.12%
TRSCCKBE1316	7,500,000.00	7,638,113.72	7,840,667.25	4.97%	2.69%

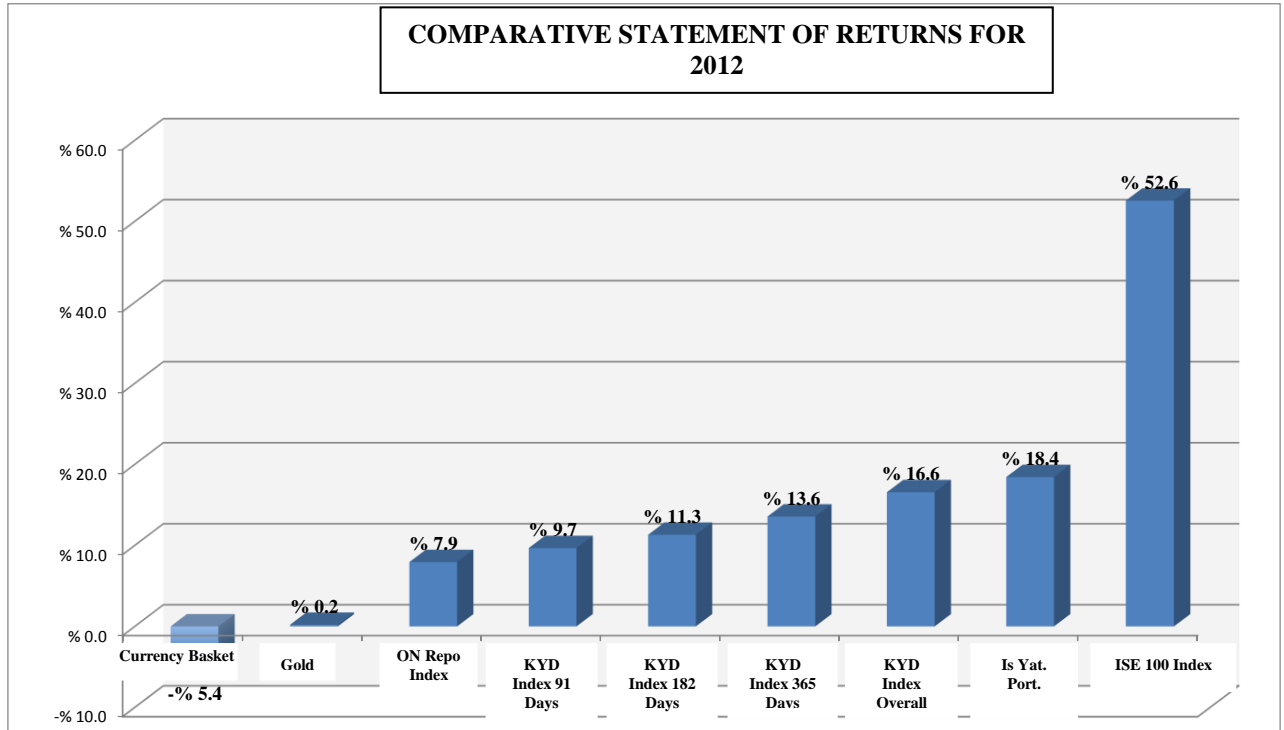
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TRSRSGY71318	2,000,000.00	2,056,200.00	2,050,033.40	1.30%	0.70%
TRSSKBK31317	2,000,000.00	2,012,046.00	2,001,700.60	1.27%	0.69%
TRSTISBK1315	4,030,000.00	4,044,427.40	4,053,209.17	2.57%	1.39%
TRT041213T23	8,200,000.00	8,130,464.00	8,538,892.06	5.42%	2.93%
TRT050314T14	12,200,000.00	12,796,792.02	12,948,008.84	8.21%	4.45%
TRT060814T18	2,000,000.00	2,095,820.00	2,235,427.20	1.42%	0.77%
TRT110913T11	4,085,000.00	3,795,602.55	3,918,379.79	2.49%	1.35%
TRT120122T17	9,700,000.00	10,487,842.60	12,041,311.31	7.64%	4.13%
TRT140922T17	4,500,000.00	4,816,951.96	5,225,684.85	3.32%	1.79%
TRT150120T16	8,300,000.00	9,202,613.46	10,538,998.87	6.69%	3.62%
TRT170615T16	5,500,000.00	5,444,634.01	5,990,202.35	3.80%	2.06%
TRT170713T17	8,000,000.00	6,803,720.00	7,742,478.40	4.91%	2.66%
TRT240914T15	6,900,000.00	7,031,194.33	7,194,881.16	4.56%	2.47%
TRFISMD31310	7,055,394.00	6,831,195.18	6,965,736.17	4.42%	2.39%
TRQFNBK31312	400,000.00	389,788.00	394,702.28	0.25%	0.14%
TRQFNBK51310	14,000,000.00	13,461,280.00	13,621,953.80	8.64%	4.68%
TRQFNBK61319	5,000,000.00	4,816,400.00	4,842,869.00	3.07%	1.66%
TRQVKFB61312	5,000,000.00	4,633,700.00	4,811,082.00	3.05%	1.65%
TRSCRSIA1516	2,090,000.00	2,090,000.00	2,237,628.82	1.42%	0.77%
TRISISFN21416	4,650,000.00	4,679,178.68	4,686,423.45	2.97%	1.61%
TRSKFTF81311	3,700,000.00	3,700,000.00	4,046,357.00	2.57%	1.39%
TRSRNSHA1514	2,870,000.00	2,870,000.00	2,913,279.31	1.85%	1.00%
TRSSKFKA1417	100,000.00	100,000.00	100,013.96	0.06%	0.03%
TRSTCZB41418	336,000.00	336,000.00	340,948.34	0.22%	0.12%
TRSTISBA1317	400,000.00	370,828.00	377,318.20	0.24%	0.13%
TRSTISBE1313	5,900,000.00	5,453,901.00	5,620,680.43	3.57%	1.93%
TRSTISBK1323	1,660,000.00	1,534,321.40	1,575,076.56	1.00%	0.54%
TRSTPFC51310	440,000.00	448,172.23	446,978.62	0.28%	0.15%
TRSTPFC71516	2,670,000.00	2,670,000.00	2,714,774.03	1.72%	0.93%
TRSTPFCK1310	2,970,000.00	2,970,000.00	3,017,542.28	1.91%	1.04%
TRSTPFCK1419	2,710,000.00	2,710,000.00	2,766,208.92	1.76%	0.95%
TRSVKFB61318	3,800,000.00	3,800,000.00	3,819,114.76	2.42%	1.31%
III) OTHER	669,150.00	657,000.00	657,277.44	100.00%	0.23%
BPP	157,000.00	157,000.00	157,071.96	23.90%	0.05%
Repo TRT251017T18	512,150.00	500,000.00	500,205.48	76.10%	0.17%
IV) FUTURES CONTRACTS					
SHORT POSITIONS	5,494.00	53,186,301.24	54,527,950.00	100.00%	18.72%
TURKDEX 111F_IX0300213	5,494.00	53,186,301.24	54,527,950.00	100.00%	18.72%
V) TURKDEX CASH					
COLLATERAL	5,586,501.64	5,586,501.64	5,586,501.64	100.00%	1.92%
TURKDEX CASH COLLATERAL	5,586,501.64	5,586,501.64	5,586,501.64	100.00%	1.92%
TOTAL PORTFOLIO VALUE (I+II+III+V)			291,236,802.73		
CASH AND CASH EQUIVALENTS (+)			23,791.03		
AMOUNTS RECEIVABLE (+)			15,341,210.11		
OTHER ASSETS (+)			30,796.00		
LIABILITIES (-)			17,227,905.65		
TOTAL VALUE			289,404,694.21		
TOTAL VALUE / NUMBER OF SHARES					1.80

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CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT FOR 2012

1. Statement of Compliance with Corporate Governance Principles,

The Communiqué, Serial: IV, No: 56, on Identification and Implementation of Corporate Governance Principles was brought into force upon being promulgated within the issue, dated December 30, 2011, of the Official Gazette. Is Yatirim Ortakligi, which has adopted the principles of transparency, equality, responsibility and accountability, complies with all compulsory principles and most of non-compulsory principles of the Corporate Governance Principles as set forth by the said communiqué. The few number of principles not implemented, which constitute exception, do not lead to any conflict of interest.

Throughout the year, committees have been established in accordance with the Corporate Governance Principles, the principles of operation of such committees were identified and staff members were appointed to serve as a part thereof as necessary. Moreover; the articles of association have been amended as necessary under the said communiqué, the details regarding the independent members of the Board of Directors as well as the other members thereof, who stood up as candidates, were disclosed to public, the required procedures were duly fulfilled, and the independent members of the Board of Directors as well as the other members were duly elected by the Shareholders' Meeting. The details regarding the compliance activities carried out under the Corporate Governance Principles are set forth within the related section.

PART I - SHAREHOLDERS

2. Shareholder Relations Unit

Ms. Yesim Tukenmez, the General Manager, as well as the other designated staff members (Hande Asan-Muazzez Demircan) are responsible for the activities of the Shareholder Relations Unit, which was established within the organization of the Company in 2009 (Phone: 212/ 284 17 10 – yo@isyatort.com.tr). The Shareholder Relations Unit is responsible for the maintenance of the details of the shareholders sound and up-to-date, responding the written or verbal inquiries of the shareholders as long as the contents thereof do not constitute trade secrets, the holding of shareholders' meetings in compliance with the applicable legislations and the articles of association, and the disclosure to public of the necessary documents and information related to the shareholders' meeting and other matters. Any written inquiries have not been received from the shareholders, and few number of verbal inquiries received have been responded throughout the year.

3. Exercise of the Right to Information by Shareholders

Any event, which may affect the exercise of any shareholding rights, is disclosed through the Public Disclosure Platform and the website of the Company. Any inquiry received from shareholders is endeavored to be responded swiftly. Even though the Articles of Association of the Company does not contain any provisions regarding the appointment of a private auditor; the shareholders may file a request for the appointment of a private auditor at the shareholders' meeting

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under the applicable legislations. Any requests for the appointment of a private auditor has not been filed at the shareholders' meeting held throughout the year.

4. Shareholders' Meetings

Four shareholders' meetings, namely one ordinary shareholders' meeting, one extraordinary shareholders' meeting and two Group A Preferred Shareholders' meeting, have been held throughout the year. The announcements for meetings were intended to be received by the maximum number of shareholders, as a part of which the announcements were released through the Public Disclosure Platform, the website of the Company, two daily newspapers, disseminated nationwide, and the Trade Registry Gazette.

The wordings of announcements contained such details as the agenda and the date of the meetings as well as the meeting venues, and the draft amendment of articles of association, the principles for attention to the meeting and the sample forms of powers of attorney, in addition to which the information document, which included the resumes of the candidate members of the Board of Directors, the total voting rights, and the details regarding the preferred shares, was made available on the website of the Company. The minimum quorum of 25 % was applied for the meetings under the applicable legislations, and shareholders attended the ordinary meeting by 71.8 % and the extraordinary meeting by 46.9 %, while the preferred shareholders attended the preferred shareholders' meeting by 100 %. The stakeholders and the media members did not attend the meetings.

The financial statements, the annual report, the auditors' report, the profit distribution statement, the Compensation Policy, the Information Policy and the draft amended wording of the Articles of Association were published electronically and were made available at the principal office of the Company before the ordinary shareholders' meeting and Group A Preferred Shareholders' meeting, held on April 2, 2012. Any of the shareholders did not exercise the right to inquiry, request to add an item to the agenda during the meeting; and the full wording of the minutes of the meeting and the list of attendees were released to the public through the Public Disclosure Platform as well as the website of the Company and was, further, made available to the shareholders for information at the principal office.

Also prior to the extraordinary shareholders' meeting and the Group A Preferred Shareholders' meeting, held on June 29, 2012; the draft amended wording of the Articles of Association was published electronically and was made available at the principal office of the Company, and any of the shareholders did not exercise the right to inquiry, request to add an item to the agenda during the meeting; and the full wording of the minutes of the meeting and the list of attendees were subsequently released to the public through the Public Disclosure Platform as well as the website of the Company and was, further, made available to the shareholders for information at the principal office.

The information regarding the donations and aids made throughout the year was addressed as an individual agenda item during the ordinary shareholders' meeting, and is provided within the annual report. The Company did not make any donations or aids throughout the accounting year of 2012.

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5. Voting Rights and Minority Rights

The stocks of the Company are categorized into Group A and Group B stocks pursuant to the Articles of Association approved by the Capital Markets Board. Each share held entitled the holder thereof to 1 (one) vote at the shareholders' meeting; however, only in the case of the election of the members of the Board of Directors, each Group A share entitles the holder thereof to 1,000,000 (one million) votes and each Group B share entitles the holder thereof to 1 (one) vote. The Company does not have any controlled subsidiaries for the purpose of its operations. The minority shareholders did not nominate any candidates for the Board of Directors at the shareholders' meeting held.

6. Right to Dividends

The profit distribution policy, which was submitted to the shareholders' meeting for information and was also released within the annual report and through the website of the Company, provides for the due consideration to be given to the preservation of the sensitive balance between the expectations of the shareholders and the requirements for the maintenance of the growth course of the Company, and the profitability of the Company. The Company has, thus, adopted a profit distribution policy that contemplates the distribution of minimum 30 % of the net annual distributable profit of the Company to be distributed in cash and/or in no-par shares.

There are no preferential status granted in respect of participation to the profit. The members of the Board of Directors and the employees are not delivered dividends on the basis of founder's shares, and due care is taken for the payment of the dividends within the earliest convenience and with due respect to the periods as provided by the applicable legislations.

7. Transfer of Shares

The Articles of Association of the Company does not include any provisions that restrict the transfer of shares.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Information Policy

The "Information Policy", which was updated in 2012 in line with the amended legislations and the change in prevailing conditions, was published through the website of the Company and the Public Disclosure Platform, and was also submitted to the shareholders for information at the shareholders' meeting, held on April 2, 2012. The primary purpose of the information policy is to ensure the communication of necessary information, which is not of trade secret nature, to the shareholders, employees as well as the other related parties under equal conditions timely, accurately, completely, legibly, conveniently and as accessible at the minimum cost possible. The power and the responsibility for monitoring, supervision and improvement of the public disclosure and the information policy shall be enjoyed and assumed by the Board of Directors. Ms. Yesim Tukenmez, being the General Manager of the Company, and the Shareholder Relations Unit have been appointed to carry out the coordination of the information process. The said officials shall perform and fulfill their responsibilities in close cooperation with the Corporate Governance Committee and the Board of Directors.

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9. Website of the Company and Its Content

The address of the website of the Company is “www.isyatort.com.tr”. Any and all matters provided within the section 2.2.2 of the Corporate Governance Principles (the Company does not have information forms in place for collection of stocks and powers of attorney through calls; therefore any matters related thereto are not set forth on the website) are also set forth within the website, and due efforts are made to keep the website up-to-date. The website of the Company also has a version in English; however, the matters within the Corporate Governance Principles are not entirely available in English and are planned to be made available in time.

10. Annual Report

The annual reports of the Company entirely include the Corporate Governance Principles as well as any other information provided by the applicable legislations, and the interim annual reports include the details regarding the variations and events, which may have taken place between the end of the previous accounting year and the date of issue of the interim annual report, as contemplated by the Communiqué, Serial: XI, No: 29, of the Capital Markets Board.

PART III - STAKEHOLDERS

11. Information of Stakeholders

Any registered information of the Company, which is not of trade secret nature, is communicated to the shareholders and the stakeholders with respect to the principle of equality, and any material events related to the operations and the management of the Company are disclosed to the public in the form of material disclosures, portfolio value statements are published weekly, and the said information is also made available on the website of the Company.

The stakeholders may, at the discretion thereof, communicate their opinions or any matter, which they may consider to be in breach of the applicable legislations or the code of ethics, to the Company, and any such communications may be forwarded by the General Manager of the Company to the Corporate Governance Committee or the Audit Committee. Any such communication was not received throughout the year 2012.

12. Participation to Management of Stakeholders

The Company is represented and engaged by the Board of Directors under the Articles of Association and applicable legislations, and the members of the Board of Directors are elected by the shareholders at the shareholders' meetings. Even though the stakeholders are not directly represented at the Board of Directors, they may communicate their opinions and considerations about any matter to the Company, and such opinions and considerations are taken into consideration by the Board of Directors in process of the adoption of resolutions. In the cases, where any matter that may lead to significant consequences for the stakeholders is to be adopted; due care is taken for communication and exchange of opinions with the concerned stakeholders.

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13. Human Resources Policy

The Company operates through a staff of four members. The establishment of an individual unit for the human resources and the appointment of a separate official to maintain the relations with the staff members were not considered necessary due to the few number of employees and the low diversity of staff members. The personal benefits of the employees are maintained in accordance with the laws governing the labor relations, the resolutions of the Board of Directors, the internal regulations as well as the code of ethics, and the Company informs the staff members on the related matters, task descriptions and the performance and operation of related transactions through regular meetings. Any staff complaints were not received throughout the year 2012.

14. Code of Ethics and Social Responsibility

The code of ethics established in order for the maintenance of the Company's operations in integrity, effectively and rationally is set forth within the annual reports and the corporate website of the Company. The Company did not implement or was not involved in any social responsibility projects throughout the year 2012.

PART IV - BOARD OF DIRECTORS

15. Organization and Composition of the Board of Directors

The members of the Board of Directors were elected during the ordinary shareholders' meeting, held on April 2, 2012, and throughout the accounting period, and have not been assigned any executive duties within the organization of the Company. The resumes of and the duties assigned to the members of the Board of Directors are provided as follows.

GUZIDE MELTEM KOKDEN
CHAIRPERSON (02.04.2012 –)

Ms. Kokden, who graduated from the Department of International Relations, Faculty of Political Science, Ankara University and studied for and obtained Master's Degree also at Ankara University, started her professional career as an assistant expert at T. Is Bankasi A.S. in 1991. Ms. Kokden, who was appointed to serve at the Capital Markets Department as Investment Expert in 1996, served at the offices of Assistant Manager between 1999 and 2003, Division Manager between 2003 and 2006, and was promoted to the office of Department Manager in 2006 at the same department. Ms. Kokden currently serves as the Manager of Capital Markets Department for T. Is Bankasi A.S. Ms. Kokden, who has been holding the office of the Chairperson of the Board of Directors of the Company since 20.10.2006, also serves as a member of the board of directors for ISE Settlement and Custody Bank Inc. and several group subsidiaries.

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UFUK UMİT ONBASI

DEPUTY CHAIRPERSON (02.04.2012 –)

Mr. Onbasi, who graduated from the Department Economics (English), Faculty of Economic and Administrative Sciences, Istanbul University, served as Assistant Manager at the Capital Markets Department of T. Is Bankasi A.S. between 1991 - 1994, at the Treasury Department of Korfezbank A.S. between 1994 and 1998, at the Treasury Department of Bank Kapital A.S. between 1998 and 2000, and subsequently held the offices of Manager and Group Manager for also for Bank Kapital A.S. in 2000. TMr. Onbasi, who was appointed as Manager for Domestic Markets Division of Is Yatirim Menkul Degerler A.S. in the year 2000, has been holding the office of Assistant General Manager at the same Company since 2003. He has also been serving as the Deputy Chairperson of the Board of Directors of the Company since 02.04.2011.

VOLKAN KUBLAY

MEMBER (24.08.2012 –)

Mr. Kublay, who graduated from the Department of Economics (English), Faculty of Economic and Administrative Sciences, Marmara University, started to serve as Assistant Auditor for T. Is Bankasi A.S. in the year 2000. Mr. Kublay served as Auditor between 2000 and 2008, was appointed to the office of Assistant Manager of the Subsidiaries Departments in 2008, and was promoted to the position of Division Manager of the same department in 2012. Mr. Kublay currently holds the office of Division Manager at the Subsidiaries Department of T. Is Bankasi A.S. Mr. Kublay, who was elected as a Member of the Board of Directors of the Company on 24.08.2012, also serves as a director for several other group subsidiaries.

NEVRA TOKTAS

MEMBER (02.04.2012 –)

Ms. Nevra Toktas graduated from the Department of Business Administration, Faculty of Economic and Administrative Sciences, METU. Ms. Toktas, who started her career at T. Is Bankasi A.S. as Assistant Expert at IT Department in 1987, served as an Expert at the Credit Cards Department between 1989 and 1997, an Assistant Manager at Retail Banking Marketing Department between 1997 and 2001, and as Division Manager of the same Department between 2001 and 2008. Mr. Toktas, who was appointed for the office of Manager of the Card Payment Systems Department in 2008, currently holds the same office. She has also been serving as a Member of the Board of Directors of the Company since 02.04.2012.

SERHAT GURLEYEN

MEMBER (02.04.2012 –)

Mr. Gurleyen, who graduated from the Department of Economics, Bogazici University, served as the Research Manager for TEB Ekonomi Arastirmalari A.S. between 1995 and 1998, for TEB Yatirim A.S. between 1998 and 2002, and for Is Yatirim Menkul Degerler A.S. between 2002 and 2007. He currently serves for the same company as Director, and has also been serving as Member of the Board of Directors of the Company since 28.03.2005.

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ABDULLAH AKYUZ

INDEPENDENT MEMBER (02.04.2012 –)

Mr. Akyuz, who graduated from the Department of Economics and Finance, Faculty of Political Science, studied for and obtained his Master's Degree at California University. Having completed his education, Mr. Akyuz started his professional career as a Researcher for the Capital Markets Board in 1983, and subsequently served as Manager at ISE Bonds and Bills Market, and also served as a Member of the Board of Directors for ISE Settlement and Custody Bank Inc. between 1995 and 1998. Mr. Akyuz, who served as Deputy Chairman at ISE between 1994 and 1998, and as the Representative in the USA of Turkish Industry and Business Association between 1999 and 2011, has been a Member of the Board of Directors of Is Yatirim Menkul Degerler A.S. since 01.11.2011, and of the Company since 02.04.2012.

KAMIL YILMAZ, PhD

INDEPENDENT MEMBER (02.04.2012 –)

Dr. Yilmaz, who graduated from the Department of Economics, Bogazici University, studied for and obtained Master's Degree and Doctoral Degree (PhD) at Maryland University. Dr. Yilmaz, who worked for the World Bank between 1992 and 1994, and started lecture as a faculty member at Koc University in 1994, conducted research studies as a visiting professor at the Department of Economics, Pennsylvania University between 2003 and 2004 and between 2010 and 2011. Dr. Yilmaz also held the office of the Director of Economic Research Forum, a joint initiative of TUSIAD (Turkish Industry and Business Association) and Koc University. Dr. Yilmaz, who currently is a professor at the Department of Economics, Faculty of Economic and Administrative Sciences, Koc University, has authored numerous academic papers and articles published by reputable national and international periodicals and also books on international trade, international finance, macroeconomics and Turkish economy. Dr. Yilmaz has been a Member of the Board of Directors of the Company since 02.04.2012, and of Is Girisim Sermayesi Yatirim Ortakligi (Is Private Equity Investment Trust) since 07.05.2012.

The Communiqué, Serial: IV, No: 56, of the Capital Markets Board and the Resolution No. 320, dated 09.03.2012, of the Board of Directors provides for the duties of the Nomination Committee to be performed by the Corporate Governance Committee. The Corporate Governance Committee assessed the proposed nomination of Mr. Abdullah Akyuz and Dr. Kamil Yilmaz with due consideration to the fulfillment of independence criteria as provided by sub-paragraph 4.3.7 of the Corporate Governance Principles, and approved submission of the said persons as candidates to the Board of Directors within the Committee Report, dated March 12, 2012; which report was duly submitted to the Board of Directors on the same date. The candidate independent members submitted the respective statements of independence thereof, which fulfilled the criteria as set forth by the sub-paragraph 4.3.7 of the Corporate Governance Principles, and any event, which may cause them to forfeit such independent status, has not occurred throughout the year.

There are no internal regulations in place that prohibit the members of the Board of Directors to serve outside the organization of the Company. The members of the Board of Directors were authorized at the ordinary shareholders' meeting held in 2012 to perform the business and transactions, which may fall to the scope of operations of the Company, either for their own behalves or on behalf of other in accordance with Turkish Code of Commerce.

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A specimen copy of the statement of independent submitted to the Company by Dr. Kamil Yilmaz and Mr. Abdullah Akyuz, the Independent Members of the Board of Directors, is provided as follows;

IS YATIRIM ORTAKLIGI A.S.
BOARD OF DIRECTORS,

Subject Matter: Statement of Independent Member of the Board of Directors

I hereby represent and agree on account of my proposed election as an independent member of the board of directors of Is Yatirim Ortakligi A.S. (the "**Company**") that

- Any employment- or capital-related or significant business relationship has not been established between the Company, any related party thereof or any legal entity, to which any shareholder of the Company, holding 5 % of the shares thereof or more, directly or indirectly, is related, and myself, my spouse and any of my relatives by blood and by marriage up to the third degree within the last five years,
- I have not served for and not acted as a member of the board of directors of any company, which carries out the entirety or any portion of the operations and the organization of the Company on contractual basis, including, primarily, the companies, which audit, rate or provide consultancy services to the Company, within the last five years,
- I have not been a shareholder or an employee of any company, which has provided significant services or goods to the Company, within the last five years,
- The shares held by my party, which are held due to my position at the Board of Directors and which account for less than 1 % of the Company's capital, are not of preferred share nature,
- I enjoy the professional educational background, knowledge and experience to properly and duly fulfill my duties as an independent member of the board of directors,
- I do not, as of the date of my nomination for independent member of the board of directors, work for any public agency and entity on full-time basis, and that I shall not work for any public agency and entity on full-time basis throughout my term of office as an independent member of the board of directors should I be elected so.
- I am considered as resident in the territory of the Republic of Turkey for the purposes of the Income Tax Law,
- I am strongly bound by ethical standards and enjoy the professional reputation and experience to positively contribute to the operations of the Company, maintain my impartiality in any potential case of conflict of interest amongst the shareholders of the Company, and to make decisions freely with due consideration of the rights and benefits of the stakeholders, and

I have the necessary qualifications to be elected as an Independent Member of the Board of Directors as required by the Articles of Association of the Company, the applicable legislations governing the Company and the Communiqué, Serial: IV, No: 56, on the Identification and Implementation of Corporate Governance Principles, and that I would be honored to accept such appointment.

Kind Regards,

IS YATIRIM ORTAKLIGI A.S.

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16. Principles of Operation of the Board of Directors

The Board of Directors convenes at least once a month but, in any case, as frequently as the business of the Company may require to address the agenda to be created by the Chairperson in accordance with the provisions of the Articles of Association of the Company. The meeting agendas may be revised under a resolution of the Board of Directors to be adopted on the matter, and the members are also entitled to summon the other members for meeting in extraordinary situations. Each member is entitled to one vote, which should be cast as an affirmative or a dissenting vote. Any member, who casts a dissenting vote shall state the grounds for such dissenting vote and shall sign under the resolution, whereby the opposing opinions are recorded. The information and documents related to the meeting agendas and the operations are submitted to the members of the Board of Directors within reasonable periods of time in order to ensure equal flow and distribution of information. The Articles of Association of the Company provides for the applicable principles regarding the Company's operations and the holding of the meetings of the Board of Directors; therefore it was not considered necessary for any separate internal regulations to be enacted on the matter. The Board of Directors has adopted 60 resolutions throughout the year 2012, and there are no material transactions or related party transactions not approved by the independent members.

The quorums provided by the applicable legislations and the Articles of Association are applied for the meetings of the Board of Directors, and due care is taken and due efforts are made for the attendance of all members in the cases where such materials matters as the release of opinion on the current profit, summoning of the shareholders for meeting, capital increase, approval of the financial statements, election of the Chairperson and the deputy chairperson of the Board of Directors, appointment of a new member and the establishment of a new committee, and the resolutions are adopted unanimously.

17. Number, Organization and Independent Status of Committees of the Board of Directors

The committees established to meet the operational needs of the Company in accordance with the Corporate Governance Principles as well as the members, activities and governing procedures thereof are provided as follows. The members of the Board of Directors, who serve within the committees, do not hold executive positions.

AUDIT COMMITTEE :

- (*) Kamil Yilmaz, PhD : Chairman
- (*) Abdullah Akyuz : Member

CORPORATE GOVERNANCE COMMITTEE

- (*) Kamil Yilmaz, PhD : Chairman
- Volkan Kublay : Member

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COMMITTEE FOR EARLY RECOGNITION OF RISK:

- (*) Abdullah Akyuz : Chairman
Volkan Kublay : Member

(*) Independent Members of the Board of Directors

The chairperson and the member of the Audit Committee and the chairpersons of the other committees are independent members of the board of directors pursuant to the Corporate Governance Principles. The Audit Committee, which is responsible for the accounting system, public disclosure of financial details and the appointment of the independent audit firm and the observation of the processes thereof, convenes for minimum four times a year. The Corporate Governance Committee, which is responsible for monitoring whether or not the corporate governance principles are duly implemented, monitoring the relations with the shareholders and also for the duties of the nomination committee, convenes for minimum once a year but as frequently as the responsibilities thereof may necessitate.

The Committee for Early Recognition of Risk, which is responsible for carrying out activities for the monitoring, assessment and prevention of risks convenes for minimum once a year but as frequently as the responsibilities thereof may necessitate. The requirement contemplated by the applicable legislations for each committee to be chaired by an independent member of the board of directors and the fact that the responsibilities of the member of the board of directors appointed for internal control under the provisions of the Communiqué, Serial: VI, No: 30, of the Capital Markets Board and those of the Committees are of similar nature, and are also associated, have lead to the situation that one member of the board of directors holds a seat in multiple committees.

18. Risk Management and Internal Control Mechanism

The Board of Directors has established internal control and risk management systems, and the current Internal Control Regulation has been in force as of 30.09.2011, and the Risk Policies and the Risk Catalog, which include the risk definitions, risk measurement mechanisms and procedures as set forth within the Communiqué, Serial: VI, No: 30, of the Capital Markets Board, have been in force as of 30.09.2011.

The Company outsources the internal control activities and risk calculations to Is Yatirim Menkul Degerler A.S. on the basis the agreement executed on the matter, under which the internal control activities are performed and the risk measurements are conducted on regular basis. The Internal Control Reports are reviewed by the member of the Board of Directors in charge of internal control, and are submitted to the Board of Directors for information, and the Risk Reports are assessed by the Committee for Early Recognition of Risk.

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19. Strategic Goals of the Company

The market expectations and the opinions regarding portfolio distribution of the portfolio managers are obtained in identification of the investment strategy and the benchmark for the operations of the Company and the matter is discussed and assessed by the Board of Directors, as a consequence of which the investment strategy and the benchmark is determined. The decision made on the matter is, then, disclosed to the public and made available on the website of the Company. The Board of Directors reviews the operations of the company and monitors the Company's performance monthly on the basis of the periodic reports submitted thereto.

20. Financial Benefits

The Compensation Policy, which includes the principles of compensation for the Members of the Board of Directors as well as any and all executives and staff members of the Company, has been in force as of 21.03.2012, and disclosed to the public through the Public Disclosure Platform as well as the website of the Company, and was also submitted to the shareholders for information at the ordinary shareholders' meeting, held on 02.04.2012. The Corporate Governance Committee monitors and supervises the compensation practices of the Company in accordance with the applicable policy, and submits the analysis and considerations thereof to the Board of Directors, where necessary. Monthly remunerations are paid to the members of the Board of Directors in the amounts as approved by the shareholders' meeting. The compensation and/or other benefits provided to the members of the Board of Directors and the senior executives are disclosed to the public within the financial statements and the annual report of the Company.

The Company may, under the applicable legislations and the Articles of Association thereof, not provide any extra benefits to its shareholders, members of the board of directors or members of the supervisory board, staff members or any third persons from its assets, other than the payments such as remunerations, compensations and dividends offered as a part of its operations.

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CODE OF ETHICS

Is Yatirim Ortakligi A.S., the scope of operations of which consists of portfolio management, aims to ensure the effective and rational management of its portfolio and thus regular, stable and high return for the investors thereof. The staff members of the Company shall observe the following code of ethics in accomplishment of the said purpose.

IS YATIRIM ORTAKLIGI A.S. shall;

- comply with any legal and statutory restrictions and legislations, which may be governing thereon due to the nature and operations thereof.
- maintain its operations in accordance with the principles of equality, transparency, accountability and responsibility.
- ensure the professional and reliable management of its portfolio in accordance with the principles of risk distribution.
- respect and protect the rights of the related stakeholders thereof, and ensure such stakeholders to be informed as necessary about the Company's standing.
- take any measure to prevent conflicts of interest.
- make its best efforts to ensure that the data prepared, disclosed to public and submitted to the regulatory authorities by the Company are accurate, complete and legible and are disclosed timely.
- treat equally to each employee of the Company with others and provide each employee with a fair and safe working environment.
- preserve the personal dignity and protect the legally recognized rights of its employees.

The EMPLOYEES shall;

- act in compliance with the applicable laws and the internal corporate regulations.
- internalize and protect the name and the reputation of Is Yatirim Ortakligi A.S.
- act moderately and carefully in their relations with each other as well as the subordinates and supervisors thereof.
- avoid any relations, which may lead to gaining of benefits and/or conflict of interests.
- constantly make efforts to enhance their professional knowledge and experience and improve their personal skills.
- be aware of their obligation to keep any information, which may be of secrecy for the Company, confidential.
- act sensitively for proper utilization of the property assets and resources of the Company.
- be obliged to report any case or event in breach of the code of ethics to the management.