

**IS YATIRIM ORTAKLIGI
ANONIM SIRKETI
(Former Trade Name IS B TIPI YATIRIM ORTAKLIGI
ANONIM SIRKETI)**

ANNUAL REPORT FOR 2014



**Akis Bagimsiz Denetim ve Serbest
Muhasebeci Mali Musavirlik A.S.**
Kavacik Ruzgarli Bahce Mah.
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Beykoz 34805 Istanbul

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INDEPENDENT AUDITOR'S REPORT IN RELATION TO THE BOARD OF DIRECTOR'S ANNUAL REPORT

To the Board of Directors of Is Yatirim Anonim Sirketi (Former Trade Name Is B Tipi Yatirim Ortakligi Anonim Sirketi)

The Report In Relation to the Auditing of the Board of Director's Annual Report In Accordance With the Independent Auditing Standards

We have audited the annual report for the accounting period, which has ended on December 31, 2014, of Is Yatirim Anonim Sirketi (Former Trade Name Is B Tipi Yatirim Ortakligi Anonim Sirketi).

Responsibility of the Board of Directors regarding the Annual Report

The management of the Company is responsible for drawing up of the annual report so as to be consistent with the financial statements and to reflect the truth, as well as for conducting the internal control required for ensuring drawing up of such annual report, in accordance with the provisions prescribed under Section 514 of the Turkish Commercial Code Nr. 6102 ("TCC") as well as the provisions of the "Communique on the Principles Regarding Financial Reporting at the Capital Market", bearing the serial number 14.1 (the "Communique") promulgated by the Capital Markets Board ("CMB").

Responsibility of the Independent Auditor

Our responsibility is to deliver an opinion about the fact that whether the financial information, covered by this annual report, is consistent with the financial statements, constituting the subject matter of the independent auditor's report dated January 29, 2015 of the Company, or not, and also that whether such information reflects the truth or not, basing on the independent audit we have conducted in accordance with the Section 397 of the TCC as well as the Communique, in respect of the annual report of the Company.

The independent audit we have conducted has been carried out in accordance with the Independent Auditing Standards ("IAS") which is a part of the Turkish Auditing Standards issued by the Public Oversight, Accounting and Auditing Standards Authority. Such standards require ensuring compliance with the ethical provisions, and also planning and performance of independent auditing to obtain a reasonable assurance in respect of the fact that whether the financial information available under the annual report is consistent with the financial statements, or not, and also that whether such information reflects the truth, or not. Independent auditing embraces implementation of the auditing procedures for the purpose of obtaining audit evidence about the historical financial information. Selection of such procedures is based on the professional judgment of the independent auditor. We believe that the independent audit evidence, we have obtained during the performance of the said independent auditing, constitutes an appropriate and sufficient ground for the composition of our opinion.

Opinion

According to our opinion, the financial information available in the annual report of the board of directors is consistent with the financial statements audited, and also reflects the truth, with respect to all material aspects of the same.

Other Obligations Arising From the Regulations

Pursuant to the third paragraph of Section 402 of the TCC; in accordance with the IAS 570 "Going Concern", no matter has been observed in relation to the fact that the company would not be able to maintain its operations in foreseeable future.

Akis Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik A.S.

A member of KPMG International Cooperative

(SIGNATURE)

Funda Aslanoglu, Certified Public Accountant
Responsible Partner, Lead Auditor
January 29, 2015
Istanbul, Turkey

IS YATIRIM ORTAKLIGI A.S.

BOARD OF DIRECTOR'S ANNUAL REPORT FOR 2014

TRADE NAME OF THE COMPANY (*) : IS YATIRIM ORTAKLIGI ANONIM SIRKETI
PRINCIPAL OFFICE : Istanbul
DATE OF INCORPORATION : 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
WEBSITE : www.isyatort.com.tr
ACCOUNTING PERIOD : 1/1/2014 - 12/31/2014
ISSUED CAPITAL : TL 160.599.284.-
REGISTERED CAPITAL : TL 300.000.000.-

(*) The trade name of the Company, which has read as "Is B Tipi Yatirim Ortakligi A.S.", has been amended to read as "Is Yatirim Ortakligi A.S." as of April 11, 2014, since the discrimination of the Type A and Type B securities investment trusts has been annulled in accordance with the Communiqué Regarding the Securities Investment Trusts, bearing the serial number III-48.2, promulgated by the Capital Markets Board on 29.08.2013.

I. SHAREHOLDING STRUCTURE

The shareholding structure of the Company is as follows as of 31.12.2014;

Shareholders	Group	Shareholding Amount (TL)	Shareholding (%)
İs Yatirim Menkul Degerler A.S.	A	2.347.411	1,46
İs Yatirim Menkul Degerler A.S.	B	44.106.690	27,47
T.Sinai Kalkinma Bankasi A.S.	B	2.757.169	1,72
Yatirim Finansman Menkul Degerler A.S.	A	1.185.072	0,73
Yatirim Finansman Menkul Degerler A.S.	B	618.429	0,39
Anadolu Hayat Emeklilik A.S.	A	592.536	0,37
Anadolu Hayat Emeklilik A.S.	B	574.662	0,36
Anadolu Anonim Turk Sigorta Sirketi	B	278.394	0,17
Other	B	108.138.921	67,33
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 entitle the holder thereof to 1.000.000 (one million) votes, and each of the Group (B) shares shall entitle the holder thereof to 1 (one) vote.

IS YATIRIM ORTAKLIGI A.S.

BOARD OF DIRECTOR'S ANNUAL REPORT FOR 2014

II. BOARD OF DIRECTORS :

The members of the Board of Directors have been elected at the shareholders' ordinary general assembly meeting, held on March 26, 2014, to hold office until the next shareholders' ordinary general assembly meeting; and have not been assigned with any executive duties within the organization of our Company.

Ozgur Temel	:	Chairman
Ufuk Umit Onbasi	:	Deputy Chairman
Volkan Kublay	:	Member
Serkan Ugras Kaygalak	:	Member
Serhat Gurleyen	:	Member
Abdullah Akyuz	:	Member (Independent)
Kamil Yilmaz, PhD	:	Member (Independent)

COMMITTEES :

AUDIT COMMITTEE

Kamil Yilmaz, PhD	:	Chairman
Abdullah Akyuz	:	Member

CORPORATE GOVERNANCE COMMITTEE

Kamil Yilmaz, PhD	:	Chairman
Volkan Kublay	:	Member
F.Nilufer Basarir Kutluturk (*)	:	Member

(*) Director in charge of the investor relations

COMMITTEE FOR EARLY RECOGNITION OF RISK

Abdullah Akyuz	:	Chairman
Volkan Kublay	:	Member

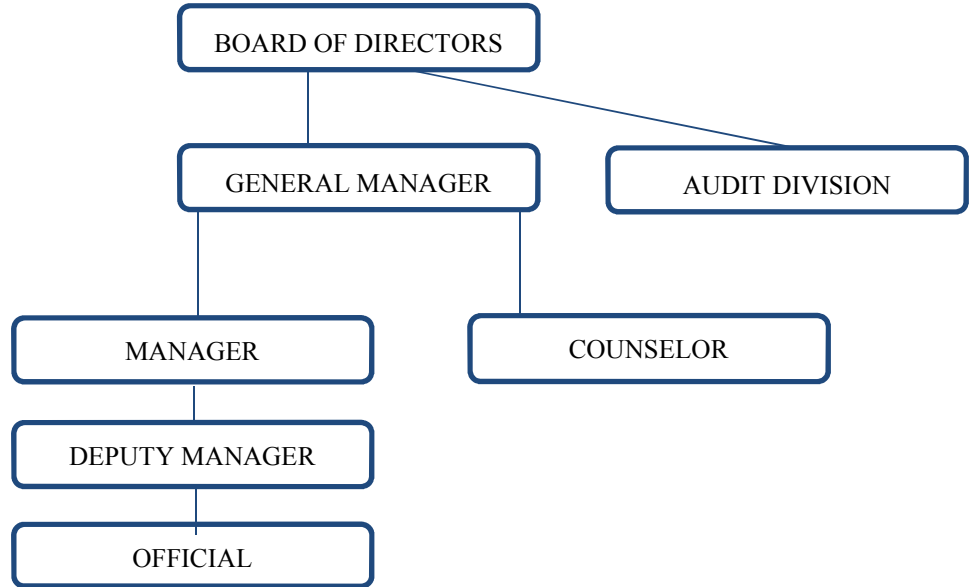
SENIOR MANAGEMENT

Yesim Tukenmez	:	General Manager
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IS YATIRIM ORTAKLIGI A.S.

BOARD OF DIRECTOR'S ANNUAL REPORT FOR 2014

ORGANIZATIONAL CHART:



The headcount of our Company is 6 as of the end of the year. Our Company does not execute any collective labor agreement, and the relevant regulations and internal regulations are taken as the basis in relation to the benefits granted to the employees.

IS YATIRIM ORTAKLIGI A.S.

BOARD OF DIRECTOR'S ANNUAL REPORT FOR 2014

III. ECONOMIC OVERVIEW

2014 has started with a conjuncture whereby the selling wave at the emerging markets has continued following the start by the Federal Reserve Bank of the USA (FED) to decrease purchasing the assets; however a recovery has been experienced at the global risk appetite upon signals for the temporary slow down from the US economy, and also the start of deceleration of the concerns for the bumpy landing in relation to the Chinese economy. The global risk appetite has recorded a significant increase upon the disclosure by the European Central Bank, which has taken some new steps for the monetary expansion in June, that they would reduce the policy interest rate and launch a new long-term refinancing operation (T-LTRO) package to the market.

The global risk perception has followed a fluctuating course during the year since the decline tendency at the inflation has continued due to the slow growth at the Eurozone and the weak demand conditions, and also the unfavorable developments arising from the Ukraine and the Middle East. During the last months of the year, the decline at the oil prices, as well as the fact that the FED has not changed the policy interest rate at its meeting held on December 16 and 17, in parallel with the expectations, and indicated that it would exhibit a "patient" attitude in respect of the course of the normalization at the monetary policy, have supported the expectations that the interest rate hike would come true slowly, and have thereby soothed the markets.

During the 3rd quarter of 2014, the Turkish economy has achieved a growth of 1.7% on yearly basis, which was far below the expectations. The Borsa Istanbul, which is one of the markets with high beta susceptible to global risk appetite, has remained among the emerging markets which benefit the most from the recovery at the global conjuncture; and the BIST 100 index has closed the year at 85.721 points with an increase of 26.4%. In consequence of the increase at the risk appetite and the decrease at the oil prices, the bond yields have also decreased, and the 2-year indicative government debt securities interest rate has closed 2014 at the level of 8.02%; and the US Dollar has appreciated at 8.6% against the Turkish Lira when compared to the end of 2013, and the Euro has depreciated at 3.9%. With the impact of the decrease at the oil prices, the inflation rates have come out as 8.17% for the CPI and as 6.36% for the PPI as of the end of the year.

IV. INDUSTRY OVERVIEW

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

The net asset values of the securities investment trusts, the number of which has decreased to 9 as of the end of 2014, has amounted to 449.5 million TL, according to the portfolio assets statements disclosed as of December 26, 2014.

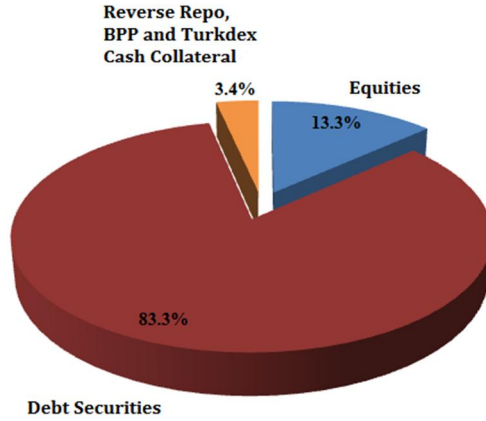
IS YATIRIM ORTAKLIGI A.S.

BOARD OF DIRECTOR'S ANNUAL REPORT FOR 2014

V. OPERATIONS AND FINANCIAL STANDING OF THE COMPANY

The portfolio of the Company is being managed professionally in accordance with the performance benchmarks as identified and the investment strategy as determined by the Board of Directors, and in line with the principle of risk distribution by Is Portfoy Yonetimi A.S. The average breakdown of the portfolio assets was as follows throughout the year; equities by 13.3%, debt securities by 83.3%, reverse repo by 3.4%, Exchange Money Market transactions and Turkdex cash collateral accounts. The Company's net assets value, the size of which amounted to TL 260.187.050- as of December 31, 2014, has accounted for 58% of the overall portfolio size of the industry.

Average breakdown of portfolio assets throughout 2014;



The Company's portfolio contained short position Index Futures Contracts by 1.23 % as of December 31, 2014.

The performance benchmark and investment strategies applicable for the year;

14/03/2014 – 31/12/2014

Performance Benchmark :

(BIST 30 INDEX RETURN) by 10% + (KYD (Institutional Investment Managers' Association) OVERALL GOVERNMENT DEBT SECURITIES INDEX RETURN) by 40% + (KYD (Institutional Investment Managers' Association) FIXED OST (Private Sector Bonds) INDEX RETURN) by 20% + (KYD (Institutional Investment Managers' Association) VARIABLE OST (Private Sector Bonds) INDEX RETURN) by 20% + (KYD (Institutional Investment Managers' Association) O/N GROSS REPO INDEX RETURN) by 10%

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Investment Strategy :

Equities by 0 % to 30 %

Government debt securities by 30% to 60%

Private sector debt instruments by 20% to 50%

Reverse repo by 0 % to 30 %

01/01/2014 – 13/03/2014

Performance Benchmark :

(BIST 30 INDEX RETURN) by 15% + (KYD (Institutional Investment Managers' Association) OVERALL GOVERNMENT DEBT SECURITIES INDEX RETURN) by 40% + (KYD (Institutional Investment Managers' Association) FIXED OST (Private Sector Bonds) INDEX RETURN) by 20% + (KYD (Institutional Investment Managers' Association) VARIABLE OST (Private Sector Bonds) INDEX RETURN) by 20% + (KYD (Institutional Investment Managers' Association) O/N GROSS REPO INDEX RETURN) by 5%

Investment Strategy :

Equities by 0 % to 30 %

Government debt securities by 30% to 60%

Private sector debt instruments by 20% to 50%

Reverse repo by 0 % to 30 %

Volume of the transactions conducted throughout 2014, and the net profits;

	2014		2013	
	Transaction Volume (TL)	Net Profit/(Loss) (TL)	Transaction Volume (TL)	Net Profit/(Loss) (TL)
Equities	455.763.207	3.459.126	578.450.011	3.476.691
Debt Securities	245.402.904	1.001.859	258.998.991	(1.309.435)

Major Financial Indicators;

	31.12.2014	31.12.2013	Variation (%)
Total Assets (TL)	260.242.113	261.876.849	- 0,6%
Total Debts (TL)	597.498	1.193.842	- 50%
Paid-in Capital (TL)	160.599.284	160.599.284	-
Total Equity Capital (TL)	259.644.615	260.683.007	- 0,4%
Net Profit/(Loss) (TL)	28.994.124	4.376.908	562%
Proceeds (TL)	355.541.504	397.266.388	- 10,5%
Market Value (TL)	168.629.248	157.387.298	7,1%
Final Quotation/Closing Price (TL)	1,05	0,98	7,1%

Total Debts / Equity Capital (%)	0,2%	0,5%
Profit / Total Assets (%)	11,1%	1,7%
Equity Capital / Total Assets (%)	99,8%	99,5%

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In accordance with the resolution, which has been adopted at the shareholders' ordinary general assembly meeting for 2013, held on March 26, 2014, of our Company, cash dividends amounting to TL 30.032.066.- corresponding to 18.7% of the issued capital as of March 28, 2014 have been distributed; and the weighted average equity price (ISYAT), which was TL 1.07.- before the distribution, was adjusted to be TL 0.88 after the same. The total assets of the Company as cleared of the impact of the dividends paid, as of December 31, 2014, have grown by 10.8% on year-over-year basis.

VI. CONSIDERATIONS REGARDING RISKS, AND RISK MANAGEMENT SYSTEM :

The core business operation of the Company is portfolio management. Due to the fact that it deposits the entire of its resources to the monetary and capital market instruments as per its operations, the Company is exposed to market risk to such an extent that may fairly be considered significant. 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 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 relevant reports are being assessed and reviewed by the Committee for Early Recognition of Risk, and also by the Board of Directors, and efforts are made for ensuring that the risk management system functions effectively.

VII. INTERNAL CONTROL ACTIVITIES :

For the purpose of ensuring that any and all operations and transactions of the Company are carried out orderly, effectively and efficiently in accordance with the regulations, the articles of association and the internal regulations, as well as ensuring the reliability and integrity of the order of the accounts, documentation and records, and also preventing and determining any errors, fraud and irregularities; an internal control system has been established in 2011, and service for such purpose has been started to be procured from Is Yatirim Menkul Degerler A.S. accordingly. Following establishment of the Audit Division within the organization of the Company on August 1, 2014, the internal control activities have been assumed by the said division as of the said date. Accordingly, the internal control activities are being carried out on regular basis, and the internal control reports, drawn up on monthly basis, are being submitted to the information of and review by the Board of Directors; and efforts are being made to ensure that the internal control system functions effectively.

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BOARD OF DIRECTOR'S ANNUAL REPORT FOR 2014

VIII. 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 second 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, drawn up 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 to 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 Remuneration 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 functioning of the internal control system, and also 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 committees convene for minimum four times a year, as required.

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

The members of the Board of Directors of the Company are paid with the remuneration as approved by the Shareholders' General Assembly Meeting, on monthly basis. The total amount of the remuneration and the financial benefits paid to the members of the Board of Directors and also to the senior executives of the Company has been TL 841.552.- during 2014.

IX. TRANSACTIONS WITH RELATED PARTIES/AFFILIATES :

The amounts of the transactions performed by our Company with the related parties/affiliates during the period of 01.01.2014 - 31.12.2014, and such related parties/affiliates are listed as follows;

(TL)	01.01.2014 - 31.12.2014
İs Yatirim Menkul Degerler A.S.	1.523.163
Is Portfoy Yonetimi A.S.	1.133.812
T. Is Bankasi A.S.	350.001
Isnet Elektronik Bilgi Uretim Dagitim Tic. ve Iletisim Hiz. A.S.	15.496
Anadolu Anonim Turk Sigorta Sirketi	2.379
SoftTech Yazilim Teknolojileri Arastirma Gelistirme ve Pazarlama Tic.A.S.	1.045
Total	3.025.896

IS YATIRIM ORTAKLIGI A.S.

BOARD OF DIRECTOR'S ANNUAL REPORT FOR 2014

The conclusion of the Dependent Company Report for 2014, which was prepared pursuant to the provisions of Section 199 of the Turkish Commercial Code Nr. 6102, is provided as follows.

"The business transactions, executed by and between our Company and Is Yatirim Menkul Degerler A.S., its principal shareholder, as well as T. Is Bankasi A.S., our ultimate shareholder, as well as the other group companies during the accounting year of 2014, the details of which are provided under the said report, are limited to the transactions necessitated by the business of the Company, and have been executed in strict compliance with the arm's length principle. There are no decisions, made against our Company, or any detrimental transactions between the controlling company or any of its affiliates and our Company, upon the instruction of the controlling company."

X. MATERIAL EVENTS THROUGHOUT THE PERIOD OF 01.01.2014 - 31.12.2014 :

Shareholders' Ordinary General Assembly and Distribution of Profit:

The shareholders' ordinary general assembly meeting for 2013 of the Company has been held on March 26, 2014 both physically and electronically. The wordings of the announcements have covered the details about the agenda and the date of the meetings as well as the meeting venues, and the draft amendment of the articles of association, the principles for attendance in respect of the meetings, and the forms of the powers of attorney, and the information document including the details about the total voting rights and the preferred shares has been published on the Public Disclosure Platform, as well as the website of the Company. The minimum quorum of 25% was applied for the meeting as per the applicable regulations, and the shareholders attended the meeting by 49.94% while the entire of the preferred shareholders attended the same. The stakeholders and the media members have not attended the meetings.

The announcement for the meeting was intended to be received by the maximum number of shareholders; and the announcement was released through the Public Disclosure Platform, the electronic general assembly system of the Central Registry Agency, the website of the Company, a daily newspaper, disseminated nationwide, and the Trade Registry Gazette, at least 3 weeks in advance of the date of the meeting. The financial statements, the annual report, the independent auditing report, the profit distribution statement, the draft amended wording of the articles of association have been published electronically, and also have been made available at the principal office of the Company before the meeting. None of the shareholders have exercised the right to inquiry, have requested to add an item to the agenda during the meeting; and the full wording of the minutes of the meeting, the list of attendees, and the amendment draft of the articles of association have been released to the public through the electronic general assembly system of the Central Registry Agency, the Public Disclosure Platform, as well as the website of the Company and have also been made available to the shareholders for information at the principal office of the Company.

During the shareholders' ordinary general assembly meeting, the members of the board of directors have been elected as described under the second section of the report; and it has been resolved that the Company shall distribute cash dividends amounting to TL 30.032.066,11.- at the 18.7% of the issued capital, to be covered from the distributable profit of the Company obtained in 2013, and also from contingency reserves item; and such distribution has been completed on April 01, 2014 following its start on March 28, 2014.

IS YATIRIM ORTAKLIGI A.S.

BOARD OF DIRECTOR'S ANNUAL REPORT FOR 2014

Also, it has been resolved that Akis Bagimsiz Denetim ve Serbest Muhasebeci Musavirlik A.S. shall be elected as the independent auditing firm for 2014; and that the authorization for the members of the Board of Directors shall be granted in respect of the transactions specified under Sections 395 and 396 of the Turkish Commercial Code; and also that the upper limit for the donations that would be granted during 2014 shall be determined as TL 115.000.-, and also that no donation has been granted during 2013.

Amendments to the Articles of Association :

The Amendment Draft of the Articles of Association, which has been drawn up for the purpose of ensuring compliance with the Communiqué Regarding the Securities Investment Trusts, numbered III-48.2, promulgated by the Capital Markets Board on August 29, 2013, and which has been found appropriate by the Capital Markets Board through its letter dated March 11, 2014 and numbered 198/2511, and which has been approved by the letter, dated March 12, 2014 and numbered 2464/1472, of the Directorate General of Domestic Trade of the Ministry of Customs and Trade of the Republic of Turkey, has been approved at the shareholders' ordinary general assembly meeting, held on March 26, 2014; and Articles 2., 6., 9., 12., 13., 15., 21., and 28 of the articles of association have been amended to read as follows. The latest version of the articles of association is available on the website of the Public Disclosure Platform and that of the Company.

AMENDED WORDING

TRADE NAME OF THE COMPANY

Article 2 - The trade name of the Company is "IS YATIRIM ORTAKLIGI ANONIM SIRKETI". It shall hereinafter be briefly referred to as the "Company".

PROHIBITED ACTIVITIES

Article 6- The Company may particularly not;

- a) get involved in lending monies;
- b) receive deposits or participation funds or carry out any business or transactions which may result in receipt of deposits or participation funds, as described under the Banking Law;
- c) carry out commercial, industrial or agricultural activities;
- ç) carry out intermediation activities;
- d) carry out short selling and margin trading;
- e) pledge its assets held at its portfolios; and collateralize such assets for any other purposes than the transactions performed in respect of the portfolio, and any other circumstances allowed by the Board;
- f) hold any cash monies exceeding the amount which is required to be available in respect of the day-to-day operations and the transactions performed by the reason of the derivative instruments;
- g) acquire any movable or immovable properties exceeding the amount or value required by its activities and operations;
- ğ) purchase any assets, the value of which exceeds the current value, for its portfolios in any fashion whatsoever, and sell any assets, the value of which is lower than such current value, from its portfolios; Current value is the value described under the Communiqué.

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BOARD OF DIRECTOR'S ANNUAL REPORT FOR 2014

BORROWING LIMIT, AND ISSUANCE OF SECURITIES COVERING RIGHT TO PURCHASE- CONVERT BY DEBT INSTRUMENTS

Article 9- With the purpose of meeting its short-term cash needs, the Company may benefit from loans up to 20% of its equity capital specified on its annual financial statements pertaining to the most recent accounting year, as disclosed to the public by the same, or it may issue bonds, provided that such issuance remains within the same limits and also that it complies with the Capital Market Regulations. It is required that the consideration of the debt instruments is in cash, and that the same is fully paid upon its delivery.

Unless any debenture bonds and such other debt instruments that are of capital market instruments nature are completely sold, or unless any such instruments that could not be sold are canceled, no new debenture bonds and such other debt instruments that are of capital market instrument may be issued.

PRINCIPLES IN RELATION TO MANAGEMENT OF PORTFOLIO OF THE COMPANY

Article 12- As part of the principles for distribution of the risk in respect of management of the Company's portfolio, Section 48 of the Capital Market Law, as well as the limitations and the management principles set out under the relevant applicable communiques and regulations shall be observed.

The Company may obtain foreign currency securities for its portfolio, if it deems required; and the criteria in relation to such foreign currency securities are as follows:

The Company shall purchase the ones which are being traded at the exchange or off-exchange at the secondary market, which are issued in the currencies being traded by the Central Bank of the Republic of Turkey, among the foreign currency securities.

The Company may purchase the foreign currency securities, which are listed at the New York, Tokyo, London, Frankfurt, Shanghai, Hong Kong, Toronto, Paris, Lisbon, Amsterdam, Brussels, BM&F Bovespa, Budapest, Luxembourg, Malta, Oslo, Helsinki, Italy, Switzerland, Spain, Australia exchanges, for its portfolio.

The Company may purchase the foreign governmental public capital market instruments issued by the U.S.A., United Kingdom, France, Germany, Japan, Canada, Australia, Switzerland, Malta, Luxembourg, Norway, Spain, the Netherlands, Italy, Finland, Denmark, Hong Kong, Austria, Portugal, Russia, Mexico, Argentina, Sweden, Singapore, New Zealand, Brazil, Hungary, Czech Republic, South Korea, China, Belgium, Kuwait, Malaysia, Malta, Poland, Qatar, Taiwan, Tunisia and Montenegro, for its portfolio. The Company may not purchase any securities, issued by any foreign local governments, for its portfolio.

The international securities available in the Company's portfolio may be sold at the exchanges, from which they have been purchased, at the other exchanges to which they are listed, or off-the exchange.

CUSTODY OF THE COMPANY'S PORTFOLIO

Article 13- The assets available in the Company's portfolio shall be safe-kept at the institutions authorized by the Capital Markets Board and in accordance with the procedures and principles set out by the same. The periods of effect and compliance as described under the Capital Market Law Nr. 6362 and the relevant communiques are hereby reserved.

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PORTFOLIO MANAGEMENT SERVICE, CONSULTING AND OTHER SERVICES

Article 15- Provided that it employs specialized staff members at sufficient number, the Company may either manage its portfolio on its own or it may procure such portfolio management service from any portfolio management company by virtue of an agreement to be executed and as long as the approval of the Board is obtained for such purpose.

In the event that the Company does not outsource the portfolio management service, then the Company may obtain investment consulting service in accordance with the regulations, prescribed in respect of investment consulting, of the Board, and an agreement to be executed by and between the Company and a portfolio management company which has obtained an investment consulting license, provided that the approval of the Board has been obtained for such purpose.

The Company may procure its staff members, who are in charge of the services such as accounting and operation as well as the internal control, from the investment institutions; and the service in relation to the risk management system from the investment institutions and such other specialized organizations which will be deemed appropriate by the Board, provided that the supervision and monitoring of such service shall be carried out by the board of directors. In case of procurement of portfolio management service from a portfolio management company, risk management service may also be procured from such portfolio management company.

Regulations and restrictions of the Capital Markets Board shall be complied with during procurement of any such services.

It is required that the internal control system and the inspection unit are established in accordance with the Capital Market regulations, within the organization of the Company. Risk management system shall be established within the organization of the Company only if such service is not procured on outsourcing basis in accordance with the Capital Market regulations.

GENERAL MANAGER AND MANAGERS

Article 21- The Board of Directors shall appoint a General Manager and Managers at sufficient number for the performance and conduct of the affairs and operations of the Company. It is required that the person, who will serve as the general manager, meets the qualifications prescribed under the Capital Market regulations and the Turkish Commercial Code.

It is required that such general manager is employed exclusively and on full-time basis for such position. No person may be deputized for the general manager position for a period longer than three months within a period of 12 months. Upon elapse of such period, no person may be re-appointed for such position by proxy.

The General Manager shall be obliged to manage the Company in accordance with the resolutions of the board of directors, and the provisions of the Turkish Commercial Code, Capital Market regulations as well as the provisions of such other relevant regulations. The general manager shall not act with the capacity of a member of the board of directors, but s/he shall attend the meetings of the board of directors, but s/he shall not be entitled to cast any votes at any such meetings.

A general manager may be appointed to serve for a certain period of time exceeding the term of office of the members of the board of directors.

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BOARD OF DIRECTOR'S ANNUAL REPORT FOR 2014

APPOINTMENT OF REPRESENTATIVES

Article 28- For the purpose of exercising her/his/its voting rights, arising from the shares held by her/him/it; any shareholder may either personally attend any shareholders' general assembly meeting, or assign any other person, who is either a shareholder or a non-shareholder, to act as her/his/its representative therein in accordance with the Capital Market Law and the relevant statutory regulations.

The form of the power of attorney for such purpose shall be determined by the Board of Directors, provided that the provisions of the regulations of the Capital Market Law are hereby reserved. In the event that any such share is owned by multiple persons, then any of such persons or any third person may be appointed as the representative.

Any person, who exercises her/his rights to attend, shall observe and comply with the instructions of the person represented. Acting in contradiction to such instructions shall not invalidate the vote casted.

Investors Relations Department :

It has been resolved that the functions of the "Investors Relations Department", as set out under Article 11 of the Corporate Governance Communiqué, numbered II-17.1, promulgated by the Capital Markets Board, shall be carried out by F.Nilufer Basarir Kutluturk, who serves under the job title of Manager reporting to the General manager, and who holds the required license certificate, in the capacity of executive and in substitution of Muazzez Demircan, who has been serving in the capacity of specialist within the organization of the Company, and F.Nilufer Basarir Kutluturk has been appointed as a member of the Corporate Governance Committee. A separate Investors Relations Department has not been established under the relevant regulations.

Audit Division :

An Audit Division has been established within the organization of the Company in accordance with Article 22 of the Communiqué Regarding the Securities Investment Trusts, numbered III-48.2, promulgated by the Capital Markets Board, and Nilufer Bayram has been appointed to serve at the said division in the capacity of Senior Inspector.

Information Policy :

The Information Policy of our Company has been revised/up-dated and released to the public in accordance with the Material Events Communiqué, numbered II-15.1, promulgated by the Capital Markets Board.

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XI. PROFIT DISTRIBUTION POLICY :

As per the resolution, adopted at the meeting, dated 26.02.2014, of the Board of Directors, the Profit Distribution Policy has been revised as follows, and has been approved at the General Assembly meeting held on March 26, 2014. Accordingly, the principles for distribution of profits are given as follows.

- As per Article 33 of the Articles of Association, it is required that at least the 20% of the net distributable profits of the Company be distributed in cash as the first dividend.
- A profit distribution policy, based on proposal of distribution of the amount, which corresponds to either the 5% of the net assets value originated as of the end of the previous year, or the 30% of the net distributable profit for the current year, whichever is higher, in cash, to the General Assembly, has been adopted.
- The cash dividend distribution shall be performed no later than the end of the second month following the date of the shareholders' general assembly meeting during which the resolution for distribution of the profit has been adopted. The distribution of dividend in the form of dematerialized shares shall be performed following the statutory authorizations obtained for such purpose.
- Unless the cash dividend, determined for the shareholders by means of a resolution to be adopted at the shareholders' general assembly, is paid, no dividend shall be paid to the members of the board of directors and the employees of the Company.

XII. MISCELLANEOUS MATTERS:

- The Company did not make any donations throughout the accounting year of 2014.
- Portfolio and Net Asset Value Statement: The detailed portfolio and net asset value statement, which is the latest released one within the relevant period, of the Company, is given as follows;

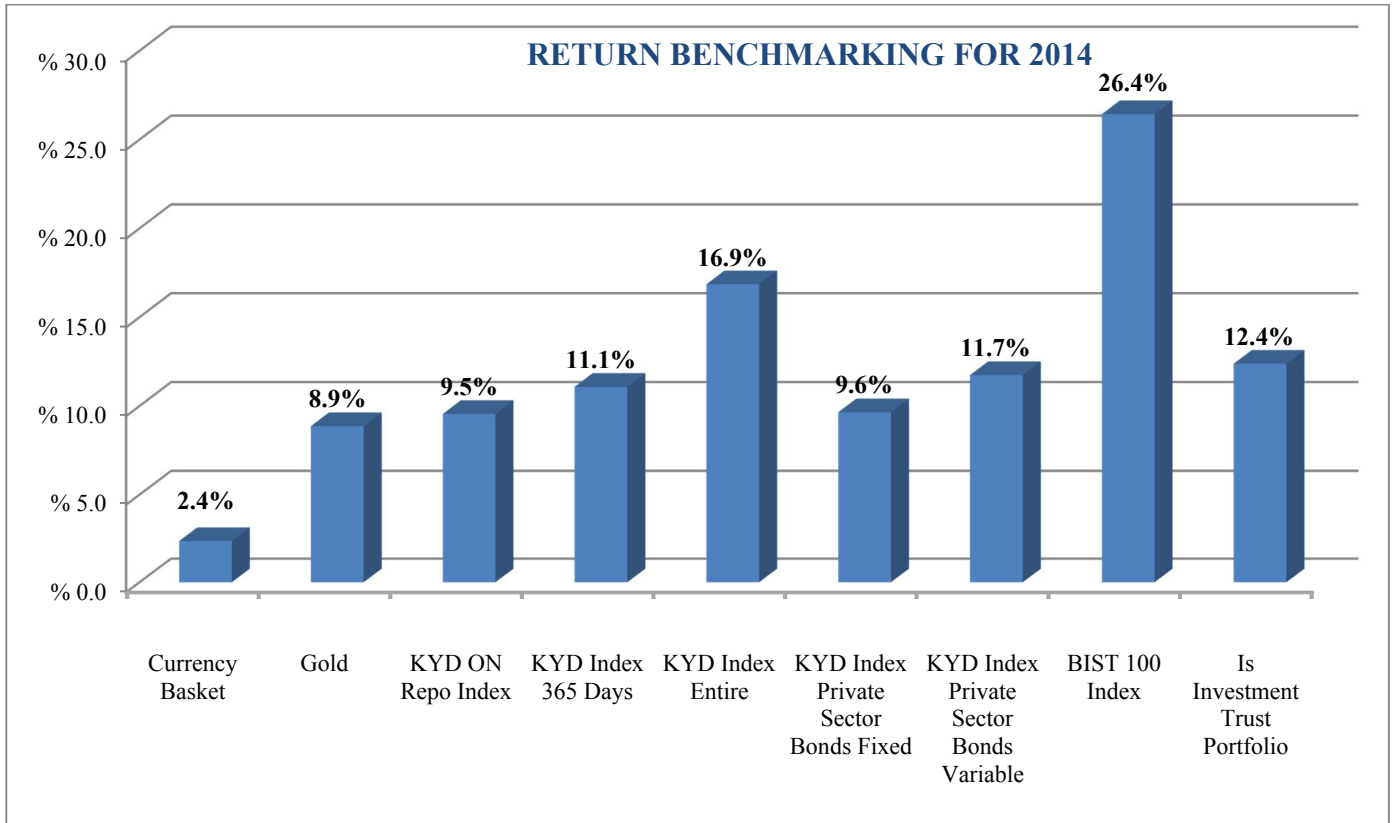
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IS YATIRIM ORTAKLIĞI A.Ş.		2012/2014													
PORTFOLIO VALUE TABLE															
Capital Market Instruments	Issuer	Maturity	Asset Description	Nominal Value	Interest Payment Frequency	Date of Acquisition	Unit Purchase Price	Number of Days to Maturity	Daily Unit Value	Total Value	Total Value %	Portfolio Value %	Total Value %	Total Value %	Total Value %
1) EQUITY				6,196,000.00						2,927,863.24	100.00%	151.27%	151.27%	15.21%	
Communications				185,000.00						2,174,000.00	5.40%	0.27%	0.27%	0.24%	
TTKOM				60,000.00		15/11/2014	6.7		7.10	65,000.00	1.07%	0.16%	0.16%	0.16%	
TCCELL				125,000.00		07/11/2014	12.20		14.00	1,700,000.00	4.35%	0.66%	0.66%	0.67%	
Intermediary Institutions (Brokerage Fees)				0.65						0.75	0.00%	0.00%	0.00%	0.00%	
ISIMEN				0.85		30/07/2012	1.19		1.15	0.75	0.00%	0.00%	0.00%	0.00%	
Defense				26,000.00						263,000.00	0.91%	0.14%	0.14%	0.14%	
ASSEL				20,000.00		20/09/2014	5.25		12.10	203,000.00	0.91%	0.16%	0.16%	0.16%	
Exchange Mutual Funds				159,000.00						2,924,500.00	9.87%	14.97%	14.97%	1.51%	
ISYTO				150,000.00		18/12/2013	20.25		26.25	1,650,000.00	9.87%	14.97%	14.97%	1.51%	
Food, Spirits and Tobacco				41,500.00						2,622,500.00	9.88%	14.97%	14.97%	1.51%	
DOCO				11,500.00		02/09/2013	105.00		184.00	1,199,000.00	5.26%	0.91%	0.92%	0.92%	
BEKTAŞ				20,000.00		02/10/2014	67.7		69.25	1,493,500.00	5.26%	0.91%	0.92%	0.92%	
Chemistry, Oil, Rubber and Plastic Products				75,000.00						1,285,000.00	5.47%	0.57%	0.57%	0.57%	
TURKEL				25,000.00		25/12/2014	64.13		55.40	1,355,000.00	5.47%	0.57%	0.57%	0.57%	
Metal Industry				125,000.00						265,000.78	0.60%	0.10%	0.10%	0.10%	
ISKOD				125,000.00		26/12/2014	2.13		2.12	265,000.78	0.60%	0.10%	0.10%	0.10%	
Metal Items, Machinery and Equipment				68,000.00						945,000.00	3.27%	0.57%	0.56%	0.56%	
ARCLK				20,000.00		02/10/2014	12.15		15.25	211,000.00	0.78%	0.12%	0.12%	0.12%	
TOASO				48,000.00		25/11/2014	14.65		15.25	694,000.00	1.50%	0.26%	0.26%	0.26%	
Electricity, Gas and Vapor				127,500.00						1,128,250.00	2.83%	0.42%	0.42%	0.42%	
ODAS				97,500.00		18/05/2014	4.96		4.20	642,500.00	1.50%	0.23%	0.23%	0.23%	
ULUSK				30,000.00		21/11/2014	12.75		12.90	266,000.00	1.39%	0.20%	0.20%	0.20%	
Other Building and Repair Works				100,000.00						527,000.00	1.82%	0.10%	0.10%	0.10%	
ISKAI				100,000.00		05/12/2014	5.45		5.27	527,000.00	1.82%	0.10%	0.10%	0.10%	
Retail Trade				20,000.00						679,507.47	1.70%	0.07%	0.07%	0.07%	
MGRS				20,000.00		01/11/2013	14.85		22.45	679,507.47	1.70%	0.07%	0.07%	0.07%	
Transportation and Storage				171,800.00						1,898,495.85	4.76%	0.72%	0.72%	0.72%	
THYAO				160,000.00		25/12/2014	8.25		9.25	1,497,500.00	5.70%	0.72%	0.72%	0.72%	
PAZAS				11,800.00		25/12/2014	20.20		22.40	400,995.85	1.06%	0.14%	0.14%	0.14%	
Banks				1,255,006.23						11,243,748.82	21.16%	47.23%	47.77%	4.77%	
AEGENK				69,999.46		25/12/2014	5.45		5.45	4,214,997.07	10.83%	1.65%	1.65%	1.65%	
YKBNK				55,000.00		26/12/2014	4.99		4.99	611,251.00	1.51%	0.23%	0.23%	0.23%	
GARAN				800,000.00		25/12/2014	9.25		9.25	5,600,000.00	14.07%	2.12%	2.12%	2.12%	
ISA TR				6.00		20/10/2014	161,912.40		167,500.00	100,000.00	0.28%	0.04%	0.04%	0.04%	
TSKB				200,000.00		12/11/2014	1.95		2.06	400,000.00	1.02%	0.15%	0.15%	0.15%	
RAKSB				100,000.00		19/12/2014	14.25		12.20	1,800,000.00	4.60%	0.52%	0.52%	0.52%	
Financial Leasing and Factoring				1,840,000.00						947,000.00	2.45%	0.17%	0.17%	0.17%	
ISFN				1,040,000.00		22/12/2014	0.95		0.95	947,000.00	2.45%	0.17%	0.17%	0.17%	
Holdsing and Investment Trusts				2,899,999.95						8,262,000.56	20.72%	21.47%	21.77%	2.17%	
KCHOL				200,000.00		25/12/2014	11.87		12.20	1,470,000.00	3.70%	0.56%	0.56%	0.56%	
TAYAL				20,000.00		25/12/2014	14.75		14.10	272,000.00	1.46%	0.22%	0.22%	0.22%	
SANOL				200,000.00		26/12/2014	9.85		10.15	2,000,000.00	5.00%	0.77%	0.77%	0.77%	
SES				100,000.00		20/11/2014	2.95		2.97	287,001.26	0.90%	0.16%	0.16%	0.16%	
ISGEM				1,599,999.95		09/06/2014	2.21		2.21	2,655,999.00	8.87%	1.56%	1.56%	1.56%	
TKFEN				30,000.00		12/11/2014	5.49		5.30	30,000.00	0.73%	0.11%	0.11%	0.11%	
Real Estate Investment Company				475,000.000						1,394,750.00	3.25%	0.69%	0.69%	0.69%	
ISKOY				475,000.000		26/12/2014	2.99		2.75	1,394,750.00	3.25%	0.69%	0.69%	0.69%	
II) DEBT INSTRUMENTS				21,518,000.00						22,615,191.75	100.00%	85.44%	85.44%	8.54%	
Government Bond				1,000,000.00	0	21/05/2014	86.590	201	92.62	22,615,191.75	100.00%	85.44%	85.44%	8.54%	
Government Bond	15/07/2015	TRE1507MT17	1,000,000.00	0	21/05/2014	86.590	201	92.62	22,615,191.75	100.00%	85.44%	85.44%	8.54%		
Government Bond	07/10/2015	TRE0710MT17	1,000,000.00	2	11/06/2014	99.000	285	101.05	7,126,536.20	0.02	0.71%	0.71%	0.71%		
Government Bond	18/11/2015	TRE1811MT18	2,000,000.00	0	23/10/2014	91.232	227	92.05	4,621,146.20	2.11%	1.77%	1.79%	1.79%		
Government Bond	27/01/2016	TRE2701MT18	1,500,000.00	2	06/02/2014	101.281	297	104.71	5,900,658.00	4.06%	2.82%	2.82%	2.82%		
Government Bond	24/02/2016	TRE2402MT18	9,000,000.00	2	24/10/2014	101.997	625	104.58	9,252,211.20	4.26%	2.64%	2.64%	2.64%		
Government Bond	13/07/2016	TRE1307MT18	2,000,000.00	2	26/08/2014	100.049	265	104.28	4,215,236.00	2.77%	1.99%	2.00%	2.00%		
Government Bond	09/02/2017	TRE0902MT18	4,000,000.00	2	19/09/2013	99.545	303	102.13	4,219,021.20	2.17%	2.60%	2.62%	2.62%		
Government Bond	14/02/2018	TRE1402MT18	7,000,000.00	2	25/02/2013	99.928	1166	99.57	4,899,936.00	2.21%	2.62%	2.62%	2.62%		
Government Bond	20/05/2018	TRE2005MT18	3,000,000.00	2	15/01/2014	99.948	1274	101.19	2,961,711.20	0.97%	0.78%	0.78%	0.78%		
Government Bond	18/11/2018	TRE1811MT19	4,000,000.00	2	04/09/2014	98.923	1619	97.47	4,283,220.20	2.39%	2.91%	2.91%	2.91%		
Government Bond	27/02/2019	TRE2702MT19	1,000,000.00	2	29/09/2014	107.258	1252	112.139	1,121,200.00	0.51%	0.45%	0.45%	0.45%		
Government Bond	10/07/2019	TRE1007MT19	2,000,000.00	2	21/11/2014	104.227	1647	104.97	2,363,646.00	1.02%	2.02%	2.02%	2.02%		
Government Bond	15/01/2020	TRE1501MT19	4,200,000.00	2	25/07/2014	108.020	1846	110.19	7,209,225.96	3.22%	2.78%	2.81%	2.81%		
Government Bond	12/01/2022	TRE1201MT17	2,200,000.00	2	23/02/2013	100.676	2874	112.10	5,864,826.28	2.67%	2.26%	2.26%	2.26%		
Government Bond	14/09/2022	TRE1409MT17	2,000,000.00	2	23/02/2013	92.648	2819	104.196	5,209,882.20	2.31%	2.02%	2.02%	2.02%		
Government Bond	09/02/2023	TRE0902MT18	4,000,000.00	2	20/10/2014	97.945	2994	97.680	5,865,828.20	2.66%	2.26%	2.26%	2.26%		
Government Bond	27/09/2023	TRE2709MT18	2,000,000.00	2	26/11/2014	100.281	2197	103.226	4,611,206.20	2.06%	2.02%	2.02%	2.02%		
Government Bond	20/02/2024	TRE2002MT19	4,000,000.00	2	12/11/2014	111.125	2872	119.622	7,177,928.00	3.26%	2.72%	2.76%	2.76%		
Government Bonds Total				21,500,000.00						10,129,628.46	46.86%	28.22%	28.22%	28.22%	
Corporate Bond	AK FİNANSAL LEAS. (A K LEAS)			2,000,000.00	4	20/06/2014	100.075	228	100.00	2,000,000.00	1.97%	1.00%	1.01%	1.01%	
Corporate Bond	AKBANK T.A.Ş.			90,000,000.00	12	08/02/2014	100.220	1021	101.18	90,000,000.00	0.85%	0.25%	0.25%	0.25%	
Corporate Bond	AKBANK T.A.Ş.			4,000,000.00	12	06/02/2014	100.145	45	100.59	4,000,000.00	0.04%	0.01%	0.01%	0.01%	
Corporate Bond	AKTIF BANK			1,500,000.00	0	31/10/2014	96.626	61	92.29	1,476,006.15	0.67%	0.56%	0.57%	0.57%	
Corporate Bond	ALTERNATIF FİNANSAL KURULAM			1,000,000.00	0	20/06/2014	90.994	166	94.92	909,249.20	0.85%	0.66%	0.66%	0.66%	
Corporate Bond	ALTERNATIF BANK			1,000,000.00	6	11/07/2014	100.106	20	102.28	2,064,750.00	0.67%	0.			

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IS YATIRIM ORTAKLIGI A.S.

2014 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Is Yatirim Ortakligi, which has adopted the principles of transparency, equality, responsibility and accountability, complies with all of the Corporate Governance Principles required to be implemented in accordance with the Corporate Governance Communiqué, numbered II-17.1, promulgated by the Capital Markets Board, and almost the entire of the non-compulsory principles prescribed under the said communiqué. The few number of principles not implemented, which constitute exception, do not lead to any conflict of interest.

The grounds for the principles which could not be implemented, as well as the details regarding the activities carried out in relation to the Corporate Governance Principles are described under the related sections.

PART II - SHAREHOLDERS

2.1 Investors Relations Department

A separate Investors Relations Department has not been established within the organization of the Company; and it has been resolved that the functions of the said department, as set out under Article 11 of the Corporate Governance Communiqué, shall be carried out by F.Nilufer Basarir Kutluturk, who serves under the job title of Manager reporting to Yesim Tukenmez, the General Manager of the Company, and who holds the Capital Market Activities Advanced Level License, in the capacity of Executive and in substitution of Muazzez Demircan, who has been serving in the capacity of Specialist within the organization of the Company. The Report Regarding the Investors Relations Activities has been submitted to the Board of Directors on December 23, 2014. The Investors Relations activities include retention 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, holding of the shareholders' general assembly meetings in compliance with the applicable regulations and the articles of association, and the activities in relation to compliance with the corporate governance principles. No inquiries, in writing, have been received from the shareholders, and several verbal inquiries received have been responded throughout the year.

2.2 Exercise of the Right to Information by the 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 under the applicable regulations. Any requests for the appointment of a private auditor have not been filed at the shareholders' general assembly meetings held throughout the period.

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2.3 Shareholders' General Assembly Meetings

The shareholders' ordinary general assembly meeting for 2013 has been held both physically and electronically on March 26, 2014. The wordings of the announcements have covered the details about the agenda and the date of the meeting as well as the meeting venues, and the draft amendment of the articles of association, the principles for attendance in respect of the meetings, and the forms of the powers of attorney, and the information document including the details about the total voting rights and the preferred shares has been published on the Public Disclosure Platform, as well as the website of the Company. The minimum quorum of 25% was applied for the meeting as per the applicable regulations, and the shareholders attended the meeting by 49.94% while the entire of the preferred shareholders attended the same. The stakeholders and the media members have not attended the meetings.

The announcement for the meeting was intended to be received by the maximum number of shareholders; and the announcement was released through the Public Disclosure Platform, the electronic general assembly system of the Central Registry Agency, the website of the Company, a daily newspaper, disseminated nationwide, and the Trade Registry Gazette, at least 3 weeks in advance of the date of the meeting. The financial statements, the annual report, the independent auditing report, the profit distribution statement, the draft amended wording of the articles of association have been published electronically, and also have been made available at the principal office of the Company before the meeting. None of the shareholders have exercised the right to inquiry, have requested to add an item to the agenda during the meeting; and the full wording of the minutes of the meeting, the list of attendees, and the amendment draft of the articles of association have been released to the public through the electronic general assembly system of the Central Registry Agency, the Public Disclosure Platform, as well as the website of the Company and have also been made available to the shareholders for information at the principal office of the Company.

The information regarding the donations and aids made throughout the year was addressed as an individual agenda item during the shareholders' ordinary general assembly meeting, and is provided within the annual report. The Company did not make any donations or aids throughout the accounting year of 2014.

2.4 Voting Rights and Minority Rights

Utmost efforts shall be made in order for enabling the most convenient and simple fashion of exercise of their voting rights to the shareholders. 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 entitles the holder thereof to 1 (one) vote at the shareholders' general assembly 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. There is no minority description under our articles of association, other than the description for minority as specified under the Capital Market regulations. The minority shareholders did not nominate any candidates for the Board of Directors at the shareholders' general assembly meeting held.

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2.5 Right to Dividends

In accordance with the Profit Distribution Policy, which has been revised on February 26, 2014 as per the regulations, of the Company; a profit distribution policy, based on proposal of distribution of the amount, which corresponds to either the 5% of the net assets value originated as of the end of the previous year, or the 30% of our net distributable profits for the current year, whichever is higher, in cash and no later than the end of the second month following the date of the shareholders' general assembly meeting during which the resolution for distribution of profit has been adopted, to the Shareholders' General Assembly, has been adopted.

Profit Distribution Policy has been approved at the shareholders' ordinary general assembly meeting, held on March 26, 2014, and has been released to the public through the Public Disclosure Platform and the website of the Company; and has also been included in the annual report. There are no preferential status granted in respect of participation to the profit under the articles of association. No dividend is paid to the members of the Board of Directors and the employees on the basis of founder's shares, and the dividend payments are being performed within the periods prescribed under the policy thereto.

During the Shareholders' Ordinary General Assembly Meeting, held on March 26, 2014, it has been resolved that the Company shall distribute cash dividends amounting to TL 30.032.066,11.- at the 18.7% of the issued capital, to be covered from the distributable profit of the Company obtained in 2013, and also from contingency reserves item; and such distribution has been completed on April 01, 2014 following its start on March 28, 2014.

2.6 Transfer of Shares

The Articles of Association of the Company does not include any provisions that restrict the transfer of shares. Share transfers are subject to the provisions of the Turkish Commercial Code and the Capital Markets regulations.

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Corporate Website and Its Contents

The corporate website address of the Company, as registered to the Istanbul Trade Registry Office is "www.isyatort.com.tr" Any and all matters provided under the relevant section of the Corporate Governance Principles (since the Company does not have information forms in place for collection of stocks and powers of attorney through calls, such matters are not available on the website) are available on the website of the Company, and a great majority of the relevant matters are available also in English. Utmost attention is being paid for keeping and maintaining the website up-to-date on continuous basis.

BOARD OF DIRECTOR'S ANNUAL REPORT FOR 2014

3.2 Annual Report

The annual reports of the Company entirely include the Corporate Governance Principles as well as any other information prescribed under the applicable regulations, 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 Capital Market Regulations.

PART IV - STAKEHOLDERS

4.1 Disclosure to 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 their discretion, communicate their opinions or any matters, they may consider to be in breach of the applicable regulations or the code of ethics, to the Company, and the Corporate Governance Committee or the Audit Committee is informed about any such matters through the Executive In Charge of Investors Relations or such other executives. Any such communication was not received throughout the year 2014.

4.2 Participation to Management of Stakeholders

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

4.3 Human Resources Policy

The Company operates through a staff of 6 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. Recruitment and the personal rights of the staff members 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 employees of the Company are informed about the rules in relation to the relevant matters, job descriptions, as well as the business and functioning thereof. Any staff complaints were not received throughout the year 2014.

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4.4 Codes of Conduct/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 2014.

PART V - BOARD OF DIRECTORS

5.1 Organization and Composition of the Board of Directors

The members of the Board of Directors have been elected at the shareholders' ordinary general assembly meeting, held on March 26, 2014, and have not been assigned with any executive duties within the organization of our Company. The resumes of and the duties assigned to the members of the Board of Directors are provided as follows.

MR. OZGUR TEMEL
CHAIRMAN (26.03.2014 –)

Mr. Temel, who has graduated from the University of Birmingham Business School, has started to hold office at T. Is Bankasi A.S. in 1994. He has served as an auditor at the Audit Board Directorate between 1995-2003, and as a Deputy Manager at the Capital Markets Department, Izmir Branch and Ege Corporate Branch, respectively, between 2003-2008. He has been appointed as the Division Manager of the Capital Markets Department in 2008; and has been promoted to the position of Department Manager in 2013. Mr. Ozgur Temel, who has been elected to serve as the Chairman of the Board of Directors of our Company on 02.12.2013, also holds some offices as a member of the board of directors at some affiliates of our Company.

MR. UFUK UMIT ONBASI
DEPUTY CHAIRMAN (26.03.2014 –)

Mr. Onbasi, who has graduated from the Department of Economics (English), Faculty of Economic and Administrative Sciences, Istanbul University, has served as a Deputy 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 Bank Kapital A.S. in 2000. Mr. Onbasi, who has been appointed as Manager for Domestic Markets Division of Is Yatirim Menkul Degerler A.S. in 2000, has been holding the office of Assistant General Manager at the same Company since 2003. He has also been serving as the Deputy Chairman of the Board of Directors of our Company since 02.04.2011.

MR. VOLKAN KUBLAY
MEMBER (26.03.2014 –)

Mr. Kublay, who has graduated from the Department of Economics (English), Faculty of Economic and Administrative Sciences, Marmara University, has started to serve as an Assistant Auditor for T. Is Bankasi A.S. in 2000. Mr. Kublay has served as an Auditor between 2000 and 2008, and has been appointed to the office of Assistant Manager of the Subsidiaries Department in 2008, and has been promoted to the position of Division Manager of the same department in 2012.

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Mr. Kublay, who has been elected to serve as a Member of the Board of Directors of the Company on 24.08.2012, also serves as a director for several other affiliates.

MR. SERKAN UGRAS KAYGALAK
MEMBER (26.03.2014 –)

Mr. Kaygalak, who has graduated from the Department of Business Administration, Faculty of Economic and Administrative Sciences, Middle East Technical University, has started to serve as an Assistant Auditor for T. Is Bankasi A.S. in 1997. He has served as the Deputy Manager at the Fund Management Department between 2006-2008; and as the Tarsus Branch Manager between 2008-2010; and as the Deputy Head of the Audit Board between 2010-2013; and has been appointed as the Manager at the Card Payment Systems Department on 29.04.2013. He has been elected to serve as a Member of the Board of Directors of our Company on 02.12.2013.

MR. SERHAT GURLEYEN
MEMBER (26.03.2014 –)

Mr. Gurleyen, who has graduated from the Department of Economics, Bogazici University, has served as the Research Manager for TEB Ekonomi Arastirmalari A.S. between 1995 and 1998, and 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 a Director, and has also been serving as a Member of the Board of Directors of the Company since 28.03.2005.

MR. ABDULLAH AKYUZ
INDEPENDENT MEMBER (26.03.2014 –)

Mr. Akyuz, who has graduated from the Ankara University Department of Economics and Finance, Faculty of Political Sciences, has studied for and obtained his Master's Degree at the 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 a 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 has served as the 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.

MR. KAMIL YILMAZ, PhD
INDEPENDENT MEMBER (26.03.2014 -)

Mr. Yilmaz, who has graduated from the Department of Economics, Bogazici University, has studied for and obtained Master's Degree and Doctoral Degree (PhD) at the Maryland University. Mr. Yilmaz, who has worked for the World Bank between 1992 and 1994, and started to 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. Mr. 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. Mr. Yilmaz, who currently is a professor at the Department of Economics, Faculty of Economic and Administrative Sciences, Koc University, has authored numerous academic

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papers and articles published by reputable national and international periodicals and also books on international trade, international finance, macroeconomics and Turkish economy. Mr. Yilmaz has been a Member of the Board of Directors of the Company since 02.04.2012, and also of Turkiye Sinai Kalkinma Bankasi A.S. as of 27.03.2014.

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 2014 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 the Turkish Commercial Code.

The Corporate Governance Committee, which has assumed also the functions of the Nomination Committee, has submitted two candidates for the independent Members of the Board of Directors through its report, dated March 24, 2014, to the Board of Directors; and the candidates have been nominated to hold office as a member of the board of directors by means of the resolution, dated March 24, 2014, of the Board of Directors. The independent members satisfy all of the criteria prescribed for the independence as required by the regulations; and no circumstance, which would cause such members forfeit their such status, has occurred during the year.

A specimen copy of the statements of independency submitted to us in 2014 by Mr. Kamil Yilmaz, PhD, and Mr. Abdullah Akyuz, the Independent Members of the Board of Directors, is provided as follows;

STATEMENT OF INDEPENDENCY

TO THE BOARD OF DIRECTORS OF IS B TIPI YATIRIM ORTAKLIGI A.S.

I hereby represent on account of being a candidate for the position of the independent member of the board of directors of Is B Tipi Yatirim Ortakligi A.S. (the “**Company**”) that;

- No employment-related relationship in respect of any managerial position, whereby any substantive duties and responsibilities may be assumed, has been established between the Company and any affiliates, who either hold the control of or have any significant influence on the management of the Company, or any shareholders who hold the control of the management of the Company, or have a significant influence on the Company, or any legal persons, who hold the control of the management of such shareholders, and myself, my spouse and any of my relatives by blood and by marriage up to the second degree, within the last five years; and also that I have not held more than 5% of the capital or the voting rights or the privileged shares of the Company, either collectively or individually, or any commercial relationship which is of substantial nature has not been established; and also that;
- During the last five years, particularly in respect of the companies which have carried out auditing, rating and consulting activities for the Company; I have not been a shareholder holding 5% or more of the shares of, or any employee serving at any managerial positions whereby any substantial duties and responsibilities may be assumed, or a member of the board of directors, excluding holding the seat of a member of board of directors at the principal shareholder, of any such company, from which the Company has procured any services or products or to which the Company has sold any services or products to a material extent in accordance with the agreements executed for such purpose; and also that;

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- 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, and also 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, excluding the position of being a faculty member at the universities, should I be elected so, and also that;
- I am considered as resident in the territory of the Republic of Turkey for the purposes of the Income Tax Law, and also that;
- 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 also that;
- I will be able to allocate time for the affairs of the Company to such an extent that I would be able to fully perform and carry out the duties and tasks which I have assumed, and to follow up the functioning of the activities and operations of the Company, and also that;
- I have not held the office of a member of the board of directors at the board of directors of the Company for a period longer than six years within the last decade, and also that;
- I have not held office as an independent member of the board of directors of more than three of the companies which hold the control of management of the Company or the shareholders who hold the control of management of the same, and at more than five of the listed companies in total; and also that;
- I have not been registered and announced for the legal person which has been elected as a member of the board of directors.

Yours Respectfully,

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 determined, upon the call/invitation of the chairman or the deputy chairman in accordance with the provisions of the articles of association of the Company. The date and the agenda of the meeting of the board of directors are determined by the chairman; however the date of the meeting may also be determined by the resolution of the board of directors. The agenda so determined may be subsequently revised upon a resolution on the matter of the Board of Directors. Each member of the board of directors may request, in writing, from the chairman, or the deputy chairman, in the absence of the first, to call the board of directors for meeting. The chairman or the deputy chairman shall take pains to fulfill such request forwarded by any such member of the board of directors, for a Board meeting to be held, depending on the need thereto, as well as any opportunities for such purposes. 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.

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The board of directors convenes upon attendance of the majority of the total number of the board members and resolves with simple majority of the members present at the meetings. In case of equality of votes, discussion of the respective item on the agenda shall be adjourned to the next meeting. In case of a further equality of votes at such meeting, then the proposal shall be deemed to have been rejected. The members of the board of directors may attend the board meetings by means of electronic means in accordance with the regulations. Since the matters in respect of manner of holding the meetings of the Board of Directors, and also the fashion of the voting are described in details under the articles of association; establishment of a written internal regulation has been regarded unnecessary.

The Board of Directors has adopted 29 resolutions during 2014, and there are no material transactions or related party transactions not approved by the independent members. Pains are taken to ensure full attendance of all members, and the resolutions are adopted unanimously.

The members of the Board of Directors have been caused to be insured in respect of any damage and/or loss they may lead the Company to suffer due to their negligence during the course of performance of their duties.

5.2 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 |
| (**) F.Nilufer Basarir Kutluturk | : Member |

COMMITTEE FOR EARLY RECOGNITION OF RISK:

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

(*) Independent Members of the Board of Directors

(**) Director in charge of the investor relations

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 Communique. The Audit Committee, which is responsible for the accounting system, public disclosure of the financial data, appointment of the independent audit firm and observation of the independent auditing activities as well as the effectiveness of the internal control system, convenes at least four times a year. The Corporate Governance Committee, which is responsible

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for monitoring that whether the corporate governance principles are being implemented or not, and also for monitoring of the investor relations and ensuring effectiveness of the same, and which carries out the functions of the Nomination Committee and the Remuneration Committee, and which consists of two members of the board of directors and the executive in charge of the investor relations, convenes when and if so required, but at least four times a year. The Committee for Early Recognition of Risk, which is responsible for carrying out the activities for monitoring, assessment and prevention of the risks, convenes when and if so required, but at least four times a year; and carries out its assessments and reviews in accordance with the status, breakdown/distribution of the portfolio of the Company, as well as the risk reports.

The Company has 2 independent members of the board of directors; the requirement contemplated by the applicable regulation for each committee to include an independent member of the board of directors, and the fact that the responsibilities of the member of the board of directors in charge of internal control, appointed pursuant to the Communiqué, Serial: III, No: 48.2, of the Capital Markets Board, and those of the relevant Committees should be of similar nature, and also that such matters are associated and constitute an integrity, lead to the situation that a single member of the board of directors holds a seat at multiple committees.

5.4 Risk Management and Internal Control Mechanism

The Company has the risk management and internal control systems in place. Furthermore, an Audit Division has been established in 2014 for the purpose of carrying out the audits for compliance with the regulations and the policies within the organization of the Company and also fulfilling the supervision and inspection functions in respect of any and all activities and operations of the Company, in particular functioning of the internal control system and the risk management system; and the Auditor/Inspector, holding office at the said Division, has also assumed the duties and responsibilities of the internal control personnel outsourced until then.

Accordingly, the internal control activities are being carried out on regular basis within the Company, and the internal control reports are being drawn up on monthly basis and submitted to the Board of Directors. In respect of the risk management system, the service for the risk calculations is being procured from Is Yatirim Menkul Degerler A.S.; and the risk reports, drawn up on weekly basis, are being submitted to the Board of Directors. The relevant reports are being assessed both by the Committee for Early Recognition of Risk, and the Board of Directors.

5.5 Strategic Goals of the Company

The Company aims to have its portfolio managed effectively and rationally managed in line with the risk distribution principle in accordance with the applicable regulations and the articles of association, and also to provide a regular dividend income/yield to the shareholders by years in accordance with the Profit Distribution Policy.

For such purpose, the investment strategy and the benchmark in relation to the portfolio are determined; and the market expectations and the opinions regarding the portfolio distribution of the portfolio managers are obtained; and the matter is resolved by the Board of Directors. 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 periodic reporting submitted to it, as well as the operations of the Company on regular basis, and monitors the performance of the Company.

5.6 Financial Rights

The Remuneration Policy, which includes the principles of remuneration 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 remuneration practices of the Company in accordance with the applicable policy, and submits the analysis and considerations thereof to the Board of Directors, where necessary.

The Company may not grant any benefits or loans to its shareholders, members of the board of directors, staff members or any third persons, from its assets, other than the payments required to be performed as per its activities and operations, such as the attendance fee, remuneration and dividends required under the regulations and its articles of association. There are no debts, sureties or guarantees granted to the members of the board of directors and/or the staff members. The remuneration 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.

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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 regulations, 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.