

**IS YATIRIM ORTAKLIGI
ANONIM SIRKETI**

ANNUAL REPORT FOR 2016

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

To the Board of Directors of Is 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 of Is Yatirim Ortakligi Anonim Sirketi for the accounting period ending on December 31, 2016.

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 27, 2017 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

Funda Aslanoglu, Certified Public Accountant
Auditor in Charge

(January 27, 2017)
Istanbul, Turkey

IS YATIRIM ORTAKLIGI A.S.

**ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN
01.01.2016 – 31.12.2016**

TRADE NAME OF THE COMPANY : IS YATIRIM ORTAKLIGI ANONIM SIRKETI

HEAD OFFICE : Istanbul

DATE OF INCORPORATION : 16/08/1995

FIELD OF BUSINESS : To operate the portfolio consisting of capital market instruments and precious metals.

TRADE REGISTRY NUMBER : 367835

ADDRESS : Buyukdere Cad.Is Kuleleri Kule 1 Kat:5 Levent/Istanbul

TELEPHONE - FAX : 212/ 284 17 10 - 212/ 284 16 70

WEBSITE : www.isyatort.com.tr

ACCOUNTING PERIOD : 01.01.2016 – 31.12.2016

ISSUED CAPITAL : TL 160.599.284

REGISTERED CAPITAL : TL 300.000.000

Our Mission is to have the portfolio of our Company professionally managed effectively, coherently, and rationally 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 our Dividend Distribution Policy.

Our Vision is to update the investment strategy in accordance with the changing market conditions so as to keep the risk at an optimum level, and to provide a regular dividend distribution for the shareholders, and accordingly, to become a preferred collective investment company.

IS YATIRIM ORTAKLIGI A.S.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2016 – 31.12.2016

I. SHAREHOLDING STRUCTURE

The current shareholding structure of the Company as of 31.12.2016 is given below.

Shareholders	Group	Shareholding Amount (TL)	Shareholding (%)
Is Yatirim Menkul Degerler A.S.	A	2,347,411	1.46
Is Yatirim Menkul Degerler A.S.	B	44,106,690	27.47
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 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.

II. BOARD OF DIRECTORS

The members of the Board of Directors have been elected at the shareholders' ordinary general assembly meeting, held on March 22, 2016, to hold office until the next shareholders' ordinary general assembly meeting within the accounting period, and have not been assigned with any executive duties within the organization of our Company. The Corporate Governance Principles Compliance Report section of the annual report provides the resumés of the members of the Board of Directors, and the details of the offices they have held.

Full Name	Position	Date of Election
Kenan Ayvaci	: Chairman	03.06.2016
Rıfat Cenk Aksoy	: Deputy Chairman	22.03.2016
Volkan Kublay	: Member	22.03.2016
Mehmet Rasgelener	: Member	22.03.2016
Serhat Gürleyen	: Member	22.03.2016
Abdullah Akyüz	: Member (Independent)	22.03.2016
İbahim Kurban	: Member (Independent)	22.03.2016

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**ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN
01.01.2016 – 31.12.2016**

**MEMBERS OF THE BOARD OF DIRECTORS HAVING HELD OFFICE WITHIN THE
ACCOUNTING PERIOD**

Özgür Temel : Chairman of the Board of (01.01.2016 – 03.06.2016)
Directors

COMMITTEES :

AUDIT COMMITTEE

İbrahim Kurban : Chairman
Abdullah Akyüz : Member

CORPORATE GOVERNANCE COMMITTEE

İbrahim Kurban : Chairman
Volkan Kublay : Member
F.Nilüfer Basarır Kutlutürk (*) : Member

(*) Director in charge of the investor relations

COMMITTEE FOR EARLY RECOGNITION OF RISK

Abdullah Akyuz : Chairman
Volkan Kublay : Member

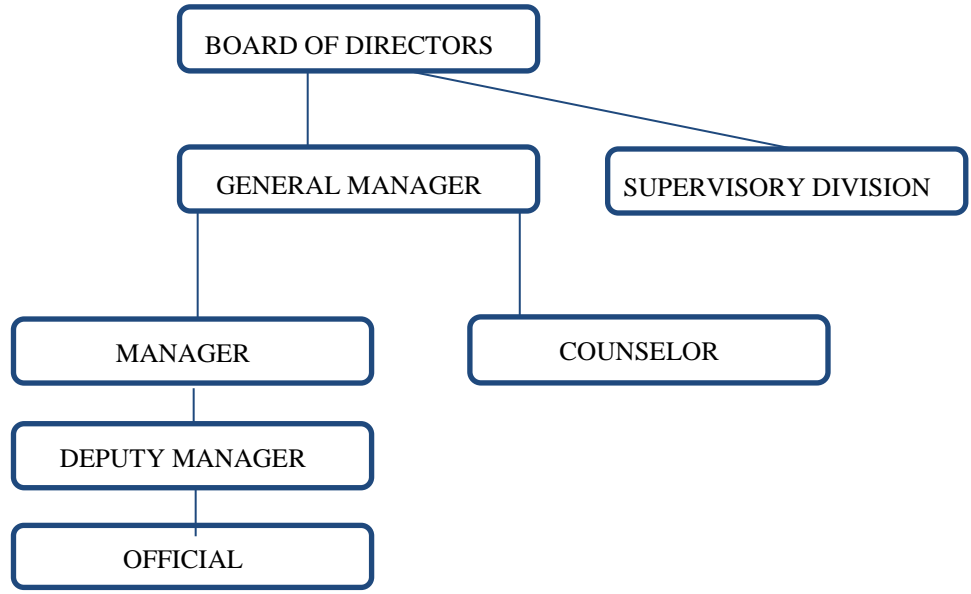
SENIOR MANAGEMENT

Yeşim Tükenmez : General Manager

IS YATIRIM ORTAKLIGI A.S.

**ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN
01.01.2016 – 31.12.2016**

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.

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ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2016 – 31.12.2016

III. ECONOMIC OVERVIEW

Although getting off to a bad start in 2006, the global markets started to have a favorable course thanks to the recovery in petroleum prices, the resolutions as adopted by the primary central banks and the statements made by the executives in the subsequent months. Following the Brexit in June, severe fluctuations occurred in the markets, and when the expectations for the principal Central Banks to unloose their money policies arouse, the global risk appetite recovered partially.

Large-scale fluctuations emerged in the global markets as triggered by Donald Trump's winning the elections for the President of the USA as the Republican nominee in November, and the Federal Reserve (Fed)'s initiative to increase the policy interest rate by 25 base points at the last money policy meeting of 2016 held on December 13-14, as well as the forecasts anticipating that the Fed members would increase the interest rates for 3 times in 2017. As the political ambiguities increase on global basis, the predictability of the economy policy decreases substantially.

As for the Turkish market; harsh fluctuations were experienced following the attempted coup on July 15, but the economic activity started to recover as of August thanks to the actions taken. On September 23, Moody's downgraded Turkey's credit rating one level below the non-investment grade, resulting in emerging of the sales pressure on the assets in TL. The risk premium of Turkey remained high with the effect of increase arising in the international developments as well as the political and geopolitical risks, and the BIST-100 index closed 2016 at 78.139 with an increase by 8.9%.

The Turkish economy grew by 2.2% on an annual basis for the first three quarters of the year, and the inflation rates were 8.53% for CPI, and 9.94% for PPI as of the end of year.

Following the meeting held on November 24, the CBRT (Central Bank of the Republic of Turkey) increased its policy interest rate from 7.5% to 8% with an increase by 50 base points, its overnight lending interest from 8.25% to 8.5% with an increase by 25 base points, and it was resolved during the meeting, held on December, that the interest rates would not be changed. The 2-year indicative DIBS interest rate ended 2016 by 10.63%, and the US Dollar was revalued by 21.5%, and the EURO was revalued by 16.3% against the Turkish Lira in reference to the end of the previous 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 total net asset values were 442 million TL according to the portfolio asset statements of December 30, 2016 as last disclosed by the securities investment trusts within the relevant period.

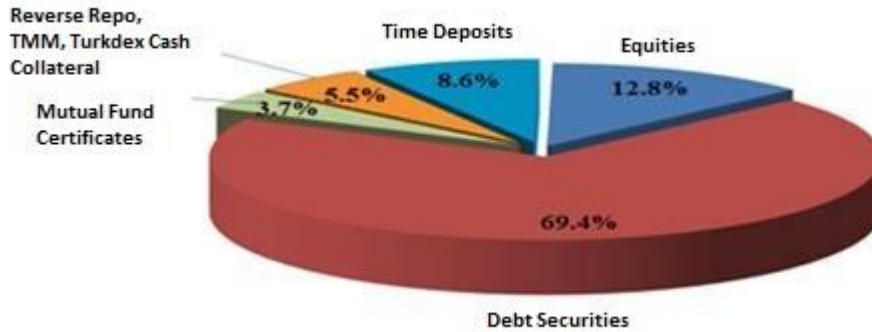
IS YATIRIM ORTAKLIGI A.S.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2016 – 31.12.2016

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 12.8%, debt securities by 69.4%, mutual fund by 3.7%, time deposits by 8.6%, reverse repo, Takasbank Money Market transactions and Turkdex cash collateral accounts by 5.5%. The Company's net assets value, the size of which amounted to TL 234.832.614- as of December 30, 2016, has accounted for 53% of the overall portfolio size of the industry.

Average breakdown of portfolio assets throughout 2016;



The Company's portfolio contained short position Index Futures Contracts by 14,9 % as of December 30, 2016.

The performance benchmark and investment strategies applicable for the period between 01.01.2016 – 31.12.2016;

Performance Benchmark :

BIST 30 x 15% + BIST- KYD (Institutional Investment Managers' Association) Fixed OST (Private Sector Bonds) x 30% + BIST- KYD (Institutional Investment Managers' Association) Variable OST (Private Sector Bonds) x 55%

Investment Strategy :

Equities by 0% to 30%

Government debt securities by 0% to 30%

Private sector debt instruments by 60% to 90%

Reverse repo by 0% to 20%

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Volume of the transactions conducted throughout 2016, and the net profits;

	2016		2015	
	Transaction Volume	Net Profit/(Loss)	Transaction Volume	Net Profit/(Loss)
	(TL)	(TL)	(TL)	(TL)
Equities	712,118,536	(244,661)	677,657,730	(4,388,101)
Debt Securities	294,990,159	(726)	268,885,132	(4,625,617)

Major Financial Indicators :

	31.12.2016	31.12.2015	Variation (%)
Asset Size (TL)	235,275,017	238,169,164	(1.2%)
Total Debts (TL)	641,168	2,638,987	(75.7%)
Paid-in Capital (TL)	160,599,284	160,599,284	-
Total Equity Capital (TL)	234,633,849	235,530,177	(0.4%)
Net Profit/(Loss) (TL)	19,192,930	5,911,873	224.6%
Proceeds (TL)	429,061,489	468,957,008	(8.5%)
Market Value (TL)	154,175,313	147,751,341	4.3%
Final Closing Price (TL) (*)	0.96	0.92	4.3%

(*) The price with closing price on 31.12.2015 being not adjusted.

Total Debts / Equity Capital	0.3%	1.1%
Profit / Total Assets (%)	8.2%	2.5%
Equity Capital / Total Assets	99.7%	98.9%

In accordance with the resolution, which has been adopted at the shareholders' ordinary general assembly meeting for 2015, held on March 22, 2016, of our Company, cash dividends amounting to TL 20.074.910,50.- corresponding to 12.5% of the issued capital as of March 24, 2016 have been distributed, and the closing price (ISYAT), which was TL 0.98.- before the distribution, was adjusted to be TL 0.85 as of the beginning of the day on March 24, 2016. When calculated using the adjusted prices after the dividend distribution has been reflected on it, ISYAT was appreciated by 20% as of the year-end, and the dividend yield was realized as 12.8%. The total assets of the Company as cleared of the impact of the dividends paid, as of December 31, 2016, have grown by 7.2% on year-over-year basis.

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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 Supervisory 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.

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 constituted 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, and effectivity of the internal control system, and also the observation of the independent audit processes. Accounting and internal control systems, independent auditing and

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ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2016 – 31.12.2016

financial reporting processes had been monitored throughout the year, and no negative findings had been established, and it was concluded that there had been duly acted. The Board of Directors had been informed thereof on quarterly basis.

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 1.021.335.- during 2016.

IX. TRANSACTIONS WITH RELATED PARTIES/AFFILIATES :

The related party transactions performed by our Company are detailed in the footnotes of our financial statements.

The conclusion of the Dependent Company Report for 2016, 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 2016, 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 01.01.2016 - 31.12.2016 :

Shareholders' Ordinary General Assembly and Distribution of Profit:

The shareholders' ordinary general assembly meeting for 2015 of the Company has been held on March 22, 2016 both physically and electronically. The Corporate Governance Principles Compliance Report section of the annual report gives the details of the meeting.

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 20,074,910.50.- at the 12.5% of the issued capital, to be covered from the distributable profit of the Company obtained in 2015, and also from contingency reserves item; and such distribution has been completed on March 28, 2016 following its start on March 24, 2016.

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ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2016 – 31.12.2016

Also, our shareholders have been informed about the fact that it has been resolved that Akis Bagimsiz Denetim ve Serbest Muhasebeci Musavirlik A.S. shall be elected as the independent auditing firm for 2016; 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 2016 shall be determined as TL 115.000.-, and also that no donation has been granted during 2015.

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 deposit share dividend distribution 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. OTHER CONSIDERATIONS AND REMARKS :

- The Company donated TL 115.000 to the Ministry of Family and Social Policies under the scope of "July 15th Solidarity Campaign" in 2016.
- No claims or actions had been brought against our Company throughout the year.
- No administrative and/or judicial sanctions had been imposed on the Company and the members of the board of directors.
- 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;

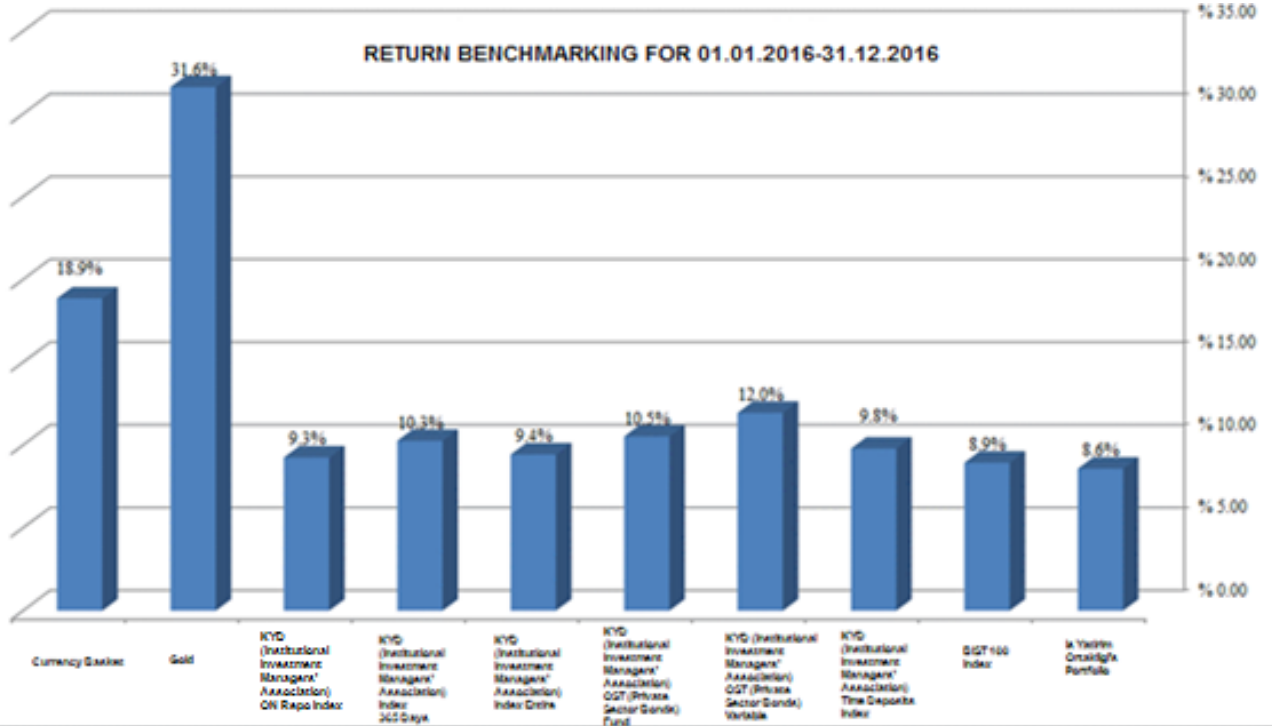
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IS YATIRIM ORTAKLIGI A.S.		30/12/2016											
PORTFOLIO VALUE TABLE													
Type of Securities	Issuer	Maturity	Asset Description	Nominal Value	Interest Repayment Number	Unit Purchase Price	Daily Unit Value	Total Value	Total Value %	Portfolio Value %			
I) EQUITY				9,118,168.99				34,612,780.39	100.00%	14.87%			
Intermediary Institutions (Brokerage Houses)				0.05				0.06	0.00%	0.00%			
ISMEN				0.05		1.15	1.27	0.06	0.00%	0.00%			
Chemistry, Oil, Rubber and Plastic				677,062.42				5,873,873.02	16.97%	2.52%			
TUPRS				35,017.00		69.67	70.75	2,477,452.75	7.16%	1.06%			
MINERAL WATER				642,045.42		3.96	5.29	3,396,420.27	9.81%	1.46%			
Stone and Soil Based Industry				0.79				2.24	0.00%	0.00%			
TRKCM				0.79		2.82	2.84	2.24	0.00%	0.00%			
Metal Items, Machinery and Equipment Fabrication				43,000.00				1,059,520.00	3.06%	0.46%			
TOASO				43,000.00		23.18	24.64	1,059,520.00	3.06%	0.46%			
Other Repair Works				424,756.00				2,285,187.28	6.60%	0.98%			
ENCAI				424,756.00		5.23	5.38	2,285,187.28	6.60%	0.98%			
Retail Trade				71,403.33				1,255,270.54	3.63%	0.54%			
MGROS				71,403.33		17.31	17.58	1,255,270.54	3.63%	0.54%			
Banks				2,239,071.33				13,340,791.34	38.54%	5.73%			
YKBANK				950,000.00		3.42	3.43	3,258,500.00	9.41%	1.40%			
TSKB				0.67		1.29	1.41	0.94	0.00%	0.00%			
ISAATB				8.00		15,664.27	14,998.90	119,991.20	0.35%	0.05%			
GARAN				590,854.00		7.64	7.62	4,502,390.48	13.01%	1.93%			
AKBANK				498,208.66		7.96	7.82	3,459,991.72	15.77%	2.35%			
Financial Leasing and Factoring Companies				2,731,586.52				3,059,376.90	8.84%	1.31%			
ISFN				2,731,586.52		0.70	1.12	3,059,376.90	8.84%	1.31%			
Holdings and Investment Trusts				1,581,288.55				3,702,259.00	10.70%	1.59%			
TAVHL				106,289.00		16.46	14.03	1,491,234.67	4.31%	0.64%			
ISGSY				1,474,999.55		1.60	1.50	2,211,024.33	6.39%	0.95%			
Real Estate Investment Trusts				1,350,000.00				4,036,500.00	11.66%	1.73%			
EKGYO				1,350,000.00		2.93	2.99	4,036,500.00	11.66%	1.73%			
II) DEBT INSTRUMENTS				143,490,000.00				144,034,710.82	100.00%	61.89%			
Corporate Bond				AK FINANSAL KIRALAMA	14/11/2018	TRSAKFKK1811	1,900,000.00	4	100.00	101.99	1,937,739.89	1.35%	0.83%
Corporate Bond				AKFEN HOLDING	09/01/2017	TRSAKFH11710	800,000.000	4	104.00	102.66	821,266.80	0.57%	0.35%
Corporate Bond				AKSA ENERJİ ÜRETİM	19/11/2017	TRSAKSNK1714	2,400,000.000	4	101.97	101.99	2,447,643.36	1.70%	1.05%
Corporate Bond				AKTIF YATIRIM BANKASI	10/01/2017	TRQAKYB11718	4,500,000.000	0	96.29	99.78	4,489,912.80	3.12%	1.93%
Corporate Bond				ALJ FINANSMAN	18/04/2017	TRFALJF1718	1,000,000.000	0	94.88	96.94	969,362.20	0.67%	0.42%
Corporate Bond				ALTERNATİF FINANSAL KIRALAMA A.Ş.	17/01/2017	TRFALFK11719	3,000,000.000	0	95.18	99.56	2,986,797.90	2.07%	1.28%
Corporate Bond				AYGAZ A.Ş.	26/01/2018	TRSAYZG11810	2,400,000.000	2	100.00	106.65	2,559,611.76	1.78%	1.10%
Corporate Bond				CREDITWEST	10/01/2017	TRSTPFC11710	2,660,000.000	4	102.48	102.59	2,728,888.41	1.89%	1.17%
Corporate Bond				CELİK MOTOR	18/05/2017	TRFCMKM51717	2,000,000.000	0	94.75	95.92	1,918,206.00	1.35%	0.82%
Corporate Bond				DESTEK FAKTORING	09/01/2017	TRFDSTF11719	2,000,000.000	0	91.57	99.78	1,950,560.20	1.39%	0.86%
Corporate Bond				DESTEK FAKTORING	06/03/2017	TRSDSTF31710	1,000,000.000	4	100.12	101.00	1,010,027.70	0.70%	0.43%
Corporate Bond				DEVA HOLDİNG	07/06/2018	TRSDVA61813	5,000,000.000	4	100.00	101.02	5,051,139.50	3.51%	2.17%
Corporate Bond				FİBA FAKTORING	06/04/2017	TRFFBKF1716	1,500,000.000	0	94.80	97.22	1,458,317.70	1.01%	0.63%
Corporate Bond				FINANS FINANSAL KIRALAMA	27/01/2017	TRSFKFR11718	2,000,000.000	4	102.02	101.95	2,039,062.20	1.42%	0.88%
Corporate Bond				FINANS FINANSAL KIRALAMA	06/06/2017	TRFFKFR61710	1,500,000.000	4	100.00	100.89	1,513,348.80	1.05%	0.65%
Corporate Bond				FINANSBANK	20/01/2017	TRQFNBK11736	2,500,000.000	0	97.54	99.51	1,990,186.80	1.38%	0.86%
Corporate Bond				FINANSBANK	02/02/2017	TRQFNBK21727	2,500,000.000	0	97.60	99.18	2,479,422.50	1.72%	1.07%
Corporate Bond				GARANTI FİLO	02/08/2017	TRSGFYH81711	1,940,000.000	4	100.00	101.83	1,975,577.27	1.37%	0.85%
Corporate Bond				GARANTI FINANSAL KIRALAMA	24/04/2017	TRFGFRK41728	1,000,000.000	0	95.29	96.99	969,852.30	0.67%	0.42%
Corporate Bond				HALK YATIRIM MENKUL DEĞERLER	18/01/2017	TRFHALK11715	6,000,000.000	0	97.99	99.57	5,974,032.60	4.15%	2.57%
Corporate Bond				İC İCTAS ENERJİ YATIRIM HOLDİNG	15/12/2017	TRSCICA1713	1,800,000.000	4	100.64	100.70	1,812,663.18	1.26%	0.78%
Corporate Bond				İS FINANSAL KIRALAMA	06/01/2017	TRFISFN11711	5,000,000.000	0	94.89	99.89	4,994,222.00	3.47%	2.15%
Corporate Bond				İS GAYRİMENKUL Y.O.	29/03/2019	TRSIGGY1915	4,500,000.000	4	100.0000	101.591	4,571,595.00	3.17%	1.96%
Corporate Bond				İS GAYRİMENKUL Y.O.	28/06/2019	TRSIGGY61912	3,500,000.000	4	100.23154	100.10	3,503,370.00	2.43%	1.51%
Corporate Bond				İS YATIRIM MENKUL DEĞERLER	01/03/2017	TRFISMD31716	3,000,000.000	0	97.47600	98.366	2,950,980.90	2.05%	1.27%
Corporate Bond				İS YATIRIM MENKUL DEĞERLER	08/03/2017	TRFISMD31724	3,000,000.000	0	97.40200	98.137	2,944,119.30	2.04%	1.27%
Corporate Bond				İS YATIRIM MENKUL DEĞERLER	13/03/2017	TRFISMD31757	500,000.000	0	97.45700	97.994	293,983.23	0.20%	0.13%
Corporate Bond				KAPITAL FAKTORING	03/03/2017	TRFKPTL31716	2,000,000.000	0	94.25400	98.162	1,963,245.80	1.36%	0.84%
Corporate Bond				KOC FİAT KREDİ FINANSMAN	11/04/2017	TRSKFTF41711	2,000,000.000	4	100.43400	100.712	2,014,237.20	1.40%	0.87%
Corporate Bond				KOC FİAT KREDİ FINANSMAN	06/11/2017	TRSKFTK1718	2,000,000.000	2	100.00000	101.730	2,034,590.40	1.41%	0.87%
Corporate Bond				KOC FİAT KREDİ FINANSMAN	08/08/2018	TRSKFTF81816	2,000,000.000	2	100.00000	104.445	2,088,907.80	1.45%	0.90%
Corporate Bond				KOC FİAT KREDİ FINANSMAN	21/11/2018	TRSKFTK1817	3,000,000.000	2	100.00000	101.327	3,039,807.30	2.11%	1.31%
Corporate Bond				KOC FINANSMAN	31/05/2017	TRSKCFT51717	5,000,000.000	2	100.00000	100.422	4,916,866.80	2.78%	1.73%
Corporate Bond				KOC FINANSMAN	06/12/2018	TRSKCFA1812	2,700,000.000	2	100.00000	101.207	2,732,585.76	1.90%	1.17%
Corporate Bond				KOTON MAĞAZACILIK	10/08/2017	TRSKOTN81713	820,000.000	4	101.89800	102.287	838,751.02	0.58%	0.36%
Corporate Bond				NUROL YATIRIM BANKASI	09/01/2017	TRQNURL11713	2,500,000.000	0	95.22680	99.791	2,494,764.00	1.73%	1.07%
Corporate Bond				NUROL YATIRIM BANKASI	17/05/2017	TRQNURL51719	3,000,000.000	0	95.00700	96.147	2,884,421.70	2.00%	1.24%
Corporate Bond				ORFİN FINANSMAN	06/12/2019	TRSORFNA1916	2,000,000.000	4	100.00000	101.669	2,033,384.20	1.41%	0.87%
Corporate Bond				ORFİN FINANSMAN A.Ş.	21/12/2017	TRSORFNA1718	4,540,000.000	4	100.23300	100.362	4,556,452.05	3.16%	1.96%
Corporate Bond				OTOKOC OTOMOTİV SAN.	09/11/2018	TRSOOTK1815	2,000,000.000	2	100.00000	101.638	2,019,651.56	0.85%	0.52%
Corporate Bond				OYAK YATIRIM MENKUL DEĞERLER	10/03/2017	TRFOYMD31712	4,000,000.000	0	96.68100	98.118	3,924,721.20	2.72%	1.69%
Corporate Bond				PAKPEN PLASTİK BORU VE YAPI ELEMANLARI	12/04/2017	TRSPKPB41717	4,000,000.000	4	103.50000	99.156	3,966,235.60	2.75%	1.70%
Corporate Bond				RONESANS HOLDİNG	10/10/2017	TRSRNSH1718	1,000,000.000	4	102.93000	102.650	1,026,499.20	0.71%	0.44%
Corporate Bond				RONESANS HOLDİNG	24/01/2019	TRSRNSH1919	1,900,000.000	4	100.00000	102.352	1,944,687.43	1.35%	0.84%
Corporate Bond				SARTEN AMBALAJ	13/10/2017	TRSSRTN1714	2,150,000.000	4	100.70800	101.772	2,188,091.55	1.52%	0.94%
Corporate Bond				TEB FINANSMAN	11/10/2017	TRSTBTF1711	5,000,000.000	4	100.00000	102.595	5,129,768.00	3.56%	2.20%
Corporate Bond				TEB FINANSMAN	04/05/2018	TRSTBTF51819	4,000,000.000	4	100.00000	101.849	4,073,950.00	2.83%	1.75%
Corporate Bond				TİMUR GAYRİMENKUL GELİSTİRME YATIRIM MENKUL DEĞERLER	29/09/2017	TRSTIMG91714	1,480,000.000	4	103.93100	100.509	1,487,533.20	1.03%	0.64%
Corporate Bond				TURKISHBANK	03/04/2017	TRQTBAK41715	2,000,000.000	0	94.88200	97.365	1,947,290.40	1.35%	0.84%
Corporate Bond				TURKISHBANK	08/05/2017	TRQTBAK51714	1,500,000.000	0	95.71300	96.386	1,445,795.40	1.00%	0.62%
Corporate Bond				TUPRAS	16/01/2017	TRSTPRS11711	3,000,000.000	2	101.6888	103.968	3,119,039.80	2.17%	1.34%
Corporate Bond				YAKİF FAKTORING	07/02/2017	TRFYFAS21710	2,700,000.000	0	96.29100	98.982	2,672,501.04	1.86%	1.15%
Corporate Bond				YAPI KREDİ FAKTORING	26/01/2017	TRFYAKF11720	2,000,000.000	0	95.04400	99.313	1,986,263.00	1.38%	0.85%
Corporate Bond				YAPI KREDİ FAKTORING	24/02/2017	TRFYAKF21711	550,000.000	0	95.01100	98.496	541,728.61	0.38%	0.23%
Corporate Bond				YAPI KREDİ FAKTORING	21/03/2017	TRFYAKF31710	1,050,000.000	0	95.30000	97.889	1,027,835.55	0.71%	0.44%
Corporate Bond				YAPI KREDİ FINANSAL KIRALAMA	13/01/2017	TRFYKFK11729	2,600,000.000	0	95.81529	99.702	2,592,252.26	1.80%	1.11%
Corporate Bond				YAPI KREDİ FINANSAL KIRALAMA	08/12/2017	TRSYKFKA1716	1,000,000.000	4	101.70900	100.781	1,007,813.80	0.70%	0.43%
Corporate Bond				YAPI KREDİ FINANSAL KIRALAMA	03/08/2018	TRSYKFKB1816	1,600,000.000	4	100.00000	101.768	1,628,286.08	1.13%	0.70%
Corporate Bond				YDA İNŞAAT SANAYİ VE TİCARET A.Ş.	12/12/2017	TRSYDAT1711	1,500,000.000	4	100.91700	100.759	1,511,389.05	1.05%	0.65%
Corporate Bond				ZİRAAT FINANSAL KIRALAMA	16/02/2017	TRSZFKL21718	500,000.000	4	101.37400	101.577	507,883.75	0.35%	0.22%
Corporate Bonds Total						143,490,000.00							

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CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT FOR 2016

PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Is Yatirim Ortakligi A.S., 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-17.2, 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 21, 2016. The Investors Relations activities include correspondences between the investors and the trust, ensuring retention of the records of other information and documentation as on sound, secure and up-to-date basis, responding the written or verbal inquiries of the shareholders with respect to the trust 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. A small number of requests for information received from our investors by telephone and e-mail throughout the year had been answered in accordance with the regulations. No written requests for information had been received by our Company in 2016.

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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 meeting held in 2016.

2.3 Shareholders' General Assembly Meetings

The ordinary general assembly meeting for 2015 of the Company was physically and electronically held in Istanbul, where the Company is based, on March 22, 2016. The wordings of the announcements have covered the details about the agenda and the date of the meetings as well as the meeting venues, 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 legislation, and the shareholders attended the meeting by 51,5% while the entire of the preferred shareholders attended the same. No press member attended the meeting, and as for the stakeholders, the representative of the independent audit firm attended as an observer.

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, 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, and the profit distribution statement have been published electronically, and also have been made available at the principal office of the Company before the meeting. None of the shareholders exercised 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 electronic general assembly system of the Central Registry Agency, 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 2015 was addressed as an individual agenda item during the shareholders' ordinary general assembly meeting, and is provided within the annual report. The Company donated TL 115.000 to the Ministry of Family and Social Policies under the scope of "July 15th Solidarity Campaign" in 2016.

During the year, there was not any matter which was submitted to the discretion of the shareholders' general assembly due to the fact that the vote of independent members were sought under the regulations and that they cast dissentive votes therefor.

There had not been performed any material transaction by shareholders, holding the managerial control, the executives with administrative responsibilities, and the spouses, and the kinsmen and relatives by marriage up to second degree of such persons, which may cause any conflicts of interest for our Company, and also no transaction as a kind of business that falls into the field of business of

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our Company has been performed on behalf of themselves or others, or there had not been entered into another affiliate engaging in businesses of the same kind as an unlimited partner.

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 shares of the Company are categorized into Group A and Group B shares 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.

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 22, 2016, it has been resolved that the Company shall distribute cash dividends amounting to TL 20.074.910,50.- at the 12,5% of the issued capital, to be covered from the distributable profit of the Company obtained in 2015, and also from contingency reserves item; and such distribution has been completed on March 28, 2016 following its start on March 24, 2016.

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.

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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.

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 2016.

4.2 Stakeholders' Participation to Management

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 such 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.

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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 2016.

4.4 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 2016.

PART V - BOARD OF DIRECTORS

5.1 Organization and Composition of the Board of Directors

The members of our Board of Directors have been elected at the shareholders' ordinary general assembly meeting, held on March 22, 2016, to hold office until the next shareholders' ordinary general assembly meeting within the accounting period, 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. KENAN AYVACI CHAIRMAN

Graduating from the Department of Business Administration, Middle East Technical University in 1997, Mr. Kenan Ayvaci started to serve as Assistant Auditor for the Supervisory Directorate at T. Is Bankasi A.S. in 1998. In 2006, he was appointed as Assistant Manager of the Capital Markets Department, and he was promoted to the position of Department Manager within the organization of the same department in 2010. Upon obtaining his master's degree in Galatasaray University in 2010, Mr. Ayvaci was assigned as Department Manager at the Capital Markets Department of T. Is Bankasi A.S. Mr. Kenan Ayvaci, who was elected to serve as the Chairman of the Board of Directors at our Company on 03.06.2016, also holds some offices as a member of the board of directors at some affiliates of our Company.

MR. RIFAT CENK AKSOY DEPUTY CHAIRMAN

Having completed his studies at the Department of Economics, the Faculty of Economics of the Istanbul University, Mr. Aksoy joined the Securities Department of T. Is Bankasi A.S. in 1991 to hold office as an Assistant Specialist. He had held offices of the Deputy Manager in charge of treasury transactions at Is Yatirim Menkul Degerler A.S. between 1997 and 2001, and of the

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Manager in charge of the portfolio management at Is Portfoy Yonetimi A.S. between 2001 and 2004. In 2004, he was raised to the office of Deputy General Manager at Is Portfoy Yonetimi A.S., and in 2010, he was assigned to the office of General Manager at Camis Menkul Degerler A.S. After the merger of Camis Menkul Degerler A.S. with its parent company, Is Yatirim Menkul Degerler A.S., he has been holding the office of Deputy General Manager at Is Yatirim Menkul Degerler A.S. since June, 2014. He has been serving as the Deputy Chairman of the Board of Directors of our Company since 15.07.2015.

MR. VOLKAN KUBLAY MEMBER

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. 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. MEHMET RASGELENER MEMBER

Having completed his studies at the Department of Economy and Statistics of the Faculty of Administrative Sciences and graduated from the Middle East Technical University in 1976, Mr. Rasgelener joined Turkiye Is Bankasi A.S. in 1978 as an Assistant Auditor, and completed his postgraduate studies on Port and Shipping Administration at the University of Wales (UWIST) in 1982.

Mr. Rasgelener had held offices of the Project Coordinator of World Bank at the Ministry of Transportation, and the Marine Director at T.C. Turizm Bankasi A.S., and after he held offices of the Branch Manager in charge of the World Bank projects at the Undersecretariat of Treasury and Foreign Trade of the Prime Ministry; the Economics and Trade Advisor and the Deputy General Manager at the Turkish Embassy in Tokyo, and the Economic Advisor at the Turkish Consulate General in New York since 1985, he was assigned to the office of the General Manager in charge of State-Owned Enterprises and Treasury Transfers at the Undersecretariat of Treasury in October, 1999. Having maintained this office by April, 2004, Mr. Rasgelener retired in July, 2008 following his office of the Chief Economic Advisor at the Turkish Embassy in Paris. Mr. Rasgelener had held offices at Istanbul Gubre Sanayi A.S in 1997; of the Member of Audit Committee at Turkiye Is Bankasi A.S. between 1997 and 1998; at Turk Telekom A.S. between 2000 and 2001; at Milli Reasurans A.S. between 2001 and 2003; at Aktif Sirketler Grubu between 2008 and 2011; and of the Member of the Board of Directors at Anadolu Sigorta A.S. and Is Finansal Kiralama A.S. between 2012 and 2013. He has been serving as the Member of the Board of Directors of our Company since 15.04.2015.

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MR. SERHAT GURLEYEN MEMBER

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 1992 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

Mr. Akyuz, who has graduated from the 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, and as a Member of the Board of Directors at Is Yatirim Menkul Degerler A.S. between 01.11.2011 and 24.03.2015, has been holding office of the Member of the Board of Directors at our Company since 02.04.2012.

MR. IBRAHIM KURBAN INDEPENDENT MEMBER

Having completed his studies at the Department of Political Science and Public Administration, and graduated from the Middle East Technical University in 1982, Mr. Kurban kicked-off this carrier as an Assistant Specialist at the Capital Markets Board in that year, and following his career as a specialist and chief specialist, he had held the offices of the Head of Auditing Department, and Representative of Istanbul between 1995 and 1999, and of the Head of Accounting Standards in 1999. He had held offices of the Chairman of the Supervisory and Inspection Committee of Istanbul Stock Exchange (ISE) between 1999 and 2008; of the Principal Deputy Chairman at ISE between 2008 and 2012, and of the Chairman Advisor at Borsa Istanbul A.S between 2012 and 2014. He also had held office of the Member of the Board of Directors at Merkezi Kayit Kurulusu A.S., Takas ve Saklama Bankasi A.S., and Vadeli Islem ve Opsiyon Borsasi A.S. within different periods between 2001 and 2010. He has been serving as the Member of the Board of Directors of our Company since 20.03.2015.

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 2016 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 18, 2016, to the Board of Directors; and the candidates have been

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nominated to hold office as a member of the board of directors by means of the resolution, dated March 18, 2016, 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 copy of the statements of independency as submitted by Mr. Abdullah Akyuz and Mr. Ibrahim Kurban to us in 2016 is given below:

STATEMENT OF INDEPENDENCY

TO THE BOARD OF DIRECTORS OF IS YATIRIM ORTAKLIGI A.S.,

As I have been nominated for the position of the independent member of the board of directors at the ordinary general assembly meeting of Is Yatirim Ortakligi A.S.(the “**Company**”) to be held on March 22, 2016; I hereby represent 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;
- 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;

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- 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 faithfully,

5.2 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.

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 21 resolutions during 2016, 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.

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Under the scope of the liability insurance policy including Turkiye Is Bankasi A.S. and the Affiliates thereof (Turkiye Is Bankasi Group) as the Insured; the Member of the Board of Directors and Executives of our Company have been caused to be insured up to 75 mio USD per any one claim and on an annual aggregate basis 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.

5.3 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 :

- (*) Ibrahim Kurban : Chairman
- (*) Abdullah Akyuz : Member

CORPORATE GOVERNANCE COMMITTEE

- (*) Ibrahim Kurban : 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 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.

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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: 48.5, 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 risk management and internal control systems available, and makes efforts to cause them to operate efficiently. A Supervisory 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, and assessed by 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 mission and the vision of our Company have been approved by the Board of Directors, and made publicly available on our website.

Our Mission is to have the portfolio of our Company professionally managed effectively, coherently, and rationally 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 our Dividend Distribution Policy.

Our Vision is to update the investment strategy in accordance with the changing market conditions so as to keep the risk at an optimum level, and to provide a regular dividend distribution for the shareholders, and accordingly, to become a preferred collective investment company.

In this sense, 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.

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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 as an individual agenda item 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.