

**IS YATIRIM ORTAKLIGI  
ANONIM SirkETI**

**ANNUAL REPORT FOR 2017**

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

**To the Shareholders' General Assembly of Is Yatirim Ortakligi Anonim Sirketi,**

### **1) Opinion**

We have audited the annual report of Is Yatirim Ortakligi Anonim Sirketi (the "Company") for the accounting period between January 1 - December 31, 2017.

According to our opinion; the financial details within the annual report, issued by the board of directors, are in conformity with the scrutiny by the Board of Directors regarding the status of the Company, full-set financial statements audited from all important aspects, and all information we have obtained during the independent audit, and they do accurately reflect the same.

### **2) Basis of the Opinion**

The independent audit we have conducted has been carried out in accordance with the independent auditing standards, which have been promulgated by the Capital Markets Board of Turkey, and also the Independent Auditing Standards (IAS) which constitute a part of the Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority ("KGK"). The responsibilities, we have under these Standards, are explained in detail in the section titled *Responsibilities of the Independent Auditor Regarding Independent Auditing of the Annual Report* hereunder. We hereby represent that we are independent from the Company in accordance with the *Code of Ethics for Independent Auditors*, promulgated by the Public Oversight, Accounting and Auditing Standards Authority ("KGK"), as well as the provisions on ethics prescribed under the applicable regulations on independent audit. The other responsibilities on ethics, prescribed under the Code of Ethics and the said applicable regulations, have been fulfilled by us. 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.

### **3) Our Audit Opinion on Full-Set Financial Statements**

We have provided a favorable opinion under our auditor's report dated January 26, 2018 regarding full-set financial statements in relation to the accounting period between January 1 - December 31, 2017.

### **4) Responsibility of the Board of Directors regarding the Annual Report**

As per sections 514 and 516 of the Turkish Commercial Code ("TCC") Nr. 6102, and the "*Communiqué on Principles Regarding Financial Reporting in Capital Markets*" Serial II; No: 14.1, promulgated by the Capital Markets Board, the management of the Company shall be responsible for fulfillment of the below-given matters regarding the annual report:

- a) It shall draw up the annual report within a period of three months following the date of balance-sheet, and submit the same to the shareholder's general assembly.
- b) It shall draw up the annual report in a manner to reflect the flow of the Company's activities, and its financial status for the respective year accurately, perfectly, directly, realistically and fairly. The financial status shall be evaluated in line with the financial statements hereunder. Furthermore; the growth of the Company, as well as any possible risk it might face shall be indicated clearly. The considerations of the board of directors pertaining to such issues shall also be included in the report.
- c) The annual report shall also include the below-listed matters:
  - Occurrences which have arisen across the Company following completion of the accounting year, and which are of particular importance,
  - Research and development activities of the Company,
  - Material benefits paid to the members of the board of directors, and the senior executives such as remuneration, premium, bonus, etc., as well as allowances, travelling, accommodation and representation costs and expenses, and any benefit, either in kind or in cash, insurances and such other coverage.

While drawing up the annual report, the board of directors shall also consider the secondary regulatory arrangements performed by the Ministry of Customs and Trade, and the concerned bodies.

## **IS YATIRIM ORTAKLIGI A.S.**

### **ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017**

#### **5) Responsibilities of the Independent Auditor Regarding Independent Auditing of the Annual Report**

Our purpose is to deliver an opinion regarding the fact that whether the financial details, included under the annual report, and the scrutiny by the Board of Directors are consistent with the audited financial statements of the Company, as well as the information we have obtained during the independent audit, and that whether they do reflect the truth, or not, and then, to draw up a report covering our opinion, in line with the provisions of the TCC and the Communiqué.

Our independent audit has been conducted in accordance with the Independent Auditing Standards (IAS), and the independent auditing standards promulgated by the Capital Markets Board. 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, as well as the scrutiny by the Board of Directors are consistent with the financial statements and the information obtained during the audit, or not, and also that whether such information reflects the truth, or not.

Yasar Bivas has acted as the auditor in charge who has conducted and finalized this independent audit.

Guney Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik Anonim Sirketi  
A member firm of Ernst & Young Global Limited

Yasar Bivas, Certified Public Accountant  
Auditor in Charge

January 26, 2018  
Istanbul, Turkey

**IS YATIRIM ORTAKLIGI A.S.**

**ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN  
01.01.2017 - 31.12.2017**

<b>TRADE NAME OF THE COMPANY</b>	<b>:</b>	<b>IS YATIRIM ORTAKLIGI ANONIM SIRKETI</b>
<b>HEAD OFFICE</b>	<b>:</b>	<b>Istanbul</b>
<b>DATE OF INCORPORATION</b>	<b>:</b>	<b>16/08/1995</b>
<b>FIELD OF BUSINESS</b>	<b>:</b>	<b>To operate the portfolio consisting of capital market instruments and precious metals.</b>
<b>TRADE REGISTRY NUMBER</b>	<b>:</b>	<b>367835</b>
<b>ADDRESS</b>	<b>:</b>	<b>Buyukdere Cad.Is Kuleleri Kule 1 Kat:5 Levent/Istanbul</b>
<b>TELEPHONE - FAX</b>	<b>:</b>	<b>212/ 284 17 10 - 212/ 284 16 70</b>
<b>WEBSITE</b>	<b>:</b>	<b><a href="http://www.isyatort.com.tr">www.isyatort.com.tr</a></b>
<b>ACCOUNTING PERIOD</b>	<b>:</b>	<b>01.01.2017 – 31.12.2017</b>
<b>ISSUED CAPITAL</b>	<b>:</b>	<b>TL 160.599.284</b>
<b>REGISTERED CAPITAL</b>	<b>:</b>	<b>TL 300.000.000</b>

**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  
01.01.2017 - 31.12.2017**

## IS YATIRIM ORTAKLIGI A.S.

### ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017

#### I. SHAREHOLDING STRUCTURE

The current shareholding structure of the Company as of 31.12.2017 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 AS	A	592,536	0.37
Anadolu Hayat Emeklilik AS	B	574,662	0.36
Anadolu Anonim Turk Sigorta Sirketi	B	278,394	0.17
Other	B	108,138,921	67.33
<b>Total</b>		<b>160,599,284</b>	<b>100.00</b>

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, 2017, 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. 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	22.03.2017
Rifat Cenk Aksoy	: Deputy Chairman	22.03.2017
Volkan Kublay	: Member	22.03.2017
Mehmet Rasgelener	: Member	22.03.2017
Serhat Gurleyen	: Member	22.03.2017
Abdullah Akyuz	: Member (Independent)	22.03.2017
Ibrahim Kurban	: Member (Independent)	22.03.2017

**IS YATIRIM ORTAKLIGI A.S.**

**ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN  
01.01.2017 - 31.12.2017**

**COMMITTEES :**

**AUDIT COMMITTEE**

Ibrahim Kurban : Chairman  
Abdullah Akyuz : Member

**CORPORATE GOVERNANCE COMMITTEE**

Ibrahim Kurban : 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

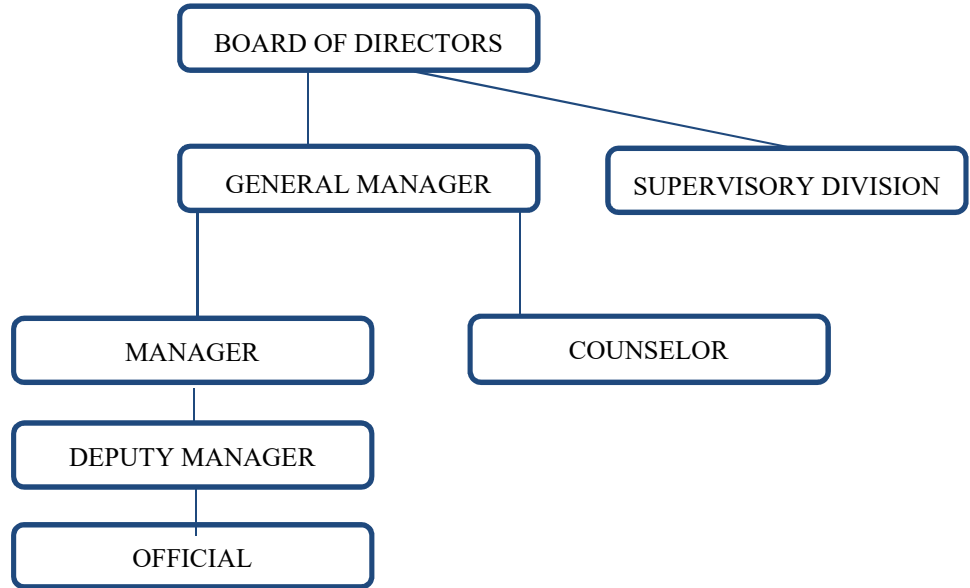
**SENIOR MANAGEMENT**

Yesim Tukenmez : General Manager

## IS YATIRIM ORTAKLIGI A.S.

### ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017

#### 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.

### III. ECONOMIC OVERVIEW

2017 was a year when meetings of the central banks of the developed countries and the steps to be taken by them were at the forefront of the agenda of the global economy. The Federal Reserve Bank (FED) increased the policy interest rate with 25 basis points to the range of 1,25% - 1,50% in line with the expectations at its last meeting on December 13, and raised the policy interest rate for three times by 75 basis points throughout 2017, as expected. The Bank of England (BoE) increased its policy interest rate for the first time after 10 years in its meeting held in November, and raised the policy interest rate to 0,50% from 0,25%.

Macron's victory in the presidential elections in France held in May had a positive impact on the markets and economic prospects, and the data on the Eurozone demonstrated that the economic activity was continuing to gain strength.

In the third quarter of the year, Turkish economy achieved a growth beyond the expectations by 11,1% on year-on-year basis according to the chained volume index, demonstrating the best performance of the last 6 years. The inflation rates for Consumer Price Index (CPI) and Producer Price Index (PPI) as of the year-end realized as 11,92% and 15,47%, respectively.



## **IS YATIRIM ORTAKLIGI A.S.**

### **ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017**

Throughout 2017, the global risk appetite increased in general terms, and the BIST-100 index, affected favorable form such increase, closed the year at 115.333 with an increase by 47,6% following the favorable impacts of settlement of the visa problem which arose towards the end of the year with the USA.

The Central Bank of the Republic of Turkey increased the Late Liquidity Window (LLW) interest rate to 12,75% with 50 basis points in its last meeting on December 14, despite the overall expectations for a higher increase, and following the meeting, a statement was released emphasizing that the Central Bank of the Republic of Turkey would continue employing all its means to ensure price stability, and underlining that the hard-liner stance in money policy would be maintained until a noticeable improvement would have been apparently achieved in inflation and the targets would have been accomplished. The 2-year indicative DIBS interest rate ended 2017 at 13,4%, and the US Dollar was revalued by 6,8%, and the Euro was revalued by 22,2% 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 477.3 million TL according to the portfolio asset statements of December 29, 2017 as last disclosed by the securities investment trusts within the relevant year.

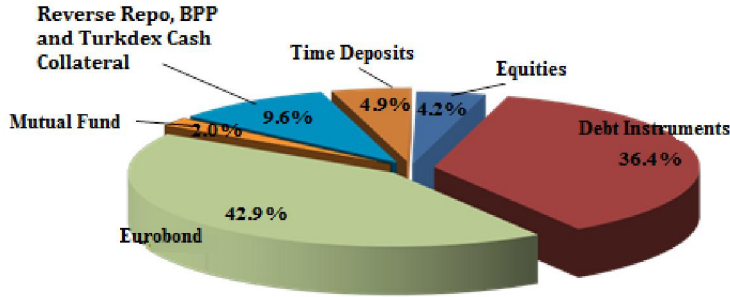
#### **V. OPERATIONS AND FINANCIAL STANDING OF THE COMPANY**

The portfolio of the Company is being managed professionally in accordance with the threshold values 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 4.2%, debt securities by 36.4%, eurobond by 42.9%, mutual fund by 2%, time deposits by 4.9%, reverse repo by 9.6%, Exchange Money Market transactions and Turkdex cash collateral accounts. The Company's net assets value, the size of which amounted to TL 240.156.274- as of December 29, 2017, has accounted for 50.3% of the overall portfolio size of the industry.

## IS YATIRIM ORTAKLIGI A.S.

### ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017

Average breakdown of portfolio assets throughout 2017;



The Company's portfolio contained short position Index Futures Contracts by 44,8%, 3,8% of which is on Index-based and 41% of which is on USD-based, as of December 29, 2017.

#### **01.01.2017 The threshold value and investment strategy applicable for the period between 01.01.2017 – 31.12.2017;**

As of 01.01.2017, it was shifted to absolute return target (threshold value) from benchmarking in performance benchmarking of the portfolio management, and the threshold value was determined as 10,70% for 2017.

#### Investment Strategy :

Eurobond by 0% to 100%

Private Sector Debt Instruments by 0% to 100%

Equities by 0% to 30%

Government Debt Securities by 0% to 30%

Reverse Repo by 0% to 30%

Takasbank (Settlement and Custody Bank) Exchange Money Market transactions by 0% to 20%

Mutual Fund by 0% to 20%

Time Deposits by 0% to 10%

Precious Metals and the Capital Market Instruments with those underlyings by 0% to 10%

## IS YATIRIM ORTAKLIGI A.S.

### ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017

#### Volume of the transactions conducted throughout 2017, and the net profits;

	2017		2016	
	Transaction Volume (TL)	Net Profit/(Loss ) (TL)	Transaction Volume (TL)	Net Profit/(Loss) (TL)
Equities	1,273,908,530	3,126,917	712,118,536	(244,661)
Debt Securities	82,158,868	213,204	294,990,159	(726)
Eurobonds (*)	183,493,354	(454,571)	-	-
Mutual Funds	44,992,131	110,626	-	-

(\*) Trading volume of the Eurobonds amounts to USD 48,647.460.

#### Major Financial Indicators;

	31.12.2017	31.12.2016	Variation
Asset Size (TL)	240,446,293	235,275,017	2,2%
Total Debts (TL)	697,967	641,168	8,9%
Paid-in Capital (TL)	160,599,284	160,599,284	-
Total Equity Capital (TL)	239,748,326	234,633,849	2,2%
Net Profit/(Loss) (TL)	25,182,077	19,192,930	31,2%
Proceeds (TL)	769,275,100	429,061,489	79,3%
Market Value (TL)	154,175,313	154,175,313	-
Final Closing Price (TL) (*)	0.96	0.96	-

(\*) The price with closing price on 31.12.2016 being not adjusted.

Total Debts / Equity Capital	0,3%	0,3%
Profit / Total Assets (%)	10,5%	8,2%
Equity Capital / Total Assets	99,7%	99,7%

In accordance with the resolution, which has been adopted at the shareholders' ordinary general assembly meeting for 2016, held on March 22, 2017, of our Company, cash dividends amounting to TL 20.074.910,50.- corresponding to 12.5% of the issued capital as of March 24, 2017 have been distributed, and the closing price (ISYAT), which was TL 1.- before the distribution, was adjusted to be TL 0.88 as of the beginning of the day on March 24, 2017. When calculated using the adjusted prices after the dividend distribution has been reflected on it, ISYAT was appreciated by 14,3% as of the year-end, and the dividend yield was realized as 12,5%. The total assets of the Company as cleared of the impact of the dividends paid, as of December 31, 2017, have grown by 10,7% on year-over-year basis.

## **IS YATIRIM ORTAKLIGI A.S.**

### **ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017**

#### **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.

## IS YATIRIM ORTAKLIGI A.S.

### ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017

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 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 1.087.823.- during 2017.

#### **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 2017, 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 2017, 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 01.01.2017 - 31.12.2017 :**

##### **Shareholders' Ordinary General Assembly and Distribution of Profit:**

The shareholders' ordinary general assembly meeting for 2016 of the Company has been held on March 22, 2017 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

## IS YATIRIM ORTAKLIGI A.S.

### ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017

resolved that the Company shall distribute cash dividends amounting to TL 20.074.910,50.- at the 18.7% of the issued capital, to be covered from the distributable profit of the Company obtained in 2016, and also from contingency reserves item; and such distribution has been completed on March 28, 2017 following its start on March 24, 2017.

Also, it has been resolved that Guney Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik A.S. shall be elected as the independent auditing firm for 2017, and that the amended text of the articles of association shall be approved, 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 that the upper limit for the donations that would be granted during 2017 shall be determined as TL 125.000.-, and also it has been submitted for information of our shareholders that a donation of TL 115.000 has been granted to the Ministry of Family and Social Policies of the Republic of Turkey under the scope of July 15th Solidarity Campaign in 2016.

#### **Amendment to the Articles of Association :**

Amendment draft for the Articles of Association of the Company, which has been drawn up in order to amend the article 11 of the articles of association for the purpose of redetermination of the upper limit of the current registered capital of our Company for the years 2017-2021, and to amend the article 9 of the articles of association for the purpose of granting of an authorization to the board of directors to issue debt instruments, and which was found appropriate under the letter, dated 02.02.2017 and numbered 12233903-320.06-E.1330, of the Capital Markets Board, and which was approved by means of the letter, dated February 13, 2017 and numbered 50035491-431.02-E-00022589720, of the Directorate General of Domestic Trade of the Ministry of Customs and Trade of the Republic of Turkey, was approved at the shareholders' ordinary general assembly meeting held on March 22, 2017. The new text of the respective articles is provided hereinbelow.

#### **NEW TEXT**

#### **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 amount of the bills issued is in cash, and that the same is fully paid upon its delivery. The Board of Directors of the Company is authorized to issue bills in accordance with section 31 of the Capital Market Law.

Any new bill of the same type may not be issued unless all issued bills are sold completely or the ones, which have not been sold, are cancelled.

#### **CAPITAL AND STOCKS**

**Article 11-** The upper limit of registered capital of the Company amounts to TL 300.000.000. The authorization for the registered capital upper limit granted by the Capital Markets Board shall be valid and effective for the period between 2017-2021 (5 years). Even in the event that the upper limit of the registered capital,

## IS YATIRIM ORTAKLIGI A.S.

### ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017

for which authorization has been granted, could not be achieved as of 2021, in order for the board of directors' adoption of a resolution for the increase of the capital after 2021, it shall be mandatory to obtain authorization for a further period from the general assembly by obtaining authorization from the Capital Markets Board for the previously authorized upper limit or for a further upper limit.

The issued capital of the Company amounts to TL 160.599.284 (one hundred sixty million five hundred ninety nine thousand two hundred eight four), and is divided into 16.059.928.400 shares, each having a nominal value of 1 (one) Kurush. The portion amounting to TL 4,125,019 (four million and one hundred and twenty five thousand and nineteen) of the shares consists of Group (A) shares, while the portion amounting to TL 156,474,265 (one hundred fifty six million and four hundred and seventy four thousand and two hundred and sixty five) of the shares consists of Group (B) shares. The issued capital has entirely been paid in cash. In respect of election of the members of the Board of Directors; each of the Group (A) shares shall entitle the holder thereof to 1.000.000 (one million) votes, and each of the Group (B) shares shall entitle the holder thereof to 1 (one) vote.

TL 134.662.500 of the capital of the Company has been fully paid in, and the amount of some TL 25.936.784 has been counterbalanced in nominal value as a consequence of equalization of the share values determined by taking the portfolio values of both companies determined by means of the expert's report, dated 16.04.2012, issued as per the file number E.2012/17, of the 33<sup>rd</sup> Commercial Court of First Instance of Istanbul, and the report issued by an expert organization, namely Eczacibasi Menkul Degerler A.S., dated 02/04/2012, as the basis, as transferred upon the merger materialized as per entirely acquisition of the assets and liabilities of TSKB Yatirim Ortakligi A.S. as of 31.12.2011, in accordance with the Sections 19 and 20 of the Corporate Tax Law, section 451 of Turkish Commercial Code and the other relevant provisions. 2.593.678.400 shares, each having a nominal value of 1 Kurush, to be issued due to the merger, have been distributed to the shareholders of TSKB Yatirim Ortakligi A.S., which has dissolved after such merger.

Group (A) shares are registered shares, and Group (B) shares are bearer's shares. Transfer of the shares is subject to the provisions of Turkish Commercial Code and Capital Markets Board's regulations.

The Board of Directors shall be entitled to increase the issued capital by issuing new shares up to the registered upper limit of the capital, in accordance with the provisions of the Capital Markets Law. Resolutions regarding capital increases shall be announced to the public by virtue of material disclosures.

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

Unless all issued share certificates are entirely sold and the amounts of the same are fully paid, no new shares may be issued, except for the increase covered from internal resources.

In case of presence of any conditions prescribed by the Capital Market Law and the regulations of the Capital Markets Board, the shareholders are entitled to leave by selling their shares to the Company. In respect of any special cases such as the right to leave regarding the shares, voluntary or mandatory tender offers, right to dismiss a shareholder, and right to sell, the principles and procedures of the Capital Markets Board shall be complied.

The term off-stock exchange acquisition shall be determined in accordance with the regulations of Borsa Istanbul A.S.

## IS YATIRIM ORTAKLIGI A.S.

### ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017

The expression "listed" shall mean the shares listed both at Borsa Istanbul A.S., and the international exchanges. No off-stock exchange acquisitions shall be recognized by the Company.

In the event that the listed registered shares are sold on the exchange, then notification by the Central Registry Agency, of the acquisition by the transferee, to the Company, or provision of technical access to such details by the Company, will serve as a prerequisite for recognizing such transferee as a shareholder by the Company. In case of off-stock exchange acquisitions, it is required that the transferee shall apply to the Company in writing. Unless such notification is served, and such access is provided, Section 495 and the other relevant, in particular Section 497 (4) of Turkish Commercial Code, will not become applicable and effective thereto.

The Transferee may not attend the general assembly meeting, may not exercise its voting right(s) and its such other rights arising from such right(s), may not file any action for cancellation and avoidance/nullity, and may not claim for injunction in relation to such actions and files, unless and until it is recognized by the Company. Provisions of the 2<sup>nd</sup> sentence of Section 497(2) of Turkish Commercial Code, and the 3<sup>rd</sup> paragraph of the same are hereby reserved.

Provisions of Section 379 of Turkish Commercial Code, Section 22 of the Capital Market Law and of the other relevant legislation in relation to acquisition of its own shares by the Company are hereby reserved.

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

#### **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.



**IS YATIRIM ORTAKLIGI A.S.**

**ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN  
01.01.2017 - 31.12.2017**

**XII. OTHER CONSIDERATIONS AND REMARKS :**

- The Company did not make any donations throughout the accounting year of 2017.
- 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;

**IS YATIRIM ORTAKLIGI A.S.**

**ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017**

IS YATIRIM ORTAKLIGI A.S.

29.12.2017

**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 %
<b>I) EQUITY</b>				<b>2.820.928,94</b>				<b>11.351.496,72</b>	<b>100,00%</b>	<b>4,86%</b>
<b>Intermediary Institutions (Brokerage Houses)</b>				<b>0,05</b>				<b>0,12</b>	<b>0,00%</b>	<b>0,00%</b>
ISMEN	Is Yatirim Menkul Degerler A.S			0,05		1,26	2,45	0,12	0,00%	0,00%
<b>Transportation and Storage</b>				<b>477.434,00</b>				<b>7.490.939,46</b>	<b>65,99%</b>	<b>3,21%</b>
THYAO	Turkish Airlines			477.434,00		15,53	15,69	7.490.939,46	65,99%	3,21%
<b>Banks</b>				<b>0,00</b>				<b>0,01</b>	<b>0,00%</b>	<b>0,00%</b>
TSKB	TSKB			0,00		1,20	1,44	0,01	0,00%	0,00%
<b>Financial Leasing and Factoring</b>				<b>868.495,89</b>				<b>1.294.058,88</b>	<b>11,40%</b>	<b>0,55%</b>
ISFIN	Is Genel Finansal Kiralama A.			868.495,89		1,025	1,490	1.294.058,88	11,40%	0,55%
<b>Holdings and Investments Trusts</b>				<b>1.474.999,00</b>				<b>2.566.498,26</b>	<b>22,61%</b>	<b>1,10%</b>
ISGSY	Is Girisim Sermayesi Y.O.			1.474.999,00		1,490	1,740	2.566.498,26	22,61%	1,10%
<b>II) REAL ESTATE CERTIFICATES</b>				<b>10.000,00</b>				<b>348.850,00</b>	<b>100,00%</b>	<b>0,15%</b>
PMVR3				10.000,00		42,500	34,89	348.850,00	100,00%	0,15%
<b>III) DEBT SECURITIES</b>				<b>70.100.000,00</b>				<b>70.880.387,41</b>	<b>100,00%</b>	<b>30,37%</b>
Corporate Bond	AK FINANSAL KIRALAMA	14.11.2018	TRSAKFKK1811	1.900.000,00	4	101,923	101,996	1.937.928,18	2,73%	0,83%
Corporate Bond	AKFEN HOLDING	06.01.2020	TRSAKFH12015	8.000.000,00	4	100,000	105,390	8.431.214,40	11,89%	3,61%
Corporate Bond	ALJ FINANSMAN	05.11.2018	TRSAJFK1813	990.000,00	2	100,000	102,150	1.011.287,77	1,43%	0,43%
Corporate Bond	AYGAZ A.S.	26.01.2018	TRSAYGZ11810	2.400.000,00	2	106,585	105,367	2.528.805,12	3,57%	1,08%
Corporate Bond	CREDITWEST	19.01.2018	TRFTPFC11816	2.430.000,00	4	100,000	103,030	2.503.640,42	3,53%	1,07%
Corporate Bond	DENIZ LEASING	20.04.2018	TRFDNFK41815	2.000.000,00	0	93,784	95,958	1.919.167,00	2,71%	0,82%

## IS YATIRIM ORTAKLIGI A.S.

### ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017

Corporate Bond	DESTEK FAKTORING	22.06.2018	TRFDSTF61813	500.000,00	0	92,720	92,996	464.980,10	0,66%	0,20%
Corporate Bond	DESTEK FAKTORING	05.01.2018	TRFDSTF11818	1.000.000,00	0	92,718	99,884	998.843,20	1,41%	0,43%
Corporate Bond	DEVA HOLDIG	07.06.2018	TRSDEVA61813	5.000.000,00	4	100,949	101,131	5.056.536,00	7,13%	2,17%
Corporate Bond	DOGUS HOLDING	01.03.2019	TRSDOGH31910	790.000,00	4	100,000	101,624	802.830,79	1,13%	0,34%
Corporate Bond	FIBA BANKA	02.05.2018	TRFFIBA51827	500.000,00	0	93,906	95,608	478.041,10	0,67%	0,20%
Corporate Bond	FIBA FAKTORING	09.02.2018	TRFFBFK21817	2.500.000,00	0	93,745	98,550	2.463.738,25	3,48%	1,06%
Corporate Bond	FIBA FAKTORING	03.05.2018	TRFFBFK51814	350.000,00	0	93,396	95,462	334.116,51	0,47%	0,14%
Corporate Bond	FIBABANKA	04.04.2018	TRFFIBA41810	1.000.000,00	0	94,145	96,568	965.676,50	1,36%	0,41%
Corporate Bond	FINANS FAKTORING	13.06.2018	TRFFINF61812	500.000,00	0	93,291	93,774	468.867,65	0,66%	0,20%
Corporate Bond	FINANS LEASING	06.03.2018	TRFFFKR31846	1.000.000,00	0	94,419	97,642	976.423,50	1,38%	0,42%
Corporate Bond	FINANSBANK	19.10.2018	TRSFNBKE1815	500.000,00	4	100,000	103,088	515.438,65	0,73%	0,22%
Corporate Bond	FINANSBANK	23.11.2018	TRSFNBKK1817	500.000,00	4	100,000	101,729	508.644,90	0,72%	0,22%
Corporate Bond	GARANTI FAKTORING	18.05.2018	TRFGRFA51827	500.000,00	0	93,447	94,981	474.904,45	0,67%	0,20%
Corporate Bond	GARANTI FILO	25.03.2019	TRSGFYH31914	910.000,00	4	100,000	100,024	910.215,31	1,28%	0,39%
Corporate Bond	GARANTI FINANSAL									
Corporate Bond	KIRALAMA	02.04.2019	TRSGRFK41911	900.000,00	4	100,000	103,522	931.698,00	1,31%	0,40%
Corporate Bond	GOZDE GIRISIM									
Corporate Bond	SERMAYESI YATIRIM									
Corporate Bond	ORTAKLIGI A.S.	24.05.2019	TRSGZDF51918	500.000,00	4	100,000	102,058	510.290,10	0,72%	0,22%
Corporate Bond	HALKBANK	22.10.2027	TRSTHALE2716	1.000.000,00	12	100,000	101,022	1.010.218,00	1,43%	0,43%
Corporate Bond	IS GAYRIMENKUL Y.O.	29.03.2019	TRSGY31915	4.500.000,00	4	101,526	100,315	4.514.175,00	6,37%	1,93%
Corporate Bond	IS GAYRIMENKUL Y.O.	28.06.2019	TRSGY61912	3.500.000,00	4	100,000	100,172	3.506.020,00	4,95%	1,50%
Corporate Bond	KOC FIAT KREDI									
Corporate Bond	FINANSMAN	08.08.2018	TRSKFTF81816	2.000.000,00	2	104,383	102,770	2.055.402,80	2,90%	0,88%
Corporate Bond	KOC FIAT KREDI									
Corporate Bond	FINANSMAN	21.11.2018	TRSKFTFK1817	3.000.000,00	2	101,261	101,353	3.040.594,80	4,29%	1,30%
Corporate Bond	KOC FINANSMAN	06.12.2018	TRSKCTFA1812	2.700.000,00	2	100,804	101,045	2.728.206,09	3,85%	1,17%
Corporate Bond	ORFIN FINANSMAN	06.12.2019	TRSORFNA1916	2.000.000,00	4	101,558	101,765	2.035.295,20	2,87%	0,87%
Corporate Bond	OTOKOC OTOMOTIV									
Corporate Bond	SAN.	09.11.2018	TRSTKOK1815	1.200.000,00	2	101,638	99,438	1.193.260,20	1,68%	0,51%
Corporate Bond	OYAK YATIRIM									
Corporate Bond	MENKUL DEG.	02.04.2018	TRFOYMD41810	1.000.000,00	0	95,110	96,663	966.630,30	1,36%	0,41%
Corporate Bond	PASHA BANK	16.02.2018	TRFPASH21817	1.000.000,00	0	94,974	98,293	982.928,80	1,39%	0,42%
Corporate Bond	RONESANS HOLDING	24.01.2019	TRSRNSH11919	1.900.000,00	4	102,215	103,116	1.959.198,68	2,76%	0,84%
Corporate Bond	SARTEN AMBALAJ	11.10.2019	TRSSRTNE1912	1.680.000,00	4	100,000	103,402	1.737.154,44	2,45%	0,74%

**IS YATIRIM ORTAKLIGI A.S.**

**ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017**

Corporate Bond	TEB FINANSMAN	04.05.2018	TRSTBTF51819	4.000.000,00	4	101,849	100,831	4.033.236,80	5,69%	1,73%
Corporate Bond	VAKIFBANK	06.09.2027	TRSVKFB92719	600.000,00	4	100,151	100,648	603.885,30	0,85%	0,26%
Corporate Bond	VOLKSWAGEN DOGUS TUKETICI FINS.	15.05.2018	TRFVDTF51818	750.000,000	0	93,361	95,005	712.535,33	1,01%	0,31%
Corporate Bond	YAPI KREDI FINANSAL KIRALAMA	02.05.2018	TRFYKFK51816	1.000.000,00	0	93,710	95,426	954.262,50	1,35%	0,41%
Corporate Bond	YAPI KREDI FINANSAL KIRALAMA	03.08.2018	TRSYKFK81816	1.600.000,00	4	101,768	102,237	1.635.786,88	2,31%	0,70%
Corporate Bond	YDA INSAAT	16.03.2022	TRSYDAT32212	2.000.000,00	4	100,00000	100,915	2.018.308,40	2,85%	0,86%
<b>Corporate Bonds Total</b>				<b>70.100.000,00</b>				<b>70.880.387,41</b>	<b>100,00%</b>	<b>30,37%</b>
<b>IV) FOREIGN CURRENCY SECURITIES</b>				<b>23.950.000,00</b>				<b>92.477.619,66</b>	<b>100,00%</b>	<b>39,62%</b>
Foreign Bond	AKBANK	24.01.2020	XS1111101314	2.000.000,00	2	99,66611	102,270	7.715.061,01	8,34%	3,31%
Foreign Bond	GARANTI BANKASI	17.10.2019	XS1057541838	3.000.000,00	2	100,48476	102,698	11.620.941,01	12,57%	4,98%
Foreign Bond	IS BANKASI	10.10.2018	XS0808632250	2.000.000,00	2	99,88333	101,061	7.623.833,46	8,24%	3,27%
Foreign Bond	IS BANKASI T.IHRACAT KREDI	30.04.2020	XS1121459074	500.000,00	2	98,11333	102,156	1.926.610,03	2,08%	0,83%
Foreign Bond	BANKASI T.IHRACAT KREDI	24.04.2019	XS0774764152	1.500.000,00	2	103,93170	103,971	5.882.538,16	6,36%	2,52%
Foreign Bond	BANKASI	23.09.2021	XS1028943089	1.000.000,00	2	101,62444	102,816	3.878.110,40	4,19%	1,66%
Foreign Bond	TSKB	30.10.2019	XS1117601796	5.000.000,00	2	101,52149	102,498	19.330.592,02	20,90%	8,28%
Foreign Bond	VAKIFBANK	31.10.2018	XS0987355939	3.550.000,00	2	102,39690	101,879	13.641.907,16	14,75%	5,84%
Foreign Bond	YAPI KREDI BANKASI	22.10.2019	XS1028938915	2.600.000,00	2	100,80345	102,663	10.068.130,10	10,89%	4,31%
Foreign Bond	ZIRAAT BANKASI	03.07.2019	XS1083936028	2.800.000,00	2	100,11479	102,164	10.789.896,33	11,67%	4,62%
<b>V) OTHERS</b>				<b>259.948.912,31</b>				<b>46.589.906,61</b>	<b>100,00%</b>	<b>19,96%</b>
BPP		02.01.2018		1.953.000,00				1.956.210,41	4,20%	0,84%
BPP		02.01.2018		1.287.000,00				1.289.094,46	2,77%	0,55%
BPP		03.01.2018		1.000.000,00				1.033.886,77	2,22%	0,44%
BPP		05.01.2018		2.000.000,00				2.004.616,52	4,30%	0,86%
BPP		29.01.2018		200.000,00				201.648,25	0,43%	0,09%
BPP		29.01.2018		800.000,00				806.592,99	1,73%	0,35%
<b>BPP Total</b>				<b>7.240.000,00</b>				<b>7.292.049,40</b>	<b>15,65%</b>	<b>3,12%</b>
Participation			TPO	226.094.164,00				4.111.522,37	8,82%	1,76%

**IS YATIRIM ORTAKLIGI A.S.**

**ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017**

Certificates							
Participation							
Certificates		THI	42.766,00		8.064.039,20	17,31%	3,45%
Participation							
Certificates		ISZ	5.000.000,00		5.355.660,00	11,50%	2,29%
<b>Participation Certificates Total</b>			<b>231.136.930,00</b>		<b>17.531.221,57</b>	<b>37,63%</b>	<b>7,51%</b>
Time Deposits	02.01.2018		1.000.000,00		1.035.260,27	2,22%	0,44%
Time Deposits	17.01.2018		1.082.638,48		1.094.415,58	2,35%	0,47%
Time Deposits	17.01.2018		3.243.482,46		3.279.361,69	7,04%	1,41%
Time Deposits	17.01.2018		5.148.268,97		5.204.272,59	11,17%	2,23%
Time Deposits	07.02.2018		3.000.000,00		3.016.541,81	6,47%	1,29%
Time Deposits	07.02.2018		3.097.592,40		3.114.346,28	6,68%	1,33%
Time Deposits	07.02.2018		5.000.000,00		5.022.437,42	10,78%	2,15%
<b>Time Deposits Total</b>			<b>21.571.982,31</b>		<b>21.766.635,64</b>	<b>46,72%</b>	<b>9,33%</b>
<b>VI) FUTURES</b>							
<b>CONTRACTS</b>							
<b>SHORT</b>							
<b>POSITIONS</b>			<b>24.501,00</b>		<b>104.561.774,70</b>	<b>100,00%</b>	<b>44,80%</b>
TURKDEX	31.01.2018	F_USDTRY0118	4.119,00	3,8233	15.748.172,70	15,06%	6,75%
TURKDEX	28.02.2018	F_XU0300218	610,00	145,200	8.857.200,00	8,47%	3,79%
TURKDEX	28.02.2018	F_USDTRY0218	9.772,00	3,854	37.656.402,00	36,01%	16,13%
TURKDEX	31.12.2018	F_USDTRY1218	10.000,00	4,230	42.300.000,00	40,45%	18,12%
<b>VII) TURKDEX CASH COLLATERAL</b>			<b>11.754.794,92</b>		<b>11.754.794,92</b>	<b>100,00%</b>	<b>5,04%</b>
TURKDEX Cash							
Collateral			11.754.794,92		11.754.794,92	100,00%	5,04%
<b>TURKDEX Cash Collaterals Total</b>			<b>11.754.794,92</b>		<b>11.754.794,92</b>	<b>100,00%</b>	<b>5,04%</b>
					<b>TOTAL PORTFOLIO VALUE (I+II+III+IV+V+VII)</b>		<b>233.403.055,32</b>
					CASH AND CASH EQUIVALENTS (+)		13.040,73
					- Banks		13.040,73
					AMOUNTS RECEIVABLE (+)		9.847.115,98
					- Receivables from		
					Clearing		8.260.437,40

## IS YATIRIM ORTAKLIGI A.S.

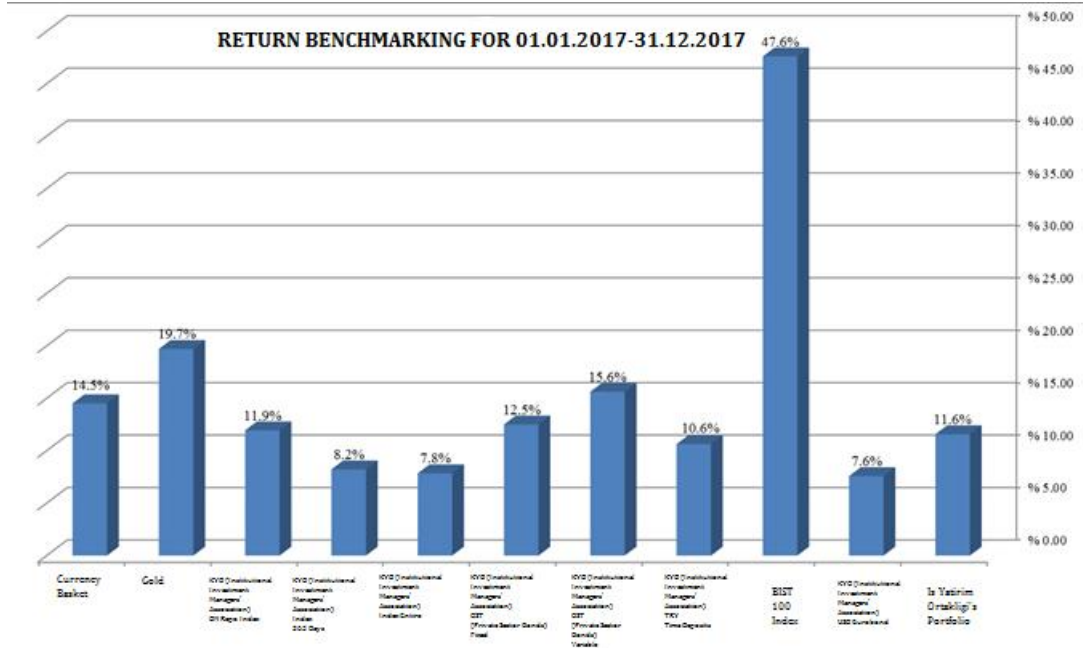
### ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017

- Other Receivables	1.586.678,58	
OTHER ASSETS (+)	4.682,22	
LIABILITIES (-)	3.111.620,44	
- Liabilities/Payables to Clearing		2.334.000,00
- Other		
Liabilities/Payables	777.620,44	
<b>NET ASSET VALUE</b>	<b>240.156.273,81</b>	
Number of Shares	160.599.284,00	
Net Asset Value per Share	<b>1,50</b>	

**BITMAP FILE  
OPTION.....**

**IS YATIRIM ORTAKLIĞI A.S.**

**ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN  
01.01.2017 - 31.12.2017**



## **IS YATIRIM ORTAKLIGI A.S.**

### **ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017**

## **IS YATIRIM ORTAKLIGI A.S.**

### **CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT FOR 2017**

#### **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 Communique, numbered II-17.2, promulgated by the Capital Markets Board, and almost the entire of the non-compulsory principles prescribed under the said communique. 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 Communique, 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 19, 2017. 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 2017.



## **IS YATIRIM ORTAKLIGI A.S.**

### **ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017**

#### **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 2017.

#### **2.3 Shareholders' General Assembly Meetings**

The ordinary general assembly meeting for 2016 of the Company was physically and electronically held in Istanbul, where the Company is based, on March 22, 2017. The wordings of the announcements have covered the amended text of the articles of association, 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 54,6% 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 2016 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 2017.

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, members of the board of directors, the executives with administrative responsibilities, and

## **IS YATIRIM ORTAKLIGI A.S.**

### **ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017**

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 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 reports. 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, 2017, 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 2016, and also from contingency reserves item; and such distribution has been completed on March 28, 2017 following its start on March 24, 2017.

#### **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.

## **IS YATIRIM ORTAKLIGI A.S.**

### **ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017**

#### **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](http://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.

## **IS YATIRIM ORTAKLIGI A.S.**

### **ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017**

#### **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 2017.

##### **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.

##### **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 2017.

##### **4.4 Codes 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 2017.

## **IS YATIRIM ORTAKLIGI A.S.**

### **ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017**

#### **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, 2017, 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. 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 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.

## **IS YATIRIM ORTAKLIGI A.S.**

### **ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017**

#### **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.

#### **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.

## IS YATIRIM ORTAKLIGI A.S.

### ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017

#### **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 career 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 2017 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 14, 2017, 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 14, 2017, 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 2017 is given below:**

#### STATEMENT OF INDEPENDENCY

IS YATIRIM ORTAKLIGI A.S.  
BOARD OF DIRECTORS,

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, 2017:-

- 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

## IS YATIRIM ORTAKLIGI A.S.

### ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017

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 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;
- 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



## IS YATIRIM ORTAKLIGI A.S.

### ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017

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 20 resolutions during 2017, 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.

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

## IS YATIRIM ORTAKLIGI A.S.

### ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017

#### 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.

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 Communique, 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,

## **IS YATIRIM ORTAKLIGI A.S.**

### **ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017**

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/threshold value 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 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.

## **IS YATIRIM ORTAKLIGI A.S.**

### **ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2017 - 31.12.2017**

#### **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.