


## Corporate Governance Rating Report

## Brokerage House

*This Report has been prepared by JCR-ER in compliance to the regulations of Capital Market Board of Turkey*

		<h1>8.63</h1>		
		<b>AAA(Trk)/a (Stable)</b>		
<b>Corporate Governance Score &amp; Outlook</b>	Shareholders	<b>8.13</b> <b>AA(Trk)/bbb (Stable)</b>		
	Public Disclosure & Transparency	<b>9.12</b> <b>AAA(Trk)/aa (Stable)</b>		
	Stakeholders	<b>8.24</b> <b>AA(Trk)/bbb (Stable)</b>		
	Board of Directors	<b>8.68</b> <b>AAA(Trk)/a (Stable)</b>		
<b>Best Practices of Corporate Governance</b>		Beyond	Comparable	Below
		35%	60%	5%

İŞ YATIRIM MENKUL DEĞERLER A.Ş.						
Financial Data	3Q2011	2010*	2009*	2008*	2007*	2006*
Total Assets (USD mn)	1,970	1,737	1,686	981	1,065	386
Total Assets (TL mn)	3,647	2,686	2,539	1,483	1,241	542
Equity (TL mn)	678	650	597	410	406	280
Net Profit (TL mn)	71	98	114	42	69	24
Market Share (%) Asset Size	33.74	30.81	36.88	31.88	32.22	20.19
ROAA (%)	2.50	4.31	6.33	3.88	8.69	5.79
ROAE (%)	11.90	18.07	25.28	12.95	22.57	9.69
Equity/Assets (%)	18.60	24.20	23.53	27.64	32.75	51.68
Int. Equity Generation (%)	10.91	29.86	41.85	17.20	42.96	13.92
Liquidity Req.Ratio (%)	-	125.67	123.15	130.2	143.18	175.36
Own Fund/Total Debt (%)	11.62	14.13	12.45	16.25	21.01	45.19
Asset Size Growth Rate (%)	35.80	5.79	71.21	19.52	128.85	47.16

\*End of year

Analyst: Ceyhun KIR/ +90 212 352 56 73

[ceyhunk@jcrer.com.tr](mailto:ceyhunk@jcrer.com.tr)

Analyst: Gökhan İYİĞÜN/ +90 212 352 56 73

[gokhani@jcrer.com.tr](mailto:gokhani@jcrer.com.tr)

Company Information	
<b>Trade Name</b>	İŞ YATIRIM MENKUL DEĞERLER A.Ş.
<b>Address</b>	İş Kuleleri-2 Kat:12 4. Levent 34330 Beşiktaş/İSTANBUL
<b>Chairman</b>	Mr. Özcan TÜRKAKIN
<b>CEO</b>	Mr. İlhami KOÇ
<b>Investor Relations</b>	Phone: +90.212.350.28.72 <a href="mailto:paysahipleriileliskiler@isyatirim.com.tr">paysahipleriileliskiler@isyatirim.com.tr</a>
<b>Web</b>	<a href="http://www.isyatirim.com.tr">www.isyatirim.com.tr</a>
<b>Corporate Governance</b>	Mr. Ozan ALTAN

### Overview

İş Yatırım Menkul Değerler A.Ş. (referred hereinafter as İş Yatırım, Is Investment or the Company), established by T.İş Bankası A.Ş. in 1996, is a brokerage house which offers the services of brokerage locally and internationally, investment consultancy, portfolio management and corporate finance. Beginning trading on İMKB (ISE-Istanbul Stock Exchange) in 2007, 29.32% of the Company's shares are publicly traded while the remaining ones are owned by T.İş Bankası A.Ş. and its subsidiaries. The Company has 7 subsidiaries and affiliates of which two operate abroad and two are traded on İMKB.

The Company, having a widespread service network of 9 branches, 2 representative offices and T.İş Bankası A.Ş. branches utilized as its agencies, employs a staff force of 400. As a leading institution in terms of both market share and transaction volume for years, İş Investment has a market share of 33.74% in terms of total asset size.

A high level of compliance by and large with the principles set by SPK (CMB-Capital Market Board of Turkey) in the main fields of corporate governance was identified and its equity level generated through internal sources bolsters the sustenance of this situation.

### Strengths

- Existence of a functional Investor Relations department
- Having a distinct and transparent organizational structure marked by clearly identified tasks and delegations
- Utilization of its website as an effective transparency platform in Turkish and English languages
- Adequate level of well-preparedness against emergent and unexpected circumstances
- High quality level attained in human resources implementations
- A comprehensive and effective system of reporting, monitoring and auditing
- High qualifications of the Board members and senior management in terms of education and track record
- High market share, widespread distribution channels, adequate level of equity and profitability facilitating the compliance with corporate governance principles and a large scale bank existing among its main shareholders
- Outperforming the sector in best practices implementations

### Constraints

- Absence of internal regulations to broaden the exercise of minority rights beyond the current legislation
- The privilege on the A group shares to determine majority of the Board members
- Non-existence of a separate internal control department
- Absence of a policy in writing to serve as a basis for the activities within the scope of social responsibility

**Publication Date: December 23, 2011**

**"Global Knowledge supported by Local Experience"**

Copyright © 2011 by JCR Eurasia Rating, Nispetiye Cad.Firuze Sok. Ceylan Apt. No:1-D:8 Akatlar/İSTANBUL Telephone: +90.212.352.56.73 Fax: +90 (212) 352.56.75  
 Reproduction is prohibited except by permission. All rights reserved. All of the information has been obtained from sources JCR ER believes are reliable. However, JCR-ER does not guaranty the truth, accuracy, adequacy of this information. A JCR ER Rating is an objective and independent opinion as to the creditworthiness of a security and issuer, not a recommendation to buy, hold, sell any security and to issue a loan. This rating report has been composed within the frameworks of SPK (Capital Markets Board of Turkey) regulations and internationally accepted rating principles and guidelines. <http://www.jcrer.com.tr>

## 1. Executive Summary and Rating Rationale

This report, which has been prepared in light of original methodological procedures by JCR-ER in accordance to the relevant legislation set by SPK (CMB-Capital Market Board), states the level of corporate governance, as of December 2011, of İş Yatırım which maintains its activities in Turkey.

The Board, shareholders, stakeholders and practices in terms of public disclosure and transparency of the Company have been assessed within the framework of SPK regulations and information as well as findings ascertained therein has been quantified by assessments regarding weighting factors on which JCR ER has predicated the subcategories.

On the other hand, subject to the preservation of integrity of regulations by SPK and compliance with the limitations thereof, the report also covers such topics as “**Outlook**” determinations, “**Financial Efficiency**” analyses and “**Best Practices**” implementations regarding sectoral differentiations and divergences, all of which exist in JCR ER’s original methodological structure.

Findings and assessments within the content of the report have been based on information disclosed by the Company to the public through various channels and also particularly information and documents submitted to JCR ER in writing and verbally, and data by IMKB, SPK and TSPAKB (The Association of Capital Market Intermediary Institutions of Turkey).

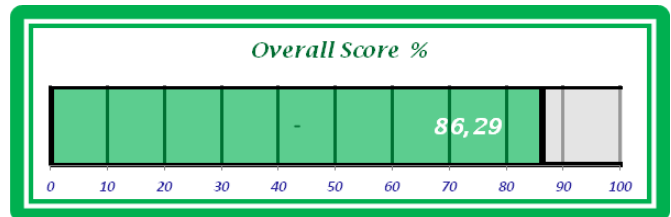
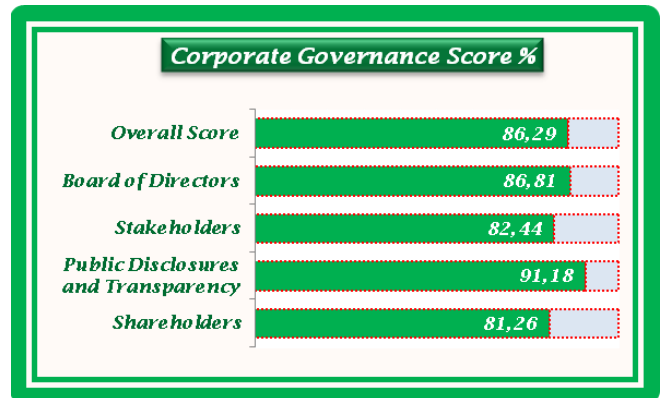
Through the analysis of the data gathered during the rating process, the general compliance level of İş Yatırım with corporate governance principles and the corresponding levels within the JCR ER’s notation have been determined as follows;

- Numerical value is **8.63**,
- Convergence Level **AAA(Trk)** representing the category of “**Distinctive Compliance**”,
- Notch degree **(a)** representing the category of “**Excellent**”,
- Outlook (**Stable**)

JCR ER’s notation system may be reached via the following link:[http://www.jcra.com.tr/Administrator/files/436\\_kyder\\_notation.pdf](http://www.jcra.com.tr/Administrator/files/436_kyder_notation.pdf)

Distinct levels of 4 main categories regarding compliance with the corporate governance principles are exhibited in the following table. Overall score has been assigned based on weightings assessed for these 4 categories by SPK regulations.

Fields	Numerical Value	Convergence Level	Notch Degree	Outlook
Shareholders	81.26	AA (Trk) (Merit)	(bbb) (Outstanding)	Stable
Public Disclosures and Transparency	91.18	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Stakeholders	82.44	AA (Trk) (Merit)	(bbb) (Outstanding)	Stable
Board of Directors	86.81	AAA (Trk) (Distinctive)	(a) (Excellent)	Stable
<b>Overall</b>	<b>86.29</b>	<b>AAA (Trk) (Distinctive)</b>	<b>(a) (Excellent)</b>	<b>Stable</b>



Corporate Governance Overall Results
<b>8,63</b>
<b>AAA (Trk)/a</b>
<b>Stable</b>

### • Outlook (Corporate Governance):

İş Yatırım has reached a high overall compliance level as well as it has in all of 4 main categories. The Company realizes successfully the implementations in SPK principles, which it has effectuated as to derive added value. By an overall assessment through the rating process, it is believed that the high compliance level of the Company will be maintained during the 12 month monitoring period following the publication of the report. For this reason, the outlook for the

Company in this rating period to come has been determined as “**Stable**”.

## 2. Company Overview

İş Yatırım was established in 1996 by the major shareholder T.İş Bankası A.Ş. to offer services of intermediation in local and international financial markets. As of the rating period, the Company offers the services of brokerage of securities traded in primary and secondary markets, investment consultancy, portfolio management and corporate finance. The Company, breaking new grounds in capital markets following its establishment, offered nearly 30% of its shares in 2007 and its shares began trading on IMKB. Currently, 29% of the Company’s shares are publicly traded.

With regard to 3Q2011 financial statements, the Company, with an asset size of TL3.65 bn, has an equity amount of TL680 mn and net profit of TL71 mn. Some key balance sheet items and ratios can be found in Table: 3 in the Appendices. Constituting 33.74% of the sector in terms of the total asset size, İş Yatırım has also the largest amount of paid-in capital at TL260 mn.

According to the current shareholder structure disclosed in the Company’s website, T.İş Bankası A.Ş. is the major shareholder by a 65.65% share. Additionally, 150,000 shares, which have the privilege of determining the majority of the Board members, are owned by T.İş Bankası A.Ş.. Of the other remaining shares, İş Factoring owns 2.43%, İş Leasing 2.43% and 0.17% Cam İş Yatırım Holding while 29.32% are publicly traded.

The Company’s consolidated subsidiaries and affiliates are given in the Table: 2 in the Appendices. The shares of İş Girişim and İş Yatırım Ortaklığı among these companies which offer financial services locally and internationally are publicly traded and two other companies are located outside Turkey.

The Company has 9 branches in the cities of Istanbul, Ankara, Izmir and Bursa and 2 representative offices in Kazakhstan and Istanbul. In addition, more than 1,000 İşbank branches widespread in Turkey also act as agencies of İş Yatırım. The Company, which maintains its uninterrupted leading position in stock markets since 2003 and in VOB (Turkish Derivatives Exchange) since its establishment in 2005 through such a widespread service network, employs a staff force of 400 as of December, 2011. Average age of the Company’s staff is 29 and 46% are women while 68% has undergraduate and 26% graduate level education.

İş Yatırım’s Board consists of 7 members. Currently 6 of the members are determined by İşbank and elected from among the experienced managers working in the relevant capital market departments of the Bank. The detailed information on the Board is presented in the Table: 4. The general manager and 5 assistant general managers compose the top level management of the Company.

Its leading position in years both in market shares and transaction volumes was also acknowledged by national and international awards. The Company was selected “Best

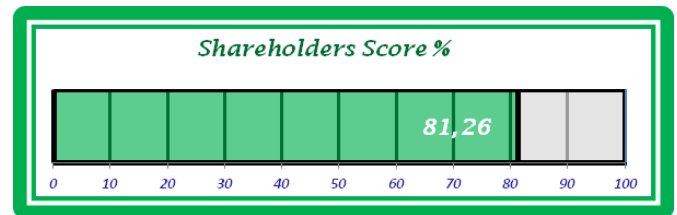
Investment Bank in Turkey” by Euromoney in 2011 and 2010 and also Financial Times/Merger Market awarded İş Yatırım with “Financial Advisor of the Year in Turkey” title in 2010. In Turkey, General Manager Mr.İlhami KOÇ was awarded “Best Service in Capital Markets” and Investor Relations Department Manager Mr.Ozan ALTAN was awarded third place in “Investor Relations Officer (IRO)” category. Regarding 2010 annual report, the Company was given silver award in “2011 Spotlight Awards, Global Communications Competition – Financial & Insurance Services” category by League of American Communication Professionals.

## 3. Shareholders

Within the content of the Shareholders field and in accordance with SPK regulations and original methodological procedures of JCR ER, the findings of levels attained in the following topics have been further highlighted: assurance of individual and minority rights by internal regulations, execution of implementations which facilitate the exercise of these rights, providing flow of exact, timely and accurate information to the shareholders.

Through the analysis of the data gathered during the rating process, the compliance level of İş Yatırım in the Shareholders section and the corresponding levels within the JCR ER’s notation have been determined as follows;

- Numerical value is **8.13**,
- Convergence Level **AA(Trk)** representing the category of “**Merit Compliance**”,
- Notch degree (**bbb**) representing the category of “**Outstanding**”,
- Outlook (**Stable**)



Shareholders Results
<b>8,13</b>
<b>AA (Trk)/bbb</b>
<b>Stable</b>

The compliances, non-compliances and things to be improved by İş Yatırım within the rules and implementations in the Shareholders section are summarized in the table below:

<b>Synopsis Table - (Shareholders)</b>	
<b>Plug-Compatible</b>	
1	The existence of a functional investor relations department
2	Realization of general meetings in high compliance with principles
3	Disclosure of related documents of general meeting to the public
4	Stable and regular distribution of cash dividends
5	Existence of a provision in the articles for advance dividend implementation
6	Absence of any internal regulations impeding share transfers
7	Absence of any evidence indicating discrimination among shareholders
<b>Not Compatible</b>	
1	Absence of any regulation in the articles of association with regard to shareholders' rights to demand a special auditor as an individual right
2	No arrangement for cumulative voting system
3	Absence of any provision in the articles of association to take crucial decisions in the general meeting
4	The privilege on the A group shares to determine majority of board members
5	Absence of any regulations in the articles of association to broaden the exercise of minority rights beyond the current legislation

The Shareholders section is composed of 8 subsections. The compliance level of İş Yatırım with and the activities conducted for the standards under these subsections are detailed below:

#### **a) Dividend Rights**

İş Yatırım has a publicly disclosed dividend distribution policy arranged by the Board and approved by the shareholders in the general meeting. It has been determined by the rating analysts that this policy fully complies with the SPK principles.

Owing to the stability of the dividend distribution, the Company was included in IMKB Dividend Index in July, 2011. In addition, it is also included in the Dividend 25 index for it is amongst 25 companies which attained highest dividend yields. This finding distinguishes İş Yatırım from not only brokerage houses but also all other publicly traded companies.

None of shareholders of the Company has any privilege in terms of dividend right. In the general meetings widely held in April, dividends to be distributed within a reasonable period of time according to the tabulations approved by the shareholders are passed into the accounts of the shareholders. The retained amounts of profits are transferred to extraordinary reserves by disclosing the grounds for the action and its uses. The dividend distribution tabulations of the recent years can be easily reached through the website of the Company.

According to the Clause 16<sup>th</sup> in the articles of association, the Board is authorized for advance dividend implementation, which is not a common practice in Turkey. However, this has not been implemented to date.

As a result, JCR-ER believes that the Company fully complies with the rules and implementations in this subsection through both its internal regulations and practices.

#### **b) Voting Rights**

Of the 2 categories of the shares A and B, the A group shares have only the privilege to determine majority of the board members. This situation does not comply with corporate governance principles. However, the major shareholder İşbank holding these privileged shares already owns the majority of the shares of the Company. Therefore, the election of the Board members is based not on the privileges but done by the shares constituting the innate majority. Thus, the privileges on A Group shares constituted through the articles of association become dysfunctional. Additionally, the mentioned privilege is disclosed to the public clearly via the Company's website.

There are no privileges other than the one mentioned in the paragraph above on the Company's shares in other matters and the rule of one-share-one-vote is applied. The voting rights stem from the possession of shares and there is no upper limit as to the amount of ownership of shares. Voting rights may be exercised both by the shareholders themselves or their proxies. Proxy forms are made available to the shareholders both in the website and invitations.

Investor Relations Department mobilizes all facilities for the shareholders to exercise their voting rights. The guide describing how to participate in the general meetings and how to vote is placed in the website.

As a result, apart from the existence of though dysfunctional privileged shares, İş Yatırım fully complies with the rules and implementations in this subsection.

#### **c) Simplifying Exercise of Shareholding Rights**

İş Yatırım established its Investor Relations Department in 2007. Manager Mr.Ozan Altan and specialist Mr.Alper Alkan conducts the activities and the department is managed by Assistant General Manager Mr.Mert Erdogmuş. Operating procedures regarding tasks and delegations of the department are put into writing and known by the staff. With adequate office space and technical equipment, the department reports its activities regularly to the Board.

The department, in addition to its basic responsibilities of securing the flow of information between the Company and its shareholders and facilitating the exercise of the shareholding rights, organizes the general meetings regularly. Reasonable questions by current and potential investors are replied by the

department manager via phone or email. Relations with MKK (Central Registry Agency) are conducted by this department and the shares in circulation are closely followed up.

In addition to the activities of the exercise of the shareholding rights, publicity meetings and presentations aimed at potential corporate investors are also arranged by this department with the support provided by top level managers. In 2011, 26 foreign and a number of investor meetings were organized locally and abroad with the participation of top level managers.

The successful activities conducted by the department also attract the attention of the independent institutions in this field, e.g.; in 2010, General Manager Mr. İlhami KOÇ was awarded "Best Service in Capital Markets" by Acclaro and Thomson Reuters Extel Survey and Investor Relations Department Manager Mr. Ozan ALTAN was awarded the third prize in "Best Investor Relations Officer (IRO)".

Based on the data gathered through the rating process, JCR-ER is of the opinion that İş Yatırım performs a high compliance level in this subsection.

#### **d) Rights to Information and Examination**

All of the shareholders are provided with all of the necessary information and documents by the well-organized Investor Relations Department via phone or email. Through this flow of information, no evidence of discrimination among shareholders was observed. Within the internal regulations of the Company, there can be legally no hindrance to the exercise of shareholders' rights to sue. Additionally, no revocatory suits filed by the shareholders against the Company in the past have been found.

The shareholders are not enabled to demand the appointment of an independent auditor to investigate a special case as an individual right in the Articles of Association – as is the common practice in Turkey. This right for the minority shareholders existing in the Turkish Commercial Code also exists in the articles of association of the Company. However, the shareholders other than the minority with less than 5% share in capital are not entitled to the right to demand the appointment of an independent auditor.

Other than the noncompliance mentioned in the paragraph above, İş Yatırım fully complies with the rules and implementations in this subsection.

#### **e) Shares Transfer**

According to the Clause 6<sup>th</sup> of the articles of association, there is no hindrance on the transfer of shares. Hence, the Company is fully compliant in this subsection.

#### **f) Minority Rights**

The shareholders with more than 10% and 5% shares according to the Turkish Commercial Code and Capital

Market Law respectively are entitled to minority rights. On the other hand, SPK Corporate Governance principles recommend the recognition of minority rights to all shareholders beyond the current legislation. However, the publicly traded companies have not shown any esteem to date in this regard. There are no clauses in the articles of association of İş Yatırım to broaden the exercise of minority rights beyond the current legislation. Therefore, JCR-ER has determined that the Company is in non-compliance in this subsection.

#### **g) The Principle of dealing fairly and equally with Shareholders**

A group shares bear the privilege to determine majority of board members. The dysfunctionality of this privilege was stated before. Despite this privilege, no evidence of discrimination by the Board and the Company's management among shareholders was observed. The shareholders are treated equally with regard to the facilities provided in the flow of information and exercise of their rights. As a result, no revocatory suits were filed by the shareholders against the Company in the past. The Company is in full compliance with the rules in this subsection.

#### **h. Right of Access to General Shareholders' Meeting**

The general meetings of the Company are organized by the Investor Relations Department. The general meetings of the Company were generally held at the ends of April. It can be stated that these meetings were held in compliance with legislation and corporate governance principles.

The shareholders were informed of invitations to meetings 19-21 days prior to the meetings via national newspapers, trade registry gazette, KAP and the website. The invitation text contains a detailed document depicting shareholder participation process and agenda. Financial statements, annual report, amendments, if any, in the articles of association, the current and to-be-amended texts of the related clauses and other relevant documents with the agenda are disclosed to the public via the website prior to 2-3 weeks.

The meetings are held in İş Towers in a hall large enough to host all participating shareholders. It is understood through the interviews with the managers that the meetings were held in compliance with corporate governance principles and democratic rules. Following the presentations by the managers and auditors, the agenda items are individually discussed, each shareholder has the opportunity to speak and their proposals and queries are answered by the auditors and managers. Agenda items are individually voted and votes are counted and placed on the minutes before the end of the meeting. Moreover, the dissenting opinions by the shareholders are placed on the minutes.

Such documents as text of invitation, agenda of the meeting, list of attendants, minutes of the meeting and other relevant documents are placed in the official website of the Company in reasonable time both in Turkish and English languages.

On the other hand, there is no provision in the articles of association to invite stakeholders and media to meetings without any right to speak. Furthermore, no provisions were found in the articles to take crucial decisions in the general meetings. Despite these noncompliances, JCR-ER is of the opinion that İş Yatırım achieved a very high compliance level with the rules in this subsection.

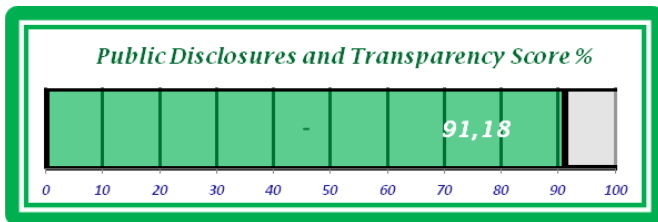
● **Outlook (Shareholders):**

With the opinion that the high compliance level of the Company will be maintained during the 12 month monitoring period, the outlook for this main section has been determined as **“Stable”**.

**4. Public Disclosure and Transparency**

The compliance level of the Company with the rules and implementations in this 2<sup>nd</sup> main section set by SPK Corporate Governance principles, which provides the disclosure of information and documents needed by shareholders and stakeholders while protecting trade secrets and the corresponding levels under JCR-ER notation system are presented below:

- Numerical value is **9.12**,
- Convergence Level **AAA(Trk)** representing the category of **“Distinctive Compliance”**,
- Notch degree (**aa**) representing the category of **“Superior”**,
- Outlook (**Stable**)



Public Disclosures and Transparency Results	
<b>9,12</b>	
<b>AAA (Trk)/aa</b>	
<b>Stable</b>	

The compliances, non-compliances and things to be improved by İş Yatırım within the rules and implementations in the Public Disclosures and Transparency section are summarized in the table below:

<b>Synopsis Table-(Pub. Discl. &amp;Transparency)</b>	
No	Plug-Compatible
1	Existence of an information policy and the equipment and expert staff necessary to implement this policy
2	Official KAP disclosures performed in an exact, accurate and timely manner
3	Utilization of the website as an efficient and transparent platform
4	Unqualified opinions in the independent audit reports to date
5	Utmost safety measures taken for protection of trade secrets and significant information
6	Restraints on trading activities on the stocks by the staff, the Company, related entities and all other ones
7	Periodic disclosure of commercial and financial affairs with the related entities
8	Transparency of the shareholder structure and disclosure of ultimate shareholders
9	Disclosure of all information and documents within a reasonable time in English language in the website
No	Not Compatible
1	Nondisclosure of capital adequacy tables in the website
No	Partially Compatible
1	Annual reports needed to be improved regarding full compliance with the principles

The Public Disclosures & Transparency section is composed of 6 subsections. The compliance level of İş Yatırım with and the activities conducted for the standards under these subsections are detailed below:

**a. Guiding Rules and Facilities for Public Disclosure**

An information policy to serve as a basis for all disclosures to the public exists in the Company’s website. Assistant General Manager Mr.Mert Erdogmuş and Investor Relations Manager Mr.Ozan Altan are responsible for implementation of this policy. Disclosures to the KAP, press releases, presentations to the researchers and investors, etc. are realized within the scope of this policy.

Mr.Ozan Altan is responsible for the disclosures to the KAP. The Company sent 1182 releases including trading activities on the stock exchange to the KAP in 2011 and 48 of these were in the form of special public disclosures. Following these disclosures, no additional information was requested from the Company and the Company was not delisted in IMKB.

On the other hand, the Company’s proforma financial statements were not audited by independent audit firm and disclosed to the public. However, it should be noted that there has been no such practice in Turkey to date.

It is believed by JCR-ER that the Company makes an effort to take measures against leakage of information before disclosures, which would otherwise effect the share prices. For this reason, İş Yatırım maintains a high level of compliance with the rules in this subsection.

**b. Public Disclosure Procedures of Relations Between the Company and its Shareholders, The Board and Executives**

Excluding the publicly traded ones, the shareholders of İş Yatırım are the companies within the same conglomerate. The majority shareholder İşbank does not also have individual shareholders. The shareholding structures of both İş Yatırım and İşbank are located in the website. Additionally, the ultimate individual shareholders of İş Yatırım are disclosed to the public, too. In other words, the shareholding structure of the Company is in an adequate level of transparency.

The Company management discloses the shareholding ratios via KAP whenever exceeding threshold values of 10%, 33% and 50%, which were expressed in the principles. All of the staff including members of the Board and managers is restrained to trade on the Company's shares. The results of commercial and financial affairs with the related entities are disclosed quarterly and published in the website.

JCR-ER has determined that İş Yatırım is in a very high compliance level in this subsection.

**c. Public Disclosure Procedure of Periodic Financial Statement and Reports**

The Company discloses its quarterly financial statements prepared in accordance with international standards via KAP and publishes them in its website. There cannot be discussed any noncompliance with regard to the preparation and presentation of the financial statements.

On the other hand, the Company does not disclose its capital adequacy tables to the public. Moreover, some information necessitated by the principles is not included in the regularly published annual reports. Inclusion of this information in the reports in the following periods will improve the compliance level of the annual reports. The subjects which were not included in the annual report are listed below:

- Charts showing the sectoral position of the Company,
- Annual targets, degree of realization and grounds for departures from these targets,
- Information on internal control and audit systems and opinions of independent auditors on these systems,
- Rating results,
- Information on the suits filed against the Company,
- Warnings, penalties, commendation, etc. by the public authorities,
- Information on the activities regarding human resources practices,
- Information on the activities regarding social responsibility,

**d. External Audits' Function**

Independent audit of the Company is performed by an international audit company named Akis Bağımsız Denetim

Şirketi (KPMG). The audit agreement was analysed and a meeting with a manager from the audit team was held. It was determined that the audit team had easy access to all of the Company's information and documents and working facilities. The relation of the Holding with the audit company is solely based on the audit function. It was also determined that the audit firm offered services to other group companies.

The auditors declared unqualified opinions in all of the İş Yatırım's audit works to date. JCR-ER has determined that the Company fully complied with the rules in this subsection.

**e. Trade Secrets Concept and Insider Trading**

İş Yatırım has established internal regulations and the technical infrastructure to protect trade secrets and inside information and in this respect criminal sanctions are applied on the revelation of trade secrets and inside information. These rules also apply for significant information of customers and suppliers. The Company submitted the list of the people including its staff, managers and Board members who have access of important information to MKK according to the relevant legislation.

Information Technologies department both meets the software requirements of the Company and secures the protection of commercial information in electronical environment. Significant information of customers and suppliers and all of the Company's data are backed up in the headquarters, in different sites in Istanbul and outside the city. Utmost security measures are taken to prevent access to this data. IT department is in an effort to avoid data losses and hinder unauthorized accesses by the utilization of a control system covering all operational procedures, and reports periodically to the management.

JCR-ER has determined that İş Yatırım is in a very high level of compliance with the rules in this subsection.

**f. Considerable Affairs and Improvements to be Disclosed to the public**

The Company's management discloses developments that would affect share prices via KAP. An information policy and system exist and function well to furnish the making of such disclosures seamlessly. The functioning of the system is also notable for the Company was not asked for additional information following these disclosures, was not delisted in IMKB and did not receive any warning and penalty from IMKB and SPK on the grounds of misleading or missing information. Therefore, JCR-ER has determined that the Company is in a very high level of compliance with the rules in this subsection.

**● Outlook (Public Disclosures and Transparency)**

For it is believed by JCR-ER that the compliance level attained by the Company in Public Disclosures and Transparency section will be maintained during the 12 month monitoring

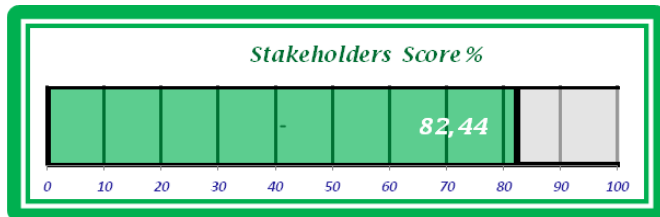
period, the outlook for this main section has been determined as “**Stable**”.

**5. Stakeholders**

With the exception of upper-level managers, employees, customers, suppliers, creditors, public authorities and the public in general are considered as the stakeholders of an institution. The rules and practices in this main section primarily aim to secure the rights of stakeholders and to facilitate exercise of their rights, thus to maximize their contributions to the institution.

Through the analysis of the data gathered during the rating process, the compliance level of İş Yatırım in this section and the corresponding levels within the JCR ER’s notation have been determined as follows;

- Numerical value is **8.24**,
- Convergence Level **AA(Trk)** representing the category of “**Merit Compliance**”,
- Notch degree (**bbb**) representing the category of “**Outstanding**”,
- Outlook (**Stable**)



**Stakeholders Results**

**8,24**

**AA (Trk)/ bbb**

**Stable**

The compliances, non-compliances and things to be improved by İş Yatırım within the rules and implementations in the Stakeholders section are summarized in the table below:

<b>Synopsis Table-(Stakeholders)</b>	
<b>No</b>	<b>Plug-Compatible</b>
1	Absence of any substantial lawsuits by stakeholders against the Company in 2011
2	High quality level in human resources activities with regard to expertise, technical infrastructure and archiving facilities
3	Existence of comprehensive and periodical performance evaluation methods
4	Establishment of a comprehensive and publicly disclosed set of ethical rules

<b>No</b>	<b>Not Compatible</b>
1	Absence of any board member representing the employees
2	Absence of any union organization among the employees
<b>No</b>	<b>Partially Compatible</b>
1	Social responsibility policy to be put into writing and disclosed to the public
2	Improvement of the functioning of communication channel to securely inform the audit committee of illegal and unethical activities

The Stakeholders section is composed of 6 subsections. The compliance level of İş Yatırım with and the activities conducted for the standards under these subsections are detailed below:

**a. Company’s Stakeholders Policy**

İş Yatırım’s staff regulation and ethical rules constitute the written bases for policies oriented at the staff and other stakeholders respectively. Framework contracts were arranged for each stakeholder group in accordance to relevant regulations and approved by the Board. All of the relations with the staff, customers and suppliers are conducted within the scopes of these contracts. It is considered that the Company’s management deals fairly with fulfilling the commitments ascribed by these contracts. In this respect, no evidence of any substantial lawsuit by stakeholders against the Company was found.

Through the meetings with the officials during the rating process, it is believed that the Company’s Board conducts its role of a moderator at a good level to solve problems impartially through settlement in the resolution of conflicts of interest and disputes arising between the various stakeholder groups.

The staff, in case of taking notice of an illegal and unethical activity, is able to inform the internal audit department via phone or email. However, development of a more secure communication channel for the user in these cases and informing all stakeholders by identification of usage procedures will improve the compliance level with the principles.

JCR-ER believes that the Company is in a very high level of compliance with the rules in this subsection.

**b. Supporting the Stakeholders for Participation in the Governance by the Company**

The Board members of İş Yatırım are determined by the major shareholder İşbank. The representation of staff and other stakeholders in the Board is not an observed practice in Turkey. This is also valid for İş Yatırım. However, owing to the fact that both the Company and the major shareholder İşbank are managed by professionals, it can be suggested that the participation level by staff in particular and other stakeholders in managerial implementations and decisional processes in İş Yatırım is higher than the other publicly traded companies. For instance, a clause exists in the articles of



association providing the staff and other stakeholders with convoking a Board meeting. JCR-ER is of the opinion that İş Yatırım partially complies with the rules in this subsection.

**c. Company's Human Resources Policy**

The Company identified its fundamental human resources policy and published it in its website. Additionally, the staff regulation includes the rules in this field in detail. For the implementation of this policy, a Human Resources department led by the Assistant General Manager Mr. Ertuğ Yıldırmıcan is active. The department manager Ms. Meriç Uygurçetin has relevant graduate education and track record in this field. The department, also exclusively employing 2 other specialists, has a separate office space and adequate technical infrastructure. All personnel files are securely archived.

Recruitment, promotion, assignment and dismissal are realized within the framework of the staff regulation. The decisions pertaining to these activities are taken following the meetings between the human resources manager, the related department manager and the general manager. In 2011, 47 employees left the Company. 2 of those transferred to other group companies, 44 resigned and 1 dismissed. No suit was filed against İş Yatırım by the staff in this period.

The criteria on which assignment, promotion and incentives are based are determined through performance evaluation method named "360° evaluation" which are held periodically covering all of the Company's staff. In this method, an employee is evaluated by more than one person in order to obtain objective results.

Staff training activities are also performed under the responsibility of the Human Resources department. Each department manager identifies training needs of its own staff and submits it to the Human Resources department. Planning of the training is realized by this department. Taking the general staff profile into consideration, İş Yatırım can be assessed as a Company with well-educated staff. Currently, 68% of the staff holds undergraduate degrees while 26% graduate. Additionally, particularly professional educations in technical fields are continuously maintained.

As a general assessment, no finding has been observed evidencing any discrimination on the bases of religion, race and sex among the staff in terms of recruitment, promotion, dismissal, educational facilities and performance evaluation. It is possible to observe the staff of different religious and ethnical background in the Company, and 46% of the staff is composed of women. In addition, women hold managerial positions in the Company.

On the other hand, the staff does not have any union organization. Despite this noncompliance, JCR-ER is of the opinion that İş Yatırım achieved a very high compliance level with the rules in this subsection.

**d. Company Relations with Creditors, Depositors, Customers and Suppliers**

İş Yatırım's customer base is composed of individual and institutional investors who invest in capital market instruments in domestic and foreign markets. The relations with customers are realized by investment consultants through contracts signed with each one of them. Customer complaints and queries can be submitted to investment consultants and also via phone or email in the Company website. During 2011, 2 suits were filed by the customers against the Company, which are still ongoing. No warning or penalty was inflicted upon the Company by SPK and IMKB regarding its customers.

The Company's suppliers are such business entities as independent audit firms, credit rating agencies, etc., which offer services in specialized areas. The relations with these are also realized through framework contracts. During 2011, no suits were filed by the suppliers against the Company.

Trade secrets and inside information of customers and suppliers are secured by the Company as its own ones. There are provisions in ethical rules and staff regulations regarding this and IT department takes measures to prevent unauthorized access to this information in electronical environment. Although a quality standard certification regarding customer services from authorized institutions has not been obtained, JCR-ER is of the opinion that İş Yatırım achieved a high compliance level with the rules in this subsection.

**e. Code of Ethics**

The Company has a set of ethical rules submitted for approval of the Board of Directors and disclosed to the public. The management is responsible for implementation of rules arranging the relations of all of the staff with the Company, customers, competitors and other stakeholders. Additionally, there are provisions in the staff regulation obliging the staff to act in accordance to business ethics. In case of breach of these rules, the sanctions written in the staff regulation are applied by the Human Resource Committee depending on results of investigation by the Internal Audit department. The Human Resource Committee is a regular one which is composed of General Manager, Assistant General Managers and HR manager. JCR-ER is of the opinion that the ethical rules of İş Yatırım are fully compliant with this subsection.

**f. Corporate Social Responsibility**

The Company, by its nature of its business, maintains its activities in a sector without any potential of significant harmful effects to the environment. Therefore, no warning or penalties was inflicted upon the Company by public authorities on these grounds.

The Company distributed parts of its profits generated within the last 4 years in the form of grants to different research institutes, educational institutions and sufferers from natural disasters on the approval by the shareholders in the general

meetings. For instance, an amount of TL92,000 out of 2010 profit was granted to Banka ve Ticaret Hukuku Araştırma Enstitüsü (Bank and Commerce Law Research Institute) and TEV (Turkish Educational Foundation). In comparison to the distributable profit, these grant amounts are considered as reasonable.

On the other hand, no internal written arrangement exists to serve as a basis for all of the activities within the scope of social responsibility. Arrangement of a document of social responsibility policy by the Board and submitting this to the approval of the general meeting will improve the Company's compliance level to a great extent. JCR-ER is of the opinion that İş Yatırım partially complies with the rules in this subsection.

**● Outlook (Stakeholders):**

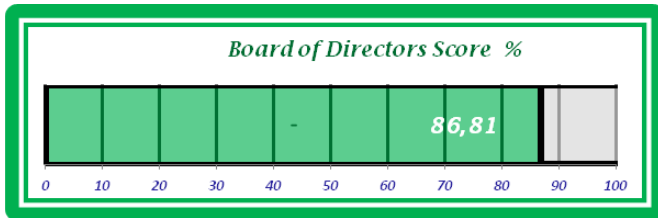
For JCR-ER is of the opinion that the compliance level of the İş Yatırım will be maintained during the 12 month monitoring period, the outlook for this main section of Stakeholders has been determined as **“Stable”**.

**6. Board of Directors**

Content of the section of the Board of Directors consists of the board functions, qualifications, duties, powers and responsibilities of its members and the upper-level managers, rules and practices related with established systems for effective supervision and control.

Through the analysis of the data gathered during the rating process, the general compliance level of İş Yatırım with this section and the corresponding levels within the JCR ER's notation have been determined as follows;

- Numerical value is **8.68**,
- Convergence Level **AAA(Trk)** representing the category of **“Distinctive Compliance”**,
- Notch degree (**a**) representing the category of **“Excellent”**,
- Outlook (**Stable**)



**Board of Directors Results**

**8,68**

**AAA (Trk) / a**

**Stable**

The compliances, non-compliances and things to be improved by İş Yatırım within the rules and implementations in the Shareholders section are summarized in the table below:

<b>Synopsis Table (Board of Directors)</b>	
<b>No</b>	<b>Plug-Compatible</b>
1	Vision and mission of the Company defined and disclosed to public
2	Existence of a separate and effective risk management department reporting to the Board
3	Existence of Audit, Remuneration and Corporate Governance Committees within the Board
4	Existence of Internal Audit department conducting effective audit activities
5	Highly qualified secretariat services offered to the Board
6	Well-defined and written tasks, authorities and responsibilities of all managers
7	High qualifications of the managers in terms of education and experience
8	Existence of a member in the Board meeting the independence criteria expressed in the principles
9	Chairman of the Board and General Manager being different people
<b>No</b>	<b>Not Compatible</b>
1	Absence of statements of responsibility and written undertakings by the board members and upper-level managers
2	Absence of executive members in the Board
3	Conduct of chairmanship of committees by nonindependent members
4	Board meeting and decision quorums not included in the articles of association
5	Identical board members assigned for all committee memberships within the Board
6	The Board's tasks and responsibilities not put into writing in the articles of association
7	Identical remuneration for all Board members, Absence of an incentive system based on performance evaluation
<b>No</b>	<b>Partially Compatible</b>
1	Procedures for candidacy and election of Board members to be put into writing and formalized rather than depending on the conventions
2	Organization of internal control as a separate department and its activities needed to be more extensive

The Board of Directors section is composed of 6 subsections. The compliance level of İş Yatırım with and the activities conducted for the standards under these subsections are detailed below:

**a. Basic Functions of the Board**

The Board of İş Yatırım has necessary qualifications to effectively perform three basic functions of leadership, oversight and arbitration. İşbank, having a determining role in the formation of the Board, uses necessary diligence in electing the members who can perform the mentioned functions.

Vision and mission set by the Board have been disclosed to public. The basic strategies, policies and annual plans to achieve these goals have been determined by upper level management. The Board monitors and supervises all activities to ensure that they are performed within fundamental targets,

plans and relevant legislation through Audit Committee and Audit Board. In addition, the newly established Corporate Governance Committee is expected to contribute to the effectiveness of this monitoring function.

The Board can be said to be effective in resolution of conflicts of interest between the Company and stakeholders and among the stakeholders themselves. Professional manager attributes of the members provides them with remaining impartial in these conflicts of interest. As a general assessment, JCR-ER is of the opinion that İş Yatırım achieved a high compliance level with the rules in this subsection.

***b. Principles of Activities, Mission and Responsibilities of the Board***

All of the Board members who are determined by the major shareholder İşbank are professional managers. Tasks and authorities of the Board and its working procedures, though not included in the articles of association, were put into writing as internal regulations and submitted to the members. It is assessed that the Board members act as prudent managers in performing their duties.

A unit providing secretariat services under the management by Mr. Ertuğ Yıldırımcan organizes the meetings, communicates with members and archives the relevant documents. The members who gather at least once a month meet together also in emergent cases. The casebook is maintained in accordance with the rules; however, the members who do not sign do not put down any dissenting opinion. Some decisions are taken without holding formal meetings by signatures of the members separately on the decision text.

The agenda of the meeting is generally determined together by chairman, members and the Company's management. However, other stakeholders have the right to convoke a meeting and propose agenda item. It is understood through the interviews with the members that the meetings were held in compliance with democratic rules. In case the necessary quorum is not obtained after the voting, the decision is postponed to the next meeting agenda. If this case persists, the decision is denied.

On the other hand, the members, at the inception of their assignments, do not sign a declaration undertaking that they bear joint responsibilities and meet damages to result from their negligence. Another noncompliance item is that board meeting and decision quorums are not included in the articles of association. Despite these two noncompliances, JCR-ER is of the opinion that İş Yatırım achieved a very high compliance level with the rules in this subsection.

***c. Formation and Election of the Board of Directors***

The Board of Directors comprise of 7 members. This number is adequate with regard to other brokerage houses. The members who are selected from department managers at İşbank related with capital markets are presumed to be effective regarding their educational levels, experience and

business ethics. Each member of the Board has the attributes to perform the tasks identified in the legislation and principles.

In October, 2011, an independent member who has independence criteria expressed in the principles was assigned to the Board. This assignment will be submitted to the approval of the shareholders in 2011 general meeting. This practice is material in that it is not a widespread practice in Turkey and not observed in any of the brokerage houses although it does not meet the requirement in the principles, which envisages the existence of 2 independent members. The independent member, as equivoque to the major shareholder, is assumed to improve the management quality of the Company.

However, formation of the Board from non-executive members is notable as a noncompliance item. Although the General Manager participates in all of the meetings, he is not an official member of the Board. This case indicates a situation where an organic link is missing between the Board and the Company. Moreover, cumulative voting system under this subsection is not practiced in İş Yatırım as is the case in most of the publicly traded companies. Considering these noncompliances, JCR-ER is of the opinion that the Company is in a good compliance level with the rules in this subsection.

***d. Financial Rights Provided to the Board Members***

The Board members receive the same amount of remunerations by the approval of the shareholders in the general meeting. No payment other than this, which is disclosed to the public, is made, and the Company does not provide debt and extend credit to members.

However, the same remuneration for all members irrespective of their performances is a notable noncompliance. The determination of the remuneration depending on the time allowed and performance will be a factor to improve the compliance level. Despite this, JCR-ER reached the opinion that the Company is in a good compliance level with the rules in this subsection.

***e. The Committees within the Board in terms of Numbers, Structures and Independence Levels***

Three committees of Audit, Corporate Governance and Remuneration exist within the Board. Each committee's tasks, authorities and operational procedures were put into writing and the members were informed.

The Audit Committee which consists of 3 members has an active part in the selection of the independent audit firm, conducting the necessary relations and monitoring internal audit activities. The Committee members gather at least 4 times a year and meet whenever the need arises. The documents of the Committee, which also submits proposals regarding internal audit and independent audit to the Board, are archived.

The Corporate Governance Committee, which was officially established in 2011, coordinates the tasks defined in the

principles, which were previously implemented by the Company managers. Tasks, authorities and operational procedures of the 2 member Committee were identified and the members were informed. Additionally, the Remuneration Committee which is responsible for determination and implementation of remuneration and incentive policy regarding the members and managers was formed in 2011

On the other hand, assignment of identical members for all of the committees and lack of independence attributes of the chairmen can be noted as noncompliances. Despite these deficiencies, JCR-ER has determined that İş Yatırım is in a good level of compliance in this subsection.

#### f. Executives

The top level management consisting of General Manager and 5 Assitant General Managers has the attributes to perform the tasks required by the principles with regard to education and experience. Their terms of duties, tasks and authorities were identified and they were notified accordingly. The Company, with a functioning communication network among its managers, clearly defined organizational structure, well-defined tasks and authorities, high qualifications of its staff and innovative structure, has a pioneering position in its sector.

The managers regularly report the activities within their fields of responsibility to the Board and participate in the Board meetings when required. The Board, in return, regularly monitors the activities of the top level management with regard to the legislation and internal regulations. The managers like all of the staff are prohibited to trade on the stocks of the Company and the group companies. Ethical rules and internal regulations include provisions which stipulate the protection of information by the managers, which is not publicly disclosed.

The General Manager Mr.İlhami Koç maintains his post for 10 years. Having a prominent place in the sector, he also maintains managerial duties in some of the professional organizations such as TSPAKB and IMKB. However, it is understood that these tasks do not interrupt his duties in İş Yatırım and on the contrary contribute to the reputation of the Company.

On the other hand, only service contracts exist between the managers and the Company like all other staff. They did not sign any declaration undertaking that they meet damages to result from their negligence and they will not work for the competitor firms for a certain period of time. JCR-ER is of the opinion that İş Yatırım achieved a very high compliance level with the rules in this subsection.

#### ● Outlook (Board of Directors):

For it is believed by JCR-ER that the compliance level attained by the Company in the Board of Directors section will be maintained during the 12 month monitoring period, the outlook for this main section has been determined as **"Stable"**.

## 7. Best Practices

The number of the brokerage houses stocks of which are traded in IMKB is 5 in total. In this section of the report, İş Yatırım and the other publicly traded firms are compared regarding the managerial and supervisory practices chosen by JCR ER and outlined in the following table. Data on which this analysis has been predicated has been gathered from publicly disclosed information of the brokerage houses in their websites. According to the results obtained from these comparisons, the ones over the sector average are shown with the symbol **"Beyond"**, the ones about average **"Comparable"**, while those below average are marked as **"Below"**.

Sequence Number	Selected administrative and supervisory practices	Sectoral Comparison Level		
		Beyond	Comparable	Below
1	Shareholders' right to request a special auditor to be included in the articles of association		x	
2	Important decisions taken by general meeting		x	
3	Privileged voting rights		x	
4	Investor Relationship Department	x		
5	Cumulative voting system		x	
6	Transfer of shares		x	
7	Distribution of advance dividends		x	
8	Disclosure of the ultimate individual shareholders		x	
9	Independent member in the board	x		
10	Non-executive member in the board		x	
11	Corporate governance committee	x		
12	Disclosure of remuneration for upper level management		x	
13	Information policy		x	
14	Ethical rules	x		
15	Human resources policy		x	
16	Secretariat of the board of directors	x		
17	Risk management department	x		
18	Internal control department			x
19	Internal audit unit		x	
20	Audit committee	x		
Total Number		7	12	1
The percentage level of compliance		35%	60%	5%

#### ✓ Shareholders' right to request a special auditor to be included in the articles of association

The shareholders with more than 10% and 5% shares according to the Turkish Commercial Code and Capital Market Law respectively are entitled to minority rights. The shareholders in the minority position have the right to request from general meeting to appoint a special auditor to examine an activity by the Company management. In case general meeting does not take this request into account, one can resort

to the courts by filing a suit. The SPK Corporate Governance principles recommend granting of this right to all shareholders as a clause in the articles of association.

İş Yatırım's articles of association does not include any provision providing the shareholders with less than 5% share with the right to request the appointment of a special auditor. However, the same situation applies for all brokerage houses operating in the sector. Under these circumstances, the Company stands at **"Comparable"** level with regard to this practice.

#### ✓ Important decisions taken by general meeting

In SPK Corporate Governance Principles, the following is recommended: *"Articles of association of the company includes a provision to maintain that decisions, regarding the division and allocation of shares which changes the capital and management structure of the company and the composition of the company's assets; the sale, purchase or lease of tangible/intangible assets or grants in significant amounts; the issuance of guarantees like pledges and mortgages in favor of a third person are adopted in general shareholders' meeting and the shareholders are encouraged to participate in the decision-making process thereby."* There is no clause in the articles of association of the Company to meet this recommendation.

This recommendation is not included by any publicly traded brokerage houses as a provision in their articles of association. For this reason, İş Yatırım stands at **"Comparable"** level with regard to this practice.

#### ✓ Privileged voting rights

There are privileges on the A group shares of İş Yatırım to elect the majority of the board members. In comparison with the other 4 brokerage houses, two of them allow privileges on some of its shares and the remaining two, none. In comparison with this practice, İş Yatırım is located in the **"Comparable"** level.

#### ✓ Advance dividends

İş Yatırım has a provision in its articles of association entitling the Board with distributing advance dividends. In comparison with the other 4 brokerage houses, three of them have similar provisions while the remaining one, none. Therefore, İş Yatırım is located in the **"Comparable"** level in comparison with this practice.

#### ✓ Cumulative voting system

Cumulative voting is an election system which provides small shareholders with electing members to represent themselves in the board. It requires separate voting for each member in the board and the utilization of unused voting rights cumulatively for one candidate. There is no internal regulation in İş Yatırım that allows this system. The same situation also applies for other 4 brokerage houses with regard to the cumulative

voting system. Therefore, the Company has a **"Comparable"** level in comparison with this practice.

#### ✓ Transfer of shares

According to the articles of association of the Company, transfer of shares is permitted without any approval by the board within the framework of current legislation. Similarly, there is no hindrance on the transfer of shares in other 4 brokerage houses. In this case, the level of İş Yatırım in comparison with this practice is determined as **"Comparable"**.

#### ✓ Investor Relations Department

Investor Relations department exists separately within the organization structure of İş Yatırım. Such an individual department only exists in one of the other brokerage houses. Therefore, the Company has a **"Beyond"** level in comparison with this practice.

#### ✓ Disclosure of the ultimate individual shareholders

Excluding the publicly traded portion, all of the shareholders of İş Yatırım are legal entities. These legal entities do not have any qualified individual shareholders. Nevertheless, the Company disclosed its ultimate corporate shareholders and their share amounts to the public. In comparison with the other brokerage houses, two disclose ultimate individual shareholders to the public. In this case, the level of İş Yatırım in comparison with this practice is determined as **"Comparable"**.

#### ✓ Independent member in the board of directors

One member in the 7 member Board of İş Yatırım meets the independence criteria in the principles. However, the other 4 brokerage houses do not include any member in their boards meeting the independence criteria. Therefore, the Company has a **"Beyond"** level in comparison with this practice.

#### ✓ Non-executive member in the board of directors

In SPK principles, it is recommended that the board of directors be composed of both executive and nonexecutive members. However, İş Yatırım's Board does not include any executive member. In comparison with the other 4 brokerage houses, all of the members are executive in three of them and only one has both executive and nonexecutive members. In this case, only one brokerage house complies with the principles in the sector. Therefore, İş Yatırım is located in the **"Comparable"** level in comparison with this practice.

#### ✓ Corporate governance committee

Corporate governance committee was established within the board of directors of the Company. The other brokerage houses in the sector do not have such committees. Therefore, the Company has a **"Beyond"** level in comparison with this practice.

✓ **Disclosure of remuneration for upper level management**

İş Yatırım discloses remunerations provided to board members following the approval by the general meeting but not those to top level managers. In comparison with the other 4 brokerage houses, two disclose remunerations provided only to board members, and the other two disclose nothing with regard to this practice. Therefore, the level of İş Yatırım is determined as **"Comparable"** in this practice.

✓ **Information policy**

İş Yatırım has a publicly disclosed information policy following the submittal to the shareholders in the general meeting. In comparison with the other brokerage houses, three of them published such a policy in their websites while the remaining one did not. In this case, the level of İş Yatırım in comparison with this practice is determined as **"Comparable"**.

✓ **Human Resources Department**

A separate human resources department exists within the organizational structure of İş Yatırım. In the other brokerage houses, three of them have such an individual department while the remaining one does not. Therefore, İş Yatırım has a **"Comparable"** level in comparison with this practice.

✓ **Ethical Rules**

İş Yatırım disclosed its comprehensive ethical rules to the public via its website. Three of the 4 other brokerage houses did not publish any such rules in their websites while the remaining one did. In this case, İş Yatırım has a **"Beyond"** level in comparison with this practice.

✓ **Secretariat of the Board of Directors**

In İş Yatırım, a secretariat exist serving to the Board under the coordinatorship of an assistant general manager. Only one brokerage house maintains such a secretariat and the other three do not. Therefore, the Company has a **"Beyond"** level in comparison with this practice.

✓ **Risk management department**

İş Yatırım was the first one which established an individual risk management department within its structure. In other 4 brokerage houses, there is no individual risk management department. In this case, the Company has a **"Beyond"** level in comparison with this practice.

✓ **Internal control unit**

The Company does not include any separate internal control department within its organizational structure. Internal control activities are performed by the staff in different departments. In comparison with the other brokerage houses, three of them have separate internal control departments. Therefore, in the comparison with this practice, İş Yatırım stands in the **"Below"** level.

✓ **Internal audit unit**

İş Yatırım maintains its internal audit activities through its own internal audit department. The other publicly traded brokerage houses contain similar individual internal audit

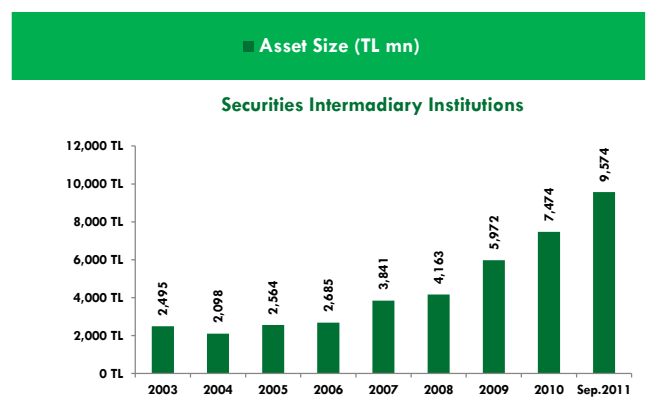
departments. Therefore, in the comparison with this practice, İş Yatırım stands in the **"Comparable"** level.

✓ **Audit committee**

An audit committee consisting of 3 members exists within the Board of Directors of İş Yatırım. In the boards of the other three brokerage houses, such committees are not organized, and only one of them has. Therefore, in the comparison with this practice, İş Yatırım stands in the **"Beyond"** level.

**8. Financial Efficiency**

Brokerage houses constitute a considerably small sector as indicated by its share of 0.61% within Turkish financial sector which maintains assets with an approximate value of USD790 bn.



The sector which has reached an asset size of TL9.57 bn (USD 5.17 bn) at the end of 3Q2011 contains 102 Brokerage Houses. Other than these, 40 licensed banks and 1 derivative brokerage firm operate as intermediary institutions as of 3Q2011. Of these institutions;

- 86 brokerage houses have operations in Stock Market,
- 67 brokerage houses and 41 banks (108 in total) in Bonds and Bills Market, and
- 68 brokerage houses and 14 banks in Turkish Derivatives Exchange.

TSPAKB (*) Members	INTERMEDIARY INSTITUTIONS (as of September, 2011)	Markets		
		Stock Market	Bonds and Bills Market	Turkish Derivatives Exchange
102	No. of Brokerage Firms	86	67	68
40	No. of Banks		41	14
1	No. of Derivatives Brokerage Firms			
143	Total	86	108	82

(\*)The Association of Capital Market Intermediary Institutions of Turkey

Based on September, 2011 data, the sector has a business network of 160 branches, 58 liaison offices and 6,519 agencies (bank branches). Additionally, the sector maintains its activities also via internet network and call centers.

The brokerage houses in Turkey conduct their operations by means of license and authorization obtained within the framework of Capital Market Law and as member statuses in IMKB (ISE – Istanbul Stock Exchange).

Intermediation in capital market is defined as; purchase and sale of capital market instruments for commercial purposes by authorized institutions in their own name and for their own account, in the name and for the account of another person and in their own name and for the account of another person. Intermediary activities in capital market consist of intermediation in public offerings (primary trading), intermediation in the sale and purchase of previously issued instruments (secondary trading) and intermediation in derivative instruments trading and can only be undertaken by intermediary institutions authorized by the Capital Market Board. On the condition that they obtain authorization from the Board for each activity separately, brokerage houses, may engage in intermediation for the issuance or public offering of capital market instruments, intermediation for the purchase and sale of capital market instruments issued previously (secondary trading), and intermediation for the purchase and sale of derivative instruments as a whole or partially on the basis of categories including the futures and options contracts based on economic and financial indicators, capital market instruments, commodities, precious metals and foreign currencies. Furthermore, on the condition that they obtain authorization, brokerage houses may also undertake the activities of repurchase and reverse repurchase of capital market instruments, investment consultancy and portfolio management.

Banks may undertake intermediation in the purchase and sale of capital market instruments that are previously issued either off exchange or on exchange, except for shares. On the other hand, banks may also undertake intermediation in the repurchase and reverse repurchase agreements and the purchase and sale of derivative instruments.

Non-deposit banks may also undertake activities such as intermediation in the issuance or public offering of capital market instruments, portfolio management and investment consultancy in addition to the above mentioned activities. The development process of brokerage houses in Turkey was essentially initiated beginning with the establishment of IMKB, an organized secondary market where securities are traded.

While the banks could have operated in each field of capital markets, from 1997 forward, they could conduct their capital market activities through acquisitions of brokerage houses or establishing own ones.

Until 1997, commission rates were limited by a ceiling of 1% and from this year on, the minimum commission rate was determined as 0.2% excluding taxes. As from 2006, it was decided that intermediation commissions were to be specified freely upon agreement by brokerage houses and their customers. Effective from 2002 forward, CMB concluded that brokerage houses might reimburse for a certain part of their monthly intermediation commission income by the name of commission refund to their customers to be determined at the end of each month.

İş Yatırım has currently the following licenses obtained from CMB to conduct operations in 7 fields. It is legally required to allocate a minimum TL225 mn of equity for all of these licenses.

Authorization Licenses obtained from CMB
• Brokerage
• Public Offering Intermediation
• Repo - Reverse Repo
• Portfolio Management
• Investment Consultancy
• Credit Operations Permit
• Derivatives Trading Intermediation TAASA (Overseas) - (VOBAŞ)

Based on these licenses, İş Yatırım carries on the following activities;

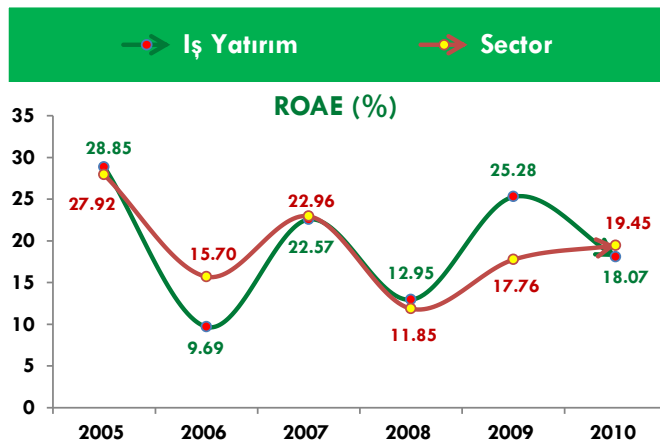
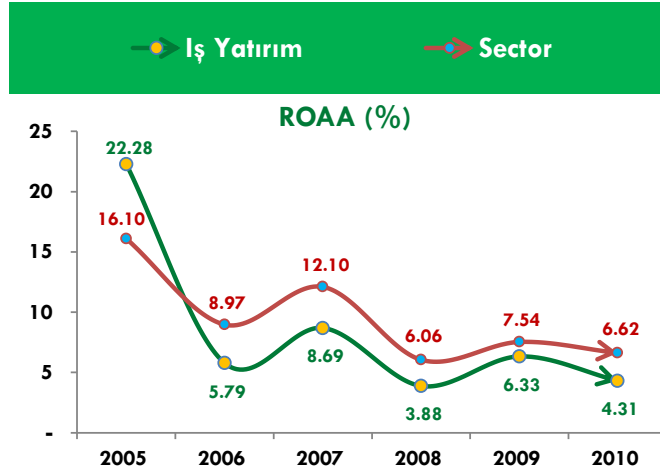
- ✓ Public offering intermediation in primary markets,
- ✓ Repurchase and reverse repurchase of capital market instruments,
- ✓ Portfolio management (individual and institutional investors, mutual funds, etc.),
- ✓ Investment consultancy and corporate finance (bonds and bills issues, merger & acquisition, financial partnerships, capital increases, dividend distribution, privatization, etc.),
- ✓ Credit and derivative trading intermediation.

In terms of asset size, İş Yatırım's market share among brokerage houses rose to 33.74% at the end of 3Q2011 from 11.75% in 2004. İş Yatırım is the largest brokerage house as of 3Q2011 with an asset size of TL3,647 mn.

Market shares (In terms of transaction volume)			
Markets and Activities	2009	2010	3Q2011
Equity Market	7.94%	6.87%	7.37%
Turkish Derivatives Exchange (In the trading volume of brokerage)	15.10%	13.26%	14.55%
Turkish Derivatives Exchange (In the trading volume of brokerage and banks)	13.22%	11.50%	12.37%
Fixed Income (In the trading volume of brokerage)	12.68%	19.10%	10.42%
Fixed Income (In the trading volume of brokerage and banks)	1.39%	1.96%	0.82%
Repo-Reverse Repo Market (In the trading volume of brokerage)	2.68%	1.78%	2.13%
Repo-Reverse Repo Market (In the trading volume of brokerage and banks)	0.44%	0.30%	0.38%
Initial Public Offerings (Equity)	0.00%	41.44%	0.00%
Initial Public Offerings (Bonds)	N/A	20.56%	31.60%

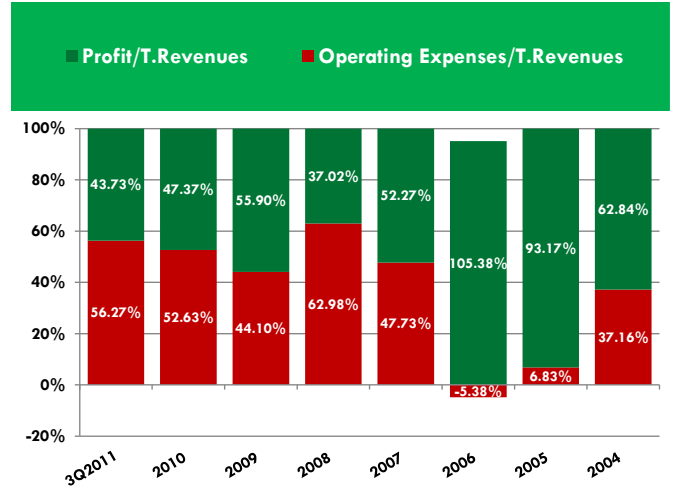
İş Yatırım's market shares in terms of trading volume are shown in the table above, which indicate its extent and effectiveness across most of the transaction types.

İş Yatırım's performance regarding its assets remained below sector averages due to its relatively huge asset size while its profitability regarding its equity was very close to the sector in the last 6 years except in 2006 and 2009 - remaining below and outperforming by far in these years, respectively.



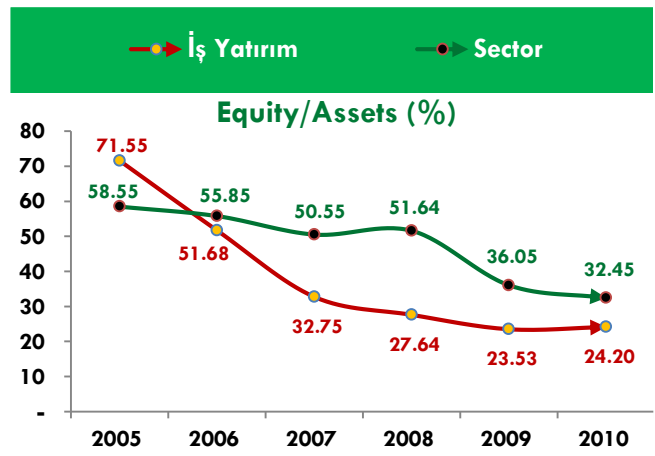
The absolute and relative values of profits generated in the previous years and being generated currently and equity amounts are assessed to be considerably efficient in İş Yatırım's meeting and maintaining the funding requirements for the sustainability and improvement of the corporate governance compliance level.

Regarding the sustainability of profits, the volatility and increase in operating expenses create adversities on the profitability. As already shown in the chart below, 56.27% of the revenues were allocated for the operating expenses at the end of 3Q2011.



High level of liquidity also improves the asset quality for a significant portion of current assets is composed of cash and cash equivalents. On the other hand, the securities among assets imply interest rate risk albeit their reasonable level.

In terms of adequacy of its equity, although İş Yatırım's equity/assets ratios remained below the sector averages, they are substantially above international reference values.



The level of such market risks as exchange rate and interest rate resulting from transactions within and off the balance sheet did not constitute any deteriorating effect on the asset quality and profitability.

In conclusion;

- ✓ The level of net internal funds generated in the recent years,
- ✓ Existing balance sheet composition securing this profitability,
- ✓ The organizational performance of the company's management and
- ✓ The risk components within the balance sheet composition



contribute to the sustainability and even improvement of İş Yatırım's compliance level with the corporate governance principles.

## **9. Appendix**

(4 Tables)

Table:1								
İŞ YATIRIM MENKUL DEĞERLER A.Ş.								
SHAREHOLDING STRUCTURE								
Years	2004	2005	2006	2007	2008	2009	2010	2011
TL (000)	45.000	96.800	96.800	119.387	119.387	119.387	200.000	256.000
USD (000)	33.675	72.439	68.867	102.505	78.944	79.290	129.366	138.289
Shareholders	Share	Share	Share	Share	Share	Share	Share	Share
	%	%	%	%	%	%	%	%
İş Bankası A.Ş. (A Group)	0,33%	0,15%	0,15%	0,13%	0,13%	0,13%	0,08%	0,06%
İş Bankası A.Ş. (B Group)	91,67%	91,85%	91,85%	65,53%	65,53%	65,53%	65,58%	65,59%
Publicly Traded (B Group)	0,00%	0,00%	0,00%	27,86%	27,86%	27,86%	29,31%	29,32%
Other (B Group)	8,00%	8,00%	8,00%	6,49%	6,49%	6,49%	5,04%	5,03%
<b>Total</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>

<b>Table: 2</b>							
<b>AFFILIATES AND SUBSIDIARIES as of September 2011</b>							
<b>Head</b>	<b>Fields</b>	<b>Total Assets</b>	<b>Net Profit</b>	<b>Capital</b>	<b>Interest</b>	<b>Acquisition</b>	
<b>Quarters</b>	<b>Of Activities</b>	<b>TL(000)</b>	<b>TL(000)</b>	<b>TL(000)</b>	<b>Share %</b>	<b>Date</b>	
<b>Consolidated Subsidiaries</b>							
Cam-İş Menkul Değerler A.Ş.	Turkey	Securities brokerage	26.672	- 318	4.623	99,79%	31.07.2003
Efes Varlık Yönetim A.Ş.	Turkey	Asset Management	9.158	- 894	9.106	74,00%	14.02.2011
İŞ Girişim Sermayesi Yat. Ortaklığı A.Ş.	Turkey	Private equity	176.411	37.754	171.268	30,49%	23.10.2000
İş Portföy Yönetimi A.Ş.	Turkey	Portfolio management	84.701	6.415	57.128	70,00%	04.10.2000
İş Yatırım Ortaklığı A.Ş.	Turkey	Investment trust	225.603	- 1.637	224.777	37,39%	03.06.2003
Maxis Securities Ltd.	United Kingdom	Securities brokerage	30.733	- 271	3.082	100,00%	29.09.2005
Is Investments Gulf Ltd.	Dubai	Securities brokerage	2.258	- 148	1.695	100,00%	01.07.2011

**Table:3**
**İŞ YATIRIM MENKUL DEĞERLER A.Ş.**

<b>Financial Data</b>	<b>Sept.2011</b>	<b>2010</b>	<b>2009*</b>	<b>2008*</b>	<b>2007*</b>	<b>2006*</b>
Total Assets (000 USD)	1.970.169	1.737.194	1.686.102	980.519	1.065.261	385.703
Total Assets (000 TL)	3.647.176	2.685.702	2.538.764	1.482.839	1.240.710	542.144
Equity (000 TL)	678.366	650.022	597.464	409.930	406.306	280.159
Net Profit (000 TL)	70.889	98.191	114.131	41.896	69.168	24.119
Market Share (%) (Asset Size)	33,74	30,81	36,88	31,88	32,22	20,19
ROAA (%)	2,50	4,31	6,33	3,88	8,69	5,79
ROAE (%)	11,90	18,07	25,28	12,95	22,57	9,69
Equity/Assets (%)	18,60	24,20	23,53	27,64	32,75	51,68
Internal Equity Generation (%)	10,91	29,86	41,85	17,20	42,96	13,92
Liquidity Requirement Ratio	-	125,67	123,15	130,20	143,18	175,36
Own Fund/Total Debt	11,62	14,13	12,45	16,25	21,01	45,19
Annual Growth Rate (%)	35,80	5,79	71,21	19,52	128,85	47,16

**Table: 4  
BOARD OF DIRECTORS**

Name	Task	Profession	Election Date	Experience (Years)	Education	Executive/Non Executive	Independent/Not Independent	Committee Membership
Özcan TÜRKAKIN	Chairman	Banker	23.03.2004	27	Graduate	Non Executive	Not Independent	Audit, Corporate Governance, Remuneration
Güzide Meltem KÖKDEN	Vice - President	Banker	15.03.2007	20	Graduate	Non Executive	Not Independent	Audit
Emre DURANLI	Member	Banker	17.09.2008	15	Undergraduate	Non Executive	Not Independent	Audit, Corporate Governance, Remuneration
Ebru ÖZŞUCA	Member	Banker	27.04.2009	18	Graduate	Non Executive	Not Independent	
Feray DEMİR	Member	Banker	26.04.2010	23	Undergraduate	Non Executive	Not Independent	
Melih Murat ERTEM	Member	Banker	10.12.2010	15	Undergraduate	Non Executive	Not Independent	
Abdullah AKYÜZ	Member	Manager	26.10.2011	25	Graduate	Non Executive	Independent	