BORSA İSTANBUL A.Ş.

Consolidated Financial Statements
as at and for the Year Ended
31 December 2018 With
Independent Auditor's Report Thereon

6 March 2019

This report includes 3 pages of independent auditors' report and 73 pages of consolidated financial statements together with their explanatory notes.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder's of Borsa İstanbul Anonim Şirketi

Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Borsa İstanbul Anonim Şirketi and its subsidiaries (together will be referred as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing ("IASs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

Alper Güvenç, SMMM
Partner

6 March 2019
İstanbul, Turkey

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BORSA İSTANBUL A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

		Audited	**Audited**
ASSETS	*Notes*	**31 December 2018**	**31 December 2017 (*)**
CURRENT ASSETS		**12,376,389**	**11,140,710**
Cash and cash equivalents	4	12,239,950	10,800,918
Trade receivables	7	77,122	247,863
Financial investments	6	7,741	76,664
Other current assets	8	51,576	15,265
NON-CURRENT ASSETS		**909,159**	**740,831**
Financial investments	6	81,173	67,963
Investments accounted for under the equity method	5	69,102	48,222
Investment properties	9	61,805	59,355
Property and equipment	10	202,923	198,620
Intangible assets	11	415,335	349,087
Deferred tax assets	24	72,175	5,831
Other non-current assets	8	6,646	11,753
TOTAL ASSETS		**13,285,548**	**11,881,541**
LIABILITIES			
CURRENT LIABILITIES		**10,355,121**	**10,113,713**
Short term borrowings	15	3,425,413	3,179,005
Other financial liabilities		-	685,650
-Other financial liabilities to related parties	*14, 25*	-	*685,650*
Trade payables		529,397	398,762
-Due to related parties	*13, 25*	*80,292*	*62,909*
-Other trade payables	*13*	*449,105*	*335,853*
Current income tax liabilities	24	120,832	30,370
Liabilities for employee benefits	17	4,896	10,770
Provisions for employee benefits	17	31,941	31,295
Other current liabilities	18	6,242,642	5,777,861
NON-CURRENT LIABILITIES		**264,910**	**205,231**
Other financial liabilities		-	160,146
-Other financial liabilities to related parties	*14, 25*	-	*160,146*
Trade payables	*13*	218,674	-
Provisions for employee benefits	17	30,244	30,455
Deferred tax liabilities	24	5,495	6,040
Other non-current liabilities	18	10,497	8,590
SHAREHOLDER'S EQUITY		**2,665,517**	**1,562,597**
Equity holders of the parent	*19*	1,993,671	1,056,360
Share capital		423,234	423,234
Restricted reserves		392,550	278,280
Share premium		12,418	200,450
Other comprehensive income / expense not to be reclassified to profit or loss		7,584	7,540
-Revaluation reserve		*13,677*	*13,677*
-Losses on remeasurements of defined benefit plans		*(6,093)*	*(6,137)*
Other comprehensive income / expense to be reclassified to profit or loss		1,433	873
-Currency translation differences		*1,433*	*873*
Treasury shares		(97,666)	(608,873)
Retained earnings		260,483	449,338
Net profit for the period		993,635	305,518
Non-controlling interests		671,846	506,237
TOTAL EQUITY AND LIABILITIES		**13,285,548**	**11,881,541**

(*) In accordance with the transition requirements of IFRS 9, the prior period financial statements and notes are not restated.

The accompanying notes between pages 5 and 73 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

	Notes	**Audited** **1 January – 31 December 2018**	**Audited** **1 January – 31 December 2017**
Revenue	20	1,538,667	1,047,418
Cost of sales (-)	20	(161,847)	(92,690)
Gross profit		**1,376,820**	**954,728**
General administrative expenses (-)	21	(421,034)	(328,286)
Other operating expenses (-)	22	(109,747)	(97,154)
Other operating income	22	321,357	3,075
Operating profit		**1,167,396**	**532,363**
Share of profit / (loss) of investments accounted for under the equity method	5	20,320	15,353
Profit before financial income / (expense)		**1,187,716**	**547,716**
Financial income	23	171,081	90,407
Financial expenses (-)	23	-	(96,558)
Profit before tax		**1,358,797**	**541,565**
Income tax expense (-)	24	(252,230)	(116,967)
Deferred tax expense (-)	24	66,976	(4,960)
PROFIT FOR THE PERIOD		**1,173,543**	**419,638**
Profit attributable to:			
- Non-controlling interests		179,908	114,120
- Equity holders of the parent		993,635	305,518
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income not to be reclassified to profit or loss		**(168)**	**23,967**
Revaluation reserve		-	26,784
Gains / losses on remeasurements of defined benefit plans	17	(210)	3,175
Other comprehensive income tax that will never be reclassified to profit or loss		42	(5,992)
- Deferred tax income / (expense)	*24*	*42*	*(5,992)*
Other comprehensive income to be reclassified to profit or loss		**560**	**603**
- Currency translation differences	5	560	603
Other comprehensive income / (expense)		**392**	**24,570**
TOTAL COMPREHENSIVE INCOME		**1,173,935**	**444,208**
- Non-controlling interests		179,696	122,562
- Equity holders of the parent		994,239	321,646

(*) In accordance with the transition requirements of IFRS 9, the prior period financial statements and notes are not restated.

The accompanying notes between pages 5 and 73 are an integral part of these consolidated financial statements.

BORSA İSTANBUL A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

		Statement of changes in shareholders' equity											
	Notes	**Share capital**	**Treasury shares**	**Restricted reserves**	**Share premium**	**Revaluation reserve**	**Remeasurement of defined benefit obligations**	**Currency translation differences**	**Retained earnings**	**Net profit for the period**	**Equity holders of the parent**	**Non-controlling interests**	**Total equity**
1 January 2017 (Previously reported)		**423,234**	**(580,663)**	**274,882**	**200,450**	**-**	**(7,985)**	**270**	**263,200**	**189,536**	**762,924**	**427,612**	**1,190,536**
Classification effect(*)		-	-	*(48,295)*	-	-	-	-	*48,295*	-	-	-	-
Balances at 1 January 2017 (Classification effect)(*)		**423,234**	**(580,663)**	**226,587**	**200,450**	**-**	**(7,985)**	**270**	**311,495**	**189,536**	**762,924**	**427,612**	**1,190,536**
Net profit for the period		-	-	-	-	-	-	-	-	305,518	305,518	114,120	419,638
Other comprehensive expense	19	-	-	-	-	13,677	1,848	603	-	-	16,128	8,442	24,570
Total comprehensive income / (expense)		**-**	**-**	**-**	**-**	**13,677**	**1,848**	**603**	**-**	**305,518**	**321,646**	**122,562**	**444,208**
Transfers		-	-	23,483	-	-	-	-	166,053	(189,536)	-	-	-
Transactions with non-controlling interests		-	-	-	-	-	-	-	-	-	-	(16,217)	(16,217)
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(27,720)	(27,720)
Decrease arising from treasury share transactions		-	(28,210)	28,210	-	-	-	-	(28,210)	-	(28,210)	-	(28,210)
31 December 2017(***)		**423,234**	**(608,873)**	**278,280**	**200,450**	**13,677**	**(6,137)**	**873**	**449,338**	**305,518**	**1,056,360**	**506,237**	**1,562,597**
Balances at 1 January 2018		**423,234**	**(608,873)**	**278,280**	**200,450**	**13,677**	**(6,137)**	**873**	**449,338**	**305,518**	**1,056,360**	**506,237**	**1,562,597**
Adjustments to change in accounting policies (**)		-	-	-	-	-	-	-	11,138	-	11,138	(10,677)	461
Balances at 1 January 2018 (Adjustment effect) (**)		**423,234**	**(608,873)**	**278,280**	**200,450**	**13,677**	**(6,137)**	**873**	**460,476**	**305,518**	**1,067,498**	**495,560**	**1,563,058**
Net profit for the period		-	-	-	-	-	-	-	-	993,635	993,635	179,908	1,173,543
Other comprehensive expense	19	-	-	-	-	-	44	560	-	-	604	(212)	392
Total comprehensive income / (expense)		**-**	**-**	**-**	**-**	**-**	**44**	**560**	**-**	**993,635**	**994,239**	**179,696**	**1,173,935**
Transfers		-	-	44,813	-	-	-	-	260,705	(305,518)	-	-	-
Transactions with non-controlling interests		-	-	-	-	-	-	-	-	-	-	(3,367)	(3,367)
Increase / decrease in the share rate change in subsidiaries		-	-	-	-	-	-	-	303	-	303	(43)	260
Transactions with shareholders		-	580,664	-	(188,032)	-	-	-	-	-	392,632	-	392,632
Decrease arising from treasury share transactions		-	(69,457)	69,457	-	-	-	-	(69,457)	-	(69,457)	-	(69,457)
Dividend paid		-	-	-	-	-	-	-	(391,544)	-	(391,544)	-	(391,544)
31 December 2018		**423,234**	**(97,666)**	**392,550**	**12,418**	**13,677**	**(6,093)**	**1,433**	**260,483**	**993,635**	**1,993,671**	**671,846**	**2,665,517**

(*) Refer to Note 2.3.
(**) Refer to Note 2.11.
(***) In accordance with the transition requirements of IFRS 9, the prior period financial statements and notes are not restated.

The accompanying notes between pages 5 and 73 are an integral part of these consolidated financial statements.

BORSA İSTANBUL A.Ş.
CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

	Notes	Audited	Audited(*)
		1 January – 31 December 2018	1 January – 31 December 2017
Cash flows provided from operating activities			
Net profit for the period		**1,173,543**	**419,638**
Adjustments for:			
Tax expense	24	185,254	121,927
Depreciation expense	10	20,744	18,760
Amortization expense	11	35,485	24,221
Change in provision for employment termination benefits	17	5,280	5,343
Change in personnel bonus provision	17	12,371	13,257
Change in valuation of investment properties		(2,450)	(715)
Change in unused vacation liability	17	1,751	2,840
Change on law suit provision (included provisions for tax penalty)	18	(34,834)	49,231
Expense accrual for Capital Markets Board share	22,25	79,876	62,909
Provisions no longer required	22	(44,891)	(354)
Share of (profit) / loss of investments accounted for under the equity method	5	(20,320)	(15,353)
Financial income, net	23	(171,081)	(10,453)
Provisions for doubtful receivables	7	131	131
Unrealized exchange (gain) / loss		(285,535)	33,989
Cash flows from operating activities before working capital changes		**955,324**	**725,371**
Change in short-term borrowings, net		246,408	734,773
Decrease / (increase) in trade receivables		170,498	(103,913)
Decrease / (increase) in other current assets		(36,311)	(4,462)
Decrease / (increase) in other non-current assets		5,107	(1,848)
Change in liability for employee benefits		(5,874)	1,215
Change in trade payables		(120,822)	53,342
Increase in other current liabilities		600,828	1,456,908
Decrease / (increase) in other long-term liabilities		1,907	5,852
Taxes paid		(161,768)	(108,897)
Employment termination benefits paid	17	(3,355)	(6,887)
Employee's service provision paid	17	(2,348)	(3,588)
Capital Markets Board share paid	13	(62,909)	(55,331)
Personnel bonus paid	17	(12,881)	-
Unused vacation paid	17	(595)	(2,228)
Collection of doubtful receivables	7	69	85
Net cash generated from operating activities		**617,954**	**1,965,021**
Proceed from sale of property and equipment	10	126	9,459
Cash outflow purchase of property and equipment	10	(41,180)	(36,934)
Proceed from sale of intangible assets	11	52	132
Cash outflow purchase of intangible assets	11	(85,778)	(65,009)
Profit on sale of financial asset at fair value		265,253	-
Financial asset (purchase / sale) of held to maturity financial assets, net			(29,745)
Financial asset (purchase / sale) measured at amortized cost, net		(875)	
Financial asset (purchase / sale) at fair value through other comprehensive income,net		(6,250)	
Cash outflow from purchase of shares or capital increase in subsidiaries / joint ventures		(3,367)	(16,293)
Interests received		116,304	58,359
Dividend received from financial investments	23	14,533	4,120
Net cash (used in) / generated from investment activities		**258,818**	**(75,911)**
Dividend paid to non-controlling interest		(391,544)	(27,720)
Cash outflow from repurchase of treasury shares		(69,457)	(28,210)
Net cash from / (used in) generated from financing		**(461,001)**	**(55,930)**
Net increase in cash and cash equivalents		**1,371,095**	**2,558,551**
Effects of currency translation on cash and cash equivalents		83,606	33,923
Cash and cash equivalents at the beginning of the period	4	10,768,919	8,176,445
Cash and cash equivalents at the end of the period	4	**12,223,620**	**10,768,919**

(*) In accordance with the transition requirements of IFRS 9, the prior period financial statements and notes are not restated.

The accompanying notes between pages 5 and 73 are an integral part of these consolidated financial statements.

1 GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Borsa İstanbul Anonim Şirketi ("BİST" or "the Company") was founded in order to engage in stock exchange operations as per Article 138th of Capital Markets Law No, 6362 promulgated in the Official Gazette and enacted on 30 December 2012, and received official authorization upon the registration and announcement of its articles of association on 3 April 2013. BİST is a private legal entity and was founded based on the aforementioned Law in order to create, found and develop markets, platforms and systems, and other organized marketplaces and to manage and / or operate these markets, platforms and systems and other stock exchanges or stock exchange markets in a way that ensures: the purchase and sale of capital market instruments, foreign exchange and precious metals and precious stones and other agreements, documents and assets approved by the Capital Markets Board ("CMB"), under free competition conditions in an easy and secure way and on a transparent, actively competitive, fair and stable platform; the gathering and finalizing of related purchase and sales orders or making it easier to gather these orders; and the determination and announcement of prices occurs within the scope of related legislation.

As per paragraph 2th of Article 138th of Capital Markets Law No, 6362, the Articles of Association of BİST prepared by the Capital Markets Board were registered with the trade registry on 3 April 2013 following the approval of the related Minister, Similarly, as per paragraphs 4th and 5th of the same article of the Law, the legal entities İstanbul Menkul Kıymet Borsası ("IMKB"), established as per repealed Statutory Decree No, 91, and İstanbul Altın Borsası ("IAB"), established as per article 40/A of repealed Law No, 2499, have been terminated, and for these two institutions all kinds of assets, payables and receivables, rights and obligations, records and other documents (including those on electronic media) have been transferred to BİST in their entirety, with those exceptions required by law, with no further action needed, on the date of the registration of the Articles of Association of BİST. All actions of BİST as at this date were recognized upon the acceptance of 3 April 2013 as the establishment date of the Company.

Intermediary institutions (intermediary establishments and banks) authorized by the Capital Markets Board to engage in intermediary operations can be members of BİST. Intermediary institutions that will trade at BİST are required to get stock exchange membership document from BİST.

BİST and BİST's subsidiaries operating in Turkey, joint operations and associations, together referred to the "Group".

As at 31 December 2018, BİST have 565 employees (31 December 2017: 511) and the Group have 1,036 employees (31 December 2017: 960). BİST is located in Reşitpaşa Mahallesi, Borsa İstanbul Caddesi, No:4, Sarıyer / İstanbul.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

1 GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

The Company's controlling shareholder is the Republic of Turkey Prime Ministry Undersecretariat of Treasury. As at 31 December 2018 and 31 December 2017, the Company's shareholder structure and is as follows:

	31 December 2018	31 December 2017
Turkiye Wealth Fund(**)	80.60%	73.60%
European Bank for Reconstruction and Development(*)	10.00%	10.00%
Nasdaq OMX(**)	-	7.00%
Turkish Capital Markets Association	1.30%	1.30%
Borsa İstanbul A.Ş.	2.23%	0.79%
Other	5.87%	7.31%
	100.00%	**100.00%**

(*) The Company signed a "Share Purchase Agreement" with European Bank for Reconstruction and Development ("EBRD") on 9 December 2015. In accordance with the agreement, 10% of Borsa İstanbul shares were transferred to EBRD. The transfer of shares was approved in the Extraordinary General Assembly meeting held on 7 December 2015 and was registered on 10 December 2015. These shares that were registered upon EBRD, as expressed in the agreement, could be sold back to Borsa İstanbul A.Ş. by EBRD at their purchase price until 31 March 2018, in the event that Borsa İstanbul's planned initial public offering had not taken place until 31 December 2017.

The maturity of the option being talked about was extended to the date 30 June 2018 along with an additional agreement signed between Borsa İstanbul and EBRD. Afterwards,the maturity of the option is extended to the date 30 November 2018 with an additional agreement signed between Turkey Wealth Fund, Borsa İstanbul and EBRD, and option liability is transfered to TWF.

With this additional agreement, the responsibility for the fulfillment of the option obligations of Borsa İstanbul is only set out in the event that such obligations are not fulfilled by the TWF in a timely manner. In this context, the liabilities of the EBRD for the options are excluded from the financial statements which is dated 30 June 2018.

On 29 November 2018, with an additional agreement signed between EBRD, Borsa İstanbul and TWF, all of Borsa İstanbul's option obligations have been transferred to TWF and Borsa İstanbul has no remaining option liability.

(**) The Company signed agreements with Nasdaq OMX ("Nasdaq") to build a comprehensive strategic partnership on 31 December 2013. Within the context of these agreements, Nasdaq will replace all the software underlying the technological infrastructure of the markets within the Company with software packages developed according to the Company needs. Furthermore, Nasdaq will provide the consultancy services needed for the implementation of these technologies for three years. Nasdaq will also provide training support to BİST regarding human resources and technological know-how for a wide range of projects from index calculations to marketing.

BİST, which has the ownership and the source code of the said technologies for which competency and know-how will be transferred, is entitled to sell these technologies in 25 countries. Within the framework of the agreement, the payments to be made by BİST to Nasdaq shall be in the form of a) transfer of 5% shares, b) deferred payment or transfer of 2% additional shares, and c) cash payment, which shall be made in instalments. As per provisions of the agreement, 5% of BİST shares were transferred to Nasdaq OMX. Additionally, BİST and Nasdaq own both options to demand 5% of shares of BİST as at August 2018 in return for USD 75 million. Additional transfer of 2% is realised as at 30 December 2015 and the Company has right of mortgage over the shares. Transfer of shares are registered at 30 December 2015, option for giving / taking back related 2% shares in exchange of USD 30 million was deferred to 30 June 2018 for both sides. Along with the agreement that is signed on 25 May 2018, the option concerning 7% BİST shares is utilized and these shares were transfered to Borsa İstanbul. In accordance with the articles of association of Borsa İstanbul, usufruct rights have been established on behalf of TWF, group A shareholder. 7% of BİST shares, that were transferred from Nasdaq to Borsa İstanbul on 11 June 2018, were transferred to TWF following the Capital Markets Board's decision on 29 August 2018.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

1 GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Subsidiaries

The Company's subsidiaries ("the Subsidiaries"), their principal activities and the countries in which they operate are stated below:

			Effective ownership of interest(%)	
Subsidiaries	**Country of incorporation**	**Area of activity**	**31 December 2018**	**31 December 2017**
İstanbul Takas ve Saklama Bankası A.Ş. (**)	Turkey	Bank	64.14	63.83
Merkezi Kayıt Kuruluşu A.Ş.(**)	Turkey	Custodian	71.73	71.53
İstanbul Gemoloji Enstitüsü Sanayi ve Ticaret A.Ş. (*)	Turkey	Precious gems	-	51.00

(*) The share transfer agreement of the Group on the sale of its shares in the İstanbul Gemoloji Enstitüsü Sanayi ve Ticaret A.Ş., which is 51.00% of the capital, was signed on 4 April 2018.

(**) The Group, which has participated in 63.83% of the İstanbul Takas ve Saklama Bankası Anonim Şirketi ("Takasbank") share capital, increased its shares to 64.14% by acquiring minority shares on 17 May 2018. As a result of this, the Group's shares which indirectly owned of MKK increased and the effective ownership of interest on the MKK is increased from 71.53% to 71.73%.

İstanbul Takas ve Saklama Bankası A.Ş.

İstanbul Takas ve Saklama Bankası Anonim Şirketi ("Takasbank") has maintained its operations as a bank which does not accept deposits since 2 January 1996. Takasbank performs custody, exchange and other necessary transactions related to securities on behalf of intermediary institutions. Takasbank also provides custody services on a customer basis. The headquarter of Takasbank is located in İstanbul and the Company does not have any branch.

Merkezi Kayıt Kuruluşu A.Ş.

Merkezi Kayıt Kuruluşu Anonim Şirketi ("MKK") was established in İstanbul, Turkey to control the consistency of records kept on a member group basis by tracking the records for capital market instruments recorded on the basis of issuers, intermediary institutions and beneficiaries and related rights, MKK started its operations on 26 September 2001.

İstanbul Gemoloji Enstitüsü Sanayi ve Ticaret A.Ş.

İstanbul Gemoloji Enstitüsü Anonim Şirketi was founded in İstanbul, Turkey and started its operations as at 14 June 2011 upon the subjects of performing scientific research and development upon precious gems, precious metals and any materials that could replace these gems, trading and lending transactions of precious gems and to perform transactions related to capital market instruments which are propped up to the precious gems.

Joint ventures

Areas of activities and business locations of joint ventures of the Company are as stated below:

			Effective ownership of interest (%)	
Joint ventures	**Country of incorporation**	**Area of activity**	**31 December 2018**	**31 December 2017**
Finans Teknopark A.Ş.	Turkey	Technology	50.00	50.00
Borsa İstanbul İTÜ Teknoloji A.Ş.	Turkey	Technology	50.00	50.00

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

1 GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Joint ventures (Continued)

Finans Teknopark A.Ş.

Finans Teknopark A.Ş. is established in Turkey and started its operations at 9 January 2015 in order to ensure the collaboration of research institutions and organizations and finance and production sectors, to globalize the finance and industry sector's competition abilities, and to direct these sectors rotation to export, and ultimately to ensure the technological substructure that will produce technological and financial information.

Borsa İstanbul İTÜ Teknoloji A.Ş.

Main area of activity of Borsa İstanbul İTÜ Teknoloji A.Ş. is to operate in informatics and technology sectors, There are no other significant area of activities of the firm.

Associates

Areas of activities and business locations of associates of the Company are as stated below:

			Effective ownership of interest (%)	
Associates	**Country of incorporation**	**Area of activity**	**31 December 2018**	**31 December 2017**
Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.(*)	Turkey	License	34.27	34.21
Enerji Piyasaları İşletme A.Ş. ("EPİAŞ")	Turkey	Energy market operations	30.83	30.83
Kyrgyz Stock Exchange	Kyrgyzstan	Stock market operations	16.33	16.33
Montenegro Stock Exchange	Montenegro	Stock market operations	24.43	24.43

(*) The Group, which has participated in 63.83% of the İstanbul Takas ve Saklama Bankası Anonim Şirketi ("Takasbank") share capital, increased its shares to 64.14% by acquiring minority shares on 17 May 2018. As a result of this, the Group's shares which indirectly owned of SPL increased and the effective ownership of interest on the SPL is increased from 34.21% to 34.27%.

Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş. ("SPL")

Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş. ("SPL") is authorized by Capital Markets Board ("Board") and started its operations in 2011 to grant licenses to the employees work in capital markets institutions and publicly-held corporations, hold the license records of the license owners and to organize education programs related to the licenses.

Kyrgyz Stock Exchange

Main area of activity of Kyrgyz Stock Exchange is to operate the stock market transactions in Kyrgyzstan.

Montenegro Stock Exchange

Main area of activity of Montenegro Stock Exchange is to operate the stock market transactions in Montenegro.

Enerji Piyasaları İşletme A.Ş. ("EPİAŞ")

Main area of activity of Enerji Piyasaları İşletme A,Ş, ("EPİAŞ") is to establish, plan, develop and operation of energy markets that are included in market operation license, in a way that ensures efficiency, transparency and security of these markets.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Preparation of financial statements

BİST and BİST's subsidiaries operating in Turkey maintains (together referred to the "Group") their accounting records and prepares their statutory financial statements in TL and in accordance with the Turkish Commercial Code ("TCC"), tax legislation and Uniform Chart of Accounts issued by the Ministry of Finance. The subsidiaries incorporated outside of Turkey maintain their books of account and prepare their statutory financial statements in accordance with the regulations of the countries in which they operate.

The Group has not restated the comparative information for the financial instruments under IFRS 9 for 2017 and the cumulative effect of the first application of the standard has been presented in retained earnings in the current period's equity as at 1 January 2018.

IFRS 15 and other amendments to IAS / IFRS as at 1 January 2018 have no material effect on the Group's accounting policies, financial position or performance.

The adoption process continues regarding IFRS 16 Leases ("IFRS 16") which will be in effect starting from 1 January 2019.

These consolidated financial statements are prepared according to the International Financial Reporting Standards ("IFRS"). These consolidated financial statements are prepared on historical cost basis, expect for significant items in the table below. The following items are measured on an fair value basis at the reporting date.

	Measurement base
Financial assets at fair value through other comprehensive income	Fair value
Financial assets at fair value through profit or loss	Fair value
Investment properties	Fair value

The preparation of the consolidated financial statements requires the use of judgments and estimates which might affect the amounts of assets and liabilities, explanation of commitments and contingent liabilities which were reported as at the balance sheet date and the revenues and expenses which were reported throughout the period. Even though, these judgments and estimates are based on the best estimates of the Group's management, the actual results might differ from them.

2.2 Standards issued but not yet effective and not early adopted as at 31 December 2018

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Standards issued but not yet effective and not early adopted as at 31 December 2018 (Continued)

IFRIC 23 - Uncertainty over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective from 1 January 2019, with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

Amendments to IFRS 9 - Prepayment features with negative compensation

On 12 October 2017, IASB has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortized cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 9.

Amendments to IAS 28 - Long-term interests in Associates and Joint Ventures

On 12 October 2017, IASB has issued amendments to IAS 28 to clarify that entities also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 28.

The revised Conceptual Framework

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Standards issued but not yet effective and not early adopted as at 31 December 2018 (Continued)

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 4 has been amended by IASB to reduce the impact of the differing effective dates of the new insurance contracts standard and IFRS 9. These amendments to IFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying IFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39; or ii) an optional temporary exemption from applying IFRS 9 for companies whose activities are predominantly connected with insurance before 1 January 2021. These companies will be permitted to continue to apply existing requirements for financial instruments in IAS 39. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 4.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued "Annual Improvements to IFRSs / 2015-2017 Cycle" for applicable standards. The amendments are effective as at 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to IAS 19 - Plan amendment, curtailment or settlement

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 19.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Standards issued but not yet effective and not early adopted as at 31 December 2018 (Continued)

IFRS 17 - Insurance contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 17.

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 1 and IAS 8.

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 3.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Comparative information

Consolidated financial statements of the Group have been prepared comparatively with the prior period. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassed and significant changes are disclosed if necessary.

The Group has made the following classifications:

As at 1 January 2017, amounting to TL 48,295 which is disclosed in "Restricted Reserves" has been reclassified to "Retained Earnings".

2.4 Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Income and expense items are stated with net-off balances only if allowed by the accounting standards or for the similar transactions in profit and loss items of the Group like purchase and sales transactions.

2.5 Going concern

The Group prepared the consolidated financial statements according to going concern principles.

2.6 Financial statements of subsidiaries operating in foreign countries

Financial statements of subsidiaries that are operating in foreign countries are prepared in accordance with the laws and regulations in force in the countries in which they are registered in and required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Group's accounting policies.

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- Income and expenses for each income statement are translated at average exchange rates; and all resulting exchange differences are recognized as a separate component of equity and statements of comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Consolidation principles

The consolidated financial statements include the accounts of the Group on the basis set out in sections below. The financial statements of the fully consolidated subsidiaries have been prepared with required adjustments and reclassifications for the purpose of compliance with IAS and the accounting policies of the Group. The financial results of the subsidiaries are fully consolidated from the date on which control is transferred to the Group or deconsolidated from the date that control ceases.

The control is provided with influence on the activities of an entity's financial and operational policies in order to obtain economic benefit from those activities.

Subsidiaries

Subsidiaries are companies in which BİST has the power to control the financial and operating policies for the benefit of BİST either (1) through the power to exercise more than 50% of voting rights related to shares in the companies as a result of shares owned directly and indirectly by itself whereby BİST exercises control over the voting rights of the shares held by them; or (2) although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Proportion of ownership interest represents the effective shareholding of the Group through the shares held directly by BİST and indirectly by its subsidiaries. The table below sets out all subsidiaries included in the scope of consolidation and shows their shareholding structure at 31 December 2018 and 31 December 2017 as follows:

	Effective ownership of interest (%)	
	31 December 2018	**31 December 2017**
İstanbul Takas ve Saklama Bankası A.Ş. (**)	64.14	63.83
Merkezi Kayıt Kuruluşu A.Ş.(**)	71.73	71.53
İstanbul Gemoloji Enstitüsü Sanayi ve Ticaret A.Ş. (*)	-	51.00

(*) The share transfer agreement of the Group on the sale of its shares in the İstanbul Gemoloji Enstitüsü Sanayi ve Ticaret A.Ş., which is 51.00% of the capital, was signed on 4 April 2018.

(**) The Group, which has participated in 63.83% of the İstanbul Takas ve Saklama Bankası Anonim Şirketi ("Takasbank") share capital, increased its shares to 64.14% by acquiring minority shares on 17 May 2018. As a result of this, the Group's shares which indirectly owned of MKK increased and the effective ownership of interest on the MKK is increased from 71.53% to 71.73%.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Consolidation principles (Continued)

Joint ventures

Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Company and one or more other parties. The Group exercises such joint control through the power to exercise voting rights relating to shares in the companies as a result of ownership interest directly and indirectly by itself.

Joint ventures have been accounted for using the equity method in accordance with clauses of IFRS 11 "Joint Arrangements" which has been effective from 1 January 2013. Under the equity method, investments in the joint ventures are carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the joint venture and the comprehensive income reflects the share of the results of operations of the joint ventures. Where there has been a change recognized directly in the equity of the joint ventures, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. When the Company has rights only to the net assets of the arrangements, it accounts for its interest using the equity method according to IAS 28.

The table below sets out the joint ventures accounted by equity method, the proportion of voting power held by the Company and its subsidiaries and effective ownership of interests at 31 December 2018 and 31 December 2017:

	Effective ownership of interest (%)	
	31 December 2018	**31 December 2017**
Finans Teknopark A.Ş.	50.00	50.00
Borsa İstanbul İTÜ Teknoloji A.Ş.	50.00	50.00

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Consolidation principles (Continued)

Associates

Associates are accounted for using the equity method. Associates are companies in which the Group has voting power between 20% and 50% or the Group has power to participate in the financial and operating policy decisions but not control them.

Under the equity method, the investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss.

Investments are accounted for using the equity method considering the Group's total share portions which are owned directly or indirectly from its subsidiaries.

The investments in associates are carried on the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The income statement reflects the Group's share of the results of operations of the associates. When there is a change recognized directly in the equity of an associate, the Group recognizes its share of any changes and discloses this when applicable, in the statement of changes in equity. Profits and losses resulting from the transactions between the Group and the associates and the Group are identical and the associates' accounting policies conform to those of the Group for like transactions and events in similar circumstances.

The table below sets out the subsidiaries accounted for using the accounting under equity method, the proportion of voting power held by the Group and its subsidiaries and effective ownership of interests at 31 December 2018 and 31 December 2017:

	Effective ownership of interest (%)	
	31 December 2018	**31 December 2017**
Sermaye Piy, Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.(*)	34.27	34.21
Enerji Piyasaları İşletme A.Ş. ("EPİAŞ")	30.83	30.83
Kyrgyz Stock Exchange	16.33	16.33
Montenegro Stock Exchange	24.43	24.43

(*) The Group, which has participated in 63.83% of the İstanbul Takas ve Saklama Bankası Anonim Şirketi ("Takasbank") share capital, increased its shares to 64.14% by acquiring minority shares on 17 May 2018. As a result of this, the Group's shares which indirectly owned of SPL increased and the effective ownership of interest on the SPL is increased from 34.21% to 34.27%.

2.8 Functional and presentation currency

The accompanying financial statements are presented in the Group's functional and presentation currency, which is Turkish Lira ("TL"), in full unless otherwise stated.

2.9 Changes in accounting policies and estimates and errors

The valuation principles and accounting policies have been applied consistently to all periods presented in these financial statements. Material changes in accounting policies and material accounting errors are adjusted retrospectively and prior periods' consolidation financial statements are restated. If the changes in accounting estimates are related to a period, they are applied in the period they are related to and if the changes are related to the future periods, they are applied both in the period the change is made and prospectively in the future periods.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.10 Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires the use of judgments and estimates which might affect the amounts of assets and liabilities, explanation of commitments and contingent liabilities which were reported as at the balance sheet date and the revenues and expenses which were reported throughout the period. Even though, these judgments and estimates are based on the best estimates of the Company's management, the actual results might differ from them.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognized in the consolidation financial statements are described in the following notes:

Fair value measurement of investment properties

Fundamental assumptions of the appraisal reports used during the determination of fair value investment properties in the consolidated financial statements are stated below:

Akmerkez Office

Akmerkez office, classified as investment property as at 31 December 2018 and 31 December 2017, is located on 1,000 m^2 ground in İstanbul / Beşiktaş, Nispetiye Mahallesi 83 / 1 E3 Blok 10 floor.

According to a licensed real estate valuation firm report which is dated 17 December 2018. Akmerkez office was evaluated by market value approach and the fair value amount is TL 23,175.

Şişli Service Building

As at 31 December 2018, the Group has classified the building located in Şişli. İstanbul under investment property, "The Built of stone Workplace" is located on the parcel of 29 in İstanbul province, Şişli district, Şişli street, 159 section, 1,042 city block, is located on 4,544,62 m^2 ground.

According to a licensed real estate valuation firm report which is dated 26 December 2018. Şişli service building evaluated by market value approach and the fair value amount is TL 38,630.

Provisions for employment termination benefits

In accordance with existing social legislation, the Group is required to make lump sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The assumptions of provision for employee termination benefits of a major portion of the Group are prepared by an independent actuarial company. The employee termination benefits have been calculated based upon factors derived using the Group's experience of personnel terminating their services and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds.

The current service cost of the defined benefit plan, recognized in the income statement in employee benefit expense reflects the increase in the defined benefit obligation resulting from employee service in the current year, Past service costs are recognized immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise (Note 17).

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.10 Significant accounting judgments, estimates and assumptions (Continued)

Main assumptions that are used in the provision for employee termination benefits are estimated employee turnover rate and discount factor. Discount and probability ratios that are used in the employee termination benefits are as below:

	31 December 2018	31 December 2017
Discount rate	5,09%	4.25%
Estimated employee turnover rate	97,63%	97.38%

Useful lives of intangible assets

Referring to the agreements which the Company had signed with Nasdaq OMX ("Nasdaq"), the useful life of the software that forms the technological substructure of the markets within the Group is determined as 20 years.

2.11 Summary of significant accounting policies

The significant accounting policies used in preparing the consolidation financial statements are described below.

Related parties

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control of the reporting entity
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity, If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.1 Service revenue

i. Accounting policies applied after 1 January 2018

Service revenue shall be recognised when all the following conditions have been satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably and;
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue has been disclosed by offsetting, discounts, returns, taxes related with sales and the elimination of the transaction within the Group.

According to the new standard IFRS 15 "Revenue from Contracts with Customers", total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating performance obligations for goods and services in a contract and recognition of revenue over time. IFRS 15 standard is in effect starting from 1 January 2018 and does not have impact on the Group's financial position and performance.

The main income items in the Group's service income are;

Trading fees, interest revenue, securities registration fees, listing fees, data vending and custody income.

Debt securities trading revenues

Debt securities trading revenues consist of revenue from transactions in international bond markets where external debt instruments issued by the Republic of Turkey Treasury and included on the exchange list and in the equity repo market, where transactions are carried out with the shares of the companies that are traded on Borsa İstanbul Equity Market and which are included in BİST 30 Index and deemed appropriate by a Board of Directors, fees from debt instruments traded on the outright purchase and sales market, the repo-reverse repo market, the repo market for specified securities, the interbank repo-reverse repo market where second hand fixed income security transactions are made, and the offering market for qualified investors, where capital market instruments, which can be purchased by "qualified investors" as described in capital markets legislation are issued.

Equity market trading revenue

Equity market trading revenue consists of the revenue based on the transaction volume of financial instruments, such as the right to purchase new equities and to exchange traded funds, warrants and certificates.

Derivatives trading revenue

Derivative market trading revenue consists of revenue which is accrued monthly and calculated on transaction volumes arising from futures and options contracts based on all primary asset classes such as equity, foreign-domestic stock indices, foreign exchange, steel scrap, exchange traded fund, precious metals, commodity and energy.

Precious metals and diamond market trading revenue

Precious metals and diamond market trading revenue consists of income accrued monthly and daily and calculated on the transaction volume of the precious metals market where spot transactions of standard, non-standard, gold, silver, platinum and palladium produced from ore. Precious Metals Lending Market where lending and certificate transactions are made and Diamond and Precious Stones Market where diamond and precious stones are traded.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.1 Service revenue (Continued)

i. Accounting policies applied after 1 January 2018 (Continued)

Takasbank money market

Takasbank money market commissions consist of incomes accrued and collected daily and calculated on transactions made in this market established and operated by Takasbank to match the demand of market players who need funds and the offers of market players who have excess funds.

Security registration income

These fees consist of income accrued weekly and received for off-exchange security purchases, sales, and repo and reverse repo transactions announced weekly by banks and brokerage firms.

Listing income

Listing fees consist of initial listing/registration fees, annual listing/registration fees, and re-listing/re-registration fees. The initial listing fee is the nominal price of the securities in each listing transaction. Partnerships in the securities exchange listing should pay an annual fee so long as they remain in the relevant listing.

Custody and custody related operating revenue

Custody and custody related operating revenue consist of custody fees accrued for physical shares in the custody of Takasbank, in the private pension fund shares of attendee accounts and for income gained from global custody service.

Custody and custody related operating revenue consist of income received from the custody services of shares, investment funds, warrants and debt instruments in MKK (Central Securities Depository).

Data vending revenue

Data vending revenue consist of the income arising from disseminating the data in Borsa İstanbul markets to users on a real time and a delayed basis through licensed data vendors.

Takasbank interest income

Interest income is calculated by using the effective interest rate (the rate which sets the future cash flows of a financial asset or liability equal to their current net book value) method in accordance with "IFRS-9 Financial Instruments".

Rental income

Rental income from investment properties is recognized as revenue on a straight-line basis over the term of the lease.

Dividend income

Dividend income that is recognized over share investments, are accounted in the financial statements when the shareholders right to obtain the dividend takes places.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.1 Service revenue (Continued)

ii. Accounting policies applied before 1 January 2018

Service revenue shall be recognised when all the following conditions have been satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably and;
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue has been disclosed by offsetting, discounts, returns, taxes related with sales and the elimination of the transaction within the Group.

The main income items in the Group's service income are;

Trading fees, interest revenue, securities registration fees, listing fees, data vending and custody income.

Debt securities trading revenues

Debt securities trading revenues consist of revenue from transactions in international bond markets where external debt instruments issued by the Republic of Turkey Treasury and included on the exchange list and in the equity repo market, where transactions are carried out with the shares of the companies that are traded on Borsa İstanbul Equity Market and which are included in BİST 30 Index and deemed appropriate by a Board of Directors, fees from debt instruments traded on the outright purchase and sales market, the repo-reverse repo market, the repo market for specified securities, the interbank repo-reverse repo market where second hand fixed income security transactions are made, and the offering market for qualified investors, where capital market instruments, which can be purchased by "qualified investors" as described in capital markets legislation are issued.

Equity market trading revenue

Equity market trading revenue consists of the revenue based on the transaction volume of financial instruments, such as the right to purchase new equities and to exchange traded funds, warrants and certificates.

Derivatives trading revenue

Derivative market trading revenue consists of revenue which is accrued monthly and calculated on transaction volumes arising from futures and options contracts based on all primary asset classes such as equity, foreign-domestic stock indices, foreign exchange, steel scrap, exchange traded fund, precious metals, commodity and energy.

Precious metals and diamond market trading revenue

Precious metals and diamond market trading revenue consists of income accrued monthly and daily and calculated on the transaction volume of the precious metals market where spot transactions of standard, non-standard, gold, silver, platinum and palladium produced from ore. Precious Metals Lending Market where lending and certificate transactions are made and Diamond and Precious Stones Market where diamond and precious stones are traded.

Takasbank money market

Takasbank money market commissions consist of incomes accrued and collected daily and calculated on transactions made in this market established and operated by Takasbank to match the demand of market players who need funds and the offers of market players who have excess funds.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.1 Service revenue (Continued)

ii. Accounting policies applied before 1 January 2018 (Continued)

Security registration income

These fees consist of income accrued weekly and received for off-exchange security purchases, sales, and repo and reverse repo transactions announced weekly by banks and brokerage firms.

Listing income

Listing fees consist of initial listing/registration fees, annual listing/registration fees, and re-listing/re-registration fees. The initial listing fee is the nominal price of the securities in each listing transaction, Partnerships in the securities exchange listing should pay an annual fee so long as they remain in the relevant listing.

Custody and custody related operating revenue

Custody and custody related operating revenue consist of custody fees accrued for physical shares in the custody of Takasbank, in the private pension fund shares of attendee accounts and for income gained from global custody service.

Custody and custody related operating revenue consist of income received from the custody services of shares, investment funds, warrants and debt instruments in MKK (Central Securities Depository).

Data vending revenue

Data vending revenue consist of the income arising from disseminating the data in Borsa İstanbul markets to users on a real time and a delayed basis through licensed data vendors.

Takasbank interest income

Interest income is recorded at fair value and recognised based on accrual, using the effective interest method (the rate which sets the future cash flows of a financial asset or liability equal to their current net book value) considering the existing principle amount. As per legislation, interest accrual and re-discount of loans and other receivables for which there are illiquid claims are cancelled, and such amounts are exempt from interest income until collection.

Rental income

Rental income from investment properties is recognized as revenue on a straight-line basis over the term of the lease.

Dividend income

Dividend income that is recognized over share investments, are accounted in the financial statements when the shareholders right to obtain the dividend takes places.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.2 Property and equipment

The cost of an item of property and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

After recognition as an asset, an item of property and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation

Property and equipment are depreciated over the estimated useful lives of the related assets from the date of acquisition or the date of installation, on a straight-line basis.

Construction in progress assets are amortized when the related intangible assets are ready for use in accordance with the useful lives identified.

The estimated useful lives of property and equipment are as follows:

Property and equipment	Year
Buildings	35-50
Machinery and equipment	4-10
Vehicles	5
Furniture and fixtures	4-15
Leasehold improvements	5-25

Expenditures incurred to replace a component of an item of property and equipment that are accounted for separately, including major inspection and overhauls costs, are capitalized. Other subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are recognized in profit or loss as an expense as incurred.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. For subsequent periods, the gain or loss arising from the change in the fair value of the investment property is included in profit or loss in the period in which it arises.

2.11.3 Investment properties

The investment properties, which are held either to earn rental income or for capital appreciation or for both, instead of either for the Group's operations or for management purposes or for sale during the daily operations, are classified under other properties.

Investment properties are carried at their fair value on the basis of a valuation made by an independent valuation expert. Changes in fair values of investment properties are recognized in the income statement under other income.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.4 Government grants

Government grants along with investment, research and development grants are accounted for on an accrual basis for estimated amounts expected to be realised under grant claims filed by the Group. These grants are accounted for as deferred income in the consolidated balance sheet and are credited to consolidated income statement on a straight-line basis over the expected lives of related assets. Government grants allowing reduced corporate tax payment are evaluated within the scope of IAS 12 "Income Taxes" standard.

2.11.5 Intangible assets

Intangible assets includes information systems, software and other intangibles arose from business mergers, Intangible assets are recognized at acquisition cost and amortized by the straight-line method over their estimated useful lives after their acquisition date. If impairment exists, carrying amounts of the intangible assets are written down immediately to their recoverable amounts. Intangible assets are amortized on a straight-line basis over their estimated useful lives for a period between 3-20 years from the date of acquisition.

Construction in progress assets are amortized when the related intangible assets are ready for use in accordance with the useful lives identified.

2.11.6 Research and development costs

Planned operations that are done in order to obtain new technological information or discovery of Group are defined as research, and the research expenses during this phase is recognized as expense on happening.

Development is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use and an intangible asset arising from development is recognized when the following are demonstrated by the Company:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale,
b) Its intention to complete the intangible asset and use or sell it,
c) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,
d) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
e) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs of the Group consists of any software packages which are in progress of being developed with regard to all of the software programs that constitutes the technological substructure of the markets which are under the Group's structure.

Development costs of Group, consists of the personnel salaries that are assigned directly in the development of the assets, other personnel costs and the costs related to the services used in the development of the intangible asset.

Related development costs are recognized initially in construction in progress which is under intangible assets section, and afterwards, the portion that is started to be used actively is being transferred to rights account under intangible assets.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.7 Financial Instruments

i. Accounting policies applied after 1 January 2018

First time adoption of IFRS 9 "Financial instruments" standard

New standards and interpretations applied IFRS 9 "Financial Instruments" the last version of IFRS 9, issued in 19 January 2017, replaces the existing guidance in IAS 39 "Financial Instruments: Recognition and Measurement". It also carries forward the guidance on recognition, classification, measurement and derecognition of financial instruments from IAS 39 to IFRS 9. The last version of IFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of IFRS 9. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

The Group has initially adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. IFRS 9 contains the expected credit risk model that will replace the actual impairment loss model that is currently being used with the requirements for accounting and measurement of financial assets and liabilities and certain non-financial items of purchase or sale contracts. The Group is proceeding according to the simplified approach used for trade receivables and contract assets recognized without significant financing while performing the expected credit loss calculations. In addition, the Group has applied both the 12-months and the lifetime ECL measurement (general approach) for its subsidiaries that can provide financing. The Group benefited from an exemption allowing for the reclassification of comparative information on prior periods for changes in classification and measurement (including impairment). Differences in the carrying amount of financial assets and financial liabilities arising from the application of IFRS 9 were recognized in retained earnings as at 1 January 2018.

The following table summarises the net tax impact of transition to IFRS 9 on the retained earnings as at 1 January 2018:

	Impact of adopting IFRS 9 before tax	Tax impact of adopting IFRS 9	Total impact of adopting IFRS 9
Retained earnings			
Recognition of expected credit losses under IFRS 9	(39,105)	8,604	(30,501)
Valuation differences related to financial assets at fair value through profit or loss	39,695	(8,733)	30,962
Impact at 1 January 2018			**461**

Classification and measurement

Classification and measurement of financial assets in accordance with IFRS 9 Financial Instruments standard is determined by whether the financial asset is based on the business model in which the financial asset is managed and whether it is based on contractual cash flows including interest payments on principal and principal balance.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.7 Financial Instruments (Continued)

i. Accounting policies applied after 1 January 2018 (Continued)

Classification and measurement standard (Continued)

IFRS 9 contains three basic categories of financial assets: amortized cost (AC), fair value other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the categories of available-for-sale financial assets that are held to maturity, loans and receivables included in the current IAS 39 standard.

The Group accounts for its financial assets in three classes. The classification is based on the characteristics of the contractual cash flows of the entity and the business model used by the entity for the management of the financial assets. The Group classifies its financial assets at the time of purchase.

"Financial assets measured at amortized cost" are financial assets held as part of a business model aimed at collecting contractual cash flows and that have cash flows that include interest payments solely on principal and principal balance at specific dates in contractual terms, are not traded in an active market. Financial assets at amortized cost of the Group also include "cash and cash equivalents", "trade receivables" and "other receivables". Related assets are initially recognized at fair value in the financial statements; in subsequent accounting, measured at amortized cost using the effective interest rate method. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the consolidated income statement.

"Financial assets at fair value through other comprehensive income" are financial assets held as part of a business model for the collection and settlement of contract cash flows and for which there are cash flows from interest payments arising principally only at principal and principal amounts under contractual terms. Any gains or losses arising from the related financial assets are recognized in other comprehensive income except for impairment losses, gains or losses and exchange rate differences income or expenses.

For investments in equity-based financial assets, the Group may inadvertently choose the method of reflecting subsequent changes in fair value to other comprehensive income during the first financial statement purchase. In the case of such a preference, the dividends from the related investments are recognized in the consolidated income statement.

Under IFRS 9, all investments in equity instruments and contracts on those instruments must be measured at fair value. However, in limited circumstances, cost value may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost value represents the best estimate of fair value within that range.

"Financial assets at fair value through profit or loss" are financial assets measured other than those at amortized cost and fair value through other comprehensive income. The resulting gains and losses from the valuation of such assets are recognized in the consolidated income statement.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.7 Financial Instruments (Continued)

i. Accounting policies applied after 1 January 2018 (Continued)

Classification and measurement (Continued)

If an entity previously accounted for an investment in an equity instrument that does not have a quoted price in an active market for an identical instrument (ie a Level 1 input) (or a derivative asset that is linked to and must be settled by delivery of such an equity instrument) at cost in accordance with IAS 39, it started to measure that instrument at fair value at the date of initial application. The Group has calculated the fair value considering the book value. The difference amounting to TL 39,695 between the previous cost value and fair value shall be recognised in the retained earnings of the reporting period that includes the date of initial application.

	Classification according to IAS 39	Book value according to IAS 39	IFRS 9 classification effect	IFRS 9 valuation effect	Book value according to IFRS 9	Reclassification according to IFRS 9
		31 December 2017			1 January 2018	
Financial assets						
Cash and cash equivalents	Loans and receivables	10,800,918	-	(16,265)	10,784,653	Amortized cost
Trade receivables	Loans and receivables	247,863	-	(337)	247,526	Amortized cost
Financial Investment - Share-Financial assets at fair value through other comprehensive income	Financial assets held-for trading	67,781	(62,838)	-	4,943	FVOCI
Financial Investment - Share-Financial assets at fair value through profit or loss	Financial assets held-for trading		62,838	39,695	102,533	FVTPL
Financial Investment-Government bonds	Financial assets held-to-maturity	36,947	-	-	36,947	Amortized cost
Financial Invenstments-Sukuk	Financial assets held-to-maturity	36,312	-	-	36,312	Amortized cost
Financial Invenstments- Bonds	Financial assets held-to-maturity	3,405	-	-	3,405	Amortized cost
Financial Invenstments-Corporate bonds	Financial assets held-to-maturity	182	-	-	182	Amortized cost
						Amortized cost
Financial liabilities						
Other current liabilities	Amortized cost	5,777,861	-	22,503	5,800,364	Amortized cost

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, trade and other receivables.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.7 Financial Instruments (Continued)

ii. Accounting policies applied before 1 January 2018

The Group's financial assets consist of cash and cash equivalents, available-for-sale financial assets, financial assets held-to-maturity, financial assets held-for trading, trade receivables; and financial liabilities consist of trade payables, short term borrowings and other financial liabilities.

Non-derivative financial assets

The Group recognizes its trade and other receivables on the date that they are originated. All other financial assets are recognized on the transaction date that the Group becomes a party for related financial agreements. The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest held by financial assets transferred by the Group are recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: available-for-sale financial assets, financial assets held to maturity and loans and receivables.

Financial assets held-for trading

A financial asset is classified as at fair value through profit or loss if it is classified as held-for trading or is designated as such on initial recognition. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognized in profit or loss.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.7 Financial Instruments (Continued)

ii. Accounting policies applied before 1 January 2018 (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets and financial assets at fair value through profit or loss or held-to-maturity categories. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

The Group also has investments in unquoted equity investments that are not traded in an active market but are also representing share in capital and classified as available-for-sale financial assets and measured at cost since their fair value cannot be measured reliably.

Financial assets held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available for sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets are initially recognized at cost and the cost is assumed as fair value. Fair value of the held-to-maturity financial assets is based on the original transaction cost or market value of similar financial assets. Held-to-maturity financial assets are measured at amortized cost using the effective interest method after initial recognition. Interest income related to held-to-maturity financial assets are accounted under income statement.

The Group does not account for a provision for impairment of short-term market fluctuations for the debt securities classified as held-to-maturity financial assets provided that collection risk does not exists. If there is a collection risk, the impairment amount is determined as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables.

2.11.8 Impairment of financial assets

i. Accounting policies applied after 1 January 2018

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. In this context, it has been necessary to evaluate how the economic factors that will be determined by weighting according to the probabilities of realization affect the ECLs. The new impairment model is applied to financial assets at fair value through other comprehensive income or measured at amortized cost (other than investments in equity instruments) and contract assets. The financial assets at amortized cost consist of trade receivables, financial investments, and cash and cash equivalents.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.8 Impairment of financial assets (contined)

i. Accounting policies applied after 1 January 2018 (Continued)

Under IFRS 9, loss allowances are measured on either of the following bases:

• 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

• Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when:

• The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The basic principles for calculating the Group's "Expected Credit Loss" are as follows:

• Information considered in the Expected Credit Loss accounting should be reasonable, reliable and supportable.

• Country risk is also taken into account when calculating provisions that will be reserved for expected credit losses. Loans are allocated at a higher rate than the loan-based reserves, taking into account the size, type, maturity, currency, interest rate structure, borrowing sector, collaterals and similar concentrations over time, credit risk level and management.

• The approach used to assess expected credit losses is consistent with the Group's credit risk management.

• Information used; specific factors of the borrower, general economic conditions and the assessment of the effects of these factors and conditions in the current and future periods at the reporting date. Possible sources of information include the Group's credit disposal experience, internal or external credit ratings, reports and statistics.

• If it is determined that the financial instrument has low credit risk at the reporting date, the Group may assume that the credit risk in the financial instrument has not increased significantly since its first financial statement.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.8 Impairment of financial assets (Continued)

i. Accounting policies applied after 1 January 2018 (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Impact of the new impairment model

As at 1 January 2018, the effect of impairment allowance under IFRS 9 is as follows:

Loss allowance as at 31 December 2017 under IAS 39	**1,965**
Additional impairment recognized at 1 January 2018 on:	*39,105*
- Cash and cash equivalents	16,265
- Trade receivables	337
- Other current liabilities	22,503
Loss allowance as at 1 January 2018 under IFRS 9	**41,070**

ii. Accounting policies applied before 1 January 2018

Non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss events had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortized cost

The Group considers evidence of impairment for financial assets measured at amortized cost (loans and receivables) at a specific asset level. All assets are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.8 Impairment of financial assets (Continued)

ii. Accounting policies applied before 1 January 2018 (Continued)

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

Non-financial assets

The carrying amount of the Group's non-financial assets, other than investment properties and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.11.9 Financial income and financial expenses

i. Accounting policies applied after 1 January 2018

Financial income includes interest income from investments (including changes in financial asset fair value through other comprehensive income), dividend income, change in fair value, and income from sales of financial assets that reflect other comprehensive income. Interest income is recognized in profit or loss on an accrual basis using the effective interest method. Dividend income is recognized in profit or loss when the Group is entitled to receive payment. Financial expenses include commission expenses.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either financial income or financial expenses depending on whether foreign currency movements are in a net gain or net loss position.

ii. Accounting policies applied before 1 January 2018

Financial income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, and gains on the disposal of available-for-sale financial assets, Interest income is recognized in profit or loss on accrual basis, by the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established. Financial expenses comprise of commissions paid.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either financial income or financial expenses depending on whether foreign currency movements are in a net gain or net loss position.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.10 Non-derivative financial liabilities

i. Accounting policies applied after 1 January 2018

The liability items in IAS 39 have been carried forward to IFRS 9 except for the fact that the fair value change effect of the credit risk exposure of the liabilities recognized by using the fair value option is not allowed to be recognized in the other comprehensive income or loss statement (where accounting inconsistency can not be materially affected).

The Group derecognizes the related financial liability when the contractual commitments related to the financial liability are terminated or cancelled.

The Group presents non-derivative financial liabilities in other financial liabilities. Such financial liabilities are measured initially by deducting transaction costs that are directly attributable to their fair values. Other financial liabilities of the Group are; financial debts, commercial and other debts.

ii. Accounting policies applied before 1 January 2018

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The non-derivative financial liabilities of the Group consist of financial liabilities, trade and other payables.

2.11.11 Payables to members

Payables to members consist of the members' accounts opened in Takasbank by brokerage firms, banks, leasing companies, factoring companies and funding companies, which desire to perform transactions in organized markets, to make a down payment, pay swap liabilities and wire cash to customers. Payables to members are recognised by their fair value in financial statements.

2.11.12 Deposits and guarantees received

Deposits and guarantees received for contracts made for sales and purchase transactions made in markets in BİST Guarantee Fund, BİST Debt Securities and Equity Market, Takasbank Money Market ("TMM"), Equity Lending Market ("ELM"), Derivative Market, Electricity Market, and markets where leveraged sales and purchase transactions are made. Said funds ensure that the debtee does not affect from the delay when the debtor goes into cash default. Cash guarantee mechanisms are created to make sure that cash flow is not interrupted in the market and that the payments are made in time and accurately. The Group invests the deposits and guarantees in financial institutions and reflects the gains to the accounts of relevant members. Group management believes that the current values of deposits and guarantees on financial position statement are similar to the values redeemed with effective interest rates.

2.11.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, time deposits with maturities less than three months, reverse repurchase agreements, and type B liquid funds that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Time deposits at banks are initially recognized at fair value and then, subsequently measured at amortized cost using the effective interest method. The carrying amount of these assets is close to their fair values.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.14 Trade and other receivables

Trade and other receivables are recognized initially at fair value. At the reporting date, subsequent to initial recognition, trade and other receivables are measured at amortized cost using the effective interest method. When a trade receivable become uncollectible, it is written off against the allowance account.

The amount of the allowance account is the difference between the carrying amount of the receivables and the collectible amount. Changes in the carrying amount of the allowance account are recognized in profit or loss. Group's management believes that carrying value of the trade and other receivables on the statement of financial position approximates to their fair value.

2.11.15 Share capital

Ordinary shares are classified as equity. Dividend income is recognized as income when right to obtain of dividend is generated. Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.11.16 Capital reserves

On 3 April 2013, the legal entities, IMKB and IAB, are terminated and all assets, liabilities and receivables, rights and obligations, records and other documents have been transferred to BİST in their entirety, with the exceptions required by law, with no further action needed. The Company's capital has been registered as full TL 423,234,000 at 3 April 2013. The registered capital of BİST is deducted from the sum of all equity accounts in the consolidated financial statements prepared in accordance with IFRS, which is the basis of transfer accounting and the remaining balance is accounted for as capital reserves.

2.11.17 Share premium

Share premium represents the difference that is arised from the sale of a subsidiary or an investment accounted by equity method shares that the Company has with a higher amount than their nominal values or the positive difference between the nominal values and the fair values of the shares that the Company had issued related to the firms that the Company had acquired.

2.11.18 Treasury shares

The cost of the Group's own equity instruments that it has reacquired is deducted from equity. Gain or loss is not recognized on the purchase, sale, issue, or cancellation of treasury shares. Treasury shares may be acquired and held by the entity or by other members of the Group. Consideration paid or received is recognized directly in equity.

2.11.19 Earnings per share

According to IAS 33 - *Earnings per Share*, companies whose shares are not traded in a stock exchange market, are not required to disclose their earnings per share. Since, the Group has no share which is traded in a stock exchange market, earnings per share is not computed in the accompanying consolidated financial statements.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.20 Provisions, contingent liabilities and assets

According to IAS 37 - *Provisions, contingent liabilities and assets*, a provision is recognized when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Group discloses the related issues in the accompanying notes. Contingent assets are disclosed in the notes and not recognized unless it is realized.

2.11.21 Lease transactions

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operational leases. All lease transactions of the Group are operational leases. As per Article 138 of Capital Markets Law No, 6362, which entered into force after its promulgation in the Official Gazette dated 30 December 2012, immovable owned by the İstanbul Stock Exchange were registered free of charge at the title deed registry office on behalf of the Undersecretariat of Treasury on an administrative basis and buildings on those immovable were also registered and were left for use by BİST for twenty nine years, of which the first fifteen years are to be free of charge.

2.11.22 Employment termination benefits

In accordance with existing social legislation, the Group is required to make lump sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the consolidated financial statements, the Group has reflected a liability calculated using "Projected Unit Credit Method" and based upon factors derived using the Group's experience of personnel terminating their services and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds.

According to IAS 19 (amendment), "Employment termination benefits", effective for annual periods beginning on or after 1 January 2013, gains / losses occurred due to the changes in the actuarial assumptions used in the calculation of employment termination benefit should be reclassified under the other comprehensive income.

2.11.23 Segment reporting of financial information

An operating segment is a component of the Group that engages in business activities from which it may earn income and incur expenses, including income and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Since there are no any set of components that are regularly reviewed by chief operating decision maker to take decisions about the Group's activities and whose financial performances are followed separately no reports have been made according to the operating segments.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.24 Share-based payments

An entity has an obligation to settle a share-based payment transaction when it receives the goods or services unless the transaction is clearly for a purpose other than payment for goods or services supplied to the entity receiving them.

An entity shall recognize the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. The entity shall recognize a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

2.11.25 Taxation

Tax expense or income is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred tax is computed, using the liability method, and by the effective tax rate at balance sheet date. And deferred tax is computed on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against the deductible temporary differences. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred taxes arising from income and expenses accounted under equity are also recorded under equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. The carrying amount of deferred income tax assets is reviewed by the Group at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

3 BUSINESS COMBINATIONS

None.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

4 CASH AND CASH EQUIVALENTS

As at 31 December 2018 and 31 December 2017, cash and cash equivalents are as follows:

	31 December 2018	31 December 2017
Cash	60	85
Banks - time deposits	11,494,616	10,708,361
Banks - demand deposits	96,640	71,278
Reverse repo receivables	19,554	20,833
Investment funds (B type liquid fund)	5,410	361
Receivables from money market	623,670	-
Cash and cash equivalents on statement of financial position	**12,239,950**	**10,800,918**
Accruals on cash and cash equivalents	(33,022)	(31,999)
12 months expected credit loss allowance	16,692	
Cash and cash equivalents on statement of cash flows	**12,223,620**	**10,768,919**

As at 31 December 2018, the Group has calculated an expected credit loss allowance amounting to TL 16,692 for cash and cash equivalents amounting to TL 12,239,950 under IFRS 9.

As at 31 December 2018, there is no restricted deposits (31 December 2017: None).

Banks-Time deposits

As at 31 December 2018 and 31 December 2017, the details of time deposits are as follows:

31 December 2018	Amount (TL)	Effective interest rate (%)	Maturity date
TL	6,690,845	24.28	2 January 2019 - 31 May 2019
USD	3,017,718	5.51	2 January 2019 - 14 February 2019
EUR	1,786,053	2.99	2 January 2019
Total	**11,494,616**		

31 December 2017	Amount (TL)	Effective interest rate (%)	Maturity date
TL	6,326,352	13.22	2 January 2018 - 26 February 2018
USD	2,419,482	4.42	2 January 2018 - 3 January 2018
EUR	1,962,527	2.47	2 January 2018 - 24 January 2018
Total	**10,708,361**		

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

5 INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

None of the Group's investments accounted for under the equity method are publicly listed entities and do not have published price quotations.

Summary of financial information for equity accounted investees are as follows as at 31 December 2018 and 31 December 2017:

Joint ventures

31 December 2018	Participation rate (%)	Total assets	Total liabilities	Net assets	Net profit for the period	BİST's shares in profit	BİST's share in net assets
Finans Teknopark A.Ş.	50.00	7,231	5,072	2,159	674	337	1,079
Borsa İstanbul İTÜ Teknoloji A.Ş.	50.00	175	19	156	(1)	(1)	78
Total						**336**	**1,157**

31 December 2017	Participation rate (%)	Total assets	Total liabilities	Net assets	Net profit for the period	BİST's shares in profit	BİST's share in net assets
Finans Teknopark A.Ş.	50.00	9,628	7,760	1,868	1,038	519	934
Borsa İstanbul İTÜ Teknoloji A.Ş.	50.00	198	36	162	(7)	(4)	81
Total						**515**	**1,015**

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

5 INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD (Continued)

Summary of financial information for equity accounted subsidiaries are as follows as at 31 December 2018 and 31 December 2017:

Subsidiaries

31 December 2018	Participation rate (%)	Total assets	Total liabilities	Net assets	Net profit for the period	BİST's shares in profit	BİST's share in net assets
Enerji Piyasaları İşletme A.Ş.	30.83	291,167	110,246	180,921	55,121	16,994	55,778
Sermaye Piy. Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	34.27	26,878	3,129	23,749	7,355	2,521	8,139
Montenegro Stock Exchange	24.43	14,690	45	14,645	1,911	467	3,578
Kyrgyz Stock Exchange	16.33	2,948	191	2,757	10	2	450
Total						**19,984**	**67,945**

31 December 2017	Participation rate (%)	Total assets	Total liabilities	Net assets	Net profit for the period	BİST's shares in profit	BİST's share in net assets
Enerji Piyasaları İşletme A.Ş.	30.83	147,581	21,781	125,800	41,893	12,916	38,784
Sermaye Piy. Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	34.21	18,697	1,898	16,799	5,342	1,828	5,747
Montenegro Stock Exchange	24.43	9,565	63	9,502	299	73	2,321
Kyrgyz Stock Exchange	16.33	2,325	154	2,171	130	21	355
Total						**14,838**	**47,207**

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

5 INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD (Continued)

For the years ended 31 December 2018 and 31 December 2017, joint ventures and subsidiaries that are accounted by equity method are as stated below:

	1 January – 31 December 2018	1 January – 31 December 2017
Beginning period - 1 January	**48,222**	**32,190**
Additions of subsidiaries and joint ventures during the period	-	76
Income and expenses from subsidiaries and joint ventures, (net)	20,320	15,353
Currency translation differences	560	603
Ending period – 31 December	**69,102**	**48,222**

6 FINANCIAL INVESTMENTS

As at 31 December 2018 and 31 December 2017, short term financial investments are as follows:

	31 December 2018	31 December 2017
Financial assets measured at amortized cost	7,741	
Held to maturity financial assets		76,664
Total	**7,741**	**76,664**

As at 31 December 2018 and 31 December 2017, long term financial investments are as follows:

	31 December 2018	31 December 2017
Financial assets at fair value through other comprehensive income	11,193	
Financial assets measured at amortized cost	69,980	
Available for sale-equity shares		67,781
Held to maturity financial assets		182
Total	**81,173**	**67,963**

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

6 FINANCIAL INVESTMENTS (Continued)

As at 31 December 2018, details of debt securities are as follows:

31 December 2018	**Nominal value**	**Carrying value**	**Interest rate (%)**	**Maturity**
Financial assets at amortized cost (short-term)	7,604	7,741		
Sukuk	*7,065*	*7,099*	*23*	*1 months – 3 months*
Certificate	539	642		
Financial assets at amortized cost (long term)	69,250	69,980		
Asset backed securities	*40,000*	*40,471*	*16*	*1 year – 5 years*
Asset backed securities	*29,000*	*29,259*	*17*	*1 year – 5 years*
Bonds	*250*	*250*	*16*	*1 year – 3 years*
Total	**76,854**	**77,721**		

As at 31 December 2017, details of debt securities are as follows:

31 December 2017	**Nominal value**	**Carrying value**	**Interest rate (%)**	**Maturity**
Held to maturity financial assets (short term)	78,428	76,664		
Government bonds	*25,000*	*23,381*	*12*	*6 months - 1 year*
Government bonds	*14,000*	*13,566*	*12*	*3 months - 6 months*
Sukuk	*28,200*	*28,553*	*13*	*1 month - 3 months*
Sukuk	*7,724*	*7,759*	*12*	*3 months - 6 months*
Bonds	*3,504*	*3,405*	*14*	*1 month - 3 months*
Held to maturity financial assets (long term)	250	182		
Corporate bond	*250*	*182*	*16*	*1 year – 5 years*
Total	**78,678**	**76,846**		

As at 31 December 2018, there is no financial assets at fair value through profit or loss.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

6 FINANCIAL INVESTMENTS (Continued)

As at 31 December 2018, details of financial assets at fair value through other comprehensive income are as follows:

	31 December 2018	
Financial assets at fair value through other comprehensive income	**Share percentage (%)**	**Carrying value**
Türkiye Ürün İhtisas Borsası A.Ş.	21.79	6,250
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	19.97	3,320
Sarajevo Stock Exchange	16.68	799
Baku Stock Exchange	4.76	157
Other	<0.01	667
Total		**11,193**

As at 31 December 2017, details of available for sale financial assets are as follows:

	31 December 2017	
Available for sale financial assets	**Share percentage (%)**	**Carrying value**
LCH. Clearnet Group Limited	2.09	62,838
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	19.96	3,320
Sarajevo Stock Exchange	16.66	799
Baku Stock Exchange	4.76	157
Other	<0.01	667
Total		**67,781**

As as 31 December 2017, none of the Group's available for sale equity shares is publicly listed companies and they do not have an active market price and they are stated at cost as their fair value cannot be determined reliably.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

7 TRADE RECEIVABLES

Trade receivables

As at 31 December 2018 and 31 December 2017, details of short term other trade receivables from third parties are as follows:

	31 December 2018	31 December 2017
Receivables from members(*)	47,187	38,753
Loans given	14,800	198,856
Custody and commission receivables	14,407	9,906
Other receivables	807	348
Doubtful receivables	580	1,965
Provisions for doubtful receivables		(1,965)
Lifetime expected credit loss	(659)	
Total	**77,122**	**247,863**

(*) The receivables from members consists of security registration fees, equity trading revenue, debt securities trading revenue, annual membership fees, equity and debt securities market terminal fees and data vending fees.

As at 31 December 2018 and 31 December 2017, remaining maturities of trade receivables are less than 3 months.

For the years ended 31 December 2018 and 31 December 2017, the movement of impairment loss are as follows:

	1 January – 31 December 2018	1 January – 31 December 2017
Beginning period - 1 January	**(1,965)**	**(1,919)**
Adjustment to the first application of IFRS 9 (*)	(337)	
Provisions during the period	(131)	(131)
Collections during the period	69	85
Reversal of provision during the period	1,705	
Ending period - 31 December	**(659)**	**(1,965)**

(*) The Group has initially applied IFRS 9 at 1 January 2018 under the transition method chosen, comparative balances are not restated.

8 OTHER ASSETS

Other current assets

As at 31 December 2018 and 31 December 2017, the details of other current assets are as follows:

	31 December 2018	31 December 2017
Prepaid expenses	19,184	10,962
Receivables from derivatives collateral	18,954	2,826
Job advances given to personnel	3,745	338
Other	9,693	1,139
Total	**51,576**	**15,265**

8 OTHER ASSETS (Continued)

Other non-current assets

As at 31 December 2018 and 31 December 2017, other non-current assets are as follows:

	31 December 2018	31 December 2017
Prepaid expenses	6,026	11,175
Deposits and guarantees given	620	578
Total	**6,646**	**11,753**

9 INVESTMENT PROPERTIES

For the years ended 31 December 2018 and 31 December 2017, the movements of the investment properties are as follows:

	Valuation method	1 January 2018	Transfer	Increase in value	31 December 2018
Investment properties	Market value approach	23,000	-	175	23,175
Investment properties	Market value approach	36,355	-	2,275	38,630
Total		**59,355**	**-**	**2,450**	**61,805**

	Valuation method	1 January 2017	Transfer	Increase in value	31 December 2017
Investment properties	Market value approach	22,285	-	715	23,000
Investment properties	Market value approach	-	36,355	-	36,355
Total		**22,285**	**36,355**	**715**	**59,355**

As at 31 December 2018, there are investment properties of Group in İstanbul Akmerkez Shopping Center and İstanbul Şişli. The property in Akmerkez Shopping Center is determined using the market value approach as stated TL 23,175 in the valuation report dated 17 December 2018. This report is prepared by an independent valuation Company authorized by the Capital Markets Board ("CMB").

As at 31 December 2018, Şişli Service Building, which is not in use and has been decided to obtain a rent return, has been classified from property and equipment to investment properties. The property is determined using the market value approach as stated TL 38,630 in the valuation report dated 26 December 2018.

For the year ended 31 December 2018, rental income from investment properties is amounting to TL 600 (31 December 2017: None).

The significant estimates and assumptions used in determining the fair value of the investment properties as at 31 December 2018 are as follows:

Investment property	Valuation method	Expert report date	Precedent value m^2 TL
Akmerkez - Independent unit	"Market value approach"	17 December 2018	25.750
Şişli Service Building	"Market value approach"	26 December 2018	8.501

There are not any capitalized borrowing costs, mortgages, or pledges on the investment properties.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

10 PROPERTY AND EQUIPMENT

For the years ended 31 December 2018 and 31 December 2017, movements of the property and equipment are as follows:

	Building	Machinery and equipment	Vehicles	Furnitures and fixtures	Leasehold improvements	Construction in progress	Total
1 January 2018							
Net book value beginning period	28,617	15,611	172	21,076	127,550	5,594	198,620
Additions	16	6,180	-	16,899	716	17,369	41,180
Disposals	-	-	-	(126)	-	-	(126)
Transfers	-	-	-	(5,524)	-	(10,483)	(16,007)
Depreciation of current period	(581)	(8,918)	(53)	(5,791)	(5,401)	-	(20,744)
31 December 2018	**28,052**	**12,873**	**119**	**26,534**	**122,865**	**12,480**	**202,923**

	Building	Machinery and equipment	Vehicles	Furnitures and fixtures	Leasehold improvement	Construction in progress	Total
1 January 2017							
Net book value beginning period	9,818	17,047	408	16,247	127,164	18,887	189,571
Additions	8,369	1,944	-	13,163	4,974	8,484	36,934
Disposals	-	(146)	(51)	(183)	-	(9,079)	(9,459)
Revaluation of building reclassified to investment property	26,784	-	-	-	-	-	26,784
Reclassification to investment property (Note 9)	(36,355)	-	-	-	-	-	(36,355)
Transfers(*)	20,746	5,010	(78)	(3,807)	732	(12,698)	9,905
Depreciation of current period	(745)	(8,244)	(107)	(4,344)	(5,320)	-	(18,760)
31 December 2017	**28,617**	**15,611**	**172**	**21,076**	**127,550**	**5,594**	**198,620**

(*) The amount was transferred from property and equipment to intangible assets.

There are no mortgages or pledges over property and equipment for the year ended 31 December 2018 and 31 December 2017.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

11 INTANGIBLE ASSETS

For the year ended 31 December 2018 and 31 December 2017, the movements of the intangible assets are as follows:

	Rights	Software licenses	Development costs(*)	Constructions in progress(**)	Total
1 January 2018					
Net book value beginning period	170,261	22,148	26,526	130,152	349,087
Additions	68,703	12,885	-	4,190	85,778
Disposals	(48)	-	(4)	-	(52)
Transfers	132,163	-	18,186	(134,342)	16,007
Amortisation of current period	(17,165)	(8,485)	(9,835)	-	(35,485)
31 December 2018	**353,914**	**26,548**	**34,873**	**-**	**415,335**

	Rights	Software licenses	Development costs(*)	Constructions in progress(**)	Total
1 January 2017					
Net book value beginning period	134,259	2,079	27,221	154,701	318,260
Additions	19,707	17,403	8,624	19,275	65,009
Disposals	-	-	(132)	-	(132)
Transfers(***)	29,491	5,060	(556)	(43,824)	(9,829)
Amortisation of current period	(13,196)	(2,394)	(8,631)	-	(24,221)
31 December 2017	**170,261**	**22,148**	**26,526**	**130,152**	**349,087**

(*) The Group is registered as "Research and Development Center" within the Research and Development Law numbered 5746 by Ministry of Science, Industry and Technology, Expenses incurred in relation to the developed projects are capitalized and accounted under the construction in progress. After the completion of the projects, the total capitalized amounts are classified to intangible assets and the depreciation is calculated over the total capitalized amount. For the years ended 31 December 2018, amortization expenses amounting to TL 283 has been capitalized related to "Research and Development Center".

(**) According to the agreement signed with Nasdaq OMX ("Nasdaq"), the balances include the additional obligatory expenses which arise in the process of renewing all the software which forms the technological infrastructure in Group markets and applying the software packages which were improved in line with the Group's needs as at 31 December 2013.

(***) The amount was transferred from property and equipment to intangible assets.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

12 GOVERNMENT GRANTS

It is stated with a letter on 25 September 2017 issued by Ministry of Science, Industry and Technology as part of Research and Development Law numbered 5746 that MKK's Research and Development Center status to be continued.

It is decided that Borsa İstanbul has been included in the scope of the research and development center in accordance with the Research and Development Law numbered 5746 by the Ministry of Science, Industry and Technology with a decision on 18 May 2016.

It is decided that Takasbank has been included in the scope of the research and development center in accordance with the Research and Development Law numbered 5746 by the Ministry of Science, Industry and Technology with a decision on 20 April 2017.

As at 31 December 2018, research and development tax deduction amounting to TL 28,868 is considered as deduction in corporate tax calculation (31 December 2017: TL 17,212).

As at 31 December 2018, MKK has received support amounting to TL 310 regarding the research and developments from TUBITAK (31 December 2017: TL 177).

Government grants allowing reduced corporate tax payment are evaluated within the scope of IAS 12 "Income Taxes" standard.

13 TRADE PAYABLES

Other trade payables

As at 31 December 2018 and 31 December 2017, details of other trade payables are as follows:

	31 December 2018	31 December 2017
Payables to members(*)	360,044	330,427
Trade payables(**)	76,963	-
Payables to domestic suppliers	10,951	5,112
Other	1,147	314
Total	**449,105**	**335,853**

(*) The regarding payables consist of the members' accounts opened in Takasbank by brokerage firms, banks, leasing companies, factoring companies and funding companies, which desire to perform transactions in organized markets, to make a down payment, pay swap liabilities and wire cash to customers.

(**) It results from the transactions of the Group within the scope of the strategic partnership agreement.

Trade payables to related parties

As at 31 December 2018 and 31 December 2017, trade payables to related parties are as follows:

	31 December 2018	31 December 2017
Expense accrual for Capital Markets Board share	79,876	62,909
Other payables	416	-
Total	**80,292**	**62,909**

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

13 TRADE PAYABLES (Continued)

Long-term trade payables

As at 31 December 2018 and 31 December 2017, long-term trade payables are as follows:

	31 December 2018	31 December 2017
Trade payables (*)	218,674	-
Total	**218,674**	**-**

(*) It results from the transactions of the Group within the scope of the strategic partnership agreement.

14 OTHER FINANCIAL LIABILITIES

Other short-term and long-term financial liabilities to related parties

As at 31 December 2018 and 31 December 2017, other short-term and long-term financial liabilities to related parties are as follows:

	31 December 2018	31 December 2017
Short term liabilities	-	685,650
Other financial liabilities to related parties(*)	-	*685,650*
Long term liabilities	-	160,146
Other financial liabilities to related parties(*)	-	*160,146*
Total	**-**	**845,796**

(*) Consists of transaction performed with the Group's shareholders (Note 1). Transactions that are less than one year are classified as short term.

15 SHORT TERM BORROWINGS

As at 31 December 2018 and 31 December 2017, the short-term borrowings are as follows:

31 December 2018	Weighted average effective interest rate %	Currency	Original amount	TL equivalent
Short term borrowings	2.40	USD	316,163	1,663,301
	0.12	EUR	184,000	1,109,155
	23.40	TL	652,957	652,957
				3,425,413

31 December 2017	Weighted average effective interest rate %	Currency	Original amount	TL equivalent
Short term borrowings	1.66	USD	347,664	1,311,355
	0.03	EUR	235,101	1,061,600
	11.82	TL	806,050	806,050
				3,179,005

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

16 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provision for legal cases

There are several lawsuits against and in favour of the Group. These lawsuits consist of reemployment and disagreements with market members. In accordance with the opinions of the legal advisors, the management has provided provisions amounting to TL 24,815 in the consolidated financial statements as at 31 December 2018 (31 December 2017: TL 18,151) (Note 18).

Provisions for tax penalty

Transactions and accounts of Borsa İstanbul A.Ş. which related to 2013 reporting period are investigated by Ministry of Finance Tax Inspector within tax laws. This review is made within the scope of "Value Added Tax" and "Withholding Corporate Tax", and two Tax Review Reports dated 25 December 2017 are prepared according to findings. In this context, a total of TL 139,440 was assessed including original tax amounting TL 69,720 and tax penalty amounting TL 69,720 and notifications were issued on 26 January 2018 to Borsa İstanbul A.Ş. The Company applied for the reconciliation to the Ministry of Finance Revenue Administration Reconciliation Commission on 15 February 2018. When reconciliation process is ongoing, Law No. 7143 which allows for the restructuring of taxes and other receivables, has entered into force on 11 May 2018. Within the scope of the law, the Company applied for the restructuring of tax and fines on 27 July 2018 and the payment table was received on 30 July 2018. The Company has recognized provision amounting to TL 35,635 in the scope of the restructuring and tax inspection reports and paid on 1 October 2018 (31 December 2017: TL 41,498) (Note 18).

Commitments

Total amount of commitments not included in liabilities

	31 December 2018	31 December 2017
Guarantees received from members(*)		
Precious Metal and Diamond Market guarantees	104,554	78,193
Equity Market guarantees	10,962	17,102
Debt Securities guarantees	4,282	5,295,563
Foreign Marketable Securities guarantees	-	9,771
Total	**119,798**	**5,400,629**

(*) Includes the guarantees of the members related to BİST's operating markets.

	31 December 2018	31 December 2017
Guarantees received from goods and services suppliers		
TL	63,049	53,096
USD	17,882	13,750
EUR	5,170	4,030
Total	**86,101**	**70,876**

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

16 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

	31 December 2018	31 December 2017
Assets under custody		
Contribution fund of mandatory education of BİST(*)	123,135	138,456
Total	**123,135**	**138,456**

(*) In accordance with the decision of İMKB's Board of Directors in 1997, İMKB made a contribution to "Contribution to Continuous Education" amounting to TL 32,000. The contribution fund is established under the decisions made in the General Assembly and Board of Directors in order to fund the construction of primary schools under the name of "Contribution Fund of Mandatory Education of İMKB". This fund is collected under time deposits held by public banks and managed by İMKB; however, the related fund is not included in the assets of İMKB. The fund was previously accounted under İMKB's assets and liabilities until 1999 and currently, it is accounted under the off-balance sheet. As at 31 December 2018, principal amount of "Contribution Fund of Mandatory Education of İMKB" is TL 123,135 (31 December 2017: TL 138,456).

As stated in the amendment agreement that was signed between Turkiye Wealth Fund (TWF), Borsa Istanbul and EBRD on 26 June 2018 TWF shall assume all obligations as the primary counterparty. However, if TWF fails to perform any of its obligations on its due date, EBRD shall have the ability to demand the immediate performance of those obligations from Borsa Istanbul. The liabilities related to the option of EBRD are excluded from the financial statements considering this possibility as low.

17 PROVISIONS FOR EMPLOYEE BENEFITS

Short term employee benefits provisions

As at 31 December 2018 and 31 December 2017, the details of liabilities for employee benefits are as follows:

	31 December 2018	31 December 2017
Payables to personnel	4,896	10,770
Total	**4,896**	**10,770**

As at 31 December 2018 and 31 December 2017, the details of short term provisions for employee benefits are as follows:

	31 December 2018	31 December 2017
Unused vacation liability	19,194	18,038
Personnel bonus provision	12,747	13,257
Total	**31,941**	**31,295**

(Amounts expressed in thousand Turkish Liras (“TL”) unless otherwise indicated.)

17 PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

Unused vacation liability

In accordance with the Labor Law in Turkey, the Group provides provision for the unused portion of annual paid vacations of the employees with service terms over one year, including the trial period, calculated for the non-current periods.

For the years ended 31 December 2018 and 31 December 2017, the movement of unused vacation liability is as follows:

	1 January – 31 December 2018	1 January – 31 December 2017
Opening balance - 1 January	18,038	17,426
Payment during the period	(595)	(2,228)
Increase during the period	1,751	2,840
Ending balance – 31 December	**19,194**	**18,038**

Personnel bonus provision

For the years ended 31 December 2018 and 31 December 2017, the movement of personnel bonus provisions as follows:

	1 January – 31 December 2018	1 January – 31 December 2017
Opening balance - 1 January	13,257	-
Payment during the period	(12,881)	-
Increase during the period	12,371	13,257
Ending balance – 31 December	**12,747**	**13,257**

Long term employee benefits provisions

As at 31 December 2018 and 31 December 2017, the details of long term employee benefits provisions are as follows:

	31 December 2018	31 December 2017
Provision for employee termination benefits	26,506	24,369
Service bonus provision	3,738	6,086
Total	**30,244**	**30,455**

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

17 PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

Provision for employee termination benefits

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). After the change in regulation, on 23 May 2002, several articles related the transition process before retirement have been removed.

The amount payable consists of one month's salary limited to a maximum of full TL 5,434.42 for each year of service at 31 December 2018 (31 December 2017: full TL 4,732,48).

Benefit obligation is not legally subject to any funding and there are no funding requirements.

Provision for employment termination benefits has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

IAS 19 requires actuarial valuation methods to be developed to estimate the Groups obligation. Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

	31 December 2018	31 December 2017
Discount rate	5.09%	4.25%
Estimated employee turnover rate	97.63%	97.38%

For the years ended 31 December 2018 and 31 December 2017, the movements of provision for employee termination benefits are as follows:

	1 January – 31 December 2018	1 January – 31 December 2017
Provision for employee termination benefits as at 1 January	24,369	29,088
Interest cost	2,197	3,069
Service cost	3,083	2,274
Payments during the period	(3,355)	(6,887)
Actuarial (gains) / losses	212	(3,175)
Ending balance of provision for employee termination benefits - 31 December	**26,506**	**24,369**

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

17 PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

Service bonus provision

In accordance with Article 49th of BİST employee regulation, BİST calculates service bonus expense accrual based on the recent benchmark wage rates considering the position and seniority of its employees.

Future implementation of the 63rd article and 5th paragraph of BİST Personnel regulation was ended as at 30 June 2012, and a list was prepared for each staff member employed with indefinite employment contract under BİST by using a coefficient of seniority (seniority year is determined by applying the per diem deduction). Amount specified in this list is paid by at once and net for the termination of the employment contract for any reason except the cases of termination for good reasons until 28 September 2012.

For the years ended 31 December 2018 and 31 December 2017, the movements of service bonus provisions are as follows:

	1 January – 31 December 2018	1 January – 31 December 2017
Service bonus provisions as at 1 January	6,086	9,674
Payments during the period	(2,348)	(3,588)
Service bonus provisions as at 31 December	**3,738**	**6,086**

18 OTHER LIABILITIES

Other current liabilities

As at 31 December 2018 and 31 December 2017, other current liabilities are as follows:

	31 December 2018	31 December 2017
Deposits and guarantees received(*)	6,131,758	5,697,418
Expected credit loss (off balance sheet items)	36,379	
Taxes and duties payable	36,080	13,400
Lawsuit provisions	24,815	18,151
Social security premium	6,421	4,910
Other	5,035	1,683
Deferred income	2,154	801
Tax penalty provision(**)	-	41,498
Total	**6,242,642**	**5,777,861**

(*) Deposits and guarantees received for contracts made for sales and purchase transactions made in markets in BİST Guarantee Fund, BİST Debt Securities and Equity Market, Takasbank Money Market ("TMM"), Takasbank Security Lending Market ("ELM"), Futures and Options Market, Electricity Market and markets where leveraged sales and purchase transactions are made.

(**) Transactions and accounts of Borsa İstanbul A,Ş, which related to 2013 reporting period are investigated by Ministry of Finance Tax Inspector within tax laws. This review is made within the scope of "Value Added Tax" and "Withholding Corporate Tax", and two Tax Review Reports dated 25 December 2017 are prepared according to findings. In this context, a total of TL 139,440 was assessed including original tax amounting TL 69,720 and tax penalty amounting TL 69,720 and notifications were issued on 26 January 2018 to Borsa İstanbul A.Ş. The Company applied for the reconciliation to the Ministry of Finance Revenue Administration Reconciliation Commission on 15 February 2018. When reconciliation process is ongoing, Law No. 7143 which allows for the restructuring of taxes and other receivables, has entered into force on 11 May 2018. Within the scope of the law, the Company applied for the restructuring of tax and fines on 27 July 2018 and the payment table was received on 30 July 2018. The Company has recognized provision amounting to TL 35,635 in the scope of the restructuring and tax inspection reports and paid on 1 October 2018 (31 December 2017: TL 41,498) (Note 16).

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

18 OTHER LIABILITIES (Continued)

Other non-current liabilities

As at 31 December 2018 and 31 December 2017, other non-current liabilities are as follows:

	31 December 2018	31 December 2017
Deposits and guarantees received	8,631	7,518
Deferred income	1,866	1,072
Total	**10,497**	**8,590**

19 SHAREHOLDER'S EQUITY

Share capital

As stated in Article 138 of Capital Markets Law No. 6362, the Articles of Association of Borsa İstanbul Anonim Şirketi have been issued by the Capital Markets Board and registered arbitrarily at the trade registry on 3 April 2013 following the approval of the relevant Minister, and these articles include: the Company's main field of operation, purpose, capital amount, shares, principles on transferring its shares; limitations on liquidation, transfer, merger, termination, public offering, privileges to be granted to shares without being subject to the fourth paragraph of Article 478th of Law No. 6102; organs and committees as well as formation, roles, authorizations and responsibilities, working procedures and principles of those; and principles regarding accounts, distribution of profits and organization. As stated in the Company's Articles of Association, the Company's initial capital is TL 423,234,000, consisting of 42,323,400,000 bearer shares each of which is equals to TL 0.01.

Pursuant to the relevant provisions in the Capital Markets Law, 49% of these shares are transferred to the Republic of Turkey Prime Ministry Undersecretariat of Treasury, 4% to former IMKB members, 0.3% to former IAB members, and 3.8% to former shareholders of the VOB. 1% of shares will be transferred to the Turkish Capital Markets Association when it is formed according to the Capital Markets Law on 26 June 2014. The remaining 41.6% of the shares have been left to the Company in order to be transferred to other stock exchanges, markets or system operators in return for technology, technical know-how and competence and/or the relevant parties in return for establishing strategic partnerships in line with subparagraph c of the sixth paragraph of Article 138th of the Law. Within three years of the promulgation of the Law, the shares, if any, remaining at BİST shall be transferred to the Treasury. Within this period, the benefits from the transferred shares shall be recognized as share issuance premiums.

Within the scope of strategic partnership, on 30 December 2015, 2% shares and 5% shares on 7 January 2014 were transferred to Nasdaq OMX. The Company has pledge rights over 2% of the shares. 7% shares in total, registered on the Nasdaq OMX, have been accounted for as reversed shares under equity until the removal date of the return condition. Along with the agreement that is signed on 25 May 2018, the option concerning %7 BİST shares is utilized and these shares were transfered to Borsa İstanbul. In accordance with the articles of association of Borsa İstanbul, usufruct rights have been established on behalf of TWF, group A shareholder (Note 1).

At the 26 October 2015 Capital Markets Board meeting, it was decided that 10% of the shares which were left to the Company in order to establish strategic partnerships, to be transferred to the European Bank of Reconstruction and Development in line with the sixth paragraph of Article 138th of Capital Market Law No. 6362, would be approved on the condition that this transfer was first approved by the Group's General Assembly. The share transfer was approved at the Extraordinary General Assembly held on 7 December 2015 and was registered on 10 December 2015.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

19 SHAREHOLDER'S EQUITY (Continued)

Share capital (Continued)

These shares that were registered upon EBRD, as expressed in the agreement, could be sold back to Borsa İstanbul A.Ş. by EBRD at their purchase price until 31 March 2018, in the event that Borsa İstanbul's planned initial public offering had not taken place until 31 December 2017. The maturity of the option being talked about was extended to the date 30 June 2018 along with an additional agreement signed between Borsa İstanbul and EBRD. Afterwards,the maturity of the option is extended to the date 30 November 2018 with an additional agreement signed between Turkey Wealth Fund, Borsa İstanbul and EBRD, and option liability is transfered to TWF.

With this additional agreement, the responsibility for the fulfillment of the option obligations of Borsa İstanbul is only set out in the event that such obligations are not fulfilled by the TWF in a timely manner. In this context, the liabilities of the EBRD for the options are excluded from the financial statements which is dated 30 June 2018.

On 29 November 2018, with an additional agreement signed between EBRD, Borsa İstanbul and TWF, all of Borsa İstanbul's option liabilities have been transferred to TWF and Borsa İstanbul has no remaining liability with regard to option.

The Company's shareholding structure as at 31 December 2018 and 31 December 2017 as follows:

	31 December 2018		31 December 2017	
Shareholder's Name/Title	**Amount (TL)**	**Share (%)**	**Amount (TL)**	**Share (%)**
Turkiye Wealth Fund	341,126	80.60	311,500	73.60
European Bank for Reconstruction and Development	42,324	10.00	42,324	10.00
Nasdaq OMX	-	-	29,626	7.00
Turkish Capital Markets Association	5,502	1.30	5,502	1.30
Borsa İstanbul A.Ş.	9,417	2.23	3,358	0.79
Other	24,865	5.87	30,924	7.31
Total	**423,234**	**100.00**	**423,234**	**100.00**

Restricted reserves

	31 December 2018	31 December 2017
Restricted reserves	392,550	278,280
Total	**392,550**	**278,280**

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve balance reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

19 SHAREHOLDER'S EQUITY (Continued)

Share premium

	31 December 2018	31 December 2017
Share premium(*)	12,418	200,450
Total	**12,418**	**200,450**

(*) See Note 1.

Other comprehensive income or expenses not to be reclassified to profit or loss

Revaluation reserve

	31 December 2018	31 December 2017
Revaluation reserve	13,677	13,677
Total	**13,677**	**13,677**

The revaluation reserve relates to the revaluation of property and equipment immediately before its reclassification as investment property (Note 9).

Losses on remeasurements of defined benefit plans

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Group. In 2012, the Group decided to early adopt the amendments to IAS 19 which is applicable as at 1 January 2014 and recognized all actuarial gains and losses in other comprehensive income. Actuarial loss recognized under shareholder's equity in the statement of financial position amounting to TL 6,093 as at 31 December 2018 (31 December 2017: TL 6,137).

Other comprehensive income or expenses to be reclassified to profit or loss

Currency translation differences

	31 December 2018	31 December 2017
Currency translation differences	1,433	873
Total	**1,433**	**873**

Foreign currency translation differences consist of foreign currency exchange differences arising from the translation of the financial statements of the Group's foreign operations into the presentation currency.

Treasury shares

	31 December 2018	31 December 2017
Treasury shares(*)	(97,666)	(608,873)
Total	**(97,666)**	**(608,873)**

(*) See Note 1.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

20 REVENUE AND COST OF SALES

For the years ended 31 December 2018 and 31 December 2017, the details of gross profit are as follows:

	1 January – 31 December 2018	1 January – 31 December 2017
Service revenue	1,539,679	1,048,070
Less: Sales discounts	(1,012)	(652)
Revenue	**1,538,667**	**1,047,418**
Cost of sales	(161,847)	(92,690)
Gross profit	**1,376,820**	**954,728**

For the years ended 31 December 2018 and 31 December 2017, the details of service revenue are as follows:

	1 January – 31 December 2018	1 January – 31 December 2017
Takasbank interest income	684,568	405,708
Trading revenues	328,015	258,068
Equity market	*114,153*	*79,985*
Derivatives	*89,349*	*61,257*
Debt securities	*58,791*	*63,308*
Takasbank money market	*50,555*	*37,967*
Precious metals and diamond market	*12,339*	*12,860*
Takasbank security lending market	*1,454*	*1,458*
Turkey electronic fund purchase and sale platform	*1,374*	*1,233*
Custody and custody related operating income	222,152	159,102
Listing income	71,614	53,811
Data vending income	65,368	48,731
Settlement and clearing income	58,652	36,050
Security registration income	23,188	20,676
Collocation income	16,113	10,546
Additional terminal fee	16,031	13,105
Account management fee	11,347	11,081
Money transfer service income	9,338	7,039
Membership fee	8,198	6,106
License income	6,967	6,773
Public disclosure platform income	5,096	2,719
Other service income	13,032	8,555
Total	**1,539,679**	**1,048,070**

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

20 REVENUE AND COST OF SALES (Continued)

Cost of sales

For the years ended 31 December 2018 and 31 December 2017, the details of cost of sales are as follows:

	1 January – 31 December 2018	1 January – 31 December 2017
Takasbank interest expense	152,164	85,988
Fees and commissions	9,683	6,702
Total	**161,847**	**92,690**

21 GENERAL ADMINISTRATIVE EXPENSES

For the years ended 31 December 2018 and 31 December 2017, the details of general administrative expenses are as follows:

	1 January – 31 December 2018	1 January – 31 December 2017
Personnel fees and expenses	250,719	208,953
Depreciation and amortization expenses	56,512	40,845
Taxes and other legal expenses	34,129	11,679
Maintenance and repairment expenses	16,828	10,903
Advertising expenses	9,834	5,991
Outsourced benefit and services	8,323	6,747
Communication expenses	8,040	5,201
Electricity, water and natural gas expenses	5,156	3,484
Consultancy expenses	5,060	3,547
Subcontractor expenses	4,723	4,695
Social expenses	4,175	3,310
Travel expenses	3,572	3,955
Rent expenses	3,429	2,494
Insurance expenses	3,149	2,607
Other expenses	7,385	13,875
Total	**421,034**	**328,286**

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

21 GENERAL ADMINISTRATIVE EXPENSES (Continued)

Personnel expenses

For the years ended 31 December 2018 and 31 December 2017, the details of personnel expenses are as follows:

	1 January – 31 December 2018	1 January – 31 December 2017
Gross salaries	98,871	88,111
Bonus expenses	41,077	31,739
Salary dependent additional payments	36,487	28,980
Social benefits	27,983	20,672
Social security employer's contribution expenses	22,187	18,109
Health care expenses	11,869	5,947
Mutual rescission expenses	2,338	4,931
Other expenses	9,907	10,464
Total	**250,719**	**208,953**

Expenses by nature

	1 January – 31 December 2018	1 January – 31 December 2017
Personnel fees and expenses	250,719	208,953
Takasbank interest expenses	152,164	85,988
Depreciation and amortization expenses	56,512	40,845
Taxes and other legal dues	34,129	11,679
Maintenance and repairment expenses	16,828	10,903
Advertising expenses	9,834	5,991
Fees and commissions	9,683	6,702
Outsourced benefit and services	8,323	6,747
Communication expenses	8,040	5,201
Electricity, water and natural gas expenses	5,156	3,484
Consultancy expenses	5,060	3,547
Subcontractor expenses	4,723	4,695
Social expenses	4,175	3,310
Travel expenses	3,572	3,955
Rent expenses	3,429	2,494
Insurance expenses	3,149	2,607
Other expenses	7,385	13,875
Total	**582,881**	**420,976**

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

22 OTHER OPERATING INCOME / EXPENSES

Other operating expenses

For the years ended 31 December 2018 and 31 December 2017, the details of other operating expenses are as follows:

	1 January – 31 December 2018	**1 January – 31 December 2017**
Expense accrual for Capital Markets Board share (Note 15)	79,876	62,909
Tax penalty provision expense (Note 17)	-	25,099
Provision expenses	28,976	8,217
Other	895	929
Total	**109,747**	**97,154**

Other operating income

For the years ended 31 December 2018 and 31 December 2017, the details of other operating income are as follows:

	1 January – 31 December 2018	**1 January – 31 December 2017**
Gain on sale of securities(*)	265,253	-
Provision no longer required	44,891	354
Increase in fair value of investment properties	2,450	715
Rental income	1,201	45
Incapacity to work expenses	475	463
Other operating income	7,087	1,498
Total	**321,357**	**3,075**

(*) In accordance with the article 3 of the Article of Association, Borsa İstanbul A.Ş. may enter into any kind of partnership, cooperation and agreement related with stock market activities, building strategic partnerships when required. Within this scope, partnership with LCH. Clearnet Group Limited was established in 2015. As a result of the negotiations held in 2018, the shares were sold and it was recorded as gain on sale of securities

23 FINANCIAL INCOME / EXPENSES

For the years ended 31 December 2018 and 31 December 2017, the details of financial income are as follows:

Financial income

	1 January – 31 December 2018	**1 January – 31 December 2017**
Interest income	117,327	73,974
Rediscount income	20,016	12,313
Foreign exchange gain	19,205	-
Dividend income	14,533	4,120
Total	**171,081**	**90,407**

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

23 FINANCIAL INCOME / EXPENSES (Continued)

For the years ended 31 December 2018 and 31 December 2017, the details of financial expenses are as follows:

Financial expenses

	1 January – 31 December 2018	1 January – 31 December 2017
Foreign exchange loss, net	-	80,159
Tax penalty default interest (Note 17)	-	16,399
Total	**-**	**96,558**

24 TAX ASSETS AND LIABILITIES

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

According to the provisional Article 10 of the Law No, 7061 of 5 December 2017, numbered 30261, "Amendments to Certain Tax Laws and Some Other Laws" and the Law No, 5520 on Corporate Income Tax Law, it is foreseen that the corporation tax that should be paid over the profits of the tax years 2018, 2019 and 2020 will be calculated as 22% and the tax will be continued with 20%. During this period, the Council of Ministers was given the authority to reduce the rate of 22% to 20%.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income. Advance tax is to be declared by the 14th day of the second month following each calendar quarter end and is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back in order to net-off accumulated gains.

(Amounts expressed in thousand Turkish Liras (“TL”) unless otherwise indicated.)

24 TAX ASSETS AND LIABILITIES (Continued)

As at 31 December 2018 and 31 December 2017, the details of current tax assets and liabilities are as follows:

	31 December 2018	31 December 2017
Provision for corporate tax	252,230	116,967
Prepaid tax	(131,398)	(86,597)
Current income tax liabilities	**120,832**	**30,370**

For the years ended 31 December 2018 and 31 December 2017, the details of tax expenses in profit or loss are as follows:

	1 January – 31 December 2018	1 January – 31 December 2017
Income tax expense	252,230	116,967
Deferred tax expense	(66,976)	4,960
Total tax expense	**185,254**	**121,927**

The total provision for taxes on income is different than the amount computed by applying the statutory tax rate to profit before provision for taxes as shown in the following reconciliation for the years ended 31 December 2018 and 31 December 2017:

	1 January – 31 December 2018	1 January – 31 December 2017
Profit before taxes	**1,358,797**	**541,565**
Income tax charge at effective tax rate	298,935	108,313
Permanent differences	(26,247)	7,119
Income from tax exemptions	(72,141)	(13,018)
Temporary differences recognised in the current period (see page 63)	(26,262)	-
Non-deductible expenses	10,969	17,894
Effect of tax rate change	-	1,619
Tax expense	**185,254**	**121,927**

For the years ended 31 December 2018, effective tax rate is as 13.6% (31 December 2017: 22.5%).

Deferred tax assets and liabilities

The Group and its subsidiaries calculate deferred tax assets and liabilities considering the effects of thetemporary differences arising from the different valuations between the IFRS and the tax financial statements of the balance sheet items. As 22% corporation tax came into force with the “Law on the Amendment of Certain Tax Laws and Other Certain Other Laws” numbered 7061, 22% is used for the temporary differences which are likely to be recovered in 2018, 2019 and 2020, and 20% is used for the part which are likely to be recovered over three years in the calculation of deferred tax while preparing the 31 December 2018 financial statements (31 December 2017: 20%).

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

24 TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets and liabilities (Continued)

Calculated deferred tax assets and deferred tax liabilities are shown net in the financial statements of different companies subject to consolidation. However, consolidated net deferred tax assets and liabilities in the consolidated without offsetting assets and liabilities are shown separately in the financial statements arising from different companies that are subject to consolidation in the financial statements.

	31 December 2018		31 December 2017	
	Deferred tax assets / (liabilities), net			
	Temporary differences	Deferred tax	Temporary differences	Deferred tax
Net difference between the tax bases and carrying values of property and equipment, intangible assets and investment properties(*)	95,215	19,043	(144,655)	(28,930)
Expense accrual for Capital Markets Board share	79,876	17,573	62,909	13,840
Provision for IFRS 9	53,247	11,714		
Provision for employee termination benefits	26,506	5,301	24,369	4,874
Lawsuit provisions	24,815	5,361	18,151	3,696
Provision for unused vacation liabilities	19,194	4,223	18,038	3,968
Provision for service bonuses	3,738	748	6,086	1,217
Other	12,351	2,717	5,625	1,126
Deferred tax assets		**66,680**		**(209)**

(*) In accordance with the Investment and Strategic Partnership Deed signed with Nasdaq on 31 December 2013, the Company foresees the long-term strategic partnership and the related records have been recognized accordingly. In previous years, the Company did not make any records in the legal records considering that the option would not be used. Due to the increase in the exchange rate between the date of first agreement and the date of option was realized, the Company has been subject to the exchange rate differences. Within the framework of the Tax Procedure Law ("TPL"), capitalization of the exchange rate differences until the end of the capitalization period and recognizing as an expense or capitalization for the following years, that is subject to Company. The Company recognized the related records in accordance with the legal judgments. Due to the fact that long-term strategic partnership could not be realized as a result of the agreement, the differences that were not subject to deferred tax calculations, have been included in deferred tax calculations starting from current period.

As at 31 December 2018, deferred tax asset amounting to TL 72,175 (31 December 2017: TL 5,831) is reflected to the Group's financial statements as deferred tax liability amounting to TL 5,495 (31 December 2017: TL 6,040).

For the years ended 31 December 2018 and 31 December 2017, the movements of net deferred tax assets / (liabilities) during the year are as follows:

	1 January – 31 December 2018	1 January – 31 December 2017
Opening balance - 1 January	(209)	10,743
IFRS 9 opening adjustment	(129)	-
Deferred tax expense	66,976	(4,960)
Other comprehensive income tax that will never	42	
be reclassified to profit or loss		(5,992)
- Deferred tax income / (expense)	*42*	*(5,992)*
Ending balance - 31 December	**66,680**	**(209)**

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

25 RELATED PARTY DISCLOSURES

Other short- term and long-term financial liabilities to related parties

As at 31 December 2018 and 31 December 2017, the details of other short-term and long-term financial liabilities to related parties are as follows:

	31 December 2018	31 December 2017
Short term liabilities		
Other financial liabilities to related parties(*)	-	*685,650*
Long term liabilities		
Other financial liabilities to related parties(*)	-	*160,146*
Total	**-**	**845,796**

(*) Consists of transaction performed with the Group's shareholders (Note 1).

As at 31 December 2018 and 31 December 2017, the details of short term payables to related parties are as follows:

	31 December 2018	31 December 2017
Expense accrual for Capital Markets Board share(*)	79,876	62,909
Other payables	416	-
Total	**80,292**	**62,909**

(*) In accordance with the amendment to sub-paragraph (b) of Article 28th of the Capital Markets Law promulgated in Official Gazette No, 27857 dated 25 February 2011, legislation requires recognition of a maximum of 10% of the income, other than interest income, of the stock exchanges in the CMB's budget. For this reason, the Group recognizes an expense for the CMB's share which must be paid from the relevant year's income. As at 2015, BİST made the payments for the Capital Markets Board provisions allocated for 2014 and previous years. In accordance with the amendment in the fourth paragraph of Article 130th of Law No, 6362 promulgated in Official Gazette No, 29319 dated 7 April 2015, starting with 2015 income, the income amount recorded in the CMB budget as at 2014 year-end will be increased by the arithmetic average of the Consumer Price Index and Domestic Producer Price Index change ratios for December of the previous year through the most recent December. These ratios are calculated for Turkey annually by the Turkish Statistical Institute. The expense accrual amount thus calculated will be allocated as the CMB's share for the year.

Related party expenses

	1 January – 31 December 2018	1 January – 31 December 2017
Capital Markets Board	79,876	62,909
Total	**79,876**	**62,909**

Key management personnel compensation

For the years ended 31 December 2018, salaries and similar benefits provided to members of key management are amounting to TL 8,184 (31 December 2017: TL 6,092).

26 NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS

This note presents information about the Group's exposure to each of the below risks, Group's objectives, policies and processes for measuring and managing risks. The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

The Group's credit risk is primarily arising from its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables estimated by the Group management based on prior experience and current economic environment.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates, value of marketable securities and other financial agreements.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations as associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group generally generates funds by liquidating its short-term financial instruments such as collecting its receivables. The Group manages its liquidity risk by allocating its resources to obtain adequate reserves for recovering its current and potential liabilities, with time deposits, investment funds and government bond investments.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

26.1 Credit risk

As at 31 December 2018, credit risk exposure of the Group in terms of financial instruments are as follows:

	Receivables				**Cash and cash equivalents**		
	Trade receivables		**Other receivables**				
31 December 2018	**Related party**	**Other**	**Related party**	**Other**	**Deposit at banks**	**Reverse repo receivables**	**Financial investments**
Exposure to maximum credit risk as at reporting date (A+B+C+D+E+F)	-	**77,122**	**-**	**-**	**11,591,256**	**19,554**	**77,721**
-Guaranteed part of maximum credit risk with collaterals etc.	-	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	-	77,201	-	-	11,607,948	19,554	77,721
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	-	-	-
- Overdue (Gross book value)	-	624	-	-	-	-	-
- Impairment (-)	-	(624)	-	-	-	-	-
- Guaranteed part of net value with collaterals	-	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-	-
- Guaranteed part of net value with collaterals	-	-	-	-	-	-	-
D. Off statement of financial position items with credit risk	-	-	-	-	-	-	-
E. Lifetime expected credit loss	-	(79)	-	-	-	-	-
F. 12 months expected credit loss	-	-	-	-	(16,692)	-	-

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

26.1 Credit risk (Continued)

As at 31 December 2017, credit risk exposure of the Group in terms of financial instruments are as follows:

	Receivables				Cash and cash equivalents		
	Trade receivables		Other receivables				
31 December 2017	**Related party**	**Other**	**Related party**	**Other**	**Deposit at banks**	**Reverse repo receivables**	**Financial investments**
Exposure to maximum credit risk as at reporting date (A+B+C+D)	-	**247,863**	**-**	**-**	**10,779,639**	**20,833**	**76,846**
-Guaranteed part of maximum credit risk with collaterals etc.	-	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	-	247,863	-	-	10,779,639	20,833	76,846
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	-	-	-
- Overdue (Gross book value)	-	1,965	-	-	-	-	-
- Impairment (-)	-	(1,965)	-	-	-	-	-
- Guaranteed part of net value with collaterals	-	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-	-
- Guaranteed part of net value with collaterals	-	-	-	-	-	-	-
D. Off statement of financial position items with credit risk	-	-	-	-	-	-	-

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

26.2 Liquidity risk

Liquidity risk is the Group's default in meeting its net funding liabilities. Events causing a decrease in funding resources such as; market deteriorations or decrease in credit ratings are major reasons of liquidity risk. The Group manages its liquidity risk by allocating its resources to obtain adequate reserves for recovering its current and potential liabilities by holding appropriate level of cash and cash equivalents.The table below represents the gross amount of un-discounted cash flows related to financial liabilities based on the remaining maturities as at 31 December 2018 and 31 December 2017:

31 December 2018	Carrying value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years
Non-derivative financial liabilities					
Current liabilities					
Short term borrowings	3,425,413	3,425,413	3,425,413	-	-
Trade payables	449,105	451,055	451,055	-	-
Payables to related parties	80,292	80,292	80,292	-	-
Other current liabilities	6,242,642	6,242,642	6,242,642	-	-
Non-current liabilities					
Trade payables	218,674	236,741	-	78,915	157,826
Other non-current liabilities	10,497	10,497	-	-	10,497
Total liabilities	**10,426,623**	**10,446,640**	**10,199,402**	**78,915**	**168,323**

31 December 2017	Carrying value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years
Non-derivative financial liabilities					
Current liabilities					
Short term borrowings	3,179,005	3,179,005	3,179,005	-	-
Trade payables	335,853	335,853	335,853	-	-
Payables to related parties	62,909	62,909	62,909	-	-
Other current liabilities	5,777,861	5,777,861	5,777,861	-	-
Non-current liabilities					
Other non-current liabilities	8,590	8,590	-	-	8,590
Total non-derivative financial liabilities	**9,364,218**	**9,364,218**	**9,355,628**	**-**	**8,590**
Derivative financial liabilities					
Current liabilities					
Other financial liabilities to related parties	685,650	688,372	-	688,372	-
Non-current liabilities					
Other financial liabilities to related parties	160,146	169,736	-	-	169,736
Total derivative financial liabilities	**845,796**	**858,108**	**-**	**688,372**	**169,736**
Total liabilities	**10,210,014**	**10,222,326**	**9,355,628**	**688,372**	**178,326**

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

26.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Group manage market risk by balancing the assets and liabilities exposed to the interest rate change risk.

Foreign currency risk

The Group is exposed to foreign currency risk due to the changes in foreign exchange rates while having assets, liabilities or off statement of financial position items denominated in foreign currencies.

The foreign exchange rates used by the Group for translation of the transactions in foreign currencies as at 31 December 2018 and 31 December 2017, are as follows:

	31 December 2018	31 December 2017
USD	5.2609	3.7719
EUR	6.0280	4.5155

The table below summarizes the foreign currency position risk of the Group as at 31 December 2018 and 31 December 2017, carrying value of assets and liabilities held by the Group in foreign currencies (in TL equivalent) are as follows:

	31 December 2018			31 December 2017		
	TL	**USD**	**EUR**	**TL**	**USD**	**EUR**
Cash and cash equivalents	4,892,062	588,471	297,972	4,443,717	656,053	436,087
Financial investments	880	-	146	659	-	146
Other current assets	1,503	264	19	-	-	-
Total assets	**4,894,445**	**588,735**	**298,137**	**4,444,376**	**656,053**	**436,233**
Short term borrowings	2,772,454	316,163	184,000	2,372,952	347,664	235,101
Other current liabilities	1,764,818	214,080	105,933	2,056,993	304,975	200,788
Trade payables	295,636	56,195	-	845,796	224,236	-
Total liabilities	**4,832,908**	**586,438**	**289,933**	**5,275,741**	**876,875**	**435,889**
Net foreign currency assets / (liabilities)	**61,537**	**2,297**	**8,204**	**(831,365)**	**(220,822)**	**344**

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

Exposure to foreign currency risk

An appreciation/(depreciation) of the TL by 10% against the other currencies below would have increased/ (decreased) the equity and profit/loss (excluding the tax effect) for the years ended 31 December 2018 and 31 December 2017:

Foreign exchange sensitivity analysis table

	Profit/(Loss)		**Shareholder's equity**	
31 December 2018	**Strengthening of foreign currency**	**Weakening of foreign currency**	**Strengthening of foreign currency**	**Weakening of foreign currency**
Increase/(decrease) 10% of USD parity				
1- USD net asset/liability	1,208	(1,208)	1,208	(1,208)
2- Hedged portion of USD amounts (-)	-	-	-	-
3- Net effect of USD (1+2)	**1,208**	**(1,208)**	**1,208**	**(1,208)**
Increase/(decrease) 10% of EURO parity				
4- EURO net asset/liability	4,945	(4,945)	4,945	(4,945)
5- Hedged portion of EURO amounts (-)	-	-	-	-
6- Net effect of EURO (4+5)	**4,945**	**(4,945)**	**4,945**	**(4,945)**
TOTAL (3+6)	**6,153**	**(6,153)**	**6,153**	**(6,153)**

	Profit/(Loss)		**Shareholder's equity**	
31 December 2017	**Strengthening of foreign currency**	**Weakening of foreign currency**	**Strengthening of foreign currency**	**Weakening of foreign currency**
Increase/(decrease) 10% of USD parity				
1- USD net asset/liability	(83,292)	83,292	(83,292)	83,292
2- Hedged portion of USD amounts (-)	-	-	-	-
3- Net effect of USD (1+2)	**(83,292)**	**83,292**	**(83,292)**	**83,292**
Increase/(decrease) 10% of EURO parity				
4- EURO net asset/liability	155	(155)	155	(155)
5- Hedged portion of EURO amounts (-)	-	-	-	-
6- Net effect of EURO (4+5)	**155**	**(155)**	**155**	**(155)**
TOTAL (3+6)	**(83,137)**	**83,137**	**(83,137)**	**83,137**

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

26 NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The Group is exposed to interest rate risk due to effects of the changes in market interest rates on the interest rate sensitive assets and liabilities.

The Group's interest rate sensitive financial instruments' allocation as at 31 December 2018 and 31 December 2017 are presented below:

Financial instruments with fixed interest rate	31 December 2018	31 December 2017
Financial assets		
Bank deposits	11,494,616	10,708,361
Reverse repo receivables	19,554	20,833
Financial assets measured at amortized cost	76,829	-
Held-to-maturity financial assets		76,846
Financial liabilities		
Short term borrowings	3,425,413	3,179,005

Fair value sensitivity analysis for interest-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instrumnets under fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

27 FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

Fair value of financial assets and liabilities has to be determined for accounting policies and/or presentation of notes.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value.

Financial assets

It is estimated that the fair values and carrying amounts of the cash and cash equivalents, trade receivables are close to each other, since they have short term maturities.

Investment funds and securities measured at fair value are valued using the market prices available at the reporting date.

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

27 FINANCIAL INSTRUMENTS (Continued)

Financial liabilities

It is estimated that the fair values and carrying amounts of the financial liabilities, trade payables and other liabilities are close to each other due to their short term maturities.

31 December 2018	Carrying value	Fair value	Note
Financial assets			
Cash and cash equivalents	12,239,950	12,239,847	4
Trade receivables	77,122	77,122	7
Financial investments (Financial assets measured at amortized cost)	77,721	77,201	6
Financial liabilities			
Borrowings	3,425,413	3,425,413	15
Trade payables	748,071	748,071	13

As at 31 December 2018, the fair value classification of the financial assets at amortized cost of the Group is Level 2.

31 December 2017	Carrying value	Fair value	Note
Financial assets			
Cash and cash equivalents	10,800,918	10,800,918	4
Trade receivables	247,863	247,863	7
Financial investments (Held-to-maturity)	76,846	76,897	6
Financial liabilities			
Borrowings	3,179,005	3,179,005	15
Trade payables	398,762	398,762	13
Other financial liabilities	845,796	845,796	14

As at 31 December 2017, the fair value classification of the held to maturity financial assets of the Group is Level 2.

Classification relevant to fair value information

The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy, The different levels have been defined as follows:

Level 1: Registered (unadjusted) prices of identical assets or liabilities in active markets;

Level 2: Data which can be observed by directly (through prices) or indirectly (derived from prices) and which excludes the registered prices described in Level 1;

Level 3: Data that is not based on observable market data related to assets and liabilities (non-observable data).

(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

27 FINANCIAL INSTRUMENTS (Continued)

Classification relevant to fair value information (Continued)

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Investment funds (Cash and cash equivalents)	5,410	-	-	5,410
Total	**5,410**	**-**	**-**	**5,410**

31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Investment funds (Cash and cash equivalents)	361	-	-	361
Total	**361**	**-**	**-**	**361**
Financial liabilities				
Other financial liabilities	-	845,796	-	845,796
Total	**-**	**845,796**	**-**	**845,796**

As at 31 December 2017, the equity interests in available for sale financial assets included in financial assets are subsidiaries of the Group and are accounted at cost.

Explanations of non-financial assets and liabilities at fair value

As at 31 December 2018 and 31 December 2017, real estates classified as investment property in the financial statements are carried at fair value. Level 2 inputs are used to determine fair value of investment properties. The fair value of the investment properties as at 31 December 2018 amount to TL 61,805 is determined using the market value approach as stated in the valuation reports (31 December 2017: TL 59,355). Related valuation methods and accounting policies are explained in Note 2.10.

28 SUBSEQUENT EVENTS

None.