BORSA İSTANBUL A.Ş.

Consolidated Financial Statements
as at and for the Year Ended
31 December 2019 With
Independent Auditor's Report Thereon

3 March 2020

This report includes 4 pages of independent auditors' report and 66 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

A) Audit of the consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Borsa İstanbul Anonim Şirketi and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). 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 declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to Note 2.11.1 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revenue recognition.

The key audit matter	How the matter was addressed in our audit
The Group's main revenue consists of trading revenues, interest income, custody and custody related operating income, listing income, data vending income, settlement and clearing income and security registration income. Revenue recognition was considered to be a key audit matter, due to the nature of group operations in the process of revenue, the variety of the transactions, high volume of transactions and the use of different methods and parameters in the accounting of revenue.	Our procedures for testing the revenue recognition included below: • We evaluated the compliance of the accounting policies with the TFRS. • We tested the design and implementation and operational effectiveness of internal controls on revenue recognition accounting process with the involvement of information risk management specialists. • Revenues were aggregated on the basis of the related income type and expectation analysis was performed considering the previous period amounts and the results were evaluated. • We tested the evaluation of accounting in accordance with TFRS for the selected samples from the transactions within the accounting period and compared the details of the transactions with supporting documents received on a transaction basis.

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 TFRS, 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 Company'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 Company 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
Responsibilities of auditors in an audit are as follows:

Responsibilities of auditors in an audit are as follows:

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 Standards on Auditing issued by POA 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 Standards on Auditing issued by POA, 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 Company'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 Company'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 Company 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2019, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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

Alper Güvenç, SMMM
Partner

3 March 2020
İstanbul, Turkey

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BORSA İSTANBUL A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

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

		Audited	**Audited**
ASSETS	*Notes*	**31 December 2019**	**31 December 2018**
CURRENT ASSETS		**17,478,234**	**12,376,389**
Cash and cash equivalents	4	16,194,350	12,207,937
Financial investments	6	942,753	39,754
-Financial asset measured at amortized cost		*869,416*	*7,741*
-Financial asset at fair value through profit or loss		*33,288*	-
-Time deposits		*40,049*	*32,013*
Trade receivables	7	276,364	76,315
-Other trade receivables		*276,364*	*76,315*
Other receivables	7	373	807
-Other receivables		*373*	*807*
Derivative financial instruments	16	40,015	-
Prepaid expenses	10	14,587	19,184
Other current assets	8	9,792	32,392
NON-CURRENT ASSETS		**895,426**	**909,159**
Financial investments	6	65,555	81,173
-Financial assets at fair value through other comprehensive income		*11,189*	*11,193*
-Financial asset measured at amortized cost		*54,366*	*69,980*
Investments accounted for under the equity method	5	81,581	69,102
Investment properties	11	57,775	61,805
Property and equipment	12	242,217	202,923
Intangible assets	13	389,253	415,335
Prepaid expenses	10	1,335	6,026
Deferred tax assets	29	56,904	72,175
Other non-current assets	8	806	620
TOTAL ASSETS		**18,373,660**	**13,285,548**

The accompanying notes between pages 6 and 66 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

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

LIABILITIES	*Notes*	**Audited 31 December 2019**	**Audited 31 December 2018**
CURRENT LIABILITIES		**14,692,273**	**10,355,121**
Short term borrowings	18	4,105,860	3,425,413
Lease liabilities	19	1,519	-
Trade payables	15	947,878	447,958
-Other trade payables		*947,878*	*447,958*
Liabilities for employee benefits	21	10,228	11,317
Other payables		88,063	81,439
-Due to related parties	*15,30*	*87,715*	80,292
-Other payables	*15*	*348*	1,147
Deferred income	9	3,715	2,154
Current income tax liabilities	29	71,406	120,832
Short term provisions		70,555	56,756
- Provisions for employee benefits	*21*	*50,195*	*40,656*
- Other short term provisions	*17*	*20,360*	*16,100*
Other current liabilities	22	9,393,049	6,209,252
NON-CURRENT LIABILITIES		**221,305**	**264,910**
Lease liabilities	*19*	4,601	-
Trade payables	*15*	166,840	218,674
-Other payables		*166,840*	*218,674*
Deferred income	9	814	1,866
Long term provisions	21	34,598	30,244
-Provisions for employee benefits		*34,598*	*30,244*
Deferred tax liabilities	29	5,582	5,495
Other non-current liabilities	22	8,870	8,631
SHAREHOLDER'S EQUITY		**3,460,082**	**2,665,517**
Equity holders of the parent	*23*	*2,603,309*	*1,993,671*
Paid in capital		423,234	423,234
Treasury shares		(99,016)	(97,666)
Share premium		12,418	12,418
Other comprehensive income / expense not to be reclassified to profit or loss		4,221	7,584
-Revaluation reserve		*13,677*	*13,677*
-Losses on remeasurements of defined benefit plans		*(9,456)*	*(6,093)*
Other comprehensive income / expense to be reclassified to profit or loss		1,397	1,433
-Currency translation differences		*1,397*	*1,433*
Restricted reserves		448,302	392,550
Retained earnings		1,018,679	260,483
Net profit for the period		794,074	993,635
Non-controlling interests		*856,773*	*671,846*
TOTAL EQUITY AND LIABILITIES		**18,373,660**	**13,285,548**

The accompanying notes between pages 6 and 66 are an integral part of these consolidated financial statements.

BORSA İSTANBUL A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Notes	**Audited** **1 January – 31 December 2019**	**Audited** **1 January – 31 December 2018**
Revenue	24	1,923,657	1,538,667
Cost of sales (-)	24	(196,657)	(161,847)
Gross profit		**1,727,000**	**1,376,820**
General administrative expenses (-)	25	(534,399)	(429,749)
Other operating expenses (-)	26	(101,210)	(101,032)
Other operating income	26	69,862	338,112
Operating profit		**1,161,253**	**1,184,151**
Investment activities income	27	601	16,983
Investment activities expense	11,27	(4,355)	-
Share of profit / (loss) of investments accounted for under the equity method	5	15,717	20,320
Profit before financial income / (expense)		**1,173,216**	**1,221,454**
Financial income	28	129,774	137,343
Financial expenses (-)	28	(9,187)	-
Profit before tax		**1,293,803**	**1,358,797**
Income tax expense (-)	29	(268,014)	(252,230)
Deferred tax expense (-)	29	(16,351)	66,976
PROFIT FOR THE PERIOD		**1,009,438**	**1,173,543**
Profit attributable to:			
- Non-controlling interests		215,364	179,908
- Equity holders of the parent		794,074	993,635
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income not to be- reclassified to profit or loss		**(3,972)**	**(168)**
Gains / losses on remeasurements of defined benefit plans	21	(4,965)	(210)
Other comprehensive income tax that will never be reclassified to profit or loss		993	42
- Deferred tax income / (expense)	*29*	*993*	*42*
Other comprehensive income to be reclassified to profit or loss		**(36)**	**560**
- Currency translation differences	5	(36)	560
Other comprehensive income / (expense)		**(4,008)**	**392**
TOTAL COMPREHENSIVE INCOME		**1,005,430**	**1,173,935**
- Non-controlling interests		214,755	179,696
- Equity holders of the parent		790,675	994,239

The accompanying notes between pages 6 and 66 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

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

		Statement of changes in shareholders' equity											
	Notes	**Paid in 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 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**
Adjustment 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 income / (expense)	23	-	-	-	-	-	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)
Dividends 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**
Balances at 1 January 2019		**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**
Net profit for the period		-	-	-	-	-	-	-	-	794,074	794,074	215,364	1,009,438
Other comprehensive income/ (expense)	23	-	-	-	-	-	(3,363)	(36)	-	-	(3,399)	(609)	(4,008)
Total comprehensive income / (expense)		**-**	**-**	**-**	**-**	**-**	**(3,363)**	**(36)**	**-**	**794,074**	**790,675**	**214,755**	**1,005,430**
Transfers		-	-	54,402	-	-	-	-	939,233	(993,635)	-	-	-
Transactions with non-controlling interests		-	-	-	-	-	-	-	-	-	-	(37)	(37)
Decrease arising from treasury share transactions		-	(1,350)	1,350	-	-	-	-	(1,350)	-	(1,350)	-	(1,350)
Dividends paid	23	-	-	-	-	-	-	-	(179,687)	-	(179,687)	(29,791)	(209,478)
31 December 2019		**423,234**	**(99,016)**	**448,302**	**12,418**	**13,677**	**(9,456)**	**1,397**	**1,018,679**	**794,074**	**2,603,309**	**856,773**	**3,460,082**

The accompanying notes between pages 6 and 66 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 2019

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

	Notes	Audited 1 January – 31 December 2019	Audited 1 January – 31 December 2018
Cash flows provided from operating activities			
Net profit for the period		**1,009,438**	**1,173,543**
Adjustments for:			
Tax expense	29	284,365	185,254
Depreciation expense	12	23,363	20,744
Amortization expense	13	42,734	35,485
Change in provision for employment termination benefits	21	6,907	5,280
Change in personnel bonus provision	21	26,468	21,086
Change in valuation of investment properties	11,27	4,030	(2,450)
Change in unused vacation liability	21	6,625	1,751
Change on law suit provision	20	4,260	(34,834)
Expense accrual for Capital Markets Board share	15,26	87,544	79,876
Provisions no longer required	26	(23,630)	(44,891)
Share of (profit) / loss of investments accounted for under the equity method	5	(15,717)	(20,320)
Derivative financial instruments	28	33,915	-
Financial income, net	28	(120,587)	(137,343)
Provisions for doubtful receivables	7	485	131
Unrealized exchange (gain) / loss		2,888	(283,860)
Cash flows from operating activities before working capital changes		**1,373,088**	**999,452**
Change in short-term borrowings, net		680,447	246,408
Decrease / (increase) in trade receivables		(200,557)	170,957
Decrease / (increase) in other current assets		22,600	(28,089)
Decrease / (increase) in other non-current assets		(186)	(42)
Change in other receivables		434	(459)
Change in prepaid expenses		9,288	(3,073)
Change in other payables		(1,215)	(452,331)
Increase in other current liabilities		3,172,422	562,551
Change in trade payables		454,377	331,509
(Decrease) / increase in other long-term liabilities		239	1,113
Change in financial derivative financial instruments	16	(40,015)	-
Taxes paid		(317,440)	(161,768)
Change in deferred income		(284)	2,147
Change in liability for employee benefits		(1,089)	(7,025)
Employment termination benefits paid	21	(5,007)	(3,355)
Employee's service provision paid	21	(2,511)	(2,348)
Capital Markets Board share paid		(79,876)	(62,909)
Personnel bonus paid	21	(21,462)	(18,934)
Unused vacation paid	21	(2,092)	(595)
Collection of doubtful receivables	7	23	69
Net cash (used in) generated from operating activities		**3,668,096**	**573,826**
Proceeds from sale of property, plant and equipment	12	90	126
Purchases of property, plant and equipment	12	(64,322)	(41,180)
Proceeds from sale of intangible assets	13	111	52
Purchase of intangible assets	13	(15,188)	(85,778)
Profit on sale of financial asset at fair value	26	-	265,253
Financial assets (purchase / sale) measured at amortized cost, net		(846,061)	(875)
Financial assets (purchase / sale) at fair value through profit or loss		(33,288)	-
Financial assets (purchase / sale) at fair value through other comprehensive income,net		4	(6,250)
Change in time deposit more than 3 months	6	(8,036)	(31,291)
Cash inflows from the sales of shares or capital decrease of the subsidiaries / joint ventures		(37)	(3,367)
Interests received		107,241	116,304
Lease payments		(977)	-
Dividend received from financial investments	27	276	14,533
Net cash (used in) / generated from investment activities		**(860,187)**	**227,527**
Dividend paid to non-controlling interest		(209,478)	(391,544)
Cash outflows from repurchase of treasury shares		(1,350)	(69,457)
Net cash (used in) / generated from financing activities		**(210,828)**	**(461,001)**
Net increase in cash and cash equivalents		**3,970,169**	**1,339,804**
Effects of currency translation on cash and cash equivalents		33,761	83,606
Cash and cash equivalents at the beginning of the period	4	12,192,329	10,768,919
Cash and cash equivalents at the end of the period	**4**	**16,196,259**	**12,192,329**

The accompanying notes between pages 6 and 66 are an integral part of these consolidated financial statements.

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

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 2019, BİST have 584 employees (31 December 2018: 565) and the Group have 1,096 employees (31 December 2018: 1,036). BİST is located in Reşitpaşa Mahallesi, Borsa İstanbul Caddesi, No:4, Sarıyer / İstanbul.

The Company's controlling shareholder is theTurkiye Wealth Fund. As at 31 December 2019 and 31 December 2018, the Company's shareholder structure and is as follows:

	31 December 2019	31 December 2018
Turkiye Wealth Fund	90.60%	80.60%
Borsa İstanbul A.Ş.	2.27%	2.23%
Turkish Capital Markets Association	1.30%	1.30%
European Bank for Reconstruction and Development(*)	-	10.00%
Other	5.83%	5.87%
	100.00%	**100.00%**

(*) Turkiye Wealth Fund has purchased 10% of the shares of European Bank for Reconstruction and Development and increased its shares to 90.60%.

(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 2019**	**31 December 2018**
İstanbul Takas ve Saklama Bankası A.Ş. (*)	Turkey	Bank	64.15	64.14
Merkezi Kayıt Kuruluşu A.Ş.	Turkey	Custodian	71.73	71.73

(*) The Group, which has participated in 64.14% of the İstanbul Takas ve Saklama Bankası Anonim Şirketi ("Takasbank") share capital, increased its shares to 64.15% by acquiring minority shares on 20 May 2019.

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.

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 2019**	**31 December 2018**
Finans Teknopark A.Ş.	Turkey	Technology	51.00	50.00
Tasfiye Halinde Borsa İstanbul İTÜ Teknoloji A.Ş.	Turkey	Technology	50.00	50.00

(*) In the Trade Registry Gazette dated 14 June 2019 and numbered 9848, it was published that the title change of Borsa İstanbul İTÜ Teknoloji A.Ş. to Tasfiye Halinde Borsa İstanbul İTÜ Teknoloji A.Ş. had been registered on 10 June 2019.

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.

Tasfiye Halinde Borsa İstanbul İTÜ Teknoloji A.Ş.

Main area of activity of Tasfiye Halinde 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.

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

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

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 2019**	**31 December 2018**
Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	Turkey	License	34.27	34.27
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

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.

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 consolidated financial statements of the Group have been prepared in accordance with TFRS. TFRS's; Public Oversight of the Accounting and Auditing Standards Authority ("POA") by Turkey Accounting Standards ("TAS"), Turkey Financial Reporting Standards comprise standards and interpretations published by TAS Reviews and TFRS names.

The consolidated financial statements are presented in accordance with the TFRS Taxonomy developed based on the Illustrative Financial Statements and User Guide published in the Official Gazette numbered 30794 on 7 June 2019.

The Group has initially adopted TFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019. The impact of these changes on the Group's financial statements is disclosed in note 2.11.22.

These consolidated financial statements are prepared according to the Turkey Financial Reporting Standards ("TFRS"). These consolidated financial statements are prepared on historical cost basis, except 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.

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.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Standards issued but not yet effective and not early adopted as at 31 December 2019 (Continued)

The revised Conceptual Framework

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRSs. 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 TFRS 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 POA 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 TFRS 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.

Amendments to TAS 1 and TAS 8 - Definition of Material

In June 2019, POA issued Definition of Material (Amendments to TAS 1 and TAS 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 TFRS Standards. The amended "definition of material "was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

Amendments to TFRS 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 to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. In May 2019, POA has also published the Definition of Business (Amendments to TFRS 3). With this amendments confirmed that a business shall include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs.. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. 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 TFRS 3.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Standards issued but not yet effective and not early adopted as at 31 December 2019 (Continued)

Interest Rate Benchmark Reform (Amendments to TFRS 9, TAS 39 and TFRS 7)

Interest Rate Benchmark Reform, which amended TFRS 9, TAS 39 and TFRS 7 issued in September 2019 by IASB and thereon POA issued on 14 December 2018 added Section 6.8 and amended paragraph 7.2.26 of TFRS 9. About this issue, IASB identified two groups of accounting issues that could affect financial reporting. These are:

• pre-replacement issues—issues affecting financial reporting in the period before the reform; and

• replacement issues—issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced.

IASB considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements as a priority in the first phase of the project:

* The highly probable requirement;

* Prospective assessments;

* IAS 39 retrospective assessment; and

* Separately identifiable risk components.

All other hedge accounting requirements remain unchanged. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The Group shall apply these amendments for annual periods beginning on or after 1 January 2020 with earlier application permitted.

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.

According to TFRS, consolidated financial statements should be presented with comparative information from the previous period. As of 31 December 2019, the Group has prepared the consolidated statement of financial position, consolidated profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow comparatively.

As at 31 December 2018, the Group's time deposit more than 3 months amounting to TL 32,013 which is included in cash and cash equivalents, is classified under the financial investments. Related classifications are made in the statement of cash flow.

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 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

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 TAS 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.

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Consolidation principles (Continued)

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 2019 and 31 December 2018 as follows:

	Effective ownership of interest (%)	
	31 December 2019	**31 December 2018**
İstanbul Takas ve Saklama Bankası A.Ş.(*)	64.15	64.14
Merkezi Kayıt Kuruluşu A.Ş.	71.73	71.73

(*) The Group, which has participated in 64.14% of the İstanbul Takas ve Saklama Bankası Anonim Şirketi ("Takasbank") share capital, increased its shares to 64.15% by acquiring minority shares on 20 May 2019.

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 TFRS 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 TAS 28.

(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 (Continued)

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 2019 and 31 December 2018:

	Effective ownership of interest (%)	
	31 December 2019	**31 December 2018**
Finans Teknopark A.Ş.	51.00	50.00
Tasfiye Halinde Borsa İstanbul İTÜ Teknoloji A.Ş.(*)	50.00	50.00

(*) In the Trade Registry Gazette dated 14 June 2019 and numbered 9848, it was published that the title change of Borsa İstanbul İTÜ Teknoloji A.Ş. to Tasfiye Halinde Borsa İstanbul İTÜ Teknoloji A.Ş. had been registered on 10 June 2019.

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 2019 and 31 December 2018:

	Effective ownership of interest (%)	
	31 December 2019	**31 December 2018**
Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	34.27	34.27
Enerji Piyasaları İşletme A.Ş. ("EPİAŞ")	30.83	30.83
Kyrgyz Stock Exchange	16.33	16.33
Montenegro Stock Exchange	24.43	24.43

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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.

2.10 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, investment property 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 4 December 2019. Akmerkez office was evaluated by market value approach and the fair value amount is TL 23,500.

Şişli Service Building

Şişli building, investment property 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 24 December 2019. Şişli service building evaluated by market value approach and the fair value amount is TL 34,275.

(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)

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 21).

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 2019	31 December 2018
Discount rate	3.52%	5.09%
Estimated employee turnover rate	96.90%	97.63%

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.

Fair value of derivative instruments

The Group calculates the fair values of financial instruments which do not have an active market using market data, using similar transactions, using the fair values of similar instruments as reference, and discounted cash flow analysis.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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).

2.11.1 Service revenue

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.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.1 Service revenue (Continued)

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.

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 "TFRS-9 Financial Instruments".

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 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

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

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 TAS 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 as incurred.

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.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.6 Research and development costs (Continued)

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.

2.11.7 Financial instruments

Classification and measurement

Classification and measurement of financial assets in accordance with TFRS 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.

TFRS 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 TAS 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.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.7 Financial instruments (Continued)

Classification and measurement (Continued)

Under TFRS 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.

2.11.8 Impairment of financial assets

TFRS 9 replaces the “incurred loss” model in TAS 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.

Under TFRS 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.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.8 Impairment of financial assets

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.

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.

2.11.9 Financial income and financial expenses

Financial income includes interest income from investments, 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.

2.11.10 Derivative financial instruments

Derivative financial instruments including foreign exchange swaps, interest rate swaps, foreign exchange options and currency forwards.

Derivative instruments are initially recognized at the transaction cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. It is shown that the valuation differences resulting from the valuation of derivative transactions are associated with the statement of profit or loss.

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.11 Non-derivative financial liabilities

The liability items in TAS 39 have been carried forward to TFRS 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 (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.

2.11.12 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.

2.11.13 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.

2.11.14 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.

2.11.15 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 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.16 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.

2.11.17 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 TFRS, which is the basis of transfer accounting and the remaining balance is accounted for as capital reserves.

2.11.18 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.

2.11.19 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.

2.11.20 Earnings per share

According to TAS 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.

2.11.21 Provisions. contingent liabilities and assets

According to TAS 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.

(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)

2.11.22 Lease transactions

i. Accounting policies applied after 1 January 2019

TFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied partial retrospective approach to TFRS 16, resulting in a right to use and an equal amount of the lease obligation, Group has applied all the practical expedient in the first transition. The details of the changes in accounting policies are disclosed below.

a) Definition of a lease

On transition to TFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under TFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

b) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under TFRS 16, the Group recognises right-of-use assets and lease liabilities on the balance sheet.

The carrying amounts of right-of-use assets are as below;

	Property and equipment
	Vehicles
Balance at 1 January 2019	903
Balance at 31 December 2019	5,983

i. Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. As at 1 January 2019, the weighted average of the alternative borrowing interest rates applied to TL lease liabilities is 23.4%.

The lease liability is subsequently increased by the interest cost and decreased by lease payments. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

(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)

2.11.22 Lease transactions (Continued)

i. Accounting policies applied after 1 January 2019 (Continued)

b) As a lessee (Continued)

i. Significant accounting policies (Continued)

ii. Transition

Previously, the Group classified leases as operating leases under TAS 17. At transition, for leases classified as operating leases under TAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

– their carrying amount as if TFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application

The Group used the following practical expedients when applying TFRS 16 to leases previously classified as operating leases under TAS 17;

– Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

– Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

– Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

c) Impacts on financial statements

i. Impacts on transition

The impact on transition is summarised below.

	1 January 2019
Right-of-use assets presented in property and equipment	903
Lease liabilities	903

ii. Impacts for the period

As a result of initially applying TFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised TL 5,983 of right-of-use assets and TL 6,120 of lease liabilities as at 31 December 2019.

Also in relation to those leases under TFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. As at 31 December 2019, the Group recognised TL 805 of depreciation charges and TL 310 of interest cost from these leases.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.22 Lease transactions (Continued)

ii. Accounting policies applied before 1 January 2019

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.

2.11.23 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 TAS 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.

2.11.24 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.

2.11.25 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 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.26 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 2019 and 31 December 2018, cash and cash equivalents are as follows:

	31 December 2019	31 December 2018
Cash	36	60
Banks - time deposits	15,643,225	11,462,603
Banks - demand deposits	519,100	96,640
Reverse repo receivables	29,338	19,554
Investment funds (B type liquid fund)	2,651	5,410
Receivables from money markets	-	623,670
Cash and cash equivalents on statement of financial position	**16,194,350**	**12,207,937**
Accruals on cash and cash equivalents	(20,833)	(32,215)
12 months expected credit loss	22,742	16,607
Cash and cash equivalents on statement of cash flows	**16,196,259**	**12,192,329**

As at 31 December 2019, the Group has calculated an expected credit loss allowance amounting to TL 16,194,350 for cash and cash equivalents amounting to TL 22,742 under TFRS 9.

As at 31 December 2019, there is no restricted deposits (31 December 2018: None).

Banks-Time deposits

As at 31 December 2019 and 31 December 2018, the details of time deposits are as follows:

31 December 2019	Amount (TL)	Effective interest rate (%)	Maturity date
TL	8,799,398	11.38	2 January 2020 - 31 March 2020
USD	3,429,554	2.70	2 January 2020 - 13 February 2020
EUR	3,414,273	0.72	2 January 2020 - 4 February 2020
Total	**15,643,225**		

31 December 2018	Amount (TL)	Effective interest rate (%)	Maturity date
TL	6,658,832	24.28	2 January 2019 - 26 February 2019
USD	3,017,718	5.51	2 January 2019 - 14 February 2018
EUR	1,786,053	2.99	2 January 2019
Total	**11,462,603**		

(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 2019 and 31 December 2018:

Joint ventures

31 December 2019	Participation rate (%)	Total assets	Total liabilities	Net assets	Profit/(loss) for the period	BİST's shares in profit/(loss)	BİST's share in net assets
Finans Teknopark A.Ş.	51.00	2,033	1	2,032	27	14	1,036
Tasfiye Halinde Borsa İstanbul İTÜ Teknoloji A.Ş.	50.00	154	-	154	(2)	(1)	77
Total						**13**	**1,113**

31 December 2018	Participation rate (%)	Total assets	Total liabilities	Net assets	Profit/(loss) for the period	BİST's shares in profit/(loss)	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**

(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 2019 and 31 December 2018:

Subsidiaries

31 December 2019	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	293,621	81,317	212,304	41,771	12,878	65,453
Sermaye Piy. Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	34.27	34,999	4,058	30,941	7,176	2,459	10,603
Montenegro Stock Exchange	24.43	16,400	259	16,141	1,503	367	3,943
Kyrgyz Stock Exchange	16.33	2,948	76	2,872	-	-	469
Total						**15,704**	**80,468**

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**

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(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 2019 and 31 December 2018, joint ventures and subsidiaries that are accounted by equity method are as stated below:

	1 January – 31 December 2019	1 January – 31 December 2018
Beginning period - 1 January	**69,102**	**48,222**
Dividends received from subsidiaries	(3,202)	-
Income and expenses from subsidiaries and joint ventures, (net)	15,717	20,320
Currency translation differences	(36)	560
Ending period – 31 December	**81,581**	**69,102**

6 FINANCIAL INVESTMENTS

As at 31 December 2019 and 31 December 2018, short term financial investments are as follows:

	31 December 2019	31 December 2018
Financial assets measured at amortized cost	869,416	7,741
Time deposit more than 3 months	40,049	32,013
Financial asset at fair value through profit or loss	33,288	-
Total	**942,753**	**39,754**

As at 31 December 2019 and 31 December 2018, long term financial investments are as follows:

	31 December 2019	31 December 2018
Financial assets at fair value through other comprehensive income	11,189	11,193
Financial assets measured at amortized cost	54,366	69,980
Total	**65,555**	**81,173**

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

6 FINANCIAL INVESTMENTS (Continued)

As at 31 December 2019 and 31 December 2018, details of debt securities are as follows:

	31 December 2019		31 December 2018	
	Carrying value	**Interest rate (%)**	**Carrying value**	**Interest rate (%)**
Government bonds	628,252	3.45	-	-
Eurobonds	131,899	4.69	-	-
Bonds	75,034	11.59	-	-
Asset backed securities	41,265	16.99	69,730	16.99
Sukuks	33,288	11.73	7,099	23.00
Certificates	24,046	11.75	642	-
Repos	23,013	11.10	-	-
Corporate bonds	273	18.44	250	16.40
Total	**957,070**		**77,721**	

As at 31 December 2019 and 31 December 2018, there are no financial assets at fair value through other comprehensive income subject to repurchase agreements.

As at 31 December 2019 and 31 December 2018, there are no financial assets given as collateral.

As at 31 December 2019 and 31 December 2018, details of financial assets at fair value through other comprehensive income are as follows:

	31 December 2019		31 December 2019	
	Share percentage (%)	**Carrying value**	**Share percentage (%)**	**Carrying value**
Türkiye Ürün İhtisas Borsası A.Ş.	21.79	6,250	21.79	6,250
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	19.97	3,320	19.97	3,320
Saraybosna Borsası	16.68	799	16.68	799
Bakü Borsası	4.76	157	4.76	157
Other	<0.01	663	<0.01	667
Total		**11,189**		**11,193**

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

7 TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables

As at 31 December 2019 and 31 December 2018, details of short term other trade receivables from third parties are as follows:

Other trade receivable from third parties

	31 December 2019	31 December 2018
Receivables from members(*)	96,811	47,187
Loans given	157,493	14,800
Custody and commission receivables	22,466	14,407
Doubtful receivables	677	580
Lifetime expected credit loss	(1,083)	(659)
Total	**276,364**	**76,315**

(*) 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 2019 and 31 December 2018, remaining maturities of trade receivables are less than 3 months.

Lifetime expected credit loss

For the years ended 31 December 2019 and 31 December 2018, the movement of lifetime expected credit loss are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Beginning period - 1 January	**(659)**	**(1,965)**
Adjustment to the first application of TFRS 9	-	(337)
Provisions during the period	(485)	(131)
Collections during the period	23	69
Reversal of provision during the period	38	1,705
Ending period - 31 December	**(1,083)**	**(659)**

Other receivables

Other receivables from third parties

As at 31 December 2019 and 31 December 2018, details of short term other receivables from third parties are as follows:

	31 December 2019	31 December 2018
Other receivables	251	253
Receivables from personnel	122	554
Total	**373**	**807**

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

8 OTHER ASSETS

Other current assets

As at 31 December 2019 and 31 December 2018, the details of other current assets are as follows:

	31 December 2019	31 December 2018
Receivables from derivatives collateral	6,461	18,954
Job advances given to personnel	733	3,745
Deposits and guarantees given	252	57
Other	2,346	9,636
Total	**9,792**	**32,392**

Other non-current assets

As at 31 December 2019 and 31 December 2018, other non-current assets are as follows:

	31 December 2019	31 December 2018
Deposits and guarantees given	806	620
Total	**806**	**620**

9 DEFERRED INCOME

Short term deferred income

As at 31 December 2019 and 31 December 2018, short term deferred income are as follows:

	31 December 2019	31 December 2018
Short-term deferred income	3,715	2,154
Total	**3,715**	**2,154**

Long term deferred income

As at 31 December 2019 and 31 December 2018, long term deferred income are as follows:

	31 December 2019	31 December 2018
Long-term deferred income	814	1,866
Total	**814**	**1,866**

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

10 PREPAID EXPENSES

Short term prepaid expenses

As at 31 December 2019 and 31 December 2018, short term prepaid expenses are as follows:

	31 December 2019	31 December 2018
Short-term prepaid expenses	14,587	19,184
Total	**14,587**	**19,184**

Long term prepaid expenses

As at 31 December 2019 and 31 December 2018, long term prepaid expenses are as follows:

	31 December 2019	31 December 2018
Long-term prepaid expenses	1,335	6,026
Total	**1,335**	**6,026**

11 INVESTMENT PROPERTIES

For the years ended 31 December 2019 and 31 December 2018, the movements of the investment properties are as follows:

	Valuation method	1 January 2018	Increase / (decrease) in value	31 December 2019
Investment properties	Market value approach	23,175	325	23,500
Investment properties	Market value approach	38,630	(4,355)	34,275
Total		**61,805**	**(4,030)**	**57,775**

	Valuation method	1 January 2018	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**

As at 31 December 2019, 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 23,500 in the valuation report dated 4 December 2019. This report is prepared by an independent valuation Company authorized by the Capital Markets Board ("CMB").

As at 31 December 2019, 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 34,275 in the valuation report dated 24 December 2019.

As at 31 December 2019, rental income from investment properties is amounting to TL 600 (31 December 2018: TL 600).

The significant estimates and assumptions used in determining the fair value of the investment properties as at 31 December 2019 are as follows:

Investment property	Valuation method	Expert report date	Precedent value m^2 TL
Akmerkez - Independent unit	"Market value approach"	4 December 2019	26,111
Şişli Service Building	"Market value approach"	24 December 2019	7,542

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

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

12 PROPERTY AND EQUIPMENT

For the years ended 31 December 2019 and 31 December 2018,the movements of the property and equipment are as follows:

	Building	Machinery and equipment	Vehicles	Furnitures and fixtures	Leasehold improvements	Construction in progress	Right of use	Total
1 January 2019								
Net book value beginning period	28,052	12,873	119	26,534	122,865	12,480	-	202,923
Additions	-	4,740	-	17,264	4,267	31,263	6,788	64,322
Disposals	-	-	-	(90)	-	-	-	(90)
Transfers	-	-	-	(2,232)	25,624	(24,967)	-	(1,575)
Depreciation of current period	(581)	(8,275)	(44)	(8,167)	(5,491)	-	(805)	(23,363)
31 December 2019	**27,471**	**9,338**	**75**	**33,309**	**147,265**	**18,776**	**5,983**	**242,217**

	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**

There are no mortgages or pledges over property and equipment for the year ended 31 December 2019 and 31 December 2018.

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

13 INTANGIBLE ASSETS

For the year ended 31 December 2019 and 31 December 2018, the movements of the intangible assets are as follows:

	Rights	Software licenses	Development costs(*)	Constructions in progress	Total
1 January 2019					
Net book value beginning period	353,914	26,548	34,873	-	415,335
Additions	5,568	9,620	-	-	15,188
Disposals	-	(111)	-	-	(111)
Transfers	(1,534)	-	3,109	-	1,575
Amortisation of current period	(24,000)	(7,709)	(11,025)	-	(42,734)
31 December 2019	**333,948**	**28,348**	**26,957**	**-**	**389,253**

	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**

(*) 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 on 31 December 2019, TL 62 depreciation expense is reserved for the projects developed within the scope of the R&D Center (31 December 2018: TL 283).

(**) 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.

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

14 GOVERNMENT GRANTS

It is stated with a letter on 8 November 2018 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 stated with a letter on 6 November 2018 issued by Ministry of Science, Industry and Technology as part of Research and Development Law numbered 5746 that Borsa İstanbul's Research and Development Center status to be continued.

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 2019, research and development tax deduction amounting to TL 21,629 is considered as deduction in corporate tax calculation (31 December 2018: TL 28,868).

As at 31 December 2019, Group has not received any support regarding the research and developments from TUBITAK (31 December 2018: TL 310).

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

15 TRADE PAYABLES AND OTHER PAYABLES

Other trade payables

As at 31 December 2019 and 31 December 2018, details of other trade payables are as follows:

	31 December 2019	31 December 2018
Payables to members(*)	850,501	360,044
Trade payables(**)	86,894	76,963
Payables to domestic suppliers	10,483	10,951
Total	**947,878**	**447,958**

(*) 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 2019 and 31 December 2018, trade payables to related parties are as follows:

	31 December 2019	31 December 2018
Expense accrual for Capital Markets Board share	87,544	79,876
Other payables	171	416
Total	**87,715**	**80,292**

Other payables to third parties

As at 31 December 2019, other payables to third parties amounting to TL 348 (31 December 2018: TL 1,147).

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

15 TRADE PAYABLES AND OTHER PAYABLES (Continued)

Long-term trade payables

As at 31 December 2019 and 31 December 2018, long-term trade payables are as follows:

	31 December 2019	31 December 2018
Trade payables (*)	166,840	218,674
Total	**166,840**	**218,674**

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

16 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative assets

As at 31 December 2019 and 31 December 2018, derivative assets are as follows:

	31 December 2019	31 December 2018
Derivative assets		
Swap transactions	40,015	-
Total	**40,015**	**-**

17 SHORT TERM PROVISIONS

Other short term provisions

As at 31 December 2019 and 31 December 2018, the other short-term provisions are as follows:

	31 December 2019	31 December 2018
Law suit provision	20,360	16,100
Total	**20,360**	**16,600**

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

18 SHORT TERM BORROWINGS

As at 31 December 2019 and 31 December 2018, the short-term borrowings are as follows:

31 December 2019	Weighted average effective interest rate %	Currency	Original amount	TL equivalent
Short term borrowings	1.67	USD	334,833	1,988,973
	0.01	EUR	318,300	2,116,887
	-	TL	-	-
				4,105,860

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

19 LEASE LIABILITIES

As at 31 December 2019 and 31 December 2018, the lease liabilities are as follows:

	31 December 2019		31 December 2018	
	Gross	Net	Gross	Net
Up to 1 year	1,800	1,519	-	-
1-5 years	5,930	4,601	-	-
Total	**7,730**	**6,120**	**-**	**-**

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

20 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 20,360 in the consolidated financial statements as at 31 December 2019 (31 December 2018: TL 16,100) (Note 17).

Commitments

Total amount of commitments not included in liabilities

	31 December 2019	31 December 2018
Guarantees received from members(*)		
Precious Metal and Diamond Market guarantees	416,131	104,554
Equity Market guarantees	10,795	10,962
Debt Securities guarantees	4,328	4,282
Total	**431,254**	**119,798**

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

	31 December 2019	31 December 2018
Guarantees received from goods and services suppliers		
TL	58,369	63,049
USD	21,335	17,882
EUR	5,908	5,170
Total	**85,612**	**86,101**

	31 December 2019	31 December 2018
Assets under custody		
Contribution fund of mandatory education of BİST(*)	106,231	123,135
Total	**106,231**	**123,135**

(*) 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 2019, principal amount of “Contribution Fund of Mandatory Education of İMKB” is TL 106,231 (31 December 2018: TL 123,135).

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

21 PROVISIONS AND PAYABLES FOR EMPLOYEE BENEFITS

Short term employee benefits provisions

As at 31 December 2019 and 31 December 2018, the details of liabilities for employee benefits are as follows:

	31 December 2019	31 December 2018
Social security premium payables	8,710	6,421
Payables to personnel	1,518	4,896
Total	**10,228**	**11,317**

As at 31 December 2019 and 31 December 2018, the details of short term provisions for employee benefits are as follows:

	31 December 2019	31 December 2018
Unused vacation liability	23,727	19,194
Personnel bonus provision	26,468	21,462
Total	**50,195**	**40,656**

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 2019 and 31 December 2018, the movement of unused vacation liability is as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Opening balance - 1 January	19,194	18,038
Payment during the period	(2,092)	(595)
Increase during the period	6,625	1,751
Ending balance – 31 December	**23,727**	**19,194**

Personnel bonus provision

For the years ended 31 December 2019 and 31 December 2018, the movement of personnel bonus provisions as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Opening balance - 1 January	21,462	19,310
Payment during the period	(21,462)	(18,934)
Increase during the period	26,468	21,086
Ending balance – 31 December	**26,468**	**21,462**

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

21 PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

Long term employee benefits provisions

As at 31 December 2019 and 31 December 2018, the details of long term employee benefits provisions are as follows:

	31 December 2019	31 December 2018
Provision for employee termination benefits	33,371	26,506
Service bonus provision	1,227	3,738
Total	**34,598**	**30,244**

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 6,379.86 for each year of service at 31 December 2019 (31 December 2018: full TL 5,434.42).

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.

TAS 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 2019	31 December 2018
Discount rate	3.52%	5.09%
Estimated employee turnover rate	96.90%	97.63%

For the years ended 31 December 2019 and 31 December 2018, the movements of provision for employee termination benefits are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Provision for employee termination benefits as at 1 January	26,506	24,369
Interest cost	3,018	2,197
Service cost	3,889	3,083
Payments during the period	(5,007)	(3,355)
Actuarial (gains) / losses	4,965	212
Ending balance of provision for employee termination benefits - 31 December	**33,371**	**26,506**

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

21 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 2019 and 31 December 2018, the movements of service bonus provisions are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Service bonus provisions as at 1 January	3,738	6,086
Payments during the period	(2,511)	(2,348)
Service bonus provisions as at 31 December	**1,227**	**3,738**

22 OTHER LIABILITIES

Other current liabilities

As at 31 December 2019 and 31 December 2018, other current liabilities are as follows:

	31 December 2019	31 December 2018
Deposits and guarantees received(*)	9,349,133	6,131,758
Expected credit loss (off balance sheet items)	14,744	36,379
Taxes and duties payable	26,687	36,080
Other	2,485	5,035
Total	**9,393,049**	**6,209,252**

(*) 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.

Other non-current liabilities

As at 31 December 2019 and 31 December 2018, other non-current liabilities are as follows:

	31 December 2019	31 December 2018
Deposits and guarantees received	8,870	8,631
Total	**8,870**	**8,631**

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

23 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.

The Company’s shareholding structure as at 31 December 2019 and 31 December 2018 as follows:

	31 December 2019		31 December 2018	
Shareholder’s Name/Title	**Amount (TL)**	**Share (%)**	**Amount (TL)**	**Share (%)**
Turkiye Wealth Fund	383,450	90.60	341,126	80.60
Turkish Capital Markets Association	5,502	1.30	5,502	1.30
Borsa İstanbul A.Ş.	9,590	2.27	9,417	2.23
European Bank for Reconstruction and Development (*)	-	-	42,324	10.00
Other	24,692	5.83	24,865	5.87
Total	**423,234**	**100.00**	**423,234**	**100.00**

(*) Turkiye Wealth Fund has purchased 10% of the shares of European Bank for Reconstruction and Development and increased its shares to 90.60%.

Restricted reserves

	31 December 2019	31 December 2018
Restricted reserves	448,302	392,550
Total	**448,302**	**392,550**

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

Retained earnings

As at 31 December 2019, retained earnings is amounting to TL 1,018,679 (31 December 2018: TL 260,483).

It was decided in the Borsa İstanbul A.Ş.’s General Assembly dated 12 April 2019 dividend distribution of amounting to TL 179,687 to shareholders.

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

23 SHAREHOLDER'S EQUITY (Continued)

Share premium

	31 December 2019	31 December 2018
Share premium	12,418	12,418
Total	**12,418**	**12,418**

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

Revaluation reserve

	31 December 2019	31 December 2018
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 11).

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 TAS 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 9,456 as at 31 December 2019 (31 December 2018: TL 6,093).

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

Currency translation differences

	31 December 2019	31 December 2018
Currency translation differences	1,397	1,433
Total	**1,397**	**1,433**

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 2019	31 December 2018
Treasury shares	(99,016)	(97,666)
Total	**(99,016)**	**(97,666)**

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

24 REVENUE AND COST OF SALES

For the years ended 31 December 2019 and 31 December 2018, the details of gross profit are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Service revenue	1,930,577	1,539,679
Less: Sales discounts	(6,920)	(1,012)
Revenue	**1,923,657**	**1,538,667**
Cost of sales	(196,657)	(161,847)
Gross profit	**1,727,000**	**1,376,820**

For the years ended 31 December 2019 and 31 December 2018, the details of service revenue are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Takasbank interest income	732,323	684,568
Trading revenues	513,827	328,015
Debt securities	*224,552*	*58,791*
Equity market	*117,875*	*114,153*
Derivatives	*100,792*	*89,349*
Precious metals and diamond market	*33,512*	*12,339*
Takasbank money market	*32,759*	*50,555*
Takasbank security lending market	*2,281*	*1,454*
Turkey electronic fund purchase and sale platform	*2,056*	*1,374*
Custody and custody related operating income	290,556	222,152
Settlement and clearing income	95,582	58,652
Data vending income	87,068	65,368
Listing income	80,918	71,614
Security registration income	25,030	23,188
Collocation income	23,588	16,113
Additional terminal fee	18,161	16,031
Money transfer service income	13,987	9,338
Account management fee	11,744	11,347
Membership fee	11,052	8,198
License income	8,911	6,967
Public disclosure platform income	5,716	5,096
Other service income	12,114	13,032
Total	**1,930,577**	**1,539,679**

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

24 REVENUE AND COST OF SALES (Continued)

Cost of sales

For the years ended 31 December 2019 and 31 December 2018, the details of cost of sales are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Takasbank interest expense	184,720	152,164
Fees and commissions	11,937	9,683
Total	**196,657**	**161,847**

25 GENERAL ADMINISTRATIVE EXPENSES

For the years ended 31 December 2019 and 31 December 2018, the details of general administrative expenses are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Personnel fees and expenses	347,171	259,434
Depreciation and amortization expenses	66,035	56,512
Taxes and other legal expenses	26,320	34,129
Maintenance and repairment expenses	21,470	16,828
Outsourced benefit and services	13,851	8,323
Advertising expenses	9,129	9,834
Electricity, water and natural gas expenses	8,467	5,156
Communication expenses	8,112	8,040
Subcontractor expenses	5,759	4,723
Consultancy expenses	4,795	5,060
Social expenses	4,462	4,175
Insurance expenses	4,237	3,149
Travel expenses	3,017	3,572
Rent expenses	1,613	3,429
Other expenses	9,961	7,385
Total	**534,399**	**429,749**

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

25 GENERAL ADMINISTRATIVE EXPENSES (Continued)

Personnel expenses

For the years ended 31 December 2019 and 31 December 2018, the details of personnel expenses are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Gross salaries	194,153	144,073
Bonus expenses	47,062	41,077
Social benefits	37,845	27,983
Social security employer's contribution expenses	33,171	22,187
Health care expenses	15,243	11,869
Mutual rescission expenses	3,819	2,338
Other expenses	15,878	9,907
Total	**347,171**	**259,434**

Expenses by nature

	1 January – 31 December 2019	1 January – 31 December 2018
Personnel fees and expenses	347,171	259,434
Takasbank interest expenses	184,720	152,164
Depreciation and amortization expenses	66,035	56,512
Taxes and other legal dues	26,320	34,129
Maintenance and repairment expenses	21,470	16,828
Outsourced benefit and services	13,851	8,323
Fees and commissions	11,937	9,683
Advertising expenses	9,129	9,834
Electricity, water and natural gas expenses	8,467	5,156
Communication expenses	8,112	8,040
Subcontractor expenses	5,759	4,723
Consultancy expenses	4,795	5,060
Social expenses	4,462	4,175
Insurance expenses	4,237	3,149
Travel expenses	3,017	3,572
Rent expenses	1,613	3,429
Other expenses	9,961	7,385
Total	**731,056**	**591,596**

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

26 OTHER OPERATING INCOME / EXPENSES

Other operating expenses

For the years ended 31 December 2019 and 31 December 2018, the details of other operating expenses are as follows:

	1 January – 31 December 2019	**1 January – 31 December 2018**
Capital Markets Board share provision	87,544	79,876
Provision expenses	13,212	20,261
Other	454	895
Total	**101,210**	**101,032**

Other operating income

For the years ended 31 December 2019 and 31 December 2018, the details of other operating income are as follows:

	1 January – 31 December 2019	**1 January – 31 December 2018**
Foreign exchange gain	36,648	19,205
Provision no longer required	23,630	44,891
Rental income	1,190	1,201
Incapacity to work expenses	677	475
Gain on sale of securities(*)	-	265,253
Other operating income	7,717	7,087
Total	**69,862**	**338,112**

(*) Borsa İstanbul A.Ş. may engage in any joint undertaking, cooperation, or agreement related to stock market activities, and may establish strategic partnerships when required in accordance with the article 3 of the Article of Association. Within this scope, partnership with LCH Clarenet Group Ltd was established in 2015. As a result of the negotiations held in 2018, the shares in the current shareholding were sold and the resulting amount was recorded as profit on sale of securities.

27 INVESTMENT ACTIVITIES INCOME / EXPENSES

For the years ended 31 December 2019 and 31 December 2018, the details of investment activities incomes are as follows:

	1 January – 31 December 2019	**1 January – 31 December 2018**
Dividend income	276	14,533
Increase in fair value of investment properties	325	2,450
Total	**601**	**16,983**

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

27 INVESTMENT ACTIVITIES INCOME / EXPENSES (Continued)

For the years ended 31 December 2019 and 31 December 2018, the details of investment activities expenses are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Decrease in fair value of investment properties	4,355	-
Total	**4,335**	**-**

28 FINANCIAL INCOME / EXPENSES

Financial income

For the years ended 31 December 2019 and 31 December 2018, the details of financial income are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Interest income	95,859	117,327
Derivative transactions gain	33,915	-
Rediscount income	-	20,016
Total	**129,774**	**137,343**

Financial expenses

For the years ended 31 December 2019 and 31 December 2018, the details of financial expenses are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Rediscount expense	8,959	-
Other	228	-
Total	**9,187**	**-**

29 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%.

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

29 TAX ASSETS AND LIABILITIES (Continued)

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 gain

As at 31 December 2019 and 31 December 2018, the details of current tax assets and liabilities are as follows:

	31 December 2019	31 December 2018
Provision for corporate tax	268,014	252,230
Prepaid tax	(196,608)	(131,398)
Current income tax liabilities	**71,406**	**120,832**

For the years ended 31 December 2019 and 31 December 2018, the details of tax expenses in profit or loss are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Income tax expense	268,014	252,230
Deferred tax (income)/expense	16,351	(66,976)
Total tax expense	**284,365**	**185,254**

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 2019 and 31 December 2018:

	1 January – 31 December 2019	1 January – 31 December 2018
Profit before taxes	**1,293,803**	**1,358,797**
Income tax charge at effective tax rate	284,637	298,935
Permanent differences	11,134	(26,247)
Income from tax exemptions	(34,328)	(72,141)
Recognition of temporary differences	7,674	(26,262)
Non-deductible expenses	15,248	10,969
Tax expense	**284,365**	**185,254**

For the year ended 31 December 2019, effective tax rate is as 22% (31 December 2018: 14%).

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

29 TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets and liabilities

The Group and its subsidiaries calculate deferred tax assets and liabilities considering the effects of the temporary differences arising from the different valuations between the TFRS 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 2020, and 20% is used for the part which are likely to be recovered after 2020 in the calculation of deferred tax while preparing the 31 December 2019 financial statements (31 December 2018: 22% and after 2020: 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.

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 2019		**31 December 2018**	
	Deferred tax assets / (liabilities), net			
	Temporary differences	**Deferred tax**	**Temporary differences**	**Deferred tax**
Expense accrual for Capital Markets Board share	87,544	19,260	79,876	17,573
Property and equipment, intangible assets and investment properties	52,440	10,488	95,215	19,043
Expected credit loss	37,918	8,342	53,247	11,714
Provision for employee termination benefits	33,371	6,674	26,506	5,301
Provision for unused vacation liabilities	23,727	5,220	19,194	4,223
Lawsuit provisions	20,360	4,381	16,100	3,444
Personnel bonus provision	16,859	3,709	8,715	1,917
Provision for service bonuses	1,227	245	3,738	748
Financial instruments valuation difference	(40,015)	(8,803)	-	-
Other	8,209	1,806	12,351	2,717
Deferred tax assets / (liabilities), net		**51,322**		**66,680**

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

29 TAX ASSETS AND LIABILITIES (Continued)f

Deferred tax assets and liabilities (Continued)

As at 31 December 2019, deferred tax asset amounting to TL 56,904 (31 December 2018: TL 72,175) is reflected to the Group's financial statements as deferred tax liability amounting to TL 5,582 (31 December 2018: TL 5,495).

For the years ended 31 December 2019 and 31 December 2018, the movements of net deferred tax assets / (liabilities) during the year are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Opening balance - 1 January	66,680	(209)
TFRS 9 opening adjustment	-	(129)
Deferred tax expense	(16,351)	66,976
Other comprehensive income tax that will never be reclassified to profit or loss	993	42
- Deferred tax income / (expense)	*993*	*42*
Ending balance - 31 December	**51,322**	**66,680**

30 RELATED PARTY DISCLOSURES

As at 31 December 2019 and 31 December 2018, the details of due to related parties are as follows:

	31 December 2019	31 December 2018
Expense accrual for Capital Markets Board share(*)	87,544	79,876
Other payables	171	416
Total	**87,715**	**80,292**

(*) 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 2019	1 January – 31 December 2018
Capital Markets Board	87,544	79,876
Total	**87,544**	**79,876**

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

30 RELATED PARTY DISCLOSURES (Continued)

Related party income

	1 January – 31 December 2019	1 January – 31 December 2018
Rental income		
Turkiye Wealth Fund	600	600
Total	**600**	**600**

Key management personnel compensation

For the years ended 31 December 2019, salaries and similar benefits provided to members of key management are amounting to TL 10,649 (31 December 2018: TL 8,184).

31 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.)

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

31.1 Credit risk

As at 31 December 2019, 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 2019	**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)	-	**276,364**	**-**	**373**	**16,162,325**	**29,338**	**997,119**
-Guaranteed part of maximum credit risk with collaterals etc,	-	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	-	276,770	-	373	16,185,067	29,338	997,119
B. Net carrying value of financial assets which are overdue but not impaired	-	677	-	-	-	-	-
C. Net carrying value of impaired assets	-	(677)	-	-	-	-	-
- Overdue (Gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- 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	-	(406)	-	-	-	-	-
F. 12 months expected credit loss	-	-	-	-	(22,742)	-	-

(*) The time deposits more than 3 months is amounting to TL 40,049 is presented in financial investments.

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

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

31.1 Credit risk (Continued)

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)	-	**76,315**	**-**	**807**	**11,559,243**	**19,554**	**109,734**
-Guaranteed part of maximum credit risk with collaterals etc,	-	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	-	76,394	-	807	11,575,850	19,554	109,734
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	-	-	-
- Overdue (Gross book value)	-	580	-	-	-	-	-
- Impairment (-)	-	(580)	-	-	-	-	-
- 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	-	-	-	-	(16,607)	-	-

(*) The time deposits more than 3 months is amounting to TL 32,013 is presented in financial investments.

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

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

31.2 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 2019 and 31 December 2018:

31 December 2019	Carrying value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years
Non-derivative financial liabilities					
Current liabilities					
Short term borrowings	4,105,860	4,105,860	4,105,860	-	-
Lease liabilities	1,159	1,800	529	1,271	-
Trade and other payables	948,226	948,226	948,226	-	-
Payables to related parties	87,715	87,715	87,715	-	-
Other current liabilities	9,393,049	9,393,049	9,393,049	-	-
Non-current liabilities					
Lease liabilities	4,601	5,930	-	-	5,930
Trade payables	166,840	175,799	-	-	175,799
Other non-current liabilities	8,870	8,870	-	-	8,870
Total non-derivative financial liabilities	**14,716,680**	**14,727,249**	**14,535,379**	**1,271**	**190,599**
Derivative financial liabilities					
Current liabilities					
Derivative cash outflows	-	372,000	372,000	-	-
Derivative cash inflows	(40,015)	(449,400)	(449,400)	-	-
Total derivative financial liabilities	**(40,015)**	**(77,400)**	**(77,400)**	**-**	**-**
Total liabilities	**14,676,665**	**14,649,849**	**14,457,979**	**1,271**	**190,599**

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 and other payables	449,105	451,055	451,055	-	-
Payables to related parties	80,292	80,292	80,292	-	-
Other current liabilities	6,209,252	6,209,252	6,209,252	-	-
Non-current liabilities					
Trade payables	218,674	236,741	-	78,915	157,826
Other non-current liabilities	8,631	8,631	-	-	8,631
Total liabilities	**10,391,367**	**10,411,384**	**10,166,012**	**78,915**	**166,457**

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

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

31.3 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 2019 and 31 December 2018, are as follows:

	31 December 2019	31 December 2018
USD	5.9402	5.2609
EUR	6.6506	6.0280

The table below summarizes the foreign currency position risk of the Group as at 31 December 2019 and 31 December 2018, carrying value of assets and liabilities held by the Group in foreign currencies (in TL equivalent) are as follows:

	31 December 2019			31 December 2018		
	TL	**USD**	**EUR**	**TL**	**USD**	**EUR**
Cash and cash equivalents	7,361,980	606,064	565,639	4,892,062	588,471	297,972
Financial investments	525,535	21,132	60,146	880	-	146
Other current assets	324	50	4	1,503	264	19
Total assets	**7,887,839**	**627,246**	**625,789**	**4,894,445**	**588,735**	**298,137**
Short term borrowings	4,105,861	334,833	318,300	2,772,454	316,163	184,000
Other current liabilities	3,067,015	241,246	245,687	1,764,818	214,080	105,933
Trade payables	253,736	42,715	-	295,636	56,195	-
Total liabilities	**7,426,612**	**618,794**	**563,987**	**4,832,908**	**586,438**	**289,933**
Net foreign currency assets / (liabilities)	**461,227**	**8,452**	**61,802**	**61,537**	**2,297**	**8,204**
Derivative financial instruments	399,036	-	60,000	-	-	-
Net foreign currency	**399,036**	**-**	**60,000**	**-**	**-**	**-**
Net position	**62,191**	**8,452**	**1,802**	**61,537**	**2,297**	**8,204**

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

31 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 2019 and 31 December 2018:

Foreign exchange sensitivity analysis table

	Profit/(Loss)		Shareholder's equity	
31 December 2019	**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	5,021	(5,021)	5,021	(5,021)
2- Hedged portion of USD amounts (-)	-	-	-	-
3- Net effect of USD (1+2)	**5,021**	**(5,021)**	**5,021**	**(5,021)**
Increase/(decrease) 10% of EURO parity	**-**	-	-	-
4- EURO net asset/liability	1,198	(1,198)	1,198	(1,198)
5- Hedged portion of EURO amounts (-)	-	-	-	-
6- Net effect of EURO (4+5)	**1,198**	**(1,198)**	**1,198**	**(1,198)**
TOTAL (3+6)	**6,219**	**(6,219)**	**6,219**	**(6,219)**

	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)**

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

31 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 2019 and 31 December 2018 are presented below:

Financial instruments with fixed interest rate	31 December 2019	31 December 2018
Financial assets		
Bank deposits(*)	15,683,274	11,494,616
Reverse repo receivables	29,338	19,554
Receivables from money markets	-	623,670
Financial assets measured at amortized cost	923,782	77,721
Financial assets at fair value through profit or loss	33,288	-
Financial liabilities		
Short term borrowings	4,105,860	3,425,413

(*) As at 31 December 2019, time deposits more than 3 month amounting to TL 40,049, which is classified under financial investments (31 December 2018: TL 32,013).

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 instruments under fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

32 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 have 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 amount 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. The derivative transactions are measured at fair value subsequent to initial recognition.

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

32 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 2019	**Carrying value**	**Fair value**	**Note**
Financial assets			
Cash and cash equivalents	16,194,350	16,194,350	4
Trade and other receivables	276,737	276,737	7
Derivative financial instruments	40,015	40,015	16
Financial investments (Financial assets measured at amortized cost)	923,782	928,987	6
Financial investments (Financial assets at fair value through profit or loss)	33,288	33,288	6
Financial liabilities			
Borrowings	4,105,860	4,105,860	18
Lease liabilities	6,120	6,120	19
Trade and other payables	1,202,781	1,202,781	15

31 December 2018	**Carrying value**	**Fair value**	**Note**
Financial assets			
Cash and cash equivalents	12,207,937	12,207,937	4
Trade and other 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	18
Trade and other payables	748,071	748,071	15

As at 31 December 2019 and 31 December 2018, the fair value classification of the financial assets at amortized cost 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.)

32 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 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Investment funds (Cash and cash equivalents)	2,651	-	-	2,651
Derivative financial instruments	-	40,015	-	40,015
Financial assets at fair value through profit or loss	7,736	25,552	-	33,288
Total	**10,387**	**65,567**	**-**	**75,954**

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**

The Group evaluated that the cost of equity instruments which are classified as financial assets at fair value through other comprehensive income, reflect the fair values of the related assets. The fair value of the related assets has been determined as Level 3.

Explanations of non-financial assets and liabilities at fair value

As at 31 December 2019 and 31 December 2018, 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 2019 amounting to TL 57,775 is determined using the market value approach as stated in the valuation reports (31 December 2018: TL 61,805). Related valuation methods and accounting policies are explained in Note 2.10.

33 SUBSEQUENT EVENTS

None.