



**BORSA
İSTANBUL**

2018 Annual Integrated Report

INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT



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To the Shareholders of Borsa İstanbul Anonim Şirketi

OPINION

We have audited the annual report of Borsa İstanbul Anonim Şirketi (the "Company") and its subsidiaries ("the Group") for the period between 1 January 2018 and 31 December 2018, since we have audited the complete set consolidated financial statements for this period.

In our opinion, the consolidated financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company Group are consistent, in all material respects, with the audited complete set of consolidated financial statements and information obtained during the audit and provides a fair presentation.

BASIS FOR OPINION

We conducted our audit in accordance with Standards on Auditing which is a component of the Turkish Auditing Standards issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under Standards on Auditing issued by POA are further described in the Auditor's Responsibilities for the Annual Report section of our report. We declare that we are independent of the Company 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.

AUDITOR'S OPINION ON COMPLETE SET OF FINANCIAL STATEMENTS

We have expressed an unqualified opinion on the complete set of consolidated financial statements of the Company Group for the period between 1 January 2018 and 31 December 2018 on 4 March 2019.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE ANNUAL REPORT

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC"), the Company's Group's management is responsible for the following regarding the annual report:

a) The Company's Group's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.



b) The Company's Group's management prepares its annual report in such a way that it reflects the operations of the year and the consolidated financial position of the Company Group accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Company's Group's consolidated financial statements. The annual report shall also clearly indicates the details about the Company's Group's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.

c) The annual report also includes the matters below:

- Significant events occurred in the Company Group after the reporting period,
- The Company's Group's research and development activities.
- Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL REPORT

Our objective is to express an opinion on whether the consolidated financial information included in the annual report in accordance with the TCC and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company Group are consistent with the audited consolidated financial statements of the Company Group and the information obtained during the audit and give a true and fair view and form a report that includes this opinion.

We conducted our audit in accordance with Standards on Auditing issued by POA. Standards on Auditing issued by POA require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the consolidated financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company Group are consistent with the consolidated financial statements and the information obtained during the audit and provides a fair presentation.

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


Alper Güvenc, SMMM
Partner

4 March 2019
İstanbul, Turkey

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The integrated annual report includes the activities of Borsa İstanbul in 2018 and a summary of its medium and long-term strategies. It aims to demonstrate that it has the capacity to deliver this strategy, which focuses on optimizing the value offered for all stakeholders. Borsa İstanbul focuses on generating value for its stakeholders in a sustainable and responsible manner. Borsa İstanbul updated its strategy in 2018 by taking into account changing conditions and market needs for the deepening of capital markets and the sustainability of its financial success.

The strategy and management practices mentioned in this report are continuously improved by taking into account the factors that affect the value generation capability of Borsa İstanbul.



This report was prepared in accordance with the Core option of GRI.

ABOUT THE REPORT

THE PERIOD AND SCOPE OF THE REPORT

Borsa İstanbul A.Ş. (Borsa İstanbul) 2018 Integrated Annual Report provides information about Borsa İstanbul's strategy and business model, factors affecting Borsa İstanbul, significant risks and opportunities, governance, financial and operational performance between 1 January 2018 and 31 December 2018.

The report addresses the information pertaining to the financial and non-financial performance of Borsa İstanbul with an integrated approach. Borsa İstanbul has been independently audited, and the financial statements and explanatory footnotes dated 31 December 2018 are a complementary and integral part of this report.

The report was prepared in accordance with the principles and requirements which make up the standards contained in the Turkey Financial Reporting Standards (TFRS), International Integrated Reporting Framework <IR> of the International Integrated Reporting Council, and the Global Reporting Initiative (GRI).

OUR MATERIALITY APPROACH

The report provides information that we believe is important to actual and potential investors on Borsa İstanbul's capability to generate value in the short, medium and long term and to all other stakeholders seeking to conduct an informed assessment. The impacts of our activities, performance (page 41) and our business model (page 16) on value generation, our assessments regarding the responses that will be given to the arising risks and opportunities in the context of our strategy, our senior management and our management practices (page 53) are presented in the report.

The material issues included in this report are identified through a structured process involving the common sense of Borsa İstanbul Board of Directors and its senior management.

ASSESSMENTS FOR THE FUTURE

The report includes some forward-looking statements regarding Borsa İstanbul's financial position, operational results and activities. These expressions and estimates include risks and uncertainties as they relate to events and are tied to conditions that will arise in the future. There are various factors that may cause the actual results or developments to differ from our future assessments.

RESPONSIBILITY OF THE BOARD OF DIRECTORS REGARDING THE ANNUAL REPORT

In the 2018 Integrated Annual Report, Borsa İstanbul reports on the value created during the reporting period and how it uses its financial, human, intellectual, manufactured, social and natural resources.

As Borsa İstanbul Board of Directors, we believe that this report, prepared in accordance with the International Integrated Reporting Framework (<IR> Framework), addresses all relevant issues and we accept responsibility for ensuring the integrity of the report.

We present the report to you, the esteemed stakeholders of Borsa İstanbul, and we invite you to provide feedback on our financial performance and the value offered.

On behalf of the Board of Directors

Prof. Dr. Erişah ARICAN
The Chairperson
March 2019

Murat ÇETİNKAYA
CEO, Member of the Board
March 2019



The value generation in companies depends on the use of capital as input. In the Integrated Reporting Framework (<IR> Framework), it is recommended that these inputs are to be considered as a multiple, including the financial, human, intellectual, manufactured, social and relationship and natural capital elements.

Borsa İstanbul business model on the pages 16-17 describes the integration of these six capitals with our business structure. The following icons are included as a visual reference in the use of these six capital elements in the report.

Financial Capital



Human Capital



Intellectual Capital



Manufactured Capital



Social and Relationship Capital



Natural Capital



MESSAGE FROM THE CHAIRPERSON

Providing a reliable, transparent, effective, fair, innovative, competitive and sustainable trading platform for investors and becoming a global market place for Turkish financial assets are some of the core objectives of the Borsa İstanbul Group.



Dear Shareholders,

With the global crisis now far behind us, we have gone through a year in which the effects of external financial shocks have been deeply felt in our country. In this process, the main priority of Borsa İstanbul Group has been to support the country's economy in addition to eliminating financial threats by working in unity and solidarity with our stakeholders, particularly the regulatory authorities. All necessary measures to ensure the effective, uninterrupted and healthy operation of capital markets by adapting to changing global conditions have been taken decisively and continue to be taken. While implementing the regulations that will save our financial markets from various constraints within Borsa İstanbul Group on one hand, all necessary efforts are taken to ensure that the supportive arrangements within the same framework are accepted by the regulatory authorities on the other. The sensitivity of all our stakeholders, particularly market players, is closely monitored and taken into account in our actions.

The New Economy Program for the 2019-2021 period, prepared with a focus on "Balancing, Discipline and Transformation in the Economy" and which will direct the near economic future of our country, was announced during the year. Our 2019-2021 Strategic Plan was prepared to ensure that the duties assigned to Borsa İstanbul are fulfilled in accordance with the program objectives. Providing a reliable, transparent, effective, fair, innovative, competitive and sustainable trading platform for investors and becoming a global market place for Turkish financial assets are some of the core objectives of Borsa İstanbul Group. Our most fundamental strategic goal is to deepen Turkish capital markets. Depending on the achievement of this goal, financial performance is expected to reach even higher levels in the very near future.

After what was a very positive 2018 in terms of financial results of Borsa İstanbul, 2019 will be a period where we execute the objectives set out in the strategic plan. On the one hand, we will continue to step up our new initiatives in line with our strategy prepared by taking into consideration the economic priorities of our country, which are detailed in the New Economy Program and the mission, vision and goals of Borsa İstanbul, while on the other we will continue our initiatives that have had such a positive impact on our financial results. Thus, further progress will be made towards the objective of deepening the Turkish capital markets.

Composed of three of the most important institutions of Turkey in terms of economic development and contribution to financial stability, Borsa İstanbul Group will continue to work to increase its competitive clout in the international arena and to inform our stakeholders transparently in all our processes.



Prof. Dr. Eriřah ARICAN

The Chairperson of the Board of Directors

As Borsa İstanbul Group, we will work very hard to successfully implement our 2019-2021 Strategic Plan, prepared by a focus on deepening capital markets in line with the New Economy Program.

CEO'S ASSESSMENT

Despite global challenges, Borsa İstanbul Group will continue to take responsibility to support our country's economic development and to offer new products and markets within this scope.



Dear Borsa İstanbul Shareholders, Distinguished Business Partners and Employees,

LEAVING BEHIND A YEAR DOMINATED BY GLOBAL CHALLENGES

We round off a year when the world's agenda was quite intense and challenging, and changed very rapidly. The deterioration in global environment undoubtedly influenced also our country through various financial channels. In this process, as Borsa İstanbul Group, we acted with the consciousness of our responsibility and strived to all of our duties. We will continue to act with this approach also in the upcoming period.

A BALANCING IN ECONOMIC PERFORMANCE

Turkey continues to attract attention with its developing and growing economy. Turkish economy completed 2017 with a record 7.4% growth. The positive results of the New Economic Program, which will give direction to the near economic future of our country with a focus on balancing, discipline and transformation, started to be seen in 2018. Ranked 13th among the world's economies based on purchasing power parity, now that economic growth has taken on a more balanced path, Turkey is progressing with firm steps towards its goal of taking its place among the world's top 10 economies by 2023.

BORSA İSTANBUL ROUNDS OFF 2018 AS THE SECOND MOST LIQUID PLATFORM IN THE WORLD

Borsa İstanbul, on which 402 companies' shares are traded with a market capitalization of TL 795 billion, is the world's second most liquid trading platform with a 242% share turnover ratio. The year 2018 was marked by significant rises in Borsa İstanbul: The main BIST 100 index reached a level of 120,845 on 29 January 2018, with its daily traded value breaking a record of TL 16.5 billion on 10 August 2018. Compared to 2017, trading values increased by 36% in Equity Market and 48% in Derivatives Market in 2018. Increase in trading values supports our positive expectations for 2019.

GROWTH IN BORSA İSTANBUL MARKETS POSITIVELY REFLECTED FINANCIAL RESULTS

In addition to growth in trading value, 2018 was concluded with very good results from a financial point of view. When compared to 2017, consolidated total assets increased from TL 11.9 billion to TL 13.3 billion and the shareholders' equity increased from TL 1.56 billion to TL 2.67 billion by the end of 2018. The consolidated operating profit increased from TL 532 million to TL 1,184 million with net profit increasing from TL 420 million to TL 1,174 million. Our operating profit margin stood at 77%, while our net profit margin was 76%. These are clear reflections of how our long-term perspective, which is focused on deepening the Turkish capital markets, has been reflected onto the financial results.

2019-2021 STRATEGIC PLAN - A MILESTONE FOR THE NEW PERIOD

By completing the integration process, Borsa İstanbul has become a Group which includes Takas İstanbul and Merkezi Kayıt İstanbul. The strategic priority of Borsa İstanbul for the 2019-2021 period has been identified as the deepening of capital markets with the aim of providing a superior financial performance, a natural result of achieving this objective. The 2019-2021 strategy, prepared in line with the New Economy Program, will enable new opportunities to be seized in a rapidly changing global business environment. Many steps will be taken in the coming period in terms of opening new markets and offering new products and services. These steps, which are within the scope of our strategy, will contribute to our financial stability while increasing the interest of all our stakeholders, especially the issuers and investors, in the capital markets.

WE AIM TO CONTRIBUTE TO “TURKEY 2023” VISION BY DEEPENING OUR CAPITAL MARKETS

The ability of our companies to access long-term and sustainable sources of financing will be supported by the growing confidence in our capital markets. In this context, we strive to draw up regulations that will adapt to the changing market conditions and respond to the needs of the market. Companies had to surpass a certain threshold of profit and shareholders' equity, as part of listing requirements. In order to facilitate the public offering of Turkish companies, exceptions to these requirements were introduced, along with the option of revising the public offering price range. In addition, the rates of domestic and foreign allowances were revised in order to encourage public offering. Thus, more companies chose Borsa İstanbul Equity Market and went public to finance their projects. With the contribution of these regulations, a total of TL 14.8 billion of finance was provided to ten companies which went public in 2018.

While we strive to facilitate public offering process of companies, we attach the highest priority on establishing and maintaining the confidence of investors in capital markets. In this context, we are sensitive in ensuring that the companies which lack the financial competence, do not go public, and attach importance on avoiding any of the negative examples that have occurred in the past in this respect.

STEPS BEING TAKEN TO TRANSFORM İSTANBUL INTO AN INTERNATIONAL FINANCE CENTRE

The diversification of financial sources that Turkey needs, and contributing to the provision of financing sources through the capital markets are two of our key priorities. Borsa İstanbul will contribute to the further development of İstanbul's position as an international finance centre through the steps that Borsa İstanbul will take in the markets, especially in Debt Securities and Derivatives Market.

Change and transformation in the field of technology shape the expectations of investors, exchange members and all stakeholders. In this context, we use technology as an important tool in the operations and services we conduct, in order to create products and platforms which meet the needs of the market players.

Borsa İstanbul is responsible for the heading of Strengthening Technological Infrastructure in İstanbul International Finance Centre Program. BISTECH technological transformation program was initiated in 2014 and the phase of end-to-end operation of all four markets on the same platform is completed in 2018. In addition to the main trading and clearing modules; the transformation comprised surrounding systems as well, such as risk management, market surveillance, index calculation and data warehouse. With transition to BISTECH, the products as well as numerous new applications and features we offer, will support İstanbul's path towards becoming a finance centre. Another important objective is for BISTECH to become an exportable software. In this context, we are maintaining efforts to in-house development of the BISTECH technology and provide software integrated into the BISTECH architecture.

WE AIM TO BE A PARTICIPANT IN A GLOBAL MARKET MARKED BY INCREASED IMPORTANCE OF SUSTAINABILITY AND INTEGRATED THINKING

Borsa İstanbul plays a transformative role for companies in the field of sustainability and carries out projects that touch peoples' lives by carrying out collaborations with national and international organizations. In addition, Borsa İstanbul proves its support for education with the schools it builds nationwide. Physical Contribution to National Education Project supported by Borsa İstanbul has been transformed into an initiation with great added value over time. So far, a total of TL 1.5 billion has been provided, 436 educational institutions and facilities of many different types have been built and more than 800,000 students have been provided with the opportunity to receive education at these facilities.

We are pleased to share with you our 2018 Integrated Annual Report as an institution that has adopted sustainability approach and integrated thinking. We believe that this integrated report, which we, at Borsa İstanbul, have prepared with an awareness of the transforming role that stock exchanges have to play in sustainable development, will set an example for publicly held companies in Turkey and will serve to encourage them.

THANK YOU

I would like to express my gratitude to all of our stakeholders, especially our shareholders and Borsa İstanbul Group employees, who are the architects and supporters of our performance, for their confidence and contributions.

I wish to meet you in the new reports, where we will share the success of our 2019-2021 strategy, and I offer my respects.



Murat ÇETİNKAYA
CEO
Member of the Board

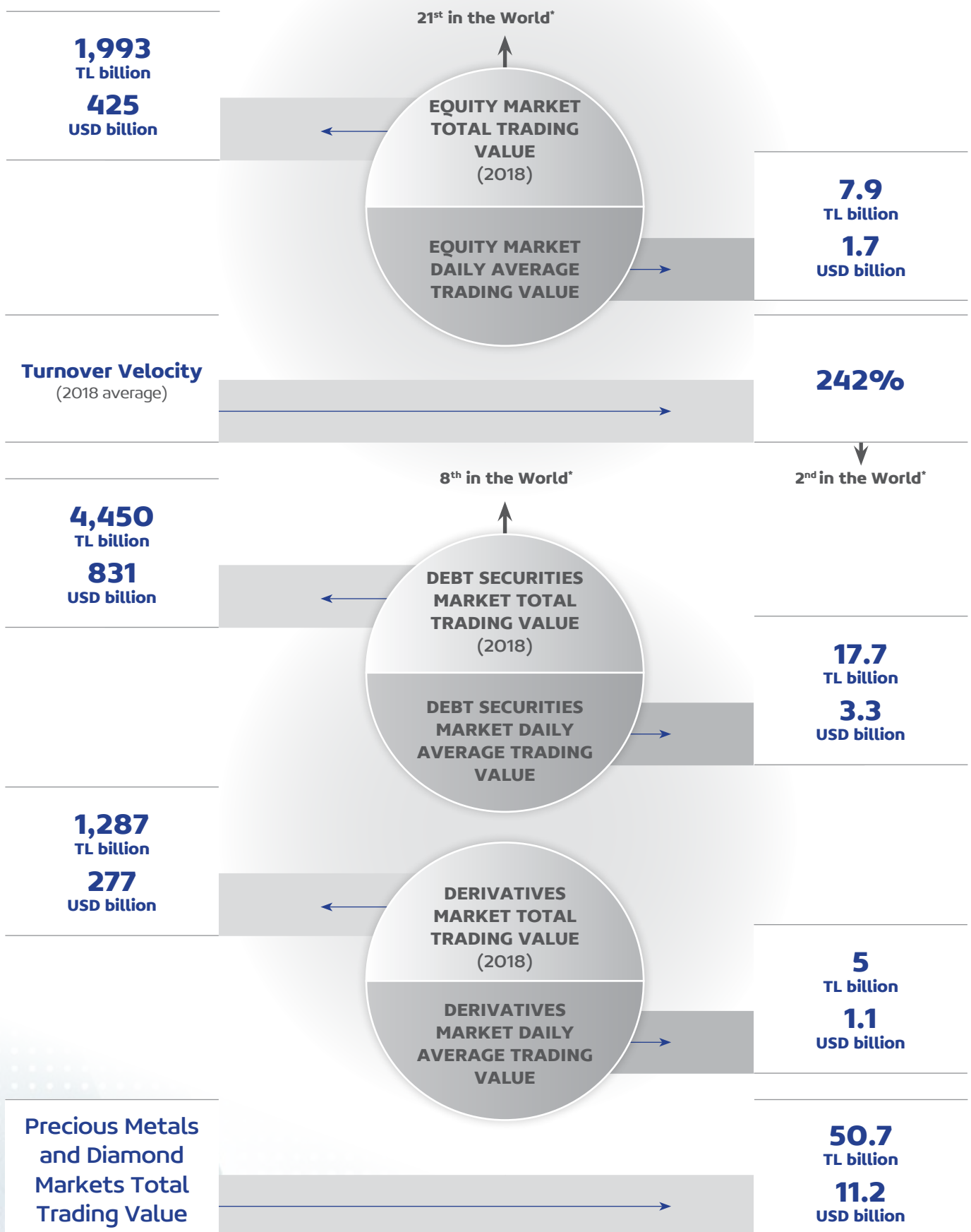
ABOUT BORSA İSTANBUL

THE 2018 PERFORMANCE: FINANCIAL AND OPERATIONAL SUMMARY

ORGANIZATION STRUCTURE

CAPITAL STRUCTURE

THE 2018 PERFORMANCE: FINANCIAL AND OPERATIONAL SUMMARY



*World Federation of Exchanges (WFE)

416

402 companies
9 Exchange Traded Funds
4 REITs
1 Real Estate Certificate

Market Capitalization

795
TL billion

Total Trading Value

7.8
TL trillion

Market Capitalization/GDP

21.5%

Free Float Rate

39.84%

Foreign share in free float
market capitalization

65.01%

Resources Supplied to the Economy through Capital
Markets

192.4
TL billion

with 9 initial and 1 secondary public offerings

8.4
TL billion

through capital increase

6.4
TL billion

through the issuance of 1,385 debt Instruments

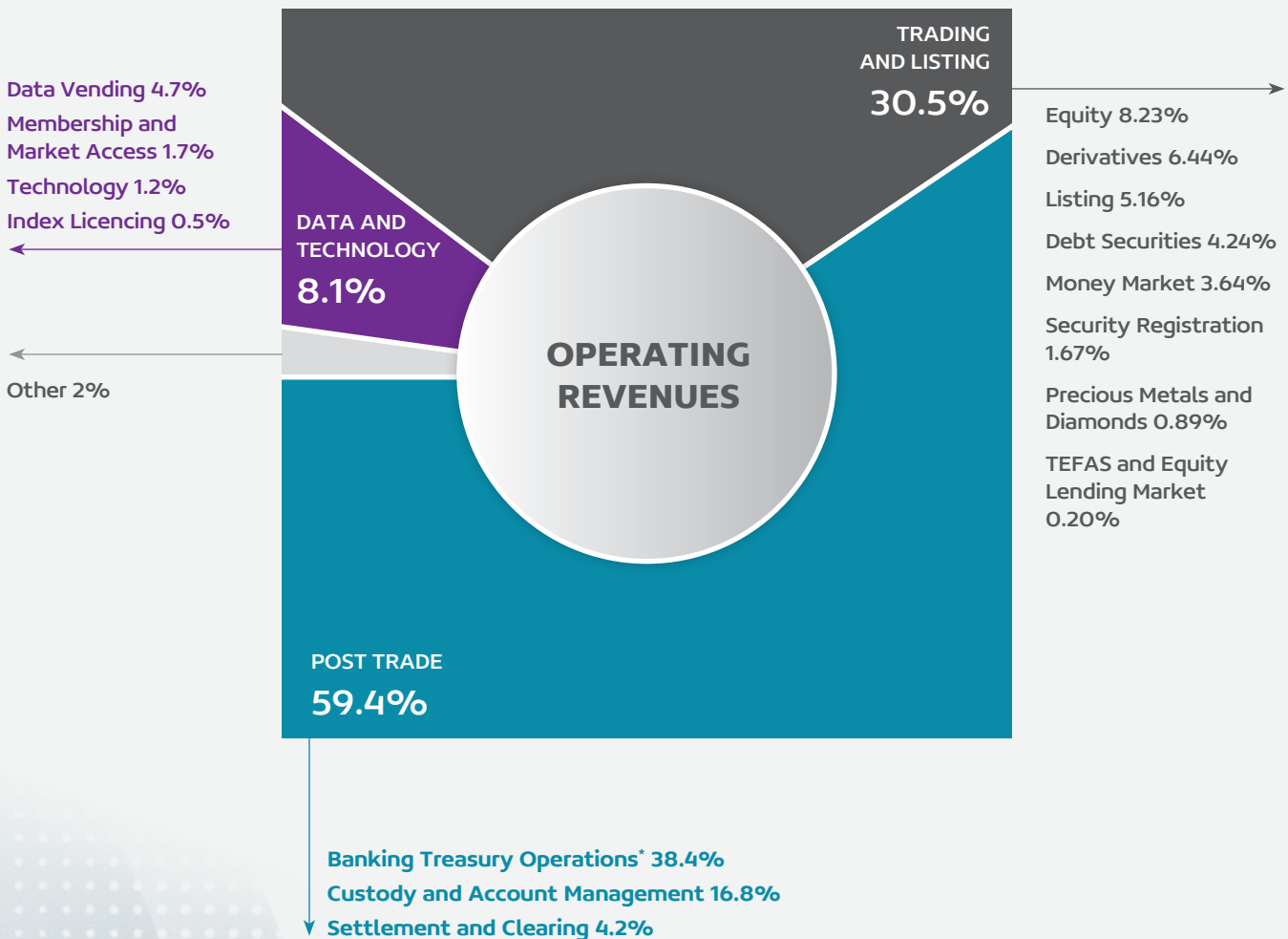
177.6
TL billion

Borsa İstanbul,
on which 402
companies are
traded with a market
capitalization of
TL 795 billion, is
the world's second
most liquid trading
platform with
a 242% share
turnover ratio.

THE 2018 PERFORMANCE: FINANCIAL AND OPERATIONAL SUMMARY

SUMMARY FINANCIAL INFORMATION (TL million)

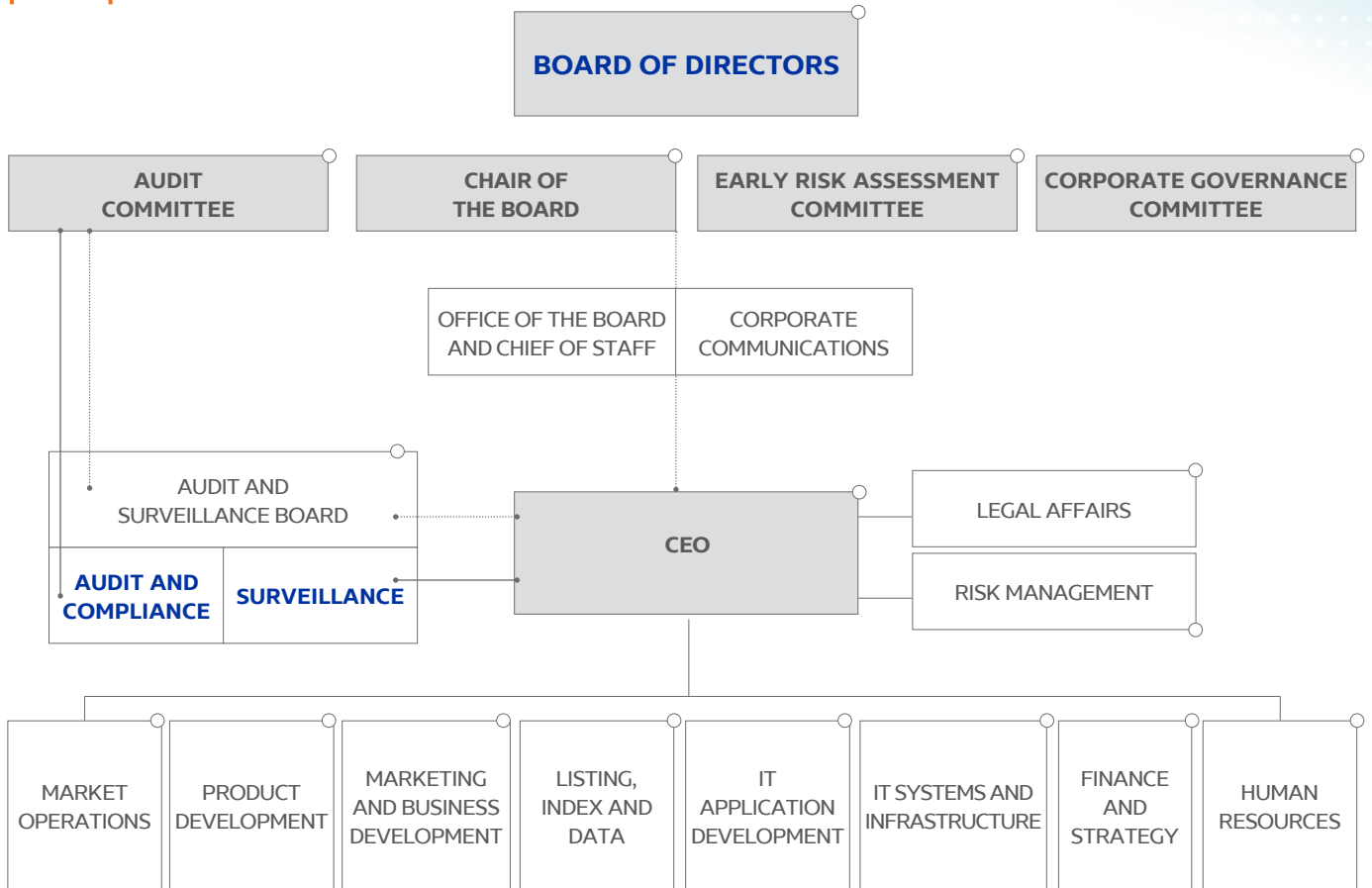
	2016	2017	2018	(CAGR)
Revenues	878	1,047	1,539	32%
Operating Profit	435	532	1,184	65%
Profit Before Tax	374	542	1,359	91%
Net Profit	276	420	1,174	106%
Total Assets	9,045	11,882	13,286	21%
Total Liabilities	7,854	10,319	10,620	16%
Total Equity	1,191	1,563	2,666	50%
EBITDA Margin	53%	55%	81%	
Operating Profit Margin	49%	51%	77%	
Net Profit Margin	31%	40%	76%	



* Banking Treasury Operations include Takas İstanbul net interest revenues.

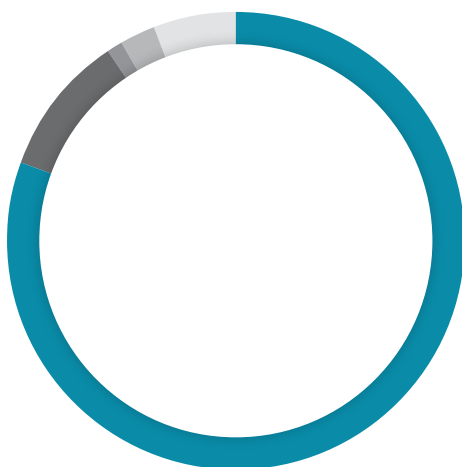
ORGANIZATION STRUCTURE

The organizational structure of Borsa İstanbul was revised in order to ensure it worked within the framework of efficiency and effectiveness principles.



CAPITAL STRUCTURE

As of 31/12/2018



- Turkiye Wealth Fund (TWF) 80.6%
- European Bank for Reconstruction and Development (EBRD) 10.0%
- Turkish Capital Markets Association (TCMA) 1.3%
- Borsa İstanbul A.Ş. 2.2%*
- Other 5.9%**

*In accordance with the resolutions taken in the General Assembly Meetings on 8 June 2017 and 27 September 2018, this consists of the shares acquired from the C group shareholders by Borsa İstanbul A.Ş.
 **Brokerage Houses, Banks, precious metal and foreign exchange companies and other companies.

VALUE GENERATION AND STRATEGY

HOW DO WE GENERATE VALUE

OPERATING ENVIRONMENT AND EXTERNAL FACTORS

OUR STRATEGY

OUR SUSTAINABILITY APPROACH

RISKS AND OPPORTUNITIES

OUR STAKEHOLDERS

MATERIAL ISSUES

HOW DO WE GENERATE VALUE

CUSTOMER VALUE PROPOSITION

To provide a reliable, transparent, effective and innovative trading platform to market participants with the best technological infrastructure



EMPLOYEE VALUE PROPOSITION

To provide a healthy and safe working environment for employees, where they can develop themselves continually



This report, which is the second integrated annual report of Borsa İstanbul, presents the wide range of investment tools that Borsa İstanbul offers with its fast and reliable trading platform, the opportunity for hedging from risks and financing opportunities for the real sector that needs long-term resources, its sustainable business model and the value that it creates for its stakeholders. In the report, Borsa İstanbul's strategic response to external factors and risks affecting the capital markets is explained with a long-term perspective and the 2018 activities are focused on within the framework of priority issues.



SHAREHOLDER VALUE PROPOSITION

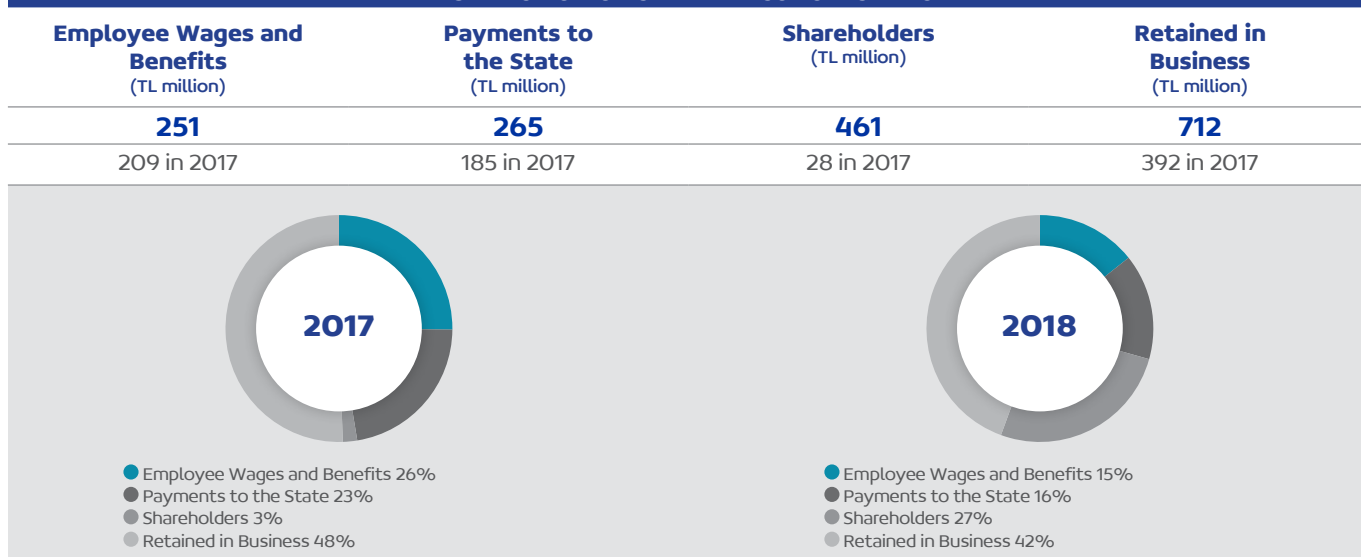
To provide a strong financial performance, sustainable income flow and structure as a result of deep capital markets



SOCIAL VALUE PROPOSITION

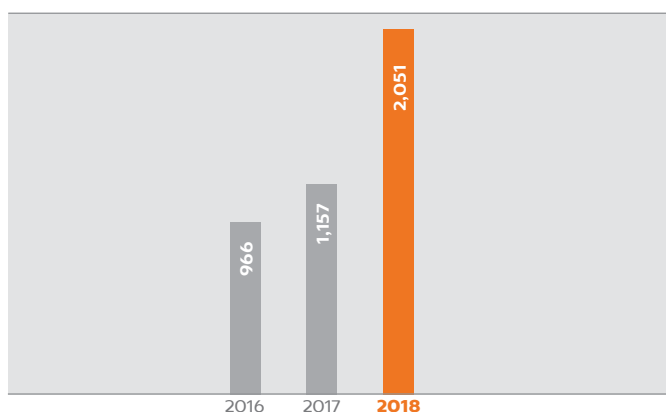
To support employment and economic growth through development and diversification of financing opportunities

DISTRIBUTION OF CREATED ECONOMIC VALUE



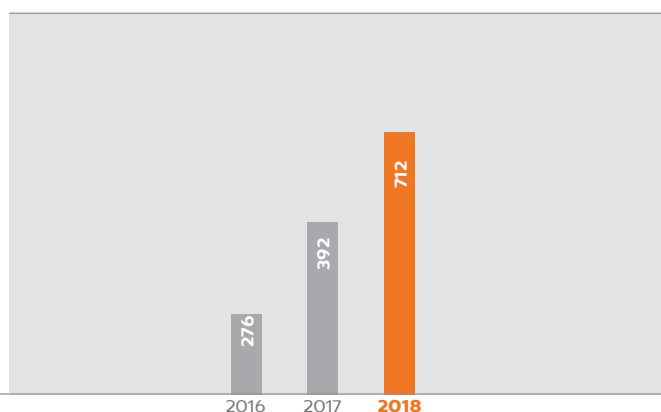
CREATED VALUE

Revenues*
(TL million)



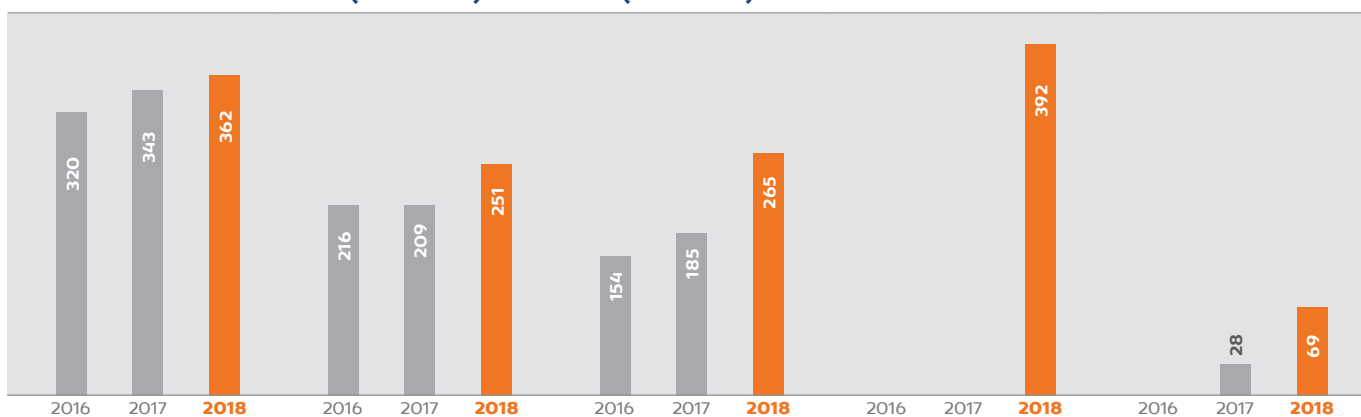
RETAINED VALUE

Retained to Strengthen Capital
(TL million)



DISTRIBUTED VALUE

Operating Expenses** (TL million) Employee Wages and Benefits (TL million) Payments to the State*** (TL million) Dividend (TL million) Share Buybacks (TL million)



* It includes all revenues (including financial and other operating income).

** It includes other operating expenses and financial expenses as well.

*** It consists of Capital Markets Board of Turkey (Turkish regulator) fee/commission and Corporate Tax provision

HOW DO WE GENERATE VALUE

KEY RESOURCES USED IN VALUE GENERATION



Our Financial Capital

Our activities supported by our strong cash generating capacity and the revenues obtained from our investments constitute our financial capital.

- TL 423 Mn Paid in capital
- TL 1,174 Mn Net profit
- TL 531 Mn Operating expenses
- 81% EBITDA margin



Our Human Capital

Our strong leadership team and qualified employees which carry out specialized activities, expert teams in technology and support personnel constitute our human capital.

- 10 Members of the Board
- 565 Employees
- 37.8 Average employee age
- 14 Hours of training per employee



Our Intellectual Capital

The licence for providing a trading platform for capital market instruments and the world's leading trading technology with source codes - BISTECH and the rules and regulations created as a self-regulating organization constitute our intellectual capital.

- TL 12.5 Mn in R&D Expenditure
- 141 IT staff, including 107 R&D personnel



Our Manufactured Capital

The co-location infrastructure, comprising the Primary Data Center (PDC) which enables investors to perform their trading transactions more rapidly and seamlessly and has the highest standard in terms of technology security, the Emergency Situation Center (ESC) located in Ankara and the precious metal safe deposit box are our manufactured capital.

- The PDC established on an area of 1,500 m²
- 1,600 tons gold storage capacity
- The 1,400 m² BISTECH R&D Center



Our Social and Relationship Capital

In addition to good employee relations and the investor confidence required to realize our activities effectively and improve them, our social and relationship capital also consists of constructive communication with the public authorities and regulatory agencies, partnerships with NGOs, local and global collaborations constitute.

Flexible working hours for employee satisfaction, support with domestic and international training, membership and partnerships with national and international initiatives, strategic partnership with EBRD, constant communication with stakeholders through the Investor Information Centre (IIC).



Our Natural Capital

In addition to Istinye and Kuyumcu Kent campuses' electricity and water use, the energy used for the PDC constitutes our natural capital.

- 13.5 Mn kW Electricity Consumption
- 22,866 m³ Water Consumption

MAIN BUSINESS PROCESSES



OUTCOMES OF OUR ACTIVITIES

	2018	2017
Revenues	1,539	1,047
Operating Profit	1,184	532
Net Profit	1,174	420

	2018	2017
New Employment	80	96
Voluntary Staff Turnover	2.6%	5.3%

- 11 R&D Projects that are in progress
- Modern Software Architecture and Technology, Blockchain, High Availability Products
- Innovative and high-tech products in the fields of finance and software technologies
- Contribution to capital market legislation
- With the BISTECH System Automation Project, first prize in the Best Data Infrastructure category at the IDC Finance Summit 2018

- 165 servers / network cabinet data, fibre optic cabling infrastructure

- Approximately 3,000 investor enquiries answered through the IIC
- Sponsorships, donations and grants

An annual average of 69,000 KW energy and TL 41,000 of financial savings by using "Free Cooling" cooling systems located in the PDC

	2018	2017
Carbon Emissions (CO ₂ -e)	8,833 tons	8,100 tons
Domestic Waste	126 tons	115 tons
Energy Usage	18,092 MWh	16,790 MWh
Waste Toner	0.23 tons	0.25 tons

RESULTS OF OUR ACTIVITIES VALUE CREATED FOR STAKEHOLDERS

SHAREHOLDERS



TL 392 million Dividend Distributed

OUR EMPLOYEES



TL 251 million total wage and benefits

CUSTOMERS/ INVESTORS



TL 7.8 trillion Total Trading Value
TL 192.4 billion Financing
99.82% intra-day session continuity
Contribution to the corporate development of companies

REGULATORY AGENCIES/PUBLIC



TL 185 million tax payment
TL 80 million payment to the regulator (CMB)
Contribution for compliance to and improvement of regulations

SOCIETY



4 schools in 2018 and 436 schools in total are built with the Physical Contribution to National Education Project
Efforts to raise financial literacy for the development of an investment culture
Contribution to economic growth

OPERATING ENVIRONMENT AND EXTERNAL FACTORS



GLOBAL MARKETS UNCERTAINTIES

Increasing protectionism and trade wars in foreign trade have been the main development that marked the year 2018. There has been a moderate slowdown in global growth in the whole world. In addition, normalization steps in the monetary policy implemented by the central banks have slowed down. In this context, flows of portfolio investments to emerging economies slowed down by fluctuating, and resulted in increasing of fragility in emerging economies. As a reflection of this, there have been sudden increases in exchange rates and serious losses in national currency value in some developing countries.

United States of America Federal Reserve (FED) increased the interest rate by 100 basis points in 2018, making it difficult for emerging markets to access capital in global markets. In addition, it is expected that FED will increase interest rate one or two times in 2019.

European Central Bank (ECB) aims to achieve price stability by targeting a 2% inflation rate in the Euro zone. In this context, the ECB left interest rates unchanged in 2018. Likewise, the Bank of England (BoE) also targets a 2% rate of inflation. Bank of Japan (BOJ) is focused on fighting against deflation.

Implementing interest rate increases with a total of 1125 basis points in 2018, the Central Bank of the Republic of Turkey simplified monetary policy framework and took steps to increase foreign exchange liquidity. The tight monetary stance is expected to continue until an improvement in inflation is achieved.

The transformation of trade wars into real trade barriers on a global scale through the customs tariffs and quotas that have been put into effect, the uncertainty surrounding the Brexit process in the UK and sanctions imposed against Iran by the United States are among the important issues that will put pressure on global growth in the coming period. Taking into account the political uncertainties and capital outflows from emerging economies, and decreases in capital inflows to emerging economies together with the mentioned issues, it is seen that International Monetary Fund (IMF) has revised its growth forecasts downwards.



THE TURKISH MARKETS BALANCING

In line with global challenges experienced, 2018 was a challenging year for Turkey, with Turkish Lira suffering serious losses in its value on a daily basis. In this context, under the leadership and coordination of the Ministry of Treasury and Finance, these negative impacts were eliminated thanks to the measures taken by the regulatory and supervisory agencies such as the Central Bank (CBRT), banking sector and capital markets' regulatory bodies, and the measures and incentives that were put into effect averted a deep and damaging shock to the economy.

New Economy Program for the 2019-2021 period was announced and started to be implemented in September 2018. In this context, the focus in the economy was identified as balancing, transformation and discipline. After recording a growth rate of 7.4% in 2017, the Turkish economy grew by 7.2% in the first quarter, 5.3% in the second quarter, 1.6% in the third quarter and -3% in the final quarter in 2018 and rounded off the year 2018 with a growth rate of 2.6%. Turkey thus revealed the first examples of its economic balancing in 2018.

In terms of achieving financial stability, price stability also has an important role to play in the balancing process in the economy. In 2018, the CBRT took important steps to support this process and ensure price stability. CBRT simplified the monetary policy framework on one hand while raising interest rates within the scope of achieving and maintaining a tight monetary stance on the other. In this context, the policy rate stood at 24% at the end of 2018. With the effect of the measures taken, Turkish Lira started to recover the value it had lost. The improvement in the current account balance, the more effective alignment of monetary and fiscal policy and the positive environment in diplomatic relations and the expectation that these will be positively reflected to the economy supported this process.



CAPITAL MARKETS REGULATIONS

The long-term trend in capital markets is to become an integrated platform where a wide range of products can be easily listed and traded, including the products traditionally traded over-the-counter.

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When the year 2018 is considered in terms of global capital markets, the indices and market capitalization experienced a high degree of volatility due to economic slowdown, increased geopolitical and commercial risks and concerns over a tightening monetary policy. The total market capitalization of listed companies stood at USD 74.4 trillion at the end of the year, decreasing by 15% compared to 2017. The number of listed companies decreased by 1.9% in the Europe, the Middle East and Africa region, but this was balanced by a 1.1% increase in the USA region, with the total number remaining approximately the same. New public offerings decreased by 14.5%.

Global equity market trading value increased by 11.5% with the driving force of this increase again being the 30.4% increase in the US region.

Borsa İstanbul

65% of the shares in free float are held by foreign investors. To ensure the growth of the domestic investor base, the development of an investment culture is required and increasing domestic savings should be directed to the capital markets. The Private Pension System (PPS) is stimulating the demand side of our capital markets. The number of individuals participating in the system has risen from approximately 3 million in 2010 to over 12 million as of 2018. The size of the asset under management amounted to TL 92 billion.

On the supply side, growth in the markets is expected to be driven by the participation of new economic actors, in particular Türkiye Wealth Fund and Development and Investment Bank of Turkey.

The total trading value recorded in the Borsa İstanbul's markets stood at TL 7,781 billion in 2018. In terms of the breakdown of total trading value, the Equity Market had a 26% share with a trading value of TL 1,993 billion, the Debt Securities Market had a 57% share with a trading value of TL 4,450 billion, the Derivatives Market had a 16% share with a trading value of TL 1,287 billion, while the Precious Metals and Diamond Markets had a 1% share with a trading value of TL 51 billion.

The Derivatives Market trading value increased by 48% when compared to 2017. There was a 36% in trading value on the Equity Market when compared to 2017.

Developments regarding the Index and Markets

2018 was a year of significant developments for the indices and in terms of trading values. Borsa İstanbul's financial capital was strengthened with increasing trading values in 2018.

The BIST 100 index reached a peak of 121,531 points on 29 January 2018, which was recorded during the session, before closing at 120,845 points - its highest ever closing level. In the Equity Market, the daily trading value record was broken at TL 16.46 billion on 10 August 2018, and the trading volume record was broken with 3.05 billion units on 13 August 2018. In the Derivatives Market, a record was broken on 31 May 2018 with 2.8 million contracts, while on 10 August 2018, the record was broken with the daily trading value of TL 13.3 billion.

The BIST 100 index completed the year 2018 at a level of 91,270 points.



TECHNOLOGY TRANSFORMATION

From market operations to market surveillance, technology is used extensively in all fields of our activities.

In addition to the rapid adaptation to technological developments, to be the provider for leading technology is crucial for the long-term success of capital markets.

With BISTECH transformation, it is now possible to perform fast and reliable trading through a single platform on an end-to-end basis. With this transformation, Borsa İstanbul aligned the advanced technological components used only in selected markets in the world by using its own internal resources to comply with Turkish capital market legislation. In addition to the main modules such as the trading and swap system, the end-to-end transformation, including environmental systems such as risk management, market surveillance, index calculation, data broadcast, data warehousing and physical storage was realized.

Having raised the bar in its technological transformation, Borsa İstanbul's next objective is to become the leading provider of products and services that will attract the attention of other stock exchanges as well as domestic and foreign financial institutions with the new technological features which it continues to develop.

Borsa İstanbul put its efforts for developing product and infrastructure with the technology development center, which is a critical infrastructure provider of its financial system located within its structure.

It is of critical importance to have the equipment and capacity to respond to all needs of sector participants, especially domestic and foreign investors.

In addition to the increasing impact of blockchain and algorithmic operations, being prepared for any disruptive technological developments that could affect the capital markets requires close monitoring of technology in finance and continuous adaptation to systems.

By continuously investing in technological capability, we are also strengthening our ability to anticipate, assess and manage global cyber security risks at the same time.

Work is carried out to integrate data within Borsa İstanbul Group into Turkey's big data architecture.

OUR STRATEGY

Turkey's financial structure and growth dynamics offer Turkish capital market a great opportunity to reach its potential.

OUR VISION

To be a global integrated market place for Turkish and regional financial assets in future capital markets.

OUR MISSION

To provide a reliable, transparent, effective, fair, innovative, competitive and sustainable trading platform for all investors.

Capital markets play a complementary role to the banking system in terms of financial intermediation. Capital markets contribute to increasing the resilience of economic actors in the face of unexpected shocks and increasing their capacity to manage financial risks, in addition to effective distribution of resources.

Moreover, deep capital markets support the financial integrity of companies with international standards and good practices, such as market discipline, financial reporting practices, transparency and corporate governance.

The economic growth experienced in Turkey since 2002 provided a considerable increase in the country's welfare. On the other hand, there are still steps to be taken to ensure that economic growth is sustainable, to improve the distribution of welfare and to reduce income inequality.

For this purpose, New Economic Program, focused on balancing, discipline and transformation in the economy, was announced by the government in September, 2018. Program has started to be implemented by a wide range of economic players including Borsa İstanbul.

The market capitalization / GDP ratio of listed companies stands at 21.5% - lagging behind the banking assets / GDP ratio of 104.5%. The number of individual investment accounts stands at just 1.4% of the population, while the financial assets of households consist mainly of deposits and foreign currency. The proportion of listed companies among Turkey's top 1,000 industrial companies is 10.5%.

When financial institutions such as stock exchanges, banks, brokerage houses come under the spotlight, it is their financial targets which are at the forefront, with the social impact generally ignored. However, companies cannot be treated in isolation of the environment they operate in, and thus it is not possible to add value to companies in this way. Borsa İstanbul, which is one of the important building blocks of the Turkish financial system, has the opportunity to positively expand its interaction with society and the economy in a productive way.



$$2 = f(1)$$



The main objective of the strategy, which Borsa İstanbul is focused for the 2019-2021 period, is the deepening of Turkish capital markets.

1.4%

Ratio of individual investment accounts to population

10.5%

Ratio of listed companies in the top 1,000 industrial enterprises

21.5%

Market Capitalization of public companies/ GDP

104.5%

Banking Sector Assets/ GDP

Considering the role of capital markets in the economy, Borsa İstanbul set its strategic priority for the 2019-2021 period as achieving deeper capital markets. In line with this priority, every business unit has identified the actions to be taken. The deepening of Turkish capital markets provides a strong financial performance for Borsa İstanbul's stakeholders, in the short, medium and long term. In short, a strong and sustainable financial performance is directly affected by the depth of capital markets.

With our strategy announced in 2018, we carried out efforts to widen product and service diversity, diversify the income flow and expand the investor base by positioning sustainable income flow and structure as our main goal, and we have achieved successful results as a result of these efforts.

At the same time, as a result of the difficulties experienced in our country's markets in parallel with the developments experienced in the global markets, we have once again seen that a sustainable income flow depends on the positive interaction between Borsa İstanbul, Turkish economy, society and the environment.

The end of expansionary monetary policies globally, the reduction in liquidity opportunities and the uncertainties brought about by Brexit process have all impacted capital markets. On the other hand, even though the volatility experienced in exchange rates in Turkey from August 2018 have been alleviated by the measures taken, companies have had to deal with a significant increase in financing costs. Shrinking credit opportunities and challenging market conditions have directed economic actors, particularly real sector companies, to alternative financing methods. The capital markets have an important role to play in this respect, as is also mentioned in New Economic Program. Within the scope of the strategic plan covering the 2019-2021 period, which was prepared in accordance with New Economic Program, in the 3 years period, new products and services will be added to the financial product range that will contribute to economic prosperity. Mechanisms will also be introduced to protect investors from risks, while the financial structures of issuers, who provide financing from the capital markets, will be strengthened thus expanding the opportunities to contribute to employment and the economy.

Borsa İstanbul will continue to focus on the spread of securitization and the provision of financing required for the implementation of large-scale infrastructure projects through capital markets instruments.

Developing new products and services in line with the investors' needs and expanding the investor base are among the priorities of Borsa İstanbul.

In order to direct domestic savings to capital markets and carry out large-scale public offerings at Borsa İstanbul, awareness and financial literacy efforts will be maintained.

The developments in the field of information technologies are first of all reflected to finance and capital markets. Stock exchanges are transformed into information technology companies with developments in the field of finance technology. In the last 5 years, Borsa İstanbul has undertaken significant investments in technology and renewed the technological infrastructure of its 4 markets from end to end within the framework of the BISTECH Technological Transformation Program. In-house development and commercialization of BISTECH and related products, reflection of Borsa İstanbul Group synergy on product development processes, blockchain working group and data analytics studies will continue to be the major initiatives in technology.

In order to expand the investor base, Borsa İstanbul has an important role in the development of capital market culture and financial literacy.

In this context, Borsa İstanbul will continue its efforts in order to strengthen its perception in the eyes of the public, investors and companies, to act with its stakeholders, and to produce efficient and value-added work with innovative and technological approaches.

OUR SUSTAINABILITY APPROACH



CORPORATE GOVERNANCE AND SUSTAINABILITY

Borsa İstanbul has a relatively limited environmental impact. On the other hand, stock exchanges are not only limited to their own activities in the fields of sustainability, corporate governance and social responsibility, but also play a transformative role by directing other organizations in their sphere of influence. In this sense, while contributing to corporate development of companies and to development of investment environment, Borsa İstanbul pays much attention to sustainability which, in turn, forms the basis for Borsa İstanbul's understanding of adding value to Turkish economy.

Borsa İstanbul aims to play a leading role in development and diversification of capital market instruments by integrating sustainability into decision-making mechanisms and business models and by taking into account global risks and opportunities in developing a sustainable financial system.

BORSA İSTANBUL'S SUSTAINABILITY APPROACH



We encourage innovation, which we believe to be one of the most important driving forces of sustainability, both in our own company and our stakeholders, and we strive to increase sustainable product diversity.

BIST SUSTAINABILITY INDEX

In 2018, 71 companies were assessed for inclusion into BIST Sustainability Index. In addition to the companies listed in the BIST 50 Index, the assessment process started with the announcement of the “List of Companies Subject to the Assessment”, which is also identified with the voluntary participation of the companies included in the BIST 100 or BIST Sustainability Indices, but not included in the BIST 50 Index. Ten companies that would be subjected to assessment for the first time underwent a preliminary assessment and their initial profiles were created and sent to the companies. These preliminary profiles are useful for the companies which have been assessed for the first time before the actual assessments, to understand their competencies and deficiencies in terms of sustainability and to overcome areas of weakness.

BIST CORPORATE GOVERNANCE INDEX

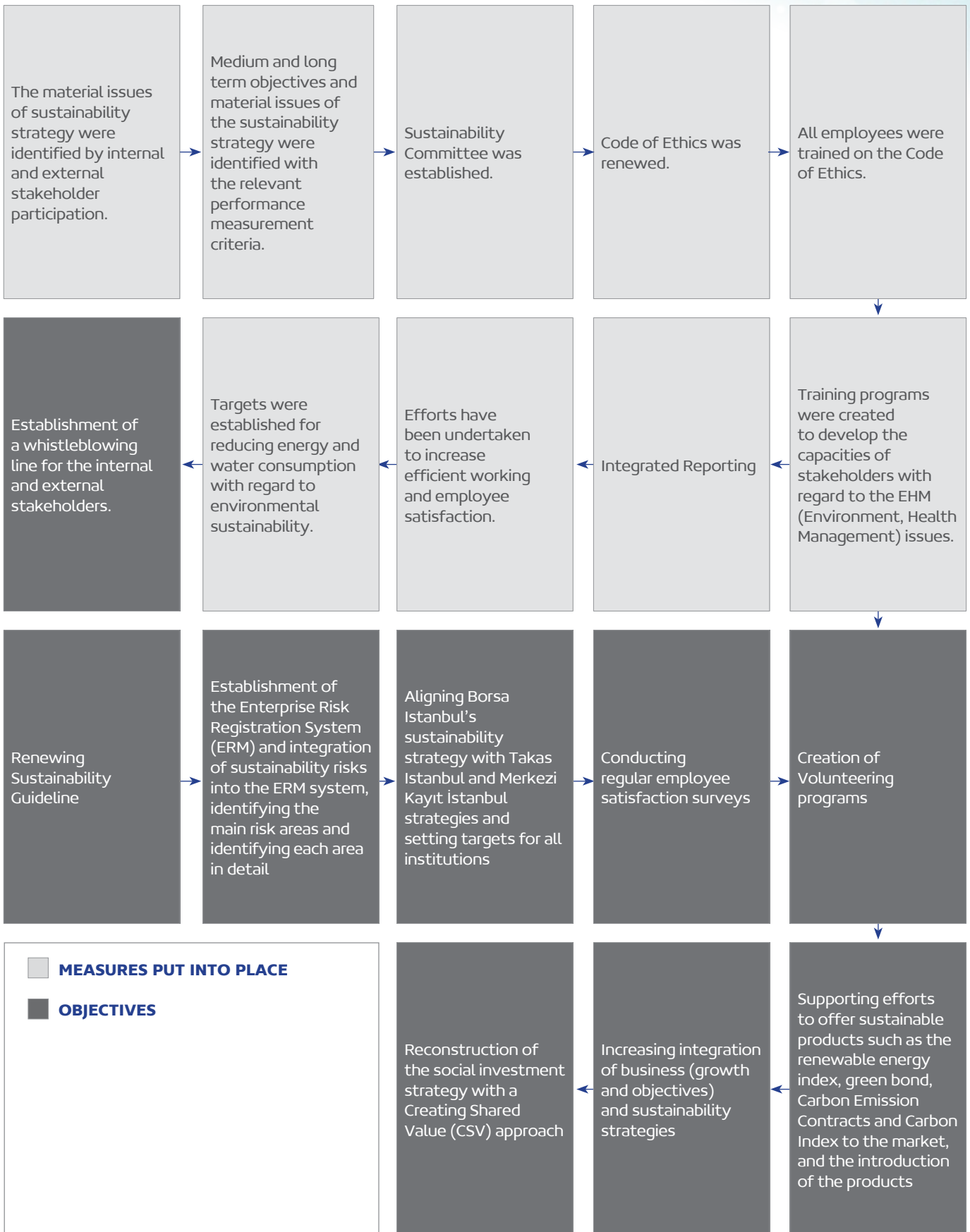
The assessments for BIST Corporate Governance Index, where the management-related topics identified by the CMB are taken into account, are performed by the rating agencies with which those companies wishing to be assessed are contracted.

Companies scoring a rating in their compliance with corporate governance principles of at least 7 out of 10, and 6.5 out of 10 with regards to each main heading, are included in the index.

In 2012, Borsa İstanbul was one of the five stock exchanges to sign the United Nations Sustainable Stock Exchanges Initiative (SSE), which was established in 2009 in relation to the practical application of sustainability concept in the capital markets.

In October 2018, the Borsa İstanbul won an award in the “Ground-Breaker Stock Exchanges” together with the SSE Partner Exchanges – B3, Egyptian Stock Exchange, Johannesburg Stock Exchange, and Nasdaq at the Global Dialogue organized by the United Nations Sustainable Stock Exchanges initiative in Geneva.

OUR SUSTAINABILITY ROAD MAP



RISKS AND OPPORTUNITIES



RISK MANAGEMENT

Economic, political, social, technological and environmental transformations are taking place on an unprecedented scale and speed. In this context, effective monitoring of risks has become a part of daily business life.

At Borsa İstanbul, effective risk management is fundamental to our strategy and essential to success of operation. Established in November 2018, Risk Management Directorate is responsible for the measurement and management of the risks such as strategic risks, financial risks, technological and operational risks and compliance risks.

Efforts regarding integrated risk management at Borsa İstanbul are also monitored by Early Risk Assessment Committee, established within Board of Directors.

The Committee has met regularly every two months since its establishment, and preliminary meetings held prior to the meetings within the framework of the previously announced



annual meeting plan. Employees' participation into preliminary meetings is ensured, at least at the executive level, to represent the business units considered to be critical for Borsa İstanbul. In the meetings, every business unit's risks and their effects on other business units and across the organization are assessed. Information has been provided on the work carried out with regard to the early detection and management of risks.

The risks with regard to the markets, which are dealt with in a highly sensitive manner, are taken as the basis. The meetings also cover the activities that should be performed by the relevant departments in order to reduce the probability of the risks, which are thought to be likely to affect significantly Borsa İstanbul's operations, while limiting their effects on Borsa İstanbul to an acceptable level. Those risks that are assessed to be significant are reported to the Board of Directors.








RISK ASSESSMENT MATRIX

PROBABILITY	<ul style="list-style-type: none"> · INCREASE IN COMPLIANCE OBLIGATIONS DUE TO CHANGING REGULATORY REQUIREMENTS 	<ul style="list-style-type: none"> · CHANGING STAKEHOLDER EXPECTATIONS 	
	<ul style="list-style-type: none"> · INCREASING INTERNATIONAL COMPETITION 	<ul style="list-style-type: none"> · FX RISK 	<ul style="list-style-type: none"> · INFORMATION TECHNOLOGIES AND TECHNOLOGICAL TRANSFORMATION RISKS · BUSINESS CONTINUITY AND OPERATIONAL RISKS
	<ul style="list-style-type: none"> · LIQUIDITY RISK, INTEREST RATE RISK, COUNTERPARTY RISK 	<ul style="list-style-type: none"> · HUMAN RESOURCES RISKS · STRATEGY RISKS 	<ul style="list-style-type: none"> · INFORMATION SECURITY, CYBER ATTACK RISK · DECREASE IN PRODUCT/SERVICE DEMAND
	IMPACT		

BASIC RISKS AND OPPORTUNITIES

Risks	Affected Capital Item	Potential Impact	Definition of Risk and Prevention Strategies	
Technological and Operational Risks	<p>INFORMATION TECHNOLOGIES AND TECHNOLOGICAL TRANSFORMATION RISKS</p> <p>BUSINESS CONTINUITY AND OPERATIONAL RISKS</p> <p>INFORMATION SECURITY, CYBER ATTACK RISK</p> <p>HUMAN RESOURCES RISK</p>	    	<p>Loss of Income,</p> <p>Reputation loss</p>	<p>With the BISTECH technological transformation, reliable, modular, multi-instrumental, fast, high performance and low-cost structure has been achieved, improving overseas awareness and accessibility. This expanded the collocation customer base and increased technological revenues.</p> <p>With new technologies and new business processes come increased operational risks. The development of new products raises the exposure of the company's technological infrastructure to external influences and the risk of interference with the systems, bringing new challenges to the company's cyber security.</p> <p>The framework of operational risk management is effectively applied in the activities, infrastructure, processes and products. Personnel policies, business processes and control points are reviewed and preventive measures are taken.</p> <p>Borsa İstanbul's in-session continuity stood at 99.82% due to the cut-offs which occurred on 2 January, 10 April, 26 June and 26 September 2018. The longest problem that occurred on 26 September 2018 was experienced in the transmission of some of the data within the BISTECH platform to the representative screen and data broadcasters, and was not caused by a cyber-attack. The mentioned problem took place in the corporate memory in the risk management processes and protocols.</p> <p>Control and warning mechanisms have been established to deal with systemic risks. Information channels have been set up in order market participants and stock exchange personnel to be notified about current situation as soon as possible. For the purpose of ensuring business continuity, drills are held with the participation of market participants and stock exchange personnel. In this context, the first of two separate emergency drills was held at Borsa İstanbul on 17 November 2018, and the second on 24 November 2018 with the participation of Borsa İstanbul, Takas İstanbul, Central Registration İstanbul, our members and the data broadcasting organizations.</p> <p>With the increase in the volume of high-frequency trading (HFT) in the markets of Borsa İstanbul, supervision and surveillance activities were conducted both for intermediary institutions and on a transaction basis, together with the CMB. The CMB receives monthly reporting regarding HFTs.</p> <p>In order to ensure unauthorized third parties are prevented from accessing confidential and sensitive information, periodic training programs are conducted in order to increase the awareness of information security in the organization within the scope of the information security policy.</p> <p>Measures to tackle incidents such as cyber-attacks, infiltration etc. are reviewed periodically. In this framework, in all markets, penetration tests are carried out regularly by different organizations and necessary measures are taken to prevent external technological infiltrations and internal unauthorized access. The measures taken and the problems experienced are shared regularly with Takas İstanbul and Central Registration İstanbul. Special attention is paid to the coordination of information and sharing of the events with related parties.</p> <p>Within the scope of the Communiqué on Information Systems Management, which has been implemented by the Capital Markets Board since 2018, Borsa İstanbul is required to conduct an independent auditing of Information Systems once a year for the operation of information systems. Within the framework of the provisions of the Communiqué, an internal IT audit was performed and an Independent Audit of Information Systems of Borsa İstanbul was subsequently carried out. The audit resulted in positive assessment</p> <p>Borsa İstanbul aims to develop human resources with a focus on competence, capability of responding quickly to market expectations. Within this scope, career and talent management, inter-market rotation and modifications in the organizational structure are performed and training activities are carried out.</p>

RISKS AND OPPORTUNITIES

Risks	Affected Capital Item	Potential Impact	Definition of Risk and Prevention Strategies
Financial Risks	FX RISK, LIQUIDITY RISK, INTEREST RATE RISK, COUNTERPARTY RISK  	Financial Loss	<p>There is no interest or maturity risk in the balance sheet management: it is ensured that all assets and liabilities, whether they are long or short term, are managed in such a way that no open position is given in terms of maturity, currency type and amount.</p> <p>Due to the functions of Takas İstanbul, the provisions of guarantee funds and transaction guarantees in miscellaneous payables or temporary accounts are in the form of liquid assets. Liquidity planning is carried out in order to prevent the breach of legal required ratios even under stress conditions. The maturity analysis and liquidity gap analysis are performed for liquidity risk. For the interest rate risk arising from banking accounts, the duration analysis and repricing gap analysis are performed. The stress tests conducted for interest rate risk and the central counterparty risk are handled within the scope of ISEDES.</p>
Compliance Risks	INCREASE IN COMPLIANCE OBLIGATIONS DUE TO CHANGING LEGISLATION ENVIRONMENT  	Reputation Loss Financial Loss	<p>The compliance in the following areas is continuously monitored and evaluated: the compliance with the legislation on the Capital Markets Law, the CMB regulations, combatting money laundering, the prevention of financing of terrorism, the prevention of corruption, combatting bribery and other economic crimes and so on.</p> <p>Borsa İstanbul is in close contact with the regulatory authorities, particularly the CMB, and plays an active role in the development processes of regulations for the development and deepening of the markets.</p> <p>In order to ensure that the capital markets instruments traded on Borsa İstanbul can be bought and sold in safety and stability, unusual price and trading volume movements in all markets, particularly in Equity Market, are monitored and reported through electronic surveillance system for the detection of activities preventing markets functioning in an open, regular and honest manner.</p>
Strategic Risks	DECREASE IN PRODUCT/SERVICE DEMAND CHANGING STAKEHOLDER EXPECTATIONS INCREASING INTERNATIONAL COMPETITION STRATEGY RISK   	Loss of Competitive Clout Financial Loss	<p>Borsa İstanbul closely follows up the economic conjuncture and pursues strategies in order to create value for Turkey's economy. In order to respond to market needs and to ensure a sustainable income flow, efforts for diversification of revenues and to develop new sources of income through innovative approaches are made.</p> <p>The 2019-2021 Strategic Plan was approved by the Board of Directors. In this context, strategic objectives were identified and key performance indicators that have to be followed were defined. An action plan is being established to ensure the achievement of strategic objectives.</p> <p>Within the scope of the technological transformation project that started in 2014, the transition of all 4 markets to BISTECH platform was completed in 2018. Thus, compliance to the changing conditions and evolving market demands have been achieved.</p> <p>In order to adapt to the changing market conditions and to meet the needs of the market, improvement was made in the quotation conditions of the companies. In the conditions of quotation, the amendments to Exception to Profit Charter, Exception to Equity Charter, Change in Allocation Rates and Public Offering Price Range were made, and the public offering of the companies was facilitated at Borsa İstanbul.</p> <p>Training programs are organized on financial literacy and functioning of markets, and projects are carried out in order to expand the investor base.</p>

AUDIT ACTIVITIES

The Audit and Surveillance Board conducted risk-based internal audit of Borsa İstanbul within the framework of the annual audit plan approved by the Audit Committee. The purpose of the audits is to evaluate and enhance the effectiveness of risk management, control and management processes and to add value to these processes. The audit activities were carried out within the scope of the IPPF (International Professional Practices Framework), which is defined as the international internal audit standards and professional implementation framework, COBIT (Control Objectives for Information and Related Technology), which is defined as the international best practices set for information technologies management, and the CMB's Information Systems Management Communiqué. In addition to the process audits, detailed investigations were carried out on the selected transactions, and the processes carried out during these transactions were checked, and suggestions were made for eliminating the identified shortcomings.

In 2018, following a study of risk analysis, some members of Borsa İstanbul were audited. In addition, the traded companies and members of Borsa İstanbul were audited to investigate the complaints or arbitrate the disputes occurred during the year. The results of arbitrations of the disputes between the members and the investors were communicated to the relevant authorities.

Additionally, usually after a request made by banks and intermediary institutions, reconciliation of the trade data of the off-exchange fixed income securities transactions of banks and intermediary institutions which are obliged to register the transactions to Borsa İstanbul by regulation, were also carried out to identify the transactions that have not been registered or over registered.

MARKET SURVEILLANCE ACTIVITIES

To ensure that the capital market instruments traded on Borsa İstanbul can be bought and sold in confidence and stability, extraordinary price and quantity movements occurring in all markets in order to determine the acts preventing the open, regular and honest activities of the markets within Borsa İstanbul and the acts contrary to the Capital Market Law were monitored by an electronic surveillance system, and reported.

The issues determined during the investigations carried out on the records of Borsa İstanbul and the members and that are considered to be contrary to the capital market legislation were communicated to the Capital Markets Board. The cases that are deemed to be contrary to the Borsa İstanbul's own regulations were evaluated within Borsa İstanbul.

In addition to the ordinary surveillance and monitoring activities, investigations were conducted within the scope of the complaints of investors regarding the Borsa İstanbul members and the stock exchange transactions.

There are ongoing works performed to maximize the security in the transfer of data between Merkezi Kayıt İstanbul and

The Audit and Surveillance Board conducted risk-based internal audit of Borsa İstanbul within the framework of the annual audit plan approved by the Audit Committee.

Borsa İstanbul surveillance system utilising the opportunities provided by the advanced technologies.

Established in order to ensure fair and honest trading on Equity Market and to protect the investors from the risks arising from excessive price volatility by carrying out a joint study with the CMB, and that was put into practice in the last quarter of 2017, the functioning of the Volatility-Based Measure System was observed for a year. In 2018, improvements were made in order to make the system more efficient. In this context, a flexible structure was established in order to adapt to changing conditions in the market and a proactive approach has been adopted in order to make markets more healthily and to reduce volatility. With this system, which operates automatically without human intervention, in the shares, where excessive volatility is observed, various measures with 15-day period are applied, and the transactions in the shares that are subjected to the measure are taken under spotlight.

Within the BISTECH Transformation framework, the integration of the Debt Securities Market and the Precious Metals and Diamond Markets into the BISTECH trading system was provided in July 2018. Within this scope, the surveillance of all markets within BISTECH Surveillance System was successfully put into operation simultaneously. On the other hand, the surveillance activities for Swap Market, which was launched at Borsa İstanbul in October 2018, started to be carried out simultaneously with the launch of the market.

With the integration of Debt Securities Market and Precious Metals and Diamond Markets in 2018, this strong structure, already allowing cross market surveillance of all derivative products and underlying assets, has expanded to cover all markets and environmental systems in Borsa İstanbul. Thanks to these developments, the surveillance system now provides the opportunity to monitor all markets in Borsa İstanbul in a real time basis and from a single system.

OUR STAKEHOLDERS



STAKEHOLDER ENGAGEMENT



Our stakeholders consist of individuals, groups and institutions which are affected by the activities of Borsa İstanbul and which have significant influence on Borsa İstanbul. Our shareholders, customers, capital markets investors, the regulators - Capital Markets Board, our employees and our affiliates and subsidiaries are categorized as our major stakeholders.

Universities, Non-Governmental Organizations, international federations and initiatives which we are a member of and whose working groups we participate, media and goods/services providing suppliers are also among our stakeholders with which we work in cooperation to improve financial literacy.

Borsa İstanbul places importance on effective and continuous dialogue with its stakeholders by effecting improvements in its communication channels.

OUR SHAREHOLDERS

- Turkiye Wealth Fund (TWF)
- European Bank for Reconstruction and Development (EBRD)
- Turkish Capital Markets Association (TCMA)
- Other Shareholders (Brokerage Houses, Banks, precious metal and foreign exchange companies and other companies)

ENGAGEMENT CHANNEL

Inquiries from shareholders received by telephone, e-mail and in writing are responded to by Strategic Planning and Investor Relations Department.

The strategy agenda is updated through direct negotiations with our shareholders led by TWF, EBRD and TCMA.

In General Meetings where our shareholders gather, material issues, opinions and suggestions are discussed.

Announcements to shareholders are done via website / e-mail / letter and similar methods. Company information, primarily annual reports and financial statements, is kept up-to-date on the corporate website.

ENGAGEMENT ISSUES

Corporate performance, dividend policy, strategy, risks, corporate governance and sustainability

MAJOR ISSUES AND DEVELOPMENTS IN 2018

Dividend Policy was approved by the shareholders in the General Assembly Meeting held on 27 September 2018.

At the same meeting, to distribute a gross dividend of TL 0.9451 per TL 1 nominally valued share has been approved by shareholders.

At the General Assembly Meeting shareholders authorized Board of Directors to buy-back, up to a maximum 1,990,835,364 shares with the maximum amount to be paid at TL 201,350,241.33, for a period of two years. Accordingly, in 2018, a total of 607,338,891 shares were bought back, corresponding to 1.435% of the paid-in capital of Borsa İstanbul. The bought back shares constitute 2.2% of Borsa İstanbul's capital.



**CONNECTION WITH
THE STRATEGY**

**STRONG FINANCIAL
PERFORMANCE**

**RISK MANAGEMENT
AND
BUSINESS
CONTINUITY**

OUR STAKEHOLDERS

OUR CUSTOMERS

- Listed companies and issuers whose capital markets instruments are traded on Borsa İstanbul
- Members (intermediary institutions, commercial banks, participation banks, investment and development banks, precious metals intermediary institutions, precious metals producing and marketing companies, joint stock companies engaged in the production or trade of precious metals, authorized institutions)
- Jewellery sector companies
- Central Bank of the Republic of Turkey (CBRT)
- Data vendors
- Investment companies
- Software companies / telecom operators
- Organizations that use BIST indices in financial products

ENGAGEMENT CHANNEL

Continuous communication is provided with companies and intermediary institutions that mediate in applications. The companies and intermediary institutions continuously receive information within the context of traded products, public offering and issuances, legislation and public disclosure.

Meetings are organized with members and brokerage houses' association TCMA on a regular basis.

Meetings and telephone calls are held frequently with data broadcasting, indices and technology services customers. (E-mail addresses: vyk-marketing@borsaistanbul.com and colocation-marketing@borsaistanbul.com)

Major events and innovations in the entrepreneurial ecosystem are announced to Private Market members by e-mail (info@bistozelpazar.com).

Marketing and Sales Department participated in 4 events and conducted 200 visits and/or meetings each year, on average.

The managers and employees of listed companies are invited to Borsa İstanbul for gong ceremony and the photo shoots are published in publications covering the economy.

The executives of the companies which consider issuing capital markets products, are informed, and these companies are directed to intermediary institutions with on-site visits arranged.

The e-mail address miy@borsaistanbul.com is used to communicate the questions, information inquiries and suggestions of the institutions which are authorized to make transactions at Borsa İstanbul as well as which want to receive trading authorization at Borsa İstanbul. For public offerings, market transactions and other cooperation; questions, information inquiries and suggestions are sent to halkaarz@borsaistanbul.com and gong@borsaistanbul.com e-mail addresses. Information inquires via phone are also responded.

ENGAGEMENT ISSUES

Listing criteria and other regulations, wage models and market applications, products and services, corporate solutions

MAJOR ISSUES AND DEVELOPMENTS IN 2018

Through amendments to Listing Directive initial listing requirements for the companies which do not meet earnings criteria or do have negative shareholders' equity but which may be of a sufficient size to be traded on BIST Stars Market, one of the submarkets at Equity Market, have been eased.

In 2018, the annual fee to be paid by institutions with authorization to conduct transactions on Borsa İstanbul was increased at a rate 10% below the 2017 Consumer Price Index (CPI) or 2017 Domestic Producer Price Index (D-PPI) inflation rate, whichever was the lower. The policy of not collecting an annual fee from the intermediary institutions which have limited entitlement, has continued.

In 2018, the usage fees for the terminals allocated to members for access to market systems were increased at a rate 10% lower than the 2017 Consumer Price Index (CPI) or the 2017 Domestic Producer Price Index (D-PPI) inflation rate, whichever is the lower.

During the transition to BISTECH in the Debt Securities Market and the Precious Metals Market, work regarding members, member representatives, users and terminals was carried out without problem.

Prepared in cooperation between Borsa İstanbul and Koç University in order to support companies in their corporate transformation processes, the first BISTEP Program was completed on 25 May 2018, consisting of 88 hours of seminars in 4 months.

Borsa İstanbul ensured that the terminal and user allocation / return inquiries from members would be conveyed through standard forms on Borsa İstanbul website.



**CONNECTION WITH
THE STRATEGY**

**EFFECTIVE
PROMOTION OF
THE MARKET AND
PRODUCTS**

**NEW PRODUCTS AND
INITIATIVES**

CAPITAL MARKETS INVESTORS

Intermediary corporation clients (individual or institutional)

ENGAGEMENT CHANNEL

Investor Information Center
Activities and training programs
Virtual trading rooms

ENGAGEMENT ISSUES

Financial literacy, products and services

MAJOR ISSUES and DEVELOPMENTS in 2018

Within the context of the project to promote and improve the markets, Borsa İstanbul accessed approximately 2,800 investors through 14 events held with intermediary institutions.

Short Gong Ceremony photo shoots, which were published in economic publications, were held in order to raise investor awareness of the companies whose shares are listed on Borsa İstanbul markets.

A broad range of information events were arranged for investors.

Borsa İstanbul conference room was offered for the use of our members, free of charge, for events to improve financial literacy. In cooperation with universities, BISTLAB Application and Finance Simulation Centers were opened within the context of the efforts to promote financial literacy. In 2018, BISTLAB Laboratories were opened at 4 universities.



**CONNECTION WITH
THE STRATEGY**

**EFFECTIVE
PROMOTION OF
THE MARKET AND
PRODUCTS**

**GROWTH OF
INVESTOR BASE**

**NEW PRODUCTS
AND INITIATIVES**

REGULATORY BODIES

Regulatory public authorities, especially Capital Markets Board

ENGAGEMENT CHANNEL

Direct communication, collaboration, reports, regulations

ENGAGEMENT ISSUES

Regulatory and legal infrastructure, audit and surveillance activities

MAJOR ISSUES AND DEVELOPMENTS IN 2018

Opinions are shared for Communiqués and Regulations issued by Capital Markets Board.

Reports prepared within the context of surveillance and audit activities of members and listed companies are shared with Capital Markets Board and coordinated work is undertaken with the relevant office of CMB afterwards.

Training programs were organized for Capital Markets Board employees on the basics and surveillance of Derivatives Market.

Amendments to Listing Directive were conveyed to CMB. A regulation stating that asset backed securities and mortgage backed securities would not carry a listing charge until the end of 2019 enacted.



**CONNECTION WITH
THE STRATEGY**

**GROWTH IN THE
INVESTOR BASE**

**EFFECTIVE
PROMOTION OF
THE MARKET AND
PRODUCTS**

OUR STAKEHOLDERS

OUR EMPLOYEES

A qualified human resources team with loyal ethical principles and which attaches importance to values

ENGAGEMENT CHANNEL

Recruitment process, training programs for the employees, performance evaluation meetings, internal communication mediums, information/sharing meetings

ENGAGEMENT ISSUES

Fair recruitment and employment executions, improvement in the working environment

MAJOR ISSUES and DEVELOPMENTS in 2018

The New Human Resources Directive came into effect on 1 November 2018 with the approval of the Board of Directors.

Flexible working opportunities were offered to employees.

Domestic and international training support was provided.

Covering 2017 and 2018, the 5th Term Collective Bargaining Agreement expired at the end of the year. Negotiations continue between the employer and representatives from the union regarding the new agreement.



**CONNECTION WITH
THE STRATEGY**

**PROGRESS OF
EMPLOYEES**

OUR AFFILIATES AND SUBSIDIARIES

ENGAGEMENT CHANNEL

Direct communication, workshops and meetings

ENGAGEMENT ISSUES

New projects, joint products and events

MAJOR ISSUES AND DEVELOPMENTS IN 2018

2019-2021 strategy was prepared in cooperation with Takas İstanbul and Merkezi Kayıt İstanbul; strategic priorities were determined on a group basis.

Group companies work together in new product development processes with the cooperation of IT teams.

Meetings were held between Takas İstanbul and Merkezi Kayıt İstanbul to improve synergy. Joint purchases, with the aim of building synergy between the institutions, were evaluated in the meetings along with the demand that products with similar characteristics are procured collectively and at one time. Joint purchases offered price advantages and operational convenience. Additionally, processes became more integrated through BISTECH Technological Transformation Program.

The decisions taken by Listing Department concerning listed companies are provided to Borsa İstanbul Group companies Merkezi Kayıt İstanbul & Takas İstanbul. Information such as capital markets instruments that have been issued, the active free float rate of the corporations, basic data concerning the shares, the number of investors of the corporations and the free float rate are provided from Merkezi Kayıt İstanbul.

Within the context of Eurasia Data Dissemination Network (EDDN), the data pertaining to Sarajevo Stock Exchange, Montenegro Stock Exchange, Macedonian Stock Exchange and Pakistan Stock Exchange is distributed by Borsa İstanbul.

Additionally, the data produced by Takas İstanbul and Merkezi Kayıt İstanbul is also distributed by Borsa İstanbul, and there are ongoing studies to form joint data packages with these institutions.

A Joint Emergency Situation Exercise was arranged with Takas İstanbul and Merkezi Kayıt İstanbul.



**CONNECTION WITH
THE STRATEGY**

GROUP SYNERGY

**NEW PRODUCTS AND
INITIATIVES**

UNIVERSITIES

ENGAGEMENT CHANNEL

Borsa İstanbul frequently communicates with university students through university visits and events aimed at students.

ENGAGEMENT ISSUES

Financial literacy, career opportunities

MAJOR ISSUES AND DEVELOPMENTS IN 2018

Borsa İstanbul participates in career days at universities, introducing Borsa İstanbul and providing information about career opportunities. On the other hand, Borsa İstanbul also participates in capital markets introductory seminars at universities, providing students with general information about the capital markets, and introducing Borsa İstanbul.

Borsa İstanbul organizes training programs for university students. With the program, the youngsters are given a guiding vision about the possible career opportunities before they start their working career, helping to raise the capital markets' employees and investors of the future.

The program accepts applications from third and final year students of domestic and international universities and colleges on a 4-year course who are studying in departments specified in the application guide, as well as MA and PhD students. Students who have graduated within the last six months are also eligible to join the program.

The program is executed over 20 to 22 periods throughout the year, each lasting for 2 weeks. At the end of the program, participants are awarded a participation certificate.

1. Borsa İstanbul sponsors and/or participates to conferences and seminars organized by universities concerning entrepreneurship and mass funding etc.
2. Borsa İstanbul provides data support, free of charge, for visual portfolio contests organized for students by the universities. Additionally, data used in the BISTLABs opened at universities with the support of Borsa İstanbul is also free of charge.
3. Universities arrange visits to Borsa İstanbul, where students are provided with information.

Within the context of Finance Laboratory setup (BISTLAB) project, 21 computers and applications were set up in four separate educational institutions and the opening of Finance Laboratories in the İstanbul Commerce University, Niğde Ömer Halisdemir University and Konya Science Center Finance Laboratories were carried out. The process of setting up BISTLAB AT İbn Haldun University has been completed, and will be opened in due course.



**CONNECTION WITH
THE STRATEGY**

**GROWTH OF THE
INVESTOR BASE**

**EFFECTIVE
PROMOTION OF
THE MARKET AND
PRODUCTS**

MATERIAL ISSUES

MATERIAL ISSUES

Economic, political, social and environmental issues which affect Borsa İstanbul’s operations and major issues which shape the fundamentals of Borsa İstanbul’s strategy are reviewed on an annual basis. Material issues on which Borsa İstanbul focuses on within its strategy, which influence its generation of value in the short, medium and long term, are specified, while also taking into account their importance with respect to the stakeholders.

MATERIAL ISSUES MATRIX

The importance for our stakeholders	<ul style="list-style-type: none"> Improving Membership Structure Pricing Policies 	<ul style="list-style-type: none"> Engagements with Stakeholders Corporate Governance and Sustainability 	<ul style="list-style-type: none"> Effectiveness and Sustainability of the Markets, Technological Transformation: BISTECH Promotion and Improvement of the Markets Risk Management Macroeconomic Environment
	<ul style="list-style-type: none"> Occupational Health and Safety Waste and Energy Management Contribution to National Education 	<ul style="list-style-type: none"> Minimizing incidents of market abuse Effective Organization Structure and Integrated Affiliates Management 	<ul style="list-style-type: none"> Financial Literacy, Improving Investment Culture Progress and Satisfaction of the Employees
	<ul style="list-style-type: none"> Developing software towards corporate solutions R&D Center Studies 	<ul style="list-style-type: none"> Big Data - Data Management Brand Management Supporting Entrepreneurship Ecosystem Innovation 	<ul style="list-style-type: none"> Relations with Regulatory Bodies Effective human resources <ul style="list-style-type: none"> Efficient performance management system Ability management Raising awareness for listed companies
	The impact on Borsa İstanbul’s short, medium and long term performance		

Material Issue

8 DECENT WORK AND ECONOMIC GROWTH



Effectiveness and Sustainability of the Markets, Technological Transformation: BISTECH

BISTECH, Borsa İstanbul's technological transformation, was carried out on time according to plan and four markets were working on the same platform as of 2018.

Realization of business and system sustainability at targeted rates, technology, effectiveness and sustainability of the markets are among major priorities for Borsa İstanbul.

Borsa İstanbul has achieved modular, low maintenance and operating costs, reliable, high performance and fast technology thanks to the BISTECH system.

With BISTECH technology, the speed of the order transmission, pre-transaction and post-transaction processes has been increased, and many innovations have been brought into service as the market reaches a position where it can compete with the global markets under much more advantageous conditions.

Borsa İstanbul Group companies provide transaction, clearing and settlement, and custody services, generating high value data for financial markets.

Following the completion of BISTECH transformation for 4 markets, necessary work has been undertaken for the sale of BISTECH technology.

With the projects carried out in the BISTECH R&D center, studies on developing technology-based corporate solution products have been accelerated.

In order to pioneer data analytics applications with big data on a nationwide basis, ongoing studies are in progress to develop a Datastore which meets global standards, which will also house Takas İstanbul and Merkezi Kayıt İstanbul data.

8 DECENT WORK AND ECONOMIC GROWTH



Promotion and Development of Markets

The main priority of Borsa İstanbul is for the capital markets to reach a size which reflects the economic power of Turkey.

Developing new products and services, undertaking promotion and business development activities to ensure balanced growth of the markets on both supply and demand sides, improving financial architecture and increasing investor awareness are among the key planks of Borsa İstanbul's strategies.

The objective is to reach more market participants on both the supply and demand sides and to increase value generation through effective promotion of the markets.

There are ongoing studies to increase the number of listed companies, to encourage large scale companies pursue public offerings, to meet companies' financial requirements through capital market products as an alternative to money market instruments, and to improve on legislation in order to improve corporate governance understanding.

Additionally, markets have been improved in line with the needs and demands, and new products and services are offered on constant basis.

Borsa İstanbul continues to carry out promotion and awareness activities towards capital markets stakeholders in line with its strategic goals.

Within the context of improving financial literacy, Borsa İstanbul continues to work on raising awareness among stakeholders, in cooperation with financial and academic institutions.

Based on the targets specified in New Economy Program, Borsa İstanbul continues to cooperate strategically with financial institutions to deepen Turkish capital markets.



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE





MATERIAL ISSUES



SDG	Material Issue	IMPACT ON VALUE PRODUCTION AND STRATEGY	OPERATIONS AND LOOKING FORWARD
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8 DECENT WORK AND ECONOMIC GROWTH 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<p>Risk Management</p> <p>Borsa İstanbul carries out studies to specify risks and develop hedging strategies to ensure systemic and corporate improvement.</p>	<p>Through more effective risk management, risks which Borsa İstanbul and its stakeholders might be exposed to are minimized, and stakeholders are provided with a platform to realize their transactions reliably.</p>	<p>Ongoing studies are taking place to clarify the risks regarding Borsa İstanbul's main operations, and to specify comprehensive preventative measures.</p>
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8 DECENT WORK AND ECONOMIC GROWTH 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<p>Macroeconomic Environment</p> <p>There is need for alternative protection products and mechanisms for financial stability in the markets, particularly for companies. Within this context, Borsa İstanbul offers alternative hedging products and mechanisms via innovative products and markets.</p>	<p>The impact of foreign exchange rate volatility on Borsa İstanbul's financial statements is relatively low.</p> <p>Market volatility increases demand for derivative products, in fact providing a positive impact on transaction volumes and revenues.</p> <p>Taking into account the needs of the market, Borsa İstanbul developed alternative products and offered these to stakeholders.</p>	<p>Borsa İstanbul takes steps to enable all individual and institutional stakeholders to access derivative products to manage their risks. Among these steps there are;</p> <ul style="list-style-type: none"> • Liquid instruments to make TL interest rate risk manageable • Regulations covering the effective management of foreign exchange risk • Offering alternative instruments for hedging purposes which are structured on volatility. <p>In order to create the basis for TL fixed & variable Interest Rate Swap Market; it is aimed to activate of Currency Swap Market and establish TL based short-term variable reference interest rate by providing consolidation in Repo and Money Markets.</p>
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SDG

Material Issue

IMPACT ON VALUE PRODUCTION AND STRATEGY

OPERATIONS AND LOOKING FORWARD

17 PARTNERSHIPS FOR GOALS



Stakeholder Engagement

Borsa İstanbul pays attention to establishing effective and continuous dialogue with its stakeholders.

Borsa İstanbul contributes to financial literacy by cooperating with universities.

Borsa İstanbul supports the financial literacy efforts of intermediary institutions, which are considered as important stakeholders.

Communication and supporting activities with companies whose capital markets securities are traded on Borsa İstanbul continue, and have been stepped up.

The priorities and needs of stakeholders were evaluated in a manner so these could be reflected to business processes, in particular through the strategy update work carried out in 2018.

Borsa İstanbul maintains firm and close communication particularly with its major shareholder, TWG, and its strategic shareholder, the EBRD, concerning a whole range of important matters including strategic plans and action plans.

With its experienced team, Borsa İstanbul offers an integrated transaction platform for capital market instruments. Effective dialogue with stakeholders continued in 2018, ensuring a high level of interaction with stakeholders. Additionally, the organizational structure is strengthened through human resources with market knowledge in order to integrate the perspective of market participants into the business and managerial processes.

Engagements with shareholders are managed effectively, and inquiries from shareholders for information regarding share buy-back, dividend distribution and similar matters are responded to.

Satisfaction activities continue on the basis of products and services for listed companies.

Stakeholder satisfaction surveys will be organized on a business unit basis in the coming period.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



17 PARTNERSHIPS FOR GOALS



Corporate Governance and Sustainability

Borsa İstanbul works to raise awareness of the Integrated Reporting approach and support companies' implementation in this field.

Borsa İstanbul maintains its cooperation with leading local and international institutions in the field of sustainability, particularly with the Sustainable Stock Exchanges Initiative (SSE) and World Federation of Exchanges (WFE).

As one of the key components of Borsa İstanbul's corporate strategy, corporate governance and sustainability forms the basis of Borsa İstanbul's understanding of adding value to Turkish economy through supporting an effective, enduring, fair and competitive transaction environment which protects against risk factors.

Borsa İstanbul encourages innovation and proactivity for itself and stakeholders as they are among the driving forces of sustainability, and supports work to increase sustainable product diversity.

Borsa İstanbul plans to update the Sustainability Guide in 2019.



SDG	Material Issue	IMPACT ON VALUE PRODUCTION AND STRATEGY	OPERATIONS AND LOOKING FORWARD
	<p>Minimizing Incidences of Market Abuse Market surveillance activities carried out by Borsa İstanbul consist of “pre-surveillance” and “detailed surveillance” activities.</p> <p>Among pre-surveillance activities, order transmissions to the markets and transactions realized in the markets are subject to real-time cross-over monitoring via the BISTECH platform’s electronic surveillance system, with an assessment and analysis of the signals and warnings by auditors. If, after this process, there is suspicion that there is a violation of the legislation, the matter is further examined in detail.</p> <p>Detailed surveillance activities include the collection of evidence on suspicion, detection of perpetrators, proof of crime, analysis for the calculation of the benefit, examination and reporting. The findings and assessments reached at each stage of the surveillance activities are shared with the CMB.</p>	<p>Ensuring the realization of market transactions in a fair and competitive manner, and detecting any transactions which violate legislation, plays a key role in reinforcing confidence in the markets and improving the investment culture in the long run.</p> <p>With a duty and responsibility to minimize any incidents of market abuse, Borsa İstanbul is engaged in improving its surveillance system on a constant basis.</p>	<p>Within the context of effective market surveillance studies;</p> <p>1) Assessments and improvements continue on a periodical basis on Volatility Based Measures System (VBTS) and Investor Based Measures System (YBTS) applications in accordance with the CMB’s views.</p> <p>2) In addition to Equity and Derivatives Market transactions, ongoing studies take place to cover transactions in the debt securities market and precious metals and diamond market with signals and warnings generated by the BISTECH Surveillance System (SMARTS).</p> <p>3) Surveillance Measures Directive has been prepared and work is underway on the draft which will take account of the views and assessments of the CMB.</p>
	<p>Effective Organization Structure and Integrated Affiliate Management In accordance with the increasing importance Borsa İstanbul places on market expectations, the organizational structure has been updated.</p> <p>Cooperation with Takas İstanbul and Merkezi Kayıt İstanbul has been deepened in terms of building group synergy.</p>	<p>Due to the increasing importance placed on market expectations, Borsa İstanbul focuses on employing personnel equipped with market experience.</p> <p>Borsa İstanbul strives to reach an organizational structure that reflects market expectations and which can respond quickly to inquiries, and organizational changes come into effect gradually. Strategic plans and action plans are harmonized within the context of deeper cooperation with Takas İstanbul and Merkezi Kayıt İstanbul.</p>	<p>Borsa İstanbul will continue to increase the quality of its human resources, employ personnel equipped with market experience, carry out market-oriented organizational changes and work to increase group synergy.</p>

Material Issue

4 QUALIFIED TRAINING



Financial Literacy and Investment Culture

The capital markets have a key role to play in terms of countries' sustainable economic growth.

With the aim of improving awareness of financial terms, while improving individual finance management ability, the ability to make financial decisions and to carry out effective planning for future financial needs, financial literacy awareness will be increased in order to increase participation in the capital markets.

Improving financial literacy will contribute to the growth in the individuals' level of wealth through personal finance management and higher financial decision taking capacity on one hand, and to financial stability and the deepening of the capital markets on the other. To this end, the improvement of financial literacy in Turkey is in full harmony with the objective of deepening Turkish capital markets, which is one of Borsa İstanbul's fundamental strategic priorities, and an integral part of achieving a superior financial performance. Capital markets are of great importance in providing low cost funding to companies, spreading the capital base, improving financial literacy and the investment culture, and increasing savings and investment awareness.

Borsa İstanbul organizes training programs and seminars as part of its efforts to increase financial literacy, and supports the organization of training programs and seminars by intermediary institutions and universities at Borsa İstanbul. In this respect, 14 events were organized in 2018 with approximately 2,800 participants in cooperation with the intermediary institutions where practical information regarding the capital markets, Borsa İstanbul markets, products and similar matters were shared with the participation of sector professionals and trainers. Borsa İstanbul conference room is allocated for members' use, free of charge, for organisations to improve financial literacy.

Thanks to the BISTLAB centers which were opened in 2018 at İstanbul Commerce University, Niğde Ömer Halisdemir University, İbn Haldun University and Konya Science Center, participants are able to carry out brokerage activities with live data.

4 QUALIFIED TRAINING



Employees' Progress and Satisfaction

Well educated and specialized human resources are one of Borsa İstanbul's major assets.

Work to improve training opportunities for employees, increasing the amount of training hours per person, maintaining the motivation of the employees and a performance-based remuneration system are among the priorities of Borsa İstanbul.

Employees are provided with a healthy and safe working environment.

The objective is to implement a performance beyond the requirements of the occupational health and safety legislation and thus become a model company.

In addition to their salary and social benefits, employees are provided with comprehensive health insurance.

The following steps are planned to be completed with respect to employees;

- Establishing a performance system based on targets and competences up to the level of expertise group employees
- Performance-based remuneration
- Determination of critical roles and realization of training in line with the back-up plan
- Strengthening the communication between senior management and employees
- Internalization of the company strategy by employees

5 SOCIAL GENDER EQUALITY



OUR 2018 PERFORMANCE

TRADING AND LISTING

MEMBERSHIP, DATA AND TECHNOLOGY

POST TRADE

TECHNOLOGIC TRANSFORMATION: BISTECH

PRODUCTS AND SERVICES INTRODUCED IN 2018

OUR EMPLOYEES

THERE ARE FOUR MAIN MARKETS IN BORSA İSTANBUL: EQUITY MARKET, DEBT SECURITIES MARKET, DERIVATIVES MARKET AND PRECIOUS METALS AND DIAMOND MARKETS.

TAKAS İSTANBUL PROVIDES TRADING SERVICES IN MONEY MARKET, SECURITIES LENDING MARKET AND TURKEY ELECTRONIC FUNDS TRADING PLATFORM (TEFAS).

COMPANIES CAN TAKE ADVANTAGE OF THE OPPORTUNITIES OFFERED BY CAPITAL MARKETS BY PUBLIC OFFERING OR ISSUING CAPITAL MARKET INSTRUMENTS.

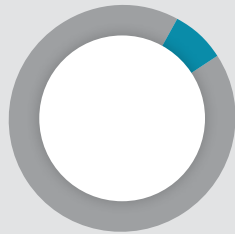
EQUITY MARKET

Equity Market, where shares, new share purchase rights, exchange traded funds, warrants, real estate investment funds and certificates are traded, provide a liquid, transparent and safe investment environment for domestic and foreign investors.

8%

Contribution to total consolidated revenue

REVENUE 114 Mn TL
43% increase compared to 2017



- BIST 100 completed the year at a level of 91,270.48 points.
- Trading value broke a record at TL 16.46 billion on 10 August 2018.

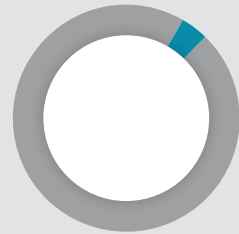
DEBT SECURITIES MARKET

Debt Securities Market is the only organized market for both outright buy-sale transactions and repo and reverse repo transactions.

4%

Contribution to total consolidated revenue

REVENUE 59 Mn TL
7% decrease compared to 2017



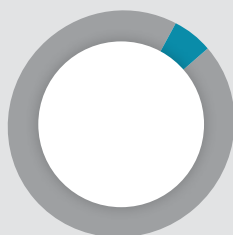
- The trading value in Outright Trading Market broke a record at TL 6.3 billion on 24 September 2018.
- Trading value in the repo-reverse repo market broke a record at TL 155.9 billion on 7 September 2018.
- The swap market started to operate in October 2018.
- In December 2018, the CBRT excluded funds provided from Repo transactions in Borsa İstanbul markets from the reserve requirements. Thus, the need for interbank repo-reverse repo market has been eliminated, repo markets have been merged and liquidity consolidation has been provided.

DERIVATIVES MARKET

In Derivatives Market, single stock, index and currency based options, and futures contracts on single stocks, indices, currency, electricity, commodity, precious metals, foreign indexes and metal are traded.

6%

Contribution to total consolidated revenue



REVENUE 89 Mn TL
46% increase compared to 2017

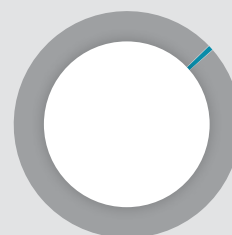
- The trading value broke a record at TL 13.3 billion on 10 August 2018.
- 2.8 million contracts record was broken on 31 May 2018.
- In the last quarter of 2018, 10 single stock futures contracts, bank and industrial indices futures contracts, GBP/USD futures contracts and intermonth strategy contracts were opened to trading.

PRECIOUS METALS AND DIAMOND MARKETS

In Precious Metals and Diamond Markets, gold, silver, palladium, platinum, precious stones are traded, and gold and silver storage services are provided.

1%

Contribution to total consolidated revenue



REVENUE 12 Mn TL
4% decrease compared to 2017

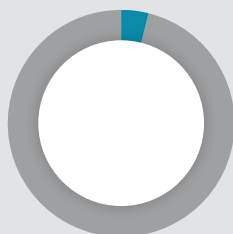
- The trading value broke a record at TL 853.6 million on 15 August 2018.
- The trading volume broke a record at 23.04 tons on 16 April 2018.

MONEY MARKET

An organized market that provides a meeting of the demands with the offers of members who are in need of fund surpluses and / or funds.

4%

Contribution to total consolidated revenue



REVENUE 51 Mn TL
33% increase compared to 2017

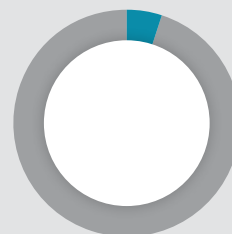
- A total trading value of TL 856 billion was realized in 2018.

LISTING

Domestic and foreign primary and secondary public offerings are realized.

5%

Contribution to total consolidated revenue



REVENUE 72 Mn TL
33% increase compared to 2017

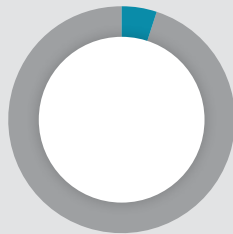
- Exceptions to profit conditions and equity conditions have been introduced in order to encourage public offerings. In addition, CMB introduced the opportunity to revise the public offering price range, and amendments were made to encourage public offering in the domestic and foreign allocation rates.
- In 2018, 10 new public offerings, amounting to TL 8.4 billion were realized. TL 6.4 billion of funds were provided in paid capital increases.

DATA VENDING

Data generated in Borsa İstanbul markets is sent to investors in the form of simultaneous, delayed or end-of-day data through Borsa İstanbul's licensed data distribution companies. In this context, Borsa İstanbul data packages of various levels are transmitted to 500,000 domestic and international users by around 200 data distribution companies.

5%

Contribution to total consolidated revenue



REVENUE 65 Mn
34% increase compared to 2017

- About 200 organizations hold the authority to distribute Borsa İstanbul data.
- The number of data users reported to Borsa İstanbul by the data distribution companies stood at about 500,000 in December 2018.

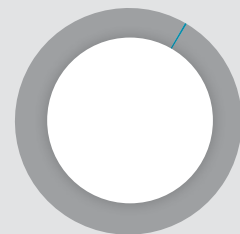
INDEX LICENCING

Borsa İstanbul calculates indices of different attributes for the markets, so that investors are able to follow movements occurring in the market. Borsa İstanbul indices may be used by financial institutions as a basis or benchmark in their products.

Furthermore, companies are licensed to calculate the index by using Borsa İstanbul data, should they wish to.

0.5%

Contribution to total consolidated revenue



REVENUE 7 Mn
3% increase compared to 2017

- As of the end of 2018, a total of 330 indices on Borsa İstanbul, 55 of which are real time and equity-based, 32 indices based on various investment instruments such as debt securities, gold, bank deposit, profit shares and mutual funds, 20 risk control indices, 4 short and 2 leveraged indices, which reflect the return of their reference indices BIST 30 and BIST 100.
- Borsa İstanbul indices were being used as a basis for 25 financial products at the end of 2018. They are used as a benchmark criteria in about 750 funds.
- Within the scope of the Index Calculation Service, which is provided to organizations who wish to have the index calculated in their own name, 6 indices are calculated for 4 different institutions.

Borsa İstanbul offers data sale, license, membership, market access and co-location services.

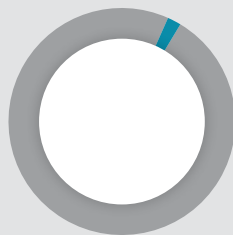
BORSA İSTANBUL COLOCATION SERVICE ENABLES ITS CLIENTS TO PLACE THEIR EQUIPMENTS AT BORSA İSTANBUL DATA CENTER IN WHICH BORSA İSTANBUL'S MARKET SYSTEMS ARE ALSO LOCATED. THEREBY CLIENTS HAVE THE OPPORTUNITY TO ACCESS THE MARKET SYSTEMS IN A FASTER AND MORE RELIABLE MANNER.

MEMBERSHIP AND MARKET ACCESS

At Borsa İstanbul, authorization is given to trade as a member or without being a member. Borsa İstanbul members are composed of the brokerage companies authorized to operate in capital market and the precious metals brokerage companies authorized to operate in Precious Metals Market. Depending on market characteristics, other real and legal persons may be authorized to perform transactions without membership. Market access consists of all systems, software and hardware services which Borsa İstanbul members may require to carry out transactions and to exchange information by connecting from access points (which may be remote from the markets where they operate), from peer locations (co-location) and in the session hall.

2%

Contribution to total consolidated revenue



REVENUE 24 Mn

26% increase compared to 2017

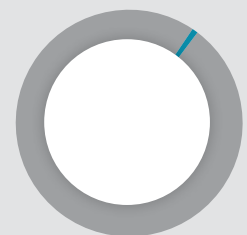
- Negotiations were continued with our customers in order to determine the products and services required by the market.

TECHNOLOGY SERVICES

In addition to the co-location service, where market participants are provided with the privilege of placing their systems at the same location as the stock exchange systems, the PTRM application is offered, which allows members to conduct risk management prior to the transaction, the OUCH and ITCH protocols developed for high-speed order and data transmission, as well as technology services such as time server, which provides synchronized access to time information, to market participants.

1%

Contribution to total consolidated revenue



REVENUE 16 Mn

53% increase compared to 2017

- PTRM Service has started to be used, also for Debt Securities Market.

POST TRADE SERVICES ARE REALIZED BY BORSA İSTANBUL'S SUBSIDIARIES, TAKAS İSTANBUL AND MERKEZI KAYIT İSTANBUL.

With its "central counterparty" and "banking" licenses, Takas Istanbul mainly provides clearing, settlement and custody, central counterparty and banking services to its members in Turkish capital markets.

Merkezi Kayıt İstanbul is the central securities depository for capital market instruments which are decided by CMB to be dematerialized. Merkezi Kayıt İstanbul conducts full dematerialization model on a rights owner basis (direct model) for the Turkish capital market instruments.

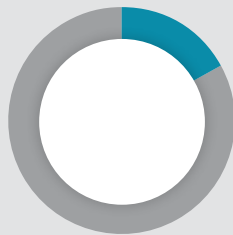
CUSTODY AND ACCOUNT MANAGEMENT

Merkezi Kayıt İstanbul provides centralized custody services for dematerialized capital market instruments and electronic product securities, and holds precious metal storage at Borsa İstanbul. As one of its main functions, Takas İstanbul offers a variety of titles of storage and rights utilization services.

17%

Contribution to total consolidated revenue

REVENUE 233 Mn
37% increase compared to 2017



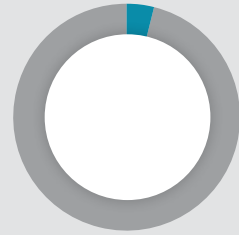
SETTLEMENT

Commitments for the collection and delivery of securities arising from the purchase and sale transactions of the Borsa İstanbul members and the payment commitments against the securities subject to the buy and sale are finalized through Takas İstanbul.

4%

Contribution to total consolidated revenue

REVENUE 59 Mn
63% increase compared to 2017



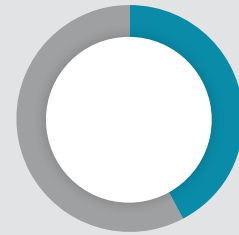
POST-TRADE FINANCE (BANKING TREASURY OPERATIONS)

Overseeing its strong balance sheet with an effective risk management approach, Takas İstanbul carries out treasury operations as a part of its core banking activities.

38%

Contribution to total consolidated revenue

GELİR 532 Mn TL *
67% increase compared to 2017



* Banking Treasury Operations include Takas İstanbul net interest revenues.

TECHNOLOGIC TRANSFORMATION: BISTECH

Material
Issue

EFFECTIVENESS AND CONTINUITY OF THE MARKETS



BISTECH TECHNOLOGICAL TRANSFORMATION PROGRAM WAS REALIZED IN ORDER TO ENSURE THAT ALL MARKETS WITHIN BORSA İSTANBUL PROVIDE SERVICES ON THE JOINT TRADING AND POST-TRANSACTION PLATFORM.

As a result of the activities carried out for five years within the framework of the strategic cooperation agreement signed between Borsa İstanbul and NASDAQ on 20 January 2014, the Phase 2+ of the BISTECH technological transformation program was successfully commissioned on Monday, 2 July 2018.

During the process, informative meetings and member training were provided for the member and data broadcasting organizations concerning the changes in operational rules on the BISTECH system and technological differences, enabling exchange of views with the stakeholders.

Over 650 employees from more than 100 companies, including Borsa İstanbul, Takas İstanbul, Merkezi Kayıt İstanbul, the CMB, NASDAQ, Brokerage Houses and Banks, Data Broadcasting Companies and Software Organizations, have actively participated in the activities in this long-term transformation program affecting all stakeholders of the capital markets. In 2018, all markets of Borsa İstanbul started to serve on the same trading and post-trade platform for the first time.

As one of the major technological transformations in world's financial history, BISTECH Transformation enabled the end-to-end operation of all four markets on the same platform.

PHASE 1

THE TRANSFER OF THE
EQUITY MARKET WAS
COMPLETED

30 NOVEMBER 2015

PHASE 2

THE TRANSFER OF THE
DERIVATIVES MARKET WAS
COMPLETED

6 MARCH 2017

PHASE 2+

THE TRANSFER OF THE DEBT
SECURITIES AND THE PRECIOUS
METALS AND DIAMOND MARKETS
WERE COMPLETED

2 JULY 2018

Thus, having raised the bar by its technological transformation, Borsa İstanbul's next objective is to become the leading provider of products and services with new technological features which it continues to develop, for other stock exchanges and domestic and foreign financial institutions.

In 2019, studies with regard to new products and additional developments will continue on the BISTECH system.

EQUITY MARKET

REPRESENTATION OF PARTY MEMBER CODES ON QUERIES AT TRADING TERMINALS DURING THE SESSION AND SENDING THEM TO DATA DISTRIBUTORS

Since the two trial applications regarding representation of the codes of members party to transactions realized in the Equity Market on queries at trading terminals during the session and sending them to data distributors were not observed to have any negative effect on the market, the decision was taken to bring the application into practice in all Equity Market instruments from 2 May 2018.

EXCHANGE FEE REBATE MODEL

A new rebate model for the exchange fees started to be implemented in Equity Market effective as of 2018. The model consists of a combination of two different exchange fee rebate models. The first model is based on a size criterion which is amount of value traded by each member in the Equity Market in the calculation period. The second model is based on the growth of value traded by each member between two consecutive calculation periods. The total amount of funds to be rebated to each member is equal to greater amount of the rebate calculated on the conditions of these two criteria. In other words, each member can get rebate from only one of these criteria (the greater one as the amount) in a calculation period.

A new rebate model for the exchange fees started to be implemented in Equity Market effective as of 2018. The model consists of a combination of two different exchange fee rebate models.

INCENTIVE FOR EXCHANGE TRADED FUNDS (ETFs)

Exemption of ETFs from order modification/cancellation fees is extended to 2018, also transactions on ETFs were not subject to any exchange fee charges in 2018.

VOLATILITY BASED MEASURES SYSTEM (VBTS)

In accordance with Capital Market Board's decisions, VBTS was commissioned in order to ensure that the shares in Borsa İstanbul Equity Market are traded in a fair and reliable manner and to protect investors from the risks arising from extreme volatility. The VBTS was updated on 15 November 2018: In addition to the existing level 1 measure (Prohibition of Short Selling and Margin Trading" for a period of 15 days) and level 2 measures ("Gross Settlement" for a period of 15 days), level 3 measures ("Call Auction Trading" for a period of 15 days) were put in place.

DEBT SECURITIES MARKET

RISK MANAGEMENT

The Pre-Trade Risk Management system was put into practice for Debt Securities Market.

COMMITTED TRANSACTIONS MARKET OF SUKUK (CTM)

CTM is launched within Borsa İstanbul on 2 July 2018 and trading of lease certificates commenced. CTM operates in accordance with working principles of participation banks and other banks are also eligible to trading.

SWAP MARKET

Swap Market was established within Borsa İstanbul in order to allow the exchange of Turkish Lira and foreign currencies within the specified conditions. There is no trading fee in the newly established Swap Market.

DERIVATIVES MARKET

STRATEGY CONTRACTS

Intermonth Strategy Contracts were put in place.

NEW FUTURES CONTRACTS

New Futures Contracts have been opened to trade, including 10 new Single Stock Futures Contracts, Industrial and Bank Indexes Futures Contracts, GBP/USD Futures Contracts, Quarterly and Yearly Base Load Electricity Futures Contracts.

The daily price limit in the Wheat Futures Contracts was increased from 10% to 20%. Market maker obligations were updated. In the USD/TRY Futures Contracts, the number of the expiry months opened for trade was increased from 4 to 6.

PRECIOUS METALS AND DIAMOND MARKET

The transition to BISTECH was completed on 2 July 2018. This involved a change in the interface and some of the rules. A new storage box software was developed, a new swap and risk system was established and the Single Price application and transaction report was put into practice. Instant product creation, increase in the price margin according to valor and storage for accounts opened for different purposes in the storage box started to be carried out.

In a new development on the BISTECH Precious Metals Trading Platform, a warning message was given on holidays for USD and EUR trading (in USA and the Eurozone). For the most part, BISTECH preparations, transition and post-transition improvements were carried out during 2018. In response to changes in technology, relevant legislation has been updated. The projects that were planned to be realized were determined and some of them were prepared for commissioning.

Meetings and events were held with members and international stock exchanges. Transactions covering a total net of 264,556 kg of gold and 391,398 kg of silver were carried out in the market.

INDEX AND DATA

INDEX

With the cooperation of Borsa İstanbul and the Turkey Exporters Assembly (TIM), TIM Export Index was established. The index started to be calculated and published on 14 September 2018. The Index was created in order to measure the price and return performances of the shares of companies traded on Borsa İstanbul which are in the "TIM Top 1000 List" announced by TIM, or whose export amount in the annual financial reports exceeds lowest export amount of any company included in the mentioned list.

DATA

As a result of the joint work carried out with Takas İstanbul, fund transaction books started to be submitted to the Fund Service Units from February 2018. Fund transaction books are provided to the signatory institutions through the CONNECT / VERDA infrastructure of Borsa İstanbul.

For its own systems, Borsa İstanbul uses the time information provided by the National Institute of Standards and Technology's (NIST), which is considered to be a standard on time information by the regulatory authorities. It provides time server services to members and investment organizations. The Time Server Service provided through the milliseconds (NTP- Network Time Protocol) also started to be provided via the microsecond PTP (Precision Time Protocol).

OUR EMPLOYEES



EMPLOYEE DEVELOPMENT

<p>565 Number of Employees</p>	<p>37.8 Average Age of Employees</p>	<p>8.8 Average Years Working (Years)</p>	<p>7.3% Women</p> <p>4.7% Men</p> <p>Staff Turnover Rate</p>
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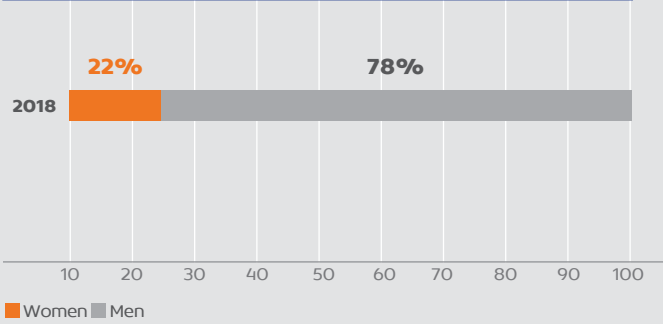
Borsa İstanbul has qualified human resources that attach importance to ethical principles and values.

Borsa İstanbul believes that the most important contribution to its growth and development is provided by its employees. Developing human resources policies and processes based on respect for people, Borsa İstanbul conducts activities to bring talented individuals into the organization and to develop them.

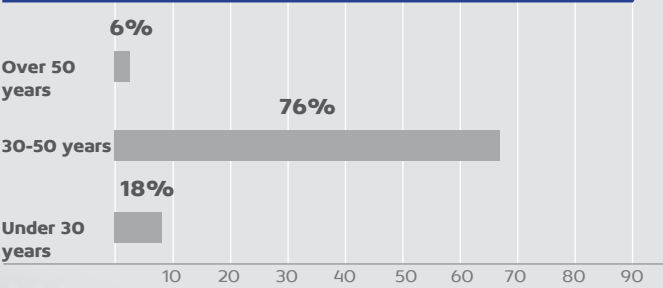
Career planning, talent management and lifelong learning programs

The most critical factor when planning the careers of our employees is the success realised by the employee. Employees are offered career opportunities in order to provide them with the opportunity to develop their strengths and obtain the resources that the Company needs for more senior positions from internal sources

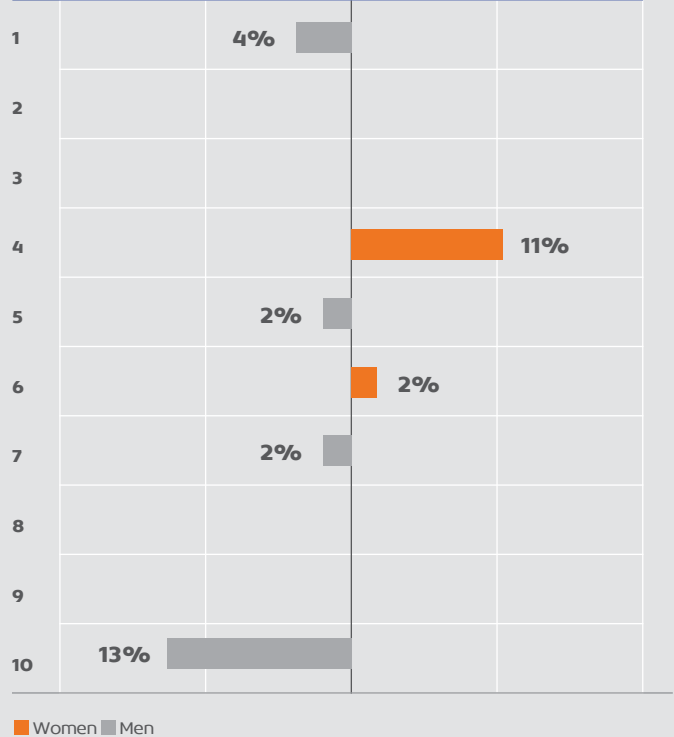
GENDER DISTRIBUTION



AGE DIVERSITY



WAGE ANALYSIS FOR MEN AND WOMEN*



Equal practices are applied for male and female employees in terms of wages and other rights. In addition, female employees are also provided with nursery aid, maternity leave and similar social assistance and social permits.

* Grouping employees by seniority, with 1 being the most senior, the remaining part on the left shows that men receive higher wages and the remaining part on the right shows that women receive higher wages.

In order to increase the knowledge and skills of the employees working on Borsa İstanbul, additional training programs are organized both on a regular basis and at the request of managers.

CAREER PATHS AT BORSA İSTANBUL

Technical Career	Managerial Career
This refers to the career development of the employee within the title group. Technical career opportunities are provided in order to encourage specialization in the stock exchange and to take advantage of the knowledge and experience of the work carried out.	This refers to the career development of the employee within the management title group. In order to obtain the resources needed by the Company in managerial titles from internal sources, managerial career opportunities are provided.

BORSA İSTANBUL CAREER MOVEMENTS

Promotion	Horizontal Career Movement	Switch Between Title Groups
The progress of the employee in the title or transition to the management title group	Transition of the employee to a different position, unit or business family with their current title	The transfer of the employee from the title group they are already in to another title group, other than the management title group
Within the framework of workforce planning studies, promotions are carried out by evaluating staff requirements, competencies and experience required by the position.	Staff requirements are met by evaluating the competencies and experience required by the position, the opinion of the unit managers and requests for any changes from employees.	

TRAINING

In order to increase the knowledge and skills of the employees working on Borsa İstanbul, additional training programs are organized both on a regular basis and at the request of managers.

In 2019, according to the results of the performance appraisal, areas which need development will be determined and the training programs our employees will be organized accordingly. In addition, training plans will be set out within the scope of the backup of critical roles and the training will be conducted in line with this plan.



MANAGEMENT

BOARD OF DIRECTORS

SENIOR MANAGEMENT

BOARD OF DIRECTORS COMMITTEES

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Prof. Dr. Eriřah ARICAN Chairperson

Prof. Eriřah Arican started her academic career as research assistant at Marmara University Economics-Finance Department in 1988. She transferred to Marmara University Banking and Insurance Department in 1990 and with her thesis entitled "The Central Bank and the Auditing of Monetary Volumes", earned her Ph.D. degree in 1991. She received an associate professor degree on Economic Policy in 1999, and professor degree at Marmara University Banking and Insurance Graduate School in 2015. Arican worked as Assistant Director and Board member of Marmara University Banking and Insurance Graduate School between 1998 and 2006, and as Director, between 2006 and 2015. She was appointed as the Director of Marmara University Banking and Insurance Institute in August 2015, and is currently in office. In addition to her role as Marmara University Banking and Insurance Graduate School Banking Department Chairman and Board member she has been carrying out since 2002, Prof. Arican assumed the title of Marmara University Banking and Insurance Institute Banking Department Chairman and Board member in September 2015. Prof. Arican has numerous studies and books on Turkish economy, economic systems, money-banking, central bank practices, financial markets and organizations. Prof. Dr. Eriřah Arican was elected as Borsa İstanbul Board Member on 1 April 2016, as Board member of Türkiye Wealth Fund on 12 September 2018. Ms. Arican was elected as Chairperson of the Board at Ordinary General Assembly Meeting on 27 September 2018. She is married with two children.

Zafer SÖNMEZ Deputy Chairperson, Independent Member

Zafer Sönmez was born in Duzce, Turkey in 1974. He started his career at Interbank in 1997. He worked at Dışbank in 2000-2003 and at MNG Bank in 2004. Between 2005 and 2010, he served as Vice President at ABN AMRO İstanbul Branch Portfolio Management and Corporate Banking Departments and following that as Director at Royal Bank of Scotland İstanbul Branch, Corporate Banking Department between 2010 and 2011. Following that he worked at Khazanah Nasional Berhad as Senior Vice President between 2012 and 2013 responsible from investments in Turkey, Middle East and Central Asia. He was involved in the establishment of Khazanah Turkey Regional Office ("KTRO") in 2013 and served as the Head of KTRO responsible from investments in Turkey, Middle East, CIS&CEE and North Africa. He also led Khazanah Africa Team from July 2017 till his appointment as CEO of Türkiye Wealth Fund in September 2018. He was elected as a Vice Chairman of Borsa İstanbul on the Ordinary General Assembly on 27 September 2018. He graduated from University of İstanbul, School of Business Administration. He is married with a child and fluent in English.

Murat ÇETİNKAYA CEO, Member of the Board

Murat Çetinkaya was born in Ankara in 1970. He graduated from TED Ankara College in 1988, and earned his BS degree from the Middle East Technical University, Department of Metallurgical and Materials Engineering in 1992. He completed T.C. Ziraat Bankası AŞ Banking School in 1993 and earned an MA degree from Marmara University Banking and Insurance Institute, Banking Department in 2001. He started his career with T.C. Ziraat Bankası A.Ş. Fund Management Department, and continued as Treasury Department Assistant Manager at Tekstilbank A.Ş. and Treasury Manager at Diler Yatırım Bankası A.Ş. Çetinkaya was appointed as the CEO of Halk Yatırım Menkul Değerler A.Ş. in August 2010 and was a Board member of Halk Portföy Yönetimi AŞ (portfolio management company) from its establishment until April 2013. He was a Board member of Halk Yatırım Menkul Değerler A.Ş. from this date until June 2017. With regard to sector representation, he was Deputy Chairman of the Union of Chambers and Commodity Exchanges of Turkey (TOBB) Capital Markets Sector Assembly between 2013 and 2016, and Member and Chairman of Borsa İstanbul Disciplinary Committee between 2014 and 2016. Çetinkaya was the Chairman of the Capital Markets Professionals Association (EFFAS Türkiye) between 2013 and June 2017, and Board Member of the Turkish Capital Markets Association between May 2016 and June 2017. He was appointed as Borsa İstanbul A.Ş. CEO and Chairman of Takasbank A.Ş. on 8 June 2017.

Yunus ARINCI Independent Member

Yunus Arıncı was born in Kumru, Ordu on 20 March 1975 as the first child of his family. He received his primary and high school education in Kumru. Between 1992 and 1996, he studied at Ankara University Political Sciences Faculty, Department of Public Administration. He started his career as Assistant Inspector at the Prime Ministry in 1997, promoting to Inspector in 2000 and Head Inspector in 2007. He was assigned as Department Head to the Scientific and Technological Research Council of Turkey for a term of one year in 2005. He attended a post-graduate program at the Indiana University during 2007-2009 and was assigned as the Head of Prime Ministry Inspection Board on 14 October 2009. He has been Chairman of the State Supervisory Council since 13 July 2015. Arıncı represented Turkey in numerous events at the national and international level, led several national and international projects, and carried out significant investigations. He was elected as Board member at Borsa İstanbul's Extraordinary General Assembly meeting held on 31 October 2016. Yunus Arıncı speaks English and is married with three children.

Ertuğrul ALTIN
Independent Member

Born in 1967, Ertuğrul Altın graduated from Yıldız University as a mechanical engineer and successfully completed the Marmara Foundation for contemporary management techniques-Maine University Management Certificate program (eight months). He also attended the master's Program at Marmara University European Community Institute. He started his career at the family company in 1990 and served as the general manager of Bursagaz in Çalık Group between the years of 2004-2008, the most recent regional manager of İGDAŞ engineers, experts, chief executives, and the most recent regional manager between the years of 1996-2004. He worked as a freelance consultant in 2008-2009 and wrote the book "Dört Yılda Kalite Ödülüne, Bir Örnek Olay (Four-Year Quality Award, One Case Study)". Between 2009-2011, he worked as general manager of Trakya Gas and gas companies in Zorlu Group, general manager of TANAP between 2011-2013 and worked as a member of technical Contract Committee in TANAP on behalf of SOCAR Turkey and worked as a member of the technical Contract Committee in 2014-2015. In 2015-2017, he served as minister consultant at the Ministry of Energy and Natural Resources. At the Ordinary General Assembly meeting of 27 September 2018, Altın was elected as a member of the Board of Directors. He is married and has two children, Altın speaks fluent English.

Prof. Dr. Fahrettin ALTUN
Independent Member

Director of Communications, Turkish Presidency. Fahrettin Altun received his undergraduate degree in Sociology from Istanbul University (1998) and a master's degree in Sociology from Mimar Sinan University before completing the PhD program at Istanbul University in 2006. His dissertation was titled "A Comparative Analysis of the Media Theories of McLuhan and Baudrillard." Having worked as a guest lecturer at the Department of Political Science at the University of Utah in 2002-2003, Altun served on the founding academic board of Istanbul Şehir University and became the founding coordinator of the Department of Communication. He was among the architects of the same university's graduate program in Cultural Studies and serves as Chair of the Department of Cinema and Television in 2008-2014. Between 2015 and 2017, Altun taught at Istanbul Medeniyet University's Department of Sociology. Most recently, he served as founding dean of the Department of Communication at the Ibn Khaldun University. Altun was a senior executive of the SETA Foundation for Political, Economic and Social Research in 2013-2018. He is the author of *Modernization Theory: A Critical Introduction* (İnsan Publishing, 2017, 4th Edition), *Press Freedom in Turkey* (along with İsmail Çağlar and Turgay Yerlikaya; SETA Publishing, 2016) and *Counter-Terrorism Strategies* (along with Hasan Basri Yalçın; SETA Publishing, 2018). Altun's articles have appeared in academic journals, including *Middle East Critique*, *Insight*

Turkey and Perceptions. He contributed chapters to edited volumes such as *The Turkish AK Party and Its Leader: Criticism, Opposition and Dissent* (Routledge, 2016), *Political Thought in Modern Turkey: Islamism (İletisim, 2016)* and *Civil Society: Different Perspectives* (Kaknus, 2016). He edited *The Triumph of Turkish Democracy: The July 15 Coup Attempt and Its Aftermath* (SETA Publishing, 2016) together with Burhanettin Duran and *The Media on July 15: A Medium for the Coup and Resistance* alongside İsmail Çağlar and Mehmet Akif Memmi. In his earlier career, Prof. Altun worked in the publishing industry and served as Advisor to the President of the Board of Higher Education (YÖK). He penned columns for *Akşam*, *Sabah* and *Daily Sabah*, and was a founder and Editor-in-Chief of the monthly magazine *Kriter* in 2016-2018. Altun worked with various national media outlets, including TRT and A Haber, as a commentator, host and producer. Prof. Altun's areas of expertise include political communication, the sociology of media and communication, global studies and political sociology.

Nicola Jane BEATTIE
Member

Niki Beattie has more than 25 years of capital markets experience, particularly focusing on capital markets infrastructure and the impact of changing regulation and technology in trading, clearing and settlement. She spent 17 years working at global investment banks. Most of this time was spent at Merrill Lynch International where she was responsible for electronic trading solutions and setting up trading capabilities across Europe Middle East and Africa before becoming Managing Director and Head of EMEA Market Structure. Beattie is now CEO of Market Structure Partners, which she founded in 2008. It provides strategic consulting advice to some of the world's leading trading venues and clearing houses, global and regional investment banks, high frequency trading firms, hedge funds, private equity firms, asset managers and government bodies. Beattie also has a number of Non Executive Board roles; she is a member of the Board of Iress Ltd, a listed financial technology company in Australia, as well as being Chairman of Aquis Exchange in the UK and on the Board of Cheuvreux International Limited. Between 2012 and 2016 she was on the Board of Moscow Exchange, MOEX when it went from being a private to publicly listed company. Alongside these roles, she is also a member of the UK FCA's Regulatory Decisions Committee and a member of the Secondary Markets Standing Committee for the European Secondary Markets Authority, ESMA. Beattie has a first class honors degree in Information Systems and Management and a Certificate of Company Direction from the UK Institute of Directors. Beattie was elected as Borsa İstanbul Board Member on 1 April 2016.

BOARD OF DIRECTORS

Erhan TOPAÇ as representative of Turkish Capital Markets Association, Board Member

Erhan Topaç was born in Uşak in 1953. After his graduation from Ankara Science Highschool, he earned his BS degree from Bogazici University, Department of Mechanical Engineering in 1975. Later, he completed the MSc program in Mechanical Engineering in 1977 and pursued his PHD degree in Industrial Engineering at the same university. He worked as a Researcher at Bogazici University between 1971-1979. He continued his career with Eczacıbasi Holding Strategic&Planning Department between 1979-1985 and after that he worked as a Consultant of General Manager and as a Marketing Manager at Ipek Kagit A.Ş. between 1985-1989. He served as a Marketing Manager at Pepsi Cola Incompany between 1989-1990. Since 1991, He has been co-founder of Gedik Investment and Chairman of the Board. In addition to his role, he has been carrying out Marbas Investments Chairman of the Board and as well as Gedik Investment Holding Chairman of the Board which has been listed on Borsa İstanbul. Between 2001-2003, he served as a Deputy Chairman of Turkish Capital Markets Association. He has been still working on industrial projects as the members of Borsa Aracı Kurumları Yöneticileri Derneği and Türkiye Finans Yöneticileri Vakfı. As of 9 May 2018 he was appointed as Turkish Capital Markets Association Chairman of the Board. Since 31 August 2018, Mr. Topaç is a member of Borsa İstanbul Board as representative of Turkish Capital Markets Association. He is married with one child.

Assoc. Prof. Cem DEMİROĞLU Member

Cem Demiroğlu was born in Diyarbakır in 1978. He graduated from Beşiktaş Atatürk Anadolu Lisesi in 1996, and earned a B.A. degree in Business Administration from Boğaziçi Üniversitesi in 2000. He obtained a masters degree in Finance (with a minor in Economics) from the University of Nebraska-Lincoln in 2001, and his Ph.D. in Finance from the University of Florida in 2008. He started his academic career as an Assistant Professor of Finance at Koç University. Since 2014, he has been serving as an Associate Professor on the faculty of Koç University where he teaches corporate finance, portfolio management, bank financial management, and private equity at both the graduate and undergraduate level. Professor Demiroğlu previously served on the faculties of University of Florida (2010-2011) and Bocconi University (Spring 2010) as a visiting professor. He has published several articles in top international academic journals including Journal of Finance, Journal of Financial Economics, Review of Financial Studies, Management Science, Journal of Law and Economics, and Journal of Money, Credit, and Banking. His research interest include credit markets, credit rating agencies, banking, corporate finance, mortgages, securitization, and troubled debt restructurings and bankruptcy. He serves on the editorial boards of Journal of Banking and Finance, Journal of Capital Markets and Journal of Corporate Finance. He is also

the recipient of the prestigious Outstanding Young Scholar Award granted by the Science Academy of Turkey. Professor Demiroğlu has been serving as an adviser to the Minister of Finance at the Republic of Turkey Ministry of Treasury and Finance. He was elected as Borsa İstanbul Board Member on 27 September 2018. He is married with one child.

Tevfik ERASLAN Member

Mr. Tevfik Eraslan, who has 23 years of work experience, currently carries out his duty at Is Asset Management as Chief Executive Officer. He worked in the Treasury Department of an international financial institution between 1995-2001, before joining İş Asset Management in 2001. Mr. Eraslan served as Assistant Manager and Manager of the Pension Funds Department until 2008, and then as Executive Vice President in charge of Portfolio Management between 2008 and 2013. He was appointed CEO in September 2013. He attended in many executive programs from Pension Fund Management Seminars at The Wharton School of Economics and Global Asset Management Program at CFA Institute to Essentials of Management Program at the Columbia University. Mr. Eraslan holds a bachelor's degree in Faculty of Economics from Istanbul University and a master's degree in Capital Markets from the same university. Mr Eraslan serves as Chairman of Board of Directors of Luxembourg based Turkisfund; member of Board of Directors of Turkish Capital Markets Association and Turkish Institutional Investment Managers' Association, and also the member of Turkey-Luxembourg Business Council and Turkey-Sweden Business Council of Foreign Economic Relations Board. Mr Tevfik Eraslan was elected as Board Member of Borsa İstanbul at Ordinary General Assembly Meeting on 27 September 2018

SENIOR MANAGEMENT

Murat ÇETİNKAYA CEO, Member of the Board

Murat Çetinkaya was born in Ankara in 1970. He graduated from TED Ankara College in 1988, and earned his BS degree from the Middle East Technical University, Department of Metallurgical and Materials Engineering in 1992. He completed T.C. Ziraat Bankası AŞ Banking School in 1993 and earned an MA degree from Marmara University Banking and Insurance Institute, Banking Department in 2001. He started his career with T.C. Ziraat Bankası A.Ş. Fund Management Department, and continued as Treasury Department Assistant Manager at Tekstilbank A.Ş. and Treasury Manager at Diler Yatırım Bankası A.Ş. Çetinkaya was appointed as the CEO of Halk Yatırım Menkul Değerler A.Ş. in August 2010 and was a Board member of Halk Portföy Yönetimi AŞ (portfolio management company) from its establishment until April 2013. He was a Board member of Halk Yatırım Menkul Değerler A.Ş. from this date until June 2017. With regard to sector representation, he was Deputy Chairman of the Union of Chambers and Commodity Exchanges of Turkey (TOBB) Capital Markets Sector Assembly between 2013 and 2016, and Member and Chairman of Borsa İstanbul Disciplinary Committee between 2014 and 2016. Çetinkaya was the Chairman of the Capital Markets Professionals Association (EFFAS Türkiye) between 2013 and June 2017, and Board Member of the Turkish Capital Markets Association between May 2016 and June 2017. He was appointed as Borsa İstanbul A.Ş. CEO and Chairman of Takasbank A.Ş. on 8 June 2017.

Ali IŞIK Executive Vice President

Ali Işık entered Boğaziçi University Department of Computer Science and graduated in 1998. He entered Anadolu University Department of Business Administration within the same year and graduated in 2003. He started his career in 1998 as Software Developer at Artsoft Bilgi İşlem Ltd.Şti. and worked at the Artsoft between 1998 and 2000. He worked at Türkiye Finans Katılım Bankası A.Ş. as Senior Developer, Database Administrator between 2000 and 2001. Then, he worked at Yapı Kredi Bankası A.Ş. as System Engineer, System Manager, System Architect, Head of System and Infrastructure Division between 2001 and 2015. He has following technical certifications: Microsoft Certified Professional (MCP), Microsoft Certified Solutions Associate (MCSA), Microsoft Certified Solutions Expert (MCSE). He served Borsa İstanbul A.Ş. since 1 October 2015 as Director in the Systems Management Department and managed BISTECH Phase 2 and Phase 2+ Infrastructure projects in this position. Together with his departmental management responsibilities he also served as main coordinator for IT supply & outsourcing management and acted as head of Borsa İstanbul Group synergy committee (Borsa İstanbul, Takas İstanbul and Merkezi Kayıt İstanbul). He is currently Executive Vice President responsible for information technologies (systems and infrastructure) since 8 June 2017.

Ali ÖMÜRBEK Executive Vice President

Ali Ömürbek earned his BS degree from the Istanbul Technical University, Department of Mathematical Engineering in 1991. Ömürbek started his career as System Analyst and developer in 1991, he continued his career in capital markets as Information Systems Manager for thirteen years. Ömürbek worked in Assistant General Manager at Halk Yatırım Menkul Değerler A.Ş. for ten years. He is currently Executive Vice President responsible for market operations since November 2018.

Alpogan Sabri ERDOĞAN Executive Vice President

Alpogan Erdoğan was born in Sivas in 1974. He earned his BS degree from Bogazici University, Department of Economics. After working as a treasury dealer in the banking industry for seven years, he continued his career in capital markets as an asset manager and a product/business developer for fourteen years. With his twenty one years' experience in the financial services sector, He is currently Executive Vice President responsible for product development since October 2018.

Korkmaz Enes ERGUN, Ph.D. Executive Vice President

Korkmaz Ergun earned his undergraduate degree at Ankara University Faculty of Political Science, Department of Business Administration in 1997 and started his career at Borsa İstanbul the same year. He completed his masters' degree and PhD on Economics at Marmara University. Having administered the evaluation of the public offering of numerous companies and examination and market activities of the companies traded on Borsa İstanbul, Ergun has twenty two years' experience in the stock exchange business and capital markets. He is currently Executive Vice President responsible for listing and index.

Mehmet GÖNEN Executive Vice President

Born in Istanbul in 1971, Mehmet Gönen graduated from Bogazici University, Industrial Engineering Department in 1993 and earned his MBA from University of Michigan Ann Arbor in 1995. Gönen started his career as an Emerging Markets Trader at Cargill Financial Markets. He pursued his career as an Executive Director at Goldman Sachs International in London. Gönen worked in Assistant General Manager and General Manager capacity at Standard Yatırım, BCP MillenniumBank, Merrill Lynch Turkey and Ziraat Yatırım Menkul Değerler A.Ş. He was appointed as Executive Vice President at Borsa İstanbul in March 2018.

SENIOR MANAGEMENT

M. Ufuk ÖZDEMİR

Executive Vice President

M. Ufuk ÖZDEMİR earned his BSc from Istanbul Technical University, Department of Control and Computer Engineering in 1988, and MSc in 1993. He started his career in Netaş, followed by Zihni Holding and then joined to Borsa İstanbul (formerly Istanbul Stock Exchange) Information Systems Department as assistant system analyst in 1991. Özdemir was promoted as Director in the Department in 1997. He worked as developer, SW architect, application and development manager and project manager in IT dept for clearing and settlement systems, trading systems of equity market, debt securities market and derivatives market, data dissemination systems. He was appointed as Group Manager of the Project Management Office established in Borsa İstanbul in 2014. Özdemir is currently the Program Manager of BISTECH/Nasdaq project and has been Executive Vice President for Information Technology (Application Development & Project Management) since April 2016.

Muhittin ESEN

Executive Vice President

Muhittin Esen graduated from the Middle East Technical University in 2004 and started his career at Yapı Kredi Bank the same year. Between 2006 and 2014, he worked as junior and senior specialist at the Ministry of Finance. Esen earned his masters' degree in finance from London Business School in 2014. He was Vice Chairman of Tax Inspection Board, Istanbul Large Scale Tax Payers Group between 2014 and 2016. Muhittin Esen joined Borsa İstanbul as Accounting and Finance Director in 2016 and has been Executive Vice President at Borsa İstanbul since December 2017. Esen is a Sworn-in CPA and Independent Auditor and has published numerous articles on tax and accounting. Currently, he is studying on his doctorate on finance and accounting at Yıldız Technical University. Esen represents Borsa İstanbul at the Foreign Economic Relations Board of Turkey (DEİK) Foreign Investments Business Council Executive Board and Integrated Reporting Turkey Network (ERTA).

Serkan KARABACAK

Executive Vice President (Acting)

Serkan Karabacak is a graduate of Ankara University Faculty of Political Sciences Business Administration. He then completed his master degree both in Financial Engineering at Bosphorus University and Decision Sciences at London School of Economics (LSE). He also worked as occasional research assistant at the LSE. Mr. Karabacak is also doing his PhD studies in corporate governance at Galatasaray University. Mr. Karabacak began his career on Turkish State Planning Organization, then served for the SEC of Turkey as junior, senior and chief auditor at the Department of Enforcement. He also worked as a financial consultant at Promontory Financial Group in London and undertaken projects as a decision scientist at Quintessa Scientific and Mathematic Consultancy LTD during 2007 and 2008. After being appointed as Executive Vice President at Capital Markets Licensing and Training Agency of Turkey, he then became the CEO and the Board Member. Mr. Karabacak served as the editorial board member at Turkish Institutional Investment Manager's Association, executive board member at Corporate Governance Association of Turkey and independent board member at Suryapi SPV. He currently works as the chief audit executive at Borsa İstanbul. He is also executive board member of Bakü and Bishkek stock exchanges and vice chairman of board at Montenegro Stock Exchange.

Şenol DUMAN, Ph.D.

Executive Vice President

Şenol Duman earned his BA in Public Administration from Ankara University - Faculty of Political Science; his MA in Public Management from Carnegie Mellon University - Heinz School of Public Policy and Management; and a Ph.D. in Public Policy and International Relations from the University of Pittsburgh - Graduate School of Public and International Affairs. After returning to Turkey in 2003, he worked as Assistant Professor and Associate Dean at the School of Business of Atılım University for a year. From 2004 to 2008, he was in charge of sales and marketing as Chief Marketing Officer and Board Member of the government owned satellite company Türksat A.Ş. and also Executive Vice President and Board Member of Eurasiasat S.A., based in Monaco. In 2008, he became a partner of Aeroturq A.Ş., an enterprise operating in the satellite, telecommunications, aviation, and defense industries as General Manager and Board Member for 3 years. In 2011, he became the founding partner and General Manager of another enterprise, SM5 A.Ş., a high-tech venture company. He was a Board Member of Raintrade Petrokimya A.Ş. between April 2015 and April 2016. He was also the General Coordinator of internationally renowned D8 Fertilizer Association representing Turkey in the Association's annual meetings from 2015 to 2016. He has been serving as an Independent Board Member of the Turkish Growth and Innovation Fund (TGIF) since April 2015. In January 2015, he went back to his professional career, assuming the role of Deputy Director General responsible for the supply chain of Gübretaş A.Ş., where he left in September 2016 to join Borsa İstanbul as Executive Vice President. Şenol Duman speaks fluent English.

BOARD OF DIRECTORS COMMITTEES

In order to fulfil the duties and responsibilities of the Board of Directors in an effective and transparent manner in accordance with the obligations of the relevant legislation, the Corporate Governance Committee, Audit Committee, Early Risk Assessment Committee and IPO Committee have been established.

AUDIT COMMITTEE

PURPOSE

In accordance with Borsa İstanbul's Articles of Association and the Audit Committee Directive, the Committee is authorized to assist the Board in the oversight of the nature and accuracy of the financial statements of Borsa İstanbul, to monitor implementation and efficiency of the accounting system to give preliminary approval of selection of the independent auditor and also approval of content of audit services by the independent auditor, to prepare and supervise the agreement between Borsa İstanbul and the independent auditor, to oversee the Company's independent audit system, the operation and efficiency of controls and internal audit functions.

Members

Yunus ARINCI (Chairperson)
Ertuğrul ALTIN (Member)
Prof. Dr. Fahrettin ALTUN (Member)

ACTIVITIES IN 2018

The Audit Committee held 10 meetings during 2018. The Committee's activities in 2018 are summarized below:

The Committee examined and evaluated the independent audit reports prepared by KPMG for the financial statements of Borsa İstanbul for the year end of 2017 and for the interim periods of 2018.

The annual internal audit work plan of the Audit and Surveillance Board for 2018 was approved and the results of internal audit activities were tracked on a regular basis. Within this scope, internal audit reports, resulting from the internal audit activities in 2018, have been evaluated and approved by the Audit Committee, and consequently audit findings, suggestions and required corrections were shared by the processes owners and related departments.

The Audit Committee received regular information concerning the financial statements of Borsa İstanbul and the details of the various account transactions in the financial tables are examined and evaluated.

A summary of the reports prepared by the Audit and Surveillance Board and submitted to the CEO during the year was also delivered to the Audit Committee.

CORPORATE GOVERNANCE COMMITTEE

PURPOSE

The Corporate Governance Committee (the Committee) determines whether the corporate governance principles are applied or not, and the reasons and conflicts of interest arising from non-compliance with these principles and make recommendations to improve the practices. Since no separate committee is established in the Board of Directors, the Committee also performs nomination and remuneration functions.

Members

Zafer SÖNMEZ (Chairperson)
Nicola Jane BEATTIE (Member)
Ertuğrul ALTIN (Member)

ACTIVITIES IN 2018

In 2018, the Corporate Governance Committee convened 8 times. Following the Ordinary General Assembly Meeting held on 27 September 2018, there has been a change in the Committee's membership. Zafer Sönmez replaced İhsan Durdu as Chairman of the Committee and Ertuğrul Altın was appointed as the committee member to replace Alp Keler who previously replaced İlhami KOÇ. The activities of the Committee in 2018 are summarized below:

The Corporate Governance Compliance Report and the Committee Report for 2017 were prepared and submitted to the Board of Directors.

Corporate Governance Rating service was received and the Board of Directors was informed about the compliance status.

The draft amendments in the Articles of Association was revised and recommendations were made to the Board of Directors.

Corporate performance targets for 2018 have been determined and proposed to the Board of Directors. The development status of the performance targets was monitored periodically and the senior management performance bonuses were proposed to the Board of Directors at the end of the year.

The Directive on the Working Principles and Procedures of the Board of Directors and the Working Principles and Procedures of the Corporate Governance Committee were reviewed and the amendments were referred to the Board of Directors.

A Donation Policy and Sponsorship Policy has been established and pre-approved to be referred to the Board of Directors.

The Corporate Governance Scorecard, which covers CMB legislation and best practices, was created, deficiencies were determined and the development status of Borsa İstanbul was evaluated periodically.

The members of the Board of Directors were reviewed for compliance with the independence criteria and an independent member of the Board of Directors policy was drafted.

2019 corporate performance targets and bonus system have been evaluated and preliminary approval has been given for referral to the Board of Directors.

BOARD OF DIRECTORS COMMITTEES

EARLY RISK ASSESSMENT COMMITTEE

PURPOSE

The Early Risk Assessment Committee was established in line with the Borsa İstanbul A.Ş. Early Risk Assessment Committee Responsibilities and Working Principles Directive, prepared as required by Article 378 of the Turkish Commercial Code and the Corporate Governance principles of the Capital Markets Board of Turkey, and accepted in the meeting of the Board of Directors held on 19 June 2013.

Members

Prof. Dr. Fahrettin ALTUN (Chairperson)
Erhan TOPAÇ (Member)
Tevfik ERASLAN (Member)
Assoc. Prof. Cem DEMİROĞLU (Member)

ACTIVITIES IN 2018

In the preparatory meetings of the Committee, the activities being carried out were evaluated with the participation of personnel at the Executive Level, representing business units deemed critical for Borsa İstanbul.

During the meetings, the risks on the basis of business units and the effects of these risks on other business units and institutions were evaluated and information concerning the activities related to effective determination and management of risks was obtained. In addition, the activities to be carried out by the related units are discussed in order to reduce the probability and effects of the risks that are considered to have a significant impact on the operations of Borsa İstanbul to an acceptable level. Recent risks pertaining to all departments, their reason, the measures taken or planned to be taken in the short and long term were evaluated along with the contributions of all business units attending the meeting. While discussing the risks and measures taken against possible risks, in light of the previous experience, other possible risks that could affect the business units and the institution were also discussed.

Issues considered to be important in the preparatory meetings of the Committee were reported to the Committee and the Committee informed the Board of Directors of the work carried out.

Information technologies and the risks presented by the technological transformation:

The activities carried out within the framework of the strategic cooperation agreement signed between NASDAQ and Borsa İstanbul are aimed to serve all of the markets within Borsa İstanbul through a common trading platform.

In this context, the first phase of the BISTECH Technological Transformation Program, which covers the Equity Market, and the first stage of the second phase, which covers the Derivatives Market, were successfully brought into operation on 30 November 2015 and on 6 March 2017 respectively.

Work on the transition of the Debt Securities Market and Precious Metals Market to the BISTECH platform were completed in 2018 and these markets began to work on the BISTECH system from 2 July, 2018.

In addition, the SWAP Market was successfully launched on 1 October 2018 on the platform where the Money Market is currently trading.

Precautions against attempts to carry out cyber-attack, leaks, etc., a concern that has often been on the agenda in recent years and which has caused considerable damage to financial institutions on a global scale, are periodically reviewed in risk assessment meetings. Within this framework, penetration tests are regularly carried out by various institutions in all markets and necessary measures are taken to prevent external and internal technological leaks. Such measures, and the problems experienced, are reported to Takas İstanbul and Merkezi Kayıt İstanbul on a regular basis, and special importance is placed on sharing information and experience with the relevant parties in coordination.

Training is also routinely provided to raise awareness of information security within the organization under Borsa İstanbul's information security policy. In order to prevent confidential and sensitive information from being infiltrated by unauthorized third parties.

Within the scope of the Communiqué on Information Systems Management, which has been implemented by the Capital Markets Board since 2018, Borsa İstanbul has an obligation to conduct an independent audit of Information Systems once a year for the operation of information systems. Within the framework of the provisions of the communiqué, an internal IT audit was carried out first, and an Independent Audit of the Information Systems of Borsa İstanbul was later carried out, and a "Positive Opinion" was obtained from the Independent Auditor.

Business continuity and operational risks:

Policies and plans for extraordinary situations that may occur before or during the session in the markets and which may prevent the session from being conducted in a healthy manner are periodically reviewed and necessary arrangements/updates have been made. Changes in business processes and risk maps are constantly updated within the framework of BISTECH Technological Transformation Program.

Drills aimed at ensuring business continuity at Borsa İstanbul were held with the participation of market participants and the staff from Borsa İstanbul. In this context, two separate emergency drills were held - one on 17 November 2018, in Borsa İstanbul, and one on 24 November 2018 with the participation of Borsa İstanbul, Takas İstanbul, Merkezi Kayıt İstanbul, Borsa İstanbul members and data broadcasting organizations.

Insurance policies for special risks:

Borsa İstanbul holds a comprehensive insurance policy against the risks Takas İstanbul and Merkezi Kayıt İstanbul may face, including those that may arise from actions such as breach of trust, cyber-crime, and fraud. Furthermore, Borsa İstanbul holds an “Employer Liability Insurance” to cover risks arising from any court case that employees may file against Borsa İstanbul due to work related accidents, and “Professional Liability Insurance” to cover the risks of damage to third parties that may arise from fulfilling or failing to fulfil professional activities, pursuant to the relevant laws, regulations and communiqués. As a result of the fact that the persons on the Equity Market do not pay the necessary attention to the responsibilities and liabilities arising from the management function, “Manager Liability Insurance”, which covers the claims and costs of the lawsuit filed against the relevant personnel, is taken out as well.

“Industrial Package Insurance” is purchased against risks regarding all machinery, electronic devices and fixtures in inventory within the buildings of Borsa İstanbul, earthquake, fire, lightning, explosion, strike, lockout, public movements, malicious movements, terror, theft, neighbouring financial liability, machine breakage, electronic device damage, glass breakage, snow weight, flood, landslide, storm, internal water, smoke, vehicle impact (land vehicles, air vehicles), debris removal expenses, covering the financial responsibility against third parties. In addition to this, assets that constitute a risk of damage in connection with Borsa İstanbul and which are retained at Precious Metals and Stones Markets are also protected under the “All Risks & Terror” insurance. “Financial Liability Insurance for Private Security Personnel”, which guarantees damages to third parties as a result of incidents that occur during the execution of the duties of security officers within the framework of the legislation on private security service, is taken out. All of the policies mentioned were purchased in 2018 and the renewal of the insurance policies the term of which expires shall be realized in 2019.

Audit function and process development:

In accordance with international internal audit standards, a risk-focused internal audit approach is applied at Borsa İstanbul. In addition, IT audits are conducted within the scope of Capital Markets Board’s Communiqué on Information Systems Management. Within this scope, process-oriented audit activities have been carried out within the framework of the internal audit programs that are developed every year and preventive and corrective actions are taken regarding the issues identified as a result of the audit.

Due to the fact that the exchange business tends to be exposed to operational risks with an extremely low fault tolerance, Borsa İstanbul processes were subjected to a risk-focused evaluation and development process in 2018 as well.

Financial risks:

Borsa İstanbul manages its funds by balancing its assets and liabilities that are sensitive to risks and by taking the necessary measures against the risks it may be exposed to.

The Fund Management Policy was put into effect with the approval of the Board of Directors at the beginning of 2019 and it is stipulated that the ratio of the open foreign exchange position in liabilities (in foreign currency) may not exceed 5% in order to minimize the foreign exchange risk.

Long-term interest and maturity risks are not taken in the management of the company assets. Placements are made to long-term assets to meet our long-term obligations, but not to open positions. In addition, the amount of cash, foreign currency and cash equivalents are sufficient to fulfil our current and potential obligations, by making active resource management.

Within the scope of financial risk management, counterparty risk is also assessed and funds are evaluated within the limits set in Fund Management Principles in order not to adversely affect the non-payment risk arising from any bank; in line with the risk distribution principle, efforts are taken to diversify the portfolio by investing in different financial instruments.

In addition, the accounting, collection, and payment processes have been simplified and have become more effective as a result of the studies that have been updated continuously.

IPO COMMITTEE

PURPOSE

The purpose of the IPO Committee is to determine the steps to be taken before and during the public offering of Borsa İstanbul and to advise the Board of Directors on these issues.

Members

Zafer Sönmez (Chairperson)
Murat Çetinkaya (Member)
Nicola Jane Beattie (Member)

ACTIVITIES IN 2018

The IPO Committee held three meetings in 2018. The Committee conducted evaluations concerning the public offering and issued recommendations to the Board of Directors.



Borsa İstanbul is required to comply with Article 73 of the Capital Market Law No: 6362 and the “Corporate Governance Communiqué” No: II-17.1 in accordance with the 40th article of the regulation on Establishment, Activity, Work And Audit Principles Of Stock Exchanges And Market Operators published by the Capital Markets Board.

Borsa İstanbul Board of Directors approved Corporate Governance Compliance Report Form (CRF) for the purpose of reporting the status of compliance with voluntary principles and the Corporate Governance Information Form (CGIF) for the purpose of providing information on existing corporate governance practices. The CRF and CGIF are available on the web site. www.borsaistanbul.com/en/investor-relations/corporate-governance

SHAREHOLDERS

Facilitating the Exercise of Shareholders’ Rights

The investor relations team can be accessed through the e-mail addresses of yatirimciiliskileri@borsaistanbul.com and investorrelations@borsaistanbul.com. As Borsa İstanbul is not publicly traded, it did not hold an investor conference or meeting.

The information and disclosures that may affect the exercise of the rights of the shareholders are presented to the shareholders and all public opinion on the company’s website.

Right to Receive and Review Information:

No discrimination is applied among shareholders in terms of their right to receive and analyse information, with the exception of information qualified as a trade secret; all information regarding the company operations and procedures is disclosed to shareholders.

The Company’s Articles of Association do not set out the right to request a special auditor, and no demand to that effect was received from shareholders during 2018.

General Assembly Meetings

General Assembly announcements and information about the agenda are announced in

- in the Turkish Trade Registry,
- on the Company’s website,
- in a daily newspaper published in the city where the company is headquartered,
- on the www.kap.org.tr website
- for shareholders that have an electronic signature, on the Electronic General Assembly System of Merkezi Kayıt İstanbul (e-GKS)

for the purpose of informing shareholders, at least three weeks before the meeting, in Turkish and English. General Assembly meetings are held in a way which ensures sufficient provision of information and high participation of shareholders, and make use of the Electronic General Assembly facility.

In the agenda of the General Assembly, total amounts of donations and aid and those benefiting from them are included

in a separate article. For detailed information about the General Assembly meetings: www.borsaistanbul.com/en/investor-relations/general-assembly-meetings

Voting Rights

At Borsa İstanbul, each share is entitled to one vote. Borsa İstanbul applies no practices that may impede the exercising of the voting rights and allows each shareholder to use their voting rights in the most facile manner. Shareholders holding voting rights may directly use such rights or they may appoint a deputy to use such rights in accordance with the arrangements of the Turkish Commercial Code and the Capital Markets Law. The Company’s Articles of Association set out three groups of shareholders, namely, Class A, Class B, and Class C.

In order to make a board of Directors decision on matters related to

- 1- Proposing amendments to the Articles of Association,
- 2- Increasing or decreasing capital,
- 3- Any transactions that exceed 10% of the company’s income in the last year’s audited financial statements on a contract basis and which bind the company directly or indirectly; or any decisions that will leave the company liable to such an amount;
- 4- The termination, liquidation or merger of the company with other companies
- 5- Submission of dividend distribution proposal to the General Assembly

The affirmative vote of at least one Board member nominated by the Group A shareholder is required. As of the end of 2018, only the Türkiye Wealth Fund held Group A shares. In addition, Group A and Group C shares have been granted a privilege in nominating candidates for the election of Board members. There is no regulation in Borsa İstanbul to enforce voting rights after a certain period of time from the date of acquisition.

The İstanbul Clearing and Custody Bank Inc. is a shareholder of Borsa İstanbul A.Ş. with a share of 0.15%. The Bank participated in the Annual General Meeting held on 27 September 2018, but did not cast votes in accordance with Article 389 of the Turkish Commercial Code.

Minority Rights

Minority rights have not been expanded in terms of content or rate in the Company’s Articles of Association.

Rights to Dividends

There is no privilege in the Company’s Articles of Incorporation regarding participation in the Company’s profit, and the right to receive equal dividends is granted to each share. The Dividend distribution policy is available on the company’s website. In the Annual General Meeting held on 27 September 2018, The Dividend Distribution Policy was adopted by shareholders. In the same meeting, the company decided to distribute a gross dividend of TL 0.9451 per TL1 nominally valued share to be paid from the Company’s 2017 profit and previous years’ profits, provided that the dividend payment was completed by 30 November 2018. With the decision of the Board of Directors authorized by the General Assembly to determine the date of the payment, the dividends were paid on 9 November 2018.

Transfer of Shares

The provisions regarding the restriction of share transfers are as follows:

- a) With the exception of those stipulated in paragraph 2 and sub-paragraphs (a), (b), and (c) of paragraph 6 of Article 138 of the Capital Markets Law, all transactions that lead to the direct or indirect transfer of control of the Company, even if no share transfer is executed, are subject to the approval of the Capital Markets Board. Share transfers will become valid only after being approved by the Capital Markets Board, decided upon by the Board, and registered in the share register. All transactions that lead to the direct or indirect transfer of shares without the approval of the Capital Markets Board or transfers that lack the relevant Board resolution or that are not registered in the share register are null and void.
- b) In order to ensure that the existing shareholding structure is maintained, shares other than those that belong to Class A shareholders may only be transferred to another shareholder within the same group. These shares may only be transferred to shareholders that belong to the other classes or third parties with the approval of the Capital Markets Board. A Group shares that exclusively belong to the Turkiye Wealth Fund and provide representation rights in the management may not be transferred in any way whatsoever.
- c) In the event that a person acquires shares representing 10% or more of the capital through direct or indirect ownership of the publicly offered shares, or the shares owned by a shareholder directly or indirectly exceeds 10, 20, 33, or 50% of the capital through the acquisition of the shares offered to the public, or falls below such ratios as a result of a transfer of shares, shareholders may only use the related rights, with the exception of dividend rights, upon the approval of the Capital Markets Board. The provisions of this sub-paragraph will also apply for cases where the aforementioned ratios are attained through the acquisition of the free-floating shares, including the shares acquired off-Exchange.

2. DISCLOSURE AND TRANSPARENCY

Corporate Website

Access to information disclosed to the public, in English and Turkish, is provided from the  www.borsaistanbul.com website.

Annual Report

Borsa İstanbul's annual report is prepared in a manner to ensure that the public has access to complete and correct information on the Company's activities, in accordance with the relevant legislation, in particular the "Communiqué on Determining the Minimum Requirements of Annual Reports" published in the Official Gazette of 28 August 2012, numbered 28395.

3. STAKEHOLDERS

Company Policy Regarding Stakeholders

It is essential that Borsa İstanbul informs stakeholders in accordance with the Disclosure Policy. Corporate Governance practices and ethical rules ensure that stakeholders are informed in the most accurate way.

The Borsa İstanbul Ethical Rules preclude Borsa İstanbul officials from applying any priority, partiality, or inequality in their treatment of investors as a real or legal personality, and are required to provide correct, reliable, and unbiased information to the media and the public. The Chairperson of the Board and Executive Committee provides and discloses information through interviews.

- Investor Information Center (serves only investors of listed companies via the form on the website)
- In addition, regularly updated information on the website, detailed annual reports, press bulletins and other practices within the scope of the Information Policy focused on transparency are intended not only for shareholders only, but for all stakeholders.

Encouraging Stakeholders' participation in the Management

Borsa İstanbul worked in close communication and interaction with the Capital Markets Board of Turkey during 2018. In its decisions, Borsa İstanbul took into consideration the opinions of Merkezi Kayıt İstanbul, Takas İstanbul and the Turkey Capital Markets Association. Meetings were held with members of the Equity Market and the demands and problems of the sector were taken into consideration. The requests and suggestions conveyed during the meetings with employees and union representatives were evaluated by the management.

Human Resources Policy

Human resources policies and processes are designed with the intention of attracting capable staff to work in the Company and to allow them to improve their skills and to continuously develop them.

Since the authorization of the Tez-Koop iş Workers' Union, which included a proportion of Borsa İstanbul employees, was ended, employees have been organized within the Bank-Finance and Insurance Workers' Union (BASİSEN), one of the authorized unions in banking and finance. The validity of the 5th term Collective Labor Agreement covering 2017 and 2018 had been completed by the end of the year and negotiations between the employer and union representatives continue for the new term contract.

Borsa İstanbul attaches great significance to work security, in consideration of workers' health and security as well as its own business continuity. As envisaged by legislation, a certified labor security specialist, a certified doctor and an experienced nurse work on Borsa İstanbul's campuses in İstinye and Kuyumcukent. As envisaged by legislation, a Labor Health and Security Board was established, consisting of representatives of the employer, employees and the security unit, as well as a labor security specialist and a doctor. The Labor Health and Security Board convenes at least once every three months and, after undertaking the necessary evaluations, ensures that necessary steps are taken. Within this framework, various improvements in campuses were made in 2018.

No complaints concerning discrimination were reported during 2018.

CORPORATE GOVERNANCE

Ethical Rules and Social Responsibility

The Code of Ethics at Borsa İstanbul A.Ş. entered force on 1 November 2017. In 2018, the Donation Policy and Sponsorship Policy was renewed by the Board of Directors. Borsa İstanbul's Corporate Social Responsibility Policy and information on its social responsibility efforts are available on its website. During 2018, Borsa İstanbul spent TL 1.75 million on donations and support and TL 548,000 on sponsorships. On the other hand, within the scope of the National Education physical contribution project (EFİKAP) managed by Borsa İstanbul, which has been carried out in various provinces and counties throughout Turkey since 1997, a total of TL 29.7 million was allocated to the construction of schools in 2018.

4. BOARD OF DIRECTORS

Structure and Election of the Board

Principles regarding the establishment and election of the Board are regulated by the Articles of Association of Borsa İstanbul. According to the modification to the Articles of Association voted on during the Annual General Meeting held on 31 March 2014, and in line with the provisions of the Turkish Commercial Code, the Board consists of 10 members, elected by the General Assembly with two (2) members elected from among the candidates nominated by Class A shareholders and three (3) members from among the candidates nominated by

Class C shareholders. The selection of candidates proposed by Group C shareholders is carried out by the General Assembly among the candidates nominated by the Turkish Capital Markets Association and investment organizations. The term of office of a member is three years and members can be re-elected.

According to the Company's Articles of Association, the term of incumbency, appointment procedures, remuneration, and number of independent Board members are subject to the Corporate Governance Communiqué regulations.

During the incumbency of the independent Board members, there were no events to revoke their independence.

As of the end of 2018, the Board of Directors consisted of ten members, two of whom are women. The table regarding members of the Board is given below:

Name-Surname	Group	Beginning of Term	Independence	Roles in Committee
Prof. Dr. Erişah ARICAN	A	Annual General Meeting dated 27 September 2018	Not Independent	Chairperson of the Board
Zafer SÖNMEZ	-	Annual General Meeting dated 27 September 2018	Independent	Deputy Chairperson of the Board Chairperson of the Corporate Governance Committee Chairperson of the IPO Committee
Murat ÇETİNKAYA	A	Annual General Meeting dated 8 June 2017	Not Independent	CEO Member of the IPO Committee
Yunus ARINCI	-	Extraordinary General Meeting dated 30 November 2016	Independent	Chairperson of the Audit Committee
Ertuğrul ALTIN	-	Annual General Meeting, dated 27 September 2018	Independent	Member of the Audit Committee Member of the Corporate Governance Committee
Prof. Dr. Fahrettin ALTUN	-	Annual General Meeting, dated 27 September 2018	Independent	Chairperson of the Early Risk Assessment Committee Member of the Audit Committee
Nicola Jane BEATTIE	-	Annual General Meeting dated 1 April 2016	Not Independent	Member of the Corporate Governance Committee Member of the IPO Committee
Erhan TOPAÇ Representing Turkish Capital Markets Association	C	Annual General Meeting dated 8 June 2017	Not Independent	Member of the Early Risk Assessment Committee
Assoc. Prof. Cem DEMİROĞLU	C	Annual General Meeting dated 27 September 2018	Not Independent	Member of Early Risk Assessment Committee
Tevfik ERASLAN	C	Annual General Meeting dated 27 September 2018	Not Independent	Member of the Early Risk Assessment Committee

Working Principles of the Board

The Board's working principles were updated in 2018 and are published on its website. The dates of the meetings of the Board of Directors are determined six months in advance with the recommendation of the Corporate Governance Committee and shared with the members. This provided Board members with the opportunity to plan ahead.

Board resolutions are registered in the Board resolution book, including dissenting opinions, if any. Resolutions regarding companies traded on the Borsa İstanbul are disclosed through the Public Disclosure Platform if required by capital markets regulations.

A "management liability insurance policy" and "professional liability insurance policy" is in place for Board members. The Executive Board was abolished with the decision taken at the Board of Directors meeting dated 17 August 2018. With the abolishment of the Executive Board, amendments were made to the company's authorization table.

The Board met 8 times during 2018. Işınsoy Kestelli did not participate in three of the meetings; Ertuğrul Altın and Yunus Arıncı did not participate in two of the meetings; Nicola Jane Beattie, İlhami Koç and Himmet Karadağ each did not participate to one of the meeting. In 2018, the Borsa İstanbul Board of Directors also took decisions without physically meeting.

Committees established within the Board of Directors

Borsa İstanbul established the Audit, Corporate Governance and Early Risk Assessment Committees in 2014. Directives concerning the operating principles and procedures of these Committees were prepared.

As Nominating and Remuneration Committees have not yet been established due to the structure of the Board, the Corporate Governance Committee carries out the tasks of these Committees. The chairmen of these three committees were elected from among the independent members of the board of directors.

Separately, the Initial Public Offering Committee which focuses on determining the steps to be taken before and during the public offering of Borsa İstanbul was established in a decision taken by the Board of Directors dated 29 September, 2016. As of the end of 2018, the Chairperson of the Committee was Zafer SÖNMEZ, who was also the Deputy Chairperson of the Board (Independent Member).

The Committees and members established within the Board of Directors are set out below:

Committee	Members
Audit Committee	Yunus Arıncı (Chair) Ertuğrul Altın Fahrettin Altun
Corporate Governance Committee	Zafer Sönmez (Chair) Ertuğrul Altın Nicola Jane Beattie
Early Risk Assessment Committee	Fahrettin Altun (Chair) Erhan Topaç Tevfik Eraslan Cem Demiroğlu
IPO Committee	Zafer Sönmez (Chair) Murat Çetinkaya Nicola Jane Beattie

	Audit Committee	Corporate Governance Committee	Early Risk Assessment Committee	IPO Committee
Operating Principles and Procedures	Yes	Yes	Yes	No
Number of Meetings	10	8	4	3

The Committees convene at the Company head office on a regular basis, and may hold additional meetings upon the invitation of the Committee Chairperson, where necessary. Committee members or the Chairperson of the Board may invite the Committee to convene if needed. The Audit Committee, Early Risk Assessment Committee and Corporate Governance Committee formally reports to the Board.

Risk Management and the Internal Control Mechanism

The Board operates in a transparent, accountable, fair and responsible manner, creates risk management practices that will reduce the effects of any risks that Borsa İstanbul is exposed to, and determines internal control policies for all of the institution's critical processes. In addition, information on the efficiency of risk management and internal control systems is provided in the annual report.

In line with the Borsa İstanbul A.Ş. Early Risk Assessment Committee Responsibilities and Working Principles Directive, an Early Risk Assessment Committee was established. The committee meets regularly. Prior to the Committee meetings, meetings were held with the Borsa İstanbul departments, determined beforehand.

The departments' assessment of the realized or expected risks and measures taken to prevent such risks from occurring were discussed during these meetings, and the risk assessments conducted by the departments and their work on these issues was reported to the Committee.

Company's Strategic Targets

As part of the work being carried out annually to renew Borsa İstanbul's strategic plan covering rolling five-year periods, Borsa İstanbul completed analysis studies for the new three-year period covering 2019-2021. Action areas and moves were determined within the scope of the work on the strategic plan. Borsa İstanbul continued to apply a performance-based budget which was initiated in 2014. In this way, all departments in the Equity Market are actively involved in the budgeting process.

Financial Rights

As outlined in Borsa İstanbul's Articles of Association and Remuneration Policy, financial benefits offered to the Chairperson and members of the Board in the form of remuneration, fees, premiums, and bonus payments, facilities offered in kind and in cash, dividend payments, and other similar rights and their form and amount must be determined by the General Assembly on an annual basis. Furthermore, any travel, accommodation, and entertainment expenses and insurance and other similar guarantees are determined by the Board of Directors. The Board Chairperson and Board members, their spouses, children and persons they are responsible for are entitled to health benefits provided by the Company.

Borsa İstanbul's Remuneration Policy is accessible on the Company website. There were no transactions that could lead to conflicts of interest, such as directly or indirectly extending loans or credit to or offering guarantees for Board members or Company managers. The total remuneration provided in 2018 to Directors and senior managers of the Borsa İstanbul Exchange Group (Borsa İstanbul A.Ş., İstanbul Takas ve Saklama Bankası A.Ş., Merkezi Kayıt Kuruluşu A.Ş.) was TL 8.2 million.

INDEPENDENT AUDITOR'S REPORT

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 2018, 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 2018 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.

INDEPENDENT AUDITOR'S REPORT

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
<p>The Group's main revenue consists of trading revenues, interest income, security registration income, settlement and clearing income, listing income, data vending income and custody and custody related operating income.</p> <p>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.</p>	<p>Our procedures for testing the revenue recognition included below:</p> <ul style="list-style-type: none"> · 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.

INDEPENDENT AUDITOR'S REPORT

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 2018, 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

4 March 2019
İstanbul, Turkey

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BORSA İSTANBUL A.Ş.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

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

ASSETS	<i>Notes</i>	Audited 31 December 2018	Audited 31 December 2017
CURRENT ASSETS		12,376,389	11,140,710
Cash and cash equivalents	4	12,239,950	10,800,918
Financial investments	6	7,741	76,664
- <i>Financial assets measured at amortized cost</i>		7,741	
- <i>Held-to-maturity assets</i>			76,664
Trade receivables	7	76,315	247,515
- <i>Other trade receivables</i>		76,315	247,515
Other receivables	7	807	348
- <i>Other receivables</i>		807	348
Prepaid expenses	10	19,184	10,962
Other current assets	8	32,392	4,303
NON-CURRENT ASSETS		909,159	740,831
Financial investments	6	81,173	67,963
- <i>Financial assets at fair value through other comprehensive income</i>		11,193	
- <i>Financial assets measured at amortized cost</i>		69,980	
- <i>Available for sale financial assets</i>			67,781
- <i>Held-to-maturity assets</i>			182
Investments accounted for under the equity method	5	69,102	48,222
Investment properties	11	61,805	59,355
Property, plant and equipment	12	202,923	198,620
Intangible assets	13	415,335	349,087
Prepaid expenses	10	6,026	11,175
Deferred tax assets	28	72,175	5,831
Other non-current assets	8	620	578
TOTAL ASSETS		13,285,548	11,881,541

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

The accompanying notes between pages 111 and 172 are an integral part of these consolidated financial statements.

BORSA İSTANBUL A.Ş.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

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

LIABILITIES	<i>Notes</i>	Audited 31 December 2018	Audited 31 December 2017
CURRENT LIABILITIES		10,355,121	10,113,713
Short term borrowings	18	3,425,413	3,179,005
Trade payables	15	447,958	335,539
-Other trade payables		447,958	335,539
Other financial liabilities	16,29	-	685,650
-Other financial liabilities to related parties		-	685,650
Liabilities for employee benefits	20	11,317	15,680
Other payables		81,439	63,223
-Due to related parties	15,29	80,292	62,909
-Other payables	15	1,147	314
Deferred income	9	2,154	801
Current income tax liabilities	28	120,832	30,370
Short term provisions		56,756	90,944
-Provisions for employee benefits	20	31,941	31,295
- Other short term provisions	17	24,815	59,649
Other current liabilities	21	6,209,252	5,712,501
NON-CURRENT LIABILITIES		264,910	205,231
Other financial liabilities		-	160,146
-Other financial liabilities to related parties	16,29	-	160,146
Trade payables	15	218,674	
-Other payables		218,674	
Deferred income	9	1,866	1,072
Long term provisions	20	30,244	30,455
-Provisions for employee benefits		30,244	30,455
Deferred tax liabilities	28	5,495	6,040
Other non-current liabilities	21	8,631	7,518
SHAREHOLDER'S EQUITY		2,665,517	1,562,597
Equity holders of the parent	22	1,993,671	1,056,360
Paid in capital		423,234	423,234
Restricted reserves		392,550	278,280
Share premium		12,418	200,450
Other comprehensive income/expense not to be reclassified to profit or loss		7,584	7,540
-Revaluation reserve		13,677	13,677
-Losses on remeasurements of defined benefit plans		(6,093)	(6,137)
Other comprehensive income/expense to be reclassified to profit or loss		1,433	873
-Currency translation differences		1,433	873
Treasury shares		(97,666)	(608,873)
Retained earnings		260,483	449,338
Net profit for the period		993,635	305,518
Non-controlling interests		671,846	506,237
TOTAL EQUITY AND LIABILITIES		13,285,548	11,881,541

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

The accompanying notes between pages 111 and 172 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 2018

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

		Audited	Audited
	<i>Notes</i>	1 January - 31 December 2018	1 January - 31 December 2017
Revenue	23	1,538,667	1,047,418
Cost of sales (-)	23	(161,847)	(92,690)
Gross profit		1,376,820	954,728
General administrative expenses (-)	24	(421,034)	(328,286)
Other operating expenses (-)	25	(109,747)	(97,536)
Other operating income	25	338,112	2,924
Operating profit		1,184,151	531,830
Investment activities income/(expense)	26	16,983	4,835
Share of profit/(loss) of investments accounted for under the equity method	5	20,320	15,353
Profit before financial income/(expense)		1,221,454	552,018
Financial income	27	137,343	86,287
Financial expenses (-)	27	-	(96,740)
Profit before tax		1,358,797	541,565
Income tax expense (-)	28	(252,230)	(116,967)
Deferred tax expense (-)	28	66,976	(4,960)
PROFIT FOR THE PERIOD		1,173,543	419,638
Profit attributable to:			
- Non-controlling interests		179,908	114,120
- Equity holders of the parent		993,635	305,518
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income not to be reclassified to profit or loss		(168)	23,967
Revaluation reserve	12	-	26,784
Gains/losses on remeasurements of defined benefit plans	20	(210)	3,175
Other comprehensive income tax that will never be reclassified to profit or loss		42	(5,992)
- <i>Deferred tax income/(expense)</i>	28	42	(5,992)
Other comprehensive income to be reclassified to profit or loss		560	603
- Currency translation differences	5	560	603
Other comprehensive income/(expense)		392	24,570
TOTAL COMPREHENSIVE INCOME		1,173,935	444,208
- Non-controlling interests		179,696	122,562
- Equity holders of the parent		994,239	321,646

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

The accompanying notes between pages 111 and 172 are an integral part of these consolidated financial statements.

BORSA İSTANBUL A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

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

Notes	Statement of changes in shareholders' equity											
	Paid in capital	Treasury shares	Restricted reserves	Share premium	Share Revaluation reserve	Remeasurement of defined obligations	Currency translation differences	Retained earnings	Net profit for the period	Equity holders of the parent	Non-controlling interests	Total equity
1 January 2017 (Previously reported)	423,234	(580,663)	274,882	200,450	-	(7,985)	270	263,200	189,536	762,924	427,612	1,190,536
<i>Classification effect (*)</i>	-	-	(48,295)	-	-	-	-	48,295	-	-	-	-
Balances at 1 January 2017 (Classification effect)	423,234	(580,663)	226,587	200,450	-	(7,985)	270	311,495	189,536	762,924	427,612	1,190,536
Net profit for the period	-	-	-	-	-	-	-	-	305,518	305,518	114,120	419,638
Other comprehensive expense 22	-	-	-	-	13,677	1,848	603	-	-	16,128	8,442	24,570
Total comprehensive income/ (expense)	-	-	-	-	13,677	1,848	603	-	305,518	321,646	122,562	444,208
Transfers	-	-	23,483	-	-	-	-	166,053	(189,536)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(16,217)	(16,217)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(27,720)	(27,720)
Decrease arising from treasury share transactions	-	(28,210)	28,210	-	-	-	-	(28,210)	-	(28,210)	-	(28,210)
31 December 2017	423,234	(608,873)	278,280	200,450	13,677	(6,137)	873	449,338	305,518	1,056,360	506,237	1,562,597
Balances at 1 January 2018	423,234	(608,873)	278,280	200,450	13,677	(6,137)	873	449,338	305,518	1,056,360	506,237	1,562,597
<i>Adjustments to change in accounting policies (**)</i>	-	-	-	-	-	-	-	11,138	-	11,138	(10,677)	461
Balances at 1 January 2018 (Adjustment effect)	423,234	(608,873)	278,280	200,450	13,677	(6,137)	873	460,476	305,518	1,067,498	495,560	1,563,058
Net profit for the period	-	-	-	-	-	-	-	-	993,635	993,635	179,908	1,173,543
Other comprehensive expense 22	-	-	-	-	-	44	560	-	-	604	(212)	392
Total comprehensive income/ (expense)	-	-	-	-	-	44	560	-	993,635	994,239	179,696	1,173,935
Transfers	-	-	44,813	-	-	-	-	260,705	(305,518)	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,367)	(3,367)
Increase/decrease in the share rate change in subsidiaries	-	-	-	-	-	-	-	303	-	303	(43)	260
Transactions with shareholders	-	580,664	-	(188,032)	-	-	-	-	-	392,632	-	392,632
Decrease arising from treasury share transactions	-	(69,457)	69,457	-	-	-	-	(69,457)	-	(69,457)	-	(69,457)
Dividend paid	-	-	-	-	-	-	-	(391,544)	-	(391,544)	-	(391,544)
31 December 2018	423,234	(97,666)	392,550	12,418	13,677	(6,093)	1,433	260,483	993,635	1,993,671	671,846	2,665,517

(*) Refer to Note 2.3.

(**) Refer to Note 2.11.

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

The accompanying notes between pages 111 and 172 are an integral part of these consolidated financial statements.

BORSA İSTANBUL A.Ş.

CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Notes	Audited 1 January - 31 December 2018	Audited (*) 1 January - 31 December 2017
Cash flows provided from operating activities			
Net profit for the period		1,173,543	419,638
Adjustments for:			
Tax expense	28	185,254	121,927
Depreciation expense	12	20,744	18,760
Amortization expense	13	35,485	24,221
Change in provision for employment termination benefits	20	5,280	5,343
Change in personnel bonus provision	20	12,371	13,257
Change in valuation of investment properties	11,26	(2,450)	(715)
Change in unused vacation liability	20	1,751	2,840
Change on law suit provision		(34,834)	49,231
Expense accrual for Capital Markets Board share	15,25	79,876	62,909
Provisions no longer required	25	(44,891)	(354)
Share of (profit)/loss of investments accounted for under the equity method	5	(20,320)	(15,353)
Financial income, net	27	(137,343)	(10,453)
Provisions for doubtful receivables	7	131	131
Unrealized exchange (gain)/loss		(283,860)	33,989
Cash flows from operating activities before working capital changes		990,737	725,371
Change in short-term borrowings, net		246,408	734,773
Decrease/(increase) in trade receivables		170,957	(103,638)
Decrease/(increase) in other current assets		(28,089)	(2,110)
Decrease/(increase) in other non-current assets		(42)	-
Change in other receivables		(459)	(190)
Change in prepaid expenses		(3,073)	(4,200)
Change in other payables		(452,331)	(415)
Increase in other current liabilities		562,551	1,455,121
Change in trade payables		331,509	53,757
(Decrease)/increase in other long-term liabilities		1,113	6,076
Taxes paid		(161,768)	(108,897)
Change in deferred income		2,147	(124)
Change in liability for employee benefits		(4,363)	2,817
Employment termination benefits paid	20	(3,355)	(6,887)
Employee's service provision paid	20	(2,348)	(3,588)
Capital Markets Board share paid		(62,909)	(55,331)
Personnel bonus paid	20	(12,881)	-
Unused vacation paid	20	(595)	(2,228)
Collection of doubtful receivables	7	69	85
Net cash generated from operating activities		582,541	1,965,021
Proceed from sale of property, plant and equipment	12	126	9,459
Purchase of property, plant and equipment	12	(41,180)	(36,934)
Proceed from sale of intangible assets	13	52	132
Purchase of intangible assets	13	(85,778)	(65,009)
Acquisitions of held to maturity financial assets		-	(82,298)
Disposals of held to maturity financial assets		-	52,553
Profit on sale of financial asset at fair value	25	265,253	-
Financial asset (purchase/sale) measured at amortized cost, net		(875)	-
Financial asset (purchase/sale) at fair value through other comprehensive income, net		(6,250)	-
Cash inflow from the sales of shares or capital decrease of the subsidiaries/joint ventures		(3,367)	-
Cash outflow from purchase of shares or capital increase in subsidiaries/joint ventures		-	(16,293)
Interests received		116,304	58,359
Dividend received from financial investments	26	14,533	4,120
Net cash (used in)/generated from investment activities		258,818	(75,911)
Dividend paid to non-controlling interest		(391,544)	(27,720)
Cash outflow from repurchase of treasury shares		(69,457)	(28,210)
Net cash used in financing activities		(461,001)	(55,930)
Net increase in cash and cash equivalents		1,371,095	2,558,551
Effects of currency translation on cash and cash equivalents		83,606	33,923
Cash and cash equivalents at the beginning of the period	4	10,768,919	8,176,445
Cash and cash equivalents at the end of the period	4	12,223,620	10,768,919

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

The accompanying notes between pages 111 and 172 are an integral part of these consolidated financial statements.

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

1 GROUP’S ORGANIZATION AND NATURE OF OPERATIONS

Borsa İstanbul Anonim Şirketi (“BiST” 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. BiST 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 BiST 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 (“İMKB”), established as per repealed Statutory Decree No. 91, and İstanbul Altın Borsası (“İAB”), 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 BiST 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 BiST. All actions of BiST 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 BiST. Intermediary institutions that will trade at BiST are required to get stock exchange membership document from BiST.

BiST and BiST’s subsidiaries operating in Turkey, joint operations and associations, together referred to the “Group”.

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

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

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

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

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

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

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

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

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

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

Subsidiaries

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

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

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

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

İstanbul Takas ve Saklama Bankası A.Ş.

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

Merkezi Kayıt Kuruluşu A.Ş.

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

İstanbul Gemoloji Enstitüsü Sanayi ve Ticaret A.Ş.

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

Joint ventures

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

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

Finans Teknopark A.Ş.

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

Borsa İstanbul İTÜ Teknoloji A.Ş.

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

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(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:

Associates	Country of incorporation	Area of activity	Effective ownership of interest (%)	
			31 December 2018	31 December 2017
Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş. ⁽¹⁾	Turkey	License	34.27	34.21
Enerji Piyasaları İşletme A.Ş. ("EPIAŞ")	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

⁽¹⁾ The Group, which has participated in 63.83% of the İstanbul Takas ve Saklama Bankası Anonim Şirketi ("Takasbank") share capital, increased its shares to 64.14% by acquiring minority shares on 17 May 2018. As a result of this, the Group's shares which indirectly owned of SPL increased and the effective ownership of interest on the SPL is increased from 34.21% to 34.27%.

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

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

Kyrgyz Stock Exchange

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

Montenegro Stock Exchange

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

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

Main area of activity of Enerji Piyasaları İşletme A.Ş. ("EPIAŞ") 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 Group has not restated the comparative information for the financial instruments under TFRS 9 for 2017 and the cumulative effect of the first application of the standard has been presented in retained earnings in the current period's equity as at 1 January 2018.

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

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

2.1.2 Declaration of conformity to TAS

Turkey Accounting Standards/Turkey Financial Reporting Standards ("TAS/TFRS") and appendixes and interpretations related with these ("TAS/TFRS") which is brought into effect by Public Oversight Accounting and Auditing Standards Authority ("POA") is grounded on during the preparation of attached financial statements.

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.2 Declaration of conformity to TAS (Continued)

These consolidated financial statements are prepared according to the International Financial Reporting Standards (“IFRS”). 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.

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

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

IFRS 16 Leases

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 Leases, IFRS Interpretation 4 Determining Whether an Arrangement Contains a Lease, TAS Interpretation 15 Operating Leases - Incentives, and TAS Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to TAS 40 Investment Properties. IFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

IFRS Interpretation 23 -Uncertainty Over Income Tax Treatments

On 24 May 2018, POA issued IFRS Interpretation 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company’s tax treatment. TAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRS Interpretation 23 provides requirements that add to the requirements in TAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS Interpretation 23.

Amendments to IFRS 9 - Prepayment features with negative compensation

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

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

Amendments to TAS 28 - Long-term Interests in Associates and Joint Ventures

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

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TAS 28.

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 TFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no 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 TFRS 4: Applying TFRS 9 Financial Instruments with TFRS 4 Insurance Contracts

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

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not yet issued by POA

The following standards, interpretations of and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TAS by the POA, thus they do not constitute part of TAS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TAS.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

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

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

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

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not yet issued by POA (Continued)

IAS 12 Income Taxes

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

IAS 23 Borrowing Costs

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

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement-

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

IFRS 17 - Insurance Contracts

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

Amendments to IAS 1 and IAS 8 - Definition of Material

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

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not yet issued by POA (Continued)

Amendments to IFRS 3 - Definition of a Business

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

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 3.

2.3 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 reclassified and significant changes are disclosed if necessary.

The Group has made the following classifications:

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

2.4 Offsetting

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

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

2.5 Going concern

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

2.6 Financial statements of subsidiaries operating in foreign countries

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

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

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

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

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Consolidation principles

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

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

Subsidiaries

Subsidiaries are companies in which BiST has the power to control the financial and operating policies for the benefit of BiST 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 BiST 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 BiST and indirectly by its subsidiaries. The table below sets out all subsidiaries included in the scope of consolidation and shows their shareholding structure at 31 December 2018 and 31 December 2017 as follows:

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

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

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

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Consolidation principles (Continued)

Joint ventures

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

Joint ventures have been accounted for using the equity method in accordance with clauses of 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.

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

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

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Consolidation principles (Continued)

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

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

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

2.8 Functional and presentation currency

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

2.9 Changes in accounting policies and estimates and errors

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

2.10 Significant accounting judgments, estimates and assumptions

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

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

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

Fair value measurement of investment properties

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

Akmerkez Office

Akmerkez office, classified as investment property as at 31 December 2018 and 31 December 2017, is located on 1,000 m² ground in İstanbul/Beşiktaş, Nispetiye Mahallesi 83/1 E3 Blok 10 floor.

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

Şişli Service Building

As at 31 December 2018, the Group has classified the building located in Şişli, İstanbul under investment property, "The Built of stone Workplace" is located on the parcel of 29 in İstanbul province, Şişli district, Şişli street, 159 section, 1,042 city block, is located on 4,544.62 m² ground.

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

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(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 17).

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

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

Useful lives of intangible assets

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

2.11 Summary of significant accounting policies

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

Related parties

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

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

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(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)

Related parties (Continued)

(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

i. Accounting policies applied after 1 January 2018

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

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

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

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

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

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

Debt securities trading revenues

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.1 Service revenue (Continued)

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

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 "IFRS-9 financial instruments".

Rental income

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

Dividend income

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.1 Service revenue (Continued)

ii. Accounting policies applied before 1 January 2018

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

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

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

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

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

Debt securities trading revenues

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

Equity market trading revenue

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

Derivatives trading revenue

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

Precious metals and diamond market trading revenue

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

Takasbank money market

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.1 Service revenue (Continued)

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

Security registration income

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

Listing income

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

Custody and custody related operating revenue

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

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

Data vending revenue

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

Takasbank interest income

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

Rental income

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

Dividend income

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.2 Property and equipment

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

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

Depreciation

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

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

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

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

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

Reclassification to investment property

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

2.11.3 Investment properties

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

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

2.11.4 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.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.5 Intangible assets

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

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

2.11.6 Research and development costs

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

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

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

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

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

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

2.11.7 Financial Instruments

i. Accounting policies applied after 1 January 2018

First time adoption of TFRS 9 "Financial instruments" standard

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.7 Financial Instruments (Continued)

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

First time adoption of TFRS 9 “Financial instruments” standard (Continued)

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

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

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

Classification and measurement

Classification and measurement of financial assets in accordance with 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.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.7 Financial Instruments (Continued)

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

Classification and measurement (Continued)

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

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

Under 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.

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.7 Financial Instruments (Continued)

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

Classification and measurement (Continued)

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

Loans and receivables

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.7 Financial Instruments (Continued)

ii. Accounting policies applied before 1 January 2018

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

Non-derivative financial assets

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

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

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

Financial assets held-for trading

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

Available-for-sale financial assets

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

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

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

Financial assets held-to-maturity

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

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.7 Financial Instruments (Continued)

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

Financial assets held-to-maturity (Continued)

Loans and receivables

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

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

2.11.8 Impairment of financial assets

i. Accounting policies applied after 1 January 2018

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

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

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

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

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

Measurement of ECLs

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

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

- Information considered in the Expected Credit Loss accounting should be reasonable, reliable and supportable.
- Country risk is also taken into account when calculating provisions that will be reserved for expected credit losses. Loans are allocated at a higher rate than the loan-based reserves, taking into account the size, type, maturity, currency, interest rate structure, borrowing sector, collaterals and similar concentrations over time, credit risk level and management.
- The approach used to assess expected credit losses is consistent with the Group's credit risk management.
- Information used; specific factors of the borrower, general economic conditions and the assessment of the effects of these factors and conditions in the current and future periods at the reporting date. Possible sources of information include the Group's credit disposal experience, internal or external credit ratings, reports and statistics.
- If it is determined that the financial instrument has low credit risk at the reporting date, the Group may assume that the credit risk in the financial instrument has not increased significantly since its first financial statement.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.8 Impairment of financial assets (Continued)

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

Credit-impaired financial assets

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

Impact of the new impairment model

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

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

ii. Accounting policies applied before 1 January 2018

Non-derivative financial assets

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

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

Financial assets measured at amortized cost

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

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.8 Impairment of financial assets (Continued)

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

Available-for-sale financial assets

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

Non-financial assets

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

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

2.11.9 Financial income and financial expenses

i. Accounting policies applied after 1 January 2018

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

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

ii. Accounting policies applied before 1 January 2018

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

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.10 Non-derivative financial liabilities

i. Accounting policies applied after 1 January 2018

The liability items in 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 or loss statement (where accounting inconsistency can not be materially affected).

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

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

ii. Accounting policies applied before 1 January 2018

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

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

2.11.11 Payables to members

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

2.11.12 Deposits and guarantees received

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

2.11.13 Cash and cash equivalents

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.14 Trade and other receivables

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

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

2.11.15 Share capital

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

2.11.16 Capital reserves

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

2.11.17 Share premium

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

2.11.18 Treasury shares

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

2.11.19 Earnings per share

According to 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.

2.11.20 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.

2.11.21 Lease transactions

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.22 Employment termination benefits

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

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

According to 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.

2.11.23 Segment reporting of financial information

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

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

2.11.24 Share-based payments

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

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

2.11.25 Taxation

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

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

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

3 BUSINESS COMBINATIONS

None.

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4 CASH AND CASH EQUIVALENTS

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

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

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

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

Banks-Time deposits

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

31 December 2018	Amount (TL)	Effective interest rate (%)	Maturity date
TL	6,690,845	24.28	2 January 2019 - 31 May 2019
USD	3,017,718	5.51	2 January 2019 - 14 February 2019
EUR	1,786,053	2.99	2 January 2019
Total	11,494,616		
31 December 2017	Amount (TL)	Effective interest rate (%)	Maturity date
TL	6,326,352	13.22	2 January 2018 - 26 February 2018
USD	2,419,482	4.42	2 January 2018 - 3 January 2018
EUR	1,962,527	2.47	2 January 2018 - 24 January 2018
Total	10,708,361		

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5 INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

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

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

Joint ventures

31 December 2018	Participation rate (%)	Total assets	Total liabilities	Net assets	Net profit for the period	BİST's shares in profit	BİST's share in net assets
Finans Teknopark A.Ş.	50.00	7,231	5,072	2,159	674	337	1,079
Borsa İstanbul İTÜ Teknoloji A.Ş.	50.00	175	19	156	(1)	(1)	78
Total						336	1,157
31 December 2017	Participation rate (%)	Total assets	Total liabilities	Net assets	Net profit for the period	BİST's shares in profit	BİST's share in net assets
Finans Teknopark A.Ş.	50.00	9,628	7,760	1,868	1,038	519	934
Borsa İstanbul İTÜ Teknoloji A.Ş.	50.00	198	36	162	(7)	(4)	81
Total						515	1,015

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

Subsidiaries

31 December 2018	Participation rate (%)	Total assets	Total liabilities	Net assets	Net profit for the period	BİST's shares in profit	BİST's share in net assets
Enerji Piyasaları İşletme A.Ş.	30.83	291,167	110,246	180,921	55,121	16,994	55,778
Sermaye Piy. Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	34.27	26,878	3,129	23,749	7,355	2,521	8,139
Montenegro Stock Exchange	24.43	14,690	45	14,645	1,911	467	3,578
Kyrgyz Stock Exchange	16.33	2,948	191	2,757	10	2	450
Total						19,984	67,945
31 December 2017	Participation rate (%)	Total assets	Total liabilities	Net assets	Net profit for the period	BİST's shares in profit	BİST's share in net assets
Enerji Piyasaları İşletme A.Ş.	30.83	147,581	21,781	125,800	41,893	12,916	38,784
Sermaye Piy. Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	34.21	18,697	1,898	16,799	5,342	1,828	5,747
Montenegro Stock Exchange	24.43	9,565	63	9,502	299	73	2,321
Kyrgyz Stock Exchange	16.33	2,325	154	2,171	130	21	355
Total						14,838	47,207

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5 INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD (Continued)

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

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

6 FINANCIAL INVESTMENTS

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

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

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

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

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

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

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6 FINANCIAL INVESTMENTS (Continued)

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

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

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

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

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

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

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

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

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7 TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables

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

	31 December 2018	31 December 2017
Receivables from members (*)	47,187	38,753
Loans given	14,800	198,856
Custody and commission receivables	14,407	9,906
Doubtful receivables	580	1,965
Provisions for doubtful receivables		(1,965)
Lifetime expected credit loss	(659)	
Total	76,315	247,515

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

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

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

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

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

Other receivables

Other receivables from third parties

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

	31 December 2018	31 December 2017
Receivables from personnel	554	1
Other receivables	253	347
Total	807	348

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8 OTHER ASSETS

Other current assets

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

	31 December 2018	31 December 2017
Receivables from derivatives collateral	18,954	2,826
Job advances given to personnel	3,745	338
Other	9,693	1,139
Total	32,392	4,303

Other non-current assets

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

	31 December 2018	31 December 2017
Deposits and guarantees given	620	578
Total	620	578

9 DEFERRED INCOME

Short term deferred income

As at 31 December 2018 and 31 December 2017, short term deferred income are as follows:

	31 December 2018	31 December 2017
Short-term deferred income	2,154	801
Total	2,154	801

Long term deferred income

As at 31 December 2018 and 31 December 2017, long term deferred income are as follows:

	31 December 2018	31 December 2017
Long-term deferred income	1,866	1,072
Total	1,866	1,072

10 PREPAID EXPENSES

Short term prepaid expenses

As at 31 December 2018 and 31 December 2017, short term prepaid expenses are as follows:

	31 December 2018	31 December 2017
Short-term prepaid expenses	19,184	10,962
Total	19,184	10,962

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10 PREPAID EXPENSES (Continued)

Long term prepaid expenses

As at 31 December 2018 and 31 December 2017, long term prepaid expenses are as follows:

	31 December 2018	31 December 2017
Long-term prepaid expenses	6,026	11,175
Total	6,026	11,175

11 INVESTMENT PROPERTIES

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

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

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

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

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

As at 31 December 2018, rental income from investment properties is amounting to TL 600 (31 December 2017: None).

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

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

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

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12 PROPERTY AND EQUIPMENT

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

	Building	Machinery and equipment	Vehicles	Furnitures and fixtures	Leasehold improvements	Construction in progress	Total
1 January 2018							
Net book value beginning period	28,617	15,611	172	21,076	127,550	5,594	198,620
Additions	16	6,180	-	16,899	716	17,369	41,180
Disposals	-	-	-	(126)	-	-	(126)
Transfers	-	-	-	(5,524)	-	(10,483)	(16,007)
Depreciation of current period	(581)	(8,918)	(53)	(5,791)	(5,401)	-	(20,744)
31 December 2018	28,052	12,873	119	26,534	122,865	12,480	202,923
	Building	Machinery and equipment	Vehicles	Furnitures and fixtures	Leasehold improvement	Construction in progress	Total
1 January 2017							
Net book value beginning period	9,818	17,047	408	16,247	127,164	18,887	189,571
Additions	8,369	1,944	-	13,163	4,974	8,484	36,934
Disposals	-	(146)	(51)	(183)	-	(9,079)	(9,459)
Revaluation of building reclassified to investment property	26,784	-	-	-	-	-	26,784
Reclassification to investment property (Note 11)	(36,355)	-	-	-	-	-	(36,355)
Transfers (*)	20,746	5,010	(78)	(3,807)	732	(12,698)	9,905
Depreciation of current period	(745)	(8,244)	(107)	(4,344)	(5,320)	-	(18,760)
31 December 2017	28,617	15,611	172	21,076	127,550	5,594	198,620

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

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

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13 INTANGIBLE ASSETS

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

	Rights	Software licenses	Development costs (*)	Constructions in progress (**)	Total
1 January 2018					
Net book value beginning period	170,261	22,148	26,526	130,152	349,087
Additions	68,703	12,885	-	4,190	85,778
Disposals	(48)	-	(4)	-	(52)
Transfers	132,163	-	18,186	(134,342)	16,007
Amortisation of current period	(17,165)	(8,485)	(9,835)	-	(35,485)
31 December 2018	353,914	26,548	34,873	-	415,335
	Rights	Software licenses	Development costs (*)	Constructions in progress (**)	Total
1 January 2017					
Net book value beginning period	134,259	2,079	27,221	154,701	318,260
Additions	19,707	17,403	8,624	19,275	65,009
Disposals	-	-	(132)	-	(132)
Transfers (***)	29,491	5,060	(556)	(43,824)	(9,829)
Amortisation of current period	(13,196)	(2,394)	(8,631)	-	(24,221)
31 December 2017	170,261	22,148	26,526	130,152	349,087

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

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

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

14 GOVERNMENT GRANTS

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

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

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

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

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

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

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15 TRADE PAYABLES AND OTHER PAYABLES

Other trade payables

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

	31 December 2018	31 December 2017
Payables to members (*)	360,044	330,427
Trade payables (**)	76,963	-
Payables to domestic suppliers	10,951	5,112
Total	447,958	335,539

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

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

Trade payables to related parties

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

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

Other payables to third parties

As at 31 December 2018, other payables to third parties amounting to TL 1,147 (31 December 2017: TL 314).

Long-term trade payables

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

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

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

16 OTHER FINANCIAL LIABILITIES

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

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

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

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

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17 SHORT TERM PROVISIONS

Other short term provisions

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

	31 December 2018	31 December 2017
Law suit provision	24,815	18,151
Tax penalty provision (*)	-	41,498
Total	24,815	59,649

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

18 SHORT TERM BORROWINGS

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

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

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

19 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provision for legal cases

There are several lawsuits against and in favour of the Group. These lawsuits consist of reemployment and disagreements with market members. In accordance with the opinions of the legal advisors, the management has provided provisions amounting to TL 24,815 in the consolidated financial statements as at 31 December 2018 (31 December 2017: TL 18,151) (Note 17).

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19 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Provisions for tax penalty

Transactions and accounts of Borsa İstanbul A.Ş. which related to 2013 reporting period are investigated by Ministry of Finance Tax Inspector within tax laws. This review is made within the scope of "Value Added Tax" and "Withholding Corporate Tax", and two Tax Review Reports dated 25 December 2017 are prepared according to findings. In this context, a total of TL 139,440 was assessed including original tax amounting TL 69,720 and tax penalty amounting TL 69,720 and notifications were issued on 26 January 2018 to Borsa İstanbul A.Ş. The Company applied for the reconciliation to the Ministry of Finance Revenue Administration Reconciliation Commission on 15 February 2018. When reconciliation process is ongoing, Law No. 7143 which allows for the restructuring of taxes and other receivables, has entered into force on 11 May 2018. Within the scope of the law, the Company applied for the restructuring of tax and fines on 27 July 2018 and the payment table was received on 30 July 2018. The Company has recognized provision amounting to TL 35,635 in the scope of the restructuring and tax inspection reports and paid on 1 October 2018 (31 December 2017: TL 41,498) (Note 17).

Commitments

Total amount of commitments not included in liabilities

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

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

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

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

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

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

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20 PROVISIONS FOR EMPLOYEE BENEFITS AND LIABILITIES FOR EMPLOYEE BENEFITS

Short term employee benefits provisions

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

	31 December 2018	31 December 2017
Payables to personnel	4,896	10,770
Social security premium payables	6,421	4,910
Total	11,317	15,680

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

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

Unused vacation liability

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

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

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

Personnel bonus provision

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

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

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20 PROVISIONS FOR EMPLOYEE BENEFITS AND LIABILITIES FOR EMPLOYEE BENEFITS (Continued)

Long term employee benefits provisions

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

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

Provision for employee termination benefits

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

The amount payable consists of one month's salary limited to a maximum of full TL 5,434.42 for each year of service at 31 December 2018 (31 December 2017: full TL 4,732.48).

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

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

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

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

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

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20 PROVISIONS FOR EMPLOYEE BENEFITS AND LIABILITIES FOR EMPLOYEE BENEFITS (Continued)

Service bonus provision

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

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

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

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

21 OTHER LIABILITIES

Other current liabilities

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

	31 December 2018	31 December 2017
Deposits and guarantees received (*)	6,131,758	5,697,418
Expected credit loss (off balance sheet items)	36,379	
Taxes and duties payable	36,080	13,400
Other	5,035	1,683
Total	6,209,252	5,712,501

(*) 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 2018 and 31 December 2017, other non-current liabilities are as follows:

	31 December 2018	31 December 2017
Deposits and guarantees received	8,631	7,518
Total	8,631	7,518

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22 SHAREHOLDER'S EQUITY

Share capital

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

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

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

At the 26 October 2015 Capital Markets Board meeting, it was decided that 10% of the shares which were left to the Company in order to establish strategic partnerships, to be transferred to the European Bank of Reconstruction and Development in line with the sixth paragraph of Article 138th of Capital Market Law No. 6362, would be approved on the condition that this transfer was first approved by the Group's General Assembly. The share transfer was approved at the Extraordinary General Assembly held on 7 December 2015 and was registered on 10 December 2015. These shares that were registered upon EBRD, as expressed in the agreement, could be sold back to Borsa İstanbul A.Ş. by EBRD at their purchase price until 31 March 2018, in the event that Borsa İstanbul's planned initial public offering had not taken place until 31 December 2017. The maturity of the option being talked about was extended to the date 30 June 2018 along with an additional agreement signed between Borsa İstanbul and EBRD. Afterwards, the maturity of the option is extended to the date 30 November 2018 with an additional agreement signed between Turkey Wealth Fund, Borsa İstanbul and EBRD, and option liability is transferred to TWF.

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

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

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22 SHAREHOLDER’S EQUITY (Continued)

Share capital (Continued)

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

Shareholder’s Name/Title	31 December 2018		31 December 2017	
	Amount (TL)	Share (%)	Amount (TL)	Share (%)
Turkiye Wealth Fund	341,126	80,60	311,500	73,60
European Bank for Reconstruction and Development	42,324	10,00	42,324	10,00
Nasdaq OMX	-	-	29,626	7,00
Turkish Capital Markets Association	5,502	1,30	5,502	1,30
Borsa İstanbul A.Ş.	9,417	2,23	3,358	0,79
Other	24,865	5,87	30,924	7,31
Total	423,234	100,00	423,234	100,00

Restricted reserves

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

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

Share premium

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

(*) See Note 1.

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

Revaluation reserve

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

The revaluation reserve relates to the revaluation of property and equipment immediately before its reclassification as investment property (Note 11).

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22 SHAREHOLDER'S EQUITY (Continued)

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 6,093 as at 31 December 2018 (31 December 2017: TL 6,137).

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

Currency translation differences

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

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

Treasury shares

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

(*) See Note 1.

23 REVENUE AND COST OF SALES

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

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

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23 REVENUE AND COST OF SALES (Continued)

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

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

Cost of sales

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

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

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24 GENERAL ADMINISTRATIVE EXPENSES

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

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

Personnel expenses

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

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

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24 GENERAL ADMINISTRATIVE EXPENSES (Continued)

Expenses by nature

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

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25 OTHER OPERATING INCOME/EXPENSES

Other operating expenses

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

	1 January - 31 December 2018	1 January - 31 December 2017
Expense accrual for Capital Markets Board share (Note 15)	79,876	62,909
Tax penalty provision expense (Note 17)	-	25,099
Provision expenses	28,976	8,217
Other	895	1,311
Total	109,747	97,536

Other operating income

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

	1 January - 31 December 2018	1 January - 31 December 2017
Gain on sale of securities (*)	265,253	-
Provision no longer required	44,891	354
Foreign exchange gain	19,205	564
Rental income	1,201	45
Incapacity to work expenses	475	463
Other operating income	7,087	1,498
Total	338,112	2,924

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

26 INVESTMENT ACTIVITIES INCOME/EXPENSES

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

	1 January - 31 December 2018	1 January - 31 December 2017
Dividend income	14,533	4,120
Increase in fair value of investment properties	2,450	715
Total	16,983	4,835

27 FINANCIAL INCOME/EXPENSES

Financial income

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

	1 January - 31 December 2018	1 January - 31 December 2017
Interest income	117,327	73,974
Rediscount income	20,016	12,313
Total	137,343	86,287

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27 FINANCIAL INCOME/EXPENSES (Continued)

Financial expenses

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

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange loss, net	-	80,341
Tax penalty default interest (Note 17)	-	16,399
Total	-	96,740

28 TAX ASSETS AND LIABILITIES

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

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

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

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

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

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

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

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

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

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

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28 TAX ASSETS AND LIABILITIES (Continued)

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

	1 January - 31 December 2018	1 January - 31 December 2017
Profit before taxes	1,358,797	541,565
Income tax charge at effective tax rate	298,935	108,313
Permanent differences	(26,247)	7,119
Income from tax exemptions	(72,141)	(13,018)
Temporary differences recognised in the current period (see page 131)	(26,262)	
Non-deductible expenses	10,969	17,894
Effect of tax rate change	-	1,619
Tax expense	185,254	121,927

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

Deferred tax assets and liabilities

The Group and its subsidiaries calculate deferred tax assets and liabilities considering the effects of 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 2018, 2019 and 2020, and 20% is used for the part which are likely to be recovered over three years in the calculation of deferred tax while preparing the 31 December 2018 financial statements (31 December 2017: 20%).

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

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28 TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets and liabilities (Continued)

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

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

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

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

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

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

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29 RELATED PARTY DISCLOSURES

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

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

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

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

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

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

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

Related party expenses

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

Key management personnel compensation

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

30 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.

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

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.

30.1 Credit risk

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

	Receivables				Cash and cash equivalents		
	Trade receivables		Other receivables		Deposit at banks	Reverse repo receivables	Financial investments
	Related party	Other	Related party	Other			
31 December 2018							
Exposure to maximum credit risk as at reporting date (A+B+C+D+E+F)	-	76,315	-	807	11,591,256	19,554	77,721
-Guaranteed part of maximum credit risk with collaterals etc.	-	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	-	76,394	-	807	11,607,948	19,554	77,721
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	-	-	-
- Overdue (Gross book value)	-	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	-	-	-	-	(16,692)	-	-

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

30.1 Credit risk (Continued)

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

	Receivables		Cash and cash equivalents		
	Trade receivables	Other receivables	Deposit at banks	Reverse repo receivables	Financial investments
31 December 2017	Related party	Other	Related party	Other	
Exposure to maximum credit risk as at reporting date (A+B+C+D)	- 247,515	- 348	10,779,639	20,833	76,846
-Guaranteed part of maximum credit risk with collaterals etc.	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	- 247,515	- 348	10,779,639	20,833	76,846
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	-
- Overdue (Gross book value)	- 1,965	-	-	-	-
- Impairment (-)	- (1,965)	-	-	-	-
- Guaranteed part of net value with collaterals	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-
- Guaranteed part of net value with collaterals	-	-	-	-	-
D. Off statement of financial position items with credit risk	-	-	-	-	-

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

30.2 Liquidity risk

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

31 December 2018	Carrying value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years
Non-derivative financial liabilities					
Current liabilities					
Short term borrowings	3,425,413	3,425,413	3,425,413	-	-
Trade payables 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
<hr/>					
31 December 2017	Carrying value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years
Non-derivative financial liabilities					
Current liabilities					
Short term borrowings	3,179,005	3,179,005	3,179,005	-	-
Trade payables and other payables	335,853	335,853	335,853	-	-
Payables to related parties	62,909	62,909	62,909	-	-
Other current liabilities	5,712,501	5,712,501	5,712,501	-	-
Non-current liabilities					
Other non-current liabilities	7,518	7,518	-	-	7,518
Total non-derivative financial liabilities	9,297,786	9,297,786	9,290,268	-	7,518
Derivative financial liabilities					
Current liabilities					
Other financial liabilities to related parties	685,650	688,372	-	688,372	-
Non-current liabilities					
Other financial liabilities to related parties	160,146	169,736	-	-	169,736
Total derivative financial liabilities	845,796	858,108	-	688,372	169,736
Total liabilities	10,143,582	10,155,894	9,290,268	688,372	177,254

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

30.3 Market risk

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

Foreign currency risk

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

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

	31 December 2018	31 December 2017
USD	5,2609	3,7719
EUR	6,0280	4,5155

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

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

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

Exposure to foreign currency risk

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

Foreign exchange sensitivity analysis table

	Profit/(Loss)		Shareholder's equity	
	Strengthening of foreign currency	Weakening of foreign currency	Strengthening of foreign currency	Weakening of foreign currency
31 December 2018				
Increase/(decrease) 10% of USD parity				
1- USD net asset/liability	1,208	(1,208)	1,208	(1,208)
2- Hedged portion of USD amounts (-)	-	-	-	-
3- Net effect of USD (1+2)	1,208	(1,208)	1,208	(1,208)
Increase/(decrease) 10% of EURO parity				
4- EURO net asset/liability	4,945	(4,945)	4,945	(4,945)
5- Hedged portion of EURO amounts (-)	-	-	-	-
6- Net effect of EURO (4+5)	4,945	(4,945)	4,945	(4,945)
TOTAL (3+6)	6,153	(6,153)	6,153	(6,153)
	Profit/(Loss)		Shareholder's equity	
	Strengthening of foreign currency	Weakening of foreign currency	Strengthening of foreign currency	Weakening of foreign currency
31 December 2017				
Increase/(decrease) 10% of USD parity				
1- USD net asset/liability	(83,292)	83,292	(83,292)	83,292
2- Hedged portion of USD amounts (-)	-	-	-	-
3- Net effect of USD (1+2)	(83,292)	83,292	(83,292)	83,292
Increase/(decrease) 10% of EURO parity				
4- EURO net asset/liability	155	(155)	155	(155)
5- Hedged portion of EURO amounts (-)	-	-	-	-
6- Net effect of EURO (4+5)	155	(155)	155	(155)
TOTAL (3+6)	(83,137)	83,137	(83,137)	83,137

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

Interest rate risk

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

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

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

Fair value sensitivity analysis for interest-rate instruments

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

31 FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial assets

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

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

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31 FINANCIAL INSTRUMENTS (Continued)

Financial liabilities

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

31 December 2018	Carrying value	Fair value	Note
Financial assets			
Cash and cash equivalents	12,239,950	12,239,950	4
Trade receivables 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 payables	748,071	748,071	15

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

31 December 2017	Carrying value	Fair value	Note
Financial assets			
Cash and cash equivalents	10,800,918	10,800,918	4
Trade receivables and other receivables	247,863	247,863	7
Financial investments (Held-to-maturity)	76,846	76,897	6
Financial liabilities			
Borrowings	3,179,005	3,179,005	18
Trade payables	398,762	398,762	15
Other financial liabilities	845,796	845,796	16

As at 31 December 2017, 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).

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31 FINANCIAL INSTRUMENTS (Continued)

Classification relevant to fair value information (Continued)

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

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Investment funds (Cash and cash equivalents)	5,410	-	-	5,410
Total	5,410	-	-	5,410
31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets				
Investment funds (Cash and cash equivalents)	361	-	-	361
Total	361	-	-	361
Financial liabilities				
Other financial liabilities	-	845,796	-	845,796
Total	-	845,796	-	845,796

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

Explanations of non-financial assets and liabilities at fair value

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

32 SUBSEQUENT EVENTS

None.

SUSTAINABILITY PERFORMANCE TABLES

ECONOMIC PERFORMANCE INDICATORS

(Million)	2016		2017		2018	
Created Economic Value	TL	USD	TL	USD	TL	USD
Revenues*	966	320	1.157	317	2.051	479
Distributed Economic Value						
Operating Expenses**	320	106	343	94	362	84
Employee Fees and Benefits	216	71	209	57	251	59
Dividends to Shareholders***	-	-	28	8	461	108
Payments to the State****	154	51	185	51	265	62
Retained Economic Value						
(Revenues - Distributed Economic Value)	276	91	392	107	712	166

Notes and explanations

Consolidated financial information has been presented. For the calculations, the following yearly average USD/TL exchange rates: 2016: USD/TL 3,0212 /2017: USD/TL 3,6477 and 2018: USD/TL 4,2860.

* It includes all revenues (including financial and other operating income).

** It includes other operating expenses and financial expenses as well.

*** It consists of dividends and share repurchase payments.

**** It consists of CMB share and Corporate Tax provision.

SUSTAINABILITY PERFORMANCE TABLES

ENVIRONMENTAL PERFORMANCE INDICATORS

Greenhouse Gas Emissions* (ton CO₂e)

	2016	2017	2018
Scope 1	1.303,3	1.622,5	1.692,2
Vehicles	98,3	154,0	182,2
F-gases	761,0	571,3	748,9
Fuels used in the buildings	404,4	725,3	681,8
Generators	39,6	171,9	79,2
Scope 2	4.085,6	6.146,4	6.875,8
Electricity Consumption	4.085,6	6.146,4	6.875,8
Scope 3	547,8	331,5	265,2
Employee transportation-Service buses	213,6	194,3	187,2
Business related domestic flights	49,8	27,1	29,7
Business related short distance (Europe) flight	117,1	37,0	24,7
Business related long distance flights	167,3	73,2	23,6
Total	5.936,7	8.100,4	8.833,2

Note: Net Global Warming Potential values were used from IPCC AR5 Report.

	2016	2017	2018
Scope 1 Total (ton CO₂e)	1.303,3	1.622,5	1.692,2
CO ₂	1.300,3	1.617,0	1.686,5
CH ₄	1,2	2,7	2,8
N ₂ O	1,8	2,8	2,9
Scope 2 Total (ton CO₂e)	4.085,6	6.146,4	6.875,8
CO ₂	4.072,9	6.126,0	6.853,0
CH ₄	1,4	2,4	2,7
N ₂ O	11,3	18,0	20,1
Scope 3 Total (ton CO₂e)	547,8	331,5	265,2
CO ₂	542,2	328,1	262,5
CH ₄	0,1	0,1	0,1
N ₂ O	5,4	3,3	2,7
General Total (ton CO₂e)	5.936,7	8.100,4	8.833,2
CO ₂	5.915,4	8.071,1	8.801,2
CH ₄	2,7	5,2	5,6
N ₂ O	18,5	24,1	26,3

SOCIAL PERFORMANCE INDICATORS

NUMBER OF EMPLOYEES

	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
Number of employees	135	371	122	389	125	440
Total	506		511		565	

NUMBER OF EMPLOYEES BY CONTRACT TYPE

	2016	2017	2018
Full time	506	511	560
Part time	0	0	5
Total	506	511	565

NUMBER OF EMPLOYEES BY AGE GROUP

	2016	2017	2018
Over 50 years old	30	9	32
30-50 years old	395	408	432
Under 30 years old	81	94	101
Total	506	511	565

NUMBER OF EMPLOYEES BY EMPLOYMENT DURATION

	2016	2017	2018
0-5 Years	230	246	230
5-10 Years	99	132	153
10+ Years	177	133	182
Total	506	511	565

DIVERSITY AND EQUAL OPPORTUNITY

	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
Number of employees at senior management by gender and age group						
Over 50 years old	1	0	1	1	2	8
30-50 years old	0	24	0	21	0	19
Under 30 years old	0	0	0	0	0	0

EMPLOYEES ON PARENTAL LEAVE & EMPLOYEES RETURNED TO WORK AFTER PARENTAL LEAVE

	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
Employees on parental leave	12	27	7	18	10	29
Employees returned to work after parental leave	10	27	8	18	10	29

The number of male employees who were entitled for a parental leave of 10 days due to birthing of their spouses is taken. This leave is defined as a mandatory leave of 10 days in the Collective Bargaining Agreement, and as a time-off for 5 days in the Labor Law.

OCCUPATIONAL HEALTH AND SAFETY TRAINING

	2016	2017	2018
Percentage of training hours reserved for occupational health and safety (OHS) subjected trainings/Total training hours)	58,43%	11%	4%

* In 2017, all employees received OHS training.

SUSTAINABILITY PERFORMANCE TABLES

DATA ON OCCUPATIONAL HEALTH AND SAFETY

	2016	2017	2018
Number of employees at Borsa İstanbul	506	511	565
Number of sub-contractor's employees	89	80	72
Number of business related fatalities (total)	0	0	0
Injury rate* (Borsa İstanbul)	0	0,94	0
Injury rate* (sub-contractor)	0	0	0
Lost day rate** (sub-contractor)	0	0	0

* Injury rate = Total number of accidents / (Total of employee work hours x 1,000,000)

** Lost Day Rate = (Total number of downtime days x 200,000) / Total work days (in terms of hours)

EMPLOYEE TRAININGS

	2016	2017	2018
Average training hour per employee	9,8	19,7	13,6
Average training hour per employee*	10,2	29,7	22,8
Average training hour per female employee	9,5	22,2	10,3
Average training hour per male employee	10,5	11,7	14,5

* Calculated over the number of employees who received training.

NUMBER OF NEWLY RECRUITED EMPLOYEES

	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
Number of newly recruited employees	10	54	7	89	12	70
Over 50 years old	-	-	-	2	0	3
30-50 years old	5	36	2	55	4	36
Under 30 years old	5	18	5	32	8	31

NUMBER OF EMPLOYEES WHO QUIT DURING THE YEAR

	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
Number of employees who quit during the year						
Over 50 years old	2	5	7	27	0	1
30-50 years old	12	91	13	39	7	16
Under 30 years old	3	20	1	4	2	3

GENERAL INFORMATION

	2016		2017		2018	
	Female	Male	Female	Male	Female	Male
Employees subjected to performance evaluation	135	368	122	389	121	424

GRI STANDARDS INDEX

“For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.”



BORSA İSTANBUL - GRI STANDARDS - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 101: FOUNDATION 2016		
GENERAL DISCLOSURES		
GRI 102: GENERAL DISCLOSURES 2016	ORGANIZATIONAL PROFILE	
	102-1	Borsa İstanbul A.Ş.
	102-2	- Page: 42-49 https://www.borsaistanbul.com/en/products-and-markets
	102-3	Reşitpaşa Mahallesi, Borsa İstanbul Caddesi, No: 4 Sarıyer 34467/İstanbul - Turkey
	102-4	İstanbul-Turkey
	102-5	- Capital Structure, Page: 11
	102-6	https://www.borsaistanbul.com/en/corporate/about-borsa-istanbul/legal-framework
	102-7	- Financial and Operational Summary, Page: 8-10 - Our Employees, Page: 50-51 - Economic Performance Indicators, Page: 143 - Social Performance Indicators, Page: 145-146
	102-8	- Social Performance Indicators, Page: 145-146
	102-9	- Our Stakeholders, Page: 28-33
	102-10	- Group's Organization and Nature of Operations, Page: 79-82
	102-11	- Risks and Opportunities, Page: 24-27
	102-12	https://www.borsaistanbul.com/en/corporate/about-borsa-istanbul/international-recognition
	102-13	https://www.borsaistanbul.com/en/corporate/about-borsa-istanbul/international-recognition
	STRATEGY	
	102-14	- Message from the Chairperson, Page: 2-3 - CEO's Assessment, Page: 4-5
102-15	- Risks and Opportunities, Page: 24-27	
ETHICS AND INTEGRITY		
102-16	- Corporate Governance, Page: 63 https://www.borsaistanbul.com/en/investor-relations/corporate-governance Ethical Principles Directive	

BORSA İSTANBUL - GRI STANDARDS - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 101: FOUNDATION 2016		
GENERAL DISCLOSURES		
GRI 102: GENERAL DISCLOSURES 2016	GOVERNANCE	
	102-18	- Organization Structure, Page: 11 - Board of Directors, Page: 54-56 - Senior Management, Page: 57-58 - Board of Directors Committees, Page: 59-61
	102-19	- Corporate Governance, Page: 64-65 https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-articles-of-association.pdf?sfvrsn=8
	102-20	- Corporate Governance, Page: 64-65 - Our Sustainability Approach, Page: 22-23
	102-22	- Board of Directors, Page: 54-56 - Board of Directors Committees, Page: 59-61
	102-23	The Chairperson of the Board of Directors is also the Chairperson of the Executive Committee https://www.borsaistanbul.com/en/investor-relations/corporate-governance
	102-24	- Board of Directors Committees, Page: 59-61 - Corporate Governance, Page: 64-65
	102-25	https://www.borsaistanbul.com/en/investor-relations/corporate-governance
	102-29	- Risks and Opportunities, Page: 24-27 - Corporate Governance, Page: 64-65 https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-sustainability-committee-implementing-procedures-and-principles.pdf?sfvrsn=4
	102-30	- Risks and Opportunities, Page: 24-27 https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-sustainability-committee-implementing-procedures-and-principles.pdf?sfvrsn=4
	102-32	- Our Sustainability Approach, Page: 22-23 https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-sustainability-committee-implementing-procedures-and-principles.pdf?sfvrsn=4
	102-35	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-remuneration-policy.pdf?sfvrsn=4

BORSA İSTANBUL - GRI STANDARDS - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 101: FOUNDATION 2016		
GENERAL DISCLOSURES		
GRI 102: GENERAL DISCLOSURES 2016	STAKEHOLDER ENGAGEMENT	
	102-40	- Our Stakeholders, Page: 28-33
	102-41	- Our Stakeholders, Page: 32 - Corporate Governance, Page: 63
	102-42	- Our Stakeholders, Page: 28-33
	102-43	- Our Stakeholders, Page: 28-33
	102-44	- Our Stakeholders, Page: 28-33
	REPORTING PRACTICE	
	102-45	- Notes to the Consolidated Financial Statements, Page: 81-82
	102-46	- About the Report, Page: 1 - Material Issues, Page: 34-39
	102-47	- Material Issues, Page: 34
	102-48	There is no restated information.
	102-49	There are no significant changes from previous reporting periods in the list of material topics and topic boundaries.
	102-50	01.01.2018-31.12.2018
	102-51	2017
	102-52	Annual
	102-53	Mr. Muhittin Esen, Executive Vice President Tel: +90 212 298 21 00, e-mail: muhittin.esen@borsaistanbul.com
	102-54	This report is prepared in accordance with GRI Standards-Core option.
	102-55	Page: will be given when added to the report.
	102-56	There is no external assurance received for the report.

BORSA İSTANBUL - GRI STANDARDS - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 200: ECONOMIC STANDARD SERIES		
ECONOMIC PERFORMANCE		
GRI 103: MANAGEMENT APPROACH 2016	103-1	- Material Issues, Page: 34-39
	103-2	- Message from the Chairperson, Page: 2-3 - CEO's Assessment, Page: 4-5
	103-3	- Message from the Chairperson, Page: 2-3 - CEO's Assessment, Page: 4-5
GRI 201: ECONOMIC PERFORMANCE 2016	201-1	- How do we Generate Value , Page: 15 - Economic Performance Indicators, Page: 143
	201-3	- Provisions for Employee Benefits and Liabilities for Employee Benefits, Page: 119-121
	201-4	There is no financial assistance received from government during the reporting period.
DIRECT ECONOMIC IMPACTS		
GRI 103: MANAGEMENT APPROACH 2016	103-1	- Message from the Chairperson, Page: 2-3 - CEO's Assessment, Page: 4-5
	103-2	- Message from the Chairperson, Page: 2-3 - CEO's Assessment, Page: 4-5
	103-3	- Message from the Chairperson, Page: 2-3 - CEO's Assessment, Page: 4-5
GRI 203: DIRECT ECONOMIC IMPACTS 2016	203-1	- How do we Generate Value, Page: 14-17
	203-2	- How do we Generate Value, Page: 14-17
ANTI-CORRUPTION		
GRI 103: MANAGEMENT APPROACH 2016	103-1	https://www.borsaistanbul.com/en/investor-relations/corporate-governance Ethical Principles Directive
	103-2	https://www.borsaistanbul.com/en/investor-relations/corporate-governance Ethical Principles Directive
	103-3	https://www.borsaistanbul.com/en/investor-relations/corporate-governance Ethical Principles Directive
GRI 205: ANTI-CORRUPTION 2016	205-1	As no cases of corruption were identified in the reporting period, no action was required in this regard.
	205-2	https://www.borsaistanbul.com/en/investor-relations/corporate-governance Ethical Principles Directive
	205-3	There are no confirmed incidents of corruption during the reporting period.

BORSA İSTANBUL - GRI STANDARDS - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 300: ENVIRONMENTAL STANDARD SERIES		
ENERGY		
GRI 103: MANAGEMENT APPROACH 2016	103-1	- Material Issues, Page: 34-39 https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
	103-2	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
	103-3	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
GRI 302: ENERGY 2016	302-1	- Environmental Performance Indicators, Page: 144
	302-2	- Environmental Performance Indicators, Page: 144
	302-4	- Environmental Performance Indicators, Page: 144
WATER		
GRI 103: MANAGEMENT APPROACH 2016	103-1	- Material Issues, Page: 34-39
	103-2	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
	103-3	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
GRI 303: WATER 2016	303-1	- Environmental Performance Indicators, Page: 144
EMISSIONS		
GRI 103: MANAGEMENT APPROACH 2016	103-1	- Material Issues, Page: 34-39
	103-2	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
	103-3	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
GRI 305: EMISSIONS 2016	305-1	- Environmental Performance Indicators, Page: 144
	305-2	- Environmental Performance Indicators, Page: 144
	305-3	- Environmental Performance Indicators, Page: 144
ENVIRONMENTAL COMPLIANCE		
GRI 103: MANAGEMENT APPROACH 2016	103-1	- Material Issues, Page: 34-39
	103-2	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
	103-3	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
GRI 307: ENVIRONMENTAL COMPLIANCE 2016	307-1	There are no significant fines or sanctions in the reporting period.

BORSA İSTANBUL - GRI STANDARDS - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 400: SOCIAL STANDARD SERIES		
EMPLOYMENT		
GRI 103: MANAGEMENT APPROACH 2016	103-1	- Our Employees, Page: 50-51
	103-2	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-human-resources-policy.pdf?sfvrsn=4
	103-3	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-human-resources-policy.pdf?sfvrsn=4
GRI 401: EMPLOYMENT 2016	401-1	- Social Performance Indicators, Page: 145-146
	401-3	- Social Performance Indicators, Page: 145-146
OCCUPATIONAL HEALTH AND SAFETY		
GRI 103: MANAGEMENT APPROACH 2016	103-1	- Material Issues, Page: 34-39
	103-2	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-human-resources-policy.pdf?sfvrsn=4
	103-3	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-human-resources-policy.pdf?sfvrsn=4
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016	403-1	- Our Employees, Page: 50-51
	403-2	- Our Employees, Page: 50-51 - Social Performance Indicators, Page: 145-146
TRAINING AND EDUCATION		
GRI 103: MANAGEMENT APPROACH 2016	103-1	- Material Issues, Page: 34-39
	103-2	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-human-resources-policy.pdf?sfvrsn=4
	103-3	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-human-resources-policy.pdf?sfvrsn=4
GRI 404: TRAINING AND EDUCATION 2016	404-1	- Social Performance Indicators, Page: 145-146
	404-3	- Social Performance Indicators, Page: 145-146
DIVERSITY AND EQUAL OPPORTUNITY		
GRI 103: MANAGEMENT APPROACH 2016	103-1	- Material Issues, Page: 34-39
	103-2	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-human-resources-policy.pdf?sfvrsn=4
	103-3	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-human-resources-policy.pdf?sfvrsn=4
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1	- Our Employees, Page: 50-51 - Social Performance Indicators, Page: 145-146
	405-2	There is no gender-based wage discrimination at Borsa İstanbul.



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