

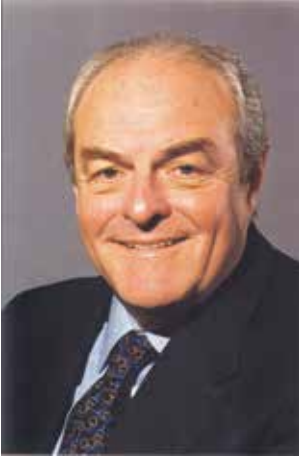


**BORSA
İSTANBUL**



**[2017]
ANNUAL
INTEGRATED
REPORT**

INTRODUCTION TO BORSA İSTANBUL'S 2017 INTEGRATED REPORT



For its 2017 Annual Report, Borsa Istanbul has done an integrated report based on the Framework of the International Integrated Reporting Council (IIRC).

The use of the capitals pertinent to the activities of the Exchange is set out in clear, concise and understandable language. There is also an infographic of the Exchange's business model. This infographic again in clear language illustrates the endeavours of the Exchange to have a business model which will have positive impacts, as far as possible, on the three critical dimensions for sustainable development, namely the economy, society and the environment.

From the report I can easily understand how the Exchange used its value creation resources of financial, human, intellectual, manufactured and social in carrying on its business activities during the reporting period. The report is also a clear indication that the collective mind of the board of the Exchange has been applied to develop a business model which deals with value creation in a sustainable manner.

Borsa Istanbul needs to be congratulated for setting an example for companies listed on Borsa Istanbul but also for non-listed organisations in Turkey.

The report can be easily understood and the reader can make an informed assessment about the true state of play inside Borsa Istanbul.

A handwritten signature in black ink, reading "Mervyn King". The signature is written in a cursive, flowing style.

Prof Mervyn King SC

Chairman of the International Integrated Reporting Council (IIRC) London
18 May 2018

CONTENTS

ABOUT THE ANNUAL INTEGRATED REPORT

- 2 About the Annual Integrated Report
- 3 Independent Auditor's Report on Annual Report of the Board of Directors

STRATEGY, BUSINESS MODEL AND RISKS

- 4 Borsa Istanbul at a Glance
- 6 Message from the Chairman of the Board and the Executive Committee
- 10 Message from the CEO
- 11 Capital Markets Outlook
- 12 Our Strategy
- 16 Our Material Issues
- 20 Stakeholder Engagement
- 22 Value Created for Stakeholders
- 24 Borsa Istanbul Business Model
- 26 Risk Analysis

2017 PERFORMANCE THROUGH CAPITAL ELEMENTS

- 32 Financial Capital
- 50 Human Capital
- 52 Intellectual Capital
- 56 Manufactured Capital
- 58 Social and Relationship Capital

SUSTAINABILITY

- 64 Sustainability at Borsa Istanbul

CORPORATE GOVERNANCE

- 66 Board of Directors
- 70 Senior Management
- 73 Committees
- 73 Committee Reports
- 77 Shareholders
- 78 Organizational Structure
- 79 Corporate Governance Compliance Report

INDEPENDENT AUDITOR'S REPORT

- 88 Borsa Istanbul A.Ş. Consolidated Financial Statements as at and for the Year Ended 31 December 2017 with Independent Auditor's Report Thereon

ANNEXES

- 149 Affiliates and Subsidiaries
- 150 Sustainability Performance Tables
- 154 GRI G4 Content Index

CONTACT

Towards New Horizons

2018-2023 will be a period in which significant developments will take place. In this period

- sustainable revenue stream and structure
- operational efficiency
- inorganic growth

have been identified as strategic priorities.

- In this context,
- increasing trade volume and product diversity,
 - expansion in institutional and individual investor base,
 - increasing revenues especially in data, technology, equities and derivatives,
 - deepening the integration with Takas İstanbul (Turkish CCP) and Merkezi Kayıt İstanbul (CSD of Turkey),
 - being a regional gold custody center,
 - investing in financial technology and
 - supporting innovative initiatives
- are among the top concerns.



ABOUT NAVIGATION ICONS

The following icons are used to facilitate reading throughout the report and for easy tracking of topics, navigation, and cross-references.



Financial Capital



Social and Relationship Capital



Human Capital



Material Issue



Intellectual Capital



Web



Manufactured Capital



More Information

ABOUT THE ANNUAL INTEGRATED REPORT

PERIOD AND SCOPE OF REPORT

2017 Annual Integrated Report of Borsa İstanbul A.Ş., (Borsa İstanbul) covers the period from January 1, to December 31.

 www.borsaistanbul.com/en/investor-relations/reports

This report addresses the financial and non-financial performance of Borsa İstanbul with an integrated approach. The independent audit, financial statements and explanatory notes of December 31, 2017 are complementary to this report.

REPORTING STANDARDS

The 2017 Annual Integrated Report is structured in a transparent, open and internationally recognized format.

The following were taken into account during the preparation of the report;

- Integrated Reporting Framework of the International Integrated Reporting Council - IIRC,
- G4 Sustainability Reporting Guide (basic option) of the Global Reporting Initiative - GRI,
- G4 Financial Services Sector Supplement,
- The Securities & Commodity Exchanges Research Brief of the Sustainability Accounting Standards Board (SASB),
- Security & Commodity Exchanges Sustainability Accounting Standard, and
- Sustainable Stock Exchanges (SSE) guide: "Sustainable Development Goals: What do they mean for Stock Exchanges?"

LIMITS AND CONTENT OF THE REPORT

The information in this report, unless otherwise stated, belongs to Borsa İstanbul A.Ş., and it does not include the other members of the Group. The data in the report is for 2017 unless otherwise specified. Borsa İstanbul, where it deems necessary, included the data from previous years in the report to put forward medium and long-term trends and for comparison purposes. In order to ensure the accuracy and integrity of the reported data, measurable amounts were used and estimates were avoided as much as possible. Borsa İstanbul operates in financial sector and its direct effect on the environment is limited and the use of natural resources is also relatively low.

Borsa İstanbul, in this report, communicates its 2017 performance with its stakeholders throughout six capitals model of Integrated Reporting Framework of IIRC and reflects them to its business model. Data on the carbon and water footprints of Borsa İstanbul are included in Performance Tables section of this report. [□ page 151](#)

COMPLEMENTARY INFORMATION

The complementary information on this report can be reached at www.borsaistanbul.com. The information on the website should be evaluated together with the relevant section of the Annual Integrated Report.

 www.borsaistanbul.com

These sections are as follows:

- <http://www.borsaistanbul.com/en/corporate/about-borsa-istanbul/about-us>
- <http://www.borsaistanbul.com/en/corporate/about-borsa-istanbul/legal-framework>
- <http://www.borsaistanbul.com/en/investor-relations/corporate-governance>

RESPONSIBILITY OF THE BOARD OF DIRECTORS IN RELATION TO THE ANNUAL INTEGRATED REPORT

The Board of Directors of Borsa İstanbul is responsible for the integrity of this report. The Board of Directors believes that this report, prepared and published in accordance with its approval, accurately reflects the integrated performance of Borsa İstanbul and takes full consideration of the material issues.

EVALUATIONS FOR THE FUTURE

Different parts of the report may include assessments referring to the future. These assessments do not constitute a commitment for Borsa İstanbul.

As discussed in the report, there are many risk factors in the global and national markets which may lead to unforeseen developments and results. Such possibilities are not the subject of the report. It is recommended that the reader makes a cautious assessment of the future.

Your questions, opinions, and suggestions regarding Borsa İstanbul's 2017 Annual Integrated Report can be submitted to: investorrelations@borsaistanbul.com.

 www.borsaistanbul.com

CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITORS' REPORT RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH



KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
34330 Levent, İstanbul
T: +90 (212) 316 60 00
F: +90 (212) 316 60 60
www.kpmg.com.tr

To the Board of Directors of Borsa İstanbul Anonim Şirketi,

Report On The Audit Of Board Of Directors' Annual Report Based On The Standards On Auditing Which Is A Component Of The Turkish Auditing Standards Published By The Public Oversight Accounting And Auditing Standards Authority ("POA")

We have audited the accompanying annual report of Borsa İstanbul Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as "the Group"), for the year ended 31 December 2017.

Board of Directors' Responsibility for the Annual Report

Pursuant to the article 514 of the Turkish Commercial Code numbered 6102 ("TCC") management is responsible for the preparation of the annual report fairly and consistent with the consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of such annual report.

Auditors' Responsibility

Our responsibility is to express an opinion on the Group's annual report based on our audit in accordance with article 397 of the TCC and Communiqué whether the financial information included in the accompanying annual report is consistent with the audited consolidated financial statements expressed in the auditor's report of the Group dated 9 March 2018 and provides fair presentation.

Our audit has been conducted in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") published by the POA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information included in the annual report is consistent with the consolidated financial statements and provide fair presentation. An audit also includes performing audit procedures in order to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information included in the annual report is consistent, in all material respects, with the audited consolidated financial statements and provides a fair presentation.

Report on Other Regulatory Requirements

In accordance with the third clause of the article 402 of TCC, no material issue has come to our attention that shall be reported about the Group's ability to continue as a going concern in accordance with TAS 570 Going Concern.

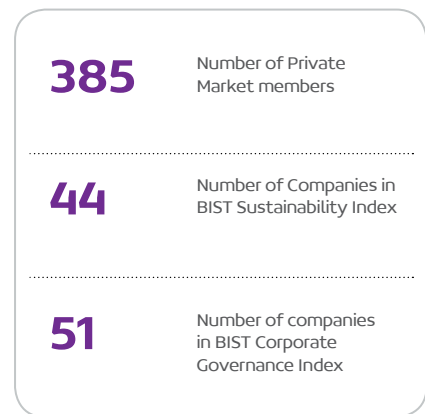
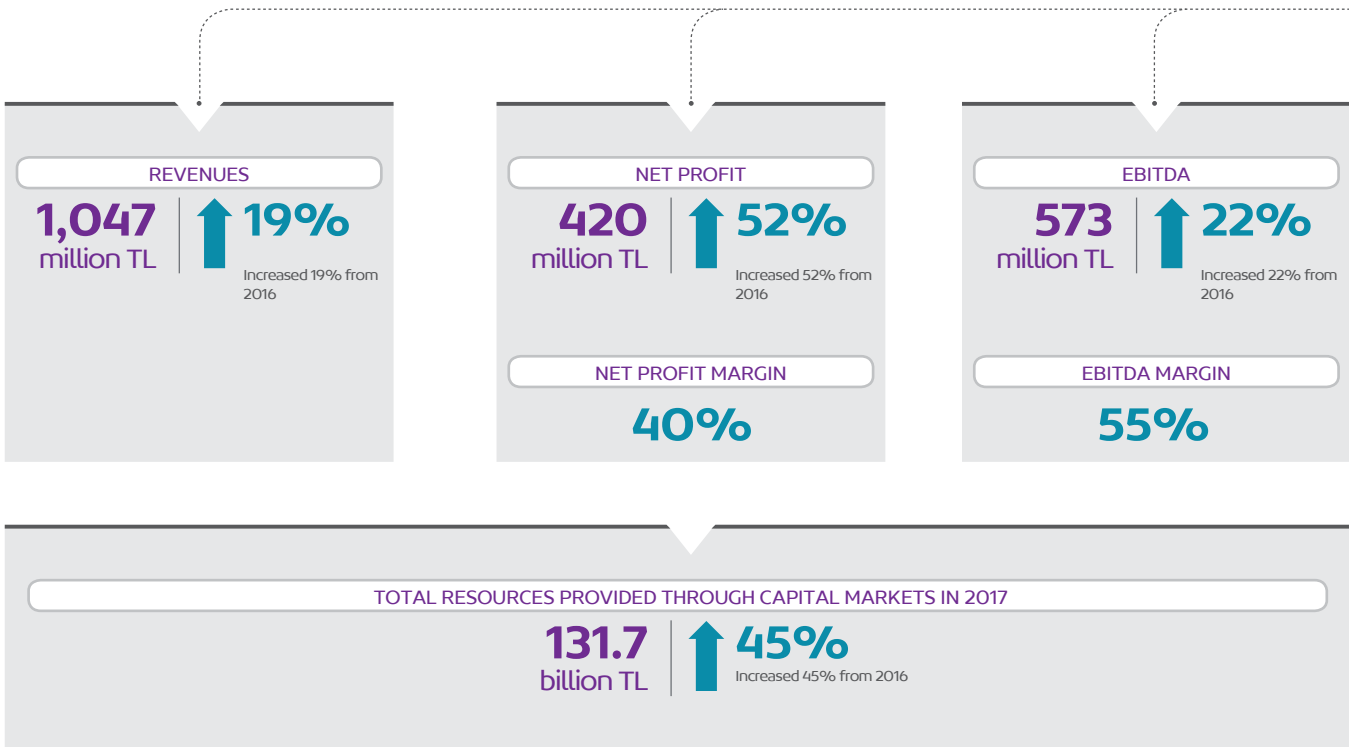
KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member of KPMG International Cooperative



Alper Güvenç, SMMM
Partner

9 March 2018
İstanbul, Turkey

BORSA İSTANBUL AT A GLANCE



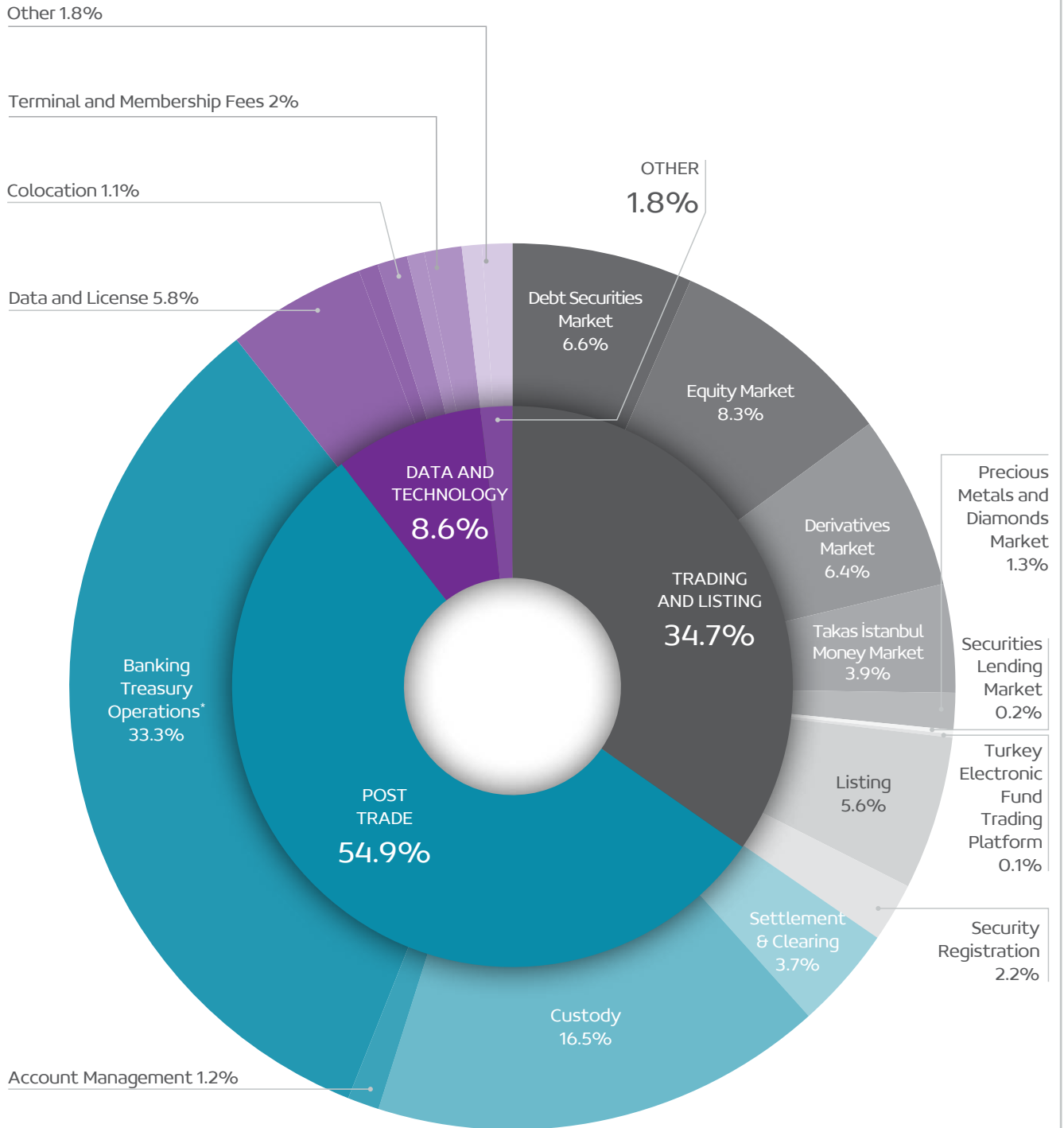
Equity Market ranks **1st** in Europe and **3rd** in the world in terms of turnover velocity*

7th in terms of equity traded value in Europe

5th in terms of bond traded value in Europe

* World Federation of Exchanges (WFE)

2017 REVENUE BREAKDOWN



*Banking Treasury Operations include Takas İstanbul net interest revenues

MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE EXECUTIVE COMMITTEE



Borsa İstanbul is one of the most liquid trading platforms in the world with 187% share turnover velocity and a market capitalization of TL 880 billion.

Dear stakeholders,

STRONG ECONOMIC GROWTH PERFORMANCE

Turkey is a remarkable country with its thriving economy as well as its young population. Turkey ranks 17th among the world economies and 13th according to purchasing power parity adjusted GDP. Our country has embarked on a major breakthrough with the comprehensive reform efforts that started in 2002. GDP growth soared in 2017, reaching 7.4%, as the government provided investment and employment incentives.

Thanks to this ongoing process, Turkey is moving towards its goal of becoming one of the world's top 10 economies with fast and determined steps.

BORSA İSTANBUL COMPLETED 2017 AS ONE OF THE MOST LIQUID TRADING PLATFORMS IN THE WORLD

Borsa İstanbul is one of the most liquid trading platforms in the world with 187% share turnover velocity, where 399 companies are traded with a market capitalization of TL 880 billion. The year 2017 was a year in which records were broken in indices and trade volumes. While the BIST 100 index, which outshined other indices in the world with a stunning 48% gain in 2017, reached a record level of 115,000. Equity market broke the record of all times with a daily volume of TL 11.2 billion.

In 2017, trading volumes increased by 45% in the Equity Market, 43% in the Derivatives Market, and 122% in the Precious Metals and Diamond Markets compared to 2016. This momentum we have in our markets in 2017 supports our positive expectations for the coming years.

GROWTH IN BORSA İSTANBUL MARKETS ARE SUPPORTED BY FINANCIAL RESULTS

Borsa İstanbul completed the year 2017 with great financial results. As of the end of 2017, our total assets reached TL 11.9 billion from TL 9 billion and total equity reached TL 1.56 billion from TL 1.19 billion. Our operating profit has increased from TL 435 million to TL 532 million and our net profit has increased from TL 276 million to TL 420 million. Our operating profit margin in 2017 is 51%.

THE OFFICIAL OPENING OF BORSA İSTANBUL EXCHANGE GROUP WAS REALIZED ON JANUARY 14, 2017

Following the move of Takas İstanbul and Merkezi Kayıt İstanbul to Borsa İstanbul's campus, the launch of Borsa İstanbul Exchange Group was officially realized at our 143rd anniversary meeting held on January 14, 2017, with President of the Republic of Turkey honoring us with his presence.

We see it as a very important step towards organizational and physical integration as part of our vertical integration. These three institutions will continue to serve Turkish capital markets more effectively going forward under the roof of Borsa İstanbul Exchange Group.

OUR 2018-2023 STRATEGY

We launched Borsa İstanbul's strategy for 2018-2023 as a firm step towards accelerated growth and development. In our strategic framework we defined Borsa İstanbul's goals as; achieving sustainable income flow & structure, operational efficiency and inorganic growth. We also continue to work on Borsa İstanbul's IPO with full dedication and great effort.

Our new strategy encourages us to be more agile and to capture new business opportunities in today's fast-changing environment. The steps we take will strengthen the interest of issuers and investors in Borsa İstanbul, and will support Borsa İstanbul to become a "financial supermarket".

Following the move of Takas İstanbul and Merkezi Kayıt İstanbul to Borsa İstanbul's campus, the launch of Borsa İstanbul Exchange Group was officially realized at our 143rd anniversary meeting held on January 14, 2017, with President of the Republic of Turkey honoring us with his presence.

Contributing to the expansion and diversification of the financing sources that our country needs is one of the most important priorities for us in line with our strategy. Borsa İstanbul will accelerate its efforts to ensure diversified and sustainable financing opportunities in Turkish capital markets, and will continue to contribute towards transforming İstanbul into an international financial center.

A STRATEGIC BREAKTHROUGH IN İSTANBUL'S PATH TO BECOMING A REGIONAL AND GLOBAL FINANCIAL CENTER

Today, rapid progress in the field of technology affects the expectations of investors, members, and other stakeholders, thus creating the need to create products and platforms that are tailored to the needs of the markets. Borsa İstanbul embraces technology as the most important tool in sustaining efficiency and growth in all of its processes and services. Through a technology-focused, innovative and value-added approach, we aim to provide infrastructure and services that will unleash Turkish capital markets' true potential.

In terms of strengthening our position in global competition, as the financial technology is reshaped across the world, we believe that supporting the financial sector with R&D investments and producing the software for financial sector with domestic resources are of great importance. With this purpose, Borsa İstanbul established Finance Technopark jointly with Boğaziçi University and now, İstanbul Technical University and İstanbul Commerce University are also part of this exemplary project.

MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE EXECUTIVE COMMITTEE

We will be completing BISTECH technological transformation in the first half of 2018, and we aim to export this technology abroad.

The technological transformation project we started in 2013, in response to “strengthening of technological infrastructure” aspect of İstanbul International Finance Center Program, is progressing fast. We anticipate that the transition to BISTECH technology will be fully completed in the first half of 2018. With the completion of this transition, the products we offer to the participants of the capital markets, and a myriad of new applications and features, will support İstanbul’s steps towards becoming a financial center. Another important goal for us is to ensure BISTECH becomes an exportable software product to be marketed abroad.

We also shared our proposals with relevant public authorities regarding İstanbul International Finance Center Program. Some of the important proposals we shared include; permitting issuance of securities in Turkey in foreign currencies, securitization of public infrastructure projects, support of employee stock options and regulation on real estate certificates.

CONTRIBUTING TO TURKEY’S 2023 VISION BY DEVELOPING OUR CAPITAL MARKETS IS ONE OF OUR MAIN TARGETS.

Increased confidence in our capital markets will enable further increase in the value of our companies and will facilitate access to long-term and sustainable financing opportunities.

Corporate structure and the sustainable scale of the companies are key features determining the success of initial public offerings in the long run. We consider it a fundamental priority that capital markets accurately reflect the size of the Turkish economy and are able to offer easily accessible liquid and deep markets for investors. Financing through borrowing in foreign currencies may affect the value of our companies negatively due to fluctuations that may arise. To avoid this risk, companies may raise funds through IPO rather than borrowing, which will eventually reduce the pressure on the banking sector and interest rates.



In line with this priority, our close dialogue with the sector helped us to balance the different interests of market participants and to make arrangements to adapt changing market conditions. In order to facilitate and encourage public offering of our companies; exceptions in “profit condition” and “shareholders’ equity condition” have been introduced in the listing criteria, revision in the price range of the IPO has been allowed and changes have been made in the domestic and foreign allocation rates. These changes will enable more companies to raise financing through equity.

ENHANCING SUSTAINABILITY WITH CORPORATE RESPONSIBILITY

In the field of sustainability, Borsa İstanbul plays a transformative role, engages in collaborations with national and international organizations and undertakes outstanding projects. Borsa İstanbul supports education with schools built around the country. Over the years, Borsa İstanbul’s initiative on physical contribution to national education turned into a spectacular project with TL 1.5 billion and 432 schools built reaching approximately 800,000 students.

Sustainability reporting, which took place in our lives in the early 2000s, has spread over the last 10 years and has become an important reference and information source. On the other hand, the rapidly changing structure of the external environment, the complexity of systems and business models, the existence of multidimensional strategies and increasing stakeholder expectations make it necessary to internalize integrated thinking into corporate reporting.

Corporate reporting is evolving to a new vertex - integrated reporting- which we believe will facilitate decision-making processes and provide healthier communication between companies and stakeholders. Aware of our transformative role, we are pleased to share with you our Annual Integrated Report, prepared for the first time.

Aware of our transformative role, we are pleased to share with you our Annual Integrated Report, prepared for the first time.

THANK YOU.

I would like to thank all our stakeholders, especially our employees that are the architects of our performance and sustainability, for their trust and ongoing contributions.

Sincerely,

Himmet Karadağ

Chairman of the Board and the Executive Committee



From the Board of Directors meeting, February 22, 2018.

MESSAGE FROM THE CEO



We carry out research and development studies on innovative and high added value initiatives within the scope of our 2018-2023 Strategic Plan.

Dear Stakeholders,

We are undergoing a period in which economies are recovering in the shadow of geopolitical conflicts after the global financial crisis. In solidarity with regulators and stakeholders, we play an important role in the elimination of financial threats and development of the country's economy. In this context, we are rapidly adapting to changing global conditions by taking the necessary measures effectively and resolutely. If possible, regulations that will save our markets from various bottlenecks are realized within the Borsa İstanbul Exchange Group, if not, we are exerting efforts to lead amendments in related regulations.

In line with the objectives of the 11th Development Plan and the İstanbul International Financial Center Action Plan, which will guide our country in the next period, we will contribute to making our capital markets more competitive at the international level by carrying out research and development studies on innovative and high added value initiatives within the scope of the Borsa İstanbul 2018-2023 Strategic Plan.

As a matter of fact, the financial results of Borsa İstanbul in 2017 were also very positive. As Borsa İstanbul Exchange Group, our revenues, which were realized as TL 878 million in 2016, increased more than 19% to TL 1,047 billion. Also, thanks to cost efficiency policies, despite the volatility and other external adverse effects, our Group's net profit increased by 52% to TL 420 million.

In 2017, while the size of our Group's assets grew by 31%, along with the successful management of our assets and liabilities, our shareholders' equity increased by a similar rate and reached TL 1.56 billion.

To ensure these impressive financial results will excel in the coming years, we will continue to undertake new initiatives. In addition to the horizontal and vertical integration that

has been completed under Borsa İstanbul Exchange Group and the achievements we have made in our international strategic partnerships, we plan the next steps of our corporate transformation and development with great care. We are preparing for a period which may be a turning point for Borsa İstanbul and Turkish capital markets.

For strong capital markets, our markets need to be liquid, deep, and easily accessible for local and foreign investors. In line with these objectives, our priorities include establishing a sustainable revenue stream and structure, improving operational effectiveness, and re-evaluating inorganic growth options and effective subsidiary management.

Some of the steps we identified to establish a sustainable revenue stream and structure are; to increase product and service diversity, expand the institutional and individual investor base, and increase revenues in data, technology and equity & derivative markets. In order to increase operational efficiency, we plan to develop strategic alliances and partnerships, ensure integration within the group, improve cost-effectiveness and become a regional gold custody center. Additionally, we will work to assess investment opportunities in the value chain, as well as investments in financial technology.

Borsa İstanbul is one of the most important institutions in Turkey in terms of sustainable economic development and financial stability. As the directors and employees of this distinguished organization, we will continue to work with determination to increase our competitive power internationally and inform our stakeholders in a transparent manner.

Murat ÇETİNKAYA,
CEO

Member of the Board and the Executive Committee

2017 OUTLOOK ON CAPITAL MARKETS

CAPITAL MARKETS OUTLOOK IN TURKEY AND THE WORLD

2017 witnessed a strong upward trend in world capital markets with benchmark indices reaching record levels accompanied by rising market values and initial public offerings (IPOs).

In 2017, the market capitalization of the listed companies in World Federation of Exchanges (WFE) member exchanges rose to a record level of US \$ 87 trillion. The increase in the market capitalization of the America region was 17.8%, the Asian region was 27.6%, and Europe, the Middle East, and Africa (EMEA) region was 24.3%.

Global recovery in GDP growth rates, monetary policies, low inflation levels and improved commodity prices, as well as strong corporate profits, acted as catalyzers in the improvement of the capital market conditions. Despite the ongoing turmoil in the domestic and international geopolitical landscape in 2017, low volatility and increased stock market valuations in many markets have come to the forefront. Global traded values contracted by 2.6%.

In the wake of moderate market conditions, with over 1800 new offerings, 2017 was the year in which IPOs in all regions accelerated. In 2017, the number of IPOs and the funds obtained rose by 47.8% and 50.6%, respectively. Industrial and technology companies outrun other sectors in the IPO numbers. The rate of increase of public offerings in the consumer goods rose by 73% compared to 2016.

Borsa İstanbul 2017 Traded Value

The total traded value of Borsa İstanbul has been TL 6.967 billion in 2017. The composition of the traded value was 66% Debt Securities Market (DSM), 21% Equity Market, 12% Derivatives Market and 1% Precious Metals and Diamond Markets (PMD). Traded Value in PDM increased by 122% compared to the previous year. In Equity Market, this increase was 45% followed by Derivatives Market with 43%. In the DSM, the traded value contracted by 60% due to the decline in interbank repo-reverse repo market following Central Bank's policy change.

Indices and Market Developments

Indices and traded values reached record levels in 2017, strengthening Borsa İstanbul's financial capital. BİST reached its highest-ever close on the last working day of 2017, recording 115,333 points with 47.6% increase in value for investors. On the Equity Market, on November 1, 2017, the daily traded value record with TL 11,176.96 million and, on August 15, 2017, the daily traded volume record with 2,808.92 million were achieved. The records in the Derivatives Market were; on January 12, 2017, the number of trades with 2,270,864; on October 27, 2017, the daily traded value with TL 10.3 billion and the daily trade volume with 1.7 million were reached.

The total traded value of Borsa İstanbul has been TL 6,967 billion in 2017.



OUR STRATEGY

OUR VISION

To be the leading integrated marketplace bringing together investors and ideas.

OUR MISSION

To create an efficient marketplace that provides stability and confidence for investors, to promote an international business structure including Islamic finance products, to lead digital transformation and innovation, and to support economic growth.

While promoting innovation, the Strategic Plan, which focuses on offering easily accessible, liquid and deep markets for investors, serves as Borsa İstanbul's mission of "creating an effective platform of stability and confidence for investors, creating an international business structure including Islamic finance, leading digital transformation and innovation, and supporting economic growth".

Borsa İstanbul's 2018-2023 strategic plan was prepared in line with the vision of being "the leading integrated platform that brings together investors and ideas" in order to increase the competitiveness of the main business.



In the global capital markets environment where transaction-based revenues are limited, regulations are increased, financial technology developments are accelerated and exchange mergers and acquisitions are inflated, the financial and operational targets of Borsa İstanbul will depend not only external factors but also its strategic choices.

Upcoming period will be a period in which significant developments will be experienced for Borsa İstanbul and its stakeholders, where Borsa İstanbul will be offered to the public, full-integration with Takas İstanbul, and Merkezi Kayıt İstanbul will be achieved, technological transformation will be completed, product and service portfolio will be expanded and operational efficiency will be increased.

While preparing for this buoyant period, extensive analyses have been carried out. A productive strategy workshop was held with the participation of the Group's senior management, including Borsa İstanbul Board of Directors, Takas İstanbul and Merkezi Kayıt İstanbul.

In this context it is planned to increase the number of listed companies and products, expand institutional and individual investor base, increase technology, derivatives market, equity market and data revenues, deepen integration with Takas İstanbul and Merkezi Kayıt İstanbul, become a regional gold custody center, invest in the field of financial technology, and support innovative initiatives.

2018-2023 STRATEGY

Borsa İstanbul's 2018-2023 Strategy is structured on three priority themes:



BORSA İSTANBUL'S STRATEGIC OBJECTIVES:

“To generate strong capital markets as well as easily accessible, liquid and deep markets for investors.”

OUR STRATEGY

<p>SUSTAINABLE INCOME FLOW AND STRUCTURE</p>	<p>Borsa İstanbul will diversify its products and services to support investors in order to support sustainable income flow and structure, will increase Islamic finance products and will implement financial education services.</p> <p>At the same time, Borsa İstanbul also aims to focus on high-growth business lines, and in this context, aims to increase technology, data, derivatives and equity revenues.</p>
<p>OPERATIONAL EFFICIENCY</p>	<p>Borsa İstanbul aims to deepen integration with Takas İstanbul and Merkezi Kayıt İstanbul, to ensure effective organization and cost management, and to develop cooperation and partnerships in line with the strategy.</p>
<p>INORGANIC GROWTH</p>	<p>Borsa İstanbul will provide inorganic growth by carefully evaluating M&A opportunities for data, index and finance technologies and will support the entrepreneurship ecosystem by giving priority to finance technology.</p>

The three priorities summarized above are defined by evaluating the long-term strategy of Borsa İstanbul and its business model.

Within the framework of the determined priority themes, Borsa İstanbul's value creation is optimized in the short, the medium and the long term.

Progress with the scope of strategy

- A strategic cooperation agreement was signed to develop and sell NASDAQ Technology, one of the world's leading operating systems. [page 52](#)
- The first phase of the "technology transformation program", called BISTECH, was completed in the Equity Market, post-trade system, risk management and similar surrounding support systems.
- In the second phase, the Derivatives Market went live on the BISTECH system.
- Private market was established as a web-based platform that brings together companies and investors in order to buy and sell shares without an IPO. [page 44](#)
- Sarajevo Stock Exchange, Montenegro Stock Exchange, Macedonia Stock and Pakistan Stock Exchange became part of Eurasia Data Dissemination Network and their data started to be distributed by Borsa İstanbul. [page 48](#)
- Data revenue has increased rapidly since 2013.
- Borsa İstanbul Money Market has started to operate and Negotiable Repo Market was established.
- Precious metal storage capacity has been increased to 1,600 tons.

Prominent moves in strategic plan

- Increasing the number of listed companies
- Establishment of a Sukuk Repo market in compliance with Islamic rules
- Developing infrastructure to facilitate trading of metal derivative contracts with physical delivery
- Introducing new contracts including those on commodities, updating features of the existing contracts in line with the demands from investors
- Custody service for gold based bonds and sukuk
- Cooperation with other exchanges to become regional data center and creation of new data packages
- Completion of the technology transformation: BISTECH
- Taking necessary steps for selling BISTECH technology to other exchanges
- Developing technology based corporate solutions products
- Improving Private Market infrastructure including crowdfunding, creating an entrepreneurship database, to provide technology infrastructure for the region, and establishing an intellectual property rights' market
- Improving unallocated gold custody system

- Strategic partnership with NASDAQ was established.
- Strategic partnership was established with the European Bank for Reconstruction and Development (EBRD).
- Borsa İstanbul Exchange Group was structured with the participation of Borsa İstanbul, Takas İstanbul and Merkezi Kayıt İstanbul. [page 57](#)

- Management of public offering process and determination of dividend policy according to shareholder decision
- Restructuring of the shareholding structure within the scope of IPO, share buyback and strategic partnership alternatives
- Improving corporate risk management structure
- Deepening integration with Takas İstanbul and Merkezi Kayıt İstanbul
- Cooperation with other exchanges and financial institutions

- Turkish Derivatives Exchange (TURKDEX) and İstanbul Gold Exchange gathered under the roof of Borsa İstanbul.
- We have become a partner in the Montenegro Stock Exchange.
- The share of partnership at Sarajevo Stock Exchange was increased.
- Finans Teknopark A.Ş. company was founded in cooperation with Boğaziçi University. [page 54](#)

- Investments in finance technologies
- Establishing Venture Capital Investment Fund and funding entrepreneurship ecosystem with a primary focus on financial technology
- Cooperation with financial technology companies and entrepreneurs
- Operationalization of Finans Teknopark A.Ş.

The priority themes will continue to play a key role in the coming period, in line with the 2023 vision of Borsa İstanbul and Turkey.

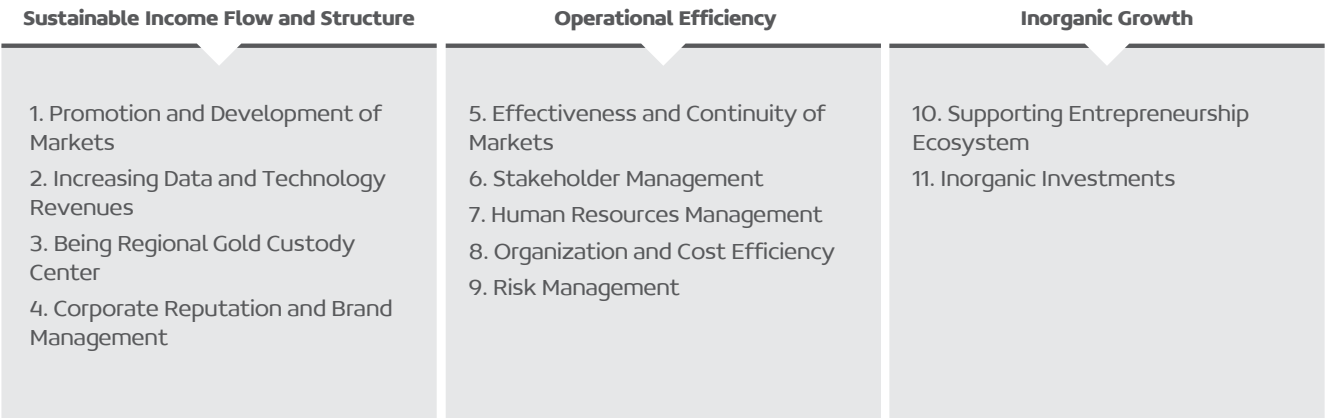
OUR MATERIAL ISSUES

Material issues are determined in line with Borsa İstanbul's strategy and its dialogue with stakeholders.

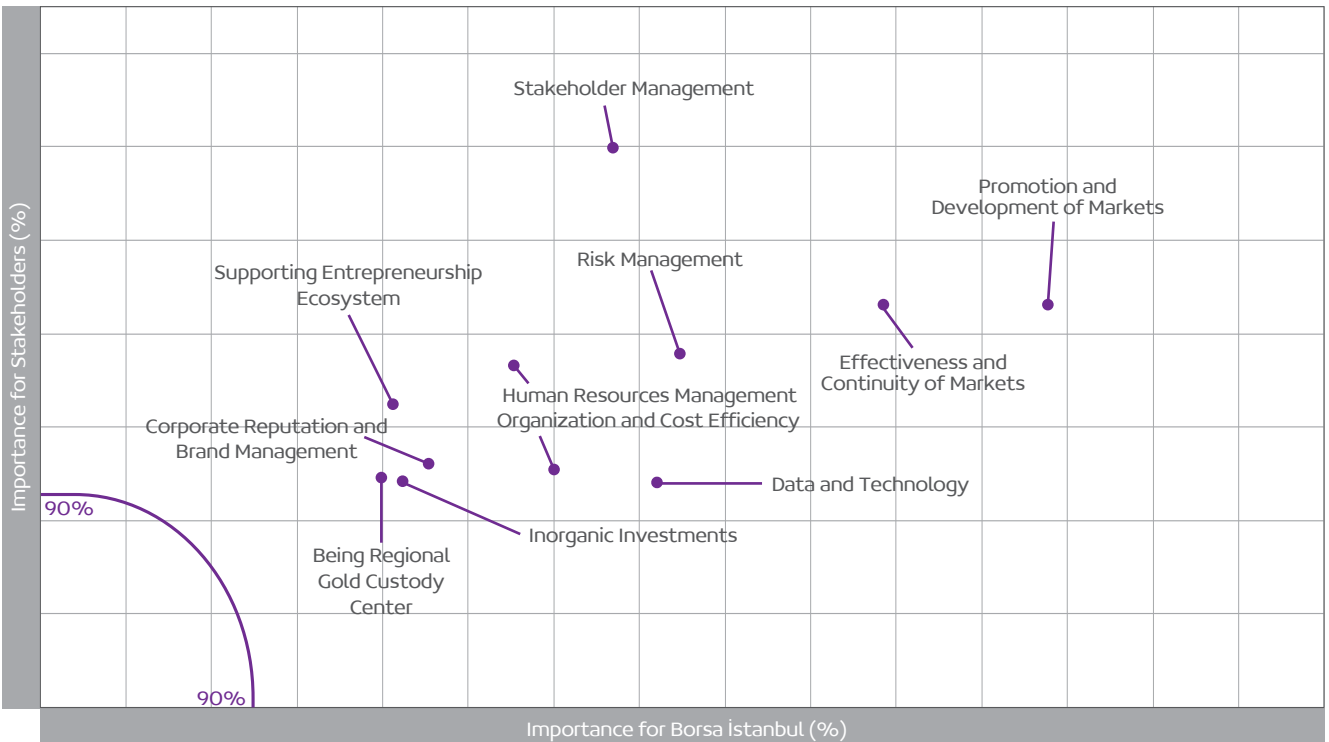
Through the report, the connection between the material issues, business strategy and Borsa İstanbul's 2017 performance is clearly established. The success of the Borsa İstanbul strategy, which is based on the goal of strong capital markets, will be possible by acting in the same direction in coordination with internal and external stakeholders, especially with the Group companies Takas İstanbul and Merkezi Kayıt İstanbul.

Borsa İstanbul's 2018-2023 Strategy is structured through 11 material issues and under 3 strategic themes.

MATERIAL ISSUES



MATERIAL ISSUES MATRIX



SUSTAINABLE INCOME FLOW AND STRUCTURE

Promotion and Development of Markets

It is the primary priority of Borsa İstanbul to unleash the growth potential of Turkish capital markets. Increasing the number of companies traded in Borsa İstanbul, promoting IPOs of larger companies, encouraging companies to finance through debt instruments rather than bank loans and increasing the business cooperation between Borsa İstanbul, CMB and market participants are some of the steps to be taken within this priority. Other actions include development of institutional and professional investor base, partnerships for indices and creating new products and improvement in colocation and High Frequency Trading services.

Increasing Data and Technology Revenues

In order to achieve a further diversified revenue structure, increase in data and technology revenues shall be ensured. Efficient marketing of data, development of data storage system and distribution channels, designing and marketing different modules for sale of BISTECH technology to other exchanges and development and marketing of corporate solutions and advisory products based on technology are the main pillars of this target.

Being Regional Gold Custody Center

The new precious metal custody center with a capacity of 1,600 tons provides the necessary infrastructure to become a regional gold custody center.

Borsa İstanbul develops new projects and collaborations that will enable being regional custody center and efficient use of storage capacity.

Corporate Reputation and Brand Management

Increasing the brand value of Borsa İstanbul, raising investor confidence and raising awareness are among the priorities. Borsa İstanbul initiates efforts to develop financial literacy, especially the training seminars started with intermediary institutions.

OPERATIONAL EFFICIENCY

Effectiveness and Continuity of Markets

The efficiency and continuity of the markets, especially the realization of business and system continuity at the target levels and the technological transformation to be accomplished in the planned calendar, are among the main priorities of the Borsa İstanbul.

Stakeholder Management

The IPO of Borsa İstanbul and the preparations for the IPO are the main elements of stakeholder management. Efforts to create partnerships and cooperation with stakeholders, especially with strategic partners NASDAQ and EBRD, will continue in the future. Being one of the first signatories of the Sustainable Stock Exchanges Initiative (SSE), Borsa İstanbul is committed to adopting best practices in corporate governance and sustainability with the awareness of its transformative role.

Human Resources Management

The most important source of Borsa İstanbul is its well-educated and qualified human resources. Development of training opportunities for employees, increasing training hours, introducing models for motivation and productivity as well as improving performance evaluation system are considered under this issue.

Organization and Cost Efficiency

Efficient utilization of the qualified human resources is only possible with the right organization structure. Maximum care is provided to reorganize the organizational structure in line with the transformation and needs of Borsa İstanbul. Cost-efficiency models mostly achieved by integration with Group companies, will continue to be implemented.

Risk Management

Parallel to the organizational restructuring, it is aimed to define the processes of Borsa İstanbul and make it more efficient in line with international best practices, and to determine the risks in the processes and to provide a more effective structure of internal control mechanisms. Managing risks correctly have a great importance for Borsa İstanbul and its key stakeholders. Systematic and structural improvements are being captured while focusing on a detailed cyber security strategy in order to proactively protect against cyber-attacks and the handling corporate vulnerability management system for the management of the security weaknesses of the infrastructures and services provided on the Information Technology infrastructure.

OUR MATERIAL ISSUES

INORGANIC GROWTH

Supporting Entrepreneurship Ecosystem

Entrepreneurship contributes to economic development, employment and productivity growth. For these reasons, Borsa İstanbul continues to work to create a strong entrepreneurial ecosystem and to develop entrepreneurship. One of the steps to support the development of the innovation ecosystem and the active implementation of Borsa İstanbul investment strategy is the establishment of BIST Venture Capital Investment Fund in 2018.

Borsa İstanbul targets completing the formation of a crowd funding portal, entrepreneurship database portal, intellectual property platform and the provision of Private Market infrastructure to the countries of the region by the end of 2019.

Finans Teknopark A.Ş., which is established with the partnership of Boğaziçi University and which will provide better evaluation of local resources on financial software and will reduce the dependency of the finance sector on software in the medium term, is planned to be operational in the near future.

Inorganic Investments

In addition to organic growth, strategic partnerships and inorganic growth is also crucial for Borsa İstanbul. Investing in financial technology and supporting entrepreneurial ecosystem is evaluated in a holistic approach and they are not limited to M&As but also cover partnerships with Fintech companies and entrepreneurs, collaborations with technoparks and accelerators, cooperation with other stock markets and financial institutions, Private Market, Technopark, Venture capital investors / angel investors, BISTEP, intrapreneurship, and Fintech investments (M&A/ fund).

One of the steps to support the development of the innovation ecosystem and the active implementation of Borsa İstanbul investment strategy is the establishment of BIST Venture Capital Investment Fund in 2018.





MATERIAL ISSUES AND SUSTAINABLE DEVELOPMENT GOALS

SUSTAINABLE DEVELOPMENT GOALS AND BORSA İSTANBUL MATERIAL ISSUES

The Sustainable Development Goals (SDGs) are built on the Millennium Development Goals committed by the UN member states to fulfill by 2015.

Millennium Development Goals adopted in 2000 targeted decreasing poverty, hunger, diseases, gender inequality and improving access to water and sanitary conditions. At the Rio + 20 Summit in 2012, the development of a new set of targets with a broad stakeholder engagement was agreed and began to be implemented. The agreement entitled Transforming our world: the 2030 Agenda for Sustainable Development adopted by the United Nations' 193 member states on September 25, 2015, consists of 17 Sustainable Development Goals and 169 sub-headings.

During the reporting period, the Borsa İstanbul revised its strategic agenda to internalize SDGs. Borsa İstanbul believes that SDGs contribute to economic growth, gender equality, responsible consumption, the development of the industry, innovation and training, and ultimately, further development of stakeholder relations.

All SDGs are not included in the priorities for Borsa İstanbul. The Borsa İstanbul leadership team has linked the SDGs with the institutional priorities of Borsa İstanbul as follows.

For more information about SDGs:
<http://www.tr.undp.org/content/turkey/en/home/sustainable-development-goals.html>



MATERIAL ISSUE

SDG

Promotion and Development of Markets	8, 9, 12, 17
Increasing Data and Technology Revenues	8, 9
Being Regional Gold Custody Center	8, 9, 17
Corporate Reputation and Brand Management	4
Effectiveness and Continuity of Markets	8, 9, 12
Stakeholder Management	13, 17
Human Resources Management	4, 5
Organization and Cost Efficiency	8, 9
Risk Management	8, 9
Supporting Entrepreneurship Ecosystem	8, 9, 17
Inorganic Investments	8, 9



STAKEHOLDER ENGAGEMENT



Stakeholder

OUR SHAREHOLDERS

- Türkiye Wealth Fund
- European Bank for Reconstruction and Development
- NASDAQ
- Turkish Capital Markets Association
- Other shareholders (The Union of Chambers and Commodity Exchanges of Turkey, Former Turkdex, IMKB, İstanbul Gold Exchange members) [page 77](#)

CAPITAL MARKETS BOARD OF TURKEY (CMB)

INVESTORS

- Intermediary corporation clients (individual or institutional)

OUR CUSTOMERS

- Central Bank of the Republic of Turkey
- 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
- Listed companies and issuers
- Data vendors
- Organizations that use BIST indices in financial products

OUR EMPLOYEES

OUR AFFILIATES AND SUBSIDIARIES

OTHER REGULATORS AND PUBLIC INSTITUTIONS

- Undersecretariat of Treasury
- Ministries
- The Banking Regulation and Supervision Agency (BRSA)
- Energy Market Regulatory Authority (EMRA)
- Public Oversight, Accounting and Auditing Standards Authority
- Central Bank of the Republic of Turkey

OUR SUPPLIERS

- Goods and service provider companies (IT services, consulting services, catering services, transportation services, etc.)

NGOs

MEDIA

UNIVERSITIES

OTHER CAPITAL MARKET INSTITUTIONS OTHER THAN INVESTMENT INSTITUTIONS

- Collective investment companies
- Independent auditing, valuation and rating institutions to operate in capital markets
- Portfolio management companies
- Mortgage financing institutions
- Asset financing funds and housing finance
- Asset leasing companies
- Takas İstanbul
- Merkezi Kayıt İstanbul
- Data storage facilities
- Other capital market institutions that are regulated by CMB

INTERNATIONAL EXCHANGES AND INTERNATIONAL FINANCIAL INSTITUTIONS

Engagement Channel	Engagement Issues
<ul style="list-style-type: none"> · General Assemblies · Annual reports and financial statements · Direct communication · Website 	<ul style="list-style-type: none"> · Corporate performance · Costs · Dividend policy · Strategic moves, business plan · Corporate governance
<ul style="list-style-type: none"> · Direct communication · Collaborations · Reports · Regulations 	<ul style="list-style-type: none"> · Regulatory and legal infrastructure · Audit and surveillance activities
<ul style="list-style-type: none"> · Investor Information Center · Activities and trainings · Virtual trading rooms 	<ul style="list-style-type: none"> · Investors' problems · Products and services · Financial literacy
<ul style="list-style-type: none"> · Help Desk · Direct communication · Activities · Trainings, meetings · Technology-based collaboration 	<ul style="list-style-type: none"> · Conditions of listing and other regulations · Wage models and market applications · Products and services · Enterprise solutions
<ul style="list-style-type: none"> · Surveys · Motivation activities · Training conferences and seminars · Performance feedback 	
<ul style="list-style-type: none"> · Direct communication · Activities 	<ul style="list-style-type: none"> · Shareholder
<ul style="list-style-type: none"> · Direct communication · Workshops 	<ul style="list-style-type: none"> · Legal infrastructure improvements · Legislation changes
<ul style="list-style-type: none"> · Service contracts/tenders 	
<ul style="list-style-type: none"> · Direct communication · Donations and sponsorships · Press conferences 	<ul style="list-style-type: none"> · Sustainability and corporate governance · Collaboration
<ul style="list-style-type: none"> · Student education programs · Seminars, events 	<ul style="list-style-type: none"> · Financial literacy programs and competitions · Virtual trading rooms
<ul style="list-style-type: none"> · Direct communication · Workshops · Meetings, training and seminars · Contracts 	
<ul style="list-style-type: none"> · Collaborations · Activities · Teleconferences 	

The main objective of Borsa İstanbul is to maintain effective and respectful communication with all stakeholders, including partners, investors, issuers, investment institutions and regulatory bodies.

Borsa İstanbul is based its stakeholder engagement on the principles of equality, transparency, accountability, responsibility and attaches importance to effective and continuous dialogue by improving communication channels.

STAKEHOLDER INVOLVEMENT

Borsa İstanbul regularly updates its comprehensive stakeholder analysis that took place in November and December 2015 to understand its impact on its stakeholders as well as to compile stakeholder views and feedback on sustainability.

The last update was made in 2017 and the priorities announced in this report were determined within the scope of the table-top search process carried out with the participation of Borsa İstanbul units.

The study was conducted in accordance with the AA100SES Stakeholder Engagement Standard and as a result of this study, Borsa İstanbul's material issues were determined.

In order to establish and develop mutual trust-based relationships with our employees, members, companies, investors, regulatory bodies and international organizations there are various communication mechanisms, including advisory lines, websites, e-newsletters, reports, and meetings.

The aim of Borsa İstanbul is to develop mutual trust-based relationships with its stakeholders.

VALUE CREATED FOR STAKEHOLDERS



FINANCIAL CAPITAL

Revenues
TL 1,047
 million
 (2016: TL 878 million)

Net profit
TL 420
 million
 (2016: TL 276 million)

Total resources provided through capital markets
TL 131.7
 billion
 (2016: TL 91 billion)

page 32



HUMAN CAPITAL

Total number of employees
511
 (2016: 506)

Number of female employees
122
 (2016: 135)

Ratio of female employees to total
24%
 (2016: 27%)

Average training hours per employee
19.7
 (2016: 9.8)

page 50



INTELLECTUAL CAPITAL

Number of members of the Private Market
385
 (2016: 376)

2017 R&D Promotion and Awards Best Project Management

(Best Practice Examples Summit of R&D Centers award by Ministry of Science, Industry and Technology)

Best Operational Excellence
 in Network Based FIX Protocol Monitoring (IDC Award)

Best IT Governance
 in Multi Boot System Architecture (IDC Award)

Best Business Enablement
 in BISTECH Software Handover Infrastructure (IDC Award)

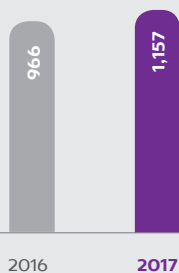
Best Transformation Management
 in Colocation and Member-Specific Gateway (IDC Award)

Best Technology Service Provision
 in BISTECH High Technology Transmission Channels (IDC Award)

page 52

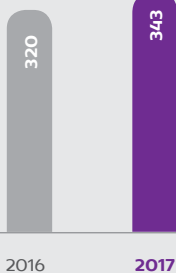
CREATED VALUE

Revenues* (TL million)



DISTRIBUTED VALUE

Operating Expenses** (TL million)



DISTRIBUTED VALUE

Employee Fees and Benefits (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 CMB share and Corporate Tax provision.



MANUFACTURED CAPITAL

Integrated service building with Takas İstanbul (Turkish CCP) and Merkezi Kayıt İstanbul (CSD of Turkey)

99.99%
service continuity
in trading system

New precious metal storage center with capacity of

1,600
tons

Number of colocation customers

25

page 56



SOCIAL AND RELATIONSHIP CAPITAL

National Education Physical Contribution Project (**EFİKAP**), support provided during 2017

29.7
million TL

250
hours training
provided to 36 member
representatives in 2017

Participants to the student education program

352
students

Support to sports activities

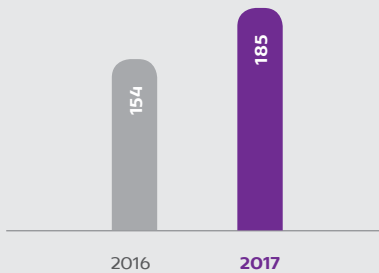
Contribution to cultural development-Borsa İstanbul art gallery hosts more than

400
artwork

page 58

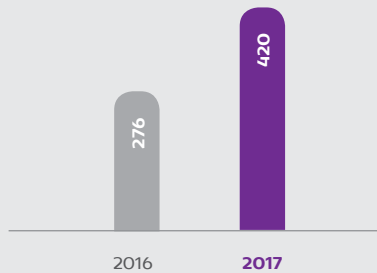
DISTRIBUTED VALUE

Payments to the State*** (TL million)

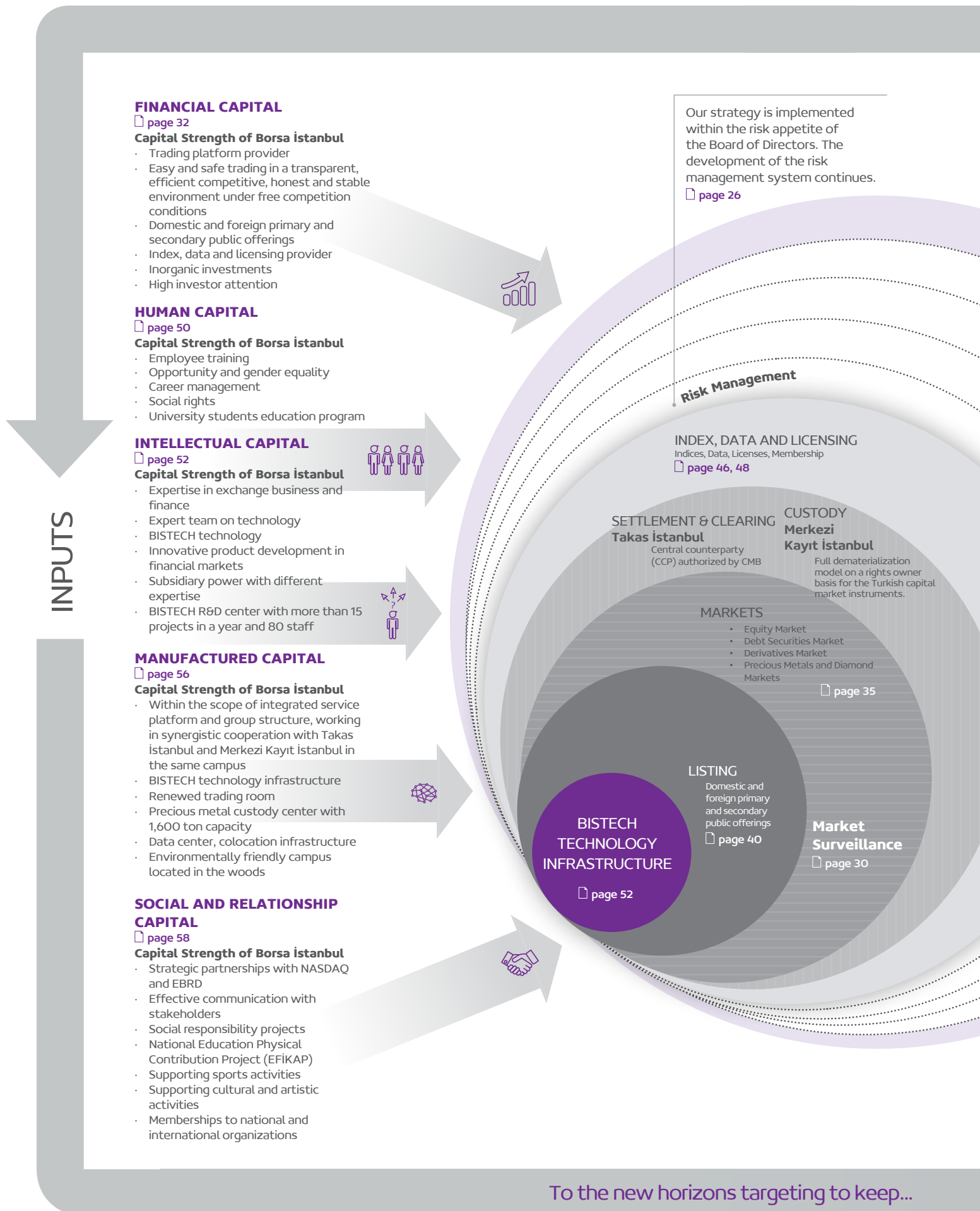


RETAINED VALUE

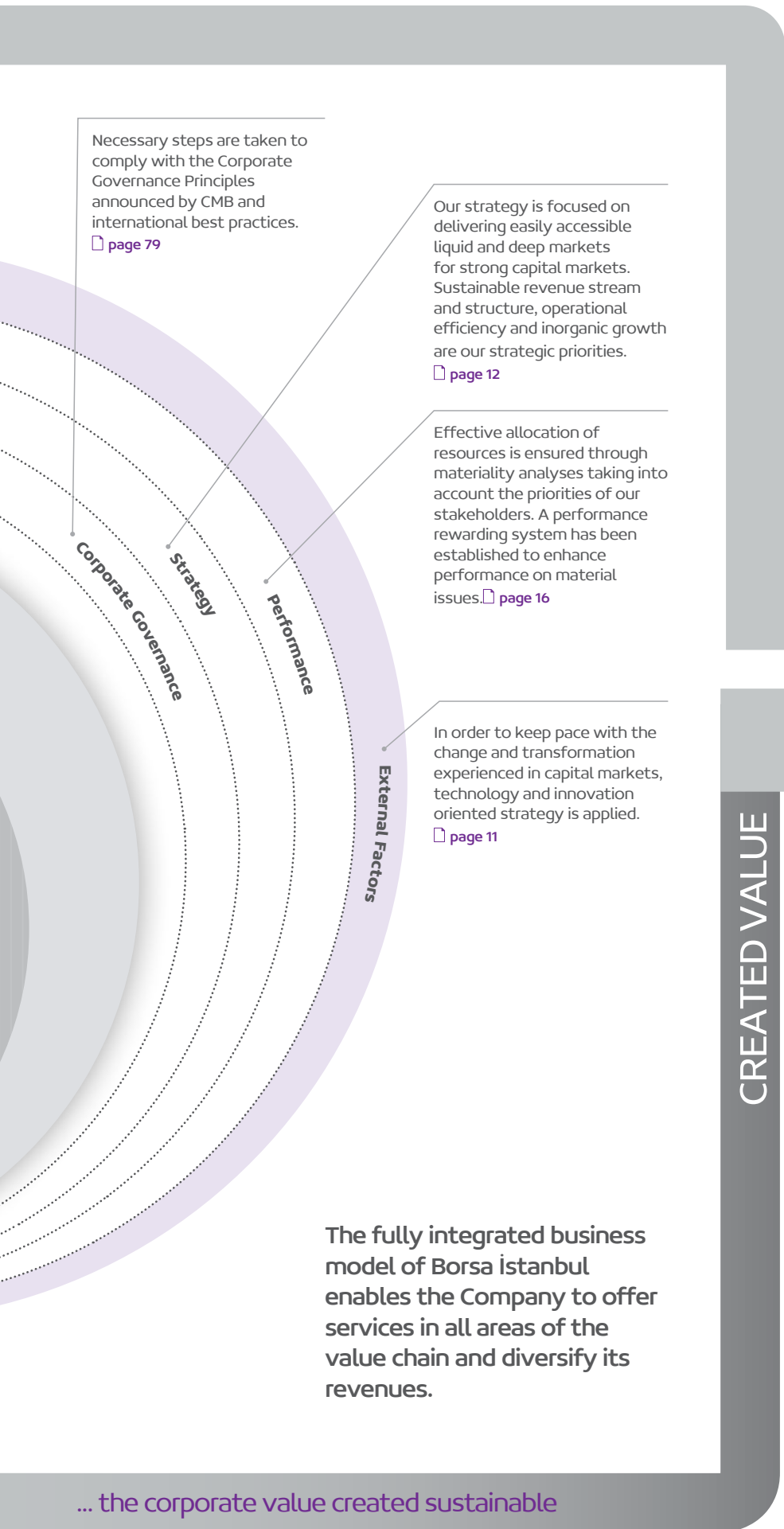
Retained Economic Value (TL million)



BORSA İSTANBUL BUSINESS MODEL



To the new horizons targeting to keep...



Necessary steps are taken to comply with the Corporate Governance Principles announced by CMB and international best practices. [page 79](#)

Our strategy is focused on delivering easily accessible liquid and deep markets for strong capital markets. Sustainable revenue stream and structure, operational efficiency and inorganic growth are our strategic priorities. [page 12](#)

Effective allocation of resources is ensured through materiality analyses taking into account the priorities of our stakeholders. A performance rewarding system has been established to enhance performance on material issues. [page 16](#)

In order to keep pace with the change and transformation experienced in capital markets, technology and innovation oriented strategy is applied. [page 11](#)

The fully integrated business model of Borsa İstanbul enables the Company to offer services in all areas of the value chain and diversify its revenues.

... the corporate value created sustainable

FINANCIAL CAPITAL

Created Value

- Contribution to sustainable development
- The efficiency and continuity of markets
- Leading digital transformation and innovation and supporting economic growth
- Increasing financial literacy
- Encouraging companies to become sensitive to environmental factors with sustainability index
- Providing financing, liquidity, promotion, institutionalization, credibility, secondary public offering and globalization opportunities to companies with public offerings
- Becoming a regional gold storage center
- Developing financial products based on data and technology
- Powerful financial performance

HUMAN CAPITAL

Created Value

- Effective human resources management
- Qualified human resources
- Employee satisfaction and commitment
- Contributing to employment and social equality

INTELLECTUAL CAPITAL

Created Value

- The production of software needed by the financial sector with domestic resources, R&D and innovation to strengthen our position in global markets
- Development of entrepreneurship ecosystem
- Private market-Borsa İstanbul Private Market Entrepreneurship and Regional Center project
- Integrated corporate solutions offered to our stakeholders
- Benefiting from national and international R&D incentives, gaining competence in R&D and project system of employees, direct contribution to innovation ecosystem
- BISTEP program aiming to support the institutionalization process of companies

MANUFACTURED CAPITAL

Created Value

- Increasing productivity in business processes
- Timely and immediate response to stakeholder/member needs
- Rendering colocation services to domestic and foreign members through data center
- Providing advantages of bringing the gold reserves kept abroad to our country

SOCIAL AND RELATIONSHIP CAPITAL

Created Value

- Technology and information transfer within the scope of cooperation with the NASDAQ, renewed technological infrastructure
- Effective in the field of corporate governance within the scope of cooperation with EBRD
- Raising awareness among stakeholders in the areas of climate change and sustainability
- Increasing national and international recognition and reputation
- EFİKAP contributes to regional development and the provision of equal opportunities in education

RISK ANALYSIS



In order to effectively manage integrated risk management in Borsa İstanbul, there is a committee for early detection of risk reporting regularly to the Board of Directors.

The Committee meets regularly every two months since its establishment, and the preparation meetings held prior to their meetings are continued within the framework of the annual meeting plan announced in advance.

The work carried out at the preparatory meetings of the Committee is evaluated and the participation of the staff at the Executive Level, representing the business units deemed critical for Borsa İstanbul, is provided.

During the Committee meetings, the risks on the basis of business units and the effects of these risks on other business units and institutions are evaluated and information about the studies related to early detection and management of risks is obtained.

In addition, the activities to be carried out by the related units are discussed in order to reduce the risks that are thought to affect stock market activities to an acceptable level, and those that are considered to be important are reported to the Board of Directors.

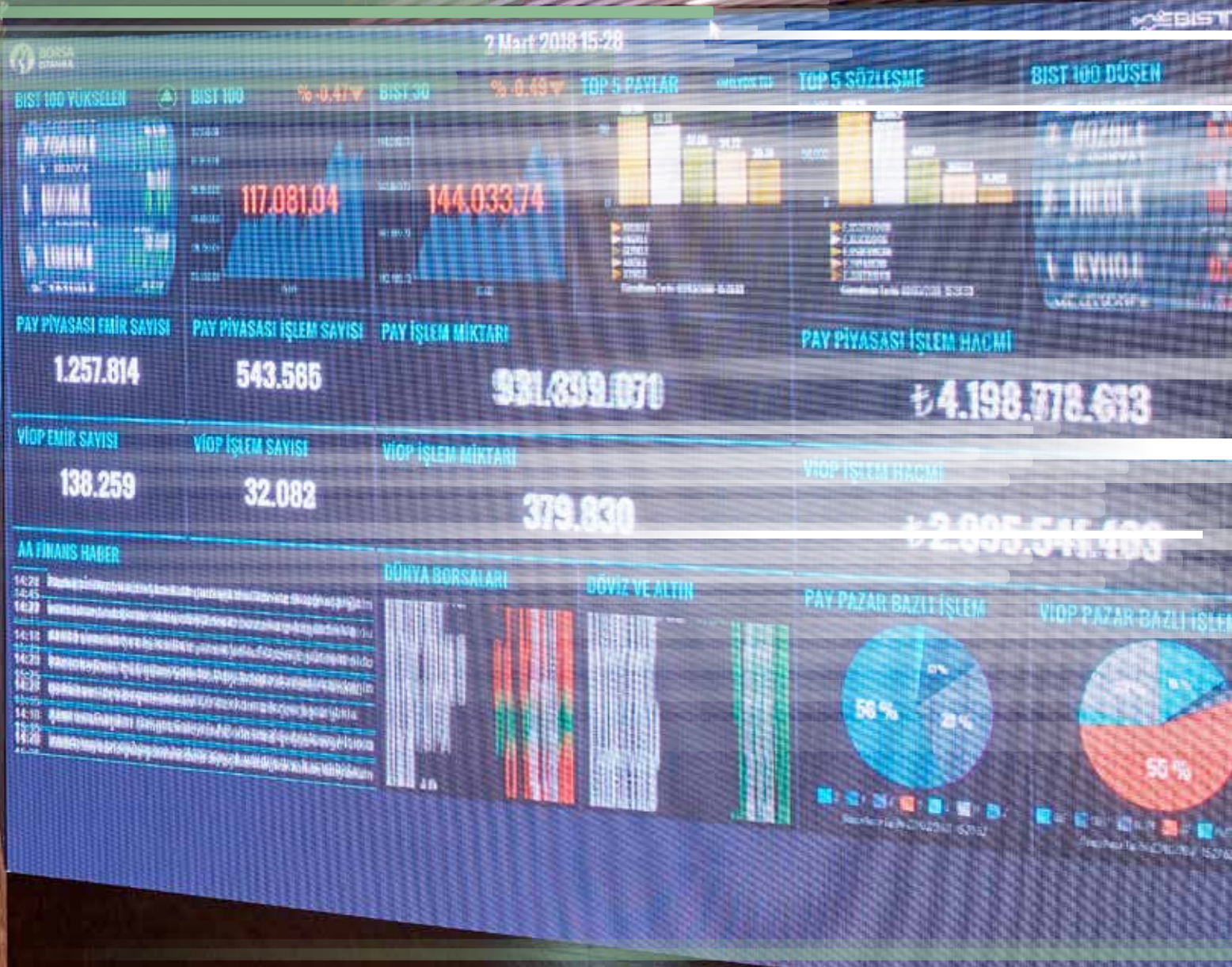
CLASSIFICATION OF RISKS

The risks that Borsa İstanbul faces are evaluated under the headings strategic, financial, technological and operational risks and compliance risks and the controls on avoidance strategies and the major studies on these controls in 2017 are noted with the degree of impact of the risks.



Agile and proactive

STRATEGIC, FINANCIAL, TECHNOLOGICAL AND OPERATIONAL, AND COMPLIANCE RISKS ARE EVALUATED IN AN AGILE AND PROACTIVE APPROACH.



RISK ANALYSIS

STRATEGIC RISKS

Risks	Risk prevention measures and the transactions realized in 2017	Effect
<p>DECREASE IN PRODUCT/SERVICE DEMAND DUE TO CHANGES IN MARKET CONDITIONS</p>	<p>The 2018-2023 Strategic Plan was approved by the Board of Directors. In this context, 5-year strategic targets have been set and key performance indicators that need to be followed in order to achieve strategic targets have been defined.</p> <p>In order to provide a sustainable income flow, we are working to diversify revenues in the value chain and to develop new sources of income through innovative approaches. Sustainable income stream and structure are among the strategic priorities.</p>	
<p>CHANGING EXTERNAL ENVIRONMENT CONDITIONS AND MEMBER/INVESTOR/ COMPANY EXPECTATIONS</p>	<p>With the technological infrastructure of BISTECH, Borsa İstanbul adapted to changing conditions and developing market demands. In the first phase which was completed on November 30, 2015, Equity Market went live on BISTECH platform and in the second phase, Derivatives Market's transformation was completed on March 6, 2017.</p>	●
<p>INCREASING COMPETITIVE ENVIRONMENT IN THE INDUSTRY</p>	<p>In order to encourage public offerings, amendments were made in listing conditions. Exceptions in "profit condition" and "shareholders' equity condition" have been introduced in the listing criteria as well as the opportunity to revise the price range of the IPO and changes in the domestic and foreign allocation rates that allows more companies to provide financing with equity.</p> <p>Training programs on financial literacy are being organized and projects are being carried out in order to expand the investor base.</p>	

FINANCIAL RISKS

Risks	Risk prevention measures and the transactions realized in 2017	Effect
<p>CHANGES IN ECONOMIC CONJUNCTURE (ECONOMIC GROWTH, INTEREST RATES, EXCHANGE RATE, DECLINE IN COMMODITY PRICES, ETC.)</p>	<p>The economic conjuncture is closely monitored by Borsa İstanbul and strategies for generating value for the country's economy are followed.</p> <p>The focus is on developing new products and service areas in order to sustain revenue flow under different market conditions.</p>	
<p>THE RISKS THAT MAY AFFECT THE VALUE OF FINANCIAL INSTRUMENTS SUCH AS EXCHANGE RATE, INTEREST RATES, CASH, MATURITY</p>	<p>In the management of the company assets and liabilities, attention is paid to choosing the right instrument and low-risk investment options are preferred. Foreign currency assets and liabilities were re-evaluated and foreign currency risk was managed effectively. Active resource management has sufficient cash and similar resources for the fulfilment of the current and possible obligations.</p>	●

Risk Ranking: ● High ● Medium ● Low

TECHNOLOGICAL AND OPERATIONAL RISKS

Risks	Risk prevention measures and the transactions realized in 2017	Effect
RISK OF DISRUPTION IN MARKET OPERATING SYSTEMS INFORMATION SECURITY, CYBER-ATTACK RISK RAPID CHANGES IN FINANCE TECHNOLOGY AND COMPETITIVE ENVIRONMENT	<p>Operational risk management framework is implemented effectively in activities, infrastructure, processes and products, and preventive measures are taken by reviewing personnel policies, business processes, and necessary control points.</p> <p>Policies and plans regarding extraordinary situations that may occur in the markets before or during the session and that may prevent the session from being conducted properly are periodically reviewed and necessary arrangements are made. The remote access network through which all intermediary institutions are connected to market systems has been taken from different internet service providers and it was rendered as a full backup.</p> <p>The measures against such threats as cyber-attack, infiltration, etc., are periodically reviewed at risk assessment meetings. In this context, penetration tests are conducted to different organizations both annually and in case of need against technological leaks in all markets both externally and internally and necessary measures are taken.</p>	
	<p>In order to prevent confidential and sensitive information from leaking to unauthorized third parties, training activities are carried out in order to increase information security awareness within the scope of Information Security Policy.</p>	
	<p>Training and awareness activities are carried out to ensure that employees are active participants in occupational health and safety.</p> <p>In order to be able to maximize the level of preparation by testing the business continuity systems and service continuity capabilities and realizing the precautions taken against possible emergencies, emergency exercises are carried out.</p> <p>Financial liability insurance such as “Comprehensive Crime Insurance”, “Employer Financial Liability Insurance”, “Occupational Liability Insurance”, “Manager Liability Insurance” and “Industrial Packaging Insurance” are purchased in order to secure operational risks.</p> <p>Research and studies are carried out on new financial technologies for Borsa İstanbul’s operations.</p>	

COMPLIANCE RISKS

Risks	Risk prevention measures and the transactions realized in 2017	Effect
CHANGING REGULATORY CONDITIONS’ INCREASING COMPLIANCE OBLIGATIONS COMPLIANCE COSTS	<p>Borsa İstanbul has close contact with Regulatory Institutions, particularly the Capital Markets Board, and contributes to the development of regulations for the efficiency of the capital markets.</p> <p>In order to ensure that capital market instruments can be traded in confidence and stability, extraordinary price and quantity transactions that occur in all markets, primarily in the Capital Markets, are monitored and reported by means of a surveillance system in order to determine the actions which are contrary to the Capital Market Law.</p> <p>Borsa İstanbul also has a separate business unit that monitors compliance risk.</p>	

RISK ANALYSIS

AUDIT ACTIVITIES

In order to evaluate and develop the effectiveness of the risk management, control and governance processes of Borsa İstanbul and to add value to these processes, risk-based audit was carried out within the scope of COBIT (Control Objectives for Information and Related Technology) which is defined as the international standards of Internal Audit and the IPPF (International Professional Practices Framework), and in addition to the process audits, detailed analyses were carried out on selected processes and recommendations for improvement of the setbacks were developed.

In 2017, within the framework of the criteria set out, the risk analysis of the members of our Borsa İstanbul was carried out and audits were carried out with the selected members. In addition, inspections were carried out within the scope of applications for companies whose shares are traded on Borsa İstanbul and members of our Borsa İstanbul; investigations were realized between the members and investors and their results were communicated to the relevant authorities.

The relevant inspections were carried out for determining the accuracy of the notifications regarding fixed income securities transactions carried out outside Borsa İstanbul, which the Bank and intermediary institutions are obliged to register in Borsa İstanbul. Inspections include the determination of the transactions not reported and the correction or cancellation of the erroneous reports of these institutions.

MARKET SURVEILLANCE ACTIVITIES

In order to ensure that capital market instruments traded on Borsa İstanbul can be traded in confidence and stability, the extraordinary price and transactions that occur in all markets are monitored and reported by electronic surveillance system so as to determine the acts contrary to the Capital Market Law and the acts that prevent the markets within Borsa İstanbul during the examinations conducted on Borsa İstanbul

and member records, the issues identified and considered to be in violation of the Capital Markets legislation were forwarded to the Capital Markets Board and the situations which were deemed to be in violation of Borsa İstanbul Legislation were evaluated within the scope of Borsa İstanbul.

In addition to routine surveillance and monitoring activities, investigations were carried out in the context of investors' complaints regarding stock market members and stock market transactions.

In order to ensure fair and honest execution of transactions and to protect investors from the risks caused by excessive price volatility, Volatility Based Measures System (VBMS) was established in the stock market share certificates traded in the Equity Market by a joint venture with the Capital Markets Board in 2017. With this system, which works automatically without human intervention, the prohibition of sale and credit transactions is applied for 15 days in the stocks which have excessive volatility and the prohibition of sale and credit transactions is extended until the end of this period in the transactions for 15 days in the continuation of price fluctuations. Transactions in the share certificates subject to the measure are also taken into consideration.

Within the framework of the agreement between Borsa İstanbul and NASDAQ, the integration of the Derivatives Market into the BISTECH trading system was achieved in March 2017, and the surveillance integration of the futures market was successfully implemented simultaneously.

This powerful structure, which enables the simultaneous surveillance of derivative products and underlying assets, will expand to cover all markets and environmental systems in our Borsa İstanbul by integrating the Debt Securities Market and Precious Metals and Diamond Markets in 2018, and our surveillance system will have the opportunity to monitor all markets in real time from a single system.



BISTECH integration

WITHIN THE FRAMEWORK OF THE AGREEMENT BETWEEN BORSA İSTANBUL AND NASDAQ, THE INTEGRATION OF THE DERIVATIVES MARKET INTO THE BISTECH TRADING SYSTEM WAS ACHIEVED IN MARCH 2017, AND THE SURVEILLANCE INTEGRATION OF THE FUTURES MARKET WAS SUCCESSFULLY IMPLEMENTED SIMULTANEOUSLY.



FINANCIAL CAPITAL

Borsa İstanbul's financial capital consists mainly of the income obtained from Borsa İstanbul activities and the income obtained from the affiliates and subsidiaries.

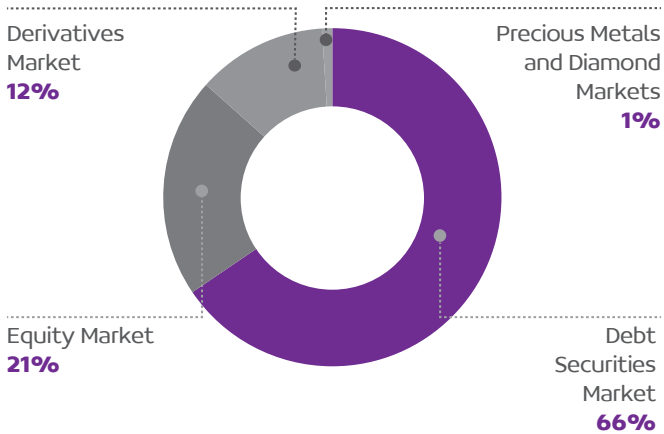
The year 2017 was a record year for indices and trading volumes.

Borsa İstanbul's financial capital was strengthened by increasing trading volumes in 2017, and the BIST-100 index, which gave investors 47.6% value by the end of the year, reached record levels and closed the year from 115,333 points.

The total trading volume in Borsa İstanbul's markets was realized as TL 6,967 billion in 2017.

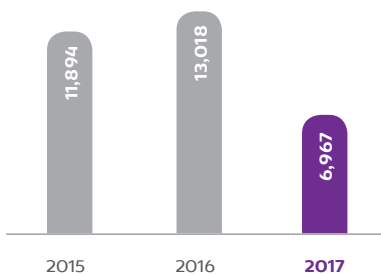
The number of listed companies at Borsa İstanbul is 399, the number of Real Estate Investment Funds is 3, and the number of Exchange Traded Funds is 9. The Equity Market's market capitalization reached TL 880.24 billion at the end of 2017.

TRADED VALUE

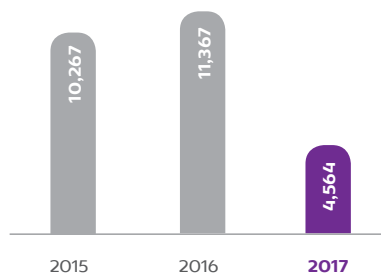


Within the framework of a fully integrated business model, Borsa İstanbul offers services in all areas of the value chain and diversifies its revenues.

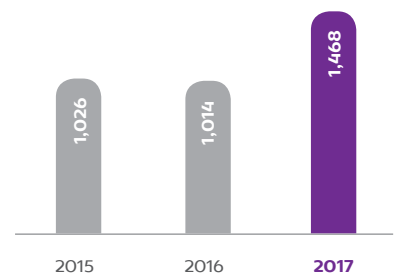
TOTAL TRADE VOLUME
(TL billion)



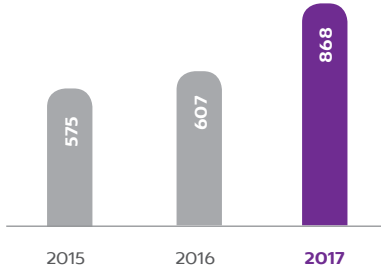
DEBT SECURITIES MARKET
(TL billion)



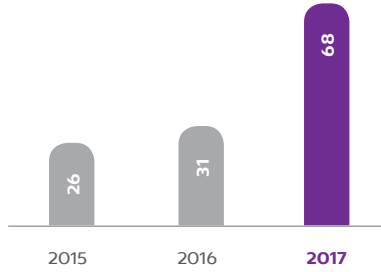
EQUITY MARKET
(TL billion)



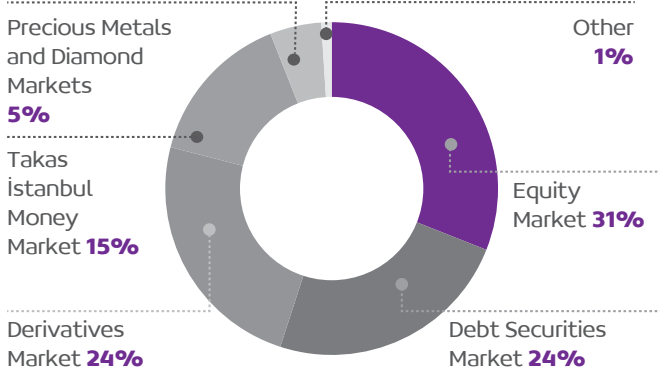
DERIVATIVES MARKET
(TL billion)



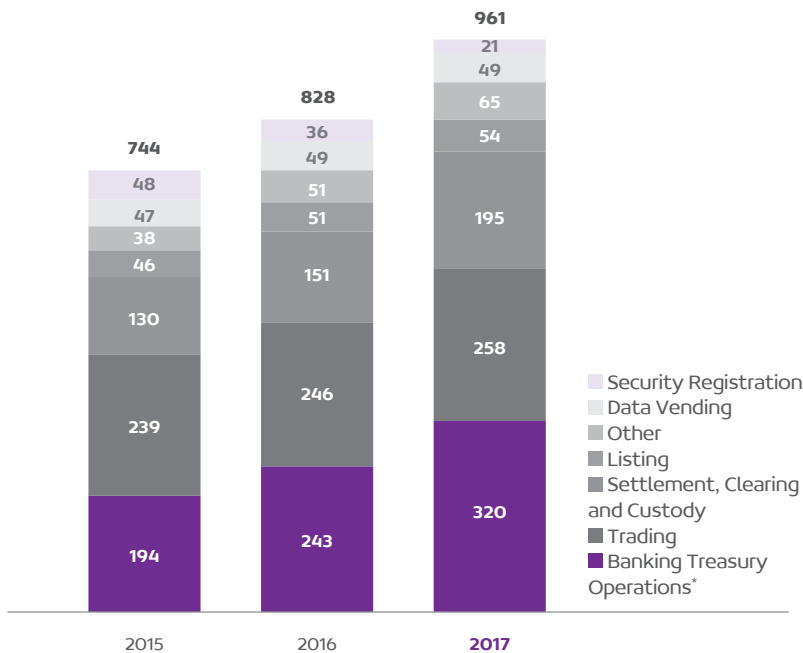
PRECIOUS METALS AND DIAMOND MARKETS (TL billion)



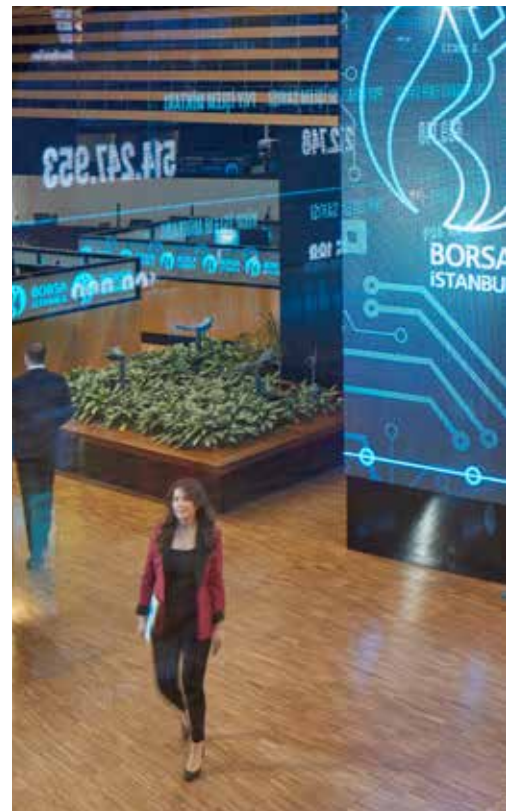
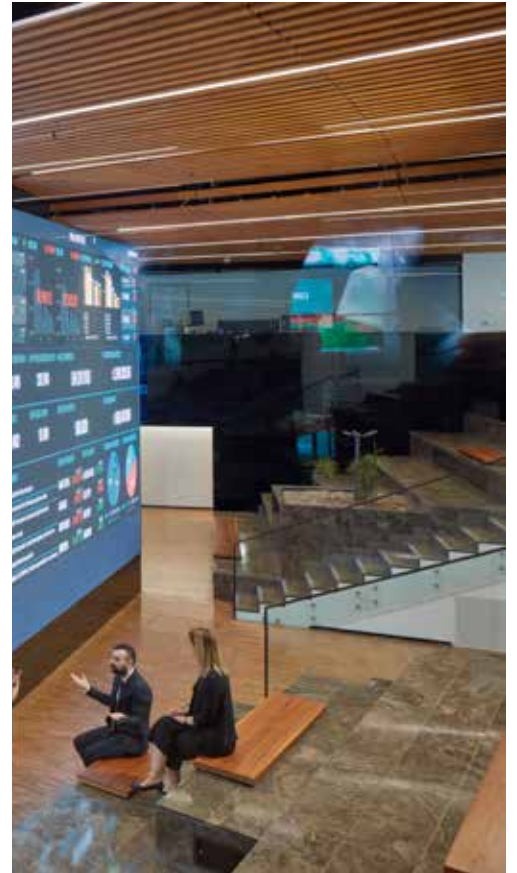
BREAKDOWN OF TRADING REVENUES



REVENUE BREAKDOWN (TL million)



*Banking Treasury Operations includes Takas Istanbul net interest revenues.



FINANCIAL CAPITAL

2017 PERFORMANCE THROUGH CAPITAL ELEMENTS



Despite the challenging global economic environment and increasing competition in the markets, Borsa Istanbul completed 2017 with successful financial results.

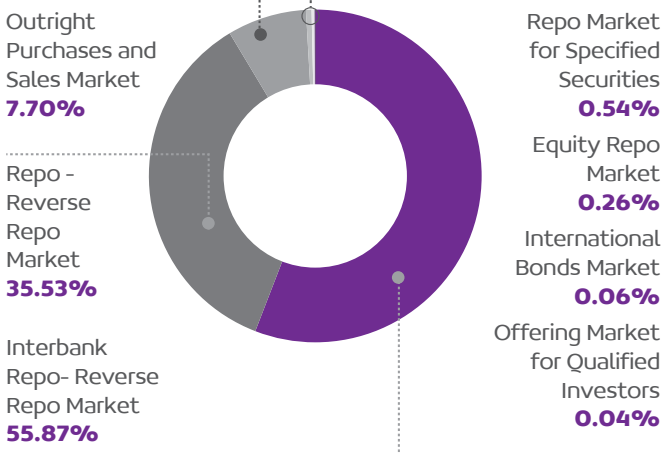
SUMMARY OF FINANCIALS (TL million)

	2015	2016	2017	CAGR
Revenues	783	878	1,047	16%
Operational Profit	370	435	532	20%
Profit Before Tax	352	374	542	24%
Net Profit	256	276	420	28%
Total Assets	7,873	9,045	11,882	23%
Total Liabilities	6,929	7,855	10,319	22%
Total Equity	945	1,191	1,563	29%
EBITDA Margin	50%	53%	55%	
Operational Profit Margin	47%	49%	51%	
Net Profit Margin	33%	31%	40%	

DEBT SECURITIES MARKET

The annual trading volume of the Debt Securities Market decreased from TL 11.37 trillion (USD 3.79 trillion) recorded in 2016 to TL 4.56 trillion (USD 1.24 trillion) by the end of 2017. The average daily trading volume of the market fell from TL 45.29 billion (USD 15.10 billion) to TL 18.04 billion (USD 4.92 billion). The reason for the decline in market data from the beginning of 2017 is that after the change in monetary policy of the Central Bank of the Republic of Turkey (CBRT) and after the realization of the funding through the Late Liquidity Window instead of marginal funding, CBRT was withdrawn from BIST repo markets.

BREAKDOWN OF DEBT SECURITIES MARKET VOLUME



Debt Securities Market traded volume was realized as TL 4.56 trillion at the end of 2017.

THE YEAR 2017 BRIEFLY IN THE DEBT SECURITIES MARKET ...

- 33 issuances in the Offering Market for Qualified Investors amounted to TL 1,923 million.
- Public Lease Certificates Trade Volume reached TL 3,429 million.
- In the International Bonds Market, Euro trading increased by 28.96% and reached EUR 46.96 million, while USD trading increased by 3.34% and reached USD 642.41 million.
- The trading volume was USD 96.28 billion in the Outright Purchases and Sales Market and USD 1,146.89 billion in the Interbank Repo-Reverse Repo Market.
- Public securities (bonds, treasury bills, lease certificates) and private sector securities (private sector bonds, bank bonds, asset-backed securities, financing bills, lease certificates) were traded in the securities market, which accounted for 92.15% and 7.85%, respectively.
- 39 intermediary institutions and 38 banks operate in the Debt Securities Market.
- The volume of transactions performed outside the stock market and registered in Borsa İstanbul corresponded to TL 803.27 billion.
- 14.97% of the transactions were traded over the counter (OTC) and 85.03% were traded in Borsa İstanbul Debt Securities Market.

FUTURE TARGETS 1, 5

- BISTECH trading platform transformation of the Debt Securities Market will be completed in 2018,
- The establishment of the infrastructure needed to carry out open market operations in the markets within Borsa İstanbul, if deemed appropriate by the CBRT,
- The establishment of the Sukuk Repo Market, where the leasing certificates will be traded with the pledge of repurchase.



FINANCIAL CAPITAL

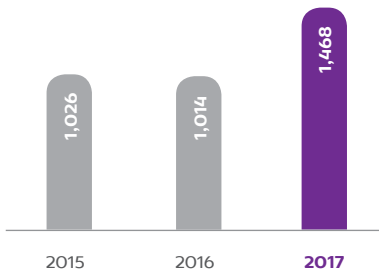
EQUITY MARKET

In the Borsa İstanbul Equity Market, the daily Trade Volume was TL 11.2 billion, on November 1, 2017 and TL 2.8 billion on August 15, 2017, breaking the records in terms of amount of the transaction.

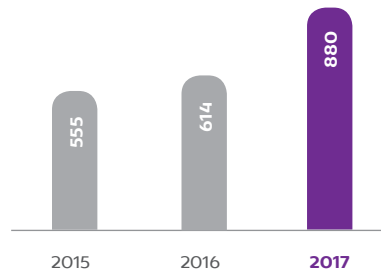
The Equity Market broke the record of all times with a daily trading volume of TL 11.2 billion in November 2017.

	Unit	Record Value	Record Date
Equity Market - Trading Volume	TL million	11,176.96	01.11.2017
Equity Market - Trading Volume	USD million	3,852.63	20.11.2012
Equity Market - Transaction amount	million lot (TL million)	2,808.92	15.08.2017

EQUITY MARKET TOTAL TRADE VOLUME (TL billion)



EQUITY MARKET TOTAL MARKET CAPITALIZATION (TL billion)



IN THE EQUITY MARKET, BRIEFLY THE YEAR 2017...

- By the end of the year, the number of companies traded in the Equity Market reached 399, 130 in BIST STARS, 159 in BIST MAIN, 17 in the BIST Emerging Companies, 47 in the Collective and Structured Products (excluding ETFs), 31 in the Watchlist and 15 in the Pre-Market Trading Platform.
- In the Equity Market for Qualified Investors, 3 Real Estate Investment Funds, 9 Exchange Traded Funds and a total of 5,980 warrants with different maturities were traded in the Collective and Structured Products Market.
- The Equity Market is ranked 3rd among 79 Exchanges in the share turnover velocity, an important indicator of liquidity.
- Equity Market's market value increased by 34% from USD 174.49 billion in 2016 to USD 233.37 billion.
- The number of contracts of the Equity Market was recorded as 157,748.78.

FUTURE TARGETS

- Promoting marketing; developing product, service and communication policies for stakeholders,
- Increasing number of companies traded in Borsa İstanbul,
- Encouragement of IPOs for large-scaled companies,
- Expanding the investor base and raising awareness for new products.

DERIVATIVES MARKET (VIOP)

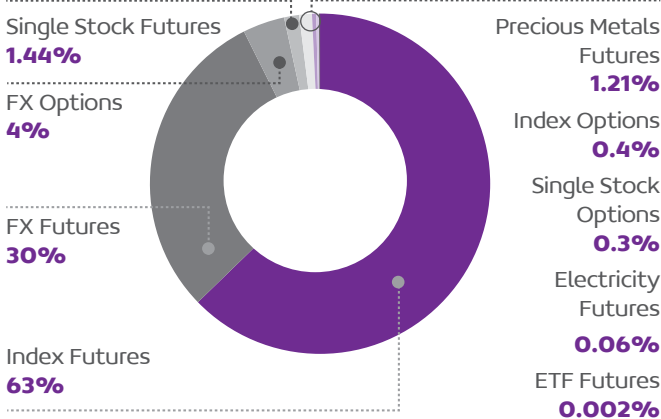
The Derivatives Market broke records with the daily trading amount and daily orders attained in 2017.

In the Derivatives Market, the records were: 2,270,864 daily orders on January 12, 2017; 1.7 million number of daily trades on February, 2017 and TL 10.3 billion daily trading volume on October 27, 2017. The total trade volume of the Derivatives Market, which was TL 607.2 billion in 2016, increased by 42.9% in 2017 and reached to TL 867.8 billion. 55% of the trade volume was realized by individual and 45% by institutional investors, and the share of domestic investors in the trade volume was 73%, and the share of foreign investors was 27%.

THE YEAR 2017 BRIEFLY IN THE DERIVATIVES MARKET...

- The transition to VIOP's BISTECH infrastructure was successfully completed on March 6, 2017.
- 33,908 new accounts were opened in VIOP and the total number of accounts increased to 146,215.
- 95.6% of the total trade volume was realized in futures contracts and 4.4% in options contracts.
- In 2017, the single stock futures trading volume increased by 280%, reaching to TL 12.5 billion.
- In the Gold Futures Contracts, the trading volume increased by 99% and reached TL 10.5 billion in 2017.
- In the Foreign Currency Futures Contracts, the volume of transactions increased by 98%, amounting to TL 260 billion in 2017.
- Average daily open positions, which was 1.8 million in 2016, increased by 34% in 2017 to 2.4 million.
- The total amount of Cash and Non-Cash Transaction collateral retained in the accounts at Takas Istanbul was TL 3.2 billion.
- CNH/TRY (Chinese yuan) and RUB/TRY (Russian Ruble) were opened to process for futures contracts.
- On December 1, 2017, required involvement ratio of market makers in single stock futures and options contracts has been reduced from 70% to 60%.

BREAKDOWN OF TRADING VOLUME OF DERIVATIVES MARKET

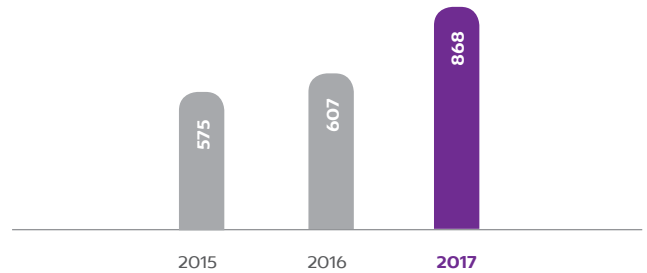


- On December 15, 2017, strike price ticks in single stock options and future contracts have been narrowed and the number of contracts opened to the transaction has been increased.

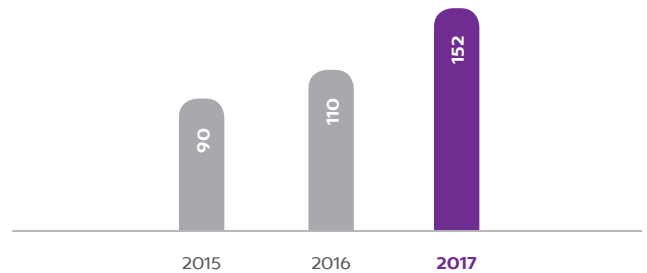
FUTURE TARGETS

- Promoting marketing; developing product, service and communication policies for stakeholders,
- Introducing Derivatives Market to the Equity Market customer base, ensuring that banks are more active in Derivatives Market,
- Opening of new contracts, including those based on commodity, updating the properties of existing contracts according to investors' demands,
- Infrastructure development work for continuous (morning and evening) sessions.

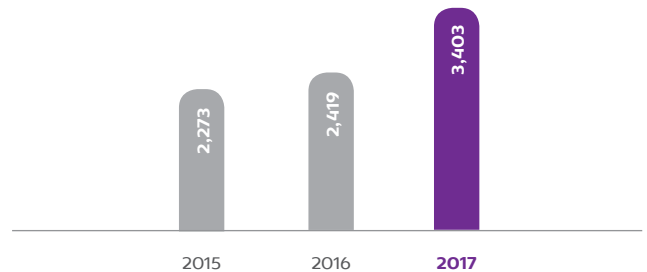
DERIVATIVES MARKET TOTAL TRADING VOLUME (TL billion)



DERIVATIVES MARKET TRADING AMOUNT (million pcs)



DERIVATIVES MARKET AVERAGE DAILY TRADING VOLUME (TL million)



FINANCIAL CAPITAL

PRECIOUS METALS AND DIAMOND MARKETS

The trade volume of the Precious Metals and Diamond Markets reached its highest figure by 457 tons in 2017. In the market, the daily trading volume of TL 804 million, which was obtained on May 5, 2017, is a record level.

At the end of the year, there are 101 members in the Precious Metals Market, 17 members in the Precious Metals Lending Market, and 580 persons/institutions authorized to trade in the Diamond and Precious Stone Market.

THE YEAR 2017 BRIEFLY IN THE PRECIOUS METALS AND DIAMOND MARKETS

- The amount of gold traded reached to 457,225 kg with an increase of 88% compared to the previous year. 87% of the trade volume was in USD/ounce; 12.9% was in TL/kg and 0.03% was in Euro/ounce.
- The weighted average US dollar/ounce price for T+0 maturities was 1,239 for 2016 and 1,257.55 for 2017.
- In the market where 1,543 kg of silver is traded daily, the total transaction amount was realized as 261,345 kg (67%) on TL/kg basis, 128,891 kg (33%) on USD/ounce basis.
- While 5 transactions were realized for 2.8 kg Platinum in 2016, 3 transactions were realized for 6 kg Platinum in 2017; and for Palladium 2 transactions were realized for 1.99 kg in 2016 and 3 transactions were realized for 3 kg in 2017.
- The Trade Volume corresponding to TL 300 million was realized in the Diamond and Precious Stone Markets.

- Participated as speakers in such events as the LBMA Annual Precious Metals Conference, World Gold Council's Workshop on the establishment of an Indian Gold Exchange, and Islamic Finance Meeting organized by the International Islamic Finance Markets Association in Bahrain. The COMCEC organized a workshop on the establishment of a gold exchange for Islamic countries in Istanbul.
- BISTECH phase 2+ member training and transition rehearsals started in December 2017.
- In the Diamond and Precious Stone Market, "Limited Transaction Authorization" was put into effect for the jewellery sector companies dealing with the purchase and sale of retail gemstones.

FUTURE TARGETS 1, 3

- Working towards the goal of being a regional custody center,
- Enabling unallocated storage system,
- Establishment of the COMCEC gold market in order to increase international efficiency in Islamic finance,
- Storing the gold of the CBRT as scrap and ore and the gold of the reserve abroad,
- Providing custody service for gold bonds and gold-based lease certificates,
- Increasing platinum and palladium trade volume.

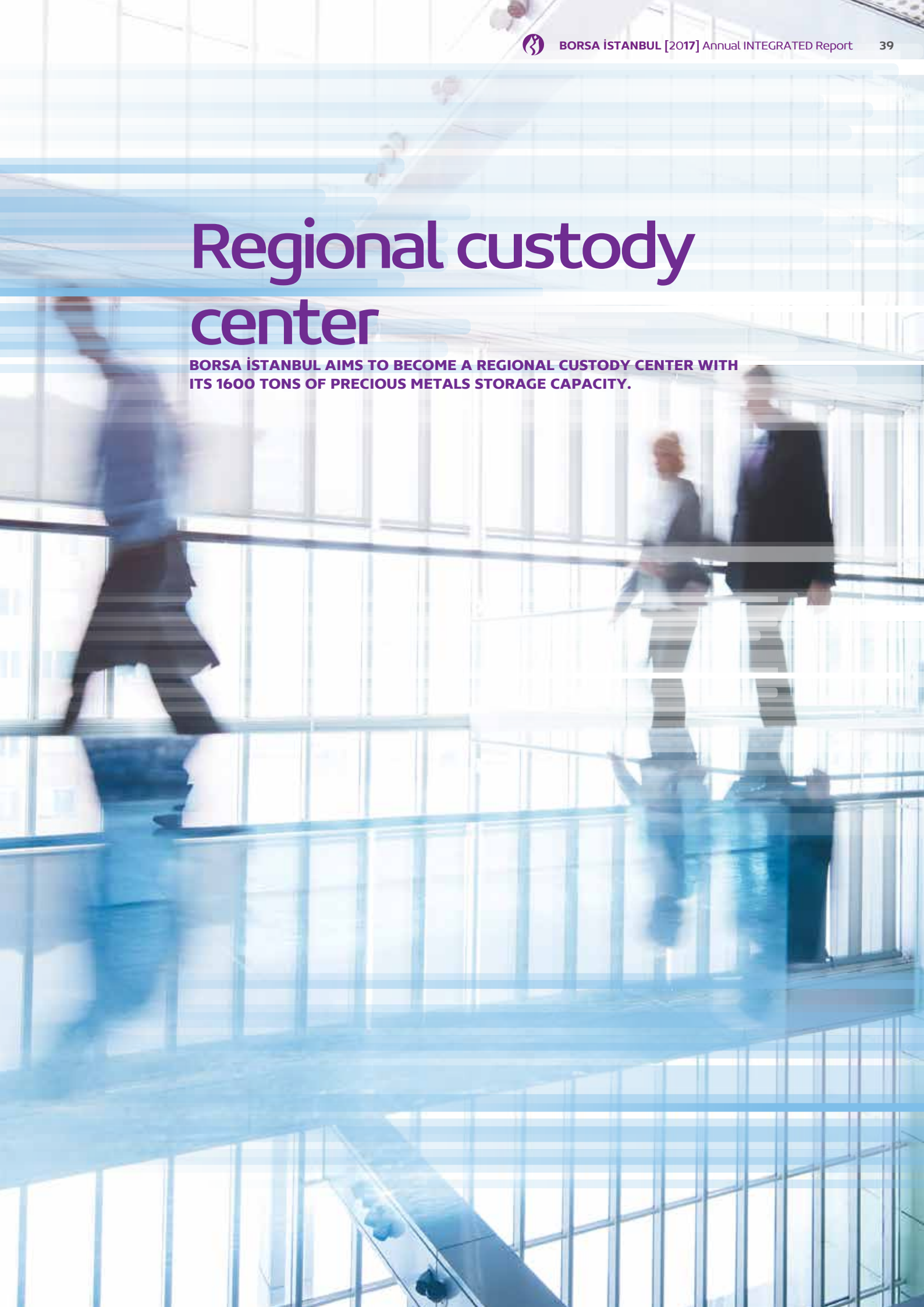
The trade volume of the Precious Metals and Diamond Markets reached its highest figure by 457 tons in 2017.





Regional custody center

BORSA İSTANBUL AIMS TO BECOME A REGIONAL CUSTODY CENTER WITH ITS 1600 TONS OF PRECIOUS METALS STORAGE CAPACITY.



FINANCIAL CAPITAL

LISTING ACTIVITIES

RESOURCE PROVIDED THROUGH CAPITAL MARKETS

Capital Markets Instrument	2016			2017			Change in Number 2016-2017 (%)	Change in Revenue 2016-2017 (%)
	The Number of Issues	The Number of Issuers	Revenue (TL million)	The Number of Issues	The Number of Issuers	Revenue (TL million)		
Equity Market Public Offering	2	2	343	3	3	1,254	50	266
Real Estate Certificates	-	-	-	1	1	143	-	-
Debt Securities and Lease Certificates	766	121	90,752	1,217	131	130,331	59	44
Debt Securities Provided Through Public Offering	102	10	21,077	149	8	15,428	46	-27
Debt Securities Issued to Qualified Investors	630	108	66,241	1,009	115	108,328	60	64
Lease Certificates Issuance	34	5	3,434	59	8	6,575	74	91
Total	768	123	91,095	1,221	135	131,728	59	45

STRUCTURED PRODUCTS

	2016		2017	
	Pcs	Amount (TL million)	Pcs	Amount (TL million)
Warrants	3,621	122.3	5,511	245.1

ADDITIONAL LISTINGS

LISTINGS WITH CAPITAL INCREASE

	2016	2017
Nominal Amount (TL million)	5,559.67	6,981.93
The Number of Companies	49	62

In 2017, the number capital markets instrument issuances increased by 59% compared to the previous year and the total revenue increased by 45%.

Breakdown of the Resources Provided

1.3

With Public Offering of 3 Companies
> TL 1.3 billion

130.4

With the Issuance of 1,218 Debt Securities
> TL 130.4 billion

131.7

Total Resources Provided through Capital Markets
> TL 131.7 billion



ISSUANCES OF DEBT SECURITIES

Debt Securities	2016			2017		
	Public Offering	Qualified Investor	Total	Public Offering	Qualified Investor	Total
The Number of Offerings	107	659	766	156	1,061	1,217
Bills	84	517	601	140	875	1,015
Bonds	18	97	115	8	92	100
Lease Certificate	5	29	34	8	51	59
Asset Backed Securities	-	16	16	-	42	42
Credit-Linked Note	-	-	-	-	1	1

13% of the debt securities and lease certificates that started to be traded in 2017 were issued through public offering whereas 87% were sold to qualified investors. In 2016, these figures were 14% and 86%, respectively.

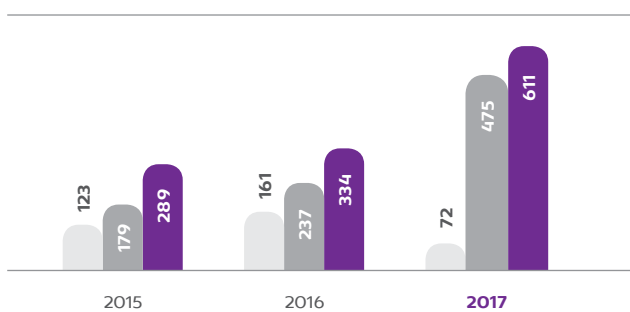
The total and average offering amounts of debt securities and lease certificates issued in 2016 and 2017, average maturity, number of investors and interest rates are shown in the table below.

In 2017, 87% of the debt securities and lease certificates traded in Borsa İstanbul were sold to qualified investors.

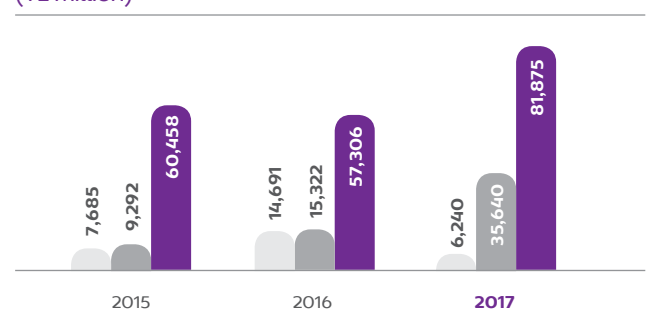
Debt Securities	2016			2017		
	Public Offering	Qualified Investor	Total	Public Offering	Qualified Investor	Total
Average Offering Amount (TL million)	204	104	118	103	108	130
Average Maturity (TL million)	207	229	226	279	265	267
Bills	167	143	146	275	147	164
Bonds	405	671	629	408	1,100	1,041
Lease Certificate	177	175	175	177	186	185
Asset Backed Securities	-	445	445	-	580	580
The Number of Investors	260,951	18,492	279,443	204,384	30,426	234,810
Annual Average Interest Rate (%)	10.35	11.44	11.29	13.06	13.92	13.80

Details of the debt securities issuances in 2017 are given below on a sectoral basis.

DEBT SECURITIES ISSUED* (number)



DEBT SECURITIES ISSUED* (TL million)



■ Banks
 ■ Non-bank Financial Institutions
 ■ Companies

*Lease certificates are not included in the charts.

FINANCIAL CAPITAL

CAPITAL MARKET INSTRUMENTS LISTED IN BORSA İSTANBUL

Instrument	2016		2017		Trading Market
	Number	Nominal Value	Number	Nominal Value	
Shares	405	112,075,388,170	402	117,036,897,084	Equity Market
Exchange Traded Funds-TL	9	139,403,184	9	80,000,000	Equity Market
Real Estate Investment Funds-TL	-	-	3	12,000,000	Equity Market
Warrants	893	41,165,000	1,599	98,462,000	Equity Market
Bond	221	15,134,528,930	202	18,043,987,844	Debt Securities Market
Bill	253	30,544,121,963	459	42,803,508,358	Debt Securities Market
Asset Backed Securities	33	496,350,000	52	1,128,200,000	Debt Securities Market
Lease certificates (private sector - TL)	16	1,370,000,000	36	3,573,000,000	Debt Securities Market
Lease Certificates (private sector - USD)*	4	4,800,000,000	3	15,087,600,000	Debt Securities Market

*It consists of the total amount of three leasing certificates issued by the Islamic Development Bank, as of December 31, 2017, it amounts to TL 15,087,600,000.

WHOLESALE TRADING TRANSACTIONS

	2016	2017
The Number of Transaction	18	17
Nominal Transaction Amount (TL million)	281	243
Trade Volume (TL million)	1,585	1,760



MARKETING ACTIVITIES 1, 4

Efforts to improve both supply and demand aspect of Capital Markets continued in 2017.

In order to raise awareness of sustainable growth and the provision of growth financing through Capital Markets via equity method, capital market activities and products within the scope of capital market activities were continued in 2017.

During the year, the number of meetings held one-to-one with the dominant partners and top-level executives who have direct authority to make decisions on the future of the companies reached 882 in domestic companies and 1,008 in total, including foreign companies.

In order to increase awareness of Capital Markets and products, meetings and events were organized with various institutions and associations including Chambers of Industry and Commerce on various topics such as public offering, trading in Borsa İstanbul, capital market trading instruments.

In cooperation with intermediary institutions, Derivatives Market investors were informed about the activities of financial literacy and nearly 1,000 current and potential investors were contacted.

Requests and suggestions from companies, especially about the functioning of public offering and Capital Markets, were shared with relevant public institutions such as the Ministry of Finance, Ministry of Economy, and Capital Market Board.

Within the scope of the “SME support program” implemented for public offering costs in Emerging Companies Market (GİP), in order to facilitate the access of SMEs to finance, cooperation negotiations with KOSGEB on increasing the amount of support up to TL 100,000 continued.

In order to revive both supply and demand aspects of Capital Markets, the promotion program for shareholders continued to be introduced to traded companies.

In line with the targets of the Istanbul Financial Center (IFM), besides the domestic works, studies are carried out to give information to potential issuers and investors about Turkish capital markets and products. In this context, important demands on the adoption of encouraging practices for foreign stakeholders are similarly shared with competent public institutions.

In 2017, 3 events were organized for investment organizations and other customer groups. Within the scope of key customer management application, 8 visits were made to 6 institutions. Other than those mentioned, periodic or special agenda meetings were organized with public authorities and professional organizations of customer groups.

In order to contribute to our Borsa İstanbul, being the center of attraction, by ensuring compliance with international Borsa İstanbul, membership structures, within the scope of new type of membership and enabling existing members to

Efforts to improve both supply and demand aspect of Capital Markets continued in 2017.

trade in other markets where they cannot operate, studies have been carried out in order to implement our proposals approved by regulatory authorities within the year.

THE BENEFITS PROVIDED TO MEMBERS IN 2017 6

In 2017, in consideration of the demands from the members of the stock market, pit area and single room divisions were removed in the trading room and the allocation of seats (TW-Trader Workstation) method was adopted and 50% discount was applied in the fee. In addition, the deduction of annual membership fees was terminated and the annual membership fees were reduced.

As a result of the establishment of a central counterparty service in the Equity Market, approximately 37% of the collaterals of intermediary institutions operating in the Equity Market were returned within the framework of the Capital Markets Board's (CMB) approval to prevent duplicate collaterals from being established both in Borsa İstanbul and in Takas İstanbul.

As of October 16, 2017, the securities remaining in Borsa İstanbul of the Equity Markets established the collaterals that the intermediary institutions will be authorized to carry out transactions at reasonable levels without any additional financial burden. In this context, the collateral burden of the members operating in the Equity Market was reduced.

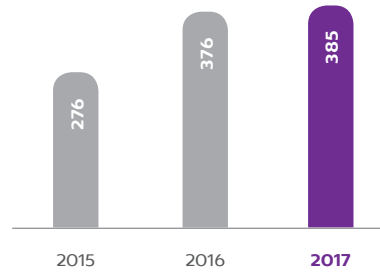
FUTURE TARGETS 1, 4

- Enabling marketing, developing product / service / communication and policies for stakeholders,
- Increasing number of companies traded in Borsa İstanbul,
- Improvements in Borsa İstanbul membership structure,
- Supporting the trainings offered to investors by intermediary institutions,

FINANCIAL CAPITAL



NUMBER OF PRIVATE MARKETS MEMBERS BY YEARS

PRIVATE MARKET 

The private market continues to grow with the new members in 2017.

Borsa Istanbul special market is a membership-based platform that brings together companies and qualified investors in order to buy and sell shares without going public.

Private market offers companies the opportunity to provide capital financing free of liabilities such as public disclosure and CMB legislation.

The number of members of the private market, which continued to grow in the third year of operation in 2017, reached 385. 245 of the members are investment-seeking ventures, including ISO 1000 companies. 109 of them are investors, 31 of them are intermediaries and service providers.

Out of 245 companies that are in search of investment, 160 are start-up companies and 85 are in the rising companies (pre-IPO) category composed of larger-scale companies.

Investor members are composed of venture capital funds, angel investors and corporate venture capital funds operating in Turkey and around the world.

Large companies in Turkey also became members of the private market in order to assess opportunities for investment or cooperation in innovative companies.

The private market continues to grow with the new members in 2017.

IN THE PRIVATE MARKET, BRIEFLY THE YEAR 2017...

- Total turnover of start-up companies operating in the private market was TL 125 million and the total turnover of rising companies was TL 4.9 billion.
- The total capital investment realized in the private market at the end of the year exceeded TL 30 million and the total number of transactions reached 13.
- OSTIM-Borsa İstanbul held a conference program about strengthening shareholders equity.
- More than 1,100 participants were informed about the private market by participating in 11 events, including activities jointly organized with TIM, TSPB, development agencies, technoparks and Angel investment networks.
- The Borsa İstanbul Private Market Entrepreneurship and Regional Center project was approved by the Board of Directors.

FUTURE TARGETS 

- Developing private market infrastructure to include crowdfunding, establishing an entrepreneurship database, providing technological infrastructure to the countries of the region, establishing intellectual property market,
- Development of relations between entrepreneurs and investors through the entrepreneurship portal,
- Increasing the cooperation of the private market with accelerator platforms.



Access to financing

BORSA İSTANBUL PRIVATE MARKET, WHICH HAS 385 MEMBERS IN ITS THIRD YEAR OF OPERATION OFFERS THE OPPORTUNITY TO BUY AND SELL SHARES WITHOUT GOING PUBLIC.

FINANCIAL CAPITAL

THE INDEX AND DATA ACTIVITIES 2

As of the 2017 year-end, 330 indices based on equities are calculated, of which 55 are calculated in real time. In addition, 31 indices based on different investment instruments such as debt securities, gold, deposits, and funds, 20 risk control indices and 6 short and leveraged indices linked to BIST 30 and BIST 100 indices are calculated by Borsa İstanbul.

COMPARISON OF THE CHANGES IN THE BIST 100 AND BIST 30 PRICE INDICES IN 2017 WITH SOME OF THE WORLD'S LEADING INDICES:

Index Name	2016	2017	Annual Change (%)
BIST 100	78,138.66	115,333.00	47.60
BIST 30	95,498.58	142,112.40	48.81
S&P 500	2,238.83	2,673.61	19.42
FTSE 100	7,142.83	7,687.77	7.63
IBOVESPA	60,227.29	76,402.08	26.86
NIKKEI 225	19,114.37	22,764.94	19.10
HANG SENG INDEX	22,000.56	29,919.15	35.99

BIST Sustainability Index and BIST Corporate Governance Index are the thematic indices that are formed by considering responsible investment criteria.

BIST SUSTAINABILITY INDEX 6

BIST Sustainability Index basic rules and BIST Sustainability Index research methodology are the basis for the determination of companies in the index, as well as providing guidance on sustainability and corporate governance for companies.

BIST Sustainability Index is based on the evaluation of policies, systems and reporting of companies under three main headings: environmental, social and governance.

In 2017, 63 companies were rated for the BIST Sustainability Index. In addition to the BIST 50 index companies, the valuation process started with the announcement of the "The List of Companies Subject to Assessment, which took place in the BIST 100 Index and was determined by the participation of the voluntary companies not included in the BIST 50 index.

According to these assessment results taking into account end-of-June data, the companies that will be included in the index were selected. The number of companies in the BIST Sustainability Index, which was calculated with the new list since November 2017, is 44.

As of December 29, 2017, the BIST Sustainability Index basic rules were amended to include companies that are not listed in the BIST 100 Index but are volunteers in the BIST Sustainability Index, to the list of companies that are subject to evaluation. In determining the list of companies subject to valuation for 2018, the amendment was also taken into consideration.

BIST Sustainability Index and BIST Corporate Governance Index are the thematic indices that are formed by considering responsible investment criteria.

BIST sustainability index is based on the evaluation of policies, systems and reporting of companies under three main headings: environmental, social and governance.

BIST CORPORATE GOVERNANCE INDEX

The ratings for the Corporate Governance Index, in which the administrative issues determined by the CMB are taken into consideration, are carried out by the rating companies through which the companies that want to be evaluated are contracted. Companies with a corporate governance rating of minimum 7 over 10 as a whole and minimum of 6.5 for each main section are considered for the Corporate Governance Index.



BIST KYD INDICES

BIST-KYD indices were updated as of January 1, 2018 within the framework of the basic rules, developments in markets, demands of market participants and the needs emerging in practice. Starting from this date, the assets the export value of which amount to at least 100 million were included in BIST-KYD Corporate Eurobond Indices-Fixed rate, BIST-KYD Corporate Eurobond Indices-Floating rate and BIST-KYD Private Sector Lease Certificates Indices, and new arrangements were made concerning the securities, included in the indices, for which principal or coupon payment was not made.

As of the end of 2017, within the scope of BIST-KYD indices, 31 indices are calculated in total, which are collected in 11 main groups according to the investment instruments that measure daily returns of different investment instruments such as debt securities, gold, deposits and funds.

INDEX LICENSES

Such activities as using Borsa İstanbul indices, as benchmarking criteria for collective investment instruments by institutional investors, using Borsa İstanbul data to calculate indices by third parties and licensing licenses for index calculation of Borsa İstanbul on behalf of third parties continued. As of the end of 2017, the number of institutions signing contracts was 16 in index licensing and 63 in the use of BIST indices as benchmark, 10 in index production and 3 in index calculation.

BORSA İSTANBUL-TURKISH CORPORATE INVESTOR MANAGERS ASSOCIATION (TKYD) COOPERATION

Within the scope of the cooperation started in 2015 with TKYD, regular BIST-KYD Index Committee meetings were held and the exchange of information on the needs of the sector and prospective plans continued in 2017. In addition, in Borsa İstanbul, one-on-one meetings were held with portfolio management companies in order to explain the recent developments in Borsa İstanbul, the services provided in the index area, new indices and determine the needs of the institutions.

THE ACTIVITIES RELATED TO S&P / OIC COMCEC 50 SHARIAH INDEX

Marketing activities and feasibility studies were carried out in relation to the S&P/OIC COMCEC 50 Shariah index, which was calculated on June 22, 2012 as a result of the works of the "IIT Member States Stock Exchanges Forum", to which Turkey is also a member of, which was established by COMCEC. In this context, especially interviews were made with participation banks. In addition, the forum of the Member Countries of the Organization of Islamic Cooperation organized by the COMCEC has been consulted and presented.



FINANCIAL CAPITAL

CUSTOMER VISITS AND NEW PACKAGES/SERVICES

Information about the demands and needs of the customers and information about the developments and plans in the field of the Data Vending were given by meeting and teleconferencing regularly with the current and potential Data Vending customers.

As of April 2017, transaction-side information, which was distributed only at the end of the day, was started to be distributed as real time data.

With the second phase of the BISTECH technological transformation program (Derivatives Market), which was carried out within the scope of the strategic partnership activities carried out by Borsa İstanbul with NASDAQ, was commissioned in March 2017, together with the distribution of VİOP data through the BISTECH system.

In line with market demands, a new service that allows receiving the transaction books of funds from Borsa İstanbul at the end of the day was commissioned at the beginning of 2018. Fund books to be prepared by Takas İstanbul will be given to the related Fund service units to sign the contract at the end of the day via Borsa İstanbul's technological infrastructure.

EURASIA DATA DISSEMINATION NETWORK (EDDN)



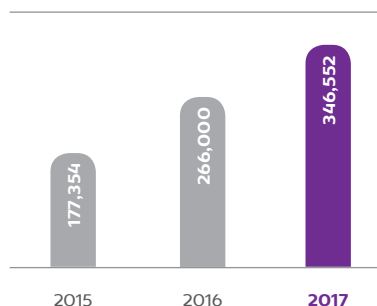
As of October 1, 2017, Pakistan Stock Exchange (PSX) data was also licensed through Borsa İstanbul, as well as the data of Sarajevo (SASE), Montenegro (MNSE) and Macedonia (MSE) Stock Exchanges distributed under the project. Borsa İstanbul continues its negotiations with many other stock exchanges in the region in line with its goal of becoming a regional data distribution center and aims to add new Borsa İstanbul in 2018 within the scope of cooperation.

In addition, the distribution of London Metal Exchange (LME) data previously licensed for distribution was started in 2017. Distribution of LME data is carried out through a third party service provider on the basis of agreement.

DISTRIBUTION OF OTHER INSTITUTIONS' DATA

Apart from the studies on the distribution of data on other exchanges in the region, Borsa İstanbul, which has been licensing and distributing data from the Central Securities Depository (Merkezi Kayıt İstanbul) and İstanbul Clearing, Settlement and Custody Bank (Takas İstanbul) since April 1, 2015, has been working with these institutions to generate new data packages to address the needs of investors. The generation of new value-added data packages through using the data possessed by these institutions will contribute to the development of Turkish Capital Markets and the Turkish economy by providing the investors with a different vision.

THE NUMBER OF DATA USERS



HISTORICAL DATA SALES AND THE SUPPORTS PROVIDED TO UNIVERSITIES

Since August 1, 2015, Borsa İstanbul provided service to users as one of İstanbul's data distribution channels, via the Data store site (<https://datastore.borsaistanbul.com>) the sales of historical data and end-of-day files continued online. Historical data to be used for academic study were provided to academicians and students free of charge or with a very large discount by Borsa İstanbul as in previous years. In addition, many virtual portfolio competitions organized by universities were provided free of charge coordinated real time data support.

FUTURE TARGETS

- Cooperation with other stock markets in the direction of becoming a regional data center
- Generating new data packages,
- Enabling data marketing, improving the data storage system and distribution channels.

REAL ESTATE CERTIFICATES AND URBAN TRANSFORMATION

The intense interest in real estate investments in our country is reflected in the real estate certificate, which is a new capital market product. As a result of the studies carried out in 2016, the first Real Estate Certificate issued by the Housing Development Administration (TOKİ) was issued on April 7, 2017, and a total of TL 143.2 million was sold.

The certificates were purchased by 4,620 individual domestic investors and approximately 40% of the investors were the investors who didn't get any shares before on Borsa İstanbul, taking the real estate certificate for the first time.

After issuance, various actions were taken in 2017 to increase the effectiveness of certificates traded in Borsa İstanbul Collective and Structured Products Market. The necessary arrangements were made for the issue of credit processing and the adoption of certificates as equity, and provisions to encourage new issuance of real estate certificates with notification date of November 29, 2017 were introduced.

PRIORITY TRANSFORMATION PROGRAMS

MI 1, 6, 9

Borsa İstanbul is among the stakeholders of 25 Priority Transformation Programs (ÖDÖP) in 2014-2018 within the framework of the development plan under the coordination of the Ministry of Development. Two of the 25 programs covered by the plan are İstanbul International Financial Centre (IFM) and the increase in domestic savings and the prevention of waste programs under the responsibility of Borsa İstanbul.

Actions to be planned to complete by the end of 2018:

- Creation of organized markets that commodities such as metals can be traded,
- Developing technological infrastructure of buying and selling, surveillance, data distribution, risk management, clearing and custody of Borsa İstanbul markets,
- Consolidation of surveillance technological infrastructures of the markets,
- Establishment of “Technology Development Center” in cooperation with Borsa İstanbul and Boğaziçi University,
- More efficient use of Precious Metals Markets by participation banks
- Explaining the advantages of capital markets in the private sector, especially SMEs, in a widespread manner,
- Development of gold custody services.

Progress on all these actions is reported to the Ministry of Development on a quarterly basis and information on developments is regularly communicated to the Undersecretariat of Treasury.



HUMAN CAPITAL

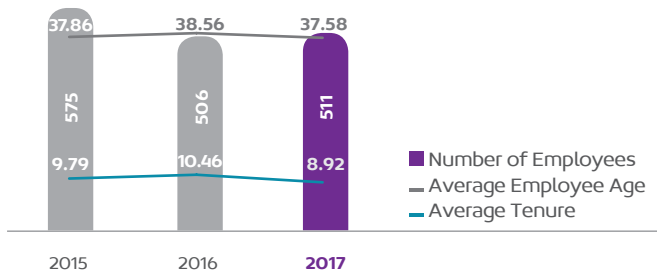
HUMAN RESOURCES

Borsa İstanbul has a competent qualified human resource, strongly committed to ethical values.

Borsa İstanbul believes that the most important contribution to its growth and development is made by its employees. Borsa İstanbul, which develops human resources policies and processes based on respect, carries out activities to acquire and develop talents.

By the end of 2017, the total number of employees of Borsa İstanbul is 511.

NUMBER OF EMPLOYEES, AVERAGE AGE AND TENURE



	Number of Employees	Average Employee Age	Average Tenure
2015	575	37.86	9.79
2016	506	38.56	10.46
2017	511	37.58	8.92

THE NUMBER OF EMPLOYEES BY GENDER

	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
	143	432	135	371	122	389

Borsa İstanbul supports personal career plans of the employees.

The career management policies developed and implemented by Borsa İstanbul, which support the career expectations of the employees, aim to reward the success of the employees, strengthen their contribution to the company by increasing their motivation and maintain low employee turnover levels.

Performance of the employees is monitored and evaluated by the managers throughout the year, as a part of career development and annual bonus distribution.

Borsa İstanbul offers its employees technical and managerial career paths.

The technical career path, which expresses the career development of the employee within the title group, aims to specialize in Borsa İstanbul and to evaluate the experience and knowledge of the work done. The managerial career path is the managerial career that is provided to employees in order to obtain the resources needed by the company in managerial titles from internal sources.

There are two types of career movements in the technical and managerial career paths: vertical and horizontal. Vertical career movement is realized by evaluating staff requirements, competencies, and experience required for the position. Horizontal career movement is the transition of the employee to a different position, unit or family of work with the current title.

Within the scope of the system called horizontal career movement, employees are encouraged to attain diversity in their careers by moving to a different business line and position with their current titles. In addition, in order to obtain the required human resources within the company, job opportunities are shared with the employees through internal announcements.

Comprehensive training activities are organized in order to increase the professional and personal knowledge and skills of the employees.

Borsa İstanbul provides training and development opportunities both in Turkey and abroad in order to continuously improve the human resource, to advance the knowledge of the employees and to keep up with the developments in the sector.

After Takas İstanbul and Merkezi Kayıt İstanbul started its activities in Borsa İstanbul Group campus, motivation activities are organized regularly in order to ensure the employees' integration within the Group, to strengthen the team spirit and to increase motivation.

Borsa İstanbul offers its employees two career paths: technical and managerial.

Borsa İstanbul Training Statistics	2015	2016	2017
Average training hours per employee (based on the total number of employees)	32.5	9.8	19.7
The average training hours per employee (based on the number of employees who received training)	32.5	12.5	46.3
Average training hours per female employees	31.2	36.7	82.3
Average training hours per male employees	32.9	13.4	25.8

FUTURE TARGETS IN TRAINING ACTIVITIES

“Training Catalogue” will be prepared for the purpose of planning the training of employees. While designing the catalogue, it is aimed to enable employees to follow trends and innovations in their fields of expertise by expanding their professional knowledge and to strengthen their personal development.

It is aimed to organize the “Executive Development Program” which aims to increase the business performance, individual productivity, productivity within the team and the success of the company, and the program is planned to be completed by the end of 2019.

It is planned to increase the variety and scope of motivation activities.

REMUNERATION, OTHER FINANCIAL AND SOCIAL RIGHTS

The wages and other financial rights of the employees are determined by taking into account legal obligations, union rights, employee competencies and performance, market conditions and justice principle. The rights and working conditions provided to unionized employees are also granted to all employees working under an indefinite-term employment contract.

MOTIVATION ACTIVITIES

Motivation activities ranging from arts and sports to conferences were organized regularly in Borsa İstanbul campus. At least twice a month, expert speakers and artists were invited according to employee questionnaires. In this context, a series of motivation activities was organized some of which are:

- Archery training, performed at Borsa İstanbul campus for two days a week during the year.
- Historian-writer Prof. Dr. İlber Ortaylı's seminar titled “Turkey's economic history” on September 29, 2017.
- Concerts of Chorus İstanbul music group consisting of Borsa İstanbul personnel.

FUTURE TARGETS 7, 9

- Implementing practices to increase the loyalty and motivation of Borsa İstanbul Group employees,
- Preparation of career planning and development programs for employees and managers,
- Implementing an effective performance management system.



INTELLECTUAL CAPITAL

RESEARCH AND DEVELOPMENT 2, 5

In line with the vision and strategic goals of Borsa İstanbul, R&D activities are being carried out to determine new growth areas.

Today, the stock markets have turned into companies providing technological solutions as well as their basic missions. Borsa İstanbul aims to provide infrastructure and services to reach the potential of Turkish Capital Markets with a technology-focused, innovative and value-added approach.

The R&D efforts of Borsa İstanbul to increase competitiveness, to develop new markets and business areas, and to improve existing markets and business areas continued in 2017.

Among the studies carried out within this scope;

- Ensuring the necessary coordination with corporate units and external stakeholders,
- Establishment and development of institutional relations at home and abroad,
- Preparing the environment to support innovation,
- Preparation of preliminary work on intrapreneurship,
- Monitoring developments in the field of financial technology and carrying out activities in order to increase corporate maturity in these issues.

In order to strengthen the position of Borsa İstanbul in global competition, while financial technology is being reshaped around the world, it is important to support the financial sector with R&D investments in Turkey and to produce the software needed by the sector with domestic resources. Borsa İstanbul intends to reach in a few years its vision to become a leading integrated platform that is not only self-sufficient but also is a provider of globally recognized technology. Borsa İstanbul positioned its new platform as a product under the “BISTECH” brand.

Borsa İstanbul stepped into a process where it can compete with global markets under much more advantageous conditions with the BISTECH program. It is planned to facilitate this process with long-term business collaborations and high value added, effective and result-oriented projects.

The strategic cooperation agreement signed with NASDAQ in 2013 was one of the most important initiatives within the scope of BISTECH. The main objective of the agreement is to greatly improve the existing market practices and technological infrastructure within Borsa İstanbul and to integrate it into the World’s advanced capital markets.

While the transmission speed of orders is increased with BISTECH technology, many improvements have also been introduced. With the completion of the BISTECH project, pre- and post-trade processes are expected to gain a high speed.

In the first phase of BISTECH, all surrounding systems such as the Equity Market trading system, clearing and settlement system, surveillance and risk management systems were renewed. As a result of the efforts carried out to move other markets to the platform, the Derivatives Market was also introduced to the system.

Borsa İstanbul has gained modular, low maintenance and operational cost, reliable, high performance and fast technology with BISTECH system.

The goal of Borsa İstanbul is to complete the transition of other markets to the BISTECH system in 2018.

IN THE BISTECH SYSTEM, BRIEFLY THE YEAR 2017...

- The Derivatives Market started to operate on BISTECH system with a successful transition on March 6, 2017.
- Information document including the general structure of the Debt Securities Market in the BISTECH system as well as the planned and implemented changes was published.
- Meetings were held to inform the members, data distribution companies and software companies about the project calendar and changes in the market functioning rules including clearing, settlement and risk management in the Debt Securities Market.
- Sukuk Repo Market is planned to be launched with the transition to the BISTECH system.
- Equity Market’s (T+1) erroneous order correction process was changed and the same day (T+0) correction was allowed as well as the day following the transaction.
- Equity Market BISTECH PTRM/pre-trading risk management practices and principles were amended.
- Following the transition of the BISTECH member representatives, BISTECH trading platform and pre-trade risk management

implemented training activities were organized to enable them to operate in the Debt Securities Market and to use the PTRM application.

SOFTWARE HANDOVER SYSTEM INFRASTRUCTURE PROJECT

Borsa İstanbul obtained ownership of operating licenses and source codes of the technology as well as reselling rights in selected countries. After the completion BISTECH transformation, necessary steps will be taken for the sale of BISTECH to other markets and efforts will be made to develop technology-based enterprise solution products.

In this context, the software handover system infrastructure project and the server infrastructure required for the acquisition of Borsa İstanbul software codes in the NASDAQ market application were integrated with BIST Cloud environment.

The main purpose of the project is to store, develop and transform NASDAQ software codes within Borsa İstanbul and to provide the appropriate infrastructure for transforming them into commercially available packages. Another acquisition achieved by the project is the fast allocation of servers over the new cloud structure. At IDC's public CIO summit 2017 event, the platform for Borsa İstanbul BISTECH software handover infrastructure was awarded the second prize in the category of "best business enablement".

The project, consisting of a large application development server environment and a private cloud structure to manage this structure, is an important investment for Borsa İstanbul.

The project is expected to be an important source of revenue along with cloud technology-based service and infrastructure sales targets in the future.

The fact that BISTECH technology can be exported abroad is among the targets of Borsa İstanbul. The successful BISTECH technology and the expanding service network will contribute to Borsa İstanbul as a regional and ultimately a global financial hub.

BISTECH R&D CENTER

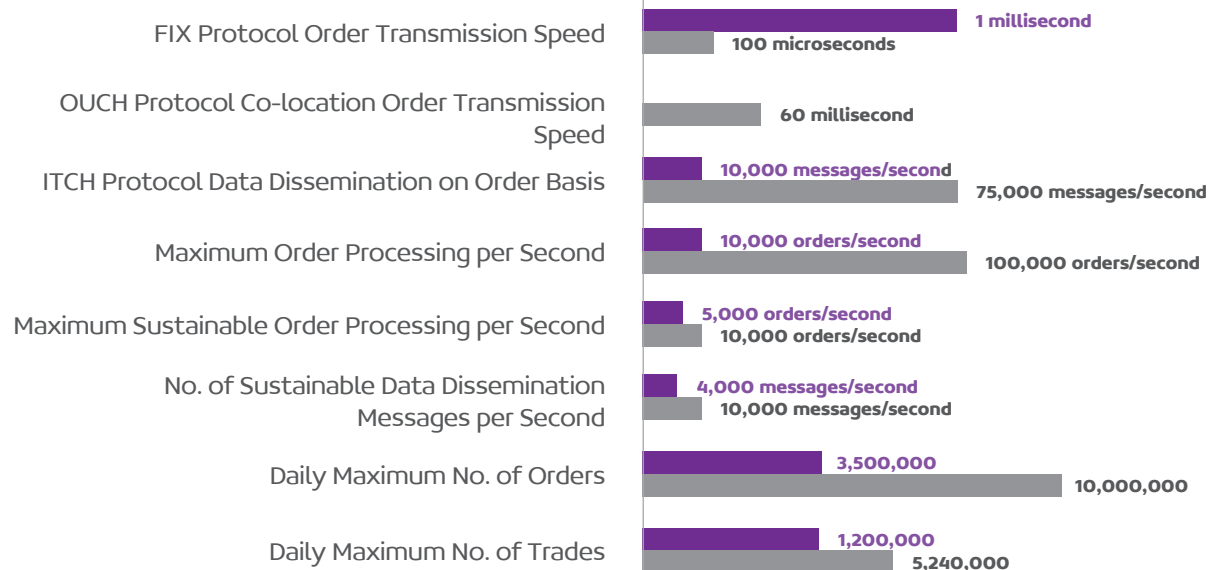
BISTECH R&D Center aims to produce innovative and high-tech products in the fields of Finance and Software Technologies and to provide comprehensive solutions for capital markets, and to employ qualified human resources.

BISTECH R&D Center received "Best Project Management" award within the scope of "Best Practice Examples Summit of R&D Centers" organized by the Ministry of Science, Industry and Technology on May 16-17, 2017.

In the first quarter of 2017; rehearsal tests, merge & migration tests and live migration preparations were conducted regarding Derivative Market's transfer to BISTECH technology.

Subsequently, in addition to the existing core and surrounding products, an order entry terminal application (GIW), a clearing and settlement terminal (CW2) and physical storage applications for the Precious Metals and Diamonds Market were developed. From the last quarter of 2017, the preparations for the last phase, the "merge & migration" tests and certification activities were carried out.

BISTECH PROJECT'S OUTCOMES



■ Pre-BISTECH ■ Post-BISTECH

INTELLECTUAL CAPITAL



BISTECH technology and the expanding service network will provide the greatest contribution to Borsa İstanbul becoming a regional and ultimately a global financial hub.

FINANCE TECHNOPARK

Financial Technopark Technology Development Center will be implemented within Finans Teknopark A.Ş., which is planned to be established with the vision of producing the software needed by the financial sector with local resources and strengthening R&D and innovation in Turkey.

BISTEP - CORPORATE TRANSFORMATION PROGRAM FOR COMPANIES

Borsa İstanbul, in cooperation with Koç University, has set up the BISTEP program, that aims to support the institutionalization process of companies with growth potential. The program is structured in a way that it focuses on the company's stepping up of institutionalization and its multidimensional contribution to achieving sustainable growth.

The program provides companies with direct access to a partner pool of intermediary institutions, independent audit firms and law firms.

Within the scope of the Program, 27 different topics such as strategic thinking, sustainable growth and corporate governance, family companies and institutionalization, leadership of change, creativity, innovation and business world, capital markets, digital transformation, next generation

marketing in the digital age, finance for managers and legal awareness are planned to be covered.

NASDAQ ADVISORY SERVICES

The strategic partnership agreement signed between NASDAQ and Borsa İstanbul covers technology transfer as well as advisory services including the sharing of the needed knowledge in capital markets.

Within the scope of consultancy services determined as 1,800 man/day for 4 years in total, activities of under 14 headings were completed in 2017. Borsa İstanbul and Takas İstanbul employees participated in the training activities organized under the main headings of Market and Business Development, Management and Corporate Activity and Clearing and Settlement Processes.

RESEARCH ACTIVITIES

Data Analytics Project

Borsa İstanbul has developed the data analytics project, which includes the transfer of various parameters such as depth, volume and volatility of market transactions to investors through advanced software and hardware systems and in real time.

The project provides additional information to investors with maximum 1 second delay such as the number/amount

of orders received within a certain period of time, the ratio of cancelled orders to total orders, volatility of the amount of buy/sell orders, the weighted average price of the transactions, first buy/sell orders, the ratio of the buy/sell orders to each other.

As a continuation of the Equity Market data analytics, which was launched from June 1, 2016, Borsa İstanbul continued to develop data analytics for other markets in 2017.

In order to prepare the data analysis of the Derivatives Market, negotiations were made with investment institutions and data provider companies and market needs were determined. Taking these needs into consideration, studies will be initiated in the determined areas by taking into consideration the existing Equity Market data analytics and/or Derivative Markets data analytics.

Reporting

“Daily Economy-Financial Bulletin”, “Daily Market Report”, “Monthly Market Developments Report” and monthly data sets are prepared and shared within the Group. In addition to these reports, stock market statistical data reports are prepared on demand and delivered to related stakeholders.

Furthermore, the integration of the internal data pool to a data analytics and visualization tool for daily data was completed in 2017.

Borsa İstanbul Review

Borsa İstanbul continued publication of Borsa İstanbul Review, a refereed international academic journal, published by Elsevier, one of the most respected publishers in the

world, containing articles in Finance and Economics in 2017. During the year, a total of 4 volumes containing 20 academic articles were published. Borsa İstanbul Review was indexed at Scopus, Emerging Sources Citation Index, Web of Science, Directory of Open Access Journals (DOAJ), EconLit (JEL on CD), RePEc: Research Papers in Economics and the World Banking Abstracts within the framework of increasing international recognition and accessibility.

FUTURE TARGETS 4, 5, 6

Cooperation opportunities contributing to Borsa İstanbul's goals to become a regional hub for capital markets and to increase its international integration will be seized and efforts to strengthen connections with foreign exchanges and financial institutions will be continued.

After the final transformation of BISTECH, necessary steps will be taken to sell BISTECH technology to other exchanges. Development efforts of technology-based enterprise solution products will be accelerated.

In order to increase the national and international efficiency of BISTECH R&D Center, research activities will be carried out in line with the strategy and new business and product development activities will be carried out in Turkey and abroad.

Borsa İstanbul Review aims to become one of the most prestigious international financial magazines in the world by applying to the “Social Science Citation Index” (SSCI) in 2018, the highest standard in the field of Social Sciences.



MANUFACTURED CAPITAL

BORSA İSTANBUL'S TECHNOLOGY SERVICES 2, 8

Colocation

The marketing, sales and after-sales support activities of the Borsa İstanbul Colocation Service continued to provide market participants with access to Borsa İstanbul in a fast and secure manner. By 2017, 33 cabinets were leased to Borsa İstanbul members, service providers and companies that perform high frequency operations in the Borsa İstanbul Data Center.

Why Colocation?

Fastest access to trading systems: The lowest latency within the access channels is provided in the area of colocation.

Cost advantage: Borsa İstanbul colocation area can be used as an alternative access point. By choosing this option firms may save from the data center maintenance costs and/or connection costs.

Operational risk mitigation: Colocation service is provided in Primary Data Center that offers the most secure and advanced solution to its customers. In colocation services, all components (connections, energy, cooling systems) are provided redundantly and thereby operational risk due to tech infrastructure is reduced to minimum.

Fairness: Borsa İstanbul provides same cabling length from each cabinet to the trading system within its colocation service, thereby enables the fairness between customers.

HFT/Algo: Borsa İstanbul provides the appropriate infrastructure for HFT/ Algorithmic trading.

Borsa İstanbul works in synergistic cooperation with Takas İstanbul and Merkezi Kayıt İstanbul in the same campus within the scope of integrated service platform and group structure.



ITCH & OUCH protocols: Fast order and data transmission formats prepared in accordance with HFT/Algo processes are provided in colocation.

Hosting

The service for hosting the systems and equipment of Takas İstanbul and Merkezi Kayıt İstanbul in Borsa İstanbul Data Center continues.

Pre-trade Risk Management (PTRM)

As a result of marketing, sales and after-sales support activities for PTRM application, which works integrated with BISTECH transaction platform and enables our members to carry out risk management at the order entry, there are 17 members in total as of the end of 2017.

Time Server Service (PTP/NTP)

As of the end of the year, 6 institutions use this service which allows regulatory agencies to adopt the time information provided by the National Institute of Standards and Technology (NIST) over GPS satellites in microseconds (PTP) and milliseconds (NTP).

OUCH & ITCH protocols

8 intermediary institutions use the OUCH order delivery protocol, which is prepared for high frequency/algorithmic transactions, and 11 customers use the ITCH data transmission protocol, offered in colocation.

INTEGRATED SERVICE BUILDINGS

By the end of 2016, Borsa İstanbul and its subsidiaries Takas İstanbul and Merkezi Kayıt İstanbul have joined forces under the brand name of “Borsa İstanbul Group” as three basic institutions of capital markets and met under one roof in the same campus. The opening of the integrated service buildings, which includes Takas İstanbul, Merkezi Kayıt İstanbul and Gold Custody Center of Borsa İstanbul Group, was realized on the 143rd anniversary of Borsa İstanbul with the reception of our President Recep Tayyip Erdoğan.

Borsa İstanbul has become a single platform that provides post-processing services in Turkey and has been one step closer to its goal to become “financial supermarket” where investors can invest in the form of different currencies and have an access to all capital market instruments with single investor and custody account. The precious metal storage capacity of 100 tons has been increased to 1,600 tons, making it one step closer to becoming a regional storage center.

FUTURE TARGETS 5, 8

- Increasing integration with Takas İstanbul and Merkezi Kayıt İstanbul,
- Successful completion of transition to the BISTECH infrastructure.



SOCIAL AND RELATIONSHIP CAPITAL

Borsa İstanbul, within the framework of the principle of being a responsible corporate citizen, develops social responsibility projects aimed at improving the quality of life of the community and contributes to sustainable development through its activities.

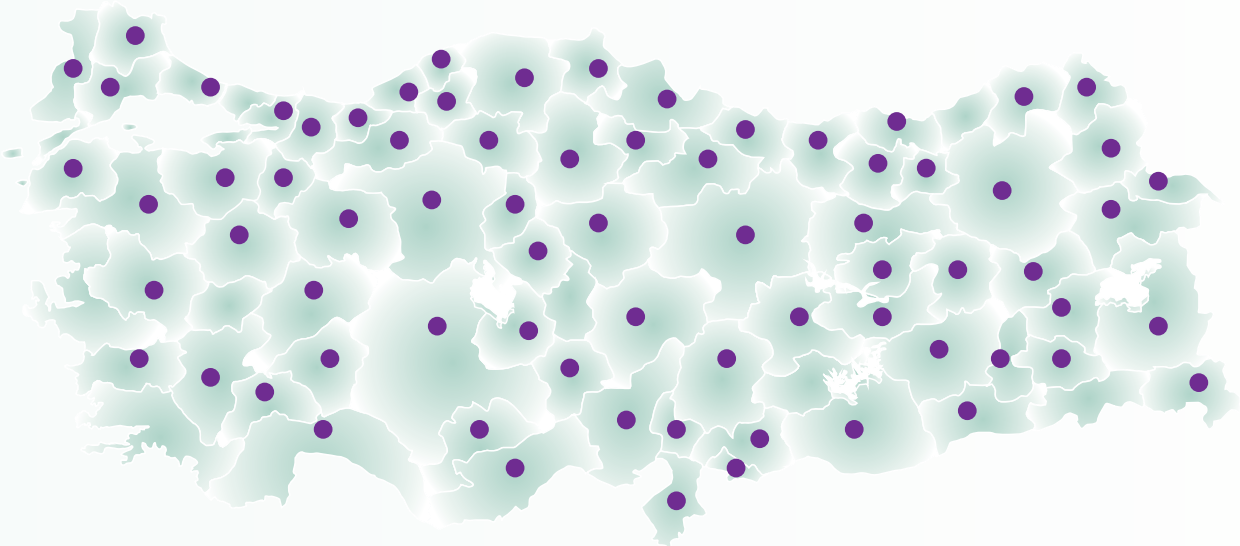
EFİKAP

Within the framework of the protocol made with the Ministry of National Education in 1997, the “National Education Physical Contribution Project” (EFİKAP) was activated for 46 schools within the scope of an “Education Fund” with an initial budget of TL 32 million and thus a huge project with much high added value was realized.



With EFİKAP, Borsa İstanbul aims to accelerate the schooling process and strengthen the education system especially in the Eastern and South Eastern Anatolia, contributing to regional development and the provision of equal opportunities in education.

Offering education opportunities to many students via 436 educational institutions and facilities of 53 different types, at Turkey’s 80 cities and 277 districts, the “National Education Physical Contribution Project” (EFİKAP) is a huge project with much high added value.



Through EFiKAP Project, TL 29.7 million support provided to Ministry of National Education and governorships during 2017.

With this project, Borsa İstanbul aims to accelerate the schooling process and strengthen the education system especially in the Eastern and South Eastern Anatolia, contributing to regional development and the provision of equal opportunities in education.

Education opportunities were offered to many students via 436 educational institutions and facilities of 53 different types, at Turkey's 80 cities and 277 districts. Facilities include elementary schools, high schools, vocational schools, boarding schools, sports halls, conference rooms, social attachments, universities, faculties, directorates and public education centers.

For this project, TL 29.7 million was provided in 2017. The project is funded by Borsa İstanbul-managed Borsa İstanbul Education Fund and the interest revenue is also used for EFiKAP. To date, approximately TL 1.5 billion of funding have been provided for project.

In addition to the contributions made to education, a holistic development is achieved by enabling adults to participate in business life through training and hand skills courses provided during the break periods of common education such as summer months and weekends.

COOPERATIONS 6

Strategic Partnerships

Borsa İstanbul has continued to cooperate within the framework of strategic alliances with NASDAQ on December 31, 2013 and with the European Bank for Reconstruction and Development (EBRD) on December 9, 2015.

Integrated Reporting Turkey Network (ERTA)

ERTA was established with the vision of creating awareness regarding 'integrated thinking' and 'integrated reporting' approach in Turkey and to support companies' practices in this field, announced its establishment at the opening bell ceremony held in Borsa İstanbul in the beginning of 2017.

Also another bell-ceremony was organized on November 13, 2017 to honor the institutions that prepare integrated report. Following the ceremony, an experience sharing meeting was hosted by Borsa İstanbul in collaboration with ERTA. A cooperation agreement was signed between Borsa İstanbul, ERTA and International Integrated Reporting Council (IIRC).

Financial Technology Cooperation between Turkey and the United Kingdom

Between Turkey and the United Kingdom a joint project has been initiated to establish a top-level financial technologies (Fintech) stakeholder group, to establish a roadmap for cooperation in the development of the financial technology industries in two countries, and to identify areas of common interest/benefits.

Borsa İstanbul and London Stock Exchange are co-chairs of the project. The main cooperation points are as follows:

- Arrangement and policy
- Promoting innovation
- Roles of Stock Exchanges
- Islamic finance and financial technology
- Financial technology and education: cooperation with universities.



SOCIAL AND RELATIONSHIP CAPITAL



“This is the first time the IIRC signs a collaboration agreement with an exchange. Borsa İstanbul demonstrates a real leadership role in encouraging Turkish businesses to adopt integrated reporting which, through the support of the Integrated Reporting Turkish Network, I believe will lead to real, tangible benefits for Turkish companies. This will lead to stronger dialogue between Turkish market participants and ultimately to support financial stability and sustainable development in the country.”

Richard Howitt
CEO, IIRC

Bell Ceremonies

The beginning and the closing of trade sessions are symbolically marked by ringing a bell at Borsa İstanbul.

This symbolic gesture may be transformed into a celebration by Borsa İstanbul on the occasions of important days and events and IPOs.



Mavi, Bell Ceremony



Bell Ceremony for Gender Equality, March 8, 2017

Ring the Bell for Gender Equality

A bell ceremony was organized in Borsa İstanbul with the participation of Minister of Family and Social Policies Dr. Fatma Betül Sayan Kaya with the aim of promoting gender equality in the business community and encouraging the empowerment of women in economic life with the collaboration of UN Global Compact, UN Women, World Federation of Exchanges-WFE, Women in ETFs, Sustainable Stock Exchanges Initiative-SSE and International Finance Cooperation-IFC.

ACTIVITIES, SPONSORSHIPS, TRAINING ACTIVITIES

Capital Markets Summit 2017

Turkish Capital Market Association (TCMA), engages in various activities aimed at ensuring the development and deepening of capital markets in Turkey. The second Capital Markets Summit sponsored by Borsa İstanbul was held by TCMA on November 14-15, 2017.

Conference on “Outlook on Global Crisis over China and India and Turkey”

Borsa İstanbul hosted the conference on “Outlook on Global Crisis over China and India and Turkey” on September 12, 2017. Minister of Finance Naci Ağbal, Minister of Energy and Natural Resources Berat Albayrak and Governor of İstanbul Vasip Şahin participated to the event.

The beginning and the closing of trade sessions are symbolically marked by ringing a bell at Borsa İstanbul.



Ethnosport Cultural Festival, May 11-14, 2017

Ethnosport Cultural Festival

Borsa İstanbul was one of the main sponsors of the Ethnosport Cultural Festival, which was organized by the World Ethnosport Confederation, to which about 20 states attended, on May 11-14, 2017, with the aim of keeping traditional sports alive today and specializing in these sports.

Sponsorship of Sports Activities

Borsa İstanbul continued its sponsorship to national archer with physical disability, Abdullah Yorulmaz, sporting within Turkish Physical Handicapped Sports Federation and the Turkish Archery Federation.

Borsa İstanbul, which presented Abdullah Yorulmaz with a new wheelchair and arrow and bow for use in sporting activities, will continue to support our national athlete in order to enable better representation of Turkey in international arena.



GPAS, November 16-17, 2017

MÜSİAD Global Participation Finance Summit (GPAS)

Borsa İstanbul was one of the sponsors of Global Participation Finance Summit, held on November 16-17, 2017 by the Association of Independent Industrialists and Businessmen (MÜSİAD) and Turkish participation banks. The Summit which was inaugurated by H.E. President Recep Tayyip Erdoğan, ended with the closing dinner organized with the participation of Prime Minister Binali Yıldırım.

Event of “EMPEA-Globalturk Capital’s Annual Turkey Event-Private Equity Investments in Turkey and Environs”

Borsa İstanbul sponsored “2nd Annual Turkey and Surrounding Private Equity Investment Briefing” which was organized by EMPEA, the world’s largest Private Equity Association and Globalturk, on December 7, 2017. The event brought together Deputy Prime Minister Mehmet Şimşek and the world’s most important Private Equity Fund Managers.



OIC Member States' Stock Exchanges Forum, October 31, 2017

Organization of the Islamic Conference (OIC) Member States' Stock Exchanges Forum

OIC Member States' Stock Exchanges Forum, which has been organized under the coordination of Borsa İstanbul since 2005, held its 11th meeting on October 31, 2017. Exchanges and post trade institutions of member states participated in the meeting as well as representatives of AAOIFI, IIFM, IDB and World Bank GIFDC, aiming to improve the business cooperation between Stock Exchanges of the OIC member countries.

As the Coordinator of the Forum, Borsa İstanbul hosted two adjacent workshops on October 30, 2017. The Workshops provided a platform for the delegations of the Member institutions to discuss and elaborate on the topics of gold trading, Shariah Index and Index-based products among OIC Member States. As the Forum Coordinator, Borsa İstanbul continues to implement the Forum decisions taken at the 11th meeting and represent the Forum at the conferences within the scope of COMCEC.

Bosnia Bank International (BBI) Training

Borsa İstanbul, Albaraka Türk and Kuveyt Türk (two important participation banks in Turkey) have continued to provide training to BBI personnel as part of a memorandum of understanding signed between Borsa İstanbul and BBI for mutual information and experience sharing.

Education Export to Foreign Institutions

Borsa İstanbul has started to share its knowledge and experience in capital markets with other organizations. The first education export including the whole process from trading of capital market instruments on Borsa İstanbul to post trade services was realized on December 4, 2017 on the Baku Stock Exchange. A similar training will be provided to Uzbekistan Stock Exchange in 2018.

SOCIAL AND RELATIONSHIP CAPITAL

Borsa İstanbul aims to develop strategic relations with the organizations in Eurasia region through interactive training services.



Member and Student Training Activities

As in the previous years, in 2017, 36 member representatives were provided training for a total of 250 hours, which is a pre-requisite for authorization of members' representatives.

The student education program continued in 2017. In the program where each group has been educated for two weeks, it is aimed that the participants should learn about the stock market and capital markets, as well as prepare the business life by observing the work carried out in the units they are assigned to. Throughout the year, 352 students have been provided information regarding capital markets in Turkey and Borsa İstanbul.

Training and promotion activities are organized for students of all ages in order to promote and develop Borsa İstanbul and capital markets. Student groups from all levels who want to visit Borsa İstanbul and get information were presented by introducing the markets. In addition, in line with the appropriate demand and participation from educational institutions, these schools are visited and information meetings are organized.

INVESTOR INFORMATION CENTER

Investors' (individuals/investor organizations/students/other institutions etc.) suggestions and complaints can be sent to the Investor Information Center by mail or fax or by filling out the form at the Borsa İstanbul website.

 www.borsaistanbul.com

BIST MOBILE APPLICATION

In order to contribute to the introduction of Borsa İstanbul and to Equity Market information instantly, mobile application was introduced on mobile platforms in February 2018. In addition to the market information of all publicly traded companies, mobile application also includes Public Disclosure Platform (KAP) news and financial tables.

BORSA İSTANBUL'S MEMBERSHIPS AND THE SUPPORTED INTERNATIONAL INITIATIVES

- World Federation of Exchanges (WFE)
- Organization of Islamic Cooperation (OIC) Member States' Stock Exchanges Forum
- London Bullion Market Association (LBMA)
- World Federation of Diamond Bourses (WFDB)
- Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)
- International Islamic Financial Market (IIFM)
- Islamic Financial Services Board (IFSB)
- Inter-Market Surveillance Group (ISG)
- Financial Information Services Association (FISD)
- Kimberley Process Certification Scheme (KPCS)
- Sustainable Stock Exchanges Initiative (SSE)
- Integrated Reporting Network Turkey (ERTA)



A responsible corporate citizen

BORSA İSTANBUL, WITHIN THE FRAMEWORK OF THE PRINCIPLE OF BEING A RESPONSIBLE CORPORATE CITIZEN, DEVELOPS SOCIAL RESPONSIBILITY PROJECTS AIMED AT IMPROVING THE QUALITY OF LIFE OF THE COMMUNITY AND CONTRIBUTES TO SUSTAINABLE DEVELOPMENT THROUGH ITS ACTIVITIES.

SUSTAINABILITY AT BORSA İSTANBUL



Sustainability, being an integral part of Borsa İstanbul's corporate strategy, is the basis of Borsa İstanbul's journey of value creation for the Turkish economy, by providing a risk-resistant, effective, fair and competitive environment.

Borsa İstanbul integrates its sustainability practices into decision making mechanisms and business models with the aim of a leading role in the development and diversification of capital market instruments, by taking the global risks and opportunities into account for a sustainable financial system.

In today's financial systems, there are important stakeholders that play a key role in shaping the sustainable investment environment. These are the stock exchanges that interact with legislators, non-governmental organizations, banks and various market participants. On the other hand, the role of stock markets in determining the rules and best practices is increasing. In this context, raising environmental, social and governance awareness and standards among publicly traded companies is within the top priorities of Borsa İstanbul, both in order to make companies more sustainable and to leave a better future for next generations.

Borsa İstanbul is actively participating in national and international networks and leading many initiatives to expand the perception, knowledge and experience of the sustainability practices and its further applications.

INNOVATION AS A KEY TOOL

Borsa İstanbul believes that innovation is one of the critical tools in achieving sustainability. It is, therefore, important to provide a sustainability-focused product range that can serve the needs of market participants.

FOUNDING MEMBER OF SUSTAINABLE STOCK EXCHANGES INITIATIVE

As one of the founding members of Sustainable Stock Exchanges Initiative (SSE), Borsa İstanbul's sustainability approach is as follows:

- To encourage market participants and stakeholders in order to integrate their sustainability perspective into their business cycle and bring them together with experts in the field,
- To develop market-based solutions,
- To be an exemplary institution by implementing best practices

Sustainability is an integral part of Borsa İstanbul's corporate strategy.



Borsa İstanbul aims to expand sustainable business models and integrate sustainability perspective into business models within the company. Establishing a sustainability strategy, identifying long-term and short-term targets and integrating them with corporate targets are of great importance.

The Sustainability Strategy Roadmap, which includes the priorities set by Borsa İstanbul and the actions planned to be undertaken by 2020, was approved by Borsa İstanbul Administrative Board in July 2016.

BORSA İSTANBUL AIMS AT 2020 SUSTAINABILITY LEADERSHIP

Borsa İstanbul's approach to natural capital elements demonstrates itself with sustainability activities starting from 2000s. Borsa İstanbul provides added value to the community through its transformative and encouraging role in sustainability. In this respect, added values are as follows:

- To raise awareness of all stakeholders, especially companies,
- To encourage companies to become sensitive to environmental factors with sustainability index and thus contribute to eco-friendly economic growth and development with low carbon emission levels,
- To ensure that the public, the press and the business world are aware of sustainability, as well as strengthening the perception on this issue with the help of Sustainability Platform.

44 companies were listed in 2017 in the BIST Sustainability Index.



BORSA İSTANBUL SUSTAINABILITY PLATFORM

Sustainability Platform, which was established in 2013 an initiative of Borsa İstanbul, enables to carry out studies in the field of sustainability while sharing the cumulative knowledge among members from different companies and NGOs.

It is aimed to raise awareness and strengthen the perception among the public, the press and the business world by bringing together international organizations, public regulatory authorities and non-governmental organizations containing employee associations, foundations and so on.

Members of Sustainability Platform are; CMB, the Banks Association of Turkey, Turkish Capital Markets Association, Corporate Governance Association of Turkey, Business Council for Sustainable Development, the Global Compact Turkey, Turkey Carbon Disclosure Project, Turkey Industry and Business Association, Turkish Investor Relations Society, Sustainability Academy, Sabancı University Corporate Governance Forum, Argüden Governance Academy, Yıldız Technical University Center for Finance, Governance and Sustainability and Integrated Reporting Network Turkey.

SUSTAINABILITY INDEX

Borsa İstanbul calculates BIST Sustainability Index since November 4, 2014 with listed companies that have high corporate sustainability performance. It also aims to increase understanding, knowledge and practices about sustainability in Turkey and especially among Borsa İstanbul companies.

Companies, that have high corporate sustainability performance, have become more visible by the market and it has been encouraging the continuation and improvement of the activities with the calculation of index. Companies that do not yet work in this area tend to take steps with increasing interest in sustainability.

44 companies were listed in 2017 in the BIST Sustainability Index.

BORSA İSTANBUL SUSTAINABILITY COMMITTEE

Borsa İstanbul Sustainability Committee was established in 2015 in order to follow up sustainability practices in Borsa İstanbul, to implement its sustainability strategy and to integrate sustainability into decision-making mechanisms and business models. There are representatives of various departments in the Committee, the Presidency of which is carried out by Executive Vice President.

BOARD OF DIRECTORS



HİMMET KARADAĞ

Chairman of the Board and the Executive Committee



YUNUS ARINCI

Deputy Chairman and Independent
Member of the Board



MURAT ÇETİNKAYA

CEO, Member of the Board and the
Executive Committee



PROF. DR. ORAL ERDOĞAN

Member of the Board and the
Executive Committee



PROF. DR. ERİŞAH ARICAN

Independent Member of the Board



NICOLA BEATTIE

Member of the Board



İLHAMİ KOÇ

Member of the Board



İŞINSU KESTELLİ

Member of the Board



T. METİN AYIŞIK

Member of the Board



İHSAN DURDU

Independent Member of the Board

HİMMET KARADAĞ

Chairman of the Board and the Executive Committee

Born in Denizli in 1974, Himmet Karadağ graduated from Antalya High School in 1991. He entered Gazi University Department of Public Administration the same year and graduated in 1995. He earned his MBA degree from the University of Exeter Business School in 2010. Himmet Karadağ started his career in 1998 as Assistant Revenue Expert at Ministry of Finance Revenue Administration. He worked at the Tax Inspector Board (formerly Account Experts Board) of Ministry of Finance as Assistant Tax Inspector (formerly assistant account expert) between 1999 and 2002 and as Tax Inspector (formerly account expert) between 2002 and 2005. He served as Official Advisor to the Commissioner at the Revenue Administration between 2005 and 2006 and as Official Advisor to the Minister of Finance between 2006 and 2008. During the years 2009-2011, Karadağ worked at the Tax Inspector Board (formerly Account Experts Board) of Ministry of Finance as Senior Tax Inspector (formerly senior account expert) and Deputy Head of Group. Then, he worked as Head of Department at Ministry of Finance General Directorate of Revenue Policies in 2011 and 2012. Himmet Karadağ assumed the position of Board Member of the Capital Markets Board in 2012 and became the Deputy Chairman of the Board in CMB in January 2016. Karadağ was elected as Borsa İstanbul Chairman of the Board on April 1, 2016 and as Board member of Türkiye Wealth Fund on January 19, 2017. He was appointed as Türkiye Wealth Fund Acting Chairman of the Board on September 8, 2017.

YUNUS ARINCI

Deputy Chairman and Independent Member of the Board

Yunus Arıncı was born in Kumru, Ordu on March 20, 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 October 14, 2009. He has been Chairman of the State Supervisory Council since July 13, 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 October 31, 2016.

MURAT ÇETİNKAYA

CEO, Member of the Board and the Executive Committee

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 A.Ş. 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 A.Ş. (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 June 8, 2017.

PROF. DR. ORAL ERDOĞAN

Member of the Board and the Executive Committee

Prof. Erdoğan was born in Antalya in 1969. He earned his BS degree in the Naval Architecture and Marine Engineering Department of İstanbul Technical University (ITU). He later completed the MSc program in Management Engineering and his Ph.D. at İstanbul Technical University Management Engineering Department. He worked for the Turkish Maritime Organization during 1990-1994, for the İstanbul Stock Exchange between 1994 and 2001, and as academician at İstanbul Bilgi University Faculty of Business, Department of Business Administration between 2001 and 2013. Prof. Erdoğan received the title of Associate Professor in finance in 2000 and became professor in 2005. Prof. Erdoğan has scientific studies in maritime field. Prof. Erdoğan started to work for Piri Reis University in 2013, where he held the positions of Management Faculty Dean and Vice President until May 2014, when he was appointed as President. Prof. Erdoğan's main academic fields of study are financial management, financial markets, financial modeling, financial risk management and derivatives markets, and maritime administration and finance. Prof. Erdoğan has published several books and presented numerous papers at national and international conferences. In addition to his academic duties, Prof. Erdoğan has served as consultant to the Ministry of Transport, Maritime Affairs and Communications. He is

BOARD OF DIRECTORS

currently advisor to the Chamber of Shipping and Kocaeli Chamber of Industry. Previously, he founded and directed the masters' program on finance and capital markets certificate program at Bilgi University. Prof. Erdoğan was a Board member of Türksat A.Ş. between 2012 and 2014, and Aselsan A.Ş. between 2014 and 2016. He was elected as Board member of Türkiye Wealth Fund in January 2017. Prof. Dr. Oral Erdoğan is married with one child.

PROF. DR. ERİŞAH ARICAN

Independent Member of the Board

Prof. Erişah 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. Arican was elected as Borsa İstanbul Board Member on April 1, 2016.

NICOLA BEATTIE

Member of the Board

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 publically 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 honor 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 April 1, 2016.

İLHAMİ KOÇ

Member of the Board (as representative of Turkish Capital Markets Association)

İlhami Koç graduated from Ankara University Faculty of Political Sciences in 1986, and started to work in the Inspection Board of Türkiye İş Bankası A.Ş. (İşbank) the same year. Koç took part in inspection and interrogation efforts for İş Bankası, and in 1994, he was appointed to work temporarily in the management of a private bank transferred to the Central Bank of the Republic of Turkey. He was appointed as Assistant Director of İş Bankası Securities Department, where he was engaged in equity market transactions, investment fund management, and was also responsible for international capital markets operations. Koç was appointed as the Director responsible for the capital markets and portfolio management in İş Yatırım Menkul Değerler A.Ş. (İş Invest Securities) on January 3, 1997. İlhami Koç was promoted to Assistant General Manager on April 16, 1999, in which capacity, he was responsible for corporate finance, research, and domestic and international capital markets. He was appointed as the General Manager of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Venture Capital Investment Fund) on September 11, 2001, and then as General Manager of İş Yatırım Menkul Değerler A.Ş. on April 28, 2002. Koç was promoted as Assistant General Manager of Türkiye İş Bankası A.Ş. on January 30, 2013.

Koç has taken part in the boards of directors of various capital markets institutions, and is currently Chairman of İş Yatırım Menkul Değerler A.Ş., as well as board member of İşbank AG, CSJC Isbank and Şişe Cam Fabrikaları A.Ş. İlhami Koç was elected as Turkish Capital Markets Association Chairman on July 8, 2014, and in this capacity, represents the Association in Borsa İstanbul Board. Koç has participated in numerous pieces of training, seminars and conferences in Turkey and abroad, and has lectured specialists and managers of varying levels on the capital markets.

İŞINSU KESTELLİ

Member of the Board

İşinsu Kestelli was born in Konya in 1962. After graduating from American Collegiate Institute high school in İzmir in 1981, she received her B.A. degree from the Faculty of Economics and Administrative Sciences of Dokuz Eylül University, İzmir in 1985. She started her career in 1992 by joining İzmir Commodity Exchange as a member of the Edible Oils Professional Committee, and became member of the Board of Directors in 1995. Mrs. Kestelli served as Vice Chairperson of the Board of Directors from 2003 to 2009 in İzmir Commodity Exchange where she was elected as Chairperson of the Board of Directors in 2009. Mrs. Kestelli has also serving as Chairperson of the Board of Directors in Turkish Derivatives Exchange since August 2007. Presently, Mrs. Kestelli is involved in international edible oil trade. She is founding partner in the privately owned Agrilink Agricultural Products Ltd Co. where she continues her trading activities. Mrs. İşinsu Kestelli is Member of numerous organizations such as TOBB External Relations Commissioner, Turkey-EU Joint Consultative Committee Member, Board of Women Entrepreneurs, KAGİDER, Aegean Economic Development Foundation (EGEV), Aegean Young Businessmen's Association (EGIAD) Advisory Board, İzmir Economic Development Coordination Board, Dokuz Eylül University Foundation Board of Directors, EXPO Steering Committee Member and Co-Chair of the Committee of İzmir Economy Congress Events.

T. METİN AYIŞIK

Member of the Board

Born in 1961, T. Metin Ayışık graduated from Saint Michel French High School, followed by Istanbul University Faculty of Economics Business Administration/Statistics Department in 1983. He started his career at Beldesan, an affiliate of Koç Holding. Starting from 1987, Ayışık assumed senior executive roles in the leading banks and non-bank investment institutions of the Turkish capital markets. Ayışık has worked to contribute to the development of the capital markets and has assumed positions including the Chairman and Deputy Chairman of the Turkish Capital Markets Intermediary Institutions' Association; Board Member of the Turkish Derivatives Exchange; and Deputy Chairman of the Capital Markets Licensing and Training Company. Ayışık is currently the Chairman of Brokerage Companies Association. Before joining Gedik Yatırım in 2013, he was the CEO of Alternatif Menkul Kıymetler A.Ş.

İHSAN DURDU

Independent Member of the Board

İhsan Durdu graduated from Boğaziçi Behçet Kemal Çağlar High School, followed by the University of Wisconsin Department of Industrial Engineering and Economics in 1986. He worked as a consultant for investment projects in TTNET during 1989-1999 and played an important role in the realization of many physical investment projects. During 2002-2004, he served as advisor to General Manager in the same company. Then he worked as General Manager Advisor in AVEA during 2004-2005 and as a member of Supervisory Board in Türk Telekom between 2006 and 2007. İhsan Durdu served as the Minister's Advisor to the Ministry of Transport between November 2005-January 2014 and November 2015-May 2016. He has been serving as the Prime Minister's Chief Advisor since May 2016.

SENIOR MANAGEMENT



MURAT ÇETİNKAYA

CEO, Member of the Board and the Executive Committee



KORKMAZ ERGUN, PH.D.
Executive Vice President



M. UFUK ÖZDEMİR
Executive Vice President



ŞENOL DUMAN, PH.D.
Executive Vice President



ALİ İŞİK
Executive Vice President



MEHMET GÖNEN
Executive Vice President



MUHİTTİN ESEN
Executive Vice President



SERKAN KARABACAK
Head of Audit and Surveillance
Board

MURAT ÇETİNKAYA

CEO, Member of the Board and the Executive Committee

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 A.Ş. 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 A.Ş. (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 June 8, 2017.

KORKMAZ 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 Ph.D. 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 years' experience in the stock exchange business and capital markets. Ergun is currently Executive Vice President responsible for the markets and listing.

M. UFUK ÖZDEMİR

Executive Vice President

M. Ufuk Özdemir earned his undergraduate degree from İstanbul Technical University, Department of Control and Automation in 1988, and a masters' degree in 1993. He started his career in Netaş, followed by Zihni Holding and then became an assistant system analyst at Borsa İstanbul (formerly İstanbul Stock Exchange) Information Systems Department in 1991. Özdemir was promoted as Director in the Department in 1997. He worked as application and development manager, project manager and department head in settlement and custody, equity market, data dissemination, debt securities market, and derivatives market. 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 and Development since April 2016.

ŞENOL DUMAN, Ph.D.

Executive Vice President

Born in Konya, Karapınar in 1968, Şenol Duman earned his undergraduate degree at Ankara University Faculty of Political Science, Department of Political Science and Public Administration. He completed his graduate studies at the Carnegie Mellon University in public administration, and doctorate studies at Pittsburgh University in public administration and international relations. Şenol Duman started his career in academic circles. He was a research assistant at Kırıkkale University in 1993, Data Project Manager at Pittsburgh University between 1998 and 2003, and Assistant Dean at Atılım University Faculty of Business Management in 2003 and 2004. He entered the satellite industry in 2004 as a Deputy General Manager and Board member at Eurasiasat S.A.M., and Board member and Deputy General Manager responsible for sales and marketing at Türksat A.Ş. Duman was the General Coordinator and Founding Partner of Aeroturq A.Ş. between 2008 and 2011. He became an Assembly member of İstanbul Chamber of Commerce in 2013 and represented İstanbul Chamber of Commerce as General Assembly associate member at the Union of Chambers and Commodity Exchanges of Turkey (TOBB). Between 2011 and 2014, he was a Founding Partner and CEO of SM5 A.Ş. After April 2015, he was the General Coordinator at D8 Fertilizer Association; independent Board member at TGIF, and Board member at ETİS Lojistik and Raintrade Petrokimya A.Ş. During this period, he also lectured on international marketing and public administration at Gaziantep University. Before joining Borsa İstanbul, Şenol Duman was a Deputy General Manager responsible for Supply Chain at GÜBRETAŞ A.Ş.

SENIOR MANAGEMENT

ALİ 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 October 1, 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 has been appointed as acting Executive Vice President of the Information Technologies (Systems & Infrastructure) on June 8, 2017. Directorates of System Management, System Operations and Network & Security directly reports to him.

MEHMET GÖNEN

Executive Vice President

Born in İstanbul in 1971, Mehmet GÖNEN graduated from Boğaziçi University Industrial Engineering Department in 1993 and earned his MBA from University of Michigan Ann Arbor in 1995. Gönen started his career as Emerging Markets Trader at Cargill Financial Markets. He then became Executive Director at Goldman Sachs International in London. Gönen worked in Assistant General Manager and General Manager capacity at Standard Yatırım, BCP Millennium Bank, Merrill Lynch Turkey and Ziraat Yatırım Menkul Değerler A.Ş. He was appointed Assistant General Manager (Acting) at Borsa İstanbul in March 2018.

MUHİTTİN 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 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, İstanbul 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 Certified Public Accountant 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 Network Turkey (ERTA).

SERKAN KARABACAK

Head of Audit and Surveillance Board

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 Boğaziçi 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 Suryapı SPV. He currently works as the chief audit executive at Borsa İstanbul. He is also executive board member of Baku and Kyrgyz Stock Exchanges and vice chairman of board at Montenegro Stock Exchange.

COMMITTEES

	Executive Committee	Audit Committee	Early Risk Assessment Committee	Corporate Governance Committee	IPO Committee
HİMMET KARADAĞ Chairman of the Board and the Executive Committee	Chair				Chair
YUNUS ARINCI Deputy Chairman and Independent Member of the Board		Member	Chair		
MURAT ÇETİNKAYA CEO, Member of the Board and the Executive Committee	Member				Member
PROF. DR. ORAL ERDOĞAN Member of the Board and the Executive Committee	Member				
PROF. DR. ERİŞAH ARICAN Independent Member of the Board		Chair			
NICOLA BEATTIE Member of the Board				Member	Member
İLHAMİ KOÇ Member of the Board (as representative of Turkish Capital Markets Association)		Member		Member	Member
İŞINSU KESTELLİ Member of the Board			Member		
T. METİN AYIŞIK Member of the Board			Member		Member
İHSAN DURDU Independent Member of the Board				Chair	

COMMITTEE REPORTS

AUDIT COMMITTEE REPORT (SUMMARY)

Borsa İstanbul Audit Committee carries out its duties in a sound manner within the framework of Article 16 of the Articles of Association (AoA) of Borsa İstanbul and the Working Principles of Procedure of Borsa İstanbul Audit Committee. Prof. Dr. Erişah ARICAN was appointed as the Chairwoman of the Audit Committee and Yunus ARINCI and İlhami KOÇ were appointed as the members of the committee at Board held on June 8, 2017.

The Audit Committee is responsible for assisting the inspection of the financial statements of Borsa İstanbul carried out by the Board of Directors, monitoring the implementation and efficiency of the accounting system, appointing an independent audit firm and pre-approval of the services to be provided by the firm, preparing and supervising the contract between the Independent Auditor and Borsa İstanbul, controlling the firm's functioning and efficiency of independent auditing system and internal auditing mechanisms.

The Audit Committee met eight times in 2017. The activities of the Committee in 2017 are summarized below.

- Preliminary approval was given for providing the independent external audit service of accounts and transactions of Borsa İstanbul to KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
- Borsa İstanbul's 31/12/2016 year-end and 2017 interim-period consolidated financial statements and independent auditors' reports were reviewed and evaluated within the year.
- The annual internal audit work plan for the year 2017 of the Audit and Surveillance Board was approved and the results of internal audit were tracked on a regular basis. Within this scope, internal audit reports prepared as a result of the internal audit studies carried out in 2017 have been evaluated and a report has been submitted to the Board of Directors for evaluation.
- The Audit Committee received regular information about the financial statements of Borsa İstanbul and the details of the various account transactions in the tables are examined and evaluated.
- A summary of the reports prepared by the Audit and Surveillance Board to be submitted to the CEO was also delivered to the Audit Committee.

COMMITTEE REPORTS

EARLY RISK ASSESSMENT COMMITTEE REPORT

ESTABLISHMENT AND STRUCTURE OF THE COMMITTEE

Early Risk Assessment Committee was established in accordance with the Working Principles of Procedure of Borsa İstanbul Early Risk Assessment Committee prepared according to the Article 378 of Turkish Commercial Code and the Corporate Governance Principles of the Capital Markets Board dated 19/06/2013. The Committee consists of members of the Board of Directors. At the beginning of 2017, the committee members were Yunus ARINCI, Murat TACİR, Işinsu KESTELLİ and Nicola Jane BEATTIE and the members changed as the new Board of Directors formed after the General Assembly held in 2017. After the General Assembly, the Committee's membership duties have been carried out by Işinsu KESTELLİ and Tefik Metin AYIŞIK and Yunus ARINCI who is the chair of the committee

COMMITTEE ACTIVITIES

The Committee is supported by a team of Borsa İstanbul employees under the coordination of the related Vice Executive President. In the preparatory meetings of the Committee, the activities being carried out were evaluated with the participation of the personnel at the Executive Level, representing the 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 about the activities related to effective determination and management of risks was obtained. In addition, the activities to reduce the risks that are considered to affect the operations of Borsa İstanbul significantly are discussed and reported to the Board of Directors. Recent risks of all departments, the reasons for them, the measures taken in the short and long term were evaluated 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 experiences, other possible risks that could affect the business units and the institution were also discussed.

INFORMATION TECHNOLOGIES, TECHNOLOGICAL TRANSFORMATION AND BUSINESS CONTINUITY RISKS

Following the smooth transition of Equity Market and all related Borsa İstanbul systems to BISTECH platform, which was jointly developed with NASDAQ, efforts were continued to move other markets to the platform in 2017. The transition of the Derivatives Market was completed on March 6, 2017. In the first half of 2018, the transition of our other markets to the BISTECH system is planned and the necessary risk studies are carried on with sensitivity.

Policies and plans regarding extraordinary situations that may arise before or during the trade session and that may prevent the session from being conducted in a healthy manner have been periodically reviewed and necessary arrangements have been made in this regard.

In order to ensure the business continuity of Borsa İstanbul operations, there are exercises where market participants and our employees are involved. These exercises will be planned to cover the staff of Merkezi Kayıt İstanbul and Takas İstanbul in 2017. The studies in relation to bringing Takas İstanbul, Merkezi Kayıt İstanbul and Borsa İstanbul's emergency operations centers together in a separate building built in a robust and technologically new structure were completed in March 2017. At the Disaster Recovery Operations Center, two separate emergency practices were held on August 5, 2017 and October 14, 2017.

In recent years, there has been a lot of damage to the financial institutions on a global scale, such as cyber-attack, infiltration and so on and thus the relevant measures against such intrusions have been periodically monitored at risk assessment meetings. In this context, penetration tests are conducted to different organizations both annually and in case of need against technological leaks in all markets both externally and internally and necessary measures are taken. The measures were taken and the problems experienced are routinely shared with Takas İstanbul and Merkezi Kayıt İstanbul and special attention is shown to the coordination of the related parties on the sharing of information and experience.

In addition, in order to prevent confidential and sensitive information from leaking to unauthorized third parties, training activities are regularly carried out in order to increase information security awareness within the company within the context of the information security policy.

INSURANCE POLICIES FOR SPECIAL RISKS

Borsa İstanbul, Takas İstanbul and Merkezi Kayıt İstanbul, purchase comprehensive insurance policies to guarantee the risks that may arise from the use of a computer to abuse the security that may be encountered and the risks that may arise from various activities such as fraud. In addition, in order to secure the risks arising from the lawsuits that all employees of Borsa İstanbul can cause due to a business accident, “Employer Financial Liability Insurance” and in accordance with the relevant laws, regulations and communiqués “Occupational Liability Insurance” is purchased on Borsa İstanbul and guarantees the claims of the persons for their future compensation due to the damage and loss that affects the individuals. In case of deterioration/change of the data due to the reasons and conditions mentioned in the policy, claims of third parties for damages are also covered by the policy. As a result of the fact that the persons on the Stock 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 the 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, neighbor 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, the assets that constitute a risk to be damaged in terms of Borsa İstanbul and which are retained at Precious Metals and Stones Markets are also protected under “All Risk&Terror” insurance. “Financial Liability Insurance for Private Security Personnel”, which guarantees damages to third parties as a result of an 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 2017 and the renewal of the insurance policies the term of which expires shall be realized in 2018.

AUDIT FUNCTION AND PROCESS DEVELOPMENT

In accordance with international internal audit standards, risk-focused internal audit approach is applied at Borsa İstanbul. 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 exchange business tends to be exposed to operational risks with extremely low fault tolerance, Borsa İstanbul processes were subjected to a risk-focused evaluation and development process in 2017.

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 that may be exposed. Long-term interest and maturity risks are not taken in the management of the company assets, and the assets are evaluated in the deposit accounts with an average maturity of 45 days. In addition, there is sufficient amount of cash, foreign currency and cash equivalents in order to fulfil our current and potential obligations by making an active resource management. Within the scope of financial risk management, counterparty risk is also assessed and funds are evaluated in a sufficient number of banks and/or financial instruments within the limits set in Fund Management Principles in order not to adversely affect the non-payment risk arising from any bank. Accounting, collection, fund management and payment processes have been simplified and have become more effective as a result of the studies that have been continuing since 2015. Furthermore, the information as regard the income and expenses of Borsa İstanbul has been reported to the top management on a daily basis.

MEASURES AGAINST VARIOUS RISKS AFTER THE COUP ATTEMPT OF JULY 15

After the July 15 coup attempt, there have been some workers the labor contract of whom were terminated as part of security-related restructuring measures. In this process, our institution has carried out its activities without any disruptions through the dedicated efforts of our existing employees and has also operated recruitment processes to meet the human resource needs especially in the field of Information Technologies. In the recruitment process, safety information control is of particularly importance.

COMMITTEE REPORTS

CORPORATE GOVERNANCE COMMITTEE REPORT

Committee Members and Attendance

İhsan DURDU (Chair)	3/4 ¹
Nicola BEATTIE	4/5
İlhami KOÇ	4/5

Corporate Governance Committee determines whether principles of corporate governance are applied by Borsa İstanbul and if not applied, states the conflict of interest which arises for not complying with these principles and give advice to the Board of Directors in order to enhance the implementation of corporate governance.

Corporate Governance Committee is responsible for nomination and remuneration duties as there is not a separate committee established within Board of Directors.

The Committee is comprised of two Non-Executive Directors and the Chairman who is an independent Board Member. Investor Relation Department acts as secretary to the Committee. Other attendees at Committee meetings in 2017 (or part thereof) were the Chief Financial Officer, the Chief HR Officer, the Chief Legal Officer, and relevant Directors.

In 2017, the Committee met 5 times.

The first meeting of the year 2017 was held on March 8, 2017. In the meeting, Corporate Governance Principles Compliance Report, Committee Evaluation Report, Disclosure Policy and the Grants and Sponsorships Policy were discussed and decided to be submitted to the Board of Directors.

Following the Ordinary General Assembly held on June 8, 2017, the Chairman of the Committee became İhsan DURDU as the structure of the Board of Directors changed.

At the second meeting dated June 22, 2017, the Committee decided on top management performance bonuses.

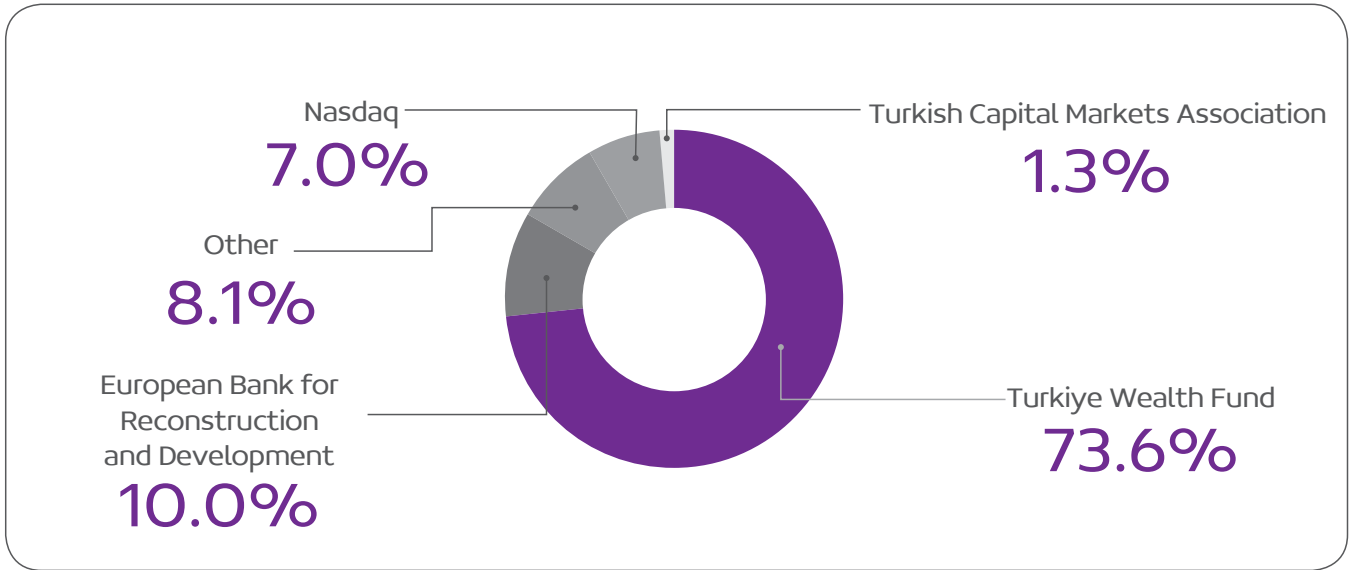
At the third meeting dated July 20, 2017, it was decided to prepare a scorecard for corporate governance performance of Borsa İstanbul in line with G20 - OECD Corporate Governance Principles. The Committee also agreed on obtaining an external corporate governance rating service from an institution approved by Capital Markets Board of Turkey. Committee also decided to present the Board a template of motions which will include background, strategic and financial dimensions, risk analysis and legal consequences to enhance Board decision mechanism.

At the meeting dated September 22, 2017, establishment of a Corporate Secretary to report directly to the Board of Directors was discussed and it was decided that candidates will be evaluated by the Committee and submitted to the Board of Directors. The Performance Indicators prepared for the Senior Management were evaluated.

At the last meeting dated November 23, 2017, it was decided to work with the JCR Eurasia Rating Company regarding the Corporate Governance Rating Service. Draft KPIs were approved and recommended to the Board. Committee also informed the Board on the corporate governance scorecard prepared according to international best practice in corporate governance.

¹Following the Ordinary General Assembly held on June 8, 2017, Mr. İhsan DURDU was assigned as Committee Chairman and in his term of office, four Committee meetings were held.

SHAREHOLDING STRUCTURE



In line with the resolution of Cabinet Ministers numbered 2017/9756 and dated January 24, 2017 which was published on Official Gazette dated February 5, 2017 and numbered 29970, Borsa İstanbul shares belonging to Treasury were transferred to Türkiye Wealth Fund.

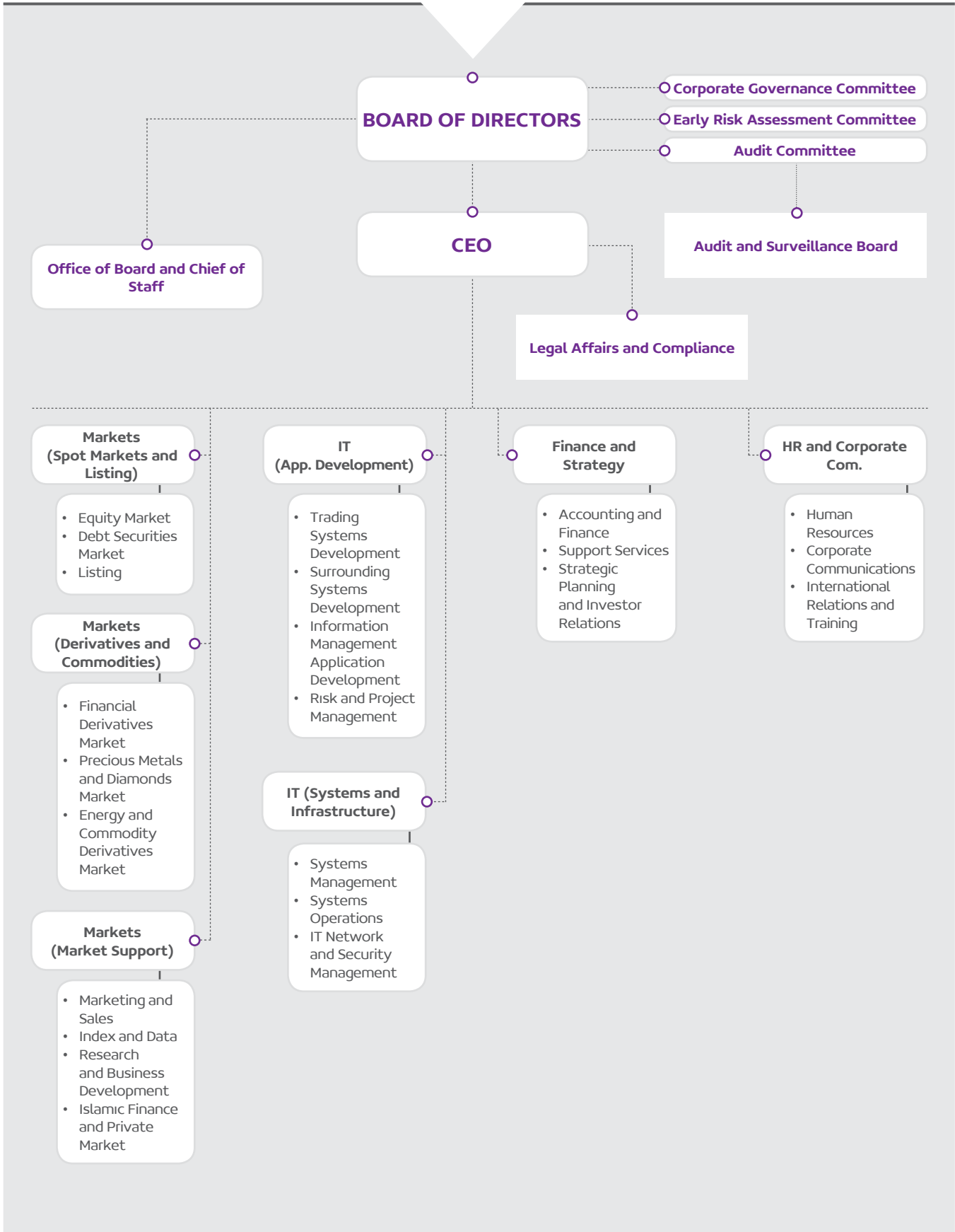
According to the articles of incorporation of Borsa İstanbul A.Ş.

- In cases, where the positive vote of the Group A shareholder or board members nominated by it is required as per this articles, resolutions made without obtaining the positive vote thereof are invalid.
- To ensure protection of shareholding distribution, other share certificates than those in Group A may be transferred within the same group. However, these shares may be transferred to the partners in the other groups or to third persons, with the approval of the Capital Market Board.
- In the event a person acquires ten percent or more of the capital by means of direct or indirect shareholding through the shares offered to the public or in the event of share transfer resulting in shares directly or indirectly owned by a shareholder to exceed or drop below ten percent, twenty percent, thirty three percent or fifty percent of the capital by means of acquisition of shares offered to the public, exercising partnership rights, except dividends, subject to shares offered to the public to be acquired by the shareholders will be subject to the permission of Capital Markets Board of Turkey. In case mentioned percentages are reached through acquisition of shares traded in the stock exchange, including shares of the Company acquired outside the stock exchange, provision of the paragraph will apply.

For more information on shareholding structure:
<http://www.borsaistanbul.com/en/investor-relations/corporate-governance>



ORGANIZATIONAL STRUCTURE



CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Borsa İstanbul A.Ş. (Borsa İstanbul, the Company), shows due diligence in complying with the Capital Markets Board Corporate Governance Principles (Principles) announced by the Capital Markets Board of Turkey in accordance with Article 73 of the Capital Markets Law No. 6362. Borsa İstanbul is also devoted to implementing international best practice in corporate governance. This statement sets out a summary of corporate governance practices of Borsa İstanbul for 2017.

1. SHAREHOLDERS

1.1 Investor Relations Service

Despite not being a publicly traded company, Borsa İstanbul established an Investor Relations Department in June 2014. Investor Relations team reports to Executive Vice President/CFO, Muhittin ESEN and inquiries to the team can be made to investorrelations@borsaistanbul.com and yatirimciliskileri@borsaistanbul.com.

Questions addressed to the Investor Relations team were replied in accordance with the Company's Information Policy. Borsa İstanbul carried out the related procedures and correspondence with the Capital Markets Board and the shareholders regarding mergers of investment institutions that are Borsa İstanbul's shareholders and requests regarding the transfer of Borsa İstanbul A.Ş. shares between these investment institutions.

Information and disclosures that may influence the use of the rights by the shareholders are announced on the Company's website.



www.borsaistanbul.com

1.2 Exercising the Right to Information by Shareholders

No discrimination is applied among shareholders in terms of their right to receive and analyze information, with the exception of information qualified as a trade secret; all information regarding the company operations and procedures is disclosed to shareholders upon request. Questions sent by shareholders to Borsa İstanbul via letter, telephone, e-mail, and other channels are answered by authorized staff immediately and efficiently. The Company website offers comprehensive historic and current information and statistics for shareholders.

Company operations are periodically audited by the independent auditor assigned by the Board as approved by General Assembly. The 2017 operations of Borsa İstanbul were independently audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (KPMG), and this report is available on the website.

The Company's Articles of Association do not envisage the right to request a special auditor, and no demand to that effect came from shareholders during 2017.



www.borsaistanbul.com

1.3 General Assembly Meetings

Arrangements regarding Borsa İstanbul General Assembly meetings are determined by Borsa İstanbul A.Ş. Articles of Association and Internal Regulation Regarding General Assembly Rules and Principles, which are provided in the Company website. According to the provisions of Article 22 of the Company's Articles of Association and Article 414 of the Turkish Commercial Code, in order to inform shareholders beforehand, General Assembly meetings will be announced.

- in the Turkish Trade Registry Gazette,
- on the Company's website,
- in at least one daily newspaper published in the city where the company's headquartered is located,
- on the www.kap.org.tr
- for shareholders that have electronic signature, on the Electronic General Assembly System of Merkezi Kayıt Kuruluşu (e-GKS) at least three weeks excluding announcement and meeting days before the General Assembly meeting.

General Assembly meetings were held in line with the principles of Turkish Commercial Code, Capital Markets Legislation, and Corporate Governance principles, in a way to ensure sufficient provision of information and high participation by the shareholders, and making use of the Electronic General Assembly facility offered by Merkezi Kayıt İstanbul. An Extraordinary General Assembly, on the other hand, convenes as required by the Company operations, upon request of the Board or of minority shareholders in cases outlined in the Turkish Commercial Code, or of Capital Markets Board.

2017 Ordinary General Assembly meetings were held at Borsa İstanbul's İstinye campus on May, 12, 2017, and 8, June, 2017. The Ordinary General Assembly meeting on May 12, 2017 was announced;

- in the Turkish Trade Registry Gazette No. 9307 dated April 17, 2017
- on the company website
- in the newspaper Sabah on April 17, 2017
- on www.kap.org.tr
- on Electronic General Assembly Meeting System managed by Merkezi Kayıt İstanbul.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The Ordinary General Assembly meeting on June, 8, 2017 was announced

- in the Turkish Trade Registry Gazette No. 9327 dated May 16, 2017
- on the company website
- in the newspaper Sabah on May 16, 2017
- on www.kap.org.tr
- on Electronic General Assembly Meeting System managed by Merkezi Kayıt İstanbul.

The agenda, notice, and related documents were uploaded on Company's website on May 16, 2017 and made available at the Company's headquarters.

As part of the General Assembly agenda, the annual report, financial statements, corporate governance compliance report, dividend distribution proposal, independent audit reports, informative document on the General Assembly agenda items and other supporting documents for the agenda items, the latest version of the Articles of Association, were on hand at Borsa İstanbul's headquarters to ensure access to as many shareholders as possible, and were published on the Company's website.

At the May, 12, 2017 dated meeting, shares representing a nominal value of TL 340,088,342.31 (80%) were represented out of the nominal value of TL 422,599,149.00, which will be considered in the calculation of quorum and resolution quorum according to Article 389 of the Turkish Commercial Code, out of a total nominal value of TL 423,234,000.00.

At the meeting held on June, 8, 2017, shares representing a nominal value of TL 413,642,653 (98%) were represented out of the nominal value of TL 422,599,149.00, which will be considered in the calculation of quorum and resolution quorum according to Article 389 of the Turkish Commercial Code, out of a total nominal value of TL 423,234,000.00.

In accordance with the Turkish Commercial Code No. 6102, Capital Markets Law No. 6362, and the relevant legislation, shareholders were allowed to vote electronically. No shares were represented electronically. During the Ordinary General Assembly meetings, shareholders used their right to ask questions, which were answered during the meeting. Furthermore, shareholders' proposals regarding the meeting agenda were discussed and finalized by the General Assembly. After the discussion on the item "election of Board members," the Board members nominated by Class A shareholders were replaced by new members.

The obligatory announcements were made regarding the resolutions of the Ordinary General Assembly dated May 12, 2017 in the Turkish Trade Registry Gazette No. 9307 dated April 17, 2017, and were also disclosed on the Company website. The obligatory announcements were made regarding the resolutions of the Ordinary General Assembly dated June 8, 2017 in the Turkish Trade Registry Gazette No. 9327 dated May 16, 2017, and were also disclosed on the Company website.

Following the General Assembly meeting, meeting minutes, were announced on the Company web-site. The required documents were uploaded on the Borsa İstanbul's Information Society Services (Bilgi Toplumu Hizmetleri) web-page as stipulated by the Turkish Commercial Code.



www.borsaistanbul.com

1.4 Voting Rights and Minority 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 that have 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 Articles of Association envisage three groups of shareholders, namely, Class A, Class B, and Class C. Attendance in the relevant meeting and affirmative vote of at least one Board member representing Class A shareholders is sought for "proposing amendments on the Articles of Association." Apart from this, Class A and Class C shareholders have the privileges to nominate individuals for election to the Board. No regulation impedes the use of voting rights before a certain holding period expires.

Borsa İstanbul is the main shareholder in Takas İstanbul, which is also a shareholder in Borsa İstanbul. Therefore Takas İstanbul does not attend Borsa İstanbul General Assembly meetings. This was the case for both General Assemblies in 2017.

1.5 Rights to Dividends

According to Borsa İstanbul's Articles of Association, the net profit for a period is the balance after all costs are subtracted. Each year, 5% of annual profits are kept as legal reserves until such amount reaches 20% of the capital. Unless otherwise decided by the General Assembly, 5% of the balance is distributed as dividends to the shareholders pro rata according their share in the company.

Furthermore, a maximum 5% of the balance may be distributed to the Chairman, Board members, and Company staff by a method to be determined by the General Assembly, provided that such payments shall not exceed one-sixth of their annual gross income, including all payments. In addition, an amount to be decided by the General Assembly may be reserved to be distributed to the shareholders as dividend. In such a case, 10% of the amount to be distributed will be retained as general legal reserves and the balance of the net profit for the period will be retained as legal reserves.

The Company Articles of Association envisage no privileges for participation in the Company profits, with equal rights of dividends for each share. Dividend distribution policy is available on Company's web site.

The Ordinary General Assembly meeting held on June 8, 2017 decided to retain the dividends to strengthen the Company equity. This was announced on Company website.

1.6 Transfer of Shares

Provisions regarding the restriction of share transfers:

a) With the exception of those in accordance with paragraph 2 and sub-paragraphs (a), (b), and (ç) 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 may be transferred to another shareholder within the same group only. These shares may be transferred to shareholders that belong to the other classes or third parties by the approval of the Capital Markets Board. Group shares that exclusively belong to the Turkish Treasury 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 share transfer, shareholders may use the related rights, with the exception of dividend rights, upon the approval of the Capital Markets Board only. The provisions of this sub-paragraph will also hold for cases where the above mentioned ratios are attained through the acquisition of the free-floating shares, including the shares acquired off-Exchange.

On the basis of market demands, Borsa İstanbul A.Ş. Board of Directors decided to initiate the share buy-back process. In line with regulations in Turkey, the approval of the regulatory body, Capital Markets Board of Turkey, was secured. On June 8, 2017 during Ordinary General Assembly Meeting, the Board was authorized for buying back 335,828,929 shares in exchange of maximum 50 million TRY, for a year. As a result, share transfers and payments were realized. In 2017 335,828,929 shares, representing 0.79% of the company capital, have been bought back from 24 shareholders. The investor relations team is in charge of the process.

In accordance with the Decree of the Council of Ministers dated January 24, 2017 numbered 2017/9756 entered into force with the publication of the Official Gazette dated February 5, 2017 numbered 29970, shares owned by Turkish Treasury have been transferred to the Türkiye Wealth Fund.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

2. DISCLOSURE AND TRANSPARENCY

2.1 Information Policy

Borsa İstanbul's Information Policy is in written form as per Corporate Governance Principles and provided on the Company's website.

 www.borsaistanbul.com

2.2 Corporate Website and its Content

Borsa İstanbul has a website in Turkish www.borsaistanbul.com and in English <http://www.borsaistanbul.com/en/home-page>. Information subject to mandatory disclosure according to Corporate Governance Principles applicable to Borsa İstanbul has been disclosed on company website since November 2013 and is updated regularly. Web site of the Company includes following regarding Investor Relations:

- Reports
- Corporate Governance
- Related Legislation
- General Assembly
- IPO of Borsa İstanbul
- Communication with Investor Relation

It is planned to renew the corporate website with a separate Investor Relation web site before IPO of Borsa İstanbul.

 www.borsaistanbul.com

2.3 Annual Report

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

The annual report includes information on the Company's title, Board members for the related period, events that influence the Company's performance, Company's financing resources and risk management policies, information on the exchange business activities and operation of the markets, Corporate Governance Compliance Report, research and development activities, revisions made on the Articles of Association within the period, including the reasons thereof, the quality and activities of the Company's production and service units, the financial status of the Company, and other important items.

3. STAKEHOLDERS

3.1 Informing the Stakeholders

Borsa İstanbul takes due care to inform its stakeholders in accordance with its Information Policy.

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

Information offered by Borsa İstanbul are provided to investors through the following methods and instruments:

Websites

 www.borsaistanbul.com
www.bilinciyatirimci.org
www.listingistanbul.com
www.bistozelpazar.com
www.kap.org.tr

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

During 2017, the following stakeholders related events have been held:

- a) A total of 12 events aimed at domestic and foreign potential issuers (companies) were attended by Borsa İstanbul personnel. Furthermore, 21 domestic and 3 foreign companies, for a total of 24 unlisted companies, were visited and offered information on capital markets issues, particularly public offerings. 10 training seminars were organized jointly with brokerage houses to develop investor base and improve financial literacy. Company officials and event participants were informed about the new products and markets of Borsa İstanbul, the recent developments in the capital markets were transferred and opinions, suggestions and requests communicated to Borsa İstanbul have been determined.
- b) Incentives/mechanisms/applications are needed on the basis of both issuers and investors in order to make IPOs attractive for companies. Within this scope, various tax incentives for public and publicly offered companies from the Ministry of Finance were requested, and the Capital Markets Board was asked to make legal arrangements in order to establish various mechanisms for expanding the capital market to the investor base.
- c) 3 events aimed at investment institutions and other client groups were held. Under Key Customer Management, 8 visits to 6 companies were undertaken. Periodical or special meetings with public authorities and professional organizations of client groups are organized, except for those mentioned above. Senior managers of Borsa İstanbul attended some of those visits.
- d) Participated in 1 activity related to index business line. In addition, 120 visits / meetings were held with customers in all business lines.
- e) More than 1100 participants were informed about the Private Market by participating in a total of 11 activities including the events organized jointly with Turkey Exporter Council (TİM), Turkey Capital Market Association (TSPB), Development Agencies, Technoparks and angel investment networks.”

3.2 Stakeholders' Participation in the Management

Borsa İstanbul works in close communication and interaction with Capital Markets Board of Turkey during 2017. In its decisions, Borsa İstanbul took into consideration the opinions of Merkezi Kayıt İstanbul, Takas İstanbul and Turkey Capital Markets Association. After conducting meetings with market participants and exchange members, their opinions have been carefully considered. The above mentioned C group shares buy-back process was initiated due to requests from exchange members that hold Borsa İstanbul group C shares. Thus, this response may serve as a good example for stakeholders' participation in the management. The requests and suggestions of the employees and workers' union representatives were also evaluated by the executives.

3.3 Human Resources Policy

Human resources policies and processes are designed so to attract capable staff to the Company and allow them to improve their skills.

The basic features of Borsa İstanbul Human Resources Policy defined and announced in 2013 are as follows:

- Borsa İstanbul recruitment procedures are regulated by internal legislation in accordance with the principle of offering equal opportunities to persons of equal qualifications. Recruitment of new graduates is realized through written exams and interviews to ensure objectivity. In the recruitment of experienced staff, on the other hand, independent appraisers evaluate criteria that will contribute to efficiency, such as the candidate's capability of adaptation to the corporate culture and teamwork inclination in addition to professional skills.
- All rights awarded to the employees are clearly defined in the internal regulations. The rights envisaged by the legislation are accrued on each employee without any discrimination, and no further payments are made.
- Training activities are organized on a regular basis or on additional basis upon request.
- Workplace safety is provided and improved constantly.
- In order to provide employees with the freedom to establish associations and efficient use of collective bargaining rights, as well as for efficient communication purposes, spaces on the intranet are allocated to both the association of employees and the workers' union.

Part of Borsa İstanbul employees are organized the in Tez-Koop iş workers' union. The Fourth Collective Agreement between Borsa İstanbul and the union ended on December 31, 2016. A new labor union, Bank, Finance and Insurance Companies' Workers Union (BASİSEN), which is active in finance and banking sectors, was authorized to represent Borsa İstanbul employees. Negotiations for a new collective agreement were completed with BASİSEN representatives in 2017.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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 and a certified doctor work on Borsa İstanbul's campuses in İstinye and Kuyumcukent. As envisaged by legislation, a Labor Health and Security Board consisting of the representatives of the employer, employees, and the security unit, as well as the labor security specialist and doctor, was established. The Labor Health and Security Board convenes quarterly and after making the necessary evaluations, ensures that necessary steps are taken. Within this framework, improvements were made in 2017.

No complaints concerning discrimination were reported during 2017.

3.4 Ethical Rules and Social Responsibility

Borsa İstanbul Code of Ethics published in 2014 has been renewed and published in Borsa İstanbul Ethics Principles on November 1, 2017.

Borsa İstanbul's Corporate Social Responsibility Policy and information on its social responsibility efforts are available on its website. During 2017, Borsa İstanbul spent TL 1,753,374.16 on donations and support and TL 547,600.00 on sponsorships. In addition, a total of TL 29,692,371.58 was paid in 2017 from Borsa İstanbul's Contribution to Education Fund, managed by Borsa İstanbul. [page 58](#)



www.borsaistanbul.com

4. BOARD OF DIRECTORS

4.1 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. Board consists of ten (10) members, with two (2) members elected from among the candidates nominated by Class A shareholders and three (3) members from among Class C shareholders, including Union of Chambers and Commodity Exchanges of Turkey, Turkish Capital Markets Association, and investment institutions. 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 arrangements of the Capital Markets Board.

Murat ÇETİNKAYA, İhsan DURDU, Tevfik Metin AYIŞIK and İşinsu KESTELLİ were elected in the Ordinary General Assembly Meeting on June 8, 2017. Murat ÇETİNKAYA was appointed as the General Manager by the election of the Board of Directors. Resumés of the Board members are disclosed on website.



www.borsaistanbul.com

During the incumbency of the independent Board members, there were no events to revoke their independence. Chairman of Board committees were elected from among independent Board members. The Board consists of 10 members including 3 women members. The table regarding members of the Board is given below:

Name-Surname	Group	Beginning of His/Her Term	Independence	Roles in Committee
Himmet KARADAĞ	A	Ordinary General Assembly dated April 1, 2016	Not independent	Chairman of the Board and the Executive Committee, Chairman of IPO Committee
Yunus ARINCI	-	Extraordinary General Assembly dated October 30, 2016	Independent	Deputy Chairman of the Board and the Executive Committee, Chairman of Early Risk Assessment Committee, Member of Audit Committee
Murat ÇETİNKAYA	A	Ordinary General Assembly dated June 8, 2017	Not independent	CEO, member of the Executive Committee and IPO Committee
Erişah ARICAN	-	Ordinary General Assembly dated April 1, 2016	Independent	Chairman of the Audit Committee
Oral ERDOĞAN	-	Board Meeting dated November 1, 2017	Not independent	Member of the Executive Committee
İhsan DURDU	-	Ordinary General Assembly dated June 8, 2017	Independent	Chairman of the Corporate Governance Committee
Nicola BEATTIE	-	Ordinary General Assembly dated April 1, 2016	Not independent	Member of the Corporate Governance Committee and IPO Committee
İlhami KOÇ Representing Turkish Capital Markets Association	C	Ordinary General Assembly dated June 8, 2017	Not independent	Member of Corporate Governance Committee, Audit Committee and IPO Committee
Işinsu KESTELLİ	C	Ordinary General Assembly dated June 8, 2017	Not independent	Member of Early Risk Assessment Committee
Tevfik Metin AYIŞIK	C	Ordinary General Assembly dated June 8, 2017	Not independent	Member of Early Risk Assessment Committee and IPO Committee

4.2 Working Principles of the Board

According to Borsa İstanbul's Articles of Association, the Board convenes as frequently as necessary, but at least once a month. The quorum for a Board meeting is a majority of members and the Board takes decisions with affirmative votes from the majority of members present.

Unless any member requests that a meeting be held physically, Board resolutions may be taken by the written approval of or by secure electronic signature via the Electronic Meeting System with the majority of members by a proposal of one Board member, written in the form of a resolution text. Resolutions are valid only if written and signed.

In 2017 the Board met 7 times. İlhami Koç did not participate to 1 meeting due to excuse, all other members attended all meetings. The Board of Directors of Borsa İstanbul decided on a total of 73 times in 2017, 19 times without physical meeting and 54 times with a physical meeting.

Board meeting dates are determined and announced monthly and reasonably in advance. In line with the Corporate Governance Committee proposal, all board meetings until the end of 2017 have been set. The pre-set calendar provides Board members with stability and allows advance attendance arrangements to be made. As specified by Articles of Association, the Board agenda is set by Chairman on the basis of motions prepared by Borsa İstanbul departments.

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

A "management liability insurance policy" and "professional liability insurance policy" is in place for Board members.

At the Board of Directors meeting dated November 23, 2017, it was decided by a majority decision to establish an Executive Committee and selected members of the committee were Himmet Karadağ, Murat Çetinkaya and Oral Erdoğan. Himmet Karadağ will be appointed as the Chair of the Executive Committee. Additions and modifications have been realized to the authorization table due to establishment of the committee. Terms of reference do not exist for this Committee.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

4.3 Number and Structure of the Committees Established in the Board

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 and disclosed through the Company website. Corporate Governance Committee also carries out nomination and remuneration tasks.

Committees and members established within the Board of Directors are stated below:

Committee Name	Members
Audit Committee	Erişah ARICAN (Chair) İlhami KOÇ Yunus ARINCI
Corporate Governance Committee	İhsan DURDU (Chair) Nicola BEATTIE İlhami KOÇ
Early Risk Detection Committee	Yunus ARINCI (Chair) Tevfik Metin AYIŞIK İşinsu KESTELLİ
IPO Committee	Himmet KARADAĞ (Chair) Murat ÇETİNKAYA İlhami KOÇ Tevfik Metin AYIŞIK Nicola BEATTIE
Executive Committee	Himmet KARADAĞ (Chair) Murat ÇETİNKAYA Oral ERDOĞAN

	Audit Committee	Corporate Governance Committee	Early Risk Detection Committee	IPO Committee	Executive Committee
Operating Principles and Procedures	✓	✓	✓	x	x
Number of Meetings	8	5	2	3	3

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

Corporate Governance Committee:

Without prejudice to the provisions of Article 138 of the Capital Markets Law, the purpose of the Corporate Governance Committee is to determine whether the corporate governance principles determined by the Capital Markets Board for exchanges according to Article 73 of the Capital Markets Law are observed, and in the case of failure to observe such principles, to determine the reasons therefore, any conflicts of interest arising from the failure to fully comply with such principles. Additional duties are to advise the Board with the intent to enhance corporate governance practices and to accomplish the duties of the Nominating Committee and Remuneration Committee as envisaged by corporate governance principles. [page 76](#)

Audit Committee:

The Audit Committee is intended to (1) provide assistance to the Board's auditing of the quality and accuracy of Borsa İstanbul's financial statements, (2) monitor the application and efficiency of the accounting system, (3) pre-approve the appointment of the independent auditor and the services to be provided by the same, (4) prepare and control the agreement to be signed between Borsa İstanbul and the independent auditor, and (5) monitor the Company's independent audit system, control, and internal audit mechanisms. [page 73](#)

Early Risk Assessment Committee:

The Early Risk Assessment Committee is tasked to work on the early determination of the risks that may jeopardize the existence, development, and continuity of the Company, implementing preventive measures for the risks so determined, and managing risks that may arise. [page 74](#)

4.4 Risk Management and Internal Control Mechanism

The Board operates in a transparent, accountable, fair, and responsible manner, creates risk management practices that will diminish the effects of the risks that Borsa İstanbul is prone to, and determines internal control policies and delegations for all the critical processes of the institution. 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. Prior to the Committee meetings, meetings with Borsa İstanbul departments, chaired by a Committee member C-Level Executive, were held. Departments' assessment of the realized or expected risks and measures taken to prevent or respond to such risks were discussed at these meetings and reported to the Committee.

□ page 26

4.5 Company's Strategic Targets

As part of the studies to renew Borsa İstanbul's strategic plan covering rolling five-year periods on an annual basis, Borsa İstanbul completed the analysis studies for the new five-year period covering 2018-2023.

Borsa İstanbul continued to apply a performance-based budget in 2017. Thanks to this performance-based budget prepared in line with Borsa İstanbul's current structure, active participation of all departments in the budget process was ensured.

□ page 12

4.6 Financial Rights

As outlined in Borsa İstanbul's Remuneration Policy, financial benefits offered to the Chairman 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 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. The Board Chairman and Board members, their spouses, children, and persons they are responsible for benefit from health services under the conditions determined by the Company as the employees.

Borsa İstanbul's Remuneration Policy is accessible on Company website. There were no transactions that may lead to conflicts of interest, such as directly or indirectly extending loans or credits to or offering guarantees for Board members or Company managers. The total remuneration provided in 2017 to Directors and senior managers of Borsa İstanbul Exchange Group was TL 6.1 million.



www.borsaistanbul.com

Borsa İstanbul Anonim Şirketi

CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2017 WITH
INDEPENDENT AUDITOR'S REPORT THEREON

INDEPENDENT AUDITOR'S REPORT



KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
34330 Levent, İstanbul
T: +90 (212) 316 60 00
F: +90 (212) 316 60 60
www.kpmg.com.tr

To the Board of Directors 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 2017, 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 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

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.

Emphasis of Matter

As a result of the tax investigation by Ministry of Finance Tax Inspector for the reporting period of 2013's accounts and transactions, the Company received the notification of tax penalties comprising the original tax amounting TL 69,720 and tax penalty amounting TL 69,720 on 26 January 2018. The process of reconciliation to the related authority is still ongoing and the process has uncertainty over the final results. As at 31 December 2017, the Company recognized a provision of TL 41,498 for related tax penalties in the consolidated financial statements. Due to uncertainty of the reconciliation process, we draw attention to the Note 16 "Short Term Provisions" of the consolidated financial statements. However, our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 10 March 2017.

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 TAS, 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.

INDEPENDENT AUDITOR'S REPORT

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.

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 2017, 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

9 March 2018
İstanbul, Turkey

CONTENTS

	<u>Page</u>
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	92
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	94
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	95
CONSOLIDATED STATEMENT OF CASH FLOWS	96
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	97-148
NOTE 1 GROUP'S ORGANIZATION AND NATURE OF OPERATIONS	97
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	100
NOTE 3 BUSINESS COMBINATIONS	116
NOTE 4 CASH AND CASH EQUIVALENTS	116
NOTE 5 INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD	117
NOTE 6 FINANCIAL INVESTMENTS	119
NOTE 7 TRADE RECEIVABLES AND OTHER RECEIVABLES	120
NOTE 8 OTHER ASSETS	121
NOTE 9 DEFERRED INCOME	121
NOTE 10 PREPAID EXPENSES	122
NOTE 11 INVESTMENT PROPERTIES	122
NOTE 12 PROPERTY, PLANT AND EQUIPMENT	123
NOTE 13 INTANGIBLE ASSETS	124
NOTE 14 GOVERNMENT GRANTS	124
NOTE 15 TRADE PAYABLES, OTHER PAYABLES AND OTHER FINANCIAL LIABILITIES	125
NOTE 16 SHORT TERM PROVISIONS	125
NOTE 17 SHORT TERM BORROWINGS	126
NOTE 18 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	126
NOTE 19 PROVISION FOR EMPLOYEE BENEFITS AND LIABILITIES FOR EMPLOYEE BENEFITS	127
NOTE 20 OTHER LIABILITIES	130
NOTE 21 SHAREHOLDER'S EQUITY	130
NOTE 22 REVENUE AND COST OF SALES	132
NOTE 23 GENERAL ADMINISTRATIVE EXPENSES	134
NOTE 24 OTHER OPERATING INCOME/EXPENSES	135
NOTE 25 INVESTMENT ACTIVITIES INCOME/EXPENSES	136
NOTE 26 FINANCIAL INCOME/EXPENSES	136
NOTE 27 TAX ASSETS AND LIABILITIES	136
NOTE 28 RELATED PARTY DISCLOSURES	139
NOTE 29 NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS	140
NOTE 30 FINANCIAL INSTRUMENTS	146
NOTE 31 SUBSEQUENT EVENTS	148

BORSA İSTANBUL A.Ş.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

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

ASSETS	Notes	Audited 31 December 2017	Audited 31 December 2016
CURRENT ASSETS		11,140,710	8,394,683
Cash and cash equivalents	4	10,800,918	8,192,829
Financial investments	6	76,664	47,101
- Held-to-maturity assets		76,664	47,101
Trade receivables	7	247,515	143,792
- Other trade receivables		247,515	143,792
Other receivables	7	348	158
- Other receivables		348	158
Prepaid expenses	10	10,962	8,610
Other current assets	8	4,303	2,193
NON-CURRENT ASSETS		740,831	650,617
Financial investments	6	67,963	67,663
- Available for sale financial assets		67,781	67,663
- Held-to-maturity assets		182	-
Investments accounted for under the equity method	5	48,222	32,190
Investment properties	11	59,355	22,285
Property, plant and equipment	12	198,620	189,571
Intangible assets	13	349,087	318,260
Prepaid expenses	10	11,175	9,327
Deferred tax assets	27	5,831	10,743
Other non-current assets	8	578	578
TOTAL ASSETS		11,881,541	9,045,300

The accompanying notes between pages 97 and 148 are an integral part of these consolidated financial statements.

BORSA İSTANBUL A.Ş.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

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

LIABILITIES	Notes	Audited 31 December 2017	Audited 31 December 2016
CURRENT LIABILITIES		10,113,713	7,035,499
Short term borrowings	17	3,179,005	2,444,232
Trade payables	15	335,539	281,782
- Other trade payables		335,539	281,782
Other financial liabilities	15, 28	685,650	-
- Other financial liabilities to related parties		685,650	-
Liabilities for employee benefits	19	15,680	12,863
Other payables		63,223	56,060
- Due to related parties	15, 24	62,909	55,331
- Other payables	15	314	729
Deferred income	9	801	701
Current income tax liabilities	27	30,370	22,300
Short term provisions		90,944	27,844
- Provisions for employee benefits	19	31,295	17,426
- Other short term provisions	16	59,649	10,418
Other current liabilities	20	5,712,501	4,189,717
NON-CURRENT LIABILITIES		205,231	819,265
Other financial liabilities		160,146	777,765
- Other financial liabilities to related parties	15, 28	160,146	777,765
Deferred income	9	1,072	1,296
Long term provisions	19	30,455	38,762
- Provisions for employee benefits		30,455	38,762
Deferred tax liabilities	27	6,040	-
Other non-current liabilities	20	7,518	1,442
SHAREHOLDER'S EQUITY		1,562,597	1,190,536
Equity holders of the parent	21	1,056,360	762,924
Paid in capital		423,234	423,234
Restricted reserves		278,280	226,587
Share premium		200,450	200,450
Other comprehensive income/expense not to be reclassified to profit or loss		7,540	(7,985)
- Revaluation reserve		13,677	-
- Losses on remeasurements of defined benefit plans		(6,137)	(7,985)
Other comprehensive income/expense to be reclassified to profit or loss		873	270
- Currency translation differences		873	270
Treasury shares		(608,873)	(580,663)
Retained earnings		449,338	311,495
Net profit for the period		305,518	189,536
Non-controlling interests		506,237	427,612
TOTAL EQUITY AND LIABILITIES		11,881,541	9,045,300

The accompanying notes between pages 97 and 148 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 2017

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

		Audited	Audited
	<i>Notes</i>	1 January - 31 December 2017	1 January - 31 December 2016
Revenue	22	1,047,418	878,383
Cost of sales (-)	22	(92,690)	(55,138)
Gross profit		954,728	823,245
General administrative expenses (-)	23	(328,286)	(322,828)
Research and development expenses (-)		-	(1,660)
Other operating expenses (-)	24	(97,536)	(72,585)
Other operating income	24	2,924	8,553
Operating profit		531,830	434,725
Investment activities income/(expense)	25	4,835	12,204
Share of profit/(loss) of investments accounted for under the equity method	5	15,353	9,799
Profit before financial income/(expense)		552,018	456,728
Financial income	26	86,287	56,842
Financial expenses (-)	26	(96,740)	(139,177)
Profit before tax		541,565	374,393
Income tax expense (-)	27	(116,967)	(92,933)
Deferred tax expense (-)	27	(4,960)	(5,825)
PROFIT FOR THE PERIOD		419,638	275,635
Profit attributable to:			
- Non-controlling interests		114,120	86,099
- Equity holders of the parent		305,518	189,536
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income not to be- reclassified to profit or loss		23,967	(1,252)
Revaluation reserve	12	26,784	-
Gains/losses on remeasurements of defined benefit plans	19	3,175	(1,568)
Other comprehensive income tax that will never be reclassified to profit or loss		(5,992)	314
- <i>Deferred tax income/(expense)</i>	27	(5,992)	314
Other comprehensive income to be reclassified to profit or loss		603	199
- Currency translation differences	5	603	199
Other comprehensive income/(expense)		24,570	(1,053)
TOTAL COMPREHENSIVE INCOME		444,208	274,582
- Non-controlling interests		122,562	85,959
- Equity holders of the parent		321,646	188,623

The accompanying notes between pages 97 and 148 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 2017

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

Statement of changes in shareholders' equity													
	Notes	Paid in capital	Treasury shares	Restricted reserves	Share premium	Revaluation reserve	Remeasurement of defined benefit obligations	Currency translation differences	Retained earnings	Net profit for the period	Equity holders of the parent	Non-controlling interests	Total equity
1 January 2016 (Previously reported)		423,234	(580,663)	171,996	200,450	-	(6,873)	71	178,781	187,305	574,301	370,439	944,740
<i>Classification effect⁽¹⁾</i>		-	-	29,070	-	-	-	-	(29,070)	-	-	-	-
Balances at 1 January 2016 (Classification effect⁽¹⁾)		423,234	(580,663)	201,066	200,450	-	(6,873)	71	149,711	187,305	574,301	370,439	944,740
Net profit for the period		-	-	-	-	-	-	-	-	189,536	189,536	86,099	275,635
Other comprehensive expense	21	-	-	-	-	-	(1,112)	199	-	-	(913)	(140)	(1,053)
Total comprehensive income/ (expense)		-	-	-	-	-	(1,112)	199	-	189,536	188,623	85,959	274,582
Transfers		-	-	25,521	-	-	-	-	161,784	(187,305)	-	-	-
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(28,786)	(28,786)
31 December 2016		423,234	(580,663)	226,587	200,450	-	(7,985)	270	311,495	189,536	762,924	427,612	1,190,536
Balances at 1 January 2017		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	21	-	-	-	-	13,677	1,848	603	-	-	16,128	8,442	24,570
Total comprehensive income/ (expense)		-	-	-	-	13,677	1,848	603	-	305,518	321,646	122,562	444,208
Transfers		-	-	23,483	-	-	-	-	166,053	(189,536)	-	-	-
Transactions with non-controlling interests		-	-	-	-	-	-	-	-	-	-	(16,217)	(16,217)
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(27,720)	(27,720)
Decrease arising from treasury share transactions		-	(28,210)	28,210	-	-	-	-	(28,210)	-	(28,210)	-	(28,210)
31 December 2017		423,234	(608,873)	278,280	200,450	13,677	(6,137)	873	449,338	305,518	1,056,360	506,237	1,562,597

⁽¹⁾ Refer to Note 2.3.

The accompanying notes between pages 97 and 148 are an integral part of these consolidated financial statements.

BORSA İSTANBUL A.Ş.
THE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Notes	Audited 1 January - 31 December 2017	Audited ⁽¹⁾ 1 January - 31 December 2016
Cash flows provided from operating activities			
Net profit for the period		419,638	275,635
Adjustments for:			
Tax expense	27	121,927	98,758
Depreciation expense	12	18,760	16,042
Amortization expense	13	24,221	16,877
(Increase)/decrease in valuation difference of held to maturity financial assets		(1,485)	(38)
Gain on sale of share of investments accounted for under the equity method	25	-	(1,013)
Change in provision for employment termination benefits	19	5,343	5,476
Change in personnel bonus provision	19	13,257	-
Change in valuation of investment properties	11, 25	(715)	(9,035)
Change in unused vacation liability	19	2,840	3,052
Change on law suit provision	16	49,231	7,448
Expense accrual for Capital Markets Board share	15, 24	62,909	55,331
Provisions no longer required	24	(354)	(2,510)
Share of (profit)/loss of investments accounted for under the equity method	5	(15,353)	(9,799)
Financial income, net	26	(10,453)	(56,804)
Provisions for doubtful receivables	7	131	-
Unrealized exchange (gain)/loss		33,989	131,975
Cash flows from operating activities before working capital changes		723,886	531,395
Change in short-term borrowings, net		734,773	(272,888)
Decrease/(increase) in trade receivables		(103,638)	70,702
Decrease/(increase) in other current assets		(2,110)	(223)
Decrease/(increase) in other non-current assets		-	(380)
Change in other receivables		(190)	26
Change in prepaid expenses		(4,200)	49
Change in other payables		(415)	662
Increase in other current liabilities		1,455,121	643,884
Change in trade payables		53,757	(100,541)
(Decrease)/increase in other long-term liabilities		6,076	176
Taxes paid		(108,897)	(88,950)
Change in deferred income		(124)	572
Change in liability for employee benefits		2,817	11,041
Employment termination benefits paid	19	(6,887)	(7,921)
Employee's service provision paid	19	(3,588)	(6,059)
Capital Markets Board share paid		(55,331)	(50,654)
Personnel bonus paid		-	(6,527)
Unused vacation paid	19	(2,228)	(4,976)
Collection of doubtful receivables	7	85	10
Net cash generated from operating activities		1,965,021	188,003
Proceed from sale of property, plant and equipment	12	9,459	754
Purchase of property, plant and equipment	12	(36,934)	(76,097)
Proceed from sale of intangible assets	13	132	-
Purchase of intangible assets	13	(65,009)	(32,536)
Acquisitions of held to maturity financial assets		(80,813)	(45,943)
Disposals of held to maturity financial assets		52,553	183,361
(Acquisitions)/disposals available for sale assets, net		-	(79)
Cash inflow from the sales of shares or capital decrease of the subsidiaries/joint ventures		-	2,911
Cash outflow from purchase of shares or capital increase in subsidiaries/joint ventures		(16,293)	-
Interests received		58,359	44,270
Commissions paid	26	-	(38)
Dividend received from financial investments	25	4,120	-
Net cash (used in)/generated from investment activities		(74,426)	76,603
Dividend paid to non-controlling interest		(27,720)	(28,786)
Cash outflow from repurchase of treasury shares		(28,210)	-
Net cash used in financing activities		(55,930)	(28,786)
Net increase in cash and cash equivalents		2,558,551	767,215
Effects of currency translation on cash and cash equivalents		33,923	526,042
Change in restricted bank deposits		-	5,413
Cash and cash equivalents at the beginning of the period	4	8,176,445	6,877,775
Cash and cash equivalents at the end of the period	4	10,768,919	8,176,445

⁽¹⁾ Refer to Note 2.3.

The accompanying notes between pages 97 and 148 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 2017

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

1 GROUP’S ORGANIZATION AND NATURE OF OPERATIONS

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

As per paragraph 2th of Article 138th of Capital Markets Law No. 6362, the Articles of Association of BİST prepared by the Capital Markets Board were registered with the trade registry on 3 April 2013 following the approval of the related Minister. Similarly, as per paragraphs 4th and 5th of the same article of the Law, the legal entities İstanbul Menkul Kıymet Borsası (“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 BİST in their entirety, with those exceptions required by law, with no further action needed, on the date of the registration of the Articles of Association of BİST. All actions of BİST as at this date were recognized upon the acceptance of 3 April 2013 as the establishment date of the Company.

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

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

As at 31 December 2017, BİST have 511 employees (31 December 2016: 506) and the Group have 960 employees (31 December 2016: 945). BİST is located in Reşitpaşa Mahallesi, Borsa İstanbul Caddesi, No: 4, Sanyer/İstanbul.

BORSA İSTANBUL A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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 2017 and 31 December 2016, the Company's shareholder structure and is as follows:

	31 December 2017	31 December 2016
Turkiye Wealth Fund ^(***)	73.60%	-
Republic of Turkey Prime Ministry Undersecretariat of Treasury ^(****)	-	73.60%
European Bank for Reconstruction and Development ^(*)	10.00%	10.00%
Nasdaq OMX ^(**)	7.00%	7.00%
Turkish Capital Markets Association	1.30%	1.30%
Borsa İstanbul A.Ş. ^(*****)	0.79%	-
Other	7.31%	8.10%
	100.00%	100.00%

(*) The Company signed "Share Purchase Agreement" with European Bank for Reconstruction and Development ("EBRD") at 9 December 2015. In accordance with the agreement, 10% of Borsa İstanbul shares were transferred to EBRD. The share transfer was approved in the General Assembly meeting at 7 December 2015 and registered at 10 December 2015. These shares which were registered to EBRD, can be sold back to Borsa İstanbul A.Ş. by EBRD until 31 March 2018 over the purchase price in the event of Borsa İstanbul's planned initial public offering does not take place until 31 December 2017. These shares which were registered to EBRD will be accounted under shareholder's equity as treasury shares and other long-term financial liabilities until the date when the selling condition is invalid. The Board of Directors is of the opinion that the possibility of using these options is very low. However, in accordance with TAS 32 for possible prudence, the possible liabilities that may arise from such options are reflected in the financial statements.

(**) 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. As at 31 December 2017, the deadline for the option both sides have to give/take back the related 2% of shares in exchange for USD 30 million is deferred to 30 June 2018. This option is accounted for under shareholder's equity as treasury shares and other long-term financial liabilities. The Board of Directors is of the opinion that the possibility of using these options is very low. However, in accordance with TAS 32 for possible prudence, the possible liabilities that may arise from such options are reflected in the financial statements (Note 2).

(****) In accordance with the Decree of the Council of Ministers dated 24 January 2017, numbered 2017/9756 and published in the Official Gazette dated 5 February 2017, numbered 29970, the shares belonging to the Republic of Turkey Prime Ministry Undersecretariat of Treasury were transferred to the Türkiye Wealth Fund.

(*****) It is composed of the shares that were acquired by Borsa İstanbul A.Ş., in compliance with the resolution taken in the Ordinary General Assembly meeting dated 8 June 2017.

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 2017	31 December 2016
İstanbul Takas ve Saklama Bankası A.Ş. ^(*)	Turkey	Bank	63.83	62.25
Merkezi Kayıt Kuruluşu A.Ş. ^(*)	Turkey	Custodian	71.53	70.50
İstanbul Gemoloji Enstitüsü Sanayi ve Ticaret A.Ş.	Turkey	Precious gems	51.00	51.00

(*) The Group, which has participated in 62.25% of the İstanbul Takas ve Saklama Bankası Anonim Şirketi ("Takasbank") share capital, increased its shares to 63.83% by acquiring minority shares on 22 February and 24 March 2017. As a result of this, the Group's shares which indirectly owned of MKK increased and the efficiency ratio on the MKK is increased from 70.50% to 71.53%.

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.

BORSA İSTANBUL A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

Subsidiaries (Continued)

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 2017	31 December 2016
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.

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 2017	31 December 2016
Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş. ^(*)	Turkey	License	34.21	33.94
Enerji Piyasaları İşletme A.Ş. (“EPIAŞ”)	Turkey	Energy market operations	30.83	30.83
Kyrgyz Stock Exchange ^(**)	Kyrgyzstan	Stock market operations	16.33	24.51
Montenegro Stock Exchange ^(***)	Montenegro	Stock market operations	24.43	24.39

(*) The Group, which has participated in 62.25% of the İstanbul Takas ve Saklama Bankası Anonim Şirketi (“Takasbank”) share capital, increased its shares to 63.83% by acquiring minority shares on 22 February and 24 March 2017. As a result of this, the Group’s shares which indirectly owned of SPL increased and the efficiency ratio on the SPL is increased from 33.94% to 34.21%.

(**) As a result of the capital increase made on 26 September 2017, the Group’s share decreased from 24.51% to 16.33%.

(***) As a result of purchase of shares made on 17 October 2017, the Group’s share increased from 24.39% to 24.43%.

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

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

BORSA İSTANBUL A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

Associates (continued)

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

BiST and BiST'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.

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.

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 a fair value basis at the reporting date.

	Measurement bases
Financial assets held for trading	Fair value
Available for sale financial assets	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 2017

New standards, interpretations and amendments to existing standards are not effective at reporting date but 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.

TFRS 9 Financial Instruments (2017 version)

TFRS 9 Financial Instruments, has been published by POA in 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. The Standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS 9.

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Standards and interpretations issued but not yet effective (Continued)

TFRS 15 Revenue from Contracts with Customers

As issued in September 2016 by POA, the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which companies 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 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS 15.

TFRS Interpretation 22 - Foreign Currency Transactions and Advance Consideration

TFRS Interpretation 22 “Foreign Currency Transactions and Advance Consideration” has been published by POA in December 2017 to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. This Interpretation is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS Interpretation 22.

Amendments to TFRS 2 - Classification and Measurement of Share-based Payment Transactions

POA has issued amendments to TFRS 2 Share-Based Payment in December 2017 to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TFRS 2.

TAS 40 - Transfers of Investment Property

Amendments to TAS 40 - Transfers of Investment Property issued by POA in December 2017 have been made to clarify uncertainty about that provide evidence of transfer of/from investment property to other asset groups. A change in management’s intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of consolidated financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TAS 40.

Improvements to TFRSs

POA has issued Annual Improvements to TFRSs - 2014-2016 Cycle for applicable standards. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that application of these improvements to TFRSs will have significant impact on its consolidated financial statements.

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Standards and interpretations issued but not yet effective (Continued)

Improvements to TFRSs (Continued)

Annual Improvements to TFRSs 2014-2016 Cycle

TFRS 1 "First Time Adoption of International Financial Reporting Standards"

TFRS 1 is amended to removing of the outdated short-term exemptions for first-time adopters within the context of 'Annual Improvements to TFRSs 2012-2014 Cycle' related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

TAS 28 "Investments in Associates and Joint Ventures"

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with TFRS 9.

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

The following standards, interpretations 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 TFRS by the POA, thus they do not constitute part of TFRS. 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 TFRS.

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases - Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. 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.

IFRIC 23 - Uncertainty Over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. 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 IFRIC 23.

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Standards and interpretations issued but not yet effective (Continued)

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.

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.

IFRS 17 - Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international 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 TFRS 9 - Prepayment features with negative compensation

On December 2017, POA has issued amendments to TFRS 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 TFRS 9. Under TFRS 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 TFRS 9.

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Standards and interpretations issued but not yet effective (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 TFRS 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.

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 2016, amounting to TL 29,070 which is disclosed in "Retained Earnings" has been reclassified to "Restricted Reserves".

As at 31 December 2016, amounting to TL 48,295 which is disclosed in "Restricted Reserves" has been reclassified to "Retained Earnings".

Statement of cash flows for the year ended 31 December 2016, the change in short-term borrowing amounting to TL 272,888 which is disclosed in "Net cash provided from financing activities" has been reclassified to "Cash flows from operating profit before changes in operating assets and liabilities" in order to present net amount comparatively.

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.

BORSA İSTANBUL A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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 TAS and the accounting policies of the Group. The financial results of the subsidiaries are fully consolidated from the date on which control is transferred to the Group or deconsolidated from the date that control ceases.

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

Subsidiaries

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

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

Proportion of ownership interest represents the effective shareholding of the Group through the shares held directly by BİST and indirectly by its subsidiaries. The table below sets out all subsidiaries included in the scope of consolidation and shows their shareholding structure at 31 December 2017 and 31 December 2016 as follows:

	Effective ownership of interest (%)	
	31 December 2017	31 December 2016
Istanbul Takas ve Saklama Bankası A.Ş. ^(*)	63.83	62.25
Merkezi Kayıt Kuruluşu A.Ş. ^(*)	71.53	70.50
Istanbul Gemoloji Enstitüsü Sanayi ve Ticaret A.Ş.	51.00	51.00

^(*)The Group, which has participated in 62.25% of the Istanbul Takas ve Saklama Bankası Anonim Şirketi (“Takasbank”) share capital, increased its shares to 63.83% by acquiring minority shares on 22 February and 24 March 2017. As a result of this, the Group’s shares which indirectly owned of MKK increased and the efficiency ratio on the MKK is increased from 70.50% to 71.53%.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and they are deconsolidated from the date that control ceases. Accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

The result of operations of subsidiaries acquired or sold during the year are included in the consolidated statement of comprehensive income from the date of acquisition or until the date of sale.

The balance sheets and statements of income of the subsidiaries are consolidated on line-by-line basis and the carrying value of the investment held by the Company and its subsidiaries is netted off against the related shareholders’ equity. Intercompany transactions and balances between the Company and its subsidiaries are netted off during the consolidation.

The minority shareholders’ share in the net assets and results for the period for subsidiaries are separately classified in the consolidated balance sheets and statements of income as “non-controlling interest”.

In the event that the equity capital ratio held by entities with a non-controlling interest changes, the book values of the controlling (parent company) and non-controlling interests are adjusted with the purpose of reflecting the change in their respective interest in the subsidiary. The difference between the adjusted amount of the non-controlling interest and the fair value of the share price, which is paid or received, is directly recognized under equity and is distributed to the parent company’s shareholders.

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

(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 the Standard TAS 28.

The table below sets out the joint ventures accounted by equity method, the proportion of voting power held by the Group and its subsidiaries and effective ownership interests at 31 December 2017 and 31 December 2016:

	Effective ownership of interest (%)	
	31 December 2017	31 December 2016
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.

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 interests at 31 December 2017 and 31 December 2016:

	Effective ownership of interest (%)	
	31 December 2017	31 December 2016
Sermaye Piy. Lisanslama Sicil ve Eğitim Kuruluşu A.Ş. ^(*)	34.21	33.94
Enerji Piyasaları İşletme A.Ş. ("EPIAŞ")	30.83	30.83
Kyrgyz Stock Exchange ^(**)	16.33	24.51
Montenegro Stock Exchange ^(***)	24.43	24.39

^(*) The Group, which has participated in 62.25% of the İstanbul Takas ve Saklama Bankası Anonim Şirketi ("Takasbank") share capital, increased its shares to 63.83% by acquiring minority shares on 22 February and 24 March 2017. As a result of this, the Group's shares which indirectly owned of SPL increased and the efficiency ratio on the SPL is increased from 33.94% to 34.21%.

^(**) As a result of the capital increase made on 26 September 2017, the Group's share decreased from 24.51% to 16.33%.

^(***) As a result of purchase of shares made on 17 October 2017, the Group's share increased from 24.39% to 24.43%.

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.8 Functional and presentation currency

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

2.9 Changes in accounting policies and estimates and errors

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

2.10 Significant accounting judgments, estimates and assumptions

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

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

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

Fair value measurement of investment properties

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

Akmerkez Office

Akmerkez office, classified as investment property as at 31 December 2017 and 31 December 2016, 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 8 December 2017, Akmerkez office was evaluated by market value approach and the fair value amount is TL 23,000.

Şişli Service Building

As at 31 December 2017, 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 17 October 2017, Şişli service building evaluated by market value approach and the fair value amount is TL 36,355.

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 19).

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.10 Significant accounting judgments, estimates and assumptions (Continued)

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

	31 December 2017	31 December 2016
Discount rate	4.25%	4.72%
Estimated employee turnover rate	97.38%	97.35%

Useful lives of intangible assets

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

2.11 Summary of significant accounting policies

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

Related parties

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

Service revenue

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

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

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

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

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

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(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)

Service revenue (Continued)

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.

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.

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

(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)

Service revenue (Continued)

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.

Property, plant and equipment

The cost of an item of property, plant 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, plant 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.

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(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)

Investment properties

The investment properties, which are held either to earn lease 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.

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.

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.

Research and development costs

Planned operations that are done in order to obtain new technological information or discovery of Company and MKK which is one of the subsidiaries of the Company, 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.

Financial instruments

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 and other receivables; and financial liabilities consist of trade payables, other payables, short term borrowings and other financial liabilities.

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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)

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 in transferred financial assets that is created or retained by the Group is recognized as a separate asset and 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.

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.

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(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)

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.

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.

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.

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.

Put option arrangements

In the strategic partnership agreements with Nasdaq OMX and EBRD, put options have been arranged. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption.

The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires and unexercised, the liability is derecognised with a corresponding adjustment to equity.

Non-derivative financial liabilities

The Group initially recognizes financial liabilities on the date that they are originated. 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.

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.

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(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)

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.

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.

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.

Impairment of assets

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.

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.

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(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)

Impairment of assets (Continued)

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.

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.

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.

Lease transactions

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

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.

Financial income and financial expenses

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.

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

(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)

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.

The management of the Group has not identified any segments, that financial performances of each are followed up separately, and has not presented segment reporting information accordingly.

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.

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.

4 CASH AND CASH EQUIVALENTS

As at 31 December 2017 and 31 December 2016, cash and cash equivalents are as follows:

	31 December 2017	31 December 2016
Cash	85	54
Banks - time deposits	10,708,361	8,076,431
Banks - demand deposits	71,278	94,759
Reverse repo receivables	20,833	21,168
Investment funds (B type liquid fund)	361	417
Cash and cash equivalents on statement of financial position	10,800,918	8,192,829
Accruals on cash and cash equivalents	(31,999)	(16,384)
Cash and cash equivalents on statement of cash flows	10,768,919	8,176,445

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

4 CASH AND CASH EQUIVALENTS (Continued)

As at 31 December 2017, there is no restricted deposits (31 December 2016: None).

Banks-Time deposits

As at 31 December 2017 and 31 December 2016, the details of time deposits are as follows:

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		

31 December 2016	Amount (TL)	Effective interest rate (%)	Maturity date
TL	4,843,321	9.46	2 January 2017 - 5 June 2017
USD	2,257,333	3.36	2 January 2017 - 13 February 2017
EUR	975,777	2.02	2 January 2017 - 3 February 2017
Total	8,076,431		

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 2017 and 31 December 2016:

Joint ventures

31 December 2017	Participation rate (%)	Total assets	Total liabilities	Net assets	Net profit/ (loss) for the period	BiST’s shares in profit/(loss)	BiST’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

31 December 2016	Participation rate (%)	Total assets	Total liabilities	Net assets	Net profit/ (loss) for the period	BiST’s shares in profit/(loss)	BiST’s share in net assets
Finans Teknopark A.Ş.	50.00	9,865	9,035	830	761	381	415
Borsa İstanbul İTÜ Teknoloji A.Ş.	50.00	50	35	15	(19)	(10)	8
Total						371	423

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

5 INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD (Continued)

Summary of financial information for equity accounted subsidiaries are as follows as at 31 December 2017 and 31 December 2016:

Subsidiaries

31 December 2017	Participation rate (%)	Total assets	Total liabilities	Net assets	Net profit for the period	BIST's shares in profit	BIST'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

31 December 2016	Participation rate (%)	Total assets	Total liabilities	Net assets	Net profit for the period	BIST's shares in profit	BIST's share in net assets
Enerji Piyasaları İşletme A.Ş.	30.83	94,140	10,233	83,907	26,916	8,298	25,869
Sermaye Piy. Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	33.94	13,331	1,781	11,550	3,117	1,058	3,920
Montenegro Stock Exchange	24.39	9,506	2,104	7,402	270	66	1,805
Kyrgyz Stock Exchange	24.51	1,938	1,234	704	25	6	173
Total						9,428	31,767

(*) As a result of the capital increase made on 26 September 2017, the Group's share decreased from 24.51% to 16.33%.

(**) As a result of purchase of shares made on 17 October 2017, the Group's share increased from 24.39% to 24.43%.

For the years ended 31 December 2017 and 31 December 2016, joint ventures and subsidiaries that are accounted by equity method are as stated below:

	1 January - 31 December 2017	1 January - 31 December 2016
Beginning period - 1 January	32,190	24,090
Additions of subsidiaries and joint ventures during the period	76	-
Disposals of subsidiaries and joint ventures during the period	-	(1,898)
Income and expenses from subsidiaries and joint ventures, (net)	15,353	9,799
Currency translation differences	603	199
Ending period - 31 December	48,222	32,190

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

6 FINANCIAL INVESTMENTS

As at 31 December 2017 and 31 December 2016, short term financial investments are as follows:

	31 December 2017	31 December 2016
Held to maturity financial assets	76,664	45,943
Financial assets held for trading	-	1,158
Total	76,664	47,101

As at 31 December 2017 and 31 December 2016, long term financial investments are as follows:

	31 December 2017	31 December 2016
Available for sale - equity shares	67,781	67,663
Held to maturity financial assets	182	-
Total	67,963	67,663

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 2016, details of debt securities are as follows:

31 December 2016	Nominal value	Carrying value	Interest rate (%)	Maturity
Held to maturity financial assets	50,000	45,943		
Government bonds	50,000	45,943	10	6 months - 1 year
Financial assets held for trading	1,257	1,158		
Government bonds	1,257	1,158	10	6 months - 1 year
Total	51,257	47,101		

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

6 FINANCIAL INVESTMENTS (Continued)

As at 31 December 2017 and 31 December 2016, details of available for sale financial assets are as follows:

Available for sale financial assets	31 December 2017		31 December 2016	
	Share percentage (%)	Carrying value	Share percentage (%)	Carrying value
LCH. Clearnet Group Limited	2.09	62,838	2.04	62,838
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	19.96	3,320	19.90	3,320
Sarajevo Stock Exchange	16.66	799	16.54	781
Baku Stock Exchange	4.76	157	4.76	157
Other	<0.01	667	<0.01	567
Total		67,781		67,663

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.

7 TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables

Trade receivables from third parties

As at 31 December 2017 and 31 December 2016, details of short term trade receivables from third parties are as follows:

	31 December 2017	31 December 2016
Loans given	198,856	98,945
Receivables from members ^(*)	38,753	36,294
Custody and commission receivables	9,906	8,553
Doubtful receivables	1,965	1,919
Provisions for doubtful receivables	(1,965)	(1,919)
Total	247,515	143,792

^(*) 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 2017 and 31 December 2016, remaining maturities of trade receivables are less than 3 months.

For the years ended 31 December 2017 and 31 December 2016, the movement of provisions for doubtful receivables are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Beginning period - 1 January	(1,919)	(1,929)
Provisions during the period	(131)	-
Collections during the period	85	10
Ending period - 31 December	(1,965)	(1,919)

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

7 TRADE RECEIVABLES AND OTHER RECEIVABLES (Continued)

Other receivables

Other receivables from third parties

As at 31 December 2017 and 31 December 2016, details of short term other receivables from third parties are as follows:

	31 December 2017	31 December 2016
Other receivables	347	152
Receivables from personnel	1	6
Total	348	158

8 OTHER ASSETS

Other current assets

As at 31 December 2017 and 31 December 2016, the details of other current assets are as follows:

	31 December 2017	31 December 2016
Receivables from derivatives collateral	2,826	1,824
Job advances given to personnel	338	79
Income accruals	-	290
Other	1,139	-
Total	4,303	2,193

Other non-current assets

As at 31 December 2017 and 31 December 2016, other non-current assets are as follows:

	31 December 2017	31 December 2016
Deposits and guarantees given	578	578
Total	578	578

9 DEFERRED INCOME

Short term deferred income

As at 31 December 2017 and 31 December 2016, short term deferred income are as follows:

	31 December 2017	31 December 2016
Short-term deferred income	801	701
Total	801	701

Long term deferred income

As at 31 December 2017 and 31 December 2016, long term deferred income are as follows:

	31 December 2017	31 December 2016
Long-term deferred income	1,072	1,296
Total	1,072	1,296

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

10 PREPAID EXPENSES

Short term prepaid expenses

As at 31 December 2017 and 31 December 2016, short term prepaid expenses are as follows:

	31 December 2017	31 December 2016
Short-term prepaid expenses	10,962	8,610
Total	10,962	8,610

Long term prepaid expenses

As at 31 December 2017 and 31 December 2016, long term prepaid expenses are as follows:

	31 December 2017	31 December 2016
Long-term prepaid expenses	11,175	9,327
Total	11,175	9,327

11 INVESTMENT PROPERTIES

For the years ended 31 December 2017 and 31 December 2016, the movements of the investment properties are as follows:

	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
	Valuation method	1 January 2016	Transfer	Increase in value	31 December 2016
Investment properties	Market value approach	13,250	-	9,035	22,285
Total		13,250	-	9,035	22,285

As at 31 December 2017, 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 23,000 in the valuation report dated 8 December 2017. This report is prepared by an independent valuation Company authorized by the Capital Markets Board (“CMB”).

As at 31 December 2017, Şişli Service Building, which is not in use and has been decided to obtain a rent return, has been classified from property, plant and equipment to investment properties. The property is determined using the market value approach as stated TL 36,355 in the valuation report dated 17 October 2017.

As at 31 December 2017, there has not been any rental income from investment properties (31 December 2016: None).

The significant estimates and assumptions used in determining the fair value of the investment properties as at 31 December 2017 are as follows:

Investment property	Valuation method	Expert report date	Precedent value m ² TL
Akmerkez - Independent unit	“Market value approach”	8 December 2017	23.351
Şişli Service Building	“Market value approach”	17 October 2017	8.000

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

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

12 PROPERTY, PLANT AND EQUIPMENT

For the years ended 31 December 2017 and 31 December 2016, movements of the property, plant and equipment are as follows:

	Building	Machinery and equipment	Vehicles	Furnitures and fixtures	Leasehold improvements	Construction in progress	Advances given	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

	Building	Machinery and equipment	Vehicles	Furnitures and fixtures	Leasehold improvements	Construction in progress	Advances given	Total
1 January 2016								
Net book value beginning period	10,125	26,176	489	12,154	34,477	61,085	5,406	149,912
Additions	-	3,183	68	5,440	1,751	55,427	10,228	76,097
Disposals	-	(61)	(546)	(147)	-	-	-	(754)
Transfers	-	(3,234)	622	2,612	93,617	(97,625)	(15,634)	(19,642)
Depreciation of current period	(307)	(9,017)	(225)	(3,812)	(2,681)	-	-	(16,042)
31 December 2016	9,818	17,047	408	16,247	127,164	18,887	-	189,571

There are no mortgages or pledges over property, plant and equipment for the years ended 31 December 2017 and 31 December 2016.

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

13 INTANGIBLE ASSETS

For the years ended 31 December 2017 and 31 December 2016, the movements of the intangible assets are as follows:

	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
	Rights	Software licenses	Development costs^(*)	Constructions in progress^(**)	Total
1 January 2016					
Net book value beginning period	42,335	4,589	17,813	218,222	282,959
Additions	6,579	556	3,542	21,859	32,536
Disposals	-	-	-	-	-
Transfers	95,796	(1,780)	11,006	(85,380)	19,642
Amortisation of current period	(10,451)	(1,286)	(5,140)	-	(16,877)
31 December 2016	134,259	2,079	27,221	154,701	318,260

^(*) 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 year ended 31 December 2017, amortization expenses amounting to TL 2,136 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.

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 2017, research and development tax deduction amounting to TL 17,212 is considered as deduction in corporate tax calculation (31 December 2016: TL 10,732).

As at 31 December 2017, MKK has received support amounting to TL 177 regarding the research and developments from TUBITAK (31 December 2016: TL 546).

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

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

15 TRADE PAYABLES, OTHER PAYABLES AND OTHER FINANCIAL LIABILITIES

Short term trade payables to third parties

As at 31 December 2017 and 31 December 2016, details of short term trade payables to third parties are as follows:

	31 December 2017	31 December 2016
Payables to members ^(*)	330,427	266,970
Payables to domestic suppliers	5,112	14,812
Total	335,539	281,782

^(*) 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.

Short-term and long-term financial liabilities to related parties

As at 31 December 2017 and 31 December 2016, Short-term and long-term financial liabilities to related parties are as follows:

	31 December 2017	31 December 2016
Short term liabilities	685,650	-
Other financial liabilities to related parties ^(*)	685,650	-
Long term liabilities	160,146	777,765
Other financial liabilities to related parties ^(*)	160,146	777,765
Total	845,796	777,765

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

Other payables to related parties

As at 31 December 2017 and 31 December 2016, other payables to related parties are as follows:

	31 December 2017	31 December 2016
Expense accrual for Capital Markets Board share	62,909	55,331
Total	62,909	55,331

Other payables to third parties

As at 31 December 2017, other payables to third parties amounting to TL 314 (31 December 2016: TL 729).

16 SHORT TERM PROVISIONS

Other short term provisions

As at 31 December 2017 and 31 December 2016, the short-term provisions are as follows:

	31 December 2017	31 December 2016
Tax penalty provision ^(*)	41,498	-
Law suit provision	18,151	10,418
Total	59,649	10,418

^(*) 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. The reconciliation process is still ongoing as of the date of this report, the Company recognized a provision of TL 41,498 which comprises the tax penalty amounting to TL 25,099 as “ Other operating expenses - Tax penalty provision expense” and the Tax penalty default interest amounting TL 16,399 as “Financial expenses - Tax penalty default interest” in its consolidated financial statements (31 December 2016: None).

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

17 SHORT TERM BORROWINGS

As at 31 December 2017 and 31 December 2016, the short-term borrowings are as follows:

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
31 December 2016	Weighted average effective interest rate %	Currency	Original amount	TL equivalent
Short term borrowings	0.90	USD	288,514	1,015,340
	0.05	EUR	230,303	854,401
	8.46	TL	574,491	574,491
				2,444,232

18 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provision for legal cases

There are several lawsuits against and in favour of the Group. This 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 18,151 in the consolidated financial statements as at 31 December 2017 (31 December 2016: TL 10,418) (Note 16).

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. The reconciliation process is still ongoing as of the date of this report, the Company recognized a provision of TL 41,498 in its consolidated financial statements (31 December 2016: None) (Note 16).

Commitments

Total amount of commitments not included in liabilities

	31 December 2017	31 December 2016
<i>Guarantees received from member^(*)</i>		
Debt Securities guarantees	5,295,563	6,731,907
Equity Market guarantees	17,102	441,678
Precious Metal and Diamond Market guarantees	78,193	87,939
Foreign Marketable Securities guarantees	9,771	9,549
Total	5,400,629	7,271,073

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

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

18 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Commitments (Continued)

Total amount of commitments not included in liabilities (Continued)

	31 December 2017	31 December 2016
<i>Guarantees received from goods and services suppliers</i>		
TL	53,096	45,470
USD	13,750	9,970
EUR	4,030	3,056
Total	70,876	58,496
<i>Assets under custody</i>		
Contribution fund of mandatory education of BİS ^(*)	138,456	152,028
Total	138,456	152,028

(*) 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 2017, principal amount of "Contribution Fund of Mandatory Education of İMKB" is TL 138,456 (31 December 2016: TL 152,028).

19 PROVISION FOR EMPLOYEE BENEFITS AND LIABILITIES FOR EMPLOYEE BENEFITS

Short term employee benefits provisions

As at 31 December 2017 and 31 December 2016, the details of liabilities for employee benefits are as follows:

	31 December 2017	31 December 2016
Payables to personnel	10,770	9,555
Social security premium payables	4,910	3,308
Total	15,680	12,863

As at 31 December 2017 and 31 December 2016, the details of short term provisions for employee benefits are as follows:

	31 December 2017	31 December 2016
Unused vacation liability	18,038	17,426
Personnel bonus provision	13,257	-
Total	31,295	17,426

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

19 PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

Unused vacation liability

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

For the years ended 31 December 2017 and 31 December 2016, the movement of unused vacation liability is as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Opening balance - 1 January	17,426	19,350
Payment during the period	(2,228)	(4,976)
Increase during the period	2,840	3,052
Ending balance - 31 December	18,038	17,426

Long term employee benefits provisions

As at 31 December 2017 and 31 December 2016, the details of long term employee benefits provisions are as follows:

	31 December 2017	31 December 2016
Provision for employee termination benefits	24,369	29,088
Service bonus provision	6,086	9,674
Total	30,455	38,762

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 4,732 for each year of service at 31 December 2017 (31 December 2016: full TL 4,297).

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.

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

19 PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

Provision for employee termination benefits (Continued)

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 2017	31 December 2016
Discount rate	4.25%	4.72%
Estimated employee turnover rate	97.38%	97.35%

For the years ended 31 December 2017 and 31 December 2016, the movements of provision for employee termination benefits are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Provision for employee termination benefits as at 1 January	29,088	29,965
Interest cost	3,069	2,929
Service cost	2,274	2,547
Payments during the period	(6,887)	(7,921)
Actuarial (gains)/losses	(3,175)	1,568
Ending balance of provision for employee termination benefits - 31 December	24,369	29,088

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 2017 and 31 December 2016, the movements of service bonus provisions are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Service bonus provisions as at 1 January	9,674	15,733
Payments during the period	(3,588)	(6,059)
Service bonus provisions as at 31 December	6,086	9,674

BORSA İSTANBUL A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

20 OTHER LIABILITIES

Other current liabilities

As at 31 December 2017 and 31 December 2016, other current liabilities are as follows:

	31 December 2017	31 December 2016
Deposits and guarantees received ^(*)	5,697,418	4,176,347
Taxes and duties payable	13,400	12,473
Other	1,683	897
Total	5,712,501	4,189,717

^(*) Deposits and guarantees received for contracts made for sales and purchase transactions made in markets in BIST Guarantee Fund, BIST 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 2017 and 31 December 2016, other non-current liabilities are as follows:

	31 December 2017	31 December 2016
Deposits and guarantees received	7,518	1,442
Total	7,518	1,442

21 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 BIST shall be transferred to the Treasury. Within this period, the benefits from the transferred shares shall be recognized as share issuance premiums. On 7 January 2014, with the strategic partnership agreements, 5% of the shares were transferred to Nasdaq OMX.

Within the scope of the strategic partnership, 2% of the shares were transferred to Nasdaq OMX on 30 December 2015 and 5% on 7 January 2014. The Company has right of mortgage over 2% of the shares. A total of 7% of the shares registered on Nasdaq OMX will be accounted for as treasury shares under equity until the maturity date. The Board of Directors is of the opinion that the possibility of using these options is very low. However, in accordance with TAS 32 for possible prudence, the possible liabilities that may arise from such options are reflected in the financial statements.

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 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 10% shares which were registered to EBRD will be accounted under shareholder's equity as treasury shares and other long-term financial liabilities until the date when the selling condition is invalid. The Board of Directors is of the opinion that the possibility of using these options is very low. However, in accordance with TAS 32 for possible prudence, the possible liabilities that may arise from such options are reflected in the financial statements.

BORSA İSTANBUL A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

NOTE 21 - SHAREHOLDER’S EQUITY (Continued)

Share capital (Continued)

The Company’s shareholding structure as at 31 December 2017 and 31 December 2016 as follows:

Shareholder’s Name/Title	31 December 2017		31 December 2016	
	Amount (TL)	Share (%)	Amount (TL)	Share (%)
Turkiye Wealth Fund ^(*)	311,500	73.60	-	-
Republic of Turkey Prime Ministry Undersecretariat of Treasury ^(*)	-	-	311,500	73.60
European Bank for Reconstruction and Development	42,324	10.00	42,324	10.00
Nasdaq OMX	29,626	7.00	29,626	7.00
Turkish Capital Markets Association	5,502	1.30	5,502	1.30
Borsa İstanbul A.Ş. ^(**)	3,358	0.79	-	-
Other	30,924	7.31	34,282	8.10
Total	423,234	100.00	423,234	100.00

^(*)In accordance with the Decree of the Council of Ministers dated 24 January 2017, numbered 2017/9756 and published in the Official Gazette dated 5 February 2017, numbered 29970, the shares belonging to the Republic of Turkey Prime Ministry Undersecretariat of Treasury were transferred to the Turkiye Wealth Fund.

^(**)It is composed of the shares that were acquired by Borsa İstanbul A.Ş. in compliance with the resolution taken in the Ordinary General Assembly meeting dated 8 June 2017.

Restricted reserves

	31 December 2017	31 December 2016
Restricted reserves	278,280	226,587
Total	278,280	226,587

As at 31 December 2017 and 31 December 2016, the restricted reserves consists of legal reserves.

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 2017	31 December 2016
Share premium	200,450	200,450
Total	200,450	200,450

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

Revaluation reserve

	31 December 2017	31 December 2016
Revaluation reserve	13,677	-
Total	13,677	-

The revaluation reserve relates to the revaluation of property, plant and equipment immediately before its reclassification as investment property (Note 12).

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

NOTE 21 - SHAREHOLDER'S EQUITY (Continued)

Other comprehensive income or expenses not to be reclassified to profit or loss (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 has 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 6,137 as at 31 December 2017 (31 December 2016: TL 7,985).

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

Currency translation differences

	31 December 2017	31 December 2016
Currency translation differences	873	270
	873	270

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 2017	31 December 2016
Treasury shares	(608,873)	(580,663)
	(608,873)	(580,663)

22 REVENUE AND COST OF SALES

For the years ended 31 December 2017 and 31 December 2016, the details of gross profit are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Service revenue	1,048,070	891,939
Less: Sales discounts	(652)	(13,556)
Revenue	1,047,418	878,383
Cost of sales	(92,690)	(55,138)
Gross profit	954,728	823,245

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

22 REVENUE AND COST OF SALES (Continued)

For the years ended 31 December 2017 and 31 December 2016, the details of service revenue are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Takasbank interest income	405,708	294,068
Trading revenues	258,068	245,520
<i>Equity market</i>	79,985	51,332
<i>Debt securities</i>	63,261	116,289
<i>Derivatives</i>	61,257	43,834
<i>Takasbank money market</i>	37,967	24,962
<i>Precious metals and diamond market</i>	12,860	7,178
<i>Takasbank security lending market</i>	1,458	932
<i>Turkey electronic fund purchase and sale platform</i>	1,233	956
<i>Foreign marketable securities market</i>	47	37
Custody and custody related operating income	159,102	123,456
Listing income	53,811	51,233
Data vending income	48,731	49,283
Settlement and clearing income	36,050	27,649
Security registration income	20,676	36,252
Additional terminal fee	13,105	13,231
Account management fee	11,081	10,906
Collocation income	10,546	7,865
Money transfer service income	7,039	4,982
License income	6,773	6,183
Membership fee	6,106	10,936
Public disclosure platform income	2,719	2,533
Other service income	8,555	7,842
Total	1,048,070	891,939

Cost of sales

For the years ended 31 December 2017 and 31 December 2016, the details of cost of sales are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Takasbank interest expense	85,988	50,673
Fees and commissions	6,702	4,465
Total	92,690	55,138

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

23 GENERAL ADMINISTRATIVE EXPENSES

For the years ended 31 December 2017 and 31 December 2016, the details of general administrative expenses are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel fees and expenses	208,953	214,719
Depreciation and amortization expenses	40,845	32,919
Taxes and other legal expenses	11,679	11,628
Maintenance and repairment expenses	10,903	11,365
Outsourced benefit and services	6,747	7,297
Advertising expenses	5,991	4,830
Communication expenses	5,201	6,340
Subcontractor expenses	4,695	3,563
Travel expenses	3,955	2,853
Consultancy expenses	3,547	1,038
Electricity, water and natural gas expenses	3,484	4,113
Social expenses	3,310	7,296
Insurance expenses	2,607	3,716
Rent expenses	2,494	3,520
Other expenses	13,875	7,631
Total	328,286	322,828

Personnel expenses

For the years ended 31 December 2017 and 31 December 2016, the details of personnel expenses are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Gross salaries	88,111	69,913
Salary dependent additional payments	28,980	46,446
Social benefits	20,672	20,253
Bonus expenses	18,158	41,039
Social security employer's contribution expenses	18,109	16,451
Mutual rescission expenses	13,716	7,910
Health care expenses	5,947	8,158
Other expenses	15,260	4,549
Total	208,953	214,719

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

23 GENERAL ADMINISTRATIVE EXPENSES (Continued)

Expenses by nature

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel fees and expenses	208,953	214,719
Takasbank interest expenses	85,988	50,673
Depreciation and amortization expenses	40,845	32,919
Taxes and other legal dues	11,679	11,628
Maintenance and repairment expenses	10,903	11,365
Outsourced benefit and services	6,747	7,297
Fees and commissions	6,702	4,465
Advertising expenses	5,991	4,830
Communication expenses	5,201	6,340
Subcontractor expenses	4,695	3,563
Travel expenses	3,955	2,853
Consultancy expenses	3,547	1,038
Electricity, water and natural gas expenses	3,484	4,113
Social expenses	3,310	7,296
Insurance expenses	2,607	3,716
Rent expenses	2,494	3,520
Other expenses	13,875	7,631
Total	420,976	377,966

24 OTHER OPERATING INCOME/EXPENSES

Other operating expenses

For the years ended 31 December 2017 and 31 December 2016, the details of other operating expenses are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Expense accrual for Capital Markets Board share (Note 15)	62,909	55,331
Tax penalty provision expense (Note 16)	25,099	-
Provision expenses	8,217	7,533
Foreign exchange loss	-	9,381
Other	1,311	340
Total	97,536	72,585

Other operating income

For the years ended 31 December 2017 and 31 December 2016, the details of other operating income are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange gain	564	-
Incapacity to work expenses	463	352
Provision no longer required	354	2,510
Rental income	45	366
Compensation income from subcontractors	-	2,382
Other operating income	1,498	2,943
Total	2,924	8,553

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

25 INVESTMENT ACTIVITIES INCOME/EXPENSES

For the years ended 31 December 2017 and 31 December 2016, the details of investment activities income and expenses are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Dividend income	4,120	2,156
Increase in fair value of investment properties	715	9,035
Gain on sale of investments accounted for under the equity method	-	1,013
Total	4,835	12,204

26 FINANCIAL INCOME/EXPENSES

For the years ended 31 December 2017 and 31 December 2016, the details of financial income are as follows:

Financial income

	1 January - 31 December 2017	1 January - 31 December 2016
Interest income	73,833	43,805
Rediscount income	12,313	12,761
Interest income from guarantee account	141	276
Total	86,287	56,842

For the years ended 31 December 2017 and 31 December 2016, the details of financial expenses are as follows:

Financial expenses

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange loss, net	80,341	139,139
Tax penalty default interest (Note 16)	16,399	-
Commission expenses	-	38
Total	96,740	139,177

27 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.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% 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.

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%.

As at 31 December 2017, provisional tax is payable at the rate of 20% on the income generated for the three-month periods pursuant to tax legislation and the amounts paid in this way are deducted from the tax calculated on the annual earnings. With the amendment made in the law, this ratio was determined as 22% for the years 2018, 2019 and 2020.

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

27 TAX ASSETS AND LIABILITIES (Continued)

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 2017 and 31 December 2016, the details of current tax assets and liabilities are as follows:

	31 December 2017	31 December 2016
Provision for corporate tax	116,967	92,933
Prepaid tax	(86,597)	(70,633)
Current income tax liabilities	30,370	22,300

For the years ended 31 December 2017 and 31 December 2016, the details of tax expenses in profit or loss are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Income tax expense	116,967	92,933
Deferred tax expense	4,960	5,825
Total tax expense	121,927	98,758

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 2017 and 31 December 2016:

	1 January - 31 December 2017	1 January - 31 December 2016
Profit before taxes	541,565	374,393
Income tax charge at effective tax rate	108,313	74,879
Adjustments from deferred tax calculations	7,119	27,868
Income from tax exemptions	(13,018)	(5,029)
Non-deductible expenses	17,894	1,006
Effect of tax rate change	1,619	-
Other	-	34
Tax expense	121,927	98,758

For the year ended 31 December 2017, effective tax rate is as 20.9% (31 December 2016: 20.3%).

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

27 TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets and liabilities

The Group and its subsidiaries calculate deferred tax assets and liabilities considering the effects of the temporary differences arising from the different valuations between the TFRS and the tax financial statements of the balance sheet items. As 22% corporation tax came into force with the "Law on the Amendment of Certain Tax Laws and Other Certain Other Laws" numbered 7061, 22% is used for the temporary differences which are likely to be recovered in 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 2017 financial statements (31 December 2016: 20%).

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

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

	31 December 2017		31 December 2016	
	Temporary differences	Deferred tax	Temporary differences	Deferred tax
Expense accrual for Capital Markets Board share	62,909	13,840	55,331	11,066
Provision for employee termination benefits	24,369	4,874	29,088	5,818
Provision for unused vacation liabilities	18,038	3,968	17,426	3,485
Lawsuit provisions	18,151	3,696	10,418	2,084
Provision for service bonuses	6,086	1,217	9,674	1,935
Other	5,970	1,194	-	-
Deferred tax assets		28,789		24,388
Net difference between the tax bases and carrying values of property plant and equipment, intangible assets and investment properties	144,655	28,930	65,727	13,145
Other	345	68	2,498	500
Deferred tax liabilities		28,998		13,645
Deferred tax assets/liabilities, net		(209)		10,743

As at 31 December 2017, the Group has deferred tax assets amounting to TL 5,831 (31 December 2016: TL 10,743) and deferred tax liabilities amounting to TL 6,040 (31 December 2016: None).

For the years ended 31 December 2017 and 31 December 2016, the movements of deferred tax assets during the year are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Opening balance - 1 January	10,743	16,254
Deferred tax expense	(4,960)	(5,825)
Other comprehensive income tax that will never be reclassified to profit or loss	(5,992)	314
- <i>Deferred tax income/(expense)</i>	(5,992)	314
Ending balance - 31 December	(209)	10,743

BORSA İSTANBUL A.Ş. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

28 RELATED PARTY DISCLOSURES

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

As at 31 December 2017 and 31 December 2016, the details of other short-term and long-term financial liabilities to related parties are as follows:

	31 December 2017	31 December 2016
Short term liabilities		
<i>Other financial liabilities to related parties^(*)</i>	685,650	-
Long term liabilities		
<i>Other financial liabilities to related parties^(*)</i>	160,146	777,765
Total	845,796	777,765

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

As at 31 December 2017 and 31 December 2016, the details of short term payables to related parties are as follows:

	31 December 2017	31 December 2016
Expense accrual for Capital Markets Board share ^(*)	62,909	55,331
Total	62,909	55,331

^(*) 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 2017	1 January - 31 December 2016
Capital Markets Board	62,909	55,331
Total	62,909	55,331

Key management personnel compensation

For the years ended 31 December 2017, salaries and similar benefits provided to members of key management are amounting to TL 6,092 (31 December 2016: TL 7,157).

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

29 NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

Credit risk

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

Market risk

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

Liquidity risk

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

29.1 Credit risk

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
	Related party	Other	Related party	Other			
31 December 2017							
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	-	-	-	-	-	-	-

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

29.1 Credit risk (Continued)

As at 31 December 2016, credit risk exposure of the Group in terms of financial instruments are as follows:

31 December 2016	Receivables				Cash and cash equivalents		
	Trade receivables		Other receivables		Deposit at banks	Reverse repo receivables	Financial investments
	Related party	Other	Related party	Other			
Exposure to maximum credit risk as at reporting date (A+B+C+D)	-	143,792	-	158	8,171,190	21,168	47,101
- Guaranteed part of maximum credit risk with collaterals etc.	-	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	-	143,792	-	158	8,171,190	21,168	47,101
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	-	-	-
- Overdue (Gross book value)	-	1,919	-	-	-	-	-
- Impairment (-)	-	(1,919)	-	-	-	-	-
- 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	-	-	-	-	-	-	-

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

29.2 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 2017 and 31 December 2016:

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 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 long-term liabilities	8,590	8,590	-	-	8,590
Total non-derivative financial liabilities	9,298,858	9,298,858	9,290,268	-	8,590
Derivative financial liabilities					
Current liabilities					
Other financial liabilities to related parties	685,650	688,372	-	688,372	-
Non-current liabilities					
Other financial liabilities to related parties	160,146	169,736	-	-	169,736
Total derivative financial liabilities	845,796	858,108	-	688,372	169,736
Total liabilities	10,144,654	10,156,966	9,290,268	688,372	178,326

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

29.2 Liquidity risk (Continued)

31 December 2016	Carrying value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years
Non-derivative financial liabilities					
Current liabilities					
Short term borrowings	2,444,232	2,444,493	2,444,493	-	-
Trade and other payables	282,511	282,511	282,511	-	-
Payables to related parties	55,331	55,331	55,331	-	-
Other current liabilities	4,189,717	4,189,717	4,189,717	-	-
Non-current liabilities					
Other long-term liabilities	2,738	2,738	-	2,738	-
Total non-derivative financial liabilities	6,974,529	6,974,790	6,972,052	2,738	-
Derivative financial liabilities					
Non-current liabilities					
Other financial liabilities to related parties	777,765	787,648	-	-	787,648
Total derivative financial liabilities	777,765	787,648	-	-	787,648
Total liabilities	7,752,294	7,762,438	6,972,052	2,738	787,648

⁽¹⁾ Other long-term liabilities amounting to TL 2,738 have been added to the 31 December 2016 footnote for comparative representation.

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

29.3 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 2017 and 31 December 2016, are as follows:

	31 December 2017	31 December 2016
USD	3.7719	3.5192
EUR	4.5155	3.7099

The table below summarizes the foreign currency position risk of the Group. As at 31 December 2017 and 31 December 2016, carrying value of assets and liabilities held by the Group in foreign currencies (in TL equivalent) are as follows:

	31 December 2017			31 December 2016		
	TL	USD	EUR	TL	USD	EUR
Cash and cash equivalents	4,443,717	656,053	436,087	3,324,787	665,571	264,835
Financial investments	659	-	146	543	-	146
Total assets	4,444,376	656,053	436,233	3,325,330	665,571	264,981
Short term borrowings	2,372,952	347,664	235,101	1,869,741	288,514	230,303
Other current liabilities	2,056,993	304,975	200,788	1,446,068	375,162	33,910
Other financial liabilities to related parties	845,796	224,236	-	777,765	221,006	-
Total liabilities	5,275,741	876,875	435,889	4,093,574	884,682	264,213
Net foreign currency assets/(liabilities)	(831,365)	(220,822)	344	(768,244)	(219,111)	768

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

29.3 Market risk (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 2017 and 31 December 2016:

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 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
31 December 2016				
Increase/(decrease) 10% of USD parity				
1- USD net asset/liability	(77,110)	77,110	(77,110)	77,110
2- Hedged portion of USD amounts (-)	-	-	-	-
3- Net effect of USD (1+2)	(77,110)	77,110	(77,110)	77,110
Increase/(decrease) 10% of EURO parity				
4- EURO net asset/liability	285	(285)	285	(285)
5- Hedged portion of EURO amounts (-)	-	-	-	-
6- Net effect of EURO (4+5)	285	(285)	285	(285)
TOTAL (3+6)	(76,825)	76,825	(76,825)	76,825

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

29.3 Market risk (Continued)

Interest rate risk

Interest sensitivity of assets:

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 2017 and 31 December 2016 are presented below:

Financial instruments with fixed interest rate	31 December 2017	31 December 2016
Financial assets		
Bank deposits	10,708,361	8,076,431
Reverse repo receivables	20,833	21,168
Financial assets held for trading	-	1,158
Held-to-maturity financial assets	76,846	45,943
Financial liabilities		
Short term borrowings	3,179,005	2,444,232

30 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 bank deposits, trade and other 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.

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

30 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 2017	Carrying value	Fair value	Note
Financial assets			
Cash and cash equivalents	10,800,918	10,800,918	4
Trade and other receivables	247,863	247,863	7
Financial investments (Held-to-maturity financial assets)	76,846	76,897	6
Financial liabilities			
Borrowings	3,179,005	3,179,005	17
Trade and other payables	398,762	398,762	15
Other financial liabilities	845,796	845,796	15

31 December 2016	Carrying value	Fair value	Note
Financial assets			
Cash and cash equivalents	8,192,829	8,192,829	4
Trade and other receivables	143,950	143,950	7
Financial investments (Held-to-maturity financial assets)	45,943	47,102	6
Financial investments (Financial assets held for trading)	1,158	1,158	6
Financial liabilities			
Borrowings	2,444,232	2,444,232	17
Trade and other payables	337,842	337,842	15
Other financial liabilities	777,765	777,765	15

As at 31 December 2017 and 31 December 2016, the fair value classification of the held to maturity financial assets of the Group is Level 2.

BORSA İSTANBUL A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

30 FINANCIAL INSTRUMENTS (Continued)

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).

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

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	-	-
Total	-	845,796	-	-
31 December 2016				
Financial assets				
Investment funds (Cash and cash equivalents)	417	-	-	417
Financial assets held for trading	1,158	-	-	1,158
Total	1,575	-	-	1,575
Financial liabilities				
Other financial liabilities	-	777,765	-	-
Total	-	777,765	-	-

Financial assets available for sale which are affiliates of the Group, have been accounted for making use of cost value.

Explanations of non-financial assets and liabilities at fair value

As at 31 December 2017 and 31 December 2016, 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 2017 amount to TL 59,355 is determined using the market value approach as stated in the valuation reports (31 December 2016: TL 22,285). Related valuation methods and accounting policies are explained in Note 2.10.

31 SUBSEQUENT EVENTS

None.

AFFILIATES AND SUBSIDIARIES

	Affiliates and Subsidiaries	Direct Share	Indirect Share
BORSA İSTANBUL	İstanbul Takas ve Saklama Bankası A.Ş.	63.83%	
	Merkezi Kayıt Kuruluşu A.Ş.	30.10%	71.53%
	Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	20.00%	34.21%
	İstanbul Gemoloji Entisitüsü A.Ş.	51.00%	
	Enerji Piyasaları İşletme A.Ş.	30.83%	
	Finans Teknopark A.Ş.	50.00%	
	Borsa İstanbul İTÜ Teknoloji A.Ş.	50.00%	
	Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	17.33%	19.96%
	İstanbul Altın Rafinerisi A.Ş.	0.01%	
	Kyrgyz Stock Exchange	16.33%	
	Montenegro Stock Exchange	24.43%	
	Baku Stock Exchange	4.76%	
	Sarajevo Stock Exchange	9.89%	16.66%
	LCH.Clearnet	2.09%	

SUSTAINABILITY PERFORMANCE TABLES

ECONOMIC PERFORMANCE INDICATORS

('000)	2015		2016		2017	
	TL	USD	TL	USD	TL	USD
Created Economic Value						
Revenues*	836,447	307,517	965,781	319,668	1,156,817	317,136
Distributed Economic Value						
Operating Expenses**	220,837	81,190	319,678	105,812	343,390	94,139
Employee Fees and Benefits	212,761	78,221	216,379	71,620	208,953	57,283
Dividends to Shareholders	-	-	-	-	-	-
Payments to the State***	147,060	54,066	154,089	51,003	184,836	50,672
Retained Economic Value						
(Revenues - Distributed Economic Value)	255,789	94,040	275,635	91,234	419,638	115,042

Notes

Consolidated financial information has been presented. For the calculations, the following yearly average USD/TL exchange rates have been used:

2015: USD/TL 2.7200

2016: USD/TL 3.0212

2017: USD/TL 3.6477

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

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

*** It consists of CMB share and Corporate Tax provision.

ENVIRONMENTAL PERFORMANCE INDICATORS

Greenhouse Gas Emissions* (ton CO₂e)	2015	2016	2017
Scope 1	1,122.7	1,303.3	1,622.5
Vehicles	102.1	98.3	154.0
F-gases	667.1	761.0	571.3
Fuels used in the buildings	327.1	404.4	725.3
Generators (diesel)	26.4	39.6	171.9
Scope 2	3,995.1	4,085.6	6,146.4
Electricity consumption	3,995.1	4,085.6	6,146.4
Scope 3	438.8	547.8	331.5
Employee transportation-Service buses	252.6	213.6	194.3
Business related domestic flights	35.8	49.8	27.1
Business related short distance (Europe) flights	6.1	117.1	37.0
Business related long distance flights	189.3	167.3	73.2
Total	5,601.5	5,936.7	8,100.4

Notes

* For the years 2015 and 2016, Net Global Warming Potential values were used from IPCC AR5 Report.

* In order to reflect changes in the emission coefficients, Net Global Warming Potential values for 2017 were also used from the IPCC AR5 Report.

	2015	2016	2017
Scope 1 Total (ton CO₂e)	1,122.7	1,303.3	1,622.5
CO ₂	1,119.9	1,300.3	1,617.0
CH ₄	0.9	1.2	2.7
N ₂ O	1.8	1.8	2.8
Scope 2 Total (ton CO₂e)	3,995.1	4,085.6	6,146.4
CO ₂	3,982.7	4,072.9	6,126.0
CH ₄	1.4	1.4	2.4
N ₂ O	11.0	11.3	18.0
Scope 3 Total (ton CO₂e)	483.8	547.8	331.5
CO ₂	478.8	542.2	328.1
CH ₄	0.1	0.1	0.1
N ₂ O	4.8	5.4	3.3
General Total (ton CO₂e)	5,601.5	5,936.7	8,100.4
CO ₂	5,581.4	5,915.4	8,071.1
CH ₄	2.5	2.7	5.2
N ₂ O	17.7	18.5	24.1

SUSTAINABILITY PERFORMANCE TABLES

SOCIAL PERFORMANCE INDICATORS

	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Number of Employees	143	432	135	371	122	389
Total Number of Employees	575		506		511	

NUMBER OF EMPLOYEES BY CONTRACT TYPE

	2015	2016	2017
Full time	574	506	511
Part time	1	-	-
Total	575	506	511

NUMBER OF EMPLOYEES BY AGE GROUP

	2015	2016	2017
Over 50 years old	27	30	9
30-50 years old	431	395	408
Under 30 years old	117	81	94
Total	575	506	511

NUMBER OF EMPLOYEES BY EMPLOYMENT DURATION

	2015	2016	2017
0-5 years	264	230	246
5-10 years	109	99	132
More than 10 years	202	177	133
Total	575	506	511

DIVERSITY AND EQUAL OPPORTUNITY

	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Number of employees at senior management by gender and age group						
Over 50 years old	0	1	1	0	1	1
30-50 years old	1	36	0	24	0	21
Under 30 years old	0	0	0	0	0	0

EMPLOYEES ON PARENTAL LEAVE & EMPLOYEES RETURNED TO WORK AFTER PARENTAL LEAVE

	2015		2016		2017	
	Female	Male	Female	Male	Female	Male
Employees on parental leave	11	34	12	27	7	18
Employees returned to work after parental leave	11	34	10	27	8	18

OCCUPATIONAL HEALTH AND SAFETY TRAINING

	2015	2016	2017*
Percentage of training hours reserved for occupational health and safety (OHS subjected trainings/Total training hours)	1.04%	58.43%	11.00%

* In 2017, all employees received OHS training.

DATA ON OCCUPATIONAL HEALTH AND SAFETY

	2015	2016	2017*
Number of employees at Borsa İstanbul	575	506	511
Number of sub-contractor's employees	320	89	80
Number of business related fatalities (total)	0	0	0
Injury rate* (Borsa İstanbul)	0	0	0.94
Injury rate * (sub-contractor)	2.75	0	0
Lost day rate** (sub-contractor)	5.7	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

	2015	2016	2017*
Average training hour per employee	32.5	9.8	19.7
Average training hour per employee*	32.5	12.5	46.3
Average training hour per female employee	31.2	36.7	82.3
Average training hour per male employee	32.9	13.4	25.8

* Calculated over the number of employees who received training. In 2015, all Borsa İstanbul employees received training.

NUMBER OF NEWLY RECRUITED EMPLOYEES

	2015		2016		2017*	
	Female	Male	Female	Male	Female	Male
Number of newly recruited employees	8	32	10	54	7	89
Over 50 years old	-	-	-	-	-	2
30-50 years old	-	10	5	36	2	55
Under 30 years old	8	22	5	18	5	32

NUMBER OF EMPLOYEES WHO QUIT DURING THE YEAR

	2015		2016		2017*	
	Female	Male	Female	Male	Female	Male
Number of employees who quit during the year	8	16	17	116	21	70
Over 50 years old	0	3	2	5	7	27
30-50 years old	7	9	12	91	13	39
Under 30 years old	1	4	3	20	1	4

GENERAL INFORMATION

	2015		2016		2017*	
	Female	Male	Female	Male	Female	Male
Employees subjected to performance evaluation	143	430	135	368	122	389
Total	573		503		511	

GRI G4 CONTENT INDEX – CORE



GENERAL STANDARD NOTIFICATIONS

	Description	Explanation/Page
STRATEGY AND ANALYSIS		
G4-1	Declaration of the organization (CEO, Chairman or equivalent high level position) high level decision authority about relation of sustainability with organization and strategy of organization on sustainability	Message from the Chairman of the Board and the Executive Committee, Page: 6-9 Message from the CEO, Page: 10
G4-2	Description of key impacts, risks and opportunities	Risk Analysis, Page: 26-30
ORGANIZATIONAL PROFILE		
G4-3	Name of the organization	Borsa İstanbul A.Ş.
G4-4	Primary brands, products and services	Financial Capital, Page: 32-33
G4-5	Address of organization headquarters	Reşitpaşa Mahallesi, Borsa İstanbul Caddesi, No: 4 Sarıyer 34467/İstanbul -Türkiye
G4-6	Number of country where organization is active and name of countries where organization has significant activities or countries especially related to sustainability headings explained in the report	http://www.borsaistanbul.com/kurumsal/borsa-istanbul-hakkinda/hukuki-cerceve
G4-7	Quality of property and legal structure	Shareholders, Page: 77
G4-8	Markets serviced (geographical distribution, serviced industry including type of customers and supporters)	Borsa İstanbul at a Glance, Page: 4-5
G4-9	Organization scale <ul style="list-style-type: none"> · Total number of employees · Total number of transactions · Net sales (for private sector organizations) or net income (for public sector organizations) · Total business capital allocation in terms of debt and resource (for private sector organizations) · Amount of product or service provided 	Borsa İstanbul at a Glance, Page: 4-5 Capital Markets Outlook, Page: 11 Financial Capital, Page: 32-34 Human Capital, Page: 50
G4-10	Work agreement, total number of employee per region and sex	Social Performance Indicators, Page: 152-153
G4-11	Percentage of total number of employee within the scope of collective agreement	69%
G4-12	Supply chain of organization	Stakeholder Engagement, Page: 20-21
G4-13	All significant changes seen in reporting period related to the size, structure, property or supply chain of organization	Shareholders, Page: 77
G4-14	Whether organization has a precautionary approach or how does it handle precautionary principle	Risk Analysis, Page: 28-30
G4-15	List of economic, environmental or social agreements, principles and other initiatives developed out of organization signed or supported by the organization	Social and Relationship Capital, Page: 59-60
G4-16	List of associations and national or international support associations for which the organization is member and taking role (ex. industry associations)	Social and Relationship Capital, Page: 62

GENERAL STANDARD NOTIFICATIONS

	Description	Explanation/Page
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	a. List of all organizations included in the consolidated balance sheets or equivalent documents of organization b. Whether any of organization included in the consolidated balance sheets or equivalent documents has been excluded from report	a. Affiliates and Subsidiaries, Page: 149 b. About the Annual Integrated Report, Page: 2
G4-18	a. Process to describe report content and Factor Frames b. How does the organization implement Reporting Principles For Determining Report Content	Our Material Issues, Page: 16-19
G4-19	List of all priority factors identified in determination process of report content	Our Material Issues, Page: 16
G4-20	Factor Frame within the organization for each priority factor	Our Material Issues, Page: 16
G4-21	Factor Frame out of organization for each priority factor	Our Material Issues, Page: 16
G4-22	Impact of every kind of declaration rearranged related to the information provided in previous reports and reasons of rearranging those declarations	About the Annual Integrated Report, Page: 2
G4-23	Significant changed in the framework of Scope and Factor compared to the previous reporting periods	About the Annual Integrated Report, Page: 2

STAKEHOLDER ENGAGEMENT

G4-24	List of shareholder groups contacted by the organization	Stakeholder Engagement, Page: 20-21
G4-25	Basic for determination and selection of shareholders to be contacted	Stakeholder Engagement, Page: 20-21
G4-26	Organization shareholder contact and whether any of these contacts has been established as a part of report preparation process covering also contact frequency per type and shareholder group	Stakeholder Engagement, Page: 20-21
G4-27	Key headings and concerns revealed via shareholder participation and how the organization handle these key headings and concerns including reporting; shareholder groups revealing each of key headings and concerns	Stakeholder Engagement, Page: 20-21

REPORT PROFILE

G4-28	Reporting period for the information provided (such as financial year or calendar year)	1 January 2017 - 31 December 2017
G4-29	Date of last presented (the former one) report (if any)	1 January 2016 - 31 December 2016
G4-30	Reporting frequency	Annual
G4-31	Contact information for questions about report and its content	Mahmut Aydoğmuş, Phone: 0212 298 23 70, e-mail: surdurulebilirlik@borsaistanbul.com
G4-32	a. 'Conformity' option selected by organization b. GRI Content Index regarding preferred option c. If report has been externally audited, referred External Audit Report	a. Core b. GRI G4 Index, Page: 154 c. No external audit has been obtained.

GRI G4 CONTENT INDEX – CORE

GENERAL STANDARD NOTIFICATIONS

	Description	Explanation/Page
G4-33	<p>a. Organization policy and current application for report about external audit seeking</p> <p>b. If sustainability report has not been included in enclosed audit report, scope and principle of every kind of external audit provided</p> <p>c. Relation between organization and guarantors</p> <p>d. Whether high level governance body or high level managers have attended external audit of organization sustainability report</p>	No external audit has been obtained.

GOVERNANCE STRUCTURE AND COMPOSITION

G4-34	Report the governance structure of the organization, including committees of the highest governance body.	<p>Committees, Page: 73</p> <p>Organizational Structure, Page: 78</p> <p>For further information: http://www.borsaistanbul.com/en/investor-relations/corporate-governance</p>
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	<p>Corporate Governance Compliance Report, Page: 84-86</p> <p>For further information: http://www.borsaistanbul.com/en/investor-relations/corporate-governance</p>
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	<p>Corporate Governance Compliance Report, Page: 84-86</p> <p>For further information: http://www.borsaistanbul.com/en/investor-relations/corporate-governance</p>
G4-38	Report the composition of the highest governance body and its committees.	<p>Committees, Page: 73-76</p> <p>Organizational Structure, Page: 78</p> <p>For further information: http://www.borsaistanbul.com/en/investor-relations/corporate-governance</p>
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	<p>The Chairman of the Board of Directors is also the Chairman of the Executive Committee.</p> <p>For further information: http://www.borsaistanbul.com/en/investor-relations/corporate-governance</p>
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	<p>Committees, Page: 73-76</p> <p>Corporate Governance Compliance Report, Page: 84-86</p> <p>For further information: http://www.borsaistanbul.com/en/investor-relations/corporate-governance</p>
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	<p>For further information: http://www.borsaistanbul.com/en/investor-relations/corporate-governance</p>

GENERAL STANDARD NOTIFICATIONS

	Description	Explanation/Page
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	Corporate Governance Compliance Report, Page: 84-86 For further information: http://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-sustainability-committee-implementing-procedures-and-principles.pdf?sfvrsn=4
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	Risk Analysis, Page: 26 For further information: http://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-sustainability-committee-implementing-procedures-and-principles.pdf?sfvrsn=4
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	Sustainability at Borsa İstanbul, Page: 64-65 For further information: http://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-sustainability-committee-implementing-procedures-and-principles.pdf?sfvrsn=4

ETHICS AND INTEGRITY

G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	Corporate Governance Compliance Report, Page: 84 For further information: http://www.borsaistanbul.com/docs/default-source/yayinlar/bias-ethical-principles-directive.docx
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	Corporate Governance Compliance Report, Page: 82-83 For further information: http://www.borsaistanbul.com/docs/default-source/yayinlar/bias-ethical-principles-directive.docx

GRI G4 CONTENT INDEX – CORE

SPECIFIC STANDARD NOTIFICATIONS

DMA and Indicators	Description	Page
--------------------	-------------	------

CATEGORY: ECONOMIC

FACTOR: ECONOMICAL PERFORMANCE

G4-DMA	General notifications about management approach	Message from the Chairman of the Board and the Executive Committee, Page: 6-9 Message from the CEO, Page: 10
G4-EC1	Direct economic value produced or distributed	Borsa İstanbul at a Glance, Page: 4-5 Value Created for Stakeholders, Page: 22-23

FACTOR: INDIRECT ECONOMIC IMPACTS

G4-DMA	General notifications about management approach	Message from the Chairman of the Board and the Executive Committee, Page: 6-9 Message from the CEO, Page: 10
G4-EC7	Development and impact of substructure and supported services	Borsa İstanbul Business Model, Page: 24-25
G4-EC8	Significant indirect economic impacts including size of impacts	Borsa İstanbul Business Model, Page: 24-25

CATEGORY: ENVIRONMENTAL

FACTOR: ENERGY

G4-DMA	General notifications about management approach	Sustainability at Borsa İstanbul, Page: 64-65
G4-EN3	Energy Consumption in organization	Environmental Performance Indicators, Page: 151
G4-EN4	Energy consumption outside of the organization	Environmental Performance Indicators, Page: 151
G4-EN6	Reducing energy consumption	Environmental Performance Indicators, Page: 151

FACTOR: WATER

G4-DMA	General notifications about management approach	Sustainability at Borsa İstanbul, Page: 64-65
G4-EN8	Total water withdrawal by source	Environmental Performance Indicators, Page: 151

FACTOR: EMISSIONS

G4-DMA	General notifications about management approach	Sustainability at Borsa İstanbul, Page: 64-65
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Environmental Performance Indicators, Page: 151
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Environmental Performance Indicators, Page: 151
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Environmental Performance Indicators, Page: 151

FACTOR: COMPLIANCE

G4-DMA	General notifications about management approach	Sustainability at Borsa İstanbul, Page: 64-65
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	None.

FACTOR: OVERALL

G4-DMA	General notifications about management approach	Sustainability at Borsa İstanbul, Page: 64-65
G4-EN31	Total environmental protection expenditures and investments by type	Environmental Performance Indicators, Page: 151

CATEGORY: SOCIAL

SUB- CATEGORY: LABOR PRACTICES AND DECENT WORK

FACTOR: EMPLOYMENT

G4-DMA	General notifications about management approach	Human Capital, Page: 50-51
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Social Performance Indicators, Page: 152

SPECIFIC STANDARD NOTIFICATIONS

DMA and Indicators	Description	Page
G4-LA3	Return to work and retention rates after parental leave, by gender	Social Performance Indicators, Page: 152

FACTOR: LABOR/MANAGEMENT RELATIONS

G4-DMA	General notifications about management approach	Human Capital, Page: 50-51
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Human Capital, Page: 50-51

FACTOR: OCCUPATIONAL HEALTH AND SAFETY

G4-DMA	General notifications about management approach	Human Capital, Page: 50-51
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Human Capital, Page: 50-51
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Social Performance Indicators, Page: 152

FACTOR: TRAINING AND EDUCATION

G4-DMA	General notifications about management approach	Human Capital, Page: 50-51
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Human Capital, Page: 50-51 Social Performance Indicators, Page: 152-153
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Human Capital, Page: 50-51 Social Performance Indicators, Page: 152-153

FACTOR: DIVERSITY AND EQUAL OPPORTUNITY

G4-DMA	General notifications about management approach	Human Capital, Page: 50-51
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Human Capital, Page: 50-51 Social Performance Indicators, Page: 152

FACTOR: EQUAL REMUNERATION FOR WOMEN AND MEN

G4-DMA	General notifications about management approach	Human Capital, Page: 50-51
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Human Capital, Page: 50-51 Social Performance Indicators, Page: 152

SUB-CATEGORY: SOCIETY
FACTOR: ANTI-CORRUPTION

G4-DMA	General notifications about management approach	For further information: http://www.borsaistanbul.com/docs/default-source/yayinlar/bias-ethical-principles-directive.docx
G4-SO4	Communication and training on anti-corruption policies and procedures	For further information: http://www.borsaistanbul.com/docs/default-source/yayinlar/bias-ethical-principles-directive.docx
G4-SO5	Confirmed incidents of corruption and actions taken	No such event has occurred in the reporting period.

CONTACT

BORSA İSTANBUL A.Ş.

Reşitpaşa Mahallesi, Borsa İstanbul Caddesi
No: 4, 34467 Sarıyer/İstanbul/Turkey

T: +90 212 298 21 00

F: +90 212 298 25 00

borsaistanbul.com

yatirimciiliskileri@borsaistanbul.com

 /borsaistanbul

 /borsaistanbul

 /borsaistanbulEn



Website

Scan the the QR code to visit Borsa İstanbul's corporate website.



**BORSA
İSTANBUL**



www.borsaistanbul.com



**BORSA
İSTANBUL
GRUBU**