**YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş.**
**AND ITS SUBSIDIARY**

**CONVENIENCE TRANSLATION INTO ENGLISH OF**
**CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019**
**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**
**ORIGINALLY ISSUED IN TURKISH**

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH**

# INDEPENDENT AUDITOR'S REPORT

**To the General Assembly of Yapı Kredi Yatırım Menkul Değerler A.Ş.**

## A. Audit of the Consolidated Financial Statements

### 1. Opinion

We have audited the accompanying consolidated financial statements of Yapı Kredi Yatırım Menkul Değerler A.Ş. (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements including a summary of significant accounting policies.

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

### 2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

### 3. Key Audit Matters

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

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| **Revenue recognition**<br><br>The Group recognized a total of TRY 3,968,847,868 of income under "revenue" and "revenue from financial service activities" items on its income statement for the period 1 January - 31 December 2019. Disclosures and notes related to the revenue are discussed in notes 2.4.(b), 24 and 25 of the accompanying financial statements prepared as of 31 December 2019.<br><br>This area is regarded as a key audit matter due to the magnitude of revenue in the financial statements; revenue being generated through as a result of multiple transactions such as sales of marketable securities, intermediary commissions, portfolio management income and corporate finance income; and calculated by using different methods and parameters due to the nature of the Group's operations. | Within the scope of the audit procedures we applied related to revenue recognition, we evaluated the compliance of accounting policies determined by Group management regarding revenue recognition with TFRS and the relevant legislation. Furthermore, we evaluated and tested the design and operational effectiveness of the internal controls applied by the management to ensure revenue is recognised in accordance with relevant accounting standards. We tested the transaction details using a selected sample from revenue transactions subject to the audit by comparing these transaction details to the relevant supporting documentation to verify that the amounts were recognised properly on a transaction basis.<br>In addition, we confirmed the transaction volumes with the third parties, which were used to calculate the intermediary income based on a selected sample. |

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

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

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

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

## 5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in 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.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

## B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Didem Demer Kaya, SMMM
Partner

Istanbul, 31 January 2020

**YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY**

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH**

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# YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

## CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

| Assets | Notes | (*Audited*) 31 December 2019 | (*Audited*) 31 December 2018 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 3,548,582,985 | 2,864,276,565 |
| Financial investments | 7 | 48,229,561 | 67,293,918 |
| *- Fair value through profit or loss financial assets* | | *5,792,261* | *6,640,553* |
| *- Financial assets measured at fair value through other comprehensive income* | | - | *27,228,075* |
| *- Financial assets measured at amortised cost* | | *42,437,300* | *33,425,290* |
| Trade receivables | 10 | 617,140,466 | 247,512,418 |
| *- Trade receivables due from related parties* | *29* | *77,353,118* | *22,057,427* |
| *- Trade receivables due from other parties* | | *539,787,348* | *225,454,991* |
| Receivables from financial activities | 11 | 14,811,329 | 10,955,775 |
| *- Receivables from financial activities due from related parties* | *29* | *14,745,993* | *8,926,626* |
| *- Receivables from financial activities due from other parties* | | *65,336* | *2,029,149* |
| Other receivables | 12 | 171,876,384 | 132,378,014 |
| *- Other receivables due from other parties* | | *171,876,384* | *132,378,014* |
| Derivative instruments | 17 | - | 70,079,659 |
| *- Derivatives held for trading* | | - | *70,079,659* |
| Prepaid expenses | 20 | 5,786,281 | 5,577,815 |
| *- Prepaid expenses due to other parties* | | *5,786,281* | *5,577,815* |
| Current income tax assets | 23 | 5,144,165 | 38,372,497 |
| Other current assets | | 2,440 | 27,025 |
| *- Other current assets due from other parties* | | *2,440* | *27,025* |
| **Total current assets** | | **4,411,573,611** | **3,436,473,686** |
| **Non-current assets** | | | |
| Financial investments | 7 | 80,252,451 | 50,135,553 |
| *- Financial assets measured at fair value through other comprehensive income* | | *75,768,427* | *50,135,553* |
| *- Financial assets measured at amortised cost* | | *4,484,024* | - |
| Property, plant and equipment | 13 | 8,364,898 | 8,075,277 |
| Right of use assets | 14 | 3,194,530 | - |
| Intangible assets | 15 | 29,514,832 | 29,633,063 |
| Deferred tax assets | 23 | 18,731,203 | 631,071 |
| **Total non-current assets** | | **140,057,914** | **88,474,964** |
| **Total assets** | | **4,551,631,525** | **3,524,948,650** |

## CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

| **Liabilities** | **Notes** | ***(Audited)*** **31 December 2019** | ***(Audited)*** **31 December 2018** |
|---|---|---|---|
| **Short-term liabilities** | | | |
| Short term liabilities | 9 | 3,407,195,281 | 2,611,074,101 |
| *- Short term liabilities due to related parties* | *29* | *2,189,680* | - |
| *- Lease liabilities* | | *2,189,680* | - |
| *- Short term liabilities due to other parties* | | *3,405,005,601* | *2,611,074,101* |
| *- Bank borrowings* | *9* | *209,943,264* | - |
| *- Lease liabilities* | *9* | *174,210* | - |
| *- Other short-term liabilities* | | *3,194,888,127* | *2,611,074,101* |
| Trade payables | 10 | 400,392,813 | 199,358,659 |
| *- Trade payables due to related parties* | *29* | *65,023,613* | *25,287,963* |
| *- Trade payables due to other parties* | | *335,369,200* | *174,070,696* |
| Liabilities for employee benefits | 19 | 4,551,946 | 2,809,157 |
| Other payables | 12 | 43,625,638 | 20,532,801 |
| *- Other payables due to related parties* | *29* | *39,550* | *28,342* |
| *- Other payables due to other parties* | | *43,586,088* | *20,504,459* |
| Derivative instruments | 17 | 61,074,324 | 1,148,722 |
| *- Derivatives held for trading* | | *61,074,324* | *1,148,722* |
| Tax liability for the period | 23 | 4,295,740 | 2,499,742 |
| Short term provisions | | 21,623,089 | 57,234,909 |
| *- Short term provisions for employee benefits* | *18* | *19,210,501* | *21,674,000* |
| *- Other short-term provisions* | *16* | *2,412,588* | *35,560,909* |
| Other short-term liabilities | 21 | 17,563,318 | 13,153,032 |
| *- Other short-term liabilities due to other parties* | | *17,563,318* | *13,153,032* |
| **Total short-term liabilities** | | **3,960,322,149** | **2,907,811,123** |
| **Long-term liabilities** | | | |
| Long term liabilities | 9 | 1,112,401 | - |
| *- Long term liabilities due to related parties* | *29* | *1,089,597* | - |
| *- Lease liabilities* | *9* | *1,089,597* | - |
| *- Long term liabilities due to other parties* | *9* | *22,804* | - |
| *- Lease liabilities* | | *22,804* | - |
| Long term provisions | 18 | 14,297,584 | 12,369,063 |
| *- Long term provisions for employee benefits* | | *14,297,584* | *12,369,063* |
| Deferred tax liabilities | 23 | - | 1,510,089 |
| **Total long-term liabilities** | | **15,409,985** | **13,879,152** |
| **Total liabilities** | | **3,975,732,134** | **2,921,690,275** |
| **Shareholder's equity** | | | |
| Paid in capital | 22 | 98,918,083 | 98,918,083 |
| Adjustments to share capital | 22 | 63,078,001 | 63,078,001 |
| Accumulated other comprehensive income that will not be reclassified to profit or loss | | 19,458,702 | 11,541,601 |
| *- Gains from investments in equity instruments* | | *22,180,709* | *13,981,349* |
| *- Remeasurement losses from defined benefit plans* | | *(2,722,007)* | *(2,439,748)* |
| Accumulated other comprehensive income that will be reclassified to profit or loss | | 102,601 | 71,323 |
| *- Revaluation and reclassification gains* | | *102,601* | *71,323* |
| Restricted reserves | 22 | 173,078,307 | 234,277,667 |
| Retained earnings | | 84,609,777 | 84,609,777 |
| Net income for the period | | 126,251,462 | 102,284,058 |
| **Equity attributable to owners of the parent** | | **565,496,933** | **594,780,510** |
| **Non-controlling interests** | **22** | **10,402,458** | **8,477,865** |
| **Total shareholder's equity** | | **575,899,391** | **603,258,375** |
| **Total liabilities and shareholder's equity** | | **4,551,631,525** | **3,524,948,650** |

The accompanying explanations and notes form an integral part of these consolidated financial statements.

## CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

| | Notes | ***(Audited)*** **1 January - 31 December 2019** | ***(Audited)*** **1 January - 31 December 2018** |
|---|---|---|---|
| **PROFIT OR LOSS** | | | |
| Revenue | 24 | 3,878,806,696 | 7,416,179,019 |
| Cost of sales (-) | 24 | (3,718,007,167) | (7,293,399,735) |
| **Gross profit from business operations** | **24** | **160,799,529** | **122,779,284** |
| Revenue from financial activities | 25 | 90,041,172 | 77,258,867 |
| Cost of financial activities (-) | 25 | (5,537,221) | (10,497,333) |
| **Gross profit from financial activities** | **25** | **84,503,951** | **66,761,534** |
| **Gross profit** | | **245,303,480** | **189,540,818** |
| General administrative expenses (-) | 26 | (151,223,835) | (134,512,020) |
| Marketing expenses (-) | 26 | (44,708,018) | (37,864,064) |
| Other income from operating activities | 27 | 954,701,219 | 894,138,560 |
| Other expense from operating activities (-) | 28 | (836,721,888) | (776,537,433) |
| **Profit before tax from continuing operations** | | **167,350,958** | **134,765,861** |
| **Tax expense from continuing operations (-)** | **23** | **(35,118,663)** | **(27,957,752)** |
| - Tax expense for the period (-) | 23 | (56,970,735) | (32,538,847) |
| - Deferred tax income | 23 | 21,852,072 | 4,581,095 |
| **Net income for the period** | | **132,232,295** | **106,808,109** |
| **Total profit attributable to** | | | |
| Profit, attributable to non-controlling interests | 22 | 5,980,833 | 4,524,051 |
| Profit, attributable to owners of parent | | 126,251,462 | 102,284,058 |
| Earnings per share from continuing operations (Kr) | 30 | 1.34 | 1.08 |

The accompanying explanations and notes form an integral part of these consolidated financial statements.

# CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

| | Notes | *(Audited)* 1 January - 31 December 2019 | *(Audited)* 1 January- 31 December 2018 |
|---|---|---|---|
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Net income for the period** | | **132,232,295** | **106,808,109** |
| **Components of other comprehensive income that will not be reclassified to profit or loss** | | **7,917,101** | **1,905,172** |
| Gains from investments in equity instruments | | 10,512,000 | 2,365,200 |
| Defined benefits plans remeasurement (losses) / gains | | (361,870) | 77,328 |
| Taxes related other comprehensive income that will not be reclassified to profit or loss | | (2,233,029) | (537,356) |
| *- Gains from investments in equity instruments, tax effect* | | *(2,312,640)* | *(520,344)* |
| *- Defined benefit plans remeasurements losses / (gains), tax effect* | | *79,611* | *(17,012)* |
| **Components of other comprehensive income that will be reclassified to profit or loss** | | **31,278** | **(33,051)** |
| Financial assets measured at fair value through other comprehensive (expense)/income | | 40,100 | (42,373) |
| Taxes related other comprehensive income that will be reclassified to profit or loss | | (8,822) | 9,322 |
| *- Other comprehensive (income)/expense related to financial assets that fair value difference is reflected to other comprehensive (income) / expense, tax effect* | | *(8,822)* | *9,322* |
| **Other comprehensive income** | | **7,948,379** | **1,872,121** |
| **Total comprehensive income** | | **140,180,674** | **108,680,230** |
| **Total comprehensive income attributable to** | | | |
| Comprehensive income, attributable to non-controlling interests | 22 | 5,980,833 | 4,524,051 |
| Comprehensive income, attributable to owners of parent | | 134,199,841 | 104,156,179 |
| Total comprehensive income per share from continuing operations (Krş) | 30 | 1.42 | 1.10 |

## YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

## CONVENIENCE TRANSLATION INTO ENGLISH OF AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

| | | | | Accumulated other comprehensive income or expenses will be reclassified to profit or loss | Accumulated other comprehensive income or expenses will not be reclassified to profit or loss | | | Accumulated profits | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Notes** | **Paid capital** | **Adjustments to share capital** | **Revaluation and reclassification gains** | **Gains from investments in equity instruments** | **Remeasurement losses from defined benefit plans** | **Restricted reserves** | **Retained earnings** | **Net profit for the year** | **Equity attributable to owners of the parent** | **Non controlling interests** | **Total equity** |
| **1 January 2018** | | **98,918,083** | **63,078,001** | **12,240,867** | **-** | **(2,500,064)** | **236,535,668** | **43,334,866** | **97,326,500** | **548,933,921** | **8,263,813** | **557,197,734** |
| Adjustments resulting from changes in accounting policies | | - | - | (12,136,493) | 12,136,493 | - | - | (14,219,590) | - | (14,219,590) | - | (14,219,590) |
| - Adjustments resulting from obligatory changes in accounting policies | | - | - | *(12,136,493)* | *12,136,493* | - | - | *(14,219,590)* | - | *(14,219,590)* | - | *(14,219,590)* |
| **Reorganized balances as the date of 1 January 2018 (Beginning of the period)** | | **98,918,083** | **63,078,001** | **104,374** | **12,136,493** | **(2,500,064)** | **236,535,668** | **29,115,276** | **97,326,500** | **534,714,331** | **8,263,813** | **542,978,144** |
| Transfers | | - | - | - | - | - | - | 97,326,500 | (97,326,500) | - | - | - |
| Total comprehensive income/(expense) | | - | - | (33,051) | 1,844,856 | 60,316 | - | - | 102,284,058 | 104,156,179 | 4,524,051 | 108,680,230 |
| - Net income for the period | | - | - | - | - | - | - | - | *102,284,058* | *102,284,058* | *4,524,051* | *106,808,109* |
| - Other comprehensive income/(expense) | | - | - | *(33,051)* | *1,844,856* | *60,316* | - | - | - | *1,872,121* | - | *1,872,121* |
| Profit shares | 22 | - | - | - | - | - | (2,258,001) | (41,831,999) | - | (44,090,000) | (4,309,999) | (48,399,999) |
| **31 December 2018** | **22** | **98,918,083** | **63,078,001** | **71,323** | **13,981,349** | **(2,439,748)** | **234,277,667** | **84,609,777** | **102,284,058** | **594,780,510** | **8,477,865** | **603,258,375** |
| **1 January 2019** | | **98,918,083** | **63,078,001** | **71,323** | **13,981,349** | **(2,439,748)** | **234,277,667** | **84,609,777** | **102,284,058** | **594,780,510** | **8,477,865** | **603,258,375** |
| Transfers | | - | - | - | - | - | - | 102,284,058 | (102,284,058) | - | - | - |
| Total comprehensive income | | - | - | 31,278 | 8,199,360 | (282,259) | - | - | 126,251,462 | 134,199,841 | 5,980,833 | 140,180,674 |
| - Net income for the period | | - | - | - | - | - | - | - | *126,251,462* | *126,251,462* | *5,980,833* | *132,232,295* |
| - Other comprehensive income/(expense) | | - | - | *31,278* | *8,199,360* | *(282,259)* | - | - | - | *7,948,379* | - | *7,948,379* |
| Profit shares | 22 | - | - | - | - | - | (61,199,360) | (102,284,058) | - | (163,483,418) | (4,056,240) | (167,539,658) |
| **31 December 2019** | **22** | **98,918,083** | **63,078,001** | **102,601** | **22,180,709** | **(2,722,007)** | **173,078,307** | **84,609,777** | **126,251,462** | **565,496,933** | **10,402,458** | **575,899,391** |

# CONVENIENCE TRANSLATION INTO ENGLISH OF AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

| | Notes | 1 January-<br>31 December 2019 | 1 January-<br>31 December 2018 |
|---|---|---|---|
| **A. Cash flows from operating activities** | | **536,044,263** | **953,444,605** |
| **Net profit for the period** | | **132,232,295** | **106,808,109** |
| **Adjustments to reconcile net income/loss to net cash provided by operating activities** | | **343,655,706** | **431,221,484** |
| Adjustments for depreciation and amortization | 13, 14, 15 | 8,956,968 | 4,486,211 |
| Adjustments for provisions | | (9,125,877) | 63,023,263 |
| *- Adjustments for provision for employee benefits* | | *21,049,753* | *24,387,341* |
| *- Adjustments for lawsuit provisions* | | *(34,270,380)* | *33,569,964* |
| - Adjustments resulting from the other provisions | | 4,094,750 | 5,065,958 |
| Adjustments for interest income and expenses | | 414,812,696 | 359,658,847 |
| *- Adjustments for interest income* | | *(203,195,893)* | *(279,545,293)* |
| *- Adjustments for interest expenses* | | *618,008,589* | *639,204,140* |
| Adjustments for unrealized foreign currency translation differences | | (106,279,201) | (24,021,434) |
| Adjustments for fair value losses/(gains) | | 172,457 | 116,845 |
| *- Adjustments for financial assets fair value losses/(gains)* | | *172,457* | *116,845* |
| Adjustments for tax expense | 22 | 35,118,663 | 27,957,752 |
| **Changes in working capital** | | **(95,524,189)** | **168,775,259** |
| Decrease/(increase) in financial investments | | (2,238,262) | 37,937,656 |
| Decrease/(increase) in trade receivables | | (369,628,048) | 219,985,630 |
| *- Decrease/(increase) in trade receivables due from related parties* | | *(55,295,691)* | *(21,464,567)* |
| *- Decrease/(increase) in trade receivables due from other parties* | | *(314,332,357)* | *241,450,197* |
| Decrease (increase) in receivables from financial activities | | (3,855,554) | 2,096,259 |
| Increase in other receivables | | (39,498,370) | (54,863,632) |
| *- Increase in other receivables due from other parties* | | *(39,498,370)* | *(54,863,632)* |
| Decrease/(increase) in derivatives | | 70,079,659 | (6,235,237) |
| Increase in prepaid expenses | | (208,466) | (778,991) |
| Decrease in trade payables | | 154,950,425 | (28,627,641) |
| *- (Decrease)/increase in trade payables due to related parties* | | *39,735,650* | *17,616,582* |
| *- Decrease in trade payables due to other parties* | | *115,214,775* | *(46,244,223)* |
| Increase in payables due to employee benefits | | 1,742,789 | 78,739 |
| Increase/(decrease) in other payables | | 27,503,123 | 4,589,710 |
| *- Increase in other payables due to related parties* | | *11,208* | *28,342* |
| *- Increase/(decrease) in other payables due to other parties* | | *27,491,915* | *4,561,368* |
| Decrease in derivative liabilities | | 59,925,602 | (6,176,259) |
| Increase in other operating capital | | 5,702,913 | 769,025 |
| *- Increase in other operating activities* | | *5,702,913* | *769,025* |
| **Other cash flows from operating activities** | | **380,363,812** | **706,804,852** |
| Dividend received | | 9,459,234 | 10,185,426 |
| Interest received | | 193,736,659 | 269,359,867 |
| Payments for provision for employee benefits | | (21,584,731) | (19,177,567) |
| Taxes paid | | (25,930,711) | (13,727,973) |
| **B. Cash flows from investing activities** | | **(5,157,835)** | **(6,981,669)** |
| Cash inflows from sale of property, plant equipment and intangible assets | | 22,359 | - |
| *- Cash inflows from sale of property, plant and equipment* | *13* | *18,923* | - |
| *- Cash inflows from sale of intangible assets* | *15* | *3,436* | - |
| Cash outflows from purchase of property, plant, equipment and intangible assets | | (5,180,194) | (6,981,669) |
| *- Cash outflows from purchase of property, plant and equipment* | *13* | *(1,915,666)* | *(1,450,083)* |
| *- Cash outflows from purchase of intangible assets* | *15* | *(3,264,528)* | *(5,531,586)* |
| **C. Cash flows from financing activities** | | **3,764,183** | **(2,241,327,891)** |
| Cash inflows from borrowings | | 53,243,072,356 | 71,948,469,478 |
| *- Cash inflows from loans* | | *48,815,465,932* | *68,240,777,592* |
| *- Cash inflows from issued bonds* | | *4,427,606,424* | *3,707,691,886* |
| Cash outflows from debt payments | | (52,450,071,164) | (73,502,193,230) |
| *- Cash outflows from loan repayments* | | *(47,899,517,907)* | *(69,239,355,870)* |
| *- Cash outflows from issued bonds repayments* | | *(4,550,553,257)* | *(4,262,837,360)* |
| Cash outflows due from lease agreements | 9 | (4,582,311) | - |
| Dividend paid | 22 | (167,539,658) | (48,399,999) |
| Interest paid | | (617,115,040) | (639,204,140) |
| **Net increase/(decrease) in cash and cash equivalents before exchange currency effect (A+B+C)** | | **534,650,611** | **(1,294,864,955)** |
| **D. Exchange currency effect on cash and cash equivalents** | | **106,279,201** | **24,021,434** |
| **Net increase/(decrease) in cash and cash equivalents (A+B+C+D)** | | **640,929,812** | **(1,270,843,521)** |
| **E. Cash and cash equivalents at the beginning of the period** | **6** | **2,830,984,589** | **4,101,828,110** |
| **Cash and cash equivalents at the end of the period (A+B+C+D+E)** | **6** | **3,471,914,401** | **2,830,984,589** |

The accompanying explanations and notes form an integral part of these consolidated financial statements.

## 1. ORGANISATION AND NATURE OF OPERATIONS

Yapı Kredi Yatırım Menkul Değerler A.Ş., (referred to as the "Company" or "Group" along with its subsidiary in these consolidated financial statements) was founded on 8 September 1989, under the name Finanscorp Finansman Yatırım Anonim Şirketi, in line with the provisions of Capital Market Law No. 2499 and relevant provisions of legislation, for the purpose of performing capital market operations related to all types of capital market instruments, carrying out all types of transactions and entering into contracts in connection with these operations, as well as performing intermediary operations. The founding was promulgated in Turkish Trade Registry Gazette No. 2358 dated 15 September 1989. In 1996, 99.6% of the shares of the Company were transferred to Yapı ve Kredi Bankası Anonim Şirketi ("Bank"). The name of the Company was changed to Yapı Kredi Yatırım Anonim Şirketi on 9 September 1996 and Yapı Kredi Yatırım Menkul Değerler Anonim Şirketi on 5 October 1998.

As of 28 September 2005, 57.4% of the shares of Yapı ve Kredi Bankası A.Ş., the main shareholder of the Company, were sold in accordance with the share purchase agreement between Çukurova Holding A.Ş., several Çukurova Group Companies, Mehmet Emin Karamehmet and Koç Finansal Hizmetler A.Ş. ("KFH"), Koçbank N.V. and Koçbank A.Ş. In the framework of the agreement, KFH became the ultimate parent company of Yapı ve Kredi Bankası A.Ş. with 57.4% shares. The main shareholder of the Company is Yapı ve Kredi Bankası A.Ş.(YKB) and ultimate parent of the Company is KFH.

At the Extraordinary General Assembly of the Company at 29 December 2006 the decision to legally merge with Koç Yatırım Menkul Değerler A.Ş. ("Koç Yatırım") in accordance with the related articles of Turkish Commercial Code, Corporate Tax Law, and Capital Market Law and permission of Capital Markets Board No. B.02.1.SPK.0.16-1955 dated 15 December 2006 and to approve the merger agreement has been taken. Accordingly, all rights, receivables, liabilities and obligations were transferred to the Company due to consequential dissolution without liquidation of Koç Yatırım Menkul Değerler A.Ş.

Commercial Registration Office of Istanbul has registered the Extraordinary General Assembly decision dated 29 December 2006 and the merger agreement as of 12 January 2007 and announced the registration at Trade Registry Gazette No. 6724 and dated 16 January 2007.

The main operations of the Company can be summarized as follows without lending money, except where legislation allows:

a) Buying and selling of capital market instruments within the scope of Capital Market Legislation in the name and account of the customer, in their own name and account or in their own name and in the account of the customer,

b) According to the Capital Market Law and Capital Market Board's Regulations ("SPK" or "Board") and "Intermediary Firm with Broad Authority" the Company have the following activities:

- Intermediation Activities (Domestic and Foreign),
    - Shares,
    - Other securities,
    - Derivatives based on shares,
    - Derivatives based on share indices,
    - Other derivatives,

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 1. ORGANISATION AND NATURE OF OPERATIONS (Continued)

- Portfolio Management Activities (Domestic),
  - Shares,
  - Other securities,
  - Leverage trading,
  - Derivatives based on shares,
  - Derivatives based on share indexes,
  - Other derivative instruments,
  - Investment consulting activities,
  - Intermediation for public offering,
  - Underwriting,
  - Best effort underwriting,
  - Limited custodian service.

c) Performing transactions in exchange markets by being a member of exchanges,

d) Buying and selling of securities with repurchase and sale commitment,

e) Using the right to receive the bonus shares, the payment of capital, interest, dividends and similar incomes of the capital market instruments on its customers behalf and accounts in accordance with the authorization given by the customers.

f) Margin trading, short selling and borrowing and lending the financial instruments.

The Company has 36 investment funds (31 December 2018: 30). As of 31 December 2019 The Group has 265 employees (31 December 2018: 277).

The head office of the Company is located at Levent Mah, Cömert Sok, No: 1A A Blok, D: 21-22-23-24-25-27 Levent - Beşiktaş/İstanbul.

***Subsidiary;***

As of 31 December 2019 and 2018, details of the subsidiary of the Group are as follows:

| Name of the shareholder | 31 December 2019 Share in capital | 31 December 2018 Share in capital | Main activity |
|---|---|---|---|
| Yapı Kredi Portföy Yönetimi A.Ş. (Subsidiary) | 87.32% | 87.32% | Portföy yönetimi |

Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy" or "subsidiary") is subject to full scope consolidation as the Company is the main shareholder and has control rights over subsidiary.

The Company's subsidiary Koç Portföy Yönetimi A.Ş. has legally merged with Yapı Kredi Portföy Yönetimi A.Ş. on December 29, 2006. Accordingly, all rights, receivables, liabilities and obligations of Yapı Kredi Portföy were transferred to Koç Portföy. After merger, the Subsidiary has changed its title as Yapı Kredi Portföy Yönetimi A.Ş. and accordingly the Company has an interest of 87.32% (31 December 2018: 87.32%) of the voting rights.

## 1. ORGANISATION AND NATURE OF OPERATIONS (Continued)

Within the context of the Capital Markets Board regulations, the Subsidiary's principal activities are managing mutual and private funds and performing discretionary portfolio management ("DPM") for institutions, endowments and individuals.

***Approval of consolidated financial statements:***

Consolidated financial statements prepared as of 31 December 2019 have been approved by the Board of Directors of the Company at 31 January 2020. General Assembly and regulatory bodies have the right to amend the approved financial statements.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### 2.1 BASIS OF PRESENTATION

#### 2.1.1 Accounting standards and the compliance to TFRS

The accompanying financial statements are prepared in accordance with Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, financial statements are prepared in accordance with the Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA").

The consolidated financial statements were based on the legal records of the Group and expressed in Turkish Lira; and they have been subject to certain adjustments and classifications in order to fairly present the financial position of the Group in accordance with the Turkish accounting standards issued by POA.

**Preparation of consolidated financial statements**

The consolidated financial statements of the Group have been prepared in accordance with the 2019 TFRS Taxonomy published by POA.

#### 2.1.2 Financial statement amendments in hyperinflation economies

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for listed companies in Turkey. The Group's consolidated financial statements have been prepared in accordance with this decision.

#### 2.1.3 Offsetting

Financial assets and liabilities are offset and the net amount reported in the financial statements 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.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### 2.1.4 Going concern

The Group prepared its consolidated financial statements based on going concern principle.

### 2.1.5 Comparative figures and the reclassification to the consolidated financial statements of the prior period

The Group complies with the principles and conditions imposed by the Capital Markets Board, the communiqués of the Capital Markets Board and the regulations in force, in keeping the accounting records and in preparing the legal financial statements.

Financial statements of the Company are prepared in comparison with prior financial period in order to enable determination of the financial situation and performance trends. The Company has prepared its balance sheet as of 31 December 2019 in comparison with the balance sheet as of 31 December 2018, and its statement of comprehensive income, cash flow and changes in equity in 1 January - 31 December 2019 financial period in comparison with 1 January - 31 December 2018 financial period. If necessary, comparative information is rearranged to conform to the presentation of the current period consolidated financial statements.

### 2.1.6 New standards, amendments and interpretations

The Group adopted the standards, amendments and interpretations published by TAS and TFRS and which are mandatory for the accounting periods beginning on or after 31 December 2019.

**a) Standards, amendments and interpretations applicable as at 31 December 2019:**

- **Amendment to IFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

- **Amendment to IAS 28, 'Investments in associates and joint venture';** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

**IFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations

- **IFRIC 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

    - IFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
    - IFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
    - IAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
    - IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- **Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'**; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

    - Use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement and

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

- **Amendments to IAS 1 and IAS 8 on the definition of material**; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

  i) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting
  ii) Clarify the explanation of the definition of material and
  iii) İncorporate some of the guidance in IAS 1 about immaterial information.

- **Amendments to IFRS 3 - definition of a business**; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

- **Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform**; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

- **IFRS 17, 'Insurance contracts'**; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

### 2.2 Changes In Accounting Policies And Errors

Accounting policy changes arising from the initial application of a new TAS/TFRS are applied retroactively or in accordance with the transition provisions of TAS/TFRS, if applicable. Changes which are not included in any transition decree, significant changes in accounting policy or detected accounting errors are applied retrospectively and the prior period consolidated financial statements are restated. There has been no change in accounting policies in 2019, except for the Group's accounting policy changes required by TFRS 16 "Leases".

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### 2.2.1 Effects on consolidated financial statements

As of January 1, 2019, the Group has started to implementation the "TFRS 16 - Leases" standard in accounting for leasing transactions. Facilitating practice was preferred at the first transition date and no changes were made in the prior period comparative financial statements.

In accordance with the "TFRS 16 - Leases" standard, the Group calculates the "right of use" amount and includes it in "tangible assets" at the beginning of the lease based on the present value of the lease payments. On the other hand, in the liability, it measures the unpaid lease payments at its current value and records them under "liabilities from leasing transactions". Rent payments are discounted using the borrowing interest rate.

Fixed assets subject to lease are subject to depreciation based on the lease period. Interest expense related to liabilities from the liabilities shown in the liability, in the item "lease interest expenses" under "interest expenses" in the income statement; exchange rate difference is reflected under "foreign exchange transaction profit / loss". Rent payments are deducted from financial lease liabilities.

As of 1 January 2019, the impact of TFRS 16 on the consolidated financial statements is as follows:

**Information on liabilities from leasing transactions**

| | **1 January 2019** |
|---|---|
| **Operating lease commitments** | **6,164,671** |
| **Lease liability recognised under TFRS 16 (discounted)** | **4,955,212** |
| **Liabilities from lease transactions** | **4,955,212** |
| - Short term lease liabilities | 3,392,873 |
| - Long term lease liabilities | 1,562,339 |

**Information on total right of use assets:**

| | **31 December 2019** | **1 January 2019** |
|---|---|---|
| Office and branches, net | 1,623,794 | 2,017,386 |
| Vehicles, net | 1,570,736 | 2,160,168 |
| Other, net | - | 777,658 |
| **Total right of use assets** | **3,194,530** | **4,955,212** |

### 2.3 Changes In Accounting Estimates

If the changes in the accounting estimates are related to only one period; changes are made only in the related period, if the changes in the accounting estimates related to future periods; changes are made both for the current and future periods, oriented to future periods. There has been no significant change in the Group's accounting estimates in the current period.

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### 2.4 Summary Of Significant Accounting Policies

### (a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its Subsidiary. Control is exercised when a company has power over financial and operational policies of a business with the purpose of benefiting from the business' operations.

As of 31 December 2019 and 2018, details of the subsidiary and associate of the Group are as follows:

| Legal entity | 2019 Ratio of shares in capital | 2018 Ratio of shares in capital | Service Line |
|---|---|---|---|
| Yapı Kredi Portföy Yönetimi A.Ş. (Subsidiary) | 87.32% | 87.32% | Portfolio Management |

***Subsidiary***

Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy" or "subsidiary") is subject to full consolidation as the Company is the main shareholder and has control rights over subsidiary.

The Company's subsidiary Koç Portföy Yönetimi A.Ş. has legally merged with Yapı Kredi Portföy Yönetimi A.Ş. on 29 December 2006. Accordingly, all rights, receivables, liabilities and obligations of Yapı Kredi Portföy were transferred to Koç Portföy. After merger, the Subsidiary has changed its title as Yapı Kredi Portföy Yönetimi A.Ş. and accordingly the Company has an interest of 87.32% (31 December 2018: 87.32%) of the voting rights.

Within the context of the Capital Markets Board regulations, the Subsidiary's principal activities are managing mutual and private funds and performing discretionary portfolio management ("DPM") for institutions, endowments and individuals.

The balance sheets and statements of income of the subsidiary are consolidated on a line-by-line basis and the carrying value of the investment held by the Company is eliminated against the related equity.

The minority shares in net assets and operating results are classified as "minority interest". Intercompany transactions and balances between the Company and the subsidiary are eliminated during consolidation. Subsidiary is consolidated from the date on which control is transferred to the Company and will no longer be consolidated from the date that control ceases.

Where necessary, accounting policies of the subsidiary have been changed to ensure consistency with the policies adopted by the Company.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### (b) Revenue recognition

### (i) Fee and commission income and expenses

Fees and commissions are recognized in the income statement when they are collected or paid. However, fund management, investment consulting fees, intermediary commissions and portfolio management commissions are recognized on an accrual basis. Common stock transaction commissions are netted off with commission rebates.

### (ii) Interest income, expenses, and dividend income

Interest income and expenses are recognized in the income statement in the period to which they relate on an accrual basis. Interest income consists of income derived from coupons of fixed-rate and variable-rate instruments, income arising from the valuation of discounted government securities on an internal rate of return basis, and interest rates arising from the Takasbank Money Market and reverse repurchase transactions.

Dividend income from common stock investments are recognized when the shareholders have the right to take the dividend.

### (c) Trade receivables

Trading receivables that arise as a result of providing services to the receiver by the Group are disclosed by offsetting unearned financing income. After the unearned financing income, trading receivables are calculated with the discounted amounts of receivables that are recorded with their original invoice value and realized in next periods with the effective interest rate method. Short-term receivables that do not have any specified interest rate are disclosed with their cost values when there is no major effect of using original effective interest rate.

### (d) Financial assets

The Group classifies and accounts its financial assets as "Fair value through profit or loss financial assets", "Financial assets measured at fair value through other comprehensive income, "Financial assets measured at amortised cost" and "Loans and receivables".

Sales and purchases of the financial assets mentioned above are recognized at the "settlement dates".

The appropriate classification of financial assets of the Group is determined at the time of purchase and according to the "market risk policies" by the Group management, taking into consideration the purpose of holding the investment.

All financial assets initially are recognized at fair value with purchase expenses of investment, except fair value through profit or loss financial assets.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### (i) Fair value through profit or loss financial assets

In the Group, financial assets which are classified as "Fair value through profit or loss financial assets" are financial assets either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Fair value through profit or loss financial assets are initially recognized at fair value and are subsequently re-measured at their fair value. It is accepted that the fair value is recognized as the best buy order as of the balance sheet date. However, if fair values cannot be obtained from the market transactions, it is accepted that the fair value cannot be measured reliably and that the financial assets are carried at "Amortised cost" using the effective interest rate method. All gains and losses arising from these evaluations are recognized in the income statement.

All gains and losses arising from these evaluations, coupon and interest income are recognized in "Financial income" account in the income statement.

### (ii) Financial assets measured at fair value through other comprehensive income:

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI).

Financial assets measured at fair value through other comprehensive income are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the financial assets at fair value through other comprehensive income are carried at fair values determined by using "discounted value" method.

"Unrealized gains and losses" arising from changes in the fair value of financial assets classified as financial assets measured at fair value through other comprehensive income are recognized in the shareholders' equity as "other accumulated comprehensive income that will be reclassified in profit or loss ", until the related assets are sold, impaired or disposed. When these financial assets are sold, disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

When these financial assets are disposed of or impaired, the related fair value differences accumulated in the equity are transferred to the statement of profit or loss. Interest and dividends received from financial assets measured at fair value through other comprehensive income are recorded in interest income and dividend income as appropriate.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### (iii) Assets recognized at amortised cost

Financial assets recognized at amortised cost if the retention is in the context of a business model which aimed at collecting contractual cash flows and the contractual terms lead to cash flows contain only principal and interest payments on the principal balance and at specific dates. These assets are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortised cost by using the "effective interest rate method".

### (iv) Loans and other receivables

Loans and receivables of the Group which are given with the purpose of providing cash to the debtor are carried at amortised cost. All loans are recognized in financial statements after transferring the cash amounts to debtors.

The Group provides loans to its customers for stock purchases.

### (v) Reverse repurchase agreements

Funds given against securities purchased under agreements ("Reverse Repo") to resell are accounted under "Cash and cash equivalents" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest rate method and is recorded as receivables from reverse repo transactions.

### (e) Property, plant and equipment

Property and equipment are carried at cost less accumulated depreciation.

Depreciation on the tangible assets is provided on straight-line method according to their useful lives from the date of recognition or assembly of the related asset. The estimated useful lives of assets are as follows:

| | |
|---|---|
| Buildings | 50 years |
| Furnitures and fixtures | 4-5 years |
| Leasehold improvements | 4-5 years |

Estimated useful life and depreciation method are reviewed at each balance sheet date in order to detect the effects of changes in the estimates and if appropriate, the changes in estimates are accounted.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the provision for the impairment in value is charged to the income statement.

Gains and losses on the disposal of assets are determined by deducting the net book value of the assets from its sales proceeds and charged to the income statement in the current period.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

### (f) Intangible assets

Intangible assets consist of acquired rights, information systems and software. These assets are recorded at original costs and amortised over their estimated useful lives, approximately 3-5 years, using the straight-line method. Estimated useful lives and amortization method are reviewed annually and the changes in estimates are recognized to determine the possible effects of the changes in estimates.

The book value of intangible assets are reduced to recoverable value, if impairment exists.

### (g) Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss are subject to impairment testing at each balance sheet date to determine whether there is any indication of impairment of financial asset or financial asset group. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment because of one or more events that occurred after the initial recognition of the assets. That loss event or events must also have an impact on the estimated future cash flows of the financial asset or group of financial assets.

The Group books a provision for the doubtful receivables when there is an objective evidence that trade receivables are not fully collectible. The correspondent provision amount is the difference between the book value and collectible receivable amount. The collectible amount is the discounted value of trade receivables by effective interest rate including the collectible guarantees and securities. In the event of the collections of the doubtful receivables whether the whole amount or some part of it, after booking the provision for the doubtful receivables, the collected amount is deducted from the doubtful receivables provision and recorded as income.

The carrying amount of the financial asset is reduced by impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced with an allowance account.

In all financial assets with the exception of trade receivables where the net book value is reduced through the use of an allowance account, the impairment is deducted directly from the carrying amount of the related financial asset. In the event that the case of the trade receivable cannot be collected, become certain, the related amount is deducted from the provision account. Changes in the provision account are recognized in the income statement.

If the impairment loss decreases in the subsequent period, and this decrease can be associated with an event occurring after recognition of the impairment loss-except for equity instruments whose fair value difference is recognised under comprehensive income-the previously recognised impairment loss is written off on the income statement in such a way that it does not exceed the amortised cost occurring when the impairment of the investment is not recognised on the date the impairment is written off.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

***Expected credit losses measurement***

The measurement of the allowance for expected credit loss for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of the financial position and future relevant economic assumptions and advanced models.

A group of important decisions is required to apply the accounting requirements for measuring expected credit losses. These are:

- Determination of criteria for significant increase in credit risk
- Selection of appropriate models and assumptions for measuring expected credit losses
- Identify the related expected credit loss and the number and likelihood of prospective scenarios for each type of product/market
- Identification of a similar group of financial assets for the purposes of measuring expected credit losses

### (h) Financial liabilities

***(i) Repurchase agreements***

Securities subject to repurchase agreements ("repo") are classified as "Fair value through profit or loss financial assets", "Financial assets measured at fair value through other comprehensive income" and "Financial assets measured at amortised cost" according to the investment purposes of the Group and measured according to the portfolio to which they belong.

Funds obtained from repurchase agreements are accounted under "Financial Liabilities" in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the "effective interest rate method" and is added to the cost of the financial assets which are subject to repurchase agreements.

The Group has no securities lending transactions.

***(ii) Other financial liabilities***

Other financial liabilities are initially recognized at fair value and are subsequently measured at amortised cost using the effective interest rate method.

### (i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### (j) Foreign exchange transactions

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions; monetary assets and liabilities are accounted for at the period-end bid rate of Central Bank of the Republic of Turkey ("CBRT"). Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

### (k) Provisions and contingent assets and liabilities

Provisions are recognized when there is a present legal or constructive obligation because of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. When the amount of the obligation cannot be estimated and an outflow of resources is not probable, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in consolidated financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements in the period in which the change occurs.

### (l) Subsequent events

Subsequent events cover any events which arise between the date of approval of the financial statements and the balance sheet date, even if they occurred after declaration of the net profit for the period or specific financial information is publicly disclosed. The Group adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

### (m) Related parties

For the purpose of these consolidated financial statements, shareholders, subsidiaries of Yapı ve Kredi Bankası A.Ş. with direct and/or indirect capital relation, Koç Holding A.Ş. and Unicredito Italiano S.p.A group companies, key management personnel and board members, their families and companies are considered as "related parties".

### (n) Taxes calculated over Group's profit

***Corporate tax***

Corporate tax is calculated according to the Tax Procedural Law, and tax expenses except corporate tax are recognized in operating expenses.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Turkish tax regulations do not enable the parent company to give tax statement over the consolidated financial statements of its subsidiaries and affiliates. Due to this reason, tax provisions reflected to these consolidated financial statements are calculated for each company the full consolidation scope.

Corporate tax is subjected to offsetting when a legal right about netting off the current tax assets and liabilities or when they are related to the corporate tax collected by the same tax regulatory.

***Deferred tax***

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The deferred tax assets and the deferred tax liabilities can be netted off only if there is a legal right in this respect according to the tax legislation of the country they are dependent on.

Material temporary differences arise from miscellaneous expense provisions and valuation differences related to financial assets whose fair value differences are recognised under: other comprehensive income, premises owned by the Group, personnel premium, severance pay and leave, expected credit losses, and litigation provisions.

Deferred tax liabilities and assets are recognized when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Company. Deferred tax assets resulting from temporary differences in the recognition of expense for income tax and financial reporting purposes are recognized to the extent that it is probable that future taxable profit will be available, against which the deferred tax asset can be utilized.

Current tax except for the related items accounted under "Value increase fund" account in equity and deferred tax of the regarding period is accounted as income or expense in the statement of income.

### (o) Employee benefits

*Defined benefit plans:*

The Group accounts for employee termination benefits, vacation rights and other benefits to employees in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19") and they are classified under "Provisions for employee benefits" in the balance sheet.

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Company arising from this liability regarding the actuarial projections and reflected to consolidated financial statements.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

*Defined contribution plans:*

The Group has to pay contribution to Social Security Institution (Institution) for its employees within the contribution margin decided by the law. The Group does not have other liabilities to its employees or to Institution other than the contribution for its employees. Those contributions are expensed on the date of accrual.

### (p) Capital and dividends

Ordinary shares are classified in equity. Dividends over ordinary shares are classified as dividend payable by deducting from accumulated profits, when the decision of dividend distribution is taken.

### (r) Statement of cash flows

For the purposes of statement of cash flows, cash and cash equivalents include due from banks with maturity less than three months, receivables from reverse repo transactions and investment funds.

### (s) Share certificates and issuance

At capital increases, the Group accounts the difference between the issued value and nominal value as share issue premium under equity, in the case where the issued value is higher than the nominal value. The Group has no decision for profit distribution after the balance sheet date.

### (t) Assets held for sale and discontinued operations

Discontinued operation is defined as a part of the Group with distinguished operations and cash flows that is disposed of or classified as held for sale. Results of discontinued operations are disclosed separately in the income statement.

A tangible asset (or a disposal group) classified as "Asset held for sale" is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group) is regarded as "Asset held for sale" only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

### (u) Derivative instruments

The Group's derivative transactions are composed of foreign currency/interest rates swaps, forward contracts and future transactions. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting periods.

## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### 2.5 Significant accounting judgements, estimates and assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities or amounts of contingent assets and liabilities, and income and expense reported in the related period. Even though these assumptions and estimates are based on the best estimates of the Group's management, the actual results might differ from them.

Judgements that have the most significant effect on the amounts recognized in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Financial assets measured at amortised cost**

Classification of financial assets as measured at amortised cost is at management discretion within the scope of management's objective and capability. If the Group cannot manage to retain these assets until the maturity date, they will have to reclassify them as financial assets measured at fair value through other comprehensive income, except specific cases as for example, selling of immaterial amount close to maturity date. In this case, investments are measured at their fair value instead of amortised cost.

**Establishment of fair value of stock investments classified as financial assets measured at fair value through other comprehensive income**

The Group calculates the fair values of financial instruments that do not have an active market by making use of market-based similar transactions without reference, or by taking the fair values of similar instruments as a reference.

**Deferred income tax asset recognition**

Deferred income tax assets are recorded to the extent that realization of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

## 3. BUSINESS COMBINATIONS

None (31 December 2018: None).

## 4. JOINT VENTURES

The Group has no joint ventures (31 December 2018: None).

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 5. SEGMENT REPORTING

Since the Group is not publicly held, there is no segment reporting in the consolidated financial statements as of 31 December 2019 and 2018.

## 6. CASH AND CASH EQUIVALENTS

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Banks | | |
| - Time deposits | 3,366,263,371 | 2,824,967,305 |
| - Demand deposits | 107,857,823 | 62,157,876 |
| Receivables from reverse repo agreements | 100,279,332 | 261,804 |
| Allowances for expected credit losses (-) | (25,817,541) | (23,110,420) |
| | **3,548,582,985** | **2,864,276,565** |

As of 31 December 2019, TRY214,640,700 of bank deposits (31 December 2018: TRY1,747,617,921) are held by related parties and institutions (Note 29). The expected loan loss provision of the related banks and corporations is calculated to be TRY1,769,470 (31 December 2018: TRY13,870,692) (Note 29).

TRY102,486,125 of demand deposits (31 December 2018: TRY56,402,396) are held by the Group's bank accounts in the collateral status of the Group's customers (Note 16).

As of 31 December 2019, the average maturity for TRY and EUR time deposits is 48 and 44 days (31 December 2018: 10 and 45 days) respectively, while the average interest rates are 11.60% and 0.40% (31 December 2018: 22.69% and 2.67%) respectively.

For the purpose of statement of cash flows, details of cash and cash equivalents are as follows:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Time deposits with maturity less than 3 months | 3,366,263,371 | 2,824,967,305 |
| Receivables from reverse repo agreements | 100,279,332 | 261,804 |
| Demand deposits | 5,371,698 | 5,755,480 |
| | **3,471,914,401** | **2,830,984,589** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 7. FINANCIAL INVESTMENTS

**Short term financial investments:**

| | 31 December 2019 | | |
|---|---|---|---|
| | **Cost** | **Fair value** | **Carrying value** |
| Fair value through profit or loss financial assets | 5,699,608 | 5,792,261 | 5,792,261 |
| *- Shares certificate listed on the stock market* | *5,699,608* | *5,792,261* | *5,792,261* |
| Financial assets measured at amortised cost | 39,603,917 | 43,346,447 | 42,437,300 |
| *- Government bonds and treasury bills* | *39,603,917* | *43,487,252* | *42,578,105* |
| *- Allowances for expected credit losses (-)* | - | *(140,805)* | *(140,805)* |
| | **45,303,525** | **49,138,708** | **48,229,561** |

| | 31 December 2018 | | |
|---|---|---|---|
| | **Cost** | **Fair value** | **Carrying value** |
| Fair value through profit or loss financial assets | 6,768,774 | 6,640,553 | 6,640,553 |
| *- Shares certificate listed on the stock market* | *6,668,774* | *6,555,354* | *6,555,354* |
| *- Securities investment funds* | *100,000* | *85,199* | *85,199* |
| Financial assets measured at fair value through other comprehensive income | 27,228,075 | 27,228,075 | 27,228,075 |
| *- Corporate sector bonds and bills* | *27,228,075* | *27,283,446* | *27,283,446* |
| *- Allowances for expected credit losses (-)* | - | *(55,371)* | *(55,371)* |
| Financial assets measured at amortised cost | 33,229,900 | 33,099,490 | 33,425,290 |
| *- Government bonds and treasury bills* | *33,229,900* | *33,229,900* | *33,555,700* |
| *- Allowances for expected credit losses (-)* | - | *(130,410)* | *(130,410)* |
| | **67,226,749** | **66,968,118** | **67,293,918** |

**Long term financial investments:**

| | 31 December 2019 | | |
|---|---|---|---|
| | **Cost** | **Fair value** | **Carrying value** |
| Financial assets measured at fair value through other comprehensive income | 47,053,055 | 75,768,427 | 75,768,427 |
| *- Share certificates* | 32,192,533 | 60,647,555 | 60,647,555 |
| *- Private sector bonds and bills* | 14,860,522 | 15,140,846 | 15,140,846 |
| *- Allowances for expected credit losses (-)* | - | (19,974) | (19,974) |
| Financial assets measured at amortised cost | 4,574,072 | 4,498,524 | 4,484,024 |
| *- Government bonds and treasury bills* | 4,574,072 | 4,605,250 | 4,590,750 |
| *- Allowances for expected credit losses (-)* | - | (106,726) | (106,726) |
| | **51,627,127** | **80,266,951** | **80,252,451** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 7. FINANCIAL INVESTMENTS (Continued)

| | 31 December 2018 | | |
|---|---|---|---|
| | **Cost** | **Fair value** | **Carrying value** |
| Financial assets measured at fair value through other comprehensive income | 32,192,533 | 50,135,553 | 50,135,553 |
| *- Share certificates* | *32,192,533* | *50,135,553* | *50,135,553* |
| | **32,192,533** | **50,135,553** | **50,135,553** |

As of 31 December 2019, financial assets measured at amortised cost whose the total amount of net book value is TRY46,921,324 (31 December 2018: TRY33,425,290) are held as collaterals in CBRT, BİST and Istanbul Settlement and Custody Bank Inc. ('Takasbank') (Note: 16).

Breakdown of the financial assets measured at amortised cost are as follows:

| | **31 December 2019** | **31 December 2018** |
|---|---|---|
| 0 - 1 month | 13,330,169 | - |
| 3 months - 1 year | 29,107,131 | 33,425,290 |
| 1 year - 5 years | 4,484,024 | - |
| | **46,921,324** | **33,425,290** |

The movement table of financial assets measured at amortised cost is as follows:

| | **2019** | **2018** |
|---|---|---|
| **Beginning of the period, 1 January** | **33,425,290** | **22,768,209** |
| Purchases during the period | 67,710,000 | 128,530,000 |
| Value decreases (-) (including interest re-discounts) | (1,256,435) | (212,509) |
| Disposals in the period (-) | (52,710,000) | (117,530,000) |
| Allowances for expected credit losses (-) | (247,531) | (130,410) |
| **Ending of the period, 31 December** | **46,921,324** | **33,425,290** |

The details of long-term financial assets measured at fair value through other comprehensive income are as follows:

| | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| **Type** | **Participation amount (TRY)** | **Share (%)** | **Participation Amount (TRY)** | **Share (%)** |
| **Share certificates not listed on the stock market** | | | | |
| İstanbul Takas ve Saklama Bankası A.Ş. | 57,816,000 | 4.38 | 47,303,999 | 4.38 |
| Borsa İstanbul A.Ş. | 2,683,145 | 0.08 | 2,683,144 | 0.08 |
| Yapı Kredi Azerbaycan Ltd. | 110,279 | 0.10 | 110,279 | 0.10 |
| Allianz Yaşam ve Emeklilik A.Ş. | 26,432 | 0.04 | 26,432 | 0.04 |
| Koç Kültür Sanat ve Tanıtım Hiz. Tic. A.Ş. | 11,699 | 4.90 | 11,699 | 4.90 |
| | **60,647,555** | | **50,135,553** | |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 7. FINANCIAL INVESTMENTS (Continued)

As of 31 December 2019, the Group valued its Takasbank shares (26,280,000 Nominal) with bid price of TRY2.20 announced by Takasbank notice with no 2019/5692.

As of 31 December 2019, the Group valued its Borsa İstanbul A.Ş. shares (319,422 Nominal) with bid price of TRY8.4 announced by Borsa İstanbul A.Ş. notice with no 2016/110.

## 8. ASSETS HELD FOR SALE

None (31 December 2018: None).

## 9. SHORT AND LONG TERM LIABILITIES

**Short term liabilities**

| | **31 December 2019** | **31 December 2018** |
|---|---|---|
| Funds from Takasbank Money Market (*) | 2,572,534,820 | 1,874,016,130 |
| Issued bonds and bills | 612,390,246 | 735,337,079 |
| Bank loans (**) | 209,943,264 | - |
| Funds from repo transactions | 7,486,071 | - |
| Payables from short selling | 2,476,990 | 1,720,892 |
| Lease liabilities | 2,363,890 | - |
| | **3,407,195,281** | **2,611,074,101** |

(*) Payables to Takasbank Money Market have an average maturity of 32 days and the average interest rate is 11.33% (31 December 2018: 34 days, 24.09%).

(**) The Group's bank borrowings have an average of 29 days and an average interest rate of 10.75% (31 December 2018: None).

Details of bonds/bills issued as 31 December 2019 are as follows:

| **Marketable Security** | **Nominal Amount** | **Currency** | **Issue Date** | **Maturity Date** | **Simple Interest (%)** | **Compound Interest (%)** | **Type** |
|---|---|---|---|---|---|---|---|
| Bond | 169,550,000 | TRY | 27 November 2019 | 29 January 2020 | 11.50 | 12.06 | Fixed |
| Bond | 100,000,000 | TRY | 22 November 2019 | 19 February 2020 | 11.60 | 12.12 | Fixed |
| Bond | 88,050,000 | TRY | 10 December 2019 | 12 February 2020 | 11.10 | 11.62 | Fixed |
| Bond | 66,300,000 | TRY | 20 November 2019 | 19 February 2020 | 11.50 | 12.01 | Fixed |
| Bond | 56,830,000 | TRY | 25 October 2019 | 22 January 2020 | 13.80 | 14.54 | Fixed |
| Bond | 58,500,000 | TRY | 4 December 2019 | 5 February 2020 | 11.40 | 11.95 | Fixed |
| Bond | 50,000,000 | TRY | 20 December 2019 | 18 March 2020 | 10.50 | 10.92 | Fixed |
| Bond | 30,850,000 | TRY | 22 November 2019 | 19 February 2020 | 11.60 | 12.12 | Fixed |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 9. SHORT AND LONG TERM LIABILITIES (Continued)

Details of bonds/bills issued as 31 December 2018 are as follows:

| Marketable Security | Nominal Amount | Currency | Issue Date | Maturity Date | Simple Interest (%) | Compound Interest (%) | Type |
|---|---|---|---|---|---|---|---|
| Bond | 300,000,000 | TRY | 2 November 2018 | 23 January 2019 | 26.34 | 29.85 | Fixed |
| Bond | 257,800,000 | TRY | 19 December 2018 | 20 March 2019 | 23.41 | 25.66 | Fixed |
| Bond | 200,000,000 | TRY | 13 November 2018 | 13 February 2019 | 25.08 | 28.03 | Fixed |

**Long term liabilities:**

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Lease liabilities | 1,112,401 | - |
| | **1,112,401** | **-** |

As of 31 December 2018, there is no balance of short and long term leasing liabilities and as of 31 December 2019, details of short and long term lease liabilities are as follows:

| ***Short term lease liabilities*** | **Maturity** | **Interest rate (%)** | **31 December 2019** |
|---|---|---|---|
| ***Short term lease liabilities due to related parties*** | | | |
| Lease liabilities | 12 months | 14-20-24 | 2,189,680 |
| ***Short term lease liabilities due to third parties*** | | | |
| Lease liabilities | 12 months | 24 | 174,210 |
| **Short term lease liabilities** | | | **2,363,890** |

| **Long term lease liabilities** | **Vade** | **Interest rate (%)** | **31 December 2019** |
|---|---|---|---|
| ***Long term lease liabilities due to related parties*** | | | |
| Lease liabilities | 1-3 years | 24 | 1,089,597 |
| ***Long term lease liabilities due to third parties*** | | | |
| Lease liabilities | 1 year | 24 | 22,804 |
| **Long term lease liabilities** | | | **1,112,401** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 9. SHORT AND LONG TERM LIABILITIES (Continued)

The movement table of borrowings from leasing transactions is as follows:

| | **2019** |
|---|---|
| Beginning of the period, 1 January | 4,955,212 |
| Additions during the period (Note 14) | 2,209,841 |
| Payments during the period | (4,582,311) |
| Interest expenses (Note 28) | 893,549 |
| **Beginning of the period, 31 December** | **3,476,291** |

## 10. TRADE RECEIVABLES AND PAYABLES

**Short-term trade receivables**

| | **31 December 2019** | **31 December 2018** |
|---|---|---|
| Receivables from customers | 318,962,928 | 76,938,781 |
| Receivables from loan customers | 292,754,699 | 88,762,981 |
| Commission receivables | 4,684,745 | 4,079,210 |
| Doubtful trade receivables | 1,021,677 | 1,021,677 |
| Provisions for doubtful trade receivables (-) | (1,021,677) | (1,021,677) |
| Receivables to be collected | 738,094 | - |
| Receivables from settlement and custody bank | - | 77,731,446 |
| | **617,140,466** | **247,512,418** |

The Group allocates credit to its customers for use in stock trading. As of 31 December 2019, the amount of loans allocated to customers by the Group is TRY292,754,699 (31 December 2018: TRY88,762,981) and the Group holds the total market value of the share certificates which are listed on the stock market is TRY488,748,694 as collateral. (31 December 2018: TRY170,624,166) (Note 16).

**Short term trade payables**

| | **31 December 2019** | **31 December 2018** |
|---|---|---|
| Payables to customers | 252,439,720 | 192,619,519 |
| Payables to settlement and custody bank | 129,054,335 | - |
| Customer short selling debts | 8,044,370 | - |
| Agent commission payable | 6,535,181 | 2,355,122 |
| Payables to vendors | 3,221,027 | 1,823,891 |
| Other | 1,098,180 | 2,560,127 |
| | **400,392,813** | **199,358,659** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 11. RECEIVABLES FROM FINANCIAL ACTIVITIES

**Receivables from financial activities**

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Investment fund management fee receivables (Note 29) (*) | 8,019,140 | 5,007,395 |
| Individual pension fund performance fee receivables (**) | 3,119,249 | 2,555,073 |
| Investment advisory receivables (Note 29) | 2,437,083 | 1,823,135 |
| Individual pension fund management fee receivables (**) | 1,170,938 | 843,439 |
| Other | 64,919 | 726,733 |
| | **14,811,329** | **10,955,775** |

(*) Investment fund management commission receivables are obtained management fee receivables from 36 (31 December 2018: 30) investment funds established in accordance with the Capital Markets Law and related legislations.

(**) Pension fund commission and performance fee receivables are derived from 28 (31 December 2018: 25) individual pension funds, 27 (31 December 2018: 12) of which are related institutions.

## 12. OTHER RECEIVABLES AND PAYABLES

**Other receivables**

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Deposits and collaterals given | 149,445,873 | 115,575,771 |
| Collaterals given to markets | 22,430,511 | 16,802,243 |
| | **171,876,384** | **132,378,014** |

**Other payables**

| | | |
|---|---|---|
| Deposits and collaterals received | 43,094,744 | 20,041,457 |
| Payables to marketable securities disposal fund | 491,344 | 491,344 |
| Other payables | 39,550 | - |
| | **43,625,638** | **20,532,801** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 13. PROPERTY, PLANT AND EQUIPMENT

| **31 December 2019** | **Buildings** | **Furniture and fixtures** | **Leasehold improvements** | **Total** |
|---|---|---|---|---|
| **Net book value, 1 January 2019** | **4,788,641** | **2,741,701** | **544,935** | **8,075,277** |
| Additions | - | 1,915,666 | - | 1,915,666 |
| Disposals, net | - | (18,923) | - | (18,923) |
| Depreciation expense (-) | (294,657) | (1,133,801) | (178,664) | (1,607,122) |
| **Net book value, 31 December 2019** | **4,493,984** | **3,504,643** | **366,271** | **8,364,898** |
| Cost | 11,026,598 | 20,836,831 | 5,059,934 | 36,923,363 |
| Accumulated depreciation (-) | (6,532,614) | (17,332,188) | (4,693,663) | (28,558,465) |
| **Net book value, 31 December 2019** | **4,493,984** | **3,504,643** | **366,271** | **8,364,898** |
| **31 December 2018** | | | | |
| **Net book value, 1 January 2018** | **5,083,298** | **2,431,472** | **711,444** | **8,226,214** |
| Additions | - | 1,422,278 | 27,805 | 1,450,083 |
| Depreciation expense (-) | (294,657) | (1,112,049) | (194,314) | (1,601,020) |
| **Net book value, 31 December 2018** | **4,788,641** | **2,741,701** | **544,935** | **8,075,277** |
| Cost | 11,026,598 | 18,946,649 | 5,059,934 | 35,033,181 |
| Accumulated depreciation (-) | (6,237,957) | (16,204,948) | (4,514,999) | (26,957,904) |
| **Net book value, 31 December 2018** | **4,788,641** | **2,741,701** | **544,935** | **8,075,277** |

## 14. RIGHT OF USE ASSETS

| **31 December 2019** | **Office and branches** | **Vehicles** | **Other** | **Total** |
|---|---|---|---|---|
| **Net book value, 1 January 2019** | **2,017,386** | **2,160,168** | **777,658** | **4,955,212** |
| Additions | 2,209,841 | - | - | 2,209,841 |
| Depreciation expense (-) | (2,603,433) | (589,432) | (777,658) | (3,970,523) |
| **Net book value, 31 December 2019** | **1,623,794** | **1,570,736** | **-** | **3,194,530** |
| Cost | 4,227,227 | 2,160,168 | 777,658 | 7,165,053 |
| Accumulated depreciation (-) | (2,603,433) | (589,432) | (777,658) | (3,970,523) |
| **Net book value, 31 December 2019** | **1,623,794** | **1,570,736** | **-** | **3,194,530** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 15. INTANGIBLE ASSETS

| | 31 December 2019 |
|---|---|
| **Net book value, 1 January 2019** | **29,633,063** |
| Additions | 3,264,528 |
| Disposals | (3,436) |
| Amortization (-) | (3,379,323) |
| **Net book value, 31 December 2019** | **29,514,832** |
| Cost | 48,598,753 |
| Accumulated amortization (-) | (19,083,921) |
| **Net book value, 31 December 2019** | **29,514,832** |

| | 31 December 2018 |
|---|---|
| **Net book value, 1 January 2018** | **26,986,668** |
| Additions | 5,531,586 |
| Amortization (-) | (2,885,191) |
| **Net book value, 31 December 2018** | **29,633,063** |
| Cost | 45,337,814 |
| Accumulated amortization (-) | (15,704,751) |
| **Net book value, 31 December 2018** | **29,633,063** |

## 16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

### i) Short term provisions

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Legal provisions (*) | 1,290,529 | 35,560,909 |
| Other provisions | 1,122,059 | - |
| | **2,412,588** | **35,560,909** |

(*) As of 31 December 2019, the total amount of lawsuits filed against the Group is TRY1,290,529 (31 December 2018: TRY35,560,909).

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The movement of litigation provisions for the periods ending as of 31 December 2019 and 2018 is as below:

| | 2019 | 2018 |
|---|---|---|
| Beginning of the period, 1 January | 35,560,909 | 1,990,945 |
| Provisions set aside within the period | 359,240 | 34,230,130 |
| Payments made within the period | (34,629,620) | (612,802) |
| Provisions written off within the period | - | (47,364) |
| **Ending of the period, 31 December** | **1,290,529** | **35,560,909** |

### ii) Collaterals given

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Collaterals given | 3,031,927,117 | 3,300,905,883 |
| | **3,031,927,117** | **3,300,905,883** |

Letters of guarantee are given to BIST, CMB and to Takasbank for money market transactions. Foreign currency denominated letters of guarantee amount to TRY86,199,406 (31 December 2018: TRY355,171,030).

### iii) Cash collaterals given on behalf of customers

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| VİOP collaterals given on behalf of customers (*) | 436,572,648 | 246,030,074 |
| | **436,572,648** | **246,030,074** |

(*) As of 31 December 2019 cash amounting to TRY436,572,648 has been pledged by the Group as collateral for the Futures and Options Market on behalf of the customers (31 December 2018: TRY246,030,074).

### iv) Customer deposits

The nominal balances of treasury bills, government bonds, share certificates and other financial assets held in trust for hiding on behalf of customers as of 31 December 2019 and 2018 are as follows:

| **Customer deposits** | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Share certificates | 3,726,970,450 | 3,389,741,594 |
| Government bonds | 3,238,307,889 | 1,241,609,145 |
| Investment funds | 1,690,707,632 | 503,036,791 |
| Reverse repo agreements (Takasbank Money Market) | 725,433,466 | 824,107,659 |
| Private sector bonds | 14,597,295 | 50,960,000 |
| Other | 4,003,713 | 5,222,673 |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

### v) Other

i. The company is under the scope of 'Professional Liability' amounting to 6,550,500 EUR (31 December: TL5,000,000) which was made by Allianz Sigorta A.Ş. and 'Employer Liability Insurance Policy ' amounting to TL9,000,000 (31 December 2018: TL9,000,000).

ii. Demand deposits amounting to TRY102,486,125 (31 December 2018: TRY56,402,396) belongs to the Group's customers as a partial collateral and are held in the Group's bank accounts (Note 6).

iii. The Group allocates credit to its customers for use in stock trading. As of 31 December 2019, the Group has TRY292,754,699 (31 December 2018: TRY88,762,981) of loans granted to its customers and the total market value of the shares kept as collateral against those credits given is amounting to TRY488,748,694 (31 December 2018: TRY170,624,166) (Note 10).

iv. The financial assets measured at their amortised costs and having a book value of TRY46,921,324 as of 31 December 2019 (31 December 2018: TRY33,425,290) are pledged as collateral at CBRT, BIST, and Takas ve Saklama Bankası A.Ş. ("Takasbank") (Note 7).

## 17. DERIVATIVES

Nominal details of derivative transactions as of 31 December 2019 and 2018 are as follows:

| | **31 December 2019 TRY Equivalent** | | **31 December 2018 TRY Equivalent** | |
|---|---|---|---|---|
| | **USD** | **EUR** | **USD** | **EUR** |
| Swap transactions (buy) | 6,751,540 | 2,674,082,720 | 1,370,250 | 2,685,428,092 |
| Swap transactions (sell) | 6,831,230 | 2,715,665,316 | 1,315,225 | 2,572,438,162 |
| Forward transactions (buy) | - | 1,059,304 | - | 8,795,753 |
| Forward transactions (sell) | - | 1,077,111 | - | 8,283,931 |
| | **13,582,770** | **5,391,884,451** | **2,685,475** | **5,274,945,938** |

**Receivables from derivative transactions**

| | **31 December 2019** | **31 December 2018** |
|---|---|---|
| Swap transactions | - | 69,763,081 |
| Forward transactions | - | 316,578 |
| | **-** | **70,079,659** |

**Payables from derivative transactions**

| | | |
|---|---|---|
| Swap transactions | 61,048,774 | 1,146,231 |
| Forward transactions | 25,550 | 2,491 |
| | **61,074,324** | **1,148,722** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 18. PROVISION FOR EMPLOYEE BENEFITS

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| **Short-term provisions** | | |
| Provision for employee bonus | 19,210,501 | 21,674,000 |
| | **19,210,501** | **21,674,000** |
| **Long-term provisions** | | |
| Provision for employee termination benefits | 11,174,984 | 9,102,464 |
| Provision for unused vacation | 3,122,600 | 3,266,599 |
| | **14,297,584** | **12,369,063** |

Under the Turkish Labour Law, the Group required to pay the employment termination benefits to each employee who have completed one year of service at the Group when they retire (for women 58, for men 60) and when they are dismissed or called up for military services or die. Due to changes in the Law on September 8, 1999, some sections regarding the temporary period related with the working period before retirement have been removed.

The indemnity is one month's salary for each working year and is limited to TRY6,380 as of 31 December 2019 (31 December 2018: TRY5,434).

The liability is not funded, as there is no legal funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of employees.

TFRS requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. Accordingly, the following actuarial assumptions have been used in the calculation of the total liability.

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Discount rate (%) | 4.67 | 5.65 |
| Turnover rate to estimate retirement probability (%) (*) | 95.57 | 95.42 |

(*) The rate reflects the parent company's rate.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The liability is revised two times in a year and in the year-end calculation, the effective amount as of 1 January 2020 of TRY6,730 (1 January 2019: TRY6,018).

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 18. PROVISION FOR EMPLOYEE BENEFITS (Continued)

Movement of provision for employee benefits during the period are as follows:

| | 2019 | 2018 |
|---|---|---|
| **Beginning of the period, 1 January** | **9,102,464** | **7,104,033** |
| Service cost | 1,853,677 | 1,036,929 |
| Interest cost | 1,316,053 | 1,311,389 |
| Actuarial loss / (gain) | 361,870 | (77,328) |
| Payments during the period (-) | (1,459,080) | (272,559) |
| **Ending of the period, 31 December** | **11,174,984** | **9,102,464** |

Movement of provision for unused vacations during the period are as follows:

| | 2019 | 2018 |
|---|---|---|
| **Beginning of the period, 1 January** | **3,266,599** | **2,866,962** |
| Provisions set aside within the period | 399,136 | 494,958 |
| Payments during the period (-) | (543,135) | (95,321) |
| **Ending of the period, 31 December** | **3,122,600** | **3,266,599** |

Movement of provision for employee benefits during the period are as follows:

| | 2019 | 2018 |
|---|---|---|
| **Beginning of the period, 1 January** | **21,674,000** | **18,862,294** |
| Provisions set aside within the period | 17,119,017 | 21,621,393 |
| Payments during the period (-) | (19,582,516) | (18,809,687) |
| **Ending of the period, 31 December** | **19,210,501** | **21,674,000** |

## 19. LIABILITIES FOR EMPLOYEE BENEFITS

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Taxes and liabilities payable | 3,743,655 | 2,117,140 |
| Social security premiums payable | 808,291 | 692,017 |
| | **4,551,946** | **2,809,157** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 20. PREPAID EXPENSES

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Prepaid expenses | 4,032,747 | 3,470,432 |
| Commissions for guarantee letters | 1,753,534 | 2,107,383 |
| | **5,786,281** | **5,577,815** |

## 21. OTHER ASSETS AND LIABILITIES

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| **Other short-term liabilities** | | |
| Expense accruals | 6,511,816 | 3,252,003 |
| Blocked customer deposits | 4,902,451 | 3,369,215 |
| Payable taxes and funds | 3,088,222 | 2,708,410 |
| Other expense accruals | 3,060,829 | 3,823,404 |
| | **17,563,318** | **13,153,032** |

## 22. SHAREHOLDER'S EQUITY

### Paid-in capital and adjustment differences

The paid-in capital of the Company is TRY98,918,083 (31 December 2018: TRY 98,918,083) and consists of 9,891,808,346 (31 December 2018: 9,891,808,346) authorized shares with a nominal value of Kr 1 each. The Group has no preferred share as of 31 December 2019 and 2018

The shareholders and their shares in capital with historic values as of 31 December 2019 and 2018 are as follows:

| | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| **Name of the shareholder** | **TRY** | **Share (%)** | **TRY** | **Share (%)** |
| Yapı ve Kredi Bankası A.Ş. | 98,895,466 | 99.98 | 98,895,466 | 99.98 |
| Temel Ticaret ve Yatırım A.Ş. | 20,951 | 0.02 | 20,951 | 0.02 |
| Other | 1,666 | 0.00 | 1,666 | 0.00 |
| | **98,918,083** | **100.00** | **98,918,083** | **100.00** |
| Adjustments to share capital | 63,078,001 | | 63,078,001 | |
| **Total paid-in capital** | **161,996,084** | | **161,996,084** | |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 22. SHAREHOLDER'S EQUITY (Continued)

Adjustment to share capital represents the difference between total restatement effect of cash and cash equivalent contributions to share capital due to the inflation adjustments and total amount before the inflation adjustment. There is no use of the adjustment to share capital other than to be added to the capital.

According to Turkish Commercial Code, legal reserves consist of primary and secondary reserves. Primary reserves are reserved at 5% rate of legal profit in the period until they reach a level of 20% of the group capital. Secondary reserves are reserved at a rate of 10% of all dividend distribution exceeding 5% of group capital. Primary and secondary reserves cannot be distributed until they exceed 50% of the total capital, however, they can be used to cover losses when voluntary reserves are exhausted.

As of 31 December 2019, restricted reserves are amounting to TRY173,078,307 (31 December 2018: TRY234,277,667).

**Restricted reserves and retained earnings**

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Real estate and affiliate sales gain fund (*) | 107,765,514 | 180,904,217 |
| Secondary legal reserves | 46,421,693 | 34,482,350 |
| Primary legal reserves | 18,891,100 | 18,891,100 |
| **Total restricted reserves** | **173,078,307** | **234,277,667** |

(*) As of 31 December 2019, TRY4,626,814 of the TRY107,765,514 which is the gain on sale of property, equipment and subsidiary classified under equity, is undistributed portion (and classified under equity account) of 75% of the profit from the sale of buildings in the year 2010 and TRY103,138,700 is the 75% of the profit from the sale of subsidiaries in the year 2013.

The Group performs dividend distribution in accordance with the Communiqué on Dividends II-19.1 of the Capital Market Board effective as of 1 February 2014.

In accordance with the Communiqué on Dividends II-19.1 of the Capital Market Board effective as of 1 February 2014, the dividend distribution rate for non-listed companies may not be less than twenty percent of the net distributable profit for the period including donations. In accordance with the same communiqué, non-listed companies are required to distribute the profit share in whole and in cash; and they cannot benefit from the practice of profit distribution by installments, which is granted to listed companies.

In accordance with the provisions of the said communiqué, non-listed companies may choose not to distribute dividends in the event that the calculated profit share is less than five percent of the capital stock in the most recent annual financial statements to be presented to the general assembly or in the event that the net distributable profit for the period is less than TRY100,000 according to these financial statements. In this case, the undistributed dividends are distributed in subsequent periods.

At the company's Ordinary General Assembly meeting dated 6 March 2019 it was unanimously decided to distribute, in cash, a dividend of TRY163,483,418 (2018: TRY44,090,000) to the company's shareholders, and this amount was paid to shareholders on 13 March 2019.

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 22. SHAREHOLDER'S EQUITY (Continued)

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| **Beginning of the period, 1 January** | **8,477,865** | **8,263,813** |
| Minority interest decrease due to dividend payment (*) | (4,056,240) | (4,309,999) |
| Minority interest net income | 5,980,833 | 4,524,051 |
| **Ending of the period, 31 December** | **10,402,458** | **8,477,865** |

(*) Decrease in non-controlling interests due to profit distribution represents profit share distribution of the subsidiary during the period, share of the subsidiaries of the subsidiary excluding the Company.

## 23. TAX ASSETS AND LIABILITIES

***Corporate tax***

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Corporate taxes payable (-) | (60,955,041) | (32,918,091) |
| Prepaid taxes | 61,803,466 | 68,790,846 |
| **Current period tax assets, net** | **848,425** | **35,872,755** |

The Group's income tax expense for the periods ended 31 December 2019 and 2018 consists of the following items:

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| Current period tax expense | 60,955,041 | 32,918,091 |
| Prior year tax adjustment | (3,984,306) | (379,244) |
| Deferred tax income | (21,852,072) | (4,581,095) |
| **Total tax expense** | **35,118,663** | **27,957,752** |

Reconciliation of current year tax expense and calculated theoretical tax expense with statutory tax rate by the Group:

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| Profit before tax | 167,350,958 | 134,765,861 |
| Theoretical tax expense arising at the legal tax rate | (36,817,211) | (29,648,489) |
| Impact of the dividend income that is not subject to tax | 2,081,031 | 2,240,794 |
| Non-deductible expenses and impact of other adjustments | (382,483) | (550,057) |
| **Current period tax expense** | **(35,118,663)** | **(27,957,752)** |

## 23. TAX ASSETS AND LIABILITIES (Continued)

In Turkey, the corporation tax rate is 22% for 2019. (2018: 22%). The corporate tax rate is applied to tax base which is calculated by adding certain non-deductible expenses for tax purposes and deducting certain exemptions (like affiliation privilege) and exclusion of deductions on accounting income. If there is no dividend distribution, no further tax charges are made. Except for the withholding tax at the rate of 19.8%, calculated and paid on the basis of the exemption made in the event of an investment allowance exemption used in accordance with the Temporary Article 61 of the Tax Law.

The Law on the Amendment of Certain Tax Acts was approved by the Parliament on 28 November 2017 and published in the Official Gazette dated 5 December 2017, putting the rate of corporate taxation to be increased from 20% to 22% for the years 2018, 2019 and 2020. In this context, the Group's effect on the tax rate change in deferred tax asset/liability calculation as of 31 December 2019 is taken into consideration.

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 10% in accordance with 94th article of Income Tax Law. Addition of profit to share capital is not considered a profit distribution.

Corporations are required to pay advance corporate tax quarterly at a rate of 22% on their corporate income. Advance tax is declared and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the last day 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 following the date of filing during which period 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 Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

There are numerous exemptions in Corporate Tax Law concerning corporations. Accordingly, earnings of the above-mentioned nature, which are in the commercial profit/loss figures, have been taken into account in the calculation of corporate tax.

In addition to exemptions explained above, tax deductions specified in Corporation Tax Law articles 8, 9, 10, and Income Tax Law article 40, are also considered in the assessment of the corporation tax base.

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 23. TAX ASSETS AND LIABILITIES (Continued)

### Deferred tax assets and liabilities

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Deferred tax assets | 27,723,481 | 20,665,391 |
| Deferred tax liabilities | (8,992,278) | (21,544,409) |
| **Deferred tax assets / (liabilities), net** | **18,731,203** | **(879,018)** |

Deferred tax assets and liabilities based upon temporary differences are as follows:

| | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | Cumulative temporary differences | Deferred tax assets/ liabilities | Cumulative temporary differences | Deferred tax assets/ liabilities |
| Derivatives | 61,074,324 | 13,436,351 | 1,148,722 | 252,719 |
| Allowances for expected credit losses | 26,085,046 | 5,738,710 | 23,296,201 | 5,125,164 |
| Provision for employee bonus | 13,649,853 | 3,002,968 | 20,362,912 | 4,479,841 |
| Provision for employee termination benefits | 11,174,984 | 2,458,496 | 9,102,464 | 2,002,542 |
| Provision for unused vacation | 3,122,601 | 686,972 | 3,266,599 | 718,652 |
| Legal provisions | 1,290,529 | 283,916 | 35,560,909 | 7,823,400 |
| Expense provision | 1,194,195 | 262,723 | 650 | 143 |
| TFRS 16 effect | 281,761 | 61,987 | - | - |
| Valuation differences of financial assets | - | - | 196,565 | 43,244 |
| Other | 8,142,535 | 1,791,358 | 998,573 | 219,686 |
| **Deferred tax assets** | | **27,723,481** | | **20,665,391** |
| Valuation differences of financial assets | 28,436,807 | 6,256,098 | 18,250,607 | 4,015,134 |
| Difference between the tax base and carrying amount of non-current assets | 9,379,424 | 2,063,473 | 6,947,376 | 1,528,423 |
| Investments in progress | 2,592,197 | 570,283 | 2,570,964 | 565,612 |
| Derivatives | - | - | 70,079,659 | 15,417,525 |
| Other | 465,562 | 102,424 | 80,523 | 17,715 |
| **Deferred tax liabilities (-)** | | **8,992,278** | | **21,544,409** |
| **Deferred tax assets/(liabilities), net** | | **18,731,203** | | **(879,018)** |

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| Beginning balance of deferred tax liabilities, net | (879,018) | (8,942,732) |
| Deferred tax income | 21,852,072 | 4,581,095 |
| Deferred tax accounted under equity | (2,241,851) | (528,034) |
| Deferred tax effect of TFRS 9 opening adjustment | - | 4,010,653 |
| **Period ending deferred tax assets/(liabilities), net** | **18,731,203** | **(879,018)** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 24. REVENUE AND COST OF SALES

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| **Revenue** | | |
| Share certificates sales | 3,700,648,789 | 5,929,441,906 |
| Commissions on intermediary activities on stock market | 107,168,192 | 99,202,851 |
| Futures exchange intermediary commissions | 26,112,371 | 28,251,603 |
| Treasury bills and government bonds sales/commissions | 14,803,857 | 1,342,818,402 |
| Corporate finance fees | 13,187,484 | 21,226,307 |
| Commissions from leveraged transactions | 9,875,664 | 6,659,998 |
| Other intermediary commissions | 9,103,855 | 8,406,809 |
| Intermediary commissions for repurchase transactions | 4,171,215 | 904,309 |
| Custody commissions | 1,705,560 | 1,480,625 |
| Consultancy services | 1,497,979 | 1,146,672 |
| Fund support / management fees | 935,865 | 858,812 |
| Intermediary commissions for definite buy-sale transactions | 66,016 | 38,847 |
| Other services income | 36,040,067 | 23,389,028 |
| **Total revenue** | **3,925,316,914** | **7,463,826,169** |
| **Service income discounts and allowances** | | |
| Commissions paid to agencies (-) | (45,574,437) | (46,252,172) |
| Commission returns (-) | (935,781) | (1,394,978) |
| **Total discounts and allowances (-)** | **(46,510,218)** | **(47,647,150)** |
| **Revenue** | **3,878,806,696** | **7,416,179,019** |
| **Cost of sales** | | |
| Costs of share certificate sales (-) | (3,703,203,310) | (5,951,055,524) |
| Costs of treasury bills and government bond sales (-) | (14,803,857) | (1,342,344,211) |
| **Total cost of sales (-)** | **(3,718,007,167)** | **(7,293,399,735)** |
| **Gross operating profit** | **160,799,529** | **122,779,284** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 25. REVENUE AND COST OF FINANCIAL ACTIVITIES

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| **Revenue from financial activities** | | |
| Investment funds management fee | 67,705,018 | 56,735,950 |
| Individual pension fund management fee | 11,307,280 | 9,726,502 |
| Individual pension fund performance fee | 3,505,521 | 2,600,256 |
| **Fund management fee** | **82,517,819** | **69,062,708** |
| Discretionary portfolio management commission | 3,964,612 | 4,056,722 |
| Portfolio success premiums | 1,164,750 | 2,466,836 |
| **Discretionary portfolio management income** | **5,129,362** | **6,523,558** |
| Investment consultancy income | 2,393,991 | 1,672,601 |
| **Other financial activities revenue** | **2,393,991** | **1,672,601** |
| **Total financial activities revenue (a)** | **90,041,172** | **77,258,867** |
| **Financial activities cost** | | |
| Commission expenses | (4,014,234) | (4,361,853) |
| Commission expenses for investment and private pension fund management | (1,522,987) | (6,135,480) |
| **Total financial activities cost (b)** | **(5,537,221)** | **(10,497,333)** |
| **Gross profit / loss from financial sector activities (a-b)** | **84,503,951** | **66,761,534** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 26. OPERATING EXPENSES

**General administrative expenses**

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| Personnel expenses | 98,157,465 | 91,059,540 |
| Information services expenses | 16,535,475 | 9,833,110 |
| Depreciation and amortization expenses | 8,956,968 | 4,486,211 |
| Taxes, duties and charges | 4,973,162 | 4,110,603 |
| Data processing expenses | 3,847,883 | 7,255,344 |
| Communication expenses | 2,521,126 | 1,789,377 |
| Audit and advisory expenses | 2,310,583 | 2,168,750 |
| IT transformation expenses | 1,539,791 | 2,095,723 |
| Stationary expenses | 1,193,486 | 530,743 |
| Maintenance service expenses | 818,169 | 681,676 |
| Insurance expenses | 814,295 | 739,488 |
| Cleaning expenses | 632,159 | 549,251 |
| Rent expenses | 626,704 | 3,127,377 |
| Vehicle expenses | 601,608 | 1,221,120 |
| Meeting and travelling expenses | 460,648 | 535,736 |
| Representation expenses | 328,911 | 313,715 |
| Other | 6,905,402 | 4,014,256 |
| | **151,223,835** | **134,512,020** |

**Marketing expenses**

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| Brokerage and other operational fees | 42,006,669 | 34,763,182 |
| Custody commissions | 1,762,370 | 1,993,436 |
| Advertising expenses | 938,979 | 1,107,446 |
| | **44,708,018** | **37,864,064** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 27. OTHER INCOME FROM OPERATING ACTIVITIES

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| Income due to derivative transactions | 711,224,090 | 613,357,943 |
| Interest income on deposit at banks | 112,752,686 | 210,058,938 |
| Interest income on loans | 34,933,672 | 37,439,571 |
| Realised cancellations of provisions | 34,629,620 | - |
| Other interest income | 21,909,350 | 12,162,051 |
| Interest income on treasury bills and government bonds | 12,127,820 | 9,699,307 |
| Repo transactions interest income | 12,013,131 | - |
| Dividend income | 9,459,234 | 10,185,426 |
| Foreign exchange gains | 1,649,410 | - |
| Other income | 4,002,206 | 1,235,324 |
| | **954,701,219** | **894,138,560** |

## 28. OTHER EXPENSE FROM OPERATING ACTIVITIES

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| Interest paid to Takasbank Money Market | 475,800,839 | 470,096,874 |
| Losses due from derivative transactions | 131,153,983 | 67,034,316 |
| Interest expense from issued bonds and bills | 127,780,758 | 163,902,776 |
| Commissions paid for guarantee letters | 15,117,364 | 15,731,869 |
| Commission expenses | 13,839,504 | 10,006,784 |
| Other interest expenses | 13,533,443 | 5,204,490 |
| Expected impairment provision | 2,972,691 | 5,065,958 |
| Interest expense from leasings (Note 9) | 893,549 | - |
| Impairment of financial investments | 172,457 | 116,845 |
| Other expenses | 55,457,300 | 39,377,521 |
| | **836,721,888** | **776,537,433** |

## 29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

### (a) Bank deposits in related parties

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş. | 214,640,700 | 1,747,617,921 |
| Allowances for expected credit losses (-) | (1,769,470) | (13,870,692) |
| | **212,871,230** | **1,733,747,229** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

### (b) Receivables due from related parties

**Trade receivables**

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Yapı Kredi Portföy Yönetimi A.Ş. Investment Funds | 67,049,756 | 12,070,332 |
| Allianz Yaşam ve Emeklilik A.Ş. Pension Funds | 10,119,091 | 9,987,095 |
| Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. | 127,708 | - |
| Yapı ve Kredi Bankası A.Ş. | 31,363 | - |
| Türkiye Petrol Rafinerileri A.Ş. | 25,200 | - |
| | **77,353,118** | **22,057,427** |

**Receivables from financial activities**

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Yapı Kredi Portföy Yönetimi A.Ş. Investment Funds (Note 11) | 8,019,140 | 5,007,395 |
| Allianz Yaşam ve Emeklilik A.Ş. Pension Funds | 4,289,770 | 2,096,096 |
| Yapı ve Kredi Bankası A.Ş. – Investment Consultancy (Note 11) | 2,437,083 | 1,823,135 |
| | **14,745,993** | **8,926,626** |

### (c) Payables due to related parties

| **Short and long term liabilities** | **31 December 2019** | **31 December 2018** |
|---|---|---|
| **Short term leasing liabilities** | | |
| Yapı ve Kredi Bankası A.Ş. | 1,518,817 | - |
| Otokoç Otomotiv Ticaret ve Sanayi A.Ş. | 670,863 | - |
| | **2,189,680** | **-** |
| **Long term leasing liabilities** | | |
| Otokoç Otomotiv Ticaret ve Sanayi A.Ş. | 1,045,229 | - |
| Yapı ve Kredi Bankası A.Ş. | 44,368 | - |
| | **1,089,597** | **-** |
| **Trade payables** | | |
| Allianz Emeklilik A.Ş. | 56,392,653 | 10,675,441 |
| Yapı Kredi Portföy Investment Funds | 1,045,224 | 11,591,315 |
| Yapı ve Kredi Bankası A.Ş. | 6,647,808 | 2,400,364 |
| Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. | 818,962 | 499,440 |
| Otokoç Otomotiv Ticaret ve Sanayi A.Ş. | 95,579 | 52,422 |
| Other | 23,387 | 68,981 |
| | **65,023,613** | **25,287,963** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

**Other payables**

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| YKS Tesis Yönetimi Hizmetleri A.Ş. | 34,365 | 10,312 |
| Zer Merkezi Hizmetler ve Ticaret A.Ş. | 512 | 12,660 |
| Other | 4,673 | 5,370 |
| | **39,550** | **28,342** |

**Derivative assets/(liabilities), net**

| | | |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş. | (40,705,583) | 59,197,470 |
| | **(40,705,583)** | **59,197,470** |

**(d) Income due from related parties**

**Operating income due from related parties**

| | 1 January - 31 December 2019 | 1 January - 31 December 2018 |
|---|---|---|
| Yapı Kredi Portföy Investment Funds | 67,705,018 | 52,887,069 |
| Allianz Hayat ve Emeklilik A.Ş. Pension Funds | 13,387,570 | 8,731,935 |
| Yapı ve Kredi Bankası A.Ş. | 7,229,888 | 3,848,881 |
| Arçelik A.Ş. | 2,024,000 | - |
| Yapı Kredi Faktoring A.Ş. | 941,743 | - |
| Yapı Kredi Finansal Kiralama A.O. | 810,000 | - |
| Otokoç Otomotiv Tic. ve San. A.Ş. | 600,000 | 943,000 |
| Tüpraş | 524,000 | - |
| Opet Petrolcülük A.Ş. | 500,000 | 1,365,000 |
| Aygaz A.Ş. | 364,000 | 280,498 |
| Koç Fiat Kredi Finansman A.Ş. | 180,000 | 662,500 |
| Koç Finansman A.Ş. | 140,000 | 665,000 |
| Türk Traktör A.Ş. | 27,000 | 17,998 |
| Koç Ailesi Üyeleri | - | 669,476 |
| Koçtaş A.Ş. | - | 75,000 |
| Vehbi Koç Vakfı | - | 36,655 |
| Tat Konserve Sanayi A.Ş. | - | 17,998 |
| Other | 919,341 | 150,982 |
| | **95,352,560** | **70,351,992** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

**Interest income due from related parties**

| | | |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş. | 14,573,627 | 106,721,639 |
| | **14,573,627** | **106,721,639** |

**Derivative income due from related parties**

| | | |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş. | 271,086,769 | 294,903,507 |
| | **271,086,769** | **294,903,507** |

(*) Derivative contracts totaling TRY2,017,028,076 had been entered into with Yapı ve Kredi Bankası as of 31 December 2019. (31 December 2018: TRY1,873,620,076).

**Dividend income due from related parties**

| | | |
|---|---|---|
| Takasbank Takas ve Saklama Bankası A.Ş. | 3,285,000 | 50,832 |
| Borsa İstanbul A.Ş. | 138,757 | 301,886 |
| Allianz Yaşam ve Emeklilik A.Ş. | 54,462 | 50,832 |
| | **3,478,219** | **403,550** |

**(e) Expenses paid to related parties**

**Operating expenses paid to related parties**

| | **1 January - 31 December 2019** | **1 January - 31 December 2018** |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş. | 3,384,416 | 2,583,040 |
| Koç Sistem Bilgi ve İletişim Hizm. A.Ş. | 2,859,971 | 1,188,787 |
| YKS Tesis Yönetimi A.Ş. | 1,428,423 | 1,122,186 |
| Otokoç Otomotiv Tic. ve San. A.Ş. | 1,254,422 | 780,045 |
| Avis A.Ş. | 653,430 | 541,440 |
| YK Bina Yönetimi | 617,130 | 317,505 |
| Allianz Sigorta A.Ş. | 565,050 | 401,704 |
| Zer Merkezi Hizmetler ve Tic. A.Ş. | 528,377 | 446,057 |
| Opet Petrolcülük A.Ş. | 270,109 | 233,721 |
| Setur Servis Turistik A.Ş. | 251,554 | 343,223 |
| Koç Holding AŞ | 73,318 | 66,478 |
| Other | 47,035 | 520,176 |
| | **11,933,235** | **8,544,362** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

**Commission expenses paid to related parties**

| | | |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş. | 45,300,425 | 41,853,396 |
| Yapı Kredi Portföy Investment Funds | 1,011,347 | 5,961,546 |
| Allianz Yaşam ve Emeklilik A.Ş. | 409,535 | 103,837 |
| | **46,721,307** | **47,918,779** |

**Financial expenses paid to related parties**

| | **1 January - 31 December 2019** | **1 January - 31 December 2018** |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş. | 807,135 | 167,393 |
| Otokoç Otomotiv Tic. ve San. A.Ş. | 480,858 | - |
| Koç Sistem Bilgi ve İletişim Hizm. A.Ş. | 97,050 | - |
| | **1,385,043** | **167,393** |

**Benefits provided to key management**

Top management consists of members and chairman of board of directors, general managers and vice general manager. As of 31 December 2019, the total amount of salary and other benefits provided to the top management by the Group is TRY7,595,379 (1 January - 31 December 2018: TRY6,606,521).

**Dividends paid to related parties**

The Group paid dividend amounting to TRY167,539,658 in 31 December 2019 (31 December 2018: TRY48,399,999) (Note 22).

## 30. EARNINGS PER SHARE

The calculation of earnings per share for the years ending 31 December 2019 and 2018 is as follows:

| | **31 December 2019** | **31 December 2018** |
|---|---|---|
| Total profit from continuing operations | 132,232,295 | 106,808,109 |
| Weighted average number of shares | 9,891,808,346 | 9,891,808,346 |
| **Earnings per share from continuing operations (Krs)** | **1.34** | **1.08** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 30. EARNINGS PER SHARE (Continued)

| | **31 December 2019** | **31 December 2018** |
|---|---|---|
| Total comprehensive income | 140,180,674 | 108,680,230 |
| Weighted average number of shares | 9,891,808,346 | 9,891,808,346 |
| **Comprehensive income per share from continuing operations (Krs)** | **1.42** | **1.10** |

The company does not have any diluted shares (31 December 2018: None).

## 31. FINANCIAL RISK MANAGEMENT

The Group is subject to risks because of its commercial activities. The details and management of these risks are explained below. The Group management is fully responsible for the management of financial risk.

### a. Information on credit risk

Credit risk is the risk that one party to a financial instrument will fail to meet the terms of their agreements as foreseen and cause the other party to incur a financial loss.

For the loans provided, a default risk that the counterparty will not be able to fulfill the liabilities associated with the loan is present. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group also manages credit risk by keeping equity shares obtained from loan customers as collateral. Credit risk is fully concentrated in Turkey where the Group mainly operates.

Limits of new credits and additional credit limits are bound by the limits approved by Credit Committee and Board of Directors. Limits to be provided to customers are initially proposed by the Credit Committee and approved by the Board of Directors.

The Group makes a regular collateral/equity check for credit transactions where the current equity and benchmark equity is compared. If the collateral amount falls below the benchmark amount, additional collateral is requested from the customer.

The common stocks which the customers would like to buy using credit are bound to be in the "Marketable Securities Accepted for Credit Purchase" list. The items to be included in this list are determined by considering factors like transaction volume, changes in transaction volume, free float rate, liquidity and amount of shares in circulation. The common stocks in the customer's portfolio are accepted, as collateral if the customer would like to buy common stocks other than the stocks listed in "Marketable Securities Accepted for Credit Purchase".

The share of the receivables from the biggest 10 credit customers in the total receivables from credit customers of the Group is 84% (31 December 2018: 58%).

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 31. FINANCIAL RISK MANAGEMENT (Continued)

The table below shows credit risk exposure based on financial instruments as of 31 December 2019 and 31 December 2018. In the determination of the maximum amount of credit risk exposure, in addition to the collaterals received, factors that lead to credit enhancement are not taken into account.

| | **Receivables** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Trade Receivables** | | **Other Receivables** | | | | |
| **31 December 2019** | **Related Party** | **Other** | **Related Party** | **Other** | **Bank Deposits** | **Financial Investments** | **Derivatives** |
| **Total credit risk exposure (A+B+C)** | **77,353,118** | **539,787,348** | **-** | **171,876,384** | **3,548,582,985** | **128,482,012** | **-** |
| - Amount of risk that is guaranteed with collateral | - | 276,665,959 | - | - | - | - | - |
| A. Net book value of financial assets that are not past due or impaired | 77,353,118 | 539,787,348 | - | 171,876,384 | 3,574,400,526 | 128,749,517 | - |
| B. Net book value of impaired assets | - | - | - | - | *(25,817,541)* | *(267,505)* | - |
| *- Past due (gross book value)* | - | *1,021,677* | - | - | - | - | - |
| *- Impairment* | - | *(1,021,677)* | - | - | *(25,817,541)* | *(267,505)* | - |
| *- Part of net amount that is guaranteed by collateral* | - | - | - | - | - | - | - |
| C. Off balance sheet items with credit risk | - | - | - | - | - | - | - |

| | **Receivables** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Trade Receivables** | | **Other Receivables** | | | | |
| **31 December 2018** | **Related Party** | **Other** | **Related Party** | **Other** | **Bank Deposits** | **Financial Investments** | **Derivatives** |
| **Total credit risk exposure (A+B+C)** | **22,057,427** | **225,454,991** | **-** | **132,378,014** | **2,864,276,565** | **117,429,471** | **70,079,659** |
| - Amount of risk that is guaranteed with collateral | - | 88,762,981 | - | - | - | - | - |
| A. Net book value of financial assets that are not past due or impaired | 22,057,427 | 225,454,991 | - | 132,378,014 | 2,887,386,985 | 117,615,252 | - |
| B. Net book value of impaired assets | - | - | - | - | (23,110,420) | (185,781) | - |
| *- Past due (gross book value)* | - | *1,021,677* | - | - | - | - | - |
| *- Impairment* | - | *(1,021,677)* | - | - | *(23,110,420)* | *(185,781)* | - |
| *- Part of net amount that is guaranteed by collateral* | - | - | - | - | - | - | - |
| C. Off balance sheet items with credit risk | - | - | - | - | - | - | 70,079,659 |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 31. FINANCIAL RISK MANAGEMENT (Continued)

### b. Information on market risk

***Interest rate risk***

The need of Group's dealing ways with interest risk rate arises from effects of interest rates changes on the financial instruments. The sensitivity of the Group to interest rate risk is related with maturity mismatch of assets and liabilities. This risk is managed through corresponding assets that are sensitive to interest rates with similar liabilities.

Financial assets classified in the Group's balance sheet either as financial assets measured at fair value through other comprehensive income or treasury bills and government treasuries measured at amortised cost with floating interest rate are exposed to price risk due to interest rate changes. Those with fixed interest rates from financial assets measured at amortised cost may be exposed to risk of re-investment if they are directed to re-invest the resulting cash.

The table below shows the interest rate position details and sensitivity analysis as of 31 December 2019 and 2018:

**Interest rate position table**

**Fixed rate financial instruments**

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| **Financial assets** | | |
| Banks | 3,366,263,371 | 2,824,967,305 |
| Receivables from reverse repo agreements | 100,279,332 | 261,804 |
| Financial assets measured at amortised cost (*) | 46,921,324 | 33,425,290 |
| Financial assets measured at fair value through other comprehensive income | 15,120,872 | 27,228,075 |
| **Financial liabilities** | | |
| Funds generated from Takasbank Money Market | 2,572,534,820 | 1,874,016,130 |
| Issued bonds and bills | 612,390,246 | 735,337,079 |
| Bank loans | 209,943,264 | - |
| Leasing payables | 3,476,291 | - |

(*) Financial assets that bear an interest rate and are classified as financial investments measured at amortised cost.

Financial liabilities with fixed interest rates and financial assets measured at amortised cost with fixed interest rates are assumed insensitive to changes in market interest rates. If the financial assets measured in these circumstances are measured at amortised cost, the redemption rate may be exposed to risk if the resulting cash is redirected to cash.

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 31. FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2019 and 2018, average interest rates of financial instruments:

| | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | **TRY (%)** | **EUR (%)** | **TRY (%)** | **EUR (%)** |
| **Assets** | | | | |
| Cash and cash equivalents | 11.60 | 0.40 | 22.69 | 2.67 |
| Financial assets measured at fair value through other comprehensive income | 17.09 | - | 30.51 | - |
| Financial assets measured at amortised cost | 20.68 | - | 18.63 | - |
| **Liabilities** | | | | |
| Funds from Takasbank Money Market | 11.33 | - | 24.09 | - |
| Issued bonds and bills | 12.17 | - | 25.02 | - |

The Group's assets and liabilities are grouped based on their repricing maturities as follows as of 31 December 2019 and 2018:

| | 31 December 2019 | | | | | |
|---|---|---|---|---|---|---|
| | **Up to 1 month** | **Up to 3 months** | **3 months to 1 year** | **1 year to 5 years** | **Non-interest bearings** | **Total** |
| Cash and cash equivalents | 2,621,495,982 | 819,229,180 | - | - | 107,857,823 | 3,548,582,985 |
| Financial investments | 13,330,169 | - | 29,107,131 | 80,252,453 | 5,792,259 | 128,482,012 |
| Trade receivables | 292,754,699 | - | - | - | 324,385,767 | 617,140,466 |
| Other assets | - | - | - | - | 192,476,434 | 192,476,434 |
| | **2,927,580,850** | **819,229,180** | **29,107,131** | **80,252,453** | **630,512,283** | **4,486,681,897** |
| Financial liabilities | 3,082,028,064 | 322,803,327 | 2,363,890 | 1,112,401 | - | 3,408,307,682 |
| Trade payables | - | - | - | - | 400,392,813 | 400,392,813 |
| Other liabilities | - | - | - | - | 162,735,900 | 162,735,899 |
| | **3,082,028,064** | **322,803,327** | **2,363,890** | **1,112,401** | **563,128,713** | **3,971,436,394** |
| | **(154,447,214)** | **496,425,853** | **26,743,241** | **79,140,052** | **67,383,570** | **515,245,503** |

| | 31 December 2018 | | | | | |
|---|---|---|---|---|---|---|
| | **Up to 1 month** | **Up to 3 months** | **3 months to 1 year** | **1 year to 5 years** | **Non-interest bearings** | **Total** |
| Cash and cash equivalents | 2,198,583,278 | 603,535,411 | - | - | 62,157,876 | 2,864,276,565 |
| Financial investments | - | - | 33,425,290 | 50,135,553 | 33,868,628 | 117,429,471 |
| Trade receivables | 88,762,981 | - | - | - | 158,749,437 | 247,512,418 |
| Derivative financial assets held for trading | - | - | - | - | 70,079,659 | 70,079,659 |
| Other assets | - | - | - | - | 148,938,629 | 148,938,629 |
| | **2,287,346,259** | **603,535,411** | **33,425,290** | **50,135,553** | **473,794,229** | **3,448,236,742** |
| Financial liabilities | 2,499,242,788 | 111,831,313 | - | - | - | 2,611,074,101 |
| Trade payables | - | - | - | - | 199,358,659 | 199,358,659 |
| Other liabilities | - | - | - | - | 107,247,684 | 107,247,684 |
| | **2,499,242,788** | **111,831,313** | **-** | **-** | **306,606,343** | **2,917,680,444** |
| | **(211,896,529)** | **491,704,098** | **33,425,290** | **50,135,553** | **167,187,886** | **530,556,298** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 31. FINANCIAL RISK MANAGEMENT (Continued)

### *c. Exchange rate risk*

As of 31 December 2019 and 2018, the Group's assets and liabilities denominated in foreign currencies are as follows:

| | **31 December 2019** | | | | **31 December 2018** | | | |
|---|---|---|---|---|---|---|---|---|
| | **TRY Equivalent** | **USD** | **EUR** | **Other** | **TRY Equivalent** | **USD** | **EUR** | **Other** |
| Cash and cash equivalents | 2,774,122,834 | 12,896,601 | 405,317,600 | 307,337 | 2,586,123,468 | 8,577,760 | 421,509,969 | 31,260 |
| Other receivables | 23,854,155 | 656,940 | 3,000,000 | - | 33,967,207 | - | 5,634,905 | - |
| **Current assets (a)** | **2,797,976,989** | **13,553,541** | **408,317,600** | **307,337** | **2,620,090,675** | **8,577,760** | **427,144,874** | **31,260** |
| Trade payables | (94,672,935) | (12,294,748) | (2,979,275) | (294,608) | (53,530,603) | (7,971,631) | (1,905,131) | (27,334) |
| **Short term financial liabilities (b)** | **(94,672,935)** | **(12,294,748)** | **(2,979,275)** | **(294,608)** | **(53,530,603)** | **(7,971,631)** | **(1,905,131)** | **(27,334)** |
| Off-balance sheet derivatives denominated in foreign currency | (2,723,573,657) | (1,150,000) | (408,495,839) | - | (2,582,037,317) | (250,000) | (428,122,444) | - |
| **Net liability position of foreign currency denominated derivatives (c)** | **(2,723,573,657)** | **(1,150,000)** | **(408,495,839)** | **-** | **(2,582,037,317)** | **(250,000)** | **(428,122,444)** | **-** |
| **Total net foreign currency asset / (liability) position (a+b+c)** | **(20,269,603)** | **108,793** | **(3,157,514)** | **12,729** | **(15,477,245)** | **356,129** | **(2,882,701)** | **3,926** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 31. FINANCIAL RISK MANAGEMENT (Continued)

Off-balance sheet liabilities in foreign currencies consist of guarantee letters and derivative transactions (Note 17).

The following table shows the sensitivity of the Group for the change of a 20% change in USD, EUR and other currencies. These amounts represent the equity effect apart from net profit for the period and effect of net profit for the period of USD, 20% increase of EUR and other foreign currencies against TRY. According to the analyses of the Group's sensitivity where, all other variables are kept as constant.

**Exchange rate sensitivity analysis table**

| | Profit/(Loss) | | Equity | |
|---|---|---|---|---|
| **31 December 2019** | **Depreciation of foreign currency** | **Appreciation of foreign currency** | **Depreciation of foreign currency** | **Appreciation of foreign currency** |
| ***In case of a 20% change in USD exchange rates:*** | | | | |
| USD net asset/liability effect | (129,250) | 129,250 | (129,250) | 129,250 |
| ***In case of a 20% change in EURO exchange rates:*** | | | | |
| EUR net asset/liability effect | 4,199,873 | (4,199,873) | 4,199,873 | (4,199,873) |
| ***In case of a 20% change in other exchange rates:*** | | | | |
| Other foreign currency net effect | 16,701 | (16,701) | 16,701 | (16,701) |
| **Total** | **4,087,324** | **(4,087,324)** | **4,087,324** | **(4,087,324)** |

| | Profit/(Loss) | | Equity | |
|---|---|---|---|---|
| **31 December 2018** | **Depreciation of foreign currency** | **Appreciation of foreign currency** | **Depreciation of foreign currency** | **Appreciation of foreign currency** |
| ***In case of a 20% change in USD exchange rates:*** | | | | |
| USD net asset/liability effect | (374,712) | 374,712 | (374,712) | 374,712 |
| ***In case of a 20% change in EUR exchange rates:*** | | | | |
| EURO net asset/liability effect | 3,475,384 | (3,475,384) | 3,475,384 | (3,475,384) |
| ***In case of a 20% change in other exchange rates:*** | | | | |
| Other foreign currency net effect | 5,224 | (5,224) | 5,224 | (5,224) |
| **Total** | **3,105,896** | **(3,105,896)** | **3,105,896** | **(3,105,896)** |

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 31. FINANCIAL RISK MANAGEMENT (Continued)

### *d. Share certificate price risk*

The majority of the stocks classified in the Group's balance sheet as fair value through profit or loss financial assets and financial assets measured at fair value through other comprehensive income are traded on the BIST. According to the Group's analysis, if the Group has a 10% increase/decrease in the prices of the shares in its portfolio, assuming that all other variables remain constant, effects occurring on the carrying value of the shares in the portfolio which are traded in BIST, on growth funds, on the net profit of the year and shareholders' equity are presented below.

**31 December 2019**

| Balance sheet item | Rate of change | Change direction | Effect on carrying value | Effect on revaluation fund | Effect on net income | Effect on equity |
|---|---|---|---|---|---|---|
| **Share certificates** | | | | | | |
| Financial assets measured | | | | | | |
| at fair value through profit or loss | | Increase | 579,226 | - | 579,226 | 579,226 |
| - Financial assets | 10% | Decrease | (579,226) | - | (579,226) | (579,226) |

**31 December 2018**

| Balance sheet item | Rate of change | Change direction | Effect on carrying value | Effect on revaluation fund | Effect on net income | Effect on equity |
|---|---|---|---|---|---|---|
| **Share certificates** | | | | | | |
| Financial assets measured | | | | | | |
| at fair value through profit or loss | | Increase | 655,535 | - | 655,535 | 655,535 |
| - Financial assets | 10% | Decrease | (655,535) | - | (655,535) | (655,535) |

### e. Liquidity risk disclosures

Liquidity risk is the possibility that the Group is unable to meet its net funding commitments and is defined as the risk of loss because of not being able to close positions at all or at an appropriate price because of barriers in the market. Liquidity risk stems from deterioration in markets or occurrence of events resulting in diminution of fund resources such as fall of credit ratings. The management of the Group controls liquidity risk by allocating fund resources and keeping a sufficient level of cash and cash equivalents to meet its existing and possible obligations.

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 31. FINANCIAL RISK MANAGEMENT (Continued)

| | 31 December 2019 | | | | |
|---|---|---|---|---|---|
| | **Net book value** | **Up to 1 month** | **1 month to 1 year** | **1 year to 5 years** | **Total of contractual cash outflows** |
| Financial liabilities | 3,408,307,682 | 2,909,807,936 | 722,156,772 | 1,112,401 | 3,633,077,109 |
| Trade payables | 400,392,813 | 400,392,813 | - | - | 400,392,813 |
| Other liabilities | 43,625,638 | 43,625,638 | - | - | 43,625,638 |
| | **3,852,326,133** | **3,353,826,387** | **722,156,772** | **1,112,401** | **4,077,095,560** |

| | 31 December 2018 | | | | |
|---|---|---|---|---|---|
| | **Net book value** | **Up to 1 month** | **1 month to 1 year** | **1 year to 5 years** | **Total of contractual cash outflows** |
| Financial liabilities | 2,611,074,101 | 2,081,400,548 | 572,001,140 | - | 2,653,401,688 |
| Trade payables | 199,358,659 | 199,358,659 | - | - | 199,358,659 |
| Other liabilities | 20,532,801 | 20,532,801 | - | - | 20,532,801 |
| | **2,830,965,561** | **2,301,292,008** | **572,001,140** | **-** | **2,873,293,148** |

## 32. FINANCIAL INSTRUMENTS

### Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

***i. Financial assets:***

The fair values of financial assets carried at cost, including cash and cash equivalents and other financial assets, are considered to approximate their respective carrying values due to their short-term nature and their insignificant credit risk.

Market prices are used on the determination of the fair values of government bonds and common stocks.

Financial investments' costs, fair value and carrying values are disclosed in Note 7.

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

## 32. FINANCIAL INSTRUMENTS

### *ii. Financial liabilities:*

The fair values of monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets and financial liabilities carried at fair value:

| **31 December 2019** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| Financial assets measured at fair value through profit or loss | 5,792,261 | - | - |
| *- Share certificates trading on BIST* | *5,792,261* | - | - |
| *- Investment funds* | - | - | - |
| Financial assets measured at fair value through other comprehensive income | - | 75,768,427 | - |
| *- Share certificates* | - | *60,647,555* | - |
| *- Corporate bonds and bills* | - | *15,120,872* | - |
| Financial receivables from derivatives held for trading | - | - | - |
| Financial liabilities from derivatives held for trading | - | 61,074,324 | - |

| **31 December 2018** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| Financial assets measured at fair value through profit or loss | 6,640,553 | - | - |
| *- Share certificates trading on BIST* | *6,555,354* | - | - |
| *- Investment funds* | *85,199* | - | - |
| Financial assets measured at fair value through other comprehensive income | - | 77,363,628 | - |
| *- Share certificates* | - | *50,135,553* | - |
| *- Corporate bonds and bills* | - | *27,228,075* | - |
| Financial receivables from derivatives held for trading | - | 70,079,659 | - |
| Financial liabilities from derivatives held for trading | - | 1,148,722 | - |

## 33. DISCLOSURE OF OTHER MATTERS

### a. Explanation on portfolio management operations:

As of 31 December 2019, the Group managed 36 mutual funds and 28 pension funds (31 December 2018: 30 mutual funds and 25 pension funds). In accordance with the Funds' statute, the Group purchases and sells securities and share certificates for the Funds, markets their participation certificates and provides other services and charges daily management fees. As of 31 December 2019, the Group earned a management fee of TRY 80,994,832 (31 December 2018: TRY62,927,228).

### b. Capital management and capital adequacy requirements

The Group aims to increase its profit by using liability and equity balance in the most efficient way. The Group's funding structure is mainly composed of equity items.

The Group defines and manages its capital in accordance with CMB's Communiqué Series: V No: 34 on capital and capital adequacy of intermediary institutions. According to the related communiqué, the equity of intermediary institutions is composed of the portion of total assets, which are valued according to the valuation principles discussed in Communiqué Serie: V No: 34 and are present in the balance sheet prepared as of the valuation date. According to the communique which is published on 11 July 2013 and named as Communiqué Series: V No: 34, capital adequacy base of intermediary institutions cannot be lower than any of the following; TRY2,000,000 for narrow authority intermediaries, TRY10,000,000 for partial authorized intermediaries and 25.000,000 for broad authority intermediaries. The Company has broad authority intermediation license dated 15 January 2016 and numbered G-028 (286). Accordingly, the total equity required by the company as of 31 December 2019, including the annual revaluation, was calculated to be TRY27,453,733 (31 December 2018: TRY26,209,815).

## 34. SUBSEQUENT EVENTS

None.

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