İŞ YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

Financial Statements
As of and For the Year
Ended 31 December, 2019
With Independent Auditors' Report Thereon

(*Convenience Translation of Financial Statements
And Related Disclosures and Footnotes
Originally Issued in Turkish)*

January 30, 2020

This report contains 3 pages of auditors' report and 40 pages of financial statements together with their explanatory notes.

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(Convenience translation of a report and financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of İş Yatırım Ortaklığı A.Ş.

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of İş Yatırım Ortaklığı A.Ş. (the Company), which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

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

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

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

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

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5) Auditor's Responsibilities for the Audit of the Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

- 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.

(Convenience translation of a report and financial statements originally issued in Turkish)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on January 30, 2020.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2019 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

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

The name of the engagement partner who supervised and concluded this audit is Yaşar Bivas.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Yaşar Bivas, SMMM
Partner

January 30, 2020
İstanbul, Turkey

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STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

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

	Notes	***Audited***	***Audited***
		January 1- December 31, 2019	**January 1- December 31, 2018**
ASSETS			
Current Assets		**276.194.410**	**241.831.929**
Cash and cash equivalents	*3*	202.114.056	73.427.337
Investment securities	*4*	73.331.543	158.027.660
Trade receivables	*5*	658.784	10.310.708
Other receivables	*6*	33.796	13.288
-Other receivables from related parties	*19*	*33.796*	*13.288*
Other current assets	*12*	56.231	52.936
Non-current Assets		**723.763**	**7.578**
Investment securities	*4*	1	1
Tangible assets	*7*	3.560	7.089
Right-of-use assets	*8*	720.202	-
Intangible assets	*9*	-	488
TOTAL ASSETS		**276.918.173**	**241.839.507**
LIABILITIES			
Current Liabilities		**663.692**	**518.511**
Trade payables	*5*	223.792	176.643
Due to related parties	*19*	*223.792*	*176.643*
Other payables	*6*	61.238	55.224
Other payables from related parties	*19*	*10.176*	*7.643*
Other payables	*6*	*51.062*	*47.581*
Short term provisions		378.662	286.644
Employee benefits	*11*	*378.662*	*286.644*
Non-current Liabilities		**1.016.859**	**290.601**
Leasing payables	*8*	776.180	-
- Due to related parties	*19*	*674.766*	-
- Due to third parties		*101.414*	-
Long term provisions			
Employee benefits	*11*	240.679	290.601
EQUITY		**275.237.622**	**241.030.395**
Paid-in capital	*13*	160.599.284	160.599.284
Inflation adjustment to share capital		968.610	968.610
Share premium		59.922	59.922
Restricted reserves	*13*	42.422.903	38.649.213
Retained earnings	*13*	6.915.635	9.387.610
Profit for the period		64.271.268	31.365.756
TOTAL LIABILITIES AND EQUITY		**276.918.173**	**241.839.507**

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

STATEMENT OF PROFIT OR LOSS

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

		Audited	***Audited***
	Notes	**January 1-December 31, 2019**	**January 1-December 31, 2018**
CONTINUING OPERATIONS			
Sales	*14*	189.217.077	426.673.393
Cost of sales (-)	*15*	(128.349.489)	(391.735.357)
Gross profit		60.867.588	34.938.036
GROSS PROFIT		**60.867.588**	**34.938.036**
Administrative expenses (-)	*16*	(4.080.951)	(3.175.056)
Other income from main activities	*17*	8.226.974	-
Other operating expenses (-)	*17*	(742.343)	(397.224)
OPERATING PROFIT		**64.271.268**	**31.365.756**
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		**64.271.268**	**31.365.756**
Tax income / (expense) on continuing operations		-	-
PROFIT FROM CONTINUING OPERATIONS	*18*	**64.271.268**	**31.365.756**
DISCONTINUED OPERATIONS		**-**	**-**
PROFIT FOR THE PERIOD		**64.271.268**	**31.365.756**
Basic earnings share (per value of TL 1) from continuing operations	*18*	0,4002	0,1953
Diluted earnings share (per value of 1 TL) from continuing operations	*18*	0,4002	0,1953

STATEMENT OF OTHER COMPREHENSIVE INCOME

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

		Audited	***Audited***
	Notes	**January 1- December 31, 2019**	**January 1- December 31, 2018**
PROFIT FOR THE PERIOD		64.271.268	31.365.756
Items that will never be reclassified to profit or loss		(31.975)	(19.145)
Actuarial gain/(loss) arising from defined benefit plans	11	(31.975)	(19.145)
TOTAL COMPREHENSIVE INCOME		64.239.293	31.346.611

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

STATEMENT OF CHANGES IN EQUITY

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

						Accumulated Profits		
	Notes	**Paid-in capital**	**Inflation adjustment to share capital**	**Share premium**	**Restricted reserves**	**Retained earnings**	**Profit for the period**	**Equity**
Balances at January 1, 2018		**160.599.284**	**968.610**	**59.922**	**35.189.494**	**17.716.463**	**25.182.077**	**239.715.850**
Transfers		-	-	-	3.459.719	21.722.358	(25.182.077)	-
Total comprehensive income		-	-	-	-	(19.145)	31.365.756	31.346.611
Dividends paid		-	-	-	-	(30.032.066)	-	(30.032.066)
Balances at December 31, 2018		**160.599.284**	**968.610**	**59.922**	**38.649.213**	**9.387.610**	**31.365.756**	**241.030.395**
Balances at January 1, 2019		**160.599.284**	**968.610**	**59.922**	**38.649.213**	**9.387.610**	**31.365.756**	**241.030.395**
Transfers	*13*	-	-	-	3.773.690	27.592.066	(31.365.756)	-
Total comprehensive income		-	-	-	-	(31.975)	64.271.268	64.239.293
Dividends paid	*13*	-	-	-	-	(30.032.066)	-	(30.032.066)
Balances at December 31, 2019		**160.599.284**	**968.610**	**59.922**	**42.422.903**	**6.915.635**	**64.271.268**	**275.237.622**

STATEMENT OF CASH FLOWS

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

	Notes	*Audited* **January 1- December 31, 2019**	*Audited* **January 1- December 31, 2018**
A. CASH FLOWS FROM OPERATING ACTIVITIES		**161.003.667**	**74.240.407**
Net profit for the period		**64.271.268**	**31.365.756**
Profit /(loss)reconciliation adjustments for the period:			
Depreciation and amortisation	*7,8,9*	207.278	13.850
Increase in provision for employee benefits:		791.811	168.727
Change in provision expense	*11*	*49.468*	46.930
Dividend income		*742.343*	121.797
Change in interest accrual	*13*	(61.350)	(18.000)
Increase in provision for employee benefits:	*14*	490.868	(319.915)
Increase in interest expenses	*8*	184.187	-
Fair value gains / (losses)	*14*	(3.094.870)	3.041.258
		(1.482.076)	**2.885.920**
Change in working capital:			
Change in financial investments		87.790.987	31.034.683
Change in trade receivables		9.651.924	8.898.088
Due to third parties		9.651.924	8.898.088
Change in other receivables		(20.508)	(3.978)
Due to related parties		(20.508)	(3.978)
Change in other current assets		(3.295)	(3.132)
Change in employee benefits payables		(39.347)	58.550
Change in trade payables		47.149	(22.403)
Due to related parties		*47.149*	(22.403)
Change in other payables		782.194	8.923
Due to related parties		*677.299*	*1.625*
Other payables		*104.895*	*7.298*
Other change in working capital		*(55.979)*	-
		98.153.125	**39.970.731**
Cash inflows from operating activities			
Dividends received	*14*	61.350	18.000
		61.350	**18.000**
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(720.202)**	**(6.620)**
Acquisition of tangible assets and intangible assets		-	(6.620)
- Cash out flow from acquisition of tangible assets	*7*	-	*(4.519)*
- Cash out flow from acquisition of intangible assets	*9*	-	*(2.101)*
Other cash inflow (outflow)	*8*	(720.202)	-
C. CASH FLOWS FROM FINANCING ACTIVITIES		**(30.363.535)**	**(30.032.066)**
Dividends paid	*13*	(30.032.066)	(30.032.066)
Cash outflows related to debt payments arising from lease agreements	*8*	(331.469)	-
NET INCREASE ON CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF EXCHANGE RATE FLUCTUATIONS		**129.919.930**	**44.201.721**
D. EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS		-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		**129.919.930**	**44.201.721**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**73.026.740**	**28.825.019**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	*3*	**202.946.670**	**73.026.740**

1. ORGANISATION AND OPERATIONS OF THE COMPANY

The purpose of İş Yatırım Ortaklığı AŞ ("the Company") is to perform capital market activities in accordance with its Articles of Association and Capital Markets Law and the related regulation.

The Company was established at 1995 and operates in İş Kuleleri Kule 1, Kat: 5 Levent / Istanbul. The main shareholder of the Company is İş Yatırım Menkul Değerler A.Ş which is a subsidiary of Türkiye İş Bankası A.Ş. The Company was offered to public on 1 April 1996. The operating activity of the Company is portfolio management and as at December 31, 2019 the number of employees of the Company is 6 (December 31, 2018: 6). The company has no participations, subsidiaries or joint ventures. The Company's portfolio is professionally managed by İş Portföy Yönetimi AŞ in accordance with the principle of risk diversification.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Accounting principles and statement of compliance to TAS

The Company prepared the financial statements for the year ended as of December 31, 2018 in accordance with the Communiqué Serial Number II, No: 14.1, "Communiqué of Financial Reporting in Capital Markets" ("Communiqué") issued by the Capital Market Board ("CMB") at Official Gazette dated June 31, 2013 and numbered 28676, and in accordance with the Turkish Accounting Standards ("TAS") which was communicated by Public Oversight Accounting and Auditing Standards Agency ("POA"). TAS; Turkish Accounting Standards, is comprised of Turkish Financial Reporting Standards (TFRS)' and its supplements and interpretations.

As per the March ,17 2005 dated and with the number 11/367 resolution of the CMB, it was decided that the application of inflation accounting is no longer required for the companies operating in Turkey and preparing the financial statements in accordance with the CMB Accounting Standards beginning from January 1, 2005. Therefore, starting from January 1, 2005 has not been applied in the financial statements.

The financial statements and its explanatory notes have been prepared in accordance with the announcement regarding CMB's Communiqué.

The financial statements are prepared on a historical cost basis except for the financial assets at fair value through profit or loss. Historical cost is based on the actual amount on money paid for assets.

As at December 31, 2019, the statement of financial position, statement of profit or loss, other comprehensive income and notes to the financial statements for the year ended of the Company have been approved by the Board of Directors of the Company on January 30, 2020. General Assembly has the power to amend the financial statements after issued

2.1.2 Functional and presentation currency

The financial statements of the Company are presented in the currency of the primary economic environment (functional currency) in which the entity operates. The financial position and the results of the Company's operations have been expressed in Turkish Lira ("TL"), which are the functional currency of the Company and the presentation currency of the financial statements.

2.1.3 Comparative information

The Company's financial statements for the period ended December 31, 2019 are prepared comparatively with the prior period in order to provide information on the financial position and performance of the Company. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when necessary and significant differences are explained. The Company has prepared the statement of financial position as of December 31, 2019 comparatively with the statement of financial position as of December 31, 2018. The profit or loss and other comprehensive income, cash flow and changes in equity were compared with the accounting period ending December 31, 2018.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.2 Changes in Accounting Policies and Errors

Material changes in accounting policies or material errors (if any) are corrected, retrospectively; restating the prior period financial statements. The Company has applied its accounting policies consistently with prior year. There are not any significant changes in accounting policies or detected material errors except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2018 of the Company in the current period".

2.3 Changes in Accounting Estimates

If the changes in accounting estimates are related with a period, they are applied in the period they are related with and if the changes are related with the future periods, they are applied both in the period the change is made and prospectively in future periods. There are not any significant changes in accounting estimates of the Company in the current period.

2.4 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.4 The new standards, amendments and interpretations (continued)

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Transition to TFRS 16:

The Company adopted TFRS 16 using the modified retrospective approach. The Company elected to apply the standard to contracts that were previously identified as leases applying TAS 17 and TFRIC 4. The Company therefore did not apply the standard to contracts that were not previously identified as containing a lease applying TAS 17 and TFRIC 4.

The Company elected to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value.

Impact on the consolidated statement of financial position (increase/(decrease)) as at January 1, 2019:

Assets	
Property, plant and equipment (right-of-use assets)	TL 923.462
Liabilities	
Lease liabilities	TL 923.462

The standard is applied for annual periods beginning on or after January 1, 2019.The Company disclosed the impact of the standard on financial position or performance of the Company in Note 8.

Set out below are the new accounting policies of the Company / the Group upon adoption of TFRS 16:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.4 The new standards, amendments and interpretations (continued)

Amendments to TAS 28 "Investments in Associates and Joint Ventures" (Amendments)

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments did not have a significant impact on the financial position or performance of the Company.

TFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "TAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:
(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019.

The interpretation did not have a significant impact on the financial position or performance of the Company.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.4 The new standards, amendments and interpretations (continued)

Annual Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- TFRS 3 Business Combinations and TFRS 11 Joint Arrangements — The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- TAS 12 *Income Taxes* — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- TAS 23 *Borrowing Costs* — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019.

The amendments did not have a significant impact on the financial position or performance of the Company.

Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. These amendments are applied for annual periods beginning on or after 1 January 2019.

The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

These amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.4 The new standards, amendments and interpretations (continued)

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Company will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The PAO issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Definition of a Business (Amendments to TFRS 3)

In May 2019, the PAO issued amendments to the definition of a business in TFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.4 The new standards, amendments and interpretations (continued)

Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the PAO issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ’Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide certain reliefs for 4 fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows:

- Highly probable requirement
- Prospective Assessments
- Retrospective Assessments
- Separately identifiable risk components

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7.

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

There are no standards, interpretations and amendments to existing IFRS standards issued by the IASB and not yet adapted/issued by the POA.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies

Revenue and cost of sales

The Company revenue consist of the sales of securities, redeem and interest income, dividends, net valuation gain / (loss) and derivative income /expenses. Income on securities sale and purchases are recorded as income to the profit or loss on the settlement date of transaction; dividend and similar revenues from share certificates are recognised when the shareholders' rights to receive payment have been established. Interest income, commission expenses and other expenses are recognized as income on an accrual basis. Interest income include the fixed rate coupon payments, time deposit, interest income from money market placements and reverse repurchase agreements and income from trading securities given as collateral.

Costs of sales consist of the cost of sales of securities in the portfolio, commission and clearing expenses. Commission expenses are recognized on an accrual basis.

Fee and commissions

Fee and commissions mainly include commissions given to İş Yatırım Menkul Değerler AŞ which is brokerage company and to İş Portföy Yönetimi AŞ as portfolio management fees. All fee and commissions are recognised in profit or loss on an accrual basis.

Tangible assets

Items of tangible assets acquired before 1 January 2005 are stated at cost adjusted for the effects of inflation through 31 December 2004, and tangible assets acquired after 1 January 2005 are recorded at their historical costs less accumulated depreciation and accumulated impairment losses.

Depreciation

Tangible assets are depreciated principally on a straight-line basis considering estimated useful lives. Estimated useful lives, residual value and depreciation method are reviewed every year to estimate the possible effects of changes and if there is a change in estimation, revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimated useful lives of tangible assets are as follows:

Tangible Assets	Estimated Useful Life (Year)
Furniture and fixtures	3 - 10 years
Leasehold improvements	5 years

Subsequent costs

The costs of replacing a component of an item of tangible asset is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. All other costs are recognized in profit or loss as incurred.

Gains and losses of sale of a tangible asset is determined by offsetting the carrying value with recovered amount and recognized through profit or loss in the other operating income / loss account. The useful lifes and depreciation method of tangible fixed assets are reviewed at each reporting period and adjusted if it necessary.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Intangible assets

Intangible assets acquired before 1 January 2005 are stated at cost adjusted for the effects of inflation through 31 December 2004, and intangible assets purchased after 1 January 2005 are recorded at their acquisition cost less accumulated depreciation and accumulated impairment losses. Intangible assets are amortised principally on a straight-line basis considering the estimated useful lives. Estimated useful lives and depreciation method are reviewed every year to estimate the possible effects of changes and changes in estimation accounted for prospectively. Intangible assets are comprised of information technologies and computer softwares. Purchased computer software are capitalized on purchasing costs incurred during the purchase and until they are ready to use. Intangible assets are amortised over their estimated useful lives (3 years) from the date of acquisition. The useful lifes and depreciation method of intangible fixed assets are reviewed each period and adjusted if it necessary.

Impairment of assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value. Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined; if no impairment loss had been recognized.

Borrowing costs

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

Financial instruments

<u>Financial assets</u>

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'financial assets measured at amortised cost', 'financial assets at fair value through other comprehensive income'.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income related with financial assets which are classified as not financial assets at fair value through profit or loss is calculated by using effective interest method.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Financial assets measured at amortised cost

Trade and other receivables and loans with fixed and determinable payments that are not traded on the market are classified in this category. Loans and receivables subject to valuation with their discounted cost value by using the effective interest rate method, net of any provision for impairment. As at reporting period ended, the Company has no loan transaction in its portfolio.

As at reporting period ended, the Company has no financials assets measured at amortised cost in its portfolio.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are initially recognised at fair value plus the transaction costs that are directly attributable to its acquisition costs. After the initial recognition, Financial assets at fair value through other comprehensive income are measured at fair value.

Reverse repurchase agreements

Marketable securities held as part of resale agreement commitments ("reverse repo") are accounted for under cash and cash equivalents in the statement of financial position. The difference between purchase and resale prices is accounted for as interest and amortized during the period of the agreement.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. In the case that,there is an indication of impairment mentioned in advance, the Company determines the amount of the impairment. Financial assets are impaired where there is objective evidence that loss or losses have been occured, as a result of one or more events (gains/losses) that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Possible losses that may arise as a result of future events are not accounted for, regardless of the probability level.

If financial assets at fair value through other comprehensive income is impaired, the cumulative gain or loss entries are deducted from equity and presented as net profit for the period. If there is an increase in the fair value of the asset during the subsequent loss accounting periods, the value increases are accounted under equity. In the current period, in accordance with TFRS 9 – Financial Instruments a provision is made for financial assets at fair value through other comprehensive income, bank deposits and receivables from stock exchange money market.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, time deposits that maturities are less than 3 months or 3 months and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

<u>Financial Liabilities</u>

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Company has no financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

<u>Share capital</u>

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Share capital and dividends

Common shares are classified as issued capital. Dividends on common shares are reclassified as dividend payables by netting off from the retained earnings in the period in which they are approved and disclosed.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Foreign currency transactions

In the preparation of the financial statements of the Company, transactions in foreign currencies(other currencies except TL) are recorded at exchange rates at the dates of the transactions Monetary assets and liabilities indexed foreign exchange in the financial position are translated into TL at exchange rates at the end of the reporting period. The portfolio of the Company includes eurobond which is exchange-based as of December 31, 2019. (December 31, 2018: The portfolio of the Company includes eurobond and foreign currency contracts.)

Earnings per share

Earnings per shares are calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period.

In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Events after the reporting period

Events after the reporting period represent the events that occur against or on behalf of the Company between the reporting date and the date when statement of financial position was authorised for the issue. If there is evidence of such events as of reporting date or if such events occur after reporting date and if adjustments are necessary, the Company's financial statements are adjusted according to the new situation. The Company discloses the post-balance sheet events that are not adjusting events but material.

Trade Payables/ Trade Receivables

Trade payables and trade receivables consist of payables and receivables resulting directly from the company's portfolio management activities. Payables consist of operations such as share swap, brokerage, asset management, are classified as trade payables, and receivables consist of operations such as share swaps, TDE transaction collaterals, derivatives market cash deposit are classified as trade receivables as at reporting date.

Related parties

In the accompanying financial statements, key management personnel of the Company and Board of Directors, their family and controlled or dependent companies, associates and subsidiaries are all accepted and referred to as related parties ("Related Parties"). Shareholders, Board of Directors and Audit Committee members are also included in the related parties. Related party transactions are explained as the transfer of the asset and liabilities between institutions with or without a charge.

Provisions, contingent liabilities and contingent assets

According to "TAS 37 - Turkish Accounting Standards on provisions, contingent liabilities and assets" a provision is recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the accompanying notes.

Contingent assets are disclosed where an inflow of economic benefits is probable and it recognized in the notes.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Segment reporting

Since the Company does not have operating segments whose operating results are separately reviewed and performances assessed by the decision makers of the Company, no segment reporting information is considered as necessary.

Taxation

Effective from 1 January 2006, in accordance with Article 5/(1)-d of the Corporate Tax Law dated 21 June 2006 and No: 5520, portfolio management income by securities investment funds and trusts founded in Turkey are exempt from corporate tax. This exemption is also applied to the advance corporate tax. This exemption is also applicable to Quarterly Advance Corporate Tax.

Based on Article 15 (3) of the Corporate Tax Law, 15% withholding tax is deducted against the portfolio management income, which is exempt from tax, whether it is distributed or not. The Council of Ministers is authorized to reduce the deduction rates referred to in the Article 15 of the Corporate Tax Law to nil or to increase it up to the corporate tax rate and differentiate the related deduction according to fund and entity types or the nature and distribution of the assets of the portfolio of such funds and entities within the related limits. Accordingly, the mentioned effective tax rate is 0% on portfolio management income based on the Council of Ministers decision No: 2009/14594.

According to the Corporate Tax Law numbered 5520, Article 34, 8th Clause, tax stoppage of incomes arising from portfolio management of security investing funds and partnerships' should be deducted from corporate tax stoppage, or if this is not an option, should be refunded upon application. It is required that the stoppage has been paid to tax authorities.

Based on the Law No: 5281, effective between 1 January 2006 and 31 December 2015 in accordance with the Law No: 5527 which added to the Income Tax Law through of the law numbered 193 and Temporary Article 67/ (1), the rate of income tax deduction is 0% for gains derived from the alienation and retention of the marketable securities and other capital market instruments as from 1 October 2006.

In accordance with Corporate Tax Law and Income Tax Law, there is no further withholding tax for the gain from marketable securities investment funds and marketable securities investment trusts under the Temporary Article 67, 2nd and 4th numbered clauses.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Employee Benefits

Reserve for employee severance indemnity

Under the Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard No. 19 (revised) "Employee Benefits" ("TAS 19").

The retirement benefit obligation recognized in the financial statements represents the present value of the defined benefit obligation. All actuarial gains and losses have been recognized in the other comprehensive income.

The main assumptions used in net present value calculation are as follows:

	December 31, 2019	**December 31, 2018**
	(%)	(%)
Net discount rate	4,20	4,22
Turnover rate to estimate the probability of retirement	100	100

Pension Plans

The Company does not have any pension and post employment benefit plans.

Statement of Cash Flows

In the statement of cash flows, the cash flows for the period are reported with a classification of operating, investment and financing activities. Cash flows related with operating activities compose of cash flows arising from portfolio management operations of the Company. Cash flows related with investment activities compose of cash flows that the Company uses in investment activities or generates from investment activities (tangible investments). Cash flows related with financing activities represent resources that the Company uses for financing activities and the reimbursements of such resources.

Turkish Derivatives Exchange market ("TDE") transactions

All cash collaterals given by the Company for the transactions made in the TDE are classified as trade receivables as gross. Gains and losses arising from the transactions in the current period are recognised in profit or loss from main operations. The net amount of fair value differences recognised in profit or loss, and interest income from the remaining part of the collateral amounts arising from the open transactions are presented in trade receivables.

2.6 Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements in conformity with the Communiqué requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Note 11 – Provisions, contingent liabilities and contingent assets.

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

3. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash in bank (*)	127.319	14.119.375
Demand deposits (Note 19)	*26.670*	*13.405*
Time deposits	*100.649*	*14.105.970*
Receivables from reverse repo agreements	202.563.258	30.020.917
Receivables from money market	320.095	29.441.318
Expected loss provision (**)	(896.616)	(154.273)
Toplam	**202.114.056**	**73.427.337**

(*) There is no blockage or pledge on cash at banks as of December 31, 2019 (December 31, 2018: None).

(**) As of December 31, 2019, the Company has recorded an expected loss provision amounting to TL 896.616 TL for its bank deposits, reverse repo and money market transactions that have original due date less than 3 months in accordance with TFRS 9 Financial Instruments standard. (December 31, 2018: 154.273)

Time deposits:

December 31, 2019	Interest Rate	Maturity	Cost	Carrying Value
TL	%11,30	13 Ocak 2020	100.000	100.649
			100.000	**100.649**

December 31, 2018	Interest Rate	Maturity	Cost	Carrying Value
TL	%23,50-%23,75	9 Ocak 2019	4.120.164	4.210.474
TL	%23,50-%23,75	16 Ocak 2019	9.763.171	9.895.496
			13.883.335	**14.105.970**

***Receivables from money market operations**:*

December 31, 2019	Interest Rate	Maturity	Cost	Carrying Value
TL	%10,80	2 Ocak 2020	320.000	320.095
			320.000	**320.095**

December 31, 2018	Interest Rate	Maturity	Cost	Carrying Value
TL	%23,50-%25,00	2 Ocak 2019	11.760.000	11.844.157
TL	%23,55-%23,65	3 Ocak 2019	4.410.000	4.429.913
TL	%24,25	9 Ocak 2019	3.060.000	3.114.747
TL	%24,30	14 Ocak 2019	4.762.000	4.828.292
TL	%24,30	15 Ocak 2019	2.398.000	2.431.371
TL	%24,40	17 Ocak 2019	2.740.000	2.792.838
			29.130.000	**29.441.318**

Receivables from reverse repo agreements:

December 31, 2019	Interest Rate	Maturity	Cost	Carrying Value
TL	%11,40	2 Ocak 2020	60.000.000	60.018.737
TL	%11,50	2 Ocak 2020	50.000.000	50.015.751
TL	%11,35	2 Ocak 2020	50.000.000	50.015.546
TL	%11,36	2 Ocak 2020	42.500.000	42.513.224
			202.500.000	**202.563.258**

December 31, 2018	Interest Rate	Maturity	Cost	Carrying Value
TL	%25,45-%25,46	2 Ocak 2019	30.000.000	30.020.917
			30.000.000	**30.020.917**

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

3. CASH AND CASH EQUIVALENTS *(Continued)*

As of December 31, 2019 and December 31, 2018, cash and cash equivalents less accrued income interest in the statement of cash flows are as follows:

	December 31, 2019	December 31, 2018
Cash and cash equivalents	202.114.056	73.427.337
Accrued interest and value increases	(64.002)	(554.870)
Expected loss provision	896.616	154.273
	202.946.670	**73.026.740**

Explanations about the nature and level of risk of cash and cash equivalents are summarized in Note 20.

4. INVESTMENT SECURITIES

	December 31, 2019	December 31, 2018
Financial assets at fair value through profit/loss	73.331.543	158.027.660
Financial assets at fair value other comprehensive income	1	1
Total	**73.331.544**	**158.027.661**

The Company's investment securities are mainly held for trading instruments and measured at fair value. Fair value as of the date of 31 December 2018 means the best buy order among the current pending orders, in the absence of it the price of the most recent transaction that has happened, in the absence of them, the cost price which is re-calculated by internal rate of return .

As of December 31, 2019, financial assets at fair value other comprehensive income are carried at cost comprising TSKB Gayrimenkul Değerleme AŞ shares amounting to TL 1 (December 31, 2018: TSKB Gayrimenkul Değerleme AŞ shares amounting to TL 1).

	December 31, 2019		
Financial assets at fair value through profit or loss	**Nominal**	**Fair Value**	**Carrying Value**
Private sector bonds and bills	58.540.000	60.040.519	60.040.519
Quoted share certificates	520.000	2.662.000	2.662.000
Mutual funds certificates	5.014.958	10.629.024	10.629.024
	64.074.958	**73.331.543**	**73.331.543**

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

4. INVESTMENT SECURITIES (continued)

	December 31, 2018		
Financial assets at fair value through profit or loss	**Nominal**	**Fair Value**	**Carrying Value**
Private sector bonds and bills	41.270.000	41.310.196	41.310.196
Quoted share certificates	750.000	1.522.501	1.522.501
Real Estate Certificates traded on the Stock Exchange	10.000	400.000	400.000
Mutual funds certificates	5.484.144	20.229.622	20.229.622
Eurobonds(*)	97.794.870	94.565.341	94.565.341
	145.309.014	**158.027.660**	**158.027.660**

(*) The original currency denominated nominal value of the eurobonds' is the USD 18.589.000.

As of December 31, 2019, interest rates of debt securities classified as financial assets at fair value through profit or loss are between % 8,63 - % 18,76 (December 31, 2018: % 22,4 - % 40,4).

5. TRADE RECEIVABLES AND TRADE PAYABLES

As of December 31, 2019, the Company does not have any overdue and doubtful receivables. (December 31, 2018: TL 275.427).

As of December 31, 2019 and December 31, 2017, the detailed information on short-term trade receivables is as follows:

	December 31, 2019	**December 31, 2018**
TDE transaction collaterals	658.784	10.310.708
Total	**658.784**	**10.310.708**

As at December 31, 2019 and 31 December 2018, the detailed information on short-term trade payables is as follows:

	December 31, 2019	**December 31, 2018**
Portfolio management commission (Note 19)	128.572	112.442
Portfolio performance commision (Note 19)	23.804	-
Portfolio custody commission (Note 18)	71.416	62.176
Commissions payable (Note 18)	-	2.025
Total	**223.792**	**176.643**

Explanations about the nature and level of risk of Trade Receivables are summarized in Note 20.

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

6. OTHER RECEIVABLES AND OTHER PAYABLES

As at December 31, 2019 and December 31, 2018, the detailed information on short-term other receivables are as follows:

	December 31, 2019	December 31, 2018
Other receivables from related parties (Note 19)	33.796	13.288
Total	**33.796**	**13.288**

As at December 31, 2019 and December 31, 2018, the detailed information on short-term other payables are as follows:

	December 31, 2019	December 31, 2018
Tax payables	51.062	47.581
Other payables to related parties (Note 19)	10.176	7.643
Total	**61.238**	**55.224**

7. TANGIBLE ASSETS

	Furniture and fixtures	Leasehold improvements	Total
Cost			
Opening balance at January 1, 2019	180.755	61.216	241.971
Purchases	-	-	-
Closing balance at December 31, 2019	**180.755**	**61.216**	**241.971**
Accumulated depreciation			
Opening balance at January 1, 2019	(173.666)	(61.216)	(234.882)
Charge for the year	(3.529)	-	(3.529)
Closing balance at December 31, 2019	**(177.195)**	**(61.216)**	**(234.882)**
Net carrying amount January 1, 2019	**7.089**	**-**	**7.089**
Net carrying amount December 31, 2019	**3.560**	**-**	**3.560**

	Furniture and fixtures	Leasehold improvements	Total
Cost			
Opening balance at January 1, 2018	176.236	61.216	237.452
Purchases	4.519	-	4.519
Closing balance at December 31, 2018	**180.755**	**61.216**	**241.971**
Accumulated depreciation			
Opening balance at January 1, 2018	(168.483)	(60.665)	(229.148)
Charge for the year	(5.183)	(551)	(5.734)
Closing balance at December 31, 2018	**(173.666)**	**(61.216)**	**(234.882)**
Net carrying amount January 1, 2018	**7.753**	**551**	**8.304**
Net carrying amount December 31, 2018	**7.089**	**-**	**7.089**

As at December 31, 2019 and December 31, 2018, there is no pledge on tangible assets.

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

8. RIGHT-OF-USE ASSETS (LIABILITIES)

As of January 1, 2019 in accordance with the TFRS 16 standard, the amounts related to the lease agreements of the Company were discounted with a reasonable interest rate within the framework of their default maturities, and reduced to their present value and recorded as right-of-use assets. Corresponding liability amounts are followed under leasing payables. (December 31, 2018: None).

Non-current Assets	**2019**
Right-of-use assets	923.462
Accumulated depreciation (-)	(203.260)
December 31 (net)	**720.202**

Non-current Liabilities	**2019**
Leasing payables	923.462
Interest expenses	184.187
Rent paid (-)	(331.469)
December 31, (net)	**776.180**

9. INTANGIBLE ASSETS

	Other intangible assets (*)	**Total**
Cost		
Opening balance at January 1, 2019	125.932	125.932
Purchases	-	-
Closing balance at December 31, 2019	**125.932**	**125.932**
Accumulated depreciation		
Opening balance at January 1, 2019	(125.444)	(125.444)
Charge for the year	(488)	(488)
Closing balance at December 31, 2019	**(125.932)**	**(125.932)**
Net carrying amount January 1, 2019	**488**	**488**
Net carrying amount December 31, 2019	**-**	**-**

(*) Comprised of softwar.

9. INTANGIBLE ASSETS (continued)

	Other intangible assets (*)	**Total**
Cost		
Opening balance at January 1, 2018	123.831	123.831
Purchases	2.101	2.101
Closing balance at December 31, 2018	**125.932**	**125.932**
Accumulated depreciation		
Opening balance at January 1, 2018	(117.328)	(117.328)
Charge for the year	(8.116)	(8.116)
Closing balance at December 31, 2018	**(125.444)**	**(125.444)**
Net carrying amount January 1, 2018		
Net carrying amount December 31, 2018	**6.503**	**6.503**
Cost	**488**	**488**

(*) Comprised of softwar.

As at December 31, 2019 and December 31, 2018, there is no pledge on tangible assets.

10. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The Company does not have any units foreign currency (US Dollars) based sales contracts in Turkish Derivatives Exchange Market ("TDE") as of December 31, 2019 (December 31, 2018: 15.565 units foreign currency (US Dollars) based sales contracts in Turkish Derivatives Exchange Market ("TDE")). The aforementioned contracts are followed in off-balance sheet accounts. The changes in fair value of such contracts are accounted through statement of profit or loss.

There is a one litigation which the company is litigant, and it does not matter in terms of the issue and the amount. There are no guarantees, pledges, mortgages or guarantees given by the Company for its own debts and / or for the purpose of providing debt to any person or organization.

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

11. EMPLOYEE BENEFITS

Short-term provisions for employee benefits

	December 31, 2019	December 31, 2018
Vacation pay liability and provision for employee bonuses	378.662	286.644
Total	**378.662**	**286.644**

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum severance indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. As at the reporting date, provision for vacation pay liability is the liability of the Company that is the undiscounted total amount of the days that were deserved but not used by the employees.

As at December 31, 2019 and December 31, 2018, movement of unused vacation pay liabilities and employee bonuses are as follows:

	December 31, 2019	December 31, 2018
Opening balance, 1 January	286.644	228.094
Vacation and employee bonuses paid	(263.583)	(200.183)
Period Cost	355.601	258.733
Provisions closing balance, December 31	**378.662**	**286.644**

Long-term provisions for employee benefits

	December 31, 2019	December 31, 2018
Employee severance indemnity	240.679	290.601
Total	**240.679**	**290.601**

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

11. EMPLOYEE BENEFITS *(continued)*

Employee Severance Indemnity:

Under Turkish Labour Law, the Company is required to pay employment termination benefits to each employee whose employment is terminated by gaining the right to receive the termination benefits. In addition, based on the amended 60th article of the current Social Insurance Law's numbered 506 together with amendments dated March 6, 1981, numbered 2422, dated August 25, 1999 and numbered 4447, the Company is obliged to pay termination benefits to the employees who have quitted by gaining right to receive their termination benefits. Some provisions for the pre-retirement service conditions are abolished from the law with amendment on May 23, 2002.

The reserve for severance pay liability as at December 31, 2019 is based on the monthly ceiling amounting to TL 6.379,86 (December 31, 2018: TL 5.434,42).

The reserve has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the actuarial assumptions explained in the following paragraph were used in the calculation of the total liability.

The principal assumption is that the maximum liability for each year of service will increase parallel to the change in inflation. Consequently, in the accompanying financial statements as at 31 December 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the end of the reporting period is calculated assuming an annual inflation rate of % 7,20 and a discount rate of % 11,70, resulting in a net discount rate of approximately % 4,20 (December 31, 2018: % 11,30 net discount rate is calculated assuming an annual inflation rate of %16 and a discount rate of %4,22). The probability of voluntarily leaves is also considered in the calculation.

	1 January – 31 December 2019	**January – December 31, 2018**
Opening balance at 1 January	290.601	224.526
Payments during the period	(131.365)	-
Interest cost	28.698	24.698
Service cost	20.770	22.232
Actuarial (gains) / losses	31.975	19.145
Employee severance indemnity	**240.679**	**290.601**

12. OTHER CURRENT ASSETS

Other current assets	**December 31, 2019**	**December 31, 2018**
Prepaid expenses	16.596	13.301
Advances given(*)	39.635	39.635
Total	**56.231**	**52.936**

(*) Advances paid to unrelated party for the improvement of IT system used by the Company.

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

13. CAPITAL AND RESERVES

Paid-in Capital

The structure of the Company's paid-in share capital as at 31 December 2019 and 31 December 2018 is as follows:

Shareholders	Group	Shareholding Interest (%)	31 December 2019	Shareholding Interest (%)	31 December 2018
İş Yatırım Menkul Değerler AŞ	(A)	1,46	2.347.411	1,46	2.347.411
İş Yatırım Menkul Değerler AŞ	(B)	27,47	44.106.690	27,47	44.106.690
T.Sınai Kalkınma Bankası AŞ	(B)	1,72	2.757.169	1,72	2.757.169
Yatırım Finansman Menkul Değerler AŞ	(A)	0,73	1.185.072	0,73	1.185.072
Yatırım Finansman Menkul Değerler AŞ	(B)	0,39	618.429	0,39	618.429
Anadolu Hayat Emeklilik AŞ	(A)	0,37	592.536	0,37	592.536
Anadolu Hayat Emeklilik AŞ	(B)	0,36	574.662	0,36	574.662
Anadolu Anonim Türk Sigorta Şirketi	(B)	0,17	278.394	0,17	278.394
Diğer	(B)	67,33	108.138.921	67,33	108.138.921
Total share capital		**100,00**	**160.599.284**	**100,00**	**160.599.284**

The total number of ordinary shares consists of 16.059.928.400 shares with a par value of Kurus 1 (one) per share and TL 4.125.019 of the total amount is Group (A), TL 156.474.265 of the total amount is Group (B) shares. Group (A) shareholders have the privilege to nominate candidates during the Board of Directors member elections, Group (A) shareholders have 1.000.000 (one million) right to vote while Group (B) shareholders have 1 (one) right to vote. The Company's A group shares does not include any classes of preference shares. Earnings per share are the same for both preference shares and ordinary shares.

94,8% of the Company's shares are tradable on Borsa Istanbul.

Kardan Ayrılan Kısıtlanmış Yedekler

	December 31, 2019	December 31, 2018
Legal reserves	42.422.903	38.649.213
Total	**42.422.903**	**38.649.213**

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Article 519 of 6102 numbered Turkish Commercial Code ("TCC"), are not distributable to shareholders. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

As at December 31, 2019, in accordance with the Turkish Commercial Code numbered 6102, Article 519, the Company has transferred TL 3.773.690 to its legal reserves with the resolution of General Assembly meeting held on 22 March 2018 and legal reserves of the Company increased to TL 42.422.903 from TL 38.649.213.

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

13. CAPITAL AND RESERVES *(continued)*

Retained Earnings

Extraordinary reserve classified as retained earnings is TL 6.983.245 as of December 31, 2019 (December 31, 2018: TL 9.423.245). Retained earnings include actuarial differences amounting to TL (35.134) tutarında aktüeryal fark (December 31, 2018: (3.159)) and as of January 1, 2019, expected loss provision for the financial instruments in accordance with TFRS 9 is amounting to TL (32.476).

Dividend Distribution

At the Ordinary General Assembly of shareholders held on March 21, 2019, the Company has decided to distribute TL 31.365.756 from profit for the year 2018 and TL 2.440.000 from extraordinary reserves as dividend amounting in total TL 30.032.066 that is 18,7% (gross = net) of the Company's share capital. The distribution of dividends in cash has started on March 25, 2019 and completed on March 27, 2019.

Dividend distribution is performed as follows:

	Amount
A- General sum of legal reserve (TCC 519/a)	1.573.480
B- Dividend distributed to shareholders in cash	29.792.276
Total	**31.365.756**

Distribution of profit from operating activities of the Company is determined in accordance with CMB regulations.

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

14. REVENUE

Sales	**January 1-December 31, 2019**	**January 1-December 31, 2018**
Sale of share certificates	18.132.940	139.051.763
Sale of mutual funds certificates	17.175.819	134.560.434
Sale of eurobonds	98.877.820	96.488.900
Sale of bonds and bills	8.263.504	31.620.789
Subtotal	**142.450.083**	**401.721.886**

Increase /(decrease) in value of share certificates, net	1.068.500	225.002
Increase / (decrease) in value of bonds and bills, net	1.288.938	851.648
Increase /(decrease) in value of eurobonds, net	-	(5.753.324)
Foreign exchange gain / loss, net	22.142	28.905.386
Redemption and interest income	22.003.318	20.791.188
Increase / (decrease) in value of mutual funds certificates, net	737.432	1.583.616
Interest income on reverse repo transactions	14.529.758	653.836
Interest accruals	64.002	554.870
Other interest income	-	11.625
Increase / (decrease) in value of real estate certificates, net	-	51.800
Dividend income	61.350	18.000
Commission income from lent securities	3.454	-
Gain/ (loss) on trading of derivative transactions, net	6.988.100	(22.942.140)
Subtotal	**46.766.994**	**24.951.507**
TOTAL REVENUE	**189.217.077**	**426.673.393**

15. COST OF SALES

Cost of Sales	**January 1-December 31, 2019**	**January 1-December 31, 2018**
Cost of sales of share certificates	17.005.388	137.541.601
Cost of sales of mutual funds certificates	16.825.877	132.982.025
Cost of sales of eurobonds	84.120.990	87.847.987
Cost of sales of government bonds and treasury bills	7.737.187	31.164.724
Subtotal	**125.689.442**	**389.536.337**

Portfolio management commission expenses (Note 19)	1.437.823	1.282.948
Portfolio performance commission expenses (Note 19)	23.805	-
Brokerage commission expenses (Note 19)	891.344	638.146
Portfolio custody commission expenses (Note 20)	268.332	239.347
Settlement and custody commission expenses	38.743	38.579
Subtotal	**2.660.047**	**2.199.020**
TOTAL COST OF SALES	**128.349.489**	**391.735.357**

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

16. ADMINISTRATIVE EXPENSES

	January 1- December 31, 2019	**January 1- December 31, 2018**
Personnel wages and expenses	1.980.135	1.572.379
Board of directors attendance fees	859.950	735.000
Depreciation and amortization	207.278	13.850
System expenses	198.827	162.225
Interest expenses arising from the right-of-use assets.	184.187	-
Operating expenses	92.526	75.866
Audit fees	76.927	70.296
Membership fees	53.436	40.031
Risk management expenses	34.928	25.399
Listing expenses	12.727	13.955
Other expenses	380.030	466.055
Total	**4.080.951**	**3.175.056**

Personnel wages and expenses

	January 1- December 31, 2019	**January 1- December 31, 2018**
Salaries and wages	1.258.751	1.039.570
Provision for unused vacation and employee bonus	355.601	258.733
Social security expenses	239.504	174.422
Other personnel expenses	76.811	52.724
Provision for employee severance indemnity	49.468	46.930
Total	**1.980.135**	**1.572.379**

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

17. OTHER OPERATING INCOME AND EXPENSES

All of the amount included in other income from main activities consists of commission returns from previous years. (December 31, 2018: None.) The amount of TL 742.343 of other expenses from main activities which is recorded in receivables account is the result of the netting of the expected loss provision for the financial instruments within the scope of TFRS 9 and the effect of the current period. (December 31, 2018: TL 397.224)

18. EARNINGS PER SHARE

	January 1-December 31, 2019	**January 1-December 31, 2018**
Nominal value of current shares during the period (TL)	160.599.284	160.599.284
Nominal value of shares in circulation (TL)	**160.599.284**	**160.599.284**
Net profit for the period (TL)	**64.271.268**	**31.365.756**
Earnings per ordinary and diluted shares (TL) (per value of TL 1)	**0,4002**	**0,1953**

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

19. RELATED PARTY DISCLOSURES

Details of related party balances are as follows:

	December 31, 2019	December 31, 2018
Cash and cash equivalents		
Türkiye İş Bankası Anonim Şirketi *(Demand deposit)(Note 3)*	26.670	13.405
Türkiye İş Bankası Anonim Şirketi *(Time deposit)*	100.649	6.327.187
Total	**127.319**	**6.340.592**

Financial investments at fair value through profit or loss

	December 31, 2019	December 31, 2018
Quoted share certificates	1.900.000	1.522.501
Debt securities (private sector bonds and bills)	1.475.603	9.082.966
Eurobonds	-	24.102.228
Mutual fund certificates	10.629.024	20.229.622
Total	**14.004.627**	**54.937.317**

Receivables from related parties

	December 31, 2019	December 31, 2018
Other non-trading receivables (Note 6)		
İş Merkezleri Yönetim ve İşletim A.Ş.	33.796	13.288
	33.796	**13.288**

Other current assets

	December 31, 2019	December 31, 2018
Anadolu Anonim Türk Sigorta Şirketi (Not 12)	11.665	8.758
Total	**11.665**	**8.758**

Due to related parties

	December 31, 2019	December 31, 2018
Trade payables		
Portfolio management, custody and brokerage commission payables (Note 5)		
İş Portföy Yönetimi AŞ	152.376	112.442
Türkiye İş Bankası Anonim Şirketi	71.416	62.176
İş Yatırım Menkul Değerler AŞ	-	2.025
	223.792	**176.643**
Other non-trading payables (Note 6)		
Anadolu Anonim Türk Sigorta Şirketi	10.176	7.643
	10.176	**7.643**
Leasing payables (Note 8)		
Türkiye İş Bankası Anonim Şirketi	674.766	-
	674.766	**-**

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

19. RELATED PARTY DISCLOSURES *(continued)*

Transactions within the period	**January 1- December 31, 2019**	**January 1- December 31, 2018**
Portfolio management, brokerage and custody commissions paid to related parties (Note 14)		
İş Portföy Yönetimi AŞ	1.461.628	1.282.948
İş Yatırım Menkul Değerler AŞ	891.344	638.146
Türkiye İş Bankası AŞ	268.332	239.347
Total	**2.621.304**	**2.160.441**

Administrative expenses	**January 1- December 31, 2019**	**January 1- December 31, 2018**
Expenses paid to related parties		
İş Merkezleri Yön. ve İşl. AŞ - (maintenance and other operating expenses)	99.477	83.763
İşnet Elektronik Bilgi Üretim ve Dağıtım Tic. ve İletişim Hiz. AŞ - (internet usage and other service expenses)	101.130	58.894
İş Yatırım Menkul Değerler AŞ - (risk management expenses)	34.928	25.400
Anadolu Anonim Türk Sigorta Şirketi - (health insurance expenses)	10.631	7.691
SoftTech Yazılım Teknolojileri Araştırma Geliştirme ve Pazarlama Tic. AŞ - (Web updating expenses)	3.267	2.585
Türkiye İş Bankası AŞ - (rent,technical support and operating expenses)	-	253.857
Total	**249.433**	**432.190**

The Company earned time deposit interest income amounting to TL 48.791 from Türkiye İş Bankası A.Ş. for the year ended December 31, 2019 (December 31, 2018: TL 439.323), rent payment was made to T.İş Bankası A.Ş. amounting to TL 268.643 (December 31, 2018: TL 233.231)

Benefits provided to key management personnel, members of board of directors and audit committee are as follows.

	January 1- December 31, 2019	**January 1- December 31, 2018**
Benefits provided to key management personnel		
Gross wages and other short-term benefits	1.289.682	1.073.916
Employee severance indemnity	-	19.215
Provision for unused vacation and employee bonuses	99.060	141.744
Total	**1.388.742**	**1.234.875**

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

20. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Financial Risk Factors

The Company's activities expose to a variety of financial risks: market risk (fair value interest rate risk and share price risk). Market risk is the fluctuations in interest rates and value of marketable securities or other financial agreements that negatively affect the Company. The Company recognise its marketable securities at fair value and monitors the market risk as interest rate risk and share price risk separately. The Company's Board of Directors determine strategy and limits related with portfolio management in certain periods and portfolio of marketable securities are managed within this scope by portfolio directors. The Company receives a regular service from İş Yatırım Menkul Değerler A.Ş. with respect to measurement and reporting of portfolio risk and concerning reports evaluated by Early Detection of Risk Committee and Board of Directors. The Company's overall risk management program focuses on the uncertainty of financial markets and seeks to minimize the potential negative effects on the Company's financial performance.

Interest rate risk

Interest rate risk is defined as decrease in value that interest rate fluctuations may have over the Company's interest rate sensitive assets. The Company has no interest sensitive liabilities.

Interest Risk Position Table			
		December 31, 2019	**December 31, 2018**
Fixed interest rate financial instruments		**202.984.002**	**189.954.235**
Financial assets	Financial assets at fair value through profit or loss	-	116.386.030
	Receivables from reverse repo agreements	202.563.258	30.020.917
	Time deposits	100.649	14.105.970
	Receivables from MMT	320.095	29.441.318
Floating interest rate financial instruments		**60.040.519**	**19.489.507**
Financial assets	Financial assets at fair value through profit or loss	60.040.519	19.489.507

Debt securities classified as financial assets at fair value through profit or loss in the balance sheet of the Company are exposed to price risk due to interest rate changes. According to the analysis made by the Company as of December 31, 2019, 1% increase or decrease in interest rates on the condition that all other factors remain stable, causes a decrease amounting to TL 730.643 or an increase amounting to TL 760.017 in the fair value of debt securities amounting to TL 60.040.519 including net profit in the period and equity of the Company as of December 31, 2019. (According to the analysis as at 31 December 2018 1% increase or decrease in TL interest rates on the condition that all other factors remain stable causes a decrease amounting to TL 2.190.452 or an increase amounting to TL 274.343 in fair value of debt securities amounting to TL 135.875.537 including net profit in the period and equity of the Company).

Equity price risk

The Company is also exposed to price risk arising from the price changes of the shares in its portfolio. As of 31 December 2019, if the price of share certificates in the portfolio is 10% higher/lower and all other factors remain stable, the Company's net profit and equity is increased or decreased by TL 266.200 TL (December 31, 2018: TL 152.250).

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

20. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

Credit risk

The Company does not have any credit default risk, since the Company does not have extended loans. As of 31 December 2019 and 2018, the Company's credit risk carrying assets are as follows:

		Receivable								
		Trade receivables		Other receivables						
	December 31, 2019	**Related parties**	**Other parties**	**Related parties**	**Other parties**	**Bank deposits**	**Receivables from reverse repo and money market placements**	**Investment securities (1)**	**Other**	**31 December 2018**
	Exposure to maximum credit risk as at the reporting date (A+B+C+D) (1)	**-**	**658.784**	**33.796**	**-**	**127.319**	**202.883.353**	**60.040.519**	**-**	**-**
	- Maximum credit risk amount secured with guarantees	-	-	-	-	-	-	-	-	-
A.	Net carrying value of neither past due nor impaired financial assets	-	658.784	33.796	-	127.319	202.883.353	60.040.519	-	-
B.	Net carrying value of past due but not impaired financial assets	-	-	-	-	-	-	-	-	-
C.	Net carrying value of impaired assets	-	-	-	-	-	-	-	-	-
	- Past due (Gross amount)	-	-	-	-	-	-	-	-	-
	- Impairment (-)	-	-	-	-	-	-	-	-	-
	- Net carrying value secured with guarantees	-	-	-	-	-	-	-	-	-
	- Not past due (gross amount)	-	-	-		-	-	-		-
	- Impairment (-)	-	-	-	-	-	-	-	-	-
	- Net carrying value secured with guarantees	-	-	-	-	-	-	-	-	-
D.	Off balance sheet items with credit risks	-	-	-	-	-	-	-	-	-

[1] Quoted share and real estate certificates, which have not credit risk, are not included in the determination of the balance.

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

20. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

Credit risk (continued)

		Receivables								
		Trade receivables		Other receivables						
	31 December 2018	**Related parties**	**Other parties**	**Related parties**	**Other parties**	**Bank deposits**	**Receivables from reverse repo and money market placements**	**Investment securities [1]**	**Other**	**31 December 2018**
	Exposure to maximum credit risk as at the reporting date (A+B+C+D) [1]	**-**	**10.310.708**	**13.288**	**-**	**14.119.375**	**59.462.235**	**135.875.537**	**-**	**-**
	- Maximum credit risk amount secured with guarantees	-	-	-	-	-	-	-	-	-
A.	Net carrying value of neither past due nor impaired financial assets	-	10.310.708	13.288	-	14.119.375	59.462.235	135.875.537	-	-
B.	Net carrying value of past due but not impaired financial assets	-	-	-	-	-	-	-	-	-
C.	Net carrying value of impaired assets	-	-	-	-	-	-	-	-	-
	- Past due (Gross amount)	-	-	-	-	-	-	-	-	-
	- Impairment (-)	-	-	-	-	-	-	-	-	-
	- Net carrying value secured with guarantees	-	-	-	-	-	-	-	-	-
	- Not past due (gross amount)	-	-	-		-	-	-		-
	- Impairment (-)	-	-	-	-	-	-	-	-	-
	- Net carrying value secured with guarantees	-	-	-	-	-	-	-	-	-
D.	Off balance sheet items with credit risks	-	-	-	-	-	-	-	-	-

[1] Quoted share and real estate certificates, which have not credit risk, are not included in the determination of the balance.

20. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

Currency risk

Foreign currency risk is the risk of changes in the value of the foreign currency denominated monetary assets, monetary liabilities and off-balance sheet items due to changes in foreign currency exchange rates. As at 31 December 2018 the Company does not have any foreign currency position (December 31, 2018: has eurobonds with the nominal value amounting to USD 18.589.000 and 15.565 units foreign currency (US Dollars) based sales contracts.)

Sensitivity to exchange rate risk

The Company's sensitivity to a 10% increase/decrease in USD are presented below. Sensitivity analysis only includes foreign currency denominated monetary assets outstanding at the end of period and indicates the effects of 10% changes in exchange rates. Positive value indicates an increase in profit/loss and other equity items.

Profit/(loss)	**31/12/2019**		**31/12/2018**	
	Foreign currency		**Foreign currency**	
	appreciation	**devaluation**	**appreciation**	**devaluation**
US Dollar changes against TL by 10%				
1- US Dollar net asset / liability	-	-	10.031.866	(10.031.866)
2- Portion hedged against US Dollar risk (-)	-	-	(8.816.861)	8.816.861
3- US Dollar net effect (1+2)	-	-	1.215.005	(1.215.005)
TOTAL	-	-	**1.215.005**	**(1.215.005)**

Liquidity risk

Liquidity risk may occur as a result of inability in funding of long term assets with a short term liabilities. The Company's total assets are almost comprised of cash and cash equivalents and investment securities due to the nature of the Company's operations. The Company's management approach is to finance assets through the equity in order to minimize liquidity risk.

The Company has no derivative liabilities. Non-derivative financial liabilities as of 31 December 2019 and 31 December 2018 based on the discounted cash flow of the remaining contract term maturities are as follows:

			December 31, 2019				
Contractual maturities	**Carrying Value**	**Total contractual cash outflows**	**Less than 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities	**1.061.210**	**1.793.430**	**285.030**	**-**	**-**	**1.508.400**	**-**
Trade payables	223.792	223.792	223.792	-	-	-	-
Other payables	61.238	61.238	61.238	-	-	-	-
Leasing payables	776.180	1.508.400	27.410	54.820	246.690	1.179.480	

			December 31, 2018				
Contractual maturities	**Carrying Value**	**Total contractual cash outflows**	**Less than 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities	**231.867**	**231.867**	**231.867**	**-**	**-**	**-**	**-**
Trade payables	176.643	176.643	176.643	-	-	-	-
Other payables	55.224	55.224	55.224	-	-	-	-

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

20. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

Capital management

The Company manages its capital by allocating its investment risk to the lowest level with effective portfolio management. The aim of the Company is to maintain sustainable returns for shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital. The balance between the Company's growth expectation and the shareholders' expectation and also the Company's profitability are considered in dividend distribution prepared within the current legislation framework.

21. FINANCIAL INSTRUMENTS

Financial Instruments Categories:

December 31, 2019	Carrying Value	Fair Value
Financial Assets		
Cash and cash equivalents	202.114.056	202.114.056
Financial assets at fair value through profit or loss	73.331.543	73.331.543
Trade receivables	658.784	658.784
Other receivables	33.796	33.796
Financial liabilities		
Trade payables	223.792	223.792
Other payables	61.238	61.238
Leasing payables	776.180	776.180

December 31, 2018	Carrying Value	Fair Value
Financial Assets		
Cash and cash equivalents	73.427.337	73.427.337
Financial assets at fair value through profit or loss	158.027.660	158.027.660
Trade receivables	10.310.708	10.310.708
Other receivables	13.288	13.288
Financial liabilities		
Trade payables	176.643	176.643
Other payables	55.224	55.224

Fair value of financial instruments

Fair value is the amount in which a financial asset could be exchanged or a liability could be met between knowledgeable and willing parties in transactions effected in accordance with market conditions.

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

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

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

21. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments *(continued)*

Financial assets

Carrying amounts of financial assets measured at amortized cost including cash and cash equivalents and other financial assets approximate their fair values due to their short-term nature and the assumption of immaterial potential losses in exchange of these assets.

Market prices are used in determination of fair values of debt securities and share certificates.

Financial liabilities

The carrying amount of monetary liabilities approximates their fair values due to their short-term nature.

The fair value of financial assets and liabilities are determined as follows:

First level: Implies that in determining the fair values of assets and liabilities, active market trading price is used for valuation purposes.

Second level: Implies that in determining the fair values of assets and liabilities, should other market price be observed other than first degree market prices, then observed market price is used for valuation purposes.

Third level: Implies that in determining the fair values of assets and liabilities, data not based on market observation is used for valuation purposes.

Financial assets presented at fair value through profit and loss:

December 31, 2019	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit/loss				
Debt securities	60.040.519	53.005.964	7.034.555	-
Quoted share certificates	2.662.000	2.662.000	-	-
Mutual fund certificates	10.629.024	10.629.024	-	-
Eurobonds	-	-	-	-
Total	**73.331.543**	**66.296.988**	**7.034.555**	**-**

December 31, 2018	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit/loss				
Debt securities	41.310.196	33.208.816	8.101.380	-
Quoted share certificates	1.522.501	1.522.501	-	-
Quoted real estate certificates	400.000	400.000	-	-
Mutual fund certificates	20.229.622	20.229.622	-	-
Eurobonds	94.565.341	94.565.341	-	-
Total	**158.027.660**	**149.926.280**	**8.101.380**	**-**

22. EVENTS AFTER THE REPORTING PERIOD

None. (December 31, 2018: None).