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

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH

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

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Yapı Kredi Yatırım Menkul Değerler A.Ş. (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and their financial performance and their cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

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

3. Key Audit Matters

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

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Key audit matter	*How our audit addressed the key audit matter*
Revenue recognition The Group recognized a total of TRY 7,493,437,886 of income under "revenue" and "revenue from financial service activities" items on its income statement for the period 1 January - 31 December 2018. Disclosures and notes related to the revenue are discussed in notes 2.4.(b), 23 and 24 of the accompanying financial statements prepared as of 31 December 2018. This area is regarded as a key audit matter due to the magnitude of revenue in the financial statements; revenue being generated through as a result of multiple transactions such as sales of marketable securities, intermediary commissions, portfolio management income and corporate finance income; and calculated by using different methods and parameters due to the nature of the Group's operations.	Within the scope of the audit procedures we applied related to revenue recognition, we evaluated the compliance of accounting policies determined by Group management regarding revenue recognition with TFRS and the relevant legislation. Furthermore, we evaluated and tested the design and operational effectiveness of the internal controls applied by the management to ensure revenue is recognised in accordance with relevant accounting standards. We tested the transaction details using a selected sample from revenue transactions subject to the audit by comparing these transaction details to the relevant supporting documentation to verify that the amounts were recognised properly on a transaction basis. In addition, we confirmed the transaction volumes with the third parties, which were used to calculate the intermediary income based on a selected sample.

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

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

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

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

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

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

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

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

Didem Demer Kaya, SMMM
Partner

Istanbul, 31 January 2019

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018 ORIGINALLY ISSUED IN TURKISH

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CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018 ORIGINALLY ISSUED IN TURKISH

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

Assets	**Notes**	***(Audited)*** **31 December 2018**	***(Audited)*** **31 December 2017**
Current assets			
Cash and cash equivalents	6	2,864,276,565	4,133,674,967
Financial investments	7	67,293,918	84,626,764
- Fair value through profit or loss financial assets		*6,640,553*	*45,582,488*
- Financial assets measured at fair value through other comprehensive income		*27,228,075*	*16,276,067*
- Financial assets measured at amortised cost		*33,425,290*	*22,768,209*
Trade receivables	10	247,512,418	467,498,048
- Trade receivables due from related parties	*28*	-	*592,860*
- Trade receivables due from other parties		*247,512,418*	*466,905,188*
Receivables from financial activities	11	10,955,775	13,052,034
- Receivables from financial activities due from related parties	*28*	*8,926,626*	*13,001,319*
- Receivables from financial activities due from other parties		*2,029,149*	*50,715*
Other receivables	12	132,378,014	77,514,382
- Other receivables due from other parties		*132,378,014*	*77,514,382*
Derivatives	16	70,079,659	63,844,422
- Derivatives held for trading		*70,079,659*	*63,844,422*
Prepaid expenses	19	5,577,815	4,798,824
- Prepaid expenses due to related parties	*28*	-	*107,539*
- Prepaid expenses due to other parties		*5,577,815*	*4,691,285*
Current income tax assets	22	38,372,497	58,299,605
Other current assets		27,025	14,237
- Other current assets due from other parties		*27,025*	*14,237*
Total current assets		**3,436,473,686**	**4,903,323,283**
Non-current assets			
Financial investments	7	50,135,553	68,947,495
- Financial assets measured at fair value through other comprehensive income		*50,135,553*	*68,947,495*
Property, plant and equipment	13	8,075,277	8,226,214
Intangible assets	14	29,633,063	26,986,668
Deferred tax assets	22	631,071	748,648
Total non-current assets		**88,474,964**	**104,909,025**
Total assets		**3,524,948,650**	**5,008,232,308**

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018 ORIGINALLY ISSUED IN TURKISH

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

Liabilities	Notes	*(Audited)* 31 December 2018	*(Audited)* 31 December 2017
Short-term liabilities			
Short term liabilities	9	2,611,074,101	4,164,699,945
- Short term liabilities due to other parties		*2,611,074,101*	*4,164,699,945*
Trade payables	10	199,358,659	203,430,761
- Trade payables due to related parties	*28*	*4,497,650*	*7,671,381*
- Trade payables due to other parties		*194,861,009*	*195,759,380*
Liabilities for employee benefits	18	2,809,157	2,730,418
Other payables	12	20,532,801	21,955,019
- Other payables due to related parties	*28*	*28,342*	-
- Other payables due to other parties		*20,504,459*	*21,955,019*
Derivatives	16	1,148,722	7,324,981
- Derivatives held for trading		*1,148,722*	*7,324,981*
Tax liability for the period	22	2,499,742	3,236,732
Short term provisions		57,234,909	20,853,239
- Short term provisions for employee benefits	*17*	*21,674,000*	*18,862,294*
- Other short term provisions	*15*	*35,560,909*	*1,990,945*
Other short term liabilities	20	13,153,032	7,141,104
- Other short term liabilities due to other parties		*13,153,032*	*7,141,104*
Total short term liabilities		**2,907,811,123**	**4,431,372,199**
Long-term liabilities			
Long term provisions	17	12,369,063	9,970,995
- Provisions for employee benefits		*12,369,063*	*9,970,995*
Deferred tax liabilities	22	1,510,089	9,691,380
Total long term liabilities		**13,879,152**	**19,662,375**
Total liabilities		**2,921,690,275**	**4,451,034,574**
Shareholder's equity			
Paid in capital	21	98,918,083	98,918,083
Adjustments to share capital	21	63,078,001	63,078,001
Accumulated other comprehensive income / (expenses) that will not be reclassified to profit or loss		11,541,601	(2,500,064)
- Profits from investments in equity instruments		*13,981,349*	-
- Remeasurement losses from defined benefit plans		*(2,439,748)*	*(2,500,064)*
Accumulated other comprehensive income that will be reclassified to profit or loss		71,323	12,240,867
- Revaluation and reclassification gains (losses)		*71,323*	*12,240,867*
Restricted reserves	21	234,277,667	236,535,668
Retained earnings		84,609,777	43,334,866
Net income for the period		102,284,058	97,326,500
Equity attributable to owners of the parent		**594,780,510**	**548,933,921**
Non-controlling interests	**21**	**8,477,865**	**8,263,813**
Total shareholder's equity		**603,258,375**	**557,197,734**
Total liabilities and shareholder's equity		**3,524,948,650**	**5,008,232,308**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018 ORIGINALLY ISSUED IN TURKISH

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

	Notes	*(Audited)* 1 January - 31 December 2018	*(Audited)* 1 January - 31 December 2017
PROFIT OR LOSS			
Revenue	23	7,416,179,019	14,198,628,391
Cost of sales (-)	23	(7,293,399,735)	(14,105,483,089)
Gross profit from business operations		**122,779,284**	**93,145,302**
Revenue from financial activities	24	77,258,867	77,442,446
Cost of financial activities (-)	24	(10,497,333)	(6,972,773)
Gross profit from financial activities		**66,761,534**	**70,469,673**
Gross profit / loss		**189,540,818**	**163,614,975**
General administrative expenses (-)	25	(134,512,020)	(110,034,360)
Marketing, selling and distribution expenses (-)	25	(37,864,064)	(15,609,949)
Other income from operating activities	26	894,138,560	664,983,408
Other expense from operating activities (-)	27	(776,537,433)	(577,021,790)
Operating profit		**134,765,861**	**125,932,284**
Tax expense from continuing operations (-)		**(27,957,752)**	**(23,766,751)**
- Tax expense for the period (-)	22	(32,538,847)	(9,720,625)
- Deferred tax expense	22	4,581,095	(14,046,126)
Total profit		**106,808,109**	**102,165,533**
Total profit attributable to			
Profit, attributable to non-controlling interests	21	4,524,051	4,839,033
Profit, attributable to owners of parent		102,284,058	97,326,500
Earnings per share from continuing operations (Krş)		1.08	1.03

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018 ORIGINALLY ISSUED IN TURKISH

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

	Notes	*(Audited)* **1 January - 31 December 2018**	*(Audited)* **1 January- 31 December 2017**
OTHER COMPREHENSIVE INCOME			
Total profit		**106,808,109**	**102,165,533**
Components of other comprehensive income that will not be reclassified to profit or loss		**1,905,172**	**(2,791,260)**
Profits from investments in equity instruments		2,365,200	-
Defined benefits plans remeasurement gains / (losses)		77,328	(3,578,540)
Taxes related other comprehensive income that will not be reclassified to profit or loss		(537,356)	787,280
- Profits from investments in equity instruments, tax effect		*(520,344)*	-
- Deferred tax (expense) / income		*(17,012)*	*787,280*
Components of other comprehensive income that will be reclassified to profit or loss		**(33,051)**	**12,166,788**
Financial assets measured at fair value through other comprehensive (expense) / income		(42,373)	15,598,446
Taxes related other comprehensive income that will be reclassified to profit or loss		9,322	(3,431,658)
- Deferred tax income / (expense)		*9,322*	*(3,431,658)*
Other comprehensive income		**1,872,121**	**9,375,528**
Total comprehensive income		**108,680,230**	**111,541,061**
Total comprehensive income attributable to:			
Comprehensive income, attributable to non-controlling interests		4,524,051	4,839,033
Comprehensive income, attributable to owners of parent		104,156,179	106,702,028
Total comprehensive income per share from continuing operations (Krş)		1.10	1.13

CONVENIENCE TRANSLATION INTO ENGLISH OF AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018 ORIGINALLY ISSUED IN TURKISH

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

				Accumulated other comprehensive income or expenses will be reclassified to profit or loss	Accumulated other comprehensive income or expenses will not be reclassified to profit or loss			Accumulated profits				
	Notes	**Paid capital**	**Adjustments to share capital**	**Revaluation and reclassification gains / losses**	**Profits / losses from investments in equity instruments**	**Defined benefit plans remeasurement gains / losses**	**Restricted reserves**	**Retained earnings**	**Net profit / loss for the year**	**Equity attributable to owners of the parent**	**Non controlling interests**	**Total equity**
1 January 2017		**98,918,083**	**63,078,001**	**74,079**	**-**	**291,196**	**236,738,667**	**43,331,688**	**66,470,179**	**508,901,893**	**6,847,426**	**515,749,319**
Transfers		-	-	-	-	-	-	66,470,179	(66,470,179)	-	-	-
Dividends	21	-	-	-	-	-	(202,999)	(66,467,001)	-	(66,670,000)	(3,422,646)	(70,092,646)
Total comprehensive income		-	-	12,166,788	-	(2,791,260)	-	-	97,326,500	106,702,028	4,839,033	111,541,061
- Net income (loss) for the period		-	-	-	-	-	-	-	*97,326,500*	*97,326,500*	*4,839,033*	*102,165,533*
- Other comprehensive income (expense)		-	-	*12,166,788*	-	*(2,791,260)*	-	-	-	*9,375,528*	-	*9,375,528*
31 December 2017	**21**	**98,918,083**	**63,078,001**	**12,240,867**	**-**	**(2,500,064)**	**236,535,668**	**43,334,866**	**97,326,500**	**548,933,921**	**8,263,813**	**557,197,734**
31 December 2017		98,918,083	63,078,001	12,240,867	-	(2,500,064)	236,535,668	43,334,866	97,326,500	548,933,921	8,263,813	557,197,734
Adjustments resulting from changes in accounting policies		-	-	(12,136,493)	12,136,493	-	-	(14,219,590)	-	(14,219,590)	-	(14,219,590)
- Adjustments resulting from obligatory changes in accounting policies		-	-	*(12,136,493)*	*12,136,493*	-	-	*(14,219,590)*	-	*(14,219,590)*	-	*(14,219,590)*
Reorganized balances as the date of 1 January 2018 (Beginning of the period)		**98,918,083**	**63,078,001**	**104,374**	**12,136,493**	**(2,500,064)**	**236,535,668**	**29,115,276**	**97,326,500**	**534,714,331**	**8,263,813**	**542,978,144**
Transfers		-	-	-	-	-	-	97,326,500	(97,326,500)	-	-	-
Dividends	21	-	-	-	-	-	(2,258,001)	(41,831,999)	-	(44,090,000)	(4,309,999)	(48,399,999)
Total comprehensive income		-	-	(33,051)	1,844,856	60,316	-	-	102,284,058	104,156,179	4,524,051	108,680,230
- Net income (loss) for the period		-	-	-	-	-	-	-	*102,284,058*	*102,284,058*	*4,524,051*	*106,808,109*
- Other comprehensive income (expense)		-	-	*(33,051)*	*1,844,856*	*60,316*	-	-	-	*1,872,121*	-	*1,872,121*
31 December 2018	**21**	**98,918,083**	**63,078,001**	**71,323**	**13,981,349**	**(2,439,748)**	**234,277,667**	**84,609,777**	**102,284,058**	**594,780,510**	**8,477,865**	**603,258,375**

CONVENIENCE TRANSLATION INTO ENGLISH OF AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2018 ORIGINALLY ISSUED IN TURKISH

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

	Notes	1 January- 31 December 2018	1 January- 31 December 2017
A. Cash flows from operating activities		**953,444,605**	**373,029,817**
Net profit for the period		**106,808,109**	**102,165,533**
Adjustments to reconcile net income / loss to net cash provided by operating activities		**431,221,484**	**323,113,353**
Adjustments for depreciation and amortization	13, 14	4,486,211	2,639,124
Adjustments for provisions		63,023,263	23,433,222
- Adjustments for provision for employee benefits		*24,387,341*	*22,958,434*
- Adjustments for lawsuit provisions		*33,569,964*	*474,788*
- Adjustments resulting from the other provisions		5,065,958	-
Adjustments for interest income and expenses		359,658,847	265,542,753
- Adjustments for interest income		*(279,545,293)*	*(265,168,876)*
- Adjustments for interest expenses		*639,204,140*	*530,711,629*
Adjustments for unrealized foreign currency translation differences		(24,021,434)	7,731,503
Adjustments for fair value losses		116,845	-
- Adjustments for financial assets fair value losses		*116,845*	-
Adjustments for tax expense	22	27,957,752	23,766,751
Changes in operating profit		**168,775,259**	**(269,066,836)**
Decrease / (increase) in financial investments		37,937,656	(94,148,673)
Decrease / (increase) in trade receivables		219,985,630	(44,889,239)
- Decrease / (increase) in trade receivables due from related parties		*592,860*	*(570,411)*
- Decrease / (increase) in trade receivables due from other parties		*219,392,770*	*(44,318,828)*
Decrease (increase) in receivables from financial activities		2,096,259	(1,949,053)
Increase in other receivables		(54,863,632)	(44,762,226)
- Increase in other receivables due from other parties		*(54,863,632)*	*(44,762,226)*
Increase in derivatives		(6,235,237)	(53,682,121)
Increase in prepaid expenses		(778,991)	(671,762)
Decrease in trade payables		(28,627,641)	(15,553,449)
- (Decrease) / increase in trade payables due to related parties		*(3,173,731)*	*2,597,207*
- Decrease in trade payables due to other parties		*(25,453,910)*	*(18,150,656)*
Increase in payables due to employee benefits		78,739	774,838
Increase / (decrease) in other payables		4,589,710	(1,986,287)
- Increase in other payables due to related parties		*28,342*	-
- Increase / (decrease) in other payables due to other parties		*4,561,368*	*(1,986,287)*
Decrease in derivative liabilities		(6,176,259)	(36,483,945)
Increase in other operating capital		769,025	24,285,081
- Increase in other operating activities		*769,025*	*24,285,081*
Other cash flows from operating activities		**706,804,852**	**156,212,050**
Payments for provision for employee benefits		(19,177,567)	(15,835,100)
Dividend received		10,185,426	5,315,993
Interest received		269,359,867	259,852,883
Taxes paid		(13,727,973)	(32,516,009)
B. Cash flows from investing activities		**(6,981,669)**	**(8,354,949)**
Cash outflows from purchase of property, equipment and intangible assets		(6,981,669)	(8,354,949)
- Cash outflows from purchase of property and equipment	*13*	*(1,450,083)*	*(795,543)*
- Cash outflows from purchase of intangible assets	*14*	*(5,531,586)*	*(7,559,406)*
C. Cash flows from financing activities		**(2,241,327,891)**	**(284,798,865)**
Dividend paid	21	(48,399,999)	(70,092,646)
Cash inflows from borrowings		71,948,469,478	52,649,242,163
- Cash inflows from loans		*68,240,777,592*	*47,278,040,750*
- Cash inflows from issued bonds		*3,707,691,886*	*5,371,201,413*
Cash outflows from debt payments		(73,502,193,230)	(52,333,236,753)
- Cash outflows from loan repayments		*(69,239,355,870)*	*(47,309,563,100)*
- Cash outflows from issued bonds repayments		*(4,262,837,360)*	*(5,023,673,653)*
Interest paid		(639,204,140)	(530,711,629)
Net increase / decrease in cash and cash equivalents before exchange currency effect (A+B+C)		**(1,294,864,955)**	**79,876,003**
D. Exchange currency effect on cash and cash equivalents		**24,021,434**	**(7,731,503)**
Net increase / decrease in cash and cash equivalents (A+B+C+D)		**(1,270,843,521)**	**72,144,500**
E. Cash and cash equivalents at the beginning of the period		**4,101,828,110**	**4,029,683,610**
Cash and cash equivalents at the end of the period (A+B+C+D+E)	**6**	**2,830,984,589**	**4,101,828,110**

1. ORGANISATION AND NATURE OF OPERATIONS

Yapı Kredi Yatırım Menkul Değerler A.Ş., (referred to as the "Company" or "Group" along with its subsidiary in these consolidated financial statements) was founded on 08 September 1989, under the name Finanscorp Finansman Yatırım Anonim Şirketi, in line with the provisions of Capital Market Law No. 2499 and relevant provisions of legislation, for the purpose of performing capital market operations related to all types of capital market instruments, carrying out all types of transactions and entering into contracts in connection with these operations, as well as performing intermediary operations. The founding was promulgated in Turkish Trade Registry Gazette No. 2358 dated 15 September 1989. In 1996, 99.6% of the shares of the Company were transferred to Yapı ve Kredi Bankası Anonim Şirketi ("Bank"). The name of the Company was changed to Yapı Kredi Yatırım Anonim Şirketi on 9 September 1996 and Yapı Kredi Yatırım Menkul Değerler Anonim Şirketi on 5 October 1998.

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

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

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

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

a) Buying and selling of capital market instruments within the scope of Capital Market Legislation in the name and account of the customer, in their own name and account or in their own name and in the account of the customer,
b) According to the Capital Market Law and Capital Market Board's Regulations ("SPK" or "Board") and "Intermediary Firm with Broad Authority" the Company have the following activities:

- Intermediation Activities (Domestic and Foreign),
    - Shares,
    - Other Securities,
    - Derivatives Based on Shares,
    - Derivatives Based on Share Indices,
    - Other Derivatives,
- Portfolio Management Activities (Domestic),
    - Shares,
    - Other Securities,

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

1. ORGANISATION AND NATURE OF OPERATIONS (Continued)

- Leverage Trading,
- Derivatives Based on Shares,
- Derivatives Based on Share Indices,

- Leverage Trading,
- Investment Consulting Activities,
- Intermediation for Public Offering,
- Underwriting,
- Best Effort Underwriting,
- Limited Custodian Service.

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

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

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

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

The Company has 30 investment funds (31 December 2017: 33). As of 31 December 2018 The Group has 277 employees (31 December 2017: 280).

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

Subsidiary;

As of 31 December 2018 and 2017, details of the subsidiary of the Group are as follows:

Name of the shareholder	31 December 2018 Share in capital	31 December 2017 Share in capital	Main activity
Yapı Kredi Portföy Yönetimi A.Ş. (Subsidiary)	87.32%	87.32%	Portfolio Management

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

The Company's subsidiary Koç Portföy Yönetimi A.Ş. has legally merged with Yapı Kredi Portföy Yönetimi A.Ş. on December 29, 2006. Accordingly, all rights, receivables, liabilities and obligations of Yapı Kredi Portföy were transferred to Koç Portföy. After merger, the Subsidiary has changed its title as Yapı Kredi Portföy Yönetimi A.Ş. and accordingly the Company has an interest of 87.32% (31 December 2017: 87.32%) of the voting rights.

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

1. ORGANISATION AND NATURE OF OPERATIONS (Continued)

Approval of consolidated financial statements:

Consolidated financial statements prepared as of 31 December 2018 have been approved by the Board of Directors of the Company at 31 January 2019. General Assembly and regulatory bodies have the right to amend the approved financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 BASIS OF PRESENTATION

2.1.1 Accounting standards and the compliance to TAS

Attached consolidated financial statements had been prepared in accordance with clauses of "Principles Statement Related To Financial Reporting In Capital Market" Serie II-14.1, which had been published in Official Gazette dated 13 June 2013 no. 28676 by CMB. Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS / TFRS") and additions and comments related to these standards ("TAS / TFRS") which had been constituted by Public Oversight Accounting And Auditing Standards Board ("POA") had been grounded on relying on the 5th article of this communiqué.

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

The Company has prepared the consolidated financial statements in accordance with the 2016 TMS Taxonomy approved by the Board decision dated 2 June 2016 and numbered 30, developed on the basis of Article 9 (b) of the Legislation Decree numbered 660 by Public Oversight Accounting and Auditing Standards Authority.

2.1.2 Financial statement amendments in hyperinflation economies

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

2.1.3 Offsetting

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

2.1.4 Going concern

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

In order to determine the financial status and performance trends, the consolidated financial statements of the Group have been prepared in comparison with the consolidation financial statements of previous periods. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

Classifications made in year 2017 consolidated financial statements

The TRY 12,213,632 balance related to the profits of the previous year, which was classified under "revaluation and classification losses" in the Group's statement of financial position for the previous period, was classified under "Previous year's profits" in the statement of financial position dated 31 December 2017 which was presented for comparison with the statement of financial position dated 31 December 2018.

2.1.6 New standards, amendments and interpretations

The Group adopted the standards, amendments and interpretations published by TAS and TFRS and which are mandatory for the accounting periods beginning on or after 31 December 2018.

New standards, amendments and interpretations effective as of 31 December 2018:

- **IFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- **IFRS 15, 'Revenue from contracts with customers';** effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- **Amendment to IFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

- **Amendments to IFRS 4, 'Insurance contracts'** regarding the implementation of IFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

  - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.

- **Amendment to IAS 40, 'Investment property'** relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- **Amendments to IFRS 2, 'Share based payments'** on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

  Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments affect two standards:

  - IFRS 1, 'First time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,
  - IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

- **IFRIC 22, 'Foreign currency transactions and advance consideration';** effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment / receipt is made as well as for situations where multiple payments / receipts are made. The guidance aims to reduce diversity in practice.

Standards, amendments and interpretations that are issued but not effective as at 31 December 2018:

- **Amendment to IFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

  - **IFRS 3, 'Business combinations', -** a company remeasures its previously held interest in a joint operation when it obtains control of the business.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

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

  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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

  - use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
  - clarify the explanation of the definition of material; and
  - incorporate some of the guidance in IAS 1 about immaterial information.

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

The following standards, comments and adjustments have not yet been published by the POA:

- IFRS 17, 'Insurance contracts'
- Amendment to IFRS 15, 'Revenue from contracts with customers'
- Amendments to IAS 1 and IAS 8 on the definition of material
- Amendments to IFRS 3 - definition of a business

Company management is currently evaluating the impact of the aforementioned changes to its operations and will start implementation as of the effective date.

2.2 CHANGES IN ACCOUNTING POLICIES AND ERRORS

Accounting policy changes arising from the initial application of a new TAS / TFRS are applied retroactively or in accordance with the transition provisions of TAS / TFRS, if applicable. Changes which are not included in any transition decree, significant changes in accounting policy or detected accounting errors are applied retrospectively and the prior period consolidated financial statements are restated. There has been no change in accounting policies in 2018, except for the Group's accounting policy changes required by TFRS 9 "Financial Instruments".

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2.1 Effects on Consolidated Financial Statements

In the accounting period beginning on January 1, 2018, the Group has applied the TFRS 9, "Financial Instruments" standard, which has replaced with IAS 39, "Financial Instruments: Recognition and Measurement".

With the adoption of TFRS 9 Financial Instruments Standard, the Group has benefited from the exception, which allows to the presentation of comparative information related to prior periods' changes about classification and measurement (including impairment) without rearranging. The differences that occurred in the carrying amount of financial assets and liabilities arising from the adoption of TFRS 9 are accounted for as of 1 January 2018 in retained earnings.

The amendments regarding the classification of financial assets and liabilities within the scope of TFRS 9 are summarized below. Aforementioned classification differences do not have an effect on the measurement of the financial assets listed below:

Financial asset	**Prior classification according to TAS 39**	**New classification according to TFRS 9**
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade receivables	Loans and receivables	Amortised cost
Derivative financial assets	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through profit or loss
Financial investments	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through profit or loss
Financial investments	Available-for-sale financial asset	Financial assets measured at fair value through other comprehensive income

Financial liabilities	**Prior classification according to TAS 39**	**New classification according to TFRS 9**
Derivative financial liabilities	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through profit or loss
Loans	Amortised cost	Amortised cost
Financial investments	Amortised cost	Amortised cost

The following table reconciles the changes for impairment of financial assets between previous measurement category in accordance with TAS 39 as of December 31, 2017 to new measurement categories upon transition to TFRS 9 as of January 1, 2018:

According to TAS 39		**According to TFRS 9**	
Measurement category	**31 December 2017**	**Measurement category**	**1 January 2018**
Financial assets		**Financial assets**	
Cash and cash equivalents	4,133,674,967	Cash and cash equivalents	4,115,526,658
Available-for-sale financial assets assets	85,223,562	Financial assets measured at fair value through other comprehensive income	85,172,603
Financial assets held to maturity	22,768,209	Financial assets measured at amortised cost	22,737,234
Total	**4,241,666,738**		**4,223,436,495**

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

The table below summarizes the statement of income of the application of TFRS 9 to the statement of financial position at 31 December 2018 and the consolidated statement of income for the annual period ended on the same date.

Assets	**31 December 2018**	**TFRS 9 Effects**	**(Excluding effects) 31 December 2018**
Current assets			
Cash and cash equivalents	2,864,276,565	(23,110,420)	2,887,386,985
Financial investments	67,293,918	(185,781)	67,479,699
- Financial assets measured at fair value through profit or loss	*6,640,553*	-	*6,640,553*
- Financial assets measured at fair value through other comprehensive income	*27,228,075*	*(55,371)*	*27,283,446*
- Financial assets measured at amortised cost	*33,425,290*	*(130,410)*	*33,555,700*
Trade receivables	247,512,418	-	247,512,418
- Trade receivables due from related parties	-	-	-
- Trade receivables due from other parties	*247,512,418*	-	*247,512,418*
Receivables from financial activities	10,955,775	-	10,955,775
- Receivables from financial activities due from related parties	*8,926,626*	-	*8,926,626*
- Receivables from financial activities due from other parties	*2,029,149*	- / -	*2,029,149*
Other receivables	132,378,014	-	132,378,014
- Other receivables due from other parties	*132,378,014*	-	*132,378,014*
Derivatives	70,079,659	-	70,079,659
- Derivatives held for trading	*70,079,659*	-	*70,079,659*
Prepaid expenses	5,577,815	-	5,577,815
- Prepaid expenses due to other parties	*5,577,815*	-	*5,577,815*
Current income tax assets	38,372,497	-	38,372,497
Other current assets	27,025	-	27,025
- Other current assets due from other parties	*27,025*	-	*27,025*
Total current assets	**3,436,473,686**	**(23,296,201)**	**3,459,769,887**
Non-current assets			
Financial investments	50,135,553	-	50,135,553
- Financial assets measured at fair value through other comprehensive income	*50,135,553*	-	*50,135,553*
Property, plant and equipment	8,075,277	-	8,075,277
Intangible assets	29,633,063	-	29,633,063
Deferred tax assets	631,071	631,071	-
Total non-current assets	**88,474,964**	**631,071**	**87,843,893**
Total assets	**3,524,948,650**	**(22,665,130)**	**3,547,613,780**

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Liabilities	**31 December 2018**	**TFRS 9 Effects**	**(Excluding Effects) 31 December 2018**
Short term liabilities			
Short term liabilities	2,611,074,101	-	2,611,074,101
- Short term liabilities due to other parties	*2,611,074,101*	-	*2,611,074,101*
Trade payables	199,358,659	-	199,358,659
- Trade payables due to related parties	*4,497,650*	-	*4,497,650*
- Trade payables due to other parties	*194,861,009*	-	*194,861,009*
Liabilities for employee benefits	2,809,157	-	2,809,157
Other payables	20,532,801	-	20,532,801
- Other payables due to related parties	*28,342*	-	*28,342*
- Other payables due to other parties	*20,504,459*	-	*20,504,459*
Derivatives	1,148,722	-	1,148,722
- Derivatives held for trading	*1,148,722*	-	*1,148,722*
Tax liability for the period	2,499,742	-	2,499,742
Short term provisions	57,234,909	-	57,234,909
- Short term provisions for employee benefits	*21,674,000*	-	*21,674,000*
- Other short term provisions	*35,560,909*	-	*35,560,909*
Other short term liabilities	13,153,032	-	13,153,032
- Other short term liabilities due to other parties	*13,153,032*	-	*13,153,032*
Total short term liabilities	**2,907,811,123**	**-**	**2,907,811,123**
Long term liabilities			
Long term provisions	12,369,063	-	12,369,063
- Provisions for employee benefits	*12,369,063*	-	*12,369,063*
Deferred tax liabilities	1,510,089	(4,494,093)	6,004,182
Total long term liabilities	**13,879,152**	**(4,494,093)**	**18,373,245**
Total liabilities	**2,921,690,275**	**(4,494,093)**	**2,926,184,368**
Shareholder's equity			
Paid in capital	98,918,083	-	98,918,083
Adjustments to share capital	63,078,001	-	63,078,001
Accumulated other comprehensive income or (expenses) that will not be reclassified to profit or loss	11,541,601	-	11,541,601
- Gains from investments in equity instruments	*13.981.349*	-	*13.981.349*
- Remeasurement losses from defined benefit plans	*(2,439,748)*	-	*(2,439,748)*
Accumulated other comprehensive income or (expenses) that will be reclassified to profit or loss	*71,323*	(3,441)	*74,764*
- Revaluation and reclassification gains	*71,323*	(3,441)	*74,764*
Restricted reserves	234,277,667		234,277,667
Retained earnings	84,609,777	(14,219,590)	98,829,367
Net income for the period	102,284,058	(3,948,006)	106,232,064
Equity attributable to owners of the parent	**594,780,510**	**(18,171,037)**	**612,951,547**
Non-controlling interests	**8,477,865**	**-**	**8,477,865**
Total shareholder's equity	**603,258,375**	**(18,171,037)**	**621,429,412**
Total liabilities and shareholder's equity	**3,524,948,650**	**(22,665,130)**	**3,547,613,780**

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

	31 December 2018	**TFRS 9 Effects**	**(Excluding Effects) 31 December 2018**
PROFIT OR LOSS			
Revenue	7,416,179,019	-	7,416,179,019
Cost of sales (-)	(7,293,399,735)	-	(7,293,399,735)
Gross profit from business operations	**122,779,284**	**-**	**122,779,284**
Revenue from financial activities	77,258,867	-	77,258,867
Cost of financial activities (-)	(10,497,333)	-	(10,497,333)
Gross profit from financial activities	**66,761,534**	**-**	**66,761,534**
Gross profit / loss	**189,540,818**	**-**	**189,540,818**
General administrative expenses (-)	(134,512,020)	-	(134,512,020)
Marketing, selling and distribution expenses (-)	(37,864,064)	-	(37,864,064)
Other income from operating activities	894,138,560	-	894,138,560
Other expense from operating activities (-)	(776,537,433)	(5,061,546)	(771,475,887)
Operating profit	**134,765,861**	**(5,061,546)**	**139,827,407**
Tax expense from continuing operations (-)	**(27,957,752)**	**1,113,540**	**(29,071,292)**
- Deferred tax expense (-)	(32,538,847)	-	(32,538,847)
- Deferred tax income	4,581,095	1,113,540	3,467,555
Total profit	**106,808,109**	**(3,948,006)**	**110,756,115**
Total profit attributable to			
Profit, attributable to non-controlling interests	4,524,051	-	4,524,051
Profit, attributable to owners of parent	102,284,058	(3,948,006)	106,232,064

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

	1 January - 31 December 2018	TFRS 9 Effects	(Excluding Effects) 1 January - 31 December 2018
OTHER COMPREHENSIVE INCOME			
Profit for the period	**106,808,109**	**(3,948,006)**	**110,756,115**
Components of other comprehensive income that will not be reclassified to profit or loss	**1,905,172**	**-**	**1,905,172**
Profits from investments in equity instruments	2,365,200	-	2,365,200
Defined benefits plans remeasurement gains (losses)	77,328	-	77,328
Taxes related other comprehensive income that will not be reclassified to profit or loss	(537,356)	-	(537,356)
- Profits from investments in equity instruments, tax impact	*(520,344)*	-	*(520,344)*
- Remeasurement losses from defined benefit plans tax impact	*(17,012)*	-	*(17,012)*
Components of other comprehensive income that will be reclassified to profit or loss	**(33,051)**	**3,441**	**(36,492)**
Revaluation and / or classification gains / losses of Financial assets measured at fair value through other comprehensive income	(42,373)	4,412	(46,785)
Taxes related to other comprehensive income that will be reclassified to profit or loss	9,322	(971)	10,293
- Other comprehensive income related to financial assets of which the fair value difference is recognised under other comprehensive income, tax impact	*9,322*	*(971)*	*10,293*
Other comprehensive income	**1,872,121**	**3,441**	**1,868,680**
Total comprehensive income	**108,680,230**	**(3,944,565)**	**112,624,795**
Total comprehensive income attributable to			
Comprehensive income, attributable to non-controlling interests	4,524,051	-	4,524,051
Comprehensive income, attributable to owners of parent	104,156,179	(3,944,565)	108,100,744

2.2.2 Measurement of effects of TFRS 9 Financial instruments

The Group has changed the methodology for the separation of impairment of financial assets in accordance with TFRS 9's new anticipated credit loss model. The effect of the change on the Group's retained earnings for the years ended January 1, 2018 is as follows.

Retained earnings - 31 December 2017	**43,334,866**
Increase in provision of credit impairment related to cash and cash equivalents	(18,148,309)
Increase in the loan loss provision expected for the financial assets for which the fair value difference is recognised under other comprehensive income	(50,959)
Increase in provision of loan impairment of financial assets measured at amortised cost	(30,975)
Deferred tax effect	4,010,653
Retained earnings - 1 January 2018 - including TFRS 9 effects	**29,115,276**

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

The Group allocates impairment provision for the following financial assets according to the expected credit loss model:

- Cash and cash equivalents
- Financial investments

2.3 Changes in Accounting Estimates

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

2.4 Summary of Significant Accounting Policies

(a) Basis of consolidation

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

As of 31 Decemer 2018 and 2017, details of the subsidiary and associate of the Group are as follows:

Legal entity	2018 Ratio of shares in capital	2017 Ratio of shares in capital	Service Line
Yapı Kredi Portföy Yönetimi A.Ş. (Subsidiary)	87.32%	87.32%	Portfolio Management

Subsidiary

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

The Company's subsidiary Koç Portföy Yönetimi A.Ş. has legally merged with Yapı Kredi Portföy Yönetimi A.Ş. on December 29, 2006. Accordingly, all rights, receivables, liabilities and obligations of Yapı Kredi Portföy were transferred to Koç Portföy. After merger, the Subsidiary has changed its title as Yapı Kredi Portföy Yönetimi A.Ş. and accordingly the Company has an interest of 87.32% (31 December 2017: 87.32%) of the voting rights.

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

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

(b) Revenue recognition

(i) Fee and commission income and expenses

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

(ii) Interest income, expenses, and dividend income

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

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

(c) Trade receivables

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

(d) Financial assets

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

(i) Financial assets at fair value through profit and loss

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

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

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

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

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

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

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

Interest income on financial assets at fair value through other comprehensive income are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an financial assets at fair value through other comprehensive income before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

"Profit / losses from capital market transactions".

When these financial assets are disposed of or impaired, the related fair value differences accumulated in the equity are transferred to the income statement.

(iii) Assets recognized at amortised cost

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

(iv) Loans and other receivables

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

The Group provides loans to its customers for stock purchases.

(v) Reverse repurchase agreements

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

(e) Property and equipment

Property and equipment are carried at cost less accumulated depreciation.

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

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

(f) Intangible assets

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

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

(g) Impairment of financial assets

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

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Expected credit losses measurement

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

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

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

(h) Financial liabilities

(i) Repurchase agreements

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

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

The Group has no securities lending transactions.

(ii) Other financial liabilities

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

(i) Borrowing costs

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

(j) Foreign exchange transactions

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

(k) Provisions and contingent assets and liabilities

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

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

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

(l) Finance leases - the Group as lessee

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the amount of lower of the fair value of the leased asset, and the present value of the lease payment. Assets acquired under finance lease agreements are classified under property and equipment and depreciated as per assets useful lives. Liabilities arising from financial lease agreements are followed under the "Financial lease payables" account in the balance sheet.

(m) Operational lease - the Group as lessee

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

Operating lease payments are recognized in the consolidated income statements as an expense on a straight-line basis over the lease term. Benefits obtained or to be obtained are also recorded on a straight-line basis over the lease term.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

(n) Subsequent events

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

(o) Related parties

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

(p) Taxes calculated over Group's profit

Corporate tax

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

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

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

Deferred tax

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

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

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

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

(r) Employee benefits

Defined benefit plans:

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

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

Defined contribution plans:

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

(s) Capital and dividends

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

(t) Statement of cash flows

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

(u) Share certificates and issuance

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

(v) Assets held for sale and discontinued operations

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

(w) Derivatives

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

2.5 Significant accounting judgements, estimates and assumptions

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

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

Financial assets measured at amortised cost

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

Impairment of stock investments classified as financial assets at fair value through other comprehensive income

The Group agrees on impairment of stock investments classified as financial assets at fair value through other comprehensive income whose fair value significantly drop down below by the book value for a long time. It requires discretion deciding what is a significant or a long-term impairment. Impairment may be appropriate if there is evidence of changes on the invested company, industry and industry performance, in technology, and deterioration of cash flows that provide operational or financing. When all circumstances of the fair value drops below by the book value are evaluated as significant and long-term, the Group does not incur any additional loss other than transfer of the fair value reserve total balance of debit to profit or loss.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Deferred income tax asset recognition

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

3. BUSINESS COMBINATIONS

None (31 December 2017: None).

4. JOINT VENTURES

None (31 December 2017: None).

5. SEGMENT REPORTING

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

6. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Banks		
- Demand deposits	62,157,876	38,139,599
- Time deposits	2,824,967,305	4,095,417,603
Receivables from reverse repo agreements	261,804	117,765
Allowances for expected credit losses (-)	(23,110,420)	-
	2,864,276,565	**4,133,674,967**

As of 31 December 2018, TRY 1,747,617,921 of bank deposits (31 December 2017: TRY 2,447,494,617) are held by related parties and institutions (Note 28). The expected loan loss provision of the related banks and corporations is calculated to be TRY 13,870,692 (31 December 2017: None) (Note 28).

TRY 56,402,396 of demand deposits (31 December 2017: TRY 31,846,857) are held by the Group’s bank accounts in the collateral status of the Group’s customers (Note 15).

As of 31 December 2018, the average maturity for TRY and EUR time deposits is 10 and 45 days (31 December 2017: 4 and 62 days) respectively, while the average interest rates are 22.69% and 2.67% (31 December 2017: 11.44% and 1.99%) respectively.

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

6. CASH AND CASH EQUIVALENTS (Continued)

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

	31 December 2018	31 December 2017
Time deposits with maturity less than 3 months	2,824,967,305	4,095,417,603
Demand deposits	5,755,480	6,292,742
Receivables from reverse repo agreements	261,804	117,765
	2,830,984,589	**4,101,828,110**

7. FINANCIAL INVESTMENTS

Short term financial investments:

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

	31 December 2017		
	Cost	Fair value	Carrying value
Financial assets measured at fair value through profit or loss	43,572,410	45,582,488	45,582,488
- Shares certificate listed on the stock market	*36,572,410*	*38,441,543*	*38,441,543*
- Investment funds	*7,000,000*	*7,140,945*	*7,140,945*
Financial assets measured at fair value through other comprehensive income	15,517,250	16,276,067	16,276,067
- Corporate sector bonds and bills	*15,517,250*	*16,276,067*	*16,276,067*
Financial assets measured at amortised cost	21,551,669	22,596,870	22,768,209
- Government bonds and treasury bills	*21,551,669*	*22,596,870*	*22,768,209*
	80,641,329	**84,455,425**	**84,626,764**

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

7. FINANCIAL INVESTMENTS (Continued)

Long term financial investments:

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

	31 December 2017		
	Cost	**Fair value**	**Carrying value**
Financial assets measured at fair value through other comprehensive income	52,784,950	68,947,495	68,947,495
- Share certificates	*32,192,533*	*47,770,354*	*47,770,354*
- Corporate bonds and bills	*20,592,417*	*21,177,141*	*21,177,141*
	52,784,950	**68,947,495**	**68,947,495**

As of 31 December 2018, financial assets measured at amortised cost whose the total amount of net book value is TRY 33,425,290 (31 December 2017: TRY 13,671,235) are held as collaterals in CBRT, BİST and Istanbul Settlement and Custody Bank Inc. ("Takasbank").

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

	31 December 2018	**31 December 2017**
3 months - 1 year	33,425,290	22,768,209
	33,425,290	**22,768,209**

The movement table of financial assets measured at amortised cost for the periods ended 31 December 2018 and 2017 is as follows:

	2018	**2017**
1 January	**22,768,209**	**26,698,291**
Purchases during the period	128,530,000	253,174,000
Value decreases (including interest re-discounts)	(212,509)	(930,082)
Disposals in the period (-)	(117,530,000)	(256,174,000)
Allowances for expected credit losses (-)	(130,410)	-
31 December	**33,425,290**	**22,768,209**

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

7. FINANCIAL INVESTMENTS (Continued)

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

	31 December 2018		31 December 2017	
Type	**Amount (TRY)**	**Share (%)**	**Amount (TRY)**	**Share (%)**
Share certificates not listed on the stock market				
İstanbul Takas ve Saklama Bankası A.Ş.	47,303,999	4.38	44,938,800	4.38
Borsa İstanbul A.Ş. (“BİST”)	2,683,144	0.08	2,683,144	0.08
Yapı Kredi Azerbaycan Ltd.	110,279	0.10	110,279	0.10
Allianz Yaşam ve Emeklilik A.Ş.	26,432	0.04	26,432	0.04
Koç Kültür Sanat ve Tanıtım Hiz. Tic. A.Ş.	11,699	4.90	11,699	4.90
	50,135,553		**47,770,354**	

As of December 31, 2018, the Group valued its Takasbank shares (26,280,000 Nominal) with bid price of TRY 1.80 announced by Takasbank notice with no 2018/2824.

As of December 31, 2018, the Group valued its Borsa İstanbul A.Ş. shares (319,422 Nominal) with bid price of TL 8.4 announced by Borsa İstanbul A.Ş. notice with no 2016/110.

8. ASSETS HELD FOR SALE

None (31 December 2017: None).

9. SHORT TERM LIABILITIES

	31 December 2018	31 December 2017
Payables to Money Markets (*)	1,874,016,130	2,842,561,658
Issued bonds	735,337,079	1,290,482,553
Payables from short selling	1,720,892	1,622,984
Bank loans (**)	-	30,032,750
	2,611,074,101	**4,164,699,945**

(*) Payables to Money Markets have an average maturity of 34 days and the average interest rate is 24.09% (31 December 2017: 41 days, 14.40%).

(**) As of 31 December 2018, there is no bank loan (December 31, 2017: average 4 days maturity, 13.10%, interest rate).

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

9. SHORT TERM LIABILITIES (Continued)

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

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

Details of bonds issued as 31 December 2017 are as follows:

Marketable Security	Nominal Amount	Currency	Issue Date	Maturity Date	Simple Interest (%)	Compound Interest (%)	Type
Bond	224,750,000	TRY	17 October 2017	16 January 2018	13.56	14.47	Fixed
Bond	200,000,000	TRY	3 November 2017	2 February 2018	13.65	14.53	Fixed
Bond	172,200,000	TRY	10 November 2017	19 February 2018	13.72	14.56	Fixed
Bond	172,050,000	TRY	6 December 2017	6 March 2018	14.13	14.98	Fixed
Bond	113,578,698	TRY	30 October 2017	27 April 2018	14.75	15.50	Fixed
Bond	124,900,000	TRY	26 October 2017	19 January 2018	13.58	14.49	Fixed
Bond	79,350,000	TRY	20 December 2017	21 March 2018	14.32	15.14	Fixed
Bond	63,787,717	TRY	6 November 2017	30 January 2018	14.10	15.05	Fixed
Bond	50,000,000	TRY	1 November 2017	15 January 2018	13.69	14.63	Fixed
Bond	44,951,001	TRY	31 October 2017	29 January 2018	14.13	15.09	Fixed
Bond	18,037,652	TRY	3 November 2017	1 February 2018	14.01	14.94	Fixed
Bond	15,139,892	TRY	13 November 2017	12 January 2018	13.87	14.84	Fixed
Bond	9,984,789	TRY	24 October 2017	22 January 2018	13.89	14.83	Fixed
Bond	8,057,756	TRY	31 October 2017	8 January 2018	13.84	14.82	Fixed
Bond	4,742,487	TRY	8 November 2017	5 January 2018	13.76	14.74	Fixed
Bond	4,446,388	TRY	20 October 2017	17 January 2018	13.74	14.68	Fixed
Bond	3,144,448	TRY	6 November 2017	30 January 2018	14.02	14.96	Fixed
Bond	1,552,225	TRY	26 October 2017	24 January 2018	13.94	14.89	Fixed
Bond	1,195,903	TRY	10 November 2017	9 January 2018	13.86	14.85	Fixed

10. TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables

	31 December 2018	31 December 2017
Receivables from loan customers	88,762,981	219,391,578
Receivables from settlement and custody bank	77,731,446	96,521,222
Receivables from customers	76,938,781	149,893,728
Commission receivables	4,079,210	1,691,520
Doubtful trade receivables	1,021,677	864,527
Provision for doubtful trade receivables	(1,021,677)	(864,527)
	247,512,418	**467,498,048**

The Group allocates credit to its customers for use in stock trading. As of 31 December 2018, the amount of loans allocated to customers by the Group is TRY 88,762,981 (31 December 2017: TRY 219,391,578) and the Group holds the total market value of the share certificates which are listed on the stock market is TRY 170,624,166 as collateral. (31 December 2017: TRY 447,857,278) (Note 15).

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

10. TRADE RECEIVABLES AND PAYABLES (Continued)

Short-term trade payables

	31 December 2018	31 December 2017
Payables to customers	192,619,519	194,242,184
Agent commission payable	2,355,122	3,583,745
Payables to vendors	1,823,891	4,294,108
Other trade payables	2,560,127	1,310,724
	199,358,659	**203,430,761**

11. RECEIVABLES FROM FINANCIAL ACTIVITIES

Receivables from financial activities

	31 December 2018	31 December 2017
Investment fund management fee receivables (Note 28) (*)	5,007,395	5,687,977
Individual pension fund performance fee receivables (**)	2,555,073	4,776,383
Investment advisory receivables (Note 28)	1,823,135	1,245,779
Individual pension fund management fee receivables (**)	843,439	1,292,340
Other	726,733	49,555
	10,955,775	**13,052,034**

(*) Investment fund management commission receivables are obtained management fee receivables from 30 (31 December 2017: 33) investment funds established in accordance with the Capital Markets Law and related legislations.

(**) Pension fund commission and performance fee receivables are derived from 25 (31 December 2017: 25) individual pension funds, 12 (31 December 2017: 24) of which are related institutions.

12. OTHER RECEIVABLES AND PAYABLES

Other receivables

	31 December 2018	31 December 2017
Deposits and collaterals given	115,575,771	44,113,739
Collaterals given to markets	16,802,243	33,400,643
	132,378,014	**77,514,382**

Other payables

Deposits and collaterals received	20,041,457	21,463,675
Payables to marketable securities disposal fund	491,344	491,344
	20,532,801	**21,955,019**

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

13. PROPERTY AND EQUIPMENT

31 December 2018	**Buildings**	**Furniture and fixtures**	**Leasehold improvements**	**Total**
Net book value, 1 January	**5,083,298**	**2,431,472**	**711,444**	**8,226,214**
Additions	-	1,422,278	27,805	1,450,083
Depreciation expense (-)	(294,657)	(1,112,049)	(194,314)	(1,601,020)
Net book value, 31 December	**4,788,641**	**2,741,701**	**544,935**	**8,075,277**
Cost	11,026,598	18,946,649	5,059,934	35,033,181
Accumulated depreciation (-)	(6,237,957)	(16,204,948)	(4,514,999)	(26,957,904)
Net book value, 31 December	**4,788,641**	**2,741,701**	**544,935**	**8,075,277**

31 December 2017	**Buildings**	**Furniture and fixtures**	**Leasehold improvements**	**Total**
Net book value, 1 January	**5,377,955**	**2,882,078**	**750,127**	**9,010,160**
Additions	**-**	636,911	158,632	795,543
Depreciation expense (-)	(294,657)	(1,087,518)	(197,314)	(1,579,489)
Net book value, 31 December	**5,083,298**	**2,431,471**	**711,445**	**8,226,214**
Cost	11,026,598	17,524,371	5,032,129	33,583,098
Accumulated depreciation (-)	(5,943,300)	(15,092,900)	(4,320,684)	(25,356,884)
Net book value, 31 December	**5,083,298**	**2,431,471**	**711,445**	**8,226,214**

14. INTANGIBLE ASSETS

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

	31 December 2017
Net book value, 1 January	**20,486,897**
Additions	7,559,406
Amortization (-)	(1,059,635)
Net book value, 31 December	**26,986,668**
Cost	39,806,228
Accumulated amortization (-)	(12,819,560)
Net book value, 31 December	**26,986,668**

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

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

i) Short term provisions

	31 December 2018	31 December 2017
Legal provisions	35,560,909	1,990,945
	35,560,909	**1,990,945**

Total amount of several outstanding legal cases against the Group is TRY 35,560,909 (31 December 2017: TRY 2,172,477) as of 31 December 2018. Related to the legal cases against the Group, based on the best estimates, TRY 35,560,909 (31 December 2017: TRY 1,990,945) has been reflected to the consolidated financial statements as of 31 December 2018.

The movement of litigation provisions for the years ending 31 December 2018 and 2017 is as below:

	2018	2017
Beginning of the period, 1 January	1,990,945	1,516,157
Provisions set aside within the period	34,230,130	474,788
Payments made within the period	(612,802)	-
Provisions written off within the period	(47,364)	-
Ending period, 31 December	**35,560,909**	**1,990,945**

ii) Collaterals given

	31 December 2018	31 December 2017
Collaterals given	3,300,905,883	3,445,187,138
	3,300,905,883	**3,445,187,138**

Letters of guarantee are given to BIST, CMB and to Takasbank for money market transactions. Foreign currency denominated letters of guarantee amount to TRY 355,171,030 (31 December 2017: TRY 324,428,555).

iii) Cash collaterals given on behalf of customers

	31 December 2018	31 December 2017
VİOP collaterals given on behalf of customers (*)	246,030,074	130,888,146
	246,030,074	**130,888,146**

(*) As of 31 December 2018 cash amounting to TRY 246,030,074 has been pledged by the Group as collateral for the Futures and Options Market on behalf of the customers (31 December 2017: TRY 130,888,146).

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

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

iv) Customer deposits

Treasury bills, government bonds, share certificates and other financial assets held in trust for hiding on behalf of customers as of 31 December 2018 and 2017 are as follows:

Customer deposits	31 December 2018	31 December 2017
Investment funds	51,720,676,904	66,304,701,554
Share certificates	3,389,741,594	2,281,743,453
Government bonds	1,241,609,145	79,784,518
Reverse repo agreements (Money Markets)	824,107,659	2,572,652,952
Corporate bonds	50,960,000	133,709,081
Other	5,222,673	-
	57,232,317,975	**71,372,591,558**

v) Other

i. The transactions in the market are under the scope of "Third Party Financial Liability and Employer Liability Insurance Policy" amounting to TRY 5,000,000 (31 December 2017: TRY 5,000,000) made to Generali Sigorta A.Ş.

ii. Demand deposits amounting to TRY 56,402,396 (31 December 2017: TRY 31,846,857) belongs to the Group's customers as a partial collateral and are held in the Group's bank accounts (Note 6).

iii. The Group allocates credit to its customers for use in stock trading. As of 31 December 2018, the Group has TRY 88,762,981 (31 December 2017: TRY 219,391,578) of loans granted to its customers and the total market value of the shares kept as collateral against those credits given is amounting to TRY 170,624,166 (31 December 2017: TRY 447,857,278) (Note 10).

iv. The financial assets measured at their amortised costs and having a book value of TRY 33,425,290 as of 31 December 2018 (31 December 2017: TRY 13,671,235) are pledged as collateral at CBRT, BIST, and Takas ve Saklama Bankası A.Ş. ("Takasbank") (Note 7).

16. DERIVATIVES

Nominal details of derivative transactions as of 31 December 2018 and 2017 are as follows:

	31 December 2018 TRY Equivalent		31 December 2017 TRY Equivalent	
	USD	EUR	USD	EUR
Swap transactions (buy)	1,370,250	2,685,428,092	1,525,795	4,129,031,688
Swap transactions (sell)	1,315,225	2,572,438,162	1,508,760	4,027,413,789
Forward transactions (buy)	-	8,795,753	-	13,116,305
Forward transactions (sell)	-	8,283,931	-	12,818,629
	2,685,475	**5,274,945,938**	**3,034,555**	**8,182,380,411**

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

16. DERIVATIVES (Continued)

Receivables from derivative transactions

	31 December 2018	31 December 2017
Swap transactions	69,763,081	63,680,472
Forward transactions	316,578	163,950
	70,079,659	**63,844,422**

Payables from derivative transactions

	31 December 2018	31 December 2017
Swap transactions	1,146,231	7,295,858
Forward transactions	2,491	29,123
	1,148,722	**7,324,981**

17. PROVISION FOR EMPLOYEE BENEFITS

	31 December 2018	31 December 2017
Short-term provisions		
Provision for employee bonus	21,674,000	18,862,294
	21,674,000	**18,862,294**
Long-term provisions		
Provision for employee termination benefits	9,102,464	7,104,033
Provision for unused vacation	3,266,599	2,866,962
	12,369,063	**9,970,995**

Under the Turkish Labour Law, the Group required to pay the employment termination benefits to each employee who have completed one year of service at the Group when they retire (for women 58, for men 60) and when they are dismissed or called up for military services or die. Due to changes in the Law on September 8, 1999, some sections regarding the temporary period related with the working period before retirement have been removed. The indemnity is one month's salary for each working year and is limited to TRY 5,434 as of 31 December 2018 (31 December 2017: TRY 4,732.48).

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

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

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

17. PROVISION FOR EMPLOYEE BENEFITS (Continued)

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

	31 December 2018	31 December 2017
Discount rate (%)	5.65	4.95
Turnover rate to estimate retirement probability (%) (*)	95.42	95.50

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The liability is revised two times in a year and in the year-end calculation, the effective amount as of 1 January 2019 of TRY 6,018 (1 January 2018: TRY 5,002).

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

	2018	2017
Beginning of the period, 1 January	**7,104,033**	**3,499,840**
Interest cost	1,311,389	426,547
Service cost	1,036,929	288,952
Payments during the period (-)	(272,559)	(689,846)
Actuarial (gain) / loss	(77,328)	3,578,540
Ending period, 31 December	**9,102,464**	**7,104,033**

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

	2018	2017
Beginning of the period, 1 January	**2,866,962**	**3,669,699**
Provisions set aside within the period	494,958	(197,898)
Payments during the period (-)	(95,321)	(604,839)
Ending period, 31 December	**3,266,599**	**2,866,962**

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

	2018	2017
Beginning of the period, 1 January	**18,862,294**	**14,601,960**
Provisions set aside within the period	21,621,393	18,800,750
Payments during the period (-)	(18,809,687)	(14,540,416)
Ending period, 31 December	**21,674,000**	**18,862,294**

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

18. LIABILITIES FOR EMPLOYEE BENEFITS

	31 December 2018	31 December 2017
Taxes and liabilities payable	2,117,140	1,772,530
Social security premiums payable	692,017	957,888
	2,809,157	**2,730,418**

19. PREPAID EXPENSES

	31 December 2018	31 December 2017
Prepaid expenses	3,470,432	2,695,253
Commissions for letters of guarantees	2,107,383	2,103,571
	5,577,815	**4,798,824**

20. OTHER ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
Other short-term liabilities		
Blocked customer deposits	3,369,215	2,167,150
Expense provision	3,252,003	1,602,993
Payable taxes and funds	2,708,410	3,258,598
Other expense accruals	3,823,404	112,363
	13,153,032	**7,141,104**

21. SHAREHOLDER'S EQUITY

Paid-in capital and adjustment differences

The paid-in capital of the Company is TRY 98,918,083 (31 December 2017: TRY 98,918,083) and consists of 9,891,808,346 (31 December 2017: 9,891,808,346) authorized shares with a nominal value of Krş 1 each. The Group has no preferred share as of 31 December 2018. (31 December 2017: None).

The shareholders and their shares in capital with historic values as of 31 December 2018 and 2017 are as follows:

	31 December 2018		31 December 2017	
Name of the shareholder	**TRY**	**Share (%)**	**TRY**	**Share (%)**
Yapı ve Kredi Bankası A.Ş.	98,895,466	99.98	98,895,466	99.98
Temel Ticaret ve Yatırım A.Ş.	20,951	0.02	20,951	0.02
Other	1,666	0.00	1,666	0.00
	98,918,083	**100.00**	**98,918,083**	**100.00**
Adjustments to share capital	63,078,001		63,078,001	
Total paid-in capital	**161,996,084**		**161,996,084**	

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

21. SHAREHOLDER'S EQUITY (Continued)

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

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

As of 31 December 2018, restricted reserves are amounting to TRY 234,277,667 (31 December 2017: TRY 236,535,668).

Restricted reserves and retained earnings

	31 December 2018	31 December 2017
Real estate and affiliate sales gain fund (*)	180,904,217	180,904,217
Secondary legal reserves	34,482,350	36,740,351
Primary legal reserves	18,891,100	18,891,100
Total restricted reserves	**234,277,667**	**236,535,668**

(*) As of 31 December 2018, TRY 4,626,817 of the TRY 180,904,217 which is the gain on sale of property, equipment and subsidiary classified under equity, is 75% of the profit from the sale of buildings in the year 2010 and TRY 176,277,400 is the 75% of the profit from the sale of subsidiaries in the year 2013.

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

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

In accordance with the provisions of the said communiqué, non-listed companies may choose not to distribute dividends in the event that the calculated profit share is less than five percent of the capital stock in the most recent annual financial statements to be presented to the general assembly or in the event that the net distributable profit for the period is less than TRY 100,000 according to these financial statements. In this case, the undistributed dividends are distributed in subsequent periods.

At the company's Ordinary General Assembly meeting dated 09 March 2018 it was unanimously decided to distribute, in cash, a dividend of TRY 44,090,000 (2017: TRY 66,670,000) to the company's shareholders, and this amount was paid to shareholders on 16 March 2018.

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

21. SHAREHOLDER’S EQUITY (Continued)

Changes in the minority interest during the period are as follows:

	2018	2017
Beginning of the period, 1 January	**8,263,813**	**6,847,426**
Minority interest decrease due to dividend payment (*)	(4,309,999)	(3,422,646)
Minority interest net income	4,524,051	4,839,033
End of the period, 31 December	**8,477,865**	**8,263,813**

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

22. TAX ASSETS AND LIABILITIES

Corporate tax

	31 December 2018	31 December 2017
Corporate taxes payable (-)	(32,918,091)	(9,891,458)
Prepaid taxes	68,790,846	64,954,331
Current period tax assets, net	**35,872,755**	**55,062,873**

The Group's income tax expense for the periods ended 31 December 2018 and 2017 consists of the following items:

	1 January - 31 December 2018	1 January - 31 December 2017
Current period tax expense	32,918,091	9,891,458
Prior year tax adjustment	(379,244)	(170,833)
Deferred tax (income) / expense	(4,581,095)	14,046,126
Total tax expense	**27,957,752**	**23,766,751**

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

	1 January - 31 December 2018	1 January - 31 December 2017
Profit before tax	134,765,861	125,932,284
Theoretical tax expense arising at the legal tax rate	(29,648,489)	(25,186,457)
Impact of the dividend income that is not subject to tax	2,240,794	1,063,199
Impact of other adjustments	(550,057)	356,507
Current period tax expense	**(27,957,752)**	**(23,766,751)**

22. TAX ASSETS AND LIABILITIES (Continued)

In Turkey, the corporation tax rate is 22% for 2018. (2017: 20%). The corporate tax rate is applied to tax base which is calculated by adding certain non-deductible expenses for tax purposes and deducting certain exemptions (like affiliation privilege) and exclusion of deductions on accounting income. If there is no dividend distribution, no further tax charges are made. Except for the withholding tax at the rate of 19.8%, calculated and paid on the basis of the exemption made in the event of an investment allowance exemption used in accordance with the Temporary Article 61 of the Tax Law.

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

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10% in accordance with 94th article of Income Tax Law. Addition of profit to share

capital is not considered a profit distribution.

Corporations are required to pay advance corporate tax quarterly at a rate of 22% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for five years from the beginning of the year following the date of filing during which period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

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

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

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

22. TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets and liabilities

Deferred tax assets	20,665,391	10,556,602
Deferred tax liabilities	(21,544,409)	(19,499,334)
Deferred tax liabilities, net (-)	**(879,018)**	**(8,942,732)**

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

	31 December 2018		31 December 2017	
	Cumulative temporary differences	Deferred tax assets / liabilities	Cumulative temporary differences	Deferred tax assets / liabilities
Legal provisions	35,560,909	7,823,400	1,990,945	438,008
Allowances for expected credit losses (-)	23,296,201	5,125,164	-	-
Provision for employee bonus	20,362,912	4,479,841	14,267,982	3,138,956
Provision for employee termination benefits	9,102,464	2,002,542	7,104,033	1,562,887
Provision for unused vacation	3,266,599	718,652	2,866,962	630,732
Derivatives	1,148,722	252,719	7,324,981	1,611,496
Valuation differences of financial assets	196,565	43,244	-	-
Expense provision	650	143	540,441	118,897
Tax losses	-	-	13,881,358	3,053,899
Other	998,573	219,686	7,849	1,727
Deferred tax assets		**20,665,391**		**10,556,602**
Derivatives	70,079,659	15,417,525	63,844,422	14,045,773
Financial assets revaluation differences	18,250,607	4,015,134	17,600,779	3,872,171
Difference between the tax base and carrying amount of non-current assets	6,947,376	1,528,423	1,493,521	328,575
Investments in progress	2,570,964	565,612	5,546,524	1,220,235
Other	80,523	17,715	148,091	32,580
Deferred tax liabilities		**21,544,409**		**19,499,334**
Deferred tax liabilities, net		**(879,018)**		**(8,942,732)**

	1 January - 31 December 2018	1 January - 31 December 2017
Beginning balance of deferred tax assets / (liabilities), net	(8,942,732)	7,747,772
Deferred tax income / (expense)	4,581,095	(14,046,126)
Deferred tax accounted under equity	(528,034)	(2,644,378)
Deferred tax effect of TFRS 9 opening adjustment	4,010,653	-
Period end deferred tax assets / (liabilities), net	**(879,018)**	**(8,942,732)**

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

23. REVENUE AND COST OF SALES

	1 January - 31 December 2018	1 January - 31 December 2017
Revenue		
Share certificates sales	5,929,441,906	12,488,049,502
Treasury bills and government bonds sales	1,342,818,402	1,619,760,209
Commissions on intermediary activities on stock market	99,202,851	72,515,106
Futures exchange intermediary commissions	28,251,603	11,602,870
Corporate finance fees	21,226,307	18,430,884
Other intermediary commissions	8,406,809	10,711,459
Income from leveraged transactions	6,659,998	3,758,792
Custody commissions	1,480,625	1,241,942
Consultancy services	1,146,672	751,901
Intermediary commissions for repurchase transactions	904,309	186,772
Fund management fees	858,812	1,216,378
Intermediary commissions for definite buy-sale transactions	38,847	36,974
Other services income	23,389,028	4,856,981
Total revenue	**7,463,826,169**	**14,233,119,770**
Service income discounts and allowances		
Commissions paid to agencies (-)	46,252,172	33,073,220
Commission returns (-)	1,394,978	1,418,159
Total discounts and allowances (-)	**47,647,150**	**34,491,379**
Revenue	**7,416,179,019**	**14,198,628,391**
Cost of sales		
Costs of share certificate sales (-)	5,951,055,524	12,486,871,711
Costs of treasury bills and government bond sales (-)	1,342,344,211	1,618,611,378
Total cost of sales (-)	**7,293,399,735**	**14,105,483,089**
Gross operating profit	**122,779,284**	**93,145,302**

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

24. REVENUE AND COST OF FINANCIAL ACTIVITIES

	1 January - 31 December 2018	1 January - 31 December 2017
Revenue from financial activities		
Investment funds management fee	56,735,950	53,696,436
Individual pension funds management fee	9,726,502	13,176,423
Individual pension fund performance fee	2,600,256	4,548,936
Total fund management fee	**69,062,708**	**71,421,795**
Discretionary portfolio management commission	4,056,722	3,136,145
Portfolio success premiums	2,466,836	1,660,755
Discretionary portfolio management income	**6,523,558**	**4,796,900**
Investment consultancy income	1,672,601	1,223,751
Other financial activities revenue	**1,672,601**	**1,223,751**
Total financial activities revenue (a)	**77,258,867**	**77,442,446**
Financial activities cost		
Commission expenses for investment and private pension fund management	6,135,480	3,246,798
Commission expenses	4,361,853	3,725,975
Total financial activities cost (b)	**10,497,333**	**6,972,773**
Gross profit from financial sector activities (a-b)	**66,761,534**	**70,469,673**

25. OPERATING EXPENSES

General administrative expenses

	1 January - 31 December 2018	1 January - 31 December 2017
Personnel expenses	91,059,540	75,518,358
Information services expenses	9,833,110	7,747,085
Data processing expenses	7,255,344	6,486,996
Depreciation and amortization expenses	4,486,211	2,639,124
Taxes, duties and charges	4,110,603	4,334,053
Rent expense	3,127,377	2,739,117
Audit and advisory expenses	2,168,750	1,490,943
IT transformation expenses	2,095,723	819,417
Communication expenses	1,789,377	1,369,482
Vehicle expenses	1,221,120	1,002,397
Insurance expenses	739,488	466,341
Maintenance service expenses	681,676	584,240
Cleaning expenses	549,251	471,474
Meeting and travelling expenses	535,736	734,455
Stationary expenses	530,743	365,201
Representation expenses	313,715	249,805
Other	4,014,256	3,015,872
	134,512,020	**110,034,360**

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

25. OPERATING EXPENSES (Continued)

Marketing expenses

	1 January - 31 December 2018	1 January - 31 December 2017
Brokerage and other operational fees	34,763,182	11,240,815
Custody commissions	1,993,436	371,777
Advertising expenses	1,107,446	3,997,357
	37,864,064	**15,609,949**

26. OTHER INCOME FROM OPERATING ACTIVITIES

	1 January - 31 December 2018	1 January - 31 December 2017
Income due to derivative operations	613,357,943	394,072,686
Interest income on deposit at banks	210,058,938	212,977,274
Interest income on loans	37,439,571	31,153,439
Other interest income	12,162,051	7,317,177
Dividend income	10,185,426	5,315,993
Interest income on treasury bills and government bonds	9,699,307	8,404,993
Foreign exchange gains	-	2,016,581
Other income	1,235,324	3,725,265
	894,138,560	**664,983,408**

27. OTHER EXPENSE FROM OPERATING ACTIVITIES

	1 January - 31 December 2018	1 January - 31 December 2017
Interest paid to money markets	470,096,874	377,025,790
Interest expense from issued bonds and bills	163,902,776	148,521,471
Losses due from derivative operations	67,034,316	17,727,865
Commissions paid for guarantee letters	15,731,869	15,520,651
Commission expenses	10,006,784	11,296,129
Interest expense	5,204,490	5,164,368
Expected impairment provision	5,065,958	-
Impairment of financial investments	116,845	-
Other expenses	39,377,521	1,765,516
	776,537,433	**577,021,790**

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

28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

(a) Bank deposits in related parties

	31 December 2018	31 December 2017
Yapı ve Kredi Bankası A.Ş.	1,747,617,921	2,447,494,617
Allowances for expected credit losses (-)	(13,870,692)	-
	1,733,747,229	**2,447,494,617**

(b) Receivables due from related parties

Trade receivables

	31 December 2018	31 December 2017
Yapı ve Kredi Bankası A.Ş.	-	390,002
Koç Fiat Kredi Finansmanı A.Ş.	-	200,634
YKS Tesis Yönetimi Hizmetleri A.Ş.	-	2,224
	-	**592,860**

Receivables from financial activities

Yapı Kredi Portföy Yönetimi A.Ş. Investment Funds (Note 11)	5,007,395	5,687,977
Allianz Yaşam ve Emeklilik A.Ş. Pension Funds	2,096,096	6,067,563
Yapı ve Kredi Bankası A.Ş. Investment Consultancy (Note 11)	1,823,135	1,245,779
	8,926,626	**13,001,319**

Prepaid expenses

Allianz Sigorta A.Ş.	-	105,834
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	1,705
	-	**107,539**

(c) Payables due to related parties

Trade and other payables

	31 December 2018	31 December 2017
Yapı ve Kredi Bankası A.Ş.	2,400,364	4,842,996
Yapı Kredi Portföy Investment Funds	1,504,885	976,431
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	499,440	499,440
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	52,422	52,422
Zer Merkezi Hizmetler ve Ticaret A.Ş.	24,857	12,197
Opet Petrolcülük A.Ş.	3,000	10,365
Allianz Sigorta A.Ş.	-	948,336
Allianz Yaşam ve Emeklilik A.Ş.	-	274,519
Other	12,682	54,675
	4,497,650	**7,671,381**

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

28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

Other payables

	31 December 2018	31 December 2017
YKS Tesis Yönetimi Hizmetleri A.Ş.	10,312	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	12,660	-
Opet Petrolcülük A.Ş.	3,000	-
Other	2,370	-
	28,342	**-**

Derivative assets / (liabilities), net

	31 December 2018	31 December 2017
Yapı ve Kredi Bankası A.Ş.	59,197,470	45,665,774
	59,197,470	**45,665,774**

(d) Income due from related parties

Operating income due from related parties

	1 January - 31 December 2018	1 January - 31 December 2017
Yapı Kredi Portföy Investment Funds	52,887,069	53,696,436
Allianz Hayat ve Emeklilik A.Ş. Pension Funds	8,731,935	17,713,254
Yapı ve Kredi Bankası A.Ş.	3,848,881	1,767,408
Opet Petrolcülük A.Ş.	1,365,000	-
Otokoç Otomotiv Tic. ve San. A.Ş.	943,000	440,700
Koç Ailesi Üyeleri	669,476	740,882
Koç Finansman A.Ş.	665,000	822,500
Koç Fiat Kredi Finansman A.Ş.	662,500	751,080
Aygaz A.Ş.	280,498	490,750
Koçtaş A.Ş.	75,000	350,000
Vehbi Koç Vakfı	36,655	77,920
Türk Traktör A.Ş.	17,998	722,150
Tat Konserve ve Sanayi A.Ş.	17,998	18,250
Türk Eğitim Vakfı	-	6,768
Other	150,982	127,750
	70,351,992	**77,725,848**

Interest income due from related parties

Yapı ve Kredi Bankası A.Ş.	106,721,639	99,575,335
	106,721,639	**99,575,335**

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

28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

Derivative income due from related parties

Yapı ve Kredi Bankası A.Ş. (*)	294,903,507	205,355,574
	294,903,507	**205,355,574**

(*) Derivative contracts totaling TRY 1,873,620,076 had been entered into with Yapı ve Kredi Bankası as of 31 December 2018.

Commission income due from related parties

Yapı ve Kredi Bankası A.Ş.	7,937,480	4,653,630
Yapı Kredi Finansal Kiralama A.O.	2,710,090	4,128,750
Yapı Kredi Faktoring A.Ş.	708,000	1,503,375
	11,355,570	**10,285,755**

Dividend income due from related parties

	1 January - 31 December 2018	**1 January - 31 December 2017**
Borsa İstanbul A.Ş.	301,886	-
Allianz Yaşam ve Emeklilik A.Ş.	50,832	49,016
Takas ve Saklama Bankası A.Ş.	-	3,285,000
	352,718	**3,334,016**

(e) Expenses paid to related parties

Operating expenses paid to related parties

	1 January - 31 December 2018	**1 January - 31 December 2017**
Yapı ve Kredi Bankası A.Ş.	2,583,040	2,164,010
Koç Sistem Bilgi ve İletişim Hizm. A.Ş.	1,188,787	470,854
YKS Tesis Yönetimi	1,122,186	739,691
Otokoç Otomotiv Tic. ve San. A.Ş.	780,045	430,557
Avis A.Ş.	541,440	259,317
Zer Merkezi Hizmetler ve Tic. A.Ş.	446,057	513,504
Allianz Sigorta A.Ş.	401,704	368,303
Setur Servis Turistik A.Ş.	343,223	304,324
YK Bina Yönetimi	317,505	215,996
Opet Petrolcülük A.Ş.	233,721	158,074
Koç Holding A.Ş.	66,478	53,149
Divan Tur	8,208	8,376
Other	511,968	408,100
	8,544,362	**6,094,255**

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

28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

Commission expenses paid to related parties

	1 January - 31 December 2018	1 January - 31 December 2017
Yapı ve Kredi Bankası A.Ş.	41,853,396	36,404,768
Yapı Kredi Portföy Investment Funds	5,961,546	-
Allianz Yaşam ve Emeklilik A.Ş.	103,837	274,519
	47,918,779	**36,679,287**

Financial expenses paid to related parties

Yapı ve Kredi Bankası A.Ş.	167,393	162,284
	167,393	**162,284**

Benefits provided to key management

Top management consists of members and chairman of board of directors, general managers and vice general manager. As of 31 December 2018, the total amount of salary and other benefits provided to the top management by the Group is TRY 6,606,521 (1 January - 31 December 2017: TRY 5,759,428).

Dividends paid to related parties

The Group paid dividend amounting to TRY 48,399,999 in 31 December 2018 (31 December 2017: TRY 70,092,646) (Note 21).

29. EARNINGS PER SHARE

The calculation of earnings per share for the years ending 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Total profit from continuing operations	106,808,109	102,165,533
Weighted average number of shares	9,891,808,346	9,891,808,346
Earnings per share from continuing operations (Krs)	**1.08**	**1.03**

	31 December 2018	31 December 2017
Total comprehensive income	108,680,230	111,541,061
Weighted average number of shares	9,891,808,346	9,891,808,346
Comprehensive income per share from continuing operations (Krs)	**1.10**	**1.13**

The company does not have any diluted shares (31 December 2017: None).

30. FINANCIAL RISK MANAGEMENT

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

a. Information on credit risk

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

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

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

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

The common stocks which the customers would like to buy using credit are bound to be in the "Marketable Securities Accepted for Credit Purchase" list. The items to be included in this list are

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

The share of the receivables from the biggest 10 credit customers in the total receivables from credit customers of the Group is 58% (31 December 2017: 77%).

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

30. FINANCIAL RISK MANAGEMENT (Continued)

The table below shows credit risk exposure based on financial instruments as of 31 December 2018 and 31 December 2017. In the determination of the maximum amount of credit risk exposure, in addition to the collaterals received, factors that lead to credit enhancement are not taken into account.

	Receivables						
	Trade Receivables		**Other Receivables**				
31 December 2018	**Related Party**	**Other**	**Related Party**	**Other**	**Bank Deposits**	**Financial Investments**	**Derivatives**
Total credit risk exposure (A+B+C)	**-**	**247,512,418**	**-**	**132,378,014**	**2,864,276,565**	**117,429,471**	**70,079,659**
- Amount of risk that is guaranteed with collateral	-	88,762,981	-	-	-	-	-
A. Net book value of financial assets that are not past due or impaired	-	247,512,418	-	132,378,014	2,887,386,985	117,615,252	-
B. Net book value of impaired assets	-	-	-	-	(23,110,420)	(185,781)	-
- Past due (gross book value)	-	*1,021,677*	-	-	-	-	
- Impairment	-	*(1,021,677)*	-	-	*(23,110,420)*	*(185,781)*	-
- Part of net amount that is guaranteed by collateral	-	-	-	-	-	-	-
C. Off balance sheet items with credit risk	-	-	-	-	-	-	70,079,659

	Receivables						
	Trade Receivables		**Other Receivables**				
31 December 2017	**Related Party**	**Other**	**Related Party**	**Other**	**Bank Deposits**	**Financial Investments**	**Derivatives**
Total credit risk exposure (A+B+C)	**592,860**	**466,905,188**	**-**	**77,514,382**	**4,133,674,967**	**153,574,259**	**63,844,422**
- Amount of risk that is guaranteed with collateral	-	219,391,578	-	-	-	-	-
A. Net book value of financial assets that are not past due or impaired	592,860	466,905,188	-	77,514,382	4,133,674,967	153,574,259	-
B. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	*864,527*	-	-	-	-	-
- Impairment	-	*(864,527)*	-	-	-	-	-
- Part of net amount that is guaranteed by collateral	-	-	-	-	-	-	-
C. Off balance sheet items with credit risk	-	-	-	-	-	-	63,844,422

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

30. FINANCIAL RISK MANAGEMENT (Continued)

b. Information on market risk

Interest rate risk

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

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

The table below shows the interest rate position details and sensitivity analysis as of 31 December 2018 and 2017:

Interest rate position table

Fixed rate financial instruments

Financial assets	**31 December 2018**	**31 December 2017**
Banks	2,824,967,305	4,095,417,603
Receivables from reverse repo agreements	261,804	117,765
Financial assets measured at fair value through other comprehensive income	27,228,075	16,276,067
Financial assets measured at amortised cost (*)	33,425,290	22,768,209
Financial liabilities		
Funds generated from Money Market	1,874,016,130	2,842,561,658
Marketable securities issued	735,337,079	1,290,482,553
Bank loans	-	30,032,750

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

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

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

30. FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2018 and 2017, average interest rates of financial instruments:

	31 December 2018		31 December 2017	
	TRY (%)	EUR (%)	TRY (%)	EUR (%)
Assets				
Cash and cash equivalents	22.69	2.67	11.44	1.99
Financial assets measured at fair value through other comprehensive income	30.51	-	16.06	-
Financial assets measured at amortised cost	18.63	-	11.50	-
Liabilities				
Borrowing from Money Market	24.09	-	14.40	-
Issued bonds and bills	25.02	-	14.35	-
Bank loans	-	-	13.10	-

The Group's assets and liabilities are grouped based on their repricing maturities as follows as of 31 December 2018 and 2017:

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

31 December 2017	Up to 1 month	Up to 3 months	3 months - to 1 year	1 year to 5 years	Non-interest bearing	Total
Cash and cash equivalents	2,476,964,447	1,618,453,156	-	-	38,257,364	4,133,674,967
Financial investments	1,211,847	6,043,371	31,789,059	21,177,141	93,352,841	153,574,259
Trade receivables	219,391,578	-	-	-	248,106,470	467,498,048
Derivative financial assets held for trading	-	-	-	-	63,844,422	63,844,422
Other	-	-	-	-	95,379,477	95,379,477
	2,697,567,872	**1,624,496,527**	**31,789,059**	**21,177,141**	**538,940,574**	**4,913,971,173**
Financial liabilities	2,559,453,853	1,605,246,092	-	-	-	4,164,699,945
Trade payables	-	-	-	-	203,430,761	203,430,761
Other	-	-	-	-	69,975,756	69,975,756
	2,559,453,853	**1,605,246,092**	**-**	**-**	**273,406,517**	**4,438,106,462**
	138,114,019	**19,250,435**	**31,789,059**	**21,177,141**	**265,534,057**	**475,864,711**

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

30. FINANCIAL RISK MANAGEMENT (Continued)

a. Exchange rate risk

As of 31 December 2018 and 2017, the Group's assets and liabilities denominated in foreign currencies are as follows:

	31 December 2018				31 December 2017			
	TRY Equivalent	USD	EUR	Other	TRY Equivalent	UDS	EUR	Other
Monetary financial assets	2,620,090,675	8,577,760	427,144,874	31,260	4,052,466,242	8,898,420	889,994,598	38,493
Current assets (a)	**2,620,090,675**	**8,577,760**	**427,144,874**	**31,260**	**4,052,466,242**	**8,898,420**	**889,994,598**	**38,493**
Financial liabilities	(53,530,603)	(7,971,631)	(1,905,131)	(27,334)	(30,330,315)	(7,820,633)	(166,407)	(26,152)
Short term financial liabilities (b)	**(53,530,603)**	**(7,971,631)**	**(1,905,131)**	**(27,334)**	**(30,330,315)**	**(7,820,633)**	**(166,407)**	**(26,152)**
Off-balance sheet derivatives denominated in foreign currency	(2,582,037,317)	(250,000)	(428,122,444)	-	(4,041,741,178)	(400,000)	(894,747,518)	-
Net asset / liability position of foreign currency denominated derivatives (c)	**(2,582,037,317)**	**(250,000)**	**(428,122,444)**	**-**	**(4,041,741,178)**	**(400,000)**	**(894,747,518)**	**-**
Total net foreign currency position (a+b+c)	**(15,477,245)**	**356,129**	**(2,882,701)**	**3,926**	**(19,605,251)**	**677,787**	**(4,919,327)**	**12,341**

Foreign currency assets consist of deposits and collaterals given to foreign markets.

Foreign currency liabilities consist of liabilities to customers.

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

30. FINANCIAL RISK MANAGEMENT (Continued)

Off-balance sheet liabilities in foreign currencies consist of letter of guarantees and derivative transactions (Note 16).

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

Exchange rate sensitivity analysis table

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

	Profit / (loss)		**Equity**	
31 December 2017	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**
In case of a 20% change in USD exchange rates:				
USD net asset / liability effect	(511,309)	511,309	(511,309)	511,309
In case of a 20% change in EURO exchange rates:				
EURO net asset / liability effect	4,442,644	(4,442,644)	4,442,644	(4,442,644)
In case of a 20% change in other exchange rates:				
Other foreign currency net effect	(10,286)	10,286	(10,286)	10,286
Total	**3,921,049**	**(3,921,049)**	**3,921,049**	**(3,921,049)**

b. Share certificate price risk

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

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

30. FINANCIAL RISK MANAGEMENT (Continued)

31 December 2018

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

31 December 2017

Balance sheet item	Rate of change	Change direction	Effect on carrying value	Effect on revaluation fund	Effect on net income	Effect on equity i
Share certificates						
Financial assets measured						
at fair value through profit or loss		Increase	3,844,154	-	3,844,154	3,844,154
- Financial assets	10%	Decrease	(3,844,154)	-	(3,844,154)	(3,844,154)

c. Liquidity risk

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

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

	31 December 2017				
	Net book value	Up to 1 month	1 month to 1 year	1 year to 5 years	Total of contractual cash outflows
Financial liabilities	4,164,699,945	2,573,316,163	1,631,426,855	-	4,204,743,018
Trade payables	203,430,761	203,430,761	-	-	203,430,761
Other payables	21,955,019	21,955,019	-	-	21,955,019
	4,390,085,725	**2,798,701,943**	**1,631,426,855**	**-**	**4,430,128,798**

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

31. FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

i. Financial assets:

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

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

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

ii. Financial liabilities:

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

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

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

Financial assets and financial liabilities carried at fair value:

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

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

31. FINANCIAL INSTRUMENTS (Continued)

31 December 2017	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value through profit or loss	45,582,488	-	-
Share certificates trading on BIST	*38,441,543*	-	-
Investment funds	*7,140,945*	-	-
Financial assets measured at fair value through other comprehensive income	-	85,223,562	-
Share certificates	-	*47,770,354*	-
Corporate bonds and bills	-	*37,453,208*	-
Financial receivables from derivatives held for trading	-	63,844,422	-
Financial liabilities from derivatives held for trading	-	7,324,981	-

32. DISCLOSURE OF OTHER MATTERS

a. Explanation on portfolio management operations:

As of 31 December 2018, the Group managed 30 mutual funds and 25 pension funds (31 December 2017: 33 mutual funds and 25 pension funds). In accordance with the Funds' statute, the Group purchases and sells securities and share certificates for the Funds, markets their participation certificates and provides other services and charges daily management fees. As of 31 December 2018, the Group earned a management fee of TRY 62,927,228 (31 December 2017: TRY 68,174,997).

b. Capital management and capital adequacy requirements

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

The Group defines and manages its capital in accordance with CMB's Communiqué Series: V No: 34 on capital and capital adequacy of intermediary institutions. According to the related communiqué, the equity of intermediary institutions is composed of the portion of total assets, which are valued according to the valuation principles discussed in Communiqué Serie: V No: 34 and are present in the balance sheet prepared as of the valuation date. According to the communique which is published on 11 July 2013 and named as Communiqué Series: V No: 34, capital adequacy base of intermediary institutions cannot be lower than any of the following; TRY 2,000,000 for narrow authority intermediaries, TRY 10,000,000 for partial authorized intermediaries and 25,000,000 for broad authority intermediaries. The Company has broad authority intermediation license dated 15 January 2016 and numbered G-028 (286). Accordingly, the total equity required by the company as of 31 December 2018, including the annual revaluation, was calculated to be TRY 26,209,815 (31 December 2017: TRY 25,472,637).

33. SUBSEQUENT EVENTS

None.

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