



**BORSA
İSTANBUL**



Annual Report

2016



Blood is what makes a flag. Land is home country, if there are people sacrificing themselves for it.

poet Mithat Cemal KUNTAY

On July 15, our nation was taken by surprise, shot deep in the heart. The traitors nested inside the state attempted to strike against Turkey's improvement and stability, along with the will of our esteemed nation.

However, the nation had a strong reply. Our people held on to their will, not letting our flag fall. They lay themselves in front of the bullets and tanks. They did not hesitate to fall dead or become wounded. As a result, members of the terrorist organization that disregarded democracy were unsuccessful against the national will and the Turkish people that love their country more than their lives.

That night, Borsa İstanbul, the symbol of Turkey's economic power, was also targeted. The traitors sought to occupy Borsa İstanbul. We cooperated with citizens determined to unhesitatingly sacrifice their lives, as well as our heroic policemen. We held on strong to our Exchange and took it back from traitors.

During the conflict at Borsa İstanbul campus, two heroes, Fatih Satır and Mehmet Şevket Uzun, were martyred. Their names will live eternally in the Martyrs' Monument built on our campus.

In memory of the Martyrs and Survivors of July 15.

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Message from Chairman of the Board and the Executive Committee



We have left behind the year 2016, during which political and economic uncertainties increased across the globe; US and European economies, and especially economies of developing countries, showed significant differentiation in performance. Expectations of a new interest rate increase from the US Federal Reserve Board (Fed), which came to pass at the end of the year, negatively influenced financial markets in developing countries while also triggering significant volatility of currency and interest rates. In Turkey, financial markets followed a more fluctuating course compared to those of other developing countries, especially after the treacherous coup attempt that took place on the night of July 15, 2016, which was successfully suppressed by the brave and self-sacrificing resistance of our citizens and security forces. Despite our region's problems and those around the world, the Turkish economy continued its growth trend in 2016 thanks to the maintenance of political stability and implementation of appropriate fiscal and monetary policies.

Despite of the negative events in Turkey and in our region, the traded value in Borsa İstanbul markets increased significantly in 2016. Our total traded value has exceeded 13 trillion TL, with a greater than 9% increase in 2016 compared to the previous year. In this period, during which risk perception directed at developing markets has changed, rising trade volumes and foreign investors' share clearly indicate that, independent from time and economic developments, Borsa İstanbul and Turkish capital markets offer a safe harbor for investors. Borsa İstanbul is taking firm steps toward

becoming a regional and global finance center by means of transition to BISTECH technology, offering a wide product portfolio, and undertaking new projects and practices.

Doubtless, one of Borsa İstanbul's main ambitions is to provide companies access to finance in a customized and efficient way that will promote their growth. In these endeavors, 2016 saw many successes.

Even though initial public offerings in the Borsa İstanbul equity market were not as buoyant as hoped due to uncertainties in the global market, financing through corporate bonds has increased continuously in recent years. In 2014, for example, a total of 517 bonds were issued, along with 66.4 billion TL of share capital. In contrast, 621 and 766 bonds and 79.2 and 90.8 billion TL, respectively, of share capital were issued in 2015 and 2016. Statistics reveal Turkish companies have secured funding of an estimated US\$ 90 billion through private sector bonds and lease certificates in the last three years alone. These developments indicate that our debt securities market has reached a product range and depth beyond government debt securities.

Borsa İstanbul continues to offer opportunities to companies that have growth potential but are not able to raise funds through public offering or by issuing debt securities. A membership and web-based platform bringing together companies and qualified investors for the purpose of trading shares without going public, Borsa İstanbul's Private Market has 376 members, with a 36% increase in 2016.

A total of ten investment transactions, six risk capital investments, and four angel investments were undertaken in the last year. We believe public offerings will see a positive influence from these developments in terms of both number and amount over the medium and long term, especially in consideration of the fact that total turnover of the member companies, which include Istanbul Chamber of Industry's (ISO) top 1000 Turkish companies, has reached 5 billion TL by 2016 year-end.

During 2016, we introduced important practices to encourage initial public offerings in Borsa İstanbul while continuing our promotion efforts. We offered significant discounts on annual listing fees in 2016; for example, the 1 basis point charged over the capital, an item used in calculating annual listing fees, was reduced to 0.5 basis points. In addition, profit amount for companies that earn period income and dividend amounts distributed by dividend paying companies are deducted from market capitalization, another item used in calculating the annual listing fee. Thus, discounts up to 70% and amounting to 300,000 TL per company were provided. Likewise, a 50% discount was implemented on initial listing fees for lease certificates. We are aiming to attract large-scale companies in ISO-500 in particular. Likewise, we are in touch with foreign companies for cross-listings. We believe that growth and deepening of the capital markets will be realized as a result of our good examples and successful public offerings, which will lead an increasing number of individual and institutional investors to join the capital markets and contribute to making Istanbul an international financial center.

Our activities also include organizing meetings and events in cooperation with various non-governmental organizations, particularly chambers of industry and commerce, to promote Borsa İstanbul markets and the instruments traded on such markets to potential issuers. In 2016, we interviewed a total of 106 companies, 65 domestic and 41 foreign, in the form of one-to-one company visits. Information was shared with respect to opportunities offered by Borsa İstanbul, public offerings, and the trading process of Borsa İstanbul. Nearly 1000 companies have welcomed such one-to-one visits since 2012.

We are aware that the success of a securities exchange is closely related to the diversity of the product portfolio it offers to investors and companies. Therefore, during 2016, we have striven to introduce new instruments and markets and thereby to meet the demands of all investors and issuers. Futures and options contracts based on 10 new share certificates and physical-delivery-based Anatolian Red Wheat and Durum Wheat futures contracts commenced trading on Borsa İstanbul's Derivatives Market (VIOP) in February 2016. We extended our product portfolio in debt securities as well, with the Borsa İstanbul Money Market and Negotiated Repo Deals Market commencing operations.

In 2017, we will introduce new financial instruments and continue to take steps to enlarge and deepen our market. We are working with relevant stakeholders on financing real estate and urban transformation projects through real estate certificates, which will revive the construction sector and its side sectors, which serve as the engine of the Turkish

economy. Furthermore, we are aiming to help our investors act as partners in our country's economic growth and development by way of lease certificates. These will be issued using the income from infrastructure projects, referred as mega-projects, undertaken in Turkey. We are also adopting the regulations required for these instruments to be traded on Borsa İstanbul markets.

Another important development for 2017 will be implementing the new gold custody center, which offers a 1600-ton capacity. Thus, we will be able to further our work with the Central Bank of Turkey and other banks, and especially bring home our gold reserves, which are currently stored in London. In addition and in line with Istanbul International Financial Center vision, we believe that it should be possible to trade in currencies other than the Turkish Lira. As this step is realized, an increased number of foreign investors will choose Turkey for their investments, especially as our product portfolio expands further. Our efforts in the area of Islamic finance, a growing sector worldwide, are well in progress. The establishment of the International Interest-Free Finance Consultancy Board marks a significant step toward ensuring standardization in Islamic finance. We are confident that this approach will support product diversity in this area.

Doubtless, any securities exchange seeking to become a prominent financial center in its region and globally must enter into cooperative endeavors that will contribute to its international effectiveness and brand name while making it a center of attraction for global investors and companies. Within this framework,

and having entered into important strategic cooperation with Nasdaq and the European Bank for Reconstruction and Development (EBRD) since 2013, Borsa İstanbul has developed strategic cooperation with the Islamic Development Bank in 2016 to best utilize our potential in the region, assume a leading role in the fast-developing field of Islamic finance, and open up to large capital investors from the Gulf region. With the mentioned cooperations, Borsa İstanbul shall continue to produce projects and work with three international business partners from three continents to help elevate the Turkish capital market to a level worthy of our country's economy.

The year 2016 also witnessed the full integration of Turkish capital markets institutions. Following enactment of the new Capital Markets Law in 2012, numerous steps toward the vertical integration of institutions have been made. In keeping with their revamped corporate image, Istanbul Settlement and Custody Bank Inc.(Takas İstanbul) and Central Registry Agency Inc. (Merkezi Kayıt İstanbul) will continue their business operations on the Borsa İstanbul campus over the upcoming period. The fact that these institutions will operate under the umbrella of the Borsa İstanbul Exchange Group is a very important step in implementing organizational and physical integration, which is the final stage of vertical integration. In this way, we will secure the ability to serve all our stakeholders much faster and more effectively.

Borsa İstanbul and the other capital market institutions aim to offer capital markets at international standards that

will allow Turkey to grow and contribute to increasing the welfare of our citizens. We pledge to never forget that our greatest obligation and responsibility lies with our people when we take steps aimed at companies, investors, and other stakeholders. The conversion of all our cash assets into Turkish Lira in a period of high exchange rate fluctuations should be evaluated in this context.

Borsa İstanbul was the only financial institution to be occupied during the treacherous coup attempt directed at the bright future of our country on the night of July 15 and has since become a symbol of the blow attempted to shatter Turkey's economic stability. The sacred resistance shown to coup plotters by our citizens and security forces across Turkey and inside Borsa İstanbul itself deserves huge credit. I would like to take this opportunity to wish that our brothers, Mehmet Şevket Uzun and Fatih Satır, who were martyred while fighting against the traitors at Borsa İstanbul, may rest in peace and wish the best for those wounded during the resistance. We shall continue our operations with this awareness and determination as executives and employees of institutions that are critically important in shaping Turkey's economic future. We fully believe we will receive the greatest support from our valuable stakeholders and colleagues in this process.

Himmet KARADAĞ
Chairman of the Board and Executive Committee

Board of Directors and Committees



Board of Directors*

Chairman

Mr. Himmet KARADAĞ

Deputy Chairman and CEO

Mr. Osman SARAÇ

Members

Mr. Seyit Ahmet IŞKIN

Mr. Yunus ARINCI

Mr. Bilal TOPÇU

Ms. Erişah ARICAN

Ms. Nicola Jane BEATTIE

Mr. İlhami KOÇ

Ms. Işinsu KESTELLİ

Mr. Murat TACİR

Committees of the Board*

Audit Committee

Ms. Erişah ARICAN (Chair)

Mr. Bilal TOPÇU

Mr. Yunus ARINCI

Corporate Governance Committee

Mr. Bilal TOPÇU (Chair)

Ms. Nicola Jane BEATTIE

Mr. İlhami KOÇ

Early Risk Assessment Committee

Mr. Yunus ARINCI (Chair)

Mr. Murat TACİR

Ms. Işinsu KESTELLİ

Ms. Nicola Jane BEATTIE

Other Committees *

Arbitration Committee

Mr. Ozan SAVAŞKAN (Chair)

Mr. Süleyman Cenk GELERİ

Mr. Talip UZUN

Disciplinary Committee

Mr. Gıyasettin VAROL (Chair)

Mr. Selim CERRAH

Mr. Orhan KAZICI

Senior Management



Executive Committee

Chairman of the Board and the Executive Committee

Mr. Himmet KARADAĞ

CEO, Executive Committee Member

Mr. Osman SARAÇ

Executive Vice President/ Chief Audit Executive

Executive Vice Presidents

Mr. Şenol DUMAN, CFO, EVP

Mr. Mehmet Ufuk ÖZDEMİR, CIO, EVP

Mr. Osman KÜÇÜKÇINAR, COO, EVP

Chief Audit Executive

Ms. Hüda SEROVA, CAE (A.)



Board of Directors



Himmet KARADAĞ

Chairman of the Board and the Executive Committee

Born in Denizli in 1974, Himmet Karadağ graduated from Antalya High School in 1991, and from Gazi University's Department of Public Administration in 1995. He earned his MBA degree from the University of Exeter's Business School in 2010. Karadağ started his career in 1998 as Assistant Revenue Expert at the Ministry of Finance, Revenue Administration. He worked at the Tax Inspector Board (formerly Account Experts Board) of the Ministry of Finance as an assistant tax inspector (formerly assistant account expert) between 1999 and 2002 and as a tax inspector (formerly account expert) between 2002 and 2005. He served as Official Advisor to the Commissioner at the Revenue Administration between 2005 and 2006 and as Official Advisor to Minister of Finance between 2006 and 2008. During 2009–2011, Karadağ worked at the Tax Inspector Board (formerly Account Experts Board) of the Ministry of Finance as a senior tax inspector (formerly senior account expert) and Deputy Head of Group. He worked as Head of Department at the Ministry of Finance, General Directorate of Revenue Policies in 2011–2012. Karadağ became a board member of the Capital Markets Board in 2012 and Deputy Chairman of the Board in January 2016. Karadağ was elected as Borsa İstanbul's Chairman on April 1, 2016. He is married with four children.



Osman SARAÇ
Deputy Chairman

Osman Saraç earned a BA degree from Ankara University's Political Sciences Faculty, International Relations Department, and an MA degree from Gazi University's Social Sciences Institute, Finance Department. He is currently studying for his doctorate at Marmara University's Banking and Insurance Institute on banking. Saraç worked as a financial inspector at the Ministry of Finance between 1998 and 2005; as Vice Chairman of the Istanbul Gold Exchange between 2005 and 2006, and as Chairman of Istanbul Gold Exchange between 2006 and 2013. Between 2013 and 2016, he worked as a sworn CPA and consultant. Furthermore, he was Chairman of Participation of Kalkınma Bankası A.Ş. in 2005 and a jewelry assembly member and capital markets assembly member at the Union of Chambers and Commodity Exchanges of Turkey (TOBB) between 2005 and 2013. Osman Saraç has authored four books and numerous professional and scientific articles. Saraç was elected as a Borsa İstanbul Board member at the Borsa İstanbul General Assembly meeting on April 1, 2016. He was appointed as Deputy Chairman and CEO on the same day.



Seyit Ahmet İŞKİN
Member

Born in Sivas in 1973, Seyit Ahmet İşkin graduated with a B.S. degree from Istanbul University's Faculty of Political Science in 1996. He received his M.S. degree in Banking from Marmara University's Banking and Insurance Institute. He is a Ph.D. candidate at Haliç University's Management Doctorate Program. During 1996–1999 he served on the General Secretariat for a non-governmental organization. During 1999–2007, he worked in auditing and controlling units of numerous institutions operating in banking, financial leasing, and capital markets sectors. Between 2008 and 2013, he served as President of Supervisory Board and Vice President of the Istanbul Gold Exchange. As an official representative of the Istanbul Gold Exchange, he was a member of Markets and Instruments Committee of Istanbul International Financial Center and held membership in the Tenth Development Plan of Specialization Commission of Financial Services. İşkin, vice president of Alumni's Society of Istanbul University's Faculty of Political Science and a member of Turkey's Institute of Internal Auditors, has had books and articles published in the banking field. He is married and has two children.



Yunus ARINCI
Member

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



Bilal TOPÇU
Member

Bilal Topçu was born in Yahyalı, Kayseri in 1974. He completed his primary and secondary education in Yahyalı before graduating from Ankara University Economics Department in 1997. He started his career as an assistant specialist at the Ministry of Customs in 1998. He entered Borsa İstanbul (formerly İstanbul Stock Exchange) as Assistant Inspector at the Inspection Board in 1999 and became Inspector in 2002. He earned his MA at Marmara University's Banking and Insurance Institute, Capital Markets and Stock Exchange Department in 2005. He received his Certified Public Accountant certificate in 2006. He was promoted as Chief Inspector in 2007. Between 2010 and 2012, he worked as auditor and manager in a construction company. Between 2013 and 2015, he assumed executive positions in media companies. He was appointed as Accounting and Finance Manager to Turkey's energy exchange Enerji Piyasaları İşletme A.Ş. (EPIAŞ), established in March 2015. He played active role in designing and establishing EPIAŞ's accounting and financial system. Topçu was elected as a Borsa İstanbul Board Member on April 1, 2016 and he is the Chairman of Corporate Governance Committee and member of the Audit Committee. Topçu is married with three children.



Prof. Dr. Eriřah ARICAN
Member

Prof. Eriřah Arican started her academic career as a research assistant at Marmara University's Economics-Finance Department in 1988. She transferred to Marmara University's Banking and Insurance Department in 1990 and earned her Ph.D. degree in 1991 with a thesis entitled "The Central Bank and the Auditing of Monetary Volumes." She became an Associate Professor in Economic Policy in 1999, and a Professor at Marmara University Banking and Insurance Graduate School in 2005. Arican worked as Assistant Director and Board member of Marmara University's Banking and Insurance Graduate School between 1998 and 2006, and as Director between 2006 and 2015. She was appointed Director of Marmara University's Banking and Insurance Institute in August 2015, a role she currently still holds. In addition to her role as Marmara University's Banking and Insurance Graduate School Banking Department Chairman and Board member, which she has been carrying out since 2002, Prof. Arican assumed the title of Marmara University's Banking and Insurance Institute Banking Department Chairman and Board member in September 2015. Prof. Arican has published numerous studies and books on the Turkish economy, economic systems, money-banking, central bank practices, financial markets, and organizations. Prof. Arican was elected as a Borsa İstanbul Board Member on April 1, 2016. She is married with two children.



Nicola Jane BEATTIE
Member

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



İlhami KOÇ

as representative of Turkish Capital Markets Association, Board Member

İlhami Koç graduated from Ankara University's Faculty of Political Sciences in 1986, and started work at the Inspection Board of Türkiye İş Bankası A.Ş. (İş Bank). Koç was initially appointed to work temporarily in management of a private bank, then transferred to the Central Bank of the Republic of Turkey in 1994 before being appointed as Assistant Director of İş Bankası Securities Department that same year. Koç became Director responsible for capital markets and portfolio management in İş Yatırım Menkul Değerler A.Ş. (İş Invest Securities) in 1997 and Assistant General Manager in 1999. He was appointed as CEO of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Venture Capital Investment Fund) in 2001, and CEO of İş Yatırım Menkul Değerler A.Ş. in 2002. Koç was promoted as Deputy CEO of Türkiye İş Bankası A.Ş. in 2013. Koç has served on Boards of various capital markets institutions, and is currently Chairman of İş Yatırım Menkul Değerler, as well as board member of İşbank AG, CSJC Isbank and Şişe Cam Fabrikaları A.Ş. He has been CEO of Anadolu Anonim Türk Sigorta since 2016. He was elected as the Turkish Capital Markets Association (TCMA)'s Chairman in 2014, and represents the Association in Borsa İstanbul Board. Koç has participated in numerous training programs, seminars and conferences in Turkey and abroad, and gives lectures on capital markets. İlhami Koç is married with one child and speaks English.



Işinsu KESTELLİ

Member

Işinsu Kestelli was born in Konya in 1962. After graduating from the American Collegiate Institute high school in İzmir in 1981, she received her B.A. degree from the Faculty of Economics and Administrative Sciences of Dokuz Eylül University, İzmir, in 1985. She started her career in 1992 by joining İzmir Commodity Exchange as a member of the Edible Oils Professional Committee, and became member of the Board of Directors in 1995. From 2003 to 2009, Kestelli served as Vice Chairperson of the Board of Directors of the İzmir Commodity Exchange, where she was elected as Chairperson of the Board of Directors in 2009. She is a founding partner in Agrilink Agricultural Products Ltd. Co. Kestelli is member of numerous organizations such as TOBB External Relations Commissioner, Turkey-EU Joint Consultative Committee Member, Board of Women Entrepreneurs, KAGİDER, Aegean Economic Development Foundation (EGEV), Aegean Young Businessmen's Association (EGIAD) Advisory Board, İzmir Economic Development Coordination Board, Dokuz Eylül University Foundation Board of Directors, EXPO Steering Committee Member, and Co-Chair of the Committee of İzmir Economy Congress Events. Kestelli was elected as a Borsa İstanbul Board Member on March 31, 2014. Kestelli is married with one child and speaks English.



Murat TACİR
Member

Murat Tacir was born in Istanbul in 1970. After completing his secondary and high school education at Kadıköy Maarif College, he studied at Istanbul University's department of Business Administration in English. Thereafter, he furthered his education at University of California Berkeley in the field of marketing. He launched his career in 1994 in Sümer Plastik A.Ş., where he worked for three years. In 1995, he started working for Tacirler Securities. After undertaking a range of duties, he came to represent the company as General Manager and Member of the Board of Directors. Since April 1, 2015, he has served as Vice Chairman and Executive Director. In addition to these duties, he was a member of the Auditing Committee of Istanbul Stock Exchange in 2012-2013. He also maintains membership in the Stock Exchange Brokers' Managers Association and Turkish Institutional Investors Association. Tacir was elected as a Borsa İstanbul Board Member on March 31, 2014. He is married and has two children.

Capital Markets in 2016



► Overview of Global Capital Markets

In 2016, the total market value of shares traded on World Federation of Exchanges members reached US\$70 trillion, with a 4.4% increase compared to 2015. In contrast, the number of publicly traded companies fell to 51,602, a decrease of 0.1% over the same time period.

The market value in the Americas increased by 10.8%, while the Asian region saw a decrease of 0.7%. Out of 73 WFE members, equity indices of 51 exchanges provided positive returns while 22 posted negative returns. Indices that provided positive returns offered average returns of 14%, whereas negative indices saw an

average loss of 5%. The traded value in equity markets decreased by 25% in 2016 compared to 2015; on the other hand, traded value of debt securities increased by 3%.

With respect to the number of trades in organized derivatives markets in 2016, futures contracts saw an increase of 3.7%, compared to a 23.7% decrease in options contracts in 2016 compared to 2015. In 2016, commodity contracts are the largest component of traded value among futures contracts, whereas equity index contracts lead the way among options contracts. Exchange traded funds futures contracts displayed a significant increase of 105% in 2016 compared to the previous year.

Market Value Based on Regions (in US\$ million)

	2015	2016	%
Americas	27,969,007	30,989,868	10.8
Asia Pacific	23,215,373	23,053,792	-0.7
EAME*	15,921,247	16,040,777	0.8
Total	67,105,627	70,084,436	4.4

*EAME: Europe, Africa, Middle East

Source: WFE

Traded Value Based on Markets (in US\$ million)

	2015	2016	%
Equity Markets	113,774,400	85,405,322	-24.9
Debt Securities Markets	17,849,756	18,374,769	2.9

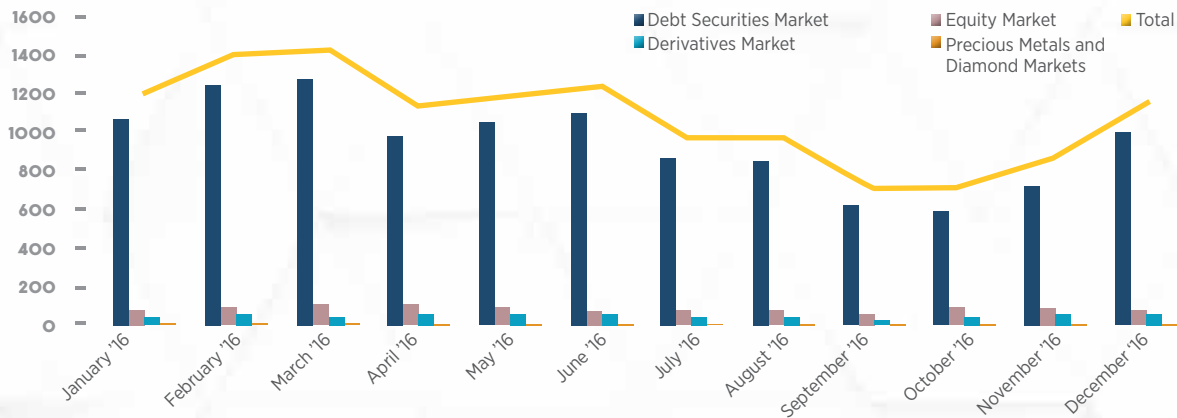
Kaynak: WFE

Global Traded Value of Futures and Options Contracts on the Basis of Underlying Asset (millions)

	2015	2016	% Change
Futures contracts	13,401	13,901	3.7
Commodity	4,872	6,006	23.3
Stock Index	2,799	2,554	-8.8
Interest	2,637	2,339	-11.3
Foreign Currency	2,089	2,191	4.9
Equities	1,002	806	-19.5
Exchange Traded Fund	2	5	105.0
Options contracts	10,038	7,656	-23.7
Stock Index	3,890	2,727	-29.9
Equities	3,573	2,550	-28.6
Exchange Traded Fund	1,360	1,033	-24.0
Foreign Currency	452	647	43.1
Interest	574	511	-10.9
Commodity	188	187	-0.7

Source: WFE

Borsa İstanbul Total Traded Value (billion TL)



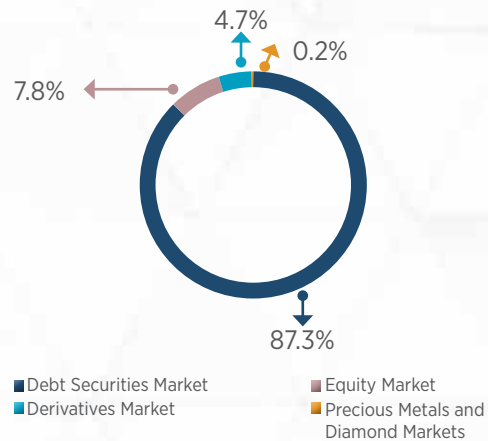
Overview of Turkish Capital Markets

Borsa İstanbul's total traded value standing at 11.90 trillion TL in 2015, increased by 9.4% to reach 13.02 trillion TL in 2016; 87% of the total traded value was realized in the Debt Securities Market.

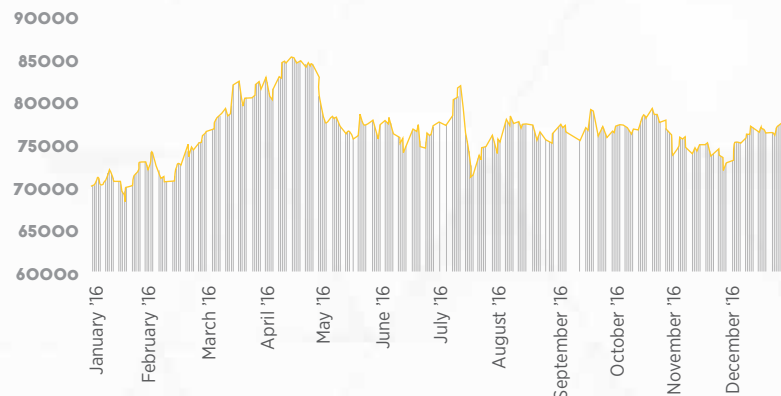
Indices

BIST 100 Index exhibited recurring fluctuations in 2016. The Index fell to a nadir of 68,230 points in January and reached an apex value of 86,931 points in April. The Index appreciated by 8.9% annually in 2016 to close the year at 78,139 points. The sports sector provided the greatest return, with a 57.8% increase in value in 2016. The metals main sector index took second place, with a 52.4% increase in value. In contrast, the food and beverage index and commercial sector index displayed the greatest declines by 7.2% and 5.3%, respectively.

Breakdown of Traded Value



BIST 100 Index Daily Closing Value (04.01.2016 – 30.12.2016)

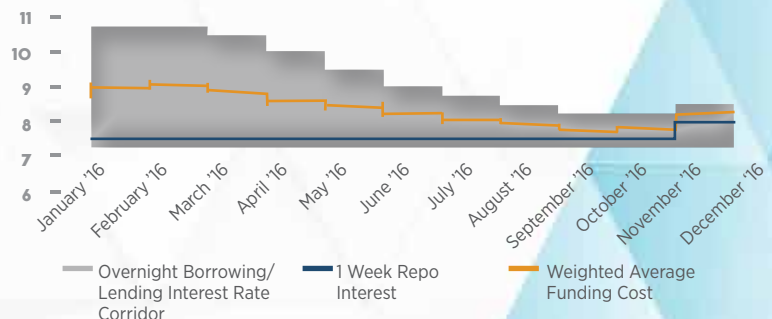


Interest Rates

The Central Bank of the Republic of Turkey continued to cut interest rates in 2016. Proceeding with the aim of simplification in the Monetary Policy Committee meeting in March, the Central Bank of the Republic of Turkey contracted the upper rate corridor to 10.50% from 10.75% after a gap of 13 months. The Central Bank continued its cuts on the upper limit as 50 base points with the decisions taken in meetings in April, May, and June. More cuts were agreed in the following three months, which means a reduction occurred in the upper limit corridor for seven successive months in 2016. While the interest rate corridor decreased by 250 base points for seven consecutive months, “the narrowest rate corridor in history” was witnessed with 100 base points in this period. The Central Bank did not make any changes to the interest rate in October; however, it hiked the upper rate by 25 base points and the 1-week repo auction interest rate by 50 base points in November, drawing attention to the upside risk in inflation due to exchange rate fluctuations subject to increasing global uncertainties and high volatility. The Central Bank did not make any changes to rates in its final meeting for the year, held on December 20. Thus, the upper rate corridor remained at 8.50%, lower end at 7.25%, and policy rate at 8% at the end of 2016. Following the Fed’s rate hike in 2015 for the

first time in 9 years, failure to implement the “four rate hikes” expectation, which was priced in the beginning of 2016, caused high volatility by increasing uncertainty in the markets. Despite recovery signs from the US economy, the Fed preferred inaction due to fluctuations in the global economy and financial markets, and concluded 2016 with a single rate hike. Two other important institutions determining the direction of world’s financial markets, namely the European Central Bank (ECB) and Bank of Japan (BoJ), continued with their incentives to support the global economy in 2016. The ECB extended its bond buying program, and BoJ was among the central banks implementing a negative rate policy.

Central Bank of the Republic of Turkey Policy Interest Rate Corridor (%)



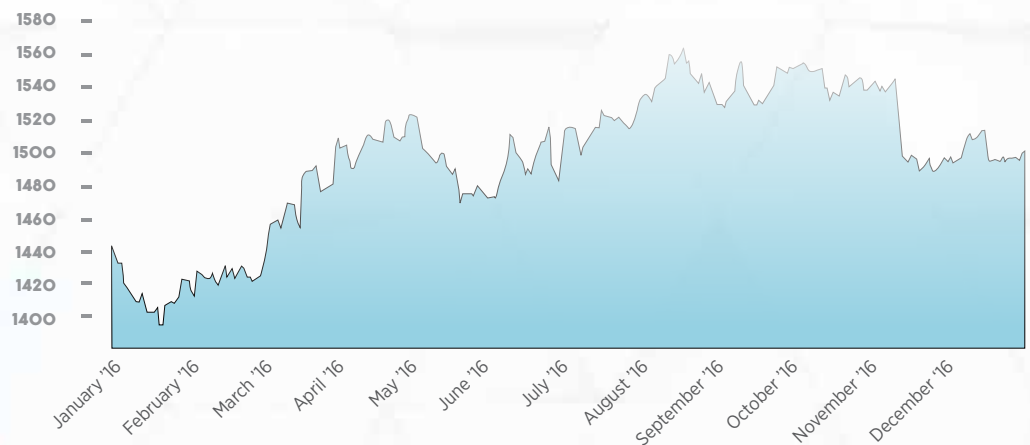
Kaynak: Türkiye Cumhuriyet Merkez Bankası

Foreign Exchange Rates

One significant development in 2016 was the high volatility in exchange rates. Declining global growth figures, particularly those of developing countries, and especially China losing its growth momentum, have put pressure on exchange rates. Given the effect of upside movements of the dollar index at the end of the year, high volatilities were observed in developing countries' exchange rates,

including that of Turkey. The Turkish Lira depreciated by 20% in 2016 as a result of these fluctuations, together with regional problems and speculative actions. The Mexican Peso also suffered significant depreciation against the US Dollar. New US President Donald Trump's sharp statements in his election campaign concerning immigration policies and his implementation plans regarding the topic triggered sharp declines in the Mexican Peso's value.

MSCI Emerging Markets US Dollar Parity Index





Financial Performance Summary



Revenues

878 Million TL

12% growth from 783 Million TL

Operating Profit

435 Million TL

18% growth from 370 Million TL

Operating Profit Margin

49%

2 pt increase from 47%

EBITDA

468 Million TL

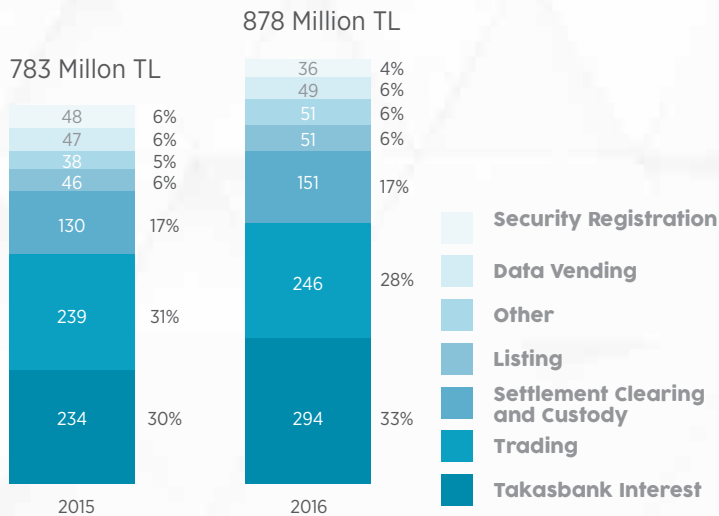
19% increase from 392 Million TL

EBITDA Margin

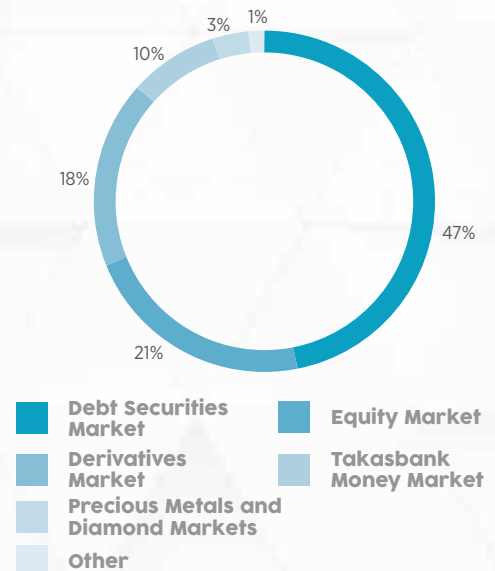
53%

3 pt increase from 50%

Revenue Breakdown



Trading Revenue Breakdown



Borsa İstanbul's fully-integrated platform offers a full spectrum of services, allowing to leverage its trading platform across the value chain.

Trading Revenue grew 3% with increasing revenues from Equity Market, Takasbank Money Market and Precious Metals and Diamond Markets.

(Million TL)	2015	2016	Growth (%)
SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
Revenue	783	878	12%
Cost of Sales	-42	-55	31%
Gross Profit	741	823	11%
General Administrative Expenses	-317	-323	2%
Research and Development Expenses	0	-2	
Other Operating Expenses, Net	-53	-64	21%
Operating Profit	370	435	18%
(Expense) / Income from Investment Activities	-1	12	
Share of Profit /(Loss) of Investments Accounted for Under the Equity Method, Net of Tax	0	10	
Financial Income	45	57	27%
Financial Expense	-62	-139	124%
Profit Before Tax	352	374	6%
Tax Expense	-96	-99	3%
Profit for the Period	256	276	8%
SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Current Assets	7,312	8,395	15%
Non Current Assets	562	651	16%
Total Assets	7,873	9,045	15%
Current Liabilities	6,243	7,035	13%
Non Current Liabilities	685	819	20%
Shareholder's Equity	945	1,191	26%
Total Equity and Liabilities	7,873	9,045	15%
FINANCIAL RATIOS			
EBITDA Margin	50%	53%	
Operating Profit Margin	47%	49%	
Profit Margin	33%	31%	

Operational Performance Summary



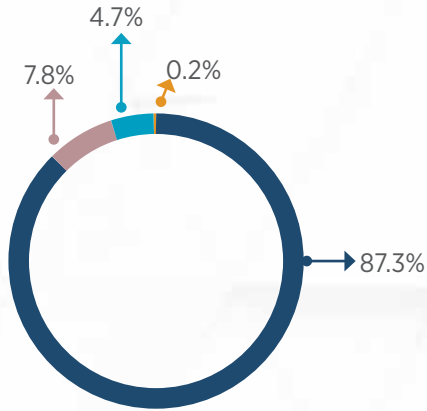
Total traded value for 2016	13,018 Billion TL
Equity Market traded value	1,014 Billion TL
Debt Securities Market traded value	11,367 Billion TL
Derivatives Market traded value	607 Billion TL
Precious Metals and Diamond Markets traded value	31 Billion TL

Number of members trading in different markets 207
Number of domestic and foreign data distribution companies 187
405 listed companies and 9 Exchange Traded Funds
Number of foreign and domestic individual investors with open accounts 1,032,105
10 agreements made in Private Market
405 companies and US\$ 174 Billion Market Capitalization as of 2016
91.1 billion TL raised through issuing of bonds in the capital markets in 2016

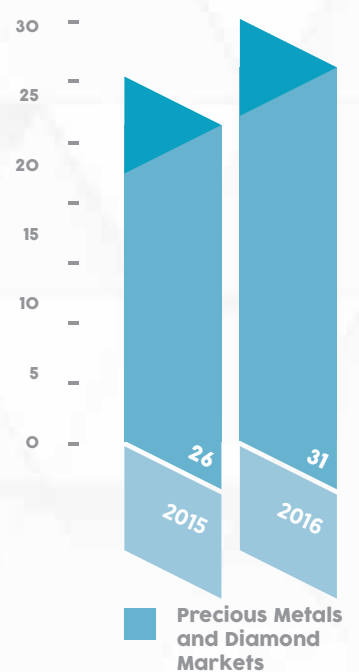
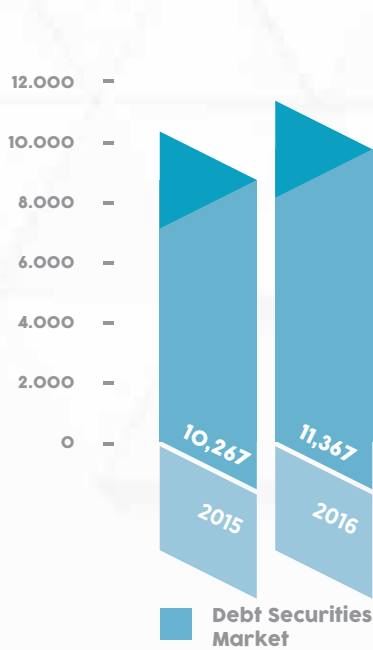
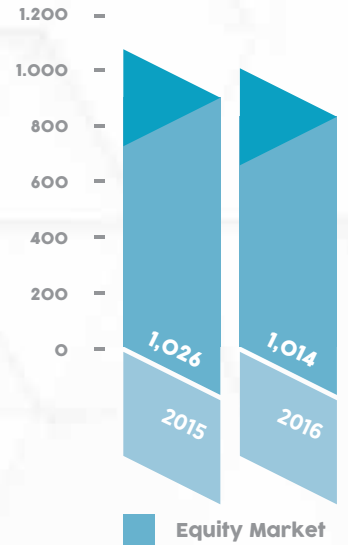
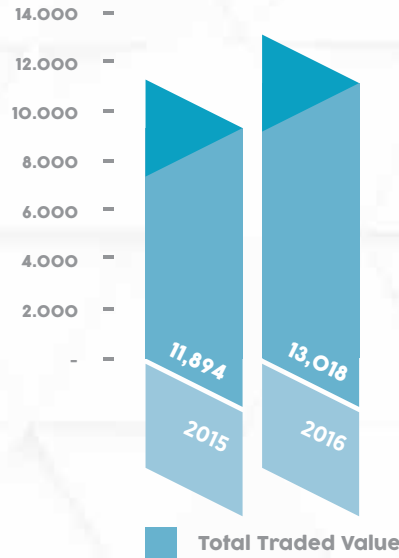
8th highest equity traded value in Europe*
3rd highest bond traded value in Europe*
Most liquid equity market in Europe and 4th in the World in terms of share turnover velocity*

* Among members of World Federation of Exchanges

Breakdown of Operational Traded Value (Billion TL)



- Debt Securities Market
- Derivatives Market
- Equity Market
- Precious Metals and Diamond Markets



Corporate Profile



Borsa İstanbul, which can trace its historical roots back to Dersaadet Bond Exchange in 1873, completed its horizontal integration with the acquisition of derivatives and gold exchanges and reinforced its vertical integration by increasing its stake in post-trade institutions (Istanbul Settlement and Custody Bank and Central Securities Depository) following the new Capital Markets Law that entered into force in 2012. As a result, Borsa İstanbul Exchange Group is able to offer a fully integrated range of business services from trading, settlement, custody, and registry services for equities, derivatives, fixed income and repo, precious metals, and Islamic finance products with efficient access to flourishing Turkish capital markets.

▶ Integrated Business Model

HORIZONTAL INTEGRATION

VERTICAL INTEGRATION

LISTING

- Domestic and foreign initial and secondary public offerings

BORSA İSTANBUL MARKETS

Equity Market

- Equities, pre-emptive rights, ETFs, warrants, certificates

Debt Securities Market

- Private and public sector debt securities, Eurobond sukuk, repo transactions, liquidity certificates

VIOP (Derivatives Market)

- Options based on equities, indices and foreign currency
- Futures contracts on equities, indices foreign currency, electricity, commodities, precious metals, foreign indices, metals, overnight repo, ETFs

Precious Metals and Diamond Markets

- Gold, silver, palladium, platinum, diamonds
- Gold, silver custody

SETTLEMENT

Istanbul Settlement and Custody Bank - Takas İstanbul

- Central Counterparty (CCP) authorized by Capital Markets Board of Turkey
- Borsa İstanbul's stake: 62.25%

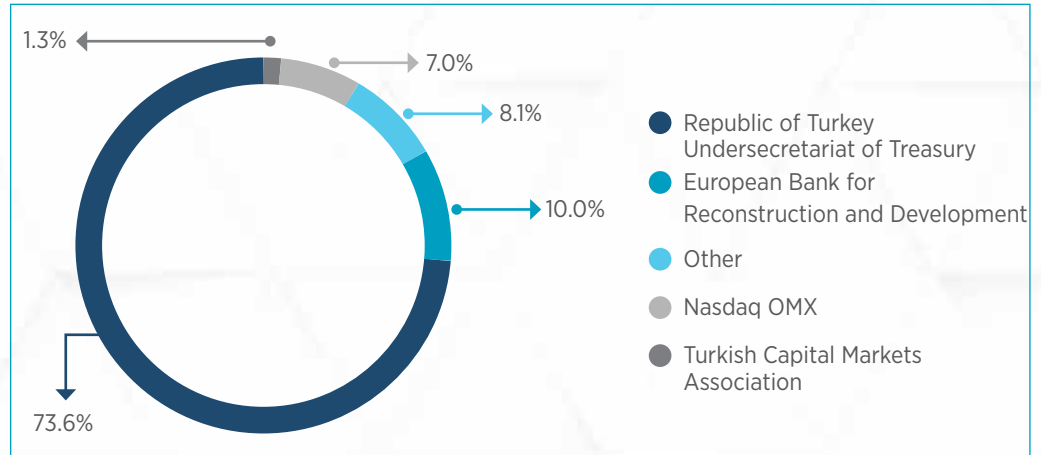
CUSTODY

Central Registry Agency -Merkezi Kayıt İstanbul

- Central securities depository for capital market instruments
- Borsa İstanbul's stake: 30.1%
- Takas İstanbul's stake: 64.90%
- Borsa İstanbul's stake (direct and indirect): 70.50%

INDEX AND DATA

- Distribution of data of Borsa İstanbul, Takas İstanbul, Merkezi Kayıt İstanbul and foreign exchanges
- Index calculation service for Borsa İstanbul and foreign exchanges and other companies upon request



As of 2016 year-end, the Republic of Turkey Undersecretariat of Treasury is the main shareholder of Borsa İstanbul.* Strategic partners are European Bank for Reconstruction and Development (EBRD) and NASDAQ with 10% and 7% stakes, respectively. Other shareholders include Turkish Capital Markets Association, investment firms, and precious metals brokerage houses.

Borsa İstanbul contributes to finance and the economy via its affiliates in various sectors as well as by virtue of being the only exchange in Turkish capital markets.

Capital Markets Licensing, Registry and Training Agency is one of Borsa's affiliates, as along with Takas İstanbul and Merkezi Kayıt İstanbul, which are post-trade institutions in Turkish capital markets.

Assuming an important role in the expansion of electronic licensed product certificates, Ege Licensed Warehouse is also an affiliate of Borsa İstanbul.

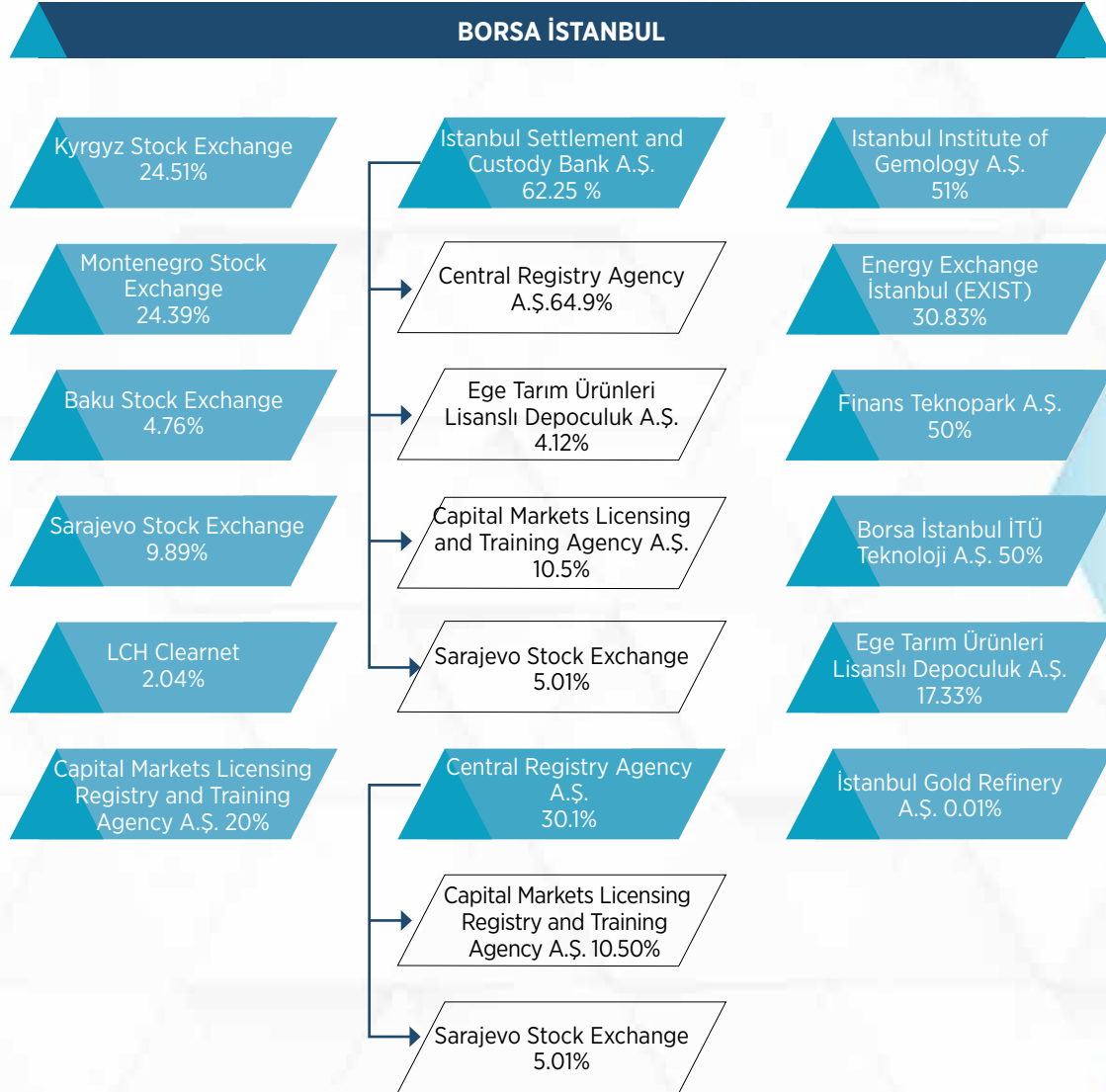
Another affiliate is an important conduit in the cooperation between spot energy markets and capital markets, Energy Exchange İstanbul (EXIST), which will move to İstinye campus in the forthcoming period. To engage in cooperation projects with global exchanges in the field of finance technology, Borsa İstanbul founded Finance Technopark with Boğaziçi University and Borsa İstanbul İTÜ Technology in partnership with Istanbul Technical University.

Encompassing a precious metals and diamond markets within its body, Borsa İstanbul is also a shareholder of Istanbul Gold Refinery and Istanbul Institute of Gemology, which are active companies in this field.

Borsa İstanbul's foreign affiliates are Baku Stock Exchange, Montenegro Stock Exchange, Kyrgyz Stock Exchange and Sarajevo Stock Exchange as well as LCH Clearnet Group Ltd., a clearing house in England.

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

► Affiliations



Shareholding percentages including indirect ownership are as follows: 16.54% in Sarajevo Stock Exchange; 70.5% in Central Registry Agency, 19.55% in Ege Tarım Ürünleri Lisanslı Depoculuk, and 33.94% in Capital Markets Licensing Registry and Training Agency. As a result of the acquisition process launched in 2016, Borsa İstanbul's stake in Istanbul Settlement and Custody Bank increased to 63.04% from 62.25%, in January 2017.

International Memberships and International Initiatives Supported by Borsa İstanbul

World Federation of Exchanges, WFE



Federation of Euro-Asian Stock Exchanges, FEAS



Federation of European Securities Exchanges, FESE



Association of Futures Markets, AFM



Futures Industry Association, FIA



London Bullion Market Association, LBMA



World Federation of Diamond Bourses, WFDB



KPCS – Kimberley Process Certification Scheme



International Islamic Financial Market, IIFM



Nations Principles of Responsible Investment, UNPRI



United Nations Global Compact



Sustainable Stock Exchanges Initiative, SSE



Intermarket Surveillance Group, ISG



Organization of Islamic Cooperation Member States' Stock Exchanges Forum





Developments in 2016



January 4, 2016	50% fee promotion for Equity Market Trading Floor pits and single rooms was introduced.
January 29, 2016	Calculation of BIST-KYD A Fund Index and BIST-KYD B Fund Index was terminated. Instead, new indices named BIST-KYD Fixed Income and BIST-KYD Equities began to be calculated.
February 1, 2016	A new market, "Negotiated Repo Market," was established under Debt Securities Market.
February 1, 2016	Equity Market data, which used to be disseminated on five levels, began to be disseminated on 10 levels.
February 1, 2016	Data on the Macedonian Stock Exchange (MSE) began to be disseminated by Borsa İstanbul under the Eurasia Data Dissemination Network (EDDN).
February 1, 2016	Two new reference data packages on the Equity Market and Debt Securities Market began to be disseminated.
February 11, 2016	In addition to actual contracts, 10 new equity derivative contracts began to be traded.
February 24, 2016	Narrowly authorized intermediary institutions became exempt from annual fees.
February 25, 2016	Anatolian Red Wheat and Durum Red Wheat Futures Contracts with physical delivery started trading.
March 17, 2016	The Scientific and Technological Research Council of Turkey became a partner in the Private Market in "Technology and Innovation Support."
March 26, 2016	Construction of the Precious Metals and Diamonds Market's new building was completed.
April 1, 2016	An Ordinary General Assembly was held.
April 1, 2016	"Leverage and Short Indices," which provide the opportunity to enjoy the same revenue with lower investment capital, were introduced.
May 6, 2016	Borsa İstanbul's "BISTECH R&D Center" application was approved by Ministry of Science, Industry and Technology.
May 19, 2016	Borsa İstanbul Derivatives Market was a finalist in the Global Metals Awards in the "Financial Metals Service Provider of the Year" category with steel scrap futures.
May 26, 2016	Borsa İstanbul-Turkish Corporate Investors Association Index was launched.
June 1, 2016	Dissemination of Equity Market Data Analytics, which is calculated on the basis of share records and real-time order information, was launched.
June 27, 2016	Pricing with "order/trade rate" system was introduced to High-Frequency Traders (HFT).

July 1, 2016	Ziraat Portföy Participation Index, which was calculated for Ziraat Portföy Yönetimi A.Ş. and based on listed companies in line with Islamic finance, was launched.
July 15, 2016	Borsa İstanbul İstinye campus came under attack during the coup d'état attempt. Police and local residents resisted and the aggression was repelled.
July 18, 2016	Daily records for the Equity Market: TL 7,433,237,885 trade volume and 770,112 contracts.
July 29, 2016	Kapalıçarşı Delivery Center was launched
August 5, 2016	Monument of July 15 Martyrs was inaugurated.
September 29, 2016	Executive Committee was established to support the Board of Directors, specifically to ease the Board of Directors' workload and to ensure a fast decision making process.
October 14, 2016	An agreement was signed with London Metal Exchange (LME) that entitles Borsa İstanbul to commercialize LME data.
October 14, 2016	Borsa İstanbul Money Market was launched.
October 25, 2016	Modification of listing fees: annual listing fees were decreased.
October 27, 2016	Organization of Islamic Cooperation (OIC) Member States' Stock Exchanges Forum 10th Meeting was held, hosted by Borsa İstanbul.
October 27, 2016	Daily record for Derivatives Market: daily trading volume record TL 5,722,515,583.
November 14, 2016	BIST-KYD Corporate Eurobond USD and BIST-KYD Corporate Eurobond USD (TRY) indices were launched.
November 14, 2016	Trading hours were modified due to changes in the practice of Daylight Savings Time in Turkey.
November 14, 2016	Regulations and technical infrastructure were designed so that the sukuk, which were deemed appropriate by the Exchange, could be traded on the Equity Market rather than on the Debt Securities Market.
November 21, 2016	İstanbul Takas ve Saklama Bankası moved to the Borsa İstanbul İstinye campus
November 23, 2016	An "Understanding" regarding cooperation and strategic partnership between Borsa İstanbul and Islamic Development Bank Group (IDBG) was reached. His Excellency President of the Republic Recep Tayyip Erdoğan and Deputy Prime Minister Nurettin Canikli attended the gong ceremony.
November 28, 2016	Merkezi Kayıt İstanbul (Turkish CSD) moved to the Borsa İstanbul İstinye campus.
November 30, 2016	The Precious Metals Market Physical Gold Transfer system was launched
December 1, 2016	BIST Technology Weight Limited Index was introduced.
December 2, 2016	Borsa İstanbul decided to convert all its monetary assets to Turkish Lira and hold them in Turkish Lira accounts.

Developments in Markets

Equity Market

Procedures and Principles of the Equity Market Practices, which combines the existing and new regulations put into use upon BISTECH transition entered into force on March 3.

An arrangement that exempts Exchange Traded Funds from order cancellation, price worsening and volume reduction fees for the year 2017 was made.

EBITDA requirement qualification was replaced with period profit qualification for listing on the Star Market and Main Market.

The price range to which trade reports are subject was changed to $\pm 6\%$ over the last trading price for all the equities traded with continuous auction and single price trading methods, on March 7.

High frequency trading users started to be charged by Order to Trade Ratio method.

Trading session opening was changed to 09:40 from 09:15 and closing time from 18:10 from 17:40 on November 14.

The regulatory and technical studies for real estate certificates which shall be offered to the public to be traded in the Collective and Structured Products Market within the Equity Market, and real estate certificates which shall be issued for qualified investors to be traded in the Equity Market for Qualified Investors within the Equity Market were initiated.

Along with the implementation of daylight saving time in 2016, the mid-day call auction between 12:30 and 13:30 was changed to 13:00-14:00.

All announcements of the Equity Market in Public Disclosure Platform (KAP) started to be made in English as of October, 10th.

Regulations were made and technical infrastructure was established for trading lease certificates based on ownership in the Equity Market.

The decision was made in order to raise the basic Exchange fee from 0,2 bps to 0,25 bps, for the Equity Market trades effective with 2017.

The Listing Directive was modified to allow the listing of real estate certificates.

Changes and improvements were made within the scope of trading workstations, FIX channels and Takas İstanbul functions.

Pre-Trade Risk Management (PTRM) Application, OUCH Order Transmission Protocol, Reserve/Iceberg Orders, Midpoint Orders and new filter definitions in Drop-Copy were initiated and warrant naming based on BIST 30 Index was modified on June 27.

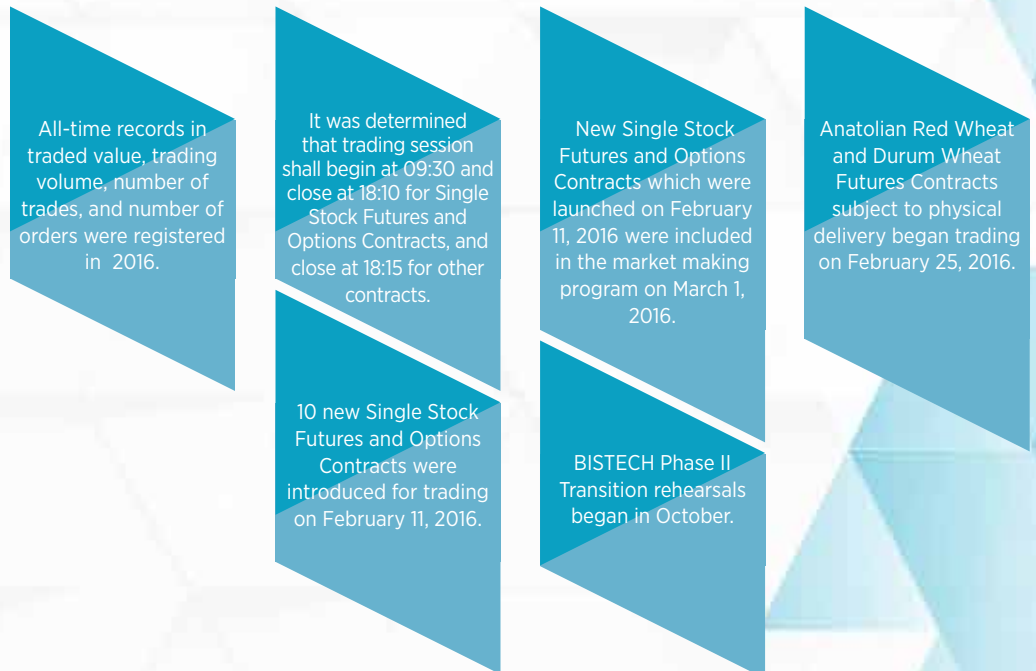
As a result of the modification of the Listing Fee tariff, annual listing fee was discounted.

Weighted average price orders were introduced on September 30.

Debt Securities Market



Derivatives Market



Precious Metals and Diamond Markets

Physical gold transfer system ensuring the transfer of gold that is stored in the accounts of banks which are members of the Precious Metals and Diamond Market or which are not members, but have signed custody contracts, to the customer account of another bank was introduced.

The new building with a capacity to store 1,600 tons of gold in 600 square meters of vault area is located in Basın Ekspres Street and will begin to render services in February 2017.

Aimed at providing depth and increasing the traded value in the Market through more frequent and continuous quotation in standard 1 kg and large bar gold transactions, Market Maker System was put into operation.

Data sharing with the Ministry of Customs and Trade and single window system ensuring provision of all documents required during customs formalities from a single point was put into operation.

Grand Bazaar Delivery Location aimed to facilitate trading of members from Grand Bazaar in Borsa İstanbul and to establish a custody and delivery center especially for small volumes, was launched.

Index

BIST Technology Capped Indices started to be calculated from December 1.

BISTECH Phase II Transition rehearsals started in October.

Ziraat Portfolio Participation Index began to be calculated on behalf of Ziraat Portföy Yönetimi A.Ş.

Providing the opportunity to gain same return with smaller investment amounts subject to leverage rate, "Leveraged and Short Indices" began to be calculated on April 1.

BIST-KYD A Type Fund Index and BIST-KYD B Type Fund Index were terminated. BIST-KYD Debt Securities and BIST-KYD Stock Fund Indices began to be calculated instead.

BIST-KYD Indices Ground Rules were updated on November 1 and BIST&-KYD OSBA Eurobond (USD) and BIST-KYD OSBA Eurobond (USD-TL) Indices began to be calculated from the same date.

► Equity Market

» The numbers of companies traded in the Equity Market are as follows: 118 in BIST Stars Market, 171 in BIST Main Market, 18 in BIST Emerging Companies Market, 56 in Collective and Structured Products Market (47 excluding ETFs), 36 in Watchlist Market, and 15 in Pre-Market Trading Platform, making 405 in total as of 2016 year-end. In addition, a total of 4,217 warrants with different underlying assets and expiration dates, together with nine Exchange Traded Funds, were traded in the Collective and Structured Products Market during the year. During 2016, two companies were offered to the public and 343 million TL has been provided.

» Borsa İstanbul was fourth among 78 exchanges in 2016 in terms of share turnover velocity, which serves as a significant indicator of liquidity.

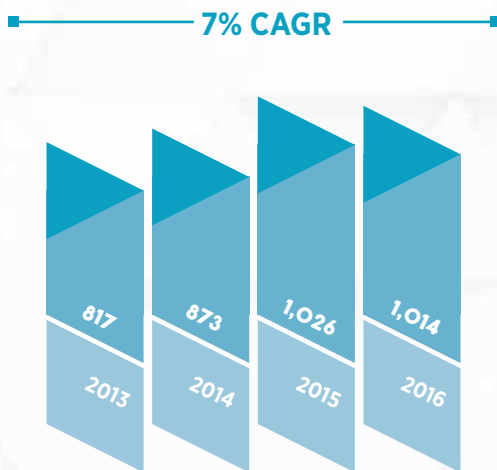
» Daily traded value record was broken on July 18, 2016 with 7,433 billion TL.

» The ratio of market capitalization to Gross Domestic Product is 26%.

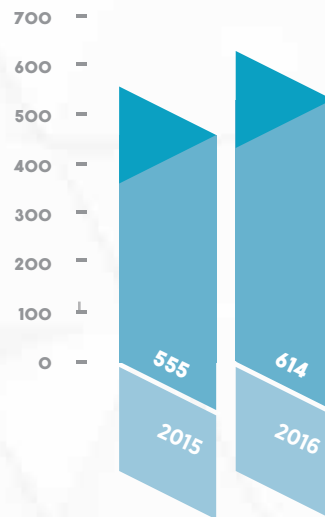
» Foreign investors had a 63.4% share in the free-floating market capitalization by the end of 2016.

» Free-float rate is 41%, equal to 243 billion TL.

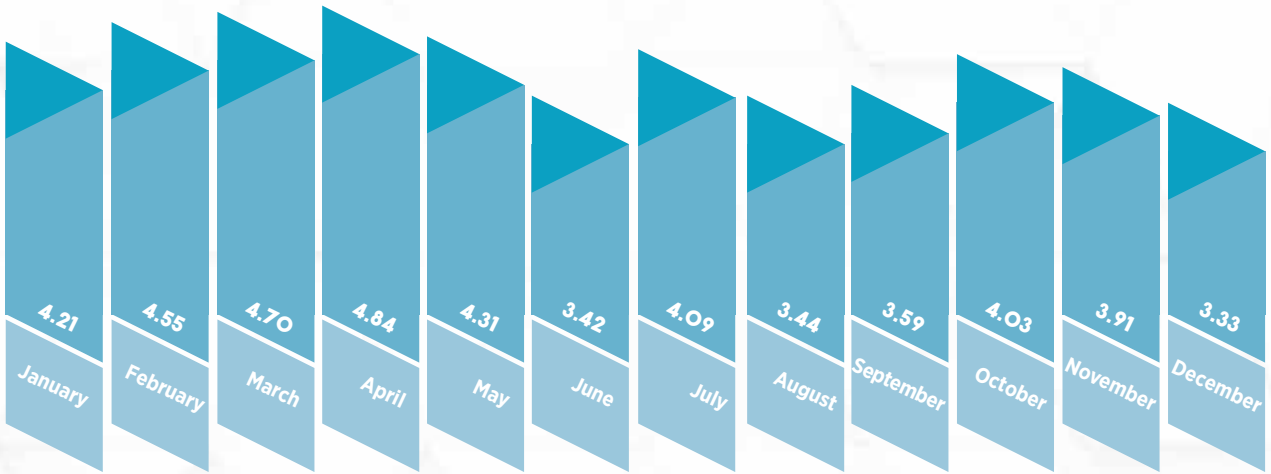
Traded Value (Billion TL)



Market Capitalization (Billion TL)



Average Daily Traded Value (Billion TL)



BİST 100 (2015-2016)



BİST 100 index closed 2016 at 78.138,66 points, with an increase of 8.94% from the previous year (1,292.05 points with a drop of 9.67% based on US\$).

▶ Debt Securities Market

» » In 2016, 3.10% of traded value was realized in the Outright Purchases and Sales Market, 17.47% in Repo Reverse Repo Market, 79.15% in Interbank Repo Reverse Repo Market, 0.25% in Repo Market for Specified Securities, 0.01% in Offerings Market for Qualified Investors, and 0.02% in Equity Repo Market and International Bonds Market.

» 34 debt securities were issued in the Offerings Market for Qualified Investors in 2016 and total amount of issue was 843 million TL.

» The traded value of Public Lease Certificates reached 2,950 million TL in 2016, compared to 1,160 million TL in 2015.

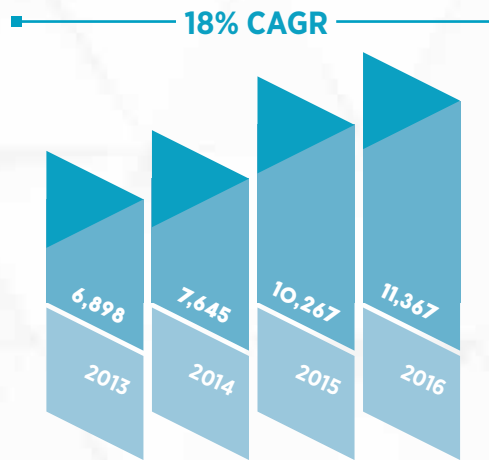
» The traded value of 21.84 million Euro in the International Bonds Market during 2015 increased by 66.73% in 2016 to reach 36.41 million Euro, and the traded value of US\$ 321.16 million in 2015 increased by 93.57% in 2016 to reach US\$ 621.88 million. A total of 95.23% of total traded value comes from

Government Debt Securities and 4.77% from Private Sector Bonds.

» 14% of Debt Securities and Lease Certificates issued in 2016 were through public offerings and 86% were sold to qualified investors. In 2015, these figures were 23% and 77%, respectively.

» Compared to 2015, a 24% increase in number of issuance of private sector bonds and lease certificates and 15% increase in issuance volume were realized.

Traded Value (Billion TL)



Average Daily Traded Value (Billion TL)



Derivatives Market

» The daily traded value record was broken with 5.7 billion TL on October 27, 2016.

The record for number of daily orders was also broken with 2,087,612 on December 15, 2016.

» 59% and 27% of the trading value was realized by, respectively, individual investors and foreign investors. The number of accounts opened in the Derivatives Market was 118,903 in 2016.

» Futures contracts comprised 95.5% and option contracts 4.46% of the total traded value in 2016.

» Traded value can be broken down as follows: 72% in Index Futures contracts, 21.5% Currency Futures contracts, 3.6% Currency Options contracts, 0.9% Precious Metals Futures contracts, 0.5% Single Stock Futures contracts, 0.5% Index Options contracts, 0.5% Electricity Futures contracts, 0.3% Single Stock Options contracts, and 0.002% ETF Futures contracts.

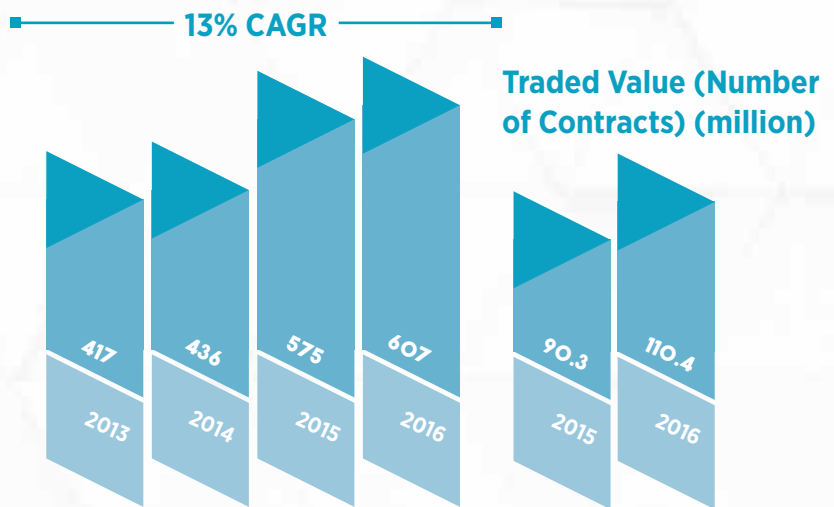
» The traded value of Electricity Futures contracts grew by 826% from 301 million

TL in 2015 to 2.8 billion TL in 2016.

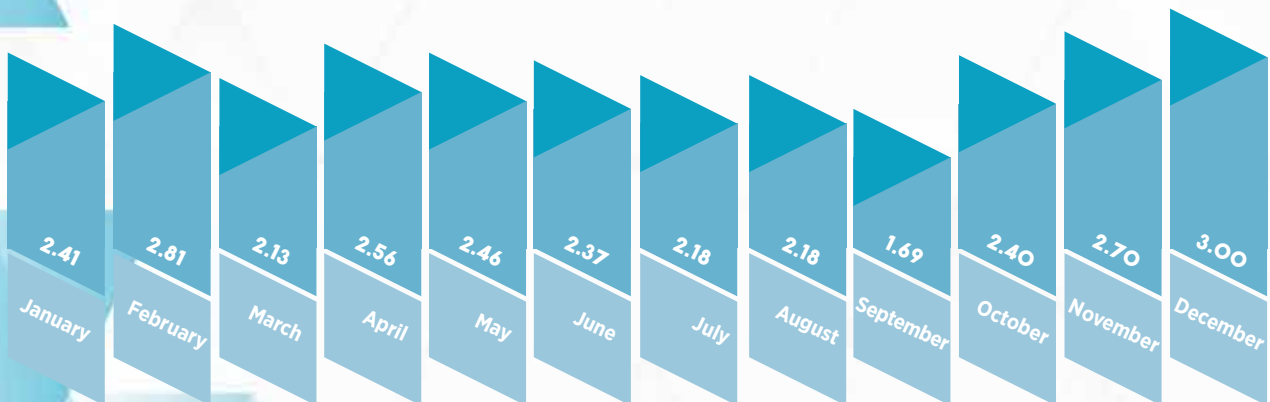
» The traded value in Currency Options contracts was 4.2 billion TL in 2015 and reached 22 billion TL in 2016, an increase of 427%.

» The traded value in Single Stock Options contracts was 527.2 million in 2015, reaching 2 billion TL in 2016, an increase of 282%.

Traded Value (Billion TL)



Average Daily Traded Value (Billion TL)



2.4 billion TL: Amount of cash and non-cash collateral kept at the accounts with Takas İstanbul.
800: Number of orders that can be sent in 1 second for VIOPFIX.

Precious Metals and Diamond Markets

» Gold trading volume was 242,547 kg in 2016, a decrease of 5% from the previous year; 221,784 kg (91.4%) of the trading was based on USD/ounce, 29 kg (0.01%) was based on Euro/ounce, and 20,734 (8.5%) was based on TL/kg.

» While the weighted average USD/ounce price for T+0 value dated trades was 1,163.43 for 2015, it was 1,239.04 in 2016.

» An average of 1,938 kg of silver was traded daily in the market, and 1185,047 kg (38.5%) of the total trading amount was traded on a TL/kg basis, 295,726 kg (61.2%) on a USD/ounce basis, and 396 kg on a Euro/ounce basis.

» 87 gr of platinum was traded in two transactions in 2015, whereas 2.8 kg was traded in five transactions in 2016. 1.38 kg of palladium was traded in four transactions in 2015, whereas 1.99 kg was traded in two transactions in 2016.

Precious stones (diamonds, sapphires, rubies, emeralds, pearls, etc.) worth 40.6 million TL were traded in 2016, of which 29 million TL was accounted for by diamond trading.

» 99 members are operating in the Precious Metals Market, 13 in the Precious Metals Lending Market, and 518 in Diamonds and Precious Stones Market.

Traded Value (Billion TL)



Average Daily Traded Value (Million TL)



Total traded value of Gold 29.6 Billion TL
Total traded value of Silver 798 Million TL

Traded value of Gold 243 tons
Traded value of Silver 481 tons

▶ Private Market

Private Market

As a web-based platform that brings companies and qualified investors together in order to trade shares without going public, Borsa İstanbul Private Market hosted numerous new partnership agreements in its second year. Private Market is a marketplace offering companies the opportunity to find shareholders and thereby finance without being subject to numerous obligations including public disclosure and various costs to which public companies are subject.

Private Market Members

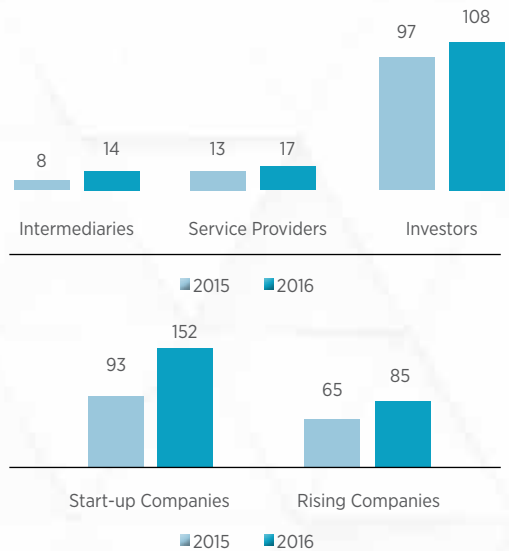
Attracting great attention since its foundation, the Private Market had 276 members in 2015, rising to 376 members in 2016, an increase of 36%. 237 members are ventures seeking funds (including ISO 1000 companies), 108 are investors, and 31 are intermediaries and service providers. Out of the 237 venture companies, 152 are start-up companies and 85 are rising companies.

Total turnover of start-up companies and rising companies in the Private Market has reached, respectively, 110 million TL and 4.7 billion TL as of 2016 year-end.

Investor members include venture capital funds operating in Turkey and around the world, angel investors, and corporate venture capital funds. Large Turkish companies are becoming members of the Private Market to seize the opportunity

to invest in or cooperate with innovative companies.

Number of Members



Partnership Negotiations and Agreements in Private Market

10 investment transactions were accomplished in 2016, with six of them being venture capital investments and four of them classified as angel investments.

Total capital investment surpassed 30 million TL and total number of transactions reached 13 in the Private Market in 2016.

Developments in the Private Market

- » Solution Partnership and Cooperation Agreements with INTEL and TURKCELL
- » Cooperation Agreement with Business Angels Association of Turkey (TBAA) and

eight Angel Investor Networks
» Entrepreneurship Event with İTÜ
Çekirdek and Participation Banks
» Entrepreneur-Investor Event with
Solution Partnership and Cooperation
Agreement with TÜBİTAK
» İstanbul University Technopark
Companies, Entrepreneur-Investor Event

► Index Activities

A total of 330 equity based indices, including 55 real-time indices; 31 indices based on various investment instruments such as debt securities, gold, deposit, funds; 20 risk control indices; and six leveraged and short indices subject to BIST 30 and BIST 100 Indices are calculated as of 2016 year-end.

BIST-KYD Indices

In order to measure the daily returns of a variety of financial instruments such as debt securities, gold, bank deposit, profit shares, and mutual funds, a total of 31 indices are calculated. Indices are categorized in mainly 11 groups based on constituent financial instruments by the end of 2016.

BIST Sustainability Index

63 companies were assessed for the BIST Sustainability Index in 2016, and the number of companies in the Index rose from 29 to 43. The Index was calculated using a new list as of November 2, 2016.

Leveraged and Short Indices

Comprising investment strategies directed at both upward (leveraged indices) and downward (short indices) expectations of the market, “Leveraged and Short Indices” began to be calculated for the first time in Turkey by Borsa İstanbul on April 1, 2016. The Leveraged and Short Indices gives investors the opportunity to gain the same return with smaller investment amounts subject to the leverage rate.

Index Calculation

Borsa İstanbul offers index calculation services to corporations that wish to have indices calculated on their behalf. Such corporations determine the index calculation method and selection criteria with recommendations by Borsa İstanbul. Calculation of an index, making changes to ensure the continuity of the index, and announcement of index values via data vendors are handled by Borsa İstanbul. Within this context, the Ziraat Portfolio Participation Index began to be calculated on behalf of Ziraat Portföy Yönetimi Inc. in 2016, in addition to Participation-50, Participation-30, and Participation Model Portfolio indices calculated on behalf of BMD Securities Inc. and the İş Bank Affiliates index calculated on behalf of İş Asset Management Inc.

Contracts

Licensing activities continued for issuing financial products by using Borsa İstanbul indices, using of indices by institutional

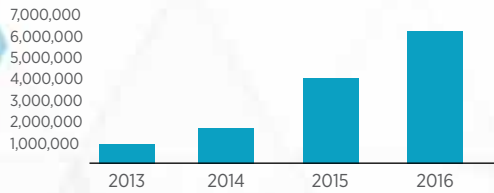
investors as a benchmarking criterion for collective investment instruments and in computing indices using Borsa İstanbul data by any person or institution. By the end of 2016, contracted companies totaled 16 in index licensing, 70 using of BIST indices as benchmark, and 12 in index making.

► Data Dissemination

Dissemination of two new reference data packages, one defined for the Equity Market and the other for Debt Securities Market, began on February 1, 2016. Moreover, many index data that has just begun to be calculated in 2016 were included in current 'Borsa İstanbul Indices' package and their dissemination commenced through data dissemination channels.

Financial Performance

Index Revenues (TL)



Dissemination of Macedonian Stock Exchange (MSE) data began in February, along with Sarajevo Stock Exchange and Montenegro Stock Exchange data, which were already being disseminated within the context of the Eurasia Data Dissemination Network. Having carried out licensing and dissemination of data for the Central Registry Agency (Merkezi Kayıt İstanbul) and Istanbul Settlement and Custody Bank (Takas İstanbul) since April 1, 2015, Borsa İstanbul continues to work with these institutions to create new data packages that will meet the needs of investors. Creating new data packages with added value by using these institutions' data will provide investors with a different vision and perspective and contribute to the development of our capital markets and economy.

Datastore

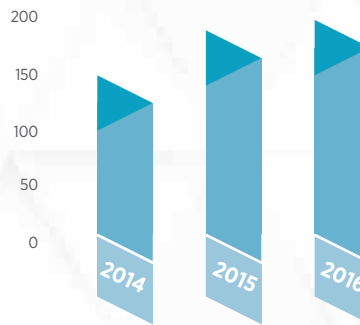
Providing user services as an online sales channel of Borsa İstanbul's historical data and end-of-day files since August 1, 2015, the Datastore website's (<http://datastore.borsaistanbul.com/>) launched an English webpage in 2016. Thus, foreign investors who would like to purchase Borsa İstanbul's historical data can have easy access via this platform.

Point of Presence (PoP)

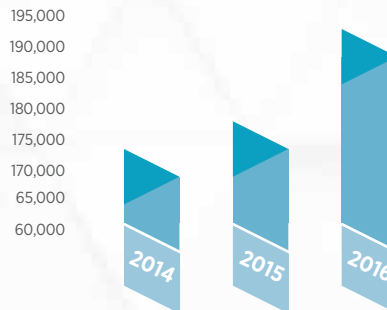
As of 2016 year-end, seven corporations were receiving data dissemination services from the Point of Presence (PoP) in Equinix, London, where dissemination of Borsa İstanbul data began in the beginning of 2015. Furthermore, negotiations continued with network providers having global networks in order to facilitate easier access to Borsa İstanbul data. Within this context, Network Service Provider Contracts were signed with companies. This step has made it easier to transfer our market data to data vendors using these network providers, who enjoy access to many financial hubs around the world (such as Chicago, New York, London, Frankfurt, Moscow, Singapore, etc.).

Number of Vendors and Users

Number of Vendors

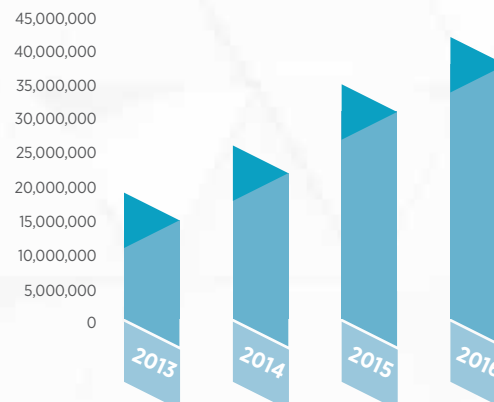


Number of Users



Financial Performance

Data Dissemination Revenues (TL)



► Distribution Based on the Market of Companies Authorized to Trading in Borsa İstanbul

Out of 670 companies authorized to trade in Borsa İstanbul, 207 are members and 463 are authorized to trade only in the Diamond and Precious Stones Market without being a member of Borsa İstanbul.

Markets	Brokerage Houses	Banks	Precious Metals Brokerage Houses	Precious Metals Producing and Marketing Companies	Currency Offices	Jewellery sector companies	Total
Equity Market	85	0	0	0	0	0	85
Debt Securities Market	69	44	0	0	0	0	113
Money Market	12	9	0	0	0	0	21
Derivatives Market	69	13	0	0	0	0	82
Precious Metals and Diamond Market	0	24	20	12	43	463	562
Total	87	45	20	12	43	463	670

Member lists are available at <http://www.borsaistanbul.com/en/members/members-list>



Strategic Roadmap and 2016 Highlights



Vision, Mission and Principles



▶ Our Vision

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

▶ Our Mission

To create a marketplace that gives investors stability and confidence in their investment transactions, to promote a diverse business incorporating both international and Islamic finance products, to embrace the digital transformation and innovation, and to facilitate economic growth.

▶ Our Principles

Integrity
Reliability
Equality
Transparency
Social Responsibility
Environmental Sustainability

Strategic Themes and Roadmap



Strategic Themes

Innovation and
Product Diversification

Technology and
Corporate Solutions

Customer Orientation

Inorganic Growth

Operational Efficiency

Borsa İstanbul Exchange Group aims to provide infrastructure and an innovative and value-adding approach that shall ensure the ability of Turkish capital markets to fulfill their potential.

The reference point in the development of our Group is to establish a customer-oriented structure that has an influence in global markets and provides reliability and stability to the markets. Five main themes come to the fore when the strategic targets and priorities of Borsa İstanbul are brought together. These main priorities in the transformation process of Borsa İstanbul and Turkish capital markets are (1) adopting innovation culture and increasing product/service diversity, (2) becoming an owner and exporter of leading technology by carrying out corporate solutions and progress in technology, (3) being customer-oriented in all processes and improving the customer experience, (4) seizing inorganic growth opportunities in the value chain, and (5) ensuring operational efficiency.

Innovation and Product Diversity

Providing products to investors with different risk profiles and preferences in every market condition is essential in the new generation exchange business. Innovation culture and the value-added created by new products and services will support Borsa İstanbul's competitive advantage in global capital markets. Product diversity is one of the crucial trends in global capital markets, and most exchanges prefer to create niche markets or make acquisitions, especially toward commodity, derivative, and FX markets.

Turkey should strive to create global brands using the power of creativity and entrepreneurship. Institutional support is critical for creativity and entrepreneurship to flourish into global brands. Borsa İstanbul can play this needed catalyst role for Turkish companies to fulfill their potential.

In addition, when increasing product diversity, care should be taken to focus

on attractive areas meeting investors' demands. Thus, innovative products centered on gold and real estate developed by Borsa İstanbul will be welcomed by investors.

It is also important to add to the diversity of Islamic and interest-free finance products, which have emerged as an effective tool in recent years. New products based on Islamic principles that will provide funding for large infrastructure projects through capital markets are on the pipeline. These products will not only contribute to the development of Islamic finance, but to the overall development of the Turkish capital markets.



Technology and Corporate Solutions

Today, stock exchanges have transformed into companies providing technology and corporate solutions as well as carrying out their primary missions of facilitating finance, supporting investment, and creating welfare. Considered to affect and transform post-trade processes in particular, “blockchain” technology is being monitored closely. Some exchanges are establishing special centers and teams to work in the field of finance technology. While finance technology is being reshaped across the world, supporting the finance sector with R&D investments and producing domestic software is of great importance in bolstering Borsa İstanbul’s ability to thrive in the global competition among exchanges. Within this framework, it is crucial to complete the Technological Transformation Program initiated with Nasdaq in 2013 and export this self-developed technology to finance institutions. Rapid developments in technology also allow different products and services to rise to prominence. Through their affiliates, stock exchanges offer diverse corporate solutions to companies that are already traded or preparing for an IPO. Not only companies preparing for public offering, but also all companies trying to keep afloat in an

environment of increasing competition, need similar technology solutions. Borsa İstanbul has the potential to offer these technology solutions especially via its affiliate Merkezi Kayıt İstanbul (Central Depository of Turkey).

Customer/Investor Orientation

Investors should be recognized and understood, and interactions should be developed along proper communication grounds in order to attract potential investors to capital markets and improve investment processes. Borsa İstanbul’s primary targets include creation of a stable and reliable platform for investors within the framework of our mission to promote the perception that “exchange is not a place for lottery, but a platform for investment” with leading corporate governance applications and effective communication campaigns.

Borsa İstanbul aims to improve customer-oriented projects and provide excellence in investment experience by enhancing processes and adapting regulations accordingly.

Inorganic Growth

Medium- and large-scale acquisitions and initiatives that would create revenue diversification and integrated business models are more successful when one observes international strategies of exchanges. Exchanges have prioritized inorganic growth due to the fact that growth potential of trading-based revenues is limited. Different exchanges seeking to bolster their positions and companies in different areas of the value chain accelerated their acquisitions for the purpose of creating new income resources by developing revenue streams that do not arise from trading. Borsa İstanbul will also achieve growth targets through this inorganic growth method by seizing acquisition opportunities, and thus shall increase diversity in revenues.

Operational Efficiency

One important aspect of the transformation in Turkish capital markets that began in 2012 is achieving horizontal and vertical integration. Founded in 2013 by a merger of Istanbul Stock Exchange, Istanbul Gold Exchange, and Turkish Derivatives Exchange, Borsa İstanbul

bolstered its vertical integration in its later stage by increasing its shares in post-trade institutions. As of today, Borsa İstanbul, Takas İstanbul (CCP), and Merkezi Kayıt İstanbul (Central Depository) continue to operate under the brand of Borsa İstanbul Exchange Group. The aforementioned expansion is also supported by global trends. The targets following integration are development of Borsa İstanbul's corporate structure to create effective processes and organizational structure as well as provide synergy in operations. In this context, Borsa İstanbul's initial public offering (IPO) is the most important item on the agenda to provide Borsa İstanbul with a more flexible and competitive structure and increase its international visibility. Moreover, building strategic partnerships that will support the development of Borsa İstanbul's main activities, bolster its global position, and promote foreign capital inflow in a way harmonious with our vision regarding Islamic finance will be a key significant step in increasing our operations' efficiency.

2016 Highlights

► Innovation and Product Diversification

Limited Trading Authority

A limited trading authority was defined for the Diamond and Precious Stones Market as of November 29, 2016. Such authorization established a structure that allows real and legal persons, upon request, to engage in trading on- or off-Exchange with real and legal persons authorized to trade precious stones previously traded on the Exchange in accordance with the procedures and principles determined by Borsa İstanbul. The structure also allows real and legal persons to notify Borsa İstanbul of the trading of jewels previously traded on the Exchange.

Innovation Support and New Products and Services

Borsa İstanbul, which aims to increase the diversity of products and services by following a new innovative approach of adapting quickly and safely to changes experienced in the capital markets, has carried out many new projects in 2016 and presented new products and services to capital market users.

New Indices

In 2016, BIST-KYD Debt Instruments and BIST-KYD Equity Fund Indices, Ziraat Portfolio Participation Index, BIST Technology Capped Index, Leveraged and Short Indices, BIST-KYD OSBA (Private Sector Debt Instruments) Eurobond (USD), and BIST-KYD OSBA (Private Sector Debt Instruments) Eurobond (USD-TL) Indices began to be calculated.

Money Market

On October 14, 2016, the “Borsa İstanbul Money Market” became operational and a total of 21 banks and intermediary institutions that completed their legislated obligations as of 2016 were authorized to operate in the money market.

SME Financing Study

Access to capital is one of the most important obstacles with regard to growth of SMEs (small to medium sized enterprises), which are of great importance in supporting countries’ development. Studies were carried out on the use of capital market instruments to

solve this problem. Meetings were held with Credit Guarantee Fund, KOSGEB (Small and Medium Business Development and Support Administration), European Investment Fund, and some portfolio management companies on the issue of conventional debt instruments and the model was evaluated. In addition to these steps, views were exchanged on ensuring capital access to SMEs through interest-free finance instruments (through issuing lease certificates) with participating banks, the costs were assessed, and initiatives were undertaken to obtain the necessary support. If this support is provided by related parties, a pilot study is planned to provide financing for SMEs through both conventional debt instruments and issue of lease certificates in 2017.

Real-Time Data Analytics Broadcasting System Project

Tests for the data analytics project, which began in 2015, were conducted in January-May, and data analytics for the Equity Market were made available to users starting on June 1, 2016. To ensure healthy price formation, the goal of forming transparent, efficient, reliable, and



easily accessible markets and ensuring that investors can rapidly access the processed data were achieved. This project was entitled to support from the TÜBİTAK (The Scientific and Technological Research Council of Turkey) Industrial R&D Projects Support Program. It provides detailed information such as number/amount of orders received in a certain period, ratio of canceled orders to total orders, volatility of the amounts of bids/asks, weighted average price of the transactions in which the bids/asks are given first, and ratio of bids/asks to each other, along with calculated and published data analytics by Borsa İstanbul with a maximum latency of under 1 second during the day.

Data Dissemination Studies

In line with Borsa İstanbul's objective of becoming a provider of regional data, the distribution of Macedonian Stock Exchange data through Borsa İstanbul was also launched within the Euro-Asian Data Dissemination Network (EDDN) project,

as well as dissemination of Sarajevo and Montenegro Stock Exchanges' data in February 2016. In addition, technical studies were completed with Pakistan Stock Exchange, with which a data distribution contract had already been signed, and market data for this stock market will be distributed through Borsa İstanbul in 2017. Borsa İstanbul maintains a dialog with many other stock markets in the region in line with its goal of becoming a regional data distribution center, and it aims to add new stock exchanges to the scope of collaboration in 2017.

Finans Teknopark A.Ş.

Finance Technopark Technology Development Center will be realized under Finans Teknopark A.Ş., which was founded under equal partnership of Boğaziçi University and Borsa İstanbul in 2015. It aims to strengthen the competitive position in global markets through R&D and innovation, as well as use domestic resources to ensure production of

software that the finance sector needs. In 2016, pre-lease contracts were concluded with 10 companies. A financial support contract worth 11 million TL was signed with Istanbul Development Agency under the controlled project. In order to initiate the construction of the R&D and office buildings, the process of zoning plan approval was launched at Istanbul Metropolitan Municipality and Natural Heritage Preservation Board, and a license application was filed with the Ministry of Science, Industry and Technology. Construction works are anticipated to commence in 2017 contingent upon the approval of zoning plans and acceptance of the license application.

Improving Interest-Free Finance

In order to sustain the progress and growth that the Turkish economy has achieved in recent years, it is necessary to bring the capital markets to the forefront as well as expand the investor base by offering alternative financing products, similar to the progress achieved in the banking sector. While Borsa İstanbul develops products tailored to investor preferences and preferences, it creates structures that will contribute to innovation and market depth in accordance with interest-free finance based on financial market principles for the real economy.

Real Estate Certificates and Urban Transformation

Studies on real estate certificates with

the Housing Development Administration (TOKI) started in 2015. In 2016, many meetings were held with investment companies, institutional investors, and sector representatives to facilitate the exchange of views. The first issuance was planned with TOKI, which has wide experience in the sector in addition to recognition due to its public structure; in this context, opinions were given on TOKI's business model and timing matters. In 2013, legislative amendment proposals were made within the framework of the sector views on the Communiqué of Real Estate Certificates prepared by CMB (Capital Markets Board), and the legislative infrastructure was readied by making some changes in the Communiqué, especially regarding urban transformation. Negotiations with the Ministry of Finance and some public institutions are expected to occur regarding the functioning/ effective operation of the product. TOKI will issue the first real estate certificate in 2017.

Securitization

In Turkey, many major infrastructure projects have been completed and thus entered their operational phase. Preparatory work for many projects, especially in the sectors of transportation, health and energy, is still being carried out by the Turkish Government. Given the high cost of infrastructure projects, financing can be considered the most important issue. As the banking sector approaches its limits due to large loans extended previously, it is thought that the

solutions offered by the capital markets will enable the domestic and foreign funds to be secured at more reasonable costs. Meetings were held with representatives from public institutions, the financial sector, and the real sector in 2016. The securitization model and the financial instruments that could be used in this context were evaluated and approaches were made to related institutions to solve the problems by determining the legislative hurdles.

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

The Meeting of the OIC Member States Stock Exchanges' Forum is held every year since 2005 under the coordination of Borsa İstanbul, and the 10th meeting was held on October 27, 2016. This meeting aimed to develop the business cooperation among the stock exchanges of the OIC member states. Eight stock exchanges, four clearing, custody and registration institutions from OIC member states and OIC, COMCEC (Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation), Federation of Arab Stock Exchanges, SESRIC, and IFAAS were represented at the meeting. As the Forum Coordinator, Borsa İstanbul continues to represent the Forum in meetings held by COMCEC, publishes the quarterly news bulletin reporting developments in member states' stock markets, and

prepares an annual statistics report on OIC Member States' capital markets.

OIC Gold Trading Platform

At the COMCEC meeting held in 2014, the President of the Republic of Turkey recommended that Islamic countries establish real estate and gold stock exchanges. In keeping with this aim, a task force representing Borsa İstanbul, Malaysian Stock Exchange, and Dubai Gold and Commodity Exchange was established. The task force, which is preparing a comprehensive report on the recommended trading platform, continues its works. Once this platform is established, it will be possible to trade spot and forward and store gold, among the OIC countries, which represent one-fifth of global gold mine supplies. It is planned to establish an international company and harmonize OIC member countries' legislation so that further phases of the project can be carried out more effectively.

Regional Custody Center

Kuyumcukent's precious metals storage capacity, which includes the Precious Metals and Precious Stones Market and whose opening ceremony was held under the auspices of our Esteemed President Recep Tayyip Erdoğan, was increased to 1600 tons from 100 tons. Thus, Borsa İstanbul has become a global player in terms of gold custody.

Strategic Cooperation with Islamic Development Bank Group

Another initiative that will contribute to the development of interest-free financing in our country is our strategic business alliance with the Islamic Development Bank Group (IDBG), which stands out with its pioneering and supranational position in this field. With the agreement signed on November 23, 2016 under the auspices of our Esteemed President, both parties agreed to collaborate in a number of initiatives, including (1) seeking opportunities for the accession of IDBG to Borsa İstanbul capital, (2) developing the sukuk infrastructure of the gold commerce platform intended to be established among OIC Member States, (3) developing interest-free finance products based on large-scale infrastructural projects, (4) establishing an international interest-free financial advisory board, and (5) developing Islamic finance in Turkey and the region in a broad sense. This historic business alliance will also enable the spread the capital and financing to banks while bringing interest-sensitive investors to capital markets. It is expected that the steps taken within the context of IDBG business alliance will make a meaningful contribution to the Istanbul International Finance Center initiative as well. Borsa İstanbul will be a center for important representatives of Eastern and Western capital and investor intermediaries by attracting Gulf capital to our country, especially through innovative products.

Participation Indices

Ziraat Portfolio Participation Index is a stock index in accordance with the principles of participation banking and is traded on Borsa İstanbul. Ziraat Portfolio Participation Index was first calculated in 2016 in addition to Participation-50, Participation-30, and Participation Model Portfolio indices calculated in the name of BMD Securities Inc. These indices are important in terms of increasing Borsa İstanbul's Islamic finance product range.

International Agreements

In order to strengthen the “global actor” proposition of Borsa İstanbul, to diversify its international links, and to evaluate common product and business development opportunities, new business alliances were pursued with international stock exchanges and financial institutions. In this context, dialogs for cooperation were undertaken with Tehran Stock Exchange, Dubai Commodity Center, and Islamic Development Bank Group in 2016.

► Technology

Borsa İstanbul, which has a very important role in the Turkish economy, achieved operational excellence in 2016. Throughout 2016, its uninterrupted service rate has been 100% on the BISTECH platform and 99.999% for the whole BIST markets. This superior reliability demonstrates its technological capabilities and provides a strong foundation for its other technology-related ventures. Marketing technology and developing corporate solution packages that will ensure added value by benefiting from human resources and competencies are primary aims of Borsa İstanbul.

BISTECH Technological Transformation Program

In the first phase of the BISTECH Technological Transformation Program, equity market operation system, data dissemination system, surveillance system, index calculation system, settlement and custody system, operational databases, and reporting infrastructure were renewed. In addition, the equity market trading system switched to a new system developed with domestic resources and the properties of Nasdaq Genium INET trading, called BISTECH, on November 30, 2015. The new version of the BISTECH System, which added new functions and improvements, went into effect on June 1, 2016. Following implementation of the BISTECH Server Systems Optimization Project, users' order transmission performance increased by 20-25%.

Commissioning of new functions for the Equity Market

Broker Workstation and FIX Channel Improvements (Version 1.6)	30.05.2016
Pre-Trade Risk Management (PTRM) Application	27.06.2016
OUCH Order Transmission Protocol	27.06.2016
Partial Display Conditional Orders (Reserve / Iceberg Orders)	27.06.2016
Midpoint Orders	27.06.2016
Addition of New Filter Definitions in Drop-Copy (DC) Service	27.06.2016
Change in Warrant Nomenclature Based on BIST 30 Index	27.06.2016
Weighted Average Price Orders	30.09.2016
Permanent Daylight Saving Time and Change of Session Times	14.11.2016
Change in Exchange commission	14.11.2016
Principles of Trading Ownership-Based Lease Certificates in the Share Market	02.01.2017
No fee from Order Cancellation, Price Worsening and Volume Reduction in Exchange Traded Funds	02.01.2017

BISTECH Phase 2: VIOP Transition

The second phase of BISTECH technological transformation project concerns actualizing systems such as the operating system, pre-transaction risk system, data dissemination system, surveillance system, index calculation system, data warehouse service with regard to Borsa İstanbul and clearing, and reconciliation and risk management systems with regard to Takas İstanbul on BISTECH system. Accordingly, intensive works have been carried out with

members, data vendors, and software companies for the transfer of Financial Derivatives Market (VIOP) to the BISTECH platform. As of the last quarter of 2016, “live transition rehearsals” were launched with the participation of all parties and the VIOP transition is scheduled for completion on March 6, 2017. An efficient market surveillance mechanism will be established by enabling cross-market surveillance of derivative products and underlying assets using the SMARTS surveillance system, which is one important component of the project.

BISTECH Surrounding IT Projects

Data Analytics	June 2016
Replay Trading	August 2016
Security Loader	August 2016
FIX Test Automation	September 2016
Gateway Warming	December 2016

BISTECH R&D Center

The BISTECH R&D Center, which offers a 1400 m2 area and more than 80 personnel within Borsa İstanbul, was registered on May 6, 2016. Currently engaged in 24 separate projects, BISTECH R&D Center aims to provide inclusive solutions to the sector's problems by producing innovative and high-tech products in finance and software technology areas. It will work to commercialize its output and employ qualified human resources. Before BISTECH R&D Center even completed its first year, it successfully completed its evaluation phases as a Good Practice example in the field of "Project Management" out of 68 R&D centers at the Summit of R&D Centers Best Practice Examples organized by the Ministry of Science, Industry and Technology.

DevOpsDays İstanbul

DevOpsDays, which have been organized since 2009 for DevOps, a philosophy and method that brings software developers and system administrators together on a different platform to work together more efficiently, was hosted by Borsa İstanbul for its first event in Turkey on June 3–4, 2016. Borsa İstanbul is advancing toward developing and exporting advanced software technologies and becoming a competitive company in this field around the world. The BISTECH transformation and DevOpsDays mark additional steps toward

the goal of content and idea leadership in Turkey's national software sector.

Technology Services:

Colocation Within the scope of colocation services providing high-speed and secure access to Borsa İstanbul, 33 cabinets were rented to members, service providers, and high-frequency trading companies.

Hosting Takas İstanbul and Merkezi Kayıt İstanbul's systems and equipment continue to be hosted at the Borsa İstanbul data center.

Pre-Trade Risk Management Pre-Trade Risk Management (PTRM) was introduced in June 2016 for Equity Market transactions. PTRM operates in tandem with the BISTECH trading platform and allows Borsa İstanbul members to engage in risk management at order entry. It was used by 7 members as of end-2016.

OUCH With Borsa İstanbul's renewed trading infrastructure, OUCH, a special order transmission protocol for high-frequency trades, was put into force in July 2016. .

Time Server Service Service Time Server Service, which allows the time information provided by the National Institute of Standards and Technology [NIST—accepted as standard by regulatory institutions—to be received over a GPS satellite sensitive

to microseconds (PTP) and milliseconds (NTP)] entered into use in Borsa İstanbul systems and was offered to market participants.

Revenues totaling 4.7 million TL and 9 million TL were made from technology services in 2015 and 2016, respectively.

Technology Sales and Commercialization of BISTECH System

Borsa İstanbul, which is using and developing cutting-edge exchange technology with BISTECH Transformation, continues its marketing efforts both nationally and internationally with the help of its professional workforce and multi-stakeholder project studies.

Customer Orientation

As part of its customer-focused approach, Borsa İstanbul prioritizes improvements in the approach to capital markets and the investor experience. It also aims to provide efficient promotion of products and services and enhance financial literacy, awareness, and access to capital. Toward this purpose, training and events were organized, studies were realized to strengthen the relations with stakeholders, and processes were improved.

Key Account Management

In 2016, five brokerage houses were

visited by Senior Managers from Borsa İstanbul, Takas İstanbul, and Merkezi Kayıt İstanbul. Within the scope of key account management, meetings with nine brokerage houses were held regarding their needs, problems, and projects. The issues raised were shared with the relevant departments to enable creating solutions and preparing roadmaps. This program of visits will be expanded in order to reach a wider customer base.

Development of Membership Structure

New types of memberships and a projected structure in which members of a market can operate in other markets are on the agenda.

As a result of earlier assessments, authorizations were attained from the Capital Markets Board to enable members of the Precious Metals Market to trade derivatives, brokerage institutions to buy and sell (limited with their own portfolio) standard precious metals (physical delivery), domestic legal entities to trade on the Derivatives Market (VIOP) without being an exchange member, albeit limited to contracts related to the fields they operate and given that they meet the required conditions.

Trainings and Conferences

In 2016, a number of training schemes were organized by the Futures and

Options Market to inform investors about the derivative markets, which is less well-known compared to other markets:

- » Electricity Futures Contracts and Market Making Seminar
- » Training on Hedging against Currency Risk through Currency Futures Contracts
- » Spot Energy Market training
- » VIOP Trading System Applied Trainings
- » Single Stock Contracts and Corporate Actions Applications Webinar
- » Futures Contracts Seminar
- » Energy and Steel Market Advisory Committees III. Meetings
- » Gold Futures Contracts Webinar
- » Electricity Futures Contracts Seminar
- » Webinar for Wheat Futures Contracts with Physical Delivery

In the student education program aimed at university students, which has been provided for many years, Borsa İstanbul experts give theoretical training on capital markets and stock market activities. Students also receive practical training in different departments. In this context, a total of 445 students were provided with training in 2016.

In addition to the standard training offered to new representatives of the institutions that are members of Borsa İstanbul, training has been offered to current brokers to help them adapt to the technological changes accompanying the BISTECH transition. Formal training sessions were attended by 204 member representatives, and a further 40 people participated in the “Intensified

Borsa İstanbul and Markets” training, which is organized for the companies traded on the Stock Exchange as well as companies that aim to go public or who are interested in capital markets. In accordance with the agreement signed between Borsa İstanbul and Bosnia Bank International, which is the only Islamic finance bank in the Bosnia-Herzegovina Federation, bank employees received a two-month program of practical and theoretical training in capital and financial market institutions, including Borsa İstanbul.

BISTEP

The BISTEP program, jointly designed with Koç University in 2016 as an example business alliance between Borsa İstanbul and universities, is designed to support companies’ institutionalization process. The program’s activities make a range of contributions toward attainment of rapid progress related to the institutionalization of companies and realization of healthy sustainable growth. This program, which is based on the understanding that the institutional structures of capital markets and those of companies are inseparable, was developed by merging Borsa İstanbul’s knowhow about the business world with the academic experience of Koç University. The program is projected to go live in 2017 with extended cooperation in the context of a new agreement with Boğaziçi University.

Events

Different departments of Borsa İstanbul have participated in different events throughout the year to develop relationships with local and foreign stakeholders, especially in the capital markets.

Ring the Bell for Gender Equality

“Ring the Bell for Equality,” which is an event held in 34 Stock Exchanges all over the world with the participation of international organizations, aims to make the role of women more prominent in society, promote gender equality in the business world, and support the empowerment of women in economic life, has been held in Borsa İstanbul since 2015. In this context, a ceremony took place with the participation of First Lady Emine Erdoğan and Dr. Sema Ramazanoğlu, Minister of Family and Social Policies of the Republic of Turkey, on March 8, 2016.

Price Reductions and Improvements

Regulations were instituted to prevent fees being charged on order cancellations, quantity reductions, and price worsening for the year 2017 for transactions carried out in Exchange Traded Funds. The maximum margin for the quotations given on the price for the quotations given by market makers for Private Sector Debt Instruments was reduced to 1 TL from 1.5 TL and the

quotations on returns were reduced to 0.75% from 1% if the simple interest rate is 20% or more; the interest rate difference was reduced to 0.50% from 0.75% if the quotation is less than 19.99%. Minimum nominal quotation sizes were halved to 50,000 TL from 100,000 TL. With the amendment made in the Listing tariff, annual listing fees charged to traded companies were reduced.

It was also decided to apply a 50% discount on the initial listing fee for lease certificates. In order to ensure that standard gold transactions within the Precious Metals and Precious Stones Market are realized in a more efficient environment, an effective market maker application, which regulates market making principles, was developed. Members who are market makers in the system consisting of two types of membership including Type A membership and Type B membership, are subject to a discount on transaction and custody commissions when certain transaction limits are attained. The performance of market makers is periodically monitored.

A Grand Bazaar Delivery Location was launched to make it easier for members of the Grand Bazaar to carry out their transactions on Borsa İstanbul and to establish a safe, secure custody and delivery center, especially for small volumes. As of January 4, 2016, a discount of 50% was applied to the pit area and individual single-room fees in the trading floor. New

rules were determined with regard to API, FIX, and user terminal (TW) allocation and pricing principles in order to benefit our members from January 1, 2017 onwards.

A 75% discounted fee has been applied to real persons and legal entities with limited authorization. In addition, brokerage houses classified as a narrow authorized brokerage house were allowed to remain members of Borsa İstanbul without an annual fee obligation.

Investor Protection

Unusual price and amount movements in all markets are monitored to identify acts contrary to the Capital Markets Law and the acts that prevent the open, regular, and fair operation of the markets within the bounds of Borsa İstanbul. Activities are monitored and suspected movements reported with an electronic surveillance system in order to ensure that the capital markets instruments traded on the Stock Exchange can be traded with confidence and stability. Issues determined during examination of the exchange and its member registrations and considered to be contrary to the capital market legislation are communicated to the Capital Markets Board and those found to be contrary to the legislation of Borsa İstanbul have been evaluated.

A screening audit for all companies whose shares are traded on Borsa İstanbul was

conducted in 2016. In addition, inspections were carried out within the scope of applications related to the members of Borsa İstanbul and investigations conducted into disputes between members and investors and submitted to the relevant authorities. In addition to routine surveillance and monitoring activities, investigations within the context of investor complaints about exchange members and exchange transactions were conducted.

Legal Activities

In 2016, the number of cases and execution proceedings in which Borsa İstanbul is a party reached 187 and 61, respectively. There are currently no lawsuits or executive orders filed against Borsa İstanbul that have potential to affect Borsa İstanbul's financial position and operations. In addition, no administrative or judicial sanctions have been imposed on Exchange members or management body due to the practices contrary to legislative provisions in 2016.

► Inorganic Growth

Increased Shareholding in Takas İstanbul

Borsa İstanbul is considering an inorganic growth path to achieve its growth targets. Accordingly, it is pursuing opportunities for acquisitions and capital investments, and is currently increasing its share in existing affiliates. In line with the global

trends, Borsa İstanbul is increasing its share in Takas İstanbul, which serves as a settlement and central counterparty CCP organization for the Turkish capital markets, in order to be able to offer an integrated business structure and provide end-to-end services. At present, Borsa İstanbul is the main shareholder in Takas İstanbul, with a share of 62.25%. In 2016, efforts were made to increase this share by acquiring shares from Takas İstanbul shareholders. The share transfer is subject

to the approval of Takas İstanbul Board of Directors and the process is expected to be completed in the first quarter of 2017. In addition, investment opportunities are sought for companies operating in areas such as data, technology, index, and corporate solutions of the capital markets value chain. Through such investments, Borsa İstanbul aims to diversify its revenues and consolidate its competitive power with the aim of producing synergy.



► Operational Efficiency

New Era with Group Concept: Borsa İstanbul Exchange Group Finance and Technology Campus

Borsa İstanbul, whose roots stretch back 143 years to the Dersaadet Bond Exchange, today continues its path as Borsa İstanbul Exchange Group together with post-trade organizations.

Merging with post-trade institutions, as the next stage following the transformation of capital markets and the leading role played by Borsa İstanbul, has been an important move marking the year 2016 and follows the consolidation of global power with strategic partnerships. This integration not only brings all these parties together physically on the same campus, but also develops synergy by the merger of operations.

This step is the final one in a series of moves started in 2012 for the development of capital markets. These other steps entailed, first of all harmonizing the legal structure with international standards, followed by the merger of the three stock exchanges (ISE, Istanbul Gold Exchange, and Futures and Options Exchange) under Borsa İstanbul in 2013. These plus the subsequent vertical integration after strategic partnerships were established with the leading global names, have made Borsa İstanbul stronger in every sense, more profitable after consolidation,





and ready to be offered to the public. In the upcoming period, it is planned to move Enerji Piyasaları İşletme A.Ş., a subsidiary of Borsa İstanbul that performs the spot energy market function, to the İstinye campus as well. The efforts to bring together Borsa İstanbul and its subsidiaries, Takas İstanbul and Merkezi Kayıt İstanbul, on the Borsa İstanbul campus were initiated in 2013 and the “Borsa İstanbul Exchange Group Finance and Technology Campus” was launched in İstinye after the completion of all construction activities in 2016. Takas İstanbul and Merkezi Kayıt İstanbul moved to the İstanbul Financial and Technology Campus in December 2016 and all Borsa İstanbul Exchange Group brands were gathered at a single operation center.

Furthermore, construction activities were also carried out on the Kuyumcukent Campus, where the Borsa İstanbul’s Precious Metals and Precious Stones Market is located, concurrently with the work on Borsa İstanbul Exchange Group Finance and Technology Campus, and this investment increased the precious metal storage capacity to 1,600 tons from 100 tones.

Borsa İstanbul on the Path to Going Public

Borsa İstanbul started preparations for its public offering following the enactment of the Capital Markets Law No. 6362 in 2012. The public offering is expected to help business processes become more efficient, thereby boosting both financial



and operational efficiency. Borsa İstanbul's IPO process was initiated in 2015 in line with the seventh paragraph of article 138 of the Capital Markets Law. In 2016, an IPO Committee within the Board of Directors as well as an IPO Working Group, including Borsa İstanbul staff, were established and started working on the time plan.

Landmark Strategic Partnerships and Business Alliances

Paragraph (c), Article 138 in the Capital Markets Board Law contains the following provision: "Some part of the shares owned by Borsa İstanbul A.Ş. may be transferred to relevant parties provided that strategic partnerships are established and/or to other stock exchanges, markets or system operators provided that the transfer of

technology and technical knowledge and competence are ensured, with the approval of the Capital Markets Board, if deemed necessary." Borsa İstanbul established strategic partnerships with Nasdaq on December 31, 2013, and with European Bank for Reconstruction and Development (EBRD) on December 11, 2015. As a result of these partnerships, Nasdaq owns 7% and EBRD owns 10% of shares in the capital of Borsa İstanbul.

The Nasdaq partnership has given Borsa İstanbul a leading technology base in terms of global standards, along with priority sales rights of technology related to these systems in 25 countries. Links with EBRD, in whose investment portfolio Turkey ranks at the top, strengthened the international position of Borsa İstanbul and contributed to the development of its regional vision and corporate governance practices.

Establishment of new strategic partnerships has been on the agenda in order to complement these two strategic alliances, especially in line with Turkey's vision of development of interest-free finance. For this purpose, a strategic cooperation agreement was signed with IDBG. This strategic partnership with IDBG, which has a pioneering and supranational position in interest-free finance, was established in 2016 with the signing of a strategic cooperation agreement. Following the said agreement, the two parties initiated strategic partnership negotiations. As a result of this historic business alliance, it is expected





that capital and financing will spread to the base by the development of interest-free financing in Turkey and in particular, drawing interest-sensitive investors from the Gulf region to Turkish capital markets. In addition, the vast experience of IDBG will serve as a catalyst for Borsa İstanbul's objective to develop interest-free financing and ensure that these goals will be reached more effectively in a short time.

Share Buy-Back Program Aimed at Sector Support

At the end of 2016, Borsa İstanbul A.Ş.

launched the buy-back program regarding Group C shares. The buy-back is aimed at supporting the sector by repurchasing shares of brokerage partners, most of whom are members of Borsa İstanbul. In addition, the repurchased shares can also be used in establishing new strategic partnerships. The share buy-back process is expected to be completed in 2017. In order to complete the transaction, the share repurchases will have to be approved by the Capital Markets Board, and Borsa İstanbul Board should be authorized for the repurchase during the Ordinary General Assembly meeting.

Borsa İstanbul's Most Important Strength: Human Resources

Having developed and qualified human resources and managing this power in an effective manner are very important in achieving operational efficiency. One of Borsa İstanbul's strengths is its high-quality human resources along with a commitment to ethical principles and values. Our human resources have become stronger due to the 64 employees recruited in 2016, allowing Borsa İstanbul to continue to serve the capital markets thanks to its competent staff.

Borsa İstanbul's business relations with 55 employees were terminated due to security reasons as a result of the coup attempt that threatened the survival of the Turkish Republic and nation on July 15, 2016. Other employee contracts were terminated within the framework of the updated objectives of Borsa İstanbul's new management, business strategies, and security-related restructuring measures. In this difficult period after the coup attempt, Borsa İstanbul continues its activities without interruption thanks to the dedicated efforts of its employees, allowing it to grow stronger with each passing day. 37% of the 506 employees of Borsa İstanbul have a doctorate or master's degree, and 43% have a bachelor's degree. The average age of employees working in the institution is 38.6; the average service length is 10.5 years.

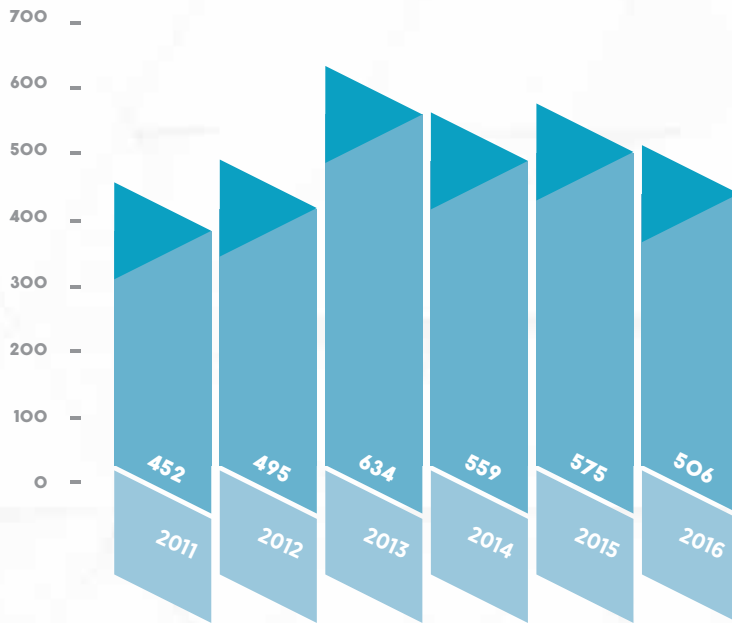
Orientation programs were organized for employees who joined Borsa İstanbul

during the year. The program offers information on stock exchange and capital markets, and occupational health and safety issues as well as introduces human resource practices and corporate culture.

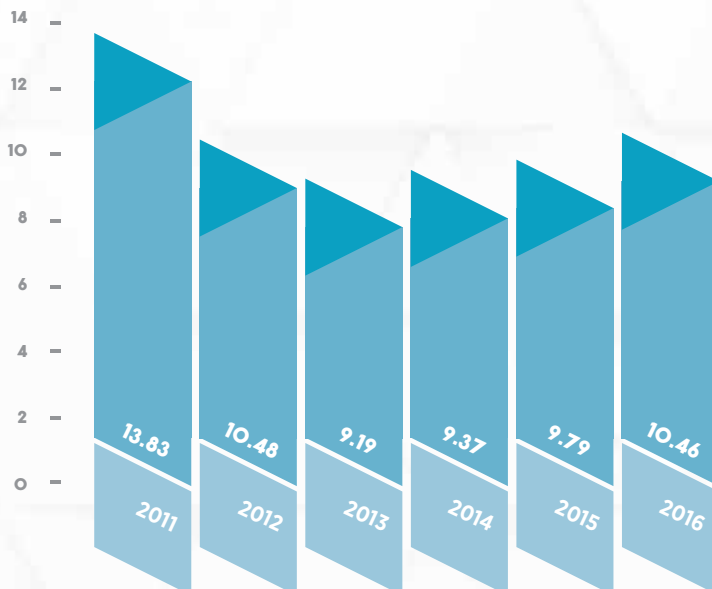
After Takas İstanbul and Merkezi Kayıt İstanbul started operating on our campus, a series of motivational events were organized in 2016 with the aim of bringing group employees together, strengthening cohesion and team spirit. Increasing the number of such events and diversifying their range are among the primary human resources goals of Borsa İstanbul for 2017.

Within the framework of sensitivity to compliance with legislation and the importance given to the safety of employees, information security and basic job health and safety training have been organized for all employees.

Number of Employees



Average Tenure



Corporate Governance and Sustainability



Sustainability and Social Responsibility



► Holistic Sustainability Approach

Our sustainability approach is based on (1) encouraging our market participants and stakeholders to integrate a sustainability perspective into their work, (2) bringing them together with experts in the field, (3) developing market-based solutions, and, of course, (4) serving as an example with the ownership and applications we demonstrate in our own organization. Borsa İstanbul believes that innovation is one of the critical tools for achieving sustainability. For this

reason, it is also important to provide a sustainability-focused product range that can serve the needs of market participants. Borsa İstanbul aims to expand sustainable business models and integrate a sustainability perspective into its own business model as well. Establishing a sustainability strategy, determining long- and short term goals, and integrating them with company goals are of great importance.

It would be wrong to consider sustainability practices as endeavors independent from economic sustainability. Economic, environmental, social, and managerial dimensions have important interactions. More and more research studies are demonstrating that companies with a sustainability perspective can have a more robust and stronger economic performance.

Stock Exchanges play an important role in the process of dissemination of sustainability practices. Borsa İstanbul, which has a very broad stakeholder

network and domain, is leading these initiatives and actively operating in national and international networks to increase awareness, knowledge, and experience regarding the sustainability concept and disseminate sustainability practices. Our Stock Exchange is a founding member of Sustainable Stock Exchanges (SSE) and also sits on the Board of Directors of UN Global Compact Turkey Network.

► Sustainability Platform

The Sustainability Platform was established in 2013 at the initiative of Borsa İstanbul in order to evaluate the realization of sustainability works in a result-oriented and effective manner. A second aim was to create a network that will enable us to discuss common steps to be taken with regard to sustainability in our country. The eighth meeting of the Platform was hosted by Borsa İstanbul on April 12, 2016.

► Sustainability Index

The BIST Sustainability Index, which contains companies traded in Borsa İstanbul and whose corporate sustainability performances are at a higher level, commenced calculation on November 4, 2014. It aims to increase understanding, knowledge, and application of sustainability issues in Turkey, especially among Borsa İstanbul companies. Along with calculation of the index, the sustainability activities of companies that have been pursuing sustainability and have higher performance in this field are now more visible to the market, and this has encouraged them to continue and/or increase their activities. Companies that have not placed sustainability as one of their focus points will be encouraged to take steps in this direction due to increased interest in sustainability matters. In the coming period, it is expected that the BIST Sustainability Index will increase the quality of traded companies and make a positive contribution to the prestige of the traded companies and

Borsa İstanbul. Thus, it is projected that these companies will obtain lower-cost financing and investment opportunities, with easier access to global suppliers and customers. In addition, Sustainability Index will attract investors sensitive to environmental, social, and governance issues, thus increasing fund inflow to the country. Companies included in the BIST 30 Index in 2014 and the BIST 50 index in

2015 were subject to evaluation prior to inclusion. The list of companies subject to evaluation has been expanded to include BIST 100 companies on a voluntary basis since 2016. The companies listed in the Index during the period from November 2016 to October 2017 are as :

1	ADEL	ADEL KALEMCİLİK	23	PETKM	PETKİM
2	AKBNK	AKBANK	24	SAHOL	SABANCI HOLDİNG
3	AKSEN	AKSA ENERJİ	25	SISE	ŞİŞE CAM
4	AEFES	ANADOLU EFES	26	HALKB	T. HALK BANKASI
5	ARCLK	ARÇELİK	27	TSKB	T.S.K.B.
6	ASELS	ASELSAN	28	TATGD	TAT GIDA
7	BRISA	BRİSA	29	TAVHL	TAV HAVALİMANLARI
8	CCOLA	COCA COLA İÇECEK	30	TKFEN	TEKFEN HOLDİNG
9	DOHOL	DOĞAN HOLDİNG	31	TOASO	TOFAŞ OTO. FAB.
10	DOAS	DOĞUŞ OTOMOTİV	32	TUPRS	TÜPRAŞ
11	EREGL	EREĞLİ DEMİR ÇELİK	33	THYAO	TÜRK HAVA YOLLARI
12	FROTO	FORD OTOSAN	34	TTKOM	TÜRK TELEKOM
13	GARAN	GARANTİ BANKASI	35	TTRAK	TÜRK TRAKTÖR
14	GLYHO	GLOBAL YAT. HOLDİNG	36	TCELL	TURKCELL
15	ISCTR	İŞ BANKASI	37	ULKER	ÜLKER BİSKÜVİ
16	ISGYO	İŞ GMYO	38	VAKBN	VAKIFLAR BANKASI
17	KCHOL	KOÇ HOLDİNG	39	VESTL	VESTEL
18	KORDS	KORDSA GLOBAL	40	VESBE	VESTEL BEYAZ EŞYA
19	MGROS	MİGROS TİCARET	41	YKBNK	YAPI VE KREDİ BANK.
20	NETAS	NETAŞ TELEKOM.	42	ZOREN	ZORLU ENERJİ
21	OTKAR	OTOKAR			
22	PGSUS	PEGASUS			

▶ Ring the Bell for Gender Equality

In 2016, Borsa İstanbul also supported gong ceremonies in cooperation with United Nations Global Compact, UN Women, World Federation of Exchanges (WFE), Women in ETFs, Sustainable Stock Exchanges Initiative (SSE) and the World Bank Group, and the IFC (International Finance Corporation) by inviting the business community to promote gender equality and support the empowerment of women in economic life. A gong ceremony was held with the participation of First Lady Emine Erdoğan and Dr. Sema Ramazanoğlu, Minister of Family and Social Policies of the Republic of Turkey, on March 8, 2016.

▶ Integrated Reporting Studies

Integrated reporting is a reporting method that combines strategic, administrative, and performance information related to an enterprise's commercial, social, and environmental issues. Hence, integrated reports contribute to a better understanding of the organic links between "sustainability" and "work" practices. Borsa İstanbul and the Sustainability Platform work in cooperation with International Integrated Reporting Council (IIRC) and support its activities. In addition, the Turkish Integrated Reporting Network (ERTA), of which Borsa İstanbul is a founding member, accelerated its establishment activities in 2016, and the founding principles and secretariat protocol were prepared with contributions of all founding

members. ERTA's establishment was announced with a gong ceremony held in our Exchange in 2017. Borsa İstanbul plans to prepare an Integrated Report in 2018.

▶ Sustainability in Stock Exchange Business Processes and GRI G4 Report

Creation of a sustainability strategy was undertaken with support from a leading sustainability consultancy. The aims of this strategy include establishing an effective sustainability policy in Borsa İstanbul, integrating sustainability into decision making mechanisms in a healthy manner, and ensuring effective communication by means of reporting on activities carried out for this purpose. To this end, a "Sustainability Strategy Roadmap" outlines the actions to be undertaken by Borsa İstanbul until 2020 in eight priority fields (Strategy, Corporate Governance, Stakeholder Relations, Effective and Transparent Markets, Business Continuity and Technological Risk Management, Innovation and Environment). This plan was prepared with the participation of Borsa İstanbul units and approved by the Sustainability Committee and received approval from the Board in July 2016. Integrated Reporting will increase Borsa İstanbul's competitive power in international markets by setting the goal of "2020 Sustainability Leadership" for Borsa İstanbul to lead the transformation of Turkish financial markets by strengthening its future. In addition, the 2015 Sustainability Report, which was prepared for the purpose of transparently

and explicitly conveying Borsa İstanbul's performance in the field of environmental, social, and corporate governance and its applications in the context of sustainable transformation of capital markets to its stakeholders and compliance with GRI G4 standard, was published in the first half of 2016. It is expected that this report will set an example for listed companies as well.

► Social Responsibility

Borsa İstanbul believes that financial markets and corporate sustainability play important roles in the healthy development of society as well as economic growth on a global scale. To this end, it carries out activities that will support society's culture, art, education, and similar needs within the framework of responsible corporate citizenship; it also contributes to social responsibility activities by means of its efforts for social development.

► Borsa İstanbul Schools

Within the framework of the protocol concluded with the Ministry of National Education in 1997, the "National Education Physical Contribution Project" (EFİKAP), which was initially put into practice by the "ISE Education Fund" with a budget of 32 Million TL for constructing 46 schools, has as of today become an important project with a very high value-added. Within the scope of EFİKAP, Borsa İstanbul develops solutions in accordance with different regions' needs through educational

institutions built in 80 provinces and 277 districts throughout Turkey; these efforts contribute to regional development and creation of equality of opportunity in education. About 800,000 students have been offered educational opportunities through 432 educational institutions and facilities consisting of 53 different types in total, including primary schools, high schools, vocational schools, boarding schools, sports hall, conference hall, universities, faculties, rector offices, and public education centers.

For this project, 5.1 million TL has been paid to the Governorships in 2016. The project is funded by the Borsa İstanbul Contribution Fund for Education, which is managed by Borsa İstanbul, and the accretions formed by the fund are also used for EFİKAP. Up to now, a total of 1.5 billion TL fund has been raised for projects that are financed by Borsa İstanbul's own resources.

These investments made in provinces and districts that lack sufficient opportunities will help ensure that education levels and quality will be increased and education awareness will expand throughout Turkey. On the other hand, holistic development is ensured by enabling adults to participate in business life through education and handicraft courses provided during periods such as summer months and weekends.

July 15 Martyrs

A police officer and a citizen were martyred while defending Borsa İstanbul during the atrocious coup attempt on July 15th. Borsa İstanbul considers helping the martyrs' families to be a social responsibility duty, and has provided both families with moral and material support. In this context, apartments were purchased in the name of the martyrs' families. In addition, sponsored events (e.g., a football match for honoring the Martyrs on December 22, 2016) have been organized to help the families of our fellow citizens who were martyred the same night. Furthermore, a "July 15 Martyrs Memorial" was built in Borsa İstanbul campus to eternalize the memories of our martyrs.

A gong ceremony was organized in Borsa İstanbul campus in cooperation with Borsa İstanbul Exchange Group and the Turkish Red Crescent on December 14-15, 2016 and a Blood Donation Campaign was held. The blood donated by 200 employees of Borsa İstanbul Exchange Group has given life to about 600 people and happiness to many others.

Support for Sports Activities

Borsa İstanbul is proud to be one of the main sponsors of the Ethnosport Culture Festival organized by the World Ethnosport Confederation on August 26-28, 2016 in Istanbul for the revitalization of traditional sports. Borsa



İstanbul sponsored Abdullah YORULMAZ, a national paralympic archer under Turkish Sports Federation for Persons with Physical Disabilities and Turkish Archery Federation. Nationally ranked athlete YORULMAZ is supported to enable him to better represent our country and the nation in international arenas and to achieve greater successes.

Audit Committee Annual Evaluation Report



Borsa İstanbul's Audit Committee was established in accordance with Article 16 of Borsa İstanbul's Articles of Association and the Borsa İstanbul Audit Committee Responsibilities and Operation Principles Directive. It aims to ensure that Borsa İstanbul's Board realizes its duties and responsibilities in a healthy manner. On the basis of the Board's Resolution taken at its meeting dated April 1, 2016, Board Member Prof. Dr. Eriřah Arıcan was elected as Chairman, and Board Member Mr. Melikřah Utku and Board Member Mr. Bilal Topçu were elected as members of the Audit Committee. After the Board Meeting held on November 24, 2016, Mr. Yunus Arıncı was elected instead of Mr. Melikřah Utku.

According to Borsa İstanbul's Articles of Association and said Directive, the Audit Committee is responsible for and authorized to assist the Board by providing assistance in the Board's auditing of the quality and correctness of Borsa İstanbul's financial statements, to monitor the application and efficiency of the accounting system, to pre-approve the appointment of the independent auditor and the services to be provided by the same, to prepare and control the agreement to be signed between Borsa İstanbul and the independent auditor, and to monitor the Company's independent audit system, control and internal audit mechanisms. The Audit Committee held eight meetings during

2016. The Committee's activities in 2016 are summarized below:

- The Committee pre-approved the provision of independent audit services for Borsa İstanbul's 2016 accounts and operations by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (PriceWaterhouseCoopers), and submitted this decision to the Board for approval.
- The Committee examined and evaluated Borsa İstanbul's consolidated financial statements as of December 31, 2015 and interim consolidated financial statements and independent audit reports for 2016.
- Information on the internal audit

activities of the Audit and Surveillance Board was received regularly and internal audit reports prepared in 2016 were evaluated.

- Information on Borsa İstanbul's financial statements was received on a regular basis, details of the various account movements were evaluated.
- Briefs of the reports prepared by Audit and Surveillance Board and presented to the CEO were received.

Early Risk Detection Committee Annual Evaluation Report



ESTABLISHMENT AND STRUCTURE OF THE COMMITTEE

The Early Risk Assessment Committee was established in line with the Borsa İstanbul A.Ş. Early Risk Assessment Committee Responsibilities and Working Principles Directive, prepared as required by Article 378 of the Turkish Commercial Code and Capital Markets Board of Turkey's Corporate Governance principles. The Committee commenced upon being accepted in the Board's meeting dated June 19, 2013. The Committee consists of members elected from among the Board members. The Committee Chairman was Melikşah Utku in the beginning of 2016. After his departure from the Board of Borsa İstanbul, Committee Chairmanship duties were carried out by new Board member Yunus Arıncı. The other Committee members are Murat Tacir and Işınsu Kestelli. By the end of 2016, Board member Nicola Jane Beattie also joined the Committee. The Committee has a dedicated support team, consisting of Borsa İstanbul employees, directed by Chief Operating Officer Osman Küçükçınar.

Since its establishment, the Committee has met regularly every two months. Since 2015, preparatory meetings preceding the Committee meetings have been held in accordance with the pre-announced annual meeting plan. Ongoing work was evaluated at these meetings, held with the participation of staff at a minimum managerial level, and representing critical units of Borsa İstanbul.

At the meetings, risks are evaluated on the basis of business units and the effects of such risks on the other business units and on Borsa İstanbul, and information on early risk assessment and management is provided. Additionally, the precautions that related units must take to minimize these risks, particularly to Borsa İstanbul's markets as well as those risks that may significantly influence Borsa İstanbul's activities, were discussed and important ones reported to the Board. Recent risks faced by all units, reasons that led to such risks, and precautions that were taken or planned to be taken in the short term and long term were evaluated, along with the contributions of all the participating business units. The Committee discussed precautions against realized risks and possible risks as well as other possible risks that may affect the business units and Borsa İstanbul in its entirety, in light of the past experience.

BORSA İSTANBUL MARKET'S TECHNOLOGICAL TRANSFORMATION IN 2016

After the smooth and successful transition of the Equity Market's trading and settlement systems to the BISTECH platform jointly developed with Nasdaq in 2015, efforts to transition other markets to the new platform have been carried out in 2016. The migration of Derivatives Market to the BISTECH platform was completed on March 6th, 2017. Other markets are planned to be switched to the new BISTECH

platform in the first quarter of 2018.

Ongoing risk assessments are being carried out to identify negative situations that may arise.

INTEGRATED APPROACH TO RISK MANAGEMENT

Policies and plans for extraordinary events that may occur in Borsa İstanbul markets prior to or during the trading session and prevent it from running smoothly were periodically reviewed. Drills aimed at ensuring the business continuity of Borsa İstanbul were held with the participation of market participants and Borsa İstanbul staff. These drills were planned in such a way as to include MKK and Takasbank staff in 2016. Efforts to gather Borsa İstanbul, Takasbank, and MKK disaster recovery operation centers in a separate, strong, and technologically advanced building are nearly completed. Moreover, in order to provide a more interactive working environment, Takasbank and MKK buildings were moved to the Borsa İstanbul campus area.

Precautions against attempts to carry out cyber attacks, leaks, etc. that have damaged global financial institutions significantly in recent years are periodically reviewed in risk evaluation meetings. Within this framework, penetration tests are carried out by various institutions against internal and external technological leaks at least annually and more frequently as may be necessary, and necessary

measures are taken. Such measures taken and problems experienced are reported to Takasbank and MKK on a regular basis, and special importance is attached to sharing information and experience with the relevant parties in coordination.

IMPROVEMENTS IN REGULATORY COMPLIANCE

Special importance is attached to the harmonization of Borsa İstanbul's regulations with the primary legislation, and to amending such legislation in face of the improving and changing market conditions in consultation with the Capital Markets Board. Within this framework and following the enactment of the Capital Markets Law No. 6362 dated December 30, 2012, efforts on secondary legislation under the coordination of the Compliance Unit have been conducted as part of an integrated approach including the monitoring and evaluation of possible effects of secondary legislation on Borsa İstanbul.

Training sessions aimed at raising awareness of information security in order to hinder any leakage of confidential and sensitive information to third parties are organized on a regular basis.

In addition to all the measures taken at Borsa İstanbul and awareness training provided, Borsa İstanbul holds a comprehensive insurance policy against the risks Takasbank A.Ş. and Merkezi Kayıt Kuruluşu A.Ş. (MKK) may face, including

those that may arise from actions such as breach of trust, information technology crimes, and fraud. Furthermore, important assets of Borsa İstanbul, damage to which may lead to risks, are covered by an insurance policy as required by international practice. Furthermore, Borsa İstanbul planned to buy in 2016 "employer liability insurance" to cover risks arising from any court case that employees contracted under Social Security Institution (SGK) may file against Borsa İstanbul due to work accidents, and "professional liability insurance" to cover the risks of damage to third parties that may arise from fulfilling or failing to fulfill professional activities, damage to or virus infection of data, and risks related to published content. For cyber risks, consultancy companies were contacted and offers received from insurance companies, and this issue was further evaluated in 2016. For damage to assets caused by strikes, lock-outs, public demonstrations, etc., "Industrial Package Insurance" was bought in 2016. Coverage is also in place for damage caused to third parties by security staff of Borsa İstanbul.

EFFORTS IN ESTABLISHING A CORPORATE RISK MANAGEMENT SYSTEM

In line with international internal audit standards, a risk-focused internal audit approach is applied at Borsa İstanbul. Within this framework, process-focused internal audits are performed annually, and necessary corrective and precautionary measures are taken as a result of the audits.

Since Borsa İstanbul carries out critical and low-tolerance operations, its work processes were reviewed and modified in 2016 from within a risk context.

EFFORTS REGARDING MANAGEMENT AND REPORTING OF FINANCIAL RISKS

Borsa İstanbul takes the necessary measures against the risks that may influence the value of its revenues or its financial assets, and manages such risks by balancing the assets and liabilities sensitive to such risks. No long term interest or maturity risk is taken in managing company assets, and in general, assets are kept in deposit accounts with one month maturity. Furthermore, by employing active resource management, Borsa İstanbul keeps sufficient cash and similar resources in order to satisfy current and possible liabilities. Within the scope of financial risk management, counterparty risk is also evaluated, and in order to prevent any negative effects of third parties' insolvency risks on Borsa İstanbul, source management is applied, subject to limitations. As a result of the efforts started in 2015 and continued in 2016, collection and payment processes in accounting were simplified and made more efficient. Borsa İstanbul's daily revenues are reported to senior management on a daily basis.

ATTEMPTED COUP OF JULY 15, 2016

During the attempted coup on July 15, 2016, which targeted the existence of the Republic of Turkey and the will of the

Turkish nation, Borsa İstanbul was also attacked, being the only financial institution occupied in mentioned attempt. The attack was evaded avoided thanks to the efforts of police forces, mindful people, and Borsa İstanbul staff. As a result of implementation of risk management activities through all departments of Borsa İstanbul, the systems and functioning of Borsa İstanbul Exchange Group—including all stakeholders—were continued without interruption.

In addition, although exchange activities were continued without interruption, to ensure effective response to these types of situations, staff policies, business flows, and control points for these flows were reviewed and necessary precautions taken.

Corporate Governance Committee Annual Evaluation Report



At the beginning of 2016, Corporate Governance Committee consisted of Mustafa BÜYÜKABACI, as Chairman of the Committee and Board member, Halil TUNALI, Board member, and Hüseyin ZAFER, Executive Vice President.

The Committee held the first meeting of the year on January 27, 2016 and reviewed the Corporate Governance Committee Evaluation Report 2015 and Corporate Governance Compliance Report and decided that the reports would be submitted to the Board of Directors for approval.

Member structure of the committee was modified due to election of Board of Directors, following the Ordinary General Assembly meeting on April 1, 2016. As end of 2016, independent Board member Bilal TOPÇU is chairman of committee. Board members İlhami KOÇ and Nicola (Jane) BEATTIE are members of the committee.

At the first meeting that was attended by new committee members on May 17, 2016, it was decided to create a roadmap to be discussed at committee meetings. At committee meetings, it was considered that the titles Shareholders, Transparency, Stakeholders and Board of Directors included in the Corporate Governance Communiqué should be handled one by one, and the roadmap was formed around these titles. An analysis was carried out to identify the actual implementations in Borsa İstanbul. By taking into consideration different best

practices outside and inside the country, it was decided to study on implementation of best practices in the company. It was agreed that one title should be addressed at each committee meeting.

At the second meeting held on September 29, 2016 the section of gap analysis titled Board of Directors was discussed. The best practices that can be implemented were discussed. Improvements to the functioning of the Board of Directors and the Committee were brought to the agenda. It was observed that the Corporate Governance Committee participated in collective bargaining negotiations because there was no compensation committee in the company. It was unanimously decided that the collective bargaining talks should be dealt with by the senior executives of the company instead of Committee members, and the Corporate Governance Committee Working Procedures and Principles Circular was amended accordingly.

In order to ensure that members of the Board of Directors would work more effectively and competently, planning of an electronic portal dedicated to members came to the agenda. To ensure that more time could be allocated to strategic issues during physical meetings, it was assessed that decisions could be made by electronic signatures for more practical duties. For this purpose, all Board members were provided with electronic signatures, and it was decided that a preliminary study would be

carried out by IT departments for e-portal.

In line with the decision taken at the meeting, it was assessed that it would be very appropriate for the Board of Directors to schedule the meeting dates in a way to cover the years 2016 and 2017 in terms of time scheduling for both Company works and members, and an offer was made to the Board in this regard. With the approval of Board of Directors, a meeting schedule for the Board of Directors was set and shared with departments. At the last meeting of the year held on December 29, 2016, it was evaluated that it would be beneficial to schedule the Committee meetings as well as the Board of Directors Meeting and it was decided to convene the committee in February, April, June, August, October and December 2017.

It was stated that the members of the Board of Directors should be informed more about the proposals prepared by the units. In this regard, it was decided a template proposal to be prepared and to be shared with all departments.

Information Technology authorities gave explanation on creation of an electronic portal that the Board of Directors could make use of. Shareholder headings were considered in the road map created in the field of Corporate Governance. The existing Information Policy was discussed and the Donation and Assistance Policy was addressed.

Corporate Governance Compliance Statement



Borsa İstanbul A.Ş. (Borsa İstanbul, the Company), shows due diligence in complying with the Capital Markets Board Corporate Governance Principles (Principles) announced by the Capital Markets Board of Turkey in accordance with Article 73 of the Capital Markets Law No. 6362. Within this framework, and with the aim to go public by the end of 2018, Borsa İstanbul's management has based its basic management principles—which define its relations with the shareholders, employees, and other related parties—on equity, transparency, accountability, and responsibility principles. In fact, Borsa İstanbul's current Articles of Association envisage that the Corporate Governance Principles issued by the Capital Markets Board of Turkey will be observed.

Borsa İstanbul A.Ş., the main actor of Istanbul International Financial Center Project, is aware of the importance of corporate governance, and hence, is devoted to implementing specific rules and following international best practice.

The Corporate Governance Committee, Audit Committee, and Early Risk Assessment Committee continued to work in accordance with the relevant Directives during 2016. Furthermore, during the year, the information under Corporate Governance and Investors on Borsa İstanbul website was kept updated

in accordance with the Information Policy and arrangements were made when necessary.

1. SHAREHOLDERS

1.1 Investor Relations Service

Despite not being a publicly traded company, Borsa İstanbul created an Investor Relations Unit in June 2014. Investor Relations team reports to Executive Vice President/CFO, Şenol Duman, PhD., and inquiries to the team can be made to investorrelations@borsaistanbul.com and yatirimciiliskileri@borsaistanbul.com.

The procedures prior to, during, and following the Ordinary General Assembly meeting held on April 1, 2016 and the Extraordinary General Assembly meeting held on October 30, 2016, were carried out by the Investor Relations Unit.

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

A.Ş. shares between these investment institutions.

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

1.2 Exercising of Right to Information by Shareholders

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

Company operations are periodically audited by the independent auditor assigned by the Board as approved by General Assembly. The 2016 operations of Borsa İstanbul were independently audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., and this report is available on the website.

The Company's Articles of Association do not envisage the right to request a special auditor, and no demand to that effect came from shareholders during 2016.

1.3 General Assembly Meetings

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

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

at least three weeks before the General Assembly meeting, excluding the date of the announcement and date of the meeting.

General Assembly meetings are realized in line with the principles of Turkish Commercial Code, Capital Markets Legislation, and Corporate Governance

principles, in a way to ensure sufficient provision of information and high participation by the shareholders, and making use of the Electronic General Assembly facility offered by Merkezi Kayıt Kuruluşu. An Extraordinary General Assembly, on the other hand, convenes as required by the Company operations, upon request of the Board, of minority shareholders in cases outlined in the Turkish Commercial Code, or of Capital Markets Board. In this case, the Capital Markets Board is also entitled to determine the agenda if necessary.

Borsa İstanbul A.Ş.'s 2016 Ordinary General Assembly meeting was held at Borsa İstanbul's İstinye campus on April 1, 2016.

The Ordinary General Assembly meeting was announced

- in the Turkish Trade Registry Gazette No. 9023 dated March 2, 2016
- on the company website
- in the newspaper Dünya on March 9, 2016
- on www.kap.org.tr,
- on Electronic General Assembly Meeting System managed by Merkezi Kayıt Kuruluşu.

The agenda, notice, and related documents were uploaded on Company's website on March 10, 2016 and made available at the Company's headquarters.

As part of the General Assembly agenda, the annual report, financial statements,

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

At the said meeting, shares representing a nominal value of 411,870,895.00 TL (97%) were represented out of the nominal value of 422,599,149.00 TL, which will be considered in the calculation of quorum and resolution quorum according to Article 389 of the Turkish Commercial Code, out of a total nominal value of 423,234,000.00 TL.

In accordance with the Turkish Commercial Code No. 6102, Capital Markets Law No. 6362, and the relevant legislation, shareholders were allowed to vote electronically. No shares were represented electronically.

During the Ordinary General Assembly meeting, shareholders used their right to ask questions, which were answered during the meeting. Furthermore, shareholders' proposals regarding the meeting agenda were discussed and finalized by the General Assembly. After the discussion on the item "election of Board members," the Board members

nominated by Class A shareholders were replaced by new members.

The obligatory announcements were made regarding the resolutions of the Ordinary General Assembly dated April 1, 2016 in the Turkish Trade Registry Gazette No. 9055 dated April 15, 2016, and were also disclosed on the Company website.

Following the General Assembly meeting, meeting minutes and agenda items, were presented to the investors on the Company website. The required documents were uploaded on the Borsa İstanbul's Information Society Services (Bilgi Toplumu Hizmetleri) page as stipulated by the Turkish Commercial Code.

An Extraordinary General Assembly meeting was held at Borsa İstanbul's İstinye campus on October 30, 2016. The Extraordinary General Assembly meeting was announced

- in the Turkish Trade Registry Gazette No. 9170 dated October 6, 2016,
- in the newspaper Dünya on October 7, 2016,
- on www.kap.org.tr
- on the Electronic General Assembly Meeting System managed by Merkezi Kayıt Kuruluşu.

The agenda, announcement, and the related documents for the Extraordinary General Assembly were uploaded on Company's website on October 7, 2016

and made available at the Company's headquarters.

The information documents on the General Assembly agenda items, other documents that form the basis of the agenda items, and the latest version of the Articles of Association, were open to examination by shareholders at the Company headquarters and website from the date of the invitation for the Extraordinary General Assembly meeting.

At this meeting, shares representing a nominal value of 410,040,420.00 TL (97%) of the nominal value of 422,599,149.00 TL, which will be considered in the calculation of quorum and resolution quorum according to Article 389 of the Turkish Commercial Code, out of the total nominal value of 423,234,000.00 TL were represented. In accordance with the Turkish Commercial Code No. 6102, Capital Markets Law No. 6362, and the relevant legislation, shareholders were allowed to vote electronically. No shares were represented electronically.

During the Extraordinary General Assembly meeting, shareholders used their right to ask questions, which were answered during the meeting. After discussion of the item "election of Board members," a Board member was replaced by a new member.

The requirements regarding the announcement of the Extraordinary

General Assembly meeting dated October 30, 2016 were observed in the Turkish Trade Registry Gazette No. 9202 dated November 21, 2016 and were also announced on the Company website.

Following the Extraordinary General Assembly meeting, meeting minutes and agenda items were presented to investors for evaluation on the Company website. Following the Extraordinary General Assembly meeting, the required documents were uploaded on the Borsa İstanbul's Information Society Services (Bilgi Toplumu Hizmetleri) page as stipulated by the Turkish Commercial Code.

1.4 Voting Rights and Minority Rights

At Borsa İstanbul, each share is entitled to one vote. Borsa İstanbul applies no practices that may impede the exercising of the voting rights and allows each shareholder to use their voting rights in the most facile manner. Shareholders that have voting rights may directly use such rights or they may appoint a deputy to use such rights in accordance with the arrangements of the Turkish Commercial Code and the Capital Markets Law. The Company Articles of Association envisage three groups of shareholders, namely, Class A, Class B, and Class C. Attendance in the relevant meeting and affirmative vote of at least one Board member representing Class A shareholders is sought for "proposing amendments on the Articles of Association." Apart from

this, Class A and Class C shareholders have the privileges to nominate individuals for election to the Board. No regulation impedes the use of voting rights before a certain holding period expires.

İstanbul Takas ve Saklama Bankası A.Ş. is one of the Borsa İstanbul A.Ş. shareholders. However, the latter is the biggest shareholder of the former. Consequently, the Bank does not attend Borsa İstanbul General Assembly meetings. This was the case for both 2016 General Assemblies.

As Borsa İstanbul is not a publicly held joint stock company, use of minority rights is subject to the provisions of the Turkish Commercial Code. Borsa İstanbul is not in a mutual affiliation relation with any company.

1.5 Rights to Dividends

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

Furthermore, a maximum 5% of the balance may be distributed to the Chairman, Board members, and Company staff by a method to be determined by the General Assembly, provided that such payments

shall not exceed one-sixth of their annual gross income, including all payments. In addition, an amount to be decided by the General Assembly may be reserved to be distributed to the shareholders as a second dividend. The Board may, if deemed necessary, make proposals to the General Assembly for dividend distribution. In such a case, 10% of the amount to be distributed will be retained as general legal reserves and the balance of the net profit for the period will be retained as legal reserves.

The Company Articles of Association envisage no privileges for participation in the Company profits, with equal rights of dividends for each share.

The Ordinary General Assembly meeting held on April 1, 2016 decided to retain the dividends to strengthen the Company equity. This was announced on Company website.

1.6 Transfer of Shares

Borsa İstanbul Articles of Association make the following provisions regarding the restriction of share transfers:

a) Sales of public shares through public offering and other similar methods in accordance with the Capital Markets Law will be realized as per the procedures and principles to be determined by the Council of Ministers upon the proposal of the Minister to whom the Treasury Undersecretariat reports.

b) With the exception of those in accordance with paragraph 2 and sub-paragraphs (a), (b), and (c) of paragraph 6 of Article 138 of the Capital Markets Law, all transactions that lead to the direct or indirect transfer of control of the Company, even if no share transfer is executed, are subject to the approval of the Capital Markets Board. Share transfers will become valid only after being approved by the Capital Markets Board, decided upon by the Board, and registered in the share register. All transactions that lead to the direct or indirect transfer of shares without the approval of the Capital Markets Board or transfers that lack the relevant Board resolution or that are not registered in the share register are null and void.

c) In order to ensure that the existing shareholding structure is maintained, shares other than those that belong to Class A may be transferred to another shareholder within the same group only. These shares may be transferred to shareholders that belong to the other classes or third parties by the approval of the Capital Markets Board. Group shares that exclusively belong to the Turkish Treasury and provide representation rights in the management may not be transferred in any way whatsoever.

d) In the event that a person acquires shares representing 10% or more of the capital through direct or indirect ownership of the publicly offered shares,

or the shares owned by a shareholder directly or indirectly exceeds 10, 20, 33, or 50% of the capital through the acquisition of the shares offered to the public, or falls below such ratios as a result of share transfer, shareholders may use the related rights, with the exception of dividend rights, upon the approval of the Capital Markets Board only. The provisions of this sub-paragraph will also hold for cases where the above mentioned ratios are attained through the acquisition of the free-floating shares, including the shares acquired off-Exchange.

During 2016, three transfer of share were accomplished according to above mentioned process.

In line with the resolution of Board of Directors, an announcement was made on December 30, 2016 regarding share buy-back from Class C shareholders. Class C shareholders include intermediary institutions, jewelry companies, and banks. The process is planned to be accomplished after the Ordinary General Assembly. The investor relations team is in charge of the process.

An important development that changed the shareholder structure of Borsa İstanbul A.Ş. took place after the end of the accounting period. In accordance with the Decree of the Council of Ministers dated January 24, 2017 numbered 2017/9756 entered into force with the publication of the Official Gazette dated February 5, 2017

numbered 29970, shares owned by Turkish Treasury have been transferred to the Türkiye Wealth Fund.

2. DISCLOSURE AND TRANSPARENCY

2.1 Information Policy

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

2.2 Corporate Website and its Content

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

The website offers the following information regarding Investor Relations:

- Reports
- Corporate Governance
- Relevant legislation
- General Assembly
- Initial Public Offering of Borsa İstanbul A.Ş.
- Contact information for Investor Relations

In addition to the www.borsaistanbul.com

website, another website dedicated to the Company's investment relations is planned to be launched before the IPO.

2.3 Annual Report

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

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

3. STAKEHOLDERS

3.1 Informing the Stakeholders

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

Information Policy. Corporate Governance practices and ethical rules guarantee that stakeholders are informed correctly.

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

The data and information offered by Borsa İstanbul are provided to investors through the following methods and instruments:

- Websites
www.borsaistanbul.com
www.bilincliyatirimci.org
www.listingistanbul.com
www.bistozelpazar.com
www.kap.org.tr
- Investor Counseling Center (serves investors in companies traded on Borsa İstanbul)

In addition, Borsa İstanbul's intranet, which is the internal website for Borsa İstanbul staff, is used actively. Corporate social media accounts (Facebook, LinkedIn, and Twitter accounts, and a YouTube channel), which were launched in 2013, are used on a regular basis for disclosing information.

In addition, regularly updated information on the website, detailed annual reports,

press bulletins, and other practices within the scope of Information Policy focused on transparency are intended for not shareholders only, but all stakeholders.

During 2016, the following stakeholders-related events have been held:

- A total of 17 events aimed at domestic and foreign potential issuers (companies) were attended by Borsa İstanbul personnel. Furthermore, 65 domestic and 41 foreign companies, for a total of 106 unlisted companies, were visited and offered information on capital markets issues, particularly public offerings. The demands and suggestions of these companies were passed on to the relevant units and institutions, including Ministry of Finance and Capital Markets Board of Turkey. New products and markets are presented to potential investors.
- Incentives/mechanisms/applications are needed on the basis of both issuers and investors in order to make IPOs attractive for companies. Within this scope, various tax incentives for public and publicly offered companies from the Ministry of Finance were requested, and the Capital Markets Board was asked to make legal arrangements in order to establish various mechanisms for expanding the capital market to the investor base.
- Three events aimed at investment institutions and other client groups were held. Under Key Customer Management, 13 visits to 10 companies were undertaken. Senior managers of Borsa İstanbul

attended some of those visits.

- Borsa İstanbul participated in one event related to the data center services and one event related to the index services. Furthermore, a total of 89 visits/meetings were realized with customers in all business areas.
- More than 1000 participants were provided information about the Private Market in 10 events in cooperation with TÜBİTAK (The Scientific and Technological Research Council of Turkey), angel investors' networks, universities, and Chambers of Commerce.

3.2 Stakeholders' Participation in the Management

The shareholder structure envisaged for Borsa İstanbul A.Ş. by sub-paragraphs (a) and (b), paragraph 6, Article 138 of the Capital Markets Law No. 6362 is basically aimed at shareholding by stakeholders, and thereby application of good governance principles by the Company management. Turkish capital markets stakeholders that have become shareholders of Borsa İstanbul A.Ş. through the shareholding structure established according to these provisions participate in the Company management by using the shareholding rights.

It is worth noting that Borsa İstanbul worked in close communication and interaction with Capital Markets Board of Turkey during 2016. In its decisions, Borsa İstanbul took into consideration

the opinions of Merkezi Kayıt Kuruluşu, İstanbul Takas ve Saklama Bankası, and Turkey Capital Markets Association. After meeting with market participants and exchange members, their opinions have been carefully considered. The above mentioned buy-back process was initiated due to complaints from exchange members. Thus, this response may serve as a good example for stakeholders' participation in the management. The requests and suggestions of the employees and workers' union representatives were also evaluated by the executives.

3.3 Human Resources Policy

Borsa İstanbul depends on its employees in order to realize improvements in its performance. Human resources policies and processes are designed so to attract capable staff to the Company and allow them to improve their skills.

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

- Borsa İstanbul recruitment procedures are regulated by internal legislation in accordance with the principle of offering equal opportunities to persons of equal qualifications. Recruitment of new graduates is realized through written exams and interviews to ensure objectivity. In the recruitment of experienced staff, on the other hand, independent appraisers

evaluate criteria that will contribute to efficiency, such as the candidate's capability of adaptation to the corporate culture and teamwork inclination in addition to professional skills.

- The most critical factor in planning employee's careers is their success. Nevertheless, the minimum experience requirement for each position is also observed in accordance with internal regulations.
- All rights awarded to the employees are clearly defined in the internal regulations. The rights envisaged by the legislation are accrued on each employee without any discrimination, and no further payments are made.
- Training sessions are organized on a regular basis or on additional basis upon request of the executives. A secure working environment and conditions are provided for the employees, which are constantly improved.
- In order to inform Borsa İstanbul employees about important revision plans concerning personnel policies, at least one meeting is held annually with the participation of a C-Level Executive, and policies are designed in consideration of employees' opinions.
- In order to provide employees with the freedom to establish associations and efficient use of collective bargaining rights, as well as for efficient communication purposes, spaces on the intranet are allocated to both the association of employees and the workers' union.

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

Borsa İstanbul attaches great significance to work security, in consideration of workers' health and security as well as its own business continuity. As envisaged by legislation, a certified labor security specialist and a certified doctor work on Borsa İstanbul's campuses in İstinye and Kuyumcukent. In line with regulations, training on workers' health and security in offices was provided to Borsa İstanbul employees in December 2016.

As envisaged by legislation, a Labour Health and Security Board consisting of the representatives of the employer, employees, and the security unit, as well as the labour security specialist and doctor, was established. The Labour Health and Security Board convenes quarterly and after making the necessary evaluations, ensures that necessary steps are taken. Within this framework, improvements were made in 2016.

It is worth noting that no complaints concerning discrimination were reported during 2016.

3.4 Ethical Rules and Social Responsibility

Borsa İstanbul Ethical Rules were prepared and disclosed in 2014. In light of recent developments, publication of a Regulation Regarding the Principles for Borsa İstanbul

Exchange Activities was required, and the Ethical Rules needed to be updated. This updating work is still in progress.

Borsa İstanbul's Corporate Social Responsibility Policy and information on its social responsibility efforts are available on its website. During 2016, Borsa İstanbul spent 2,051,660.19 TL on donations and support and 1,863,897.49 TL on sponsorships. In addition, a total of

Member	Group	Beginning of His/Her Term	Independence	Roles in Committee
Mr. Himmet KARADAĞ	A	Ordinary General Assembly dated April 1, 2016	Not independent	Chairman of Board, Chairman of IPO Committee
Mr. Osman SARAÇ	A	Ordinary General Assembly dated April 1, 2016	Not independent	Vice Chairman, CEO, IPO Committee member
Mr. Seyit Ahmet IŞKIN		Ordinary General Assembly dated April 1, 2016	Independent	
Mr. Yunus ARINCI		Extraordinary General Assembly dated October 30, 2016	Independent	Chairman of Early Risk Assessment Committee, Audit Committee member
Mr. Bilal TOPÇU		Ordinary General Assembly dated April 1, 2016	Independent	Chairman of Corporate Governance committee, Audit Committee member
Ms. Erişah ARICAN		Ordinary General Assembly dated April 1, 2016	Independent	Chairman of Audit Committee
Ms. Nicola Jane BEATTIE		Ordinary General Assembly dated April 1, 2016	Not independent	Member of Corporate Governance committee, Early Risk Assessment Committee member, IPO Committee member
Turkish Capital Markets Association, represented by Mr. İlhami KOÇ	C	Ordinary General Assembly dated March 31, 2014	Not independent	Corporate Governance committee member, IPO Committee member
Ms. Işınsu KESTELLİ	C	Ordinary General Assembly dated March 31, 2014	Not independent	Early Risk Assessment committee member, IPO Committee member
Mr. Murat TACİR	C	Ordinary General Assembly dated March 31, 2014	Not independent	Early Risk Assessment committee member, IPO Committee member

5,540,287.65 TL was paid to the Substantial Support for National Education Project in 2016, initiated by Borsa İstanbul (then İstanbul Menkul Kıymetler Borsası) in 1997.

Before going public, Borsa İstanbul is working on sustainability road map. In 2016, the road map was prepared in coordination with various departments and describes the steps to be taken in the near future. It was designed to elevate Borsa İstanbul A.Ş. to global standards.

Borsa İstanbul's İstinye campus was invaded by terrorists during the July 15 coup attempt. They were repelled by Reşitpaşa residents and police officers. During that night, a police officer and a local resident were killed by terrorists. Borsa İstanbul has been providing support to their families. In addition, it sponsored some of the events intended to support July 15 martyrs' families, including a football match on December 22, 2016.

4. BOARD of DIRECTORS

4.1 Structure and Election of the Board

Principles regarding the establishment and election of the Board are regulated by the Articles of Association of Borsa İstanbul. According to the modification to the Articles of Association voted at the Ordinary General Assembly meeting on March 31, 2014, and in line with the provisions of the Turkish Commercial Code, the Board will consist of ten

(10) members, with two (2) members elected from among the candidates nominated by Class A shareholders and three (3) members from among Class C shareholders, including Union of Chambers and Commodity Exchanges of Turkey, Turkish Capital Markets Association, and investment institutions. The term of office is three years and members can be re-elected.

According to the Company's Articles of Association, the term of incumbency, appointment procedures, remuneration, and number of independent Board members are subject to arrangements of the Capital Markets Board.

At the Ordinary General Assembly Meeting on April 1, 2016, the Board structure changed. Himmet Karadağ (Chairman), Osman Saraç, Seyit Ahmet Işkın, Melikşah Utku, Bilal Topçu, Erişah Arıcan, and Nicola Jane Beattie were elected as Board members. The Board then elected Osman Saraç as CEO.

At the Extraordinary General Assembly Meeting dated October 30, 2016, Yunus Arıncı was elected Board member to fill the vacant position.

Resumés of the Board of Director members and their positions are disclosed on website.

During the incumbency of the independent Board members, there were

no events to revoke their independence. Chairmen of Board committees were elected from among independent Board members.

4.2 Working Principles of the Board

According to Borsa İstanbul's Articles of Association, the Board convenes as frequently as necessary, but no less than once a month. The meetings are held at the Company headquarters or another venue that the Chairman may deem fit. Corporate Governance Committee members stated that technology can be used in order to allocate more time to strategic subjects during physical meetings. To this end, the committee

decided to authorize a feasibility study for an electronic document portal for the use of Board members. IT departments have already begun to work on this. As the first step of its technological development, e-signature tokens were provided to every Board member.

According to Article 1527 of Turkish Commercial Code and Article 14 of the Articles of Association, it is legally possible to have Board meetings in electronic format. In line with committee proposal, preparations to have electronic board meeting will continue in 2017. Those authorized to participate in the Company Board meetings may participate in these meetings electronically. In order to make

Committee	Members
Audit Committee	Eriřah ARICAN (Chair)
	Bilal TOPÇU
	Yunus ARINCI
Corporate Governance Committee	Bilal TOPÇU (Chair)
	Nicola Jane BEATTIE
	ilhami KOÇ
Early Risk Assessment Committee	Yunus ARINCI (Chair)
	Murat TACİR
	Iřinsu KESTELLİ
IPO Committee	Nicola Jane BEATTIE
	Himmeř KARADAĐ (Chair)
	Osman SARAÇ
	ilhami KOÇ
	Murat TACİR
	Nicola Jane BEATTIE
	řenol DUMAN

this possible, all Board members were provided with e-signature tokens.

The quorum for a Board meeting is a majority of members and the Board takes decisions with affirmative votes from the majority of members present.

This rule holds for electronic voting as well. The Chairman, or in his absence, Deputy Chairman chairs Board meetings. Abstention is not allowed. Board members may not vote on behalf of each other, or by proxy. In the case of equal votes, the item will be left for discussion in the following meeting. If votes are still equal in the next meeting, the relevant proposal shall be deemed to be rejected. The rights of the Board members representing Class A privileged shares are explained in the Voting Rights and Minority Rights section hereof.

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

Borsa İstanbul Board made resolutions 35 times in 2016; 16 of these were made without a physical meeting, whereas 19 were discussed in physical meetings.

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

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

According to Borsa İstanbul's Articles of Association, approval of the General Assembly is required for the Board members to engage in commercial activities with the Company. Provisions of Article 395 of the Turkish Commercial Code are applicable in this regard. In accordance, at the General Assembly dated April 1, 2016, such approval was granted.

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

At the Board of Directors' meeting held

on September 29, 2016, an Executive Committee was established to ease the Board's workload and facilitate execution of procedures. The Committee is composed of the Chairman of the Board (who serves as committee Chairman), the CEO, and an Executive Vice President. Additions and modifications have been realized to the authorization table due to establishment of the committee.

4.3 Number and Structure of the Committees Established in the Board

Borsa İstanbul established the Audit, Corporate Governance, and Early Risk Assessment Committees in 2014. Directives concerning the operating principles and procedures of these Committees were prepared and disclosed through the Company website. As Nominating and Remuneration Committees have not yet been established due to the structure of the Board, the Corporate Governance Committee carries out the tasks of these Committees. The committees and their members are as follows:

Apart from Chairman of Board and CEO, there are eight Board members. Consequently, Board members may serve on more than one committee.

The Committees convene at the Company headquarters on a regular basis, and may hold extra meetings upon the invitation of the Committee Chairman, where

necessary. Committee members or the Board Chairman may invite the Committee to convene if needed. New articles can be added to the agenda subject to an affirmative vote of the majority of the members. Committees may, if they deem necessary, invite Company managers or specialists to solicit their opinions.

Corporate Governance Committee:

Without prejudice to the provisions of Article 138 of the Capital Markets Law, the purpose of the Corporate Governance Committee is to determine whether the corporate governance principles determined by the Capital Markets Board for exchanges according to Article 73 of the Capital Markets Law are observed, and in the case of failure to observe such principles, to determine the reasons therefore, any conflicts of interest arising from the failure to fully comply with such principles. Additional duties are to advise the Board with the intent to enhance corporate governance practices and to accomplish the duties of the Nominating Committee and Remuneration Committee as envisaged by corporate governance principles. In 2016, the Committee's procedures and principles were modified. As a result, Committee members are no longer obliged to participate in labor union negotiations.

Audit Committee:

The Audit Committee is intended to (1) provide assistance to the Board's

auditing of the quality and correctness of Borsa İstanbul's financial statements, (2) monitor the application and efficiency of the accounting system, (3) pre-approve the appointment of the independent auditor and the services to be provided by the same, (4) prepare and control the agreement to be signed between Borsa İstanbul and the independent auditor, and (5) monitor the Company's independent audit system, control, and internal audit mechanisms.

Early Risk Assessment Committee:

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

4.4 Risk Management and Internal Control Mechanism

The Board operates in a transparent, accountable, fair, and responsible manner, creates risk management practices that will diminish the effects of the risks that Borsa İstanbul is prone to, and determines internal control policies for all the critical processes of the institution. Information on efficiency of risk management and internal control systems is provided in the annual report.

In line with the Borsa İstanbul A.Ş. Early Risk Assessment Committee

Responsibilities and Working Principles Directive, an Early Risk Assessment Committee was established. During 2016, the Committee convened on a regular basis. Prior to the Committee meetings, meetings with Borsa İstanbul departments, chaired by a Committee member C-Level Executive, were held. Departments' assessment of the realized or expected risks and measures taken to prevent or respond to such risks were discussed at these meetings, and reported to the Committee.

4.5 Company's Strategic Targets

As part of the studies to renew Borsa İstanbul's strategic plan covering rolling three-year periods on an annual basis, Borsa İstanbul completed the analysis studies for the new five-year period covering 2017-2019, defined new projects, and updated projects in progress. A workshop was organized to allow newly elected Board members to contribute to strategic planning efforts. Information on Borsa İstanbul's achievement of strategic targets, activities, and past year's performance is regularly reported to the Board by Strategic Planning and Investor Relations Service.

Borsa İstanbul continued to apply a performance-based budget in 2016. Thanks to this performance-based budget prepared in line with Borsa İstanbul's current structure, active participation of all departments in the budget process was ensured.

4.6 Financial Rights

As outlined in Borsa İstanbul's Remuneration Policy, financial benefits offered to the Chairman and members of the Board in the form of remuneration, fees, premiums, and bonus payments, facilities offered in kind and in cash, dividend payments, and other similar rights must be determined by the General Assembly on an annual basis. Furthermore, any travel, accommodation, and entertainment expenses and insurance and other similar guarantees are determined by the Board. The Board Chairman and Board members, their spouses, children, and persons they are responsible for benefit from health services under the same conditions as the employees.

Borsa İstanbul's Remuneration Policy is accessible on Company website. There were no transactions that may lead to conflicts of interest, such as directly or indirectly extending loans or credits to or offering guarantees for Board members or Company managers. There is no performance-based remuneration for independent Board members. The total remuneration provided in 2016 to Directors and senior managers of Borsa İstanbul Exchange Group was 7.16 million TL.

**Borsa İstanbul
Anonim Şirketi**

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