

2019 Annual Integrated Report



**BORSA
İSTANBUL**

Independent Auditor's Report on the Board of Directors' Annual Report

To the Shareholders of Borsa İstanbul Anonim Şirketi

Opinion

We have audited the annual report of Borsa İstanbul Anonim Şirketi (the "Company") and its subsidiaries ("the Group") for the period between 1 January 2019 and 31 December 2019, since we have audited the complete set consolidated financial statements for this period.

In our opinion, the consolidated financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company Group are consistent, in all material respects, with the audited complete set of consolidated financial statements and information obtained during the audit and provides a fair presentation.

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing which is a component of the Turkish Auditing Standards issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under Standards on Auditing issued by POA are further described in the Auditor's Responsibilities for the Annual Report section of our report. We declare that we are independent of the Company Group in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Auditor's Opinion on Complete Set of Financial Statements

We have expressed an unqualified opinion on the complete set of consolidated financial statements of the Company Group for the period between 1 January 2019 and 31 December 2019 on 3 March 2020.

Board of Directors' Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC"), the Company's Group's management is responsible for the following regarding the annual report:

- a) The Company's Group's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.
- b) The Company's Group's management prepares its annual report in such a way that it reflects the operations of the year and the consolidated financial position of the Company Group accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Company's Group's consolidated financial statements. The annual report shall also clearly indicates the details about the Company's Group's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.
- c) The annual report also includes the matters below:
 - Significant events occurred in the Company Group after the reporting period,
 - The Company's Group's research and development activities.
 - Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

Auditor's Responsibility for the Audit of the Annual Report

Our objective is to express an opinion on whether the consolidated financial information included in the annual report in accordance with the TCC and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company Group are consistent with the audited consolidated financial statements of the Company Group and the information obtained during the audit and give a true and fair view and form a report that includes this opinion.

We conducted our audit in accordance with Standards on Auditing issued by POA. Standards on Auditing issued by POA require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the consolidated financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Company Group are consistent with the consolidated financial statements and the information obtained during the audit and provides a fair presentation.

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



23 March 2020
İstanbul, Turkey

STRONG

INFRASTRUCTURE





Borsa İstanbul has grown more powerful in global markets with its fast and safe technological infrastructure, BISTECH.

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For information about actual developments, please visit the Borsa Istanbul website and follow us on social media.

<https://www.borsaistanbul.com/en>
<https://twitter.com/borsaistanbul>
<https://www.linkedin.com/company/borsaistanbul/>
<https://www.youtube.com/borsaistanbul>

About the Report

THE PERIOD AND SCOPE OF THE REPORT

In this annual report, published for the third time as an integrated report, Borsa İstanbul A.Ş. (Borsa. Borsa İstanbul, The Company) aims to inform its stakeholders of the resources and relations used and affected by the Company, and presents financial, environmental and social tables.

2019 ANNUAL INTEGRATED REPORT

The 2019 Annual Integrated Report reflects Borsa İstanbul's objective of "carrying out its operations in a financially, environmentally and socially responsible manner, creating added value for the society and supporting the economic growth", in addition to providing an inclusive overview of the Company's performance, progress, and strategic initiatives.

The Report presents information about Borsa İstanbul's strategy and business model, factors affecting Borsa İstanbul, major risks, opportunities, governance and financial and operational performance between 1 January 2019 and 31 December 2019. In relevant pages, the Report also includes information and statements on İstanbul Takas ve Saklama Bankası A.Ş. (Takasbank, Takas İstanbul) and Merkezi Kayıt Kuruluşu A.Ş. (Merkezi Kayıt İstanbul, MKK), which are parts of Borsa İstanbul Group.

The report addresses the information pertaining to the financial and non-financial performance of Borsa İstanbul with an integrated approach. Borsa İstanbul has been independently audited, and the financial statements and explanatory footnotes dated 31 December 2019 are complementary and integral parts of this report.

We referred to the International <IR> Framework of International Integrated Reporting Council (IIRC) in preparing the content of the Report.

MATERIALITY APPROACH

The report provides information which we assess to be important to actual and potential investors regarding Borsa İstanbul's capability to generate value in the short, medium and long term and to all other stakeholders seeking to conduct an informed assessment. The impacts of our operations, our performance, our business model on value generation, our assessments regarding the responses that will be given to the arising risks and opportunities in the context of the Company strategy, our senior management and our management practices are presented in the report.

ASSESSMENTS FOR THE FUTURE

The Report includes some forward-looking statements regarding Borsa İstanbul's financial position, operational results and activities. These expressions and estimates include risks and uncertainties as they relate to events and are tied to conditions which are expected to arise in the future. There are various factors that may cause the actual results or developments to differ from our future assessments.



BORSA İSTANBUL EXCHANGE GROUP

Borsa İstanbul, which dates back to 1873, was incorporated in 2012 and also has included the gold and derivatives markets, while increasing its stake in Takas İstanbul and Merkezi Kayıt İstanbul. Accordingly, Borsa İstanbul Exchange Group structure was established which provides efficient access to Turkish capital markets with a wide range of financial services. With an integrated business model, Borsa İstanbul Exchange Group offers listing, trading, settlement and custody operations of capital markets instruments, notably equities, derivative products, fixed income securities, precious metals and diamonds and Islamic finance products.

About the Report

CAPITAL ELEMENTS

The report sets out how our ability to generate long term value at Borsa İstanbul is explained by the multi capital elements we use and our outputs, and the results which we present as a result of our value-added operations. Explanations regarding our capital elements are stated below.



FINANCIAL CAPITAL

Our operations, which are supported by strong cash generating capacity and resource diversity, and the returns obtained from our investments, constitute our financial capital.



MANUFACTURED CAPITAL

Our manufactured capital consists of the co-location infrastructure, comprising the Primary Data Center (PDC) which allows investors to perform their trading transactions more rapidly and seamlessly to the highest standards in terms of technology security, the Disaster Recovery Center located in Ankara, the precious metal vault and our premises in which all group companies operate in an integrated fashion.



HUMAN CAPITAL

Our strong leadership team and qualified employees which carry out specialized activities, with expert teams in technology and supporting personnel constitute our human capital.



SOCIAL AND RELATIONSHIP CAPITAL

In addition to good employee relations and the investor confidence required to realize our activities effectively and improve them, our social and relationship capital also consists of effective communication with the public authorities and regulatory agencies, partnerships with NGOs, and our local/global collaborations.



INTELLECTUAL CAPITAL

The licence for providing a trading platform for capital market instruments and the world's leading trading technology with source codes – BISTECH, product development operations and the rules and regulations created as a self-regulating organization constitute our intellectual capital.



NATURAL CAPITAL

In addition to the efficient use of electricity and water at our İstinye and Kuyumcukent campuses, the energy used for the Primary Data Center constitutes our natural capital.

RESPONSIBILITY OF THE BOARD OF DIRECTORS REGARDING THE ANNUAL INTEGRATED REPORT

In the 2019 Annual Integrated Report, Borsa İstanbul reports on the value created during the reporting period and how it deploys its financial, human, intellectual, manufactured, social and natural resources.

Borsa İstanbul Board of Directors believes that this report, prepared in accordance with the International Integrated Reporting Framework, addresses all relevant issues and accepts responsibility for ensuring the integrity of the report.

We present the report to you, the esteemed stakeholders of Borsa İstanbul, and we invite you to provide feedback on our performance and the value offered.

On behalf of the Board of Directors,

Mehmet Hakan ATILLA
CEO, Deputy Chairperson of the Board
March 2020

Prof. Erişah ARICAN
Chairperson of the Board
March 2020

Message from the Chairperson

Dear Stakeholders,

Our operations at Borsa İstanbul Exchange Group in 2019 remained compatible with Turkey's "New Economy Programme" pertaining to the 2019-2021 period. Also taking into account the priorities of our country, the Group's main goal is to provide the maximum contribution to the deepening of capital markets and the healthy functioning of the financial ecosystem within the framework of transformation, which is our major theme.

In 2019, in line with our main strategies, we have developed new products and markets to render it possible to manage the risks of the financial institutions operating in Turkey. In particular, the new markets and products which were formed for exchange rate and interest rate indicators have provided a significant contribution to the ecosystem in terms of managing the financial risks. Having increased its harmony and interaction with the world's stock markets, Borsa İstanbul maintains its strategic cooperation with foreign countries and organizations.

The productivity of Borsa İstanbul has increased with widening market and product diversity, and it has become the largest stock market in the region and one of the most liquid trading platforms in the world through increases in market capitalizations and trading volumes. The innovative steps pursued within the framework of the İstanbul International Finance Centre vision reflected positively to Borsa İstanbul's financial results in 2019.



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Esteemed Stakeholders,

Borsa İstanbul Exchange Group attaches importance to the ongoing close cooperation with its stakeholders in capital markets and aims to maintain this cooperation. In 2020, Borsa İstanbul will continue to contribute to economic development and financial stability through the innovations which it will bring to the ecosystem, and will maintain its rapid financial growth. In the coming period, the Group will continue to deepen the markets with the innovative steps it will take, and increase the weight of Turkish Lira in capital markets ecosystem, helped by the contribution of you all, our valuable stakeholders.



As in previous years, Borsa İstanbul Exchange Group took innovative measures in 2019 in Turkish financial ecosystem by expanding its financial product range by offering new markets and products, and has rapidly continued its growth with its stakeholders under a win-win approach.

Prof. Dr. Eriřah ARICAN
Chairperson of the Board

CEO's Assessment

DISTINGUISHED STAKEHOLDERS OF BORSA İSTANBUL EXCHANGE GROUP,

In the last quarter of 2019, I started working for Borsa İstanbul as the CEO and Deputy Chairperson of the Board of Directors. I have had the opportunity, thanks to my previous duties, to follow the successes Borsa İstanbul has achieved on the back of the devoted efforts of its valuable personnel and stakeholders. After taking this duty, my impressions regarding the global competitiveness and development potential of the Group have increased exponentially. I want you all to know that I will seize upon the upcoming period with my best efforts to ensure the Group becomes more effective and more efficient.

INCREASING DEMAND IN THE MARKETS

Having achieved rapid growth in recent years, 2019 was the best performing year for Borsa İstanbul in financial terms, where we generated TL 1.9 billion of consolidated revenues and recorded a consolidated net profit of TL 1 billion. The negative sentiment that had dominated the global markets in the previous year dissipated as uncertainties receded and moves were put in place for monetary expansion. In Turkey, monetary expansion following the decline in inflation and rate cuts accelerated the flow of savings into the capital markets as the BIST 100 Index reached record highs on the back of demand, primarily from local investors.

The last month of the year saw record-breaking transaction volumes in our equity, derivatives, and precious metals markets and this momentum continued with the growth of the transaction volume at the beginning of 2020 with new records set. The volume of portfolios held by foreign investors increased by 33% compared to 2018 to reach TL 272 billion, with the share of the free float in the equity market held by foreign investors remaining above 60% throughout the year.

Our group company, Takasbank, which is one of the most important financial infrastructure entities in Turkey, has continued to effectively offer its settlement, assurance, and risk management services which are offered to the organized and over-the-counter markets. Takasbank realized effective balance sheet management, particularly for the management of risks and assurances arising from the markets it serves as a central counterparty.

NEW PRODUCTS AND SERVICES IN LINE WITH MARKET NEEDS

The steps we took in the second half of 2018 and throughout 2019 contributed to Turkish financial markets on one hand, while supporting the creation of Turkish Lira financial architecture and reducing the vulnerability of our national currency to external financial shocks on the other.

In order to ensure financial institutions safely manage their risks, we opened the FX Swap Market in October 2018, which prevents domestic financial institutions from holding substantial resources in foreign swap markets with the aim of managing their interest and maturity risks.

In line with international standards, we started to publish the Turkish Lira reference interest rate (TLREF) in the first half of 2019, so Turkish banks had the chance to manage interest rate risks more efficiently. There was record demand (TL 14 billion) for the TLREF indexed bond issued by the Ministry of Treasury and Finance, and total sales of TL 4.7 billion were executed, while TLREF indexed private sector bonds and bills issuances have exceeded TL 20 billion. Financial institutions have started to allocate TLREF indexed loans.

New market structuring for the classification of publicly traded companies in the equity market according to the new criteria

was commissioned in November after the consultation process with stakeholders. Thus, companies of a similar size, depth and liquidity were included in the same group.

Takasbank has started to provide settlement, risk and assurance management services for TLREF-based TL Overnight Interest Swap (overnight index swap-OIS) contracts, which allows Turkish banks to manage medium and long term TL interest risks without depleting their foreign exchange liquidity. To this end, the banks have had the opportunity to trade fixed and variable interest rates, thus managing interest and exchange rate risks more effectively without generating additional foreign exchange requests and transferring the domestic liquidity abroad. In the over-the-counter market where Takasbank started to provide settlement and risk management services as a central counterparty for the first time, the TL OIS amount exceeded TL 5 billion, excluding organized markets.

BiGA, the Digital gold transfer system, which allows the transfer of standard gold stored in Borsa İstanbul vault through a process of dematerializing, was brought into operation by our group company, Takasbank, as a result of blockchain studies.

Within the scope of the recognition of Takasbank by the European Securities and Markets Authority (ESMA), important steps were taken towards the completion of the process, which is among the major processes to have been completed in opening our capital markets abroad.

Merkezi Kayıt Kuruluşu (MKK) continued to develop successful products and systems with its R&D Center licence. Following the establishment of the Electronic General Meeting System (e-GEM), which was developed with its own resources and which has been serving public companies and eligible investors since 2012, the MKK completed the Electronic Board of Directors (e-BDS) project, which allows companies to convene their board of directors and committee meetings securely in an electronic environment over web and mobile applications.

We aim to contribute to financial stability, to increase the interest of all our stakeholders, particularly issuers and investors, in the capital markets, and to support Turkey's 2023 vision by deepening our capital markets.



INTEGRATION WITH INTERNATIONAL MARKETS

The legislative infrastructure for opening an omnibus (collective) account has been completed which allows global investment institutions to use the fixed income securities in their possession as collateral in foreign markets. Again within the scope of integration with the international capital markets, with the evening session practice which we put into operation in the Derivatives Market for between 7PM and 11PM, investors trading in the daytime session of foreign markets were also given the opportunity to better manage their risks by simultaneously trading on Derivatives Market. Following the time integration, we started to work towards removing two zeroes from the BIST indices to provide harmony in terms of index value, as a step towards supporting the strong position of the national economy. We undertook the preparations of this process together with all of our stakeholders, including our members and data broadcasters. Borsa İstanbul Exchange Group aims to contribute to financial stability, to increase the interest of all our stakeholders, particularly issuers and investors, in the capital markets and to support Turkey's 2023 vision by deepening our capital markets.

DEAR SHAREHOLDERS,

I am sure that Borsa İstanbul's strategy focused on deepening the markets and based on product and service diversity will increase the Company's long term enterprise value. Having distributed TL 180 million of dividends last year to shareholders, we aim to distribute a sustainable and stable dividend to shareholders in line with Borsa İstanbul's long term growth expectations.

ESTEEMED STAKEHOLDERS,

In the upcoming period, we will continue to strive to implement the most sensible and efficient use of resources by maintaining the communication and exchange of ideas with all our stakeholders at the highest level.

I place my trust in the talent of the more than 1,000 employees working in Borsa İstanbul Exchange Group and firmly believe that we will play a significant role in realizing Turkey's economic vision, and that our capital markets will reach the depth which will reflect our country's economic power.

Borsa İstanbul Exchange Group has always sought to fulfil all of its duties by acting with the awareness of our responsibility within the context of the New Economy Program. We will continue to act with this approach in the coming period.

I would like to thank you, our esteemed shareholders, members, and business partners for your trust and for being with us on this journey.

Mehmet Hakan ATILLA
CEO, Deputy Chairperson of the Board

Opinions of Our Employees

“Throughout its historical process, I have been proud to work at Borsa İstanbul and feel fortunate as Borsa İstanbul keeps up with the developments of the new era given the strategic power and international position of Turkey’s economy, and makes us feel the power of vision and moral values in international economic relations, as well as ethical values.

Borsa İstanbul, where I started my career in 1995, has contributed to my economic, social, creative, imaginative and innovative development as well as my self-improvement, and made me feel valuable.

On the other hand, it is a wonderful feeling to carry the flag of an organization which ensures such a sense of belonging, with civilised working hours, a respectful environment, executives who work together, with honesty, respect, equality, a sound reputation, reliability, transparency, artistic and social responsibility, and which values people. I got married after I started working for Borsa İstanbul and have two daughters. The values I have stated above also reflected to my family, with my children now telling me they aspire to work in Borsa İstanbul when they grow up.

I continue to strive to contribute to the benefit of the institution by using my knowledge and skills. I would also like to thank Borsa İstanbul, my managers and colleagues for the beautiful contributions into my life.”

Olgun ÖZKAN

Security Head, Support Services Directorate

“It is a source of great pride to be a part of Borsa İstanbul and to be involved in consecutive successful projects. Being in such a well-established and respected institution brings with it a sense of national and international prestige. In addition to the unique technological transformation which has taken place in recent years, the widening in the fields of development and value attributed to the employees has brought a pleasing sense of moving forward without losing corporate culture, as well as the efforts to evolve to today’s human resources management culture. In this sense, I am able to say that every day in Borsa İstanbul represents a step forward.

Working in Derivatives Market brings dynamism as it requires continuous market follow up and adaptation to international innovations. In addition to ensuring that the current operations continue reliably and transparently every day without interruption, our aim in Derivatives Market is to contribute to our capital markets and to provide solutions which are fast, flawless and suitable for the market dynamics through an accurate understanding of the constantly changing needs and expectations with the new developments in the system. In this sense, the harmonious teamwork of the valuable employees at Borsa İstanbul represents the biggest source of power behind us.”

Tuğçe Tokem GÜRSÖZ

Derivatives Market System Development
Department Manager, Derivatives Market
Operations Directorate

"All of us spend the most of the day working in our workplaces. Instead of a routine, to be able spend this extensive period of time with a task which we can stand behind and believe wholeheartedly in is extremely valuable.

To be able go to your workplace with love, to wake up with peace of mind, without looking back, without even looking forward to the weekend, and in addition being able to serve the financial architecture of your country is an incredible source of happiness.

The campus which it is located in has a unique comfort area. Walking along the wooded road gives you a brief interlude with nature each morning on your way to work. You then step into an inviting working environment. The work you do and the projects are incredibly dynamic. You have to react quickly to developing markets, to adapt, and often be a pioneer. This helps us feel alive on a regular basis. You improve as you learn, and you want to learn more as you improve. The motivation from knowing that your efforts and research will contribute to the development of the national economy as well as the institution you work for encourages you to work harder. Your commitment to your institution within this objective framework is based on solid grounds like no other.

The happiness from working at Borsa İstanbul is something which goes beyond words..."

Serhat YILDIZ

Specialist

Spot Markets Product Development
Directorate

"Working in Borsa İstanbul, one of the most respected institutions in our country, contributes to me in many aspects and my work process, while also being highly enjoyable.

For most of my career in Borsa İstanbul, which I started in 2010, I worked on licensing and business development on data broadcasting. Given the nature of my work, I improve myself as I communicate with many institutions at home and abroad; I have the opportunity to meet many people, to form an idea about the working culture of the institutions and I have the opportunity to participate in many events both at home and abroad.

The work means you have to be in constant development and work on new subject areas, as the markets in which Borsa İstanbul operates and the area in which I am working are highly dynamic and in a state of constant flux. The great leap forward which Borsa İstanbul has achieved, particularly in recent years, goes a long way towards increasing my work satisfaction.

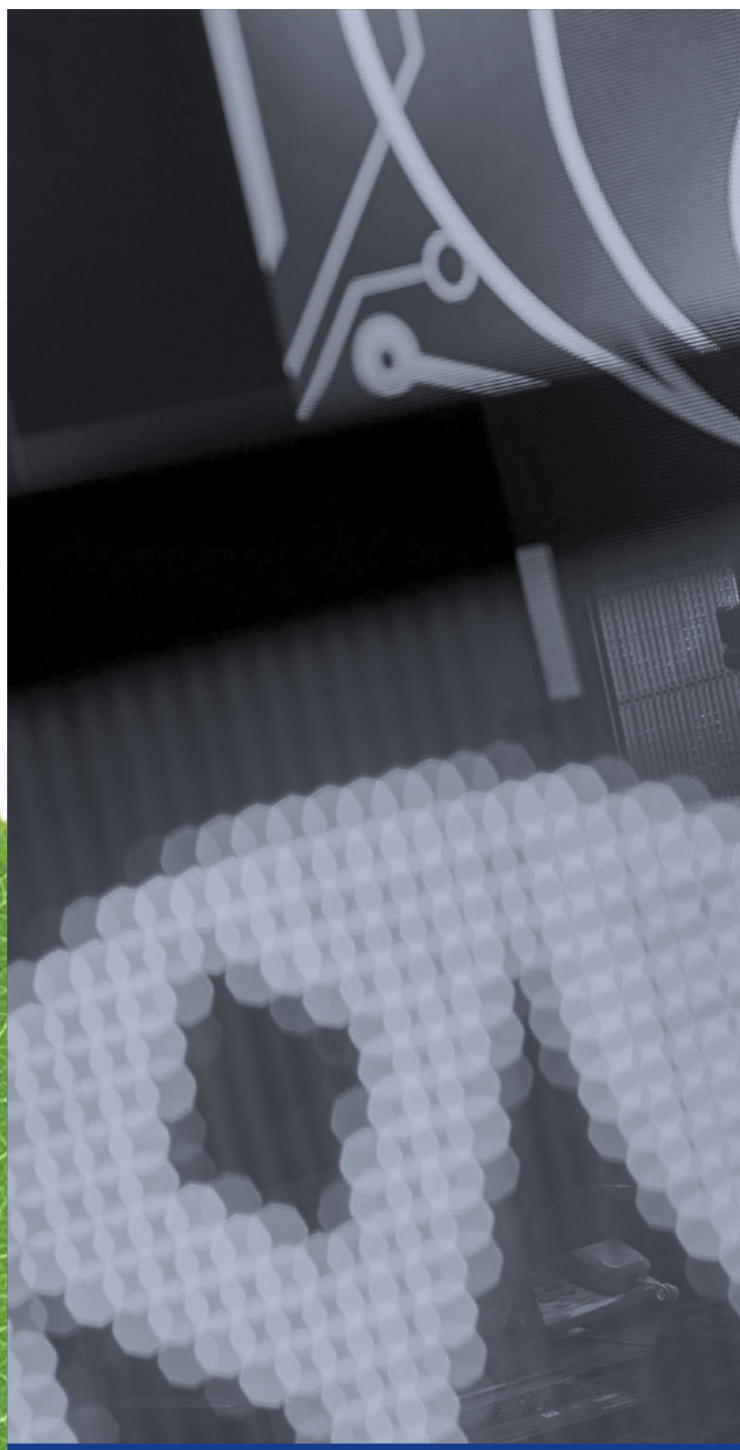
I feel fortunate to have worked with visionary managers who have contributed to me from different aspects in my 10 year career at Borsa İstanbul. Being in a family atmosphere with my managers and colleagues adds joy to my work and increases my motivation. For these reasons, I am extremely happy and proud to be a part of the Borsa İstanbul family."

Serkan ZEYTUN

Data Services Sales Department Manager,
Marketing and Sales Directorate



IMPROVING STRATEGY





Deepening the markets, operational efficiency and effective stakeholder communication are Borsa İstanbul's strategic priorities.

OUR PERFORMANCE IN 2019

OUR PERFORMANCE IN 2019

Financial and Operational Summary

EQUITY MARKET

2,130

TL billion
Total Traded Value
(21st in the World)*

Daily Average Traded Value:
TL 8.5 billion

Share Turnover Velocity:
227% (3rd in the World)*

DEBT SECURITIES MARKET

16,156

TL billion
Total Traded Value
(8th in the World)*

Daily Average Traded Value:
TL 64.6 billion

DERIVATIVES MARKET

1,457

TL billion
Total Traded Value

Daily Average Traded Value:
TL 5.9 billion

PRECIOUS METALS AND DIAMOND MARKET

74.3

TL billion
Total Traded Value

Daily Average Traded Value:
TL 0.3 billion

*World Federation of Exchanges (WFE) statistics

402

Listed Companies in
Equity Market

61%

Foreign Share
In Free Float Market
Capitalization

19.8

TL trillion

Total Traded Value
In the Markets

RESOURCES SUPPLIED TO THE ECONOMY THROUGH CAPITAL MARKETS

206.4

TL billion

TL 264 million with 6 initial public
offerings

TL 206.1 billion through the
Issuance of Debt Instruments

SUMMARY FINANCIAL INFORMATION (TL million)

	2017	2018	2019	(CAGR)
Revenues	1,047	1,539	1,924	36%
Operating Profit	532	1,184	1,161	48%
Profit Before Tax	542	1,359	1,294	55%
Net Profit	420	1,174	1,009	55%
Total Assets	11,882	13,286	18,374	24%
Total Liabilities	10,319	10,620	14,914	20%
Total Equity	1,563	2,666	3,460	49%
EBITDA Margin	55%	81%	64%	
Operating Profit Margin	51%	77%	60%	
Net Profit Margin	40%	76%	52%	

DISTRIBUTION OF OPERATING REVENUE 2019

POST TRADE REVENUES

53%

Post Trade Services	Post Trade Financial Operations
22%	31%

TRADING AND LISTING REVENUES

34%

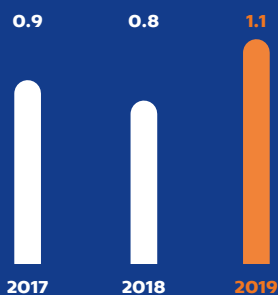
Debt Securities	Equity	Derivatives	Listing	Money Market	Precious Metals and Diamonds
13%	7%	6%	5%	2%	2%

DATA AND TECHNOLOGY

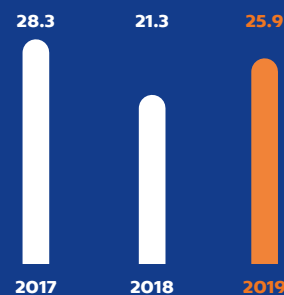
8%

Data Vending	Colocation	Membership, Market Access, Index Licensing
5%	1%	2%

EQUITY MARKET MARKET CAP 1.1 TRILLION TL (187 BILLION USD)



MARKET CAP/GDP (%)



40.22%

Equity Market
Free Float Rate

Financial and Operational Summary

MARKET OPERATIONS AND LISTING

There are four main markets in Borsa İstanbul: Equity Market, Debt Securities Market, Derivatives Market and Precious Metals and Diamond Markets. Takas İstanbul provides trading services in the Money Market, the Securities Lending Market and on Turkey Electronic Fund Trading Platform (TEFAS).

EQUITY MARKET	DEBT SECURITIES MARKET	DERIVATIVES MARKET	PRECIOUS METALS AND DIAMOND MARKETS	LISTING
In Equity Market, shares, pre-emptive rights, exchange traded funds, intermediary institutions warrants and certificates, lease certificates, real estate investment funds, real estate certificates and venture capital investment funds are traded.	Debt Securities Market is the only organized market for both outright purchases-sales operations and repo- reverse repo transactions. Foreign currency swap transactions have also been carried out in the market since October 2018.	In Derivatives Market, single stock, index and currency based options, and futures contracts on single stocks, indices, currency, electricity, commodity, precious metals, foreign indices metal and TLREF based contracts are traded.	In Precious Metals and Diamond Markets, gold, silver, palladium, platinum and precious stones are traded, and gold and silver custody services are provided.	Listing transactions for publicly offered stocks and issued private sector debt securities are realized.

Revenue TL 118 Mn 7% contribution to total consolidated revenue	Revenue TL 225 Mn 13% contribution to total consolidated revenue	Revenue TL 101 Mn 6% contribution to total consolidated revenue	Revenue TL 34 Mn 2% contribution to total consolidated revenue	Revenue TL 81 Mn 5% contribution to total consolidated revenue
<ul style="list-style-type: none"> On December 5, a record breaking 1,720,506 contracts were traded, while on December 13, 4,258,753,671 lots were traded, also setting a new record. The BIST 100 ended the year at 114,424.96 points. Equity Market Directive was updated and published on November 4, regarding the transition to a new market structure in Equity Market 	<ul style="list-style-type: none"> Having started to be calculated on June 17, the issuance of TLREF indexed bank bonds and private sector debt securities reached TL 17.8 billion by the end of the year. The issuance of subordinated debt securities amounted to TL 1.5 billion. 	<ul style="list-style-type: none"> A 6% contribution to total consolidated revenue An all-time record was broken on June 20 in terms of number of transactions, with a total of 210,924 transactions. Flexible option contracts whose strike prices and maturity could be specified by investors started to be traded by May 24. Trading of TLREF based future contracts started on August 2. The trading volume has reached TL 119 million since then. 	<ul style="list-style-type: none"> An all-time record was broken on December 30 in terms of trading volume, at TL 3.1 billion. 	<p>In 2019 a total of listings;</p> <ul style="list-style-type: none"> The shares of six companies which raised a total of TL 264 million in initial public offerings, and 1,330 private sector debt securities with total issuances of TL 206.1 billion.

MEMBERSHIP, DATA AND TECHNOLOGY

Borsa İstanbul provides data sale, license, membership, market access and co-location services.

DATA VENDING	INDEX LICENCING	TRADING AUTHORIZATION, MEMBERSHIP AND MARKET ACCESS	TECHNOLOGY SERVICES
<p>Data generated in Borsa İstanbul markets is delivered to investors in the form of real time, delayed and end of day basis through Borsa İstanbul's licensed data distribution companies. In this context, Borsa İstanbul's data packages of various levels are transmitted to domestic and international users by around 200 data distribution companies.</p> <p>Apart from its own data, Borsa İstanbul also distribute Takasbank and MKK data as well as Sarajevo, Montenegro, Macedonia, Pakistan Stock Exchanges and London Metal Exchange data.</p>	<p>Borsa İstanbul calculates different indices so that investors are able to follow movements in the market.</p> <p>Borsa İstanbul indices may be used by financial institutions as a basis or benchmark in their products.</p> <p>Furthermore, companies are licensed to calculate the index by using Borsa İstanbul data, should they wish to.</p>	<p>Borsa İstanbul members are composed of the brokerage companies authorized to operate in capital market and the precious metals brokerage companies authorized to operate in Precious Metals Market. Depending on market characteristics, other real and legal persons may be authorized to perform transactions without membership.</p> <p>Market access consists of all systems, software and hardware services which Borsa İstanbul members may require in order to carry out transactions and to exchange information by connecting from access points (which may be remotely from the markets in which they operate), from peer locations (co-location) and in the session hall.</p>	<p>Borsa İstanbul provides the opportunity for co-location, where market participants' systems can be placed at the same location as the stock exchange systems.</p> <p>In addition to this service, the PTRM application is offered, which allows members to conduct risk management prior to the transaction, as well as the OUCH and ITCH protocols developed for high-speed order and data transmission, and technology services such as time server, which provides market participants with synchronized access to time sensitive information.</p>

Revenue TL 87 Mn 5% Contribution to total consolidated revenue	Revenue TL 29 Mn 1% contribution to total consolidated revenue	Revenue TL 29 Mn 2% contribution to total consolidated revenue	Revenue TL 24 Mn 1% Contribution to total consolidated revenue
<ul style="list-style-type: none"> About 200 organizations have the authority to distribute Borsa İstanbul data. The number of data package subscriptions reported to Borsa İstanbul by the data distribution companies stood at around 700,000 as of December 2019. 	<ul style="list-style-type: none"> As of the end of 2019, there were a total of 354 indices calculated by Borsa İstanbul, 59 of which are real time and equity-based, 50 being based on various investment instruments such as debt securities, gold, bank deposits, profit shares and mutual funds, 20 being risk control indices, along with four short and two leveraged indices, which reflect the return of their reference indices, BIST 30 and BIST 100. The computation of debt securities and lease certificates indices calculated based on the T+1 value date prices has started on June 28, within the context of BIST KYD Indices. BIST Liquid Banks, BIST Liquid 10 Ex Banks, BIST ECM Industrial and BIST Brokerage Houses indices started to be calculated and published from November 4. 	<ul style="list-style-type: none"> A total of 10 institutions - one bank and nine precious metals brokerage companies - were authorized to become members. During the same period, a total of 40 real/legal persons were authorized to perform transactions without membership in Precious Metals and Diamond Market. The capacity of market access channels (terminal, user) for members increased by 5% in 2019 compared to the previous year. 	<ul style="list-style-type: none"> The number of cabinets allocated to customers increased by 5 to 39 in 2019. The number of technology services to customers increased to 39 from 32. In 2019, members were allocated capacity for an additional 5,000 orders /second OUCH as the total OUCH capacity allocation reached to 17,000 order / second. PTRM allocation was increased by one institution and time server allocation by three, as the total number of customers benefiting from these services reached to 24 and 12 respectively. The number of institutions receiving ITCH data increased from 18 to 21.

Financial and Operational Summary

POST TRADE

Post trade services are conducted by Borsa İstanbul's subsidiaries; Takas İstanbul and Merkezi Kayıt İstanbul. With its "central counterparty" and "banking" licenses, Takas İstanbul mainly provides clearing, settlement, custody, central counterparty and banking services to its members in Turkish capital markets.

Merkezi Kayıt İstanbul is the central securities depository for Turkish capital markets instruments, conducting full dematerialization model on a beneficial owner basis (direct model).

SETTLEMENT	CUSTODY AND ACCOUNT MANAGEMENT	POST-TRADE FINANCE (BANKING TREASURY OPERATIONS)
Commitments for the collection and delivery of securities arising from the purchase and sale transactions of Borsa İstanbul members and the payment commitments with respect to the securities subject to the buy and sale are finalized through Takas İstanbul.	<p>Merkezi Kayıt İstanbul provides centralized custody services for dematerialized capital market instruments and electronic product securities.</p> <p>Precious metal storage is provided in Borsa İstanbul vault.</p> <p>Takas İstanbul provides custody services for capital markets instruments which are traded in international markets and for Private Pension Fund System (PPS).</p>	Overseeing its strong balance sheet with an effective risk management approach, Takas İstanbul carries out treasury operations as a part of its core banking activities.

Revenue TL 96 Mn 5% contribution to total consolidated revenues	Revenue TL 302 Mn 17% contribution to total consolidated revenues	Revenue TL 548 Mn 31% contribution to total consolidated revenues
<ul style="list-style-type: none"> TLREF OIS (Overnight Index Swap) settlement operations started at Takasbank on December 19. BiGA-Digital Asset Transfer Platform was introduced in December by Takasbank and some commercial banks. 	<ul style="list-style-type: none"> The validity period of ISO 22301 Business Continuity Management System and ISO 27001 Information Security Management System certificates owned by MKK were extended. The first dematerialized issuance of an Electronic Product Security (ELÜS) on chickpea was realized on June 26. The communiqué on Equity Based Crowdfunding was published by the CMB in October, with contributions from the MKK and Takasbank. Negotiations continue between crowdfunding platforms and the MKK regarding the infrastructure. In 2019, 17,298 shareholders attended a total of 417 AGMs held by companies which are publicly traded on the stock exchange, through the Electronic General Meeting System, e-GEM, which was developed by MKK. Meanwhile, 4,978 shareholders attended these meetings in person. 	Takasbank offers settlement, central counterparty and banking services to the Turkish capital markets and its members with its "central counterparty" and "banking" licences.

NEW PRODUCTS AND SERVICES

Turkish Lira Overnight Reference Rate (TLREF)

Borsa İstanbul prioritized and concentrated its efforts on TL financial architecture studies in 2019. Within this context, work on the formation of TLREF has been undertaken sensitively and rapidly.

As the first step in this process, the required reserve liability applied by the CBRT in BIST Interbank Repo-Reverse Repo Market was abolished on 28 December 2018 within the framework of close communication and firm cooperation with regulatory and supervisory agencies. As a next step, the Interbank Repo-Reverse Repo Market was merged with the Repo-Reverse Repo Market, providing liquidity consolidation. In doing so, a market with a total liquidity of TL 14.11 trillion and a daily average of TL 56.67 billion was created in BIST Repo-Reverse Repo Market in 2019.

In the second step of the process, global examples were examined within the framework of a formation of a national reference interest rate. Within this context, the decision was taken to calculate TLREF by using the overnight repo transactions, which are secured by TL denominated government debt securities and realized on Repo-Reverse Repo Normal Orders Market until 3:30 PM, with the starting value date of the same day,

In the final step of the process, TLREF started to be published on 17 June 2019, with TLREF available for dates going back to 28 December 2018, which is the date BIST repo markets were merged. Additionally, BIST TLREF Index is published to track the return of the TLREF rate.

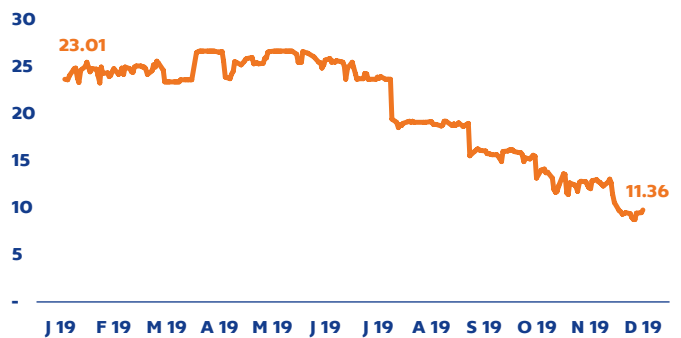
Meanwhile, TLREF Committee was established to carry out the surveillance of operations regarding the calculation and publication of the TLREF. The committee consists of representatives from Borsa İstanbul, the Central Bank of Turkey, the Ministry of Treasury and Finance of the Republic of Turkey, the Banks Association of Turkey, the Turkish Capital Markets Association and Takas İstanbul.

With the publication of TLREF, an interest rate was constituted, calculated by the transactions in an underlying market, tracking the CBRT policy rate.

Flexible Derivatives Contracts

In order to increase the radius of action for market participants, options contracts with flexible maturity dates were introduced for trading on 24 May 2019 in Derivatives Market, in which the strike price and maturity date can be set by the members within the limits specified by Borsa İstanbul, with a maximum maturity of 180 days.

HISTORICAL TLREF DATA IN 2019



A market with a total liquidity of TL 14.11 trillion and a daily average of TL 56.67 billion was created in the BIST Repo-Reverse Repo Market in 2019.

Monthly TLREF Derivative Contracts

With the publication of TLREF on 17 June 2019, the first stage of the process has been completed within TL financial architecture. In the second stage, futures contracts based on the monthly reference rate started trading on 2 August 2019 in order to render TLREF tradable. Contracts for a total of 7 terms are traded simultaneously among monthly reference rate contracts, including the current month and the six surrounding months. The total transaction volume was TL 120 million in 2019.

Financial and Operational Summary

New Equity Market Structure

The market structure of equity market was reviewed in order to facilitate the decision making processes of brokerage houses and individual and corporate investors. This study was aimed at providing the classification which will guide investors based on the criteria of size, liquidity etc.

As a result of the examination based on the criteria including market capitalization, free float market capitalization, free float, number of investors, liquidity and the size of the local investment fund, equity market was restructured and organized as BIST Stars Group 1, BIST Stars Group 2, BIST Main Group 1, BIST Main Group 2, Emerging Companies Market, Watch List, Pre-Market Trading Platform, Structured Products and Fund Market and Equity Market for Qualified Investors.

Continuous Operations

Real environment and reporting databases were separated within the scope of efforts to ensure the continuity of the session without interruption, which is one of our main priorities. Additional actions are taken in order to provide uninterrupted business continuity and risks related to such matters are managed effectively.

Overnight Index Swap

The next step of TL financial architecture was to provide facilitation for domestic financial institutions to manage their medium and long-term TL interest rate risks domestically, instead of using cross currency swaps which require foreign currency collateral in foreign banks. To this end, the infrastructure was launched on 19 December 2019 for domestic banks to swap fixed and variable interest rates with TLREF based overnight swap (OIS) agreements. Clearing, settlement, risk and collateral management services are provided by Takasbank under the guarantee of central counterparty for the over the counter derivative contracts.

Gold-Backed Digital Asset Transfer Platform (BiGA Platform)

BiGA is a new generation transfer system that allows the transfer of gold, which is physically-backed gold and can be converted to a digital asset, from one party to another by using blockchain technology, without any time constraints. One "BiGA" is the equivalent of one gram of gold and there are three main features including issuance, redemption and transfer. BiGA is based on the physical underlying asset and gold reserves that are physically stored in Borsa İstanbul's safe vault. Having been opened to trading on 30 December 2019, a total of 165 BiGA issuances, 115 BiGA redemption and 160 BiGA transfers were performed on the BiGA platform in 2019.

Electronic Board of Directors

MKK has offered the Electronic Board of Directors (e-BDS), which it has developed with its own internal resources, to the companies, by combining its experience in the electronic general meeting system with the work it conducts under the R&D Center. Contributing to the digital transformation process in Turkey, the board meetings of our companies can safely be held electronically. Additionally, this system allows video and audio participation over remote connections from any part of the world, and it is possible to sign meeting resolutions with an e-signature in accordance with legal regulations, bringing cost advantages for companies in their operational processes.

Omnibus Account

Last year significant progress was achieved in the works towards Omnibus Account Project, which is carried out to achieve goals such as facilitating the direct access of the foreign investors to government debt securities issued in Turkey, to ensure the use of these securities as collateral in international transactions and to increase the integration of our capital markets with international markets. By building a direct membership connection with the foreign central securities depositories (FCSDs), this project includes the opening of an "omnibus" depository account for these FCSDs, where capital market instruments are collectively monitored on behalf of non-resident beneficial owners. The legal infrastructure of the project was completed after the Dematerialization Communiqué Article 12/A and the Income Tax General Communiqué entered force in 2019. The omnibus account structure is compatible with the operational needs of the FCSDs in their operations such as clearing, settlement, custody and assurance. As this account system becomes available for our country's capital market instruments, FCSDs are expected to apply for membership of the MKK in the coming period.

Crowdfunding

With a CMB Communiqué published in 2019, it was made possible to carry out crowdfunding activities through an infrastructure reinforced with legal regulations. Within the framework of the “Communiqué on Equity Based Crowdfunding”, “MKK Crowdfunding System Project” works were initiated by MKK, with which integration will be provided through web services in order to support Crowdfunding Platforms, Escrow Agents, entrepreneur or venture companies and investors. Control of transaction limits brought in accordance with the Communiqué on fund raising processes will be implemented through the Crowdfunding System. Within the framework of determined needs, reconciliation procedures will be carried out and controls will be provided to ensure the sound functioning of the system. With the establishment of the platforms for innovative or entrepreneurial projects which successfully raise funds after being offered to investors, partnership information of the venture capital companies will be stored in Central Registration System application, and the shares held by the partners will be deposited. Under the Central Registration System application, a structure is established to complete the crowdfunding process with the transfer of shares to the shareholders of the company carrying out crowdfunding.

e-Data: Capital Markets Data Bank

Within the framework of the decision taken by the Capital Markets Board on 3 April 2015 MKK was authorized as a “Trade Repository” in accordance with Article 87 of the Capital Markets Law. The relevant legislative work was completed in 2018, with the “Regulation on the Operation, Conduct and Audit Principles of Trade Repository” and the “Communiqué on Principles Regarding Reporting to Trade Repository” (IV 87.1) entering force on 19 September 2018 and 27 October 2018 respectively, with their publication in the Official Gazette. The e-VEDO platform, which allows notifications of derivative transactions in organized and over-the-counter markets to be made to international standards by the contracting parties, came online on 30 November 2018. Since then, investment institutions and legal entities have started to report their derivative contracts in domestic and foreign over-the-counter markets and organized markets abroad to the e-VEDO Platform. Derivative transactions performed on “Derivatives Market” and “SWAP Market” within Borsa Istanbul are reported to e-VEDO platform by Takasbank, which acts as the Central Counterparty. As of 31 December 2019, futures, options, SWAP and contracts for differences have been reported by 111 e-VEDO platform member investment enterprises and legal entities on a daily basis. Commodity, interest rate, equity, credit, currency and other derivative categories based contracts for differences, forward contracts, futures contracts, options and SWAP contracts are reported to e-VEDO platform. Reporting of the retrospective derivatives transactions of legal persons started in 2019. Improvements to the system were carried out in April and September in order to improve the data quality and meet the demands of the members.

E-Investor Website and Mobile App

In June 2020, the e-GOVERNANCE portal, which serves investors through the internet channel, will be renewed by MKK. A new website, the “e-Investor” is aimed to be introduced to investors with a modern design, offering users an enhanced user experience, shortening membership processes and facilitating usage by less menu pages. A new mobile application is planned to be prepared during 2020, through which investors will be able to report account balances and account movements registered on MKK, to realize investor blockage transactions and to benefit from various information services related to these. The application will be offered on Google Play Store and Apple Store platforms to be used with mobile phones and tablets.

AN INTEGRATED

SERVICE NETWORK





Borsa İstanbul, Takas İstanbul and Merkezi Kayıt İstanbul offer services to local and international investors through an integrated service structure.

VALUE GENERATION AND STRATEGY



VALUE GENERATION AND STRATEGY

OPERATING ENVIRONMENT AND EXTERNAL FACTORS

GLOBAL FINANCIAL MARKETS UNCERTAINTY

Global macroeconomic policies and geopolitical developments have affected Borsa Istanbul and listed companies.

One of the key factors of this impact has been that the foreign ownership ratio was high and stable at above 60% in the Borsa Istanbul Equity Market.

Last year, although Borsa Istanbul markets were influenced by the investors' reaction to expected policy changes in benchmark interest rates, a slowing global economy and the trade war between the USA and China, their actual effects on the markets were limited, in spite of the concerns at the beginning of the year.

Markets were positively affected by monetary expansion. Having increased interest rates by a total of 100 basis points in four meetings throughout 2018, USA Federal Reserve Bank (FED) cut rates by a total of 75 basis points in three meetings during 2019. Similarly, expansionary monetary policies have prevailed in other developed economies and emerging economies. Thus, the challenging global environment of 2018 gave way to a partial loosening in 2019.

Declining interest rates put investors in the position of hunting returns, luring them into equities which offered upside potential or were distributing dividends. In this process, we have entered a period where emerging economies have enjoyed greater access to capital.

With the normalisation in the markets delayed on the expectation that the FED will keep interest rates on hold next year, this has been positive in terms of the risk premiums in emerging economies, and allowed central banks to take steps to support growth. However, a continuation of geopolitical risks and the uncertainty over future trade disputes is again putting pressure on global growth, as was the case last year, raising the expectation that these countries were coming towards the end of the loosening process.

TURKISH FINANCIAL MARKETS TRANSFORMATION

Our business performance is directly affected by the level of operation in capital markets and the macroeconomic conditions in the country.

After 2018, a challenging year amid financial volatilities and attacks on the currency, 2019 was a year of recuperation, making up for some of the losses thanks to the measures taken.

The transformation of the markets in the country and increasing growth targets were the key factors in terms of new public offerings and new product issuances.

In addition to the medium term program (New Economy Program) covering the 2019-2021 period, which was rolled out in 2018 by the government, the program covering the 2020-2022 period was announced in 2019. With the New Economy Program, which is focused on economic balancing, discipline and, transformation Turkish economy completed 2019 with 0.9% growth, with the economy contracting by 2.3% in the first quarter and 1.6% in the second quarter, before growing by 0.9% in the third quarter and 6% in the fourth quarter. The balancing process, which started in 2018, entered a transformation stage in 2019.

Companies and issuers seeking capital in order to finance such growth opportunities will continue to be the key players in terms of capital market products supply.

The balancing and transformation process in the economy are contributing to price stability. In parallel with the fall in consumer price inflation to 11.84% at the end of 2019, the Central Bank of Turkey cut its policy rate by a total of 1,200 basis points with the cuts throughout the year. It was revealed that developments in the course of inflation would be closely monitored in setting the policy rate.

With its wide product range, Borsa İstanbul is an ideal market place for meeting companies' needs regarding financial risk management and access to Turkish markets.

Inflation and exchange rates eased back from their historical peaks in the previous year, with Turkish Lira continuing to regain the value it lost.

Factors such as an improved current account balance in 2019, the increased harmony of monetary and fiscal policies and the positive environment developed in diplomatic relations have all reflected positively to the economy.

In addition to the balancing and transformation processes which the economy has been going through, volatilities in underlying assets, currencies and commodity markets all encourage investors to protect their portfolio risks, supporting demand for the derivatives market.

The growth of the local investor base requires improvement in the investment culture as well as a flow of domestic savings towards capital markets. The demand side of the capital markets is growing as the pension system (PPS) develops. While approximately 3 million people had been included in the PPS as of 2010, more than 6 million investors participated in the system in 2019. The volume of the assets managed has so far reached TL 100 billion.

New records broken in terms of index and traded values on the back of increasing demand, and Borsa İstanbul's financial capital has further strengthened thanks to exchange share income.

2019 was a year of important developments in terms of the indices. BIST 100 Index broke an all-time high at 115,312.01 within the session on the last trade day of the year, on 31 December 2019; and at 114,753.96 at the close of trade on 30 December 2019. In terms of performance, BIST 100 Index recorded a 25.4% increase compared to 2018, ending the year 2019 at 114,424.96.

2019 was also a year of important developments in terms of traded values. All-time records were set with TL 15.86 billion in Equity Market on 13 December 2019, and with a TL 3.1 billion traded value in Precious Metals and Diamond Markets on 30 December 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS STAKEHOLDER AWARENESS

The preference in society for more sustainable forms of consumption and the reaction to the global climate crisis indicate that many traditional production and financing methods will change in the future, and that more sustainable production methods will emerge.

With environmental and social issues at the forefront of global risk rankings, the importance attributed to these risks proves that there will be a more rapid progression in the short term when compared to the past.

The interest from the stakeholders, particularly from investors, has placed an even greater onus on companies to share their business purposes and the way they generate value in the long run at all communication levels. Climate is already one of the key issues in institutional reporting, with diversity and comprehensiveness at every level of company's organizational structure, including the board of directors, and overall employee well-being, safety, human rights and ethics being among the issues assuming ever-greater importance. Regional and global regulations concerning the announcement of sustainability data have increased substantially over the last 10 years, as this tendency is expected to continue going forward.

Investors and those in financial or lending environments increasingly use information regarding sustainability, and non-financial data regarding environmental, social and governance management in their investment and financing decisions. Ultimately, these decisions have the power to reward enterprises that best strive to promote sustainable development and support a future where the interests of the economy, society and the planet we live in in harmony.

Functioning as a bridge between investors and capital seekers, Borsa İstanbul closely monitors these developments and undertakes awareness, incentive and regulatory studies.

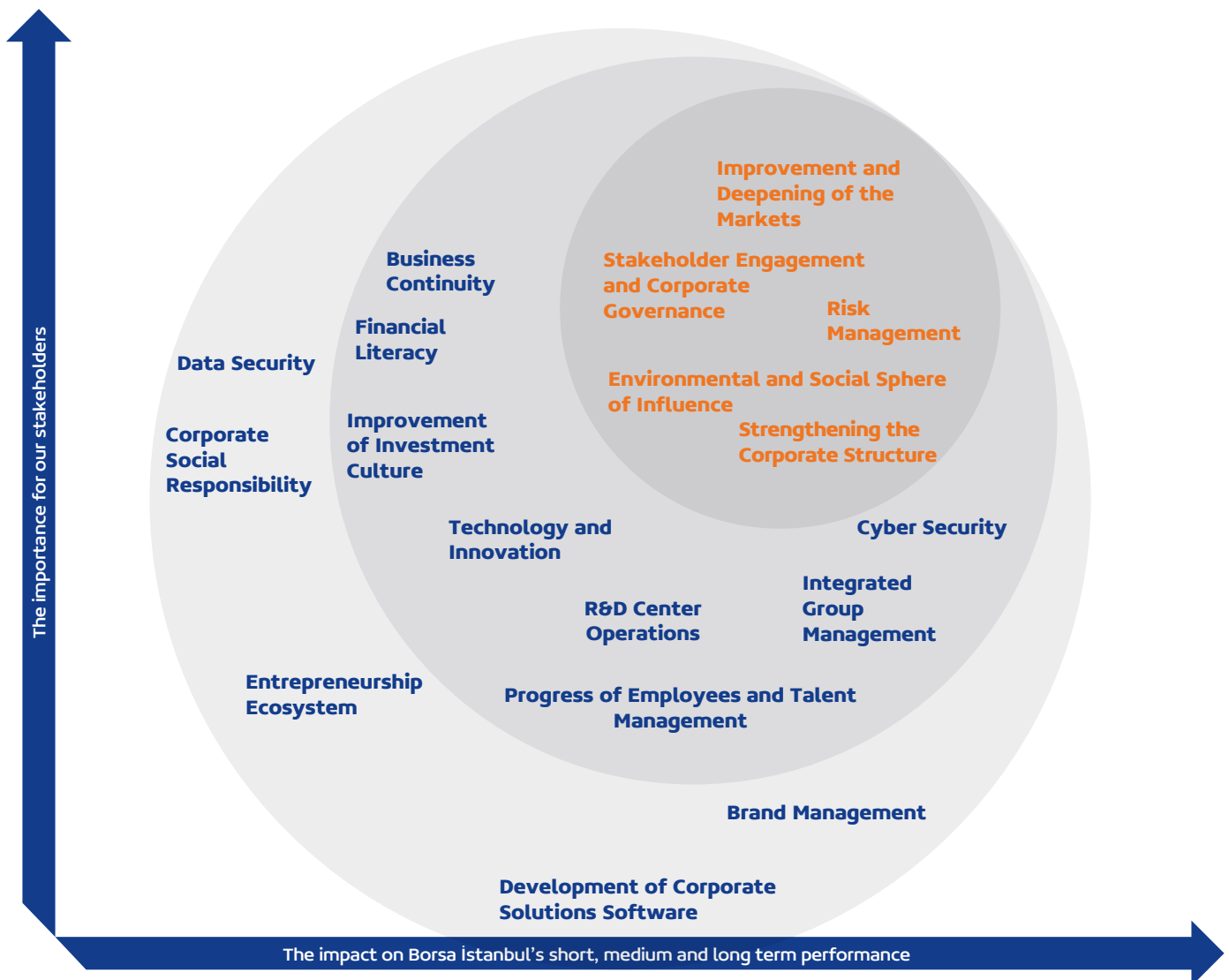
Improving the ability of the publicly traded companies in terms of sustainability reporting and integrated reporting directly affects the financial ecosystem.

Stakeholder awareness will be taken to an advanced level through constant communication with local and international NGOs and initiatives, and by developing collaborations. Borsa İstanbul will continue to support environmental and social issues with concrete projects.








Material Issues

Economic, political, social and environmental issues which affect Borsa İstanbul's operations and major issues which shape the fundamentals of Borsa İstanbul's strategy are reviewed on an annual basis. The material issues which Borsa İstanbul focuses on within its strategy, which influence its generation of value in the short, medium and long term, are specified, while also taking into account their importance with respect to stakeholders.

MATERIAL ISSUES MATRIX



Material issues are those which have a high impact on Borsa İstanbul and its key stakeholders and affect capacity to generate value. Material issues may differ over time depending on our strategy, the expectations of our stakeholders and the economic, social and environmental context in which we operate.

MATERIAL ISSUE	IMPACT ON VALUE GENERATION	RELATION TO SUSTAINABLE DEVELOPMENT GOALS	CONNECTION WITH THE STRATEGY
IMPROVEMENT AND DEEPENING OF THE MARKETS Works regarding the expansion of the issuer and investor base in the capital markets and the introduction of new products and services, especially the risk hedging instruments	<p>The Company undertakes studies regarding the expansion of the issuer and investor base in the capital markets and initiates new products and services, especially risk hedging instruments.</p> <p>The operations regarding the objective of including more companies in the capital markets through public offering, encouraging large scale companies to issue capital market instruments and the reinforcement of the corporate structure of small scale companies continued throughout the year.</p> <p>The fact that the companies provide the financing they need when making investments through the capital markets also expands their contribution to economic growth. Spreading the capital base enables a larger mass to benefit from economic growth.</p>	<div>   </div> <p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p> <p>8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all</p> <p>9.2 Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries</p> <p>9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p>	<div>  <p>Deepening of the Markets</p> <p>The development of deep capital markets which support healthy price formation is an important part of Borsa İstanbul's Strategy.</p> </div> <div>  <p>Effective Stakeholder Communication</p> <p>The development of an effective product portfolio which meets the needs of the market requires effective communication with market players.</p> </div>
RISK MANAGEMENT Continuous, non-stop and timely identification, measurement and monitoring of existing risks or potential risks which may arise in the future	<p>Borsa İstanbul helps investors and issuers manage their risks with the financial products it offers.</p> <p>In order to minimize the risks that individual investors - which form the largest stakeholder cluster in the capital markets - are exposed to, the Company issues regulations and is involved in the process of formulating regulations of the CMB, which is the regulatory body.</p> <p>On the other hand, the Company also manages its own risks to conduct its operations in a sustainable manner. To this end, a risk management department was established. The Department is to identify and to manage risks within the Company: aiming to reduce the risks that Borsa İstanbul and its stakeholders are exposed to.</p>	<div>   </div> <p>8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries</p> <p>10.5 Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations</p>	<div>  <p>Operational Efficiency</p> <p>The identification and effective monitoring of risk processes is linked with the operational excellence and sustainability of the corporate structure.</p> </div>

Material Issues

MATERIAL ISSUE	IMPACT ON VALUE GENERATION	RELATION TO SUSTAINABLE DEVELOPMENT GOALS	CONNECTION WITH THE STRATEGY
STAKEHOLDER RELATIONS AND CORPORATE GOVERNANCE To sustain strong relations with stakeholders through transparent and effective communication and the adoption of corporate governance implementations at international standards	<p>The Company has good relations with all its stakeholders and takes into account the views of its stakeholders as much as possible while conducting its operations. A strong corporate structure and corporate governance implementations are crucial for the market to function, effectively and fairly in the face of risks. These elements form the building blocks of Borsa İstanbul's corporate strategy.</p> <p>The improvement in financial literacy is supported both by offering training and internship opportunities for university students and by hosting training and events organized by different institutions. On the other hand, the Company contributes to meeting the physical needs (computer, library, hardware etc.) of schools all over Turkey</p> <p>The Company holds regular meetings with brokerage houses and banks which are among the important players of capital markets. The Company also meets stakeholders such as the CMB (the capital market's regulatory body), Türkiye Wealth Fund (the main shareholder), and the relevant offices of the Turkish Presidency's Office and subsidiaries on a regular basis.</p> <p>In order to promote diversity, the Company has added the provision to its articles of association that at least one independent board member should be a woman.</p>	 <p>5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life</p> <p>8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training</p> <p>10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard</p> <p>17.9 Enhance international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the sustainable development goals, including through North-South, South-South and triangular cooperation</p> <p>17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries</p> <p>17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries</p> <p>17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships</p>	 <p>Effective Stakeholder Communication The processes for deepening the markets and increasing operational efficiency can be provided through effective communication with internal and external stakeholders.</p>

MATERIAL ISSUE	IMPACT ON VALUE GENERATION	RELATION TO SUSTAINABLE DEVELOPMENT GOALS	CONNECTION WITH THE STRATEGY
<p>EFFECTIVE ORGANIZATIONAL STRUCTURE</p> <p>The structuring of the organization within the framework of efficiency and effectiveness principles</p>	<p>The Company carries out necessary organizational and restructuring processes to provide a working environment within the framework of efficiency and effectiveness principles and to sustain it.</p> <p>The vital tasks of motivating and improving the human resources forms the basis of human resources management.</p> <p>Employees are responsible for learning the internal and external legislation required pertaining to their duties, as well as the information necessary for them to perform their duties, using the technologies required to perform their duties, acting in accordance with the internal and external legislation and codes of ethics, maintaining their relations with all managers, colleagues and other stakeholders with respect, goodwill, honesty and harmony, and paying regard to the Company's interests. Executives are also responsible for ensuring the motivation and development of the employees.</p> <p>Comprehensive health insurance coverage is also offered to employees to help protect the health of employees and their dependents.</p> <p>Employee satisfaction is measured and necessary steps are taken to improve the working environment. In this way, employees have a say in the company management.</p>	<div data-bbox="858 524 1059 591"> </div> <p>3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all</p> <p>8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training</p> <p>16.8 Broaden and strengthen the participation of developing countries in the institutions of global governance</p>	<div data-bbox="1219 524 1324 627"> </div> <p>Operational Effectiveness</p> <p>Optimal organizational structuring and process enhancements to increase operational effectiveness</p>
<p>ENVIRONMENTAL AND SOCIAL SPHERE OF INFLUENCE</p> <p>To serve as a model in sustainability, to develop market based solutions, products and services to contribute to sustainability, to encourage the market participants and stakeholders to integrate the sustainability perspective to their operational cycles</p>	<p>The Company contributes to sustainability initiatives including the United Nations Sustainable Stock Exchange (SSE) and World Federation of Exchanges (WFE) abroad, and many others in Turkey. The issues which are agreed by the stakeholders, are shared with the public authorities.</p> <p>Since 2017, the Company has been preparing its annual reports in an integrated report format. The reporting guide which was published in 2014 is being updated and will be shared with the public in 2020. These studies are carried out with the knowledge of the Coordination Council for the Improvement of the Investment Environment and with the support of other stakeholders.</p>	<div data-bbox="858 1352 992 1420"> </div> <p>12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle</p> <p>17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries</p>	<div data-bbox="1219 1352 1324 1456"> </div> <p>Operational Effectiveness</p> <p>The internalization of sustainability and the implementation of leading practices is linked to operational efficiency.</p> <div data-bbox="1219 1715 1324 1818"> </div> <p>Effective Stakeholder Communication</p> <p>Achieving the sustainable financial system vision requires active participation and the union of forces among all stakeholders.</p>

How Do We Generate Value

Borsa İstanbul is committed to conducting its operations in a sustainable manner which generates long-term value for its stakeholders. This integrated report sets out how the strategic priorities, risks and opportunities, the sustainability approach, goals and organization are structured in line with these objectives.

It also explains how we continue to invest in our commitment of being a leader in extending capital to companies, providing alternative products for investors, risk management and healthy price formation. This report, which is Borsa İstanbul's third integrated annual

report, presents the wide range of investment tools which Borsa İstanbul offers with its fast and reliable trading platform, along with the opportunity to conduct hedging to protect from risks and financing opportunities for a real sector which needs long-term resources, as well as detailing its sustainable business model and the value which it creates for its stakeholders. In the report, Borsa İstanbul's strategic stance vis-a-vis external factors and risks affecting capital markets is explained with a long-term perspective with a focus on 2019 operations within the framework of priority issues.



CUSTOMER VALUE PROPOSITION

To provide a reliable, transparent, effective and innovative trading platform to market participants with the best technological infrastructure



EMPLOYEE VALUE PROPOSITION

To provide a healthy and safe working environment for employees, where they can develop themselves continually



SHAREHOLDER VALUE PROPOSITION

To provide a strong financial performance, sustainable income flow and structure as a result of deep capital markets

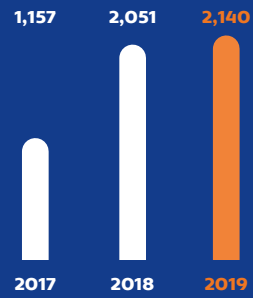


SOCIAL VALUE PROPOSITION

To support employment and economic growth through development and diversification of financing opportunities

CREATED VALUE

Revenues (TL million)

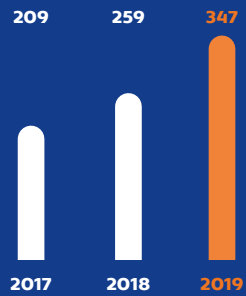


DISTRIBUTED VALUE

Operating Expenses (TL million)



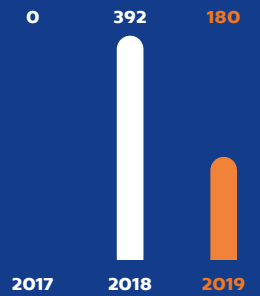
Employee Wages and Benefits (TL million)



Payments to the State (TL million)

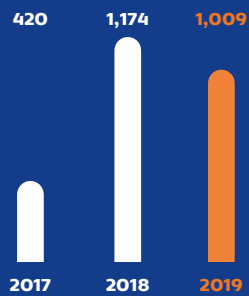


Dividend (TL million)



RETAINED VALUE

Retained to Strengthen Capital (TL million)



Borsa İstanbul Fully Integrated Business Model

INPUTS



FINANCIAL CAPITAL

Financial capital is comprised of our operations which have strong cash generating capacity and resource diversity, and the returns obtained from investments.

Paid-in Capital: TL 423 million

2019 Operating Expenses: TL 731 million



HUMAN CAPITAL

Human capital is comprised of qualified employees, teams specialised in technology, and support personnel who will carry out operations which require a strong leadership team and specialist efforts.

No of Employee: 1,096

Borsa İstanbul: 584

Takasbank: 298

MKK: 213



INTELLECTUAL CAPITAL

Intellectual capital is comprised of the licence to provide a trading platform for capital market instruments, BISTECH - the world's leading trading technology with source codes, product development operations and the rules and regulations created as a self-regulating organization.



MANUFACTURED CAPITAL

Manufactured capital is comprised of the Primary Data Center (PDC) which allows investors to perform trading more rapidly and seamlessly and has the highest standard in terms of technological security, co-location infrastructure, Disaster Recovery Center located in Ankara, precious metal vault and the campus in which the group companies operate in an integrated manner.

The PDC established on an area of 1,500 m²

1,600 tonnes of gold storage capacity

The 1,400 m² BISTECH R&D Center



SOCIAL AND RELATIONSHIP CAPITAL

In addition to good employee relations and the investor confidence required to realize our operations effectively and improve on them, our social and relationship capital also consists of constructive communication with public authorities and regulatory agencies, partnerships with NGOs, and our local and global collaborations.



NATURAL CAPITAL

In addition to electricity and water use of İstinye and Kuyumcukent campuses, the energy used for the PDC constitutes our natural capital.

13.1 million kWh of energy consumption

25,966 m³ of water consumption

10 PRIMARY RISKS

- Conjunctural risks
- Information technologies risks
- Business continuity and operational risks
- Reputation risk, confidence loss of stakeholders
- Failure to fully/complete comply with the legislation
- Information security, cyberattack risk
- Strategy risk
- Human resources risk
- Liquidity risk
- Risks that may affect the value of financial instruments

EXTERNAL FACTORS

In Global Financial Markets
Uncertainties

In Turkish Financial Markets
Transformation

MATERIAL ISSUES

MAIN PROCESSES

LISTING

Financing provided in 2019

- TL 264 million with public offerings
- TL 206.1 billion with private sector debt securities

MARKET TRANSACTIONS

Total trading volume in 2019

- TL 19.8 trillion

DATA AND TECHNOLOGY

- Data dissemination
- Index licensing
- Co-location services

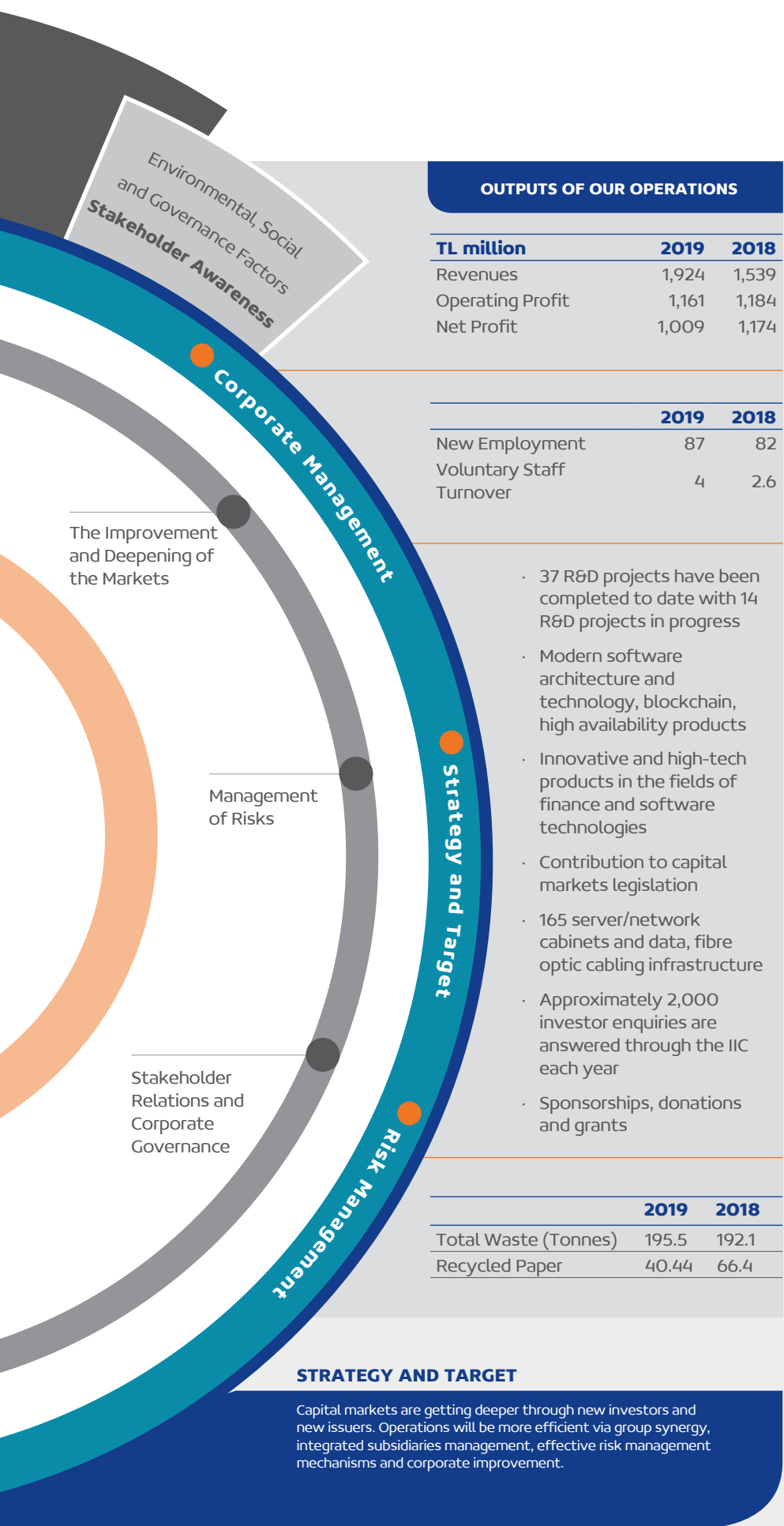
BISTECH
TECHNOLOGY
INFRASTRUCTURE

POST TRADE (TAKASBANK, MKK)

- Settlement and custody
- Central counterparty service
- Public disclosure

Environmental and Social Sphere of Influence

Strengthening Corporate Structure



OUTCOMES OF OUR OPERATIONS

VALUE GENERATED FOR STAKEHOLDERS

WE PROVIDE FINANCING AND RISK MANAGEMENT PLATFORMS

As Turkey's sole stock market, we offer one of the most liquid markets in the world which meets our companies' long-term financing needs and provides fair price formation for stocks. We provide investors seeking to avoid risks with the opportunity to take positions in our derivatives market.

WE ENHANCE OUR FINANCIAL INFRASTRUCTURE

In order to support Istanbul's status as a finance centre, we expand the product mix with new products and services. We ensure that transactions are performed fairly, honestly and competitively thanks to the constantly developing market surveillance system.

WE IMPROVE FINANCIAL LITERACY

We ensure the improvement of financial literacy. We contribute to the spread of capital market investments to the base of society by extending the culture of partnership.

INTERNATIONAL CAPITAL FLOWS COME TO TURKEY VIA BORSA İSTANBUL

We ensure Turkish economy benefits from foreign capital flows which provide more than half of the investment in the free float part of our companies. We contribute to the image of publicly traded companies by increasing their international visibility.

WE WORK FOR A SUSTAINABLE FUTURE

We undertake awareness-increasing efforts to spread the environmental, social and corporate governance priorities at the companies, and calculate indices. Through public offerings, we ensure companies adopt principles of transparency and accountability and enhance their decision making mechanisms and business processes.

WE VALUE OUR SHAREHOLDERS

Within the framework of our profit distribution policy, which sets out a target of distributing at least 50% of the period profit, we share the profit which we generate throughout the year.

WE VALUE OUR EMPLOYEES

Employees choose Borsa Istanbul as an employer due to its strong focus on side benefits, its pioneering stance in financial technology and its emphasis on employee improvement. We invest heavily in our employees and to their improvement, and in the widest sense, to the benefit of society.

Strategy

Borsa İstanbul performs developmental strategies to deepen capital markets and to contribute to responsible sustainable growth with its integrated structure and its business model based on product/service diversity. Borsa İstanbul constructs capital markets of the future for its shareholders, customers, employees, public authorities, civil society and society as a whole.

- Vision: To be a global integrated market place for Turkish and regional financial assets in future capital markets
- Mission: To provide a reliable, transparent, effective, fair, innovative, competitive and sustainable trading platform for all investors

2019-2021 TARGETS



DEEPENING THE MARKETS

Initiation of New Products and Services
Expansion of the Investor and Issuer Base
Technological Transformation



OPERATIONAL EFFICIENCY

Group Synergy and Integrated Subsidiary Management
Operational Excellence and Effective Risk Management
Corporate Development

EFFECTIVE STAKEHOLDER COMMUNICATION

STRONG FINANCIAL PERFORMANCE SUSTAINABLE GROWTH

Borsa İstanbul aims to present the best results to its customers and shareholders, and to have a positive impact on the society as a whole. Borsa İstanbul Strategic Plan, formed in 2018 and reviewed based on the current conditions, is built on three pillars; deepening the markets, operational efficiency and effective stakeholder communication. Concrete steps taken in these main objectives are followed through annual business plans and the realizations are taken into account in the performance system.

1. DEEPENING THE MARKETS

While Turkish economy achieves greater stability with the improvement and deepening of capital markets, the culture of sharing and inclusiveness will also increase with the spread of capital to the base. In this respect, Borsa İstanbul's first priority is to increase the depth of the market while leading the improvement of capital markets in Turkey.

There is tremendous potential in Equity Market in terms of increasing the number of public offerings. As of end of 2019, the total market capitalization of listed companies in Turkey corresponded to approximately 26% of the gross domestic product (GDP), while this proportion stood at 60% in Eurozone countries and an average of 90% in the world. This shows the development potential of our markets. To this end, the target at the Eleventh Development Plan is for the market

capitalization of listed companies to reach 39% of GDP by 2023. Borsa İstanbul will reveal the potential of its markets, ensuring it reaches a size which represents national economy.

Within the context of the New Economy Program (NEP) for the 2019-2021 period, which is focused on balance, discipline and transformation, Borsa İstanbul has taken responsibility for the initiation of products (currency swaps and interest rate swaps) which serve as alternatives to the currency purchases method which is largely used for protecting financial assets against risks; the formation of reference interest rates which can be used in protection of TL based assets against interest rate risk and the pricing of variable rate instruments; and the formation of derivative products based on short term reference rates and structured products which enable the trading of index volatility.

Improvement of the markets, and diversification of products and services

By focusing on the development of new products and services, Borsa İstanbul aims to offer the capital market instruments which markets may need, and to perform development operations for the existing instruments again depending on the requirements. To this end, Borsa İstanbul actively continues to pursue a strategy of focusing on the needs of financial ecosystem and its customers, and to develop products and services which meet a wide range of demands.

The diversity of financial products has been increased, contributing to the economic welfare and mechanisms towards protecting investors against risks, and are presented within the context of deepening the markets.

Expansion of investor and issuer base

Efforts to increase interest in products and services and to expand the investor and issuer base are among Borsa İstanbul's priorities. Within this context, Borsa İstanbul will maintain initiatives to strengthen its perception among the public, investors and companies, to act in conjunction with its stakeholders and to provide efficient and value added services with innovative and technological approaches. To this end, awareness and financial literacy studies continue to direct domestic savings to the capital markets and to the realisation of large scale public offerings at Borsa İstanbul.

Technological transformation

As technology shapes capital markets, many stock exchanges and settlement institutions have been following blockchain technology, entering partnerships to study the application of such technology particularly in the settlement processes. To this end, Borsa İstanbul Exchange Group continues product development and data analytics processes with blockchain studies.

Achievements of the BISTECH Project		Prior to BISTECH	After BISTECH
	Order Transmission Speed with FIX Protocol	1 millisecond	100 microsecond
	Co-location Order Transmission Speed with OUCH Protocol		60 microsecond
	Data Dissemination on Order Basis with ITCH Protocol	10,000 messages/second	75,000 messages/second
	Maximum Order Processing Per Second	10,000 orders/second	100,000 orders/second
	Sustainable Order Processing Per Second	5,000 orders/second	10,000 orders/second
	Sustainable Data Dissemination Messages Per Second	4,000 messages/second	10,000 messages/second
	Maximum Number of Orders Per Day	3,500,000	10,000,000
	Maximum Number of Transactions Per Day	1,200,000	5,240,000
	Platform Information For Markets		4 markets in a single platform
	User Order Limit Mechanism	Off-limit orders are rejected	Off-limit orders are queued
	Right to Sale		Right to sale in 23 countries

Having completed its technological transformation in 2018, Borsa İstanbul has established a rapid and reliable technological infrastructure through BISTECH system. With the launch of three Service Releases in the months of May, August and December in 2019, significant functions were included in the BISTECH system such as TLREF Reference Interest Rate Calculation, After Hours Trading, Over-The-Counter Derivatives Settlement (OTC OIS, OTC IRS), Volatility Index, and data dissemination for SWAP market over BISTECH. In order to improve the existing BISTECH Index Computation System with the technologies which will meet increased performance requirements, a new application (BEHS) has continued to be written. Apart from these significant projects, 800 IT projects were completed in 2019, 155 of which were of a large scale.

Plans are in place to continue system developments, to develop and commercialize BISTECH and related products, and to reflect Borsa İstanbul Exchange Group synergy in product development processes in coming period.

Thanks to co-location service offered by Borsa İstanbul, market participants have the privilege of placing their systems at the same location as Borsa İstanbul systems. Thereby co-location users who have placed their systems in Borsa İstanbul Primary Data Center have the opportunity to access market systems more quickly and reliably.

New order transmission capacity packages were created to address customer needs and the product range was expanded. In order to ensure active redundancy against server/connection/access problems, backup order transmission was allocated to users as an additional service.

In the coming period, Borsa İstanbul aims to enrich the technology services product portfolio, meet revenue targets by increasing the number of customers and to increase the international accessibility of Borsa İstanbul. The plans also include extending the data center space in line with customer requirements and moving co-location customers to the new space.

Strategy

2. OPERATIONAL ACTIVITY

Borsa İstanbul aims to increase business effectiveness and cost efficiency by improving operational efficiency. Under the “Borsa İstanbul Exchange Group” approach, the major priorities are effectiveness in organizational structuring (including Takas İstanbul and Merkezi Kayıt İstanbul), the optimization of business processes, implementations of corporate resource planning structure and the adoption of global corporate governance standards in all applications. Borsa İstanbul also targets enhancements to the organizational structure and stepping up the existing integration with group companies in order to improve the corporate infrastructure.

Group Synergy and Integrated Subsidiary Management

As the three main institutions of capital markets, Borsa İstanbul, Merkezi Kayıt İstanbul and Takas İstanbul, cooperate under the Borsa İstanbul Exchange Group brand and conduct their operations under a single roof in the same campus. The synergy generated from effective subsidiary management - primarily among group companies - and increasing intra-group integration contributes to the operational improvement, particularly in terms of cost efficiency.

Operational Excellence and Effective Risk Management

According to Capital Markets Law, Borsa İstanbul has duties and responsibilities with regard to ensuring the performance of transactions in a fair, honest and competitive manner and establishing a surveillance system to detect unlawful transactions. The surveillance operations run by Borsa İstanbul consist of “preliminary surveillance” and “detailed surveillance” operations. Preliminary surveillance consists of real time tracking of orders and transactions transmitted to the stock market through the electronic surveillance system established at Borsa, in addition to evaluation and examination processes of signals and warnings flagged up in the system by auditors. Detailed surveillance operations contain collection of suspicious evidence, identification of perpetrators, proof of crime, and analysis, examinations and reporting activities to calculate the benefit. Within the framework of these surveillance operations, the feedback received indicates that the proactive measures have increased the market participants’ confidence in Borsa İstanbul.

In order to improve surveillance operations;

- The directive on Surveillance Measures came into effect and Measures Management System (MMS) was established in 2019,
- Improvement studies have been conducted regarding the MMS and Volatility Based Measures System (VBMS) by taking into account feedback provided by stakeholders,
- Studies continue into the diversification of signals and warnings generated by the Surveillance system (SMARTS), improvements in the measures mechanisms to ensure effective and healthy operations of the markets and carrying out necessary enhancements by measuring the efficiency of warning parameters.

Enterprise Risk Management framework has been adopted to manage the risks faced by the organization. Please refer to Risk Management section for detailed information..

Corporate Development and Sustainability

Borsa İstanbul adopted Enterprise Resource Planning (ERP) in 2019, and in this way the processes were optimized by combining the unintegrated systems over a single resource. Many processes that proceed manually on different systems have become automated and compliance efforts are ongoing.

Studies are underway to improve the internal performance management system with the objective of improving the individual and institutional performance, ensuring that promotion processes are carried out correctly and to obtain a sound indicator which can form the basis for the creation of talent pools. On the other hand, we aim to conduct innovative studies in the fields of corporate governance and sustainability. Sustainability Guide was published in 2014 for the sake of increasing the awareness of sustainability in all companies. The guide has been updated and will be available online in 2020.

3. EFFECTIVE STAKEHOLDER COMMUNICATION

We believe effective communication with internal and external stakeholders is vital both in developing products to deepen the markets, expanding the investor and issuer base, and ensuring operational efficiency. Borsa İstanbul continues to develop effective and uninterrupted dialogue and communication channels with its stakeholders, based on the principles of equality, transparency, accountability and responsibility.

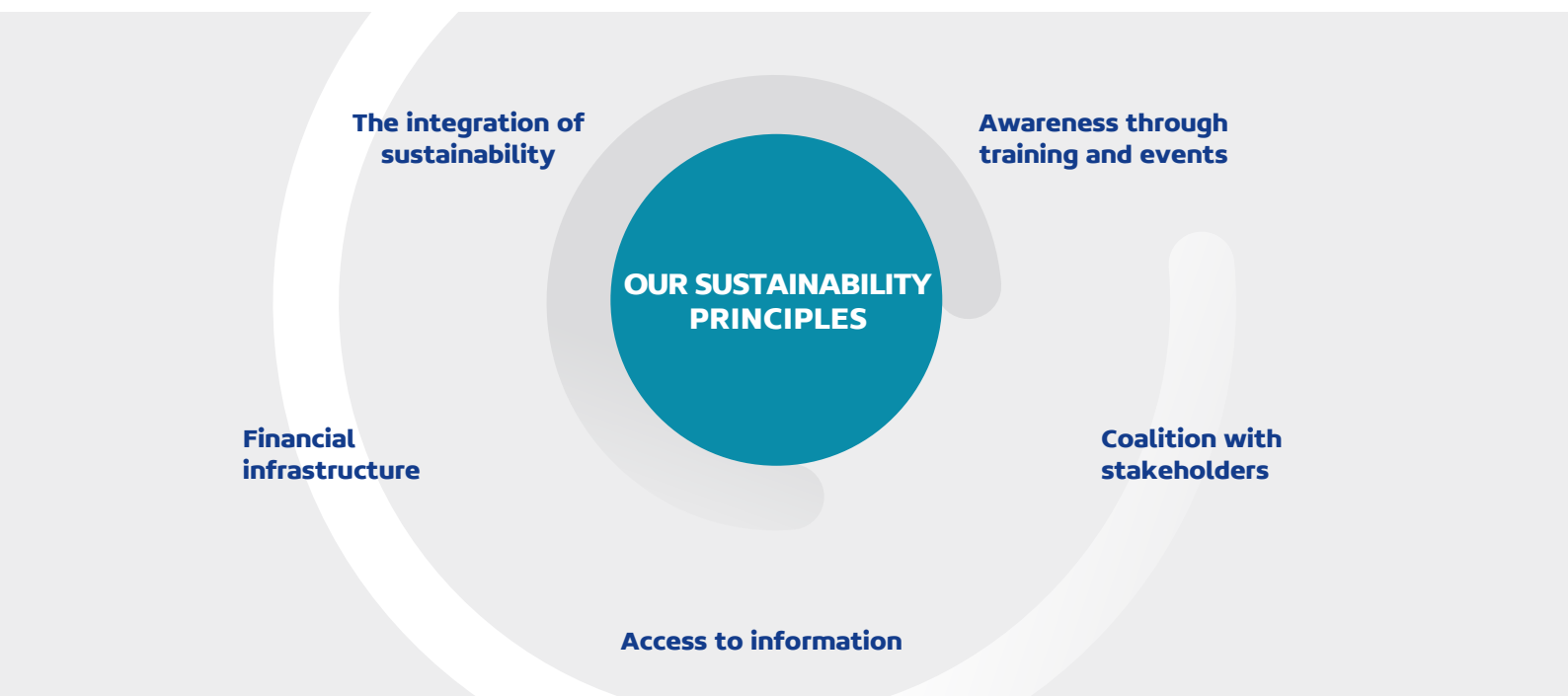
Sustainability Approach

It is by now widely accepted that Environmental, Social and Governance (ESG) factors can pose a great risk to the returns of companies and markets in the long term. The financial ecosystem will be healthier if investors, issuers and other market participants consider sustainability in a more comprehensive manner, and increase their awareness of the risks and opportunities.

Taking into account their central roles in the financial markets, stock exchanges have the opportunity to lead the improvement in sustainability implementations. Borsa İstanbul aims to play a leading role in the development and diversification of capital market instruments by integrating sustainability into decision-making mechanisms and business models and by taking into account global risks and opportunities in developing a sustainable financial system.

In line with this goal, the major points of our sustainability approach can be summarized as follows;

- To differentiate as an institution with the level of internalization and ownership of sustainability, and to set an example to all companies with the activated implementations
- To develop market-based solutions, products and services which contribute to sustainability
- To offer encouragement to market participants and stakeholders to integrate the sustainability perspective into their operational cycles



**Sustainable
Stock Exchanges
Initiative**

Supported by the United Nations, the Sustainability Stock Exchanges (SSE) was established in 2009 regarding the practical implementation dimension of the sustainability concept in the capital markets. Borsa İstanbul was one of the five stock exchanges (along with the Brazil Stock Exchange B3, the Egyptian Stock Exchange, the Johannesburg Stock Exchange and the Nasdaq-US) to sign up to this initiative at the RIO+20 Summit held in 2012. In 2018, Borsa İstanbul received the first-ever SSE Ground-Breaker Award for its commitment to sustainable development, acknowledging the innovative and ground-breaking efforts by Borsa İstanbul contributing to the attainment of the Sustainable Development Goals (SDGs). As of 2019, the stock exchanges joining the SSE initiative summed up to a total of 93.

Aware of the increasing importance of the SSE for stock exchanges, Borsa İstanbul became one of the official supporters of the initiative with its involvement in a program launched in 2019, achieving the right to use the “SSE Official Supporter” title.

Sustainability Approach

OUR SUSTAINABILITY GUIDELINES

<p>Awareness through training programs and events</p>	<p>We aim to raise awareness through training and events aimed at market participants regarding the impact of environmental, social and governance factors on the long term performance of the financial markets and the role which the markets can play in achieving a fairer, more sustainable world.</p>	<ul style="list-style-type: none"> • Last year Borsa İstanbul hosted a variety of training programs and events under the theme of sustainability. These included; • “International Women’s Day Gong Ceremony” with the participation of the wife of President Mr. Recep Tayyip Erdoğan, First Lady Mrs. Emine Erdoğan, the Minister of the Treasury and Finance, Mr. Berat Albayrak, the Minister for Family, Labor and Social Services, Mrs. Zehra Zümrüt Selçuk and a significant number of participants (March 8, 2019) • “Corporate Reporting and Investor Expectations Conference” with the participation of the Honorary President of the International Integrated Reporting Council (IIRC), Prof. Judge Mervyn King, the former CEO of the IIRC, Mr. Paul Druckman, and the Chairman of the Capital Markets Board of Turkey, Mr. Ali Fuat Taşkesenlioğlu (June 18, 2019) • Integrated Reporting Best Practices Sharing Workshop (June 18, 2019) • The “Sixth Sustainable Finance Forum” with the collaboration of the Business Council for Sustainable Development Turkey (BCSD Turkey), UN Environmental Program Finance Initiative (UNEP FI) and Global Compact Turkey (Global Principles Agreement Turkey Network) (October 31, 2019) • “Integrated Reporting Panel on the Improvement of Capital Markets from the Point of View of Investors” with the participation of investors and companies (December 19, 2019)
<p>Coalition with stakeholders</p>	<p>To reach to a sustainable financial system vision requires the active participation of all relevant stakeholders and the presence of an effective policy and regulatory framework. Since stock exchanges are in an interactive relationship with a wide range of stakeholder groups, it is possible to conduct joint efficient studies.</p>	<ul style="list-style-type: none"> • Borsa İstanbul conducts studies to determine the role stock exchanges can play in creating a sustainable society through a working group set up at the World Federation of Exchanges (WFE). At the same time, Borsa İstanbul is also a member of Sustainable Stock Exchanges (SSE) initiative. • Within the framework of the Coordination Council for Improvement of Investment Environment (YOİKK) Action Plan, Borsa İstanbul was chosen as the institution responsible for the actions of “encouraging our companies obtain a greater share of global sustainable investment”, a part of the Tax, Financing and Incentives Working Group responsibilities. Primarily in conjunction with the members of the Sustainability Platform (the Capital Markets Board of Turkey, The Banks Association of Turkey, Turkish Capital Markets Association, Corporate Governance Association of Turkey, Business Council for Sustainable Development Turkey, the Global Compact Turkey, Carbon Disclosure Project (CDP) Turkey, the Turkish Industry and Business Association (TÜSİAD), the Turkish Investor Relations Society (TÜYİD), the Sustainability Academy, the Sabancı University Corporate Governance Forum, the Argüden Governance Academy and Center for Finance, the Governance and Sustainability and the Integrated Reporting Turkey Network (ERTA)), task forces were established with the relevant institutions (the Banking Regulation and Supervision Agency, The Union of Chambers and Commodity Exchanges of Turkey, the Foreign Economic Relations Board of Turkey, the Turkish Exporters Assembly, the İstanbul Chamber of Industry, the Capital Markets Licensing Registry and Training Agency, the International Investors Association, the Merkezi Kayıt Kuruluşu (Central Securities Depository of the Turkish capital markets)) and studies were conducted in line with the program determined regarding the actions. • Meetings have been held within the context of three different task forces (Awareness, Incentives and Regulations) which have been formed with the stakeholders, in addition to guidelines, surveys, training and regulations.

Access to information	<p>In order to reach investment decisions and ensure the appropriate allocation of capital, investors should be able to access comprehensive information on how the companies manage their major ESG risks (and potential opportunities). Ensuring greater visibility of the corporate strategies and non-financial performance of the companies could help stakeholders take more conscious decisions.</p>	<ul style="list-style-type: none"> • In accordance with the Capital Markets Law and relevant legislation, the publicly traded companies are responsible for disclosing their compliance with corporate governance principles in a question and answer format, which is published on the Public Disclosure Platform. • Having been sharing its own operations in an integrated report format since 2017, Borsa İstanbul helps companies perform integrated reporting. To this end, a cooperation agreement was signed with the IIRC, and Borsa İstanbul actively participates in studies conducted by the Integrated Reporting Turkish Network, which has a local status. • Borsa İstanbul prepared the "Sustainability Guide for Companies" in 2014 with the objective that sustainability awareness should not be limited to listed companies and should be spread to all companies in Turkey. This guide was aimed at responding to companies' questions regarding sustainability and to present them with a road map to follow. The guide has been updated and will be available online in 2020.
Financial infrastructure - Sustainability and Corporate Governance Indices	<p>Borsa İstanbul aims to expand and encourage sustainability-based investment instruments.</p>	<ul style="list-style-type: none"> • Having been computed since 2007, BIST Corporate Governance Index measures the price and return performances of companies traded on BIST Stars, BIST Main and BIST Emerging Companies Market, whose compliance with corporate governance principles has a rating of at least 7 out of 10, and 6.5 out of 10 with regards to each main heading. • BIST Sustainability Index has been computed since 2014. The index includes companies with the highest corporate sustainability performances and aims to increase the understanding, information and implementation of sustainability in Turkey and, in particular, among Borsa İstanbul companies.
Integration of sustainability with the operations	<p>In order to be effective in supporting the sustainable finance agenda, sustainability must be at the heart of governance, strategic and organizational structures.</p>	<ul style="list-style-type: none"> • Borsa İstanbul prepared Sustainability Report to announce its own operations between 2014 and 2016. Since 2017, information regarding the environmental, social and governance performance and targets has been presented to stakeholders in the integrated annual reports. • Borsa İstanbul Sustainability Committee was founded in 2015 with the objective of integrated and effective implementation of sustainability at Borsa İstanbul, ensuring performance follow-up with a sustainability strategy, and integrating sustainability into decision-taking mechanisms and business models. • "Sustainability Platform" was initiated under the leadership of Borsa İstanbul and with the participation of relevant organizations in order to conduct evaluations of the work being carried out in the field of sustainability, to assess whether it was carried out in a result-oriented and effective manner, and to create a sharing network which would enable the discussion of joint steps to be taken on sustainability.

EFFECTIVE

STAKEHOLDER COMMUNICATION





Borsa İstanbul's contribution to the development of İstanbul Finance Center is clear with the regional collaborations it has developed.

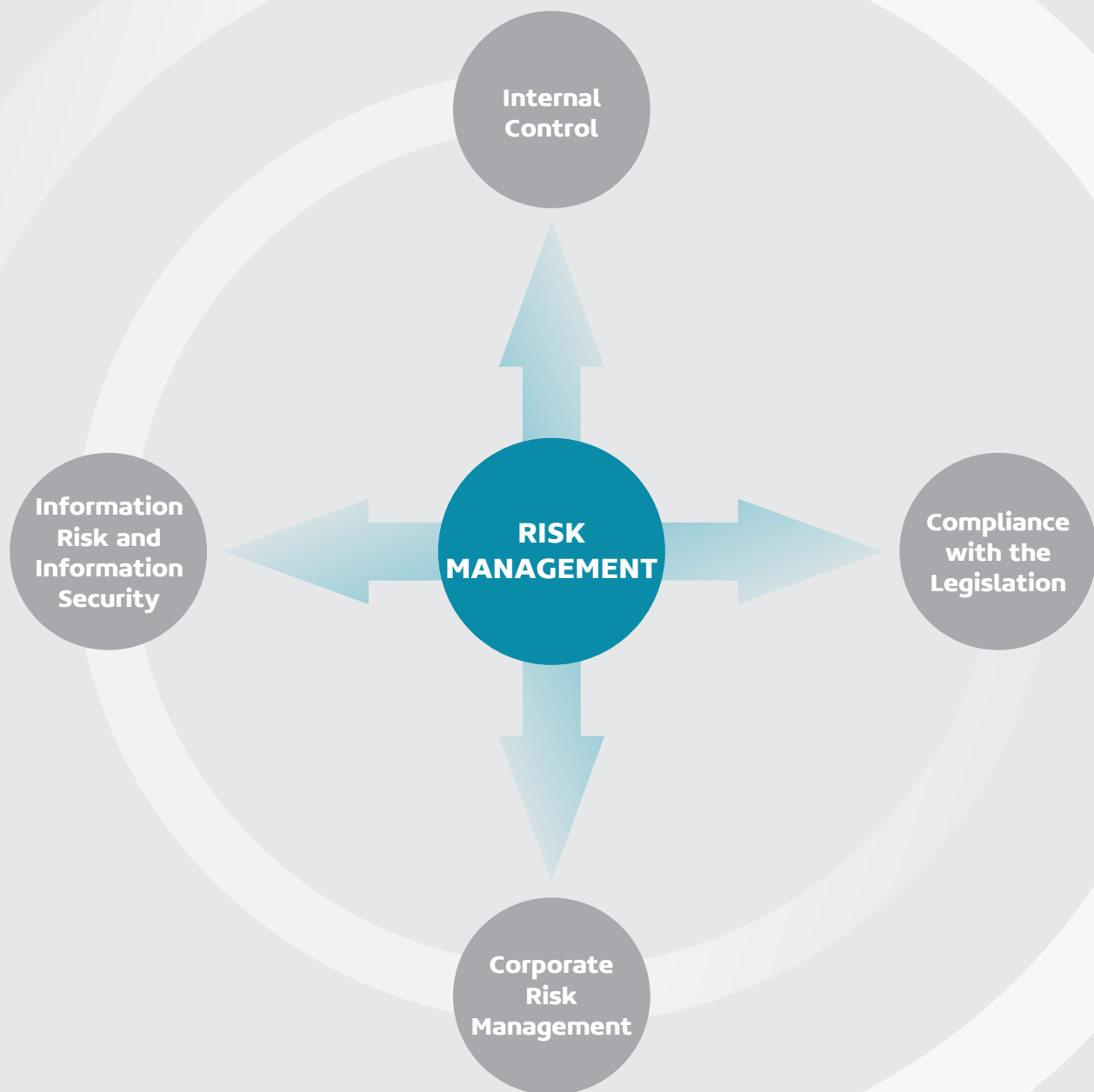
RISK MANAGEMENT AT BORSA İSTANBUL

Effective risk management is a key component of Borsa İstanbul's operation and plays a critical role in successfully managing its operations. A corporate risk management methodology has been adopted in order to rapidly and continuously define, evaluate, measure and monitor existing and potential risks which could compromise the achievement of the strategic targets specified by Borsa İstanbul.

The establishment of risk management measures to minimize the impacts of the risks and the implementation of corporate risk management policies in all critical processes are conducted under the responsibility and supervision of Board of Directors. Efforts regarding integrated risk management at Borsa İstanbul are monitored by Early Risk Assessment Committee, established within Board of Directors.

Risk management operations are coordinated by a separate unit which was set up at the end of 2018. The unit was expanded in 2019 to include internal control and compliance operations and was restructured such that it directly reports to the CEO.

The corporate risk management at Borsa İstanbul aims to undertake operations regarding internal control, information risk and security and compliance functions effectively and to ensure that risk management operations become part of the corporate culture and decision-making processes. In 2019, the Company received consultancy services concerning corporate risk management with the objectives of increasing the effectiveness and efficiency of risk management operations and to constitute a risk culture within the institution. Thanks to the consultancy support, potential risks were identified with the participation of business units, and a control matrix and action plans were formed by preparing risk checklists.



Risk Management

CORPORATE RISK MANAGEMENT

The establishment of a Corporate Risk Management (CRM) program will develop the risk awareness culture, responding to the developing and changing dynamic business environment and major regulatory amendments with greater risk awareness, and increasing the value generated for our stakeholders. With the establishment of a separate unit for risk management, risk management operations are coordinated by a team specialised in corporate risk

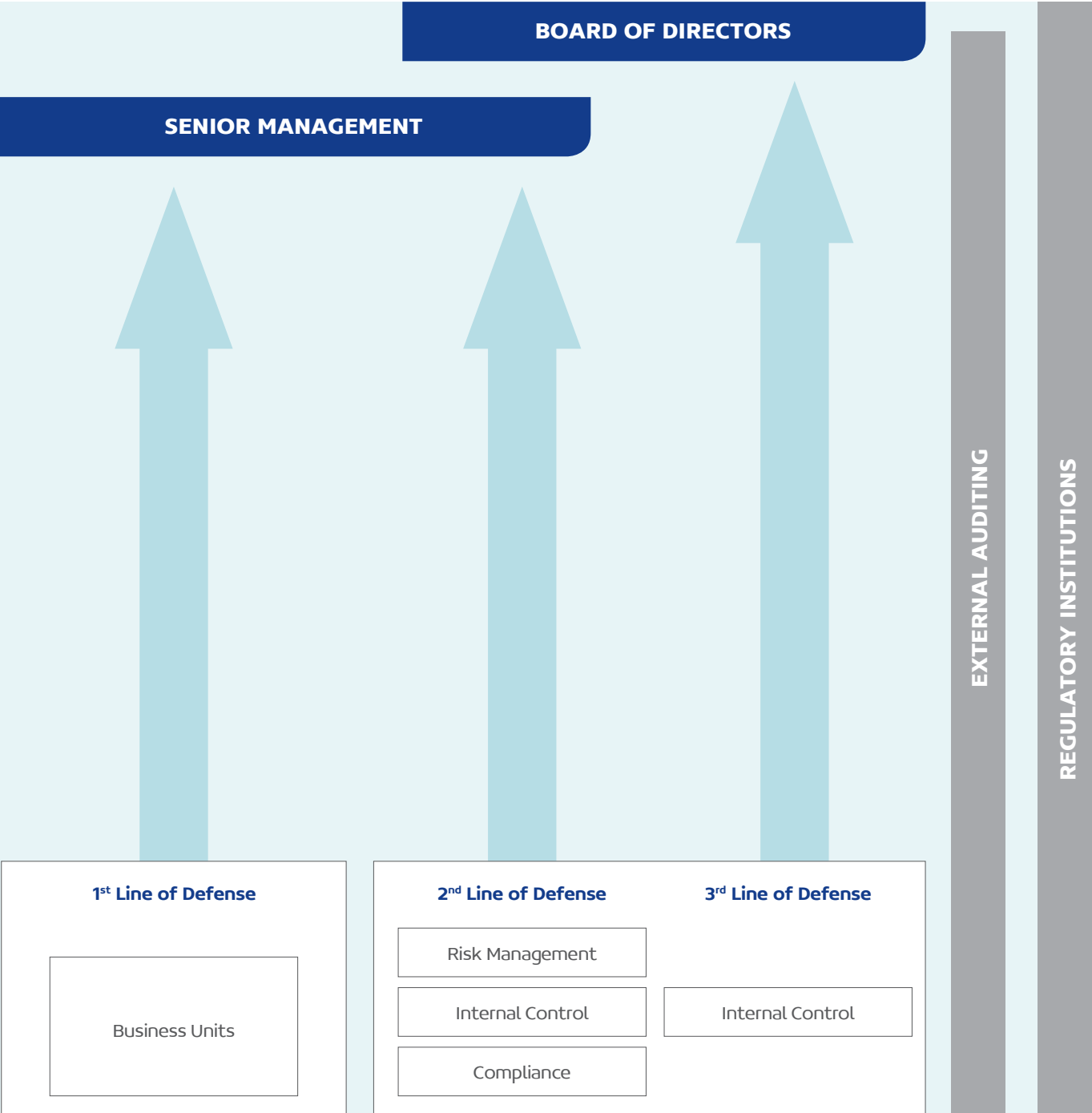
management, internal control, information risk, information security, business continuity and compliance with legislation.

To effectively manage and control the risks specified by Borsa Istanbul which may prevent the achievement of the corporate strategy and targets, to optimize and to ensure the efficiency of governance, risk and internal control systems by providing reasonable assurance to senior management, a “Triple Line of Defense” model was adopted.



Risk Management

To effectively manage and control the risks specified by Borsa İstanbul which may prevent the achievement of the corporate strategy and targets, to optimize and to ensure the efficiency of governance, risk and internal control systems by providing reasonable assurance to senior management, a “Triple Line of Defense” model was adopted.



Risk Management

IDENTIFICATION OF RISK APPETITE

In line with its mission, vision, objective and targets, Borsa Istanbul is engaged in the identification of risk appetite, which is the level of risk it is ready to take in any period of time. Risk appetite is reviewed and approved on an annual basis.

OUR PRINCIPLES TO IDENTIFY RISK APPETITE

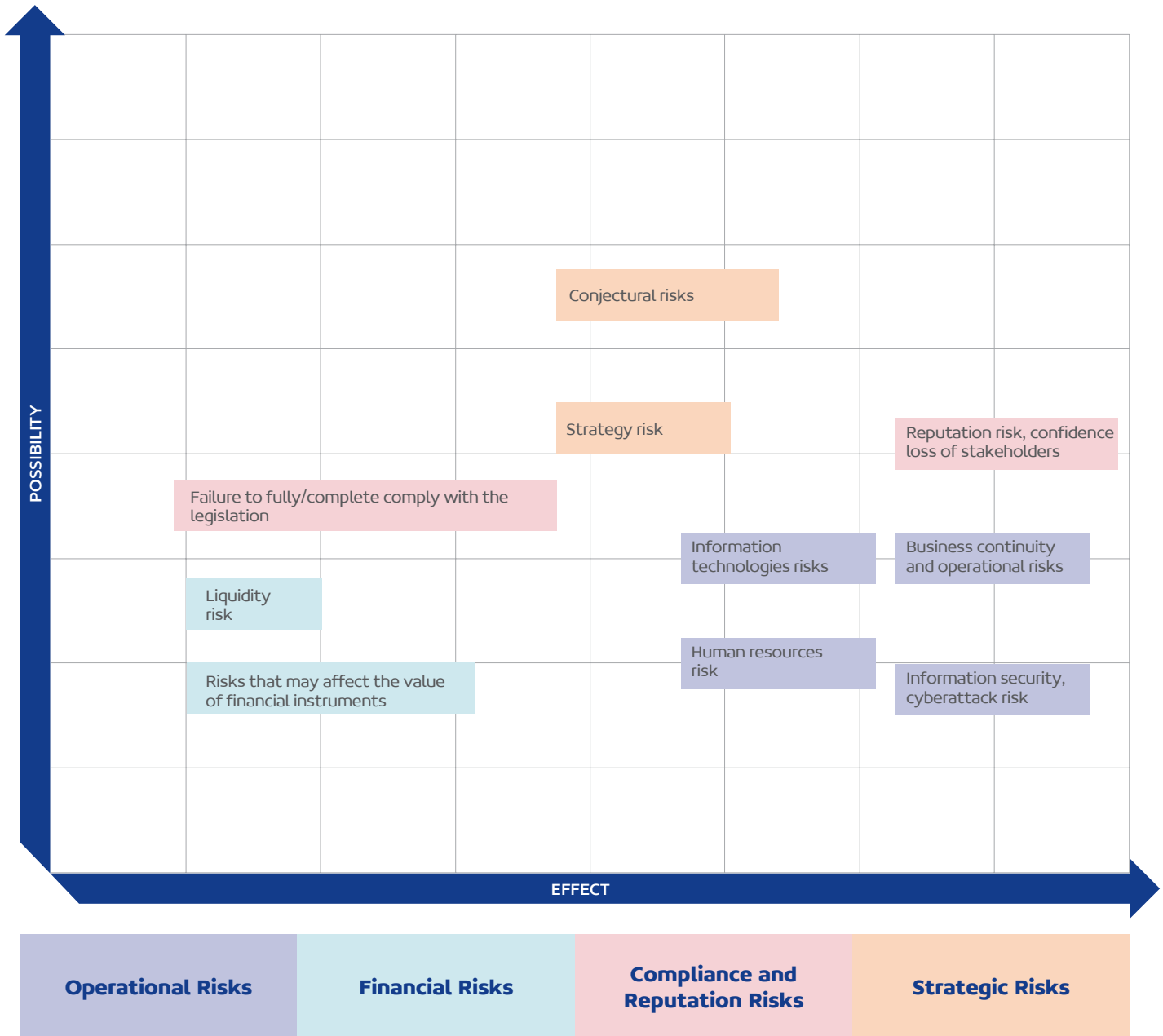
To ensure effective management of strategic, reputational, operational, financial, and compliance risks that could occur in reaching the corporate targets of Borsa Istanbul	To meet legal and regulatory requirements, to maintain a fair, ethical and responsible market management target	To maintain sustainability towards being a center of attraction for new participants, to maintain a strong reputation by offering operational robustness and uninterrupted services
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Also paying regard to the corporate strategies, Borsa Istanbul formulates risk appetite based on each risk category and determines its actions taking into account the risk appetite with the intention of realizing effective risk management. Borsa Istanbul has zero risk tolerance for fundamental financial, legal and humanistic matters. For other risk categories, risk appetite of the institution is classed as being of a medium level.

RISK SUBJECT	RISK DEFINITION	ZERO TOLERANCE
Financial	Decisions which would adversely affect Borsa Istanbul's long-term financial sustainability	
Compliance	Failure to comply with the requirements set out in legislation and by regulatory bodies	
Human Resources	Discrimination on the basis of race, language, religion and gender in terms of human resources policies	
	Matters which could affect the main operations of the Company due to a lack of knowledge, training and experience of the employees, or due to business processes which are not well-designed	
	To endanger the safety and health of the employees	
Operational	<p>Actions which prevent transactions from being performed in a reliable, transparent, stable, fair, honest and competitive manner</p> <p>System errors or information and data security violations</p> <p>Within the context of our operations, interruptions, being kept on hold, slowdowns or delays in our services, primarily in systems serving the markets</p> <p>Interruptions in market operations originating from the failure of third party business partners which we receive services from</p> <p>Operational risks occurring in the implementation of key strategic plans and changes, and which affect external customers</p> <p>Any acts of bribery, corruption, embezzlement, abuse or irregularity and associated reputational risk</p> <p>Operational risks arising from failure to fulfil our commitments to members of Borsa Istanbul</p>	
Environmental	Decisions that may harm the environment, ecological balance and society	

Basic Risks and prevention Strategies




The risk assessment matrix formed at the end of this process for Borsa Istanbul is given herebelow.







Risk Management

IDENTIFICATION OF RISK APPETITE

Borsa İstanbul takes into account the financial, operational, reputational and compliance effects and probability values in the assessment of risks. Our strategies to prevent potential effects risks are set out below based on the identified risk categories:

RISKS		POTENTIAL IMPACT	DEFINITION OF RISK AND PREVENTION STRATEGIES	AFFECTED CAPITAL ITEM
Operational Risks	IT Risks	Loss of Income Loss of Reputation	Borsa İstanbul is a company which is intensively dependent on technology. The Company ensures the highest level of compliance with the standards with respect to the operation of the trading, settlement and custody systems. Since any service interruption in any of these systems would lead to a loss of reputation and income, the systems are monitored on a continuous basis and performance criteria are followed such as predictable response time for certain critical situations. Control and warning mechanisms are set up for systemic risks and information channels were established to ensure the company was informed of the market operating status as rapidly as possible. Data center and backup systems are designed to operate under active and fault-tolerant conditions at all times.	 Financial  Intellectual  Human
	Business Continuity and Operational Risks	Loss of Income Loss of Reputation	As the company constitutes financial market infrastructure, operational continuity is key to success in our business. Borsa İstanbul successfully maintains its continuity by managing its operational risks and ensuring business continuity. In order to avoid interruption in business continuity at the Company, an operational risk management framework is effectively implemented in operations, infrastructure, processes and products, and preventive measures are taken by reviewing employee policies, business processes and check points.	
	Information Security and Cyber Attack Risks	Loss of Income Loss of Reputation	<p>In order to ensure that unauthorized third parties are prevented from accessing confidential and sensitive information, periodic training programs are provided in order to increase the awareness of information security in the organization within the scope of the information security policy.</p> <p>Measures to tackle incidents such as cyber-attacks, infiltration etc. are reviewed periodically. In this framework, in all markets, penetration tests are carried out regularly by different organizations and necessary measures are taken to prevent external technological infiltrations and internal unauthorized access. Any problems experienced and the measures taken are shared regularly with Takas İstanbul and Merkezi Kayıt İstanbul (Central Registration İstanbul). Special attention is paid to the coordination of information and sharing of the events with related parties.</p> <p>Within the scope of the Communiqué on Information Systems Management, which has been implemented by the Capital Markets Board since 2018, Borsa İstanbul is required to conduct an annual independent audit for the operation of information systems. In 2019, within the framework of the provisions of the Communiqué, an internal IT audit was performed and an independent audit of the information systems at Borsa İstanbul was subsequently carried out. The audit resulted in positive assessment.</p>	
	Human Resources Risk	Loss of Income Loss of Reputation	Although the risk of loss in human resources is not high, Borsa İstanbul aims to develop human resources with a focus on competence and a capability to respond quickly to market expectations. Within this scope, career and talent management, inter-market rotation and modifications in the organizational structure are performed and training activities are carried out.	

RISKS		POTENTIAL IMPACT	DEFINITION OF RISK AND PREVENTION STRATEGIES	AFFECTED CAPITAL ITEM
Financial Risks	Liquidity Risk	Financial Loss	<p>Within the scope of financial risk management, counter party risks are assessed and a Fund Management Policy is in place to ensure protection from the negative effects of liquidity risk that may arise from any bank. Funds are evaluated within the restrictions specified within the scope of policies, and portfolio diversification is conducted for the sake of risk distribution. Funds are managed by means of balancing risk sensitive assets and liabilities, and taking necessary measures against the risks exposed to.</p> <p>Within the scope of the Fund Management Policy, which was updated in 2019, it was stipulated that the ratio of FX open positions in FX denominated liabilities would not exceed 5%.</p>	 Financial
	Risks That May Affect The Value Of The Financial Instruments	Financial Loss	Borsa Istanbul ensures that short or long term assets and liabilities in the balance sheet are managed such that no short position is taken with respect to interest rates or maturity.	
Compliance and Reputational Risks	Failure To Fully and Completely Comply With The Legislation and Risks originating from a Loss of Stakeholder Confidence	Loss of Reputation	<p>Borsa Istanbul ensures compliance with the legislation set out in the Capital Markets Law, the CMB regulations, and on combatting money laundering, the prevention of financing of terrorism, the prevention of corruption, combatting bribery and other economic crimes.</p> <p>Borsa Istanbul is in close contact with the regulatory authorities, particularly the CMB, and plays an active role in the development processes of regulations aimed at the development and deepening of the markets.</p>	 Financial
		Financial Loss	In order to ensure that capital markets instruments traded on the Borsa Istanbul can be bought and sold in safety and stability, any unusual price and trading volume movements in all markets, particularly in the Equity Market, are monitored and reported through the electronic surveillance system for the detection of any activities which may prevent the markets functioning in an open, regular and honest manner.	 Social and Relational
Strategic Riskler	Conjectural Risks	Loss of Competitive Advantage Financial Loss	<p>Negative macroeconomic conditions and low global risk appetite could reduce interest in Borsa Istanbul markets. Borsa Istanbul closely follows the economic conjuncture and pursues strategies which will create value for the Turkish economy. In order to respond to market needs and ensure a sustainable flow of income, efforts to diversify revenues and develop new sources of income through innovative approaches are carried out.</p> <p>Training programs are organized on financial literacy and functioning of the markets, and projects are carried out in order to expand the investor base.</p>	 Financial
	Strategic Risk	Loss of Competitive Advantage Financial Loss	The 2019-2021 Strategic Plan was approved by the Board of Directors. In this context, strategic objectives were identified and the key performance indicators to be followed were defined. A business plan was established to ensure the achievement of strategic objectives.	

Risk Management

Corporate Risk Management Development Targets of Borsa İstanbul Exchange Group

FOCAL POINTS OF CORPORATE RISK MANAGEMENT

Borsa İstanbul will focus on the following issues in the coming period to further strengthen the framework within the scope of corporate risk management:

1

To expand the scope and depth of participation across the company, at the planned stage

2

To ensure better integration of corporate risk management practices into business processes

3

To start the automation of the corporate risk management process

4

To organize training programs/sessions to increase awareness for the sake of formation of risk awareness and culture

To provide reasonable assurance for systemic and effective identification, evaluation and appropriate management of the risks which Borsa İstanbul is exposed to during its operations, to make risk management an indispensable part of the corporate culture and strategic decision making process will be the fundamentals of our corporate risk management strategy in the following years.

GRI 102-11, 102-15, 102-29, 102-30



STAKEHOLDER ENGAGEMENT AND CORPORATE GOVERNANCE

STAKEHOLDER ENGAGEMENT AND CORPORATE GOVERNANCE

STAKEHOLDERS

Borsa İstanbul aims to sustain its strong relationships with its shareholders through transparent and efficient communication. It deploys its communication with its shareholders through a wide array of different platforms. Its main stakeholders consist of individuals, groups and institutions which are affected by Borsa İstanbul's activities and have an important impact on the institution. Shareholders, customers, capital market investors, regulatory agencies, notably the CMB, employees and affiliates are the main stakeholders.

Our stakeholders also include universities with which we established collaboration to develop financial literacy, NGOs, international federations and initiatives which we are members of and whose work groups we are involved in, the media and our good/service suppliers.

Borsa İstanbul attaches importance to maintaining efficient and continuous communication with its shareholders and sustaining its work to develop its communication channels. The feedback received as an outcome of the communication with shareholders serves as a guide in many fields such as defining strategic priorities and creating projects and policies.

In accordance with the Information Policy and Ethical Rules, the flow of information is not asymmetric. Every shareholder is treated equally. Borsa İstanbul is responsible for providing accurate, reliable and impartial information to media and general public. Investor Information Center provides information, via the form on website, to investors who invest in the capital market instruments traded on Borsa İstanbul.


In addition, the up-to-date information on website, integrated annual report, press releases and other practices compatible with corporate Information Policy, provide information to not only shareholders in particular but to all stakeholders in general.

As in the past, in 2019 Borsa İstanbul has worked in close collaboration with the CMB. Furthermore, regular meetings have been arranged with the participation of representatives of Turkish Capital Markets Association and Borsa İstanbul members. During these meetings, capital markets' actors voice their requests and expectations.



● Important Impact

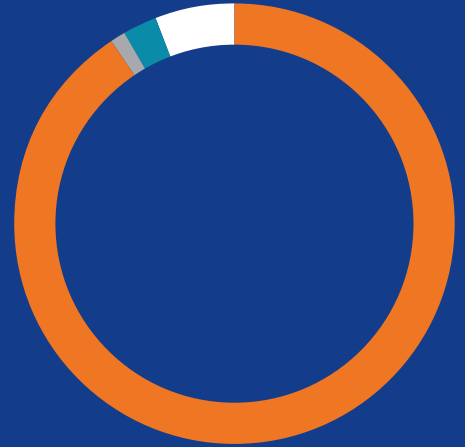
Stakeholders

SHAREHOLDERS	
<p>Turkiye Wealth Fund</p> <p>Turkish Capital Markets Association</p> <p>Brokerage houses, banks, precious metals brokerage houses</p>	<p>CONNECTION WITH THE STRATEGY</p>  <p>OPERATIONAL EFFICIENCY</p> <p>STRONG FINANCIAL PERFORMANCE AND SUSTAINABLE GROWTH</p>
<p>ENGAGEMENT CHANNEL</p> <p>Inquiries from shareholders received by telephone, e-mail and in writing are responded to by Strategic Planning and Investor Relations Department. Investor Relations team can be accessed via investorrelations@borsaistanbul.com e-mail address.</p> <p>The strategy is open to updates through direct negotiations with our shareholders.</p> <p>Opinions and suggestions voiced in the Annual General Meetings, where our shareholders gather, are evaluated by senior management.</p> <p>Information and disclosures that may affect the ability of shareholders to exercise their rights are disclosed on the website in a timely manner. There is no discrimination among shareholders on the basis of the exercising the right to obtain and analyse information and all inquiries for information regarding the Company's operations and policies (apart for those having a commercial secret status) are shared with the shareholders upon request.</p>	<p>ENGAGEMENT ISSUES</p> <p>Corporate performance, dividend policy, strategy, risks, corporate governance and sustainability, share transfers</p>
<p>MAJOR ISSUES AND DEVELOPMENTS IN 2019</p> <p>In the General Assembly Meeting held on 12 April 2019, the articles of association were amended and different groups of shares were abrogated, removing the privileges (which had been assigned to A and C group shares) to nominate a member of the Board of Directors. Furthermore, the number of members to be elected to the Board was reduced from ten to nine, with the addition of an obligation that at least one of the independent members is a woman. Authority to regulate the procedures and principles regarding the trading transactions on Borsa İstanbul markets by the members of the board of directors and employees and their spouses and children under custody was provided to the board of directors, which is subject to the approval of CMB. On the other hand, the condition that the stake of the controlling shareholder, the Türkiye Wealth Fund (TWF), shall not decrease below 51% was added to the articles of association.</p> <p>Within the scope of the dividend distribution policy, which was formulated in 2018 by the Board of Directors targeting that at least 50% of the calculated distributable profit shall be distributed, the proposal to distribute a gross dividend of TL 0.4344 per TL 1 nominally valued share was approved by shareholders. The dividend was distributed on 11 June 2019.</p> <p>Having acquired a 10% stake in Borsa İstanbul from the European Bank for Reconstruction and Development (EBRD) on 30 December 2019, the TWF increased its stake to 90.60%.</p> <p>Since Borsa İstanbul is not publicly traded, no investor conference or meetings were organized. The right to demand a private auditor as an individual right is not regulated in the Company's articles of association and shareholders did not table any such request in the 2019 operational period.</p> <p>General Assembly Meeting</p> <p>Announcements regarding General Assembly Meetings and information on the agenda are published on the Company's corporate website, in newspapers, on the www.kap.org.tr website, in the Turkish Trade Registry Gazette and on the Electronic General Assembly at least three weeks prior to the meeting in Turkish and in English. General Assembly Meetings are held in a manner which ensures sufficient provision of information and a high participation of shareholders, and makes use of the Electronic General Assembly facility.</p> <p>At Borsa İstanbul, each share is entitled to one vote. Borsa İstanbul does not apply any practices which may impede the exercising of the voting rights and allows each shareholder to use their voting rights in the most facile manner. Since all shareholders are legal entities, there is no issue concerning personal participation and voting.</p>	

OUR SHAREHOLDERS AS OF 31 December 2019

- 90.60% Türkiye Wealth Fund (TWF)
- 1.30% Turkish Capital Markets Association (TCMA)
- 2.27% Borsa İstanbul A.Ş.*
- 5.83% Others**

For up-to-date shareholder structure: <https://www.borsaistanbul.com/en/investor-relations/corporate-governance>




*Consists of shares acquired by Borsa İstanbul A.Ş. from shareholders, according to the decision taken in the General Meetings held on 8 June 2017 and 27 September 2018. The shares acquired by Borsa İstanbul are not taken into consideration in the quorum of the General Assembly and do not grant voting rights.

**Brokerage houses, banks, precious metals brokerage houses and other companies



Stakeholders

CUSTOMERS	
<p>THE CUSTOMERS OF BORSA İSTANBUL</p> <ul style="list-style-type: none"> Listed companies and issuers whose capital markets instruments are traded on the Borsa İstanbul Members (brokerage houses, commercial banks, participation banks, investment and development banks, Takasbank, precious metals brokerage houses, joint stock companies engaged in the production or trade of precious metals, authorized institutions) Non-member jewellery sector companies Central Bank of the Republic of Turkey (CBRT) Data vendors Private Market members Software companies / telecom operators Organizations using BIST indices in financial products 	<p>CONNECTION WITH THE STRATEGY</p>  <p>DEEPENING THE MARKETS</p>
<p>ENGAGEMENT CHANNELS</p> <p>Continuous communication is achieved with companies whose issued products are traded on the markets and with brokerage houses which mediate in applications</p> <p>Developments on markets, products and services are communicated through announcements.</p> <p>Within the context of promotions of the markets and the products, the brokerage houses receive support in organising events, seminars and conferences on the stock exchange, thus accessing potential investors.</p> <p>Through one-to-one contacts with the investor relations units of the publicly traded companies, developments are shared with respect to the services and products.</p> <p>Gong ceremonies are organized in conjunction with the executives and employees of the publicly traded companies in order to increase stakeholder satisfaction and raise awareness of the financial media.</p> <p>The executives of the companies considering the issuance of capital markets products are informed of the methods and processes.</p> <p>Meetings are organized with members and the Turkish Capital Markets Association (the association established by brokerage houses) on a regular basis.</p> <p>In order to promote the products and the services, events are organized with the participation of stakeholders in addition to meeting and visits.</p> <p>Institutions authorized to carry out transactions on the Borsa İstanbul as well as those seeking to receive trading authorization may submit their questions, inquiries for information and suggestions to the Borsa İstanbul e-mail address, at miy@borsaistanbul.com. For public offerings, market transactions and other cooperation, questions, information inquiries and suggestions may be sent to the halkaarz@borsaistanbul.com and gong@borsaistanbul.com e-mail addresses. Telephone inquiries are also responded to.</p> <p>Meetings and telephone calls are held frequently with data broadcasting, indices and technology services customers. The e-mail addresses of the related units are vyk-marketing@borsaistanbul.com and colocation-marketing@borsaistanbul.com</p> <p>Major events and innovations in the entrepreneurial ecosystem are announced to members of the Private Market by e-mail (info@bistozelpazar.com).</p> <p>Stakeholders may also access through the market joint phone or related market personnel's phone/e-mail address. Brokerage houses, software companies and data vendors deliver their inquiries through the bistechsupport_autoticket@borsaistanbul.com e-mail address, with inquiries then recorded on the system and transferred to the relevant persons, where they are responded to and followed.</p>	<p>ENGAGEMENT ISSUES</p> <p>Listing criteria and other regulations, pay models and market applications, products and services, corporate solutions</p>

MAJOR ISSUES AND DEVELOPMENTS IN 2019

Through amendments to the Listing Directive and Equity Market Directive, the minimum free float market value condition, which was required for companies to be traded on the stock exchange, was revised and shares belonging to investment trusts started to be traded on BIST Main and BIST Star Markets.

The grouping of the publicly traded companies has started to be carried out taking into account the size, depth and liquidity criteria such as total market value, free float market value, free float rate, number of shareholding investors and the number of shareholding funds during the transition to BIST Star and BIST Main indices. Trading principles are also determined in accordance with this new market structure.

As of 4 October 2019, the “midday single price” and “midday break” sections were removed, which had been implemented between 1PM and 2PM for the stocks traded with the continuous trading method, and uninterrupted continuous trading started for these stocks between 10AM and 6PM.

Service fees for technology and market access were updated (1 February 2019). In line with the demand from the members, an overall total upper limit was imposed on index licensing fees for warrants in order to encourage the use of more indices in the issue of warrants (3 April 2019).


A seminar on arbitration proceedings was held in our campus for the listed companies together with the İstanbul Arbitration Centre (17 October 2019).

“Borsa İstanbul Private Market B2B” event was organized with respect to Borsa İstanbul Main Markets, as 14 private market member enterprises were brought together with publicly traded companies of the Stock Exchange. The entrepreneurs, generating solutions for corporations, had the opportunity to promote their products and services to companies traded on Borsa İstanbul.

BISTEP Program - Corporate Transformation Program for Companies - which is prepared in cooperation between Borsa İstanbul and Koç University in order to support the companies in their institutionalization efforts, was held twice in 2019, with one general program and one regional program. The application process for the second general program got underway in December 2019. The program structure was developed to expand the scope of the BISTEP program and enrich its content.

Borsa İstanbul satisfaction surveys were held in order to measure stakeholder satisfaction and receive feedback from stakeholders.

Stakeholders

INVESTORS	
CAPITAL MARKETS INVESTORS Investors who are real or legal persons who place their savings in capital market instruments, mutual funds, pension funds, exchange traded funds, investment trusts, hedge funds, collective investment institutions consisting of individual/corporate portfolio management	CONNECTION WITH THE STRATEGY  DEEPENING THE MARKETS
ENGAGEMENT CHANNELS Investor Information Center (IIC) Events and training programs Virtual trading rooms	ENGAGEMENT ISSUES Financial literacy, products and services

MAJOR ISSUES AND DEVELOPMENTS IN 2019

Within the context of the project to promote and improve the markets, Borsa İstanbul accessed approximately 5,000 investors on a one-to-one basis through around 30 events and seminars held with brokerage houses and universities in 2019.

Borsa İstanbul participated in Dubai Trading Symposium, TradeTech Europe'19 and FIA Expo'19 conferences in order to promote the products/services of Borsa İstanbul and acquire new investors.

A broad range of information events were arranged for investors.

The Borsa İstanbul conference room was offered for the use of our members, free of charge, for events aimed at improving financial literacy. The Bist-Lab Application and Simulation Centers were opened in 2019 with the cooperation of Niğde Ömer Halisdemir University and İbn-i Haldun University.

Organized by universities and technoparks, Borsa İstanbul participated in conferences and enterprise workshops and provided opinions. Joint events were held with chambers of trade and industry, angel investor networks, business community associations, technoparks and technology transfer offices. Within this scope, Borsa İstanbul participated in a total of 14 events during 2019, including joint events with NGOs through which more than 1,000 participants were informed of the Private Market.

A number of presentations were provided to promote electricity contracts traded on the Derivatives Market to generate awareness in the real sector.

A podcast was shot with the Habitat Association, where Borsa İstanbul and its markets were promoted within the scope of financial literacy studies.

Borsa İstanbul played an active role in "Exchange rate risk management for exporting companies" seminars, organized in cooperation with the TCMA and Turkish Exporters Assembly. Borsa İstanbul participated in seminars both as a speaker and moderator in seven different provinces in 2019.

Virtual trade platform BIST-S was activated.

REGULATORY BODIES

Regulatory and supervisory public authorities, the Capital Markets Board, the Ministry of Treasury and Finance, the Central Bank of Turkey and the Banking Regulation and Supervision Agency

CONNECTION WITH THE STRATEGY



DEEPENING THE MARKETS OPERATIONAL EFFICIENCY

ENGAGEMENT CHANNELS

Direct communication, collaboration, reporting, and regular attendance at the Financial Stability and Development Committee (FIKKO) meetings organized by Ministry of Treasury and Finance.

ENGAGEMENT ISSUES

Regulatory and legal infrastructure, audit and surveillance operations

MAJOR ISSUES AND DEVELOPMENTS IN 2019

Borsa Istanbul participates in communication and collaboration meetings between all institutions involved in managing the economy, institutionalized under the Financial Stability and Development Committee (FIKKO) roof.

Opinions are shared for communiqués and regulations issued by the Capital Markets Board.


Reports prepared within the context of surveillance and audit activities of members and listed companies are shared with the Capital Markets Board whenever necessary and coordinated work is subsequently undertaken with the relevant office of the Capital Markets Board.

TLREF Committee, consisting of the Central Bank of Turkey, the Ministry of Treasury and Finance, The Banks Association of Turkey, the Turkish Capital Markets Association, Takasbank and stock exchange members organize meetings on a regular basis.

Borsa Istanbul works closely with the Capital Markets Board with regard to the products traded on the markets and on new products and services to be commissioned.

Negotiations concerning member affairs were held with the Capital Markets Board and the Ministry of Treasury and Finance.

Stakeholders

EMPLOYEES	
A qualified human resources team with loyal ethical principles which attaches importance to values	CONNECTION WITH THE STRATEGY  OPERATIONAL EFFICIENCY
ENGAGEMENT CHANNELS <p>Any employee from any team can directly communicate with the management. Other major engagement channels include performance evaluation meetings, intra communication media, information/sharing meetings, satisfaction surveys and collective agreement negotiations.</p>	ENGAGEMENT ISSUES <p>Performance processes, talent management, organizational regulations, improvement in the working environment, collective agreement negotiations</p>
MAJOR ISSUES AND DEVELOPMENTS IN 2019 <p>Human resources policies and processes are designed with the intention of attracting capable staff to work in the Company and to give them the opportunity to improve their skills and to develop continuously.</p> <p>Borsa İstanbul participated in the online inventory study initiated by the Ministry of Treasury and Finance of the Republic of Turkey. Borsa İstanbul Exchange Group employees completed their inventory tests in January 2019.</p> <p>In 2019, a satisfaction survey was organized for employees, with the data analysed and reports prepared before taking the necessary steps.</p> <p>Within the scope of the Borsa İstanbul Employees Association (BORÇAD), event studies into employee satisfaction were initiated in cooperation with the Merkezi Kayıt İstanbul ve Takas İstanbul Human Resources units.</p> <p>In addition to the mandatory training, training on technically managed and occupational information requiring subjects, such as project management and IT training, were also organised on the request of the directorates, with the aim of increasing the efficiency of employees in their jobs. In addition, employees participated in various seminars and conferences in similar areas.</p> <p>Employees are represented within the Bank-Finance and Insurance Workers' Union (BASİSEN), which is one of the trade unions authorized in the banking and finance sector. Sixth Term Collective Bargaining Agreement was signed on 27 March 2019, covering 2019 and 2020.</p> <p>Borsa İstanbul attaches great importance to job security, in consideration of workers' health and security as well as the continuity of its own business. In accordance with legislative requirements, a certified labour security specialist, a certified doctor and an experienced nurse work on Borsa İstanbul's campuses in İstinye and Kuyumcukent. A Labour Health and Security Board was established, consisting of representatives of the employer, employees and the security unit, as well as a labour security specialist and a doctor. The Labour Health and Security Board convenes at least once every three months and, after undertaking the necessary investigations, ensures that necessary steps are taken. Within this framework, various improvements in the campuses were undertaken in 2019.</p> <p>No complaints concerning discrimination reported during 2019.</p> <p>A short break for employees on Fridays; starting with the piano recital performed by Tuluyhan Uğurlu at the end of 2019, employees are offered the opportunity to end their weekly activities with a little pleasant relaxation, with cultural and artistic activities such as music and conferences.</p>	

Borsa İstanbul believes that the most important contribution to its growth and development is provided by its employees. Developing human resources policies and processes based on respect for people, Borsa İstanbul conducts activities to bring talented individuals into the organization and to develop them.

37.8

Average Age of the Employees

8.3

Average Years Working

584

Number of Employees

ANALYSIS OF PAY FOR MEN AND WOMEN

Pay is irrelevant of gender in Borsa Istanbul; the table of pay scales is the same for male and female employees. In addition to what is stipulated in the legal regulations, women employees are also given nursery support.

In the graph, which groups employees according to seniority (with 1 being the most senior), the part on the left shows where men receive higher pay, and the part on the right indicates where women receive higher pay.

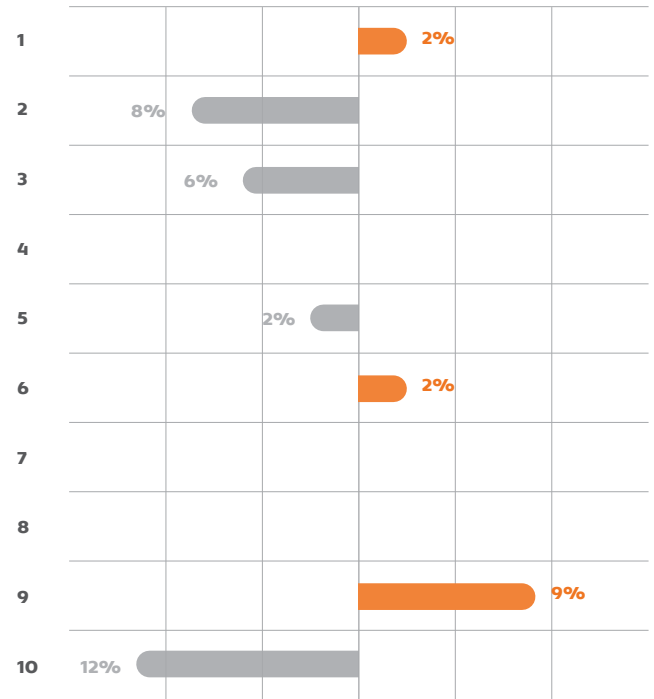
2.8

Volunteer

4.3

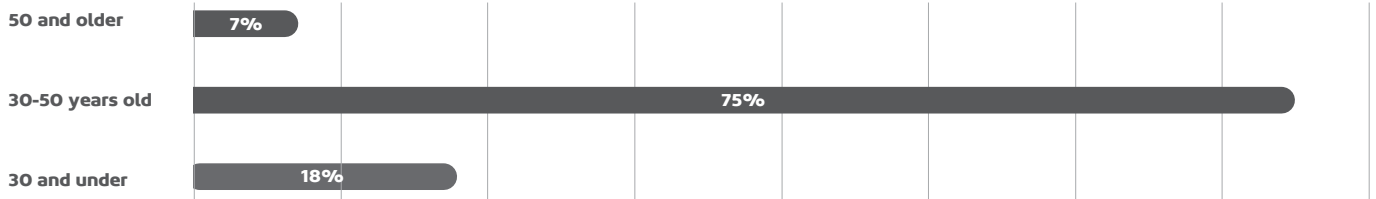
Volunteer

Voluntary Staff Turnover Rate



Female Male

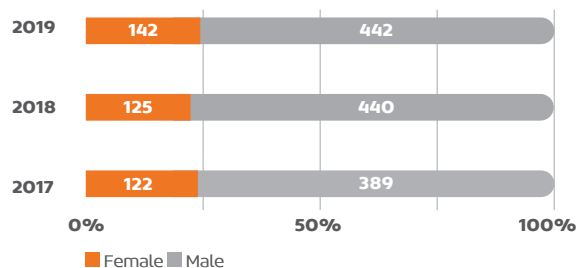
AGE DIVERSITY



GENDER DIVERSITY

24.3%

Ratio of Female Employees/
Total Employees



Female Male

Stakeholders

TRAINING

Developing human sources in the area of data science, which has become a hot topic in recent years, particularly in the financial sector, is one of the basic needs for business development activities in the field of data science such as artificial intelligence, machine learning and cloud-based transactions.

In order to increase the knowledge and skills of employees, training programs are organized both on a regular basis and at the request of employees and managers.

In 2020, technical training programs will be organized within the framework of technical needs along with standard training programs through the training catalogue to be created for our employees by determining the competencies and training needs required by all positions with the formation of position based job definitions, in addition to taking into account performance evaluation results.

Borsa İstanbul from an employee's point of view

The driving force behind Borsa İstanbul's performance and improvement is its employees. Employees fulfil their duties responsibly with the awareness that the added value they create is reflected to the entire economy. In this Report, we would like to include some of the opinions and expectations of our employees. This section, which is compiled from the satisfaction survey that our employees have anonymously answered and one-to-one interviews with them, aims offer our stakeholders a snapshot of our corporate culture.

"When you start working for an institutionalized company like Borsa İstanbul, you have more space to learn and improve. This, at the same time, offers a good opportunity to work on new skills and develop yourself. One of the many helpful things for you is that you have the chance to meet many wonderful people which are so good at their work. Here, we are part of a community. The way of doing business in Borsa İstanbul is based on the culture of helping each other and creating added value in a team environment; we learn from each other and our colleagues add value to us."

"It is a great source of motivation for us to ensure that Borsa İstanbul markets provide uninterrupted service with the highest technology systems. Together with our colleagues who possess the knowledge, know-how and strong communication power, we offer systems which provide real-time access at the highest speed for market participants such as Borsa İstanbul members, firms performing HFT/algorithmic transactions and data vendors in a vast technological ecosystem. Borsa İstanbul employees are fortunate in terms of professional satisfaction thanks to this motivation, which is extremely dynamic and requires continuous development."

"Another advantage Borsa İstanbul offers is its large garden, natural environment and the İstinye campus. With such a campus in a central location, Borsa İstanbul offers its employees a wide array of social opportunities. We have the

17

Average Training Hours per Employee

chance to get some fresh air with a walk in the garden in the middle of a busy day, and can even play basketball on the field."

"Borsa İstanbul and group companies Merkezi Kayıt İstanbul and Takas İstanbul are the basic companies constituting the capital markets in Turkey and they have a technology intensive business model. The uniqueness of group companies in their fields restricts the alternatives to change companies for employees in many units, when compared to other financial sector organizations. On the other hand, our company offers opportunities for self-improvement and supports higher education in the relevant fields. The permission and other training opportunities provided by Borsa İstanbul to employees pursuing a master's degree or a doctorate are very valuable for us. The desire to make a difference with our work, to be productive and to learn new things increases the quality of the work we do every day."

"Following the institutionalization process of Borsa İstanbul, different methods were used in employee performance management system, and there has been something of a transition process. The success of companies is determined by how they manage and direct their human power. The visionary approach of our managers and the field of action provided to employees will ensure the development and growth of Borsa İstanbul."

"Group employees are not permitted to place their personal investments in the capital market. The re-evaluation of the prohibition of transactions will be a positive development for us by establishing certain compliance criteria in this regard, which keeps us apart from the sector we serve, in a certain sense."

In addition to all rights and benefits, making employees feel valued and placing importance on their opinions are among the major sources of motivation. For this reason, we would like to share our thanks with our CEO, who organizes a satisfaction survey as soon as he takes office, meets with the employees and is always open to us.

We know that we are the employees of an institution that adds value to our country's economy and contributes to the institutionalization of companies. As in the past, we are committed to continuing our best efforts to bring Borsa İstanbul to the place it deserves in the international arena in the upcoming transformation processes.

Borsa İstanbul Exchange Group Employees

GRI 102-7, 102-9, 102-10, 102-40, 102-41, 102-42, 102-43, 102-44

SUBSIDIARIES

Group companies, domestic and international partnerships

CONNECTION WITH THE STRATEGY



DEEPENING THE MARKETS

STRONG FINANCIAL
PERFORMANCE

OPERATIONAL EFFICIENCY

ENGAGEMENT CHANNELS

Direct communication, board memberships, general assembly meetings

ENGAGEMENT ISSUES

Group synergy, new projects,
joint products and events

MAJOR ISSUES AND DEVELOPMENTS IN 2019

The decisions taken by the Listing Department concerning listed companies are provided to the Borsa İstanbul Exchange Group companies, Merkezi Kayıt İstanbul & Takas İstanbul. Information on areas such as capital markets instruments, which have been issued, the active free float rate of the corporations, basic data concerning the shares, the number of investors of the corporations and the free float rate are provided from Merkezi Kayıt İstanbul.

Within the context of Eurasia Data Dissemination Network (EDDN), data pertaining to Sarajevo Stock Exchange, Montenegro Stock Exchange, Macedonian Stock Exchange and the Pakistan Stock Exchange is distributed by Borsa İstanbul. The data produced by Takas İstanbul and Merkezi Kayıt İstanbul is also distributed by Borsa İstanbul, and there are ongoing studies to form joint data packages with these institutions.

A Joint Emergency Situation Exercise was arranged with Takas İstanbul and Merkezi Kayıt İstanbul.

Synergy Committee Meetings are held with group companies Takas İstanbul and Merkezi Kayıt İstanbul. Joint purchases are evaluated in the meetings with the aim of building synergy between the institutions, along with the demand that products with similar characteristics are procured collectively and at one time as joint purchases offered price advantages and operational convenience.

Meetings/negotiations are conducted with Takas İstanbul and Merkezi Kayıt İstanbul on a regular basis in matters related to the operations of the Member Work service.

A service agreement was signed between the Turkey Specialized Products Exchange (TÜRİB) and Borsa İstanbul, where orders are transmitted to TÜRİB to match in the BISTECH Electronic Warehouse Receipts (EWR) system, which was created specifically for TÜRİB.


As secretariat of the Organisation of Islamic Cooperation (OIC) Stock Exchanges Forum, Borsa İstanbul collaborates with Takasbank and MKK within the context of studies of the task forces and coordination of Forum meeting which is organized on an annual basis.

Stakeholders

Associates	Direct Stake (%)	Effective Stake (%)
Istanbul Settlement and Custody Bank (Takasbank)	64.15	
Central Securities Depository (Merkezi Kayıt Kuruluşu)	30.10	71.73
Capital Markets Licensing and Training Agency	20.00	34.27
Stock Exchanges		
Montenegro Stock Exchange	24.43	
Kyrgyz Stock Exchange	16.33	
Sarajevo Stock Exchange	9.89	16.68
Baku Stock Exchange	4.76	
Technology		
Finans Teknopark A.Ş.	51.00	
Commodity and Financial Markets		
Energy Exchange İstanbul (EPIAŞ)	30.83	
ELİDAŞ Licensed Warehouse	17.33	19.97
Türkiye Ürün İhtisas Borsası A.Ş. (Turkish Mercantile Exchange, TÜRİB)	15.00	21.79
JCR Eurasia Rating*	18.50	

*The partnership process at JCR Eurasia Rating was started in 2019 and completed on 17 January 2020. The liquidation process for Tasfiye Halinde (In Liquidation) BITÜ Teknoloji A.Ş., which is 50% owned by Borsa İstanbul A.Ş., was started in 2019 and is planned to be completed in 2020.

UNIVERSITIES, NON-GOVERNMENTAL ORGANIZATIONS AND FEDERATIONS

Universities, membership associations and federations, supported foundations and initiatives	CONNECTION WITH THE STRATEGY  DEEPENING THE MARKETS
ENGAGEMENT ISSUES Financial literacy, career opportunities, collaborations, institutional social responsibility, corporate governance and sustainability	ENGAGEMENT CHANNELS Borsa İstanbul communicates with university students as part of its university visits and events aimed at students.

MAJOR ISSUES AND DEVELOPMENTS IN 2019

Universities

Borsa İstanbul participates in career days at universities, providing information about career opportunities in the capital markets. Borsa İstanbul also participates in capital markets introductory seminars, providing students with general information about the capital markets, while introducing Borsa İstanbul.

Borsa İstanbul organizes training programs for university students. With the program, young people are given a guiding vision of their possible career opportunities before they start their career, in doing so helping to raise the capital markets' employees and investors of the future. The program is executed over 20 to 22 periods throughout the year, each lasting for 2 weeks.

Borsa İstanbul sponsors and/ or participates in conferences and seminars organized by universities on subjects such as entrepreneurship and crowd funding.

Borsa İstanbul provides data support, free of charge, for visual portfolio contests organized for students by the universities. Additionally, data used in the BISTLABs opened at universities with the support of Borsa İstanbul is also free of charge.

Universities arrange visits to Borsa İstanbul, where students are provided with information.

Within the context of Finance Laboratory setup (BISTLAB) project, 21 computers and applications were set up in four separate educational institutions. The BISTLAB was put into use at the İbn Haldun University on 4 April 2019.

Borsa İstanbul provides data support free of charge in virtual exchange/portfolio contests organized by universities.

“University Meetings” were held for university students in an attempt to increase financial literacy. Celebrated all over the world, “Global Money Week” was also marked in Turkey with a gong ceremony held at Borsa İstanbul, with the week’s events aimed at increasing financial literacy among children and young people.

Training and seminars are provided on the markets and investments through BIST-S (a simulation program) at various universities, events and Borsa İstanbul promotion stands.

International associations and initiatives

The OIC Exchange Forum (Organization of Islamic Cooperation Exchanges Forum) - Secretariat function is run by Borsa İstanbul. Within the scope of coordination of forum meetings and studies of constituted task forces, Borsa İstanbul works in coordination with Takasbank, MKK, Ziraat Portfolio Management Inc., QNB Finans Portfolio Management Inc., the S&P Dow Jones Indices, the stock exchanges of OIC countries, settlement, custody and central registry institutions and local and international institutions such as the Ministry of Treasury and Finance of the Republic of Turkey, The Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation (COMCEC) Coordination Offices, the Banking Regulation and Supervision Agency, the Capital Markets Board, the Participation Banks Association of Turkey, the Participation Banks Association of Turkey Consultative Committee, the Turkish Capital Markets Association, İstanbul University, Türkiye Ürün İhtisas Borsası A.Ş. (Turkish Mercantile Exchange, TÜRİB), Albaraka Portfolio Management Inc., IIFM (International Islamic Financial Market), the IIRA (Islamic International Rating Agency), the AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions), the INCEIF (Global University of Islamic Finance), the ICCIA (Islamic Chamber of Commerce and Industry and Agriculture), the Islamic Development Bank (IsDB), the ITFC IsDB (International Islamic Trade Finance Corporation), Durham University and the IFSB (Islamic Financial Services Board).

The WFE (World Federation of Exchanges), the SSE (Sustainable Stock Exchanges Initiative), the AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions), the IIFM (International Islamic Financial Market), the IFSB (Islamic Financial Services Board), the LBMA (London Bullion Market Association), the WFDB (World Federation of Diamond Bourses), the AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions), the ISG (Intermarket Surveillance Group), the KPCS (Kimberley Process Certification Scheme), the TUYİD (Turkish Investor Relations Society) and the ERTA (Integrated Reporting Turkish Network) are among the initiatives which Borsa İstanbul is a member of and which it supports.

Borsa İstanbul has become one of the official supporters (SSE Official Supporter) of the Sustainable Stock Exchanges Initiative through its involvement in a program launched in 2019.

Donations and sponsorships

Borsa İstanbul’s Corporate Social Responsibility Policy and information on its social responsibility efforts are available on its website. Within the TL 8 million limit set out in Article: 3 of the articles of association, Borsa İstanbul granted and donated TL 1.75 million and provided TL 0.5 million of sponsorship support during 2019.

In 2019, donations were provided to real persons or institutions in need of support who had reached Borsa İstanbul with a request for assistance. Donations have not been provided to any specific area.

The aim of all sponsorships which Borsa İstanbul has entered into is to increase the recognition of Borsa İstanbul, to create awareness, to support academic studies and to support financial literacy. In 2019, Borsa İstanbul was the sponsor of the 4th Capital Markets Award Ceremony, the 2nd International Business Administration, Economics and Marketing Congress, the Para Magazine talks, the Serathon-in Capital Markets Software Marathon, the Turkish Capital Markets Congress 2019, the 23rd Finance Symposium, the Blockchain Workshop; Bonds, Loans and Sukuk Turkey, Alternative Finance and New Horizons, the Sustainable Growth Through Capital Markets Conference, Etnospor, the Turkey 2023 Summit, the International Soccer Economy Forum; New Generation Entrepreneurship Summit; Visionary’19 –MÜSİAD (Independent Industrialists’ and Businessmen’s Association); Blockchain Workshop; TÜGVA (Turkey Youth Foundation) Young Manager School; Yıldız Teknik University Book Sponsorship; İKDER (İstanbul Economists Association) Symposium.

Furthermore, within the scope of the National Education Physical Contribution Project (EFİKAP) managed by Borsa İstanbul, which has been carried out in various provinces and counties throughout Turkey since 1997, a total of TL 36 million was allocated to the construction of schools in 2019.

Corporate Governance

Borsa İstanbul is among the most important institutions in Turkish financial markets. Since 1985, in addition to being a source of capital for some of the country's leading companies, it has been a performance comparison mechanism. At the same time, it offers an important pathway for the transfer the savings of individuals into the real economy. Borsa İstanbul is the controlling shareholder of the financial infrastructure entities, Takas İstanbul and Merkezi Kayıt İstanbul.

As specified in the IOSCO Principles, financial infrastructure entities should operate with high quality governance. Borsa İstanbul is required to comply with Article 73 of the Capital Market Law No: 6362 and the "Corporate Governance Communiqué" No: II-17.1 in accordance with the 40th article of the regulation on the Establishment, Activity, Work And Audit Principles Of Stock Exchanges And Market Operators published by the Capital Markets Board.

The templates of the Corporate Governance Compliance Report Form (CRF), for reporting the status of compliance with voluntary principles, and the Corporate Governance Information Form (CGIF), for providing information on existing corporate governance practices, were used and made available on the web site.



<https://www.borsaistanbul.com/en/investor-relations/corporate-governance>

"A financial market infrastructure should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders."

Principle 2, IOSCO Principles for Financial Market Infrastructures, 2012

THE APPROACH TO CORPORATE GOVERNANCE AT BORSA İSTANBUL

- Ensuring that the organization and governance of Borsa İstanbul is compatible with its strategic targets and to fully comply with its operational needs,
- To increase the reputation of Borsa İstanbul as a worldwide important capital market platform by adopting local regulations and best international practices,
- To ensure that the members of the Board of Directors, senior management and employees work harmoniously towards organizational goals in good governance,
- To increase the confidence of Borsa İstanbul's shareholders, potential investors, regulatory bodies and other key stakeholders to governance.

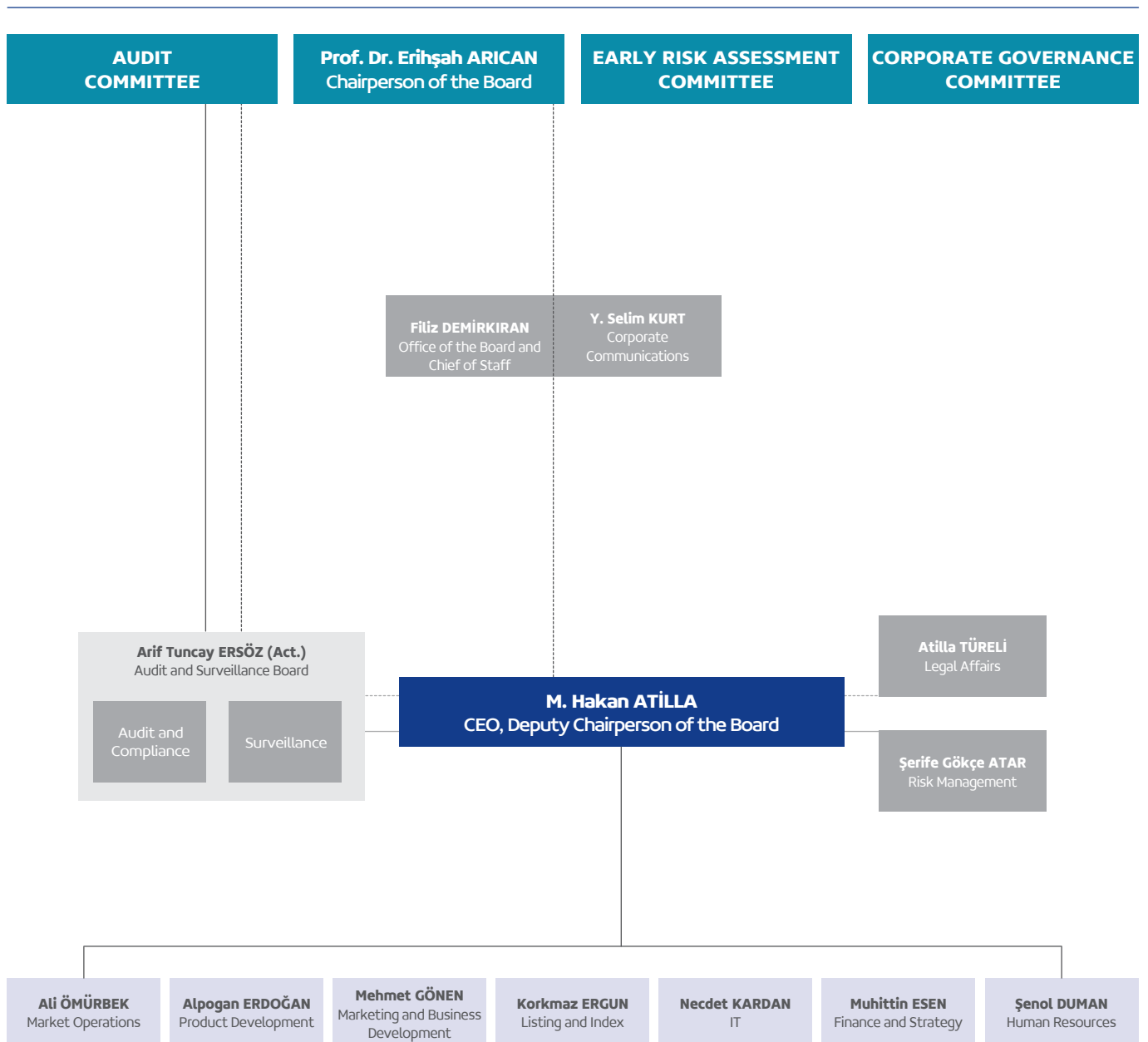
Setting Borsa İstanbul an example for companies in terms of corporate governance and to encourage companies in this direction is seen as an important way to show both local and international investors that the Turkish markets have high standards and hence have relatively lower governance risk compared to the other emerging countries.

Organizational Structure

Borsa İstanbul's governance bodies have a long-term vision that focuses on growth perspectives. Board of Directors decides on the strategy of Borsa İstanbul. Managers implement this strategy and manage daily operations. The management and the Board ensure the protection of the interests of shareholders and stakeholders in addition to the interests of the Group.

The organization is structured to ensure to work within the framework of efficiency and effectiveness principles.

BOARD OF DIRECTORS



Board of Directors

Borsa İstanbul Board of Directors is the guarantor of the company vision. It specifies the strategic tendencies, controls the implementation of the strategy by the senior management and provides support. The Board tries to encourage generating long term value also taking into account the risk management, social and environmental matters.

The Board consists of nine members who are elected by the General Assembly for a three years' term. Having diversified profiles and experiences, Board members bring their expertise on the capital markets, banking and financial matters, law, the digital transformation and CSR (corporate social responsibility) policy in addition to an international vision. Collectively, they represent all shareholders and consider the priorities of stakeholders in capital markets ecosystem among the priority topics of the Company. While specifying these matters, it proceeds on a balanced, stable and long term growth strategy, a risk control culture and an efficient and sustainable business model. To this end, the risk management follow up responsibilities were expanded in 2019 by the Board and 2019 operational results of the 2019/21 strategy were monitored.

	Duty	Committee Membership	Education	Other Major Duties
Prof.Erişah Arıcan	Chairperson of the Board		Economics, Banking	Türkiye Wealth Fund, Board Member Director of Marmara University Banking and Insurance Institute
Mehmet Hakan Atilla	CEO Deputy Chairperson		Economics	İstanbul Takas ve Saklama Bankası A.Ş. (Takasbank) Chairman of the Board
Yunus Arıncı	Independent Member	Chairperson of Audit Committee	Public Administration	Chairman of the Presidency State Supervisory Council
Metin Kıratlı	Board Member		Law	Head of the Administrative Affairs of the Presidency Council of Higher Education Member
Prof. Fahrettin Altun	Board Member		Sociology	Communications Director of the Presidency of the Republic of Turkey
Prof. Cem Demiroğlu	Independent Member	Member of IPO Committee	Business Administration, Finance	TR Ministry of Treasury and Finance Minister Counsellor Lecturer at Koç University
Tevfik Eraslan	Independent Member	Member of Audit Committee Member of Early Risk Assessment Committee	Economics, Capital Markets	İş Portföy Yönetimi A.Ş. CEO (İş Asset Management) Turkish Capital Markets Association Board Member
Gülsevin Çipli	Independent Member	Member of Corporate Governance Committee Member of Early Risk Assessment Committee	Economics	
Nicola Jane Beattie*	Board Member	Member of Corporate Governance Committee Member of IPO Committee	Business Administration	Market Structure Partners CEO

*Ms. Nicola Jane Beattie resigned from the Board on 30 October 2019. As of 31 December 2019, there have been 8 Board members in duty.



Please refer to <https://www.borsaistanbul.com/en/corporate/about-borsa-istanbul/organization/board-of-directors> for more details on Board members in English.

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Number of Physical Meetings

44%

Rate of Independent Membership
(According to CMB Corporate Governance Principles, year-end)

33%

Proportion of Women
(on average during the year)

>82%

Meeting Participation Rate

The working principles of the Board of Directors were updated in 2018 and are published on its website. Board resolutions are registered in the Board resolution book, including dissenting opinions, if any. Resolutions regarding companies traded on the Borsa İstanbul are disclosed through the Public Disclosure Platform if required by capital markets regulations.

A “management liability insurance policy”, “professional liability insurance policy” and “cyber security policy” are in place for Board members of the Company.

The Board of Directors met 7 times during 2019, and also took decisions without meeting.

Financial Rights

As outlined in the Articles of Association and Remuneration Policy of Borsa İstanbul, financial benefits offered to the Chairperson 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 and their form and amount must be determined in the General Assembly by the shareholders on an annual basis. Furthermore, any travel, accommodation, and entertainment expenses and insurance and other similar guarantees are determined by the Board of Directors. The Chairman and members of the Board, their spouses, children and persons they are responsible for are entitled to health benefits provided by the Company.

The Remuneration Policy is shared with the public on the Company website. There were no transactions that could lead to conflicts of interest, such as directly or indirectly extending loans or credit to or offering guarantees for Board members or Company executive managers. The total remuneration provided in 2019 to senior executives to the Borsa İstanbul Exchange Group Companies (Borsa İstanbul, Takas İstanbul and Merkezi Kayıt İstanbul) was TL 10.6 million.

Board Committees

There are three Board committees: Corporate Governance Committee, Audit Committee and Early Risk Assessment Committee which have been established in order to fulfill the duties and responsibilities of the Board effectively and transparently in line with the obligations set out in the legislation.

AUDIT COMMITTEE	CORPORATE GOVERNANCE COMMITTEE	EARLY RISK ASSESSMENT COMMITTEE
<p>Purpose</p> <p>The Audit Committee is responsible for and authorized to assist the Board in the oversight of the nature and accuracy of the financial statements of Borsa İstanbul, to monitor the implementation and efficiency of the accounting system, to issue preliminary approval of the selection of the independent auditor and the content of audit services by the independent auditor, to prepare and supervise the agreement between Borsa İstanbul and the independent auditor, to oversee the Company's independent audit system, the operation and efficiency of controls and internal audit mechanisms.</p> <p>Members</p> <p>Yunus ARINCI (Chairperson) Tevfik ERASLAN (Member) Prof. Cem DEMİROĞLU (Member)</p>	<p>Purpose</p> <p>The Corporate Governance Committee determines whether or not the corporate governance principles have been applied, the reasons for any incidences of non-compliance with these principles and any conflicts of interest arising thereof, and issues recommendations to improve the practices. Since no separate committee has been established within the Board of Directors, the Committee also performs the nomination and remuneration functions.</p> <p>Members</p> <p>Prof. Cem DEMİROĞLU (Chairperson) Gülsevin ÇİPLİ (Member)</p>	<p>Purpose</p> <p>The Early Risk Assessment Committee conducts functions for the early identification of risks that may endanger the existence and continuity of Borsa İstanbul, the implementation of necessary measures related to the identified risks, and the management of the risk.</p> <p>Members</p> <p>Prof. Cem DEMİROĞLU (Chairperson) Tevfik ERASLAN (Member) Gülsevin ÇİPLİ (Member)</p>

AUDIT COMMITTEE	CORPORATE GOVERNANCE COMMITTEE	EARLY RISK ASSESSMENT COMMITTEE
<p>Operations in 2019 The Audit Committee held 9 meetings during 2019. The Committee's activities in 2019 are summarized below:</p> <p>To be referred to the Board of Directors, the Committee provided preliminary approval to receive an independent audit of the financial statements of Borsa İstanbul for the year 2019 from KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.</p> <p>The Committee examined and evaluated the consolidated financial statements of Borsa İstanbul and independent audit reports for the 2018 year end and for the interim periods of 2019.</p> <p>The annual internal audit work plan of the Audit and Surveillance Board for 2019 was approved and the results of internal audit activities were tracked on a regular basis. Within this scope, internal audit reports, prepared following the internal audit activities in 2019, were evaluated and approved by the Audit Committee, and consequently the findings of the audit, along with suggestions and required corrections, were shared by the processes owners and related departments.</p> <p>The Audit Committee received regular information concerning the financial statements of Borsa İstanbul and the details of the various account transactions in the financial tables are examined and evaluated.</p> <p>A summary of the reports prepared by the Audit and Surveillance Board and submitted to the CEO during the year was also delivered to the Audit Committee.</p>	<p>Operations in 2019 The Corporate Governance Committee convened 7 times in 2019.</p> <p>Following the Annual General Meeting held on 12 April 2019, Cem Demiroğlu replaced Zafer Sönmez as Chairman of the Committee and Gülsevin Çipli was appointed as the committee member to replace Ertuğrul Altın. Nicola Jane Beattie participated in six meetings until the date she left Board membership.</p> <p>The operations of the Committee in 2019 are summarized below:</p> <ul style="list-style-type: none"> • The corporate governance compliance and informing forms and committee evaluation report for 2018 were prepared and submitted to the Board of Directors. • Corporate performance targets for 2019 were determined and a bonus system was evaluated and proposed to the Board of Directors. The development status of the performance targets was monitored periodically and performance bonuses for the senior management were proposed to the Board of Directors at the end of the year. • Long term incentive plan alternatives and side benefits were reviewed. • The compliance of the members of the The Board of Directors with the independence criteria was reviewed and an Independent Member of the Board of Directors policy was prepared and proposed to the Board of Directors. • The Committee received comprehensive consultancy services to develop a corporate framework for good governance in line with the CMB Corporate Governance Principles, OECD Principles and best practices, and to identify opportunities for improvement in terms of incentives, culture and values, nomination and similar fields. In the process, in which Nestor Advisors was consulted, the existing implementations of Borsa İstanbul were analysed, its position was specified compared to selective comparable stock exchanges, a report was prepared including best implementation examples and actions were specified. Improvements were effected in the corporate governance structure according to the action plan, which contains practical and feasible suggestions. 	<p>Operations in 2019 The Early Risk Assessment Committee convened 5 times in 2019. The first two studies of the Committee was supported by a team composed of Borsa İstanbul employees in coordination with relevant Executive Vice President. As of July 2019, the committee preparation meetings are held in coordination of the Risk Management Directorate.</p> <p>During the meetings, the risks on the basis of business units and the effects of these risks on other business units and institutions were evaluated and information concerning the studies related to effective determination and management of risks was obtained. In addition, the operations to be carried out by the related units are discussed in order to reduce the probability and effects of the risks that are considered to have a significant impact on the operations of Borsa İstanbul to an acceptable level, particularly the risks regarding the exchange markets. Recent risks pertaining to all departments, their reason, the measures taken or planned to be taken in the short and long term were evaluated along with the contributions of all business units attending the meeting. While discussing the risks and measures taken against possible risks, in light of the previous experience, other possible risks that could affect the business units and the institution were also discussed.</p> <p>Issues considered to be important in the preparatory meetings of the Committee were reported to the Committee and the Committee informed the Board of Directors of the work carried out.</p>

Furthermore,

- Dispute Committee assists the Board in resolving disputes originating from the transactions regarding transmission and matching of the orders and the timely fulfillment of the obligations regarding the transactions already performed among brokerage houses and/or between brokerage houses and their customers;
- Disciplinary Committee supports the Board in conducting disciplinary processes for the parties authorized to perform transactions on Borsa İstanbul markets and their representatives who do not comply with capital markets legislation, including but not limited to Borsa İstanbul internal regulations, resolutions, and other relevant regulations.
- There is an IPO Committee comprised of the Board members to identify the steps to be taken during the IPO preparation process of Borsa İstanbul and to make proposals to the Board of Directors.



Please refer to <https://www.borsaistanbul.com/urunler-ve-piyasalar/duzenlemeler/yonergeler> for regulations on the operations of board committees, in Turkish.

Senior Management

	Duty	Education	Occupational Experience
Mehmet Hakan ATILLA	CEO Deputy Chairman	Gazi University, Department of Economics	25 years of experience in the financial services sector Deputy General Manager in charge of International Banking at Türkiye Halk Bankası A.Ş. (Halkbank)
Ali ÖMÜRBEK	Executive Vice President (Market Operations)	Istanbul Technical University, Mathematical Engineering	25 years of experience in investment company management Assistant General Manager at Halk Yatırım Menkul Değerler A.Ş.
Alpogan Sabri ERDOĞAN	Executive Vice President (Product Development)	Boğaziçi University, Department of Economics	21 years of experience in the financial services sector
Arif Tuncay ERSÖZ	Chief Audit Executive (Acting)	Istanbul Technical University, Management Engineering	28 years of audit experience at Borsa İstanbul
Dr. Korkmaz Enes ERGUN	Executive Vice President (Listing and Index)	Ankara University, Department of Business Administration Marmara University, Masters' degree and PhD in Economics	22 years of capital markets experience
Mehmet GÖNEN	Executive Vice President (Marketing and Business Development)	Boğaziçi University, Industrial Engineering University of Michigan, MBA	25 years of trading and management experience in international investment companies
Muhittin ESEN	Executive Vice President (Finance and Strategy)	Middle East Technical University, Department of Business Administration London Business School, Masters' degree in Finance	15 years of experience in audit and finance
Dr. Şenol DUMAN	Executive Vice President (Human Resources)	Ankara University, Public Administration Carnegie Mellon University, MA in Public Management Pittsburgh University, Ph.D. in Public Policy and International Relations	25 years of public and private sector management experience
	Duty	Education	Occupational Experience
M. Ufuk ÖZDEMİR*	Executive Vice President (Application Development)	Istanbul Technical University Control-Computer Engineering	30 years of IT experience
Ali IŞIK*	Executive Vice President (Systems and Infrastructure)	Boğaziçi University Department of Computer Science	22 years of IT experience
Necdet KARDAN**	Executive Vice President (Information Technologies)	Augsburg University Computer Engineering/Visual Communication Design Donau University, IT Asset & Inventory Management Master	15 years of software and IT management experience

*Mr. Ufuk Özdemir and Mr. Ali Işık resigned from their duties in 2019.

**As of the end of 2019, IT Application Development and IT Systems and Infrastructure were united as Information Technologies, and Mr. Necdet Kardan was appointed as Executive Vice President.



Please refer to <https://www.borsaistanbul.com/en/corporate/about-borsa-istanbul/organization/senior-management> for more details on senior managers in English.

BORSA İSTANBUL A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2019 WITH
INDEPENDENT AUDITOR'S REPORT THEREON

INDEPENDENT AUDITOR'S REPORT

To the Shareholder's of Borsa İstanbul Anonim Şirketi

A) Audit of the consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Borsa İstanbul Anonim Şirketi and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Revenue recognition

Refer to Note 2.11.1 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revenue recognition.

<u>The key audit matter</u>	<u>How the matter was addressed in our audit</u>
<p>The Group's main revenue consists of trading revenues, interest income, custody and custody related operating income, listing income, data vending income, settlement and clearing income and security registration income.</p> <p>Revenue recognition was considered to be a key audit matter, due to the nature of group operations in the process of revenue, the variety of the transactions, high volume of transactions and the use of different methods and parameters in the accounting of revenue.</p>	<p>Our procedures for testing the revenue recognition included below:</p> <ul style="list-style-type: none"> - We evaluated the compliance of the accounting policies with the TFRS. - We tested the design and implementation and operational effectiveness of internal controls on revenue recognition accounting process with the involvement of information risk management specialists A. - Revenues were aggregated on the basis of the related income type and expectation analysis was performed considering the previous period amounts and the results were evaluated. - We tested the evaluation of accounting in accordance with TFRS for the selected samples from the transactions within the accounting period and compared the details of the transactions with supporting documents received on a transaction basis.

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

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

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

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

Auditor's Responsibilities for the Audit of the consolidated Financial Statements Responsibilities of auditors in an audit are as follows:

Responsibilities of auditors in an audit are as follows:

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

As part of an audit in accordance with Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

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

B) Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2019, the Company's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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

Alper Güvenç, SMMM

Partner

3 March 2020

İstanbul, Turkey

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BORSA İSTANBUL A.Ş.**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AS AT 31 December 2019**

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

		Audited	Audited
ASSETS	Notes	31 December 2019	31 December 2018
CURRENT ASSETS		17,478,234	12,376,389
Cash and cash equivalents	4	16,194,350	12,207,937
Financial investments	6	942,753	39,754
- <i>Financial asset measured at amortized cost</i>		869,416	7,741
- <i>Financial asset at fair value through profit or loss</i>		33,288	-
- <i>Time deposits</i>		40,049	32,013
Trade receivables	7	276,364	76,315
- <i>Other trade receivables</i>		276,364	76,315
Other receivables	7	373	807
- <i>Other receivables</i>		373	807
Derivative financial instruments	16	40,015	-
Prepaid expenses	10	14,587	19,184
Other current assets	8	9,792	32,392
NON-CURRENT ASSETS		895,426	909,159
Financial investments	6	65,555	81,173
- <i>Financial assets at fair value through other comprehensive income</i>		11,189	11,193
- <i>Financial asset measured at amortized cost</i>		54,366	69,980
Investments accounted for under the equity method	5	81,581	69,102
Investment properties	11	57,775	61,805
Property and equipment	12	242,217	202,923
Intangible assets	13	389,253	415,335
Prepaid expenses	10	1,335	6,026
Deferred tax assets	29	56,904	72,175
Other non-current assets	8	806	620
TOTAL ASSETS		18,373,660	13,285,548

The accompanying notes between pages 81 and 127 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AS AT 31 DECEMBER 2019**

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

		Audited	Audited
LIABILITIES	Notes	31 December 2019	31 December 2018
CURRENT LIABILITIES		14,692,273	10,355,121
Short term borrowings	18	4,105,860	3,425,413
Lease liabilities	19	1,519	-
Trade payables	15	947,878	447,958
- <i>Other trade payables</i>		947,878	447,958
Liabilities for employee benefits	21	10,228	11,317
Other payables		88,063	81,439
- <i>Due to related parties</i>	15,30	87,715	80,292
- <i>Other payables</i>	15	348	1,147
Deferred income	9	3,715	2,154
Current income tax liabilities	29	71,406	120,832
Short term provisions		70,555	56,756
- <i>Provisions for employee benefits</i>	21	50,195	40,656
- <i>Other short term provisions</i>	17	20,360	16,100
Other current liabilities	22	9,393,049	6,209,252
NON-CURRENT LIABILITIES		221,305	264,910
Lease liabilities	19	4,601	-
Trade payables	15	166,840	218,674
- <i>Other payables</i>		166,840	218,674
Deferred income	9	814	1,866
Long term provisions	21	34,598	30,244
- <i>Provisions for employee benefits</i>		34,598	30,244
Deferred tax liabilities	29	5,582	5,495
Other non-current liabilities	22	8,870	8,631
SHAREHOLDER'S EQUITY		3,460,082	2,665,517
<i>Equity holders of the parent</i>	23	2,603,309	1,993,671
Paid in capital		423,234	423,234
Treasury shares		(99,016)	(97,666)
Share premium		12,418	12,418
Other comprehensive income/expense not to be reclassified to profit or loss		4,221	7,584
- <i>Revaluation reserve</i>		13,677	13,677
- <i>Losses on remeasurements of defined benefit plans</i>		(9,456)	(6,093)
Other comprehensive income/expense to be reclassified to profit or loss		1,397	1,433
- <i>Currency translation differences</i>		1,397	1,433
Restricted reserves		448,302	392,550
Retained earnings		1,018,679	260,483
Net profit for the period		794,074	993,635
<i>Non-controlling interests</i>		856,773	671,846
TOTAL EQUITY AND LIABILITIES		18,373,660	13,285,548

The accompanying notes between pages 81 and 127 are an integral part of these consolidated financial statements.

BORSA İSTANBUL A.Ş.**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019**

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

		Audited	Audited
	Notes	1 January - 31 December 2019	1 January - 31 December 2018
Revenue	24	1,923,657	1,538,667
Cost of sales (-)	24	(196,657)	(161,847)
Gross profit		1,727,000	1,376,820
General administrative expenses (-)	25	(534,399)	(429,749)
Other operating expenses (-)	26	(101,210)	(101,032)
Other operating income	26	69,862	338,112
Operating profit		1,161,253	1,184,151
Investment activities income	27	601	16,983
Investment activities expense	11,27	(4,355)	-
Share of profit/(loss) of investments accounted for under the equity method	5	15,717	20,320
Profit before financial income/(expense)		1,173,216	1,221,454
Financial income	28	129,774	137,343
Financial expenses (-)	28	(9,187)	-
Profit before tax		1,293,803	1,358,797
Income tax expense (-)	29	(268,014)	(252,230)
Deferred tax expense (-)	29	(16,351)	66,976
PROFIT FOR THE PERIOD		1,009,438	1,173,543
Profit attributable to:			
- Non-controlling interests		215,364	179,908
- Equity holders of the parent		794,074	993,635
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income not to be- reclassified to profit or loss		(3,972)	(168)
Gains/losses on remeasurements of defined benefit plans	21	(4,965)	(210)
Other comprehensive income tax that will never be reclassified to profit or loss		993	42
- Deferred tax income/(expense)	29	993	42
Other comprehensive income to be reclassified to profit or loss		(36)	560
- Currency translation differences	5	(36)	560
Other comprehensive income/(expense)		(4,008)	392
TOTAL COMPREHENSIVE INCOME		1,005,430	1,173,935
- Non-controlling interests		214,755	179,696
- Equity holders of the parent		790,675	994,239

The accompanying notes between pages 81 and 127 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Statement of changes in shareholders' equity												
	Notes	Paid in capital	Treasury shares	Restricted reserves	Share premium	Revaluation reserve	Remeasurement of defined benefit obligations		Currency translation differences	Retained earnings	Net profit for the period	Equity holders of the parent	Non-controlling interests
1 January 2018		423,234	(608,873)	278,280	200,450	13,677	(6,137)	873	449,338	305,518	1,056,360	506,237	1,562,597
Adjustment to change in accounting policies		-	-	-	-	-	-	-	11,138	-	11,138	(10,677)	461
Balances at 1 January 2018 (Adjustment effect)		423,234	(608,873)	278,280	200,450	13,677	(6,137)	873	460,476	305,518	1,067,498	495,560	1,563,058
Net profit for the period		-	-	-	-	-	-	-	-	993,635	993,635	179,908	1,173,543
Other comprehensive income/(expense) 23		-	-	-	-	-	44	560	-	-	604	(212)	392
Total comprehensive income/(expense)		-	-	-	-	-	44	560	-	993,635	994,239	179,696	1,173,935
Transfers		-	-	44,813	-	-	-	-	260,705	(305,518)	-	-	-
Transactions with non-controlling interests		-	-	-	-	-	-	-	-	-	-	(3,367)	(3,367)
Increase/decrease in the share rate change in subsidiaries		-	-	-	-	-	-	-	303	-	303	(43)	260
Transactions with shareholders		-	580,664	-	(188,032)	-	-	-	-	-	392,632	-	392,632
Decrease arising from treasury share transactions		-	(69,457)	69,457	-	-	-	-	(69,457)	-	(69,457)	-	(69,457)
Dividends paid		-	-	-	-	-	-	-	(391,544)	-	(391,544)	-	(391,544)
31 December 2018		423,234	(97,666)	392,550	12,418	13,677	(6,093)	1,433	260,483	993,635	1,993,671	671,846	2,665,517
Balances at 1 January 2019		423,234	(97,666)	392,550	12,418	13,677	(6,093)	1,433	260,483	993,635	1,993,671	671,846	2,665,517
Net profit for the period		-	-	-	-	-	-	-	-	794,074	794,074	215,364	1,009,438
Other comprehensive income/(expense) 23		-	-	-	-	-	(3,363)	(36)	-	-	(3,399)	(609)	(4,008)
Total comprehensive income/(expense)		-	-	-	-	-	(3,363)	(36)	-	794,074	790,675	214,755	1,005,430
Transfers		-	-	54,402	-	-	-	-	939,233	(993,635)	-	-	-
Transactions with non-controlling interests		-	-	-	-	-	-	-	-	-	-	(37)	(37)
Decrease arising from treasury share transactions		-	(1,350)	1,350	-	-	-	-	(1,350)	-	(1,350)	-	(1,350)
Dividends paid 23		-	-	-	-	-	-	-	(179,687)	-	(179,687)	(29,791)	(209,478)
31 December 2019		423,234	(99,016)	448,302	12,418	13,677	(9,456)	1,397	1,018,679	794,074	2,603,309	856,773	3,460,082

The accompanying notes between pages 81 and 127 are an integral part of these consolidated financial statements.

BORSA İSTANBUL A.Ş.**CONSOLIDATED FINANCIAL STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 December 2019**

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

		Audited	Audited
	Notes	1 January - 31 December 2019	1 January - 31 December 2018
Cash flows provided from operating activities			
Net profit for the period		1,009,438	1,173,543
Adjustments for:			
Tax expense	29	284,365	185,254
Depreciation expense	12	23,363	20,744
Amortization expense	13	42,734	35,485
Change in provision for employment termination benefits	21	6,907	5,280
Change in personnel bonus provision	21	26,468	21,086
Change in valuation of investment properties	11,27	4,030	(2,450)
Change in unused vacation liability	21	6,625	1,751
Change on law suit provision	20	4,260	(34,834)
Expense accrual for Capital Markets Board share	15,26	87,544	79,876
Provisions no longer required	26	(23,630)	(44,891)
Share of (profit)/loss of investments accounted for under the equity method	5	(15,717)	(20,320)
Derivative financial instruments	28	33,915	-
Financial income, net	28	(120,587)	(137,343)
Provisions for doubtful receivables	7	485	131
Unrealized exchange (gain)/loss		2,888	(283,860)
Cash flows from operating activities before working capital changes		1,373,088	999,452
Change in short-term borrowings, net		680,447	246,408
Decrease/(increase) in trade receivables		(200,557)	170,957
Decrease/(increase) in other current assets		22,600	(28,089)
Decrease/(increase) in other non-current assets		(186)	(42)
Change in other receivables		434	(459)
Change in prepaid expenses		9,288	(3,073)
Change in other payables		(1,215)	(452,331)
Increase in other current liabilities		3,172,422	562,551
Change in trade payables		454,377	331,509
(Decrease)/increase in other long-term liabilities		239	1,113
Change in financial derivative financial instruments	16	(40,015)	-
Taxes paid		(317,440)	(161,768)
Change in deferred income		(284)	2,147
Change in liability for employee benefits		(1,089)	(7,025)
Employment termination benefits paid	21	(5,007)	(3,355)
Employee's service provision paid	21	(2,511)	(2,348)
Capital Markets Board share paid		(79,876)	(62,909)
Personnel bonus paid	21	(21,462)	(18,934)
Unused vacation paid	21	(2,092)	(595)
Collection of doubtful receivables	7	23	69
Net cash (used in) generated from operating activities		3,668,096	573,826
Proceeds from sale of property, plant and equipment	12	90	126
Purchases of property, plant and equipment	12	(64,322)	(41,180)
Proceeds from sale of intangible assets	13	111	52
Purchase of intangible assets	13	(15,188)	(85,778)
Profit on sale of financial asset at fair value	26	-	265,253
Financial assets (purchase/sale) measured at amortized cost, net		(846,061)	(875)
Financial assets (purchase/sale) at fair value through profit or loss		(33,288)	-
Financial assets (purchase/sale) at fair value through other comprehensive income, net		4	(6,250)
Change in time deposit more than 3 months	6	(8,036)	(31,291)
Cash inflows from the sales of shares or capital decrease of the subsidiaries/joint ventures		(37)	(3,367)
Interests received		107,241	116,304
Lease payments		(977)	-
Dividend received from financial investments	27	276	14,533
Net cash (used in)/generated from investment activities		(860,187)	227,527
Dividend paid to non-controlling interest		(209,478)	(391,544)
Cash outflows from repurchase of treasury shares		(1,350)	(69,457)
Net cash (used in)/generated from financing activities		(210,828)	(461,001)
Net increase in cash and cash equivalents		3,970,169	1,339,804
Effects of currency translation on cash and cash equivalents		33,761	83,606
Cash and cash equivalents at the beginning of the period	4	12,192,329	10,768,919
Cash and cash equivalents at the end of the period	4	16,196,259	12,192,329

The accompanying notes between pages 81 and 127 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

1 GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

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

As per paragraph 2th of Article 138th of Capital Markets Law No, 6362, the Articles of Association of BİST prepared by the Capital Markets Board were registered with the trade registry on 3 April 2013 following the approval of the related Minister. Similarly, as per paragraphs 4th and 5th of the same article of the Law, the legal entities İstanbul Menkul Kıymet Borsası ("İMKB"), established as per repealed Statutory Decree No, 91, and İstanbul Altın Borsası ("İAB"), established as per article 40/A of repealed Law No, 2499, have been terminated, and for these two institutions all kinds of assets, payables and receivables, rights and obligations, records and other documents (including those on electronic media) have been transferred to BİST in their entirety, with those exceptions required by law, with no further action needed, on the date of the registration of the Articles of Association of BİST. All actions of BİST as at this date were recognized upon the acceptance of 3 April 2013 as the establishment date of the Company.

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

BİST and BİST's subsidiaries operating in Turkey, joint operations and associations, together referred to the "Group".

As at 31 December 2019, BİST have 584 employees (31 December 2018: 565) and the Group have 1,096 employees (31 December 2018: 1,036). BİST is located in Reşitpaşa Mahallesi, Borsa İstanbul Caddesi, No:4, Sarıyer/İstanbul.

The Company's controlling shareholder is the Türkiye Wealth Fund. As at 31 December 2019 and 31 December 2018, the Company's shareholder structure and is as follows:

	31 December 2019	31 December 2018
Türkiye Wealth Fund	90.60%	80.60%
Borsa İstanbul A.Ş.	2.27%	2.23%
Turkish Capital Markets Association	1.30%	1.30%
European Bank for Reconstruction and Development ^(*)	-	10.00%
Other	5.83%	5.87%
	100.00%	100.00%

^(*) Türkiye Wealth Fund has purchased 10% of the shares of European Bank for Reconstruction and Development and increased its shares to 90.60%.

Subsidiaries

The Company's subsidiaries ("the Subsidiaries"), their principal activities and the countries in which they operate are stated below:

Subsidiaries	Country of incorporation	Area of activity	Effective ownership of interest (%)	
			31 December 2019	31 December 2018
İstanbul Takas ve Saklama Bankası A.Ş. ^(*)	Turkey	Bank	64.15	64.14
Merkezi Kayıt Kuruluşu A.Ş.	Turkey	Custodian	71.73	71.73

^(*) The Group, which has participated in 64.14% of the İstanbul Takas ve Saklama Bankası Anonim Şirketi ("Takasbank") share capital, increased its shares to 64.15% by acquiring minority shares on 20 May 2019.

İstanbul Takas ve Saklama Bankası A.Ş.

İstanbul Takas ve Saklama Bankası Anonim Şirketi ("Takasbank") has maintained its operations as a bank which does not accept deposits since 2 January 1996. Takasbank performs custody, exchange and other necessary transactions related to securities on behalf of intermediary institutions. Takasbank also provides custody services on a customer basis. The headquarter of Takasbank is located in İstanbul and the Company does not have any branch.

BORSA İSTANBUL A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

1 GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Continued)*Merkezi Kayıt Kuruluşu A.Ş.*

Merkezi Kayıt Kuruluşu Anonim Şirketi ("MKK") was established in İstanbul, Turkey to control the consistency of records kept on a member group basis by tracking the records for capital market instruments recorded on the basis of issuers, intermediary institutions and beneficiaries and related rights, MKK started its operations on 26 September 2001.

Joint ventures

Areas of activities and business locations of joint ventures of the Company are as stated below:

Joint ventures	Country of incorporation	Area of activity	Effective ownership of interest (%)	
			31 December 2019	31 December 2018
Finans Teknopark A.Ş.	Turkey	Technology	51.00	50.00
Tasfiye Halinde Borsa İstanbul İTÜ Teknoloji A.Ş.	Turkey	Technology	50.00	50.00

(*) In the Trade Registry Gazette dated 14 June 2019 and numbered 9848, it was published that the title change of Borsa İstanbul İTÜ Teknoloji A.Ş. to Tasfiye Halinde Borsa İstanbul İTÜ Teknoloji A.Ş. had been registered on 10 June 2019.

Finans Teknopark A.Ş.

Finans Teknopark A.Ş. is established in Turkey and started its operations at 9 January 2015 in order to ensure the collaboration of research institutions and organizations and finance and production sectors, to globalize the finance and industry sector's competition abilities, and to direct these sectors rotation to export, and ultimately to ensure the technological substructure that will produce technological and financial information.

Tasfiye Halinde Borsa İstanbul İTÜ Teknoloji A.Ş.

Main area of activity of Tasfiye Halinde Borsa İstanbul İTÜ Teknoloji A.Ş. is to operate in informatics and technology sectors, There are no other significant area of activities of the firm.

Associates

Areas of activities and business locations of associates of the Company are as stated below:

Associates	Country of incorporation	Area of activity	Effective ownership of interest (%)	
			31 December 2019	31 December 2018
Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	Turkey	License	34.27	34.27
Enerji Piyasaları İşletme A.Ş. ("EPIAŞ")	Turkey	Energy market operations	30.83	30.83
Kyrgyz Stock Exchange	Kyrgyzstan	Stock market operations	16.33	16.33
Montenegro Stock Exchange	Montenegro	Stock market operations	24.43	24.43

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

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

Kyrgyz Stock Exchange

Main area of activity of Kyrgyz Stock Exchange is to operate the stock market transactions in Kyrgyzstan.

Montenegro Stock Exchange

Main area of activity of Montenegro Stock Exchange is to operate the stock market transactions in Montenegro.

Enerji Piyasaları İşletme A.Ş. ("EPIAŞ")

Main area of activity of Enerji Piyasaları İşletme A.Ş. ("EPIAŞ") is to establish, plan, develop and operation of energy markets that are included in market operation license, in a way that ensures efficiency, transparency and security of these markets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**2.1 Basis of presentation****2.1.1 Preparation of financial statements**

BİST and BİST's subsidiaries operating in Turkey maintains (together referred to the "Group") their accounting records and prepares their statutory financial statements in TL and in accordance with the Turkish Commercial Code ("TCC"), tax legislation and Uniform Chart of Accounts issued by the Ministry of Finance. The subsidiaries incorporated outside of Turkey maintain their books of account and prepare their statutory financial statements in accordance with the regulations of the countries in which they operate.

The consolidated financial statements of the Group have been prepared in accordance with TFRS. TFRS's; Public Oversight of the Accounting and Auditing Standards Authority ("POA") by Turkey Accounting Standards ("TAS"), Turkey Financial Reporting Standards comprise standards and interpretations published by TAS Reviews and TFRS names.

The consolidated financial statements are presented in accordance with the TFRS Taxonomy developed based on the Illustrative Financial Statements and User Guide published in the Official Gazette numbered 30794 on 7 June 2019.

The Group has initially adopted TFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019. The impact of these changes on the Group's financial statements is disclosed in note 2.11.22.

These consolidated financial statements are prepared according to the Turkey Financial Reporting Standards ("TFRS"). These consolidated financial statements are prepared on historical cost basis, except for significant items in the table below. The following items are measured on an fair value basis at the reporting date.

	Measurement base
Financial assets at fair value through other comprehensive income	Fair value
Financial assets at fair value through profit or loss	Fair value
Investment properties	Fair value

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

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

The revised Conceptual Framework

The revised Conceptual Framework issued on 27 October 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRSs. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one - its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to TAS 1 and TAS 8 - Definition of Material

In June 2019, POA issued Definition of Material (Amendments to TAS 1 and TAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in TFRS Standards. The amended "definition of material" was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

BORSA İSTANBUL A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousand Turkish Liras ("TL") unless otherwise indicated.)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.2 Standards issued but not yet effective and not early adopted as at 31 December 2019 (Continued)****Amendments to TFRS 3 - Definition of a Business**

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. In May 2019, POA has also published the Definition of Business (Amendments to TFRS 3). With this amendments confirmed that a business shall include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs.. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TFRS 3.

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

Interest Rate Benchmark Reform, which amended TFRS 9, TAS 39 and TFRS 7 issued in September 2019 by IASB and thereon POA issued on 14 December 2018 added Section 6.8 and amended paragraph 7.2.26 of TFRS 9. About this issue, IASB identified two groups of accounting issues that could affect financial reporting. These are:

- pre-replacement issues-issues affecting financial reporting in the period before the reform; and
- replacement issues-issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced.

IASB considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements as a priority in the first phase of the project:

- The highly probable requirement;
- Prospective assessments;
- IAS 39 retrospective assessment; and
- Separately identifiable risk components.

All other hedge accounting requirements remain unchanged. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The Group shall apply these amendments for annual periods beginning on or after 1 January 2020 with earlier application permitted.

2.3 Comparative information

Consolidated financial statements of the Group have been prepared comparatively with the prior period. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary.

According to TFRS, consolidated financial statements should be presented with comparative information from the previous period. As of 31 December 2019, the Group has prepared the consolidated statement of financial position, consolidated profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow comparatively.

As at 31 December 2018, the Group's time deposit more than 3 months amounting to TL 32,013 which is included in cash and cash equivalents, is classified under the financial investments. Related classifications are made in the statement of cash flow.

2.4 Offsetting

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

Income and expense items are stated with net-off balances only if allowed by the accounting standards or for the similar transactions in profit and loss items of the Group like purchase and sales transactions.

2.5 Going concern

The Group prepared the consolidated financial statements according to going concern principles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Financial statements of subsidiaries operating in foreign countries

Financial statements of subsidiaries that are operating in foreign countries are prepared in accordance with the laws and regulations in force in the countries in which they are registered in and required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Group's accounting policies.

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- Income and expenses for each income statement are translated at average exchange rates; and all resulting exchange differences are recognized as a separate component of equity and statements of comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate

2.7 Consolidation principles

The consolidated financial statements include the accounts of the Group on the basis set out in sections below. The financial statements of the fully consolidated subsidiaries have been prepared with required adjustments and reclassifications for the purpose of compliance with TAS and the accounting policies of the Group. The financial results of the subsidiaries are fully consolidated from the date on which control is transferred to the Group or deconsolidated from the date that control ceases.

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

Subsidiaries

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

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

Proportion of ownership interest represents the effective shareholding of the Group through the shares held directly by BİST and indirectly by its subsidiaries. The table below sets out all subsidiaries included in the scope of consolidation and shows their shareholding structure at 31 December 2019 and 31 December 2018 as follows:

	Effective ownership of interest (%)	
	31 December 2019	31 December 2018
Istanbul Takas ve Saklama Bankası A.Ş. ^(*)	64.15	64.14
Merkezi Kayıt Kuruluşu A.Ş.	71.73	71.73

^(*) The Group, which has participated in 64.14% of the Istanbul Takas ve Saklama Bankası Anonim Şirketi ("Takasbank") share capital, increased its shares to 64.15% by acquiring minority shares on 20 May 2019.

Joint ventures

Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Company and one or more other parties. The Group exercises such joint control through the power to exercise voting rights relating to shares in the companies as a result of ownership interest directly and indirectly by itself.

Joint ventures have been accounted for using the equity method in accordance with clauses of TFRS 11 "Joint Arrangements" which has been effective from 1 January 2013. Under the equity method, investments in the joint ventures are carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the joint venture and the comprehensive income reflects the share of the results of operations of the joint ventures. Where there has been a change recognized directly in the equity of the joint ventures, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. When the Company has rights only to the net assets of the arrangements, it accounts for its interest using the equity method according to TAS 28.

BORSA İSTANBUL A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.7 Consolidation principles (Continued)****Joint ventures (Continued)**

The table below sets out the joint ventures accounted by equity method, the proportion of voting power held by the Company and its subsidiaries and effective ownership of interests at 31 December 2019 and 31 December 2018:

	Effective ownership of interest (%)	
	31 December 2019	31 December 2018
Finans Teknopark A.Ş.	51.00	50.00
Tasfiye Halinde Borsa İstanbul İTÜ Teknoloji A.Ş. ^(*)	50.00	50.00

^(*) In the Trade Registry Gazette dated 14 June 2019 and numbered 9848, it was published that the title change of Borsa İstanbul İTÜ Teknoloji A.Ş. to Tasfiye Halinde Borsa İstanbul İTÜ Teknoloji A.Ş. had been registered on 10 June 2019.

Associates

Associates are accounted for using the equity method. Associates are companies in which the Group has voting power between 20% and 50% or the Group has power to participate in the financial and operating policy decisions but not control them.

Under the equity method, the investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss.

Investments are accounted for using the equity method considering the Group's total share portions which are owned directly or indirectly from its subsidiaries.

The investments in associates are carried on the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The income statement reflects the Group's share of the results of operations of the associates. When there is a change recognized directly in the equity of an associate, the Group recognizes its share of any changes and discloses this when applicable, in the statement of changes in equity. Profits and losses resulting from the transactions between the Group and the associates and the Group are identical and the associates' accounting policies conform to those of the Group for like transactions and events in similar circumstances.

The table below sets out the subsidiaries accounted for using the accounting under equity method, the proportion of voting power held by the Group and its subsidiaries and effective ownership of interests at 31 December 2019 and 31 December 2018:

	Effective ownership of interest (%)	
	31 December 2019	31 December 2018
Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	34.27	34.27
Enerji Piyasaları İşletme A.Ş. ("EPIAŞ")	30.83	30.83
Kyrgyz Stock Exchange	16.33	16.33
Montenegro Stock Exchange	24.43	24.43

2.8 Functional and presentation currency

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

2.9 Changes in accounting policies and estimates and errors

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.10 Significant accounting judgments, estimates and assumptions

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

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

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

Fair value measurement of investment properties

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

Akmerkez Office

Akmerkez office, investment property is located on 1,000 m² ground in İstanbul/Beşiktaş, Nispetiye Mahallesi 83/1 E3 Blok 10 floor.

According to a licensed real estate valuation firm report which is dated 4 December 2019. Akmerkez office was evaluated by market value approach and the fair value amount is TL 23,500.

Şişli Service Building

Şişli building, investment property is located on the parcel of 29 in İstanbul province, Şişli district, Şişli street, 159 section, 1,042 city block, is located on 4,544.62 m² ground.

According to a licensed real estate valuation firm report which is dated 24 December 2019. Şişli service building evaluated by market value approach and the fair value amount is TL 34,275.

Provisions for employment termination benefits

In accordance with existing social legislation, the Group is required to make lump sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The assumptions of provision for employee termination benefits of a major portion of the Group are prepared by an independent actuarial company. The employee termination benefits have been calculated based upon factors derived using the Group's experience of personnel terminating their services and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds.

The current service cost of the defined benefit plan, recognized in the income statement in employee benefit expense reflects the increase in the defined benefit obligation resulting from employee service in the current year past service costs are recognized immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise (Note 21).

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.10 Significant accounting judgments, estimates and assumptions (Continued)*****Provisions for employment termination benefits (Continued)***

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

	31 December 2019	31 December 2018
Discount rate	3.52%	5.09%
Estimated employee turnover rate	96.90%	97.63%

Useful lives of intangible assets

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

Fair value of derivative instruments

The Group calculates the fair values of financial instruments which do not have an active market using market data, using similar transactions, using the fair values of similar instruments as reference, and discounted cash flow analysis.

2.11 Summary of significant accounting policies

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

Related parties

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

2.11.1 Service revenue

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

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

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.1 Service revenue (Continued)

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

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

Debt securities trading revenues

Debt securities trading revenues consist of revenue from transactions in international bond markets where external debt instruments issued by the Republic of Turkey Treasury and included on the exchange list and in the equity repo market, where transactions are carried out with the shares of the companies that are traded on Borsa İstanbul Equity Market and which are included in BİST 30 Index and deemed appropriate by a Board of Directors, fees from debt instruments traded on the outright purchase and sales market, the repo-reverse repo market, the repo market for specified securities, the interbank repo-reverse repo market where second hand fixed income security transactions are made, and the offering market for qualified investors, where capital market instruments, which can be purchased by "qualified investors" as described in capital markets legislation are issued.

Equity market trading revenue

Equity market trading revenue consists of the revenue based on the transaction volume of financial instruments, such as the right to purchase new equities and to exchange traded funds, warrants and certificates.

Derivatives trading revenue

Derivative market trading revenue consists of revenue which is accrued monthly and calculated on transaction volumes arising from futures and options contracts based on all primary asset classes such as equity, foreign-domestic stock indices, foreign exchange, steel scrap, exchange traded fund, precious metals, commodity and energy.

Precious metals and diamond market trading revenue

Precious metals and diamond market trading revenue consists of income accrued monthly and daily and calculated on the transaction volume of the precious metals market where spot transactions of standard, non-standard, gold, silver, platinum and palladium produced from ore. Precious Metals Lending Market where lending and certificate transactions are made and Diamond and Precious Stones Market where diamond and precious stones are traded.

Takasbank money market

Takasbank money market commissions consist of incomes accrued and collected daily and calculated on transactions made in this market established and operated by Takasbank to match the demand of market players who need funds and the offers of market players who have excess funds.

Security registration income

These fees consist of income accrued weekly and received for off-exchange security purchases, sales, and repo and reverse repo transactions announced weekly by banks and brokerage firms.

Listing income

Listing fees consist of initial listing/registration fees, annual listing/registration fees, and re-listing/re-registration fees. The initial listing fee is the nominal price of the securities in each listing transaction. Partnerships in the securities exchange listing should pay an annual fee so long as they remain in the relevant listing.

Custody and custody related operating revenue

Custody and custody related operating revenue consist of custody fees accrued for physical shares in the custody of Takasbank, in the private pension fund shares of attendee accounts and for income gained from global custody service.

Custody and custody related operating revenue consist of income received from the custody services of shares, investment funds, warrants and debt instruments in MKK (Central Securities Depository).

Data vending revenue

Data vending revenue consist of the income arising from disseminating the data in Borsa İstanbul markets to users on a real time and a delayed basis through licensed data vendors.

Takasbank interest income

Interest income is calculated by using the effective interest rate (the rate which sets the future cash flows of a financial asset or liability equal to their current net book value) method in accordance with "TFRS-9 Financial Instruments".

BORSA İSTANBUL A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.11 Summary of significant accounting policies (Continued)****2.11.2 Property and equipment**

The cost of an item of property and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

After recognition as an asset, an item of property and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation

Property and equipment are depreciated over the estimated useful lives of the related assets from the date of acquisition or the date of installation, on a straight-line basis.

Construction in progress assets are amortized when the related intangible assets are ready for use in accordance with the useful lives identified.

The estimated useful lives of property and equipment are as follows:

Property and equipment	Year
Buildings	35-50
Machinery and equipment	4-10
Vehicles	5
Furniture and fixtures	4-15
Leasehold improvements	5-25

Expenditures incurred to replace a component of an item of property and equipment that are accounted for separately, including major inspection and overhauls costs, are capitalized. Other subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are recognized in profit or loss as an expense as incurred.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. For subsequent periods, the gain or loss arising from the change in the fair value of the investment property is included in profit or loss in the period in which it arises.

2.11.3 Investment properties

The investment properties, which are held either to earn rental income or for capital appreciation or for both, instead of either for the Group's operations or for management purposes or for sale during the daily operations, are classified under other properties.

Investment properties are carried at their fair value on the basis of a valuation made by an independent valuation expert. Changes in fair values of investment properties are recognized in the income statement under other income. Rental income from investment properties is recognized as revenue on a straight-line basis over the term of the lease.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.11 Summary of significant accounting policies (Continued)****2.11.4 Government grants**

Government grants along with investment, research and development grants are accounted for on an accrual basis for estimated amounts expected to be realised under grant claims filed by the Group. These grants are accounted for as deferred income in the consolidated balance sheet and are credited to consolidated income statement on a straight-line basis over the expected lives of related assets. Government grants allowing reduced corporate tax payment are evaluated within the scope of TAS 12 "Income Taxes" standard.

2.11.5 Intangible assets

Intangible assets includes information systems, software and other intangibles arose from business mergers, Intangible assets are recognized at acquisition cost and amortized by the straight-line method over their estimated useful lives after their acquisition date. If impairment exists, carrying amounts of the intangible assets are written down immediately to their recoverable amounts. Intangible assets are amortized on a straight-line basis over their estimated useful lives for a period between 3-20 years from the date of acquisition.

Construction in progress assets are amortized when the related intangible assets are ready for use in accordance with the useful lives identified.

2.11.6 Research and development costs

Planned operations that are done in order to obtain new technological information or discovery of Group are defined as research, and the research expenses during this phase is recognized as expense as incurred.

Development is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use and an intangible asset arising from development is recognized when the following are demonstrated by the Company:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- b) Its intention to complete the intangible asset and use or sell it,
- c) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,
- d) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
- e) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs of the Group consists of any software packages which are in progress of being developed with regard to all of the software programs that constitutes the technological substructure of the markets which are under the Group's structure.

Development costs of Group, consists of the personnel salaries that are assigned directly in the development of the assets, other personnel costs and the costs related to the services used in the development of the intangible asset.

Related development costs are recognized initially in construction in progress which is under intangible assets section, and afterwards, the portion that is started to be used actively is being transferred to rights account under intangible assets.

2.11.7 Financial instruments**Classification and measurement**

Classification and measurement of financial assets in accordance with TFRS 9 Financial Instruments standard is determined by whether the financial asset is based on the business model in which the financial asset is managed and whether it is based on contractual cash flows including interest payments on principal and principal balance.

TFRS 9 contains three basic categories of financial assets: amortized cost (AC), fair value other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the categories of available-for-sale financial assets that are held to maturity, loans and receivables included in the current TAS 39 standard.

The Group accounts for its financial assets in three classes. The classification is based on the characteristics of the contractual cash flows of the entity and the business model used by the entity for the management of the financial assets. The Group classifies its financial assets at the time of purchase.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.11 Summary of significant accounting policies (Continued)****2.11.7 Financial instruments (Continued)****Classification and measurement (Continued)**

"Financial assets measured at amortized cost" are financial assets held as part of a business model aimed at collecting contractual cash flows and that have cash flows that include interest payments solely on principal and principal balance at specific dates in contractual terms, are not traded in an active market. Financial assets at amortized cost of the Group also include "cash and cash equivalents", "trade receivables" and "other receivables". Related assets are initially recognized at fair value in the financial statements; in subsequent accounting, measured at amortized cost using the effective interest rate method. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the consolidated income statement.

"Financial assets at fair value through other comprehensive income" are financial assets held as part of a business model for the collection and settlement of contract cash flows and for which there are cash flows from interest payments arising principally only at principal and principal amounts under contractual terms. Any gains or losses arising from the related financial assets are recognized in other comprehensive income except for impairment losses, gains or losses and exchange rate differences income or expenses.

For investments in equity-based financial assets, the Group may inadvertently choose the method of reflecting subsequent changes in fair value to other comprehensive income during the first financial statement purchase. In the case of such a preference, the dividends from the related investments are recognized in the consolidated income statement.

Under TFRS 9, all investments in equity instruments and contracts on those instruments must be measured at fair value. However, in limited circumstances, cost value may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost value represents the best estimate of fair value within that range.

"Financial assets at fair value through profit or loss" are financial assets measured other than those at amortized cost and fair value through other comprehensive income. The resulting gains and losses from the valuation of such assets are recognized in the consolidated income statement.

2.11.8 Impairment of financial assets

TFRS 9 replaces the "incurred loss" model in TAS 39 with an "expected credit loss" (ECL) model. In this context, it has been necessary to evaluate how the economic factors that will be determined by weighting according to the probabilities of realization affect the ECLs. The new impairment model is applied to financial assets at fair value through other comprehensive income or measured at amortized cost (other than investments in, equity instruments) and contract assets. The financial assets at amortized cost consist of trade receivables, financial investments, and cash and cash equivalents.

Under TFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.8 Impairment of financial assets (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The basic principles for calculating the Group's "Expected Credit Loss" are as follows:

- Information considered in the Expected Credit Loss accounting should be reasonable, reliable and supportable.
- Country risk is also taken into account when calculating provisions that will be reserved for expected credit losses. Loans are allocated at a higher rate than the loan-based reserves, taking into account the size, type, maturity, currency, interest rate structure, borrowing sector, collaterals and similar concentrations over time, credit risk level and management.
- The approach used to assess expected credit losses is consistent with the Group's credit risk management.
- Information used; specific factors of the borrower, general economic conditions and the assessment of the effects of these factors and conditions in the current and future periods, at the reporting date. Possible sources of information include the Group's credit disposal experience, internal or external credit ratings, reports and statistics.
- If it is determined that the financial instrument has low credit risk at the reporting date, the Group may assume that the credit risk in the financial instrument has not increased significantly since its first financial statement.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2.11.9 Financial income and financial expenses

Financial income includes interest income from investments, dividend income, change in fair value, and income from sales of financial assets that reflect other comprehensive income. Interest income is recognized in profit or loss on an accrual basis using the effective interest method. Dividend income is recognized in profit or loss when the Group is entitled to receive payment. Financial expenses include commission expenses.

2.11.10 Derivative financial instruments

Derivative financial instruments including foreign exchange swaps, interest rate swaps, foreign exchange options and currency forwards.

Derivative instruments are initially recognized at the transaction cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. It is shown that the valuation differences resulting from the valuation of derivative transactions are associated with the statement of profit or loss.

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.11 Summary of significant accounting policies (Continued)****2.11.11 Non-derivative financial liabilities**

The liability items in TAS 39 have been carried forward to TFRS 9 except for the fact that the fair value change effect of the credit risk exposure of the liabilities recognized by using the fair value option is not allowed to be recognized in the other comprehensive income (where accounting inconsistency can not be materially affected).

The Group derecognizes the related financial liability when the contractual commitments related to the financial liability are terminated or cancelled.

The Group presents non-derivative financial liabilities in other financial liabilities. Such financial liabilities are measured initially by deducting transaction costs that are directly attributable to their fair values. Other financial liabilities of the Group are; financial debts, commercial and other debts.

2.11.12 Payables to members

Payables to members consist of the members' accounts opened in Takasbank by brokerage firms, banks, leasing companies, factoring companies and funding companies, which desire to perform transactions in organized markets, to make a down payment, pay swap liabilities and wire cash to customers. Payables to members are recognised by their fair value in financial statements.

2.11.13 Deposits and guarantees received

Deposits and guarantees received for contracts made for sales and purchase transactions made in markets in BiST Guarantee Fund, BiST Debt Securities and Equity Market, Takasbank Money Market ("TMM"), Equity Lending Market ("ELM"), Derivative Market, Electricity Market, and markets where leveraged sales and purchase transactions are made. Said funds ensure that the debtee does not affect from the delay when the debtor goes into cash default. Cash guarantee mechanisms are created to make sure that cash flow is not interrupted in the market and that the payments are made in time and accurately. The Group invests the deposits and guarantees in financial institutions and reflects the gains to the accounts of relevant members. Group management believes that the current values of deposits and guarantees on financial position statement are similar to the values redeemed with effective interest rates.

2.11.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, time deposits with maturities less than three months, reverse repurchase agreements, and type B liquid funds that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Time deposits at banks are initially recognized at fair value and then, subsequently measured at amortized cost using the effective interest method. The carrying amount of these assets is close to their fair values.

2.11.15 Trade and other receivables

Trade and other receivables are recognized initially at fair value. At the reporting date, subsequent to initial recognition, trade and other receivables are measured at amortized cost using the effective interest method. When a trade receivable become uncollectible, it is written off against the allowance account.

The amount of the allowance account is the difference between the carrying amount of the receivables and the collectible amount. Changes in the carrying amount of the allowance account are recognized in profit or loss. Group's management believes that carrying value of the trade and other receivables on the statement of financial position approximates to their fair value.

2.11.16 Share capital

Ordinary shares are classified as equity. Dividend income is recognized as income when right to obtain of dividend is generated. Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.11.17 Capital reserves

On 3 April 2013, the legal entities, IMKB and IAB, are terminated and all assets, liabilities and receivables, rights and obligations, records and other documents have been transferred to BiST in their entirety, with the exceptions required by law, with no further action needed. The Company's capital has been registered as full TL 423,234,000 at 3 April 2013. The registered capital of BiST is deducted from the sum of all equity accounts in the consolidated financial statements prepared in accordance with TFRS, which is the basis of transfer accounting and the remaining balance is accounted for as capital reserves.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.18 Share premium

Share premium represents the difference that is arised from the sale of a subsidiary or an investment accounted by equity method shares that the Company has with a higher amount than their nominal values or the positive difference between the nominal values and the fair values of the shares that the Company had issued related to the firms that the Company had acquired.

2.11.19 Treasury shares

The cost of the Group's own equity instruments that it has reacquired is deducted from equity. Gain or loss is not recognized on the purchase, sale, issue, or cancellation of treasury shares. Treasury shares may be acquired and held by the entity or by other members of the Group. Consideration paid or received is recognized directly in equity.

2.11.20 Earnings per share

According to TAS 33 - *Earnings per Share*, companies whose shares are not traded in a stock exchange market, are not required to disclose their earnings per share. Since, the Group has no share which is traded in a stock exchange market, earnings per share is not computed in the accompanying consolidated financial statements.

2.11.21 Provisions. contingent liabilities and assets

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

2.11.22 Lease transactions

i. Accounting policies applied after 1 January 2019

TFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied partial retrospective approach to TFRS 16, resulting in a right to use and an equal amount of the lease obligation, Group has applied all the practical expedient in the first transition. The details of the changes in accounting policies are disclosed below.

a) Definition of a lease

On transition to TFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under TFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

b) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under TFRS 16, the Group recognises right-of-use assets and lease liabilities on the balance sheet.

The carrying amounts of right-of-use assets are as below;

	Property and equipment Vehicles
Balance at 1 January 2019	903
Balance at 31 December 2019	5,983

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.11 Summary of significant accounting policies (Continued)****2.11.22 Lease transactions (Continued)****i. Accounting policies applied after 1 January 2019 (Continued)****i. Significant accounting policies**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. As at 1 January 2019, the weighted average of the alternative borrowing interest rates applied to TL lease liabilities is 23.4%.

The lease liability is subsequently increased by the interest cost and decreased by lease payments. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

ii. Transition

Previously, the Group classified leases as operating leases under TAS 17. At transition, for leases classified as operating leases under TAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if TFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application

The Group used the following practical expedients when applying TFRS 16 to leases previously classified as operating leases under TAS 17;

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

c) Impacts on financial statements**i. Impacts on transition**

The impact on transition is summarised below.

	1 January 2019
Right-of-use assets presented in property and equipment	903
Lease liabilities	903

ii. Impacts for the period

As a result of initially applying TFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised TL 5,983 of right-of-use assets and TL 6,120 of lease liabilities as at 31 December 2019.

Also in relation to those leases under TFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. As at 31 December 2019, the Group recognised TL 805 of depreciation charges and TL 310 of interest cost from these leases.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

2.11.22 Lease transactions (Continued)

ii. Accounting policies applied before 1 January 2019

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operational leases. All lease transactions of the Group are operational leases.

2.11.23 Employment termination benefits

In accordance with existing social legislation, the Group is required to make lump sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the consolidated financial statements, the Group has reflected a liability calculated using "Projected Unit Credit Method" and based upon factors derived using the Group's experience of personnel terminating their services and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds.

According to TAS 19 (amendment), "Employment termination benefits", effective for annual periods beginning on or after 1 January 2013, gains/losses occurred due to the changes in the actuarial assumptions used in the calculation of employment termination benefit should be reclassified under the other comprehensive income.

2.11.24 Segment reporting of financial information

An operating segment is a component of the Group that engages in business activities from which it may earn income and incur expenses, including income and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Since there are no any set of components that are regularly reviewed by chief operating decision maker to take decisions about the Group's activities and whose financial performances are followed separately no reports have been made according to the operating segments.

2.11.25 Share-based payments

An entity has an obligation to settle a share-based payment transaction when it receives the goods or services unless the transaction is clearly for a purpose other than payment for goods or services supplied to the entity receiving them.

An entity shall recognize the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. The entity shall recognize a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

2.11.26 Taxation

Tax expense or income is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred tax is computed, using the liability method, and by the effective tax rate at balance sheet date. And deferred tax is computed on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against the deductible temporary differences. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred taxes arising from income and expenses accounted under equity are also recorded under equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. The carrying amount of deferred income tax assets is reviewed by the Group at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

3 BUSINESS COMBINATIONS

None.

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4 CASH AND CASH EQUIVALENTS

As at 31 December 2019 and 31 December 2018, cash and cash equivalents are as follows:

	31 December 2019	31 December 2018
Cash	36	60
Banks - time deposits	15,643,225	11,462,603
Banks - demand deposits	519,100	96,640
Reverse repo receivables	29,338	19,554
Investment funds (B type liquid fund)	2,651	5,410
Receivables from money markets	-	623,670
Cash and cash equivalents on statement of financial position	16,194,350	12,207,937
Accruals on cash and cash equivalents	(20,833)	(32,215)
12 months expected credit loss	22,742	16,607
Cash and cash equivalents on statement of cash flows	16,196,259	12,192,329

As at 31 December 2019, the Group has calculated an expected credit loss allowance amounting to TL 16,194,350 for cash and cash equivalents amounting to TL 22,742 under TFRS 9.

As at 31 December 2019, there is no restricted deposits (31 December 2018: None).

Banks-Time deposits

As at 31 December 2019 and 31 December 2018, the details of time deposits are as follows:

31 December 2019	Amount (TL)	Effective interest rate (%)	Maturity date
TL	8,799,398	11.38	2 January 2020 - 31 March 2020
USD	3,429,554	2.70	2 January 2020 - 13 February 2020
EUR	3,414,273	0.72	2 January 2020 - 4 February 2020
Total	15,643,225		

31 December 2018	Amount (TL)	Effective interest rate (%)	Maturity date
TL	6,658,832	24.28	2 January 2019 - 26 February 2019
USD	3,017,718	5.51	2 January 2019 - 14 February 2018
EUR	1,786,053	2.99	2 January 2019
Total	11,462,603		

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5 INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

None of the Group's investments accounted for under the equity method are publicly listed entities and do not have published price quotations.

Summary of financial information for equity accounted investees are as follows as at 31 December 2019 and 31 December 2018:

Joint ventures

31 December 2019	Participation rate (%)	Total assets	Total liabilities	Net assets	Profit/(loss) for the period	BiST's shares in profit/(loss)	BiST's share in net assets
Finans Teknopark A.Ş.	51.00	2,033	1	2,032	27	14	1,036
Tasfiye Halinde Borsa İstanbul İTÜ Teknoloji A.Ş.	50.00	154	-	154	(2)	(1)	77
Total						13	1,113

31 December 2018	Participation rate (%)	Total assets	Total liabilities	Net assets	Profit/(loss) for the period	BiST's shares in profit/(loss)	BiST's share in net assets
Finans Teknopark A.Ş.	50.00	7,231	5,072	2,159	674	337	1,079
Borsa İstanbul İTÜ Teknoloji A.Ş.	50.00	175	19	156	(1)	(1)	78
Total						336	1,157

Summary of financial information for equity accounted subsidiaries are as follows as at 31 December 2019 and 31 December 2018:

Subsidiaries

31 December 2019	Participation rate (%)	Total assets	Total liabilities	Net assets	Net profit for the period	BiST's shares in profit	BiST's share in net assets
Enerji Piyasaları İşletme A.Ş.	30.83	293,621	81,317	212,304	41,771	12,878	65,453
Sermaye Piy. Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	34.27	34,999	4,058	30,941	7,176	2,459	10,603
Montenegro Stock Exchange	24.43	16,400	259	16,141	1,503	367	3,943
Kyrgyz Stock Exchange	16.33	2,948	76	2,872	-	-	469
Total						15,704	80,468

31 December 2018	Participation rate (%)	Total assets	Total liabilities	Net assets	Net profit for the period	BiST's shares in profit	BiST's share in net assets
Enerji Piyasaları İşletme A.Ş.	30.83	291,167	110,246	180,921	55,121	16,994	55,778
Sermaye Piy. Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	34.27	26,878	3,129	23,749	7,355	2,521	8,139
Montenegro Stock Exchange	24.43	14,690	45	14,645	1,911	467	3,578
Kyrgyz Stock Exchange	16.33	2,948	191	2,757	10	2	450
Total						19,984	67,945

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5 INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD (Continued)

For the years ended 31 December 2019 and 31 December 2018, joint ventures and subsidiaries that are accounted by equity method are as stated below:

	1 January - 31 December 2019	1 January - 31 December 2018
Beginning period - 1 January	69,102	48,222
Dividends received from subsidiaries	(3,202)	-
Income and expenses from subsidiaries and joint ventures, (net)	15,717	20,320
Currency translation differences	(36)	560
Ending period - 31 December	81,581	69,102

6 FINANCIAL INVESTMENTS

As at 31 December 2019 and 31 December 2018, short term financial investments are as follows:

	31 December 2019	31 December 2018
Financial assets measured at amortized cost	869,416	7,741
Time deposit more than 3 months	40,049	32,013
Financial asset at fair value through profit or loss	33,288	-
Total	942,753	39,754

As at 31 December 2019 and 31 December 2018, long term financial investments are as follows:

	31 December 2019	31 December 2018
Financial assets at fair value through other comprehensive income	11,189	11,193
Financial assets measured at amortized cost	54,366	69,980
Total	65,555	81,173

As at 31 December 2019 and 31 December 2018, details of debt securities are as follows:

	31 December 2019		31 December 2018	
	Carrying value	Interest rate (%)	Carrying value	Interest rate (%)
Government bonds	628,252	3.45	-	-
Eurobonds	131,899	4.69	-	-
Bonds	75,034	11.59	-	-
Asset backed securities	41,265	16.99	69,730	16.99
Sukuks	33,288	11.73	7,099	23.00
Certificates	24,046	11.75	642	-
Repos	23,013	11.10	-	-
Corporate bonds	273	18.44	250	16.40
Total	957,070		77,721	

As at 31 December 2019 and 31 December 2018, there are no financial assets at fair value through other comprehensive income subject to repurchase agreements.

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6 FINANCIAL INVESTMENTS (Continued)

As at 31 December 2019 and 31 December 2018, there are no financial assets given as collateral.

As at 31 December 2019 and 31 December 2018, details of financial assets at fair value through other comprehensive income are as follows:

	31 December 2019		31 December 2019	
	Share percentage (%)	Carrying value	Share percentage (%)	Carrying value
Türkiye Ürün İhtisas Borsası A.Ş.	21.79	6,250	21.79	6,250
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	19.97	3,320	19.97	3,320
Saraybosna Borsası	16.68	799	16.68	799
Bakü Borsası	4.76	157	4.76	157
Other	<0.01	663	<0.01	667
Total		11,189		11,193

7 TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade receivables

As at 31 December 2019 and 31 December 2018, details of short term other trade receivables from third parties are as follows:

Other trade receivable from third parties

	31 December 2019	31 December 2018
Receivables from members (*)	96,811	47,187
Loans given	157,493	14,800
Custody and commission receivables	22,466	14,407
Doubtful receivables	677	580
Lifetime expected credit loss	(1,083)	(659)
Total	276,364	76,315

(*) The receivables from members consists of security registration fees, equity trading revenue, debt securities trading revenue, annual membership fees, equity and debt securities market terminal fees and data vending fees.

As at 31 December 2019 and 31 December 2018, remaining maturities of trade receivables are less than 3 months.

Lifetime expected credit loss

For the years ended 31 December 2019 and 31 December 2018, the movement of lifetime expected credit loss are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Beginning period - 1 January	(659)	(1,965)
Adjustment to the first application of TFRS 9	-	(337)
Provisions during the period	(485)	(131)
Collections during the period	23	69
Reversal of provision during the period	38	1,705
Ending period - 31 December	(1,083)	(659)

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7 TRADE RECEIVABLES AND OTHER RECEIVABLES (Continued)**Other receivables****Other receivables from third parties**

As at 31 December 2019 and 31 December 2018, details of short term other receivables from third parties are as follows:

	31 December 2019	31 December 2018
Other receivables	251	253
Receivables from personnel	122	554
Total	373	807

8 OTHER ASSETS**Other current assets**

As at 31 December 2019 and 31 December 2018, the details of other current assets are as follows:

	31 December 2019	31 December 2018
Receivables from derivatives collateral	6,461	18,954
Job advances given to personnel	733	3,745
Deposits and guarantees given	252	57
Other	2,346	9,636
Total	9,792	32,392

Other non-current assets

As at 31 December 2019 and 31 December 2018, other non-current assets are as follows:

	31 December 2019	31 December 2018
Deposits and guarantees given	806	620
Total	806	620

9 DEFERRED INCOME**Short term deferred income**

As at 31 December 2019 and 31 December 2018, short term deferred income are as follows:

	31 December 2019	31 December 2018
Short-term deferred income	3,715	2,154
Total	3,715	2,154

Long term deferred income

As at 31 December 2019 and 31 December 2018, long term deferred income are as follows:

	31 December 2019	31 December 2018
Long-term deferred income	814	1,866
Total	814	1,866

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10 PREPAID EXPENSES

Short term prepaid expenses

As at 31 December 2019 and 31 December 2018, short term prepaid expenses are as follows:

	31 December 2019	31 December 2018
Short-term prepaid expenses	14,587	19,184
Total	14,587	19,184

Long term prepaid expenses

As at 31 December 2019 and 31 December 2018, long term prepaid expenses are as follows:

	31 December 2019	31 December 2018
Long-term prepaid expenses	1,335	6,026
Total	1,335	6,026

11 INVESTMENT PROPERTIES

For the years ended 31 December 2019 and 31 December 2018, the movements of the investment properties are as follows:

	Valuation method	1 January 2018	Increase/ (decrease) in value	31 December 2019
Investment properties	Market value approach	23,175	325	23,500
Investment properties	Market value approach	38,630	(4,355)	34,275
Total		61,805	(4,030)	57,775
	Valuation method	1 January 2018	Increase in value	31 December 2018
Investment properties	Market value approach	23,000	175	23,175
Investment properties	Market value approach	36,355	2,275	38,630
Total		59,355	2,450	61,805

As at 31 December 2019, there are investment properties of Group in İstanbul Akmerkez Shopping Center and İstanbul Şişli. The property in Akmerkez Shopping Center is determined using the market value approach as stated TL 23,500 in the valuation report dated 4 December 2019. This report is prepared by an independent valuation Company authorized by the Capital Markets Board ("CMB").

As at 31 December 2019, Şişli Service Building, which is not in use and has been decided to obtain a rent return, has been classified from property and equipment to investment properties. The property is determined using the market value approach as stated TL 34,275 in the valuation report dated 24 December 2019.

As at 31 December 2019, rental income from investment properties is amounting to TL 600 (31 December 2018: TL 600).

The significant estimates and assumptions used in determining the fair value of the investment properties as at 31 December 2019 are as follows:

Investment property	Valuation method	Expert report date	Precedent value m² TL
Akmerkez - Independent unit	"Market value approach"	4 December 2019	26,111
Şişli Service Building	"Market value approach"	24 December 2019	7,542

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

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12 PROPERTY AND EQUIPMENT

For the years ended 31 December 2019 and 31 December 2018, the movements of the property and equipment are as follows:

	Building	Machinery and equipment	Vehicles	Furnitures and fixtures	Leasehold improvements	Construction in progress	Right of use	Total
1 January 2019								
Net book value beginning period	28,052	12,873	119	26,534	122,865	12,480	-	202,923
Additions	-	4,740	-	17,264	4,267	31,263	6,788	64,322
Disposals	-	-	-	(90)	-	-	-	(90)
Transfers	-	-	-	(2,232)	25,624	(24,967)	-	(1,575)
Depreciation of current period	(581)	(8,275)	(44)	(8,167)	(5,491)	-	(805)	(23,363)
31 December 2019	27,471	9,338	75	33,309	147,265	18,776	5,983	242,217

	Building	Machinery and equipment	Vehicles	Furnitures and fixtures	Leasehold improvements	Construction in progress	Total
1 January 2018							
Net book value beginning period	28,617	15,611	172	21,076	127,550	5,594	198,620
Additions	16	6,180	-	16,899	716	17,369	41,180
Disposals	-	-	-	(126)	-	-	(126)
Transfers	-	-	-	(5,524)	-	(10,483)	(16,007)
Depreciation of current period	(581)	(8,918)	(53)	(5,791)	(5,401)	-	(20,744)
31 December 2018	28,052	12,873	119	26,534	122,865	12,480	202,923

There are no mortgages or pledges over property and equipment for the year ended 31 December 2019 and 31 December 2018.

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13 INTANGIBLE ASSETS

For the year ended 31 December 2019 and 31 December 2018, the movements of the intangible assets are as follows:

	Rights	Software licenses	Development costs (*)	Constructions in progress	Total
1 January 2019					
Net book value beginning period	353,914	26,548	34,873	-	415,335
Additions	5,568	9,620	-	-	15,188
Disposals	-	(111)	-	-	(111)
Transfers	(1,534)	-	3,109	-	1,575
Amortisation of current period	(24,000)	(7,709)	(11,025)	-	(42,734)
31 December 2019	333,948	28,348	26,957	-	389,253

	Rights	Software licenses	Development costs (*)	Constructions in progress (**)	Total
1 January 2018					
Net book value beginning period	170,261	22,148	26,526	130,152	349,087
Additions	68,703	12,885	-	4,190	85,778
Disposals	(48)	-	(4)	-	(52)
Transfers	132,163	-	18,186	(134,342)	16,007
Amortisation of current period	(17,165)	(8,485)	(9,835)	-	(35,485)
31 December 2018	353,914	26,548	34,873	-	415,335

(*) The Group is registered as "Research and Development Center" within the Research and Development Law numbered 5746 by Ministry of Science, Industry and Technology. Expenses incurred in relation to the developed projects are capitalized and accounted under the construction in progress. After the completion of the projects, the total capitalized amounts are classified to intangible assets and the depreciation is calculated over the total capitalized amount. For the years ended on 31 December 2019, TL 62 depreciation expense is reserved for the projects developed within the scope of the R&D Center (31 December 2018: TL 283).

(**) According to the agreement signed with Nasdaq OMX ("Nasdaq"), the balances include the additional obligatory expenses which arise in the process of renewing all the software which forms the technological infrastructure in Group markets and applying the software packages which were improved in line with the Group's needs as at 31 December 2013.

14 GOVERNMENT GRANTS

It is stated with a letter on 8 November 2018 issued by Ministry of Science, Industry and Technology as part of Research and Development Law numbered 5746 that MKK's Research and Development Center status to be continued.

It is stated with a letter on 6 November 2018 issued by Ministry of Science, Industry and Technology as part of Research and Development Law numbered 5746 that Borsa İstanbul's Research and Development Center status to be continued.

It is decided that Takasbank has been included in the scope of the research and development center in accordance with the Research and Development Law numbered 5746 by the Ministry of Science, Industry and Technology with a decision on 20 April 2017.

As at 31 December 2019, research and development tax deduction amounting to TL 21,629 is considered as deduction in corporate tax calculation (31 December 2018: TL 28,868).

As at 31 December 2019, Group has not received any support regarding the research and developments from TUBITAK (31 December 2018: TL 310).

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

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15 TRADE PAYABLES AND OTHER PAYABLES***Other trade payables***

As at 31 December 2019 and 31 December 2018, details of other trade payables are as follows:

	31 December 2019	31 December 2018
Payables to members ^(*)	850,501	360,044
Trade payables ^(**)	86,894	76,963
Payables to domestic suppliers	10,483	10,951
Total	947,878	447,958

^(*) The regarding payables consist of the members' accounts opened in Takasbank by brokerage firms, banks, leasing companies, factoring companies and funding companies, which desire to perform transactions in organized markets, to make a down payment, pay swap liabilities and wire cash to customers.

^(**) It results from the transactions of the Group within the scope of the strategic partnership agreement.

Trade payables to related parties

As at 31 December 2019 and 31 December 2018, trade payables to related parties are as follows:

	31 December 2019	31 December 2018
Expense accrual for Capital Markets Board share	87,544	79,876
Other payables	171	416
Total	87,715	80,292

Other payables to third parties

As at 31 December 2019, other payables to third parties amounting to TL 348 (31 December 2018: TL 1,147).

Long-term trade payables

As at 31 December 2019 and 31 December 2018, long-term trade payables are as follows:

	31 December 2019	31 December 2018
Trade payables ^(*)	166,840	218,674
Total	166,840	218,674

^(*) It results from the transactions of the Group within the scope of the strategic partnership agreement.

16 DERIVATIVE FINANCIAL INSTRUMENTS***Derivative assets***

As at 31 December 2019 and 31 December 2018, derivative assets are as follows:

	31 December 2019	31 December 2018
<i>Derivative assets</i>		
Swap transactions	40,015	-
Total	40,015	-

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17 SHORT TERM PROVISIONS

Other short term provisions

As at 31 December 2019 and 31 December 2018, the other short-term provisions are as follows:

	31 December 2019	31 December 2018
Law suit provision	20,360	16,100
Total	20,360	16,600

18 SHORT TERM BORROWINGS

As at 31 December 2019 and 31 December 2018, the short-term borrowings are as follows:

31 December 2019	Weighted average effective interest rate %	Currency	Original amount	TL equivalent
Short term borrowings	1.67	USD	334,833	1,988,973
	0.01	EUR	318,300	2,116,887
	-	TL	-	-
				4,105,860

31 December 2018	Weighted average effective interest rate %	Currency	Original amount	TL equivalent
Short term borrowings	2.40	USD	316,163	1,663,301
	0.12	EUR	184,000	1,109,155
	23.40	TL	652,957	652,957
				3,425,413

19 LEASE LIABILITIES

As at 31 December 2019 and 31 December 2018, the lease liabilities are as follows:

	31 December 2019		31 December 2018	
	Gross	Net	Gross	Net
Up to 1 year	1,800	1,519	-	-
1-5 years	5,930	4,601	-	-
Total	7,730	6,120	-	-

20 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provision for legal cases

There are several lawsuits against and in favour of the Group. These lawsuits consist of reemployment and disagreements with market members. In accordance with the opinions of the legal advisors, the management has provided provisions amounting to TL 20,360 in the consolidated financial statements as at 31 December 2019 (31 December 2018: TL 16,100) (Note 17).

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20 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**Commitments****Total amount of commitments not included in liabilities**

	31 December 2019	31 December 2018
<i>Guarantees received from members^(*)</i>		
Precious Metal and Diamond Market guarantees	416,131	104,554
Equity Market guarantees	10,795	10,962
Debt Securities guarantees	4,328	4,282
Total	431,254	119,798

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

	31 December 2019	31 December 2018
<i>Guarantees received from goods and services suppliers</i>		
TL	58,369	63,049
USD	21,335	17,882
EUR	5,908	5,170
Total	85,612	86,101

	31 December 2019	31 December 2018
<i>Assets under custody</i>		
Contribution fund of mandatory education of BİST ^(*)	106,231	123,135
Total	106,231	123,135

^(*) In accordance with the decision of İMKB's Board of Directors in 1997, İMKB made a contribution to "Contribution to Continuous Education" amounting to TL 32,000. The contribution fund is established under the decisions made in the General Assembly and Board of Directors in order to fund the construction of primary schools under the name of "Contribution Fund of Mandatory Education of İMKB". This fund is collected under time deposits held by public banks and managed by İMKB; however, the related fund is not included in the assets of İMKB. The fund was previously accounted under İMKB's assets and liabilities until 1999 and currently, it is accounted under the off-balance sheet. As at 31 December 2019, principal amount of "Contribution Fund of Mandatory Education of İMKB" is TL 106,231 (31 December 2018: TL 123,135).

21 PROVISIONS AND PAYABLES FOR EMPLOYEE BENEFITS**Short term employee benefits provisions**

As at 31 December 2019 and 31 December 2018, the details of liabilities for employee benefits are as follows:

	31 December 2019	31 December 2018
Social security premium payables	8,710	6,421
Payables to personnel	1,518	4,896
Total	10,228	11,317

As at 31 December 2019 and 31 December 2018, the details of short term provisions for employee benefits are as follows:

	31 December 2019	31 December 2018
Unused vacation liability	23,727	19,194
Personnel bonus provision	26,468	21,462
Total	50,195	40,656

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21 PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

Unused vacation liability

In accordance with the Labor Law in Turkey, the Group provides provision for the unused portion of annual paid vacations of the employees with service terms over one year, including the trial period, calculated for the non-current periods.

For the years ended 31 December 2019 and 31 December 2018, the movement of unused vacation liability is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance - 1 January	19,194	18,038
Payment during the period	(2,092)	(595)
Increase during the period	6,625	1,751
Ending balance - 31 December	23,727	19,194

Personnel bonus provision

For the years ended 31 December 2019 and 31 December 2018, the movement of personnel bonus provisions as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance - 1 January	21,462	19,310
Payment during the period	(21,462)	(18,934)
Increase during the period	26,468	21,086
Ending balance - 31 December	26,468	21,462

Long term employee benefits provisions

As at 31 December 2019 and 31 December 2018, the details of long term employee benefits provisions are as follows:

	31 December 2019	31 December 2018
Provision for employee termination benefits	33,371	26,506
Service bonus provision	1,227	3,738
Total	34,598	30,244

Provision for employee termination benefits

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). After the change in regulation, on 23 May 2002, several articles related the transition process before retirement have been removed.

The amount payable consists of one month's salary limited to a maximum of full TL 6,379.86 for each year of service at 31 December 2019 (31 December 2018: full TL 5,434.42).

Benefit obligation is not legally subject to any funding and there are no funding requirements.

Provision for employment termination benefits has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

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21 PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

TAS 19 requires actuarial valuation methods to be developed to estimate the Groups obligation. Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

	31 December 2019	31 December 2018
Discount rate	3.52%	5.09%
Estimated employee turnover rate	96.90%	97.63%

For the years ended 31 December 2019 and 31 December 2018, the movements of provision for employee termination benefits are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Provision for employee termination benefits as at 1 January	26,506	24,369
Interest cost	3,018	2,197
Service cost	3,889	3,083
Payments during the period	(5,007)	(3,355)
Actuarial (gains)/losses	4,965	212
Ending balance of provision for employee termination benefits - 31 December	33,371	26,506

Service bonus provision

In accordance with Article 49th of BİST employee regulation, BİST calculates service bonus expense accrual based on the recent benchmark wage rates considering the position and seniority of its employees.

Future implementation of the 63rd article and 5th paragraph of BİST Personnel regulation was ended as at 30 June 2012, and a list was prepared for each staff member employed with indefinite employment contract under BİST by using a coefficient of seniority (seniority year is determined by applying the per diem deduction). Amount specified in this list is paid by at once and net for the termination of the employment contract for any reason except the cases of termination for good reasons until 28 September 2012.

For the years ended 31 December 2019 and 31 December 2018, the movements of service bonus provisions are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Service bonus provisions as at 1 January	3,738	6,086
Payments during the period	(2,511)	(2,348)
Service bonus provisions as at 31 December	1,227	3,738

22 OTHER LIABILITIES**Other current liabilities**

As at 31 December 2019 and 31 December 2018, other current liabilities are as follows:

	31 December 2019	31 December 2018
Deposits and guarantees received ^(*)	9,349,133	6,131,758
Expected credit loss (off balance sheet items)	14,744	36,379
Taxes and duties payable	26,687	36,080
Other	2,485	5,035
Total	9,393,049	6,209,252

^(*) Deposits and guarantees received for contracts made for sales and purchase transactions made in markets in BİST Guarantee Fund, BİST Debt Securities and Equity Market, Takasbank Money Market ("TMM"), Takasbank Security Lending Market ("ELM"), Futures and Options Market, Electricity Market and markets where leveraged sales and purchase transactions are made.

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22 OTHER LIABILITIES (Continued)

Other non-current liabilities (Continued)

As at 31 December 2019 and 31 December 2018, other non-current liabilities are as follows:

	31 December 2019	31 December 2018
Deposits and guarantees received	8,870	8,631
Total	8,870	8,631

23 SHAREHOLDER'S EQUITY

Share capital

As stated in Article 138 of Capital Markets Law No. 6362, the Articles of Association of Borsa İstanbul Anonim Şirketi have been issued by the Capital Markets Board and registered arbitrarily at the trade registry on 3 April 2013 following the approval of the relevant Minister, and these articles include: the Company's main field of operation, purpose, capital amount, shares, principles on transferring its shares; limitations on liquidation, transfer, merger, termination, public offering, privileges to be granted to shares without being subject to the fourth paragraph of Article 478th of Law No. 6102; organs and committees as well as formation, roles, authorizations and responsibilities, working procedures and principles of those; and principles regarding accounts, distribution of profits and organization. As stated in the Company's Articles of Association, the Company's initial capital is TL 423,234,000, consisting of 42,323,400,000 bearer shares each of which is equals to TL 0.01.

The Company's shareholding structure as at 31 December 2019 and 31 December 2018 as follows:

Shareholder's Name/Title	31 December 2019		31 December 2018	
	Amount (TL)	Share (%)	Amount (TL)	Share (%)
Türkiye Wealth Fund	383,450	90.60	341,126	80.60
Turkish Capital Markets Association	5,502	1.30	5,502	1.30
Borsa İstanbul A.Ş.	9,590	2.27	9,417	2.23
European Bank for Reconstruction and Development ^(*)	-	-	42,324	10.00
Other	24,692	5.83	24,865	5.87
Total	423,234	100.00	423,234	100.00

(*) Türkiye Wealth Fund has purchased 10% of the shares of European Bank for Reconstruction and Development and increased its shares to 90.60%.

Restricted reserves

	31 December 2019	31 December 2018
Restricted reserves	448,302	392,550
Total	448,302	392,550

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve balance reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Retained earnings

As at 31 December 2019, retained earnings is amounting to TL 1,018,679 (31 December 2018: TL 260,483). It was decided in the Borsa İstanbul A.Ş.'s General Assembly dated 12 April 2019 dividend distribution of amounting to TL 179,687 to shareholders.

Share premium

	31 December 2019	31 December 2018
Share premium	12,418	12,418
Total	12,418	12,418

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23 SHAREHOLDER'S EQUITY (Continued)**Other comprehensive income or expenses not to be reclassified to profit or loss****Revaluation reserve**

	31 December 2019	31 December 2018
Revaluation reserve	13,677	13,677
Total	13,677	13,677

The revaluation reserve relates to the revaluation of property and equipment immediately before its reclassification as investment property (Note 11).

Losses on remeasurements of defined benefit plans

Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation arising from the retirement of the employees of the Group. In 2012, the Group decided to early adopt the amendments to TAS 19 which is applicable as at 1 January 2014 and recognized all actuarial gains and losses in other comprehensive income. Actuarial loss recognized under shareholder's equity in the statement of financial position amounting to TL 9,456 as at 31 December 2019 (31 December 2018: TL 6,093).

Currency translation differences

	31 December 2019	31 December 2018
Currency translation differences	1,397	1,433
Total	1,397	1,433

Foreign currency translation differences consist of foreign currency exchange differences arising from the translation of the financial statements of the Group's foreign operations into the presentation currency.

Treasury shares

	31 December 2019	31 December 2018
Treasury shares	(99,016)	(97,666)
Total	(99,016)	(97,666)

24 REVENUE AND COST OF SALES

For the years ended 31 December 2019 and 31 December 2018, the details of gross profit are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Service revenue	1,930,577	1,539,679
Less: Sales discounts	(6,920)	(1,012)
Revenue	1,923,657	1,538,667
Cost of sales	(196,657)	(161,847)
Gross profit	1,727,000	1,376,820

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24 REVENUE AND COST OF SALES (Continued)

For the years ended 31 December 2019 and 31 December 2018, the details of service revenue are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Takasbank interest income	732,323	684,568
Trading revenues	513,827	328,015
<i>Debt securities</i>	224,552	58,791
<i>Equity market</i>	117,875	114,153
<i>Derivatives</i>	100,792	89,349
<i>Precious metals and diamond market</i>	33,512	12,339
<i>Takasbank money market</i>	32,759	50,555
<i>Takasbank security lending market</i>	2,281	1,454
<i>Turkey electronic fund purchase and sale platform</i>	2,056	1,374
Custody and custody related operating income	290,556	222,152
Settlement and clearing income	95,582	58,652
Data vending income	87,068	65,368
Listing income	80,918	71,614
Security registration income	25,030	23,188
Collocation income	23,588	16,113
Additional terminal fee	18,161	16,031
Money transfer service income	13,987	9,338
Account management fee	11,744	11,347
Membership fee	11,052	8,198
License income	8,911	6,967
Public disclosure platform income	5,716	5,096
Other service income	12,114	13,032
Total	1,930,577	1,539,679

Cost of sales

For the years ended 31 December 2019 and 31 December 2018, the details of cost of sales are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Takasbank interest expense	184,720	152,164
Fees and commissions	11,937	9,683
Total	196,657	161,847

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25 GENERAL ADMINISTRATIVE EXPENSES

For the years ended 31 December 2019 and 31 December 2018, the details of general administrative expenses are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel fees and expenses	347,171	259,434
Depreciation and amortization expenses	66,035	56,512
Taxes and other legal expenses	26,320	34,129
Maintenance and repairment expenses	21,470	16,828
Outsourced benefit and services	13,851	8,323
Advertising expenses	9,129	9,834
Electricity, water and natural gas expenses	8,467	5,156
Communication expenses	8,112	8,040
Subcontractor expenses	5,759	4,723
Consultancy expenses	4,795	5,060
Social expenses	4,462	4,175
Insurance expenses	4,237	3,149
Travel expenses	3,017	3,572
Rent expenses	1,613	3,429
Other expenses	9,961	7,385
Total	534,399	429,749

Personnel expenses

For the years ended 31 December 2019 and 31 December 2018, the details of personnel expenses are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Gross salaries	194,153	144,073
Bonus expenses	47,062	41,077
Social benefits	37,845	27,983
Social security employer's contribution expenses	33,171	22,187
Health care expenses	15,243	11,869
Mutual rescission expenses	3,819	2,338
Other expenses	15,878	9,907
Total	347,171	259,434

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25 GENERAL ADMINISTRATIVE EXPENSES (Continued)

Expenses by nature

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel fees and expenses	347,171	259,434
Takasbank interest expenses	184,720	152,164
Depreciation and amortization expenses	66,035	56,512
Taxes and other legal dues	26,320	34,129
Maintenance and repairment expenses	21,470	16,828
Outsourced benefit and services	13,851	8,323
Fees and commissions	11,937	9,683
Advertising expenses	9,129	9,834
Electricity, water and natural gas expenses	8,467	5,156
Communication expenses	8,112	8,040
Subcontractor expenses	5,759	4,723
Consultancy expenses	4,795	5,060
Social expenses	4,462	4,175
Insurance expenses	4,237	3,149
Travel expenses	3,017	3,572
Rent expenses	1,613	3,429
Other expenses	9,961	7,385
Total	731,056	591,596

26 OTHER OPERATING INCOME/EXPENSES

Other operating expenses

For the years ended 31 December 2019 and 31 December 2018, the details of other operating expenses are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Capital Markets Board share provision	87,544	79,876
Provision expenses	13,212	20,261
Other	454	895
Total	101,210	101,032

Other operating income

For the years ended 31 December 2019 and 31 December 2018, the details of other operating income are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange gain	36,648	19,205
Provision no longer required	23,630	44,891
Rental income	1,190	1,201
Incapacity to work expenses	677	475
Gain on sale of securities ^(*)	-	265,253
Other operating income	7,717	7,087
Total	69,862	338,112

^(*) Borsa İstanbul A.Ş. may engage in any joint undertaking, cooperation, or agreement related to stock market activities, and may establish strategic partnerships when required in accordance with the article 3 of the Article of Association. Within this scope, partnership with LCH Clarenet Group Ltd was established in 2015. As a result of the negotiations held in 2018, the shares in the current shareholding were sold and the resulting amount was recorded as profit on sale of securities.

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27 INVESTMENT ACTIVITIES INCOME/EXPENSES

For the years ended 31 December 2019 and 31 December 2018, the details of investment activities incomes are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Dividend income	276	14,533
Increase in fair value of investment properties	325	2,450
Total	601	16,983

For the years ended 31 December 2019 and 31 December 2018, the details of investment activities expenses are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Decrease in fair value of investment properties	4,355	-
Total	4,335	-

28 FINANCIAL INCOME/EXPENSES**Financial income**

For the years ended 31 December 2019 and 31 December 2018, the details of financial income are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Interest income	95,859	117,327
Derivative transactions gain	33,915	-
Rediscount income	-	20,016
Total	129,774	137,343

Financial expenses

For the years ended 31 December 2019 and 31 December 2018, the details of financial expenses are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Rediscount expense	8,959	-
Other	228	-
Total	9,187	-

29 TAX ASSETS AND LIABILITIES

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

According to the provisional Article 10 of the Law No, 7061 of 5 December 2017, numbered 30261, "Amendments to Certain Tax Laws and Some Other Laws" and the Law No, 5520 on Corporate Income Tax Law, it is foreseen that the corporation tax that should be paid over the profits of the tax years 2018, 2019 and 2020 will be calculated as 22% and the tax will be continued with 20%. During this period, the Council of Ministers was given the authority to reduce the rate of 22% to 20%.

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29 TAX ASSETS AND LIABILITIES (Continued)

Corporations are required to pay advance corporation tax quarterly at the rate of 22% on their corporate income. Advance tax is to be declared by the 14th day of the second month following each calendar quarter end and is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

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

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

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back in order to net-off accumulated gain

As at 31 December 2019 and 31 December 2018, the details of current tax assets and liabilities are as follows:

	31 December 2019	31 December 2018
Provision for corporate tax	268,014	252,230
Prepaid tax	(196,608)	(131,398)
Current income tax liabilities	71,406	120,832

For the years ended 31 December 2019 and 31 December 2018, the details of tax expenses in profit or loss are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Income tax expense	268,014	252,230
Deferred tax (income)/expense	16,351	(66,976)
Total tax expense	284,365	185,254

The total provision for taxes on income is different than the amount computed by applying the statutory tax rate to profit before provision for taxes as shown in the following reconciliation for the years ended 31 December 2019 and 31 December 2018:

	1 January - 31 December 2019	1 January - 31 December 2018
Profit before taxes	1,293,803	1,358,797
Income tax charge at effective tax rate	284,637	298,935
Permanent differences	11,134	(26,247)
Income from tax exemptions	(34,328)	(72,141)
Recognition of temporary differences	7,674	(26,262)
Non-deductible expenses	15,248	10,969
Tax expense	284,365	185,254

For the year ended 31 December 2019, effective tax rate is as 22% (31 December 2018: 14%).

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29 TAX ASSETS AND LIABILITIES (Continued)**Deferred tax assets and liabilities**

The Group and its subsidiaries calculate deferred tax assets and liabilities considering the effects of the temporary differences arising from the different valuations between the TFRS and the tax financial statements of the balance sheet items. As 22% corporation tax came into force with the "Law on the Amendment of Certain Tax Laws and Other Certain Other Laws" numbered 7061, 22% is used for the temporary differences which are likely to be recovered in 2020, and 20% is used for the part which are likely to be recovered after 2020 in the calculation of deferred tax while preparing the 31 December 2019 financial statements (31 December 2018: 22% and after 2020: 20%).

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Calculated deferred tax assets and deferred tax liabilities are shown net in the financial statements of different companies subject to consolidation. However, consolidated net deferred tax assets and liabilities in the consolidated without offsetting assets and liabilities are shown separately in the financial statements arising from different companies that are subject to consolidation in the financial statements.

	31 December 2019		31 December 2018	
	Deferred tax assets/(liabilities), net			
	Temporary differences	Deferred tax	Temporary differences	Deferred tax
Expense accrual for Capital Markets Board share	87,544	19,260	79,876	17,573
Property and equipment, intangible assets and investment properties	52,440	10,488	95,215	19,043
Expected credit loss	37,918	8,342	53,247	11,714
Provision for employee termination benefits	33,371	6,674	26,506	5,301
Provision for unused vacation liabilities	23,727	5,220	19,194	4,223
Lawsuit provisions	20,360	4,381	16,100	3,444
Personnel bonus provision	16,859	3,709	8,715	1,917
Provision for service bonuses	1,227	245	3,738	748
Financial instruments valuation difference	(40,015)	(8,803)	-	-
Other	8,209	1,806	12,351	2,717
Deferred tax assets/(liabilities), net		51,322		66,680

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29 TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets and liabilities (Continued)

As at 31 December 2019, deferred tax asset amounting to TL 56,904 (31 December 2018: TL 72,175) is reflected to the Group's financial statements as deferred tax liability amounting to TL 5,582 (31 December 2018: TL 5,495).

For the years ended 31 December 2019 and 31 December 2018, the movements of net deferred tax assets/(liabilities) during the year are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance - 1 January	66,680	(209)
TFRS 9 opening adjustment	-	(129)
Deferred tax expense	(16,351)	66,976
Other comprehensive income tax that will never be reclassified to profit or loss	993	42
- <i>Deferred tax income/(expense)</i>	993	42
Ending balance - 31 December	51,322	66,680

30 RELATED PARTY DISCLOSURES

As at 31 December 2019 and 31 December 2018, the details of due to related parties are as follows:

	31 December 2019	31 December 2018
Expense accrual for Capital Markets Board share ^(*)	87,544	79,876
Other payables	171	416
Total	87,715	80,292

^(*) In accordance with the amendment to sub-paragraph (b) of Article 28th of the Capital Markets Law promulgated in Official Gazette No. 27857 dated 25 February 2011, legislation requires recognition of a maximum of 10% of the income, other than interest income, of the stock exchanges in the CMB's budget. For this reason, the Group recognizes an expense for the CMB's share which must be paid from the relevant year's income. As at 2015, BIST made the payments for the Capital Markets Board provisions allocated for 2014 and previous years. In accordance with the amendment in the fourth paragraph of Article 130th of Law No. 6362 promulgated in Official Gazette No. 29319 dated 7 April 2015, starting with 2015 income, the income amount recorded in the CMB budget as at 2014 year-end will be increased by the arithmetic average of the Consumer Price Index and Domestic Producer Price Index change ratios for December of the previous year through the most recent December. These ratios are calculated for Turkey annually by the Turkish Statistical Institute. The expense accrual amount thus calculated will be allocated as the CMB's share for the year.

Related party expenses

	1 January - 31 December 2019	1 January - 31 December 2018
Capital Markets Board	87,544	79,876
Total	87,544	79,876

Related party income

	1 January - 31 December 2019	1 January - 31 December 2018
Rental income		
Turkiye Wealth Fund	600	600
Total	600	600

Key management personnel compensation

For the years ended 31 December 2019, salaries and similar benefits provided to members of key management are amounting to TL 10,649 (31 December 2018: TL 8,184).

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31 NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS

This note presents information about the Group's exposure to each of the below risks, Group's objectives, policies and processes for measuring and managing risks. The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

The Group's credit risk is primarily arising from its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables estimated by the Group management based on prior experience and current economic environment.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates, value of marketable securities and other financial agreements.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations as associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group generally generates funds by liquidating its short-term financial instruments such as collecting its receivables. The Group manages its liquidity risk by allocating its resources to obtain adequate reserves for recovering its current and potential liabilities, with time deposits, investment funds and government bond investments.

31.1 Credit risk

As at 31 December 2019, credit risk exposure of the Group in terms of financial instruments are as follows:

	Receivables				Cash and cash equivalents		
	Trade receivables		Other receivables		Deposit at banks	Reverse repo receivables	Financial investments (*)
	Related party	Other	Related party	Other			
31 December 2019							
Exposure to maximum credit risk as at reporting date (A+B+C+D+E+F)	-	276,364	-	373	16,162,325	29,338	997,119
- Guaranteed part of maximum credit risk with collaterals etc,	-	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	-	276,770	-	373	16,185,067	29,338	997,119
B. Net carrying value of financial assets which are overdue but not impaired	-	677	-	-	-	-	-
C. Net carrying value of impaired assets	-	(677)	-	-	-	-	-
- Overdue (Gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Guaranteed part of net value with collaterals	-	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-	-
- Guaranteed part of net value with collaterals	-	-	-	-	-	-	-
D. Off statement of financial position items with credit risk	-	-	-	-	-	-	-
E. Lifetime expected credit loss	-	(406)	-	-	-	-	-
F. 12 months expected credit loss	-	-	-	-	(22,742)	-	-

(*) The time deposits more than 3 months is amounting to TL 40,049 is presented in financial investments.

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31 NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

31.1 Credit risk (Continued)

As at 31 December 2018, credit risk exposure of the Group in terms of financial instruments are as follows:

31 December 2018	Receivables				Cash and cash equivalents		
	Trade receivables		Other receivables		Deposit at banks	Reverse repo receivables	Financial investments (*)
	Related party	Other	Related party	Other			
Exposure to maximum credit risk as at reporting date (A+B+C+D+E+F)	-	76,315	-	807	11,559,243	19,554	109,734
- Guaranteed part of maximum credit risk with collaterals etc,	-	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	-	76,394	-	807	11,575,850	19,554	109,734
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	-	-	-
- Overdue (Gross book value)	-	580	-	-	-	-	-
- Impairment (-)	-	(580)	-	-	-	-	-
- Guaranteed part of net value with collaterals	-	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-	-
- Guaranteed part of net value with collaterals	-	-	-	-	-	-	-
D. Off statement of financial position items with credit risk	-	-	-	-	-	-	-
E. Lifetime expected credit loss	-	(79)	-	-	-	-	-
F. 12 months expected credit loss	-	-	-	-	(16,607)	-	-

(*) The time deposits more than 3 months is amounting to TL 32,013 is presented in financial investments.

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31 NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)**31.2 Liquidity risk**

Liquidity risk is the Group's default in meeting its net funding liabilities. Events causing a decrease in funding resources such as; market deteriorations or decrease in credit ratings are major reasons of liquidity risk. The Group manages its liquidity risk by allocating its resources to obtain adequate reserves for recovering its current and potential liabilities by holding appropriate level of cash and cash equivalents. The table below represents the gross amount of un-discounted cash flows related to financial liabilities based on the remaining maturities as at 31 December 2019 and 31 December 2018:

31 December 2019	Carrying value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years
Non-derivative financial liabilities					
Current liabilities					
Short term borrowings	4,105,860	4,105,860	4,105,860	-	-
Lease liabilities	1,159	1,800	529	1,271	-
Trade and other payables	948,226	948,226	948,226	-	-
Payables to related parties	87,715	87,715	87,715	-	-
Other current liabilities	9,393,049	9,393,049	9,393,049	-	-
Non-current liabilities					
Lease liabilities	4,601	5,930	-	-	5,930
Trade payables	166,840	175,799	-	-	175,799
Other non-current liabilities	8,870	8,870	-	-	8,870
Total non-derivative financial liabilities	14,716,680	14,727,249	14,535,379	1,271	190,599
Derivative financial liabilities					
Current liabilities					
Derivative cash outflows	-	372,000	372,000	-	-
Derivative cash inflows	(40,015)	(449,400)	(449,400)	-	-
Total derivative financial liabilities	(40,015)	(77,400)	(77,400)	-	-
Total liabilities	14,676,665	14,649,849	14,457,979	1,271	190,599

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31 NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

31.2 Liquidity risk (Continued)

31 December 2018	Carrying value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years
Non-derivative financial liabilities					
Current liabilities					
Short term borrowings	3,425,413	3,425,413	3,425,413	-	-
Trade and other payables	449,105	451,055	451,055	-	-
Payables to related parties	80,292	80,292	80,292	-	-
Other current liabilities	6,209,252	6,209,252	6,209,252	-	-
Non-current liabilities					
Trade payables	218,674	236,741	-	78,915	157,826
Other non-current liabilities	8,631	8,631	-	-	8,631
Total liabilities	10,391,367	10,411,384	10,166,012	78,915	166,457

31.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Group manage market risk by balancing the assets and liabilities exposed to the interest rate change risk.

Foreign currency risk

The Group is exposed to foreign currency risk due to the changes in foreign exchange rates while having assets, liabilities or off statement of financial position items denominated in foreign currencies.

The foreign exchange rates used by the Group for translation of the transactions in foreign currencies as at 31 December 2019 and 31 December 2018, are as follows:

	31 December 2019	31 December 2018
USD	5.9402	5.2609
EUR	6.6506	6.0280

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31 NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)**31.3 Market risk (Continued)****Foreign currency risk (Continued)**

The table below summarizes the foreign currency position risk of the Group as at 31 December 2019 and 31 December 2018, carrying value of assets and liabilities held by the Group in foreign currencies (in TL equivalent) are as follows:

	31 December 2019			31 December 2018		
	TL	USD	EUR	TL	USD	EUR
Cash and cash equivalents	7,361,980	606,064	565,639	4,892,062	588,471	297,972
Financial investments	525,535	21,132	60,146	880	-	146
Other current assets	324	50	4	1,503	264	19
Total assets	7,887,839	627,246	625,789	4,894,445	588,735	298,137
Short term borrowings	4,105,861	334,833	318,300	2,772,454	316,163	184,000
Other current liabilities	3,067,015	241,246	245,687	1,764,818	214,080	105,933
Trade payables	253,736	42,715	-	295,636	56,195	-
Total liabilities	7,426,612	618,794	563,987	4,832,908	586,438	289,933
Net foreign currency assets/(liabilities)	461,227	8,452	61,802	61,537	2,297	8,204
Derivative financial instruments	399,036	-	60,000	-	-	-
Net foreign currency	399,036	-	60,000	-	-	-
Net position	62,191	8,452	1,802	61,537	2,297	8,204

Exposure to foreign currency risk

An appreciation/(depreciation) of the TL by 10% against the other currencies below would have increased/(decreased) the equity and profit/loss (excluding the tax effect) for the years ended 31 December 2019 and 31 December 2018:

Foreign exchange sensitivity analysis table

	Profit/(Loss)		Shareholder's equity	
	Strengthening of foreign currency	Weakening of foreign currency	Strengthening of foreign currency	Weakening of foreign currency
31 December 2019				
Increase/(decrease) 10% of USD parity				
1- USD net asset/liability	5,021	(5,021)	5,021	(5,021)
2- Hedged portion of USD amounts (-)	-	-	-	-
3- Net effect of USD (1+2)	5,021	(5,021)	5,021	(5,021)
Increase/(decrease) 10% of EURO parity				
4- EURO net asset/liability	1,198	(1,198)	1,198	(1,198)
5- Hedged portion of EURO amounts (-)	-	-	-	-
6- Net effect of EURO (4+5)	1,198	(1,198)	1,198	(1,198)
TOTAL (3+6)	6,219	(6,219)	6,219	(6,219)

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31 NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

31.3 Market risk (Continued)

Foreign exchange sensitivity analysis table (Continued)

	Profit/(Loss)		Shareholder's equity	
	Strengthening of foreign currency	Weakening of foreign currency	Strengthening of foreign currency	Weakening of foreign currency
31 December 2018				
Increase/(decrease) 10% of USD parity				
1- USD net asset/liability	1,208	(1,208)	1,208	(1,208)
2- Hedged portion of USD amounts (-)	-	-	-	-
3- Net effect of USD (1+2)	1,208	(1,208)	1,208	(1,208)
Increase/(decrease) 10% of EURO parity				
4- EURO net asset/liability	4,945	(4,945)	4,945	(4,945)
5- Hedged portion of EURO amounts (-)	-	-	-	-
6- Net effect of EURO (4+5)	4,945	(4,945)	4,945	(4,945)
TOTAL (3+6)	6,153	(6,153)	6,153	(6,153)

Interest rate risk

The Group is exposed to interest rate risk due to effects of the changes in market interest rates on the interest rate sensitive assets and liabilities.

The Group's interest rate sensitive financial instruments' allocation as at 31 December 2019 and 31 December 2018 are presented below:

Financial instruments with fixed interest rate	31 December 2019	31 December 2018
Financial assets		
Bank deposits (*)	15,683,274	11,494,616
Reverse repo receivables	29,338	19,554
Receivables from money markets	-	623,670
Financial assets measured at amortized cost	923,782	77,721
Financial assets at fair value through profit or loss	33,288	-
Financial liabilities		
Short term borrowings	4,105,860	3,425,413

(*) As at 31 December 2019, time deposits more than 3 month amounting to TL 40,049, which is classified under financial investments (31 December 2018: TL 32,013).

Fair value sensitivity analysis for interest-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

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32 FINANCIAL INSTRUMENTS***Fair value of financial instruments***

Fair value is the amount for which an asset could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

Fair value of financial assets and liabilities have to be determined for accounting policies and/or presentation of notes.

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

Financial assets

It is estimated that the fair values and carrying amount of the cash and cash equivalents, trade receivables are close to each other, since they have short term maturities.

Investment funds and securities measured at fair value are valued using the market prices available at the reporting date. The derivative transactions are measured at fair value subsequent to initial recognition.

Financial liabilities

It is estimated that the fair values and carrying amounts of the financial liabilities, trade payables and other liabilities are close to each other due to their short term maturities.

31 December 2019	Carrying value	Fair value	Note
Financial assets			
Cash and cash equivalents	16,194,350	16,194,350	4
Trade and other receivables	276,737	276,737	7
Derivative financial instruments	40,015	40,015	16
Financial investments (Financial assets measured at amortized cost)	923,782	928,987	6
Financial investments (Financial assets at fair value through profit or loss)	33,288	33,288	6
Financial liabilities			
Borrowings	4,105,860	4,105,860	18
Lease liabilities	6,120	6,120	19
Trade and other payables	1,202,781	1,202,781	15
31 December 2018	Carrying value	Fair value	Note
Financial assets			
Cash and cash equivalents	12,207,937	12,207,937	4
Trade and other receivables	77,122	77,122	7
Financial investments (Financial assets measured at amortized cost)	77,721	77,201	6
Financial liabilities			
Borrowings	3,425,413	3,425,413	18
Trade and other payables	748,071	748,071	15

As at 31 December 2019 and 31 December 2018, the fair value classification of the financial assets at amortized cost of the Group is Level 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

32 FINANCIAL INSTRUMENTS (Continued)

Classification relevant to fair value information

The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

Level 1: Registered (unadjusted) prices of identical assets or liabilities in active markets;

Level 2: Data which can be observed by directly (through prices) or indirectly (derived from prices) and which excludes the registered prices described in Level 1;

Level 3: Data that is not based on observable market data related to assets and liabilities (non-observable data).

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Investment funds (Cash and cash equivalents)	2,651	-	-	2,651
Derivative financial instruments	-	40,015	-	40,015
Financial assets at fair value through profit or loss	7,736	25,552	-	33,288
Total	10,387	65,567	-	75,954
31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Investment funds (Cash and cash equivalents)	5,410	-	-	5,410
Total	5,410	-	-	5,410

The Group evaluated that the cost of equity instruments which are classified as financial assets at fair value through other comprehensive income, reflect the fair values of the related assets. The fair value of the related assets has been determined as Level 3.

Explanations of non-financial assets and liabilities at fair value

As at 31 December 2019 and 31 December 2018, real estates classified as investment property in the financial statements are carried at fair value. Level 2 inputs are used to determine fair value of investment properties. The fair value of the investment properties as at 31 December 2019 amounting to TL 57,775 is determined using the market value approach as stated in the valuation reports (31 December 2018: TL 61,805). Related valuation methods and accounting policies are explained in Note 2.10.

33 SUBSEQUENT EVENTS

None.

SUSTAINABILITY PERFORMANCE TABLES

ECONOMIC PERFORMANCE INDICATORS

(million)	2016		2017		2018		2019	
	TL	USD	TL	USD	TL	USD	TL	USD
Created Economic Value								
Revenues*	966	320	1,157	317	2,051	426	2,140	377
Distributed Economic Value								
Operating Expenses**	320	106	343	94	353	73	411	72
Employee Fees and Benefits	216	71	209	57	259	54	347	61
Dividends to Shareholders***	-	-	28	8	461	96	181	32
Payments to the State****	154	51	185	51	265	55	372	66
Retained Economic Value								
(Revenues - Distributed Economic Value)	276	91	392	107	713	148	828	146

Notes

Consolidated financial information has been presented. For the calculations, the following yearly average USD/TL exchange Rates were used: 2016: USD/TL 3,0212, 2017: USD/TL 3,6477, 2018: USD/TL 4,8134, and 2019: 5,6708.

* It includes all revenues (including financial and other operating income). Takas Istanbul interest income is shown as net.

** It includes other operating expenses and financial expenses as well. In 2018, premium provisions of TL 8.7 million was deducted from operating expenses and added to personnel expenses, and this classification was made in the audit report as well.

*** It consists of dividend and share buyback payments.

**** It consists of CMB share and Corporate Tax provision.

ENVIRONMENTAL PERFORMANCE INDICATORS

Greenhouse Gas Emissions* (ton CO₂e)

	2016	2017	2018	2019
Scope 1	1,303.3	1,622.5	1,692.2	1,593.3
Vehicles	98.3	154.0	182.2	171.4
F-gases	761.0	571.3	748.9	665.7
Fuels used in the building	404.4	725.3	681.8	674.4
Generators (diesel)	39.6	171.9	79.2	81.8
Scope 2	4,085.6	6,146.4	6,875.8	6,910.1
Electricity consumption	4,085.6	6,146.4	6,875.8	6,910.1
Scope 3	547.8	331.5	265.2	255.4
Employee transportation-Service buses	213.6	194.3	187.2	191.1
Business related domestic flights	49.8	27.1	29.7	20.4
Business related short distance (Europe) flights	117.1	37.0	24.7	13.6
Business related long distance flights	167.3	73.2	23.6	30.2
Total	5,936.7	8,100.4	8,833.2	8,758.8

Note: Net Global Warming Potential values were used from IPCC AR5 Report.

	2016	2017	2018	2019
Scope 1 Total (ton CO₂e)	1,303.3	1,622.5	1,692.2	1,593.3
CO ₂	1,300.3	1,617.0	1,686.5	1,587.9
CH ₄	1.2	2.7	2.8	2.6
N ₂ O	1.8	2.8	2.9	2.8
Scope 2 Total (ton CO₂e)	4,085.6	6,146.4	6,875.8	6,910.1
CO ₂	4,072.9	6,126.0	6,853.0	6,887.2
CH ₄	1.4	2.4	2.7	2.7
N ₂ O	11.3	18.0	20.1	20.2
Scope 3 Total (ton CO₂e)	547.8	331.5	265.2	255.4
CO ₂	542.2	328.1	262.5	252.8
CH ₄	0.1	0.1	0.1	0.1
N ₂ O	5.4	3.3	2.7	2.6
General Total (ton CO₂e)	5,936.7	8,100.4	8,833.2	8,758.8
CO ₂	5,915.4	5,915.4	8,801.2	8,727.2
CH ₄	2.7	2.7	5.6	5.6
N ₂ O	18.5	18.5	26.3	26.1

SUSTAINABILITY PERFORMANCE TABLES

SOCIAL PERFORMANCE INDICATORS

NUMBER OF EMPLOYEES

	2016		2017		2018		2019	
	Female	Male	Female	Male	Female	Male	Female	Male
Number of Employees	135	371	122	389	125	440	142	442
Total Number of Employees	506		511		565		584	

NUMBER OF EMPLOYEES BY CONTRACT TYPE

	2016	2017	2018	2019
Full time	506	511	560	580
Part time	-	-	5	4
Total	506	511	565	584

NUMBER OF EMPLOYEES BY AGE GROUP

	2016	2017	2018	2019
Over 50 years old	30	9	32	41
30-50 years old	395	408	432	439
Under 30 years old	81	94	101	104
Total	506	511	565	584

NUMBER OF EMPLOYEES BY EMPLOYMENT DURATION

	2016	2017	2018	2019
0-5 Years	230	246	230	282
5-10 Years	99	132	153	134
10+ Years	177	133	182	168
Total	506	511	565	584

DIVERSITY AND EQUAL OPPORTUNITY

	2016		2017		2018		2019	
Number of employees at senior management by gender and age group	Female	Male	Female	Male	Female	Male	Female	Male
Over 50 years old	1	0	1	1	2	8	2	11
30-50 years old	0	24	0	21	0	19	1	21
Under 30 years old	0	0	0	0	0	0	0	0

EMPLOYEES ON PARENTAL LEAVE & EMPLOYEES RETURNED TO WORK AFTER PARENTAL LEAVE

	2016		2017		2018		2019	
	Female	Male	Female	Male	Female	Male	Female	Male
Employees on parental leave	12	27	7	18	10	29	5	22
Employees returned to work after parental leave	10	27	8	18	10	29	7	22

The number of male employees who were entitled for a parental leave of 10 days due to birthing of their spouses is taken. This leave is defined as a mandatory leave of 10 days in the Collective Bargaining Agreement, and as a time-off for 5 days in the Labor Law.

OCCUPATIONAL HEALTH AND SAFETY TRAINING

	2016	2017	2018	2019
Percentage of training hours reserved for occupational health and safety (OHS subjected trainings/Total training hours)	58.43%	11%	4%	14%

According to the legislation, basic occupational health and safety trainings of 8 hours per employee must be given. This training must be repeated on every 3 years for the less hazardous group. In 2019, 120 employees received OHS trainings.

DATA ON OCCUPATIONAL HEALTH AND SAFETY

	2016	2017	2018	2019
Number of employees at Borsa İstanbul	506	511	565	584
Number of sub-contractor's employees	89	80	72	72
Number of accidents	0	1	0	0
Number of business related fatalities* (total)	0	0	0	0
Injury rate* (Borsa İstanbul)	0	0.94	0	0
Injury rate* (sub-contractor)	0	0	0	0
Lost day rate** (sub-contractor)	0	0	0	0

* Injury rate = Total number of accidents / (Total of employee work hours x 1,000,000)

** Lost Day Rate = (Total number of downtime days x 200,000) / Total work days (in terms of hours)

EMPLOYEE TRAININGS

	2016	2017	2018	2019
Average training hour per employee	9.8	19.7	13.6	17.0
Average training hour per employee*	10.2	29.7	22.8	23.0
Average training hour per female employee	9.5	22.2	10.3	17.4
Average training hour per male employee	10.5	11.7	14.5	16.8

* Calculated over the number of employees who received training.

NUMBER OF NEWLY RECRUITED EMPLOYEES

	2016		2017		2018		2019	
	Female	Male	Female	Male	Female	Male	Female	Male
Number of newly recruited employees	10	54	7	89	12	70	30	57
Over 50 years old	-	-	-	2	0	3	1	0
30-50 years old	5	36	-	55	4	36	15	29
Under 30 years old	5	18	8	32	8	31	14	28

NUMBER OF EMPLOYEES WHO QUIT DURING THE YEAR

	2016		2017		2018		2019	
	Female	Male	Female	Male	Female	Male	Female	Male
Number of employees who quit during the year	17	116	21	70	9	20	15	53
Over 50 years old	2	5	7	27	0	1	1	10
30-50 years old	12	91	13	39	7	16	13	32
Under 30 years old	3	20	1	4	2	3	1	11

GENERAL INFORMATION

EMPLOYEES SUBJECTED TO PERFORMANCE EVALUATION

	2016		2017		2018		2019	
	Female	Male	Female	Male	Female	Male	Female	Male
	135	368	122	389	121	424	142	442
Total	503		511		545		584	

BORSA İSTANBUL - GRI CONTENT INDEX - CORE



“For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.”

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 101: FOUNDATION 2016		
GRI 102: GENERAL DISCLOSURES 2016		
GRI 102: GENERAL DISCLOSURES 2016	ORGANIZATIONAL PROFILE	
	102-1	Borsa İstanbul A.Ş.
	102-2	• Financial and Operational Summary, Page: 14-17 https://www.borsaistanbul.com/en/products-and-markets
	102-3	Borsa İstanbul A.Ş., Reşitpaşa Mahallesi, Borsa İstanbul Caddesi No: 4, 34467 Sarıyer/İstanbul/TURKEY
	102-4	İstanbul-Turkey
	102-5	• Shareholders, Page: 52-53
	102-6	https://www.borsaistanbul.com/en/corporate/about-borsa-istanbul/legal-framework
	102-7	• Financial and Operational Summary, Page: 12-13 • Stakeholders/Employees, Page: 58-60 • Economic Performance Indicators, Page: 128 • Social Performance Indicators, Page: 130-131
	102-8	• Social Performance Indicators, Page: 130-131
	102-9	• Stakeholders, Page: 50-63
	102-10	• Group's Organization and Nature of Operations, Page: 61-62
	102-11	• Risk Management, Page: 40-48
	102-12	https://www.borsaistanbul.com/en/corporate/about-borsa-istanbul/internationalrecognition
	102-13	https://www.borsaistanbul.com/en/corporate/about-borsa-istanbul/internationalrecognition
	STRATEGY	
	102-14	• Message from the Chairperson, Page: 4-5 • CEO's Assessment, Page: 6-7
	102-15	• Risk Management, Page: 40-48
	ETHICS AND INTEGRITY	
	102-16	https://www.borsaistanbul.com/en/investor-relations/corporate-governance Ethical Principles Directive

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 102: GENERAL DISCLOSURES 2016	GOVERNANCE	
	102-18	<ul style="list-style-type: none"> • Organization Structure, Page: 64 • Board of Directors, Page: 66-67 • Board Committees, Page: 68-69 • Senior Management, Page: 70
	102-19	<ul style="list-style-type: none"> • Corporate Governance, Page: 64 https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-articles-of-association.pdf?sfvrsn=6
	102-20	<ul style="list-style-type: none"> • Corporate Governance, Page: 64 • Sustainability Approach, Page: 35-37
	102-22	<ul style="list-style-type: none"> • Board of Directors, Page: 66-67 • Board Committees, Page: 68-69
	102-23	The Chairperson of the Board of Directors is also the Chairperson of the Executive Committee https://www.borsaistanbul.com/en/investor-relations/corporate-governance
	102-24	<ul style="list-style-type: none"> • Board of Directors, Page: 66-67 • Corporate Governance, Page: 64
	102-25	https://www.borsaistanbul.com/en/investor-relations/corporate-governance
	102-29	<ul style="list-style-type: none"> • Risk Management, Page: 40-48 • Corporate Governance, Page: 64 https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-sustainability-committee-implementing-procedures-and-principles.pdf?sfvrsn=4
	102-30	<ul style="list-style-type: none"> • Risk Management, Page: 40-48 https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-sustainability-committee-implementing-procedures-and-principles.pdf?sfvrsn=4
	102-32	<ul style="list-style-type: none"> • Sustainability Approach, Page: 22-23 https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-sustainability-committee-implementing-procedures-and-principles.pdf?sfvrsn=4
	102-35	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-remuneration-policy.pdf?sfvrsn=4
	STAKEHOLDER ENGAGEMENT	
	102-40	<ul style="list-style-type: none"> • Stakeholders, Page: 50-63
	102-41	<ul style="list-style-type: none"> • Stakeholders, Page: 50-63 • Corporate Governance, Page: 64
	102-42	<ul style="list-style-type: none"> • Stakeholders, Page: 50-63
	102-43	<ul style="list-style-type: none"> • Stakeholders, Page: 50-63
	102-44	<ul style="list-style-type: none"> • Stakeholders, Page: 50-63
	REPORTING PRACTICE	
	102-45	<ul style="list-style-type: none"> • Notes to the Consolidated Financial Statements, Page: 81-82
	102-46	<ul style="list-style-type: none"> • About the Report, Page: 1 • Material Issues, Page: 24-27
	102-47	<ul style="list-style-type: none"> • Material Issues, Page: 24-27
	102-48	There is no restated information.
	102-49	There are no significant changes from previous reporting periods in the list of material topics and topic boundaries.
	102-50	01.01.2019-31.12.2019
	102-51	2018
	102-52	Annual
	102-53	Strategic Planning and Investor Relations Directorate Tel.: +90 212 298 2822 - 2614 e-mail: sustainability@borsaistanbul.com
	102-54	This report has been presented in accordance with the GRI Standards: Core option.
	102-55	Page: 132
	102-56	There is no external assurance received for the report.

BORSA İSTANBUL - GRI CONTENT INDEX - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 200: ECONOMIC STANDARD SERIES		
	ECONOMIC PERFORMANCE	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Material Issues, Page: 24-27
	103-2	• Message from the Chairperson, Page: 4-5 • CEO's Assessment, Page: 6-7
	103-3	• Message from the Chairperson, Page: 4-5 • CEO's Assessment, Page: 6-7
GRI 201: ECONOMIC PERFORMANCE 2016	201-1	• How Do We Generate Value, Page: 28-29 • Economic Performance Indicators, Page: 128
	201-3	• Provisions for Employee Benefits and Liabilities for Employee Benefits, Page: 108-110
	201-4	There is no financial assistance received from government during the reporting period.
	INDIRECT ECONOMIC IMPACTS	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Material Issues, Page: 24-27
	103-2	• Message from the Chairperson, Page: 4-5 • CEO's Assessment, Page: 6-7
	103-3	• Message from the Chairperson, Page: 4-5 • CEO's Assessment, Page: 6-7
GRI 203: INDIRECT ECONOMIC IMPACTS 2016	203-1	• How Do We Generate Value, Page: 28-29
	203-2	• How Do We Generate Value, Page: 28-29
	ANTI-CORRUPTION	
GRI 103: MANAGEMENT APPROACH 2016	103-1	https://www.borsaistanbul.com/en/investor-relations/corporate-governance Ethical Principles Directive
	103-2	https://www.borsaistanbul.com/en/investor-relations/corporate-governance Ethical Principles Directive
	103-3	https://www.borsaistanbul.com/en/investor-relations/corporate-governance Ethical Principles Directive
GRI 205: ANTI-CORRUPTION 2016	205-1	As no cases of corruption were identified in the reporting period, no action was required in this regard.
	205-2	https://www.borsaistanbul.com/en/investor-relations/corporate-governance Ethical Principles Directive
	205-3	There are no confirmed incidents of corruption during the reporting period.

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 300: ENVIRONMENTAL STANDARD SERIES		
	ENERGY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Material Issues, Page: 24-27 https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
	103-2	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
	103-3	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
GRI 302: ENERGY 2016	302-1	• Environmental Performance Indicators, Page: 129
	302-2	• Environmental Performance Indicators, Page: 129
	302-4	• Environmental Performance Indicators, Page: 129
	WATER	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Material Issues, Page: 24-27 https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
	103-2	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
	103-3	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
GRI 303: WATER 2016	303-1	• Environmental Performance Indicators, Page: 129
	EMISSIONS	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Material Issues, Page: 24-27 https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
	103-2	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
	103-3	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
GRI 305: EMISSIONS 2016	305-1	• Environmental Performance Indicators, Page: 129
	305-2	• Environmental Performance Indicators, Page: 129
	305-3	• Environmental Performance Indicators, Page: 129
	ENVIRONMENTAL COMPLIANCE	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Material Issues, Page: 24-27 https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
	103-2	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
	103-3	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/borsa-istanbul-as-environmental-policy.pdf?sfvrsn=4
GRI 307: ENVIRONMENTAL COMPLIANCE 2016	307-1	There are no significant fines or sanctions in the reporting period.

BORSA İSTANBUL - GRI CONTENT INDEX - CORE

GRI STANDARD NUMBER	DISCLOSURES	PAGE NUMBER/DIRECT REFERENCE
GRI 400: SOCIAL STANDARD SERIES		
	EMPLOYMENT	
GRI 103: MANAGEMENT APPROACH 2016	103-1	<ul style="list-style-type: none"> • Material Issues, Page: 24-27 • Stakeholders/Employees, Page: 58-60
	103-2	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-human-resources-policy.pdf?sfvrsn=4
	103-3	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-human-resources-policy.pdf?sfvrsn=4
GRI 401: EMPLOYMENT 2016	401-1	• Social Performance Indicators, Page: 130-131
	401-3	• Social Performance Indicators, Page: 130-131
	OCCUPATIONAL HEALTH AND SAFETY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Material Issues, Page: 24-27
	103-2	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-human-resources-policy.pdf?sfvrsn=4
	103-3	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-human-resources-policy.pdf?sfvrsn=4
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016	403-1	• Social Performance Indicators, Page: 130-131
	403-2	• Social Performance Indicators, Page: 130-131
	TRAINING AND EDUCATION	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Material Issues, Page: 24-27
	103-2	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-human-resources-policy.pdf?sfvrsn=4
	103-3	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-humanresources-policy.pdf?sfvrsn=4
GRI 404: TRAINING AND EDUCATION 2016	404-1	• Social Performance Indicators, Page: 130-131
	404-3	• Social Performance Indicators, Page: 130-131
	DIVERSITY AND EQUAL OPPORTUNITY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	• Material Issues, Page: 24-27
	103-2	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-human-resources-policy.pdf?sfvrsn=4
	103-3	https://www.borsaistanbul.com/docs/default-source/kurumsal-yonetim/bias-human-resources-policy.pdf?sfvrsn=4
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1	<ul style="list-style-type: none"> • Stakeholders/Employees, Page: 58-60 • Social Performance Indicators, Page: 130-131
	405-2	There is no gender-based wage discrimination at Borsa İstanbul.

DIRECTORY

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