



**İŞ YATIRIM ORTAKLIĞI
ANONİM ŞİRKETİ**

Financial Statements
As At and For the Year Ended
31 December 2016
With Independent Auditors' Report Thereon

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

27 January 2017

*This report contains 2 pages of independent auditors' report and
36 pages of financial statements and explanatory notes.*

**İş Yatırım Ortaklığı
Anonim Şirketi**

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Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah. Kavak Sok.
No:29 Beykoz 34805 İstanbul
Tel +90 (216) 681 90 00
Fax +90 (216) 681 90 90
www.kpmg.com.tr

**Convenience Translation of the Independent Auditors' Report
Originally Prepared and Issued in Turkish to English**

To the Board of Directors of İş Yatırım Ortaklığı Anonim Şirketi,

Report on the Financial Statements

We have audited the accompanying statement of financial position of İş Yatırım Ortaklığı Anonim Şirketi, ("the Company") as at 31 December 2016, the statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Independent Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements presents fairly, in all material respects, the financial position of İş Yatırım Ortaklığı Anonim Şirketi as at 31 December 2016, and of its financial performance and its cash flows for the year ended in accordance with Turkish Accounting Standards.

Report on Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 27 January 2017.
- 2) 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 2016, the Company's bookkeeping activities are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 3) 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.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative



Funda Aslanoglu, SMMM
Partner

27 January 2017
İstanbul, Türkiye

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İŞ YATIRIM ORTAKLIĞI AŞ
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
AS AT 31 DECEMBER 2016
(Currency: In Turkish Lira ("TL"))

	<i>Notes</i>	Audited 31 December 2016	Audited 31 December 2015
ASSETS			
Current Assets		235.222.591	238.068.602
Cash and cash equivalents	3	40.426.301	22.199.300
Investment securities	4	188.202.135	214.908.850
Trade receivables	5	6.574.149	952.570
Other receivables	6	10.616	-
<i>Other receivables from related parties</i>	17	10.616	-
Other current assets	10	9.390	7.882
Non-current Assets		52.426	100.562
Investment securities	4	1	1
Tangible assets	7	29.636	56.236
Intangible assets	8	22.789	44.325
TOTAL ASSETS		235.275.017	238.169.164
LIABILITIES			
Current Liabilities		448.179	2.492.343
Trade payables	5	189.750	2.278.057
<i>Due to related parties</i>	17	189.750	175.557
<i>Other trade payables</i>		-	2.102.500
Other payables	6	55.361	43.531
<i>Due to related parties</i>	17	11.522	11.268
<i>Other payables</i>		43.839	32.263
Short term provisions		203.068	170.755
<i>Employee benefits</i>	9	203.068	170.755
Non-current Liabilities		192.989	146.644
Long term provisions		192.989	146.644
<i>Employee benefits</i>	9	192.989	146.644
EQUITY		234.633.849	235.530.177
Paid-in capital	11	160.599.284	160.599.284
Inflation adjustment to share capital		968.610	968.610
Share premium		59.922	59.922
Restricted reserves	11	33.026.156	31.527.372
Retained earnings	11	20.786.947	36.463.116
Profit for the year		19.192.930	5.911.873
TOTAL LIABILITIES AND EQUITY		235.275.017	238.169.164

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

İŞ YATIRIM ORTAKLIĞI AŞ
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Currency: In Turkish Lira ("TL"))

		Audited 1 January – 31 December 2016	Audited 1 January – 31 December 2015
	<i>Notes</i>		
CONTINUING OPERATIONS			
Sales	12	429.061.489	468.957.008
Cost of sales	13	(406.956.067)	(460.749.741)
GROSS PROFIT		22.105.422	8.207.267
Administrative expenses (-)	14	(2.907.216)	(2.424.387)
Other operating incomes	15	7	132.873
Other operating expenses (-)	15	(5.283)	(3.880)
OPERATING PROFIT		19.192.930	5.911.873
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		19.192.930	5.911.873
Tax income / (expense) on continuing operations		-	-
PROFIT FROM CONTINUING OPERATIONS		19.192.930	5.911.873
DISCONTINUED OPERATIONS		-	-
PROFIT FOR THE YEAR		19.192.930	5.911.873
Basic earnings per share (par value of TL 1) from continuing operations	16	0,1195	0,0368
Diluted earnings per share (par value of 1 TL) from continuing operations	16	0,1195	0,0368

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

İŞ YATIRIM ORTAKLIĞI AŞ
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016
(Currency: In Turkish Lira ("TL"))

		Audited	Audited
		1 January –	1 January –
	<i>Notes</i>	31 December 2016	31 December 2015
PROFIT FOR THE YEAR		19.192.930	5.911.873
Items that will never be reclassified to profit or loss		-	-
<i>Gain /(Losses) on remeasurements of defined benefit liability</i>	<i>10</i>	<i>(14.347)</i>	<i>5.755</i>
Items that are or may be reclassified to profit or loss		-	-
Total Comprehensive Income		19.178.583	5.917.628

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

İŞ YATIRIM ORTAKLIĞI AŞ
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016
(Currency: In Turkish Lira ("TL"))

	Notes	Inflation			Accumulated Profits		
		Paid-in capital	adjustment to share capital	Share premium	Restricted reserves	Retained earnings	Profit for the year
							Equity
Balances at 1 January 2015		160.599.284	968.610	59.922	27.877.230	41.145.445	28.994.124
Transfers		-	-	-	3.650.142	25.343.982	(28.994.124)
Total comprehensive income		-	-	-	-	5.755	5.911.873
Dividends paid		-	-	-	-	(30.032.066)	-
Balances at 31 December 2015		160.599.284	968.610	59.922	31.527.372	36.463.116	5.911.873
Balances at 1 January 2016		160.599.284	968.610	59.922	31.527.372	36.463.116	5.911.873
Transfers	//	-	-	-	1.498.784	4.413.089	(5.911.873)
Total comprehensive income		-	-	-	-	(14.347)	19.178.583
Dividends paid	//	-	-	-	-	(20.074.911)	-
Balances at 31 December 2016		160.599.284	968.610	59.922	33.026.156	20.786.947	19.192.930
							234.633.849

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

İŞ YATIRIM ORTAKLIĞI AŞ
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Para Birimi – Türk Lirası (TL))

		Audited 1 January – 31 December 2016	Audited 1 January – 31 December 2015
	<i>Notes</i>		
A. CASH FLOWS FROM OPERATING ACTIVITIES		38.208.179	51.954.954
Net profit for the period		19.192.930	5.911.873
<i>Profit/(loss)reconciliation adjustments for the period:</i>			
Depreciation and amortisation	7,8	48.136	41.224
Adjustments in provisions		31.998	(108.338)
-Provisions for employee benefits	9	31.998	24.535
- Other provisions		-	(132.873)
Adjustments in dividend income / (loss)		(818.006)	(1.193.963)
Adjustments in interest income	12	(93.733)	(113.340)
Adjustments in fair value gains / (losses)	12	(4.776.396)	1.439.051
		(5.608.001)	64.634
<i>Change in working capital:</i>			
Change in financial investment		31.483.111	42.580.398
Change in trade receivables		(5.621.579)	48.961
- Receivables from other parties		(5.621.579)	48.961
Change in other receivables		(10.616)	-
- Other receivables from related parties		(10.616)	-
Change in prepaid expenses		(1.508)	(457)
Change in employee benefit liabilities	9	32.313	40.933
Change in trade payables		(2.088.307)	2.112.686
- Trade payables to related parties		14.193	10.186
- Trade payables to other parties		(2.102.500)	2.102.500
Change in other payables		11.830	1.963
- Other payables to related parties		254	704
- Other payables to other parties		11.576	1.259
		23.805.244	44.784.484
<i>Cash inflows from operating activities</i>			
Dividends received	12	818.006	1.193.963
		818.006	1.193.963
B. CASH FLOWS FROM INVESTING ACTIVITIES		-	(53.172)
Acquisition of tangible assets and intangible assets		-	(53.172)
-Cash outflows from acquisition of tangible assets	7	-	(8.094)
-Cash outflows from acquisition of intangible assets	8	-	(45.078)
C. CASH FLOWS FROM FINANCING ACTIVITIES		(20.074.911)	(30.032.066)
Dividends paid	11	(20.074.911)	(30.032.066)
NET INCREASE ON CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF EXCHANGE RATE FLUCTUATIONS		18.133.268	21.869.716
D. EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS		-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		18.133.268	21.869.716
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3	22.085.897	216.181
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	3	40.219.165	22.085.897

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

İŞ YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2016
(Currency: In Turkish Lira (“TL”))

1. ORGANISATION AND OPERATIONS OF THE COMPANY

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

The Company was established at 1995 and operates in İş Kuleleri Kule 1, Kat: 5 Levent / İstanbul. The main shareholder of the Company is İş Yatırım Menkul Değerler A.Ş which is a subsidiary of Türkiye İş Bankası A.Ş. The Company was offered to public on 1 April 1996. The operating activity of the Company is portfolio management and as at 31 December 2016 the average number of employees of the Company is 6 (31 December 2015: 6). The company has no participations, subsidiaries or joint ventures. The Company's portfolio is professionally managed by İş Portföy Yönetimi AŞ in accordance with the principle of risk diversification.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Accounting principles and statement of compliance to TAS

Accompanying financial statements in accordance with the Communiqué Serial Number II, No: 14.1, “Communiqué of Financial Reporting in Capital Markets” (“Communiqué”) issued by the Capital Market Board (“CMB”) at Official Gazette dated 13 June 2013 and numbered 28676, and in accordance with the Turkish Accounting Standards (“TAS”) which was communicated by Public Oversight Accounting and Auditing Standards Agency (“POA”). TAS; Turkish Accounting Standards, is comprised by Turkish Financial Reporting Standards’ supplements and explanations.

As per the 17 March 2005 dated and 11/367 numbered resolution of the CMB, it was decided that the application of inflation accounting is no longer required for the companies operating in Turkey and preparing the financial statements in accordance with the CMB Accounting Standards beginning from 1 January 2005. Therefore, starting from 1 January 2005, TAS 29: “Financial Reporting in Hyperinflationary Economies”, has not been applied in the financial statements.

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

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

As at 31 December 2016, the statement of financial position, statement of profit or loss, statement of other comprehensive income and notes to the financial statements for the year ended of the Company have been approved by the Board of Directors of the Company on 27 January 2017. The General Assembly has the power to amend the financial statements after its issue.

İŞ YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2016
(Currency: In Turkish Lira ("TL"))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.1 Basis of Presentation (continued)

2.1.2 Functional and presentation currency

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

2.1.3 Comparative information

The accompanying financial statements have been comparatively prepared with the prior period to determine the trends in financial position, performance and cash flows of the Company. If the presentation or classification of the financial statements is changed, in order to maintain comparability, financial statements of the prior periods are also reclassified and respective disclosures for the situations are made. In the cash flow statement for the period ended at 31 December 2015, TL 175.557 which is shown under "Portfolio management commission expenses" is shown by offsetting under "Change in trade payables".

2.2 Changes in Accounting Policies and Errors

Material changes in accounting policies or material errors (if any) are corrected, retrospectively; restating the prior period financial statements. The Company has applied its accounting policies consistently with prior year. There are not any significant changes in accounting policies or detected material errors of the Company in the current period.

2.3 Changes in Accounting Estimates

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

2.4 Standards and interpretations implemented and not yet adopted as at 31 December 2016

Standards and interpretations which enter into force year 2016

The Company has applied all the standards issued by Public Oversight Accounting and Auditing Standards Agency and all interpretations issued by Turkish Financial Reporting Standards and Turkish accounting standards which are effective as of related period.

There are a set of updates to new standards and interpretations are not yet effective and are not early adopted to financial statements for the year ended as of 31 December 2016.

Standards and interpretations that are not yet effective as of 31 December 2016

TFRS 9 Financial Instruments-Classification and Measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Company will quantify the effect in conjunction with the other phases.

İŞ YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2016
(Currency: In Turkish Lira ("TL"))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies

Revenue and cost of sales

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

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

Fee and commissions

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

Tangible assets

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

Depreciation

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

The estimated useful lives of tangible assets are as follows:

Tangible Assets	Estimated Useful Life (Year)
Furniture and fixtures	4 - 5 years
Leasehold improvements	5 years

Subsequent costs

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

Gains and losses of sale of a tangible asset is determined by offsetting the carrying value with recovered amount and recognized through profit or loss in the other operating income / loss account.

İŞ YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2016
(Currency: In Turkish Lira ("TL"))

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

2.5 Summary of Significant Accounting Policies *(continued)*

Intangible assets

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

Impairment of assets

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

Borrowing costs

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

İŞ YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2016
(Currency: In Turkish Lira ("TL"))

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

2.5 Summary of Significant Accounting Policies (*continued*)

Financial instruments

Financial assets

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

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' ("AFS") financial assets and 'loans and receivables'.

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

As at reporting period ended, the Company has no held to maturity investment securities in its portfolio.

Available-for-sale financial assets

Available for sale financial assets are initially recognised at fair value plus the transaction costs that are directly attributable to its acquisition costs. After the initial recognition, available for sale investment securities are measured at fair value if respective fair values can be reliably measured; all unquoted available for sale stocks are recorded by considering impairment at cost value, since respective fair values cannot be reliably measured.

İŞ YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2016
(Currency: In Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Reverse repurchase agreements

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

Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortized cost using the effective interest method less any impairment. As at 31 December 2016, the Company has no any credit transaction (31 December 2015: None).

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For loans and receivables carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

İŞ YATIRIM ORTAKLIĞI AŞ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2016
(Currency: In Turkish Lira (“TL”))

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

2.5 Summary of Significant Accounting Policies (*continued*)

Financial instruments (*continued*)

Financial Liabilities

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

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

The Company has no financial liabilities at fair value through profit or loss (“FVTPL”).

Other financial liabilities

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

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

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

Share capital

Ordinary shares

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

Share capital and dividends

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

Foreign currency transactions

In the preparation of the financial statements of the Company, transactions in foreign currencies (other currencies except TL) are recorded at exchange rates at the dates of the transactions. Monetary assets and liabilities indexed foreign exchange in the financial position are translated into TL at exchange rates at the end of the reporting period.

As at 31 December 2016 and 31 December 2015, the Company has no transactions in foreign currencies.

Earnings per share

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

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

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

2.5 Summary of Significant Accounting Policies (*continued*)

Events after the reporting period

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

Leasing transactions

Finance lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value deducting accumulated depreciation and impairment and the present value of the minimum lease payments. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. As of 31 December 2016 and 31 December 2015, the Company does not have any finance lease transactions.

Operating lease

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Trade Payables/ Trade Receivables

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

Related parties

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

Provisions, contingent liabilities and contingent assets

According to “TAS 37 - Turkish Accounting Standards on provisions, contingent liabilities and assets” a provision is recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the accompanying notes. Contingent assets are disclosed where an inflow of economic benefits is probable. If it has become virtually certain that an inflow of economic benefits will arise, the assets and related income are recognized in the financial statements in which the change occurs.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Segment reporting

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

Taxation

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

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

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

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

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Employee Benefits

Reserve for employee severance indemnity

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

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

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

	31 December 2016	31 December 2015
	(%)	(%)
Net discount rate	4,48	4,48
Turnover rate to estimate the probability of retirement	100	100

Pension Plans

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

Statement of Cash Flows

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

Turkish Derivatives Exchange market ("TDE") transactions

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

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

2.6 Significant Accounting Judgments, Estimates and Assumptions

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

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

Note 9 – Provisions for the employee benefits

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3. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash at banks (*)	15.503.770	21.729.195
<i>Demand deposit (Note 17)</i>	10.952	6.774
<i>Time deposit</i>	15.492.818	21.722.421
Receivables from reverse repo agreements	840.364	470.105
Receivables from money market	24.082.167	-
Total	40.426.301	22.199.300

(*) As of 31 December 2016, there are no pledges or blockages in the cash in the banks. (31 December 2015: None)

Time deposit:

31 December 2016	Interest Rate	Maturity	Cost	Carrying Value
TL	%10,75	4 January 2017	6.748.458	6.825.727
TL	%11,15-%11,25	25 January 2017	8.619.755	8.667.091
			15.368.213	15.492.818

	Interest Rate	Maturity	Cost	Carrying Value
31 December 2015				
TL	%13,40-%13,60	27 January 2016	10.126.375	10.186.148
TL	%13,60	3 February 2016	6.800.000	6.840.292
TL	%13,75	10 February 2016	3.282.748	3.291.340
TL	%13,65	24 March 2016	1.400.000	1.404.641
			21.609.123	21.722.421

Receivables from reverse repo agreements:

31 December 2016	Interest Rate	Maturity	Cost	Carrying Value
TL	%7,70-%8,04	2 January 2017	840.000	840.364
			840.000	840.364

31 December 2015	Interest Rate	Maturity	Cost	Carrying Value
TL	8,05%-8,5%	4 January 2016	470.000	470.105
			470.000	470.105

Receivables from money market:

31 December 2016	Interest Rate	Maturity	Cost	Carrying Value
TL	%10,25	3 January 2017	10.000.000	10.025.267
TL	%10,30	5 January 2017	2.000.000	2.005.641
TL	%10,35	6 January 2017	3.000.000	3.005.100
TL	%10,95	23 January 2017	4.000.000	4.019.137
TL	%11	26 January 2017	5.000.000	5.027.022
			24.000.000	24.082.167

As of 31 December 2015, the Company does not have any receivables from money market.

As of 31 December 2016 and 31 December 2015, cash and cash equivalents less accrued interest income in the statement of cash flows are as follows:

	31 December 2016	31 December 2015
Cash and cash equivalents	40.426.301	22.199.300
Accrued interest income	(207.136)	(113.403)
	40.219.165	22.085.897

Explanations about the nature and level of risk of cash and cash equivalents are summarized in Note 18.

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4. INVESTMENT SECURITIES

	31 December 2016	31 December 2015
Financial assets at fair value through profit/loss	188.202.135	214.908.850
Available for sale investment securities	1	1
Total	188.202.136	214.908.851

The investment securities are mainly held for trading and measured at fair value. The fair value is derived using the highest bid price for the respective financial asset in the Borsa İstanbul as of 30 December 2016 or, in the absence of a quoted price at that date, the most recent transaction price, in the absence of these, asset is carried at its amortised cost using the effective interest method.

As of 31 December 2016, available for sale investment securities are carried at cost comprising TSKB Gayrimenkul Değerleme AŞ shares amounting to TL 1 (31 December 2015: TSKB Gayrimenkul Değerleme AŞ shares amounting to TL 1).

31 December 2016			
Financial assets at fair value through profit/loss	Nominal	Fair Value	Carrying Value
Debt securities			
Private sector bonds	143.490.000	143.838.809	143.838.809
Total	143.490.000	143.838.809	143.838.809
Share certificates			
Quoted share certificates	9.118.169	34.531.061	34.531.061
Investment Funds Participation Certificates	603.465.621	9.832.265	9.832.265
	756.073.790	188.202.135	188.202.135
31 December 2015			
Financial assets at fair value through profit/loss	Nominal	Fair Value	Carrying Value
Debt securities			
Government bonds	41.500.000	40.337.678	40.337.678
Private sector bonds	147.590.000	147.850.573	147.850.573
Total	189.090.000	188.188.251	188.188.251
Share certificates			
Quoted share certificates	5.847.495	17.440.008	17.440.008
Investment Funds Participation Certificates	629.747.621	9.280.591	9.280.591
	824.685.116	214.908.850	214.908.850

As of 31 December 2016, interest rates of debt securities classified as financial asset at fair value through profit or loss are between 10,2% - 15,6% per annum (31 December 2015: between 9,6% - 15%).

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5. TRADE RECEIVABLES AND TRADE PAYABLES

As at 31 December 2016 and 31 December 2015, the Company has neither past due nor doubtful trade receivables.

As of 31 December 2016 and 31 December 2015, the detailed information on short-term trade receivables is as follows:

	31 December 2016	31 December 2015
TDE transaction collaterals	3.810.765	952.570
Receivables from sale of marketable securities	2.763.384	-
Total	6.574.149	952.570

As at 31 December 2016 and 31 December 2015, the detailed information on short-term trade payables is as follows:

	31 December 2016	31 December 2015
Portfolio management commission (Note 17)	109.578	110.185
Portfolio custody commission (Note 17)	61.378	62.061
Commissions payable (Note 17)	18.794	3.311
Marketable securities purchase payable	-	2.102.500
Total	189.750	2.278.057

The nature and level of risks for trade receivables and payables are disclosed in Note 18.

6. OTHER RECEIVABLES AND OTHER PAYABLES

As at 31 December 2016 and 31 December 2015, the detailed information on short-term other receivables are as follows:

	31 December 2016	31 December 2015
Other receivables from related parties (Note 17)	10.616	-
Total	10.616	-

As at 31 December 2016 and 31 December 2015, the detailed information on short-term other payables are as follows:

	31 December 2016	31 December 2015
Tax payables	43.839	32.173
Other payables to related parties (Note 17)	11.522	11.268
Other miscellaneous payables	-	90
Total	55.361	43.531

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7. TANGIBLE ASSETS

	Furniture and fixtures	Leasehold improvements	Total
Cost			
1 January 2016 opening balance	172.709	61.216	233.925
Additions	-	-	-
31 December 2016 closing balance	172.709	61.216	233.925
Accumulated depreciation			
1 January 2016 opening balance	(140.536)	(37.153)	(177.689)
Charge for the year	(14.357)	(12.243)	(26.600)
31 December 2016 closing balance	(154.893)	(49.396)	(204.289)
Net carrying amount			
1 January 2016	32.173	24.063	56.236
31 December 2016	17.816	11.820	29.636
	Furniture and fixtures	Leasehold improvements	Total
Cost			
1 January 2015 opening balance	164.615	61.216	225.831
Additions	8.094	-	8.094
31 December 2015 closing balance	172.709	61.216	233.925
Accumulated depreciation			
1 January 2015 opening balance	(126.885)	(24.910)	(151.795)
Charge for the year	(13.651)	(12.243)	(25.894)
31 December 2015 closing balance	(140.536)	(37.153)	(177.689)
Net carrying amount			
1 January 2015	37.730	36.306	74.036
31 December 2015	32.173	24.063	56.236

As at 31 December 2016 and 31 December 2015, there is no pledge on tangible assets.

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8. INTANGIBLE ASSETS

	Other intangible assets (*)	Total
Cost		
1 January 2016 opening balance	123.831	123.831
Additions	-	-
31 December 2016 closing balance	123.831	123.831
Accumulated depreciation		
1 January 2016 opening balance	(79.506)	(79.506)
Charge for the year	(21.536)	(21.536)
31 December 2016 closing balance	(101.042)	(101.042)
Net carrying amount		
1 January 2016	44.325	44.325
31 December 2016	22.789	22.789
	Other intangible assets (*)	Total
Cost		
1 January 2015 opening balance	78.753	78.753
Additions	45.078	45.078
31 December 2015 closing balance	123.831	123.831
Accumulated depreciation		
1 January 2015 opening balance	(64.176)	(64.176)
Charge for the year	(15.330)	(15.330)
31 December 2015 closing balance	(79.506)	(79.506)
Net carrying amount		
1 January 2015	14.577	14.577
31 December 2015	44.325	44.325

(*) Comprised of softwares.

As at 31 December 2016 and 31 December 2015, the Company does not have any internally generated intangible assets.

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9. EMPLOYEE BENEFITS

Short-term provisions for employee benefits

	31 December 2016	31 December 2015
Vacation pay liability and provision for employee bonuses	203.068	170.755
Total	203.068	170.755

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

As at 31 December 2016 and 31 December 2015, movement of vacation pay liabilities and provision for employee bonuses are as follows:

	31 December 2016	31 December 2015
Opening balance	170.755	129.822
Vacation and employee bonuses paid	(164.013)	(87.379)
Charge for the year	196.326	128.312
Provisions closing balance	203.068	170.755

Long-term provisions for employee benefits

	31 December 2016	31 December 2015
Employee severance indemnity	192.989	146.644
Total	192.989	146.644

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9. EMPLOYEE BENEFITS (continued)

Employee Severance Indemnity

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

The reserve for severance pay liability as at 31 December 2016 is based on the monthly ceiling amounting to TL 4.297,21 (31 December 2015: TL 3.828,37).

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

The principal assumption is that the maximum liability for each year of service will increase parallel to the change in inflation. Consequently, in the accompanying financial statements as at 31 December 2016, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the end of the reporting period is calculated assuming an annual inflation rate of 5,83% and a discount rate of 10,57%, resulting in a net discount rate of approximately 4,48% (31 December 2015: 4,48% net discount rate is calculated assuming an annual inflation rate of 5,83% and a discount rate of 10,57%). The probability of voluntarily leaves is also considered in the calculation.

	1 January – 31 December 2016	1 January – 31 December 2015
Opening balance at 1 January	146.644	127.864
Service cost	16.455	14.114
Interest cost	15.543	10.421
Actuarial (gains) / losses	14.347	(5.755)
Provision for severance	192.989	146.644

Actuarial (gains) / losses are recognized in other comprehensive income.

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10. OTHER CURRENT ASSETS

Other current assets	31 December 2016	31 December 2015
Prepaid expenses (Note 17)	9.390	7.882
Total	9.390	7.882

11. EQUITY

Paid-in Capital

The structure of the Company's paid-in share capital as at 31 December 2016 and 31 December 2015 is as follows:

Shareholders	Group	Shareholding Interest (%)	31 December 2016	Shareholding Interest (%)	31 December 2015
İş Yatırım Menkul Değerler AŞ	(A)	1,46	2.347.411	1,46	2.347.411
İş Yatırım Menkul Değerler AŞ	(B)	27,47	44.106.690	27,47	44.106.690
T.Sinai Kalkınma Bankası AŞ	(B)	1,72	2.757.169	1,72	2.757.169
Yatırım Finansman Menkul Değerler AŞ	(A)	0,73	1.185.072	0,73	1.185.072
Yatırım Finansman Menkul Değerler AŞ	(B)	0,39	618.429	0,39	618.429
Anadolu Hayat Emeklilik AŞ	(A)	0,37	592.536	0,37	592.536
Anadolu Hayat Emeklilik AŞ	(B)	0,36	574.662	0,36	574.662
Anadolu Anonim Türk Sigorta Şirketi	(B)	0,17	278.394	0,17	278.394
Other	(B)	67,33	108.138.921	67,33	108.138.921
Total share capital		100,00	160.599.284	100,00	160.599.284

The total number of ordinary shares consists of 16.059.928.400 shares with a par value of Kuruş 1 (one) per share and TL 4.125.019 of the total amount is Group (A), TL 156.474.265 of the total amount is Group (B) shares. Group (A) shareholders have 1.000.000 (one million) right to vote while Group (B) shareholders have 1 (one) right to vote for the election of Board of Directors. The Company's A group shares does not have any privileges in distribution of dividend. Earnings per share are the same for both preference shares and ordinary shares.

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

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11. CAPITAL AND RESERVES (continued)

Restricted Reserves

	31 December 2016	31 December 2015
Legal reserves	33.026.156	31.527.372
Total	33.026.156	31.527.372

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

In accordance with the Turkish Commercial Code numbered 6102, Article 519, the Company has transferred its retained earnings amounting to TL 31.527.372 to legal reserves amounting to TL 1.498.784 with the resolution of General Assembly meeting held on 22 March 2016 and legal reserves of the Company increased to TL 33.026.156

Retained Earnings

Extraordinary reserve classified as retained earnings is TL 20.778.272 as of 31 December 2016 (31 December 2015: TL 36.440.094). Retained earnings include actuarial differences amounting to TL 8.675 actuarial difference (31 December 2015: TL 23.022)

Dividend Distribution

At the Ordinary General Assembly meeting held on 22 March 2016, the Company has decided to distribute profit amounting to TL 5.911.873 from profit for the year 2015 and TL 15.661.822 from extraordinary reserves in total amounting to TL 20.074.911 that is 12,5%(gross=net) of the Company's share capital, in cash beginning from 24 March 2016. The distribution of dividends in cash has started on related date and completed on 28 March 2016.

Dividend distribution is performed as at 2015 as follows:

	Amount
A- First legal reserve (TCC 519/a-c)	1.498.784
B- Dividend distributed to shareholders in cash	4.413.089
Total	5.911.873

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

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12. REVENUE

Sales	1 January - 31 December 2016	1 January - 31 December 2015
Sale of share certificates	348.227.433	347.247.012
Sale of bonds	54.258.058	101.514.644
Sale of investment fund	1.400.476	-
Subtotal	403.885.967	448.761.656
Redeem and interest income	18.804.771	19.568.760
Increase / (decrease) in value of debt securities, net	2.264.431	(763.952)
Increase / (decrease) in value of quoted share certificates, net	1.672.044	(791.690)
Increase / (decrease) in value of investment funds participation certificates	839.921	116.591
Dividend income	818.006	1.193.963
Interest income on reverse repo transactions	1.050.442	554.191
Accrual of interest	207.136	113.403
Commission income from security lending	23.566	35.369
Gain / (loss) on trading of derivative transactions, net	(504.795)	168.717
Subtotal	25.175.522	20.195.352
TOTAL REVENUE	429.061.489	468.957.008

13. COST OF SALES

Cost of Sales	1 January - 31 December 2016	1 January - 31 December 2015
Cost of sales of quoted share certificates	348.472.094	351.635.113
Cost of sales of bonds and bills	54.258.784	106.140.261
Cost of investment fund	1.388.697	-
Subtotal	404.119.575	457.775.374
Portfolio management commission expenses (Note 17)	1.295.170	1.346.512
Intermediary commission expenses (Note 17)	1.253.544	1.341.002
Portfolio custody commission expenses (Note 17)	241.915	251.277
Settlement and custody commission expenses	45.863	35.576
Subtotal	2.836.492	2.974.367
TOTAL COST OF SALES	406.956.067	460.749.741

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14. ADMINISTRATIVE EXPENSES

	1 January – 31 December 2016	1 January – 31 December 2015
Personnel wages and expenses	1.293.327	1.112.938
Board of directors attendance fees	599.550	546.000
Rent expenses	248.318	218.386
Audit fees	190.533	133.704
Donations and grants	115.000	-
System expenses	108.271	89.321
Operating expenses	73.816	80.696
Depreciation and amortization expenses	48.136	41.224
Membership fees	32.827	27.730
Listing expenses	24.993	25.442
Internal control and risk management expenses	19.233	18.029
Other expenses	153.212	130.917
Total	2.907.216	2.424.387

Personnel wages and expenses

	1 January – 31 December 2016	1 January – 31 December 2015
Salaries and wages	894.054	805.767
Unused vacation and bonus liability	196.326	128.312
Social security employer’s share	130.344	104.683
Provision for employee severance indemnity	31.998	24.535
Other personnel expenses	40.605	49.641
Total	1.293.327	1.112.938

15. OTHER OPERATING INCOME AND EXPENSES

The amount of other operating income, TL 7 (31 December 2015: TL 132.873), is the cancellation of sales commission which was paid to Takasbank. Other operating expenses comprise of various tax payments amounting to TL 5.283 (31 December 2015: TL 3.880)

16. EARNINGS PER SHARE

	1 January - 31 December 2016	1 January - 31 December 2015
Nominal value of current shares during the period (TL)	160.599.284	160.599.284
Nominal value of shares in circulation (TL)	160.599.284	160.599.284
Net profit/(loss) for the period (TL)	19.192.930	5.911.873
Basic and diluted earnings per share (TL) (per value of TL 1)	0,1195	0,0368

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17. RELATED PARTY DISCLOSURES

Details of related party balances are as follows:

	31 December 2016	31 December 2015
<i>Cash and cash equivalents</i>		
Türkiye İş Bankası AŞ(Demand deposit) (Note 3)	10.952	6.774
Türkiye İş Bankası AŞ (Time deposit)	5.345.702	4.695.980
Total	5.356.654	4.702.754

Financial investments at fair value through profit or loss

As of 31 December 2016, the Company’s financial assets at fair value through profit or loss include related company shares with a nominal value amounting to TL 4.206.597 and fair value amounting to TL 5.349.414, and related company private sector bonds with a nominal value amounting to TL 19.300.000 and fair value amounting to TL 19.246.792 and investment fund participation certificates with a nominal value amounting TL 603.465.621 and fair value amounting TL 9.832.265 (31 December 2015: related company shares amounting to TL 4.304.734 and fair value amounting to TL 4.964.986, and related company private sector bonds with a nominal value amounting to TL 629.747.621 and fair value amounting to TL 9.280.591).

Receivables from related parties

	31 December 2016	31 December 2015
<i>Non-trading receivables</i>		
İş Merkezleri Yönetim ve İşletim AŞ	10.616	-
	10.616	-

Other current assests

	31 December 2016	31 December 2015
Anadolu Anonim Türk Sigorta Şirketi	6.556	-
	6.556	-

Due to related parties

	31 December 2016	31 December 2015
<i>Trade payables</i>		
<i>Portfolio management commission, premium and other service payables</i>		
İş Portföy Yönetimi AŞ	109.578	110.185
Türkiye İş Bankası Anonim Şirketi	61.378	62.061
İş Yatırım Menkul Değerler AŞ	18.794	3.311
	189.750	175.557
<i>Non-trading payables</i>		
Türkiye İş Bankası AŞ	-	6.500
İş Merkezleri Yön. ve İşl. AŞ	5.800	-
Anadolu Anonim Türk Sigorta Şirketi	5.722	4.768
	11.522	11.268

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17. RELATED PARTY DISCLOSURES (continued)

Transactions during the period

	1 January – 31 December 2016	1 January – 31 December 2015
<i>Intermediary and portfolio management commissions paid to related parties</i>		
İş Portföy Yönetimi AŞ	1.295.170	1.346.512
İş Yatırım Menkul Değerler AŞ	1.253.544	1.341.002
Türkiye İş Bankası AŞ	241.915	251.277
Total	2.790.629	2.938.791

	1 January - 31 December 2016	1 January - 31 December 2015
Administrative expenses		
<i>Expenses paid to related parties</i>		
Türkiye İş Bankası AŞ - (rent and other expenses)	278.626	282.306
İş Merkezleri Yö. ve İşl. AŞ - (maintenance and business expense)	77.650	34.171
İşnet Elektronik Bilgi Üretim Dağıtım Tic. ve İletişim Hiz. AŞ - (internet usage and other service expenses)	25.551	23.817
İş Yatırım Menkul Değerler AŞ - (Internal control and risk management expenses)	19.233	18.029
Anadolu Anonim Türk Sigorta Şirketi - (health insurance expenses)	6.059	6.070
SoftTech Yazılım Teknolojileri Araştırma Geliştirme ve Pazarlama Tic. AŞ - (Web update expenses)	-	3.792
Total	407.119	368.185

	1 January - 31 December 2016	1 January - 31 December 2015
Dividend income		
Trakya Cam	105.989	-
İş Finansal Kiralama AŞ	91.007	68.255
Türkiye Sınai Kalkınma Bankası AŞ	12.500	4.800
İş Girişim Sermayesi Yatırım Ortaklığı AŞ	-	203.175
Total	209.496	276.230

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17. RELATED PARTY DISCLOSURES (continued)

In the year end, TL 559.306 interest income of time deposit was derived from T. İş Bankası AŞ. (31 December 2015: TL 519.835)

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

	1 January – 31 December 2016	1 January – 31 December 2015
Benefits provided to key management personnel		
Gross wages and other short-term benefits	902.154	823.620
Employee severance indemnity	12.349	8.830
Unused vacation and provisions for probable premiums	106.832	89.474
Total	1.021.335	921.924

18. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Financial Risk Factors

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

Interest rate risk

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

Interest Risk Position Table			
		31 December 2016	31 December 2015
Fixed interest rate financial instruments		128.190.725	119.161.869
Financial assets	Financial assets at fair value through profit or loss	87.775.376	96.969.343
	Receivables from reverse repo agreements	840.364	470.105
	Time deposit	15.492.818	21.722.421
	Receivables from money market placements	24.082.167	-
	Floating interest rate financial instruments	56.063.433	91.218.908
Financial assets	Financial assets at fair value through profit or loss	56.063.433	91.218.908

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

Interest rate risk (continued)

Debt securities classified as financial assets at fair value through profit or loss in the balance sheet of the Company are exposed to price risk due to interest rate changes. According to the analysis made by the Company as of 31 December 2016, 1% increase or decrease in TL interest rates on condition that all other factors remain stable, causes a decrease amounting to TL 893.666 or an increase amounting to TL 914.089 TL in the fair value of debt securities amounting to TL 143.838.809 including net profit in the period and equity of the Company as of 31 December 2016 (According to the analysis made by the Company as of 31 December 2015, 1% increase or decrease in TL interest rates on condition that all other factors remain stable, causes a decrease amounting to TL 1.791.460 or an increase amounting to TL 1.900.516 in the fair value of debt securities amounting to TL 188.188.251 including net profit in the period and equity of the Company as of 31 December 2015).

Equity share price risk

The Company is also exposed to equity price risk arising from the equity price changes in its portfolio. As of 31 December 2016, if Equity Price Index of the Borsa İstanbul is 10% higher/lower and all other factors remain stable, the Company's net profit and equity is increased or decreased by TL 3.453.106 (31 December 2015: TL 1.744.001).

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

Credit risk

The Company does not have any credit default risk, since the Company does not have extended loans. As of 31 December 2016 and 31 December 2015, the Company's credit risk carrying assets are as follows:

	Receivables						
	Trade Receivables			Other receivables			
31 December 2016	Related parties	Other parties	Related parties	Other parties	Bank deposits	Receivables from reverse repo and money market placements	Investment securities ⁽¹⁾
Exposure to maximum credit risk as at the reporting date (A+B+C+D)	-	6.574.149	10.616	-	15.503.770	24.922.531	143.838.809
- Maximum credit risk amount secured with guarantees	-	-	-	-	-	-	-
Net carrying value of neither past due nor impaired financial assets	-	6.574.149	10.616	-	15.503.770	24.922.531	143.838.809
A. Net carrying value of past due but not impaired financial assets	-	-	-	-	-	-	-
B. Net carrying value of impaired assets	-	-	-	-	-	-	-
- Past due (Gross amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Net carrying value secured with guarantees	-	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Net carrying value secured with guarantees	-	-	-	-	-	-	-
D. Off balance sheet items with credit risks	-	-	-	-	-	-	-

¹ Since quoted share certificates and investment funds are not exposed to credit risk, they are not included in investment securities.

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

Credit risk (continued)

	Receivables						
	Trade Receivables			Other receivables			
	Related parties	Other parties	Related parties	Other parties	Bank deposits	Receivables from reverse repo and money market placements	Investment securities ⁽¹⁾
31 December 2015							
Exposure to maximum credit risk as at the reporting date (A+B+C+D)							
- Maximum credit risk amount secured with guarantees	-	952.570	-	-	21.729.195	470.105	188.188.251
Net carrying value of neither past due nor impaired financial assets	-	-	-	-	-	-	-
A. Net carrying value of past due but not impaired financial assets	-	952.570	-	-	21.729.195	470.105	188.188.251
B. Net carrying value of impaired assets	-	-	-	-	-	-	-
- Past due (Gross amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Net carrying value secured with guarantees	-	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Net carrying value secured with guarantees	-	-	-	-	-	-	-
D. Off balance sheet items with credit risks	-	-	-	-	-	-	-

¹ Investment securities comprise of government bonds amounting to TL 40.337.678. Since quoted share certificates and investment funds are not exposed to credit risk, they are not included in investment securities.

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

Currency risk

Foreign currency risk is the risk of changes in the foreign currency denominated monetary assets, monetary liabilities and off-balance sheet items due to changes in foreign currency exchange rates. As at 31 December 2016 and 31 December 2015, the Company does not have any assets or liabilities denominated in foreign currencies.

Liquidity risk

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

The Company has no derivative liabilities. Non-derivative financial liabilities as of 31 December 2016 and 31 December 2015 based on the discounted cash flow of the remaining contract term maturities are as follows:

31 December 2016							
Contractual maturities	Carrying Value	Total contractual cash outflows	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities	245.111	245.111	245.111	-	-	-	-
Trade payables	189.750	189.750	189.750	-	-	-	-
Other payables	55.361	55.361	55.361	-	-	-	-

31 December 2015							
Contractual maturities	Carrying Value	Total contractual cash outflows	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities	2.321.588	2.321.588	2.321.588	-	-	-	-
Trade payables	2.278.057	2.278.057	2.278.057	-	-	-	-
Other payables	43.531	43.531	43.531	-	-	-	-

Capital management

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

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19. FINANCIAL INSTRUMENTS

Financial Instruments Categories:

31 December 2016	Carrying Value	Fair Value
Financial Assets		
Cash and cash equivalents	40.426.301	40.426.301
Financial assets at fair value through profit or loss	188.202.135	188.202.135
Trade receivables	6.574.149	6.574.149
Financial liabilities		
Trade payables	189.750	189.750
Other payables	55.361	55.361

31 December 2015	Carrying Value	Fair Value
Financial Assets		
Cash and cash equivalents	22.199.300	22.199.300
Financial assets at fair value through profit or loss	214.908.850	214.908.850
Trade receivables	952.570	952.570
Financial liabilities		
Trade payables	2.278.057	2.278.057
Other payables	43.531	43.531

Fair value of financial instruments

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

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

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

Financial assets

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

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

Financial liabilities

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

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19. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments (continued)

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

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

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

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

Financial assets presented at fair value through profit and loss:

31 December 2016	Carrying Value	Level 1	Level 2	Level 3
Financial assets at fair value through profit/loss				
Private sector bonds	143.838.809	103.350.846	40.487.963	-
Stocks traded in the stock market	34.531.061	34.531.061	-	-
Investment funds	9.832.265	9.832.265	-	-
Total	188.202.135	147.714.172	40.487.963	-
31 December 2015	Carrying Value	Level 1	Level 2	Level 3
Financial assets at fair value through profit/loss				
Private sector bonds	147.850.573	126.201.088	21.649.485	-
Government bonds	40.337.678	40.337.678	-	-
Stocks traded in the stock market	17.440.008	17.440.008	-	-
Investment funds	9.280.591	9.280.591	-	-
Total	214.908.850	193.259.365	21.649.485	-

20. EVENTS AFTER THE REPORTING PERIOD

None.