

**ICBC Turkey Yatırım Menkul Değerler**  
**Anonim Şirketi and Its Subsidiary**  
Condensed Consolidated Interim Financial Statements  
As at and for the Six Month Period  
Ended 30 June 2019



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## Independent Auditor's Report on Review of Interim Financial Statements

To the Board of Directors of ICBC Turkey Yatırım Menkul Değerler Anonim Şirketi

### *Introduction*

We have reviewed the accompanying statement of financial position of ICBC Turkey Yatırım Menkul Değerler Anonim Şirketi ("the Company") as at 30 June 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended and notes, comprising a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Turkish Accounting Standards 34 Interim Financial Reporting ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this interim financial statements based on our review.

### *Scope of Review*

We conducted our review in accordance with Turkish Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of the entity as at 30 June 2019, and its financial performance and its cash flows for the six month period then ended in accordance with in accordance with TAS 34 "Interim Financial Reporting".

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

Ali Tuğrul Uzun, SMMM  
Engagement Partner

19 June 2019  
İstanbul, TURKEY

**ICBC Turkey Yatırım Menkul Değerler  
Anonim Şirketi ve Bağlı Ortaklığı**

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**ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY**  
**Condensed Consolidated Interim Statement of Financial Position as at 30 June 2018**

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

		<b>Reviewed</b>	<b>Audited</b>
		<b>Current Period</b>	<b>Prior Period</b>
	<b>Notes</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	985.461.782	512.735.578
Financial investments	5	31.792.563	16.343.065
Trade receivables		49.544.384	56.260.083
- Due from related parties	4	--	82.579
- Other trade receivables	4	49.544.384	56.177.504
Other Receivables		23.774	1.488
- Other related parties	6	23.774	1.488
Prepaid expenses	6	495.019	6.700
Current period tax related assets	6	148.997	125.164
<b>Total current assets</b>		<b>1.067.466.519</b>	<b>585.472.078</b>
<b>Non-current assets</b>			
Financial investments	5	159.711	159.711
Other receivables		2.457.737	1.464.665
- Other related parties	6	2.457.737	1.464.665
Tangible assets	7	763.926	881.962
Intangible assets	7	250.460	257.204
Deferred tax assets	13	2.162.863	1.333.328
<b>Total non-current assets</b>		<b>5.794.697</b>	<b>4.096.870</b>
<b>Total assets</b>		<b>1.073.261.216</b>	<b>589.568.948</b>

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

**ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY**  
**Condensed Consolidated Interim Statement of Financial Position as at 30 June 2018**

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

		Reviewed Current- Period	Audited Prior-Period
	Notes	30 June 2019	31 December 2018
<b>Liabilities</b>		<b>938.302.596</b>	<b>474.994.171</b>
<b>Short term liabilities</b>			
Short term financial borrowings	10	801.890	--
Trade payables	4	925.643.162	466.675.110
- Other trade payables		925.643.162	466.675.110
Payables relating to employee benefits	6	732.419	310.732
Short term provisions		1.717.530	3.224.049
- Employee benefits	11	1.476.603	3.162.451
- Other short term provisions	8	240.927	61.598
Current tax payables	6	3.995.364	2.605.195
Current tax liability	13	3.054.039	--
<b>Total current liabilities</b>		<b>935.944.404</b>	<b>472.815.086</b>
<b>Long term liabilities</b>			
Long term provisions		2.358.192	2.179.085
-Employee benefits	11	2.358.192	2.179.085
<b>Total non-current liabilities</b>		<b>2.358.192</b>	<b>2.179.085</b>
<b>Equity</b>			
Paid in capital	12	76.000.000	76.000.000
Adjustments to share capital	12	31.279	31.279
Other comprehensive income that will be reclassified to profit or loss			
Financial assets value increase/decrease fund		(143.162)	(143.503)
Other comprehensive income that will never be reclassified to profit or loss			
-Actuarial loss related to pension plans		(1.168.150)	(1.168.150)
Restricted Reserves allocated from profit		3.145.118	2.143.656
Prior year’s income		36.710.033	16.087.671
Profit for the period		20.383.502	21.623.824
<b>Total equity</b>		<b>134.958.620</b>	<b>114.574.777</b>
<b>Toplam liabilities and equity</b>		<b>1.073.261.216</b>	<b>589.568.948</b>

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

**ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY**  
**Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income**  
**for the Interim Period Ended 30 June 2019**

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

		<b>Reviewed</b>	<b>Not Reviewed</b>	<b>Audited</b>	<b>Not Audited</b>
	<b>Notes</b>	<b>1 January - 30 June 2019</b>	<b>1 April - 30 June 2019</b>	<b>1 January - 30 June 2018</b>	<b>1 April - 30 June 2018</b>
<b>Statement of profit or loss</b>					
Sales	15	95.223.610	49.471.534	72.961.730	5.003.768
Service income	15	30.612.239	14.624.529	25.370.705	17.638.137
Cost of sales (-)	15	(93.631.442)	(48.968.299)	(72.545.643)	(4.990.026)
<b>Gross profit from operations</b>		<b>32.204.407</b>	<b>15.127.764</b>	<b>25.786.792</b>	<b>17.651.879</b>
Interest income from operations		9.279.116	4.925.431	7.099.371	3.526.349
Operating costs from financing activities(-)		--	--	--	--
<b>Gross profit or loss from financing activities</b>		<b>9.279.116</b>	<b>4.925.431</b>	<b>7.099.371</b>	<b>3.526.349</b>
<b>Gross profit</b>		<b>41.483.523</b>	<b>20.053.195</b>	<b>32.886.163</b>	<b>21.178.228</b>
General administrative expenses (-)	16	(16.043.472)	(8.900.354)	(14.723.981)	(7.743.453)
Other operating income		73.982	109	2.892	282
Other operating expenses (-)		(387.992)	(252.483)	(221.653)	(159.595)
<b>Operating profit</b>		<b>25.126.041</b>	<b>10.900.467</b>	<b>17.943.421</b>	<b>13.275.462</b>
Financial income		6.755.527	3.067.934	3.209.790	2.637.654
Financial expenses (-)		(5.316.661)	(3.757.097)	(588.868)	(414.647)
<b>Profit before tax from continuing operations</b>		<b>26.564.907</b>	<b>10.211.304</b>	<b>20.564.343</b>	<b>15.498.469</b>
<b>Tax income / (expense) from continuing operations</b>	13	<b>(6.181.405)</b>	<b>(1.974.425)</b>	<b>(4.311.327)</b>	<b>(3.116.080)</b>
Current tax income / (expense)	13	(7.010.939)	(3.087.172)	(4.125.445)	(2.948.748)
Deferred tax income / (expense)	13	829.534	1.112.747	(185.882)	(167.332)
<b>Profit from continuing operations</b>		<b>20.383.502</b>	<b>8.236.879</b>	<b>16.253.016</b>	<b>12.382.389</b>
<b>Profit / (loss) from discontinued operations</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Profit for the period</b>		<b>20.383.502</b>	<b>8.236.879</b>	<b>16.253.016</b>	<b>12.382.389</b>
<b>Statement of other comprehensive income</b>					
Changes in fair value reserves		437	24.555	2.364	2.364
Income tax relating to other comprehensive income		(96)	(37.978)	(520)	(17.149)
<b>Other comprehensive income/(expense) after tax</b>		<b>341</b>	<b>(13.423)</b>	<b>1.844</b>	<b>(14.785)</b>
<b>Total comprehensive income</b>		<b>20.383.843</b>	<b>8.223.456</b>	<b>16.254.860</b>	<b>12.367.604</b>

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

**ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**as at and for the Interim Period Ended 30 June 2019**

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

	Paid in capital	Adjustment to share capital	Fair value reserves	Actuarial gains and losses related to pension plans
<b>1 January 2018</b>	<b>76.000.000</b>	<b>31.279</b>	<b>(27.320)</b>	<b>(160.381)</b>
<i>Total comprehensive income</i>				
<i>Corrections due to changes in accounting policies</i>	--	--	--	--
Profit for the period	--	--	--	--
Acturiel profit/(loss)	--	--	--	--
Change in fair value of financial assets available for sale	--	--	1.844	--
<b>Total Comprehensive Income</b>	<b>76.000.000</b>	<b>31.279</b>	<b>(25.476)</b>	<b>(160.381)</b>
Transfers to retained earnings	--	--	--	--
Transfers to reserves	--	--	--	--
Dividend distributed	--	--	--	--
<b>Balance at 30 June 2018</b>	<b>76.000.000</b>	<b>31.279</b>	<b>(25.476)</b>	<b>(160.381)</b>
<b>1 January 2019</b>	<b>76.000.000</b>	<b>31.279</b>	<b>(143.503)</b>	<b>(1.168.150)</b>
<i>Total Comprehensive Income</i>				
<i>Corrections due to changes in accounting policies</i>				
Profit for the period	--	--	--	--
Acturiel profit/(loss)	--	--	--	--
Change in fair value of financial assets available for sale	--	--	341	--
<b>Total Comprehensive Income</b>	<b>76.000.000</b>	<b>31.279</b>	<b>(143.162)</b>	<b>(1.168.150)</b>
Transfers to retained earnings	--	--	--	--
Transfers to reserves	--	--	--	--
Dividend distributed	--	--	--	--
<b>Balance at 30 June 2019</b>	<b>76.000.000</b>	<b>31.279</b>	<b>(143.162)</b>	<b>(1.168.150)</b>

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



**ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**as at and for the Interim Period Ended 30 June 2019**

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

		Reviewed	Audited
		1 January- 30 June 2019	1 January- 30 June 2018
<b>A. Cash flows provided from operating activities</b>		<b>169.111.623</b>	<b>41.428.579</b>
<b>Profit for the period</b>		<b>20.383.502</b>	<b>16.253.016</b>
<b>Adjustments for profit / loss reconciliation for the period</b>		<b>3.578.449</b>	<b>(2.281.353)</b>
Adjustment of depreciaton and amortization	7	209.197	249.646
Adjustment of provision of expected credit loss	3	5.341.444	--
Adjustment for vacation pay liability	11	326.805	223.359
Adjustment for provision of employee termination benefit	11	410.723	286.181
Adjustment for financial income (excluding exchange difference income)		(9.279.116)	(7.099.371)
Adjustment for financial expense		387.992	221.653
Deferred tax expense / (income)		(829.535)	185.882
Adjustments related to derivative instruments		--	(474.148)
Current tax expense	13	7.010.939	4.125.445
<b>Change in equity</b>		<b>140.259.062</b>	<b>21.853.215</b>
Financial investments (the financial assets at fair value through profit or loss)		(12.737.118)	13.337.929
Changes in receivables from related parties		82.579	588
Changes in other trade receivables		6.633.120	14.433.607
Changes in client assets		(305.288.059)	(184.648.516)
Changes in other receivables		(1.527.510)	(361.891)
Changes in other receivables		461.680.432	182.717.492
Changes in other liabilities and provisions		(6.340.114)	(2.233.352)
Employee termination benefits payment	11	(231.616)	(274.949)
Vacation liability paid		--	(102.699)
Amounts of paid bonusı		(2.012.653)	--
Changes in blocked amounts		--	(1.014.994)
<b>Cash flows from operating activities</b>		<b>4.890.610</b>	<b>5.603.701</b>
Interests and commissions paid		(361.027)	(99.592)
Interests received		9.208.537	7.060.356
Taxes paid	13	(3.956.900)	(1.357.063)
<b>B. Cash flows from investing activities</b>		<b>(84.416)</b>	<b>(122.547)</b>
Cash flows from acquisition of tangible and intangible assets	7	(84.416)	(122.547)
<b>C. Cash flows from financing activities</b>		<b>801.890</b>	<b>--</b>
Cash entries related to borrowings	10	801.890	--
<b>Net increase/decrease in cash and cash equivalents before the effect of foreign currency translation differences (A+B+C)</b>		<b>169.829.097</b>	<b>41.306.032</b>
<b>D. Effects of change in foreign exchange rate on cash and cash equivalents</b>		<b>--</b>	<b>--</b>
<b>Net increase/decrease in cash and cash equivalents (A+B+C+D)</b>		<b>169.829.097</b>	<b>41.306.032</b>
<b>E. Cash and cash equivalents at the beginning of the period</b>		<b>86.450.163</b>	<b>24.580.409</b>
<b>Cash and cash equivalents at the end of the period (A+B+C+D+E)</b>		<b>256.279.260</b>	<b>65.886.441</b>

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

# ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## Notes to the Condensed Consolidated Interim Financial Statements as at and for the Interim Period Ended 30 June 2019

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

### 1. Organization and operations of the Company

ICBC Turkey Yatırım Menkul Değerler Anonim Şirketi (the “Company”), formerly Tekstil Menkul Değerler Anonim Şirketi, was established on December 5, 1996 and started its operations on January 10, 1997 by obtaining the operation certificate from Capital Market Boards of Turkey (“CMB”).

In the context of the decision number 561 taken at the Board of Director’s Meeting on 31 May 2016, the Company’s trade name has been changed and registered as “ICBC Turkey Yatırım Menkul Değerler Anonim Şirketi” on 9 June 2016 at the Trade Registry Gazette.

The Company applied to renew certificate of authorities in accordance with Capital Market Law’s Communiqué numbered III-37.1 “Disclosure of Investment Services and Operations with Ancillary Services Principles” and Communiqué numbered III-39.1 “Principles of Establishment and Activities of Investment Firms”. As a result, the Company was authorized as “Broad Authorized Intermediary Firm” as at 1 January 2016 according to Capital Market Law serial 6362.

The Company has the following certificates of authorization from Capital Market Boards of Turkey (“TCMB”):

- Activity of execution of orders
- Activity of dealing on own account
- Investment advisory activity
- Activity of intermediation for public offering
- Limited custody services

#### Investment services and activities

Investment services and activities regulated by the Communiqué and which may be executed with a prior authorization of the Board are as follows:

- a) Reception and transmission of orders in relation to capital market instruments,
- b) Execution of orders in relation to capital market instruments in the name and account of the customer or in their own name and in the account of the customer,
- c) Dealing on own account,
- ç) Individual portfolio management,
- d) Investment advice,
- e) Underwriting of capital market instruments on a firm commitment basis,
- f) Placing of financial instruments without a firm commitment basis,
- g) Operation of multilateral trading systems and regulated markets other than exchanges

#### Ancillary Services:

- a) Providing consultancy services regarding capital markets,
- b) Granting credits or lending and providing foreign exchange services limited to investment services and activities,
- c) Providing investment research and financial analysis or general advice concerning transactions in capital market instruments,
- ç) Providing services in relation to the conduct of underwriting,
- d) Providing intermediary services for obtaining financing by borrowing or through other means,
- e) Wealth management and financial planning,
- f) Conduct of other services and activities to be determined by the Board.

**ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS  
SUBSIDIARY**

**Notes to the Condensed Consolidated Interim Financial Statements  
as at and for the Interim Period Ended 30 June 2019**

*(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated)*

**1. Organization and operations of the Company (continued)**

ICBC Turkey Bank A.Ş. owns 99.99% shares of the Company. The Parent Bank of ICBC Turkey Bank A.Ş. is Industrial and Commercial Bank of China Limited (“ICBC”). Headquarters address of the Company is Maslak Mahallesi Dereboyu/2 Caddesi No:13 34398 Sarıyer İstanbul. The Company has 98 employees as at 30 June 2019 (31 December 2018: 98).

**Approval of financial statements**

The condensed consolidated financial statements as at 30 June 2019 have been approved by the Board of Directors of the Company and authorized for issue on 19 July 2019. The General Assembly has the discretion of making changes in the accompanying condensed consolidated interim financial statements after their issuance.

**Information on subsidiary**

The Company’s subsidiary ICBC Turkey Portföy Yönetimi Anonim Şirketi (formerly “Tekstil Portföy Yönetimi Anonim Şirketi”), was established on 21 April 2015. The Company and its subsidiary are named as “the Group” as a whole.

# ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## Notes to the Condensed Consolidated Interim Financial Statements as at and for the Interim Period Ended 30 June 2019

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

### 2. Basis of presentation of financial statements

#### 2.1. Basis of presentation

##### 2.1.1. Accounting standards applied

The accompanying financial statements have been prepared in accordance with the provisions of the Communiqué No: XI-14.1 "Communiqué on Principles of Financial Reporting in Capital Market" ("Communiqué") promulgated by the Capital Markets Board ("CMB") dated 13 June 2013 and numbered 28676, and Auditing Standards Board ("UPS") that have been put into force by Turkey Accounting Standards (TAS) has been prepared in accordance. TMS; Turkey Accounting Standards Financial Reporting Standards, comprise of additions and comments on them. The accompanying financial statements are presented in TL, which is the Company's functional and presentation currency and all financial information is presented in TL unless otherwise stated.

The Group's interim financial statements as at 30 June 2019 have been prepared in accordance with TAS 34. Limited interim consolidated financial statements do not consist full scope financial statements as the year end consequently, limited interim financial statements have to be read with the Group's financial statements as at 31 December 2019.

##### 2.1.2. The preparation of financial statements

The principles stated in the "Announcement Regarding Financial Statements and Footnote Formats" announced by the CMB Decision Body dated 13 June 2013 and numbered 28676 were used for Preparation of financial statements and footnotes for the interim period ended on 30 June 2019. The accounting policies adopted in the preparation of the financial statements for the interim period are prepared in accordance with the financial statements prepared as at 31 December 2018.

##### 2.1.3. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position 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 to realize the asset and settle the liability simultaneously.

##### 2.1.4. Going Concern

The Group prepared financial statements according to going concern principle.

##### 2.1.5. Presentation currency

Financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the result and financial position are expressed in Turkish Lira ("TRY"), which is the functional currency and the presentation currency of the Group.

### 2.2. Changes in accounting policies estimates and errors

Any change in the accounting policies resulted from the first time adoption of a new TAS/IFRS is made either retrospectively or prospectively in accordance with the transition requirements of TAS/IFRS. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period financial statements.

# ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY

## Notes to the Condensed Consolidated Interim Financial Statements as at and for the Interim Period Ended 30 June 2019

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

### 2. Basis of presentation of financial statements (continued)

#### 2.3. Summary of Significant Accounting Policies

##### 2.3.1. Impairment of Assets

Assets with indefinite useful life –goodwill- are not subject to amortization. Impairment test is applied to these assets each year. For assets subject to amortization impairment test is applied if it is not possible to recover the book value. If the carrying amount of the asset exceeds its the recoverable amount, impairment loss is recognized. The recoverable amount, asset's fair value after the cost of sell has been deducted or greater of the value in use. For considering to impairment of assets, each asset could be identified separately, grouped at the lowest level of cash flows.(cash generating units).

Except for goodwill, non-financial assets that are allowed to impairment are reviewed for possible cancellation of the impairment at each reporting date.

##### 2.3.2. Borrowing Expenses

Borrowing expenses are recognised in profit or loss statement on an accrual basis in related periods.

##### 2.3.3. Accounting Policies Estimates and Errors

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements (the policy for recognising and measuring income taxes in the interim period is described in Note 11).

The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending 31 December 2019.

The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.b, c

IFRS 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 IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

#### A. Definition of Leases

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

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

## ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY

### Notes to the Condensed Consolidated Interim Financial Statements as at and for the Interim Period Ended 30 June 2019

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

#### 2. Basis of presentation of financial statements (continued)

#### 2.3. Summary of Significant Accounting Policies (continued)

##### 2.3.3. Accounting Policies Estimates and Errors (continued)

###### A. Definition of Leases (continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

###### B. As a lessee

The Group leases real estate.

As a lessee, the Group has previously classified leases as operating or finance leases based on the assessment of whether all the risks and rewards of ownership of the asset have been transferred. According to TFRS 16, the Group has not recognized the right of use assets and lease payables for the leases due to its significant effect on the financial statements.

###### 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 losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

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.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. 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.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

###### ii. Transition

Previously, the Group classified property leases as operating leases under IAS 17. These include warehouse and factory facilities. The leases typically run for a period of 10 years. Some leases include an option to renew the lease for an additional five years after the end of the non-cancellable period.

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#### 2. Basis of presentation of financial statements (continued)

#### 2.3. Summary of Significant Accounting Policies (continued)

##### 2.3.3. Accounting Policies Estimates and Errors (continued)

#### B. As a lessee (continued)

##### i. Transition (continued)

At transition, for leases classified as operating leases under IAS 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 IFRS 16 had been applied since the commencement date, discounted using the lessee’s incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property lease; or

an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 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.

The Group leases a number of items of production equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

- Initial direct costs are not included in measuring the existence of the right to use at the date of initial application.
- If the contract includes options to extend or terminate the contract, the management’s new assessments are used to determine the lease term.

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### 2.4. New and Revised Accounting Standards at Turkey

#### As at 30 June 2019 Standards issued but not yet effective and not early adopted

##### *Standarts published but not effective, not early adopted*

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 Conceptual Framework (Revised)**

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. 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 IFRS 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 Board 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 IFRS 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 IAS 1 and IAS 8- Definition of Materiality**

In October 2018, the IASB issued the “materialit definition” amendment.(Amendments in the IAS 1 and IAS 8).The amendments provide guidance to help clarify the definition of materiality, determine the materiality threshold, and improve consistency in applying the materiality concept to IFRS’s. The amendments to IAS 1 and IAS 8 are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

The adoption of IAS 1 an IAS 8 is not expected to have a material impact on the Group’s consolidated financial statements.

##### **IFRS 3 Amendments of Business Mergers – Business Definition**

There have been difficulties in determining whether a transaction will result in the acquisition of an asset or the acquisition of an entity, and has long been an important issue of Professional. IASB has amended IFRS 3 Business Combinations to clarify this issue. Changes include an optional right to use a concentration test. This is a simplified assessment that leads to the acquisition of an asset if a large portion of the fair value of the assets is concentrated on a single identifiable asset or group of similar identifiable assets. If the financial statement preparers do not choose to apply the concentration test or the test fails, then the assessment focuses on the existence of an important process. The amendments to IFRS 3 apply to entities that were acquired in the reporting periods beginning on or after 1 January 2020, but are permitted for early adoption.

The adoption of IFRS 3 is not expected to have a significant impact on the Group’s consolidated financial statements.



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**3. Cash and cash equivalents**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Demand Deposit	11.320.313	19.910.016
Term Deposit	799.061.799	484.085.237
Receivables from Money Markets	181.226.000	9.724.000
Expected credit loss provision (-)	(6.146.330)	(983.675)
<b>Cash and cash equivalents in statement of financial position</b>	<b>985.461.782</b>	<b>512.735.578</b>

	<b>30 June 2019</b>	<b>31 December 2018</b>
Minus: Customer assets (*)	(735.258.274)	(427.257.835)
Minus: Interest accruals	(70.578)	(11.254)
Minus: Expected Credit loss provision (-)	6.146.330	983.675
<b>Cash and cash equivalents in statement of cash flows</b>	<b>256.279.260</b>	<b>86.450.164</b>

(\*) Customer assets which consist of currently not directed customer investments as at 30 June 2019 and 31 December 2018, are recognized under the Company's deposit accounts although the Company does not have control on these accounts. Therefore, customer assets are not included within cash and cash equivalents in the statement of cash flows.

As at 30 June 2018, time deposit interest rates for TL are %20 and %16.90 (31 December 2018: for TL are %24,90). The Group holds the time deposits in overnight and monthly accounts.

As at 30 June 2019 and 31 December 2018, the details of bank deposits are as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
Time deposit - (ICBC Turkey Bank) (Note 15)	149.872.154	175.061.143
Time deposit (Other Banks)	649.189.645	309.024.094
Demand deposits– (ICBC Turkey Bank) (Not 15)	7.481.648	5.921.488
Demand deposits (other banks)	3.838.665	13.988.528
<b>Total</b>	<b>810.382.112</b>	<b>503.995.253</b>

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**4. Trade receivables and payables**

**Short term trade receivables:**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Receivables from loan customers	36.641.942	45.009.202
Receivables from TDE	7.863.313	6.060.394
Receivables from costumers	4.866.005	5.100.932
Other trade receivables	172.450	6.302
Receivables from international clearing and custody centers	674	674
Trade receivables from related parties	--	82.579
Doubtful trade receivables	162.484	162.484
Doubtful trade receivables(provision)	(162.484)	(162.484)
<b>Total</b>	<b>49.544.384</b>	<b>56.260.083</b>

**Short term trade payables:**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Payables to customers (*)	918.499.595	461.197.612
Other payables	7.143.567	5.477.498
<b>Total</b>	<b>925.643.162</b>	<b>466.675.110</b>

(\*) Payables to customers, mostly consist of TDE collateral and costumers' receivables from money market.

**5. Financial Investments**

**a) Current assets**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Financial assets at fair value through profit or loss	29.849.183	12.847.781
Debt instruments measured at fair value through other comprehensive income	1.943.380	3.495.284
<b>Total</b>	<b>31.792.563</b>	<b>16.343.065</b>

	<b>30 June 2019</b>	<b>31 December 2018</b>
--	---------------------	-----------------------------

**Debt instruments measured at fair value through other comprehensive income**

Government bonds	1.943.380	3.495.284
<b>Total</b>	<b>1.943.380</b>	<b>3.495.284</b>

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**5. Financial Investments (continued)**

As at 30 June 2019 ve 31 December 2018 the details of financial assets at fair value through profit or loss are as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
<b>Financial assets at fair value through profit or loss</b>	<b>Carrying Value</b>	<b>Carrying Value</b>
Equity shares – <i>Traded in stock exchange</i>	15.457	14.971
ICBC Turkey Portföy Yönetimi Investment Fund	29.833.726	12.832.810
<b>Total</b>	<b>29.849.183</b>	<b>12.847.781</b>

As at 30 June 2019 and 31 December 2018, the details of the debt instruments measured by reflecting FV difference to other comprehensive income are as follows:

	<b>30 June 2019</b>		<b>31 December 2018</b>	
	<b>Amount</b>	<b>Effective Interest Rate</b>	<b>Amount</b>	<b>Effective Interest Rate</b>
Government bonds	1.943.380	%22,57	3.495.284	%17,96-%22,57
<b>Total</b>	<b>1.943.380</b>		<b>3.495.284</b>	

<b>Equity investments</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Stock – Istanbul Stock Exchange (ISE) (*)	159.711	159.711
<b>Total</b>	<b>159.711</b>	<b>159.711</b>

(\*)As at 30 June 2019 the Company's share on capital of Istanbul Stock Exchange is 0,0377%. The nominal value of the shares held by the Company is 15.971.094 amounting to TL 159.711 (31 December 2018: TL 159.711).

**6. Other receivables and payables**

As at 30 June 2019 and 31 December 2018, the details of other receivables and payables are as follows:

**Prepaid Expenses**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Prepaid expenses	495.019	6.700
<b>Total</b>	<b>495.019</b>	<b>6.700</b>

As at 30 June 2019, prepaid expenses mainly consist of licence taken from CMB, health insurance payments, payments for Investors Protection Fund and Turkish Capital Markets Association's and Derivative Market's annual contribution fees.

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**6. Other receivables and payables (continued)**

**Current tax assets**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Prepaid taxes	148.997	125.164
	<b>148.997</b>	<b>125.164</b>

**Other short term receivables**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Receivables from personnel	23.774	1.488
	<b>23.774</b>	<b>1.488</b>

**Other long term receivables**

As at 30 June 2019 and 31 December 2018, the details of long term other receivables are as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
Deposits given	2.457.737	1.464.665
<b>Total</b>	<b>2.457.737</b>	<b>1.464.665</b>

The amount consists of guarantees given by the Company to operate in TDE and as at 30 June 2019 and 31 December 2018.

**Current tax payables**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Taxes and duties payable	3.995.364	2.605.195
<b>Total</b>	<b>3.995.364</b>	<b>2.605.195</b>

Taxes and deductions to be paid consist mainly of tax deductions made on behalf of customers (withholding tax).

**Payables for employee benefits**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Social security contribution payable	732.419	310.732
<b>Total</b>	<b>732.419</b>	<b>310.732</b>

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**7. Tangible and intangible assets**

The Group purchased tangible assets amounting to TL 74.714 for the six month period ended 30 June 2019 (31 December 2018: TL226.871 TL). For the period from 1 January 2019 to 30 June 2019 depreciation expenses for tangible assets amounts to TL 192.750 (30 June 2018: TL 234.522 TL) and TL 16.447 TL (30 June 2018: 15.124 TL) for intangible assets. As at June 30, 2019 and December 31, 2018, the Group does not have any pledges on property, plant and equipment. The net carrying value of tangible assets as at 30 June 2019 is TL 763.926 TL (31 December 2018: TL 881.962) value of intangible assets is TL 250.460 TL (31 December 2018: TL 257.204 TL)

**8. Provisions, contingent assets and liabilities**

**Short term provisions**

As at 30 June 2019 and 31 December 2018, the details of other short term provisions are as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
Other provisions	240.927	61.598
<b>Total</b>	<b>240.927</b>	<b>61.598</b>

The Group does not have any contingent assets or liabilities as of 30 June 2019 (31 December 2018: None)

**9. Commitments**

As at 30 June 2019 and 31 December 2018, the details of the letters of guarantee and promissory notes are as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
SPK	1.776	1.776
<b>Total</b>	<b>1.776</b>	<b>1.776</b>

**10. Short Term Borrowings**

As at June 30, 2019 and December 31, 2018, the Group has no short-term debt.

**11. Employee benefits**

As at 30 June 2019 and 31 March 2018, the details of the short-term employee benefits are as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
<b>Employee benefits provisions</b>		
<i>Provision for unused vacation</i>	1.476.604	1.149.798
<i>Bonus provisions</i>	--	2.012.653
<b>Total short term provisions</b>	<b>1.476.604</b>	<b>3.162.451</b>

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**11. Employee benefits(continued)**

Movement of provision for unused vacation is as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
Opening balance (January 1 <sup>st</sup> )	1.149.798	1.002.609
Charge for the period	--	(74.465)
Allocated provisions during the period	326.806	221.654
<b>Total</b>	<b>1.476.604</b>	<b>1.149.798</b>

As at 30 June 2019 and 31 March 2018, the details of the long-term employee benefits are as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
<b>Provisions related to employee benefits</b>		
<i>Employee severance pay liability</i>	2.358.192	2.179.085
<b>Total long term provisions</b>	<b>2.358.192</b>	<b>2.179.085</b>

Movements of provision for employee severance pay are as follows:

<b>Opening balance( January 1<sup>st</sup>)</b>	<b>2.179.085</b>	<b>974.917</b>
Payment during the period	(231.616)	(274.949)
Cost of Service	158.777	94.704
Cost of Interest	143.162	92.402
Actuarial gain/loss (*)	--	1.292.011
Cost of layoff	108.784	--
<b>Total</b>	<b>2.358.192</b>	<b>2.179.085</b>

Under the Turkish Labour Law, the Group is required to pay employment termination benefits to each entitled employee to receive such benefits. The applicable retirement pay provision ceiling as at 30 June 2019, maximum TL 6.017,60 (31 December 2018: TL 5.434,42), calculated based on total gross wages and other rights 30 day trial. The principal assumption is that the maximum liability for each year of service will increase parallel with inflation and the retirement pay provision ceiling is revised semi-annually.

**12. Equity**

**Share capital**

As at 30 June 2019 and 31 December 2018, the capital structure is as follows:

	<b>30 June 2019</b>		<b>31 December 2018</b>	
	Amount	Share (%)	Amount	Share (%)
ICBC Turkey Bank A.Ş.	75.998.480	99.998	75.998.480	99.998
Other	1520	0.002	1520	0.002
<b>Total paid in capital</b>	<b>76.000.000</b>	<b>100</b>	<b>76.000.000</b>	<b>100</b>
Capital inflation adjustment differences	31.279		31.279	
<b>Total</b>	<b>76.031.279</b>		<b>76.031.279</b>	

**12. Equity (continued)**

**Share capital (continued)**

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As at 30 June 2019, the share capital consists of 7.600.000 shares having a nominal value of TRY 0.01 each (31 December 2018: 7.600.000 shares having a nominal value of TRY 0.01). The Company has no preferred shares as at 30 June 2018 (31 December 2018: None).

#### **Capital inflation adjustment difference**

The capital increases made by shareholders are adjusted with the inflation effect up to 31 December 2004 in accordance with the Communiqué XI-29 and as a result inflation adjustment amounting to TL 31.279 (31 December 2018: TL 31.279) is accounted.

#### **Fair value reserves**

##### **Change in fair value of financial assets**

As at 30 June 2019, the difference between fair value and the value calculated according to internal rate of return method of financial assets available for sale net off tax amount to TL 143.162 TL is recognised in other comprehensive income as change in fair value of financial assets (31 December 2018: TL 143.503).

#### **Restricted reserves**

At the Ordinary General Assembly Meeting of the Company held on 29 March 2019, the Company decided to transfer TL 1.001.461 of profit to first legal reserves account; the remaining balance amounting to TL 19.027.766 amount was decided to be transferred to extraordinary reserves.

### **13. Tax assets and liabilities**

As per Article 32 of Law No. 5520 on Corporate Income Tax, which was published in the Official Gazette dated June 21, 2006 and numbered 26205, corporation earnings are subject to corporate tax rate of 20%.

The effective tax rate applied in 2019 is 22% (2018: 22%). According to the regulation numbered 7061, which is published in the Official Gazette on December 5, 2017, with the amendment made with "Some Tax Laws and Other Certain Other Laws" law; the corporate tax rate is set to be %22 for the years 2018, 2019 ve 2020. In addition, the Council of Ministers was authorized to reduce the rate of 22% to 20%.

Corporate tax in Turkey is calculated every three-month period and are accrued. The provisional tax rate to be calculated over the corporate earnings in the course of the taxation of corporate earnings in 2019 for the temporary tax periods is 20% (2018: 20%). With the amendment made in the law, this ratio was set at 22% for the years 2018, 2019 and 2020. The losses can be carried forward for a maximum of 5 years to be deducted from the taxable profit to be generated in the following years. However, losses can not be deducted retrospectively from profits from previous years.

A corporation or a permanent representative generating revenue in Turkey are subject to %15 withholding tax on dividends paid to on-resident institutions.

Transfer pricing is discussed under the title of "disguised profit distribution" through transfer pricing of Article 13 of the Corporate Tax Law. The details of the implementation in the "General Notification on Disguised Profit Distribution Through Transfer Pricing" published on November 18, 2007, have been identified.

If the taxpayers are involved in the purchase, sale or purchase of goods, services or goods that are not carried out within the scope of the precedent of comparability with the parties concerned, then the relevant profits will be considered to be implicitly distributed through transfer pricing. Disguised profit distributions done with this type of transfer pricing will not be deductible from the tax base in terms of corporation tax.

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**13. Tax assets and liabilities (Continued)**

Companies report 20% advance tax on their quarterly financial profits and pay till the 10th day of the second month following that period and pay the 25th day until the evening. The temporary tax paid during the year belongs to that accounting period is deducted from the corporation tax that will be calculated over the tax declaration of the institutions to be given in the following year. If there is prepaid tax amount remaining in spite of the indictment, this amount can be refunded to the company or any other financial debt to the state can be deducted.

There is no procedure for a final agreement with the competent authorities about the tax in Turkey. Corporate tax declarations are delivered to the tax offices until the evening of the fifteenth day of the fourth month following the year in which they are concerned. However, the tax authorities may retroactively review the five-year accounting records and / or change their opinion on taxation.

According to Turkish tax legislation, financial losses shown on the tax return may be deducted from the period corporate income for not exceeding 5 years.

**Current tax liability**

The breakdown of income tax payable reflected in balance sheet as at 30 June 2019 and 31 June 2018 are as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
Corporate tax provision	7.010.939	6.324.471
Prepaid taxes and funds	(3.956.900)	(6.324.471)
<b>Net</b>	<b>3.054.039</b>	<b>--</b>

**Deferred tax assets and liabilities**

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit and its accounted for using the balance sheet liability method. Deferred tax liabilities or assets considered the tax rates prevailing at the reporting date is reflected in the accompanying financial statements.

If the changes in fair value of financial assets are recognised in profit or loss; current year corporate tax, deferred tax income/expense which are related to this change is also recognised in profit or loss. If the changes in fair value of financial assets are directly recognised in equity; tax effects which are related to this change is recognised in equity.



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**13. Tax assets and liabilities (Continued)**

**Deferred tax assets and liabilities( Continued)**

The Company’s deferred tax assets and liabilities as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019		31 December 2018	
	Accumulated current differences	Deferred tax Assets/liabilities	Accumulated current differences	Deferred tax assets/liabilities
Provisions related to employee benefits	3.834.796	841.532	5.341.536	1.131.556
<i>Termination Benefit</i>	2.358.192	516.679	2.179.085	435.816
<i>Vacation</i>	1.476.604	324.853	1.149.798	252.956
<i>Bonus</i>	--	--	2.012.653	442.784
Provisions related to other liabilities and expenses	122.573	26.966	61.598	12.543
Expected credit loss provision (-)	6.146.330	1.352.193	983.675	216.408
Other	8.331	1.832	--	--
<b>Deferred tax assets</b>	<b>10.112.030</b>	<b>2.222.523</b>	<b>6.386.809</b>	<b>1.360.507</b>
Tangible and intangible assets	(270.530)	(59.585)	(135.896)	(27.179)
Financial investments	(341)	(75)	--	--
Other				
<b>Deferred tax liabilities</b>	<b>(270.871)</b>	<b>(59.660)</b>	<b>(135.896)</b>	<b>(27.179)</b>
<b>Deferred tax net</b>	<b>9.841.160</b>	<b>2.162.863</b>	<b>6.250.913</b>	<b>1.333.328</b>

**14. Related party transactions**

In these financial statements, the shareholders of the Group and ICBC Group companies and all its subsidiaries having indirect shareholding relation with the Group are referred to as “related parties”.

	30 June 2019	31 December 2018
<b>Receivables from related parties</b>		
<b>Cash and cash equivalents</b>		
-ICBC Turkey Bank A.Ş. –Shareholder( Note 3)	157.353.803	180.982.631
<b>Investment Funds</b>		
- ICBC Turkey Portföy Yönetimi Birinci Yatırım Fonu	29.833.726	12.832.810
<b>Trade Receivables</b>		
-Fund Management Commissions	--	82.579
<b>Total</b>	<b>187.187.529</b>	<b>193.815.441</b>

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**14. Related party transactions (continued)**

<b>Related Party Balances</b>	<b>1 January – 30 June 2019</b>	<b>1 April – 30 June 2019</b>	<b>1 January- 31 December 2018</b>	<b>1 April – 30 June 2018</b>
- ICBC Turkey Portföy Yönetimi AŞ (A and B type floating fund. A type stock fund and B type liquid fund) fund management fees	48.878	(305.930)	398.804	24.982
Interest income				
-ICBC Turkey Bank AŞ	434.182	203.703	1.854.671	440.424
Rent expense				
-ICBC Turkey Bank AŞ	1.146.721	592.417	2.095.265	569.954
Building participation expense				
- ICBC Turkey Bank AŞ	435.381	242.133	692.657	143.188
Letters of guarantee received from related parties as at 30 June 2019 amounting to TL 1.776 (31 December 2018: TL 1.776).				

**15. Profit or loss**

**Sales and cost of sales**

As at 30 June 2019 and 30 June 2018 the details of the sales revenue and costs of the Company for the interim periods are as follows:

	<b>1 January- 30 June 2019</b>	<b>1 January- 30 June 2018</b>
<b>Sales</b>		
Investment fund	88.069.137	69.191.407
Stock sales	7.154.473	817.095
Treasury bond / government bond sales	--	2.953.228
<b>Total</b>	<b>95.223.610</b>	<b>72.961.730</b>
<b>Cost of sales</b>		
Investment fund	(87.226.345)	(68.769.781)
Stock purchases	(6.405.097)	(822.638)
Treasury / government bond purchases	--	(2.953.224)
<b>Total</b>	<b>(93.631.442)</b>	<b>(72.545.643)</b>

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**15. Profit or loss (continued)**

**Service revenue**

As at 30 June 2019 and 30 June 2018 service income for the interim periods are as follows:

	<b>1 January- 30 June 2019</b>	<b>1 January- 30 June 2018</b>
<b>Service revenue</b>		
Project financing revenues/ Corporate Finance Revenues	17.745.672	16.872.116
Futures brokerage income (*)	7.623.205	902.024
Stock brokerage commissions	3.317.300	4.247.275
Stock exchange money market commission	284.486	57.327
Mutual funds commission income	256.310	45.135
Capital increase brokerage commission income	235.437	430.716
Lending commission	148.190	61.979
Dividend commissions	71.564	3.311
Treasury bond and bond market commission income	8.158	70.888
Other	921.917	2.679.934
<b>Total</b>	<b>30.612.239</b>	<b>25.370.705</b>

(\*)TL 7.131.464 of the amount consists of over-the-counter derivative transaction income.

**16. General and administrative expenses**

As at 30 June 2019 and 30 June 2018 general administrative expenses for the periods are as follows:

	<b>30 June 2019</b>	<b>30 June 2018</b>
Personnel expenses	10.268.780	9.500.994
Rent expenses	1.122.620	946.657
Communication expenses	1.084.001	952.962
Membership expenses	800.627	951.809
Consultancy and consulting expenses	781.282	428.922
Tax, duties and fees expenses	666.334	287.298
Building participation costs	435.381	317.863
Computer usage expenses	367.103	307.262
Depreciation and amortization expenses	209.197	255.451
Representation expenses	88.846	178.983
Non Deductable expense	43.058	50.954
Maintenance and repair costs	35.514	114.850
Travel expenses	14.134	216.655
Small inventory expenses	4.294	54.093
Other	122.302	159.228
<b>Total</b>	<b>16.043.473</b>	<b>14.723.981</b>

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**17. Nature and level of risks related to financial instruments**

**Capital management**

The Company's objectives during managing capital is to maintain an optimal capital structure in order to maintain Company's operations that yields gain to its partners and benefits for other shareholders.

The Company follows its capital adequacy in accordance with the Communiqué Serial: V, No: 34 of the minimum core capital requirement of capital adequacy bases.

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

**Credit risk**

Financial instruments contain an element of risk that the counterparties may be unable to meet the terms of the agreements. This risk is monitored in reference to credit ratings and managed by limiting the aggregate risk to any individual counterparty. Exposure to credit risk is also managed by obtaining collaterals in the form of listed equity securities.

	Receivables				Bank deposits	Financial Investments
	Trade receivables		Other receivables			
30 June 2019	Related parties	Third parties	Related parties	Third parties		
<b>Maximum credit risk exposure as at reporting date</b>	--	49.544.384	--	23.774	985.461.782	1.943.380
The part of maximum risk under guarantee with collateral etc.	--	--	--	--	--	--
Net book value of financial assets that are neither past due nor impaired	--	49.544.384	--	23.774	985.461.782	1.943.380
Elements containing risk of off-balance-sheet credit	--	--	--	--	--	--

	Receivables				Bank deposits	Financial Investments
	Trade receivables		Other receivables			
31 December 2018	Related parties	Third parties	Related parties	Third parties		
<b>Maximum credit risk exposure as at reporting date</b>	82.579	56.177.504	--	1.488	512.735.578	3.495.284
The part of maximum risk under guarantee with collateral etc.	--	--	--	--	--	--
Net book value of financial assets that are neither past due nor impaired	82.579	56.177.504	--	1.488	512.735.578	3.495.284
Elements containing risk of off-balance-sheet credit	--	--	--	--	--	--

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**Nature and level of risks related to financial instruments (continued)**

**Foreign currency risk**

The Group is exposed to foreign exchange risk through changes in foreign currency exchange rates and the exchange rates at the date of transaction and the exchange rates at the reporting date, while translating foreign currency denominated assets and liabilities into Turkish lira.

As at 30 June 2019 and 31 December 2018 the Group's the foreign currency rates used in converting foreign currency denominated transactions into TL are given in TL as follows:

	USD	Euro	GBP	Chinese Yuan	HKD
<b>30 June 2019</b>	5.7551	6.5507	7.2855	0.83330	0.73767
<b>31 December 2018</b>	5.2810	6.0422	6.7135	0.76345	0.67487
<b>30 June 2018</b>	4.5607	5.3092	5.9810	0.68503	0.58179

The following table as at 30 June 2019 and 31 December 2018, showing the TL denominated foreign currency assets and carrying amounts of debt held by the Group are summarized the exposure to foreign currency position.

**Sensitivity to foreign currency**

The table below shows the sensitivity of the Company 10% change in exchange rate. The amounts below represent the effect on profit or loss statement in the case of a 10% increase/decrease in against TL.

	Profit / (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>30 June 2019</b>				
<b>10% change of US Dollar against TL</b>				
1- US Dollar net asset/liability	5.169.538	(5.169.538)	5.169.538	(5.169.538)
2- Hedged portion of USD amounts (-)				
<b>3- US Dollar net effect (1+2)</b>	<b>5.169.538</b>	<b>(5.169.538)</b>	<b>5.169.538</b>	<b>(5.169.538)</b>
<b>10% change of EURO against TL</b>				
4- EURO net asset/liability	75.189.355	(75.189.355)	75.189.355	(75.189.355)
5- Hedged portion of EUR amounts (-)				
<b>6- EURO net effect (4+5)</b>	<b>75.189.355</b>	<b>(75.189.355)</b>	<b>75.189.355</b>	<b>(75.189.355)</b>
<b>10% change of GBP against TL</b>				
7- GBP net asset/liability	57	(57)	57	(57)
8- Hedged portion of GBP amounts (-)	--	--	--	--
<b>9- GBP net effect (7+8)</b>	<b>57</b>	<b>(57)</b>	<b>57</b>	<b>(57)</b>
<b>10% change of HKD against TL</b>				
10- HKD net asset/liability	5.451	(5.451)	5.451	(5.451)
11- Hedged portion of CNY amounts (-)	--	--	--	--
<b>12 - HKD net effect (10+11)</b>	<b>5.451</b>	<b>(5.451)</b>	<b>5.451</b>	<b>(5.451)</b>
<b>TOTAL (3+6+9+12)</b>	<b>80.364.401</b>	<b>(80.364.401)</b>	<b>80.364.401</b>	<b>(80.364.401)</b>

\*) Includes profit/loss effect

**17. Nature and level of risks related to financial instruments (continued)**  
**Sensitivity to foreign currency (continued)**

31 December 2018	Profit / (Loss)	Equity
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	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>10% change of US Dollar against TL</b>				
1- US Dollar net asset/liability	2.933.774	(2.933.774)	2.933.774	(2.933.774)
2- Hedged portion of USD amounts (-)	--	--	--	--
<b>3- US Dollar net effect (1+2)</b>	<b>2.933.774</b>	<b>(2.933.774)</b>	<b>2.933.774</b>	<b>(2.933.774)</b>
<b>10% change of EURO against TL</b>				
4- EURO net asset/liability	47.037.285	(47.037.285)	47.037.285	(47.037.285)
5- Hedged portion of EUR amounts (-)	--	--	--	--
<b>6- EURO net effect (4+5)</b>	<b>47.037.285</b>	<b>(47.037.285)</b>	<b>47.037.285</b>	<b>(47.037.285)</b>
<b>10% change of GBP against TL</b>				
7- GBP net asset/liability	2.958	(2.958)	2.958	(2.958)
8- Hedged portion of GBP amounts (-)	--	--	--	--
<b>9- GBP net effect (7+8)</b>	<b>2.958</b>	<b>(2.958)</b>	<b>2.958</b>	<b>(2.958)</b>
<b>10% change of HKD against TL</b>				
10- HKD net asset/liability	--	--	--	--
11- Hedged portion of HKD amounts (-)	--	--	--	--
<b>12 - HKD net effect (10+11)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>TOTAL (3+6+9+12)</b>	<b>49.974.017</b>	<b>(49.974.017)</b>	<b>49.974.017</b>	<b>(49.974.017)</b>

(\*) Includes profit/loss effect.

**Fair value of financial instruments**

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

First level: Registered (unadjusted) prices of identical assets or liabilities in active markets.

Second Level: Data which can be observed by directly (through prices) or indirectly (derived from prices) and which excludes the registered prices described in first level

Third level: Data that is not based on observable market data related to assets and liabilities (non-observable data).

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**17. Nature and level of risks related to financial instruments (continued)**

Fair value classification of assets and liabilities which are measured over their fair values is as follows:

<b>Financial assets</b>	<b>30 June 2019</b>	<b>Fair value level as at reporting date</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets at fair value through profit or loss	29.849.183	29.849.183	--	--
Borrowing instruments measured by reflecting fair value difference to other comprehensive income	1.943.380	1.943.380	--	--
<b>Total</b>	<b>31.792.563</b>	<b>31.792.563</b>	<b>--</b>	<b>--</b>

<b>Financial assets</b>	<b>31 December 2018</b>	<b>Fair value level as at reporting date</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets at fair value through profit or loss	12.847.781	12.847.781	--	--
Borrowing instruments measured by reflecting fair value difference to other comprehensive income	3.495.284	3.495.284	--	--
<b>Total</b>	<b>16.343.065</b>	<b>16.343.065</b>	<b>--</b>	<b>--</b>

**18. Subsequent Events**

None.