ICBC Turkey Yatırım Menkul Değerler
Anonim Şirketi and its Subsidiary

Consolidated Financial Statements
As at and for the Year Ended 31 December 2017
With Independent Auditors’ Report Thereon

ICBC Turkey Yatırım Menkul Değerler Anonim Şirketi

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ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

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

	Notes	Audited Current Period 31 December 2017	Audited Prior Period 31 December 2016
ASSETS			
Current Assets			
Cash and cash equivalents	3	414.696.596	152.964.492
Financial investments	5	31.549.387	6.143.652
Trade receivables	4	67.840.360	34.418.377
- Due from related parties	19	80.584	33.517
- Other trade receivables		67.759.776	34.384.860
Other Receivables	6	91.982	1.461
- Due from related parties		-	-
- Other receivables	6	91.982	1.461
Prepaid expenses	6	8.810	-
Current tax assets	6	35.242	27.799
Total current assets		**514.222.377**	**193.555.781**
Non-current assets			
Financial investments	5	159.711	159.711
Other receivables	6	1.193.760	313.285
-Due from related parties		-	-
-Other receivables		1.193.760	313.285
Tangible assets	7	1.140.590	375.770
Intangible assets	8	286.306	69.150
Deferred tax assets	18	545.941	344.141
Total non-current assets		**3.326.308**	**1.262.057**
Total assets		**517.548.685**	**194.817.838**

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

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

	Notes	Audited Current Period 31 December 2017	Audited Prior Period 31 December 2016
Liabilities			
Short term liabilities			
Trade payables	4	416.579.456	153.563.745
-Due to related parties		-	-
-Other trade payables		416.579.456	153.563.745
Payables for employee benefits	6	513.549	351.329
Short term provisions		1.893.852	1.873.039
-Employee benefits	11	1.863.553	1.837.450
-Other short term provisions	9	30.299	35.589
Tax and duties payable	6	1.296.170	579.630
Current period tax liability	18	1.720.528	187.882
Total current liabilities		**422.003.555**	**156.555.625**
Long term liabilities			
Long term provisions	11	974.917	754.060
-Employee benefits		974.917	754.060
Deferred tax liabilities		-	-
Total non-current liabilities		**974.917**	**754.060**
Equity			
Paid in capital	12	76.000.000	25.000.000
Adjustments to share capital	12	31.279	31.279
Change in fair value of financial assets	12	(27.320)	497
Other comprehensive income that will never be reclassified to profit or loss			
-Actuarial loss related to pension plans		*(160.381)*	*(451.754)*
Restricted reserves	12	1.302.183	1.033.339
Prior period's profit/loss	12	625.948	6.888.206
Net profit for the period		16.798.504	5.006.586
Total equity		**94.570.213**	**37.508.153**
Total liabilities and equity		**517.548.685**	**194.817.838**

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

	Notes	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
Statement of profit or loss			
Sales	13	146.003.127	384.852.157
Service income	13	30.052.783	12.211.215
Cost of sales (-)	13	(145.526.798)	(384.383.156)
Gross profit/loss from operations		**30.529.112**	**12.680.216**
Interest income from operations	13	15.624.179	12.434.051
Gross profit		**46.153.291**	**25.114.267**
General administrative expenses (-)	14	(24.453.587)	(18.863.991)
Other operating income	15	54.685	42.162
Other operating expenses (-)	15	(1.514.738)	(39.885)
Operating profit		**20.239.651**	**6.252.553**
Financial income	16	1.602.403	335.430
Financial expenses (-)	17	(820.177)	(276.479)
Profit before taxation from continuing operations		**21.021.877**	**6.311.504**
Tax income / (expense) from continuing operations		**(4.223.373)**	**(1.304.918)**
Current tax income / (expense)	18	(4.557.887)	(1.371.833)
Deferred tax income / (expense)	18	334.514	66.915
Profit / (loss) from continuing operations		**16.798.504**	**5.006.586**
Profit / (loss) from discontinued operations		**-**	**-**
Profit for the period		**16.798.504**	**5.006.586**
Statement of other comprehensive income			
Change in remeasurements of defined benefit liability		(167.587)	(434.582)
Changes in fair value reserves		(34.771)	(399)
Tax income / (loss) about other comprehensive income		40.471	86.996
Other comprehensive income/(loss) after tax		**(161.887)**	**(347.985)**
Total comprehensive income / (expense)		**16.636.617**	**4.658.601**

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

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Paid in capital	Adjustment to share capital	Fair value reserves	Actuarial gains and losses related to pension plans	Restricted reserves	Prior period's profit/loss	Net profit for the period	Equity
1 January 2016	**25.000.000**	**31.279**	**816**	**(104.088)**	**861.060**	**3.169.255**	**3.891.230**	**32.849.552**
Total comprehensive income								
Profit for the period	-	-	-	-	-	-	5.006.586	5.006.586
Actuarial gain/loss	-	-	-	(347.666)	-	-	-	(347.666)
Changes in fair value of financial assets available for sale	-	-	(319)	-	-	-	-	(319)
Total Comprehensive Income	**25.000.000**	**31.279**	**497**	**(451.754)**	**861.060**	**3.169.255**	**8.897.816**	**37.508.153**
Transfers to retained earnings	-	-	-	-	-	3.718.951	(3.718.951)	-
Transfers to reserves	-	-	-	-	172.279	-	(172.279)	-
Balance at 31 December 2016	**25.000.000**	**31.279**	**497**	**(451.754)**	**1.033.339**	**6.888.206**	**5.006.586**	**37.508.153**
1 January 2017	**25.000.000**	**31.279**	**497**	**(451.754)**	**1.033.339**	**6.888.206**	**5.006.586**	**37.508.153**
Total comprehensive income								
Profit for the period	-	-	-	-	-	-	16.798.504	**16.798.504**
Actuarial gain/loss	-	-	-	291.373	-	-	-	**291.373**
Changes in fair value of financial assets available for sale	-	-	(27.817)	-	-	-	-	**(27.817)**
Total Comprehensive Income	**25.000.000**	**31.279**	**(27.320)**	**(160.381)**	**1.033.339**	**6.888.206**	**21.805.090**	**54.570.213**
Transfers to retained earnings	-	-	-	-	-	4.737.742	(4.737.742)	-
Trasnfers to reserves	-	-	-	-	268.844	-	(268.844)	-
Capital increase	51.000.000	-	-	-	-	(11.000.000)	-	**40.000.000**
Balance at 31 December 2017	**76.000.000**	**31.279**	**(27.320)**	**(160.381)**	**1.302.183**	**625.948**	**16.798.504**	**94.570.213**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Notes	1 January-31 December 2017	1 January-31 December 2016
A. Cash flow from operating activities		**(24.138.463)**	**(47.332.818)**
Net profit for the period		**16.798.504**	**5.006.586**
Adjustments for:		**5.620.554**	**2.074.931**
Adjustment for depreciation	7	624.180	121.019
Adjustment for amortization	8	58.135	1.246
Adjustment for vacation pay liability		26.103	356.293
Adjustment for employee termination benefit		343.880	97.801
Adjustment for financial income (excluding exchange difference income)		(475.294)	(82.825)
Adjustment for financial expense		820.177	276.479
Deferred tax expense / (income)		(334.514)	(66.915)
Current tax expense	18	4.557.887	1.371.833
Change in working capital		**(43.073.647)**	**(53.118.963)**
Financial investments (the financial assets at fair value through profit or loss)		(24.938.324)	(4.319.791)
Changes in receivables from related parties		(47.067)	(33.517)
Changes in trade receivables		(33.374.916)	(78.009.882)
Changes in other trade receivables		-	2.556.201
Changes in client assets		(247.534.858)	-
Changes in other receivables		(854.534)	258.146
Changes in trade payables		263.015.711	25.440.690
Changes in other liabilities and provisions		834.957	1.252.424
Employee termination benefits payments	11	(123.024)	(263.234)
Employee permission benefits payments	11	(51.592)	-
Cash flows from operating activities		**(3.483.874)**	**(1.295.372)**
Interests and commissions paid		(654.218)	(136.833)
Dividend income and interests received		7.883	25.412
Taxes paid	18	(2.837.539)	(1.183.951)
B. Cash flows from investing activities		**38.335.709**	**(385.877)**
Acquisition of tangible and intangible assets	7,8	(1.664.291)	(385.877)
Capital increase		40.000.000	-
C. Cash flows from financing activities		-	-
Repayments of financial liabilities		**-**	**-**
Net cash flows before effect of change in Exchange rates on cash and cash equivalents (A+B+C)		**14.197.246**	**(47.718.695)**
D. Effects of changes in exchange rates on cash and cash equivalents		**-**	**(202.691)**
Net increase/decrease in cash and cash equivalents (A+B+C+D)		**14.197.246**	**(47.921.386)**
E. Cash and cash equivalents at the beginning of the period		**10.383.163**	**58.304.549**
Cash and cash equivalents at the end of the period (A+B+C+D+E)		**24.580.409**	**10.383.163**

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 ("CMB"):

- Brokerage transaction activity
- Portfolio brokerage activity
- Individual portfolio management
- Investment advisory activity
- Mediation by the IPO brokerage underwriting
- Limited Custodian service.

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 92 employees as at 31 December 2017 (31 December 2016: 84).

Approval of financial statements

The consolidated financial statements as at 31 December 2017 have been approved by the Board of Directors of the Company and authorized for issue as at 28 February 2018. General Assembly and / or legal authorities has the discretion of making changes in the accompanying consolidated financial statements after their issuance

Information on subsidiary

Subsidiary of the Company, ICBC Turkey Portföy Yönetimi Anonim Şirketi (Formerly named as "Tekstil Portföy Yönetimi Anonim Şirketi"), was established on 21 April 2015. The Company and its subsidiary have been consolidated. The Company and its subsidiary are named as "the Group" as a whole.

2. Basis of presentation of financial statements

2.1. Basis of presentation

2.1.1. Accounting standards applied

The accompanying financial statements are prepared in accordance with the Communiqué numbered II-14.1, "Basis for Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. Companies which report according to CMB regulations, apply Turkish Accounting Standards ("TAS") / Turkish Financial Reporting Standards ("TFRS") and related promulgations issued by Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA"). The accompanying financial statements are presented in the Company's functional and presentation currency, which is Turkish Lira ("TL"), in full unless otherwise stated.

2.1.2. The preparation of financial statements

The accompanying financial statements have been prepared in accordance with the announcement of "Principle of Financial Reporting" on 13 June 2013.

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 recognised 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 Company prepared its financial statements according to going concern assumption.

2.1.5. Presentation currency

Financial statements of the Company 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 of the Company and the presentation currency of the Company.

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/TFRS is made either retrospectively or prospectively in accordance with the transition requirements of TAS/TFRS. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period financial statements.

2.3. Changes in accounting estimates

Changes in accounting estimates are for only one period, the period when the change is made, are for the future, so as to cover future periods, prospectively. There were no changes in accounting estimates in the current period. There were no significant changes in management's estimation and assumption used for applying accounting policies which is taken as a basis to prepare financial statements.

2. Basis of presentation of financial statements (continued)

2.4. The new standards, amendments that are implemented and not yet adopted as at 31 December 2017

The new standards, amendments and interpretations that are issued but not yet effective and not early adopted

New standards, interpretations and changes published but not inured as at consolidated financial statements date and applied by The Group are as below. The Group will make the necessary changes that will affect the consolidated financial statements and disclosures, after the entry into force of the new standards and interpretations unless otherwise stated.

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. Phase 1 of TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. 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. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TFRS 15 Revenue from Contracts with Customers

As issued in September 2016, the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under TFRS. The Group is in the process of assessing the impact of the amendment on consolidated financial position or performance of the Group.

2. Basis of presentation of financial statements (continued)

2.4. The new standards, amendments that are implemented and not yet adopted as at 31 December 2017 (continued)

The new standards, amendments and interpretations that are issued by IASB but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 9 Financial Instruments – Hedge Accounting and Amendments to TFRS 9, TFRS 7 and TAS 39- (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Group is in the process of assessing the impact of the standard on consolidated financial position or performance of the Group. After balance sheet date, on 19 January 2017, the "Turkish Financial Reporting Standard for Financial Instruments (TFRS 9) (Sequence no: 55) has been published.

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on consolidated financial position or performance of the Group.

IFRS 16 Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Group is in the process of assessing the impact of the amendment on consolidated financial position or performance of the Group.

2. Basis of presentation of financial statements (continued)

2.4. The new standards, amendments that are implemented and not yet adopted as at 31 December 2017 (continued)

The new standards, amendments and interpretations that are issued by IASB but not issued by POA (continued)

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The amendments clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is in the process of assessing the impact of the amendment on consolidated financial position or performance of the Group.

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Group is in the process of assessing the impact of the amendment on consolidated financial position or performance of the Group.

Amendments to IAS 12 Income Taxes– Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Group is in the process of assessing the impact of the amendment on consolidated financial position or performance of the Group.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are recognised in as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

2. Basis of presentation of financial statements (continued)

2.4. The new standards, amendments that are implemented and not yet adopted as at 31 December 2017 (continued)

The new standards, amendments and interpretations that are issued by IASB but not issued by POA (continued)

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is in the process of assessing the impact of the amendment on consolidated financial position or performance of the Group.

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as at 1 January 2018. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1 "First Time Adoption of International Financial Reporting Standards"

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters related to disclosures for financial instruments, employee benefits and consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities"

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

IAS 28 "Investments in Associates and Joint Ventures"

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9

2.5 Comparative Information

The accompanying financial statements are presented comparatively to determine the tendency in the financial position, performance and cash flows of the Group. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes with respective disclosures for the major differences.

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

2.6. Summary of Significant Accounting Policies

The Group's accounting policies used in the preparation of these consolidated financial statements as at 31 December 2016 except new standards beginnings from 1 January 2016 and the adoption of amendments are consistent with the accounting policies which was used for the year ended 31 December 2016 annual consolidated financial statements.

The significant accounting policies followed in the preparation of the financial statements are summarized below.

Fee, Commission and Interest Income / Expenses

Fees and commissions are generally recognised in the profit or loss statement on the date they are collected or paid. However, fund management fee commissions, portfolio management commissions and intermediary commissions are recognised on an accrual basis. Transaction commisions for equity share are accounted for with commission reimbursements.

Interest Income and Expenses

Interest income and expenses are recognised in profit or loss statement on an accrual basis in related periods. Interest income includes incomes providing from coupons of fixed income investment instruments and valuations of discounted government bonds on an internal discount basis.

Tangible Assets

Tangible assets are carried at cost less accumulated depreciation.

Depreciation is calculated on tangible assets using the straight-line method over their estimated useful lives as follows:

	Useful life
Furniture and fixtures	5 years
Vehicles	5 years
Leasehold improvements	5 years

Expenditures for the repair and renewal of property and equipment are recognised as expense. The capital expenditures incurred in order to increase the capacity of the tangible asset or to increase the future benefit of the asset are capitalized on the cost of the tangible asset. Capital expenditures include the cost components that increase the useful life, or the capacity of the asset, increase the quality of the product or decrease the costs.

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

2.6. Summary of Significant Accounting Policies *(continued)*

Tangible Assets *(continued)*

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and impairments are recognised in the profit or loss. Any impairment loss recognised in prior periods is assessed at the end of each reporting period to determine whether there is no indication of impairment, and if so, the recoverable amount of the asset is estimated and the amount of the impairment loss is increased to its recoverable amount, are annulled by being associated with income accounts.Increase in book value due to reversal of impairment loss can not exceed book value that would have been reached in the previous periods if impairment loss was not recognised for that asset.

Profit or loss resulting from disposal of tangible assets is determined by comparing the difference of proceeds from sales and net book value of tangible asset and recognised to the relevant income or loss items

Intangible assets

Intangible assets consist of information systems and software. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated economic lives for a period not exceeding five years from the date of acquisition.

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

Financial instruments

Trading securities

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or a dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit making exists.

In assessing the fair value of the trading securities, the best bid price as at the balance sheet date is used.

All regular purchases and sales of trading securities are recognised at the settlement date, which is the date that the asset is delivered to/from the Group.

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

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

2.6. Summary of Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are initially recognised at cost. Available-for-sale investment debt and equity securities are subsequently measured at fair value, or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the shareholders' equity, unless there is a permanent decline in the fair values of such assets, in which case they are charged to the profit or loss statement. When the securities are disposed of or impaired, the related accumulated fair value adjustments are transferred to the profit or loss statement.

Investment securities are recegnized in the financial statements at the settlement dates.

Available for sale financial instruments whose fair values cannot be determined reliably and that are not operating in organized markets are carried in financial statements with their historic costs deducting impairment loss, if any.

Trade receivables and trade receivables impairment

Loans granted by the Company through direct cash advances are classified as loans granted by the Company and are presented in the balance sheet with their discounted values. All loans granted are reflected in the financial statement after the cash amount is allocated to the debtor.

The Company provides loans to customers for equity share purchases.

An impairment loss is recognised if there is objective evidence that the Company will not be able to collect all its receivables for impairment. The amount of allowance account is the difference between the carrying amount of receivables and collectible amount. Net realizable value is the discounted value of estimated future cash flow, including guarantees and guarantees, to the balance sheet date .

Foreign exchange transactions

Transactions denominated in foreign currencies are recognised in at the exchange rates prevailing at the date of the transactions and monetary assets and liabilities denominated in foreign currencies translated by using year-end exchange rates of the Central Bank of the Republic of Turkey's bid rates. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss statement.

The foreign exchange rates used by the Company as at 31 December 2017 and 31 December 2016 are as follows:

	USD	**EURO**	**GBP**	**CNY**
31 December 2017	3,7719	4,5155	5,0803	0,57622
31 December 2016	3,5192	3,7099	4,3189	0,50375

Events after the reporting period

Events after the reporting period refer to events that in favor or against to company and occur between the end of the reporting period and the balance sheet's date of authorization for the publication. In terms of occurring new evidences about related events or in terms of occurring related events after reporting period and if these events require correction of financial statements, Group adjust consolidated financial statements in accordance with new state.

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

2.6. Summary of Significant Accounting Policies *(continued)*

Provisions, Contingent Liabilities and Assets

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. In the case where no reliable estimate can be made and no probability of an outflow of resources, a liability can be recognised as contingient liability. The Group discloses the related issues in the accompanying notes.

Related parties

For the purpose of these financial statements, the shareholders and the shareholders of ICBC Group companies, key management personnel and Board members, in each case together with the Group controlled by or affiliated with them are considered and referred to as related parties.

Tax Assets and Liabilities:

Corporate Tax

Corporate tax is calculated in accordance the Tax Procedure Law and tax expenses except corporate tax are recognised in operating expenses.

Current tax assets and liabilities are offset when there is a legitimate right to offset or when the related assets and liabilities are associated with income tax collected by the same tax authority.

Deferred tax

Deferred income tax is, using the liability method, provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax calculation requires tax rates that are valid as at the balance sheet date in accordance with the applicable tax legislation.

Significant temporary differences arise mainly from the differences between the tax base and the carrying amount of tangible assets and securities and provision for employee benefits.

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

Employee Benefits

The Group recognises its obligation related to severance pay and vacation rights under the "Turkish Accounting Standard for Employee Benefits" ("TAS 19") and classifies it as "Provision for benefits provided to employees" in the balance sheet.

The Group is obliged to pay a certain amount of lump sum to employees whose employment is terminated due to retirement or resignation and other than the behaviors specified in the Labor Code, according to the existing labor laws in Turkey. Severance payments are calculated based on the present value using certain actuarial assumptions and reflected in the financial statements (Note 11).

On behalf of the employees, the Group has to pay contributions in the amount determined by law to the Social Security Institution (Institution). These contributions are expensed on the date they are accrued.

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

2.6. Summary of Significant Accounting Policies *(continued)*

Statement of Cash Flows

Cash and cash equivalents include cash on hand and bank deposits which their maturities are three months excluding accrued interest.

Share capital and dividends

Ordinary shares are classified as capital. Dividends on ordinary shares are recorded by being deducted from accumulated profit in the period in which they are declared.

Turkish derivatives exchange market ("TDE") transactions

The cash collaterals held in TDE on behalf of customers are classified in the statement of financial position are classified as trade receivables. Gains and losses arising from the transactions in the current period are recognised in other operating income. 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.

2.7. Significant Accounting Judgements, Estimates and Assumptions

The preparation of financial statements requires estimates and assumptions that affect the amounts of reported assets and liabilities or contingent assets and liabilities as at the balance sheet date and the amounts of income and expenses reported in the related period. These estimates and assumptions are based on management's best judgment and information, and actual results may differ from these estimates and assumptions.In addition, significant accounting judgements, estimates and assumptions are disclosed in the related notes.

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

3. Cash and cash equivalents

	31 December 2017	31 December 2016
Time deposit	392.426.297	143.783.126
Demand deposit	12.670.299	4.418.366
Receivables from Money Markets	9.600.000	4.763.000
Cash and cash equivalents on statement of financial position	**414.696.596**	**152.964.492**

	31 December 2017	31 December 2016
Minus: Customer assets (*)	(390.116.187)	(142.581.329)
Minus: Interest accruals	-	-
Cash and cash equivalents on statement of cash flows	**24.580.409**	**10.383.163**

(*) Customer assets which consist of the customer investments not yet evaluated as at 31 December 2017, are recognised 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 31 December 2017 and 31 December 2016, there is no blockage on cash and cash equivalents.

As at 31 December 2017, time deposit interest rates for TL is 9% (31 December 2016: 11,15% for TL). The Group holds the time deposits in overnight accounts.

As at 31 December 2017 and 31 December 2016, the details of bank deposits are as follows:

	31 December 2017	31 December 2016
Time deposit - (ICBC Turkey Bank) (Note 19)	3.343.817	75.214.342
Time deposit account (other banks)	389.082.480	68.568.782
Demand deposit account – (ICBC Turkey Bank) (Note 19)	10.639.100	4.219.195
Demand deposit account (other banks)	2.031.199	199.173
Total	**405.096.596**	**148.201.492**

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

4. Trade receivables and payables

Short term trade receivables:

	31 December 2017	31 December 2016
Receivables from loan customers	50.234.761	26.703.244
Receivables from customers	11.823.889	1.178.378
Receivables from TDE	5.661.500	4.466.918
Doubtful trade receivables	162.484	162.484
Provision for doubtful trade receivables	(162.484)	(162.484)
Receivables from clearing houses abroad	674	4.472
Deposits and guarantees	172	290.000
Other trade receivables	119.364	1.775.365
Total	**67.840.360**	**34.418.377**

As at 31 December 2017 and 31 December 2016, the movements of provision for doubtful trade receivables are as follows:

	31 December 2017	31 December 2016
Beginning of the period	162.484	162.484
Provisions for the year	-	-
Collections	-	-
End of the period	**162.484**	**162.484**

Short term trade payables:

	31 December 2017	31 December 2016
Payables to customers (*)	410.754.920	149.086.901
Other payables	5.824.536	4.476.844
Total	**416.579.456**	**153.563.745**

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

5. Financial Investments

Current assets

	31 December 2017	31 December 2016
Held for trading marketable securities		
Financial assets at fair value through profit or loss	30.534.017	5.114.392
Available for sale financial investments		
Available for sale financial investments	1.015.370	1.029.260
Total	**31.549.387**	**6.143.652**

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

5. Financial Investments *(Continued)*

As at 31 December 2017 and 31 December 2016, the details of financial assets at fair value through profit or loss are as follows:

Trading marketable securities	31 December 2017 Carrying value	31 December 2016 Carrying value
Equity shares – *Traded in stock exchange*	13.269	2.839
ICBC Turkey Portföy Yönetimi Investment Fund	30.520.748	5.111.553
Total	**30.534.017**	**5.114.392**

Available for sale financial investments	31 December 2017	31 December 2016
Government bonds	1.015.370	1.029.260
Total	**1.015.370**	**1.029.260**

As at 31 December 2017 and 31 December 2016, the details of financial assets available for sale government bonds are as follows:

	31 December 2017		31 December 2016	
Financial assets available for sale	**Amount**	**Effective interestrate**	**Amount**	**Effective interest rate**
Government bonds	1.015.370	12,15%-12,73%	1.029.260	8,22%-8,28%
Total	**1.015.370**		**1.029.260**	

Non-current assets – Financial assets available for sale	31 December 2017	31 December 2016
Stock – Istanbul Stock Exchange (ISE) (*)	159.711	159.711
Total	**159.711**	**159.711**

(*) As at 31 December 2017 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 2016: TL 159.711).

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

6. Other receivables and payables

As at 31 December 2017 and 31 December 2016, the details of other receivables and payables are as follows:

Prepaid Expenses

	31 December 2017	31 December 2016
Prepaid expenses	8.810	-
Total	**8.810**	**-**

Current tax assets

	31 December 2017	31 December 2016
Prepaid taxes	35.242	27.799
Total	**35.242**	**27.799**

Other short term other receivables

	31 December 2017	31 December 2016
Short term receivables	91.508	-
Receivables from personnel	474	1.461
Total	**91.982**	**1.461**

Other long term other receivables

As at 31 December 2017 and 31 December 2016, the details of long term other receivables are as follows:

	31 December 2017	31 December 2016
Deposits given	1.193.760	313.285
Total	**1.193.760**	**313.285**

Deposits given consists of guarantees given by the Company to operate in TDE as at 31 December 2017 and 31 December 2016.

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

6. Other receivables and payables *(Continued)*

Taxes and duties payable

	31 December 2017	31 December 2016
Taxes and duties payable	1.296.170	579.630
Total	**1.296.170**	**579.630**

The amount of tax and dues payable mostly consists of the tax deductions (withholdings) for the customer transactions.

Payables for employee benefits

	31 December 2017	31 December 2016
Social security premium payable	513.549	351.329
Total	**513.549**	**351.329**

7. Tangible Assets

Movements of tangible assets for the years ended 31 December 2017 and 31 December 2016 are as follow:

	Machinery and Equipment	Furniture and Fixtures	Other Tangible Assets	Total
Acquisition cost				
Opening balance, 1 January 2016	988.030	128.659	293.651	1.410.340
Additions	362.700	7.148	897	370.745
Closing balance, 31 December 2016	**1.350.730**	**135.807**	**294.548**	**1.781.085**
Opening balance, 1 January 2016	1.350.730	135.807	294.548	1.781.085
Additions	1.365.165	23.835	-	1.389.000
Closing balance, 31 December 2017	**2.715.895**	**159.642**	**294.548**	**3.170.085**
Accumulated depreciation				
Opening balance, 1 January 2016	879.118	117.466	287.712	1.284.296
Charge for the period	116.626	2.878	1.515	121.019
Closing balance, 31 December 2016	**995.744**	**120.344**	**289.227**	**1.405.315**
Opening balance, 1 January 2017	995.744	120.344	289.227	1.405.315
Charge for the period	616.718	5.993	1.469	624.180
Closing balance, 31 December 2017	**1.612.462**	**126.337**	**290.696**	**2.029.495**
Net Book Value				
31 December 2016	354.986	15.463	5.321	375.770
31 December 2017	1.103.433	33.305	3.852	1.140.590

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

8. Intangible Assets

Movements of intangible assets for the periods ended 31 December 2017 and 31 December 2016 are as follow:

	Computer software
Acquisition cost	
Opening balance, 1 January 2016	343.035
Additions	15.132
Closing balance, 31 December 2016	**358.167**
Opening balance, 1 January 2017	358.167
Additions	275.291
Closing balance, 31 December 2017	**633.458**
Accumulated amortization	
Opening balance, 1 January 2016	287.771
Charge for the period	1.246
Closing balance, 31 December 2016	**289.017**
Opening balance, 1 January 2017	289.017
Charge for the period	58.135
Closing balance, 31 December 2017	**347.152**
Net Book Value	
31 December 2016	69.150
31 December 2017	286.306

9. Provisions, contingent assets and liabilities

Short term provisions

Short term provisions for the periods ended 31 December 2017 and 31 December 2016 are as follow:

	31 December 2017	**31 December 2016**
Other provisions	30.299	35.589
Total	**30.299**	**35.589**

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

9. Provisions, contingent assets and liabilities (continued)

Commitments

As at 31 December 2017 and 31 December 2016, the details of the letters of guarantee and promissory notes are as follows:

	31 December 2017	**31 December 2016**
TDE	3.500.000	-
CMB	1.776	1.776
ISE	-	3.950.000
Total	**3.501.776**	**3.951.776**

Guarantee/pledge/mortgage ("GPM") position of the Company as at 31 December 2017 and 2016 are as follows:

Guarantees/Pledges/Mortgages given by the Company	**31 December 2017**	**31 December 2016**
A. GPM given on behalf of its own legal entity	3.501.776	3.951.776
B.GPM given on behalf of consolidated subsidiaries	-	-
C. Total amount of GPM given on behalf of other third parties' debt	-	-
D. Other GPM	-	-
i. Total amount of GPM given on behalf of the Parent	-	-
ii. Total amount of GPM given on behalf of other	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C		
Total	**3.501.776**	**3.951.776**

10. Short-term borrowing

The Group has no short-term borrowing (31 December 2016: None).

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

11. Employee benefits

As at 31 December 2017 and 31 December 2016, the details of the short-term employee benefits are as follows:

	31 December 2017	31 December 2016
Employee benefits		
Provision for unused vacation	*1.002.609*	*883.450*
Bonus provisions (*)	*860.944*	*954.000*
Total short term provisions	**1.863.553**	**1.837.450**

(*)Employee bonus provision for staff was paid in cash on 14 February 2017.

Movement of provision for unused vacation is as follows:

	31 December 2017	31 December 2016
Opening balance (1 January)	883.450	527.157
Paid provisions during the period	(51.592)	-
Allocated provisions during the period	170.751	356.293
Total	**1.002.609**	**883.450**

As at 31 December 2017 and 31 December 2016, the details of the long-term employee benefits are as follows:

	31 December 2017	31 December 2016
Provisions related to employee benefits		
Employee severance pay liability	974.917	754.060
Long term provisions total	**974.917**	**754.060**

Movements of provision for employee severance pay are as follows:

	31 December 2017	31 December 2016
Opening balance	**754.060**	**484.911**
Charge for the period	(123.024)	(263.234)
Service cost	123.732	56.712
Interest cost	52.862	41.089
Actuarial difference	167.587	434.582
Balance at the end of the period	**974.917**	**754.060**

(*)The provision for severance payments in the current period resulting from changes in actuarial assumptions in actuarial losses amounting to TL 167.587 the actuarial losses are recognised in other comprehensive income.(31 December 2016: 434.582 TL).

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 31 December 2017, maximum TL 4.732,48 (31 December 2016: TL 4.297,48), 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.

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

11. Provisions related to employee benefits *(Continued)*

TFRS anticipates development of actuarial valuation methods for estimating the Company's provision for severance pay. Accordingly, actuarial assumptions and legal liabilities which were used in the calculation of total liabilities are shown in the table below.

	31 December 2017	31 December 2016
Discount rate (%)	2,00%	2,00%
Estimated salary / limit increase rate	6,50%	6,50%

12. Equity

Share capital

As at 31 December 2017 and 31 December 2016, the capital structure is as follows:

	31 December 2017		31 December 2016	
	Amount	**Share (%)**	**Amount**	**Share (%)**
ICBC Turkey Bank A.Ş.	75.998.480	99,998	24.999.500	99,998
Ragıp Akın	760	0,001	250	0,001
Nuri Akın	760	0,001	250	0,001
Total paid in capital	**76.000.000**	**100**	**25.000.000**	**100**
Capital inflation adjustment differences	31.279		31.279	
Total	**76.031.279**		**25.031.279**	

As at 31 December 2017, the share capital consists of 76.000.000 shares of having a nominal value of TRY 0.01 each (31 December 2016: 2.500.000.000 shares of having a nominal value of TRY 0.01).

The Company has no preferred shares as at 31 December 2017 (31 December 2016: None).

Adjustment to share capital

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 2016: TL 31.279) is recognised.

Fair value reserves

Change in fair value of financial assets

As at 31 December 2017, 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 amonut to TL (27.320) is recognised in other comprehensive income as change in fair value of financial assets (31 December 2016: TL 497).

Restricted reserves

At the Ordinary General Assembly Meeting of the Company held on 31 March 2017, the Company decided to transfer TL 268.844 of profit to legal reserves account; the remaining balance amounting to TL 5.006.586 amount was decided to be transferred to extraordinary reserves.

Prior period's profit/loss

As at 31 December 2017, prior period's profit is amounting to TL 625.948 (31 December 2016: 6.888.206).

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

13. Statement of profit or loss

Sales and cost of sales

For the periods ended 31 December 2017 and 31 December 2016, sales and cost of sales are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Sales		
Treasury bonds/government bonds	13.775.458	170.522.273
Equity security	36.323.762	151.595.756
Investment funds	95.903.907	62.734.128
Debt securities	-	-
Total	**146.003.127**	**384.852.157**
Cost of sales		
Treasury bonds/government bonds	(13.771.107)	(170.519.299)
Equity security	(36.284.095)	(151.492.043)
Investment funds	(95.471.596)	(62.371.814)
Debt securities	-	-
Total	**(145.526.798)**	**(384.383.156)**

Service income

For the periods ended 31 December 2017 and 31 December 2016,service income are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Service income		
Corporate finance	12.554.129	-
Brokerage commission income on equity securities transactions	8.751.112	5.334.813
Project finance income	4.019.500	2.735.873
Intermediary commission income on futures market	1.981.452	1.513.940
SWAP transactions profit	879.593	-
Lending commission	379.687	-
Intermediary commission from sale of bonds	-	1.229.800
Investment fund management commission income	126.339	368.742
Intermediary commission from capital increase transactions	270.982	213.958
Money market commissions	65.756	143.263
Account management commissions	-	69.883
Public offering intermediary income	-	1.524
Commission income on trading treasury bills and bonds	197.828	472
Other	826.405	598.947
Total	**30.052.783**	**12.211.215**

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

13. Statement of profit or loss (continued)

Interest income from other operations

For the periods ended 31 December 2017 and 2016, operating income are as follow:

	1 January- 31 December 2017	1 January- 31 December 2016
Interest income from banks	7.390.628	7.556.312
Interest income from customers	8.233.551	4.730.047
Other	-	147.692
Total	**15.624.179**	**12.434.051**

14. General administrative expenses

For the periods ended 31 December 2017 and 31 December 2016 , general and administrative expenses are as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Personnel expenses	15.905.176	11.617.971
Membership fees	1.835.990	1.593.281
Taxes and duties	286.396	1.503.899
Rent expenses	1.596.710	1.378.394
Communication expenses	1.519.074	1.282.451
Data screen expenses	498.650	445.359
Advisory and legal consultancy expenses	708.288	436.331
Building contribution expenses	489.323	356.347
Amortisation and depreciation expenses	682.315	122.265
Other expenses	931.665	127.693
Total	**24.453.587**	**18.863.991**

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

15. Other operating income and expense

For the periods ended 31 December 2017 and 2016 other operating income and expenses are as follow:

Other Operating Income	**1 January- 31 December 2017**	**1 January- 31 December 2016**
Account opening fee	741	14
Other	53.944	42.148
Total	**54.685**	**42.162**

Other Operating Expense	**1 January- 31 December 2017**	**1 January- 31 December 2016**
Transaction losses expenses	569.826	-
Other expense from operating activities	232.186	39.885
Previous period expenses	712.726	-
Total	**1.514.738**	**39.885**

16. Financial income

For the periods ended 31 December 2017 and 2016 financial income are as follow:

	1 January- 31 December 2017	**1 January- 31 December 2016**
Foreign exchange gains	1.134.992	252.605
Interest income on marketable securities	322.148	34.424
Dividend income	7.883	25.412
Other	137.380	22.989
Total	**1.602.403**	**335.430**

17. Financial Expenses

For the periods ended 31 December 2017 and 31 December 2016 financial expenses are as follow:

	1 January- 31 December 2017	**1 January- 31 December 2016**
Interest expense	520.809	133.699
Commission expenses on letters of guarantee	74.264	69.416
Commission expenses on SMME.	55.464	51.762
Financial assets commission expenses	3.681	14.374
Other	169.959	7.228
Total	**820.177**	**276.479**

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

18. Tax assets and liabilities

General

The Group is subject to tax legislation and practice in force in Turkey.

The corporate tax rate in Turkey is 20%. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Companies file their tax returns with their tax offices in the fourth month following the accounting closing date of the related year. . Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year.

For the year ended 31 December 2017 and 31 December 2016, details of the tax expenses ares follows:

	31 December 2017	**31 December 2016**
Current tax expense	(4.557.887)	(1.371.833)
Deferred tax income / (expense)	334.514	66.915
Tax expense	**(4.223.373)**	**(1.304.918)**

Current Tax liability

The details of tax liability as at 31 December 2017 and 2016 as follows:

	31 December 2016	**31 December 2015**
Corporate tax payable	4.557.887	1.371.833
Prepaid taxes and funds	(2.837.359)	(1.183.951)
	1.720.528	**187.882**

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

18. Tax assets and liabilities (continued)

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 recognised in 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 recognied 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.

The Company's deferred tax assets and liabilities as at 31 December 2017 and 31 December 2016 are as follows:

		31 December 2017		**31 December 2016**
	Accumulated temporary differences	**Deferred tax assets/ liabilities**	**Accumulated temporary differences**	**Deferred tax assets/ Liabilities**
Provisions related to employee benefits	1.977.527	395.505	1.637.510	327.501
Provisions for other debts and liabilities	883.024	176.605	58.655	11.731
Foundation and organisation costs (Difference between TPL and IFRS)	19.540	3.908	-	-
Deferred tax assets	**2.880.091**	**576.018**	**1.720.709**	**344.141**
Difference between tax base and carrying value of tangible and intangible assets	(124.804)	(24.961)	3.908	782
Financial investments	(25.581)	(5.116)	20.636	4.127
Deferred tax liabilities	**-**	**-**	**-**	**-**
Deferred tax net	**2.729.706**	**545.941**	**1.720.709**	**344.141**

Deferred tax assets and deferred tax liabilities are offset and reported in the statement of financial position of each company subject to consolidation. However, deferred tax assets and liabilities are presented without offsetting in the consolidated financial statements. There is no deferred tax liability of ICBC Portföy Yönetimi AŞ. (31 December 2016: None) .

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

19. Balances and transactions with related parties

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".

	31 December 2017	31 December 2016
Receivables from related parties		
Cash and cash equivalents		
-ICBC Turkey Bank A.Ş. - Main shareholder	13.982.917	79.433.537
Trade receivables		
-Fund management commissions	80.584	33.517
Total	**14.063.501**	**79.467.054**

Commission income of investment funds management	**1 January – 31 December 2017**	**1 January – 31 December 2016**
- ICBC Turkey Portföy Yönetimi AŞ (A and B type floating fund. A type stock fund and B type liquid fund) fund management fees	126.339	285.801
Interest income		
-ICBC Turkey Bank AŞ	6.139.346	7.693.204
Rent expense	1.482.345	1.358.354
-ICBC Turkey Bank AŞ		
Building participation expense	472.437	359.347
- ICBC Turkey Bank AŞ		
Financial expenses		
- ICBC Turkey Bank AŞ	-	60.763

Letters of guarantee received from related parties as at 31 December 2017 amounting to TL 1.776 (31 December 2016: TL 1.776).

For the year ended 31 December 2017, wages and similar benefits provided to the top management including chairman, member of the board of directors, general manager, audit committee members, and assistant general managers amounting to TL 2.309.130 (31 December 2016: TL 1.887.246 TL). Compensation of key management personnel consists of fees and other short term benefits, unused vacation and retirement pay liability provisions.

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

20. Nature and level of risks arising from 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 adequancy 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 program 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						
	Trade receivables		Other receivables				
31 December 2017	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Receivables from reverse repo transactions**	**Cash and cash equivalents**	**Financial investments**
Exposure to maximum credit risk as at reporting date (A+B)	**80.584**	**67.759.776**	**-**	**91.982**	**-**	**414.696.596**	**1.015.370**
- Guaranteed part of maximum credit risk with collaterals etc.	-	-	-	-		-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	80.584	67.759.776	-	91.982	-	414.696.596	1.015.370
B. Off balance sheet items with credit risks	-	-	-	-		-	-

	Receivables						
	Trade receivables		Other receivables				
31 December 2016	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Receivables from reserve repo transactions**	**Cash and cash equivalents**	**Financia investments**
Exposure to maximum credit risk as at reporting date (A+B)	**-**	**34.418.377**	**-**	**1.461**	**-**	**152.964.492**	**1.029.260**
- Guaranteed part of maximum credit risk with collaterals etc.	-	-	-	-		-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	-	34.418.377	-	1.461	-	152.964.492	1.029.260
B. Off balance sheet items with credit risks	-	-	-	-		-	-

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

20. Nature and level of risks arising from financial instruments *(Continued)*

Liquidity risk:

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity. The Company manages the liquidity risk by maintaining sufficient cash and other liquid assets in order to fund the current and prospective debt requirements

The remaining contractual maturities of non-derivative financial liabilities as at 31 December 2017 and 31 December 2016 are as follows:

31 December 2017

Expected maturities	Carrying value	3 months or less	3-12 months	Total contractual cash outflow
Non-derivative financial liabilities				
Trade payables	416.579.456	416.579.456	-	416.579.456
Total financial liabilities	**416.579.456**	**416.579.456**	**-**	**416.579.456**

31 December 2016

Expected maturities	Carrying value	3 months or less	3-12 months	Total contractual cash outflow
Non-derivative financial liabilities				
Trade payables	153.563.745	153.563.745	-	153.563.745
Total financial liabilities	**153.563.745**	**153.563.745**	**-**	**153.563.745**

The company has no derivative financial liabilities as at 31 December 2017 and 2016.

Remaining maturities of assets and liabilities are as follows:

	31 December 2017					
	Less than 1 month	**Less than 3 month**	**3 months - 1 year**	**1-5 years**	**Current**	**Total**
Cash and cash equivalents	392.426.297	-	-	-	22.270.299	414.696.596
Financial investments	1.015.370	-	-	-	30.534.017	31.549.387
Trade receivables	67.840.360	-	-	-	-	67.840.360
Other short-term receivables	91.982	-	-	-	-	91.982
Financial investments	-	-	-	-	159.711	159.711
Other long-term receivables	-	-	-	-	1.193.760	1.193.760
Total assets (*)	**461.374.009**	-	-	-	**54.157.787**	**515.531.796**
Trade payables (net)	416.579.456	-	-	-	-	416.579.456
Other liabilities	3.016.698	-	-	-	-	3.016.698
Total liabilities (**)	**419.596.154**	-	-	-	-	**419.596.154**
Liquidity risk	**41.777.855**	-	-	-	**54.157.787**	**95.935.642**

(*) Tangible assets amounting to TL 1.140.590, intangible assets amounting to TL 286.306, amounting to TL 545.941 and the existence of current period amounting to TL 35.242 were not included in the table.

(**) Long-term provisions amounting to TL 974.917 and short-term provisions amounting to TL 1.893.852 were not included in the table.

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

20. Nature and level of risks arising from financial instruments *(Continued)*

Liquidity risk *(continued)*

	31 December 2016					
	Less than 1 month	**Less than 3 month**	**3 months - 1 year**	**1-5 years**	**Current**	**Total**
Cash and cash equivalents	143.783.126	-	-	-	9.181.366	152.964.492
Financial investments	1.029.260	-	-	-	5.114.392	6.143.652
Trade receivables	34.418.377	-	-	-	-	34.418.377
Other short-term receivables	1.461	-	-	-	-	1.461
Financial investments	-	-	-	-	159.711	159.711
Other long-term receivables	-	-	-	-	313.285	313.285
Total assets (*)	**179.232.224**	-	-	-	**14.768.754**	**194.000.978**
Trade payables (net)	153.563.745	-	-	-	-	153.563.745
Other liabilities	767.512	-	-	-	-	767.512
Total liabilities (**)	**154.331.257**	-	-	-	-	**154.331.257**
Liquidity risk	**24.900.967**	-	-	-	**14.768.754**	**39.669.721**

(*) Tangible assets amounting to TL 375.770 and intangible assets amounting to TL 69.150 were not included in the table.

(**) Short-term provisions amounting to TL 1.873.039 and long-term provisions amounting to TL 754.060 were not included in the table

As at 31 December 2017 and 31 December 2016, the liquidity reqiurement of the Company in accordance with Communiqué 34 is as follows:

	31 December 2017	**31 December 2016**
Current assets (A)	514.222.377	193.555.781
Current Liabilities (B)	422.003.555	156.155.625
Current assets / Current Liabilities (A/B)	**1,22**	**1,24**

20. Nature and level of risks arising from financial instruments *(Continued)*

Foreign currency risk

Group is exposed to foreign currency risk due to changes in foreign exchange rates foreign currency denominated assets and liabilities between the transaction date and the reporting date.

Foreign currency rate for 31 December 2016 and 31 December 2016 are as follows:

	31 December 2017	**31 December 2016**
USD	3,7719	3,5192
EURO	4,5155	3,7099
GBP	5,0803	4,3189
CNY	0,5762	0,5038

Sensitivity to foreign currency

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

	Profit / (Loss)		**Equity(*)**	
31 December 2017	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
10% change in US Dollar against TL				
1- US Dollar net asset/liability	1.253.105	(1.253.105)	1.253.105	(1.253.105)
2- Hedged portion of USD amounts (-)	-	-	-	-
3- US Dollar net effect (1+2)	**1.253.105**	**(1.253.105)**	**1.253.105**	**(1.253.105)**
10% change in EURO against TL				
4- EURO net asset/liability	38.910.955	(38.910.955)	38.910.955	(38.910.955)
5- Hedged portion of EUR amounts (-)	-	-	-	-
6- EURO net effect (4+5)	**38.910.955**	**(38.910.955)**	**38.910.955**	**(389.109.548)**
10% change in GBP against TL				
7- GBP net asset/liability	744	(744)	744	(744)
8- Hedged portion of GBP amounts (-)	-	-	-	-
9- GBP net effect (7+8)	**744**	**(744)**	**744**	**(744)**
10% change in GBP against TL				
10- GBP net asset/liability	6.004	(6.004)	6.004	(6.004)
11- Hedged portion of GBP amounts (-)	-	-	-	-
12- GBP net effect (10+11)	**6.004**	**(6.004)**	**6.004**	**(6.004)**
TOTAL (3+6+9+12)	**40.170.808**	**(40.170.808)**	**40.170.808**	**(40.170.808)**

20. Nature and level of risks arising from financial instruments *(Continued)*

Sensitivity to foreign currency

	Profit / (Loss)		Equity(*)	
31 December 2016	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
10% change in US Dollar against TL				
1- US Dollar net asset/liability	71.766	(71.766)	71.766	(71.766)
2- Hedged portion of USD amounts (-)				
3- US Dollar net effect (1+2)	**71.766**	**(71.766)**	**71.766**	**(71.766)**
10% change in EURO against TL				
4- EURO net asset/liability	471.183	(471.183)	471.183	(471.183)
5- Hedged portion of EUR amounts (-)				
6- EURO net effect (4+5)	**471.183**	**(471.183)**	**471.183**	**(471.183)**
TOTAL (3+6)	**542.949**	**(542.949)**	**542.949**	**(542.949)**

(*) Equity effect is the same with 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).

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

		Fair value level as at reporting date		
Financial assets	**31 December 2017**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	30.534.017	30.534.017	-	-
Financial assets available for sale (current assets)	1.015.370	1.015.370	-	-
Total	**31.549.387**	**31.549.387**	**-**	**-**

		Fair value level as at reporting date		
Financial assets	**31 December 2016**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	5.114.392	5.114.392	-	-
Financial assets available for sale (current assets)	1.029.260	1.029.260	-	-
Total	**6.143.652**	**6.143.652**	**-**	**-**

21. Events after reporting period

The request of the Company to open a branch to the Capital Markets Board with the resolution of the Board of Directors dated 22 December 2017 and numbered 669 was welcomed by the letter dated 15 January 2018 and numbered 32992422-205.04.04-E.485, Turkey Investment Menkul Değerler A.Ş. - Opening of Branch Necatibey made and Turkey have been registered in the Commercial Register on January 31, 2018.