

ICBC Turkey Yatırım Menkul Değerler
Anonim Şirketi and Its Subsidiary
Condensed Consolidated Financial Statements
As at and for the Three Month Period
Ended 31 March 2020

*(Convenience translation of the condensed consolidated
financial information and related disclosures
and footnotes originally issued in Turkish)*

*This report includes 32 pages of condensed
consolidated financial statements and their
explanatory notes.*

**ICBC Turkey Yatırım Menkul Değerler
Anonim Şirketi**

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ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Statement of Financial Position as at 31 March 2020

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

		Not Reviewed	Audited
		Current Period	Prior Period
	Notes	31 March 2020	31 December 2019
Assets			
Current Assets			
Cash and cash equivalents	3	940.535.867	842.363.646
Financial investments	5	24.695.400	18.527.017
Trade receivables	4	54.098.683	56.907.128
- Due from related parties	14	279.016	309.244
- Other trade receivables		53.819.667	56.597.884
Other Receivables	6	10.108	3.290
- Due from related parties		--	--
- Other receivables		10.108	3.290
Prepaid expenses	6	278.190	6.895
Current period tax related assets	6	231.148	214.993
Total current assets		1.019.849.396	918.022.969
Non-current assets			
Financial investments	5	159.711	159.711
Other receivables	6	4.176.786	1.732.467
- Due from related parties		--	--
- Other trade receivables		4.176.786	1.732.467
Tangible assets	7	2.008.168	1.321.058
Intangible assets	7	595.473	236.975
Deferred tax assets	13	2.383.715	2.150.121
Total non-current assets		9.323.853	5.600.332
Total assets		1.029.173.249	923.623.301

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

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Statement of Financial Position as at 31 March 2020

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

		Not Reviewed	Audited
		Current Period	Prior Period
	Notes	31 March 2020	31 December 2019
Liabilities			
Short term liabilities			
Short term financial borrowings	10	--	--
Trade payables	4	872.826.287	769.180.941
- Due to related parties		--	--
- Other trade payables		872.826.287	769.180.941
Payables relating to employee benefits	6	530.926	444.074
Short term provisions		1.704.198	2.082.891
- Employee benefits	11	1.590.116	1.953.725
- Other short term provisions	8	114.082	129.166
Tax and duties payable	6	2.315.630	2.415.369
Current period tax liability	13	903.144	1.647.341
Total current liabilities		878.280.185	775.770.616
Long term liabilities			
Long term provisions		2.415.379	2.316.016
- Employee benefits	11	2.415.379	2.316.016
Total non-current liabilities		2.415.379	2.316.016
Equity			
Paid in capital	12	76.000.000	76.000.000
Adjustments to share capital	12	31.279	31.279
Change in fair value of financial assets	12	--	--
Other comprehensive income that will never be reclassified to profit or loss		(846.989)	(846.989)
- Actuarial loss related to pension plans		(846.989)	(846.989)
Restricted reserves		4.797.765	3.145.118
Prior period's profit/loss		65.554.614	36.566.530
Net profit for the period		2.941.016	30.640.731
Total equity		148.477.685	145.536.669
Total liabilities and equity		1.029.173.249	923.623.301

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

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the
Period Ended 31 March 2020

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

	Not Reviewed 1 January - 31 March 2020	Not Reviewed 1 January - 31 March 2019
Notes		
Statement of profit or loss		
Sales	110.278.830	45.752.076
Service income	6.697.826	15.987.710
Cost of sales (-)	(110.094.538)	(44.663.143)
Gross profit from operations	6.882.118	17.076.643
Interest income from operations	3.562.672	4.353.685
Gross profit	10.444.790	21.430.328
General administrative expenses (-)	(11.183.975)	(7.143.118)
Other operating income	9.365	73.873
Other operating expenses (-)	(261.038)	(135.509)
Operating profit	(990.858)	14.225.574
Financial income	4.534.127	3.687.593
Financial expenses (-)	(43.855)	(1.559.564)
Profit before tax from continuing operations	3.499.414	16.353.603
Tax income / (expense) from continuing operations	(558.398)	(4.206.980)
Current tax income / (expense)	13 (791.993)	(3.923.767)
Deferred tax income / (expense)	13 233.595	(283.213)
Profit from continuing operations	2.941.016	12.146.623
Profit for the period	2.941.016	12.146.623
Statement of other comprehensive income		
Other comprehensive income	--	(148.072)
Changes in fair value reserves	--	(24.118)
Income tax relating to other comprehensive income	--	37.882
Other comprehensive income after tax	--	(134.308)
Total comprehensive income	2.941.016	12.012.315

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

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Statement of Changes in Equity for the Period Ended 31 March 2020

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

	Notes	Paid in capital	Adjustment to share capital	Fair value reserves	Actuarial gains and losses related to pension plans	Restricted reserves	Prior year's profit or loss	Profit for the period	Total Equity
1 January 2019	12	76.000.000	31.279	(143.503)	(1.168.150)	2.143.656	16.087.671	21.623.824	114.574.777
Total Comprehensive Income									
<i>Corrections due to changes in accounting policies</i>		--	--	--	--	--	--	--	--
Profit for the period		--	--	--	--	--	--	12.146.623	12.146.623
Actuarial profit/(loss)		--	--	--	--	--	--	--	--
Change in fair value of financial assets available for sale		--	--	(18.812)	--	--	--	--	(18.812)
Total Comprehensive Income		76.000.000	31.279	(162.315)	(1.168.150)	2.143.656	16.087.671	33.770.613	126.702.588
Transfers to retained earnings		--	--	--	--	--	20.622.362	(20.622.362)	--
Transfers to reserves		--	--	--	--	1.001.462	--	(1.001.462)	--
Balance at 31 March 2019		76.000.000	31.279	(162.315)	(1.168.150)	3.145.118	36.710.033	12.146.623	126.702.588
1 January 2020	12	76.000.000	31.279	--	(846.989)	3.145.118	36.566.530	30.640.731	145.536.669
Total Comprehensive Income									
<i>Corrections due to changes in accounting policies</i>		--	--	--	--	--	--	--	--
Profit for the period		--	--	--	--	--	--	2.941.016	2.941.016
Actuarial profit/(loss)		--	--	--	--	--	--	--	--
Change in fair value of financial assets available for sale		--	--	--	--	--	--	--	--
Total Comprehensive Income		76.000.000	31.279	--	(846.989)	3.145.118	36.566.530	33.581.747	148.477.685
Transfers to retained earnings		--	--	--	--	--	28.988.084	(28.988.084)	--
Transfers to reserves		--	--	--	--	1.652.647	--	(1.652.647)	--
Balance at 31 March 2020		76.000.000	31.279	--	(846.989)	4.797.765	65.554.614	2.941.016	148.477.685

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

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Condensed Consolidated Statement of Cash Flows
for the Period Ended 31 March 2020

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

		Not Reviewed 1 January- 31 March 2020	Not Reviewed 1 January- 31 March 2019
	Notes		
A. Cash flows provided from operating activities		132.330.304	184.994.682
Profit for the period		2.941.016	12.146.623
Adjustments for profit / loss for the period		(3.884.955)	774.307
Adjustment for depreciation	7	(239.602)	88.985
Adjustment for amortization	7	(82.366)	23.468
Adjustment for vacation pay liability		89.972	147.189
Adjustment for employee termination benefit		99.363	247.955
Other financial income (excluding foreign currency gain)		(3.562.672)	(4.353.685)
Other financial expense		261.038	135.509
Adjustment for derivative instruments		(1.009.086)	--
Deferred tax expense / (income)		(233.595)	561.119
Current tax expense	13	791.993	3.923.767
Change in net working capital		140.754.022	174.327.016
Financial investments		(5.159.297)	(6.140.140)
Changes in receivables from related parties		30.228	(66.892)
Changes in other trade receivables		3.623.356	(2.156.912)
Changes in customer assets		33.434.442	(684.418.466)
Changes in other current assets		--	--
Changes in other receivables		(2.738.585)	(829.679)
Changes in trade payables		103.645.346	860.038.187
Changes in other liabilities and provisions		7.923.902	7.907.560
Employee termination benefits payment	11	--	(6.642)
Vacation liability paid	11	(5.370)	--
Changes in blocked amounts	3	--	--
Cash flows from operating activities		(7.479.779)	(2.253.264)
Interests and commissions paid		(36.663)	(125.934)
Interests received		2.717.533	4.263.946
Taxes paid	13	(10.160.649)	(6.391.276)
B. Cash flows from investing activities		(723.640)	(30.538)
Cash flows from acquisition of tangible and intangible assets		(723.640)	(30.538)
C. Cash flows from financing activities		--	--
Changes in borrowings		--	--
Repayments of borrowings		--	--
Net increase/decrease in cash and cash equivalents before the effect of foreign currency translation differences (A+B+C)		131.606.664	184.964.144
D. Effects of change in foreign exchange rate on cash and cash equivalents		332.185	--
Net increase/decrease in cash and cash equivalents (A+B+C+D)		131.938.849	184.964.144
E. Cash and cash equivalents at the beginning of the period	3	92.355.564	86.450.164
Cash and cash equivalents at the end of the period (A+B+C+D+E)	3	224.294.413	271.414.308

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 Financial Statements as at and
For the Period Ended 31 March 2020

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

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 “Communiqué on Principles Regarding Investment Services, Activities and Ancillary Services” and Communiqué numbered III-39.1 “Principles of Establishment and Activities of Investment Firms”. As a result, the Company was authorized as “Broadly 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”):

- Activity of execution of orders
- Activity of dealing on own account
- Activity of individual portfolio management
- 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

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Financial Statements as at and
For the Period Ended 31 March 2020

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

1. Organization and operations of the Company (continued)

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 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 102 employees as at 31 March 2020 (31 December 2019: 103).

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.

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Financial Statements as at and
For the Period Ended 31 March 2020

(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 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. According to the Communiqué, financial statements are prepared in accordance with Turkish Financial Reporting Standards (“TFRS”) which are published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). TFRS consist of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

The financial statements are presented in accordance with the TAS Taxonomy published by the POA and the formats specified in the Financial Statements Examples and User Guidelines published by the CMB.

The financial statements as of and for the period ended 31 March 2020 were approved by the Board of Directors of the Company on 21 April 2020. Within the framework of the legislation, the authorized committees of the Company have the authority to change the financial statements.

2.1.2. The preparation of financial statements

The accompanying consolidated financial statements of the Group have been prepared in accordance with the provisions of the CMB's Communiqué II-14.1 published in the Official Gazette dated 13 June 2013 and numbered 28676.

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 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 (“TL”), which is the functional of the Company and the presentation currency of the Company.

2.2. Changes in accounting policies 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.

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Financial Statements as at and
For the Period Ended 31 March 2020

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

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

2.3. Changes in accounting estimates

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 changes in accounting policies are also expected to be reflected in the Company’s financial statements as at and for the year ending January 1, 2019. The Group has initially adopted TFRS 16 Leases from January 1, 2019. A number of other new standards are effective from January 1, 2019 but they do not have a material effect on the Group’s financial statements.

TFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, 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 TFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at January 1, 2019.

A. Definition of leases

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under TFRS 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 TFRS 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 TFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied TFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under TAS 17 and TFRS 4 were not reassessed. Therefore, the definition of a lease under TFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

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.

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Financial Statements as at and
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(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated)

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

2.3. Changes in accounting estimates *(continued)*

i. Significant accounting policies *(continued)*

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 Company 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

For the leases classified as operating leases in accordance with TAS 17, the lease obligation is measured at the present value of the remaining lease payments discounted at the tenant’s initial borrowing interest rate at the initial application date. Right of use assets; on the basis of each lease, measured at an amount equal to the lease obligation, which is reflected in the statement of financial position immediately prior to the initial application date, adjusted for the amount of all prepaid or accrued lease payments.

The Group has used the following facilitation practices when applying TFRS 16 for leases that were previously classified as operating leases under TAS 17.

-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.

2.4 Summary of significant accounting policies

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however ICBC Turkey Yatırım Menkul Değerler Anonim Şirketi has not early adopted are as follows

The revised conceptual framework (2018 version)

The revised conceptual framework issued on 28 March 2018 by the POA. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the POA in developing TFRSs. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no TFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the POA with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no TFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Notes to the Condensed Consolidated Financial Statements as at and
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(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated)

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

2.4 Summary of significant accounting policies *(continued)*

Standards issued but not yet effective and not early adopted *(continued)*

Amendments to TAS 1 and TAS 8 - Definition of Material

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

ICBC Turkey Yatırım Menkul Değerler Anonim Şirketi does not expect that application of these amendments to TAS 1 and TAS 8 will have significant impact on its consolidated financial statements.

Amendments to TFRS 3 - Definition of a Business

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

ICBC Turkey Yatırım Menkul Değerler Anonim Şirketi does not expect that application of these amendments to TFRS 3 will have significant impact on its consolidated financial statements.

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

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

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

ICBC TURKEY YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
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(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated)

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

2.4 Summary of significant accounting policies *(continued)*

Standards issued but not yet effective and not early adopted *(continued)*

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

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

- (a) The highly probable requirement;
- (b) Prospective assessments;
- (c) IAS 39 retrospective assessment; and
- (d) Separately identifiable risk components.

All other hedge accounting requirements remain unchanged. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

ICBC Turkey Yatırım Menkul Değerler Anonim Şirketi shall apply these amendments for annual periods beginning on or after 1 January 2020 with earlier application permitted.

2.5 Comparative Information

The financial statements as of March 31, 2020 have been presented comparatively with the financial statements dated December 31, 2019.

2.6 Summary of significant accounting policies

Financial Instruments

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

2.6 Summary of significant accounting policies *(continued)*

Financial Instruments *(continued)*

ii. Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see [Note 32\(A\)](#)). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.
- Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

2.6 Summary of significant accounting policies *(continued)*

Financial Instruments *(continued)*

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

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

2.6 Summary of significant accounting policies *(continued)*

Financial Instruments *(continued)*

Financial assets – gain or loss resulting from subsequent measurement

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Financial assets measured at fair value through other comprehensive income	Gains or losses on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings.
Equity instruments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognized in profit or loss unless it is explicitly intended to recover part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are not reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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

2.6 Summary of significant accounting policies *(continued)*

Financial Instruments *(continued)*

iii. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Foreign exchange transactions

Transactions denominated in foreign currencies are accounted for 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.

The foreign exchange rates used by the Company as of 31 March 2020 and 31 December 2019 are as follows.

	USD	EUR	GBP	CNY
31 March 2020	6,5160	7,2150	8,0579	0,91323
31 December 2019	5,9402	6,6506	7,7765	0,84545

Revenue

(i) Brokerage services in capital markets

Income obtained from the brokerage services is recorded to the profit or loss at the transaction date. The brokerage services income is recorded daily to the profit or loss on an accrual basis until there is an estimate of the Company’s management occurs related to the uncertainty of the collection.

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

2.6 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

(ii) Trading gain / loss on securities sale and purchases

Income/expense on securities sale/purchases are recorded as income/loss on the same date of sale/purchase order given.

Property and equipment

All property and equipment are carried at cost less depreciation.

Depreciation is calculated on property and equipment using the straight-line method over their estimated useful lives as follows:

Office equipment, fixtures and special costs 5 years

Leasehold improvements are depreciated over the lower of the periods of the respective leases and useful lives, on a straight-line basis.

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.

Gains and losses on the disposal of property and equipment are determined in reference to their carrying amounts and are taken into account in determining operating profit.

Intangible assets

Intangible assets consist of software. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated economic lives for a period not exceeding between three and 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.

Events after the reporting period

Events after the reporting period cover any events which arise between the reporting date and the balance sheet date, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Company adjusts its financial statements if such events after the reporting period arise which require an adjustment to the financial statements. Non-adjusting events are disclosed when material.

Provisions, contingent assets and liabilities

Provisions are recognized when the company’s management has legal or constructive obligation arising from past events, probable that an outflow of resources embodying economic benefits to fulfil this obligation and when liability can be estimated reliably, provision made such amount of liability enclosed in financial statements. Contingent liabilities are continuously evaluated for identify the possibility of an outflow is probable for resources contain economic benefits. Except where possibility is remote to outflow of resources contain economic benefits, are disclosure in financial statements. If it becomes probable that an inflow of economic benefits, disclosure is made in the financial statements about contingent assets. If it has become virtually certain that an inflow of economic benefits will arise, disclosure is made the date on which the changes comes about it.

Related parties

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

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

2.6 Summary of significant accounting policies *(continued)*

Taxation on Corporate Income

Corporate tax is calculated according to the Tax Procedural Law, and tax expenses except corporate tax are recognised in operating expenses.

Deferred tax

Deferred income tax is provided for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income taxes.

Deferred tax liabilities are recognised for all taxable temporary differences since they are realized in the past and it is expected that they will be realized in the foreseeable future (Note 18).

Employee benefits

The Group accounts for severance pay and vacation pay provisions in accordance with TAS 19 “Employee Benefits” and classifies under “Employee benefits” accounts on the balance sheet.

The Group is required to make lump sum payments to the employees laid off for reasons other than retirement and resignation or those specified in the Labor Code, in accordance with the existing labor law in Turkey. The total provision represents the present value of the future probable obligation of the Company arising from the retirement of its employees regarding the actuarial projections in accordance with TAS 19.

The Group is required to pay a contribution amount, determined by law, to the Social Security Institution on behalf of its employees. These contributions are charged on the date they accrue.

Reporting of cash flows

For the purposes of cash flow statement, cash and cash equivalents include reserve repurchase receivables cash and due from banks with original maturity periods of less than three months.

Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared. Cash and cash equivalent dividends which will be received from investment securities are accounted for income at the date of announcement.

Derivative (“TDE”) transactions

Cash collaterals given for trading in TDE are classified as trade receivables. Profits and losses resulting from the transactions made in the period are classified under other operating income. The valuation differences reflected in the income statement as a result of the valuation of open trades at market prices, the paid commissions and the interest income arising from the remaining collaterals are offset and recognised in trade receivables.

2.7 Significant accounting evaluations, estimates and assumptions

Preparation of the financial statements requires making estimates and assumptions that affect the amounts of assets and liabilities reported or the amounts of contingent assets and liabilities declared as of the balance sheet date, and the amounts of income and expenses reported in the relevant period. While these estimates and assumptions are based on management's best judgment and knowledge, actual results may differ from those estimates and assumptions. In addition, important accounting evaluations, estimates and assumptions that need to be specified are explained in the related notes.

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3. Cash and cash equivalents

	31 March 2020	31 December 2019
Demand deposit	18.633.973	11.361.111
Expected credit loss provision (-)	(7.007.154)	(7.629.996)
Time deposit	759.579.048	836.256.531
Receivables from Money Markets	169.330.000	2.376.000
Blocked Deposit	--	--
Cash and cash equivalents in statement of financial position	940.535.867	842.363.646

	31 March 2020	31 December 2019
Minus: Customer assets (*)	(722.403.469)	(755.837.911)
Expected credit loss provision	7.007.154	7.629.996
Minus: Interest accruals	(845.139)	(1.800.167)
Cash and cash equivalents in statement of cash flows	224.294.413	92.355.564

(*) Customer assets which consist of currently not directed customer investments as at 31 March 2020 and 31 December 2019, are recognized under the Group's deposit accounts although the Group 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 March 2020, time deposit interest rates for TL are %8,75 (31 December 2019: for TL are %10). The Group holds the time deposits in overnight and monthly accounts.

As at 31 March 2020 and 31 December 2019 , the details of bank deposits are as follows:

	31 March 2020	31 December 2019
Demand deposit account (other banks)	5.200.102	4.335.484
Demand deposit account – (ICBC Turkey Bank) (Note 14)	13.433.871	7.025.627
Time deposit account (other banks)	221.202.080	196.013.629
Time deposit - (ICBC Turkey Bank) (Note 14)	538.376.968	640.242.902
Total	778.213.021	847.617.642

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4. Trade receivables and payables

Short term trade receivables:

	31 March 2020	31 December 2019
Receivables from loan customers	33.496.679	44.182.673
Receivables from TDE	10.781.636	10.111.761
Receivables from costumers	9.540.673	2.295.898
Provision for doubtful trade receivables	(162.484)	(162.484)
Doubtful trade receivables	162.484	162.484
Other trade receivables	5	6.878
Receivables from clearing houses abroad	674	674
Trade receivables from related parties	279.016	309.244
Total	54.098.683	56.907.128

Short term trade payables:

	31 March 2020	31 December 2019
Payables to customers (*)	862.700.526	759.631.916
Other payables	10.125.761	9.549.025
Total	872.826.287	769.180.941

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

5. Financial Investments

a) Current assets

	31 March 2020	31 December 2019
Financial assets at fair value through profit or loss	24.695.400	16.430.697
Available for sale financial investments	--	2.096.320
Total	24.695.400	18.527.017

Available for sale financial investments

	31 March 2020	31 December 2019
Government bonds	--	2.096.320
Total	--	2.096.320

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5. Financial Investments (continued)

As at 31 March 2020 and 31 December 2019 the details of financial assets at fair value through profit or loss are as follows:

	31 March 2020	31 December 2019
	Carrying Value	Carrying Value
ICBC Turkey Portföy Yönetimi Investment Fund	24.678.930	16.414.725
Equity shares – Traded in stock exchange	16.470	15.972
Total	24.695.400	16.430.697

As at 31 March 2020 and 31 December 2019, the details of the debt instruments measured by reflecting FV difference to other comprehensive income are as follows:

	31 March 2020		31 December 2019	
	Amount	Effective Interest Rate	Amount	Effective Interest Rate
Government bonds	--	--	2.096.320	11,72%
Total	--		2.096.320	

	31 March 2020	31 December 2019
Equity investments		
Stock – Istanbul Stock Exchange (ISE) (*)	159.711	159.711
Total	159.711	159.711

(*)As at 31 March 2020 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 2019: TL 159.711).

6. Other receivables and payables

As at 31 March 2020 and 31 December 2019, the details of other receivables and payables are as follows:

Prepaid Expenses

	31 March 2020	31 December 2019
Prepaid Expenses	278.190	6.895
Total	278.190	6.895

As at 31 March 2020 and 31 December 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 and rents.

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6. Other receivables and payables (continued)

Current tax assets

	31 March 2020	31 December 2019
Prepaid taxes	231.148	214.993
	231.148	214.993

Other short term receivables

As at 31 March 2020 and 31 December 2019, the details of short term other receivables are as follows:

	31 March 2020	31 December 2019
Receivables from personnel	10.108	3.290
	10.108	3.290

Other long term receivables

As at 31 March 2020 and 31 December 2019, the details of long term other receivables are as follows:

	31 March 2020	31 December 2019
Deposits given	4.176.786	1.732.467
Total	4.176.786	1.732.467

The amount consists of guarantees given by the Company to operate in TDE and as at 31 March 2020 and 31 December 2019.

Current tax payables

	31 March 2020	31 December 2019
Taxes and duties payable	2.315.630	2.415.369
Total	2.315.630	2.415.369

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

Payables for employee benefits

	31 March 2020	31 December 2019
Social security contribution payable	530.926	444.074
Total	530.926	444.074

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7. Tangible and intangible assets

The Group purchased tangible assets amounting to TL 447.508 for the three month period ended 31 March 2020 (31 December 2019: TL 933.349). For the period from 1 January 2020 to 31 March 2020, depreciation expenses for tangible assets amounts to TL 136.902 (31 December 2019: TL 494.253) and TL 10.860 (31 December 2019: TL 87.877) for intangible assets. As at March 31, 2020 and December 31, 2019, the Group does not have any pledges on tangible assets. The net carrying value of tangible assets as at 31 March 2020 is TL 2.008.168 (31 December 2019: TL 1.321.058) and net carrying value of intangible assets is TL 595.473 (31 December 2019: TL 236.975).

8. Provisions, contingent assets and liabilities

Short term provisions

As at 31 March 2020 and 31 December 2019, the details of other short term provisions are as follows:

	31 March 2020	31 December 2019
Other provisions	114.082	129.166
Total	114.082	129.166

The Group does not have any contingent assets or liabilities as of 31 March 2020 (31 December 2019: None).

9. Commitments

As at 31 March 2020 and 31 December 2019, the details of the letters of guarantee and promissory notes are as follows:

	31 March 2020	31 December 2019
Takasbank	--	--
CMB	1.776	1.776
Total	1.776	1.776

10. Short Term Borrowings

As at 31 March 2020 and 31 December 2019, the Group has no short-term debt.

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11. Employee benefits

As at 31 March 2020 and 31 December 2019, the details of the short-term employee benefits are as follows:

	31 March 2020	31 December 2019
Employee benefits		
Provision for unused vacation	1.522.363	1.437.761
Bonus provisions	67.753	515.964
Total short term provisions	1.590.116	1.953.725

Movement of provision for unused vacation is as follows:

	31 March 2020	31 December 2019
Opening balance	1.437.761	1.149.798
Charge for the period	(5.370)	(59.221)
Allocated provisions during the period	89.972	347.184
Total	1.522.363	1.437.761

As at 31 March 2020 and 31 December 2019, the details of the long-term employee benefits are as follows:

	31 March 2020	31 December 2019
Provisions related to employee benefits		
Employee severance pay liability	2.415.379	2.316.016
Total long term provisions	2.415.379	2.316.016

Movements of provision for employee severance pay are as follows:

	31 March 2020	31 December 2019
Opening balance	2.316.016	2.179.085
Service cost	75.858	309.426
Interest cost	81.373	296.513
Payment during the period	(57.868)	(176.634)
Actuarial difference (*)	--	(401.451)
Layoff cost	--	109.077
Dönem sonu	2.415.379	2.316.016

(*) In the period actuarial gains / losses are not calculated.

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11. Employee benefits (continued)

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 March 2020, is at maximum TL 6.730,15 (31 December 2019: TL 6.379,86), 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 31 March 2020 and 31 December 2019, the capital structure is as follows:

	31 March 2020		31 December 2019	
	Amount	Share (%)	Amount	Share (%)
ICBC Turkey Bank A.Ş.	75.998.480	99,998	75.998.480	99,998
Other	1.520	0,002	1.520	0,002
Total paid in capital	76.000.000	100	76.000.000	100
Capital inflation adjustment differences	31.279		31.279	
Total	76.031.279		76.031.279	

As at 31 March 2020, the share capital consists of 7.600.000.000 shares having a nominal value of TL 0,01 each (31 December 2019: 7.600.000.000 shares having a nominal value of TL 0,01).

The Company has no preferred shares as at 31 March 2020 (31 December 2019: 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 2019: TL 31.279) is recognised.

Fair value reserves

Change in fair value of financial assets

None (31 December 2019: None).

Restricted reserves

At the Ordinary General Assembly Meeting of the Company held on 27 March 2020, the Company decided to transfer TL 1.652.647 of profit to legal reserves account; the remaining balance amounting to TL 28.988.084 amount was decided to be transferred to extraordinary reserves.

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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 2020 is 22% (2019: 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 2017 for the temporary tax periods is 20% (2016: 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.

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.

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13. Tax assets and liabilities (continued)

Current tax liability

The breakdown of income tax payable reflected in balance sheet as at 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020	31 March 2019
Current tax provision	(791.993)	(3.923.767)
Deferred tax expense / (income)	233.595	(283.213)
Net	(558.398)	(4.206.980)

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.

The Company's deferred tax assets and liabilities as at 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020		31 December 2019	
	Accumulated current differences	Deferred tax assets/ liabilitiesi	Accumulated current differences	Deferred tax assets/ liabilitiesi
Provisions related to employee benefits	4.005.497	832.901	4.269.741	893.021
Principal interest accrual to be collected	1.009.086	180.026	--	--
Provisions related to other liabilities and expenses	114.082	25.098	129.166	28.417
Expected credit loss provision (-)	7.007.154	1.541.574	7.629.996	1.678.599
Deferred tax assets	12.135.818	2.621.571	12.028.903	2.600.037
Tangible and intangible assets	(1.081.166)	(237.856)	(612.289)	(134.703)
Principal interest accrual to be collected	--	--	(1.432.789)	(315.213)
Deferred tax liabilities	(1.081.166)	(237.856)	(2.045.078)	(449.916)
Deferred tax net	11.054.652	2.383.715	9.983.825	2.150.121

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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”.

	31 March	31 December
	2020	2019
Receivables from related parties		
Cash and cash equivalents		
-ICBC Turkey Bank A.Ş. - Main shareholder	551.813.923	647.268.529
Trade Receivables		
-Fund Management Commissions	279.016	309.244
Total	552.092.939	647.577.773

	31 March	31 December
	2020	2019
Other payables and expense provisions		
-ICBC Turkey Bank A.Ş.- Other payables and expense accruals	68.975	77.137
Total	68.975	77.137

	1 January –	1 January –
	31 March 2020	31 March 2019
Commission income of mutual funds management		
- ICBC Turkey Portföy Yönetimi AŞ (gold fund, first variable fund, second variable fund, money market fund and stock fund) fund management fees	493.108	354.808
Interest income		
-ICBC Turkey Bank A.Ş.	201.727	230.479
Rent expenses		
-ICBC Turkey Bank A.Ş.	605.849	554.304
Building participation expenses		
- ICBC Turkey Bank A.Ş.	250.628	193.248
Commission expenses		
- ICBC Turkey Bank A.Ş.	219.106	--

Letters of guarantee received from related parties as at 31 March 2020 amounting to TL 1.776 (31 December 2019: TL 1.776).

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15. 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					
	Trade receivables		Other receivables		Bank deposits	Financial investments
	Related parties	Third parties	Related parties	Third parties		
31 March 2020						
Maximum credit risk exposure as at reporting date	279.016	53.819.667		10.108	940.535.867	--
The part of maximum risk under guarantee with collateral etc.	--	--	--	--	--	--
Net book value of financial assets that are neither past due nor impaired	279.016	53.819.667	--	10.108	940.535.867	--
Elements containing risk of off-balance-sheet credit	--	--	--	--	--	--
	Receivables					
	Trade receivables		Other receivables		Bank deposits	Financial investments
	Related parties	Third parties	Related parties	Third parties		
31 December 2019						
Maximum credit risk exposure as at reporting date	309.244	56.597.884	--	3.290	842.363.646	2.096.320
The part of maximum risk under guarantee with collateral etc.	--	--	--	--	--	--
Net book value of financial assets that are neither past due nor impaired	309.244	56.597.884	--	3.290	842.363.646	2.096.320
Elements containing risk of off-balance-sheet credit	--	--	--	--	--	--

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15. 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 31 March 2020 and 31 March 2019 the Group's the foreign currency rates used in converting foreign currency denominated transactions into TL are given in TL as follows:

	USD Dollar	Euro	GBP	Chinese Yuan
31 March 2020	6,5160	7,2150	8,0579	0,91323
31 December 2019	5,9402	6,6506	7,7765	0,84545
31 March 2019	5,6284	6,3188	7,3354	0,83320

The following table as at 31 March 2020 and 31 December 2019, 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 against a 10% change in exchange rates. The amounts below represent the effect on profit or loss statement in the case of a 10% increase/decrease in exchange rates.

	Profit / (Loss)		Equity(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 March 2020				
10% change of US Dollar against TL				
1- US Dollar net asset/liability	12,900,319	(12,900,319)	12,900,319	(12,900,319)
2- Hedged portion of USD amounts (-)	--	--	--	--
3- US Dollar net effect (1+2)	12,900,319	(12,900,319)	12,900,319	(12,900,319)
10% change of EURO against TL				
4- EURO net asset/liability	56,505,289	(56,505,289)	56,505,289	(56,505,289)
5- Hedged portion of EUR amounts (-)	--	--	--	--
6- EURO net effect (4+5)	56,505,289	(56,505,289)	56,505,289	(56,505,289)
10% change of GBP against TL				
7- GBP net asset/liability	4,009,190	(4,009,190)	4,009,190	(4,009,190)
8- Hedged portion of GBP amounts (-)	--	--	--	--
9- GBP net effect (7+8)	4,009,190	(4,009,190)	4,009,190	(4,009,190)
10% change of CNY against TL				
10- CNY net asset/liability	--	--	--	--
11- Hedged portion of CNY amounts (-)	--	--	--	--
12 - CNY net effect (10+11)	--	--	--	--
TOTAL (3+6+9+12)	73,414,798	(73,414,798)	73,414,798	(73,414,798)

(*) Includes profit/loss effect

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

	Profit / (Loss)		Equity(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2019				
10% change of US Dollar against TL				
1- US Dollar net asset/liability	940.972	(940.972)	940.972	(940.972)
2- Hedged portion of USD amounts (-)	--	--	--	--
3- US Dollar net effect (1+2)	940.972	(940.972)	940.972	(940.972)
10% change of EURO against TL				
4- EURO net asset/liability	75.656.557	(75.656.557)	75.656.557	(75.656.557)
5- Hedged portion of EUR amounts (-)	--	--	--	--
6- EURO net effect (4+5)	75.656.557	(75.656.557)	75.656.557	(75.656.557)
10% change of GBP against TL				
7- GBP net asset/liability	1.760.466	(1.760.466)	1.760.466	(1.760.466)
8- Hedged portion of GBP amounts (-)	--	--	--	--
9- GBP net effect (7+8)	1.760.466	(1.760.466)	1.760.466	(1.760.466)
10% change of CNY against TL				
10- CNY net asset/liability	--	--	--	--
11- Hedged portion of CNY amounts (-)	--	--	--	--
12 - CNY net effect (10+11)	--	--	--	--
TOTAL (3+6+9+12)	78.357.995	(78.357.995)	78.357.995	(78.357.995)

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

Fair value of financial instruments (continued)

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

Financial assets	31 March 2020	Fair value level as at reporting date		
		Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	24.695.400	24.695.400	--	--
Borrowing instruments measured by reflecting fair value difference to other comprehensive income	--	--	--	--
Derivative financial instruments	--	--	--	--
Total	24.695.400	24.695.400	-	-

Financial assets	31 December 2019	Fair value level as at reporting date		
		Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	16.430.697	16.430.697	--	--
Borrowing instruments measured by reflecting fair value difference to other comprehensive income	2.096.320	2.096.320	--	--
Total	18.527.017	18.527.017	--	--

16. Events after reporting period

None.