

BORSA İSTANBUL A.Ş.

**CONVENIENCE TRANSLATION INTO
ENGLISH OF CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY -
31 DECEMBER 2016
TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)





CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Borsa İstanbul A.Ş.

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Borsa İstanbul A.Ş. (the "Company") and its Subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position (balance sheet) as at 31 December 2016 and the consolidated statement of other comprehensive income statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with Independent Auditing Standards that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the professional judgment of the independent auditor, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An independent audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group, as well as evaluating the overall presentation of the consolidated financial statements.

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

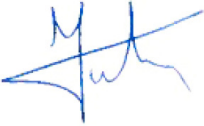
Opinion

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Borsa İstanbul A.Ş. and its Subsidiaries as at 31 December 2016 and their financial performance and cash flows for the period then ended in accordance with Turkish Accounting Standards.

Other Responsibilities Arising From Regulatory Requirements

5. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
6. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.
7. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code No. 6102 ("TCC"); auditor's report on the Early Risk Identification System and Committee has been submitted to the Company's Board of Directors on 10 March 2017.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.



Mert Tüten, SMMM
Partner

İstanbul, 10 March 2017

CONTENTS

	Page
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)	1-2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	4
CONSOLIDATED STATEMENT OF CASH FLOW	5
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	6-69
NOTE 1 GROUP'S ORGANIZATION AND NATURE OF OPERATIONS	6-9
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	10-34
NOTE 3 BUSINESS COMBINATIONS	35
NOTE 4 CASH AND CASH EQUIVALENTS	35
NOTE 5 INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD	36-38
NOTE 6 FINANCIAL INVESTMENTS	38-39
NOTE 7 TRADE AND OTHER RECEIVABLES	40
NOTE 8 OTHER ASSETS	41
NOTE 9 DEFERRED INCOME	41
NOTE 10 PREPAID EXPENSES	42
NOTE 11 INVESTMENT PROPERTIES	42-43
NOTE 12 PROPERTY, PLANT AND EQUIPMENT	44
NOTE 13 INTANGIBLE ASSETS	45
NOTE 14 GOVERNMENT GRANTS	46
NOTE 15 TRADE PAYABLES, OTHER PAYABLES AND OTHER LONG-TERM FINANCIAL LIABILITIES	46-47
NOTE 16 SHORT TERM PROVISIONS	47
NOTE 17 SHORT TERM BORROWINGS	47
NOTE 18 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	48
NOTE 19 PROVISION FOR EMPLOYEE BENEFITS AND LIABILITIES FOR EMPLOYEE BENEFITS	49-51
NOTE 20 OTHER LIABILITIES	51
NOTE 21 SHAREHOLDER'S EQUITY	52-53
NOTE 22 REVENUE	54
NOTE 23 GENERAL ADMINISTRATIVE EXPENSES	55-56
NOTE 24 OTHER OPERATING INCOME / EXPENSE	56-57
NOTE 25 SEPARATELY DISCLOSED ITEMS	57
NOTE 26 EXPENSE / INCOME FROM INVESTMENT ACTIVITIES	57
NOTE 27 FINANCIAL INCOME / EXPENSES	58
NOTE 28 TAX ASSETS AND LIABILITIES	58-60
NOTE 29 RELATED PARTY DISCLOSURES	61-62
NOTE 30 NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS	62-67
NOTE 31 FINANCIAL INSTRUMENTS	68-69
NOTE 32 SUBSEQUENT EVENTS	69

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

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

	Notes	Audited 31 December 2016	Audited restated (*) 31 December 2015	Audited restated (*) 31 December 2014
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	4	8,192,829	6,900,037	5,317,610
Financial investments		47,101	184,481	169,256
- Held-to-maturity assets	6	47,101	184,481	169,256
Trade receivables	7	143,792	214,504	207,744
- Trade receivables from third parties	7	143,792	214,504	207,744
Other receivables	7	158	184	62
- Other receivables from third parties	7	158	184	62
Prepaid expenses	10	8,610	10,478	5,840
Other current assets	8	2,193	1,970	853
Total current assets		8,394,683	7,311,654	5,701,365
NON-CURRENT ASSETS				
Financial investments	6	67,663	67,584	5,278
- Available for sale financial assets	6	67,663	67,584	5,278
Investments accounted for under the equity method	5	32,190	24,090	1,577
Investment properties	11	22,285	13,250	12,500
Property, plant and equipment	12	189,571	149,912	105,550
Intangible assets	13	318,260	282,959	233,124
Prepaid expenses	10	9,327	7,508	22,176
Deferred tax assets	28	10,743	16,254	21,853
Other non-current assets	8	578	198	938
Total non-current assets		650,617	561,755	402,996
TOTAL ASSETS		9,045,300	7,873,409	6,104,361

(*) Refer to Note 2.3.

The Board of Directors has the authority to amend and approve the consolidated financial statements for the year 1 January - 31 December 2016. The consolidated financial statements are prepared in accordance with the applicable accounting principles and standards and are in compliance with the relevant legislation and company records as declared on 10 March 2017 by Executive Vice President Şenol Duman and Director of the Accounting and Finance Department Muhittin Esen.

The accompanying notes between pages 6 and 69 are an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

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

	Notes	Audited 31 December 2016	Audited restated (*) 31 December 2015	Audited restated (*) 31 December 2014
LIABILITIES				
CURRENT LIABILITIES				
Short term borrowings	17	2,444,232	2,413,323	1,772,277
Trade payables	15	281,782	382,323	175,078
- Trade payables to third parties	15	281,782	382,323	175,078
Liabilities for employee benefits	19	12,863	1,822	4,827
Other payables		56,060	50,721	87,270
- Other payables to related parties	15, 29	55,331	50,654	87,211
- Other payables to third parties	15	729	67	59
Deferred income	9	701	456	157
Current income tax liabilities	28	22,300	18,317	15,831
Short term provisions		27,844	31,357	31,866
- Provisions for employee benefits	19	17,426	28,260	28,007
- Other short term provisions	16, 18	10,418	3,097	3,859
Other current liabilities	20	4,189,717	3,344,915	2,661,456
Total current liabilities		7,035,499	6,243,234	4,748,762
NON-CURRENT LIABILITIES				
Other financial liabilities	15, 29	777,765	637,502	236,657
- Other financial liabilities to related parties	15, 29	777,765	637,502	236,657
Deferred income	9	1,296	969	-
Long term provisions	19	38,762	45,698	42,681
- Provisions for employee benefits	19	38,762	45,698	42,681
Other non-current liabilities	20	1,442	1,266	1,204
Total non-current liabilities		819,265	685,435	280,542
SHAREHOLDER'S EQUITY				
Equity holders of the parent		762,924	574,301	745,410
Share capital	21	423,234	423,234	423,234
Restricted reserves	21	274,882	171,996	171,996
Share premium	21	200,450	200,450	200,450
Other comprehensive income / expense not to be reclassified to profit or loss				
- Remeasurement of defined benefit obligations		(7,985)	(6,873)	(5,613)
Other comprehensive income / expense to be reclassified to profit or loss				
- Currency translation differences		270	71	-
Treasury shares	21	(580,663)	(580,663)	(224,102)
Retained earnings		263,200	178,781	53,856
Net profit for the period		189,536	187,305	125,589
Non-controlling interests		427,612	370,439	329,647
Total equity		1,190,536	944,740	1,075,057
TOTAL EQUITY AND LIABILITIES		9,045,300	7,873,409	6,104,361

(*) Refer to Note 2.3.

The accompanying notes between pages 6 and 69 are an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	Audited 1 January - 31 December 2016	1 January - 31 December 2015	Separately disclosed items (**) 1 January - 31 December 2015	Audited restated (*) 1 January - 31 December 2015
CONTINUING OPERATIONS					
Revenue	22	878,383	782,935	-	782,935
Cost of sales (-)	22	(55,138)	(42,354)	-	(42,354)
GROSS PROFIT		823,245	740,581	-	740,581
General administrative expenses (-)	23	(322,828)	(317,451)	-	(317,451)
Research and development expenses (-)		(1,660)	-	-	-
Other operating expenses, net (-)	24	(64,032)	(41,196)	(11,722)	(52,918)
OPERATING PROFIT		434,725	381,934	(11,722)	370,212
(Expense) / income from investment activities	26	12,204	(813)	-	(813)
Share of profit / (loss) of investments accounted for under the equity method, net of tax	5	9,799	(487)	-	(487)
PROFIT BEFORE FINANCIAL INCOME / (EXPENSE)		456,728	380,634	(11,722)	368,912
Financial income	27	56,842	44,922	-	44,922
Financial expenses (-)	27	(139,177)	(61,639)	-	(61,639)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		374,393	363,917	(11,722)	352,195
Tax expense from continued operations					
- Income tax expense (-)	28	(92,933)	(77,422)	(13,025)	(90,447)
- Deferred tax expense (-)	28	(5,825)	(5,959)	-	(5,959)
PROFIT FOR THE PERIOD		275,635	280,536	(24,747)	255,789
Profit from continued operations attributable to:					
- Non-controlling interests		86,099	68,484	-	68,484
- Equity holders of the parent		189,536	212,052	(24,747)	187,305
Other comprehensive income:					
Profit for the period		275,635	280,536	(24,747)	255,789
Other comprehensive income / expense not to be reclassified to profit or loss					
- Remeasurement of defined benefit obligations		(1,252)	(1,440)	-	(1,440)
Other comprehensive income / expense to be reclassified to profit or loss					
- Currency translation differences		199	71	-	71
Other comprehensive income		(1,053)	(1,369)	-	(1,369)
TOTAL COMPREHENSIVE INCOME		274,582	279,167	(24,747)	254,420
Total comprehensive income attributable to:					
- Non-controlling interests		85,959	68,304	-	68,304
- Equity holders of the parent		188,623	210,863	(24,747)	186,116

(*) Refer to note 2.3.

(**) Separately disclosed items that are related with the accounting policy are disclosed in Note 2.1.3.

The accompanying notes between pages 6 and 69 are an integral part of these consolidated financial statements.

Statement of Changes in Shareholders' Equity

(*) Refer to note 2.3.

04

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2016 and 2015

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

	Notes	Audited 1 January - 31 December 2016	Audited restated (*) 1 January - 31 December 2015
Cash flows provided from operating activities			
Net profit for the period		275,635	255,789
Adjustments for:			
Tax expense	28	98,758	96,406
Depreciation expense	12	16,042	13,477
Amortization expense	13	16,877	8,876
Loss on sale of fixed assets	26	-	1,563
Interest accrual of held to maturity assets		(38)	-
Increase in provision for employment termination benefits	19	5,476	5,213
Increase in valuation of investment properties	11	(9,035)	(750)
Increase in personnel bonus provision	19	-	8,910
Increase in unused vacation liability	19	3,052	4,089
Provision for doubtful receivables	7	-	141
Increase on law suit provision		7,448	-
Expense accrual for Capital Markets Board share	29	55,331	50,654
Provision no longer required	24	(2,510)	(937)
Gain on sale of share of investments accounted for under the equity method	26	(1,013)	-
Share of (profit)/loss of investments accounted for using the equity method, net of tax	5	(9,799)	487
Financial income, net		(56,804)	(44,717)
Unrealized exchange (gain) / loss		131,975	(100,259)
Cash flow from operating activities before working capital changes		531,395	298,942
(Increase) / decrease in trade receivables		70,702	(7,042)
(Increase) / decrease in other current assets		(223)	(1,117)
Decrease / (increase) in other non-current assets		(380)	740
Change in other receivables		26	(122)
Change in prepaid expenses		49	(11,123)
Increase in other payables		662	8
Increase in other current liabilities		643,884	686,054
Increase in trade payables		(100,541)	206,865
Increase in other non-current liabilities		176	62
Taxes paid		(88,950)	(90,381)
Changes in deferred income		572	1,268
Changes in liabilities for employee benefits		11,041	(3,005)
Employment termination benefits paid	19	(7,921)	(533)
Service bonus provision paid	19	(6,059)	(3,463)
Capital Markets Board share paid		(50,654)	(87,211)
Personnel bonus paid		(6,527)	(12,102)
Unused vacation paid	19	(4,976)	(644)
Collection of doubtful receivables	7	10	141
Net cash generated from operating activities		460,891	678,395
Cash flows from investing activities			
Proceed from sale of property, plant and equipment		754	254
Purchase of property, plant and equipment	12	(76,097)	(111,445)
Purchase of intangible assets	13	(32,536)	(6,922)
Acquisitions of held to maturity financial assets, net		(45,943)	(15,225)
Sales of held to maturity financial assets, net		183,361	-
(Purchase) / sales of available for sale assets	6	(79)	(62,306)
Cash inflow from the sales of shares or capital decrease of the subsidiaries/joint ventures		2,911	-
Cash outflow from purchase of shares or capital increase in subsidiaries/joint ventures		-	(847)
Interests received		44,270	25,546
Interest and commissions paid	27	(38)	(205)
Net cash used in investment activities		76,603	(171,150)
Cash flows generated from financing activities			
Dividend payment		(28,786)	(29,218)
Change in short term borrowings, net		(272,888)	370,615
Net cash used in financing activities		(301,674)	341,397
Net increase in cash and cash equivalents		767,215	1,147,584
Effects of currency translation on cash and cash equivalents		526,042	432,617
Change in restricted bank deposit		5,413	(4,278)
Cash and cash equivalents at the beginning of the period		6,877,775	5,301,852
Cash and cash equivalents at the end of the period	4	8,176,445	6,877,775

(*) Refer to Note 2.3.

The accompanying notes between pages 6 and 69 are an integral part of these consolidated financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 1- GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

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

As of 31 December 2016, BİST and the Group have respectively 506 and 945 (31 December 2015: 575 and 1,072) employees. BİST is located in Reşit Paşa Mahallesi, Tuncay Altun Caddesi, Emirgan / İstanbul.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

The Company's controlling shareholder is the Republic Of Turkey Prime Ministry Undersecretariat Of Treasury. As at 31 December 2016 and 2015, the Company's shareholder structure and is as follows:

	31 December 2016	31 December 2015
Republic of Turkey Prime Ministry Undersecretariat of Treasury	73.60%	73.60%
European Bank for Reconstruction and Development (*)	10.00%	10.00%
Nasdaq OMX (**)	7.00%	7.00%
Turkish Capital Markets Association (***)	1.30%	1.30%
Other	8.10%	8.10%
	100.00%	100.00%

(*) The Company signed "Share Purchase Agreement" with European Bank for Reconstruction and Development ("EBRD") at 9 December 2015. In accordance with the agreement, 10% of Borsa İstanbul shares were transferred to EBRD. The share transfer was approved in the General Assembly meeting at 7 December 2015 and registered at 10 December 2015. These shares which were registered to EBRD, can be sold back to Borsa İstanbul A.Ş. by EBRD until 31 March 2018 over the purchase price in the event of Borsa İstanbul's planned initial public offering does not take place until 31 December 2017. These shares which were registered to EBRD will be accounted under shareholder's equity as treasury shares and other long-term financial liabilities until the date when the selling condition is invalid. The Board of Directors is of the opinion that the possibility of using these options is very low. However, in accordance with TAS 32 for possible prudence, the possible liabilities that may arise from such options are reflected in the financial statements.

(**) The Company signed agreements with Nasdaq OMX ("Nasdaq") to build a comprehensive strategic partnership on 31 December 2013. Within the context of these agreements, Nasdaq will replace all the software underlying the technological infrastructure of the markets within the Company with software packages developed according to the Company needs. Furthermore, Nasdaq will provide the consultancy services needed for the implementation of these technologies for three years. Nasdaq will also provide training support to BİST regarding human resources and technological know-how for a wide range of projects from index calculations to marketing.

BİST, which has the ownership and the source code of the said technologies for which competency and know-how will be transferred, is entitled to sell these technologies in 25 countries. Within the framework of the agreement, the payments to be made by BİST to Nasdaq shall be in the form of a) transfer of 5% shares, b) deferred payment or transfer of 2% additional shares, and c) cash payment, which shall be made in installments. As per provisions of the agreement, 5% of BİST shares were transferred to Nasdaq OMX. Additionally, BİST and Nasdaq own both options to demand 5% of shares of BİST as of August 2018 in return for 75 million USD. Additional transfer of 2% is realised as of 30 December 2015 and the Company has right of mortgage over the shares. Transfer of shares are registered at 30 December 2015. As of 31 December 2016, the deadline for the option both sides have to give/take back the related 2% of shares in exchange for 30 million USD is deferred to 30 June 2018. This option is accounted for under shareholder's equity as treasury shares and other long-term financial liabilities. The Board of Directors is of the opinion that the possibility of using these options is very low. However, in accordance with TAS 32 for possible prudence, the possible liabilities that may arise from such options are reflected in the financial statements (Note 2).

(***) Formerly named as TACMIIT (The Association of Capital Market Intermediary Institutions of Turkey).

As per Capital Markets Law No.6362 dated 30 December 2012, Company transferred 24.6% of share to Republic of Turkey Prime Ministry Undersecretariat of Treasury at 30 December 2015 and this transfer is registered at 30 December 2015.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Subsidiaries

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

Subsidiaries	Area of activity	Effective ownership of interest (%)	
		31 December 2016	31 December 2015
İstanbul Takas ve Saklama Bankası A.Ş.	Bank	62.25	62.25
Merkezi Kayıt Kuruluşu A.Ş.	Custodian	70.50	70.50
İstanbul Gemoloji Enstitüsü Sanayi ve Ticaret A.Ş.	Precious gems	51.00	51.00

İstanbul Takas ve Saklama Bankası A.Ş.

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

Merkezi Kayıt Kuruluşu A.Ş.

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

İstanbul Gemoloji Enstitüsü Sanayi ve Ticaret A.Ş.

İstanbul Gemoloji Enstitüsü Anonim Şirketi was founded in İstanbul, Turkey and started its operations as of 14 June 2011 upon the subjects of performing scientific research and development upon precious gems, precious metals and any materials that could replace these gems, trading and lending transactions of precious gems and to perform transactions related to capital market instruments which are propped up to the precious gems. Group has raised its shareholding in İstanbul Gemoloji Enstitüsü San. ve Tic. A.Ş. from 2% to 51% at 31 December 2014 by acquisition of TRY 50 of shares in the related subsidiary. The registration of this transaction was completed at 30 January 2015.

Joint Ventures

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

Joint Ventures	Area of Activity	Effective ownership of interest (%)	
		31 December 2016	31 December 2015
Finans Teknopark A.Ş.	Technology	50.00	50.00
Borsa İstanbul İTÜ Teknoloji A.Ş.	Technology	50.00	50.00
Enerji Piyasaları İşletme A.Ş. ("EPIAŞ") (*)	Energy market operations	30.83	34.16

(*) The Group sold 3.33% of shares on 15 March 2016; which is corresponding to 2,050,502 numbered shares with TRY 1.42 unit price, amounting to TRY 2,911. In accordance with this transaction, EPIAŞ has been accounted under associate.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Finans Teknopark A.Ş.

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

Borsa İstanbul İTÜ Teknoloji A.Ş.

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

Associates

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

Associates	Area of activity	Effective ownership of interest (%)	
		31 December 2016	31 December 2015
Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	License	33.94	33.94
Enerji Piyasaları İşletme A.Ş. ("EPIAŞ") (*)	Energy market operations	30.83	34.16
Kyrgyz Stock Exchange	Stock market operations	24.51	24.51
Montenegro Stock Exchange	Stock market operations	24.39	24.39

(*) The Group sold 3.33% of shares on 15 March 2016; which is corresponding to 2,050,502 numbered shares with TRY 1.42 unit price, amounting to TRY 2,911. In accordance with this transaction, EPIAŞ has been accounted under associates.

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

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

Kyrgyz Stock Exchange

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

Montenegro Stock Exchange

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

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

Main area of activity of Enerji Piyasaları İşletme A.Ş. ("EPIAŞ") is to establish, plan, develop and operation of energy markets that are included in market operation license, in a way that ensures efficiency, transparency and security of these markets. The Group sold 3.33% of shares on 15 March 2016; which is corresponding to 2,050,502 numbered shares with TRY 1.42 unit price, amounting to TRY 2,911.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Preparation of financial statements

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

2.1.2 Declaration of conformity to TAS

Turkey Accounting Standards / Turkey Financial Reporting Standards ("TAS/IFRS") and appendixes and interpretations related with these ("TAS/IFRS") which is brought into effect by Public Oversight Accounting and Auditing Standards Authority ("POA") is grounded on during the preparation of attached financial statements.

2.1.3 Basis for the presentation of separately disclosed items

The group's income statement and segmental analysis separately identifies trading results before significant one-off or unusual items (specific items). The presentation of separately disclosed items relates to non-financial information has been prepared according to IFRS. This is consistent with the way that financial performance is measured by management and assists in providing a meaningful analysis of the trading results of the group. Furthermore, the group considers a columnar presentation to be appropriate as it improves the clarity of the presentation and is consistent with the way that financial performance is measured and reported to the board of directors. Specific items may not be comparable to similarly titled measures used by other companies. Group had determined the separately disclosed items as one-off items in expenses. There is no item which is to be disclosed separately that belongs to 1 January - 31 December 2016 period (Note 25).

2.2 Amendments in Turkey Financial Reporting Standards

Group has implemented the new and revised standards and interpretations effective from 31 December 2016 which are related to its main operations.

Standards, amendments and interpretations applicable as at 31 December 2016:

- IFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. IFRS 14, 'Regulatory deferral accounts' permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments in Turkey Financial Reporting Standards (Continued)

- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
 - TFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
 - TFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to TFRS 1) regarding servicing contracts
 - TAS 19, 'Employee benefits' regarding discount rates
 - TAS 34, 'Interim financial reporting' regarding disclosure of information.
- Amendment to TFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to TAS 16 'Property, plant and equipment', and TAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41.

The new standards, amendments and interpretations introduced to the prior Financial Statements as of 31 December 2016, however is not effective yet:

- Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', on depreciation and amortization, effective from annual periods beginning on or after 1 January 2016. In this amendment it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- Amendments to TAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendment to TFRS 10 'Consolidated financial statements' and TAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. **EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR** **THE YEAR ENDED 31 DECEMBER 2016**

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments in Turkey Financial Reporting Standards (Continued)

- Amendment to TAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports.
- Amendments to TAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments TAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.
- Amendments to TFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- Amendment to TAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports.
- TFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- Amendment to TFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments in Turkey Financial Reporting Standards (Continued)

- TFRS 16 'Leases', effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- Amendments to TFRS 4 'Insurance contracts', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - give all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard, TAS 39.
- Amendment to TAS 40, 'Investment property' relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:
 - TFRS 1, 'First-time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
 - TFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
 - TAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments in Turkey Financial Reporting Standards (Continued)

- TFRS Interpretation 22, 'Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This TFRS Interpretation addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

The Group will assess the effect of the regarding changes mentioned above and apply where necessary.

As of the reporting date, the following standards, interpretations and amendments have been published by the Public Oversight, Accounting and Auditing Standards Authority (POA) as public draft text:

TFRS 16 "Leases"

As of the publication date of this bulletin, the following standards, comments and amendments have not been published by the Public Oversight, Accounting and Auditing Standards Authority (POA):

- Amendments to TFRS 2, 'Share-based payment'
- Amendments to TFRS 15 "Revenue from contracts with customers"
- Amendments for cash flow statements TAS 7 "Financial instruments disclosure"
- Amendments to TAS 12 "Income taxes"
- TAS 40, 'Investment properties'
- Annual improvements from 2014 to 2016
- Amendments to TFRS 22, 'Foreign currency transactions and advances'
- Amendments to TFRS 4 'Insurance Contracts'

The Group will evaluate the effects of the above amendments on its operations and apply the applicable amendments.

2.3 Comparative information

In order to enable consistent presentation of the consolidated statement of financial position as of 31 December 2015, the following reclassifications made in the Group's consolidated statement of financial position:

In accordance with TFRS, it is obligatory to present an entity's consolidated financial statements with comparative information related to the prior period. The Group prepared the consolidated statements of financial position, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in shareholder's equity and consolidated statements of cash flow as of 31 December 2016 along with the prior period comparatively.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Comparative information (Continued)

- a) As of 31 December 2015, unused vacation which was previously classified under "Long-term provision for employee benefits" amounting to TRY 19,350 have been reclassified under "Short-term provision for employee benefits".
- b) As of 31 December 2015, held to maturity financial asset which was previously classified under "Long-term financial investments" amounting to TRY 184,481 have been reclassified under "Short-term financial investment".
- c) As of 31 December 2015, personnel fees and expenses, depreciation and amortization, maintenance and repairment expenses and other expenses which were previously classified under "cost of sales" amounting to TRY 35,159 have been reclassified under "general administrative expenses".

Financial statement restatements

Reason for restatements

The Company signed agreements with Nasdaq OMX ("Nasdaq") to build a comprehensive strategic partnership on 31 December 2013. Within the context of these agreements, Nasdaq will replace all the software underlying the technological infrastructure of the markets within the Company with software packages developed in line to the Company needs. Furthermore, Nasdaq will provide the consultancy services needed for the implementation of these technologies for three years. Nasdaq will also provide training support to BİST regarding human resources and technological know-how for a wide range of projects from index calculations to marketing.

BİST, which has the ownership and the source code of the said technologies for which competency and know-how will be transferred, is entitled to sell these technologies in 25 countries. Within the framework of the agreement, the payments to be made by BİST to Nasdaq shall be in the form of a) transfer of 5% shares, b) deferred payment or transfer of 2% additional shares, and c) cash payment, which shall be made in installments. As per provisions of the agreement, 5% of BİST shares were transferred to Nasdaq OMX. The additional value arose as a result of these transactions is accounted under share premiums accounts as of 31 December 2013. Additionally, BİST and Nasdaq own both options to demand 5% of shares of BİST as of August 2018 in return for 75 million USD. Additional transfer of 2% is realised as of 30 December 2015 and the Company has right of mortgage over the shares. Transfer of shares are registered at 30 December 2015. As of 31 December 2016, the deadline for the option both sides have to give/take back the related 2% of shares in exchange for 30 million USD is deferred to 30 June 2018. This option is accounted for under shareholder's equity as treasury shares and other long-term financial liabilities. The Board of Directors is of the opinion that the possibility of using these options is very low. However, in accordance with TAS 32 for possible prudence, the possible liabilities that may arise from such options are reflected in the financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Comparative information (Continued)

The Company restated its consolidated financial statements according to TAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors". The effects on the balance sheet of the consolidated financial statements as of 31 December 2016 are as follows:

	31 December 2015	Restated 31 December 2015
Trade payables	429,524	-
- Trade payables to third parties	429,524	-
Long-term other financial liabilities	-	637,502
- Long-term other financial liabilities to related parties	-	637,502
Share premium	(220,140)	200,450
Treasury shares	-	(580,663)
Retained earnings	187,204	178,781
Net profit for the period	226,787	187,305
-Other operating expenses, net	(57,720)	(52,918)
-Financial income expenses, net	27,567	(16,717)

	31 December 2014	Restated 31 December 2014
Trade payables	68,161	-
- Trade payables to third parties	68,161	-
Long-term other financial liabilities	-	236,657
- Long-term other financial liabilities to related parties	-	236,657
Share premium	136,421	200,450
Treasury shares	-	(224,102)
Retained earnings	48,323	53,856
Net profit for the period	139,545	125,589

2.4 Offsetting

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Going concern

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

2.6 Financial statements of subsidiaries operating in foreign countries

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

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

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

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

2.7 Consolidation principles

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

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

Subsidiaries

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Consolidation principles (Continued)

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

Proportion of ownership interest represents the effective shareholding of the Group through the shares held directly by BİST and indirectly by its Subsidiaries. The table below sets out all Subsidiaries included in the scope of consolidation and shows their shareholding structure at 31 December 2016 and 2015 as follows:

	Effective ownership of interest (%)	
	31 December 2016	31 December 2015
Merkezi Kayıt Kuruluşu A.Ş.	70.50	70.50
İstanbul Takas ve Saklama Bankası A.Ş.	62.25	62.25
İstanbul Gemoloji Enstitüsü Sanayi ve Ticaret A.Ş.	51.00	51.00

Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and they are deconsolidated from the date that control ceases. Accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

The result of operations of subsidiaries acquired or sold during the year are included in the consolidated statement of comprehensive income from the date of acquisition or until the date of sale.

The balance sheets and statements of income of the subsidiaries are consolidated on line-by-line basis and the carrying value of the investment held by the Company and its subsidiaries is netted off against the related shareholders' equity. Intercompany transactions and balances between the Company and its subsidiaries are netted off during the consolidation.

The minority shareholders' share in the net assets and results for the period for subsidiaries are separately classified in the consolidated balance sheets and statements of income as "non-controlling interest".

In the event that the equity capital ratio held by entities with a non-controlling interest changes, the book values of the controlling (parent company) and non-controlling interests are adjusted with the purpose of reflecting the change in their respective interest in the subsidiary. The difference between the adjusted amount of the non-controlling interest and the fair value of the share price, which is paid or received, is directly recognized under equity and is distributed to the parent company's shareholders.

Joint ventures

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Consolidation principles (Continued)

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

The table below sets out the joint ventures accounted by equity method, the proportion of voting power held by the Group and its subsidiaries and effective ownership interests at 31 December 2016 and 2015:

	Effective ownership of interest (%)	
	31 December 2016	31 December 2015
Finans Teknopark A.Ş.	50.00	50.00
Borsa İstanbul İTÜ Teknoloji A.Ş.	50.00	50.00
Enerji Piyasaları İşletme A.Ş. ("EPIAŞ") (*)	30.83	34.16

(*) The Group sold 3.33% of shares on 15 March 2016; which is corresponding to 2,050,502 numbered shares with TRY 1.42 unit price, amounting to TRY 2,911. In accordance with this transaction, EPIAŞ has been accounted under associates.

Associates

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Consolidation principles (Continued)

The table below sets out the subsidiaries accounted for using the accounting under equity method, the proportion of voting power held by the Group and its subsidiaries and effective ownership interests at 31 December 2016 and 2015:

	Effective ownership of interest (%)	
	31 December 2016	31 December 2015
Sermaye Piy. Lisanslama		
Sicil ve Eğitim Kuruluşu A.Ş.	33.94	33.94
Enerji Piyasaları İşletme A.Ş. ("EPIAŞ") (*)	30.83	34.16
Kyrgyz Stock Exchange	24.51	24.51
Montenegro Stock Exchange	24.39	24.39

(*) The Group sold 3.33% of shares on 15 March 2016; which is corresponding to 2,050,502 numbered shares with TRY 1.42 unit price, amounting to TRY 2,911. In accordance with this transaction, EPIAŞ has been accounted under associates.

2.8 Functional and presentation currency

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

2.9 Changes in accounting policies and estimates and errors

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

2.10 Significant accounting judgments, estimates and assumptions

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.10 Significant accounting judgments, estimates and assumptions (Continued)

Fair value measurement of investment properties

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

Akmerkez Office

Akmerkez office, classified as investment property as of 31 December 2016 and 31 December 2015, is located on 1,000 m2 ground in İstanbul/Beşiktaş, Nispetiye Mahallesi 83/1 E3 Blok 10 floor.

According to Terra Gayrimenkul Değerleme ve Danışmanlık A.Ş. report which is dated 5 January 2017 and numbered 2017_Terra_001, Akmerkez office was evaluated by comparison sales method and the fair value amount is TRY 22,285 (31 December 2015: TRY 13,250).

Provisions for employment termination benefits

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

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

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise (Note 19).

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

	31 December 2016	31 December 2015
Discount rate	4.72%	3.79%
Estimated employee turnover rate	97.35%	98.26%

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.10 Significant accounting judgments, estimates and assumptions (Continued)

Useful lives of intangible assets

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

2.11 Summary of significant accounting policies

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

Related parties

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

In accordance with TAS 24 - Related party standards, the description of related parties has been restricted. In accordance with that the Group's relationship with the government banks is disclosed in Note 29.

Related party balances consist of short and long term trade payables. These liabilities are disclosed at amortized cost using the effective interest rate method over their fair values.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

Service revenue

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

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

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

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

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

Debt securities trading revenues

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

Equity market trading revenue

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

Derivatives trading revenue

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in thousand Turkish Liras (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

Precious metals and diamond market trading revenue

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

Takasbank money market

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

Security registration income

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

Listing income

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

Custody and custody related operating revenue

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

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

Data vending revenue

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

Takasbank interest income

Interest income is recorded at fair value and recognised based on accrual, using the effective interest method (the rate which sets the future cash flows of a financial asset or liability equal to their current net book value) considering the existing principle amount. As per legislation, interest accrual and re-discount of loans and other receivables for which there are illiquid claims are cancelled, and such amounts are exempt from interest income until collection.

Rental income

Rental income from investment properties is recognized as revenue on a straight-line basis over the term of the lease.

Dividend income

Dividend income that is recognized over share investments, are accounted in the financial statements when the shareholders right to obtain the dividend takes places.

Property, plant and equipment

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

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

Depreciation

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

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

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

Property and equipment

	Year
Buildings	35-50
Furniture and fixtures	4-15
Machinery and equipment	4-10
Vehicles	5
Leasehold improvement	2-16

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in thousand Turkish Liras (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

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

Investment properties

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

Investment properties are carried at their fair value on the basis of a valuation made by an independent valuation expert. Changes in fair values of investment properties are recognized in the income statement under other income.

Government grants

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

Intangible assets

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

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

Research and development costs

Planned operations that are done in order obtain new technological information or discovery of Company and MKK which is one of the subsidiaries of the Company, are defined as research, and the research expenses during this phase is recognized as expense on happening.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

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

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

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

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

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

Financial instruments

The Group's financial assets consist of cash and cash equivalents, available-for-sale financial assets, trade and other receivables; and financial liabilities consist of trade and other payables.

Non-derivative financial assets

The Group recognizes its trade and other receivables on the date that they are originated. All other financial assets are recognized on the transaction date that the Group becomes a party for related financial agreements. The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset and liability.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: available-for-sale financial assets, assets held to maturity and loans and receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets and financial assets at fair value through profit or loss or held-to-maturity categories. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

The Group also has investments in unquoted equity investments that are not traded in an active market but are also representing share in capital and classified as available-for-sale financial assets and measured at cost since their fair value cannot be measured reliably.

Financial assets held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available for sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets are initially recognized at cost and the cost is assumed as fair value. Fair value of the held-to-maturity financial assets is based on the original transaction cost or market value of similar financial assets. Held-to-maturity financial assets are measured at amortized cost using the effective interest method after initial recognition. Interest income related to held-to-maturity assets are accounted under income statement.

The Group does not account for a provision for impairment of short-term market fluctuations for the debt securities classified as held-to-maturity financial assets provided that collection risk does not exists. If there is a collection risk, the impairment amount is determined as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables.

Payables to members

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

Deposits and guarantees received

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

Cash and cash equivalents

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

Trade and other receivables

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. **EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR** **THE YEAR ENDED 31 DECEMBER 2016**

(Amounts expressed in thousand Turkish Liras (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

Changes in the carrying amount of the allowance account are recognized in profit or loss. BİST’s management believes that carrying value of the trade and other receivables on the statement of financial position approximates to their fair value.

Put option arrangements

In the strategic partnership agreements with Nasdaq OMX and EBRD put options have been arranged. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption.

The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires and unexercised, the liability is derecognised with a corresponding adjustment to equity.

Non-derivative financial liabilities

The Group initially recognizes financial liabilities on the date that they are originated. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The non-derivative financial liabilities of the Group consist of, financial liabilities, trade and other payables.

Share capital

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

Capital reserves

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

Share premiums

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

Treasury shares

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

Impairment of assets

Non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss events had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortized cost

The Group considers evidence of impairment for financial assets measured at amortized cost (loans and receivables) at a specific asset level. All assets are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. **EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR** **THE YEAR ENDED 31 DECEMBER 2016**

(Amounts expressed in thousand Turkish Liras (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

Non-financial financial asset

The carrying amount of the Group’s non-financial assets, other than investment properties and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Earnings per share

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

Provisions, contingent liabilities and assets

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

Lease transactions

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operational leases. All lease transactions of the Group are operational leases. As per Article 138 of Capital Markets Law No. 6362, which entered into force after its promulgation in the Official Gazette dated 30 December 2012, immovable owned by the İstanbul Stock Exchange were registered free of charge at the title deed registry office on behalf of the Undersecretariat of Treasury on an administrative basis and buildings on those immovable were also registered and were left for use by BİST for 29 years, of which the first 15 years are to be free of charge.

Employment termination benefits

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

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

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

Financial income and financial expenses

Financial income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, and gains on the disposal of available-for-sale financial assets. Interest income is recognized in profit or loss on accrual basis, by the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established. Financial expenses comprise of commissions paid.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either financial income or financial expenses depending on whether foreign currency movements are in a net gain or net loss position.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in thousand Turkish Liras (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.11 Summary of significant accounting policies (Continued)

Segment reporting of financial information

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

The management of the Group has not identified any segments, that financial performances of each are followed up separately, and has not presented segment reporting information accordingly.

Share-based payments

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

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

Taxation

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

Deferred tax is computed, using the liability method, and by the effective tax rate at balance sheet date. And deferred tax is computed on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against the deductible temporary differences. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred taxes arising from income and expenses accounted under equity are also recorded under equity.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 3 - BUSINESS COMBINATIONS

None.

NOTE 4 - CASH AND CASH EQUIVALENTS

As of 31 December 2016 and 2015, cash and cash equivalents are as follows:

	31 December 2016	31 December 2015
Cash	54	48
Banks - time deposit	8,076,431	6,843,653
Banks - demand deposit	94,759	34,581
Reverse repo receivables	21,168	19,366
Investment funds (B type liquid fund)	417	2,389
Cash and cash equivalents on statement of financial position	8,192,829	6,900,037
Accruals on cash and cash equivalents	(16,384)	(16,849)
Less: restricted bank deposits	-	(5,413)
Cash and cash equivalents on statement of cash flows	8,176,445	6,877,775

Banks-Time deposit

The details of time deposits as of 31 December 2016 and 2015 are as follows:

	Amount (TRY)	Effective interest rate (%)	Maturity date
31 December 2016			
TRY	4,843,321	9.46	2 January 2017 - 5 June 2017
USD	2,257,333	3.36	2 January 2017 - 13 February 2017
EUR	975,777	2.02	2 January 2017 - 3 February 2017
Total	8,076,431		
	Amount (TRY)	Effective interest rate (%)	Maturity date
31 December 2015			
TRY	4,288,336	11.02	4 January 2016 - 13 May 2016
USD	1,768,874	2.21	4 January 2016 - 28 March 2016
EUR	786,443	1.55	4 January 2016 - 19 January 2016
Total	6,843,653		

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 5 - INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

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

Summary of financial information for equity accounted investees are as follows for the years ended 31 December 2016 and 2015:

Joint Ventures

31 December 2016	Participation rate (%)	Total assets	Total liabilities	Net assets	Net profit/(loss) for the period	BIST's shares in profit/(loss)	BIST's share in net assets
Finans Teknopark A.Ş.	50.00	9,865	9,035	830	761	381	415
Borsa İstanbul İTÜ Teknoloji A.Ş.	50.00	50	35	15	(19)	(10)	8
Total						371	423
31 December 2015	Participation rate (%)	Total assets	Total liabilities	Net assets	Net loss for the period	BIST's shares in loss	BIST's share in net assets
Enerji Piyasaları İşletme A.Ş. (*)	34.16	1,437,469	1,380,478	56,991	(4,582)	(1,565)	19,469
Finans Teknopark A.Ş.	50.00	4,198	4,129	69	(31)	(16)	34
Borsa İstanbul İTÜ Teknoloji A.Ş.	50.00	46	12	34	(16)	(8)	17
Total						(1,589)	19,520

(*) The Group has sold 3.33% shares on 15 March 2016; which is corresponding to 2,050,502 numbered shares with TRY 1.42 unit price, amounting to TRY 2,911. In accordance with this transaction, EPIAŞ has been accounted under associates. During the 1 January - 15 March 2016, The Group gained TRY 3,212 revenue from EPIAŞ which classified as a joint venture until 15 March 2016.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 5 - INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD (Continued)

Summary of financial information for equity accounted subsidiaries are as follows for the year ended 31 December 2016 and 2015:

Subsidiaries

31 December 2016	Participation rate (%)	Total assets	Total liabilities	Net assets	Net profit for the period	BiST's shares in profit	BiST's share in net assets
Enerji Piyasaları İşletme A.Ş. (*)	30.83	94,140	10,233	83,907	26,916	8,298	25,869
Sermaye Piy. Lisanslama							
Sicil ve Eğitim Kuruluşu A.Ş.	33.94	13,331	1,781	11,550	3,117	1,058	3,920
Montenegro Stock Exchange	24.39	9,506	2,104	7,402	270	66	1,805
Kyrgyz Stock Exchange	24.51	1,938	1,234	704	25	6	173
Total						9,428	31,767

31 December 2015	Participation rate (%)	Total assets	Total liabilities	Net assets	Net profit for the period	BiST's shares in profit	BiST's share in net assets
Sermaye Piy. Lisanslama							
Sicil ve Eğitim Kuruluşu A.Ş.	33.94	10,212	1,752	8,460	3,096	1,051	2,871
Montenegro Stock Exchange	24.39	6,378	94	6,284	190	45	1,533
Kyrgyz Stock Exchange	24.51	1,777	1,098	679	23	6	166
Total						1,102	4,570

(*) The Group has sold 3.33% shares on 15 March 2016; which is corresponding to 2,050,502 numbered shares with TRY 1.42 unit price, amounting to TRY 2,911. In accordance with this transaction, EPIAŞ has been accounted under associates. During the 1 January - 15 March 2016, The Group gained TRY 3,212 revenue from EPIAŞ which classified as a joint venture until 15 March 2016.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 5 - INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD (Continued)

As of 31 December 2016 and 2015, joint ventures and subsidiaries that are accounted by equity method are as stated below:

	31 December 2016	31 December 2015
Beginning period	24,090	1,577
Additions of subsidiaries and joint ventures during the period	-	22,929
Disposals of subsidiaries and joint ventures during the period	(1,898)	-
Income and expenses from subsidiaries and joint ventures, (net)	9,799	(487)
Currency translation differences	199	71
Ending period	32,190	24,090

NOTE 6 - FINANCIAL INVESTMENTS

As of 31 December 2016 and 2015, financial investments are as follows:

	31 December 2016	31 December 2015
Held to maturity financial assets	47,101	184,481
	47,101	184,481

As of 31 December 2016, details of government bonds are as follows:

	Nominal value	Carrying value	Interest rate (%)	Maturity
31 December 2016				
Government bonds	50,000	45,943	9.97	6 months - 1 year
Government bonds	1,257	1,158	9.60	6 months - 1 year
Total	51,257	47,101		

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 6 - FINANCIAL INVESTMENTS (Continued)

As of 31 December 2015, details of government bonds are as follows:

	Nominal value	Carrying value	Interest rate (%)	Maturity
31 December 2015				
Government bonds	100,000	103,805	9.57	0 - 1 month
Government bonds	81,465	76,280	11.05	6 months - 1 year
Government bonds	2,620	2,552	9.84	3- 6 months
Government bonds	1,502	1,461	9.50	3- 6 months
Government bonds	400	383	9.35	3- 6 months
Total	185,987	184,481		

As of 31 December 2016 and 2015, details of available for sale financial assets are as follows:

	31 December 2016		31 December 2015	
	Participation rate (%)	Carrying value	Participation rate (%)	Carrying value
<i>Available for sale financial assets</i>				
LCH.Clearnet Group Limited	2.04	62,838	2.04	62,838
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	19.90	3,320	19.90	3,320
Sarajevo Stock Exchange	16.54	781	16.54	703
Baku Stock Exchange	4.76	157	4.76	157
Other	<0.01	567	<0.01	566
Total		67,663		67,584

None of the Group's available for sale shares in equity participations is publicly listed companies and they do not have price in an active market and they are stated at cost as their fair value cannot be determined reliably.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 7 - TRADE AND OTHER RECEIVABLES

Trade receivables

Trade receivables from third parties

As of 31 December 2016 and 2015, details of short term other trade receivables from third parties are as follows:

	31 December 2016	31 December 2015
Loans given	98,945	172,112
Receivables from members (*)	36,294	35,173
Custody and commission receivables	8,553	7,219
Doubtful receivables	1,919	1,929
Provisions for doubtful receivables (-)	(1,919)	(1,929)
Total	143,792	214,504

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

As of 31 December 2016 and 2015, remaining maturities of trade receivables are less than 3 months.

As of 31 December 2016 and 2015, the movement of provisions for doubtful receivables is as follows:

	2016	2015
Beginning period - 1 January	(1,929)	(1,929)
Provisions during the period	-	(141)
Collections during the period	10	141
Ending period - 31 December	(1,919)	(1,929)

Other receivables

Other receivables from third parties

As of 31 December 2016 and 2015, details of other receivables from third parties are as follows:

	31 December 2016	31 December 2015
Other receivables	152	153
Receivables from personnel	6	31
Total	158	184

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 8 - OTHER ASSETS

Other current assets

As of 31 December 2016 and 31 December 2015, the details of other current assets are as follows:

	31 December 2016	31 December 2015
Receivable from derivatives collateral	1,824	919
Income accruals	290	411
Work advances	79	175
Deferred VAT	-	465
Total	2,193	1,970

Other non-current assets

As of 31 December 2016 and 2015, other non-current assets are as follows:

	31 December 2016	31 December 2015
Deposits and guarantees given	578	198
Total	578	198

NOT 9 - DEFERRED INCOME

Short term deferred income

As of 31 December 2016 and 2015, details of short term deferred income are as follows:

	31 December 2016	31 December 2015
E-Company service income	356	271
TÜBİTAK incentive income (*)	345	185
	701	456

Long term deferred income

As of 31 December 2016 and 2015, details of long term deferred income are as follows:

	31 December 2016	31 December 2015
TÜBİTAK incentive income (*)	1,296	969
	1,296	969

(*) MKK gained a grant income from Scientific and Technological Research Council of Turkey ("STRCT") referring to the Public Disclosure Platform ("PDP") project and EFKTS project. Company reflects this income in the periods where the related costs are recognised as expenses in order to be compatible with periodicity principle.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 10 - PREPAID EXPENSES

Short term prepaid expenses

As of 31 December 2016 and 2015, details of short term prepaid expenses are as follows:

	31 December 2016	31 December 2015
Prepaid expenses	8,610	10,420
Other	-	58
Total	8,610	10,478

Long term prepaid expenses

As of 31 December 2016 and 2015, details of long term prepaid expenses are as follows:

	31 December 2016	31 December 2015
Prepaid expenses (*)	9,327	6,780
Advances given	-	728
Total	9,327	7,508

(*) As of 31 December 2016, the prepaid expenses consists of prepaid software maintenance and support.

NOTE 11 - INVESTMENT PROPERTIES

As of 31 December 2016 and 2015, the movements of the investment properties are as follows:

	Valuation Method	1 January 2016	Increase in value	31 December 2016
Investment properties	Sales comparison method	13,250	9,035	22,285
Total		13,250	9,035	22,285

	Valuation Method	1 January 2015	Increase in value	31 December 2015
Investment properties	Sales comparison method	12,500	750	13,250
Total		12,500	750	13,250

The fair value of the investment property as of 31 December 2016 TRY 22,285 is determined using the comparison of sales method as stated in the valuation reports dated 5 January 2017. This report is prepared by an independent valuation Company authorized by the Capital Markets Board ("CMB"). As of 31 December 2016 there has not been any rent income from investment properties (31 December 2015: TRY 228).

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 11 - INVESTMENT PROPERTIES (Continued)

The significant estimates and assumptions used in determining the fair value of the investment properties as of 31 December 2016 are as follows:

Investment property	Valuation method	Expert report date	Precedent value m² TRY
Akmerkez -Independent unit	"Sales comparison method"	5 January 2017	22,625

The significant estimates and assumptions used in determining the fair value of the investment properties as of 31 December 2015 are as follows:

Investment property	Valuation method	Expert report date	Precedent value m² TRY
Akmerkez -Independent unit	"Sales comparison method"	4 August 2015	13,452

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş.
EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

For the years ended 31 December 2016 and 2015, movements of the property, plant and equipment are as follows:

	Building	Machinery and equipment	Vehicles	Furnitures and fixtures	Leasehold improvement	Construction in progress	Advances given	Total
1 January 2016								
Net book value - beginning period	10,125	26,176	489	12,154	34,477	61,085	5,406	149,912
Additions	-	3,183	68	5,440	1,751	55,427	10,228	76,097
Disposals	-	(61)	(546)	(147)	-	-	-	(754)
Transfers (*)	-	(3,234)	622	2,612	93,617	(97,625)	(15,634)	(19,642)
Depreciation of current period	(307)	(9,017)	(225)	(3,812)	(2,681)	-	-	(16,042)
31 December 2016	9,818	17,047	408	16,247	127,164	18,887	-	189,571

	Building	Machinery and equipment	Vehicles	Furnitures and fixtures	Leasehold improvement	Construction in progress	Advances given	Total
1 January 2015								
Net book value - beginning period	10,433	21,828	653	18,040	18,509	19,039	17,048	105,550
Additions	-	4,625	219	3,172	28	100,001	3,400	111,445
Disposals	-	(1,609)	(94)	-	-	-	-	(1,703)
Transfers (*)	-	10,358	-	(6,167)	16,903	(57,955)	(15,042)	(51,903)
Depreciation of current period	(308)	(9,026)	(289)	(2,891)	(965)	-	-	(13,477)
31 December 2015	10,125	26,176	489	12,154	34,477	61,085	5,406	149,912

(*) The total transfers have been made from property, plant equipment to intangible assets.

As of 31 December 2016, gross cost and depreciation amount of the property, plant and equipment are respectively TRY 228,599 and TRY 39,028 (As of 31 December 2015, gross cost and depreciation amount of the property, plant and equipment are respectively TRY 173,678 and TRY 23,766).

There are no mortgages or pledges over property, plant and equipment as of 31 December 2016 and 2015.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 13 - INTANGIBLE ASSETS

For the period ended 31 December 2016 and 2015, the movements of the intangible assets are as follows:

	Rights	Software licenses	Development costs (**)	Constructions in progress (***)	Total
1 January 2016					
Net book value - beginning period	42,335	4,589	17,813	218,222	282,959
Additions	6,579	556	3,542	21,859	32,536
Transfers (*)	95,796	(1,780)	11,006	(85,380)	19,642
Amortisation of current period	(10,451)	(1,286)	(5,140)	-	(16,877)
31 December 2016	134,259	2,079	27,221	154,701	318,260
1 January 2015					
Net book value - beginning period	7,495	2,179	10,990	212,460	233,124
Additions	2,518	2,410	-	1,994	6,922
Disposals	(114)	-	-	-	(114)
Transfers (*)	37,616	-	10,519	3,768	51,903
Amortisation of current period	(5,180)	-	(3,696)	-	(8,876)
31 December 2015	42,335	4,589	17,813	218,222	282,959

(*) The total transfers have been made from property, plant equipment to intangible assets.

(**) The Company and its subsidiary MKK have been registered as "Research and Development Center" within the Research and Development Law numbered 5746 by Ministry of Science, Industry and Technology. Expenses incurred in relation to the developed projects are capitalized and accounted under the construction in progress. After the completion of the projects, the total capitalized amounts are classified to intangible asset and the depreciation is calculated over the total capitalized amount.

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

As of 31 December 2016, the Group has capitalized TRY 9,687 personnel expenses during the development stage (31 December 2015: TRY 7,369).

As of 31 December 2016, the total personnel expenses capitalized on rights and construction in progress amount to TRY 21,236 of which TRY 14,999 relates to BIST and TRY 6,237 relates to Takasbank. (As of 31 December 2015, the total personnel expenses capitalized on rights and construction in progress amount to TRY 19,493 of which TRY 17,500 relates to Borsa İstanbul and TRY 1,993 relates to Takasbank).

As of 31 December 2016, the internally generated capitalized costs on development costs, amortisation and personnel costs amount to TRY 9,687 (31 December 2015: TRY 7,369).

As of 31 December 2016, there is TRY 21,236 internally generated capitalized cost on rights and construction in progress account regarding to the Nasdaq project (31 December 2015: TRY 13,209).

As of 31 December 2016, gross cost and amortisation amount of the intangible assets are respectively TRY 348,329 and TRY 30,069 (As of 31 December 2015 gross cost and amortisation amount of the intangible assets are respectively TRY 295,700 and TRY 12,741).

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 14 - GOVERNMENT GRANTS

It is stated with a letter on 26 February 2016 issued by Ministry of Science, Industry and Technology as part of Research and Development Law numbered 5746 that MKK's Research and Development Center status to be continued for 1 year.

It is decided that Borsa İstanbul has been included in the scope of the research and development center in accordance with the Research and Development Law numbered 5746 by the Ministry of Science, Industry and Technology with a decision on 18 May 2016.

As of 31 December 2016, research and development tax deduction amounting to TRY 10,732 is considered as deduction in corporate tax calculation (31 December 2015: TRY 7,886).

MKK has received TRY 546 support regarding the research and developments from TUBITAK(31 December 2015: TRY 1,179).

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

NOTE 15 - TRADE PAYABLES, OTHER PAYABLES AND OTHER LONG-TERM FINANCIAL LIABILITIES

Trade payables to third parties

As of 31 December 2016 and 2015, details of trade payables to third parties are as follows:

	31 December 2016	31 December 2015
Payables to members (*)	266,970	371,576
Payables to domestic suppliers	14,812	10,747
Total	281,782	382,323

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

Other long-term financial liabilities to related parties

As of 31 December 2016, 2015 and 2014, other long-term financial liabilities to related parties are as follows:

	31 December 2016	Restated (**) 31 December 2015	Restated (**) 31 December 2014
Other long-term financial liabilities to related parties (***)	777,765	637,502	236,657
Total	777,765	637,502	236,657

(**) Refer to note 2.3.

(***) Consists of transaction performed with the Group's shareholders (Note 1).

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 15 - TRADE PAYABLES, OTHER PAYABLES AND OTHER LONG-TERM FINANCIAL LIABILITIES (Continued)

Other payables to related parties

As of 31 December 2016 and 2015, other payables to related parties are as follows:

	31 December 2016	31 December 2015
Expense accrual for Capital Markets Board share	55,331	50,654
Total	55,331	50,654

Other payables to third parties

As of 31 December 2016, other payables to third parties are TRY 729 (31 December 2015: TRY 67).

NOTE 16 - SHORT TERM PROVISIONS

Other short term provisions

As of 31 December 2016, other short term provisions consists of TRY 10,418 of lawsuit provisions (31 December 2015: TRY 3,097).

NOTE 17 - SHORT TERM BORROWINGS

As of 31 December 2016 and 2015, short term borrowings are as follows:

31 December 2016	Weighted average effective interest rate (%)	Currency	Original amount	TRY equivalent
Short term borrowings	0.90	USD	288,514	1,015,340
	0.05	EUR	230,303	854,401
	8.46	TRY	574,491	574,491
				2,444,232
31 December 2015	Weighted average effective interest rate (%)	Currency	Original amount	TRY equivalent
Short term borrowings	0.65	USD	324,158	942,522
	9.73	TRY	812,393	812,393
	0.17	EUR	207,203	658,408
				2,413,323

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provision for legal cases

There are several lawsuits against and in favor of the Group. This lawsuits consist of reemployment and disagreements with market members. In accordance with the opinions of the legal advisors, the management has reserved provisions amounting to TRY 10,418 in the consolidated financial statements as of 31 December 2016 (31 December 2015: 3,097 TRY) (Note 16).

Commitments

Total amount of commitments not included in liabilities

	31 December 2016	31 December 2015
<i>Guarantees received from members (*)</i>		
Debt Securities Guarantees	6,731,907	6,703,518
Equity Market Guarantees	441,678	413,277
Precious Metals and Diamond Guarantees	87,939	77,411
Foreign Marketable Securities Guarantees	9,549	4,571
Total	7,271,073	7,198,777

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

	31 December 2016	31 December 2015
<i>Guarantees received from goods and services suppliers</i>		
TRY	45,470	43,811
USD	9,970	8,622
EUR	3,056	2,601
Total	58,496	55,034

	31 December 2016	31 December 2015
<i>Assets Under Custody</i>		
Contribution Fund of Mandatory Education of BİST(*)	152,028	142,193
Total	152,028	142,193

(*) In accordance with the decision of İMKB's Board of Directors in 1997, İMKB made a contribution to 'Contribution to Continuous Education' amounting to TRY 32,000. The contribution fund is established under the decisions made in the General Assembly and Board of Directors in order to fund the construction of primary schools under the name of "Contribution Fund of Mandatory Education of İMKB". This fund is collected under time deposits held by public banks and managed by İMKB; however, the related fund is not included in the assets of İMKB. The fund was previously accounted under İMKB's assets and liabilities until 1999 and currently, it is accounted under the off-balance sheet. As of 31 December 2016, principal amount of "Contribution Fund of Mandatory Education of İMKB" is TRY 152,028 (31 December 2015: TRY 142,193).

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 19 - PROVISION FOR EMPLOYEE BENEFITS AND LIABILITIES FOR EMPLOYEE BENEFITS

As of 31 December 2016 and 2015, the details of liabilities for employee benefits are as follows:

	31 December 2016	31 December 2015
Payables to personnel	9,555	287
Social security premium payables	3,308	1,535
Total	12,863	1,822

As of 31 December 2016 and 2015, the details of short term provisions for employee benefits are as follows:

	31 December 2016	31 December 2015
Unused vacation liability	17,426	19,350
Personnel bonus provision	-	8,910
Total	17,426	28,260

Unused vacation liability

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

The movement of unused vacation liability is as follows:

	2016	2015
Opening balance - 1 January	19,350	15,905
Payment during period	(4,976)	(644)
Increase during period	3,052	4,089
Ending balance - 31 December	17,426	19,350

As of 31 December 2016 and 2015, the movements of long term service bonus provisions are as follows:

	31 December 2016	31 December 2015
Provision for employee termination benefits	29,088	29,965
Service bonus provision	9,674	15,733
Total	38,762	45,698

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 19 - PROVISION FOR EMPLOYEE TERMINATION BENEFITS AND LIABILITIES FOR EMPLOYEE BENEFITS (Continued)

Provision for employee termination benefits

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

The amount payable consists of one month's salary limited to a maximum of TRY 4,297 for each year of service at 31 December 2016 (31 December 2015: TRY 3,828).

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

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

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

	31 December 2016	31 December 2015
Discount rate	4.72%	3.79%
Estimated employee turnover rate	97.35%	98.26%

The movements of provision for employee termination benefits are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Opening balance - 1 January	29,965	23,485
Interest cost	2,929	2,661
Service cost	2,547	2,552
Payments during the period	(7,921)	(533)
Actuarial losses	1,568	1,800
Ending balance	29,088	29,965

Employees' Service Provision

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 19 - PROVISION FOR EMPLOYEE TERMINATION BENEFITS AND LIABILITIES FOR EMPLOYEE BENEFITS (Continued)

As of 31 December 2016 and 2015, the movements of service bonus provisions are as follows:

	2016	2015
Opening balance- 1 January	15,733	19,196
Payments during the period	(6,059)	(3,463)
Service bonus provision - 31 December	9,674	15,733

NOTE 20 - OTHER LIABILITIES

Other current liabilities

As of 31 December 2016 and 2015, other currents liabilities are as follows:

	31 December 2016	31 December 2015
Deposits and guarantees received(*)	4,176,347	3,320,982
Taxes and duties payable	12,473	22,224
Other	897	1,709
Total	4,189,717	3,344,915

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

Other non-current liabilities

As of 31 December 2016, other non-current liabilities consist of deposits and guarantees given amounting to TRY 1,442 (31 December 2015: TRY 1,266).

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 21 - SHAREHOLDER'S EQUITY

Share Capital

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

Pursuant to the relevant provisions in the Capital Markets Law, 49% of these shares are transferred to the Republic of Turkey Prime Ministry Undersecretariat of Treasury, 4% to former IMKB members, 0.3% to former IAB members, and 3.8% to former shareholders of the VOB. 1% of shares will be transferred to the Turkish Capital Markets Association when it is formed according to the Capital Markets Law on 26 June 2014. The remaining 41.6% of the shares have been left to the Company in order to be transferred to other stock exchanges, markets or system operators in return for technology, technical know-how and competence and/ or the relevant parties in return for establishing strategic partnerships in line with subparagraph c of the sixth paragraph of Article 138 of the Law. Within three years of the promulgation of the Law, the shares, if any, remaining at BİST shall be transferred to the Treasury. Within this period, the benefits from the transferred shares shall be recognized as share issuance premiums. On 7 January 2014, with the strategic partnership agreements, 5% of the shares were transferred to Nasdaq OMX.

Within the scope of the strategic partnership, 2% of the shares were transferred to Nasdaq OMX on 31 December 2013 and 5% on 7 January 2014. A total of 7% of the shares registered on Nasdaq OMX will be accounted for as treasury shares under equity until the maturity date. The Board of Directors is of the opinion that the possibility of using these options is very low. However, in accordance with TAS 32 due to prudence, the possible liabilities that may arise from such options are reflected in the financial statements.

At the 26 October 2015 Capital Markets Board meeting, it was decided that 10% of the shares which were left to the Company in order to establish strategic partnerships, to be transferred to the European Bank of Reconstruction and Development in line with Article 138 of Capital Market Law No. 6362, would be approved on the condition that this transfer was first approved by the Group's General Assembly. The share transfer was approved at the Extraordinary General Assembly held on 7 December 2015 and was registered on 10 December 2015. These 10% shares which were registered to EBRD will be accounted under shareholder's equity as treasury shares and other long-term financial liabilities until the date when the selling condition is invalid. The Board of Directors is of the opinion that the possibility of using these options is very low. However, in accordance with TAS 32 for possible prudence, the possible liabilities that may arise from such options are reflected in the financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 21 - SHAREHOLDER'S EQUITY (Continued)

The Company's shareholding structure as of 31 December 2016 and 2015 as follows:

Shareholder's Name/Title	31 December 2016		31 December 2015	
	Amount (TRY)	Share (%)	Amount (TRY)	Share (%)
Republic of Turkey Prime Ministry Undersecretariat of Treasury	311,500	73.60	311,500	73.60
European Bank for Reconstruction and Development (*)	42,324	10.00	42,324	10.00
Nasdaq OMX (*)	29,626	7.00	29,626	7.00
Turkish Capital Markets Association (*)	5,502	1.30	5,502	1.30
Other	34,282	8.10	34,282	8.10
Total	423,234	100	423,234	100

(*) Please refer to Note 1.

Restricted reserves

	31 December 2016	31 December 2015
Restricted reserves	274,882	171,996
Total	274,882	171,996

As of 31 December 2016 and 2015 the restricted reserves consists of legal reserves.

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

Share premium

	31 December 2016 Restated (**)	31 December 2015 Restated (**)	31 December 2014
Share premium	200,450	200,450	200,450
	200,450	200,450	200,450

Treasury shares

	31 December 2016 Restated (**)	31 December 2015 Restated (**)	31 December 2014
Treasury shares	(580,663)	(580,663)	(224,102)
	(580,663)	(580,663)	(224,102)

(**) Refer to Note 2.3.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 22 - REVENUE

For the years ended 31 December 2016 and 2015, the details of revenue are as follows:

	31 December 2016	31 December 2015
Service income	891,939	800,574
Less: Sales discounts	(13,556)	(17,639)
Net sales	878,383	782,935
Cost of service given	(55,138)	(42,354)
Gross operational profit	823,245	740,581
Takasbank interest income	294,068	233,635
Trading revenues	245,520	239,214
<i>Debt securities</i>	116,289	123,710
<i>Equity market</i>	51,332	47,789
<i>Derivatives</i>	43,834	43,933
<i>Takasbank money market</i>	24,962	16,193
<i>Precious metals and diamond market</i>	7,178	6,138
<i>Turkey electronic fund purchase and sale platform</i>	956	625
<i>Takasbank security lending market</i>	932	765
<i>Foreign marketable securities market</i>	37	17
<i>Emerging companies market</i>	-	44
Custody and custody related operating income	123,456	107,386
Listing income	51,233	46,169
Data vending income	49,283	47,422
Security registration income	36,252	48,239
Settlement and clearing income	27,649	22,494
Additional terminal fee	13,231	12,196
Membership fee	10,936	12,787
Account management fee	10,906	12,465
Money transfer service income	4,982	3,773
Public disclosure platform income	2,533	1,945
Other service income	21,890	12,849
Total	891,939	800,574

Cost of services

For the years ended 31 December 2016 and 2015, the details of cost of services are as follows:

	31 December 2016	31 December 2015
Takasbank interest expense	50,673	39,350
Fees and commissions	4,465	3,004
Total	55,138	42,354

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 23 - GENERAL ADMINISTRATIVE EXPENSES

For the years ended 31 December 2016 and 2015, the details of general administrative expenses are as follows:

	31 December 2016	31 December 2015
Personnel fees and expenses	214,719	212,761
Depreciation and amortization expenses	32,919	22,353
Taxes and other legal dues	11,628	11,627
Maintenance and repairment expenses	11,365	11,663
Outsourced benefit and services	7,297	4,683
Social expenses	7,296	3,641
Communication expenses	6,340	7,191
Advertising expenses	4,830	5,462
Electricity, water and natural gas expenses	4,113	3,693
Donation expenses	3,762	56
Insurance expenses	3,716	3,335
Subcontractor expenses	3,563	3,422
Rent expenses	3,520	3,452
Travel expenses	2,853	5,893
Consultancy expenses	1,038	10,510
Education, culture and publication expenses	338	541
Other expenses	3,531	7,168
Total	322,828	317,451

Personnel expenses

For the years ended 31 December 2016 and 2015, the details of personnel expenses are as follows:

	31 December 2016	31 December 2015
Gross salaries	69,913	65,302
Salary dependent additional payments	46,446	41,567
Bonus expenses	41,039	58,511
Social benefits	20,253	18,335
Social security employer's contribution expenses	16,451	12,620
Health care expenses	8,158	5,883
Mutual rescission payments	7,910	207
Dividend provision for personnel	-	6,836
Other expenses	4,549	3,500
Total	214,719	212,761

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 23 - GENERAL ADMINISTRATIVE EXPENSES (Continued)

Expenses by nature

	31 December 2016	31 December 2015
Personnel fees and expense	214,719	212,761
Takasbank interest expenses	50,673	39,350
Depreciation and amortization expenses	32,919	22,353
Taxes and other legal dues	11,628	11,627
Maintenance and repairment expenses	11,365	11,663
Outsourced benefit and services	7,297	4,683
Social expenses	7,296	3,641
Communication expenses	6,340	7,191
Advertising expenses	4,830	5,462
Fees and commissions	4,465	3,004
Electricity, water and natural gas expenses	4,113	3,693
Donation expenses	3,762	56
Insurance expenses	3,716	3,335
Subcontractor expenses	3,563	3,422
Rent expenses	3,520	3,452
Travel expenses	2,853	5,893
Consultancy expenses	1,038	10,510
Education, culture and publication expenses	338	541
Other expenses	3,531	7,168
Total	377,966	359,805

NOTE 24 - OTHER OPERATING INCOME / EXPENSE

Other operating expenses

For the years ended 31 December 2016 and 2015, the details of other operating expenses are as follows:

	31 December 2016	31 December 2015
Expense accrual for Capital Markets Board share (Note 29)	55,331	50,654
Foreign exchange expenses	9,381	-
Provision expenses	7,533	150
VAT expense (Note 25)	-	11,722
Other	340	282
Total	72,585	62,808

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 24 - OTHER OPERATING INCOME / EXPENSE (Continued)

Other operating income

For the period 1 January - 31 December 2016 and 2015, the details of other operating income are as follows:

	31 December 2016	31 December 2015
Provision no longer required	2,510	937
Compensation income from subcontractors	2,382	-
Rent income	366	656
Foreign exchange income	-	4,886
Other operating income	3,295	3,411
Total	8,553	9,890

NOTE 25 - SEPARATELY DISCLOSED ITEMS

For the period 1 January - 31 December 2016 and 2015, separately disclosed items are as follows:

	1 January - 31 December 2016	1 January 31 December 2015
Corporate tax expense	-	13,025
VAT expense	-	11,722
Total	-	24,747

For the period 1 January - 31 December 2016 and 2015, separately disclosed items consists of VAT and corporate tax expenses of the one-off sales invoice that is issued to Takasbank due to related party transactions.

NOTE 26 - EXPENSE / INCOME FROM INVESTMENT ACTIVITIES

For the period 1 January - 31 December 2016 and 2015, the details of expense / income from investment activities are as follows:

	31 December 2016	31 December 2015
Increase in valuation of investment properties	9,035	750
Dividend income	2,156	-
Gain on sale of investments	-	-
accounted under the equity method	1,013	-
Loss on sale of fixed assets	-	(1,563)
Total	12,204	(813)

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 27 - FINANCIAL INCOME / EXPENSES

For the period 1 January - 31 December 2016 and 2015, the details of financial income are as follows:

Financial Income

	31 December 2016	Restated (*) 31 December 2015
Interest income	43,805	25,272
Rediscount income	12,761	17,150
Interest income from guarantee account	276	2,379
Other financial income	-	121
Total	56,842	44,922

(*) Refer to Note 2.3.

For the period 1 January - 31 December 2016 and 2015, the details of financial expenses are as follows:

Financial Expenses

	31 December 2016	Restated (*) 31 December 2015
Foreign exchange losses, net	139,139	61,434
Commission expenses	38	205
Total	139,177	61,639

(*) Refer to Note 2.3.

NOTE 28 - TAX ASSETS AND LIABILITIES

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

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is to be declared by the 14th day of the second month following each calendar quarter end and is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 28 - TAX ASSETS AND LIABILITIES (Continued)

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

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

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

As of 31 December 2016 and 2015, the details of current tax assets and liabilities are as follows:

	31 December 2016	31 December 2015
Provision for corporate tax	92,933	92,867
Prepaid tax	(70,633)	(74,550)
Current income tax liabilities	22,300	18,317

For the years ended 31 December 2016 and 2015, the details of tax expenses in profit or loss are as follows:

	31 December 2016	31 December 2015
Income tax expense	92,933	90,447
Deferred tax expense	5,825	5,959
Total tax expense	98,758	96,406

The total provision for taxes on income is different than the amount computed by applying the statutory tax rate to profit before provision for taxes as shown in the following reconciliation for the years ended 31 December 2016 and 2015:

	1 January - 31 December 2016	1 January - 31 December 2015
Profit before taxes	374,393	352,195
Income tax charge at effective tax rate	74,879	70,439
Adjustments from deferred tax calculations	27,868	27,637
Income from tax exemptions	(5,029)	(3,146)
Non-deductible expenses	1,006	1,424
Other	34	52
Tax expense	98,758	96,406

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 28 - TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets and liabilities

The Group and its subsidiaries calculate deferred tax asset and liabilities, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The effective tax rate used for deferred tax assets and liabilities calculated for all taxable differences using the liability method is 20% as of 31 December 2016 and 2015.

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

	31 December 2016		31 December 2015	
	Temporary differences	Deferred tax	Temporary differences	Deferred tax
Expense accrual for				
Capital Markets Board share	55,331	11,066	50,654	10,131
Provision for employee termination benefits	29,088	5,818	29,965	5,993
Provision for unused vacation liabilities	17,426	3,485	19,350	3,870
Lawsuit provisions and expense accruals	10,418	2,084	3,097	619
Provision for service bonuses	9,674	1,935	15,733	3,147
Bonus provision	-	-	8,910	1,782
Other	-	-	393	79
Deferred tax assets		24,388		25,621
Net difference between the tax bases and carrying values of property plant and equipment, intangible assets and investment properties	65,727	13,145	46,834	9,367
Other	2,498	500	-	-
Deferred tax liabilities		13,645		9,367
Deferred tax assets, net		10,743		16,254

The movements of deferred tax assets during the year are as follows:

	31 December 2016	31 December 2015
Beginning balance - 1 January	16,254	21,853
Deferred tax expense	(5,825)	(5,959)
Deferred tax income arising from actuarial losses classified under other comprehensive income	314	360
Ending balance - 31 December	10,743	16,254

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 29 - RELATED PARTY DISCLOSURES

Other long-term financial liabilities to related parties

As of 31 December 2016 and 2015, the details of other long-term financial liabilities to related parties are as follows:

	31 December 2016	Restated (*) 31 December 2015	Restated (*) 31 December 2014
Other long-term financial liabilities to related parties (**)	777,765	637,502	236,657
Total	777,765	637,502	236,657

(*) Refer to Note 2.3.

(**) Consists of transaction performed with the Group's shareholders (Note 1).

As of 31 December 2016 and 2015, the details of short term payables to related parties are as follows:

	31 December 2016	31 December 2015
Expense accrual for Capital Markets Board share (***)	55,331	50,654
Total	55,331	50,654

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

Related party expenses

	31 December 2016	31 December 2015
Capital Markets Board	55,331	50,654
Total	55,331	50,654

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 29 - RELATED PARTY DISCLOSURES (Continued)

In accordance with TAS 24 - Related party standards, the description of related parties has been restricted. In this context, The Group's total transactions with government banks (T.C. Ziraat Bankası A.Ş., Türkiye Vakıflar Bankası T.A.O., Türkiye Halk Bankası A.Ş., Türkiye İhracat Kredi Bankası ve T.C. Kalkınma Bankası A.Ş.) are listed below:

- As of 31 December 2016, the Group has TRY 7,710,405 cash deposit in government bank (31 December 2015: TRY 5,330,568).
- As of 31 December 2016, the Group has generated TRY 225,237 interest income from the government banks (31 December 2015: TRY 151,481).
- As of 31 December 2016, TRY 1,059 of total loans used from government banks by the Group (31 December 2015: TRY 1,041).
- As of 31 December 2016, the Group has paid TRY 39,201 interest for the loans to government banks (31 December 2015: TRY 35,881).

Key Management Personnel Compensation

For the year ended 31 December 2016, salaries and similar benefits provided to the directors and other members of key management are amounting to TRY 7,157 (31 December 2015: TRY 13,692).

NOTE 30 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

Credit risk

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

Market risk

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

Liquidity risk

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş.
EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2016

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

NOTE 30 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

30.1 Credit risk

As of 31 December 2016, credit risk exposure of the Group in terms of financial instruments are as follows:

	Receivables					Deposits at bank	Financial investments
	Trade receivables		Other receivables				
	Related party	Other	Related party	Other			
31 December 2016							
Exposure to maximum credit risk as of reporting date (A+B+C+D)	-	143,792	-	158	8,171,190	47,101	
- Guaranteed part of maximum credit risk with collaterals etc.	-	-	-	-	-	-	
A. Net carrying value of financial assets which are neither impaired nor overdue	-	143,792	-	158	8,171,190	47,101	
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-	
C. Net carrying value of impaired assets	-	-	-	-	-	-	
- Overdue (Gross book value)	-	1,919	-	-	-	-	
- Impairment	-	(1,919)	-	-	-	-	
- Guaranteed part of net value with collaterals	-	-	-	-	-	-	
- Undue (gross book value)	-	-	-	-	-	-	
- Guaranteed part of net value with collaterals	-	-	-	-	-	-	
D. Off statement of financial position items with credit risk	-	-	-	-	-	-	

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

**BORSA İSTANBUL A.Ş.
EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2016**

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

NOTE 30 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2015, credit risk exposure of the Group in terms of financial instruments are as follows:

31 December 2015	Receivables				Deposits at bank	Financial investments
	Trade receivables Related party	Other	Related party	Other receivables		
Exposure to maximum credit risk as of reporting date (A+B+C+D)	-	214,504	-	184	6,878,234	184,481
- Guaranteed part of maximum credit risk with collaterals etc.	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	-	214,504	-	184	6,878,234	184,481
B. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
C. Net carrying value of impaired assets	-	-	-	-	-	-
- Overdue (Gross book value)	-	1,929	-	-	-	-
- Impairment	-	(1,929)	-	-	-	-
- Guaranteed part of net value with collaterals	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Guaranteed part of net value with collaterals	-	-	-	-	-	-
D. Off statement of financial position items with credit risk	-	-	-	-	-	-

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 30 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

30.2 Liquidity risk

Liquidity risk is the Group's default in meeting its net funding liabilities. Events causing a decrease in funding resources such as; market deteriorations or decrease in credit ratings are major reasons of liquidity risk. The Group manages its liquidity risk by allocating its resources to obtain adequate reserves for recovering its current and potential liabilities by holding appropriate level of cash and cash equivalents.

The table below represents the gross amount of un-discounted cash flows related to non-derivative financial liabilities based on the remaining maturities as of 31 December 2016 and 2015:

31 December 2016	Carrying value	Contractual cashflows	Up to 3 months	3-12 months	1-5 years
Current liabilities					
Short term borrowings	2,444,232	2,444,493	2,444,493	-	-
Trade and other payables	282,511	282,511	282,511	-	-
Payables to related parties	55,331	55,331	55,331	-	-
Other current liabilities	4,189,717	4,189,717	4,189,717	-	-
Total current liabilities	6,971,791	6,972,052	6,972,052	-	-
Non-current liabilities					
Other long-term financial liabilities to related parties	777,765	787,648	-	-	787,648
Total non-current liabilities	777,765	787,648	-	-	787,648
Total Liabilities	7,749,556	7,759,700	6,972,052	-	787,648
31 December 2015	Carrying value	Contractual cashflows	Up to 3 months	3-12 months	1-5 years
Current liabilities					
Short term borrowings	2,413,323	2,414,078	2,414,078	-	-
Trade and other payables	382,390	382,390	382,390	-	-
Payables to related parties	50,654	50,654	50,654	-	-
Other current liabilities	3,344,915	3,344,915	3,344,915	-	-
Total current liabilities	6,191,282	6,192,037	6,192,037	-	-
Non-current liabilities					
Other long-term financial liabilities to related parties	637,502	651,389	-	-	651,389
Total non-current liabilities	637,502	651,389	-	-	651,389
Total Liabilities	6,828,784	6,843,426	6,192,037	-	651,389

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 30 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

30.3 Market risk

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

30.4 Foreign currency risk

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

The foreign exchange rates used by the Group for translation of the transactions in foreign currencies as of 31 December 2016 and 2015, are as follows:

	31 December 2016	31 December 2015
USD	3.5192	2.9076
EUR	3.7099	3.1776

The table below summarizes the foreign currency position risk of the Group. As of 31 December 2016 and 2015, carrying value of assets and liabilities held by the Group in foreign currencies (in TRY equivalent) are as follows.

	31 December 2016			31 December 2015		
	TRY	USD	EUR	TRY	USD	EUR
Cash and cash equivalents	3,324,787	665,571	264,835	2,555,317	608,362	247,496
Financial investments	543	-	146	1,478	-	465
Total assets	3,325,330	665,571	264,981	2,556,795	608,362	247,961
Short term borrowings	1,869,741	288,514	230,303	1,600,930	324,158	207,203
Trade and other payables	1,446,068	375,162	33,910	981,416	293,203	40,565
Other long-term financial liabilities						
To related parties	777,765	221,006	-	637,502	219,254	-
Total liabilities	4,093,574	884,682	264,213	3,219,848	836,615	247,768
Net foreign currency assets	(768,244)	(219,111)	768	(663,053)	(228,253)	193

Exposure to foreign currency risk

An appreciation/depreciation of the TRY by 10% against the other currencies below would have increased / (decreased) the equity and profit / loss (excluding the tax effect) for the years ended 31 December 2016 and 2015:

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 30 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

Foreign exchange sensitivity analysis table

	Profit / (Loss)		Shareholder's equity	
	Strengthening of foreign currency	Weakening of foreign currency	Strengthening of foreign currency	Weakening of foreign currency
31 December 2016				
Increase / (decrease) 10% of USD parity				
1- USD net asset / liability	(77,110)	77,110	(77,110)	77,110
2- Hedged portion of USD amounts (-)	-	-	-	-
3- Net effect of USD (1+2)	(77,110)	77,110	(77,110)	77,110
Increase / (decrease) 10% of EURO parity				
4- EURO net asset / liability	(285)	285	(285)	285
5- Hedged portion of EURO amounts (-)	-	-	-	-
6- Net effect of EURO (4+5)	(285)	285	(285)	285
TOTAL (3+6)	(77,395)	77,395	(77,395)	77,395
	Profit / (Loss)		Shareholder's equity	
	Strengthening of foreign currency	Weakening of foreign currency	Strengthening of foreign currency	Weakening of foreign currency
31 December 2015				
Increase / (decrease) 10% of USD parity				
1- USD net asset / liability	(66,367)	66,367	(66,367)	66,367
2- Hedged portion of USD amounts (-)	-	-	-	-
3- Net effect of USD (1+2)	(66,367)	66,367	(66,367)	66,367
Increase / (decrease) 10% of EURO parity				
4- EURO net asset / liability	61	(61)	61	(61)
5- Hedged portion of EURO amounts (-)	-	-	-	-
6- Net effect of EURO (4+5)	61	(61)	61	(61)
TOTAL (3+6)	(66,306)	66,306	(66,306)	66,306

Interest rate risk

The Group is exposed to interest rate risk due to effects of the changes in market interest rates on the interest rate sensitive assets and liabilities.

The Group's interest rate sensitive financial instruments' allocation as of 31 December 2016 and 2015 are presented below:

	31 December 2016	31 December 2015
Financial instruments with fixed interest rate		
Financial assets		
Bank deposits	8,076,431	6,843,653
Held-to-maturity assets	47,101	184,481
Reverse repo receivables	21,168	19,366

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 31 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

Fair value of financial assets and liabilities has to be determined for accounting policies and/or presentation of notes.

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

Financial assets

It is estimated that the fair values and carrying amounts of the bank deposits, trade and other receivables are close to each other, since they have short term maturities.

Investment funds and securities measured at fair value are valued using the market prices available at the reporting date.

Financial liabilities

It is estimated that the fair values and carrying amounts of the financial liabilities, trade payables and other liabilities are close to each other due to their short term maturities.

Classification relevant to fair value information

The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

Level 1: Registered (unadjusted) prices of identical assets or liabilities in active markets;

Level 2: Data which can be observed by directly (through prices) or indirectly (derived from prices) and which excludes the registered prices described in Level 1;

Level 3: Data that is not based on observable market data related to assets and liabilities (non-observable data).

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

BORSA İSTANBUL A.Ş. EXPLANATORY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

NOTE 31 - FINANCIAL INSTRUMENTS (Continued)

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

31 December 2016	Level 1	Level 2	Level 3	Total
Investment funds	417	-	-	417
Investment properties	-	22,285	-	22,285
Total financial assets	417	22,285	-	22,702
31 December 2015	Level 1	Level 2	Level 3	Total
Investment funds	2,389	-	-	2,389
Investment properties	-	13,250	-	13,250
Total financial assets	2,389	13,250	-	15,639

Financial assets available for sale which are affiliates of the Group, have been accounted for making use of cost value.

NOTE 32 - SUBSEQUENT EVENTS

In accordance with the Decree of the Council of Ministers dated 24 January 2017, numbered 2017/9756 and published in the Official Gazette dated February 5, 2017, numbered 29970, the shares belonging to the Republic of Turkey Prime Ministry Undersecretariat of Treasury were transferred to the Türkiye Wealth Fund.

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