

Annual Report 2019



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Part I

Introduction

2019 Review: The Economy and Financial Markets

Slowdown signals had started to occupy the global economic agenda especially during the second half of 2018 and this trend continued in 2019. The most important indicator on this front is definitely the US ISM index, which declined from 54.3 by end 2018, to 47.2 in December 2019. Notwithstanding the fact that any index figure above 50 represents an economic expansion, the downward course of the indicator is worth to mention anyway. The same leading indicator for the Eurozone, the manufacturing PMI index, declined towards below fifties in 2019 and ended the year at 46.3. On the other hand, China's manufacturing PMI was more stable compare to USA and Eurozone and stood at 50.2 at the end of 2019. In 2019, World's leading central banks reacted to the weak macro conditions by increasing liquidity. FED decreased interest rates to 1.75%-1.5% band by decreasing it three times in 2019. On the other hand, FED started to expand its balance sheet to support the economy by 415 billion USD in the last quarter of 2019. Likewise, ECB decided to restart asset purchase program at a monthly pace of 20 billion EUR starting from November. The Governing Council expects them to run for as long as it's necessary. Negotiations between USA and China continue to show mixed signals which led to an increase in the prices of assets that are considered safe havens such as gold. Rising global liquidity and supporting monetary policy had a positive effect on financial markets while USA equity multiples reach historic high. Especially, in the second half of the year, emerging markets such as Turkey performed above the expectations.

The Turkish economy contracted by 2.8% in the last quarter of 2018. In 2019 economy gave signals of a gradual economic recovery. Turkey's GDP contracted by 2.3% and 1.6% in the first and second quarter of 2019, while it grew by 0.9% in the third quarter and gave better signals for the last quarter. Thus the contraction of GDP decreased to 0.9% in the first nine months of the 2019. At the beginning of 2019, parallel to the weak course of the economy, Turkey reached current account surplus. In 2018 the CPI inflation recorded as 20.30%. In 2019 the CPI inflation decreased rapidly to 11.84% over the year. Parallel to the path of the inflation, the CBRT cut the interest rates to 12% from 24%. In 2020, interest rate cuts are expected to continue but with a slower pace. In the first meeting of the 2020, the CBRT cut the interest rate by 75 basis points. Thanks to the recovery in the economy, Turkey CDS levels decreased to 278. Decreasing interest rates led to the appreciation of TL based assets. After May, equity and fixed income markets rallied with support of the monetary policy. In 2020, macro-economic conditions will continue to support the markets while global liquidity and decisive for asset prices. Geopolitical factors and negotiation between USA and China can cause volatility in the financial markets.

In Brief

In 2019, Yapı Kredi Asset Management had the highest growth of recent years, while increasing customer satisfaction as well as mutual funds and pension funds market share.

In 2019, the company was awarded 9 different awards from Asset Management to Pension Fund management by prestigious financial magazines operating in the international arena.

Yapı Kredi Asset Management (YKAM) is a leading asset management company in Turkey with a diverse and comprehensive range of products and services including mutual funds, pension funds, discretionary portfolios, investment advisory.

YKAM is a member of Yapı Kredi Group under Koç Financial Services, which is ultimately owned by Koç Group (50%) and UniCredit from Italy (20%) and free floating part of (%30) which is traded in Istanbul Stock Exchange (ISE).

As of the end of 2019, YKAM manages a total of 24 mutual funds, 12 Hedge Funds and 28 pension funds of 3 different pension companies that comprise an extensive range of investment management products further enhanced by best-of-breed discretionary portfolios currently under management.

YKAM manages portfolios on a collaborative basis, with dedicated teams composed of professionals who are specialized in each asset class. Applying proprietary research and analysis derived from international resources with precise benchmarking and diligent risk management, YKAM produces tailor-made solutions for each client according to the guidelines and objectives of each portfolio.

As of 31 December 2019, YKAM manages assets totaling TL 30.8 bn (US\$ 3.3 bn) with 13.2% market share in mutual funds and 12.7% in pension funds.

Core Strengths

Reinforcing and strengthening its position in the sector with its adaptation the changes in legislation and market conditions, YKAM continues to offer its customers the highest standards of service while increasing its sales network.

Strong Awards Portfolio

Yapı Kredi Asset Management has been awarded by 9 prestigious awards in 2019. The company awarded by "Turkey's Best Asset Management Company" by 3 different magazines, Global Brands, Global Banking and Finance Review and International Business. Furthermore, YKAM has been awarded as "Pension Fund Management – Turkey 2019" and "Best Fund Manager – Turkey 2019" by International Investor as well as "Best Pension Fund – Turkey 2019" by World Finance. YKAM also awarded by "Business Excellence Award" by bizz Awards, "Most Dynamic in Pension Fund Management Services 2019 – Turkey" by Global Business Insight and "Best Pension Funds Management Company Turkey 2019" by Global Banking and Finance Review.

A Broad Product Range

As one of the pre-eminent asset management companies in Turkey, YKAM benefits from its broad presence and diversified range of products to meet the changing needs of investors with different risk/return profiles. The Company is also a pioneer in Turkey with its alternative investment products including fund of funds, hedge funds, foreign currency denominated fund and hedge funds which redeems after a certain period.

Strength in Investment Management

All investment decision-making and portfolio management processes are implemented by relevant committees using well-established procedures and benchmark-driven strategies at YKAM. All investment cases are evaluated at the Investment Committee and Asset Allocation Committee before they are finalized. On the other hand independent research companies' reports are followed by the investment committee.

Proven Internal Control Systems

YKAM is very much aware of the fact that prudent risk management policies lie at the heart of longevity in asset management. Therefore, a disciplined approach is taken towards risk management with well implemented monitoring and reporting processes. Independent internal control and audit functions provide the necessary oversight functions. Mutual funds and pension funds reports are delivered daily with composites available for discretionary portfolios and tailor-made reporting services available for institutional mandates.

Robust Technological Resources

YKAM utilizes proprietary software as its asset management system, which is designed in-house with third party support to optimally wield YKAM's know-how with numerous analytical modules. The quality of fund administration processes including non-standard transactions like OTC options is fully supported by the Company's well-developed IT framework. On the other hand the operational risks are minimized by integrated systems. While the importance of IT is increasing day by day especially with the rising of digitalization, YKAM aims to adapt rapidly to technological developments by increasing the headcount of IT specialists.

A Consistent and Solid Track Record in Performance

YKAM aims to provide its clients with long-term competitive risk-adjusted returns. YKAM funds have consistently delivered superior risk adjustment vis-à-vis the benchmarks utilized with optimally low volatility due to prudent risk management policies.

Well-established Client Management Services and Sales Support Functions

With a strong and well-established client service tradition, YKAM makes a difference to investors looking for premium value for their assets. The marketing, sales and customer relations functions are overseen by its dedicated and highly competitive capital markets professionals who have a keen focus on customer needs. The teams continuously come up with innovative product solutions to serve clients better and offer a full range of services for institutional and HNW clients.

Advanced Product Management Expertise

YKAM has extensive product management expertise gained through years of in-depth experience, highly educated and skilled risk managers as well as fund managers. YKAM creates new products and strategies responsive to investors' changing needs by intensively following the fund market trends all around the world. YKAM product management functions are well supported by a dedicated and competent in-house team that conducts cutting edge research and quantitative analysis. New product meetings are held annually and due to market conditions and expectations those new ideas are launched throughout the year.

Key Operational Indicators

	2019		2018		2017		2016		2015		2014	
	Asset Size (US\$ Million)	Market Share (%)	Asset Size (US\$ Million)	Market Share (%)	Asset Size (US\$ Million)	Market Share (%)	Asset Size (US\$ Million)	Market Share (%)	Asset Size (US\$ Million)	Market Share (%)	Asset Size (US\$ Million)	Market Share (%)
Mutual Funds	2,284	13.21%	1,433	16.51%	2,530	18.91%	2,096	17.09%	2,262	17.52%	2,746	17.97%
Pension Funds	2,723	12.71%	2,079	11.75%	2,756	13.07%	2,276	13.17%	2,268	13.74%	2,379	14.60%
All Funds	5,006	12.93%	3,512	13.32%	5,286	15.34%	4,372	14.80%	4,531	15.40%	5,125	16.23%

	2019		2018		2017		2016		2015		2014	
	Asset Size (US\$ Million)	Number of Clients	Asset Size (US\$ Million)	Number of Clients	Varlık Değeri (Milyon TL)	Müşteri Sayısı						
Discretionary Portfolio Management	145	491	188	655	213	667	200	537	201	451	256	388
Investment Advisory	306	84	239	57	254	42	247	39	252	29	362	40
Portfolio Management and Advisory	450	575	427	712	466	709	447	576	453	480	618	428
Assets Under Management*	5,151		3,701		5,499		4,572		4,732		5,381	
#of Mutual Funds Managed	36		30		33		35		32		40	
#of Pension Funds Managed	28		25		25		21		20		19	

* Mutual Funds, Pension Funds and DPM size are considered
Source: Yapı Kredi Asset Management as of December 31st, 2019

Key Financial Indicators

Net Revenues (US\$ Million)

2019	16,3
2018	14,9
2017	20,2
2016	17,8

Net Profit (US\$ Million)

2019	8,0
2018	6,8
2017	10,1
2016	8,6

Shareholder (US\$ Million)

2019	14,4
2018	12,5
2017	17,1
2016	15,3

Milestones

- 2002**
- Mutual funds management has been taken over.
- 2003**
- Management of Koç Allianz and Yapı Kredi pension funds started.
 - Establishment of risk management.
 - Launch of Private Banking funds for HNWLs.
- 2004**
- Building 3rd party distribution with two other banks.
 - Initiation and support for distribution of foreign funds in Turkey.
 - Introduction of “Pusula”, a saving system based on mutual funds and risk profile questionnaire developed by the Company.
- 2005**
- Portfolio advisory started to run in order to serve for HNWLs.
 - Managing mutual funds of a third party.
- 2006**
- International rating company Fitch Ratings rated YKAM at M2 (tur).
 - Merger of Koç and YKAM* (market leader in mutual funds)
- 2007**
- International rating company Fitch Ratings reaffirmed YKAM’s rating at M2 (tur).
 - ‘Fund of World Funds’ (1st Fund of Funds investing in foreign funds in Turkey).
 - Merger process of mutual funds established by both Koçbank and Yapı Kredi Bank completed.
- 2008**
- International rating company Fitch Ratings rated YKAM’s rating at M2+ (tur) which stand for “strong”.
 - Portfolio advisory service to a foreign fund introduced.
 - Turkey’s 1st capital guaranteed funds.
- 2009**
- Yapı Kredi Istanbul Hedge Fund.
 - A new business line for the low risk category clients launched in Discretionary Portfolio Management.
- 2010**
- A new business line for the medium risk category clients launched in Discretionary Portfolio Management.
 - International credit rating company Fitch Ratings reaffirmed YKAM’s rating at M2+ (tur).
- 2011**
- Yapı Kredi issued Turkey’s largest capital guaranteed funds so far with a volume of TL280 million.
 - International Credit rating company Fitch Ratings reaffirmed YKAM’s rating at M2+ (tur).
- 2012**
- 3 new equity funds, 5 fixed income funds and 6 capital guaranteed funds were presented to Yapı Kredi clients in 2012.
 - Turkey’s 1st private sector focused and ISE Dividend Index Funds.
 - Fitch Ratings reaffirmed YKAM’s asset manager rating at M2+ (tur)
- 2013**
- YKAM honored as “The Best Asset Management Company in Turkey” in 2013 by EMEA Finance Magazine.
 - Fitch Ratings rated Yapı Kredi Asset Management at ‘Highest Standards(tur)’ the highest National Scale
 - First asset management company with rated funds in Turkey
 - Yapı Kredi SICAV has been launched
- 2014**
- Yapı Kredi Asset Management has been selected by Global Banking and Finance Review Magazine, EMEA Finance Magazine, World Finance Magazine and International Finance Magazine as the “Best Asset Manager in Turkey” in 2014.
 - YKAM’s “Highest Standards (tur)” rating, has been reconfirmed by Fitch Ratings.
 - YKAM maintained both its position as the first asset management company with rated funds in Turkey and its high quality rating on its funds.
- 2015**
- Yapı Kredi Asset Management has been selected as Best of Turkey by 7 prestigious finance magazine in 2015.**
 - YKAM’s “Highest Standards (tur)” rating, which is the highest grade in Fitch’s scale of asset management rating, has been reconfirmed by Fitch Ratings.
 - Only rated asset manager company in Turkey, Yapı Kredi Asset Management’s 4 Mutual Funds’ ratings have been reaffirmed, 3 Pension Funds have been rated at “Good”.
 - Founder ship transference with Yapı Kredi Bank has been completed. The process of orientation to TEFAS has been completed.
- 2016**
- YKAM has been awarded by EMEA Finance Magazine, Global Brands Magazine and Turkish Capital Markets Association.
 - YKAM’s Highest Standards (tur) grade has been reaffirmed and withdrawn by Fitch Ratings.
 - YKAM’s 4 mutual funds² and 3 pension funds’ grades has been confirmed and withdrawn by Fitch Ratings
 - First foreign currency denominated fund and 2 new hedge funds have been launched.
- 2017**
- YKAM awarded by Global Banking and Finance Review Magazine and Finance Digest Magazine with 4 awards
 - YKAM won “Pension Fund Management - 2016 Highest Return” award of Turkish Capital Markets Association for the second time in a row
 - Launched first fund of funds, reached to TL 651mn
- 2018**
- 6 prestigious global magazine awarded YKAM
 - YKAM won “Pension Fund Management - 2017 Highest Return” award of Turkish Capital Markets Association for the third time in a row.
 - Started to work with 6 different pension companies.
- 2019**
- The first redeeming foreign currency mutual fund issued in the sector
 - Awarded by 9 different prize by distinguished international magazines which also includes World Finance.

* The largest merger in the history of the Turkish banking sector bringing Yapı Kredi Bank and Koçbank under one roof, so that the new Yapı Kredi Bank is positioned as the fourth largest privately-owned commercial bank.

**According to evaluations made by Global Brands Magazine, EMEA Finance Magazine, Global Banking and Finance Review, Business Worldwide Magazine, Global Finance Magazine, International Finance Magazine and Global Investor Magazine in 2015.

Shareholders

Shareholder Name	Number of Shares	
	(TL)	(%)
Koç Holding		
UniCredit		
Yapı Kredi Bankası A.Ş.		
Yapı Kredi Yatırım Menkul Değerler A.Ş.	4,366.177	87.32
Yapı Kredi Bankası A.Ş.	632,472	12.65
Other	1,351	2.70
Total	5.000.000	100,00

Koç Group

Koç Holding, who did not hold any direct shares in Yapı Kredi share capital before the transaction, currently has 9.02% of Yapı Kredi share capital whereas UniCredit directly has 31.93%. Accordingly, Koç Group's direct and indirect stake in Yapı Kredi (previously at 40.97%) increased by 9.02%. Yapı Kredi and its subsidiaries, previously a joint venture of Koç Holding and UniCredit before the transaction, have become subsidiaries after the transaction. Koç Group, founded in 1926, is the largest business Group in Turkey with its turnover, exports and over 94 thousand employees. Koç Group's turnover comprises 7.2% of Turkey's total Gross Domestic Product (GDP) and exports comprise 9.8% of Turkey's total exports.

UniCredit

UniCredit Group, with roots dating back to 1473, is a simple, successful, pan-European, commercial bank with a unique Western, Central and Eastern European network in 14 core markets.

Yapı Kredi

Yapı Kredi has been sustainably strengthening its market positioning in the sector since its establishment in 1944 through a customer-centric approach and focus on innovation. Yapı Kredi is the 3rd largest private bank in Turkey with total assets worth TL 411 billion as of the end of 2019. Constantly seeking to increase its contribution to the financing of the Turkish economy with its customer-centric approach, Yapı Kredi enlarged the volume of its total cash and non-cash loans by 4% in 2019 to TL 319 billion. Thus, Yapı Kredi maintained its position in third place among private banks in this respect.

The Bank serves its customers with its 846 branches covering all regions of Turkey and 16,631 employees. Yapı Kredi delivers its products and services via its advanced Alternative Delivery Channels (ADCs) that comprise 4,330 ATMs, innovative internet banking, leading mobile banking, 3 call centers and approximately 709 thousand POS terminals. 94% of the Bank's transactions went through non-branch channels as at year-end 2019.

Yapı Kredi is a fully integrated financial services group supported by its domestic and international subsidiaries. Yapı Kredi serves its customers through retail banking (comprising of individual banking, Small and Medium Size Enterprises (SME) banking and card payment systems, private banking and wealth management), as well as corporate and commercial banking. The Bank's operations are supported by domestic subsidiaries in asset management, brokerage, leasing and factoring as well as international banking subsidiaries in the Netherlands, Malta and Azerbaijan.

Chairman's Message

Dear Stakeholders,

2019 was a challenging year for global economies where interest rates decreased all over the world as the major Central Banks decreased policy rates. Despite this tough year Turkish Asset Management sector ended the year with a great success, increasing its total AUM to TL 285 billion. Yapı Kredi Asset Management also ended the year with adding new products to its portfolio and pioneered the sector for once more and maintained customer satisfaction.

First half of the year, sector especially attracted high demand for cash like instruments and increased in Money Market funds and Short Term Bonds and Bills funds. On the other hand USD denominated hedge funds which invests in mainly the issues of Turkish Treasury Eurobonds were highly demanded. In the second half of the year, due to the decrease in interest rates, high demand for value dated funds were seen.

By the help of the asset allocation perspective of Yapı Kredi Asset Management sales team, we continued to design and offer tailor made products to our investors in line with their expectation in 2019. Accordingly, we issued the first redeeming mutual fund in the sector. On the other hand, we enhanced the relations with third party distribution channels such as banks and investment companies and we reached more investors. With the help of all those developments once more we are awarded by 8 different prize by distinguished international magazines.

By our effective operational system, asset management and marketing and sales team we easily adapted to the rapid change in the market conditions and continued to offer the best solutions for investor demand with the help of expanding product universe. I would like to thank to all of my colleagues who worked very hard to provide new successes to our company.

Sincerely,



Bahar Seda İkizler
Chairman

CEO's Message

Dear Shareholders,

Amongst all economic developments, 2019 was a year which portfolio management sector achieved high growth. High demand of investment funds by investors has made our products widespread and deepened in financial markets. We are happy to increase customer satisfaction by offering effective portfolio management options to investors, especially considering the risk / return balance.

In the mutual funds, the first half of 2019 was a period in which the money market and short-term bonds and bills funds were in high demand. The high level of general interest rates in the markets effected the investors to buy those funds. After rate cuts of CBT, investors started to seek for alternative investments which led them to value date funds (mutual funds excluding money market and short term bonds&bills). Fund of funds which were launched couple of years ago with asset allocation perspective, with having a solid track record, risk / return balance and low volatility were in high demand in the second half of 2019.

On the other hand, due to legislation change in previous year, Yapı Kredi Asset Management started to work with more than one pension company and by its successful transition process, achieved high corporate customer satisfaction. In result of this success, with the return of the legislation to its previous form in 2019, YKAM increased the number of pension funds it manages to 28 by also increasing the fund size to TL 16.2 billion by 48.5%.

YKAM ended the year 2019 also increasing its asset under management by 58% with 30.8 billion TL. We are proud to see that our company also increased its market share in mutual funds to 13.83% with 13.6 billion TL and pension funds to 12.71% with 16.2 billion TL. On the other hand, YKAM also maintained its leadership in value date funds once more by pioneering its sector with new products such as ended-term funds.

The year before, with the support of volunteers in Yapı Kredi Asset Management, we did a project to raise social awareness of children who have mental disabilities and down syndrome with Tomurcuk Foundation. In 2019, volunteered employees of YKAM with its cooperation with the Financial Literacy and Inclusion Association (FODER), trained 250 children in Global Money week to learn how to manage their budget. YKAM became the first asset management company actively involved in a project of FODER. Considering that increasing the financial literacy in our country is of great importance for sustainable development, our company will continue to work on other projects in the coming years.

In 2019, where economic recovery started to be seen in Turkey, was a very positive year for asset management sector and YKAM. We will work hard to provide active asset management with our effective sales and marketing team and contribute to the development of our country.

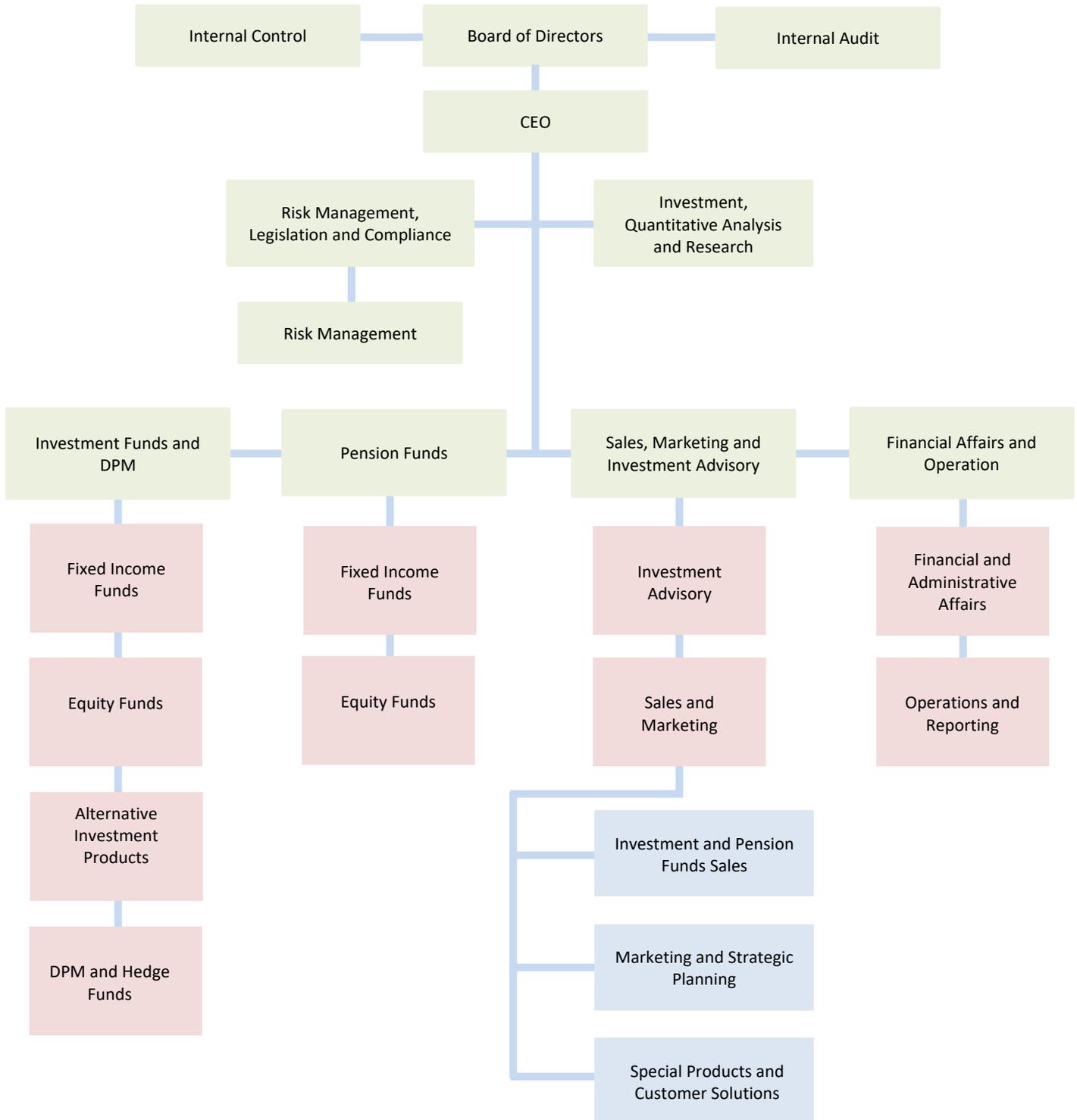
Sincerely,



Müge Peker
CEO

Functional Organization Chart

Its streamlined functional organizational structure enables YKAM to provide faster and more flexible service in responding diverse customer needs with 58 employees.



Directors

Bahar Seda İKİZLER

Chairman of the Board of Directors

Seda İkizler (1972) studied at Cağaloğlu Anadolu Lisesi between years 1983-1990 and graduated from Bosphorus University Business Administration at 1995. She worked for two years in Ernst&Young at Audit Department (1995-1997). She moved to Ulusalbank "Financial Control" department as manager until 2000. She continued her career at Managed Market Risk Management departments in Kocbank and Yapı Kredi until 2012. In 2012, she was appointed to the "Executive Vice President" for heading the divisions "Financial Reporting", "General Accounting", "Treasury Products and Payments" and "Basel Reporting".

Ahmet ÇİLOĞLU

Vice Chairman of the Board of Directors

Ahmet Çiloğlu, who graduated from Middle East University with a major of Business Administration in 2002, began to his career as an assistant and then worked as an assistant audit manager at PricewaterhouseCoopers between September 2002 and December 2006. After beginning at Yapı Kredi Bank in January 2007, he worked as Budget and Planning Director until December 2016. He continues to work as Planning and Control Group Director in Yapı Kredi Bank from December 2016 onwards.

Müge PEKER

General Manager and Board Member

Müge Peker is CEO and board member since 22 May 2020. She joined Yapı Kredi Asset Management or one of its predecessor firms in 2003. Müge Peker holds an MBA from Yeditepe University, and a BSc. in Environmental Engineering from Marmara University (1990). Müge Peker started her career as a Management Trainee at Alternatif Bank in 1995 and she worked at the proprietary desks. Between 1995-1998 she worked as Assistant Manager in the Treasury Department of Alternatif Yatırım A.Ş. Müge Peker moved to Koç Asset Management as a Senior Portfolio Manager in 2003. Müge Peker has been in the sector since 1995.

Officers

Bülent İMRE

Sales, Marketing and Portfolio Advisory Assistant General Manager

Bülent İmre is the Assistant General Manager of Sales, Marketing and Investment Advisory and he joined Yapı Kredi Asset Management or one of its predecessor firms in 1999. He started his career in the Private Banking Division of Garanti Bankası in 1990. Afterwards, he worked at the proprietary desks of Marmara Bank and Finansbank. He served for Interbank as the Director in Investment Banking Department until 1995. He then worked for Acar Securities. He joined Koç Securities as the Division Head in DPM and Mutual Funds Department. Bülent İmre had an MBA in Finance and Economics from Louisiana Tech University (1990), and a BSc. in Mechanical Engineering from Boğaziçi University (1987).

Murat ÖNER

Pension Funds Assistant General Manager

Murat Öner is Assistant General Manager of Pension Funds Section and he joined at Yapı Kredi Asset Management or one of its predecessor firms in 2003. After graduating from Istanbul Technical University with an MS degree in Managerial Engineering (1993), he began his career at Karon Securities Inc. in 1995 as Assistant Specialist. Shortly after, in 1996, he joined Yapı Kredi Invest, serving as a Fixed Income Securities Dealer in Investment Banking Department. During his tenure, he managed various mutual and pension funds both personally and as the leader of the managing teams. Additionally, from 2007 to 2010, he served as the Head of the Discretionary Portfolio Management Section.

Nihat Cenk TÜRELİ

Financial Affairs and Operations Executive Manager

Cenk Türelİ is the Executive Manager of Financial Affairs and Operations and he joined Yapı Kredi Asset Management or one of its predecessor firms in 2000. Upon completion of his BA in Mathematics from Boğaziçi University (1995) followed by MBA in Finance from Providence College (1998), Cenk Türelİ started his career in the Sales and Trading Department of the brokerage company of KFS Group in 2000. He joined YKAM in 2003 for conducting buy-side research and risk management. In 2010, he was promoted to the Risk Management and Compliance Department and since March 2020 he has been working as the CFO responsible for Finance Operations and Administration functions.

Okan UZUNOĞLU

IFDPM Equities Funds Executive Manager

Okan Uzunoğlu is an Executive Manager of Equities Funds section and he joined Yapı Kredi Asset Management or one of its predecessor firms in 2001. After graduating from Istanbul University with a major in Business Administration (1994), Okan Uzunoğlu began his career at Dow Jones Financial Services Istanbul Branch in 1995. In 2001, he joined Koç Invest as Investment Products Division Manager. He graduated from the UniCredit Young Talents Master Program of Bocconi University in 2004. After the merger of Koç Asset Management and YKAM, he started to work as Senior Fund Manager in YKAM.

Ümit ERSAMUT

DPM and Hedge Funds Executive Manager

Ümit Ersamut, Executive Manager of **DPM and Hedge Funds**, has joined Yapı Kredi Asset Management in March 2015. He graduated from Istanbul University Business Administration faculty, Business in English programme. Then he started to University of Virginia for Finance MA with scholarship by Istanbul University. After graduating, he worked at Citibank, Turkey Corporate Banking Unit in 2000-2001, and then joined Akbank Corporate Banking Credit Department. In 2003-2004 periods, he worked in PriceWaterhouseCoopers as a senior auditor and moved to Koçbank Treasury department in September 2004. After the merger of Koç Asset Management and YKAM, he rotated ALM-fixed income and FX desks respectively in 11 years. Finally in March 2015 he was attended to YKAM as a group head.

Mehmet Güçlü ÇOLAK

PF Equity Funds Executive Manager

Mehmet Güçlü Çolak joined Yapı Kredi Asset Management or one of its predecessor firms in 2003. After graduating from METU Civil Engineering Department in 1996 and Bilkent University MBA Programme in 1998, Mehmet Güçlü Çolak began his career at Inter Asset Management in 1998 as a Portfolio Manager. In 2003, he joined Koç Asset Management. After the merger of Koç Asset Management and YKAM, he started to work as a Senior Portfolio Manager in YKAM.

Officers

Onursal YAZAR

PF Fixed Income Funds Executive Manager

Onursal Yazar is Executive Manager of PF Fixed Income Funds and he joined Yapı Kredi Asset Management or one of its predecessor firms in 2006. After graduating from Boğaziçi University with a major in Civil Engineering in 1999, Onursal Yazar began his career at Osmanlı Bank in 2000. Between 2002 and 2004, he studied in US at Baruch College, City University of New York and has earned MBA degree in Finance. After working at the Treasury Department of Koç Invest between 2005 and 2006 as Senior Dealer, he continued his career as a Portfolio Manager at Koç Portföy (merged with YKAM in 2007). After working at Fixed Income Funds Department for approximately 10 years, he has been heading the Alternative Investment Products Department since April 2015. Onursal Yazar has been awarded the CFA Designation (Chartered Financial Analyst) in 2010.

Ferzan PEYK

Alternative Investment Products Executive Manager

Ferzan Peyk is the Executive Manager of Alternative Investment Products and graduated from Marmara University with a major of Business Administration in 1996 and he holds a Master of Business Administration degree from Saint Mary's University. He started to his career at Koçbank Treasury in 2000. He continued to his career in Treasury division of Yapı Kredi Bank and moved to Yapı Kredi Asset Management in 2016.

Mürvet Gaye VURAL DERAN

MF Fixed Income Funds Executive Manager

Gaye Vural Deran is the Executive Manager of MF Fixed Income Funds was graduated from Istanbul University with a major of Economics in English in 2005 and holds she holds a Financial Engineering degree from Bogazici University. She started her career in Ergo Asset Management in 2003 and moved to Yapı Kredi Asset Management in 2010.

Investment Process

Yapi Kredi Asset Management's traditional, research-driven investment process is implemented in a disciplined and controlled manner.

Employing a corporate investment decision-making process based on knowledge and team-work

At YKAM, asset allocation decisions are made weekly by the Investment Committee which is composed of all portfolio managers. Fundamental equity research constitutes the backbone of stock selection decisions. Portfolio managers rely on both in-house and third party researches to determine the fundamental merits of stocks. Company visits and valuation screens are also used for stock picking by YKAM analysts.

The Committee encourages free expression of merits and drawbacks of all investment cases by all portfolio managers. After thorough discussion including analysis of the macro economic circumstances, equity valuations and fixed-income possibilities, potential investment ideas are assigned to three categories: under benchmark, market-weight and above benchmark.

Cutting-edge In-house Research

Research and fundamental analysis is the backbone of the asset selection process for YKAM mutual funds. For equity funds, the Unit utilizes both top-down and bottom-up analysis. Utilizing third party research services as well, YKAM also prepares proprietary in-house research through company visits and analyses on selected companies' business models, financial performance and growth opportunities. The valuation models formed through such researches establish the basis of the portfolio management process.

Strict Risk Management Standards

The Unit keeps a very close watch on variance limits and takes decisive actions on breach of pre-defined stop-loss limits. The in-house risk management software is pivotal to all risk management activities. The Unit also works very closely with the Risk Management, Legislation and Compliance Department.

Active portfolio management strategy

YKAM, actively manages all portfolios and monitors both absolute return funds and relative return funds against various benchmarks on a daily basis. In equity funds, stock selection decisions are reviewed on an ongoing basis by taking into account multiple criteria such as valuation metrics, financial structure, business prospects and market environment of target companies among others.

The top-down analysis approach for asset allocation

In YKAM, top-down analysis is the primary approach in investment decisions. This method is to analyze the market from the big picture all the way down to individual stocks. Accordingly, the evaluation process starts with the analysis of the macroeconomic variables in the world and the Turkish economy. This is followed by sector and company analyses, which identify those sectors/companies that will benefit from the projected macro environment. An example of top-down decision making would be the company's preference for cyclicals and financials during high growth periods and for defensives and utilities during recessionary periods.

The bottom-up analysis approach for asset selection to gain optimum return

YKAM also utilizes extensive bottom-up analysis instruments for stock selection. The bottom-up approach starts with the analysis of the company's present operations and its growth prospects for the future. By relying on company visits and an in-depth analysis of the operations, earning models are prepared to predict future cash flows in target stocks. Through rigorous analysis, YKAM aims to select those stocks and or companies that have strong potential to outperform their peers in the near future. Valuation screens including P/E, P/BV, EV/EBITDA, profit margins and growth rates are compared with averages of both local and international peers to help asset managers select those stocks that will offer optimal portfolio return relative to risk undertaken.

Developing the proper management strategies to match the objectives of the managed portfolios

YKAM utilizes and constantly develops proper management strategies for managed portfolios in order to match the return objectives and risk profiles of clients with diverse risk/return preferences.

Managing assets with disciplined risk management principles

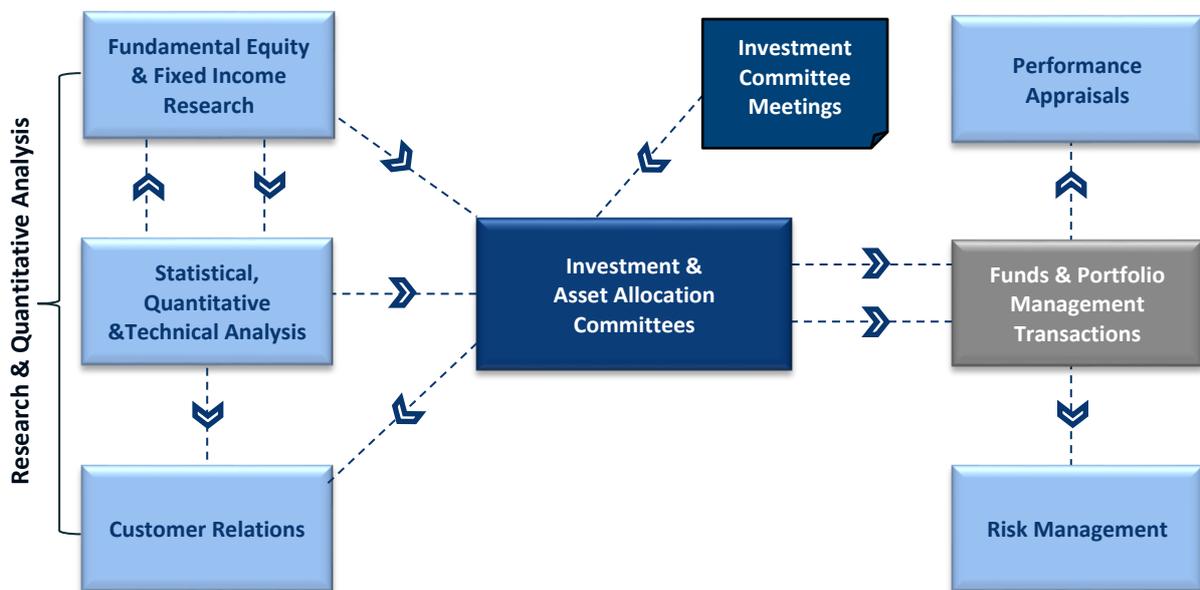
YKAM places great importance on stringent risk management principles above all other criteria in its portfolio management process. The main risks that are managed are liquidity, concentration, credit and market risks. Investment bands are defined for all assets while internationally accepted Value at Risk calculations are conducted and monitored on a daily basis using proprietary software. Stop-loss limits are tracked and if necessary, prompt action is taken by the Risk Management and Compliance departments. Portfolio managers take immediate action when stop-loss limits are reached informing relative departments on the actions undertaken in a timely manner.

Investment Process

Through pre-trade and post-trade checks, compliance with investment restrictions is continuously monitored. Regulatory or client-imposed restrictions and controls on investment constraints at the portfolio level are automatically monitored through the GTP on a pre-trade basis. GTP provides position keeping, trade simulation and a wealth of portfolio surveillance facilities to assist portfolio managers in their decision making processes. All funds are spontaneously valued by the GTP every day to ensure enhanced transparency of risk positions and efficiency in compliance controls. For discretionary management mandates, compliance is facilitated through the GTP system. Within the context of post-trade checks, all transactions undergo a compliance check in end-of day processing after being reconciled with fund accounting. If breaches occur, both active and passive, these are automatically recorded and a daily report is brought to the management’s attention.

Thanks to its solid infrastructure, effective risk mapping systems and strong control mechanisms, YKAM is well prepared to adopt regulatory changes in the period ahead.

Yapı Kredi Asset Management Investment Process



- Analysis
- Macro (Turkey, other EMs & DMs)
- Bottom-up
- Asset Allocation Suggestions (including commodity & foreign equity)
- Equity Proposals

- Assessment and Suggestions of Research and Quantitative Analysis
- Mid and Long – Term Investment Perspective
- Market data & Repercussions
- Short – Term Tactical Asset Allocation Decisions

- Portfolio Construction Process
- Trading & Realization of Transactions
- Assessment of Daily Results
- Performance vs. Benchmark
- Risk Management

Risk Management, Legislation and Compliance

Yapi Kredi Asset Management has an effective risk and governance framework that is well-embedded in the business and also benefits from the independent oversight of control functions and committees.

Monitoring of Risk Indicators and Realized Portfolio Risk

The purpose of risk management is to identify and quantify risks while mitigating and managing them within the overall risk appetite criteria of the company as well as providing ongoing monitoring of such risks. YKAM maps investment risks relevant to mandates and makes necessary implementations in its risk system to cover such mapped risks in a thorough and timely manner. The Company has an integrated risk system that enables it to monitor most risks systematically in accordance with regulations. As such, all risk indicators (tracking error, information ratio, stop-loss, VaR, etc.) are displayed online real-time through GTP system and RiskTürk. Such real time monitoring enables early warnings when approaching relevant limits, the cautionary elevations of which are communicated immediately, if necessary.

Portfolio Performance and Benchmark Reporting

Risk management system involve many contemporary tools including but not limited to the use of historical Value at Risk (VaR), Monte Carlo simulated VaR, marginal VaR, relative VaR, commitment approach measures, leverage ratio, liquidity measures, counterparty risk, concentration risk, expected shortfall, maximum drawdown, volatility, tracking error and information ratio.

YKAM benefits from its extensive information technology to apply best-in-class risk management practices ensured by the GTP system and the third party developed RiskTürk market risk analysis software. YKAM also performs peer analyses (Rasyonet) and performance attribution (RiskTürk) to pinpoint peer-relative performance and decompose the performance itself. Analyses and reports are shared with the upper management on a daily basis while warnings and alerts are reported on an intraday frequency. In addition, a separate Risk Committee on a weekly basis chaired by the CEO is held for a broader view and assessment of risk related issues with asset managers and CIO.

Peer Group Performance Reporting

YKAM follows benchmark-relative returns for funds and discretionary portfolio composites within the context of peer group performance reporting. Tracking error and information ratio figures are also calculated and monitored daily. Investment results versus peers are also continually reviewed.

Monitoring of Investment Committee Decisions and Management Principles

The dedicated unit focused on risk management determines the framework of controls and oversight required to ensure that risk exposures remain within acceptable levels, including investment performance risk, which is the risk that portfolios fail to meet their investment objectives.

Controlling Stop Loss Limits and Leverage

YKAM risk management system also covers stop loss limits for each managed fund and provides real time alerts and early warnings to portfolio managers. As a result, the number of breaches is low and primarily passive in nature. Stop-loss limits are activated if the daily gap between an asset, asset class, fund or discretionary portfolio composite performance and its benchmark falls below a threshold level. The risk framework includes parametric maximum drawdown limits for absolute return products. The procedures, rules and actions involving such situations are clearly depicted in the risk management directive and its annexes where the threshold values on asset classes and mandates are identified.

Regulatory and Legal Compliance Checks

Through pre-trade and post-trade checks, compliance with investment restrictions is continuously monitored. Regulatory or client-imposed restrictions and controls on investment constraints at the portfolio level are automatically monitored through the GTP on a pre-trade basis. GTP provides position keeping, trade simulation and a wealth of portfolio surveillance facilities to assist portfolio managers in their decision-making processes. All funds are spontaneously valued system every day to ensure enhanced transparency of risk positions and efficiency in compliance controls. For discretionary management mandates, compliance is facilitated through the GTP system. Within the context of post-trade checks, all transactions undergo a compliance check in end-of day processing after being reconciled with fund accounting. If breaches occur, both active and passive, these are automatically recorded and a daily report is brought to the management's attention.

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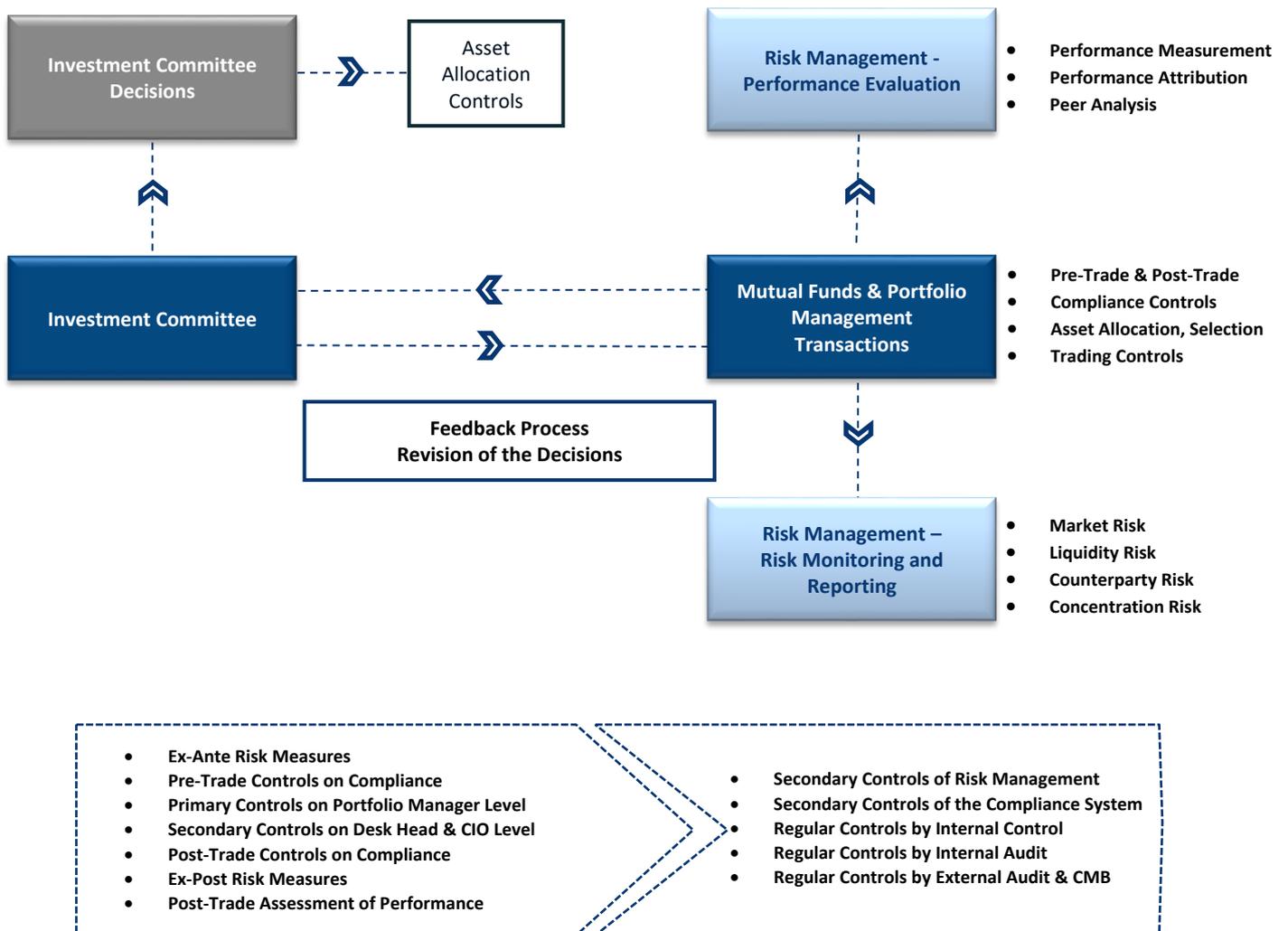
YKAM has an effective and well-established risk management system with clearly assigned responsibilities. The system is supported by systematic and periodic controls across primary risk and compliance areas, daily reporting and a dedicated risk committee responsible for independent oversight.

Risk management function ensures decomposition of risks into their factors and contributions, identification of key drivers of risk-adjusted returns and sources of benchmark deviation.

YKAM’s risk management process is composed of monitoring and control of six separate areas:

- Monitoring of Risk Indicators and Realized Portfolio Risk
- Portfolio Performance and Benchmark Reporting
- Peer Group Performance Reporting
- Monitoring of Investment Committee Decisions and Management Principles
- Control of Stop Loss Limits and Leverage
- Regulatory and Legal Compliance Checks

Yapı Kredi Asset Management Investment Process



Products and Services

A. Mutual Funds

Managing 24 mutual funds and 12 hedge funds, YKAM Mutual Funds (MF) Unit aims to ensure consistently positive return above the pre-specified benchmarks for each fund at minimum risk. Mostly composed of investment professionals with strong research background, the Unit has a clear edge over the competition in asset selection and active portfolio management. Thanks to its high asset base, the MF Unit is able to work with relatively lower transaction costs and reflect this advantage directly to investors.

Hedge Funds

As of end of 2019, YKAM has 12 hedge funds where some of them are specified to a people or a group and denominated in Turkish Lira and Foreign Currency. On the other hand in 2019, YKAM pioneered the sector with a hedge fund issue which has an end date.

Yapı Kredi Asset Management First Fund of Funds

Yapı Kredi Asset Management First Fund of Funds should invest minimum 80% of its portfolio in mutual funds and ETFs. Investment strategy of the fund is distributing its assets in 6 different investment strategies equally weighted. Those strategies are; equities, sovereign and corporate bonds; Turkish Eurobonds, foreign equities and repo/reverse repo. Target of the fund is to maintain its investor the optimum return with low volatility.

Yapı Kredi Asset Management Second Fund of Funds

Yapı Kredi Asset Management First Fund of Funds should invest minimum 80% of its portfolio in mutual funds and ETFs. Investment strategy of the fund is distributing its assets in 7 different investment strategies. Those strategies are; equities, sovereign and corporate bonds; Turkish Eurobonds, foreign equities, gold and repo/reverse repo. Target of the fund is to maintain its investor the optimum return with low volatility.

Yapı Kredi Asset Management Foreign Fund of Funds

Yapı Kredi Asset Management Foreign Fund of Funds, the first such fund in the Turkish mutual funds market, was established to provide a solution to tax disadvantages on foreign mutual funds. Yapı Kredi Asset Management Foreign Fund of Funds generally caters to the investment needs of investors who prefer to invest in foreign exchange-based investment products and have a long-term horizon regarding investments in international markets. The Foreign Fund of Funds invests;

- Minimum 80% of its portfolio in foreign exchange traded funds and foreign mutual funds approved by CMB,
- 0-20% of its portfolio in other investment instruments in which fund's key investor information document.

Products and Services

Key Performance Indicators

Mutual Funds	2019	2018	2017	2016	2015
Number of Funds	36	30	33	35	32
Number of Clients (thousand)	596	605	737	585	556
Assets under Management (TL mn)	13.565	7.539	9.544	7.377	6.578

Source: Rasyonet as of December 31st, 2019

Mutual funds launched in 2019

Fund Name	Launch Date
YKAM Odeabank Hedge (FX) Private Fund*	30.05.2019
YKAM Hisar Hedge (FX) Fund	30.05.2019
YKAM Odeabank Hedge Private Fund	23.07.2019
YKAM PY Kandilli Hedge Private Fund	14.10.2019
YKAM Odeabank Second Hedge (FX) Private Fund	04.11.2019
YKAM Emirgan Hedge (FX) Fund	20.11.2019

*The fund whose launch date is 30/05/2019 matured at 8 November and reissued between 12-14 November.

Products and Services

B. Pension Funds

The department is responsible for the management of Pension Funds which is under YKAM umbrella. The Funds are operating in almost all local markets as well as in main foreign markets and the desk has been running 28 pension funds of 3 different pension companies. In 2016, the department has begun to manage one pension fund of Vakıf Emeklilik A.Ş. In 2019 with the new legislation, Yapı Kredi Asset Management started to manage funds of Allianz Hayat ve Emeklilik A.Ş...

Turkish Pension System is the most promising part of the Turkish Financial System due to its striking growth and growth prospects. The new regulation, which was launched as of January 1, 2013, has made significant contribution to the pension system. The new regulations brought government contribution of 25% of all participants' installments up to a yearly minimum wage.

Active Fund Management

Pension funds are managed in combination of team-based decision process based on research and analysis with effective risk management. Pension funds investing in equities heavily utilize delta management principles. In funds with fixed income instruments denominated in TL, liquidity issues have to be managed well because of the market structure.

Yield curve analysis, scenario analysis and international market developments are some of the many variables affecting optimum portfolio allocation. The Investment Committee makes fixed income decisions by taking into account the fund's maturity structure and possible risks in a rising interest rate environment.

Multi-step research and asset selection process

Prudential macroeconomic analysis involves scenario analysis and quantitative models. Selections of core portfolio are applied via rigorous methods to screen out investable assets and alpha creation over medium-to-long-term. Also the selection of trade portfolio is applied via technical and quantitative tools to screen out investment opportunities due to short-term market inconsistencies and beta-plays. In addition, for fixed income funds, yield curve analysis, real return and spread analysis are used.

Key Performance Indicators

Pension Funds	2019	2018	2017	2016	2015
Number of Funds	28	25	25	21	20
Number of Clients (thousand)	2.209	2.169	2.529	1.989	1.892
Assets under Management (TL mn)	16.172	10.889	10.396	8.009	6.592

Source: Rasyonet, as of December 31st, 2019

Products and Services

The DPM Department provides professional asset management services presenting diversified business and client mix.

C. Discretionary Portfolio Management (DPM)

The Discretionary Portfolio Management (DPM) Department manages portfolios on behalf of institutional investors such as insurance companies, foundations and corporations as well as high net worth individuals. The DPM Department provides professional asset management services for its clients in order to meet each client's specified investment goals by using custom-tailored portfolios. And the DPM funds are managed with priority of minimizing risks while maximizing returns. Special emphasis is placed on actively managing funds considering the risk appetite and investment habits of each individual client. Hence, portfolio structures which best fit the client portfolios are established depending on the client's risk/return preferences and requirements. The DPM Department also supports clients in making their own decisions in capital markets transactions by drawing upon its strength, experience and expertise in the financial markets.

Disciplined Asset Selection Process

All asset selection activities of the Department are carried out according to clearly established internal regulations, which require the review, approval and constant monitoring of all relevant bodies vis-à-vis investment decisions. During this process, special attention is paid to clients' risk tolerance and benchmark assets. Rigorous fundamental and quantitative analysis provides the necessary framework for asset selection.

High Liquidity

DPM portfolios are composed of highly liquid assets, which make it possible to enter and exit these assets during interim periods at very low transaction costs. In addition, the Unit charges no commission in the event of account closure.

Dedicated Client Relations

YKAM's dedicated client representatives continuously provide in-depth personal analysis of the clients' portfolios through market highlights and professional comments. YKAM takes special care to communicate clearly and frequently with clients through quarterly meetings on economic developments, investment strategies and portfolio performances as well as tailor-made reporting at requested intervals.

Benchmark Based Dynamic Management Style

The benchmarks are taken into consideration during the portfolio performance analysis, accordingly, plays an important role in portfolio management. All portfolios are managed proactively by considering the effects of changing micro and macro variables on each asset class and responding to these changes appropriately.

Comprehensive Risk Management Process

The risk indicators of all DPM portfolios are constantly monitored by the Risk Management, Legislation and Compliance Department and regularly overviewed at the weekly Risk Committee. The value of risk calculations are tracked closely while stress-test calculations are undertaken using the RiskTurk application.

TL Portfolio models are as follows:

- TRY Deposit
- TRY Benchmark
- TRY Absolute Return
- Functional
- Basket of Funds

Equity Portfolio models are as follows:

- Equity Dynamic

Foreign Exchange Portfolio models are as follows:

- FX Deposit (EUR/USD)
- FX Dynamic (EUR/USD)

Products and Services

Key Performance Indicators

	2019	2018	2017	2016	2015
Number of Clients	552	655	669	537	451
Institutional	9	10	12	15	14
Individual	543	645	657	522	437
Assets under Management (TL mn)	2.452	1.327	1.710	1.299	1.075
Institutional	1.164	82	1.025	644	568
Individual	1.288	1.245	685	655	507

Products and Services

D. Investment Advisory

The investment Advisory Department provides consultancy services to domestic and international institutions and individual clients in determining investment strategies for their portfolios. The main objective of the Department is to provide customized asset allocation based on the risk profile and requirements of the client. By creating investment ideas focused on customer satisfaction, advisory services are provided to the client with priority given towards achieving targeted risk-adjusted returns along with targeted volume and profitability. The primary objective of this strategic service is to reach institutional and individual investors who are in need of tailored investment strategy solutions developed by professional asset managers on their view and expectations.

Proactive and Efficient Asset Allocation

The Department is responsible for continuously monitoring client portfolios and offering advice according to client asset allocations and risk preferences. During the asset allocation process, efficient frontier of Turkish investment instruments, which are able to give the best return on a given level of risk, are used in addition to a variety of selected instruments. Portfolio diversification is efficiently exercised in accordance with the client's risk profile in order to reduce the risk exposure. The Portfolio Advisory Department differentiates itself from the competition with its -highly skilled, well-educated team of professionals. Qualified teamwork and a wide range of experience in different asset classes back up the strong position of the Unit.

Unique Risk Standards

Since financial goals and needs of the investors may vary, the Investment Advisory Department puts the utmost emphasis on knowing the risk parameters and return expectations of the client. Consequently, the Unit classifies its client base according to their risk perception and asset class preferences. In order to determine the clients' risk preferences, questionnaires and personal meetings are conducted. The Department has its own risk standards for each risk/asset class group. Utilizing these standards, the Investment Advisory Committee monitors and supervises the portfolios within the asset/risk group on a weekly basis.

Managed Fund Accounts

Managed Fund Accounts has been offered in March 2012 to serve affluent and private banking clients. Throughout the year, accounts' returns have been evaluated by weekly investment advisory committees, accounts' performance widely followed and achieved return over benchmark.

Investment Advisory Department in 2019

In 2019, the Investment Advisory Unit was successful in improving service quality as well as the client loyalty.

Key Performance Indicators

	2019	2018	2017	2016	2015
Number of Clients	84	60	47	39	33
Assets under Management (TL mn)	1.816	1.258	957	870	767

Marketing and Sales Management

YKAM aims to create high value for its clients and strives to achieve its performance targets in all investment products under management. The Company takes advantage of its strength in innovation, advanced know-how in asset management, expertise in all asset classes traded in both global and local markets and commitment to produce alternative investment products with clearly defined risk parameters. YKAM has been the pioneer in Turkey to launch the first capital guaranteed funds, fund of funds and foreign currency denominated fund.

YKAM supports its marketing processes with intensive advertising and product promotion activities and enhances its investor information platforms. Additionally, the Company reshuffles product management portfolio in line with investors' needs, potential trends and designs as well as changes in legislation.

New Product Development Process

Ensuring strong and steady coordination among company, sales network and support units, YKAM has always exhibited outstanding performance in designing new asset management products. The main decision hub for product development process is the New Product Committee meeting, which meets regularly and comprises of extensive quorum of employees from different functions including marketing and sales management teams of distribution channels, representatives of the sales force and portfolio managers. With utmost attention on investment performance, the Portfolio Management Group, in close cooperation with Marketing and Sales Management, discusses prospect products, evaluates and decides on the suggestions to be delivered to the New Product Committee. At committee meetings, decisions about the new products are taken with consensus of all participants.

Innovation and Leadership

Being the innovation leader in Turkey, YKAM introduced these high value-adding products for the first time to the market:

- Only asset management company in Turkey with international rating and holding the highest grade in Fitch Ratings' scale of asset management rating.
- Pioneering the fund specific international rating, YKAM is the first and only asset management company in Turkey which manages funds having international rating.
- First comprehensive CRM infrastructure
- First Capital Guaranteed Funds
- First Fund of Funds
- First Private Sector Bonds&Bills Fund
- First BIST - Dividend Index Fund
- First Target Date Fund
- First Foreign Currency Denominated Fund
- First Redeeming Hedge Fund

Core Strengths

Sales Management at YKAM is based on the following core strengths:

- Being the only asset management company in Turkey which has international rating and holding the highest grade in Fitch ratings' scale of asset management rating.
- Advanced communication skills, efficient communication tools, strong sales support and coaching experience
- Client centric approach in all steps of the product sales process
- Providing all know-how and knowledge about products' specifications to distribution channels
- Providing support for after sales process and all CRM services given by distribution channels

Competitive Advantages

Benefiting from its high competitive advantages, YKAM displays outstanding performance by providing tailor-made solutions to meet the investment demands of all client segments:

- First and only international rating agency rated Asset Manager in the premier league of the fund sector.
- First and only asset management company in Turkey which manages funds having international rating.
- Holding the "Highest Standards (tur)" grade which is the top grade in Fitch Ratings' scale of asset management rating between 2013 and 2016.
- First Target Date Fund has been launched.
- First Foreign Currency Denominated Fund has been launched.
- Private banking funds are offered exclusively for HNWI's.
- Hedge fund is offered to HNWI's and institutional investors.
- Managed Fund Accounts, a fund basket product, constituted by 3 different risk levels and return potentials, which is offered to individual clients.
- 2 new retail banking products launched. «Deposit + Fund» and «İlk Param»
- Portfolio Advisory is offered for the UHNWI and institutional client investors segments of Yapı Kredi Bank.

Marketing and Sales Management

- Volume of assets directed to Investment Advisory has reached to TL 870 mn.
- YKAM enjoys its operational strength established by courtesy of cooperation with several business partners.
- YKAM takes advantage of its in-depth experience in third party business and pioneers the sector in many fields.
- YKAM has considerable strength in fixed income and equity funds.
- YKAM has a leading position in alternative investments.
- Platinum Funds has been offered to qualified investors.
- Lease Certificates Fund (SUKUK) has been offered to investors.
- YKAM is one of the pioneers in the management of discretionary mandates.
- New IT & CRM & IVR projects have been completed successfully.
- Luxembourg domiciled Yapı Kredi SICAV fund has been launched for sales and marketing phase in major European countries
- Founder ship transference with Yapı Kredi Bank has been completed.
- The process of orientation to TEFAS has been completed.
- Third party sales channels expanded.

International Recognition

With its marketing efforts in international area, YKAM continued to receive recognition from leading institutions. In 2013, Fitch Ratings upgraded Yapı Kredi Asset Management's credit note to Highest Standards (tur) which is the highest grade in Fitch's scale of asset management rating and is the only rating assigned to a Turkish asset management company.

Yapı Kredi Asset Management has been awarded by 9 prestigious awards in 2019. The company awarded by "Turkey's Best Asset Management Company" by 3 different magazines, Global Brands, Global Banking and Finance Review and International Business. Furthermore, YKAM has been awarded as "Pension Fund Management – Turkey 2019" and "Best Fund Manager – Turkey 2019" by International Investor as well as "Best Pension Fund – Turkey 2019" by World Finance. YKAM also awarded by "Business Excellence Award" by bizz Awards, "Most Dynamic in Pension Fund Management Services 2019 – Turkey" by Global Business Insight and "Best Pension Funds Management Company Turkey 2019" by Global Banking and Finance Review.

Four mutual funds and three pension funds managed by Yapı Kredi Asset Management have earned "High Fund Quality Rating" first in 2013 by Fitch Ratings. Thus, Yapı Kredi Asset Management manages four mutual and three pension funds, rated by an international rating group first time in Turkey. In 2016, Highest Standards (tur), 4 Mutual Funds and 2 Pension Funds grades have been affirmed by Fitch Rating, which has chosen not to rate asset management companies in Turkey in the field of fund and company ratings for commercial reasons. Therefore, Fitch Ratings no longer provide rating as of 5th of August, 2016.

In 2018, Yapı Kredi Asset Management has been awarded with "Pension Funds Management - 2017 Highest Return" third year in a row from Turkish Capital Markets Association. From international magazines YKAM won "Best Asset Management Company Turkey - 2018" from 4 magazines, Global Brands, Global Business Outlook, Wealth and Finance and International Business. On the other hand two awards for pension funds management as well as "Most Innovative Asset Management Company - Turkey, 2018" from International Finance Awards and "Best Investment Strategy - Turkey 2018" from Business Vision.

YKAM has been awarded with 6 awards in 2017 from Finance Digest, Global Banking and Finance Review and Turkish Capital Markets Association (TCMA). It was an honor to get awarded as "Best Asset Management Company, Turkey 2017" and "Best Pension Funds Management Company, Turkey 2017" from Global Banking and Finance Review and "Brand Excellence in Asset Management, Turkey 2017" and "Brand Excellence in Pension Funds Turkey 2017" from Finance Digest. On the other hand we have been awarded with "Pension Funds Management - 2016 Highest Return" second year in a row and "The Best Social Responsibility Project" from Turkish Capital Markets Association.

YKAM has been selected as "Best Asset Manager, Turkey" by EMEA Finance Magazine and has won "Best Asset Management Company, Turkey" award of Global Brands Magazine in 2016. In addition, YKAM has been awarded "Pension Fund Management – 2015 Highest Return" in the category of "Asset Management" by Turkish Capital Markets Association (TCMA).

Selection and assessment criteria included investment performance, outstanding success in risk management and investment process, leading position in the sector, assets under management; strong IT infrastructure and various other factors. These awards indicate Yapı Kredi Asset Management's outstanding performance in growing its assets under management (AuM) with high profitability as well as international recognition of its experience.

Internal Control

Internal Control Department determines necessary steps to be taken at all levels and in all functions.

Internal control activities are maintained as an integrated part of daily activities of the Company by monitoring the predefined risks. Internal Control Department carries out its activities with the aim of protecting the Company's assets, ensuring efficiency of business processes and reliability of the data as well as full compliance of operations with prevailing legislation, other regulations and the Company's rules and procedures. The Department targets to mitigate risks, which the Company is exposed through its activities, by implementing effective control points in processes. Internal Control Department is concerned with the entire range of YKAM's internal controls, including operational, financial and compliance controls.

In YKAM, all control and audit activities are conducted in accordance with international audit standards. Comprehensive software called My-Con is being used in order to monitor and report all results of audit activities within the Company. Control problems are identified and deficiencies are regularly reported, whereas serious matters are immediately reported to the Board of Directors through Audit Committee. The Board of Directors and Audit Committee are responsible for making sure that the internal control systems within the Company are adequate. On behalf of the Board of Directors, the Audit Committee provides independent review and oversight on the efficiency and adequacy of internal control systems.

Reviewing all transactions and operations throughout the Company with a risk-based approach, Internal Control Department addresses risks to achievement of the Company's objectives and determines necessary steps to be taken at all levels and in all functions for effectively managing risks. In this context, Internal Control Department perform risk assessment on the processes annually and updates the control points according to new risk assessment. The assessment of the Department is reported to the senior management. At risk analysis executed with the business units of the Company, risk analysis of the internal control system are reviewed and updated. In coordination with relative units of the Company, Internal Control Department establishes policies, procedures and objectives as well as control points to ensure that management directives are thoroughly carried out. Internal Control Department also takes a pro-active role on development of technology based projects within the Company or adapting the Company to the changes in legal regulations by supporting or consulting the related units. An executive summary of control activities of the Internal Control Department are reported to the Board of Directors with an annual activity report.

Internal Audit

Depending on the decision of the Board of Directors, Internal Audit Department fulfills its duties and responsibilities independently with its own initiative.

Providing an independent and objective assurance function, Internal Audit Department performs audits in compliance with internal regulations, local laws and international internal audit standards, and recommends the best practices. The Internal Audit Department is also responsible for evaluating the effectiveness and adequacy of management procedures and business processes from a risk-oriented perspective.

At Yapı Kredi Asset Management, regular and process audits are determined based on an Annual Audit Plan and submitted to the Board of Directors for approval via the Audit Committee. The Annual Audit Plan is prepared following meetings with senior management to assess each unit's risk priorities and follow-up corrective actions on previously identified risks. In addition, internal audit findings are submitted to the Board of Directors at least 4 times a year via the Audit Committee. In 2018, Internal Audit Department achieved its goal by performing 9 regular process audits.

As per the decision of the Board of Directors, Yapı Kredi Asset Management Internal Audit Department independently fulfills its tasks and responsibilities under its own initiative. Within the Internal Audit Department Charter, the BoD granted unrestricted access to all information and the authority to investigate any Company activity.

Technology

All YKAM operations rely heavily on advanced use of technology. By means of this awareness, the Company strives to stay ahead of the technological curve by implementing solutions that give a technological edge to current and potential operations. Along with many power users those have extensive knowledge and experience, YKAM enjoys a critical advantage in diagnosing operational problems due to technological inadequacies, as well as aversion of bottlenecks by providing alternative solutions, and in-house development capabilities.

Such a buoyant culture of technological innovation has yielded many positive results for the Company in terms of efficiency; many front office operations as well as most investment compliance, risk management and back office functions are well automated. The level of automation at YKAM allows employees to spend more time on value adding processes instead of operational routines. The Company works with many solution partners for development of technological solutions and uses customized solution packs for each and every function. Fund management and private portfolio management clients are managed via the portfolio management system. This system is a system capable of instant fund management and is a complementary part of the investment compatibility function within the intra-day flows deterring active violations, reporting passive ones with advanced pre-settlement compatibility system. This system which is also capable of calculating the fund price is used with a view to controlling accuracy of fund prices so calculated by the Fund Service Department, as well. Furthermore, this platform enables activities such as CRM, MIS, auditing, compatibility, total data and analysis-based marketing and sales reporting as required by and set forth in the legislation to be carried out whilst providing accounting, taxes, NAV and operational applications making other various calculations.

An IT transformation program has been created by taking into consideration requirements of the renovated business model, a result of the growth strategy and new competencies supported by the new legislation. The program aimed to design the IT infrastructure in a manner meeting the new business model and expectations of the legislation and was finalized.

The front office also relies heavily on the prompt and accurate flow of real-time market data and news that is disseminated by service providers such as Reuters, Bloomberg, Matrix and Foreks. Financial analysis packages such as Finnet and Stockground, technical analysis packages such as Metastock and statistical analysis packages such as EViews assist both the research teams and asset managers in decision-making processes.

RiskTurk, a third party risk assessment solution package and Rasyonet, another third party solution, are widely used by asset management, risk management, marketing and sales units in risk assessment and evaluation of the competitive environment. YKP looked for new ways of integrating in-house technological solutions and ones provided by our business partners with a view to further increasing efficiency and eradicating user errors stemming from use of multiple platforms and succeeded in finding a solution to this problem owing to the new platform. Such integration built under a single roof increased the company's analytic skills and reporting capacity and, moreover, decision-making processes were strengthened.

It is aimed to eliminate the operational risk in manual data entries by integrating the data, used in programs and reports, with the service providers. The service area was expanded in the development of analysis and return reports, which were initiated following data improvement studies. Developments in the reporting tools are made and result-oriented production is targeted.

Human Resources

Considering employees among its most valuable assets, YKAM truly acknowledges employee satisfaction as one of the prerequisites of sustainable business results and client satisfaction. With this awareness, the Human Resources Unit closely cooperates with all business segments to provide, protect and control the working environment, which is of crucial importance for solid and sustainable growth.

YKAM's fundamental human resources approach is to ensure that the right employee is matched with the right job and that the Company's workforce is effectively utilized at all times. YKAM also intensively focuses on training and development programs to ensure continuous improvement in service quality. All employees are provided with opportunities to participate in projects designed to improve their skills and abilities, facilitate their international career opportunities within the UniCredit Group and increase their experiences.

Yapı Kredi Banking Academy has a structured training catalogue corresponding to each function at the Company. Employees are strongly encouraged to plan their own annual training programs taking into consideration both compulsory and elective courses from the training catalogue. In addition to ongoing training and development activities, Yapı Kredi Banking Academy cooperates with Europe's leading business schools such as IMD and INSEAD and organizes joint certificate programs with universities and other important institutions in Turkey.

YKAM provides competitive benefits for its employees. All YKAM employees and their families benefit from Yapı Kredi Bank's employee group pension plan, which provides additional support during retirement. Employees also benefit from group health and life insurance.

YKAM Employee Profile

YKAM Employee Profile

39

AGE

10

TENURE with
FIRM

GENDER

69%

MALE

31%

FEMALE

EDUCATION

40%

Bachelor's Degree

2%

PhD Degree

3%

High School

2%

Associate Degree

53%

Graduate Degree

Community Involvement

As Yapı Kredi Asset Management, member of the Financial Literacy and Access Association (FODER), volunteering employees from the company, “Children Who Know Their Budget” education were given to the 3rd and 4th grade students at Beşiktaş General Kamil Güzey Primary School on 2019, 13 May. The education aims to raise awareness of savings and basic financial concepts. While students are educated with the financial problems they may encounter in the later years of their life also they develop skills in money management.



This education has been organized since 2012 through FODER volunteers as part of the Global Money Week, which takes place simultaneously around the world. The purpose of the education is to develop intelligence based habits that will enable children and teenagers to be careful about income and expenditure balance from an early age. As YKAM, we continue to support this project, which we are pleased to be a part of, in the coming years.

Business Partners

Finance/ Account / Administration

PricewaterhouseCoopers – Financial audit
Ernst & Young – Tax Audit
Yapı Kredi Bank – Custodian
ATP Tradesoft – Financial and operational software

Risk Management / Compliance

RiskTürk – Market, Leverage & Liquidity Risk, Performance Report
Rasyonet – Investment fund and pension funds data reporting / Fixed Income Module
GTP Tradesoft – Concentration, Counterparty & Correlation Risk, Compliance, Risk Management Module

Marketing

MagiClick – Corporate Website

Fund Performance

Mutual Funds Performance

Code	Fund Name	2019	2018	2017	2016	2015
YLB	Yapı Kredi Asset Management Money Market Fund	20.34%	18.22%	11.86%	9.50%	9.56%
YDK	Yapı Kredi Asset Management Working Account Short Term Bonds and Bills Fund	19.76%	15.70%	10.44%	8.67%	8.09%
YHT	Yapı Kredi Asset Management Short Term Bonds and Bills Fund	19.79%	16.47%	10.45%	8.76%	8.53%
YOT	Yapı Kredi Asset Management Mid Term Bonds and Bills Fund	24.24%	13.80%	9.10%	8.82%	7.58%
YBE	Yapı Kredi Asset Management Eurobond (Dollar) Bonds and Bills Fund	26.18%	26.94%	17.21%	21.41%	20.92%
YOD	Yapı Kredi Asset Management Second Variable Fund	19.78%	0.25%	13.19%	6.18%	3.81%
YBS	Yapı Kredi Asset Management Private Sector Bonds and Bills Fund	20.13%	16.18%	11.24%	9.82%	9.31%
YAN*	Yapı Kredi Asset Management First Fund of Funds	29.09%	14.48%	13.44%	-	-
YKT	Yapı Kredi Asset Management Gold Fund	29.72%	36.03%	17.05%	27.95%	7.55%
YBP	Yapı Kredi Asset Management DPM First Variable Private Fund	30.42%	23.09%	14.29%	11.02%	9.04%
YDP	Yapı Kredi Asset Management DPM Third Variable Private Fund	28.09%	17.68%	15.35%	11.80%	7.13%
YSU	Yapı Kredi Asset Management Third Variable Fund	24.94%	11.58%	13.16%	5.88%	4.75%
YFV	Yapı Kredi Asset Management SUKUK Fund	24.87%	15.96%	8.71%	5.82%	5.67%
YAK	Yapı Kredi Asset Management Balanced Fund	24.63%	-5.61%	26.39%	8.70%	-4.41%
YHS	Yapı Kredi Asset Management First Equity Fund (Equity Intense Fund)	28.41%	-16.43%	48.29%	9.81%	-12.10%
YEF	Yapı Kredi Asset Management ISE 30 Index Equity Fund (Equity Intense Fund)	25.75%	-17.79%	50.23%	10.26%	-14.60%
YAU	Yapı Kredi Asset Management ISE 100 Index Equity Fund (Equity Intense Fund)	23.35%	-10.14%	43.46%	8.74%	-13.96%
YAS	Yapı Kredi Asset Management Koc Holding Affiliate and Equity Fund (Equity Intense Fund)	40.71%	-23.03%	27.09%	17.93%	0.60%
YAY	Yapı Kredi Asset Management Foreign Technology Sector Equity Fund	46.89%	26.85%	39.46%	22.30%	22.43%
YDE	Yapı Kredi Asset Management ISE Dividend 25 Index Equity Fund (Equity Intense Fund)	28.77%	-14.94%	38.64%	18.88%	-13.08%
YDI	Yapı Kredi Asset Management Second Equity Fund (Equity Intense Fund)	51.28%	-18.68%	46.47%	6.56%	-14.57%
YTD	Yapı Kredi Asset Management Foreign Fund Basket Fund	25.71%	29.95%	16.33%	21.17%	15.69%
YOA	Yapı Kredi Asset Management DPM Bonds and Bills (Foreign Currency) Private Fund	29.28%	34.77%	14.86%	20.28%	-
YAC**	Yapı Kredi Asset Management Second Fund of Funds*	28.23%	12.52%	-	-	-

* 2017 performance calculated as of issue date 31 Jan 2017.

** 2016 performance calculated as of issue date 9 June 2016.

***2018 performance calculated as of issue date 19 March 2018.

Source: Rasyonet

Fund Performance

Pension Funds Performance

Code	Fund Name	2019	2018	2017	2016	2015
AEN	Allianz Yaşam ve Emeklilik Mixed Pension Fund	20.84%	16.42%	11.07%	10.19%	7.92%
ALU	Allianz Yaşam ve Emeklilik First Government External Debt Securities Pension Fund	46.75%	-22.40%	29.27%	20.81%	0.92%
ALR	Allianz Yaşam ve Emeklilik Dynamic Variable Pension Fund	39.31%	21.15%	43.45%	24.35%	32.36%
ALU	Allianz Yaşam ve Emeklilik Koç Companies Affiliates Index Pension Fund	25.11%	-1.26%	19.04%	13.91%	-5.07%
AMA	Allianz Yaşam ve Emeklilik Prudent Variable Pension Fund*	26.22%	3.26%	7.55%	8.12%	0.11%
AMB	Allianz Yaşam ve Emeklilik 2035 Target Date Pension Fund*	27.76%	3.79%	8.60%	8.44%	1.84%
AMF	Vakıf Emeklilik Ve Hayat Pera 1 Variable Group Pension Fund*	34.75%	-1.44%	10.73%	9.92%	0.29%
AMG	Allianz Yaşam ve Emeklilik Money Market Temporary Liquid Managed Pension Fund	25.63%	30.72%	15.05%	17.32%	21.94%
AMH	Allianz Yaşam ve Emeklilik Money Market Liquid Managed Pension Fund*	34.89%	0.89%	34.48%	12.31%	10.16%
AMN	Allianz Yaşam ve Emeklilik Income-oriented Government Debt Instrument Pension Fund*	23.36%	15.81%	11.11%	12.09%	6.49%
AMP	Allianz Yaşam ve Emeklilik Income-oriented Government Debt Instrument Group Pension Fund*	21.90%	18.28%	11.88%	9.61%	9.74%
AMR	Allianz Yaşam ve Emeklilik Growth-oriented Equity Pension Fund*	18.34%	28.38%	24.64%	15.41%	11.69%
AMY	Allianz Yaşam ve Emeklilik Managed Pension Fund*	40.76%	23.64%	15.45%	21.72%	22.32%
AMZ	Allianz Yaşam ve Emeklilik First Managed Group Pension Fund*	30.98%	36.35%	18.36%	30.44%	7.88%
APG	Allianz Yaşam ve Emeklilik Second Managed Group Pension Fund*	29.93%	2.01%	15.86%	14.50%	8.19%
AUA	Allianz Yaşam ve Emeklilik Income-oriented Second Government External Debt Instruments Pension Fund (1)	28.82%	-1.73%	26.55%	10.17%	-
AUG	Allianz Yaşam ve Emeklilik ISE Dividend Index Pension Fund	18.47%	28.13%	23.96%	14.66%	12.49%
AZA	Allianz Yaşam ve Emeklilik Pera Y Managed Group Pension Fund*	28.28%	4.71%	8.17%	8.97%	2.15%
AZD	Allianz Yaşam ve Emeklilik Gold Pension Fund	25.80%	29.63%	15.19%	16.52%	20.70%
AZK	Allianz Yaşam ve Emeklilik Standard Pension Fund*	25.95%	3.45%	7.23%	7.95%	1.19%
AZL	Allianz Yaşam ve Emeklilik Contribution Pension Fund*	21.85%	18.14%	11.75%	8.69%	9.03%
AZM	Allianz Yaşam ve Emeklilik Attack Variable Group Pension Fund	26.88%	31.57%	15.33%	17.10%	21.50%
AZN	Allianz Yaşam ve Emeklilik Initial Participation Pension Fund*	30.91%	35.99%	17.48%	27.79%	9.48%
AZO	Allianz Yaşam ve Emeklilik Initial Pension Fund	39.24%	21.00%	18.72%	20.90%	17.88%
AZT	Allianz Yaşam ve Emeklilik Koç Holding Emekli Vakfı First Variable Group Pension Fund	36.62%	-0.57%	10.25%	9.09%	1.53%
FYY	Allianz Hayat ve Emeklilik First Government External Debt Securities Pension Fund* (2)	29.83%	-	-	-	-
KOE	Allianz Hayat ve Emeklilik Second Government External Debt Securities Pension Fund (3)	23.22%	18.30%	-	-	-
VGP	Allianz Hayat ve Emeklilik Government External Debt Securities Group Pension Fund (4)	21.10%	15.55%	17.96%	-	-

* Fund manager changed as YKAM in 2019

(1)2015 performance calculated as of issue date 6 July 2015.

(2) 2018 performance calculated as of issue date 11 May 2018.

(3)2018 performance calculated as of issue date 11 May 2018.

(4)2016 performance calculated as of issue date 19 September 2016.

Source: Rasyonet

Part II

Financial Report

YAPI KREDİ PORTFÖY YÖNETİMİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

YAPI KREDİ PORTFÖY YÖNETİMİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

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YAPI KREDİ PORTFÖY YÖNETİMİ A.Ş.**CONVENIENCE TRANSLATION INTO ENGLISH OF
AUDITED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH**

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

	Notes	Audited 31 December 2019	Audited 31 December 2018
ASSETS			
Current Assets		95,037,740	78,456,310
Cash and cash equivalents	4	79,721,305	66,938,499
Trade receivables	5	14,811,329	10,957,732
- Trade receivables due from related parties	20	14,745,993	8,926,626
- Trade receivables due from other parties		65,336	2,031,106
Prepaid expenses	12	505,106	560,079
- Prepaid expenses to related parties	20	176,812	152,266
- Prepaid expenses to non-related parties		328,294	407,813
Non-current assets		2,288,681	1,672,680
Plant, property and equipment	6	386,680	417,028
Right of use assets	7	852,252	-
Intangible assets	8	525,140	608,042
Deferred tax asset	18	524,609	647,610
Total assets		97,326,421	80,128,990
LIABILITIES			
Short term liabilities		14,280,965	12,357,859
Short term borrowings	11	852,252	-
- Short term borrowings from related parties	20	852,252	-
- Lease liabilities		852,252	-
Trade payables	5	1,186,171	2,564,672
- Trade payables due to related parties	20	764,604	1,606,811
- Trade payables due to other parties		421,567	957,861
Tax liability for the period	18	4,295,740	2,499,742
Short term provisions	9	6,110,116	5,900,577
- Short-term provisions for employee benefits		6,110,116	5,900,577
Other liabilities	12	1,836,686	1,392,868
- Other liabilities due to other parties		1,836,686	1,392,868
Long-term liabilities		2,186,926	1,799,224
Long term provisions	9	2,186,926	1,799,224
- Long term provisions for employee benefits		2,186,926	1,799,224
Shareholders' equity		80,858,530	65,971,907
Share capital	13	5,000,000	2,349,443
Adjustment to share capital	13	2,208,186	2,208,186
Accumulated other comprehensive income or (expenses) that will not be reclassified to profit or loss	13	(1,198,817)	(904,876)
- Revaluation and remeasurement profit (loss)		(1,198,817)	(904,876)
Restriction reserves from profit	13	12,319,956	9,421,544
- Legal reserves		12,319,956	9,421,544
Retained earnings	13	15,348,641	17,209,050
Net income for the period		47,180,564	35,688,560
Total liabilities and equity		97,326,421	80,128,990

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

YAPI KREDİ PORTFÖY YÖNETİMİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF AUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

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

	Notes	<i>Audited</i> 1 January - 31 December 2019	<i>Audited</i> 1 January - 31 December 2018
PROFIT OR LOSS			
Sales	14	90,041,172	77,258,867
Cost of sales	14	(5,537,221)	(10,497,333)
Gross profit		84,503,951	66,761,534
General administrative expenses	15	(36,062,317)	(31,602,689)
Marketing expenses	15	(610,411)	(509,764)
Operating profit		47,831,223	34,649,081
Financial income	16	12,722,353	11,656,019
Financial expenses	17	(84,784)	(299,312)
Profit before tax from continuing operations		60,468,792	46,005,788
Tax expense from continuing operations		(13,288,228)	(10,317,228)
- Tax expense for the period	18	(13,082,320)	(10,185,525)
- Deferred tax expense	18	(205,908)	(131,703)
Net income		47,180,564	35,688,560
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss		(293,941)	(108,723)
Defined benefits plans remeasurement losses	9	(376,848)	(139,388)
Defined benefits plans remeasurement gains (losses), tax effects	18	82,907	30,665
Other comprehensive expense		(293,941)	(108,723)
Total comprehensive income		46,886,623	35,579,837

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

YAPI KREDİ PORTFÖY YÖNETİMİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF AUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

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

	Notes	Paid capital	Adjustments to share capital	Accumulated other comprehensive income or expenses that will not be reclassified to profit or loss Defined benefit plans remeasurement gains / losses (-)	Restricted reserves	Accumulated profits		Total equity
						Retained earnings	Net profit / loss for the year	
1 January 2018		2,349,443	2,208,186	(796,153)	9,421,544	13,035,717	38,173,333	64,392,070
Transfers		-	-	-	-	38,173,333	(38,173,333)	-
Total comprehensive income / (expense)		-	-	(108,723)	-	-	35,688,560	35,579,837
- Net income for the period		-	-	-	-	-	35,688,560	35,688,560
- Other comprehensive expense		-	-	(108,723)	-	-	-	(108,723)
Dividends	13, 20	-	-	-	-	(34,000,000)	-	(34,000,000)
31 December 2018	13	2,349,443	2,208,186	(904,876)	9,421,544	17,209,050	35,688,560	65,971,907
1 January 2019	13	2,349,443	2,208,186	(904,876)	9,421,544	17,209,050	35,688,560	65,971,907
Sermaye arttırımı	13	2,650,557	-	-	-	(2,650,557)	-	-
Transfers		-	-	-	2,898,412	32,790,148	(35,688,560)	-
Total comprehensive income / (expense)		-	-	(293,941)	-	-	47,180,564	46,886,623
- Net income for the period		-	-	-	-	-	47,180,564	47,180,564
- Other comprehensive expense		-	-	(293,941)	-	-	-	(293,941)
Dividends	13, 20	-	-	-	-	(32,000,000)	-	(32,000,000)
31 December 2019	13	5,000,000	2,208,186	(1,198,817)	12,319,956	15,348,641	47,180,564	80,858,530

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

YAPI KREDİ PORTFÖY YÖNETİMİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF AUDITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

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

	Notes	1 January - 31 December 2019	1 January - 31 December 2018
A. Cash flows from operating activities		33,410,625	26,687,298
Net income for the period		47,180,564	35,688,560
Adjustments to reconcile net income to net cash provided by operating activities		8,275,755	5,347,968
Adjustments for depreciation and amortization	6, 7, 8	1,336,120	512,182
Adjustments for provisions		6,047,423	6,113,645
- Adjustments for provision of employee benefits		6,231,104	5,934,335
- Adjustments for provision of lawsuit		-	(120,000)
- Adjustments for other provisions		(183,681)	299,310
Adjustments for interest income and expenses		(12,396,016)	(11,595,087)
- Adjustments for interest income	16	(12,480,635)	(11,595,087)
- Adjustments for interest expense	17	84,619	-
Adjustments for provision for tax expense	18	13,288,228	10,317,228
Changes in operating profit		(4,733,307)	2,964,629
Adjustments for (increase) / decrease in trade receivables		(3,853,597)	2,094,302
- (Increase) / decrease in trade receivables due from related parties		(5,819,367)	4,074,693
- Decrease / (increase) in trade receivables due from other parties		1,965,770	(1,980,391)
(Decrease) / increase in prepaid expenses		54,973	(248,236)
Adjustments for (decrease) / increase in trade payables		(1,378,501)	934,212
- (Decrease) / increase in trade payables due to related parties		(842,207)	200,701
- (Decrease) / increase in trade payables due to other parties		(536,294)	733,511
Adjustments for increase in other payables		443,818	184,351
- Increase in other payables due to other parties		443,818	184,351
Cash flows from operating activities		50,723,012	44,001,157
Employment benefits paid		(6,010,711)	(6,379,566)
Taxes paid		(11,286,322)	(10,922,515)
Other cash outflows		(15,354)	(11,778)
- Change in securities given for collateral		(15,354)	(11,778)
B. Cash flows from investment activities		12,492,285	10,860,438
Cash outflow from purchase of property, equipment and intangible assets		(456,417)	(590,700)
- Cash outflow from purchase of property, equipment assets	6	(140,731)	(128,136)
- Cash outflow from purchase of intangible assets	8	(315,686)	(462,564)
Cash inflows from derivatives	16	-	2,576,284
Interest received		12,948,702	8,874,854
C. Cash flows used in financing activities		(32,851,072)	(34,000,000)
Cash outflow related to debt payments arising from lease agreements	11	(851,072)	-
Dividend payment	13, 20	(32,000,000)	(34,000,000)
D. Net increase/decrease in cash and cash equivalents (A+B+C)		13,051,838	3,547,736
E. Cash and cash equivalents at the beginning of the period		66,647,151	63,099,415
Cash and cash equivalents at the end of the period (D+E)	4	79,698,989	66,647,151

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

YAPI KREDİ PORTFÖY YÖNETİMİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

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

1. ORGANISATION AND NATURE OF OPERATIONS

Yapı Kredi Portföy Yönetimi A.Ş. (“the Company”), has been established under the name Koç Portföy Yönetimi A.Ş. at January 30, 2002 and started its operations in June 25, 2002, The Company's principal shareholders are Yapı Kredi Yatırım Menkul Değerler A.Ş. and Yapı ve Kredi Bankası A.Ş. with a total share of 99.97%, which are also subsidiaries of Koç Finansal Hizmetler A.Ş. (“KFH”) which was incorporated on March 16, 2001 for the purpose of combining financial sector companies of the Koç Group, On October 12, 2002, Koç Group entered into a joint strategic partnership with UniCredit Italiano S.p.A. (“UCI”), in KFH, Koç Portföy Yönetimi A.Ş. has legally merged with Yapı Kredi Portföy Yönetimi A.Ş. at December 29, 2006 and changed its name as Yapı Kredi Portföy Yönetimi A.Ş. on December 21, 2006.

Yapı Kredi Portföy Yönetimi A.Ş. has been entitled to portfolio management and investment consultancy activities by obtaining certificate of authorization issued by Capital Market Board (“CMB”) dated May 13, 2015 numbered PYS/PY.17-YD.9/391 in accordance with Communiqué on “Portfolio Management Companies and Activities On Such Companies” numbered III-55.1. On October 17, 2015, Yapı Kredi Portföy Yönetimi A.Ş. has been authorized by CMB to take over investment funds founded by Yapı ve Kredi Bankası A.Ş. and Yapı Kredi Yatırım Menkul Değerler A.Ş. as establisher.

Within the context of the Capital Market Board regulations the Company’s principal activities are managing mutual, pension and private funds and performing discretionary portfolio management (“DPM”) for institutions, endowments and individuals.

As of 31 December 2015, 87.32% of the shares of the Company is owned by Yapı Kredi Yatırım Menkul Değerler A.Ş. Since the principal shareholder of Yapı Kredi Yatırım Menkul Değerler A.Ş. is Yapı ve Kredi Bankası A.Ş. who also owns 12.65% of the shares of the Company, the ultimate principal shareholder of the Company is Yapı ve Kredi Bankası A.Ş.

The Company’s head office is as follows:

Levent Mahallesi Cömert Sokak No:1A/28 34330, Beşiktaş, İstanbul

The Company has 59 employees as at 31 December, 2018 (31 December, 2018: 62).

Approval of financial statements:

The Company’s financial statements for the year then ended 31 December 2019 have been approved by Board of Directors on January 27, 2020. General Assembly and regulatory bodies have the right to amend the financial statements within the legal framework.

YAPI KREDİ PORTFÖY YÖNETİMİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 ORIGINALLY ISSUED IN TURKISH

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

A. BASIS OF PRESENTATION

(a) Basis of presentation of financial statements

The accompanying financial statements have been prepared in accordance with the Turkish Financial Reporting Standards (“TFRS”) promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in compliance with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (the Communiqué) announced by the CMB on June 13, 2013 which is published on Official Gazette numbered 28676. TAS consists of the Turkish Accounting Standards, Turkish Financial Reporting Standards (“TFRS”) and related supplements and interpretations.

The financial statements were based on the legal records of the Company and expressed in Turkish Lira; and they have been subject to certain adjustments and classifications in order to fairly present the financial position of the Company in accordance with TFRS issued by POA.

Preparation of the financial statements

The Company's financial statements prepared in accordance with the 2019 TFRS Taxonomy published by KGGK.

(b) Adjustments to financial statements in hyperinflationary periods

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for listed companies in Turkey. The Company’s financial statements have been prepared in accordance with this decision.

(c) Comparative figures and the reclassification to the financial statements of the prior period

The Company complies with the principles and articles of valid commercial laws and regulations and Communiqués announced by CMB in the accounting records and the preparation of the financial statements.

In order to determine the financial status and performance trends, the financial statements of the Company have been prepared in comparison with the financial statements of previous periods. The Company prepared its statement of financial position as of 31 December 2019 in comparison with the statement of financial position prepared as of 31 December 2018; prepared statement of profit or loss and other comprehensive income, statement of changes in shareholders’ equity and statement of cash flows between 1 January - 31 December 2019 in comparison with 1 January - 31 December 2018. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

(d) Offsetting

Financial assets and liabilities are offset, and the net amount reported in the financial statements 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.

(e) Going concern

The Company prepared its financial statements based on going concern principle.

(f) Changes in accounting policies and interpretations

The Company adopted the standards, amendments and interpretations published by Public Oversight Accounting and Auditing Standards Authority (“POA”) and which are mandatory for the accounting periods beginning on or after 31 December 2019.

a. New standards, amendments and interpretations effective as of 31 December 2018:

- **IFRS 9, “Financial instruments”**; effective from annual periods beginning on or after 1 January 2018, this standard replaces the guidance in IAS 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.
- **Amendment to IAS 28, ‘Investments in associates and joint venture’**; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.
- **IFRS 16, ‘Leases’**; effective from annual periods beginning on or after 1 January 2019, this standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet), IFRS 16 now requires lessees to recognize 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 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 IFRS 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 in exchange for consideration.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- **IFRIC 23, ‘Uncertainty over income tax treatments’;** effective from annual reporting periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that IAS 37 ‘Provisions, contingent liabilities and contingent assets’, not IAS 12 should be applied to accounting for uncertain income tax treatments, IFRIC 23 clarifies how to measure and account deferred income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law, IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- IFRS 3, ‘Business combinations’, - a company remeasures it’s previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, ‘Joint arrangements’, - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, ‘Income taxes’ - a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, ‘Borrowing costs’ - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

Amendments to IAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and

- Recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

b. Standards, amendments and interpretations effective after 31 December 2019:

Amendments to IAS 1 and IAS 8 on the definition of material; effective from annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘Presentation of financial statements’ and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:

- i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii) clarify the explanation of the definition of material; and
- iii) incorporate some of the guidance in IAS 1 about immaterial information.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business, according to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.
- **TFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2022. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

B. CHANGES IN ACCOUNTIN POLICIES AND ERRORS

Significant changes in accounting policies and significant accounting errors identified are to be applied retrospectively and the prior period financial statements are to be restated. There has been no change in accounting policies in 2019, except for the Company's accounting policy changes resulting from the first application of TFRS 16, “Leases” standard in accordance with the transitional provisions of the relevant standard.

Accounting policy changes resulting from the first application of a new TFRS, are applied retrospectively or prospectively in accordance with the transitional provisions of the point in TFRS. Significant accounting errors (if any) are applied retrospectively and prior period financial statements are restated. Changes in accounting estimates are applied in the current period when the change is made only for one period, and both in the period when the change is made and prospectively.

The Group applied first time application requirements of IFRS 16 “Leases” out of the new standards, amendments and interpretations effective from 1 January 2019 in line with the requirement of transition of the related standards.

The effects of this standard-related accounting policy change and the first-time implementation of the relevant standards are as follows:

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

The Company - as a lessee

If a contract regulates the right to control the use of an asset that is defined in the contract for a certain period and for a specific price, this contract is considered as a lease in its nature or includes a lease transaction. At the beginning of a contract, the Company assesses whether the contract is a lease or include a lease transaction. The Company considers the following conditions when assessing whether or not a contract transfers the right to control the use of a defined asset for a specified period of time:

- a) The existence of a clearly or implicitly identifiable asset that constitutes the subject of the lease.
- b) The lessee has the right to obtain almost all of the economic benefits from the use of the defined asset that constitutes the subject of the lease.
- c) The lessee has the right to manage the use of the defined asset that constitutes the subject of the lease. According to circumstances listed below, the tenant is deemed to have the right to manage the defined asset constituting the subject of the lease;
 - i. The lessee has the right to operate the property for the duration of its use (or to direct others to operate the entity in its own way) and the lessor does not have the right to change these operating instructions or
 - ii. Designing the asset (or certain features of the asset) in advance in a manner of how and for what purpose the asset will be used during its occupancy by the lessee.

In the event of a contract fulfills these conditions, the Company reflects the existence of a right to use and a lease liability to the consolidated financial statements at the date of the lease's actual start.

The right of use asset (note 7)

The right-of-use asset initially recognized by the cost method and includes the followings:

- a) The first measurement amount of the lease liability to be recognized as the right of use asset,
- b) Deduction of all leasing incentives related to the lease, from the first measurement amount of the lease liability recorded as a right of use asset,
- c) All direct costs, that are related to the lease, incurred by the Company to be added to the first measurement amount of the lease liability, which will be recognized as a right of use asset, and
- d) Estimated costs to be incurred by the Company shall be added to the initial measurement amount in relation to the dismantling and transporting of the defined asset constituting the subject of the lease, the restoration of the area in which it is placed, or the restoration of the defined asset as required by the terms and conditions of the lease.

In applying the cost method, the Company measures the right of use asset by:

- a) deducting the accumulated depreciation and accumulated impairment losses and
- b) measuring the cost of the lease in accordance with the re-measurement of the lease liability.

The Company applies depreciation provisions in IAS 16 Property, Plant and Equipment while depreciating the right of use asset. In order to determine whether the right of use asset has been impaired or not and to recognize any impairment losses, the IAS 36 “Impairment of Assets” is implemented.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Lease Liability

At the effective date of the lease, the Company measures its leasing liability at the present value of the lease payments not realized at that date. If the interest rate on the lease can be easily determined, this rate is used in discount; if the implied interest rate cannot be easily determined, the payments are discounted by using the alternative borrowing interest rate of the lessee.

Lease payments that are included in the measurement of the lease liability of the Company and the payments that are not occurred on the date when the lease is actually started consist of the following:

- a) Amount deducted from all types of rental incentive receivables from fixed payments;
- b) Lease payments based on an index or a rate, lease payments made using an index or a rate at the time the initial measurement was actually started.
- c) The penalty for termination of the lease in cases the lessee shows a sign of it will use an option to terminate the lease.

After the effective date of the lease, the Company measures its lease liability as follows:

- a) Increasing the book value by reflecting interest on lease liability
- b) Reducing the book value by reflecting the lease payments made
- c) Re-measures the book value to reflect any re-evaluations and reconfigurations, if any. The Company reflects the remeasured amount of the lease obligation to the financial statements as adjustment in the use of right.

Extension and early termination options

A lease obligation is determined by considering the extension of the contracts and early termination options. Most of the extension and early termination options included in the contracts consist of options that are jointly applicable by the Company and the lessor. However, if such extension and early termination options are at the Company's discretion in accordance with the contract and the use of the options is reasonably certain, the lease term shall be determined by taking this issue into account. If there is a significant change in the conditions, the evaluation is reviewed by the Company.

Exemptions and simplifications

Short-term lease agreements with a period of 12 months and less and other lease agreements related to informational technologies equipment leases (mostly printers, laptops and cell phones etc.) have been assessed under the exemption granted by the IFRS 16 Leases Standard, and payments for these contracts are recognized as an expense in the period in which they are incurred.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

First adoption IFRS 16 Leases Standard

The IFRS 16 Leases standard replaces the IAS 17 Leasing Operations, as of 1 January 2019, and the Group retrospectively (“cumulative effect method”) recognized the cumulative effect of applying the standard on its financial statements at once. Within the scope of the simplified transition application defined in the related standard, the comparative information of the financial statements and retained earnings have not been restated.

Under the first implementation of IFRS 16 “Leases”, before 1 January 2019, the lease commitments are accounted for as a lease obligation in accordance with IAS 17 “Lease transactions” in financial statements. This lease liability has been measured at the present value of the lease payments, which have not been realized as of the date of transition, discounted using the alternative borrowing interest rate at the date of initial application of the Group. The right to use of assets are accounted for an amount equal to the lease obligations (adjusted for the amount of prepaid or accrued lease payments) within the scope of simplified transition application in the related standard.

As of 31 December 2019 and 1 January 2019, the details of the right of use assets that are accounted in financial statements are as follows:

	31 December 2019	1 January 2019
Buildings, net	852,252	766,453
Total right of use assets	852,252	766,453

C. CHANGES IN ACCOUNTING ESTIMATES

Changes in the accounting estimates are reflected in the financial statements in the current period in which the change is related to future periods and in the period in which the change is made and in the future period so as to take into account the net profit or loss for the period. No significant changes were made to the accounting estimates during the January 1 - 31 December 2019 accounting period.

D. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i. Cash and cash equivalents

For the purpose of regulating cash flow statements, the Company has considered cash and cash equivalents as cash deposits and banks with original maturities of 3 months or less (Note 4).

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

ii. Financial investments

The financial assets of the Company are largely made up of cash and cash equivalents as well as trade receivables, and said financial assets are classified and recognized as “financial assets measured by amortized cost”.

Sales and purchases of the financial assets mentioned above are recognized at the “settlement dates”.

The appropriate classification of financial assets of the Company is determined at the time of purchase and according to the “market risk policies” by the Company management, taking into consideration the purpose of holding the investment.

All financial assets initially are recognized at fair value with purchase expenses of investment, except financial assets at fair value through profit or loss.

Financial assets recognized at amortized cost

The financial assets for which management adopted a contractual cash flow collection business model, for which the agreement terms involve only payment of interest arising out of the principal and principal balance at certain dates, which have fixed or definite payments, which are not quoted in an active market and are not derivative instruments are classified as assets that are recognized at their amortized cost. The assets are classified as current assets if they have a maturity period of less than 12 months as of the statement of financial position date, and as non-current assets if they have a maturity period of more than 12 months as of the balance sheet date. Assets that are recognized at their amortized costs include “trade receivables” and “cash and cash equivalents” items.

Expected credit losses measurement

The measurement of the allowance for expected credit loss for financial assets measured at amortized cost and at fair value through other comprehensive income is an area that requires the use of the financial position and future relevant economic assumptions and advanced models.

A group of important decisions is required to apply the accounting requirements for measuring expected credit losses. These are:

- Determination of criteria for significant increase in credit risk
- Selection of appropriate models and assumptions for measuring expected credit losses
- Identify the related expected credit loss and the number and likelihood of prospective scenarios for each type of product / market
- Identification of a similar group of financial assets for the purposes of measuring expected credit losses

Derivative financial instruments

The derivative transactions of the Company consist of foreign currency / interest swap transactions. Derivative financial instruments are accounted at fair value at the contract date and are remeasured at their fair value at subsequent reporting periods.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

iii. Leases

The future lease obligations to be paid for all lease contracts and the corresponding right to use an asset are included in the statement of financial position (Note 2.B, Note 7 and Note 11).

iv. Trade receivables

Trade receivables are receivables from the financial statements relating to all or part of a revenue item. Trade receivables arising from the provision of services to a buyer by the Company are shown netted from unearned finance income. Trade receivables after unearned finance income are calculated by discounting the amounts to be obtained in the following periods of receivables from the original invoice amount by the effective interest method. Short-term receivables with no stated interest rate are stated at their cost values unless the effect of the original effective interest rate is significant.

The Company reserves doubtful receivables for related trade receivables if there is objective evidence that the collectability does not exist. In other words, the amount of this difference is the difference between the recorded value of the receipt and the possible amount of receivable. Possible amount of receivable is the amortized cost of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated transaction.

If all or part of the doubtful receivable is collected, the collected amount is deducted from the provision for doubtful receivables and other income is recorded from the main operations (Note 5).

v. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated amortization (Note 6). Depreciation is amortized using the straight-line method over the estimated useful lives of the tangible assets. Estimated useful lives of the related assets are as follows:

Furniture and fixtures	5 years
Special costs	5 years

If the carrying amount of property, plant and equipment exceeds its estimated recoverable amount, the asset's carrying amount is reduced to its recoverable amount and the resulting impairment loss is recognized in profit or loss,

Gains or losses on disposal of property, plant and equipment are determined by comparing recoverable amounts with recoverable amounts and reflected in the related income and expense accounts in the current period.

vi. Intangible assets

Intangible assets include acquired rights, information systems and computer software (Note 8). They are recorded at cost of acquisition and are depreciated on a straight-line basis over their estimated useful lives, which are 5 years from the date of acquisition. If there is an impairment, the carrying amount of the intangible asset is reduced to its recoverable amount.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

vii. Provisions, contingent assets and liabilities

Provisions are recognized when it is probable that an outflow of economic benefits will be required to settle the obligation, a reliable estimate of the amount of the obligation can be made, and a legal or constructive obligation as a result of past events. If the amount cannot be measured reliably and it is not probable that an outflow of resources will be required to settle the obligation, the liability is recognized as "Conditional" and disclosed in footnotes (Note 10).

viii. Employee benefits

On behalf of its employees, the Company has to pay contributions the Social Security Institution (Institution) in the amount determined by law. There is no other obligation to pay to the employee or the Corporation other than the contribution paid by the Company. These contributions are expensed on the date they are accrued.

(i) *Employment termination benefits*

The provision for employment termination benefits is calculated as required by Turkish Labor Law as a statutory obligation of the Company and reflects the present value of severance pay entitlement to employee retirement, dismissal, call for military service or death in case of completion of at least one year of service (Note 9).

(ii) *Obligation of paid leave*

As per the existing labour law in Turkey, in the event of termination of labour contracts by any reason, the Company is obliged to pay the amount for annual leaves that were earned but not used by the employees on basis of wages at the date of termination of the contract (Note 9).

(iii) *Bonus payments*

The Company recognizes as an obligation and an expense based on a method that takes into consideration the Company's profitability, budget performance and performance criteria (Note 9).

ix. Fee, commission, interest incomes / expenses

(i) *Fees and commissions*

Fund management fees, special portfolio management fees, performance premiums and investment consulting fees shown in the profit or loss table are recognized on an accrual basis.

(ii) *Interest income and expenses*

Interest income and expenses are recognized in profit or loss and comprehensive income statement on an accrual basis. Interest income includes income from coupons of fixed income investment instruments and discounted valuations of the discounted government bonds according to the internal rate of return method.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

x. Borrowing costs

When it comes to assets that require significant time to prepare for use and sale, borrowing costs that are directly attributable to the acquisition, construction or production of the asset are included in the cost of the asset until the asset is ready for use or sale. Financial investment, which is obtained by evaluating the investment portion of an investment-related loan for an indefinite period of time, is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss and comprehensive income in the period in which they are incurred.

xi. Effects of changes in exchange rates

Transactions denominated in foreign currency are denominated by the exchange rate on the date of the transaction; monetary assets and liabilities denominated in foreign currencies, end of period exchange buying rate of the Central Bank of the Republic of Turkey have been translated into Turkish Lira. Income and expenses resulting from the translation of foreign currency items are included in the profit or loss and comprehensive income statement for the period.

xii. Taxes calculated on the basis of corporate income

Corporate tax

Corporate tax is calculated according to the provisions of the Tax Procedure Law and tax expenses other than those taxes are accounted in general administrative expenses (Note 18).

If there is a legal right to offset current tax assets and current tax liabilities or if the related assets and liabilities are associated with income tax collected by the same tax authority.

Deferred tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements (Note 18).

Significant temporary differences arise from retirement pay provision, personnel premium provision, other expense provisions, unused vacation provision, fixed assets and bank deposit valuation differences.

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

Deferred tax assets and deferred tax liabilities are offset against each other if the same entity is subject to tax legislation and there is a legally enforceable right to offset current tax assets against current tax liabilities.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

xiii. Related parties

In these financial statements, the shareholders of the Company and the Koç and UCI Group companies, the Company's top management and members of the Board of Directors, their families and companies controlled by them or having significant influence are considered as “related parties” (Note 20).

xiv. Subsequent events

Subsequent events include all events between the balance sheet date and the date of issuance of the balance, even if any announcement related to the profit for the period or other selected financial information occurred after the public disclosure. The Company corrects the amounts recognized in the financial statements in accordance with this new situation in the case of events that require corrections after the balance sheet date.

xv. Impairment of assets

Any asset other than financial assets is reviewed at the balance sheet date for the existence of indicators of impairment of that asset. An impairment loss is recognized if the carrying amount of an asset is greater than its estimated recoverable amount. Replacement value is taken as the higher of the net sales value and value of use of the asset. Usage value is the present value of the sum of the estimated cash inflows to be obtained in the future and the sales value at the end of the service life.

E. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions that affect the assets and liabilities disclosed in the financial statements for the next period. Estimates and assumptions are constantly evaluated. Such forecasts and assumptions, including those expected to occur under the circumstances, are based on Management's experience and other factors. At the same time, the management also makes some decisions regarding the application of accounting principles separately from the estimates. The estimates that may require significant adjustments to significant judgments in the financial statements and forward-looking assets and liabilities are as follows:

Recognition of deferred tax assets

Deferred tax assets can be recognized as soon as the tax benefit is probable. The amount of future taxable profits and future tax benefits is based on the medium-term business plan prepared by the Company and the estimates issued thereafter. The business plan is based on the Company's reasonable expectations in the circumstances.

3. SEGMENT REPORTING

The Company does not prepare segment reporting in the financial reporting period that ends as of 31 December 2018 and 2019 since it performs its activities in Turkey and only in portfolio management industry.

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4. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash at banks		
- Time deposit	79,637,075	67,125,117
- Blockage deposit	115,838	100,484
- Demand deposit	84,021	12,208
- Allowances for expected credit losses	(115,629)	(299,310)
	79,721,305	66,938,499

As of 31 December 2019, TRY79,717,581 (31 December 2018: TRY67,136,520) of bank deposits is held by related parties (Note 20).

As of 31 December 2019, time deposits have a maturity of less than 3 months and the interest rate is 10.68% (31 December 2018: 20.89% to 23.50%).

The amount of TRY115,838 (31 December 2018: TRY100,484) is held by Istanbul Takas ve Saklama Bankası A.Ş. ("Takasbank") as collateral for securities transactions.

As of 31 December 2019 and 2018, the Company's cash and cash equivalents were presented in the cash flow statement after interest accruals and blocked deposits from total liquid assets before the expected credit loss were deducted:

	31 December 2019	31 December 2018
Cash and cash equivalents	79,721,305	66,938,499
Accruals of interest (-)	(22,107)	(490,174)
Blockage deposits (-)	(115,838)	(100,484)
Allowances for expected credit losses	115,629	299,310
	79,698,989	66,647,151

5. TRADE RECEIVABLES AND PAYABLES

	31 December 2019	31 December 2018
Trade receivables		
Investment fund management fee receivables (Note 20) (*)	8,018,723	5,007,395
Individual pension fund performance fee receivables (**)	3,119,249	2,555,073
Investment advisory receivables (Note 20)	2,437,083	1,823,135
Individual pension fund management fee receivables (**)	1,170,938	843,439
Other	65,336	728,690
	14,811,329	10,957,732

(*) Investment fund management commission receivables are obtained management fee receivables from 36 (31 December 2018: 30) investment funds established in accordance with the Capital Markets Law and related legislations.

(**) Pension fund commission and performance fee receivables are derived from 28 (31 December 2018: 25) individual pension funds, 27 (31 December 2018: 12) of which are related institutions.

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5. TRADE RECEIVABLES AND PAYABLES (Continued)

	31 December 2019	31 December 2018
Trade payables		
Payables to related parties (Note 20)	764,604	1,606,811
Invoice payables	263,758	523,272
Other expense accruals	157,809	434,589
	1,186,171	2,564,672

6. PROPERTY, PLANT AND EQUIPMENT

31 December 2019	Furniture and fixtures	Leasehold improvements	Total
Net book value, 1 January 2019	302,627	114,401	417,028
Additions	140,731	-	140,731
Depreciation expense (Note 15)	(124,463)	(46,616)	(171,079)
Net book value, 31 December 2019	318,895	67,785	386,680
Cost	2,404,007	864,566	3,268,573
Accumulated depreciation	(2,085,112)	(796,781)	(2,881,893)
Net book value, 31 December 2019	318,895	67,785	386,680
31 December 2018	Furniture and fixtures	Leasehold improvements	Total
Net book value, 1 January 2018	404,408	137,916	542,324
Additions	100,332	27,804	128,136
Depreciation expense (Note 15)	(202,113)	(51,319)	(253,432)
Net book value, 31 December 2018	302,627	114,401	417,028
Cost	2,263,276	864,566	3,127,842
Accumulated depreciation	(1,960,649)	(750,165)	(2,710,814)
Net book value, 31 December 2018	302,627	114,401	417,028

As of 31 December 2019 and 2018, there are no pledges and mortgages on property, plant and equipment.

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7. RIGHT OF USE ASSETS

31 December 2019

	Buildings
Net book value, 1 January 2019	766,453
Additions	852,252
Amortization expense (Note 15)	(766,453)
Net book value, 31 December 2019	852,252
Cost	1,618,705
Accumulated amortization	(766,453)
Net book value, 31 December 2019	852,252

8. INTANGIBLE ASSETS

31 December 2019

Net book value, 1 January 2019	608,042
Additions	315,686
Amortization expense (Note 15)	(398,588)
Net book value, 31 December 2019	525,140
Cost	2,635,131
Accumulated amortization	(2,109,991)
Net book value, 31 December 2019	525,140

31 December 2018

Net book value, 1 January 2018	404,228
Additions	462,564
Amortization expense (Note 15)	(258,750)
Net book value, 31 December 2018	608,042
Cost	2,319,445
Accumulated amortization	(1,711,403)
Net book value, 31 December 2018	608,042

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9. PROVISIONS FOR EMPLOYEE BENEFITS

Provisions for employee benefits

	31 December 2019	31 December 2018
Short-term provisions		
Personnel bonus provisions	5,699,335	5,400,000
Unused vacation provisions	410,781	500,577
	6,110,116	5,900,577
Long-term provisions		
Provision for employment termination benefits	2,186,926	1,799,224
	2,186,926	1,799,224

Provision for employment termination benefits:

The reserve for employment termination benefits is set out below:

According to the Turkish Labour Law, the Company is obliged to pay seniority indemnity for the employees who completed one year of employment and are terminated, who retired after completing 25 years of service (20 years for women), who are retired (at the age 60 for men and at the age of 58 for women), who are called for the military or who died. After the legislative amendment on May 23, 2002, some transition period provisions related to the previous service period before retirement were issued.

The termination indemnity obligation is not legally subject to any funding and there are no funding requirements.

Provision for employment termination benefits is calculated by estimating the present value of the probable liability in the case of retirement of the employees.

TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2019	31 December 2018
Discount rate (%)	4.67	5.65
Turnover rate to estimate the probability of retirement (%)	95.19	96.70

The basic assumption is that the determined value for every working year increases proportional to inflation. Using this assumption, the existing discount ratio shows the real ratio, unaffected by inflation. Therefore the maximum amount of employment termination benefits of the Company is determined every six months and is calculated using the maximum amount of TRY6,730.15 valid from 1 January 2020 (1 January 2019: TRY6,017,60).

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9. PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

Movements in the reserve for employment termination benefits during the current year are as follows:

	2019	2018
Opening balance, 1 January	1,799,224	1,307,182
Interest cost	277,740	301,190
Service cost	184,628	158,144
Actuarial loss / (profit)	376,848	139,388
Payments within the period (-)	(451,514)	(106,680)
End of the period, 31 December	2,186,926	1,799,224

Movement of unused vacation provision for the periods are shown below:

	2019	2018
Opening balance, 1 January	500,577	439,620
Decrease during the period	69,401	75,001
Payments within the period (-)	(159,197)	(14,044)
End of the period, 31 December	410,781	500,577

Movement of personnel bonus provision for the periods are shown below:

	2019	2018
Opening balance, 1 January	5,400,000	6,258,842
Decrease during the period	5,699,335	5,400,000
Payments within th period (-)	(5,400,000)	(6,258,842)
End of the period, 31 December	5,699,335	5,400,000

10. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

(a) Provisions

Explained in Note 9.

(b) Guarantees

As of 31 December 2019, there are no mortgages or guarantees on assets. However, the cash collateral amounting to TRY115,838 nominal value (31 December 2018: TRY100,484) stated in the Communiqué Serial: V No: 59 of the Capital Markets Board Regulation and Principles Regarding Institutions to be Operated by the CMB has been placed in Takasbank on behalf of the CMB (Note 4).

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11. SHORT TERM BORROWINGS

As of 31 December 2019 and 2018, the Company's short and long term borrowings are as follows:

	31 December 2019	31 December 2018
Short-term borrowings		
Lease liabilities	852,252	-

As of 31 December 2018, there are no balance of short-term and long-term lease liabilities. As of 31 December 2019, details are as follows:

<i>Short-term lease liabilities</i>	<i>Maturity</i>	<i>Interest Rate (%)</i>	<i>31 December 2019</i>
<i>Borrowings from related parties from leasing</i>			
Lease liabilities	31 December 2020	10.12	852,252

Movement of borrowings from leasing transactions is as follows.

	2019
Opening balance, 1 January	766,453
Additions (Note 7)	852,252
Payments within the period	(851,072)
Interest expense (Note 17, 20)	84,619
End of the period, 31 December	852,252

12. OTHER ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Prepaid expenses		
Information technology expenses (*)	326,414	254,668
Insurance expenses (**)	152,019	273,411
Other	26,673	32,000
	505,106	560,079

(*) The information technology expenses of the Company amounting to TRY26,401 (31 December 2018 TRY2,973) are prepaid expenses to related parties (Note 20).

(**) The insurance expenses amounting to TRY150,411 (31 December 2018: TRY149,293) of the Company are made to related parties (Note 20).

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12. OTHER ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Other short-term liabilities		
Taxes and funds payable	804,045	776,512
Income tax	707,548	345,557
SGK premium	307,851	261,670
Stamp tax	17,242	9,129
	1,836,686	1,392,868

13. SHAREHOLDERS' EQUITY

At 31 December 2019 and 2018, the issued and fully paid-in share capital held is as follows:

Shareholders	31 December 2019			31 December 2018		
	No of shares	Share (%)	TRY	No of shares	Share (%)	TRY
Yapı Kredi Yatırım Menkul Değerler A.Ş.	436,617,600	87.32	4,366,176	205,161,600	87.32	2,051,616
Yapı ve Kredi Bankası A.Ş.	63,247,200	12.65	632,472	29,719,200	12.65	297,192
Diğer	135,200	0.03	1,352	63,478	0.03	635
Total	500,000,000	100	5,000,000	234,944,278	100.00	2,349,443
Adjustments to share capital			2,208,186			2,208,186
Total			7,208,186			4,557,629

Adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital in terms of equivalent purchasing power at 31 December 2004.

Board decision no, 56 dated 21 September 2018, increasing the Company's capital, raised to TRY2,349,443 within its registered TRY10,000,000 capital cap, to TRY5,000,000, and covering the increase with profits from the previous years, was approved by CMB letter no.12233903-350.11-E.14929 dated 25 December 2018. An application to register amending article 8 of the Company's articles of association, which is related to “Capital and Shares”, and to announce this in the Turkish Trade Registry Gazette was filed with the Istanbul Registry Directorate. The registration and announcement have been registered at 31 January 2019.

Retained earnings and legal reserves:

	31 December 2019	31 December 2018
Retain earnings	15,348,641	17,209,050
Restricted reserves (legal reserves)	12,319,956	9,421,544
	27,668,597	26,630,594

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13. SHAREHOLDERS' EQUITY (Continued)

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code the (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 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 be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Details of restricted reserves allocated from profit is as follows:

	31 December 2019	31 December 2018
Primary legal reserves	469,889	469,889
Secondary legal reserves	11,850,067	8,951,655
	12,319,956	9,421,544

Details of retained earnings is as follows;

	31 December 2019	31 December 2018
Retained earnings	13,293,490	15,153,899
Extraordinary reserves	2,055,151	2,055,151
	15,348,641	17,209,050

Defined benefit plans remeasurement losses

According to TAS 19, actuarial loss of the Company after tax effect arising from the terminations benefits liability of the Company amounts to TRY1,198,817 (31 December 2018: TRY904,876).

Dividend distribution

Publicly held joint stock companies whose shares are traded on the stock exchange are subject to the following principles determined by CMB regarding profit distribution:

In accordance with the decision of Capital Market Board dated January 28, 2010, no minimum dividend distribution requirement has been made for the dividends to be paid for the joint ventures whose shares are traded in the stock exchange with respect to the principles of distribution of profits from 2010 operations. The Communiqué on Principles Regarding the Subsidiaries of Dividend and Dividend Advance Distribution of Publicly Held Joint Ventures Subject to the Capital Markets Law Serial: IV. No: 27. which regulates the profit distribution principles of publicly traded companies, the provisions in the articles of association of the partnership and the profit distribution within the framework of the policies, such distribution may be carried out by distributing the shares to be issued by the cash or dividend to the share capital free of charge, or distributing cash or certain bonus shares to the shareholders, free of charge; in the event that the first dividend amount to be determined is less than 5% of the paid / issued capital, it is allowed to leave the related amount in the partnership without being distributed, but from the joint stock companies which make capital increase without dividing the dividend related to the previous period and whose shares are divided into "old" they are required to distribute dividends from the profit of the period they have obtained as a result of their activities and to distribute the first dividend to be calculated in cash.

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13. SHAREHOLDERS’ EQUITY (Continued)

In this context, if the net distributable profit calculated in accordance with the CMB regulations can be met from the distributable profit in the statutory records, if the total amount is not met, the entire net distributable profit included in the statutory records will be distributed, If there is a loss on the financial statements prepared in accordance with the CMB regulations or any of the legal records, no profit distribution will be made. After the deduction of the amounts required to be allocated by the Law and the Articles of Association, the remaining amount of TRY32,000,000 is distributed as dividends in order to be met from the profit of the period after deduction of losses of the previous years and the reserves from the previous year extraordinary reserves. Paid to partners on 11 March 2019 (2018: TRY34,000,000).

14. SALES AND COST OF SALES

	1 January - 31 December 2019	1 January - 31 December 2018
Revenue from financial activities		
Investment funds management fee	67,705,018	56,735,950
Pension funds management fee	11,307,280	9,726,502
Pension funds performance fee	3,505,521	2,600,256
Funds management fee	82,517,819	69,062,708
Discretionary portfolio management commission	3,964,612	4,056,722
Discretionary portfolio management performance fee	1,164,750	2,466,836
Discretionary portfolio management income	5,129,362	6,523,558
Investment advisory fees	2,393,991	1,672,601
Other business operations fees	2,393,991	1,672,601
Total revenue (a)	90,041,172	77,258,867
Cost of financial activities		
Discretionary portfolio management commission fees	2,403,396	2,647,803
Investment and individual pension funds management commission expenses (*)	1,522,987	6,135,480
Other commission fees	1,610,838	1,714,050
Total cost (b)	5,537,221	10,497,333
Gross profit from financial activities (a-b)	84,503,951	66,761,534

(*) According to Article 33 of the Communiqué on Principles Regarding Mutual Funds published in the Official Gazette No. 28702 dated July 9, 2013, the upper limit of the sum of all expenditures stated in the explanation including the management fees paid from the Funds cannot exceed the maximum limits set forth in Annex 4 of the same Communiqué. If the specified ratios are exceeded, the exceeding amount is refunded within five business days following the relevant period. The reimbursed amount is deducted from the total expense in calculating the total expense ratio for the following periods in the related year. As of 31 December 2019, this amount is TRY1,522,987 (31 December 2018: TRY6,135,480).

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15. EXPENSES BY NATURE

	1 January - 31 December 2019	1 January - 31 December 2018
General administrative expenses		
Payroll expenses	18,656,693	16,194,513
Personnel bonus expenses	6,057,181	5,522,920
Provision expenses for employment termination benefits	462,368	459,334
Other	69,402	-
Personnel expenses (a)	25,245,644	22,176,767
Information technology expenses	4,975,749	3,898,746
Amortization and depreciation expenses (Note 6, 7, 8)	1,336,120	512,182
Audit and consultancy expenses	647,448	805,037
Rent expenses	626,704	1,405,257
Office general expenses	560,501	435,067
Donations	500,450	500,400
Communication expenses	493,247	428,400
Taxes, fees and duties	363,084	301,331
Insurance expenses	271,071	70,029
Transportation expenses	150,550	276,482
Other	891,749	792,991
General administrative expenses (b)	10,816,673	9,425,922
Total general administrative expenses (a+b)	36,062,317	31,602,689
Marketing and selling expenses	610,411	509,764
Total marketing expenses	610,411	509,764

16. FINANCIAL INCOME

	1 Ocak - 31 Aralık 2019	1 Ocak - 31 Aralık 2018
Financial income		
Interest income from deposits (*)	12,480,635	9,018,803
Interest income from derivatives	-	2,576,284
Other	241,718	60,932
	12,722,353	11,656,019

(*) Interest income from deposits amounting to TRY5,743,474 (31 December 2018: 5,884,008) obtained from related parties (Note 20).

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17. FINANCIAL EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
Financial expenses		
Interest expense from leasing activities (Note 11, 20)	84,619	-
Foreign exchange loss	165	2
Allowances for expected credit losses	-	299,310
	84,784	299,312

18. TAX ASSETS AND LIABILITIES

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities provided at 31 December 2019 and 31 December 2018 using the enacted tax rates is as follows:

	<u>Cumulative temporary differences</u>		<u>Deferred tax assets / (liabilities)</u>	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Deferred tax assets				
Reserve for employment termination benefits	2,186,926	1,799,224	481,124	395,829
Unused vacation provision	410,781	500,577	90,372	110,127
Personnel bonus provision	138,687	938,912	30,511	206,561
Allowances for expected credit losses	115,629	299,310	25,438	65,848
Expense accruals	72,134	653	15,869	144
			643,314	778,509
Deferred tax liabilities (-)				
Difference between tax base and carrying value of tangible and intangible assets	539,570	594,994	118,705	130,899
			118,705	130,899
Deferred tax asset, net			524,609	647,610

Movement table of deferred tax assets and liabilities is as follows:

	2019	2018
Deferred tax asset at the beginning of the period, 1 January	647,610	748,648
Current deferred tax expense	(205,908)	(131,703)
Deferred tax carried under equity	82,907	30,665
Deferred tax asset at the end of the period, 31 December	524,609	647,610

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18. TAX ASSETS AND LIABILITIES (Continued)

Many clauses of Corporate Tax Law No.5520 which are valid starting from 1 January 2006 came into effect after being published in Official Gazette No. 26205, dated 21 June 2006. According to the New Tax Law, the corporate tax rate in Turkey is payable at the rate of 22% for 2019 (2018: 22%). The corporate tax rate is calculated on the total income of the Company after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed. (Except withholding tax at the rate of 19.8% on the investment incentive allowance amount utilized within the scope of the Income Tax Law transitional article 61).

The Law on the Amendment of Certain Tax Acts was approved by the Parliament on 28 November 2017 and published in the Official Gazette dated 5 December 2017, putting the rate of corporate taxation to be increased from 20% to 22% for the years 2018, 2019 and 2020. In this context, the effect of the tax rate change in the deferred tax asset/liability calculation made by the Company as of 31 December 2019 and 2018 is taken into consideration.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10%. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

Companies calculate advance corporation tax on their quarterly financial profits, advance corporation tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

In accordance with Tax Law No: 5024 “Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law” that was published on the Official Gazette on 30 December 2003 effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira In accordance with the law in question, cumulative inflation rate for the last 36 months, and inflation rate for the last 12 months must exceed (DIE WPI increase rate) 100% and 10% respectively. Since these conditions in question were not fulfilled in 2005 and 2006, no inflation adjustment was performed.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date.

Tax returns are open for five years from the beginning of the year following the date of filing during which period 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 Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

The Corporate Tax Legislation consists of various numbers of exemptions regarding the corporations. Hence, the exceptional earnings that are classified as profit or loss is taken into consideration by the corporate tax law.

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18. TAX ASSETS AND LIABILITIES (Continued)

Besides the exceptions stated above, the discounts those are stated in the 8th, 9th, and 10th articles of the Corporate Tax Law and 40th article of Income Tax Law are taken in into consideration in the fixation of the corporate tax assessment.

	31 December 2019	31 December 2018
Corporate tax payable	13,300,657	10,564,769
Less: Prepaid taxes (-)	(9,004,917)	(8,065,027)
Tax liability for the period	4,295,740	2,499,742
	1 January - 31 December 2019	1 January - 31 December 2018
Current year corporate tax expense	13,300,657	10,564,769
Prior year tax adjustment	(218,337)	(379,244)
Deferred tax expense	205,908	131,703
Current year tax expense	13,288,228	10,317,228

Reconciliation between the theoretical tax amount that would arise using the basic tax rate of the Company and the actual taxation charge for the year is stated below:

	1 January - 31 December 2019	1 January - 31 December 2018
Profit before tax	60,468,792	46,005,788
Theoretical tax expense with calculated tax rate (*)	13,303,134	10,121,273
Nondeductible expenses and other additions	(14,906)	195,955
Current year tax expense	13,288,228	10,317,228

(*) The Law on the Amendment of Certain Tax Acts was approved by the Parliament on 28 November 2017 and published in the Official Gazette dated 5 December 2017, putting the rate of corporate taxation to be increased from 20% to 22% for the years 2018, 2019 and 2020, In this context, 22% of tax rate is taken into consideration in deferred tax asset and liability calculation as of 31 December 2019.

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

19. EARNINGS PER SHARE

In accordance with the Turkish Accounting Standards 33 - Earning per share (“TAS 33”), the companies, whose common stocks are not quoted on the stock exchange, do not have to disclose earning per share information. Since the parent Company’s common stocks are not quoted on the stock exchange, earnings per share information is not calculated in the accompanying financial statements.

20. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a) Transactions with related parties during the periods ended at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Cash and cash equivalents (Note 4)		
Yapı ve Kredi Bankası A.Ş. (Time Deposit-TRY)	79,637,075	67,125,117
Yapı ve Kredi Bankası A.Ş. (Deposit-TRY)	80,506	11,403
	79,717,581	67,136,520
Trade receivables		
Yapı Kredi Portföy Yatırım Fonları (Note 5)	8,018,723	5,007,395
Allianz Yaşam ve Emeklilik A.Ş. Emeklilik Fonları	4,290,187	2,096,096
Yapı ve Kredi Bankası A.Ş. (Note 5)	2,437,083	1,823,135
	14,745,993	8,926,626
Prepaid expenses (Note 12)		
Allianz Sigorta A.Ş.	150,411	149,293
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	26,401	2,973
	176,812	152,266
Trade payables (Note 5)		
Allianz Yaşam ve Emeklilik A.Ş. Emeklilik Fonları	409,535	-
Yapı Kredi Portföy Yatırım Fonları	207,264	1,504,885
Yapı ve Kredi Bankası A.Ş.	108,255	73,584
Other	39,550	28,342
	764,604	1,606,811
Short term borrowings (Note 11)		
Yapı ve Kredi Bankası A.Ş.	852,252	-
	852,252	-

YAPI KREDİ PORTFÖY YÖNETİMİ A.Ş.**CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED
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(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

20. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

b) Transactions with related parties during the periods ended at 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Fee and commission income from related parties:		
Yapı Kredi Portföy Yatırım Fonları	67,705,018	52,887,069
Allianz Yaşam ve Emeklilik A.Ş. Emeklilik Fonları	13,387,570	8,731,935
Yapı ve Kredi Bankası A.Ş.	594,147	3,848,881
Koç Ailesi üyeleri	581,341	669,476
Vehbi Koç Vakfı	-	36,655
Other	119,605	-
	82,387,681	66,174,016
Interest income from related parties		
Yapı ve Kredi Bankası A.Ş.	5,743,474	5,884,008
	5,743,474	5,884,008
Interest expenses paid to related parties		
Yapı ve Kredi Bankası A.Ş. (Note 11, 17)	84,619	-
	84,619	-
Fee and commission paid to related parties		
Yapı ve Kredi Bankası A.Ş.	3,551,674	3,562,418
Yapı Kredi Portföy Yatırım Fonları	1,011,347	5,961,546
Allianz Yaşam ve Emeklilik A.Ş.	409,535	103,837
	4,972,556	9,627,801
Other expenses paid to related parties		
Yapı ve Kredi Bankası A.Ş.	1,474,918	556,751
Avis - Otokoç Otomotiv Tic. ve San. A.Ş.	653,430	541,440
Allianz Sigorta A.Ş.	565,050	401,704
Zer Merkezi Hizmetler ve Ticaret A.Ş.	518,311	424,246
YKS Tesis Yönetim Hizmetleri A.Ş.	465,792	372,079
Other	597,426	253,981
	4,274,927	2,550,201
Dividends paid to related parties		
Yapı Kredi Yatırım Menkul Değerler A.Ş.	27,943,530	29,690,001
Yapı ve Kredi Bankası A.Ş.	4,047,822	4,300,811
Other	8,648	9,188
	32,000,000	34,000,000

c) Total salaries and benefits paid to the members of the Board of Directors, general manager, assistant general managers and other top management for the whole year 2019 amount to TRY4,218,671 (31 December 2018 - TRY3,559,265).

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

21. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Company is exposed to capital market, interest rates and various other financial risks due to its portfolio management and investment consulting activities. The Company manages its financial risks according to market risk policies determined by KFS on a group basis. According to the policy, which is also approved by the Company's Board of Directors, the Company Management is primarily responsible for managing financial risks. In addition, the Company has an investment committee and a risk management committee. These committees decide on portfolio strategies and risk management policies on a weekly and/or as needed basis. The risks that the Company is exposed to and the methods used to manage them are as follows.

i. Credit risk disclosures

Credit risk is the risk that one party to a financial instrument will fail to meet the terms of their agreements as foreseen and cause the other party to incur a financial loss.

The Company's credit risk exposure mainly consist of trade receivables, and bank deposits.

The credit risk that Company exposed is as follows:

31 December 2019	<u>Trade Receivables</u>		<u>Other Receivables</u>		Bank deposits (*)	Financial investments
	Related parties	Other parties	Related parties	Other parties		
Maximum credit risk exposure as of the financial statements date	14,745,993	65,336	-	-	79,721,305	-
Net carrying value of financial assets which are neither impaired nor overdue	14,745,993	65,336	-	-	79,721,305	-
Net book value of impaired financial assets	-	-	-	-	-	-
- Past due financial assets (Gross)	-	-	-	-	-	-
- Impairment charge (-)	-	-	-	-	-	-
- Collateralized portion of the net exposure	-	-	-	-	-	-

(*) The bank deposits amount includes TRY79,717,581 in Yapı ve Kredi Bankası A.Ş., which is a related party.

31 December 2018	<u>Trade Receivables</u>		<u>Other Receivables</u>		Bank deposits (*)	Financial investments
	Related parties	Other parties	Related parties	Other parties		
Maximum credit risk exposure as of the financial statements date	8,926,626	2,031,106	-	-	66,938,499	-
Net carrying value of financial assets which are neither impaired nor overdue	8,926,626	2,031,106	-	-	66,938,499	-
Net book value of impaired financial assets	-	-	-	-	-	-
- Past due financial assets (Gross)	-	-	-	-	-	-
- Impairment charge (-)	-	-	-	-	-	-
- Collateralized portion of the net exposure	-	-	-	-	-	-

(*) The bank deposits amount includes TRY67,136,520 in Yapı ve Kredi Bankası A.Ş., which is a related party.

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21. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The Company does not have past due assets as of 31 December 2019 and 31 December 2018. The majority of the Company's trade receivables consist of the investment and private pension funds under management for the last one month. The relevant amount is collected in the first week of the month in which it continues.

In determining the above amounts, factors that increase credit reliability, such as collateral received, are not considered. The Company's financial assets exposed to credit risk do not have any impaired assets. In addition, the Company does not have assets that are subject to off-balance sheet credit risk and outstanding assets that have not been impaired.

ii. Information on liquidity risk

The need of Company's dealing ways with interest risk rate arises from effects of interest rates changes on the financial instruments. The sensitivity of the Company to interest rate risk is related with maturity mismatch of assets and liabilities. This risk is managed through corresponding assets that are sensitive to interest rates with similar liabilities.

As of 31 December 2019 and 31 December 2018, the Company has no assets and liabilities which will be effected from the changes in interest rates.

	31 December 2019					Total of contractual cash outflows
	Carrying value	Up to 3 months	3 months to 1 year	1 years to 5 year	Demand	
Short term borrowings	852,252	-	852,252	-	-	852,252
Trade payables	1,186,171	1,186,171	-	-	-	1,186,171
Other current liabilities	1,836,686	1,836,686	-	-	-	1,836,686
Total liabilities	3,875,109	3,022,857	852,252	-	-	3,875,109

	31 December 2018					Total of contractual cash outflows
	Carrying value	Up to 3 months	3 months to 1 year	1 years to 5 year	Demand	
Trade payables	2,564,672	2,564,672	-	-	-	2,564,672
Other current liabilities	1,392,868	1,392,868	-	-	-	1,392,868
Total liabilities	3,957,540	3,957,540	-	-	-	3,957,540

iii. Information on market risk

a. Exchange rate risk

None (31 December 2018: None).

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21. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b. Interest rate risk

The need of Company’s dealing ways with interest risk rate arises from effects of interest rates changes on the financial instruments. The sensitivity of the Company to interest rate risk is related with maturity mismatch of assets and liabilities. This risk is managed through corresponding assets that are sensitive to interest rates with similar liabilities.

The table below shows the interest rate position details and sensitivity analysis as of 31 December 2019 and 2018:

Assets	31 December 2019	31 December 2018
	TL (%)	TL (%)
Cash and cash equivalents:		
- Time deposits	10.68	23.44

iv. Capital management

The Company aims to minimize financial investment risk by diversified portfolio, The Company's objectives when managing capital, return on shareholders and other stakeholders in order to provide benefits to ensure continuity of operations of the Company to maintain an optimal capital structure, In order achieve that the Company invests in securities with high-yield securities and closely monitors recent developments on financial sector and institutions, shareholders and take due precautions,

22. FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

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

The discount effect is considered to be insignificant due to the very short term nature of the financial assets and liabilities and therefore it is foreseen that their fair values are close to their book values:

	31 December 2019		31 December 2018	
	Fair value	Book value	Fair value	Book value
Cash and cash equivalents	79,721,305	79,721,305	66,938,499	66,938,499
Trade receivables	14,811,329	14,811,329	10,957,732	10,957,732
Trade payables	1,186,171	1,186,171	2,564,672	2,564,672

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23. SUBSEQUENT EVENTS

None.

24. OTHER MATTERS THAT AFFECT THE FINANCIAL STATEMENTS IN A SIGNIFICANT WAY OR THAT NEED TO BE DISCLOSED IN TERMS OF CLEAR, INTERPRETABLE AND UNDERSTANDABLE FINANCIAL STATEMENTS

a. Capital adequacy obligation

The Company defines and manages its capital in accordance with the Capital Markets Board Communiqué Serial: V No: 34 Communiqué on Capital Adequacy and Capital Adequacy of Intermediary Institutions ("Communiqué Serial: V No: 34"). According to the Communiqué, portfolio management companies are also subject to the provisions of this Communiqué and they are subject to the provisions of this Communiqué and are subject to the provisions of the Communiqué Serial: V No: 34. Is the Company in which the amounts expressing are included. According to Communiqué Serial: V No: 34. minimum amount of paid-up capital announced for portfolio management companies was found to be sufficient for the ending accounting period as of 31 December 2019.

Portfolio Management Companies are obliged to calculate their capital adequacy in accordance with the regulations of the same communiqué and to report them to CMB in accordance with Article 25 of CMB's Communiqué on Principles Regarding Capital and Capital Adequacy of Intermediary Institutions Serial: V No: 34. The net amount of tangible and intangible fixed assets calculated according to article 4 of Series: V No: 34 according to Article 3 of Serial: V No: 34 of the Communiqué Serial: V No: 34. the net amount of tangible and intangible fixed assets. Personnel, partnerships, associates, subsidiaries and persons directly or indirectly related to capital, management and supervision, with or without customer default, with remaining financial assets and other fixed assets after deducting impairment provision and capital commitments. In addition, unsecured receivables from corporations and the amount of capital market instruments issued by such persons and institutions that are not traded in stock exchanges and other organized markets.

According to Article 8 of Series: V No: 34. the capital adequacy bases of the portfolio management companies, the minimum equity capital corresponding to the authorization certificates they hold, the risk provisions stated in the Communiqué Serial: V No: 34 and the last three months Operating expenses cannot be less than any of the items.

b. Procedures and disclosures about asset management activities

As of 31 December 2019, the Company manages 36 investments and 28 pension funds (31 December 2018 - 30 mutual funds, 25 pension funds) established under the provisions of the CMB Legislation and obtains fund management fees. Fund management fee income obtained from funds during the period ended 31 December 2019 is net TRY80,994,832 (31 December 2018: TRY62,927,228).

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